

27 September 2012

The Manager  
Company Announcements Office  
Australian Securities Exchange  
Exchange Centre  
20 Bridge Street  
SYDNEY NSW 2000

Dear Sir/Madam,

**LinQ Resources Fund (ASX: LRF) – Takeover bid by IMC Resources Holdings Pte Ltd  
Target's Statement**

We attach, by way of service pursuant to section 633(1) item 14 of the *Corporations Act 2001* (Cth), a copy of the target's statement issued by LinQ Capital Limited, the responsible entity of the LinQ Resources Fund (**LRF**), in response to the off-market takeover bid by IMC Resources Holdings Pte Ltd (**IMC**) for all the units in LRF.

The Target's Statement was lodged with the Australian Securities & Investments Commission earlier today.

IMC's Bidder's Statement and the Target's Statement will be mailed to LRF unitholders from Wednesday, 3 October 2012.

Yours faithfully,



**Simon Durack**  
Company secretary

This is an important document and requires your immediate attention.  
If you are in any doubt about how to deal with this document, you should contact your broker, financial adviser or legal adviser immediately.

# LinQ Resources Fund

LinQ Capital Limited (ACN 098 197 258) as responsible entity  
of the LinQ Resources Fund (ARSN 108 168 190)

## Target's Statement

This Target's Statement has been issued in response to the off-market takeover bid made by IMC Resources Holdings Pte Ltd (a company incorporated in Singapore) for all of the units in the LinQ Resources Fund.

**Your Independent Directors unanimously recommend that you accept the Offer in the absence of a superior proposal.**



## **Important notices**

### **Nature of this document**

This document is a Target's Statement issued by LinQ Capital Limited (ACN 098 197 258) (**LinQ Capital**) as responsible entity of the LinQ Resources Fund (ARSN 108 168 190) (**LRF**), in relation to the off-market takeover bid for all of the LRF Units by IMC Resources Holdings Pte Ltd (a company incorporated in Singapore) (**IMC**).

A copy of this Target's Statement was lodged with ASIC and given to ASX on 27 September 2012. Neither ASIC nor ASX nor any of their respective officers take any responsibility for the content of this Target's Statement.

### **LRF Unitholder information**

LRF Unitholders can call the LRF Offer Information Line on 1300 551 627 (for calls made from within Australia) or +61 2 8280 7709 (for calls made from outside Australia) if they have any queries in relation to the Offer. Calls to the LRF Offer Information Line may be recorded.

Further information relating to the Offer can be obtained from LRF's website at <http://www.linqresources.com>.

### **Defined terms**

A number of defined terms are used in this Target's Statement. These terms are explained in section 7 of this Target's Statement. In addition, unless the contrary intention appears or the context requires otherwise, words and phrases used in this Target's Statement have the same meaning and interpretation as in the Corporations Act.

### **No account of personal circumstances**

This Target's Statement does not take into account your individual objectives, financial situation or particular needs. It does not contain personal advice. Your directors encourage you to seek independent financial and taxation advice before making a decision as to whether or not to accept the Offer.

### **Disclaimer as to forward looking statements**

Some of the statements appearing in this Target's Statement may be in the nature of forward looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industry in which LRF operates as well as general economic conditions, prevailing exchange rates and interest rates and conditions in the financial markets. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement. None of LRF, LRF's officers, employees and advisers, LinQ Capital, LinQ Capital's officers, employees and advisers, any persons named in this Target's Statement with their consent or any person involved in the preparation of this Target's Statement, makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, except to the extent required by law. You are cautioned not to place undue reliance on any forward looking statement. The forward looking statements in this Target's Statement reflect views held only as at the date of this Target's Statement.

### **Disclaimer as to information**

The information on IMC and the IMC Group contained in this Target's Statement has been prepared by LinQ Capital using publicly available information. The information in this Target's Statement concerning IMC and the IMC Group and the companies' assets and liabilities, financial position and performance, profits and losses and prospects, has

not been independently verified by LRF. Accordingly LinQ Capital does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of such information.

### **Foreign jurisdictions**

The release, publication or distribution of this Target's Statement in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations. This Target's Statement has been prepared in accordance with Australian law and the information contained in this Target's Statement may not be the same as that which would have been disclosed if this Target's Statement had been prepared in accordance with the laws and regulations outside Australia.

### **Maps and diagrams**

Any diagrams, charts, maps, graphs and tables appearing in this Target's Statement are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in diagrams, charts, maps, graphs and tables is based on information available at the date of this Target's Statement.

### **Privacy**

LinQ Capital has collected your information from the register of LRF Unitholders for the purpose of providing you with this Target's Statement. The type of information LinQ Capital has collected about you includes your name, contact details and information on your unitholding in LRF. Without this information, LinQ Capital would be hindered in its ability to issue this Target's Statement. The Corporations Act requires the name and address of unitholders to be held in a public register. Your information may be disclosed on a confidential basis to LinQ Capital's related bodies corporate and external service providers (such as the unitholder registry of LRF and print and mail service providers) and may be required to be disclosed to regulators such as ASIC. If you would like details of information about you held by LinQ Capital, please contact Computershare Investor Services Pty Limited (**Computershare**) at GPO Box D182, Perth, WA, 6840. LRF's privacy policy is available at <http://www.linqresources.com>. The registered address of LinQ Capital is Level 1, 17 Ord Street, West Perth, Western Australia.

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## Key dates

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Date of this Target's Statement	27 September 2012
Offer opens	3 October 2012
Close of the Offer Period	7.00pm (Sydney time) on 5 November 2012 (unless extended or withdrawn)

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Dear LRF Unitholder

On behalf of the Board, I am pleased to provide you with the LinQ Resources Fund (LRF) Target's Statement in response to the takeover offer from IMC Resources Holdings Pte Ltd (IMC) (Offer), for the acquisition of all the units in LRF it does not already own.

Under the Offer, LRF unit holders will receive \$0.70 cash for each LRF Unit, subject to the satisfaction of the conditions to the Offer.

The Board has considered the Offer and the Independent Directors unanimously recommend that LRF Unitholders accept the Offer in the absence of a superior proposal, for the reasons set out in this Target's Statement.

Each of the directors has advised that they intend to accept the Offer in respect of the LRF Units they hold or control within 10 business days from the Offer opening, in the absence of a superior proposal.

The Offer price of \$0.70 cash represents:

- a premium of 38.6% to the closing of price of LRF Units on ASX on 7 September 2012 (the last trading day before a trading halt was called in relation to LRF Units); and
- a premium of 39.2% to the volume weighted average price of LRF Units on ASX over the five trading days to and including 7 September 2012.

The Offer provides all LRF Unitholders with the opportunity to tender their entire holding in the fund for cash of \$0.70 per LRF Unit. The Independent Directors consider this to be particularly attractive given the prevailing challenging equity market conditions and valuations.

As you know, your Board has previously investigated a range of measures to assist in closing the gap between the market price of LRF Units and the underlying NTA of LRF. This resulted in a proposal to delist LRF, which was to be considered at a meeting of LRF Unitholders on 17 September 2012.

However, the Independent Directors of the Board consider that the IMC Offer is superior to the Delisting Proposal for the reasons set out in the "Key reasons to ACCEPT the Offer" section (particularly item 4). Consequently, the LRF Unitholder meeting has been adjourned to a date (to be advised) after the Offer closes.

IMC is part of the IMC Group, a privately owned, Singapore-headquartered organisation with business in various sectors including investments, industries and lifestyle/real estate.

The detailed terms and conditions of the Offer are contained in the enclosed Bidder's Statement, which has been prepared by IMC. Both the Bidder's Statement and Target's Statement are important documents, and I encourage you to review them carefully. If, having done so, you have any questions, please contact the LRF Offer Information Line on 1300 551 627 (for calls made from within Australia) or +61 2 8280 7709 (for calls made from outside Australia).

Your directors will continue to update LRF Unitholders on all developments as they occur in respect to the Offer.

Yours sincerely

**Bruno Camarri AM**  
Chairman

## Independent Directors' recommendation

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The Independent Directors of LinQ Capital are Bruno Camarri AM, Graham Fariss and Nicholas Lattimore.

After taking into account each of the matters in this Target's Statement and in the Bidder's Statement, each of your Independent Directors recommend that you ACCEPT the Offer in the absence of a superior proposal.

The reasons for your Independent Directors' recommendation to ACCEPT the Offer in the absence of a superior proposal are set out in the section of this Target's Statement entitled "Key Reasons to ACCEPT the Offer".

In considering whether to accept the Offer, your directors encourage you to:

- read the whole of this Target's Statement and the Bidder's Statement;
- have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances; and
- obtain financial advice from your broker or financial adviser on the Offer and obtain taxation advice on the effect of accepting the Offer.

## Non-independent directors

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LRF is managed by LinQ Management, which has been engaged by LinQ Capital under the Investment Management Agreement. Clive Donner, who is a director of LinQ Capital, is an executive of, and controls, LinQ Management. Richard Procter, who is also a director of LinQ Capital, is an executive of LinQ Management.

Due to their respective relationships with LinQ Management, each of Clive Donner and Richard Procter do not consider it appropriate for them to make, and they decline to make a recommendation as to whether LRF Unitholders should accept the Offer.

Further detail regarding the arrangements with LinQ Management is contained in section 6.3 of this Target's Statement.

## Intentions of your directors in relation to the Offer

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Each director of LRF who owns or controls LRF Units presently intends to accept the Offer in relation to those LRF Units within 10 business days from the Offer opening, in the absence of a superior proposal.

Details of the relevant interests of each LRF director in LRF Units are set out in section 6.2 of this Target's Statement.

# Key reasons to ACCEPT the Offer

The Independent Directors unanimously recommend that you ACCEPT the Offer in the absence of a superior proposal.

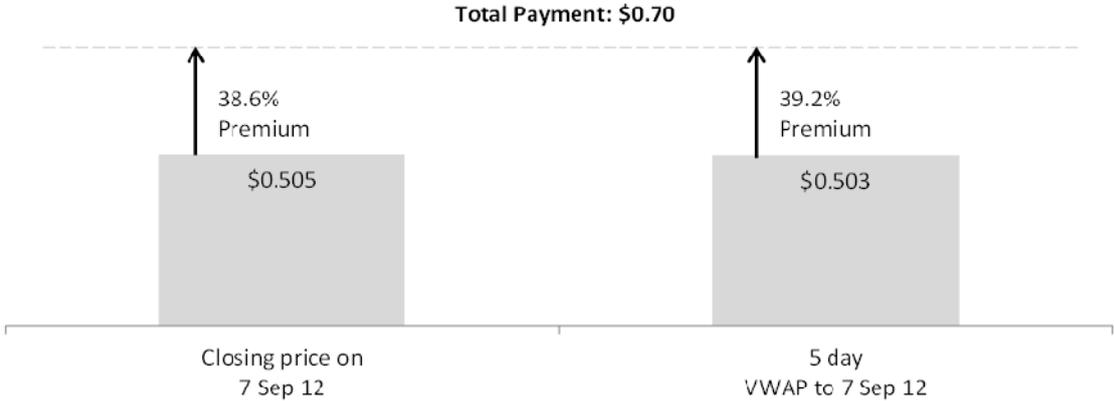
Key reasons why you should ACCEPT the Offer are discussed in detail below.

## 1. The Offer price represents an ATTRACTIVE PREMIUM to recent market price of LinQ Units

As shown in Chart 1 below, the Offer price of \$0.70 cash represents:

- a premium of 38.6% to the closing price of LRF Units on ASX on 7 September 2012 (the last trading day before a trading halt was called in relation to LRF Units); and
- a premium of 39.2% to the volume weighted average price of LRF Units on ASX over the five trading days to and including 7 September 2012.

**Chart 1. Offer Premium**



Source: IRESS. IRESS has not consented to the use of any trading data in this Target's Statement.

In the unanimous opinion of the Independent Directors, these premiums are attractive relative to those generally paid in control transactions for listed securities in Australia. This is particularly so given the fact that IMC already holds 17.48% of LRF Units on issue<sup>1</sup>.

<sup>1</sup> Excluding the Treasury Units (which are beneficially owned by LRF), IMC holds 27.68% of the LRF Units on issue. See section 6.9 for further information.

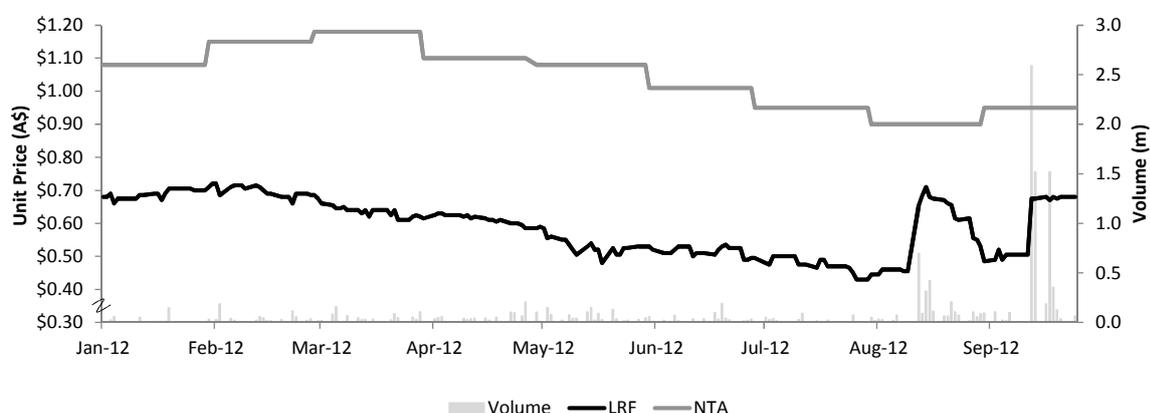
## 2. In the unanimous opinion of the Independent Directors, the DISCOUNT TO NTA IS REASONABLE

The Offer price represents a discount of 26.3% to the last stated monthly NTA (as at the date of this Target's Statement) of \$0.95 per LRF Unit.

Historically, the majority of listed investment companies (LIC) listed on the ASX trade at prices which are materially below their stated NTA.

As at 7 September 2012, the average discount of ASX-listed LICs with a market capitalisation of between \$50 million and \$250 million to reported NTA was 11.9%<sup>2</sup>. In recent times, LRF Units have traded at discounts materially greater than this, as shown in Chart 2 below.

**Chart 2. LRF Unit price and reported NTA since 1 January 2012**



Source: IRESS.

Since 1 January 2012 the average discount between the LRF Unit price and the reported NTA is 43.9%.

There may be a number of reasons why this discount has persisted, including the relatively small size of LRF, the nature of the investments of LRF (which include a high proportion of unlisted investments and listed investments in smaller companies which may have limited liquidity) and the general lack of liquidity in trading in LRF Units.

Having regard to the benefits of the Offer, including the premium to market, certainty of pricing and immediate liquidity event the Offer provides, the Independent Directors are unanimously of the opinion that the discount of the Offer price to the last stated monthly NTA (as at the date of this Target's Statement) of \$0.95 per LRF Unit is reasonable.

<sup>2</sup> Based on the closing prices of the ASX listed mid-cap (\$50m-\$250m) LICs on 7 September 2012. Reported NTA derived from ASX data as at 31 August 2012.

### **3. The Offer is UNANIMOUSLY RECOMMENDED by the Independent Directors (in the absence of a superior proposal)**

The Board has considered the Offer and the Independent Directors unanimously recommend that LRF Unitholders accept the Offer in the absence of a superior proposal, for the reasons set out in this Target's Statement.

Each of the directors has advised that they intend to accept the Offer in respect of the LRF Units they hold or control within 10 business days from the Offer opening, in the absence of a superior proposal.

### **4. In the unanimous opinion of the Independent Directors, the Offer is SUPERIOR to the Delisting Proposal**

The Board has previously investigated a range of measures to assist in closing the gap between the market price of LRF Units and the underlying NTA of LRF. This resulted in a proposal to delist LRF, which was to be considered at a meeting of LRF Unitholders on 17 September 2012 (now adjourned to a date after the close of the Offer).

The Independent Directors of the Board consider the Offer is superior to the Delisting Proposal for the following reasons:

#### **The Offer delivers certainty**

The Offer price of \$0.70 per LRF Unit provides a high degree of certainty of value and timing (subject to satisfaction of the conditions to the Offer). Specifically, IMC has agreed to shorten the normal period for payment of the consideration under the Offer from one month to the later of 7 days after the Offer becomes unconditional and 7 days after you accept the Offer.

#### **The Offer provides liquidity**

If the Offer does not become unconditional, and the Delisting Proposal proceeds in its place, the amount which LRF Unitholders will be able to realise for their investment in LRF Units will be less certain and will be realised over a longer period.

Under the Delisting Proposal, LRF Unitholders would have the opportunity to redeem units at NTA over time: initially up to 20% of total NTA shortly after approval of the delisting, and subsequent annual redemptions of up to 10% of total NTA. Accordingly, under the Delisting Proposal it would take several years for LRF Unitholders to realise value for their entire unitholding.

#### **The Offer eliminates market risk**

The amount which may be realised under the Delisting Proposal will be subject to the performance of the fund's underlying portfolio from time to time, general economic conditions and movements in the share market. Subject to satisfaction of the conditions to the Offer, the Offer eliminates these risks.

## **5. An ALTERNATIVE PROPOSAL IS UNLIKELY and none has emerged as at the date of this Target's Statement**

Since the announcement by LRF of the Offer on 13 September 2012, no alternative proposal has emerged.

Given the time that has elapsed since the announcement of the Offer, and the fact that IMC currently holds 17.48% of LRF Units on issue,<sup>3</sup> the Independent Directors believe that an alternative proposal is unlikely to emerge.

However, there remains the possibility that a third party may make an alternative proposal prior to the close of the Offer. The Independent Directors will notify LRF Unitholders if an alternative proposal is received.

## **6. In the absence of the Offer, the LRF Unit price may FALL**

The Offer price represents a significant premium to the last traded price of LRF Units on 7 September 2012, the last ASX trading day immediately prior to the announcement of the Offer and some 16 days after full details of the Delisting Proposal were released to the market.

Since the announcement of the Offer, the LRF Units have not traded on ASX above the Offer price.

The Independent Directors believe that in the absence of the Offer, the price of LRF Units on ASX may fall.

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<sup>3</sup> Refer to footnote 1.

## Reasons why you may consider not accepting the Offer

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Key reasons why you may consider not accepting the Offer are set out below:

### **1. You may disagree with your Independent Directors' recommendation**

You may hold a different view to your Independent Directors and consider that the Offer price of \$0.70 per LRF Unit is inadequate.

### **2. The tax consequences of the Offer may not be suitable to your financial position**

Acceptance and the subsequent implementation of the Offer may have tax consequences for you. A summary of the taxation implications of implementation of the Offer is set out in section 6 of the Bidder's Statement. The application of tax laws to LRF Unitholders will be dependent on particular facts and circumstances and accordingly, LRF Unitholders are encouraged to obtain independent taxation advice.

### **3. You may wish to participate in any potential upside that may result from remaining a LRF Unitholder**

You will cease to hold your LRF Units if you accept the Offer and the Offer becomes unconditional, or if you do not accept the Offer and IMC acquires 90% of LRF and proceeds to compulsory acquisition. Accordingly, you will not retain any exposure to LRF's assets or share in the value that could be generated by LRF in the future and you will not have the opportunity to receive future distributions from LRF.

### **4. You may consider that there is a potential for a superior proposal to be made in relation to LRF in the foreseeable future**

You may believe that there is a possibility that a superior proposal could emerge in the foreseeable future. Although it is possible that a superior proposal could emerge, it is considered unlikely and as of today, there is no superior proposal that is available to be accepted by LRF Unitholders.

### **5. You may wish to defer accepting the Offer**

LRF Unitholders who accept the Offer will lose the ability to deal with their LRF Units (including selling their LRF Units on market) and will not be able to accept a superior offer from another bidder if one eventuates (unless withdrawal rights are available or the Offer lapses and not all of the conditions are satisfied or waived).

### **6. The Offer may be subject to conditions that you consider unacceptable**

Completion of the Offer and receipt by LRF Unitholders of the consideration is subject to a number of conditions, which are set out in section 8.5 of the Bidder's Statement and summarised in section 4.2 of this Target's Statement. There is no certainty if and when these conditions will be satisfied.

# 1 Frequently asked questions

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This section answers some commonly asked questions about the Offer. It is not intended to address all relevant issues for LRF Unitholders. This section should be read together with all other parts of this Target's Statement.

Question	Answer
What is the Offer?	<p>IMC Resources Holdings Pte Ltd has made an offer of \$0.70 cash for each LRF Unit held by you.</p> <p>Details in relation to the Offer are set out in section 4 of this Target's Statement.</p>
Who is IMC Resources Holdings Pte Ltd?	<p>IMC is part of the IMC Group, a privately owned, Singapore-headquartered organisation with business interests in various sectors including investments, industries and lifestyle/real estate.</p> <p>IMC currently owns approximately 32 million units, representing 17.48% of the total LRF Units on issue (or 27.68% excluding the Treasury Units).</p> <p>Further details in relation to IMC are set out in the Bidder's Statement.</p>
What is the Bidder's Statement?	<p>The Bidder's Statement is the document setting out the terms of, and other information relating to, the Offer. LRF Unitholders will have received a copy of the Bidder's Statement with this Target's Statement.</p>
What is this Target's Statement?	<p>This Target's Statement has been prepared by LRF and provides LinQ Capital's response to the Offer, including the unanimous recommendation of your Independent Directors to accept the Offer in the absence of a superior proposal.</p>
What choices do I have as a LRF Unitholder?	<p>As a LRF Unitholder, you have the following choices in respect of your LRF Units:</p> <ul style="list-style-type: none"><li>• accept the Offer;</li><li>• sell your LRF Units on the ASX (unless you have previously accepted the Offer and you have not validly withdrawn your acceptance); or</li><li>• do nothing.</li></ul> <p>There are several implications in relation to each of the above choices. A summary of these implications is set out in section 2 of this Target's Statement.</p>

Question	Answer
What are the Independent Directors recommending?	<p>Each Independent Director recommends that you accept the Offer in the absence of a superior proposal.</p> <p>Each of Clive Donner and Richard Procter have abstained from making any recommendation as to whether LRF Unitholders should accept the Offer due to their role with LinQ Management.</p>
How do I accept the Offer?	<p>Details of how to accept the Offer are set out in section 3 of this Target's Statement and section 8.3 of the Bidder's Statement.</p>
What are the consequences of accepting the Offer now?	<p>If you accept the Offer, unless withdrawal rights are available (see below), you will give up your right to sell your LRF Units on the ASX or otherwise deal with your LRF Units while the Offer remains open.</p>
If I accept the Offer, can I withdraw my acceptance?	<p>You may withdraw your acceptance at any time until the FIRB Condition of the Offer has been fulfilled.</p> <p>Once the FIRB Condition is satisfied, you may only withdraw your acceptance if IMC varies the Offer in a way that postpones the time when IMC is required to satisfy its obligations by more than one month.</p> <p>See section 4.7 of this Target's Statement for further details.</p>
When does the Offer close?	<p>The Offer is presently scheduled to close at 7.00pm (Sydney time) on 5 November 2012, but the Offer Period can be extended in certain circumstances.</p> <p>See section 4.4 of this Target's Statement for details of the circumstances in which the Offer Period can be extended.</p>

Question	Answer
What are the conditions to the Offer?	<p>The Offer is subject to a number of conditions.</p> <p>The key conditions include:</p> <ul style="list-style-type: none"> <li>• a 90% minimum acceptance condition;</li> <li>• LinQ Capital 2 accepting the Offer in respect of the Treasury Units;</li> <li>• the S&amp;P/ASX 300 Resources Index not falling below 3504 for 3 consecutive trading days;</li> <li>• FIRB approval;</li> <li>• no adverse regulatory matters;</li> <li>• no material adverse change occurring;</li> <li>• no 'prescribed occurrences'; and</li> <li>• the NTA of LRF not falling below \$0.765 per LRF Unit.</li> </ul> <p>See section 4.2 for further information on the conditions of the Offer.</p>
What happens if the conditions of the Offer are not satisfied or waived?	<p>If the conditions are not satisfied or waived before the Offer closes, the Offer will lapse. You would then be free to deal with LRF Units even if you had accepted the Offer.</p>
How does this Offer affect the Delisting Proposal?	<p>The LRF Unitholder meeting to be held at 10.00am on 17 September 2012 has been adjourned to a time and place to be determined by the Chairman, pending the outcome of the Offer.</p> <p>The Delisting Proposal will only proceed if the Offer is unsuccessful and if the Delisting Proposal is approved by LRF Unitholders at a LRF Unitholders' meeting.</p>
How does this Offer differ from the Delisting Proposal?	<p>The Delisting Proposal, if approved, would have resulted in LRF being delisted from ASX.</p> <p>The meeting documentation for the Delisting Proposal also referred to the fact that LRF Unitholders would have the opportunity to redeem units equating to a value of up to 20% of the total NTA of LRF at NTA. Following the initial redemption offer there would be subsequent opportunities to participate in annual redemptions (commencing 9 December 2013) of up to 10% of the total NTA of LRF at NTA.</p> <p>In contrast, the Offer allows all LRF Unitholders to receive a certain cash amount now at a discount to NTA, for all of their LRF Units.</p>

Question	Answer
<p>What happens to the redemption offers that were part of the Delisting Proposal?</p>	<p>The initial and annual redemption offers referred to in the meeting documentation relating to the Delisting Proposal were conditional upon the Delisting Proposal being approved.</p> <p>The LRF Unitholder meeting to consider the Delisting Proposal has been adjourned to a time and place to be determined by the Chairman, pending the outcome of the Offer. Accordingly, there is no ability for LRF Unitholders to have their LRF Units redeemed through the redemption offers at this point.</p> <p>The date for electing to participate in the initial redemption offer has been extended to a date after the close of the Offer.</p> <p>LRF Unitholders that have already elected to participate in the initial redemption offer may still accept IMC's Offer.</p>
<p>What are IMC's intentions in relation to LRF?</p>	<p>IMC has made a cash offer for 100% of the LRF Units which it does not already own. The Offer is subject to a number of conditions which are summarised in section 4.2.</p> <p>Once IMC holds at least 50.1% of the LRF Units and the Offer becomes unconditional, a meeting of LRF Unitholders will be held to replace LinQ Capital as the responsible entity of LRF.</p> <p>Once IMC has received acceptances of 90%, it intends to proceed to compulsory acquisition. When all the LRF Units have been acquired pursuant to compulsory acquisition, LRF will be delisted from ASX.</p> <p>See section 4 of the Bidder's Statement for full details regarding IMC's intentions.</p>
<p>When will I be sent my consideration if I accept the Offer?</p>	<p>If you accept the Offer, you will have to wait for the Offer to become unconditional before you will be sent your consideration from IMC.</p> <p>You will be issued your consideration on or before the later of:</p> <ul style="list-style-type: none"> <li>• 7 days after the date the Offer becomes or is declared unconditional; and</li> <li>• 7 days after the date you accept the Offer if the Offer is, at the time of your acceptance, unconditional.</li> </ul> <p>See section 4.8 of this Target's Statement for further details on when you will be sent your consideration.</p>

**Question****Answer**

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What are the tax implications of accepting the Offer?

A general outline of the tax implications of accepting the Offer is set out in section 6 of the Bidder's Statement.

As the outline is a general outline only, LRF Unitholders are encouraged to seek their own specific professional advice as to the taxation implications applicable to their circumstances.

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Is there a number that I can call if I have further queries in relation to the Offer?

If you have any further queries in relation to the Offer, you can call the LRF Offer Information Line on 1300 551 627 (for calls made from inside Australia) or +61 2 8280 7709 (for calls made from outside Australia).

Calls to this number may be recorded.

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## 2 Your choices as a LRF Unitholder

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Your Independent Directors recommend that you accept the Offer in the absence of a superior proposal.

However, as a LRF Unitholder you have three choices currently available to you:

(a) **Accept the Offer**

LRF Unitholders may elect to accept the Offer to receive \$0.70 for each LRF Unit they hold.

Details of how to ACCEPT the Offer are set out in section 3 of this Target's Statement and section 8.3 of the Bidder's Statement.

If you accept the Offer, unless withdrawal rights are available, you will give up your right to sell your LRF Units on the ASX or otherwise deal with your LRF Units while the Offer remains open, including the acceptance of any Competing Proposal.

You may only withdraw your acceptance if:

- the condition that IMC obtain Foreign Investment Review Board approval to complete the Offer has not been fulfilled; or
- IMC varies the Offer in a way that postpones the time when IMC is required to satisfy its obligations by more than one month. This will occur if IMC extends the Offer Period by more than one month and the Offer is still subject to conditions.

LRF Unitholders who accept the Offer may be liable for CGT or income tax on the disposal of their LRF Units (see section 6 of the Bidder's Statement). However, they will not incur any brokerage charge.

(b) **Sell your Units on market**

If you have not already accepted the Offer, you can sell your LRF Units on market for cash.

On 26 September 2012, the LRF Unit price closed at \$0.675, a 3.57% discount to IMC's offer price of \$0.70 per LRF Unit. The latest price for LRF Units may be obtained from the ASX website [www.asx.com.au](http://www.asx.com.au).

LRF Unitholders who sell their LRF Units on market may be liable for CGT on the sale (see section 6 of the Bidder's Statement) and may incur a brokerage charge.

LRF Unitholders who wish to sell their LRF Units on market should contact their broker for information on how to effect that sale.

(c) **Do nothing**

LRF Unitholders who do not wish to accept the Offer or sell their LRF Units on market should do nothing.

LRF Unitholders should note that if IMC and its Associates have a relevant interest in at least 90% of the LRF Units during or at the end of the Offer Period, IMC will be entitled to compulsorily acquire the LRF Units that it does not already own (see section 6.10 of this Target's Statement for further details).

If your LRF Units are compulsorily acquired by IMC, that will be on the same terms as the Offer (including the same consideration for each LRF Unit acquired). You will, however, receive the consideration later than the LRF Unitholders who choose to accept the Offer during the Offer Period.

### 3 How to ACCEPT the Offer

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If you decide to accept the Offer, your acceptance must be received before the close of the Offer Period at 7.00pm (Sydney time) on 5 November 2012 unless the Offer Period is extended in accordance with the Corporations Act.

You should read this Target's Statement and the Bidder's Statement before making a decision on whether or not to accept the Offer.

Depending on the nature of your holding, you may accept the Offer in the following ways:

For Issuer Sponsored Holdings of LRF Units (Securityholder Reference Number beginning with 'I')	Complete the applicable Acceptance Form (included with the Bidder's Statement) in accordance with the instructions on it and return it in the reply paid envelope enclosed with the Bidder's Statement or to an address on the applicable Acceptance Form together with all other documents required by the instructions on the Acceptance Form.
For CHESS Holders of LRF Units (Holder Identification Number beginning with 'X')	Contact your Controlling Participant (usually your broker) in accordance with the sponsorship agreement between you and the Controlling Participant to initiate acceptance of the Offer in accordance with Rule 14.14 of the ASX Settlement Operating Rules, so as to be effective before the end of the Offer Period.  or  Complete the applicable Acceptance Form (included with the Bidder's Statement) in accordance with the instructions on it and return it in the reply paid envelope enclosed with the Bidder's Statement or to an address on the applicable Acceptance Form together with all other documents required by the instructions on the Acceptance Form. This will authorise IMC to initiate, or alternatively to instruct your Controlling Participant to initiate, acceptance of this Offer on your behalf in accordance with Rule 14.14 of the ASX Settlement Operating Rules before the end of the Offer Period. You must ensure that the Acceptance Form (and other required documents) are received in sufficient time for IMC to instruct your Controlling Participant, and for your Controlling Participant to carry out those instructions, before the end of the Offer Period.  or  If you are the Controlling Participant in respect of your LRF Units, to accept this Offer, you must yourself initiate acceptance of this Offer in accordance with Rule 14.14 of the ASX Settlement Operating Rules before the end of the Offer Period.

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## 4 Summary of the Offer

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### 4.1 Summary of the Offer

The consideration being offered by IMC is \$0.70 for each LRF Unit it does not already own.

IMC announced its intention to make a takeover bid for LRF on 13 September 2012. A copy of LinQ Capital's announcement is contained in Annexure A of the Bidder's Statement.

IMC's Offer is open for acceptance until 7.00pm (Sydney time) on 5 November 2012, unless it is extended or withdrawn (sections 4.4 and 4.5 of this Target's Statement describe the circumstances in which IMC can extend or withdraw its Offer).

### 4.2 Conditions of the Offer

The Offer is subject to a number of conditions. Those conditions are set out in full in section 8.5 of the Bidder's Statement.

By way of broad overview, the conditions to the Offer are:

- (a) **Minimum acceptance:** IMC and its Associates together have Relevant Interests in at least 90% (by number) of the LRF Units (disregarding any Relevant Interests that IMC has as a result of the operation of section 608(3)(a) of the Corporations Act);
- (b) **Treasury Units:** Within 3 weeks of the opening of the Offer, LinQ Capital 2 accepts the Offer in respect of the Treasury Units.
- (c) **Index:** The S&P/ASX 300 Resources Index does not close below 3504 for 3 consecutive trading days before the end of the Offer Period.
- (d) **Foreign Investment Review Board:** Before the end of the Offer Period, the Treasurer of the Commonwealth of Australia either:
  - (1) issues a notice stating that the Commonwealth Government does not object to IMC acquiring 100% of LRF Units under the Offer; or
  - (2) is precluded from making an order in respect of the entry into or completion by IMC of the Offer under the *Foreign Acquisitions and Takeovers Act 1975* (Cth).
- (e) **No action by government agency:** Before the end of the Offer Period:
  - (1) there is not in effect any preliminary or final decision, order or decree issued by a government agency;
  - (2) no action or investigation is instituted by any government agency; and
  - (3) no application is made to any government agency (other than by IMC), or action or investigation is announced, threatened or commenced by a government agency,in consequence of, or in connection with, the Offer, which:
  - (4) restrains, prohibits or impedes or otherwise materially adversely impacts upon, the making of the Offer or the rights of IMC in respect of the LRF Units to be acquired under the Offer; or
  - (5) requires the divesture by IMC of any LRF Units or the divesture of any assets of LRF.

- (f) **No material adverse change:** There is no event giving rise to a material adverse financial effect in relation to LRF which results in LRF being unable to operate as an investment fund or LinQ Capital being unable to operate as responsible entity.
- (g) **NTA:** Before the end of the Offer Period, the NTA per LRF Unit does not fall below \$0.765.
- (h) **No prescribed occurrences:** No event that is a 'prescribed occurrence' occurs, such as LRF resolving to be wound up.
- (i) **No amendments to LRF Constitution and LRF2 Trust Deed:** Before the end of the Offer Period, LRF does not amend the LRF Constitution and LRF2 does not amend the LRF2 Trust Deed.

As at the date of this Target's Statement, LRF is not aware of any act, omission, event or fact that would result in any of the conditions to the Offer being triggered.

### 4.3 Notice of Status of Conditions

Section 8.6 of the Bidder's Statement indicates that IMC will give a Notice of Status of Conditions to the ASX and LinQ Capital on 26 October 2012.

IMC is required to set out in its Notice of Status of Conditions:

- whether the Offer is free of any or all of the conditions;
- whether, so far as IMC knows, any of the conditions have been fulfilled; and
- IMC's voting power in LRF.

If the Offer Period is extended by a period before the time by which the Notice of Status of Conditions is to be given, the date for giving the Notice of Status of Conditions will be taken to be postponed for the same period. In the event of such an extension, IMC is required, as soon as practicable after the extension, to give a notice to the ASX and LRF that states the new date for the giving of the Notice of Status of Conditions.

If a condition is fulfilled (so that the Offer becomes free of that condition) during the bid period but before the date on which the Notice of Status of Conditions is required to be given, IMC must, as soon as practicable, give the ASX and LRF a notice that states that the particular condition has been fulfilled.

### 4.4 Extension of the Offer Period

IMC may extend the Offer Period at any time before giving the Notice of Status of Conditions (referred to in section 4.3 in this Target's Statement) while the Offer is subject to conditions. However, if the Offer is unconditional (that is, all the conditions are fulfilled or freed), IMC may extend the Offer Period at any time before the end of the Offer Period.

In addition, there will be an automatic extension of the Offer Period if, within the last 7 days of the Offer Period:

- IMC improves the consideration offered under the Offer; or
- IMC's voting power in LRF increases to more than 50%.

If either of these 2 events occurs, the Offer Period is automatically extended so that it ends 14 days after the relevant event occurs.

### 4.5 Withdrawal of Offer

IMC may not withdraw the Offer if you have already accepted it. Before you accept the Offer, IMC may withdraw the Offer with the written consent of ASIC and subject to the conditions (if any) specified in such consent.

#### **4.6 Effect of acceptance**

The effect of acceptance of the Offer is set out in section 8.4 of the Bidder's Statement. LRF Unitholders should read these provisions in full to understand the effect that acceptance will have on their ability to exercise the Rights attaching to their LRF Units and the representations and warranties which they give by accepting the Offer.

#### **4.7 Your ability to withdraw your acceptance**

You have limited rights to withdraw your acceptance of the Offer. You may only withdraw your acceptance of the Offer if:

- the condition that IMC obtain Foreign Investment Review Board approval has not, at the time of your purported withdrawal, been fulfilled; or
- IMC varies the Offer in a way that postpones, for more than one month, the time when IMC needs to meet its obligations under the Offer. This will occur if IMC extends the Offer Period by more than one month and the Offer is still subject to conditions.

#### **4.8 When you will receive your consideration if you accept the Offer**

IMC has agreed to pay the consideration under the Offer faster than the timeframes provided for under the Corporations Act.

You will be paid your consideration on or before the later of:

- 7 days after the date the Offer becomes or is declared unconditional; and
- 7 days after the date you accept the Offer if the Offer is, at the time of acceptance, unconditional.

Full details of when you will be issued your consideration are set out in section 8.7 of the Bidder's Statement.

#### **4.9 Effect of an improvement in consideration on unitholders who have already accepted the Offer**

If IMC improves the consideration offered under its takeover bid, all LRF Unitholders, whether or not they have accepted the Offer before that improvement in consideration, will be entitled to the benefit of that improved consideration.

#### **4.10 Consequences of IMC acquiring less than 90%**

IMC's Offer is presently subject to a 90% minimum acceptance condition which, if fulfilled (and all the other conditions are fulfilled or freed), will entitle it to compulsorily acquire all outstanding LRF Units. IMC has the right to free its Offer from the 90% minimum acceptance condition. IMC indicated in the Bidder's Statement that it has no current intention to waive the 90% minimum acceptance condition.

If IMC waives the 90% minimum acceptance condition and acquires more than 50% but less than 90% of the LRF Units then, assuming all other conditions to the Offer are satisfied or waived, IMC will acquire a majority unitholding in LRF.

In such circumstances, LRF Unitholders who do not accept the Offer will become minority unitholders in LRF. This has a number of possible implications, including:

- IMC will be in a position to cast the majority of votes at a general meeting of LRF. This will enable it to control the appointment of the responsible entity of LRF. Under the Bid Implementation Agreement, LinQ Capital has agreed to

retire as the responsible entity of LRF if the bid is unconditional and IMC acquires a Relevant Interest in LRF Units of at least 50.1%;

- the LRF Unit price may fall immediately following the end of the Offer Period and it is unlikely that LRF's Unit price will contain any takeover premium;
- even if LRF remains listed on the ASX, the market for LRF Units may be less liquid and less active;
- if the number of LRF Unitholders is less than that required by the ASX Listing Rules to maintain an ASX listing then IMC may seek to have LRF removed from the official list of the ASX. If this occurs, LRF Units will not be able to be bought or sold on the ASX;
- future LRF distribution policy under the management of IMC may vary, possibly significantly from current LRF distribution policy; and
- if IMC acquires 75% or more of the LRF Units it will be able to pass a special resolution of LRF. This will enable IMC to, among other things, change LRF's constitution.

Full details of IMC's intentions if it acquires less than 90% of the LRF Units are set out in section 4.3 of the Bidder's Statement.

#### **4.11 Consequences of IMC acquiring less than 50.1%**

If IMC increases its holding in LRF through the Offer but acquires less than 50.1% of the LRF Units, IMC will remain a minority LRF Unitholder. In such circumstances:

- IMC will not be able to control the appointment of the responsible entity of LRF;
- IMC will be able to exert a degree of control or influence on LRF commensurate with its unitholding. The level of control IMC will be able to exert at general meetings of LRF will also depend on the number of LRF Unitholders present;
- the LRF Unit price may fall immediately following the end of the Offer Period and it will be less likely that LRF's Unit price will contain any takeover premium; and
- the market for LRF Units may be less liquid.

Full details of IMC's intentions if it acquires less than 50.1% of the LRF Units are set out in section 4.4 of the Bidder's Statement.

## 5 Information about LRF and IMC

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### 5.1 Information on LRF

#### (a) Overview

LRF is a registered management investment scheme that specialises in investments in higher growth junior resources companies through both equity and debt instruments. LRF has been listed on the ASX since 20 January 2005.

The responsible entity of LRF is LinQ Capital. LRF has appointed LinQ Management under the Investment Management Agreement to manage LRF.

LRF's investment strategy is to identify small to medium sized resource companies in Australia and overseas with market capitalisations generally below \$3 billion and which have the potential for superior returns. This investment strategy is based on both passive and active investment types.

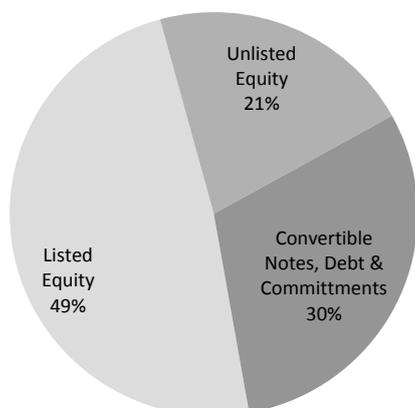
LRF invests in companies at all stages of development - from exploration through to production in a wide variety of mineral commodities, in particular (but not limited to) precious metals, base metals, bulk minerals (potash and iron ore) and energy (coal and uranium). Investments are typically held longer term. LRF utilises a variety of investment instruments which assist in risk mitigation, such as convertible notes and structured finance, whilst providing an income stream. LRF also holds investments in joint ventures, royalties and provides inventory financing.

As at 31 August 2012, the fund's investments are predominantly illiquid and more than 50% of the invested portfolio is held in unlisted shares and debt related structured investments. In addition, a further 61% of the listed shares held in the portfolio represent smaller companies with market capitalisations of less than \$150 million. The pie charts below reflect the demographics of the invested portfolio (including commitments and excluding cash).

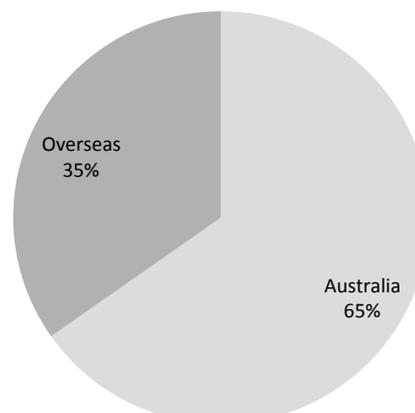
#### (b) LRF's investments

A summary of LRF's exposure by location, commodity, instrument, and project stage as at 31 August 2012 is set out below.

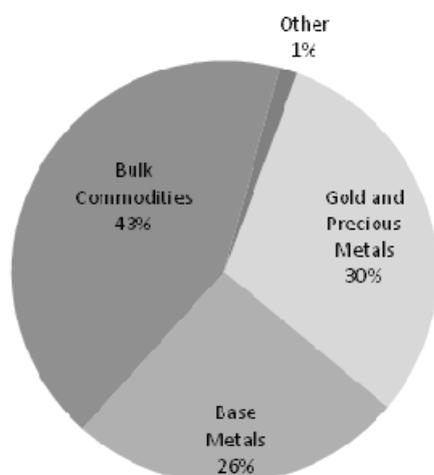
**Chart 3. Exposure by instrument**



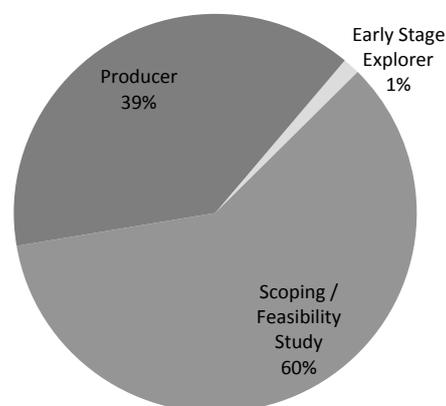
**Chart 4. Geographical exposure**



**Chart 5. Exposure by commodity**



**Chart 6. Exposure by project stage**



Note: Percentages based on value of investments in portfolio.

The top 5 investments of LRF (by value) at 31 August 2012 are:

- Millennium Minerals Ltd;
- Ferrous Resources Ltd;
- Termite Resources NL;
- Zambezi Resources Ltd; and
- Newcrest Mining Ltd.

## **5.2 Information on IMC**

IMC is a wholly owned subsidiary (via interposed entities) of IMC Pan Asia Alliance Corporation (**IMC Pan Asia**), a company incorporated and registered in the British Virgin Islands.

IMC Pan Asia is the ultimate holding company of the IMC group of companies (**IMC Group**). The IMC Group is privately owned with a diverse range of business interests worldwide. The IMC Group's key interests include investments, industries and lifestyle/real estate.

Currently headquartered in Singapore, the IMC Group also has offices in China, Thailand, Malaysia, Indonesia and Australia, as well as representative offices in Japan, Korea, Hong Kong, India and the Philippines.

IMC's Bidder's Statement indicates that IMC will have access to sufficient funds to enable it to fund the cash consideration payable under the Offer.

Further details in relation to IMC are set out in section 2 of the Bidder's Statement and further details in relation to IMC's funding arrangements are set out in section 5 of the Bidder's Statement.

## 6 Additional information

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### 6.1 Agreements relating to the Offer

On 12 September 2012, LinQ Capital and IMC entered into the Bid Implementation Agreement pursuant to which IMC proposed to make an off-market takeover bid for the LRF Units which it does not already own.

A copy of the Bid Implementation Agreement was lodged with ASX on 13 September 2012 and can be obtained from [www.asx.com.au](http://www.asx.com.au).

A summary of the key terms of the Bid Implementation Agreement is set out below. This is a summary only and is subject to the final terms of the Bid Implementation Agreement.

#### (a) Exclusivity

The Bid Implementation Agreement contains certain exclusivity arrangements. A summary of the exclusivity arrangements is set out below:

- (1) **No shop:** During the Exclusivity Period, LinQ Capital must not, and must ensure that each of its Representatives does not, solicit, invite, encourage or initiate any discussions in relation to the making of a Competing Proposal.
- (2) **No talk:** During the Exclusivity Period, LinQ Capital must not, and must ensure that each of its Representatives does not, participate in any discussions in relation to a proposal by a person to make a Competing Proposal or in any discussions that may lead to the receipt of a Competing Proposal (except where the Board has determined in good faith that the Competing Proposal is or is likely to be a superior proposal or that refusing to respond to such Competing Proposal would be likely to constitute a breach of the fiduciary duties owed by the Directors).
- (3) **Notification:** During the Exclusivity Period, LinQ Capital must immediately notify IMC if it receives notice of a Competing Proposal from any third party prior to the end of the Offer Period, including full details of the Competing Proposal.
- (4) **Recommendation of a Competing Proposal:** If LinQ Capital receives a Competing Proposal, LinQ Capital must:
  - not enter into an agreement in relation to the Competing Proposal with a third party; and
  - must use its best endeavours to procure that none of its Directors change their recommendation in favour of the Offer to recommend a Competing Proposal,

unless LinQ Capital has given 5 business days notice of the proposed action to IMC with all material terms of the Competing Proposal. During the 5 business days notice, IMC has the right to offer a matching or superior proposal to LinQ Capital.

#### (b) Break fee

- (1) Payment of break fee by LRF

Under the Bid Implementation Agreement, LRF will be obliged to pay IMC a break fee of \$800,000 if:

- during the Exclusivity Period, any of the Independent Directors ceases to recommend the Offer, except in circumstances where a superior proposal emerges;
- during the Exclusivity Period, the Board or any Director recommends that LRF Unitholders accept, vote in favour or otherwise support a Competing Proposal;
- a Competing Proposal of any kind is announced during the Exclusivity Period and within 6 months from the date of such announcement, the third party, or any Associate of that third party:
  - completes a Competing Proposal (excluding directly or indirectly acquiring an interest of more than 20% of LRF Units); or
  - acquires a Relevant Interest in more than 50% of the LRF Units;
- LinQ Capital or any of its Directors does anything which results in any of the conditions of the Offer being breached or becoming incapable of being fulfilled and IMC declares the Offer free of the breached conditions; or
- during the Exclusivity Period, there is a material breach of the Bid Implementation Agreement by LinQ Capital and that breach is not remedied within 10 Business Days after IMC gives LinQ Capital written notice.

(2) Payment of break fee by IMC

IMC is obliged to pay LinQ Capital a break fee of \$800,000 if there is a material breach of the Bid Implementation Agreement by IMC and that breach is not remedied within 10 Business Days after LinQ Capital gives IMC written notice.

(c) **Retirement of LinQ Capital**

At any time after the earlier of the following occurs:

- if the Offer is unconditional, IMC acquires a Relevant Interest in at least 50.1% of the LRF Units; or
- if IMC acquires a Relevant Interest in at least 50.1% of the LRF Units before the Offer becomes unconditional, the Offer becomes unconditional,

LinQ Capital must call a meeting of unitholders to vote on a resolution to appoint a nominee of IMC as the replacement responsible entity. On the date the resolution approving the retirement of LinQ Capital as responsible entity of LRF is passed, the Investment Management Agreement with LinQ Management will be terminated and LinQ Capital will pay LinQ Management the Termination Payment out of LRF. See section 6.3 below for further information regarding these arrangements.

## 6.2 Directors of LinQ Capital

As at the date of this Target's Statement, the directors of LinQ Capital are:

Name	Position
Bruno Camarri AM	Non-executive Chairman
Clive Donner	CEO, Managing Director

Name	Position
Graham Fariss	Non-executive Director
Nicholas Lattimore	Non-executive Director
Richard Procter	Executive Director

### 6.3 Termination of the Investment Management Agreement

Under the Constitution, LinQ Capital is entitled to the management fee and a performance fee for managing the fund. LinQ Capital engaged LinQ Management to manage the LRF pursuant to the Investment Management Agreement, as LinQ Capital is entitled to do under the constitution.

As noted in section 6.1(c) above, if:

- the Offer is unconditional, IMC acquires a Relevant Interest in at least 50.1% of the LRF Units; or
- if IMC acquires a Relevant Interest in at least 50.1% of the LRF Units before the Offer becomes unconditional, the Offer becomes unconditional,

LinQ Capital must call a meeting of LRF Unitholders to vote on a resolution to appoint a nominee of IMC as the replacement responsible entity.

On the date the resolution approving the retirement of LinQ Capital as responsible entity of LRF is passed, LinQ Management shall be paid out of LRF, \$4,500,000 (plus any applicable GST) less:

- any fees, amounts or other entitlements paid or payable (in each case excluding any applicable GST) directly or indirectly out of LRF or LRF2 to any member of the LinQ Group between the date of the BIA and the date the termination payment is made,

but not less:

- any amounts for which LinQ Capital is entitled to be reimbursed in accordance with Part 3 of Schedule 5 of the LRF Constitution (being the responsible entity's cost reimbursement provisions) and which amounts are not paid to and retained by a member of the LinQ Group for their own benefit,

(the **Termination Payment**).

The Termination Payment is therefore, effectively the amount of \$4.5 million less any fees received by LinQ Management under the Investment Management Agreement between the date of the Bid Implementation Agreement and the date of the Termination Payment being made.

The Termination Payment is designed to compensate LinQ Management for the early termination of the Investment Management Agreement and consequent loss of contracted management fees, potential performance fees and likely extensions of the term of the Investment Management Agreement. LinQ Management and its Related Bodies Corporate will release LinQ Capital from all claims under the Investment

Management Agreement and any other arrangements and LinQ Capital will provide an equivalent release to LinQ Management and its Related Bodies Corporate.

LinQ Management is controlled by Clive Donner, a director of LinQ Capital. Mr Donner is also an executive of LinQ Management. Richard Procter, a director of LinQ Capital is an executive of LinQ Management. Due to their respective relationships with LinQ Management, each of Clive Donner and Richard Procter do not consider it appropriate for them to make, and they decline to make, a recommendation as to whether LRF Unitholders should accept the Offer.

## **6.4 Interests and dealings in LRF securities**

### **(a) Interests in LRF Units**

As at the date of this Target's Statement, your directors had the following relevant interests in LRF Units:

<b>Director</b>	<b>Number of LRF Units</b>
Bruno Camarri AM	179,693
Clive Donner	1,284,844
Graham Fariss	200,501
Nicholas Lattimore	59,999
Richard Procter	18,000
<b>Total</b>	<b>1,743,037</b>

### **(b) Dealings in LRF Units and Options**

No director of LinQ Capital has acquired or disposed of a relevant interest in any LRF Units in the 4 month period ending on the date immediately before the date of this Target's Statement other than the acquisitions by Bruno Camarri of 7,159 LRF Units and Clive Donner of 3,699 LRF Units on 31 August 2012 pursuant to LRF's distribution reinvestment plan.

## **6.5 Interests and dealings in IMC securities**

### **(a) Interests in IMC securities**

As at the date immediately before the date of this Target's Statement, no LinQ Capital director had a relevant interest in any IMC securities.

(b) **Dealings in IMC securities**

No director of LinQ Capital acquired or disposed of a relevant interest in any IMC securities in the 4 month period ending on the date immediately before the date of this Target's Statement.

**6.6 Benefits and agreements**

Other than pursuant to the arrangements relating to the termination of the Investment Management Agreement as discussed in section 6.3:

- as a result of the Offer, no person has been or will be given any benefit (other than a benefit which can be given without member approval under the Corporations Act) in connection with the retirement of that person, or someone else, from a board or managerial office of LRF or related body corporate of LRF;
- there are no agreements made between any director of LinQ Capital and any other person in connection with, or conditional upon, the outcome of the Offer other than in their capacity as a holder of LRF Units;
- none of the directors of LinQ Capital has agreed to receive, or is entitled to receive, any benefit from IMC which is conditional on, or is related to, the Offer; and
- none of the directors of LinQ Capital has any interest in any contract entered into by IMC.

**6.7 Issued capital**

As at the date of this Target's Statement, LRF's issued capital consisted of 183,579,209 fully paid ordinary units.

This includes the 67,640,071 Treasury Units, which are discussed in section 6.9 below.

**6.8 Substantial holders**

As at 26 September 2012, being the last practicable date prior to lodgement of this Target's Statement, the following persons are substantial holders of LRF Units as disclosed pursuant to substantial holding notices provided to LRF:

<b>LRF Unitholder</b>	<b>Number of LRF Units</b>
LinQ Capital No. 2 Pty Ltd	67,640,071
IMC	32,092,600
WA Local Government Superannuation Plan Pty Ltd	18,246,389
<b>Total</b>	<b>117,979,060</b>

## 6.9 Treasury Units

### (a) Background information on the Treasury Units

As stated above, there are 67,640,071 LRF Units on issue which are referred to as the Treasury Units. These are held by LinQ Capital 2 as trustee of LRF2, of which LRF is the sole beneficiary. The Treasury Units account for approximately 37% of the total LRF Units on issue.

The Treasury Units were acquired by LRF2 from certain arbitrage funds in 2008, following the receipt of the necessary unitholder approvals at the unitholder meeting that was held on 22 February 2008. The rationale for the acquisition of the Treasury Units was to remove the potential overhang that would result from the intended disposal of those units by the arbitrage funds and to better align LRF's investor base with its longer term investor horizon.

As stated in the LRF notice of meeting dated 21 January 2008, LRF2 intended to:

- on sell the Treasury Units at a narrower discount to NTA, or at a higher price, than that paid by LRF2 for the Treasury Units; or
- in the event the Treasury Units could not be on-sold, to redeem or cancel those units, subject to the resolution to amend the LRF constitution to allow that to occur being passed.

Shortly after the 2008 unitholder meeting, the global financial crisis commenced. This, combined with the low liquidity of LRF Units, has meant it has not been possible for LRF2 to sell the Treasury Units on market at a lower discount to NTA or a higher price than that paid by LRF2 for the Treasury Units.

In addition, the resolution to allow LRF to redeem or cancel the Treasury Units after their acquisition by LRF2 (which was a special resolution) was not passed. Therefore the Treasury Units have not been cancelled or redeemed at this point.

### (b) Treatment of Treasury Units under the Offer

Prior to the announcement of the Offer, IMC applied to ASIC for relief to modify section 661A(1)(b) of the Corporations Act to allow it to exclude the Treasury Units from the relevant thresholds for determining whether IMC will be permitted to compulsorily acquire the remaining LRF Units (the **ASIC Relief**).

IMC has advised that following preliminary discussions with ASIC, ASIC was unlikely to grant the ASIC Relief as the outcome sought by the application for relief could be achieved without the ASIC Relief, that is, through LinQ Capital 2 accepting the Offer in respect of the Treasury Units (see section 7.4 of the Bidder's Statement for more information).

The Bid Implementation Agreement provides that the Offer will be conditional on either the ASIC Relief being granted or LinQ Capital 2 accepting the Offer in respect of the Treasury Units occurring within 3 weeks of the Offer opening.

LinQ Capital 2 intends to accept the Offer for the Treasury Units within 3 weeks of the Offer opening, in the absence of a superior proposal.

## 6.10 Compulsory acquisition

IMC has indicated in section 4.2 of its Bidder's Statement that if it satisfies the required thresholds, it intends to compulsorily acquire any outstanding LRF Units.

IMC will be entitled to compulsorily acquire any LRF Units in respect of which it has not received an acceptance of its Offer on the same terms as the Offer if, during or at the end of the Offer Period:

- IMC and its associates have a relevant interest in at least 90% (by number) of the LRF Units; and
- IMC and its associates have acquired at least 75% (by number) of the LRF Units that IMC offered to acquire (excluding LRF Units in which IMC or their associates had a relevant interest at the date of the Offer and also excluding LRF Units issued to an associate of IMC during the Offer Period).

Based on the number of LRF Units held by IMC, if IMC satisfies the requirement to have relevant interests in at least 90% (by number of the LRF Units), IMC will also satisfy the second bullet point above.

If the threshold is met, IMC will have one month after the end of the Offer Period within which to give compulsory acquisition notices to LRF Unitholders who have not accepted the Offer. LRF Unitholders have statutory rights to challenge the compulsory acquisition, but a successful challenge will require the relevant unitholder to establish to the satisfaction of a court that the terms of the Offer do not represent 'fair value' for their LRF Units. If compulsory acquisition occurs, LRF Unitholders who have their LRF Units compulsorily acquired are likely to be issued their consideration approximately 5 to 6 weeks after the compulsory acquisition notices are dispatched to them.

### **6.11 Effect of the takeover on LRF's material contracts**

To the best of LRF's knowledge, none of the material contracts to which LRF is a party contain change of control provisions which may be triggered as a result of, or as a result of acceptances of, the Offer and which may have a material adverse effect on the assets and liabilities, financial position and performance, profits and losses and prospects of LRF.

### **6.12 Material litigation**

LinQ Capital does not believe that it, as the responsible entity of LRF, is involved in any litigation or dispute which is material in the context of LRF taken as a whole.

### **6.13 Delisting Proposal**

The terms of the Delisting Proposal were set out in LRF's notice of meeting dated 22 August 2012.

Under the Delisting Proposal, LRF would be removed from the official list of ASX. In addition, LRF Unitholders would have an initial opportunity to redeem LRF Units equating to a value of up to 20% of the total NTA of LRF at NTA. Following the initial redemption offer there would be subsequent opportunities to participate in annual redemptions (commencing 9 December 2013) of up to 10% of the total NTA of LRF at NTA.

Upon a vote of LRF Unitholders at the meeting convened to consider the Delisting Proposal on 17 September 2012, the Unitholders Meeting was adjourned to a date to be advised at the close of the Offer.

While the Independent Directors unanimously consider the Offer to be superior to the Delisting Proposal for the reasons set out in the "Key Reasons to ACCEPT the Offer" section of this Target's Statement, if the Offer does not proceed for any reason, the Board reserves the right to reconvene the adjourned meeting of the LRF Unitholders and put the resolution for the Delisting Proposal to the vote.

### **6.14 Lapse of Offer**

The Offer will lapse if the Offer conditions are not freed or fulfilled by the end of the Offer Period; in which case, all contracts resulting from acceptance of the Offer and all

acceptances that have not resulted in binding contracts are void. In that situation, you will be free to deal with your LRF Units as you see fit.

## 6.15 Taxation consequences

The taxation consequences of accepting the Offer depend on a number of factors and will vary depending on your particular circumstances. A general outline of the Australian taxation considerations of accepting the Offer are set out in section 6 of the Bidder's Statement.

You should carefully read and consider the taxation consequences of accepting the Offer. The outline provided in the Bidder's Statement is of a general nature only and you should seek your own specific professional advice as to the taxation implications applicable to your circumstances.

## 6.16 Consents

Computershare Investor Services Pty Ltd (**Computershare**) has given, and has not withdrawn before the date of this Target's Statement, its consent to be named in this Target's Statement as LRF's security register in the form and context in which it is so named.

Freehills has given, and has not withdrawn before the date of this Target's Statement, its consent to be named in this Target's Statement as LinQ Capital's legal adviser in the form and context in which it is so named. Freehills has not advised on the laws of any foreign jurisdiction and has provided no tax advice in relation to any jurisdiction.

Gresham Advisory Partners Limited (**Gresham**) has given, and has not withdrawn before the date of this Target's Statement, its consent to be named in this Target's Statement as LinQ Capital's financial adviser in the form and context in which it is so named.

Neither Computershare, Freehills nor Gresham:

- have caused or authorised the issue of this Target's Statement;
- make or purport to make any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based; and
- take any responsibility for any part of this Target's Statement other than any reference to its name.

As permitted by ASIC Class Order 01/1543 this Target's Statement contains statements which are made, or based on statements made, in documents lodged by IMC with ASIC or given to the ASX, or announced on the Company Announcements Platform of the ASX, by IMC. Pursuant to the Class Order, the consent of IMC is not required for the inclusion of such statements in this Target's Statement. Any LRF Unitholder who would like to receive a copy of any of those documents may obtain a copy (free of charge) during the Offer Period by contacting the LRF Offer Information Line on 1300 551 627 (for calls made from within Australia) or +61 2 8280 7709 (for calls made from outside Australia).

As permitted by ASIC Class Order 03/635, this Target's Statement may include or be accompanied by certain statements:

- fairly representing a statement by an official person; or
- from a public official document or a published book, journal or comparable publication.

In addition, as permitted by ASIC Class Order 07/429, this Target's Statement contains Unit price trading data sourced from IRESS without its consent.

## 6.17 No other material information

This Target's Statement is required to include all the information that LRF Unitholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer, but:

- only to the extent to which it is reasonable for investors and their professional advisers to expect to find this information in this Target's Statement; and
- only if the information is known to any director of LinQ Capital.

The directors of LinQ Capital are of the opinion that the information that LRF Unitholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer is:

- the information contained in the Bidder's Statement (to the extent that the information in the Bidder's Statement is not inconsistent with, or superseded by, information in this Target's Statement);
- the information contained in LRF's releases to the ASX, and in the documents lodged by LRF with ASIC before the date of this Target's Statement; and
- the information contained in this Target's Statement.

The directors of LinQ Capital have assumed, for the purposes of preparing this Target's Statement, that the information in the Bidder's Statement is accurate. However, the directors of LinQ Capital do not take any responsibility for the contents of the Bidder's Statement and are not to be taken as endorsing, in any way, any or all statements contained in it.

In deciding what information should be included in this Target's Statement, the directors of LinQ Capital have had regard to:

- the nature of the LRF Units;
- the matters that LRF Unitholders may reasonably be expected to know;
- the fact that certain matters may reasonably be expected to be known to unitholders' professional advisers; and
- the time available to LRF to prepare this Target's Statement.

## 7 Glossary and interpretation

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### 7.1 Glossary

The meanings of the terms used in this Target's Statement are set out below.

<b>Term</b>	<b>Meaning</b>
<b>\$, A\$ or AUD</b>	Australian dollar.
<b>Acceptance Form</b>	each acceptance form enclosed with the Bidder's Statement or, as the context requires, any replacement or substitute acceptance form provided by or on behalf of IMC.
<b>ASIC</b>	Australian Securities and Investments Commission.
<b>Associate</b>	has the meaning given in Division 2 of Part 1.2 of the Corporations Act.
<b>ASX</b>	ASX Limited.
<b>ASX Settlement Operating Rules</b>	the operating rules of ASX Settlement which govern the administration of the Clearing House Electronic Subregister System.
<b>Bid Implementation Agreement</b>	the bid implementation agreement entered into between IMC and LinQ Capital, dated 12 September 2012.
<b>Bidder's Statement</b>	the bidder's statement of IMC dated 27 September 2012.
<b>Board</b>	the board of directors of LinQ Capital.
<b>CGT</b>	capital gains tax.
<b>CHESS Holding</b>	the number of LRF Units which are registered on LRF's unit register being a register administered by ASX Settlement Pty Limited and which records uncertificated holdings of LRF Units.
<b>Competing Proposal</b>	means any expression of interest, proposal, offer, transaction or arrangement by or with any person pursuant to which, if the expression of interest, proposal, offer, transaction or arrangement is entered into or completed substantially in

accordance with its terms, would result in a person other than a member of the IMC Group:

- 1 directly or indirectly acquiring an interest, a Relevant Interest in or become becoming the holder of:
  - more than 20% or more of the LRF Units; or
  - the whole or a substantial part or a material part of the business or property of any LinQ Fund Group Entity or the LinQ Fund Group (in either case when considered in aggregate);
- 2 acquiring Control of any LinQ Fund Group Entity;
- 3 replacing LinQ Capital as the responsible entity of LRF; or
- 4 otherwise directly or indirectly;
  - acquiring or merging with any LinQ Fund Group Entity, or having the right to so acquire or merge with; or
  - acquiring a significant economic interest in any LinQ Fund Group Entity or all or significant part of the business or assets of any LinQ Fund Group Entity,

in each case whether by way of takeover bid, scheme of arrangement, security holder- approved acquisition or resolution, reverse takeover bid, capital reduction, security buy-back, sale or purchase of assets, joint venture, dual listed company and/or trust structure, or other transaction or arrangement.

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**Control** has the meaning given in section 50AA of the Corporations Act.

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**Controlling Participant** has the meaning given in the ASX Settlement Operating Rules. Your Controlling Participant is likely to be a person, such as a broker, with whom you have a sponsorship agreement (within the meaning of the ASX Settlement Operating Rules).

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**Corporations Act** the *Corporations Act 2001* (Cth) (as modified or varied by ASIC).

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**Delisting Proposal** The proposal by the Board to delist LRF from the ASX as announced to ASX on 10 August 2012.

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**Exclusivity Period** the period commencing on the date of the Bid Implementation Agreement and ending of the earlier of:

- 1 termination of the Bid Implementation Agreement; or
- 2 the end of the Offer Period.

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**FIRB Condition** the condition contained in section 8.5(a)(iv) of the Bidder's Statement (and summarised in section 4.2 of this Target's Statement).

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**Holder Identification Number** has meaning given in the ASX Settlement Operating Rules.

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<b>IMC</b>	IMC Resources Holdings Pte Ltd (a company incorporated in Singapore).
<b>IMC Group</b>	means IMC and any of its Related Bodies Corporate.
<b>Independent Directors</b>	Bruno Camarri AM, Nicholas Lattimore and Graham Fariss.
<b>Investment Management Agreement</b>	the investment management agreement between LinQ Capital and LinQ Management, dated 11 October 2004.
<b>Issuer Sponsored Holding</b>	a holding of LRF Units on the Issuer Sponsored Subregister of LRF.
<b>Issuer Sponsored Subregister</b>	has the meaning given in the ASX Settlement Operating Rules.
<b>LinQ Capital</b>	LinQ Capital Limited ACN 098 197 258 in its capacity as responsible entity of LRF (unless otherwise stated).
<b>LinQ Capital 2</b>	LinQ Capital No. 2 Pty Ltd ACN 128 289 065.
<b>LinQ Fund Group</b>	LRF, LRF2, and their Subsidiaries, and where the context requires, LinQ Capital and LinQ Capital 2 as responsible entity or trustee of LRF and LRF2 respectively.
<b>LinQ Fund Group Entity</b>	any member of the LinQ Fund Group.
<b>LinQ Group</b>	LinQ Capital (in its own capacity and not in its capacity as the responsible entity of LRF) and its Related Bodies Corporate and Associates.
<b>LinQ Management</b>	LinQ Management Pty Ltd ACN 107 455 649.
<b>LRF</b>	LinQ Resources Fund ARSN 108 168 190.
<b>LRF Unitholder</b>	a holder of LRF Units.
<b>LRF Units</b>	units of LRF.

<b>LRF2</b>	LinQ Resources Fund No. 2 being a unit trust whose units are wholly owned by LRF.
<b>LRF2 Trust Deed</b>	the trust deed that established LRF2.
<b>NTA</b>	means the net tangible assets of LRF determined on the same basis as disclosed in the announcement made by LRF to ASX on 6 September 2012.
<b>Notice of Status of Conditions</b>	IMC's notice disclosing the status of the conditions to the Offer which is required to be given by section 630(3) of the Corporations Act.
<b>Offer or IMC's Offer</b>	the offer by IMC to each LRF Unitholder to acquire all of the LRF Units on the terms and conditions set out in the Bidder's Statement.
<b>Offer Period</b>	the period during which the Offer will remain open for acceptance in accordance with section 8.2 of the Bidder's Statement.
<b>Related Bodies Corporate</b>	has the meaning given in section 50 of the Corporations Act.
<b>Relevant Interest</b>	has the meaning given in sections 608 and 609 of the Corporations Act.
<b>Representatives</b>	means, in respect to a person, the person's directors, officers, employees, agents, consultants and advisors.
<b>Rights</b>	has the meaning given in section 9.1 of the Bidder's Statement.
<b>Securityholder Reference Number</b>	means the number allocated by LRF to identify a LRF Unitholder on the Issuer Sponsored Subregister of LRF.
<b>Target's Statement</b>	this document, being the statement of LRF under Part 6.5 Division 3 of the Corporations Act.
<b>Termination Payment</b>	has the meaning given in section 6.3.
<b>Treasury Units</b>	the 67,640,071 LRF Units held by LinQ Capital 2 as trustee of LRF2.

## 7.2 Interpretation

In this Target's Statement:

- (1) Other words and phrases have the same meaning (if any) given to them in the Corporations Act.
- (2) Words of any gender include all genders.
- (3) Words importing the singular include the plural and vice versa.
- (4) An expression importing a person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa.
- (5) A reference to a section, clause, attachment and schedule is a reference to a section of, clause of and an attachment and schedule to this Target's Statement as relevant.
- (6) A reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of any of them.
- (7) Headings and bold type are for convenience only and do not affect the interpretation of this Target's Statement.
- (8) A reference to time is a reference to Sydney time.
- (9) A reference to dollars, \$, A\$, AUD, cents, ¢ and currency is a reference to the lawful currency of the Commonwealth of Australia.

## 8 Authorisation

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This Target's Statement has been approved by a resolution passed by the directors of LinQ Capital Limited.

Signed for and on behalf of LinQ Capital Limited:

*date* 27 September 2012 \_\_\_\_\_

*sign here* ►  \_\_\_\_\_

*print name* Bruno Giovanni Camarri \_\_\_\_\_

*position* Chairman \_\_\_\_\_