LinQ Resources Fund

June 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 June Quarter 2011.

OVERVIEW

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 in the later stages of development. Its focus is on a wide variety of mineral commodities, in particular precious metals, base metals, bulk minerals (mainly coal and iron ore) and energy.

QUARTER HIGHLIGHTS

- The Net Tangible Assets ('NTA') per Unit decreased over the quarter to $1.29, driven by lower commodity prices and generally a more negative sentiment in global equities. The possible impact of a Greek default left markets in limbo with LRF's Unit price ending the quarter on 30 June at $0.85 per Unit from $0.99 per Unit at the end of March 2011.
- The Fund realised its holding in Riversdale (which was acquired by Rio Tinto) over the quarter at $16.50 per share, resulting in a realised investment return of 846% underlining the Manager's ability to identify, hold and capitalise on investments. (the Fund has been an investor in Riversdale for over 5 years). The available funds from this transaction have been partially re-invested and earmarked for the continuation of the Fund's enhanced investment strategy as recently demonstrated by the Fund's lead participation in a $15 million funding arrangement for Zambezi Resources Limited (ZRL).
- The DOW and FTSE were up 0.7% and 0.6% respectively at 30 June compared to the previous quarter. With most commodity prices off their earlier peaks, commodity heavy indices trailed other benchmark indices. The XMMAI and XAO were down -6.2% and -5.4% respectively, whilst the XSRAI was down -15.6% over the period.

LinQ Resources Fund – key market statistics

	30 Sep 2010	31 Dec 2010	31 Mar 2011	30 Jun 2011
Unit Price (LRF)	$0.69	$1.00	$0.99	$0.85
Net Tangible Assets (NTA)	$1.09	$1.38	$1.45	$1.29
Units on Issue[1] (millions)	175.1	117.6	115.8	115.4

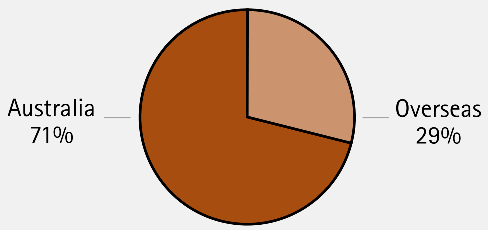
[1] Excludes LRF 2 units which are excluded on a consolidated basis.

After a volatile quarter, the major global equity indices such as the DOW and the FTSE ended the quarter flat, having recouped earlier losses driven by the Greek sovereign debt debacle. The DOW was up 0.7% over the period whilst the FTSE managed a mere 0.6%. With commodity prices coming off their earlier peaks, the mineral resources focussed indices suffered harsher treatment. The XAO was down -5.4% over the quarter, whilst the XMMAI and XSRAI saw their values come off -6.2% and -15.6% respectively. World markets sentiment affected the Fund's portfolio value, with the NTA for the quarter ending the period at $1.29 per Unit (down 11%). The Fund's exposure by location, commodity, instrument and project stage as at 30 June 2011 is illustrated in the figures overleaf.

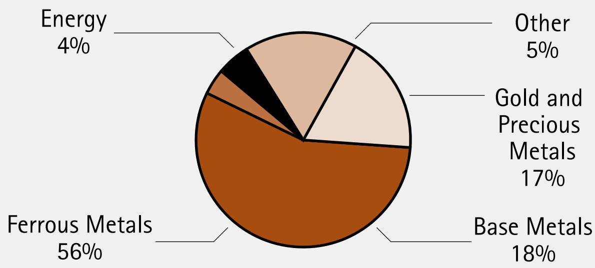
Fund information

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 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

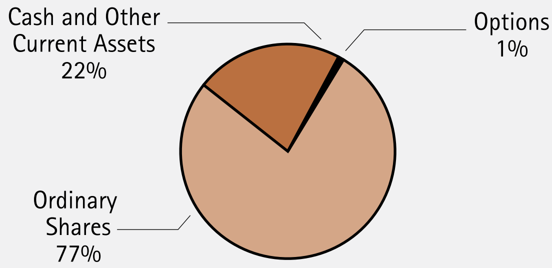
GEOGRAPHICAL EXPOSURE*



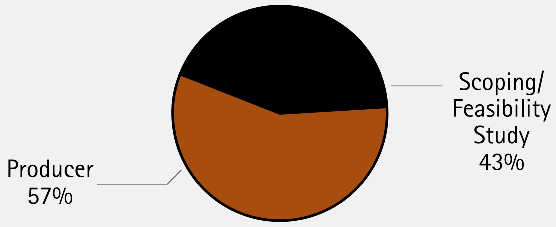
EXPOSURE BY COMMODITY



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 30 June 2011

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

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:

- the infrastructure agreement signed with Global Advanced Metals provides Atlas with long term use of the Wodgina mine infrastructure including the existing crushing and screening plant. Duration of the new agreement is for 6 years initially, with three extensions of 2 years each at Atlas' election. The agreement is pivotal in the company achieving its stated objective of increasing production at the Wodgina mine by 75% to 7 Mtpa; and
- Atlas announced the proposed acquisition of FerrAus. The recommended takeover by Atlas on the basis of 1 share in Atlas for each 4 shares in FerrAus represents a takeover premium of 34% over FerrAus' closing price on 24 June 2011. The combined entity will have 1 billion tonnes of DSO (Direct Shipping Ore) resources. The proposed transaction is expected to close in the third quarter of 2011.

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 Belo Horizonte. 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:

- announcement of the first international iron ore shipping containing 162.7 thousand tonnes of sinter feed leaving the Sepetiba Bay Port Company (CPBS), in Rio de Janeiro, on Sunday 10 April heading to Asia. Ferrous confirmed its ambition to export 25 million tonnes of iron ore (pellet feed) per year to international markets by 2014, and 62 million tonnes by 2016; and
- award of the Preliminary Licence (PL) for its 400 km slurry pipeline. The pipeline will connect its Viga mine in Congonhas, Minas Gerais, to its Port Terminal in Presidente Kennedy, Espírito Santo State. The pipeline is expected to transport 25 Mtpa of iron ore from 2014.

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:

- announcement of the acquisition of Barrick's 'buy back rights' in Metminco´s Los Calatos copper-molybdenum project in southern Peru in return for Metminco issuing to Barrick a total of 75 million fully paid ordinary shares in Metminco;
- the acquisition of 50% of SCM Ovalle giving Metminco 100% ownership over the Mollacas, Vallecillo and Loica projects for $35 million which was satisfied through a combination of a $10 million cash payment and the issuing of 70.25 million shares in Metminco to NM Ingenieros Limitada; and
- successful raising of $30.4 million through an institutional placing in predominantly Australia, Asia, Chile and the United Kingdom. The placement broadens Metminco's shareholder base and introduces a number of new 'cornerstone' investors.

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 five 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. Key events over the quarter were as follows:

- following recent presidential elections and a return to a more stable and secure political environment preparations were undertaken to recommence production at the Bonikro Mine in Côte D'Ivoire, anticipated to be effective end of June 2011. Suspension of operations have reduced production by approximately 8,000 ounces per month;
- a technical problem at Lihir's gold production plant in Papua New Guinea resulted in partial reduction of the processing plant. Together with minor production delays at other plants, annual gold output for the full year has been set at 2.7 million ounces. Forecasts for copper have been unaffected; and
- announcement of Newcrest's divestment of its interests in Cracow gold mine and exploration joint ventures and its 100% interest in the Mt Rawdon gold mine to a newly formed company from the merger of Catalpa Resources Limited (ASX:CAH) and Conquest Mining Limited (ASX:CQT) in return for a 38% shareholding in the merged entity. The transaction will allow Newcrest to focus on its larger and long life mines, projects and exploration whilst sharing in the prospects of the growth assets in the merged entity.

ZAMBEZI RESOURCES LIMITED

Zambezi Resources is a Zambia based minerals exploration company holding significant tenements in the lower Zambezi region south east of Lusaka. The company's many activities included exploration for copper, gold, limestone and uranium resources. Its most significant project to date is the Kangaluwi Copper Project (the Project) which has approximately 23 million tonnes of combined Indicated and Inferred JORC mineral resources. The Project was issued a 25 years Large Scale Mining License on 11 February 2011. During the quarter the key developments included:

- continued progress on environmental and social impact studies as part of preparation studies for a Bankable Feasibility Study of the Project;
- commencement of $3.5 million drilling program to convert the resources at Kangaluwi and Chisawa to Measured Resource category and conduct in-fill drilling at Kalulu prospect sufficient to produce a JORC compliant mineral resource; and
- recently announced funding package which may see the Fund become an active investor in the Project directly through an option to convert a $10 million financing note into a 25% JV participation in the Project.

COMMENTARY

With recent economic data indicating a slowdown of the global recovery and inflationary pressures forcing central banks to tighten their monetary policies, commodity prices have come off some of their recent record highs. Bulk commodities have been most affected by China's persistent high inflation rates and the anticipated decision to increase benchmark rates for the third time this year. China's monetary tightening may cause a short term softening of demand for these resources.

After previous strong price increases, bulk commodities prices cooled off over the quarter with the DJ US Coal and the DJ US Iron Ore & Steel indices down -15.5% and -7.9% respectively and WTI Oil off -10.6%. Among the base metals copper, lead and zinc were down -1.05%, -3.58% and -0.15% respectively, while nickel was down -11.33% reflecting a more narrow application of the mineral. The Brent crude stood at US$111.60 at 30 June 2011 down -4.7% from the previous quarter. Although prices have come off somewhat from recent record highs, longer term global demand for commodities in general is expected to remain relatively robust.

Although global equity markets started the quarter strongly, they were soon beleaguered by the developments of the Greek sovereign debt risks. Only a last minute agreement among European leaders and banks on the restructuring of Greece's debt saw the Dow Jones Industrial Average close 0.7% higher whilst the FTSE was up 0.6% at the end of the last quarter. Commodity indices performed less well as a result of the drop off in most commodity prices. The XMM and XSRAI indices were down -6.2% and -15.6% respectively. The XAO indices was equally more affected from reduced commodity prices ending the quarter -5.4% lower closing at 4,851.

Recent market data from the US suggest a slowdown in economic growth of the world's largest economy with little improvement of labour market conditions, a persistently weak housing market and public spending under pressure. These developments have all but supported the upward trend in gold prices with current price levels some 4.9% higher compared to the start to the quarter. In contrast, BRIC countries continue their strong economic growth trajectory driving the positive outlook for global economic activity.

As in previous quarters, gold (Figure 2) continues to be the main beneficiary of the ongoing turbulence caused by sovereign debt positions in the European Union. Gold prices ended the quarter at US$1503/oz, representing a 4.9% quarter-on-quarter increase. The anticipated continuation of sovereign debt risks is expected to keep gold prices at current levels.

Figure 1: Base Metals Index Performance:
6 Months to 30 June 2011 (GFMS)

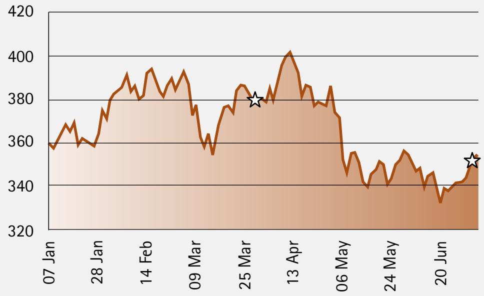


Figure 2: Gold Price Performance:
6 Months to 30 June 2011 (InfoMine)

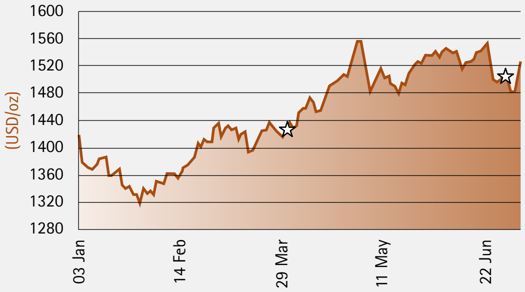


Figure 3: Coal Price Performance:
6 Months to 30 June 2011 (InfoMine)

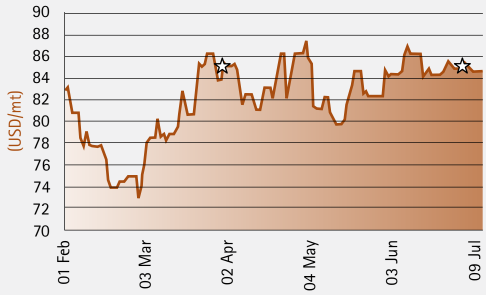
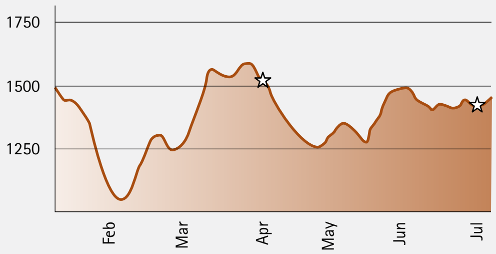


Figure 4: Baldry Price Performance:
6 Months to 30 June 2011 (Bloomberg)



Economic conditions in the main OECD markets remain challenging and are expected to dominate the remainder of the year. Emerging market activities, in particular those of China, India and Brazil, continue to drive global growth. As such, economists believe that global growth is assumed to grow by 4.1% in 2011, before improving modestly to 4.4% in 2012 (ABARES).

Ongoing inflationary pressures in non-OECD Asia and Europe have led to some Asian central banks and the ECB to further tighten their monetary policies. With prices for fruit and vegetables in Australia coming off their recent peaks earlier in the year, inflationary pressures are seeing some relief at home. Inflation levels are therefore expected to average around 3% both in 2010-2011 and 2011-2012. Consequently, the Reserve Bank of Australia (RBA) has kept interest rates unchanged for the seventh consecutive month reflecting the RBA's stable outlook.

Although the Australian Dollar has come off its peak against the US Dollar at the start of this quarter, it retained its strength due in part to high commodity-led export revenues but also as a result of a general weakening of the US Dollar against world currencies. The Australian Dollar has subsequently strengthened and is presently trading at $1.09/$1.10 against the US Dollar.

Despite a strong Australian Dollar, unit export returns for the Australian mineral resources and metals and other minerals are forecasted to rise by 7.4% and 5.3% respectively in the 2011-2012 year, whilst the forecasts for 2010-2011 have been upped from the previous forecast to 26.9% and 30.4% respectively (ABARES). Australia's export earnings from combined minerals and energy commodities have been revised upwards this quarter to $218.3 billion in 2011-2012 from $214.6 billion in the previous quarter whilst the 2010-2011 revenues forecast has been reduced from $185.6 billion to $182.0 billion. Total commodity export earnings for the country have equally been revised upwards in ABARES' latest forecast to a record $256.3 billion during the period 2011-2012, up from $251.3 billion forecasted in the previous quarter and compared to an estimated forecast of $217.8 billion for the current 2010-2011 period (ABARES).

In summary, recent economic data suggest global economic growth has slowed down during the quarter with the remainder of the year to continue growth at these more subdued levels. Nonetheless, the Australian economy is expected to continue its course, supported by continued increase in demand for commodities, even at lower price levels.

Outlook

With world equity markets under pressure in Europe and in the USA during most of the quarter, volatile conditions are expected to remain high in the near term. Nonetheless, global economic activity is expected to remain positive albeit at more modest growth rates. The immediate and longer term outlook for most commodities remains positive even if prices may come off some of their recent record levels.

In summary, the general outlook for the resources sector remains fundamentally unchanged with the anticipated increase in global demand for commodities, offsetting most of the potential price pressures and near term market volatility. We do however anticipate that the current events in the USA in particular could have a bearish sentiment on global equities in general which may impact commodity market pricing and demand factors.

Your Manager remains confident about the Fund's prospects to source and invest in attractive investment opportunities through both debt and equity to maintain its track record of providing solid investment returns to its unit holders over time.