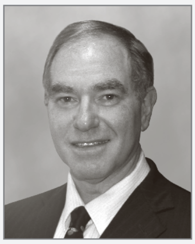
LinQ Resources Fund

December 2011 Quarterly Investment Update

LinQ Capital Limited
LinQ House, Level 1
17 Ord Street
West Perth WA 6005
Telephone: (08) 9488 8888
Facsimile: (08) 9481 0666
Email: info@linqresources.com
Website: www.linqresources.com

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 2011.

THE FUND

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

- Europe continued to be the focus for sensitivity in the equity markets with the announcement on 26 October of a debt restructuring agreement aimed at solving Greece's national debt problem, whilst the 9 December summit of European finance ministers culminated in an agreement on a new treaty proposal seeking further fiscal and budgetary integration among member countries to restore market confidence in the Eurozone.
- Although Eurozone economy concerns persist, US economic data shows signs of recovery. Prices for bulk commodities reversed the price drop from the previous quarter but base metals prices with the exception of copper (up 5.9%) softened. Stronger performances were recorded across most global equity markets (DOW, FTSE and XAO were up over the quarter by 12.0%, 8.7% and 1.0% respectively) mostly as a correction of possible investor overreaction in the previous quarter. In conjunction with improved investor sentiment, gold prices dropped by 3.4% but remain at record levels. Overall, commodity indices such as the XMMAI and XSRAI both closed the quarter lower, down 3.8% and 1.4% respectively.
- In line with commodity indices, LRF's Net Tangible Assets ('NTA') per unit softened over the period to $1.08 (unaudited). Since the onset of the New Year, market sentiment for commodities has regained some momentum with a marked uplift in valuations seen across the portfolio. LRF portfolio companies continue to record noteworthy progress, most notably:
  - Zambezi Resources Limited shareholders approved the provision by LinQ Resources Fund of up to an AUD10 million convertible note - convertible into either shares in Zambezi Resources Limited or into a 25% Joint Venture stake in the company's projects. The transaction endorses the Fund's strategic objective to create direct revenue streams into the Fund and enhance returns for unitholders by becoming an active lead investor in selective companies and projects;
  - Atlas Iron Limited successfully pursued its strategic focus on the Pilbara DSO business through the acquisition of the Corunna Downs DSO Project in the North Pilbara region and the divestment of its Balla Balla Magnetite Project;
  - Newcrest Mining Ltd announced the successful inaugurate bond placing in the US raising USD1 billion to refinance maturing debt and secure funding to support further growth activities; and
  - Millennium Minerals Limited bolstered its Ore Reserve inventory through a Joint Venture with Northwest Resources Limited. The quality of the project was underscored with the year-end Reserve update confirming a 31% Ore Reserve increase to 741,000 ounces contained gold.

Your Manager remains confident that the ability to invest in companies and projects through equity, convertible notes and structured investment alternatives will benefit the Fund as it allows the Manager to risk adjust the investment model given current global market volatility. This underlines the Manager's breadth of capabilities and expertise in the sector and differentiates LRF from a conventional equity fund offering.

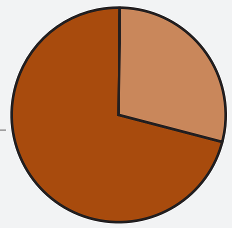
LinQ Resources Fund – key market statistics

	31 Mar 2011	30 Jun 2011	30 Sep 2011	31 Dec 2011
Unit Price (LRF)	$0.99	$0.85	$0.68	$0.68
Net Tangible Assets (NTA)[1]	$1.45	$1.29	$1.17	$1.08
Units on Issue[2] (millions)	115.8	115.4	115.8	115.3

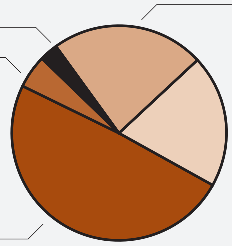
[1] Post tax basis (31 Dec 2011 unaudited).
[2] Excludes LRF 2 units which are excluded on a consolidated basis.

The Fund's exposure by location, commodity, instrument, and project stage as at 31 December 2011 is shown in the figures below.

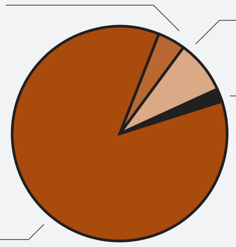
GEOGRAPHICAL EXPOSURE*



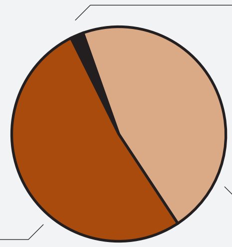
EXPOSURE BY COMMODITY



EXPOSURE BY INSTRUMENT



EXPOSURE BY PROJECT STAGE



* Based on weighting of project location 50%, listing domicile 25% and management location 25%.

LinQ Resources Fund – Top Investments as at 31 December 2011

Company	Project Location	Commodity
Atlas Iron Limited	Australia	Iron Ore
Ferrous Resources Limited	Brazil	Iron Ore
Millennium Minerals Limited	Australia	Gold
Newcrest Mining Limited	Australia, Indonesia, PNG & West Africa	Gold / Copper
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 exports at an annualised rate of 12 million tonnes by the end of 2013. Significant events for the quarter are as follows:

- completion by Atlas of its acquisition of FerrAus Limited since commencing compulsory acquisition for the remaining 2.27% shares not held by Atlas on 6 October;
- the acquisition of the Corunna Downs DSO Project in the North Pilbara from Gondwana Resources Limited (ASX: GDA) for a total consideration of AUD2.1 million in cash, payable in three tranches. The Corunna Downs DSO project fits with Atlas' strategy of focusing on the Pilbara DSO business; and
- on 16 December, Atlas announced it had entered into an agreement to sell its Balla Balla Magnetite Project to Forge Resources Limited (ASX: FRG) for AUD40 million payable in two stages and with Atlas retaining a royalty interest of 4% on revenues for the initial 5.5 Mt of contained Fe in magnetite concentrate sales and 200,000 tonnes of contained TiO_2 in ilmenite sales, dropping to 1% of revenues for the remaining 36 Mt tonnes of contained Fe and 1.2 Mt of contained TiO_2.

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 Bt and an additional 1.9 to 2.6 Bt in exploration potential, reported in accordance with JORC (2004) guidelines. Ferrous aims to produce 25 Mtpa iron ore by 2014, expanding to 62 Mtpa by 2016. Significant events for the quarter are as follows:

- the current CEO has resigned and the Ferrous board has yet to make a new appointment. In the interim both the CFO and COO jointly manage the Company's operations. It's anticipated that a company the size of Ferrous, with its high quality assets, will not have any problem in attracting a suitable candidate to take over the CEO position; and
- the Company continues to roll out its project development activities including a slurry pipeline to the port, the port works themselves and the rail loading facilities close to the Vega project site.

MILLENNIUM MINERALS LIMITED

Millennium Minerals 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 Moz in Nullagine. Over the quarter the main developments included:

- 31% increase in Ore Reserve inventory to 741,000 ounces of contained gold for the Nullagine Gold Project. The Mineral Resource estimate now stands at 34.68 Mt grading 1.19 g/t Au for 1,328,500 contained gold ounces. The Project development is scheduled to be completed in the last quarter of this calendar year. To date, the most significant milestones achieved include the advanced completion of a

140 man accommodation village with the kitchen complex fully operational as at 21 October, completion of plant site earthworks, 25% completion of plant site concrete works and upgrade access road works and 85% of equipment orders placed; and

- agreement of non-binding heads of terms to establish a 50:50 Joint Venture with Northwest Resources Limited under which ore from Northwest's Camel Creek Trend gold deposits will be mined and processed by Millennium for a total consideration of AUD1.25 million comprising AUD250,000 in cash and AUD1 million in Millennium ordinary shares. The arrangement is expected to bolster Millennium's Ore Reserve inventory through the addition of shallow, moderate grade oxide feed and is seen as a first in a series of deals contemplated as part of the Company's medium term regional consolidation strategy.

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 last quarter of 2010. The Fund acquired its Newcrest interest after its initial investment in Equigold NL was subject to two gold company mergers. Key events over the quarter were as follows:

- Newcrest successfully raised USD1 billion through an inaugurate bond placing in the US, allowing the Company to refinance some maturing unsecured indebtedness whilst securing funding for future growth activities. The bonds pay a coupon of 4.45% on 10-year maturing USD750 million Senior Unsecured Notes and 5.75% on USD250 million Senior Unsecured Notes maturing in 2041; and
- full annual gold production for the financial year 2011/12 gold has been set at 2.43 Moz to 2.55 Moz, whilst copper production over the period is set at 75,000 to 85,000 tonnes. Although copper production guidance is unchanged, the lowered gold production guidance is due to continuing production disruptions at Cadia Valley and Lihir, and lower feed grades and recoveries at Telfer. Expansion projects for Lihir and Cadia Valley remain on schedule and on budget.

ZAMBEZI RESOURCES LIMITED

Zambezi Resources is a Zambian based mineral exploration and development 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 Kangaluwi Copper Project which has approximately 23 Mt grading 0.85% Cu of combined Indicated and Inferred JORC Mineral Resources. The Kangaluwi Copper Project was issued a 25 year Large Scale Mining License in February this year. During the quarter the key development included approval by Zambezi Resources Limited shareholders on 23 December by adopting all necessary resolutions to effect a AUD14 million funding package comprising an AUD10 million convertible note facility from the LinQ Resources Fund and the conduct of a AUD4 million rights issue for existing Zambezi shareholders.

COMMENTARY

The past quarter witnessed the agreement by European ministers on a revised solution for Greece's debt issue and a framework for tighter fiscal and budgetary union among Eurozone member states. Whilst further negotiation regarding implementation of the agreements is required, investors nevertheless got a better sense of direction on how Europe intends to commence resolving its debt issues.

In addition, during the quarter, the US economy showed some signs of improvement with housing statistics, payroll data and consumer confidence all showing improvement over previous quarters. December saw the second consecutive monthly increase in consumer confidence with the Conference Board Consumer Confidence index rising 10 points to 64.5, its highest level in eight months. Consumers in the US are responsible for 70% of domestic GDP. The US manufacturing index equally rose at its fastest rate in six months underscoring an improvement in the real economy. Even the country's Achilles heel recorded a marked improvement with the US Census Bureau reporting higher housing starts and building permits throughout the quarter compared to the prior quarters of 2011. Third quarter GDP growth was revised upwards on 22 December to an annual growth rate of 1.8% compared to 1.3% in June.

On the whole, global economic growth activity remains dominated by demand from emerging markets (in particular China and India). Throughout 2011 in China we saw a slowdown in growth to more sustainable longer term levels. Mirroring developments in China, the wider ASEAN region saw moderation in growth rates which in turn eased inflationary pressures supporting domestic economic activity. China ended the quarter at an annualized GDP growth rate of 9.1% down from an earlier 9.3%.

These economic developments improved global equity markets sentiment with all major indices ending the quarter higher. The Dow Jones, FTSE and XAO ended the quarter at 12.0%, 8.7% and 1.0% respectively.

Market prices for bulk commodities recovered with the DJ Iron Ore & Steel index and DJ US Coal index up 26.2% and 3.7% respectively. Among base metals, copper prices were up by 5.9% whilst nickel, lead and zinc were down 0.1%, 3.9% and 4.0% respectively. Brent crude oil stood at USD108 at 31 December 2011 down 2.6% compared to the previous quarter. Although oil prices have softened over the quarter from recent peaks, prices are expected to remain firm in the near term due to increased activity from emerging markets which should counter-balance an anticipated short-term contraction in demand for oil from OECD countries. The Baltic Dry Index (Baldry) also softened by 15% over the quarter with the index closing the year at 1,899. Commodities indices such as the XMMAI and XSRAI were both lower by 3.8% and 1.4% respectively.

In line with less pronounced market volatility, gold lost some of its gloss ending the quarter 3.4% lower at USD1,567/oz (Figure 2). Nonetheless, with short term market conditions expected to remain uncertain and volatile, gold is expected to remain at elevated price levels.

Overall inflation levels in Australia have cooled off in the latter part of the year, primarily resulting from a recovery in the production of key crops (hence reducing shortages and thus lowering prices) that had been affected by severe weather conditions earlier in the year and a softening of labour market conditions. Although current inflation levels remain above target rates, the Reserve Bank of Australia (RBA) expects inflation rates for 2012 to fall in line with its 2% to 3% target inflation range. As a consequence, the RBA took the opportunity to lower its benchmark interest rate twice over the course of the quarter to 4.25%, down from 4.75% at the end of September 2011. This is expected to support domestic activity amid continued subdued credit growth conditions.

The Australian dollar ended the quarter higher at USD1.02 reflecting a strengthening in commodity prices, in particular bulk and energy commodities. A strengthening of the US economy in 2012 could see the US dollar regain some of its lost ground versus the home currency, although this could be offset by a general strengthening in demand for commodities if global growth accelerates and the European financial issues are contained within the region.

Figure 1: Base Metals Index Performance:
6 Months to 31December 2011 (GFMS)

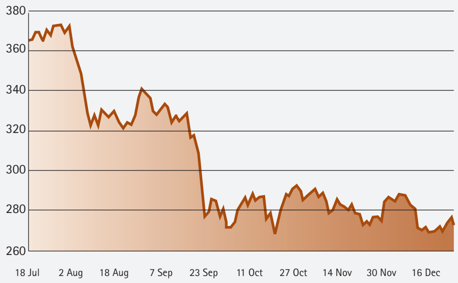


Figure 2: Gold Price Performance:
6 Months to 31 December 2011 (InfoMine)

Figure 3: Coal Price Performance:
DJ Coal Price Indices to 31 December 2011

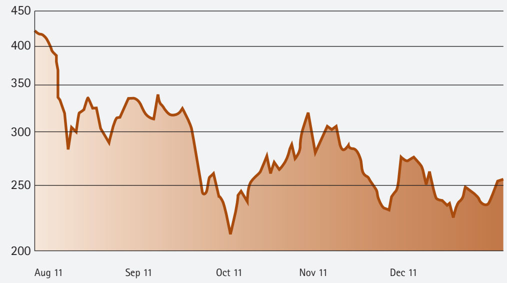
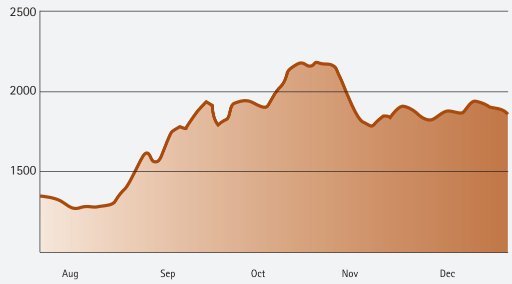


Figure 4: Baldry Price Performance:
6 Months to 31 December 2011 (Bloomberg)



Outlook

Global demand for commodities is expected to remain firm, driven largely by key emerging market economies of which China, India and Brazil are frontrunners. Estimates for China's GDP growth in 2012 is a healthy 9% whilst the wider ASEAN region is expected to record GDP growth rates of 5.5% (BREE). Developed OECD economies are expected to grow at an annual rate of 1.8% in 2012, up from 1.4% in 2011. Further optimism may come from a US economic recovery seemingly showing signs of strengthening with indications the housing market is bottoming out, labour market improving (early January 2012 unemployment rate was down to 8.5%) and overall consumer confidence improving. Down side risk remains in Europe, with some of the region's countries under severe fiscal stress and battling high unemployment as well as a weak domestic economy. Severe fallout in Europe may well trip the region into a recession which will impact global demand and create additional volatility in the equity markets. Nonetheless, economists and the IMF are forecasting 2012 global GDP to increase by about 3%, recently downgraded from about 4%.

The current global GDP outlook, however, does support a continued increase in demand for commodities. Although the bulk of the growth in demand results from emerging economies, the OECD markets are expected to marginally contribute over the next 12 months. Current high commodity price levels are therefore expected to remain which will incentivise the mining sector to boost output. BREE reports capital investment growth in Australia over the period 2010-2011 of 20% to AUD47 billion underlining the strong performance of the sector.

Similarly, oil prices are expected to go up driven by demand from emerging markets and a marginal improvement in demand from the OECD economies. With recent events in Northern Africa and the Middle East reducing spare capacity, average WTI oil prices are expected to increase by 5% to USD100 per barrel. Gold is expected to regain momentum, with prices expected to increase by 17% over 2012. The increase is related to ongoing low interest rates in the US and Europe, an anticipated increase in demand from emerging investment and consumption demand and a rebalancing of central banks assets.

Australian export earnings from energy and minerals commodities are forecast to increase by 15% to AUD206 billion for the period 2011-2012, reflecting expected increases in export values for both energy and minerals commodities of 19% to AUD83 billion and 12% to AUD123 billion respectively (BREE).

Growth in energy exports are driven by an anticipated growth in oil (up 21% to AUD14.2 billion) and coal (thermal coal up 34% to AUD18.8 billion and metallurgical coal up 13% to AUD33.6 billion) revenues. Mineral commodities will see export revenues grow from an expected increase in gold (up 45% to AUD18.9 billion) and iron ore (up 12% to AUD60.4 billion).

With the anticipated volatility in the global equity markets and reasonably firm commodity prices, the mining sector remains one of the few areas of global interest for investors. The Fund's current strategy of investing in direct revenue streams (through joint ventures etc.) and via convertible notes plus structured investments should enhance the Fund's returns for unitholders.

Your Manager continues to seek additional opportunities that can benefit the portfolio in the short term whilst contributing to the Manager's longer term pursuit for superior returns from active investments and an optimised revenue mix for the Fund. With traditional financing sources (bank debt) becoming more difficult to obtain by the minerals sector, the Fund is well positioned to exploit some of these opportunities.

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.