LinQ Resources Fund

March 2012 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 March Quarter 2012.

THE FUND

The LinQ Resources Fund is an actively managed Fund which specialises in mineral resource company investments both in Australia and overseas. The Fund invests passively and actively in companies and projects, primarily at the later stages of development. The focus is on a wide variety of mineral commodities, in particular precious metals, base metals, bulk minerals (mainly coal and iron ore) and energy.

THE QUARTER IN REVIEW

- With Europe seemingly taking hold of its fiscal consolidation plan prior to the recent elections in France and Greece and the US economy showing continued signs of economic recovery, some confidence returned to the equity markets during the quarter. Consequently, volatility was lower and equity markets performed more strongly. China's policy remains committed to sustainable long term growth and market observers are expecting stronger GDP growth rates in the coming years.
- Global equity markets improved with the DOW, FTSE and XAO increasing over the quarter by 8.1%, 3.5% and 7.5% respectively. Prices for bulk commodities were mixed, however, with iron ore prices up while coal prices softened over the same period. Base metal commodities strengthened over the quarter as did gold, which closed the quarter at USD1,671/oz. Overall, mining indices such as the XMMAI and XSRAI both closed the quarter higher by 4.2% and 8.9% respectively.
- LRF's Net Tangible Assets ('NTA') per unit marginally increased over the period, up to AUD1.10. The emergence of the Enhanced Investment Strategy is becoming clear in the Fund's strategic holdings where it is taking a more active investment approach and where the Fund invests through structured notes which provide direct earnings for the Fund and allow the Manager to capture investment upside when markets perform strongly through their optionality. Key portfolio companies have continued to record noteworthy progress, most notably:
  - Zambezi Resources Limited announced the successful closure of the recent rights issue including placement of the shortfall, raising just over AUD4 million. The transaction allows the Company to continue its prefeasibility work with the aim of further evaluating its Kangaluwi Copper Project. The announcement of results from the 2011 drilling program will hopefully increase the resource inventory, expected later this year;
  - Atlas Iron Limited's half year results confirm the Company's ongoing progress to grow current output from 6 Mtpa to 15 Mtpa by 2015 and 46 Mtpa by 2017. Atlas also announced the acquisition of the remaining 25% of the iron ore rights of Atlas' Mount Webber DSO project which it did not own, in line with the Company's focus on larger scale DSO projects; and
  - Millennium Minerals Limited announced the successful execution of its AUD16.6 million capital raising and the restructuring of its debt facilities to increase the Company's funding prior to production. In addition, Millennium announced the execution of a JV with Northwest Resources Limited for its Camel Creek Project. Your Manager completed a site visit to the Nullagine Gold Project, which remains on time and within budget with production scheduled for Q4 2012.

With the recent convertible note investment by the Fund in Zambezi Resources Limited, your Manager is progressing well with the implementation of the Enhanced Investment Strategy of seeking more direct revenue income into the Fund which will provide investors more visibility in the earnings streams. Given the general capital constraints of most traditional finance providers, your Manager is confident similar attractive transactions can be concluded in the foreseeable future to further cement the Fund's transition towards an optimised revenue mix of more direct income.

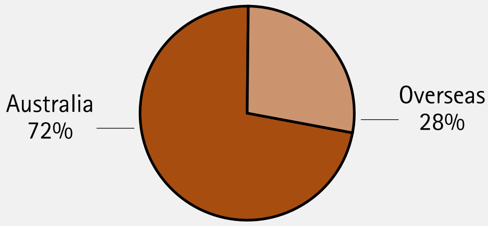
LinQ Resources Fund – key market statistics

	30 Jun 2011	30 Sep 2011	31 Dec 2011	31 Mar 2012
Unit Price (LRF)	$0.85[1]	$0.68	$0.68	$0.62
Net Tangible Assets (NTA)	$1.30	$1.17	$1.08	$1.10[2]
Units on Issue[3] (millions)	115.4	115.8	115.3	115.3

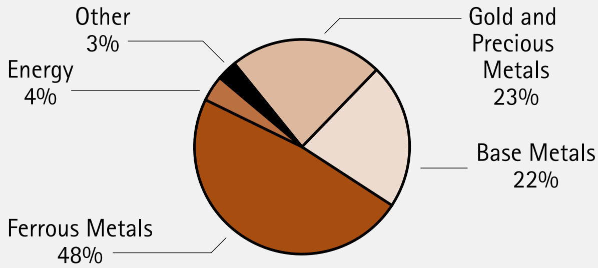
[1] Values rounded.
[2] Post tax basis (unaudited).
[3] Excludes LRF 2 units which are excluded on a consolidated basis.

The Fund's exposure by location, commodity, instrument, and project stage as at 31 March 2012 is shown in the figures below.

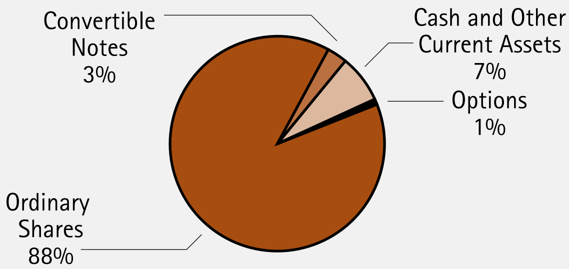
GEOGRAPHICAL EXPOSURE[1]



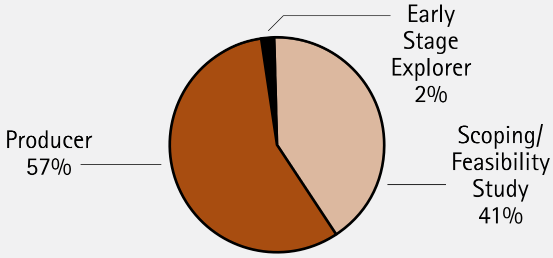
EXPOSURE BY COMMODITY



EXPOSURE BY INSTRUMENT[2]



EXPOSURE BY PROJECT STAGE



[1] Based on weighting of project location 50%, listing domicile 25% and management location 25%. [2] Numbers may not add to 100% due to rounding.

LinQ Resources Fund – Top Investments as at 31 March 2012

Company	Project Location	Commodity
Atlas Iron Limited	Australia	Iron Ore
Ferrous Resources Limited	Brazil	Iron Ore
Newcrest Mining Limited	Australia, Indonesia, PNG & West Africa	Gold / Copper
Millennium Minerals Limited	Australia	Gold
Zambezi Resources Limited	Zambia	Copper

ATLAS IRON LIMITED

Atlas is an iron ore producer in the Pilbara region of Western Australia currently exporting direct shipping ore (DSO) at an annualised rate of approximately 6 million tonnes and is targeting annual exports to be 12 million tonnes by the end of 2013. Significant Company events for the quarter are as follows:

- published half year results to 31 December 2011 recorded increased sales and operating cash flows. 12 Mtpa expansion remains on track for the end of FY 2013 and 15 Mtpa by 2015; and
- it announced the divestment of the remaining 25% of the iron ore rights of Mount Webber DSO project – in line with the Company's focus on larger scale DSO projects. Atlas was paid a consideration of AUD33 million of which AUD10 million was in cash and the remainder in Atlas shares.

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. Ferrous aims to produce 25 Mtpa iron ore by 2016, and expanding to 32 Mtpa thereafter. Significant events for the quarter are as follows:

- appointment of its new CEO, Jayme Nicolato Correa who previously worked at Vale as Director of the Carajas Mining, Railway and Port Systems. Mr. Correa's most recent position was with Vicenza Minerals and Petra Energia where he was CEO;
- the Company is continuing to build up its production base to some 4 Mtpa of saleable sinter feed this year ahead of the major project (24 Mtpa) development in 2016; and
- the Company continues to roll out its project development activities including a slurry pipeline to the port (has achieved 95% of landowner approvals), the port works themselves (the design of which is well advanced) and the rail loading facilities close to the Vega project site.

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 has consolidated its operations in Australia, Papua New Guinea and Côte d'Ivoire. The Fund acquired its Newcrest interest after its initial investment in Equigold NL which was subject to two subsequent gold company mergers. Key events over the quarter were as follows:

- announcement of the commencement of trading of the Company's shares on the Toronto Stock Exchange (TSX: NM);
- a resource statement for 31 December 2011 estimated Group Mineral Resources (including Ore Reserves and after adjusting for divestments of Mt Rawdon and Cracow) at 149.7 million ounces of gold (a net increase of 3.8 million ounces) and 20.04 million tonnes of copper (a net increase of 0.13 million tonnes);
- announced agreement on Heads of Terms with Frontier Resources Ltd regarding a proposed farm-in of Frontier's gold porphyry Mt Andewa exploration project in Papua New Guinea.

MILLENNIUM MINERALS LIMITED

Millennium is an emerging gold producer focused on the exploration and development of a large tenement portfolio in the East Pilbara region of Western Australia. The Company encompasses a large gold inventory of 1.1 million ounces in Nullagine and a secondary molybdenum project. Over the quarter the main developments included:

- a successful capital raising (subject to shareholder approval) of AUD16.6 million (approved by shareholders subsequent to quarter end) which will drive the Company's expansion study and provide working capital buffer until start of the operations;
- it completed its joint venture agreement with Northwest Resources Limited for its Camel Creek JV which will see both partners share the operational and administration costs on a 50:50 basis; and
- Millennium confirmed in its latest quarterly that construction progress was on time and within budget. Production is scheduled to commence in the last quarter of 2012 at a processing rate of 1.5 Mtpa.

ZAMBEZI RESOURCES LIMITED

Zambezi is a Zambian based mineral exploration company holding significant tenements in the lower Zambezi region south east of Lusaka. The Company's many activities are the exploration and development of copper, and exploration of gold, limestone and uranium resources. The most significant project to date is the 100% owned Kangaluwi Copper Project which has approximately 23 million tonnes grading 0.85% Cu of combined Indicated and Inferred JORC mineral resources. The Project was issued a 25 year Large Scale Mining License in February 2011. During the quarter the key developments included:

- completion of the rights issue and subsequent placing of shortfall raising AUD1.9 million and AUD2.2 million, respectively. The successful closure underscores strong interest from investors and market alike in the prospect of the Kangaluwi Copper Project; and
- latest assay results tend to confirm the continuity and tenor of the mineralisation observed at the Kangaluwi prospect.

Commentary

There was a general perception of economic recovery in the United States during the quarter. Improvement in the US labour market has seen a positive lift in consumer confidence, a key growth indicator for the overall US economy. Latest employment numbers for the US workforce is 8.3% as at February 2012, 0.7% down from the same period a year ago. And although monthly statistics for the US housing market continued to show mixed data, the general picture is one of slow improvement. Consumer confidence showed a marked improvement over the quarter with the Consumer Confidence Index increasing from 64.5 in December last year to 70.2 as at the end of the quarter under review. The US manufacturing index also rose to 53.4, up 0.3 over the quarter. Fourth quarter 2011 annualised GDP growth stood at 3%, compared to 1.8% rate at the end of the previous quarter.

Overall, global economic growth activity in general remains on track, with the latest estimates coming from the IMF forecasting a global economic growth rate of 3.3% for 2012. With advanced economies expected to achieve growth rates of 1.5% over 2012, emerging economies continue to spearhead global activity and expect to contribute 5.75% growth between them. Whilst Europe has seen some return of investor confidence, the fiscal consolidation process remains fragile and still has the potential to undermine a more measurable uplift in economic performance for the region. We can expect the next 12 to 18 months to remain volatile in Europe. Conversely, China continued its pursuit for sustainable long term growth, with government determined to manage inflationary pressures on domestic activity. China recently indicated 1Q GDP growth remained above the long term target at about 8.4%. Market observers expect this to slow to under 8.0% next year.

Global equity markets reflected regional economic conditions and sentiment. The 8.1% increase in the US blue chip equity index saw the Dow Jones outperform other key international markets including the FTSE (up 3.5%) and the XAO (up 7.5%).

Bulk commodity prices recorded a mixed quarter with iron ore continuing upwards whilst coal prices slipped. The DJ Iron Ore & Steel index was up 6.7% – assessed to be primarily restocking by both Japan (after its tsunami) and China versus a 13.5% drop in the value of the DJ US Coal index due to increased supply. Oil prices increased moderately with the WTI Oil index up 4.3% over the period. Overall base metals prices strengthened with copper prices outperforming other base metals and nickel showing a moderate retreat. Copper, zinc and lead prices were up 12.3%, 9.6% and 2.1% respectively, whilst nickel prices softened -4.7%. The Brent crude stood at USD125 a barrel at 31 March 2012 - up 15.7% compared to the previous quarter. The Baltic Dry Index (Baldry) fell by a massive 46% over the quarter with the index closing at 934 – principally because of a large oversupply in shipping capacity. Mining indices such as the XMMAI and XSRAI ended the quarter up 5.4% and 8.9% respectively.

Gold prices more than compensated for the drop in the previous quarter, increasing 6.7% to USD1,671/oz (Figure 2). With short term market conditions expected to remain uncertain and volatile, gold prices should remain at current price levels.

At home, the absence of change to the benchmark interest rate underlines the RBA's view of softening inflation levels resulting from more subdued domestic growth. In its latest publication, the RBA retains the view that inflation rates for 2012 will come down to the 2%-3% target range.

Increased commodity prices helped the Australian dollar appreciate over the USD during the quarter to USD1.034. However, continued positive news flow about the US economy should result in a reverse trend, albeit that this in itself could be counter balanced by a general increase in demand for commodities which would support current levels of the AUD.

Figure 1: Base Metals Index Performance: 6 Months to 31 March 2012 (GFMS)

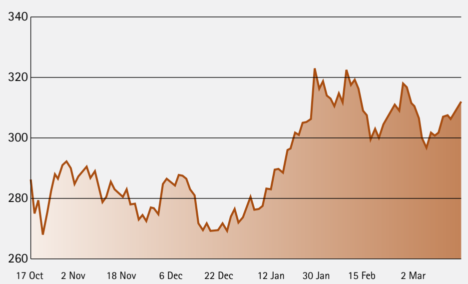


Figure 3: Coal Price Performance: DJ Coal Price Indices to 31 March 2012

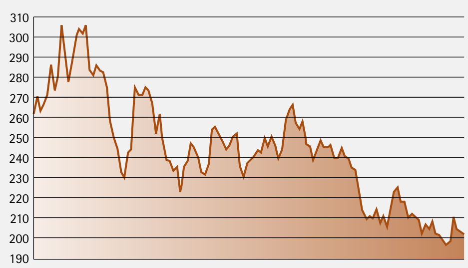


Figure 2: Gold Price Performance:
6 Months to 31 March 2012 (InfoMine)

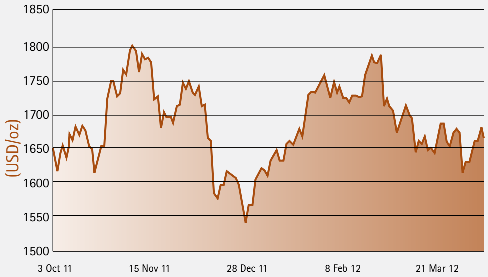
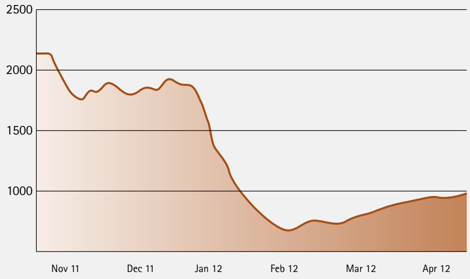


Figure 4: Baldry Price Performance:
6 Months to 31 March 2012 (Bloomberg)



Outlook

The outlook for emerging economies, led by countries such as China, India and Brazil remains robust with the impact of weaker export activity being balanced by domestic activity in the region. Asia is expected to have growth rates averaging 7.5% over 2012 and 2013. As the dominant player in the region, China's GDP forecasts equally remain robust with growth rates at 8.2% for 2012 but reducing to about 7.5% in 2013.

Europe however is widely expected to experience some form of recession as a consequence of reduced public spending in the region and subdued private consumption. That said, the region is expected to resume growth later in the year. As a whole, developed OECD economies are only expected to contribute moderately to the overall global activity and are anticipated to grow GDP at a modest 1.1% over 2012 before strengthening to 1.8% in 2013. Provided the US economic recovery retains its current pace of improvement, and that there are no major issues to emerge in the European and other markets, we could see upward potential for the developed OECD block over the next quarter. Market observers at present, forecast the global GPD to increase by about 3% during 2012.

More specifically, demand for bulk and base commodities generally is expected to continue growing supported by increased demand from emerging economies, even if periods of volatility at times soften the pace. Iron ore, metallurgical coal and thermal coal are also projected to increase due to world trade activity growing 7%, 10% and 4%, respectively during 2012. Prices are likely to soften as increased demand is likely to be compensated by higher commodity output although will remain at historically high levels. Consumption of key base metals like copper, nickel and zinc will equally see a pick- up for 2012 (up by an estimated 4%, 5% and 5% respectively), although price pressures may see some relief from increase in outputs, both from expansion of existing capacity and new projects. Overall commodity prices for base metals are likely to remain at current historically elevated levels. (Source: BREE)

Oil prices are also expected to remain at current levels, mainly as a result of strong demand from non-OECD countries but equally from temporary disruptions of supply. Average WTI oil prices are expected to increase by 9.7% during 2012 to USD113 per barrel.

The gold price is likely to gain some momentum as the underlying causes remain firmly in place; on-going uncertainty surrounding the European debt situation (recently heightened following the elections both in France and Greece); negative real interest rates in the US; and central bank purchases and inflationary pressures in emerging markets making gold an attractive hedge. Average gold prices are expected to increase 16% compared to average gold prices in 2011 to reach USD1,810 an ounce during 2012.

The outlook for Australia's export earnings from energy and minerals commodities looks relatively robust due to the underlying growth in demand for these resources with the anticipation of general price stability. Export revenues for energy and mineral commodities for the period 2011-2012 are expected to increase 8% to AUD199 billion. The main contributor for revenues from energy resources are the expected revenues from metallurgical coal (up 4% to AUD31 billion), whilst thermal coal revenues are expected to record the highest increase in revenues (up 28% to AUD17.8 billion). Iron ore remains the main component of the mineral resources export revenues (up 2% to AUD59.7 billion) while gold retains the lead in term of growth rate (up 33% to AUD17.3 billion).

The impact of the Europe's fiscal consolidation issues and the imminent introduction of more stringent Basel III capital adequacy ratios, has seen many of the traditional funding providers retreat to focus on internal balance sheet restructuring. Consequently, mining companies are actively seeking alternative sources of finance which your Fund is well positioned to provide. The current investment landscape provides the Manager with enhanced deal flow and an opportunity to structure more attractive transactions. Your Manager's ability to invest both through equity and debt offers the Fund a unique chance to seize attractive opportunities and accelerate the objective of generating more direct income streams for the Fund. (Source: BREE)

FUND INFORMATION

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: 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.

Continued robust activity in emerging markets supports the view of ongoing strength in demand for commodities. Although the developed economies are only expected to contribute moderately to overall global growth in economic activity, there is a broad based perception that the European region may see a mild recession as a consequence of reduced public spending in the region and subdued private consumption. That said, the region is expected to resume growth later in the year. The US economy on the other hand may spur the overall activity of developed markets.