LinQ Resources Fund

June 2012 Quarterly Investment Update

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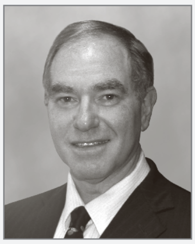
A word from your Manager



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 June 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

- Increased volatility during the quarter in global equity and debt capital markets was compounded by the ongoing Eurozone debt crisis (particularly relating to Greek, Ireland, Italy and Spain). These economic factors weighed heavily on equity markets in general, including the mineral resources sector with most metal commodity prices falling during the quarter.
- LRF's Net Tangible Assets ('NTA') per unit decreased over the period to $0.95. Through the continued strategic holdings of the Fund, unitholders will be provided with ongoing opportunities for both capital growth and income – the latter as a result of the higher proportion of debt and convertible note investments being entered into by the Fund which provide direct earnings for the Fund. These allow the Manager to capture investment upside when markets perform strongly through their optionality. Key portfolio companies have continued to record progress, most notably:
  - Zambezi Resources Limited announced an updated Kangaluwi Mineral Resource comprising 45Mt @ 0.67% Cu, representing a 50% increase over a 2010 Mineral Resource of 23Mt @ 0.85% Cu, both at a 0.3% Cu cut-off grade. The Mineral Resource estimate reported at 0.1% Cu cut-off now stands at 67Mt @ 0.52% Cu for an estimated 300,000 t of copper metal.
  - Atlas Iron Limited announced that environmental approval was obtained for the proposed additional pits at its Wodgina Mine and that development had commenced, including the Dragon and Constellation mining area. Final environmental approvals were received for the MT Dove Project with construction expected to commence in early July 2012 and preliminary construction activity had commenced at the Abydos project with first production expected in the June 2013 quarter which will result in Atlas' Pilbara production rate to reach 10Mtpa. Commencement of production at Mt Webber was expected by December 2013 starting at 2Mtpa and ramping up to 6Mtpa over time. With the addition of the Mt Webber project, Atlas' production rate is expected to climb to 12Mtpa.
  - Millennium Minerals Limited announced that the Project construction was on budget and schedule with commissioning expected during the 3rd quarter and commercial production during the 4th quarter, 2012. In addition, it announced that its Camel Creek JV Mineral Resources increased by 155% to 97,000 ounces contained gold.

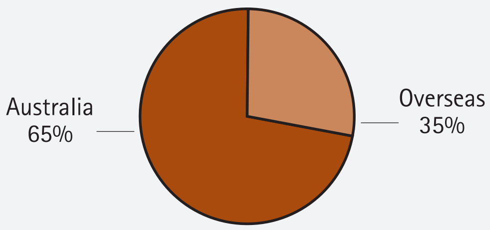
Performance - fund key market statistics

	30 Sep 2011	31 Dec 2011	31 Mar 2012	30 Jun 2012
Unit Price (LRF)[1]	$0.68	$0.68	$0.62	$0.49
Net Tangible Assets (NTA)	$1.17	$1.08	$1.10	$0.95[2]
Units on Issue[3] (millions)	115.8	115.3	115.3	115.3

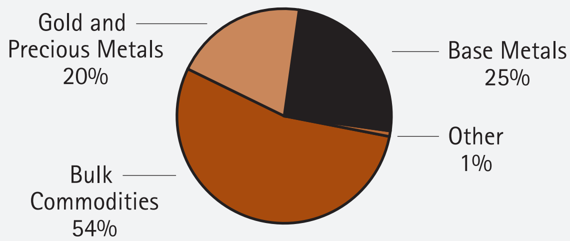
[1] Values rounded.
[2] Post tax basis (audited).
[3] Excludes LRF 2 units which are excluded on a consolidated basis.

The Fund's exposure by location, commodity, instrument, and project stage as at 30 June 2012 is shown in the figures below.

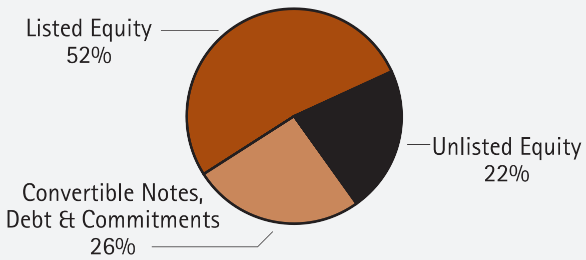
GEOGRAPHICAL EXPOSURE[1]



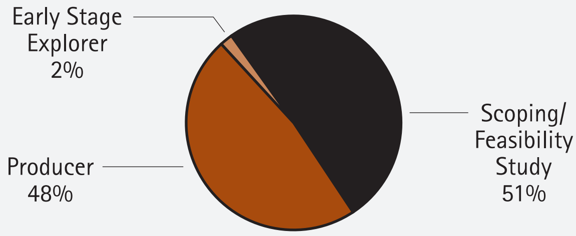
EXPOSURE BY COMMODITY



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 30 June 2012

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

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 JORC compliant mineral resource of over 5 billion tonnes grading 32.9% Fe. This material can be upgraded quite easily to over 62% Fe in a beneficiation plant. The company is aiming to grow its production profile to 5Mtpa of product over the next couple of years and be producing iron product at the rate of 10Mtpa by 2016 and then increase this to 17Mtpa by 2017.

Significant events for the quarter are as follows:

- the company intends to grow its production capacity organically and not raise further funding. This first stage production is estimated to cost some $1.2 billion (which excludes the slurry pipeline) and will have the effect of slowing down the company's output rate up to its final nameplate currently estimated at 42Mtpa;
- the company is continuing to obtain the necessary outstanding approvals (it has 99% of those required) for its pipeline to the coast (Presidente Kennedy port) from its operational base near Belo Horizonte, which will ultimately significantly lower its operating costs; and
- the company continues to roll out its project development activities including the port works themselves and the rail loading facilities close to the Vega project site. These rail facilities have already been expanded and Ferrous will within a couple of years have capacity for some 11Mtpa to be moved by rail to its various off-take parties.

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 ~6 million tonnes and is targeting annual exports to be 12 million tonnes by the end of 2013. Significant events for the quarter were as follows:

- Atlas announced that environmental approval was obtained for the proposed additional pits at its Wodgina Mine and that development had commenced, including the Dragon and Constellation mining area;
- final environmental approvals were received for the MT Dove Project with construction expected to commence in early July 2012;
- preliminary construction activity had commenced at the Abydos project with first production expected in the June 2013 quarter; and
- Atlas also announced that it was on target to commence production at Mt Webber by December 2013 starting at 2Mtpa and ramping up to 6Mtpa over time. With the addition of the Mt Webber project, Atlas' production rate is expected to grow to 12Mtpa.

NEWCREST MINING LIMITED

Newcrest is a leading international gold company and one of the worlds' 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 Lihir Gold Limited during the last quarter of 2010. The Fund acquired its interest in Newcrest, after the Fund's initial investment in Equigold NL was subject to two subsequent gold company mergers. Key events over the quarter were as follows:

- Newcrest Mining announced the execution of a Farm-in agreement with Frontier Resources Ltd regarding the Mt. Andewa exploration project in Papua New Guinea. The agreement will provide Newcrest the potential to earn a 60% interest in Andewa by sole funding AUD$19.25 million of exploration expenditure on the project by 31/12/2015 with a minimum spend of AUD$2.5 million after which Newcrest may elect to withdraw; and
- after Earn-in, Newcrest may acquire an additional 12% equity in the project prior to the "Decision to Mine".

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:

- project construction is on budget and schedule with commissioning expected during the 3rd Quarter and commercial production during the 4th Quarter, 2012;
- Camel Creek JV Mineral Resources increased by 155% to 97,000 ounces contained gold;
- final Beatons Creek RC drilling results received, with significant results including:
  - 8m at 4.53 g/t Au from 16m; and
  - 8m at 10.7 g/t Au from 56m; and
- on 31 May 2012, the Company executed a tenement purchase agreement for the purchase of granted mining lease M46/138 from Wakeford Holdings Pty Ltd.

ZAMBEZI RESOURCES LIMITED

Zambezi 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 include 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 45 million tonnes grading 0.67% 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:

- announced an updated Kangaluwi Mineral Resource (the "Resource") comprising 45Mt @ 0.67% Cu, representing a 50% increase over a 2010 Mineral Resource of 23Mt @ 0.85% Cu, both at a 0.3% Cu cut-off grade;
- the Mineral Resource estimate reported at 0.1% Cu cut-off now stands at 67Mt @ 0.52% Cu;
- the resource is estimated at 300,000 t of copper metal; and
- announced an 8,000m drill program planned for Q3 2012 to support a heap leach oxide scoping study. Preliminary metallurgical testwork shows high copper recoveries from oxide ore acid leaching.

Commentary

Whilst developed economies such as the USA and Europe remain under pressure from the need for fiscal reform and consolidation, governments on both sides of the Atlantic are actively contemplating new policies to promote economic growth. OECD countries as a whole are expected to grow at a more moderate pace of 1.4% over the period 2012-2013. In contrast, Australia's real GDP growth is expected to outperform the OECD average at 2.9% over the period 2012-2013, increasing to 3.8% next year. In general, Australia's economic activity is expected to continue to be supported by investment in the mining sector, driven primarily by expansion in iron ore and coal production capacity.

Accordingly, excluding aluminium, Australia's export volumes for all major minerals and energy commodities are forecast to increase. The largest increases in percentage terms, include LNG (21%), alumina (15%), metallurgical and thermal coal (both 13%), iron ore (10%) and copper (10%). The Australian mine production index, which is based on an index of 16 commodities is forecast to increase by 6% in 2012–13, relative to 2011–12, primarily due to a 7% increase in the output of energy commodities, particularly uranium and black coal.

Meanwhile, BREE forecasts China's continued economic growth will have a substantial impact on the demand for energy and mining products imported from Australia. Whilst growth has moderated since mid-2011, consumption and investment are expected to remain robust, largely as a result of the effect of tighter domestic policies employed to help ease inflationary pressures. China's growth is projected to be around 8% in 2012 and 2013. Commodity imports and consumption of more cyclical commodities—especially base metals, but also crude oil—have increased at a robust pace, in part due to prolonged domestic investment.

Significantly, BREE also forecasts global GDP to grow 3.25% for the rest of 2012, whilst returning to form in 2013 with a growth rate of 4%. Overall, global economic activity remains underpinned by stronger activity in emerging economies in both Asia and Latin America where increased domestic activity, both in terms of consumption and investment in manufacturing, has to a large extent offset the slowdown in export demand from developed economies. Inflationary pressures in non-OECD countries have led many governments to implement monetary tightening to dampen economic growth rates to more sustainable levels.

Global equity markets echoed the outlook with the US DOW Jones performing well (up 7.9% year-on-year) against an improved domestic economy whilst the UK FTSE was down 2.2%, reflecting a stagnant economy and downside risk from Europe. Confirming its status as safe haven asset class, the gold price remained above the USD$1500/oz during the period (Figure 2).

Figure 1: Base Metals Index Performance: 6 Months to 30 June 2012 (GFMS)

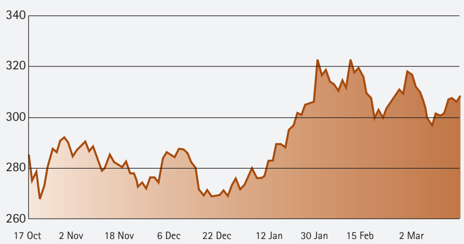


Figure 2: Gold Price Performance: 6 Months to 30 June 2012 (InfoMine)

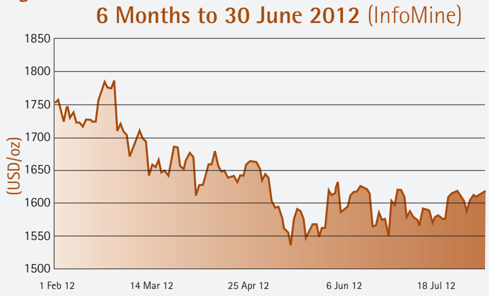
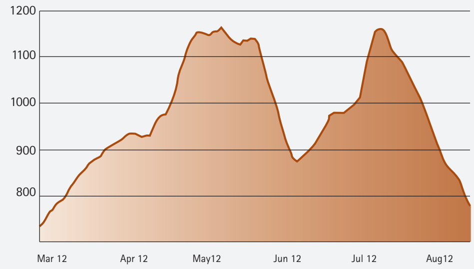


Figure 3: Coal Price Performance: DJ Coal Price Index - 6 months to 30 June 2012

Figure 4: Baldry Price Performance: 6 Months to 30 June 2012 (Bloomberg)



Outlook

Consumption for iron ore and metallurgical coal are expected to grow driven by the emerging economies, in particular China and India, where demand for steel related commodities will increase to support continued development of public infrastructure and manufacturing. Similarly, world seaborne trade of thermal coal is expected to increase by 4% in 2012 and 5% in 2013 to 871 million tonnes and 919 million tonnes, respectively.

Perceived improvements in political tensions in the Middle East, and a softening in the outlook for the global economy together with increased inventories in OECD countries, resulted in oil prices retreating from previous highs. Global consumption for oil remains on the up though, driven by the growth in demand from non-OECD countries. In addition, oil demand is expected to continue to increase as a result of increased consumption in Japan for oil-fired electricity, due to the country's temporary shutdown of most of its nuclear electric power generating capacity since the Fukushima disaster.

Consumption of the key base metals (including copper, alumina, nickel, zinc and lead) is expected to continue to grow in 2012, driven by higher import levels by the emerging markets, in particular China. This will likely offset lackluster demand from Europe. With production rates for most base metals likely to increase at moderately higher levels than global consumption, prices are expected to soften over the short term. However, an anticipated upswing in demand from 2013 onwards driven by renewed European growth should see prices edge higher.

Australia's export revenues from energy and mineral commodities are estimated to reach $209.5 billion for 2012-2013, an increase of 8% compared to the previous year. Revenues from energy are forecast to increase at a rate of 7% to $8.3 billion whilst revenues from mineral commodities are expected to grow 10% to $127.1 billion. These figures underline the anticipated continued growth in global consumption of energy and mineral resources. Key contributors for Australian growth in revenues from energy commodities are thermal coal (up 7% to $18.6 billion) and LNG (up 29% to $16 billion). Mineral export revenues will be driven by gold (up 27% to $19.7 billion), iron ore (up 7% to $67 billion) and copper (up 7% to $9 billion). Revenues from metallurgical coal are expected to decrease by 2% due to lower prices.

Recently the IMF confirmed its views on the role of countries with large current account surpluses in driving the global economic outlook. The agency predicts moderate growth in the US for 2012 (2%) and 2013 (2.25%) mainly as a result of an imminent process of fiscal consolidation which will see tax breaks expire after next year. The main risk however, remains the unresolved banking balance sheets situation in the Eurozone where governments are working hard to offset structural budgetary reforms with a need for coordinated action to spur economic activity.

Current stock market volatility is therefore expected to persist over the short term. Whilst these conditions underscore the need for focus on capital preservation, current market valuations can offer significant opportunities for the Fund to invest in substantially undervalued companies and projects. This has the potential to provide attractive returns for Unitholders when market conditions improve. Your Manager is capable of taking advantage of these short term market opportunities, whilst actively investing a larger portion of the Fund's capital in investment structures offering a higher degree of capital preservation such as convertible notes and similar debt related instruments. At present, the Fund has some 18% of the overall portfolio to such debt related investments. This will see the Fund's direct revenue streams from interest income increase significantly over the next financial year, whilst safeguarding the Fund's portfolio value from continued market volatility.

Although the pace of global economic growth has moderated in the second half of the financial year and commodity prices have come off earlier record highs, the outlook for demand in commodities remains strong. Emerging non-OECD economies are forecast to continue their growth trajectory, spurred on by growing domestic demand both from consumption as well as investment in public infrastructure and manufacturing. This growth is expected to more than compensate for any potential slowdown in demand for both bulk and base metal commodities from developed economies and in particular Europe.

FUND INFORMATION

LinQ Capital Limited (ABN 66 098 197 258) 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.