LinQ Resources Fund

December 2010 Quarterly Investment Update

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A word from your Manager

LinQ Capital Limited ABN 66 098 197258, your Manager of the LinQ Resources Fund ARSN 108 168 190 (the "Fund"), is pleased to present the following highlights for the December Quarter 2010.

Overview

LinQ Resources Fund is an actively managed mineral resources Fund which specialises in resources companies investment both in Australia and overseas. The strategy of the Fund is to invest equally in both passive and active assets in companies and projects at all stages of development - from exploration through to production. The focus is on a wide variety of mineral commodities, but in particular precious metals, base metals, bulk minerals and energy with portfolio exposure through a single listed vehicle. Investments are targeted predominantly in companies in the later stages of exploration and economic evaluation with near production and producing companies targeted for active investment.

Quarter highlights

- At the General Meeting on 8 November 2010 Unitholders overwhelmingly supported the management and board proposals to pursue an Enhanced Investment Strategy which will see the Fund complement the existing earning streams with direct revenue income.
- Under the recent Tender Withdrawal process, 55,566,392 Units in the Fund were cancelled following the General Meeting of 8 November 2010, thereby removing short term investors and stabilising our register.
- The Unit price increased significantly on last quarter, up 45% to close at $1.00 - substantially decreasing the discount to NTA ('net tangible assets') by 11%. The Fund's NTA backing per Unit also increased markedly (up 25% to $1.36).
- Equity markets generally improved over the quarter with major stock indices, both global and local (FTSE, DOW and ASX) increasing in value, although they in turn were outperformed by the resources indices (XMMAI and XSRAI).
- The Fund divested its holdings in some of its minor investment positions to rebalance its portfolio in keeping with the revised investment strategy and increased its holdings in some existing strategic positions.
- Major base metals (copper, nickel, zinc, lead) increased in value by between 7% and 21% quarter on quarter, whilst the price of gold continued its steady climb and was up in value by 8.5% over the same period.
- European sovereign debt risk continues to be of concern as the Euro zone turns to Germany for leadership and support while neighboring nations test the market with sovereign bond issues.
- In the USA, recent economic data indicate that the US economy may be gaining momentum.

LinQ Resources Fund – key market statistics

	31 Mar 2010	30 Jun 2010	30 Sep 2010	31 Dec 2010
Unit Price (LRF)	$0.65	$0.69	$0.69	$1.00
Net Tangible Assets (NTA)	$1.06	$1.04	$1.09	$1.36
Discount to NTA	39%	34%	37%	26%
Units on Issue[1] (millions)	170.6	174.0	175.1	117.6

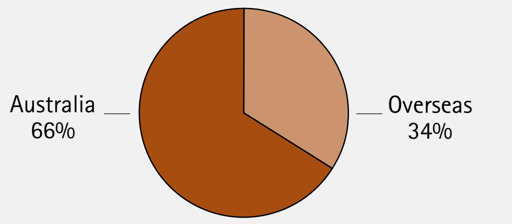
[1] Excludes LRF 2 units which are excluded on a consolidated basis

The Fund's Unit price performed very well quarter on quarter and climbed by $0.31 or 45%. Based on NTA, the Fund has continued to outperform the major global stock indices (DOW, FTSE), the Australian All Ordinaries, the S&P/ASX 300 Metal & Mining and the S&P/ASX Small Resources indices over the past year. The December quarter results also mark the second consecutive quarter on quarter increase in value for all of the aforementioned indices since the value decline experienced in the June quarter. The upward trend across indices is a sign of improvement in the sector and globally, however, current European sovereign debt issues will continue to impact stock markets and global growth.

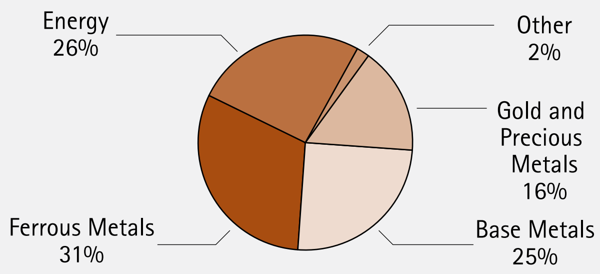
The Fund's performance during the quarter was primarily driven by increases in the value of its holdings in coal, iron ore and base metal stocks. Across the portfolio, gold holdings were generally flat in total – a slow down after stellar performance in the previous quarter. The large increases in value of the Fund's coal, iron ore and base metal stocks are partly attributable to rising commodity prices as illustrated in Figures 1, 2 & 3, but also due to the particular development stage of some of the companies.

The Fund's exposure by location, commodity, instrument and project stage as at 31 December 2010 is shown in the figures below.

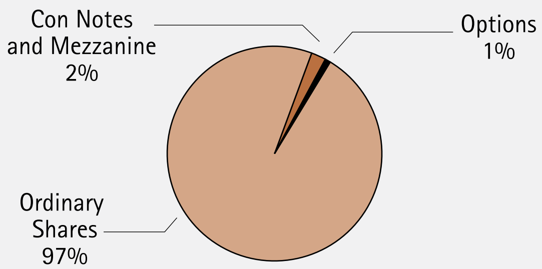
Geographical Exposure[1]



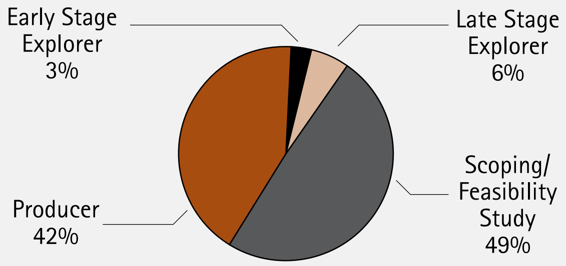
Exposure by Commodity



Exposure by Instrument[2]



Exposure by Project Stage



[1] Based on weighting of project location 50%, listing domicile 25% and management location 25%
[2] Excluding cash

LinQ Resources Fund – Top 5 investments as at 31 December 2010

Company	Key Project Domicile	Commodity Focus
Riversdale Mining Limited	Southern Africa & Mozambique	Coal
Atlas Iron Limited	Australia	Iron Ore
Ferrous Resources Limited	Brazil	Iron Ore
Newcrest Mining Limited	Australia, Indonesia, PNG & West Africa	Gold
Metminco Limited	Peru & Chile	Copper

RIVERSDALE MINING LIMITED

Riversdale is an anthracite coal producer in Southern Africa with a large coking coal project in Mozambique. The company's large land holding in Mozambique in the Moatize Basin has been identified as a world class coking coal belt. Significant events for the quarter are as follows:

- Riversdale was bid by Rio Tinto at $16 per share and Riversdale's Directors have unanimously now recommended its shareholders take the offer in the absence of a superior proposal valuing Riversdale at approximately $3.9 billion.
- The Fund has been invested in this stock for about 5 years. LinQ's understanding of the quality of Riversdale's coal deposits and potential growth of its coal inventory were the major factors behind the longer term hold of this investment.

ATLAS IRON LIMITED

Atlas is an iron ore producer in the Pilbara region of Western Australia currently exporting at an annualised rate of approximately 6 million tonnes and is targeting exports at an annualised rate of 12 million tonnes by the end of 2012. Significant events for the quarter are as follows:

- Atlas has entered into discussions with BHP Billiton Iron Ore concerning an integrated transport solution in Port Hedland. The companies have agreed to an independent feasibility study examining a multi-purpose ore car and truck dumping hub and the construction of a conveyor to bulk stockyards at Utah Point in Port Hedland; and
- On 21 December 2010, Atlas announced a recommended takeover offer for Giralia Resources NL valued at approximately $828 million that if successfully completed will create a merged group with a pro-forma market capitalisation of approximately $2.5 billion. This transaction is considered to be value-adding to Atlas as it provides significant infrastructure, expanded iron ore inventories and general tenement synergies to the merged group. Importantly, the group will have an inventory of some 600 Mt of DSO material which will add substantially to its mine life.

FERROUS RESOURCES LIMITED

Ferrous is a large unlisted Brazilian iron ore company, which has a number of projects located within the world class Iron Quadrangle region of Brazil. These projects have a current mineral resource of over 4.5 billion tonnes and an additional 1.9 billion to 2.6 billion tonnes in exploration potential, reported in accordance with JORC (2004) guidelines. Significant events for the quarter are as follows:

- The chemical laboratory of the Esperança Mine, located in Brumadinho (State of Minas Gerais), was granted ISO 9001:2008 certification at the end of October. Ferrous' chemical laboratory is currently capable of analysing up to 26 samples of iron ore per day; and
- The Members of the Mining Laws Commission of the Brazilian Bar Association - Minas Gerais section (OAB/MG) - visited the Esperança Mine, in Brumadinho to examine Ferrous' environmental recovery works. The initial response from the Commission's President was positive.

NEWCREST MINING LIMITED

Newcrest is a leading international gold company and one of the world's lowest cost gold producers. The company is Australia's largest gold producer and is now a global top 5 gold mining company. The Company is continuing to consolidate its operations in Australia, Papua New Guinea and Côte d'Ivoire since it acquired the assets of Lihir Gold Limited during the quarter. Significant events recorded for the quarter were as follows:

- Production targeted this year to be between 2.85 Moz and 2.95 Moz;
- Cash operating costs estimated at $440/oz;
- The Cadia East Project is being developed on schedule;
- Cote d'Ivoire operations were suspended as a cautionary move whilst the current political issues are resolved; and
- Hidden Valley Operations compensated various communities where there had been some contamination of the Watut River system in Papua New Guinea.

METMINCO LIMITED

Metminco, incorporated in Australia, is an ASX and AIM listed mining exploration company with a 100% holding in Hampton Mining Limited (Hampton). Hampton has exploration projects located in Chile and Peru, mainly focused on copper, with significant exposure to gold, molybdenum and zinc. The projects range from mine pre-feasibility, through advanced exploration to grassroots exploration. Significant events for the quarter are as follows:

- Successful placement of 150 million shares at $0.20/share, raising $30 million to accelerate exploration activities;
- Completion of the purchase of the remaining interest in unlisted Hampton, giving Metminco control over 100% of Hampton´s South American assets;
- The Board of Metminco appointed William Howe as Managing Director to the Company. Mr Howe is based in Santiago, Chile and is well known to LinQ; and
- Hampton commenced a 50,000 metre diamond drilling program at its Los Calatos copper-molybdenum project in southern Peru.

COMMENTARY

Copper was the stand out commodity during the quarter increasing in value by over 20% for the second consecutive time quarter on quarter with similar but lesser performance experienced from other base metals (Figure 1). The upward trend in copper prices and other base metal commodities may be reflective of expectations of continued economic growth in China and India and the resulting requirement for base metals, in particular copper.

Equity markets for the second consecutive quarter experienced positive growth. The FTSE 100 Index and the Dow Jones Industrial Average both rose over 6% quarter on quarter creating new highs since the lows experienced at the end of the March quarter of 2009. Locally, the All Ordinaries Index also improved in value by 4.5% quarter on quarter supported by strong performance in the resources sector.

Continued stress over sovereign debt positions in the European Union during the quarter is considered to be responsible for the continued rise in gold price (Figure 2) which increased by over 8% quarter on quarter. Statistics from the US show improved results from the manufacturing and servicing sectors and reduced unemployment during the quarter. These are encouraging signs that the US economy may be steadily moving in the right direction for a recovery to growth.

Figure 1: Base Metals - 6 Month Performance[1]
(GFMS, Base Metal Index)

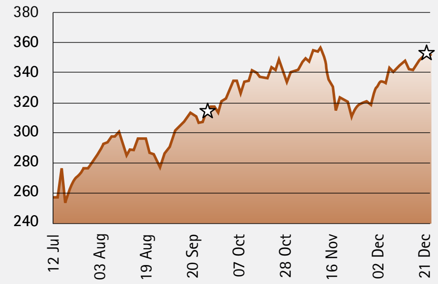


Figure 2: Gold - 6 Month Performance[1]
(USD per ounce)

Figure 3: Coal - 12 Month Performance[2]
(Dow Jones U.S. Coal Index)

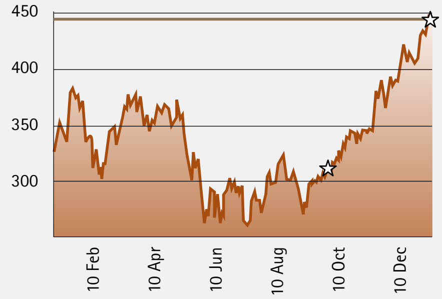
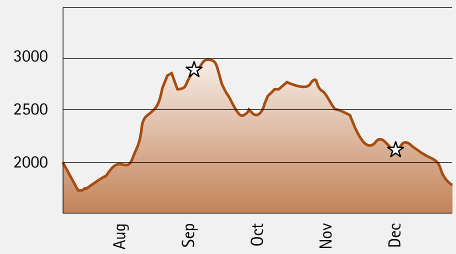


Figure 4: Baldry - 6 Month Performance[3]



[1] Source: Kitco.com
[2] Source: Advfn.com
[3] Source: Bloomberg

World economic growth is assumed to moderate to 3.7% in 2011, following an estimated rate of 4.6% in 2010 (ABARES). Emerging economies, particularly China and India, are still expected to continue to be the driving force behind world economic growth with concerns over the growth prospects for major OECD economies (ABARES). According to ABARES non-OECD Asia (excluding Japan and Korea) is estimated to record an average annual economic growth of 8% in 2011 - which is over twice that for the world's economic growth forecast.

Bloomberg news reported that major European banks have been seeking funds from the US corporate bond market with a sense of urgency ahead of sovereign debt ridden countries requiring some $1.1 trillion in finance this year. Locally, the Reserve Bank of Australia (RBA) raised interest rates by 25 basis points in November, which was the only change made for the quarter. The major banks followed with interest rate rises above the RBA's 25 basis point movement mooting reasons of tighter and more expensive offshore funding costs. The Commonwealth Bank of Australia also successfully placed its first ever retail bond offering ($500 million) in the history of the bank. In light of the aforementioned, there still appears to be significant pressure on the local and global banking sector.

During the quarter the Australian dollar traded at near parity to the US dollar - a significant uplift from the US$0.84 lows experienced last quarter. The decline of the US dollar may be attributable to the extensive quantitative easing by the Federal Reserve. In recent times the US dollar has depreciated by around 10% against other international floating currencies (ABARES).

Despite an appreciating Australian dollar against the US dollar, unit export returns for Australian mineral resources and metals and other minerals are forecast to rise by 21% and 23% respectively in the 2010-11 year, a minor reduction to the September forecast (ABARE-BRS). Export earnings from minerals and energy commodities are expected to have a value of approximately $177.4 billion in the 2010-11 year compared with $139.1 billion in 2009-10. In total, Australian commodity exports overall are expected to achieve a record $211.1 billion in 2010-11 (ABARES).

In summary the global economy appears to be trending in a positive direction with the Australian economy still resilient amongst other OECD countries - supported primarily by export revenues from the mining sector.

Outlook

Economic indicators and market conditions suggest that recovery from the global economic crisis will continue to be slow and we expect to continue to see a two speed environment with emerging economies leading the economic recovery. The current market continues to present opportunities and your Manager is positioning the Fund to best take advantage of these opportunities.

Pressure on the finance sector and the restrictive lending conditions from banks to mining enterprises is likely to continue for some time. The use of convertible notes and other similar structured financial instruments remains an excellent option for the Fund to mitigate risk whilst maintaining upside for the Fund. The active investment strategy adopted by the Fund will also provide a more sustainable and annuity based income stream in the Fund from project operations and royalties. The current market is providing significant deal flow and an excellent opportunity to identify and capitalise on undervalued resource assets and securities.

"PAPER FREE" invitation: Unitholders who wish to receive their quarterly update electronically may do so by contacting LinQ at info@linqresources.com and requesting to receive their copy of the quarterly to their nominated email address.

About the LinQ Resources Fund

LinQ Capital Limited (ABN 66 098 197258) is the Responsible Entity of the LinQ Resources Fund (ARSN 108 168 190). The LinQ Resources Fund is a registered managed investment scheme, which successfully completed an initial public offer and listed on the Australian Securities Exchange on 20 January 2005 (ASX code LRF). The Fund has become a public trading Trust for tax purposes. Further information about the LinQ Resources Fund can be found on the website www.linqresources.com or by contacting info@linqresources.com.