LINQ RESOURCES

LINQ RESOURCES FUND
ARSN 108 168 190

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2012

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CHAIRMAN'S LETTER

LINQ CAPITAL

Dear Unitholder,

The LinQ Resources Fund ('the Fund') has endured a challenging year as the trajectory of global growth that was developing over the course of last year, fell away as structural weakness arose in nearly all developed economies. Most importantly, growth rates for the US and China were pared back, with the IMF forecasting weaker overall global growth. This situation continues to be, compounded by the Eurozone debt crisis, particularly relating to Greek, Ireland, Italy and Spain. These economic factors weighed heavily on equity markets, including on the mineral resources sector with most metal commodity prices falling during the year, most noticeably in bulk minerals.

As a consequence, there was a marked increase in volatility in global equity and debt capital markets. This in turn impacted the Fund's persistent and increasing Unit price discount to its NTA value per Unit. This meant that the market price for the Fund's units became more dislocated from the intrinsic unit NTA value. Consequently, the Board, in conjunction with its advisors, decided that the best option for all Unitholders was to delist the Fund from the Australian Securities Exchange ('ASX'). The ASX announcement of 10 August 2012 and subsequent communication to Unitholders on this matter is the result of this work. If approved by Unitholders, a key benefit of this decision is the permanent removal of the discount to NTA which allows Unitholders to value their unitholding at NTA (less costs) rather than the ASX market price.

There will be no change in the investment activities of LRF. The Fund will be able to raise further funding at NTA (less costs) rather than at a substantial discount to NTA. There will be a reduction in costs to run the Fund as there will be no ASX listed entity costs, and we will have a more stable Unit register going forward. As part of the proposal to delist the Fund, there will be windows of initial and ongoing redemptions offered to Unitholders to exit part or all of their units over time.

On the operational side, the Fund's investment focus was on direct revenue streams and the consequential increase of invested capital in lower volatility debt related and convertible note investments. Income was down on the previous year due to Mark-to-Market unrealised revaluation of the portfolio and consequential unrealised losses on the Fund's equity holdings.

Despite a significant reduction in operational expenditures, the financial year ended in a net loss after tax of $36.8 million, whilst the Fund's NTA was down 26.9% to $0.95 per Unit. Under challenging market conditions, the Fund was nonetheless able to provide for distributions amounting to $0.03 cents per Unit for the financial year, representing a yield of approximately 6% on the closing unit price at 30 June 2012. This continues the Fund's record of paying distributions every year since listing. The continued ability of the Fund to distribute dividends to Unitholders during challenging market conditions is testimony of your Manager's ability to generate direct income streams into the Fund. The final distribution is expected to be paid on 31 August 2012. The Fund remains debt free.

The Fund's decline in NTA per unit by 26.9% was in line with the fall in the Fund's benchmark index, the XSRAI, of 28.8%, whilst other larger mining focused indices such as the XMMAI and XMM dropped by 30.9% and 30.3%, respectively over the same period.

Current stock market volatility can be expected to remain in the short term. Whilst these conditions underscore the need for focus on capital preservation, current market valuations can offer significant opportunities for the Fund to invest in substantially undervalued companies and projects. This has the potential to provide attractive returns for Unitholders when market conditions improve. Your Manager is well capable of taking advantage of these short term market opportunities, whilst actively investing a larger portion of the Fund's capital in investment structures offering a higher degree of capital preservation such as convertible notes and similar debt related instruments. To this end the Fund is increasing its exposure to such debt related investments, with current commitments to potentially increase this amount from approximately 26% of the portfolio to approximately 30% or more.

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

In summary, notwithstanding the current volatility in global equity markets, we believe the Fund as an unlisted entity will provide Unitholders with opportunities for capital growth and income, the latter as a result of the higher proportion of debt and convertible note investments being entered into by the Fund.

On behalf of the Board of Directors, we thank you for your continuing support of the Fund.

Bruno Camarri

Bruno Camarri AM
Chairman

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Responsible Entity for the
LinQ Resources Fund
ARSN 108 168 190

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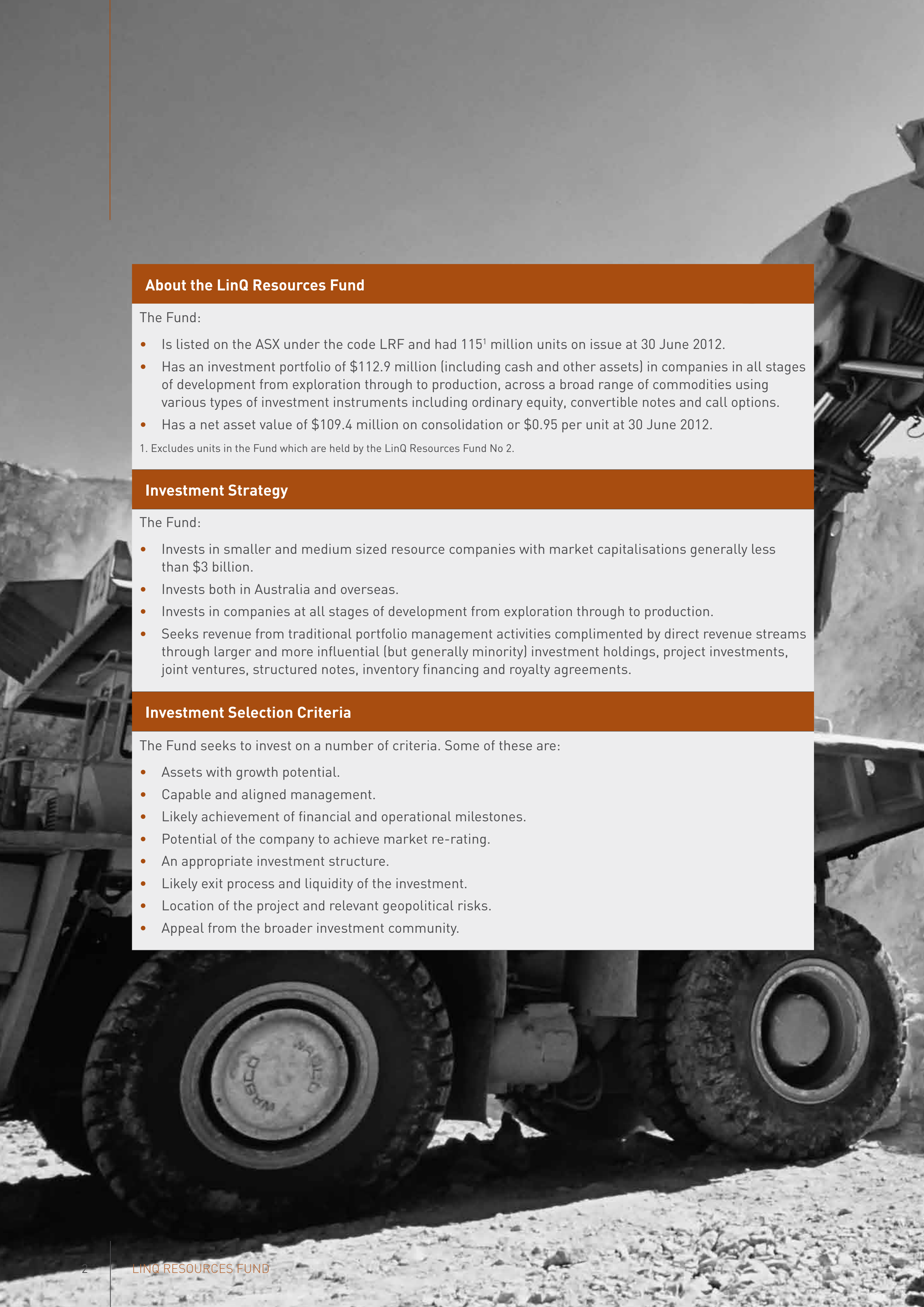


About the LinQ Resources Fund

The Fund:

- Is listed on the ASX under the code LRF and had 115[1] million units on issue at 30 June 2012.
- Has an investment portfolio of $112.9 million (including cash and other assets) in companies in all stages of development from exploration through to production, across a broad range of commodities using various types of investment instruments including ordinary equity, convertible notes and call options.
- Has a net asset value of $109.4 million on consolidation or $0.95 per unit at 30 June 2012.

1. Excludes units in the Fund which are held by the LinQ Resources Fund No 2.

Investment Strategy

The Fund:

- Invests in smaller and medium sized resource companies with market capitalisations generally less than $3 billion.
- Invests both in Australia and overseas.
- Invests in companies at all stages of development from exploration through to production.
- Seeks revenue from traditional portfolio management activities complimented by direct revenue streams through larger and more influential (but generally minority) investment holdings, project investments, joint ventures, structured notes, inventory financing and royalty agreements.

Investment Selection Criteria

The Fund seeks to invest on a number of criteria. Some of these are:

- Assets with growth potential.
- Capable and aligned management.
- Likely achievement of financial and operational milestones.
- Potential of the company to achieve market re-rating.
- An appropriate investment structure.
- Likely exit process and liquidity of the investment.
- Location of the project and relevant geopolitical risks.
- Appeal from the broader investment community.

MANAGER'S REPORT

THE BOARD OF DIRECTORS OF THE RESPONSIBLE ENTITY OF LINQ RESOURCES FUND

Mr Bruno Camarri

Non-executive Chairman

AM, LLB

- Mr Camarri has worked as a corporate lawyer since 1969, primarily representing clients in the energy, mining, construction and technology industries. He was a partner of Freehills for 30 years and is now a consultant with that firm.
- Mr Camarri has held a number of board positions on listed and unlisted companies in the construction, manufacturing and mining industries. Currently, he is a director of Barminco Ltd and previously was the Deputy Chairman of UGL Ltd (1994-2010) and a director of Bristile Limited (1996-2003).
- Mr Camarri is also Chairman of the Compliance and Nomination Committees and a member of the Audit Committee.
- Mr Camarri was made a member of the Order of Australia in 2008. He was named in the Best Lawyers list (2010-2012) for Australia in the specialty of mining and nominated, in 1999 and 2000, by the London based Euromoney Legal Group Survey as one of the world's leading energy and resources lawyers.
- Mr Camarri brings substantial skills to the Fund in the commercial, legal and compliance areas.

Mr Clive Donner

Managing Director

B.Comm

- Mr Donner is the founding CEO of LinQ and has been in the funds management business since 1997. He is a member of both the Nomination and Compliance Committees.
- Mr Donner has over 30 years of relevant expertise both in Australia and internationally in equity investment, corporate and project financing, capital raising, investment advising and evaluation of resource companies across a range of commodities and in both debt and equity.
- Prior to founding LinQ Mr Donner was the founding Managing Director of a resources venture capital fund (Golden Arrow Fund) within N M Rothschild & Sons (Australia) Limited, which invested in emerging mining companies and projects mainly in Australasia. Prior to that, Mr Donner was head of N M Rothschild & Sons (Australia) Limited's project financing business in Perth where he provided emerging mining companies with project debt, derivatives and restructuring advice to assist in the financing, development and growth of resources companies. Mr Donner was also a key member of the Rothschild's private equity investment team during which time he was a pioneer in the use of convertible notes in the resources sector. Prior to this he spent 9 years in senior executive positions at Citibank in Australia and overseas.
- Mr Donner also has substantial experience in providing structured solutions to investing in order to identify and manage the risks inherent in investing in the smaller capitalised resources sector.

Mr Graham Fariss

Non-executive Director

B.Eng, MBA

- Mr Fariss is a Civil Engineer with over 30 years' experience in the engineering, construction and mining industry. He commenced his professional career as a construction engineer and has since gained experience across all facets of the industry from construction, engineering design and project management through to business development and finance.
- Mr Fariss previously held a number of senior corporate finance and business development positions with Clough Limited (1990-2004) and Tethyan Copper Company, where he held the position of General Manager Corporate Finance.
- Mr Fariss is currently General Manager Corporate Development at Mincor Resources NL.
- Mr Fariss is a member of the Audit Committee.

THE BOARD OF DIRECTORS OF THE RESPONSIBLE ENTITY OF LINQ RESOURCES FUND continued

Mr Nicholas Lattimore

Non-executive Director

B.Econ, MBA

- Mr Lattimore has over 30 years' experience in the financial markets and is currently the CFO of BrisConnections Management Company Limited, the Responsible Entity for the entities building Australia's largest privately funded infrastructure project, the combined Brisbane Airport Link, Northern Busway and Airport Roundabout Upgrade.
- Mr Lattimore was previously the Deputy CEO of JF Infrastructure Pty Limited, a specialist fund manager operating in the infrastructure market and prior to that held the position of Managing Director – Head of Banking at N M Rothschild & Sons (Australia) Limited. Preceding that role he was Managing Director and Head of the Structured Finance businesses at Deutsche Bank in Australia and New Zealand where the scope of his responsibilities included project advisory and finance (infrastructure, privatisation and resources), leverage finance (acquisitions, LBO, MBO, mezzanine debt and public to private) and structured finance (tax and accounting related lending and advice).
- Mr Lattimore has substantial project finance experience in the mining sector.
- Mr Lattimore has an MBA from IMD (previously IMEDE) and BEc (specialisation in Accountancy) from ANU and is a MAICD and a CPA.

Mr Richard Procter

Executive Director

(appointed 24 February 2012)

B.Sc (Eng), MBA, CEng, MIMMM

- Mr Procter is a mining engineer with over 35 year's broad international experience encompassing roles in the corporate, operations, contracting, consulting and mine development areas.
- Mr Procter provides technical and financial capability to the Fund and represents several public and private companies at board level. Mr Procter's international mining experience has encompassed operations and/or projects in Africa, Australasia, Europe, South America, Middle East and Russia.
- Mr Procter has held senior industry positions that have demonstrated leadership and management of base and precious metal mining companies (both underground and open pit); development of project assessment including definitive/bankable feasibility studies and their conversion into mining operations. He has managed teams undertaking mining asset evaluations and valuations, including technical and operational audits (full mining asset due diligence and expert reports). He also has been involved in many mining operation start-ups (both small and large) as well as the re-engineering of large ongoing operations.

Ms Tai Sook Yee

Non-executive Director

(resigned 2 July 2012)

CPA

- Ms Tai has over 25 years' experience in corporate finance, operations and accounting, and is currently the Head of Chairman's Office responsible for group strategies & investments at the IMC Pan Asia Alliance Group. In this role, she is responsible for governance, alignment of Group strategies and investments, and oversees corporate functions of People & Organisation, Finance, Treasury and Reporting.
- Prior to joining IMC in 2007, Ms Tai was the Country Director for Malaysia for a global leader in heavy building materials supplies.
- Ms Tai has substantial financial and operational experience in a wide range of industries including property development, construction, building materials supply, maritime, plantations and resources.
- Ms Tai is a CPA (Malaysia).

Mr Michael Chye

Alternate to Ms Tai Sook Yee

(appointed 1 May 2012, resigned 2 July 2012)

- Mr Chye is the Managing Director of IMC Investments Group and Head of the Group Corporate office of the IMC Pan Asia Alliance Group. He has more than 25 years' experience in accounting, finance and investments having worked in academia, government and multi-national companies.

- Mr Chye is an experienced company Director, having served as an independent Director and Audit Committee Chairman of publicly listed companies in Singapore.

THE INVESTMENT TEAM

Mr Clive Donner

Managing Director

B.Comm – See page 3

Mr Richard Procter

General Manager

B.Sc (Eng), MBA, CEng, MIMMM – See page 4

Dr Geoff Booth

B.Sc (Hons), M.Sc, Ph.D, FAusIMM (CP), MAICD

Dr Booth is a geologist with over 30 years' experience in base and precious metal exploration, resource planning and development. Most recently, he has managed resource activities for the Citadel Group within the Middle East and feasibility studies for Anvil Mining Limited in Africa. Prior managerial and technical roles with BHP Billiton, Aditya Birla and WMC within Australia have focused on mine production and operational excellence. During the 1980's and 90's, Dr Booth worked in North America for a variety of resource and energy companies, including Shell Canada, Suncor and Amax Minerals. Dr Booth brings substantial geological evaluation and marketing skills to the team.

Mr Robert Telford

B.Comm, MAcc, CA

Mr Telford is a manager with the LinQ Group. He provides financial and investment advice and assists with business development initiatives. Mr Telford is a Chartered Accountant and holds a Bachelor of Commerce (Finance) and a Masters in Accounting from Curtin University. He has over 7 years commercial experience working in accounting and finance roles with both accounting firms and investment banks. Before joining the LinQ Group, Mr Telford held a position in Structured Capital Markets with Barclays Capital (London).

OTHER MANAGEMENT

Mr Simon Durack JP

B.Comm, Post Grad Dip Bus, FCA, FCIS

Mr Durack is a Chartered Accountant and practicing Company Secretary, with over 30 years commercial experience gained working in Australia, South East Asia and Europe.

Mr Durack's commercial experience includes time worked in the Accounting profession with Coopers & Lybrand (now PricewaterhouseCoopers). He has also held many senior financial and secretarial roles with both large public and private entities. In these roles, Mr Durack has been responsible for providing managerial, secretarial and financial advisory input. Mr Durack has also acted as resident Director for several offshore companies with operations in Australia. Mr Durack is the Group Company Secretary and Chief Financial Officer and brings a strong commercial and financial background to the Fund and the responsible entity.

Mr Pierre Malherbe

B.Comm Investment Management, B.Comm (Acc) (Hons), M.Comm Business Management

Mr Malherbe is an Associate Director and brings to the management team and the responsible entity a strong finance background. Mr Malherbe assists the Group in valuation, financial accounting and in financial assessment and structuring of opportunities, due diligence and other management matters. Mr Malherbe's experience includes 16 years in the Investment Banking and Finance industries gained with some of the major banks in South Africa, including ABSA and Nedbank. He held senior financial and managerial positions within these Banks and was responsible for managerial, transactional and financial input into multi-million dollar structured finance transactions across all spectrums, including: mining, construction, aviation and other capital intensive projects.

OTHER MANAGEMENT continued

Ms Nicole Chen

B.Comm (Accountancy), CPA

Ms Chen is a member of CPA Australia and holds a Bachelor of Commerce degree. As a Financial Accountant, Ms Chen assists with the finance and accounting functions, whilst also assisting the Chief Financial Officer in company secretarial matters for the Fund. She has gained valuable experience in taxation and financial accounting through similar roles held in previous positions. Ms Chen is fluent in Mandarin and English.

Mr Emmanuel Heyndrickx

Business Economics (M.Sc), Masters Financial Management

Mr Heyndrickx is responsible for coordinating corporate and strategic marketing initiatives. Mr Heyndrickx holds a degree in Business Economics (M.Sc) from the University of Ghent, Belgium, supplemented with a Masters' in Financial Management from the Vlerick Management School, Belgium.

Prior to joining the Group, Mr Heyndrickx gained some 8 years of Corporate Finance experience with a number of European investment banks based in London (UK), most recently as a Vice-President with the Funds Advisory team at ING's London Branch. During his time as a Corporate Financier, Mr Heyndrickx has lead and executed many public and private mandates both in the UK and in Europe including mergers and acquisitions, ECM (primary/secondary) placings, fund raisings and corporate restructurings.

Mr Heyndrickx commenced his career with KPMG where he joined the Financial Services Sector Assurance team in London (UK), working as an external auditor for 4 years for a variety of world leading financial institutions such as HSBC, Deutsche Bank, Credit Suisse and Allianz. A native Dutch speaker, he is fluent in English, French and German.

CONSULTANTS & INDUSTRY EXPERTS

In addition to the LinQ investment team, the LinQ Group has a range of other staff and industry experts/consultants available to it that provide assistance and input into the Fund and/or its investments. These consultants have substantial expertise in the relevant disciplines in the mining sector including geology, mining engineering and metallurgy. In addition, many of these consultants have broad technical and operational capability which provides the Fund Manager with additional resources to assist in evaluation and operational matters concerning portfolio assets. A number of these consultants have been appointed to investee Boards and provide additional value to the Fund.

REVIEW OF OPERATIONS

During the year, the Fund's investment focus was on direct revenue streams and the consequential increase of invested capital in lower volatility, debt related and convertible notes investments. Income was down on the previous year due to mark-to-market revaluation of the portfolio and consequential unrealised losses on the Fund's equity holdings.

Despite a significant reduction in operational expenditures, the financial year ended in a net loss after tax of $36.8 million. Under challenging market conditions, the Fund was nonetheless able to make distributions of $0.03 cents per unit for the financial year, representing a yield of approximately 6% on the closing unit price at 30 June 2012.

The Fund's decline in NTA per unit by 26.9% to $0.95 was in line with the fall in the Fund's benchmark index, the XSRAI, of 28.8%, and other larger mining indices (XMMI -30.9% and the XMM -30.3%) over the same period.

INVESTMENT PERFORMANCE

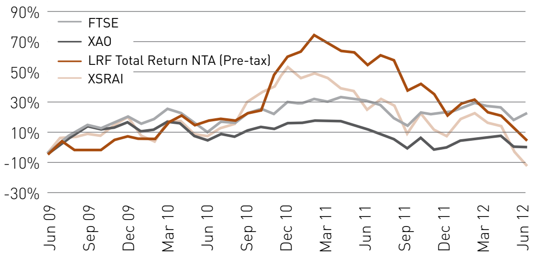
Table 1 below details the performance of the Fund's NTA per unit and the LRF unit price from 30 June 2011 to 30 June 2012.

Table 1: LRF NTA per unit and LRF unit price Performance

	30 June 2012	30 June 2011	% change
LRF NTA per unit	$0.95	$1.30	-27%
LRF unit price	$0.495	$0.845	-41%

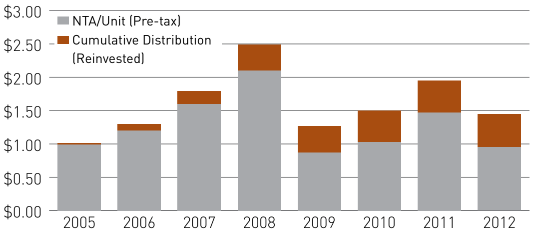
The performance of the Fund relative to the major indices (FTSE100 and XAO) is provided in Figure 1. The FTSE100 represents the largest 100 shares quoted on the London Stock Exchange whilst the XAO represents the 500 largest stocks by market capitalisation quoted on the ASX. The XSRAI represents S&P/ASX Small Resources Accumulation Index for metals and mining, and is the Fund's benchmark index.

Figure 1: LinQ Resources Fund Total Return NTA versus Major Indices (3 Years)



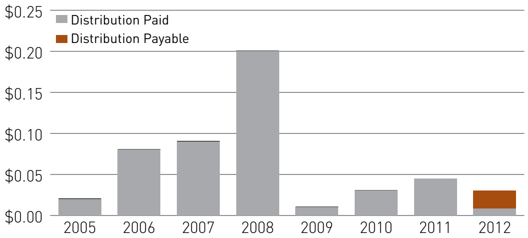
The Fund's NTA performance together with cumulative distributions paid is shown in Figure 2.

Figure 2: LinQ Resources Fund NTA per Unit Performance



The distributions paid (including the payment yet to be distributed) are shown in Figure 3. The weighted average yield of distributions paid by the Fund since inception equates to 7.7%.

Figure 3: LinQ Resources Fund Distributions Paid and Payable per Unit



INVESTMENT STRATEGY

Given the current market conditions and volatility in the global equity markets, your Manager will focus on the following initiatives:

- investing in convertible debt and similar debt related structured investments focussing on capital preservation and interest income streams;
- rebalancing of equity holdings towards later stage developing and emerging companies; and
- investing in undervalued producers.

INDEPENDENT RESEARCH

The Fund receives research from Zenith Partners.

Copies of all research reports are available on the LinQ Resources Fund website.

INVESTMENT SUMMARY

A summary of the Fund's Investments as at 30 June 2012 is provided in Table 2:

Table 2: LRF investment summary

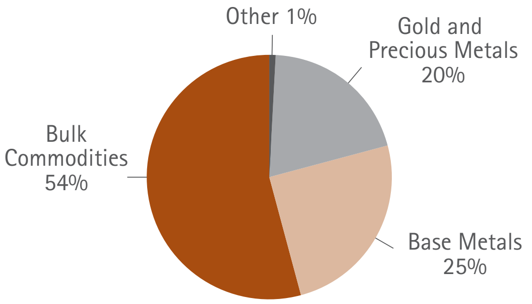
Investment	Share class	Project domicile	Commodity focus	Valuation ($000)
Atlas Iron Ltd	Ordinary	Australia	Iron Ore	$13,833
Ausgold Limited	Ordinary	Australia	Gold	$809
Ferrous Resources Ltd	Ordinary	Brazil	Iron Ore	$16,074
IMX Resources Limited	Ordinary	Australia/Africa	Iron, Copper, Nickel	$876
Independence Group NL	Ordinary	Australia	Nickel/Gold	$2,019
International Base Metals	Ordinary	Namibia	Copper	$1,833
Intra Energy Corporation Limited	Ordinary	Tanzania	Coal	$3,185
Lemur Resources Limited	Ordinary	Madagascar	Coal	$125
Metminco Limited	Ordinary	Peru/Chile	Copper/Gold	$2,079
Millennium Minerals Ltd	Ordinary	Australia	Gold	$13,026
Newcrest Mining	Ordinary	PNG/Australia	Gold/Copper	$5,520
Pella Energy Ltd	Ordinary	Kyrgyzstan	Uranium	$250
Sandfire Resources NL	Ordinary	Australia	Copper, Gold, Silver	$4,492
Satimola Ltd	Ordinary	Kazakhstan	Potash	$771
Western Areas NL	Ordinary	Australia	Nickel/Zinc/Lead	$1,784
Zambezi Resources Ltd	Ordinary, option	Zambia	Copper/Gold	$1,880
Cadan Resources Ltd	Convertible note	Philippine	Gold,Silver, Copper	$250
Termite Resources NL	Loan facility	Australia	Iron Ore/Copper	$8,175
Zambezi Resources Ltd	Convertible note	Zambia	Copper/Gold	$6,847
Continental Coal Limited	Other financial asset	South Africa	Coal	$2,719
Total investments in financial assets				**$86,545**
Cash & other assets				$26,348
Total cash & investments - consolidated				**$112,893**

Note: Included in the cash and other assets is committed cash to provide an additional $11 million of convertible and structured instruments to investee companies.

COMMODITY EXPOSURE

As at 30 June 2012 the Fund's investment portfolio (excluding cash) was still well diversified across a range of commodities (Figure 4) including bulks (coal and iron ore), base metals and precious metals.

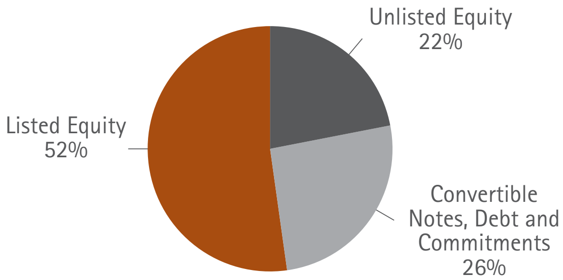
Figure 4: Exposure by Commodity (as at 30 June 2012)



INVESTMENT INSTRUMENTS

The composition of the Fund's portfolio by instrument as at 30 June 2012 (Figure 5) reflects its increased exposure to convertible notes and debt type investments. The increase in the latter by the Manager is designed to limit volatility within the Fund, as equity investments globally have been more adversely affected by the prevailing economic conditions.

Figure 5: Exposure by Instrument (as at 30 June 2012)



*Excluding cash

INVESTMENT SPECTRUM

The Fund invests along the full mineral resource development spectrum (Figure 6), from exploration to production. However, the Fund is currently more heavily weighted to the later economic evaluation and producing stages of mining assets as shown by Figure 7. The Manager has substantial evaluation skills and a track record in successfully investing in projects in these phases of development, which assists the Fund in capturing the uplift in investments as they mature through their phases of development.

Figure 6: Project Stage of Investment

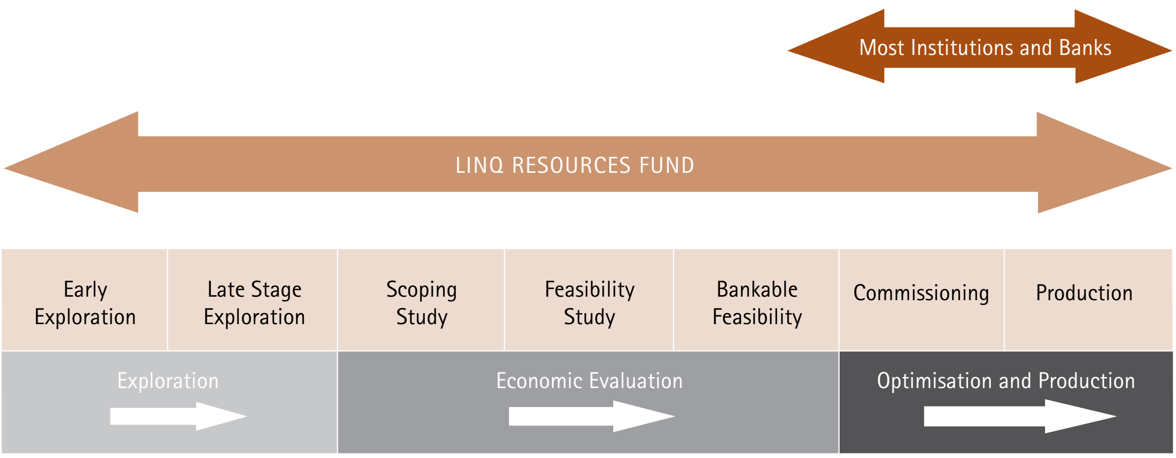
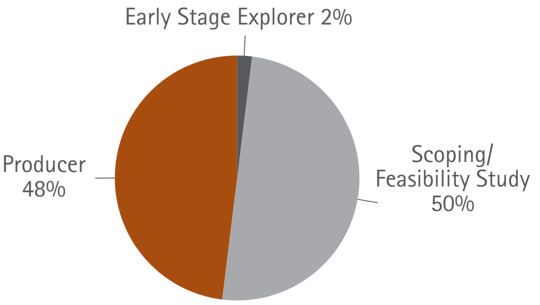


Figure 7: Exposure by Project Stage
(as at 30 June 2012)



MAJOR INVESTMENTS

As at 30 June 2012, the Fund's investment value was predominantly concentrated in companies with market capitalisations greater than $1 billion, with 46% of the Fund invested (by value) in this range. The Fund continues to focus on investing in companies from the economic evaluation stage (that is, generally once a JORC compliant Mineral Resource has been determined and the asset is being evaluated for its economic viability) and production stage. Presently the Fund has little exposure to companies at the early exploration stage. Including the Fund's more active investment in Zambezi Resources Limited, its total investment in companies in the exploration and evaluation (pre-feasibility and feasibility study) phases amounts to some 36%.

The Fund has a holding in Newcrest Mining Ltd ('Newcrest'), which is Australia's largest gold producer (with a mineral resource inventory of over 200 million ounces of gold) and a global top 3 gold producer based on market capitalisation. The Fund came to hold its investment in Newcrest via its acquisition of Lihir Gold Limited in the last quarter of 2010. Newcrest holds gold production and exploration projects in Australia, Cote d'Ivoire, Papua New Guinea and Indonesia. During the year Newcrest announced the inaugurate bond placing in the US, raising USD$1 billion and the commencement of trading of its shares on the Toronto Stock Exchange (TSX:NM). The successful capital raising allows Newcrest to focus on production expansion from the current anticipated 2.5 million ounces production per annum. Newcrest confirmed existing resources of 149.7 million ounces of gold and 20.04 million tonnes of copper. However, in line with almost all major and smaller gold producers, Newcrest suffered share price decline as gold fell away from its $US1800/oz range to about $US1600/oz.

Atlas Iron Limited ('Atlas') is a Western Australian iron ore producer with its operations located in the Pilbara region of the State. Atlas is targeting DSO exports at an annualised rate of 12 million tonnes by the end of the 2012 fiscal year. During the year, Atlas finalised its acquisitions of FerrAus Limited and Corunna Downs DSO projects. The combined entities give Atlas a DSO iron mineral resource in excess of 1 billion tonnes, galvanising its strategic focus on the Pilbara DSO business. Atlas has since announced a 70% increase in Pilbara Ore Reserve tonnes to 414 million tonnes. The Fund has lightened its holdings in Atlas given the Fund's large exposure to iron ore.

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 in Brazil. This is an area where the large Brazilian company, Vale SA, the world's largest iron ore producer, has most of its operations. Ferrous' projects have a current mineral resource of over 4.4 billion tonnes and an additional 1.8 billion to 2.6 billion tonnes in exploration potential (as reported in accordance with JORC (2004) guidelines). During the year, the Santanense mine produced its maiden ore production, bringing the company closer to its target of 4 Mtpa of saleable sinter feed in 2012. Given the softening in iron ore prices, the Manager impaired the valuation of the Fund's investment in Ferrous at 30 June 2012.

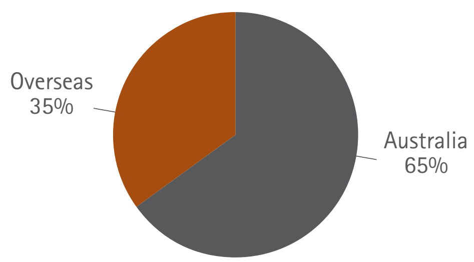
Millennium Minerals Limited ('Millennium') is a listed emerging gold producer focussed on the exploration and development of a large gold tenement portfolio in the East Pilbara region of Western Australia. Millennium has a large gold Mineral Resource of 1.3 million ounces in Nullagine and a secondary molybdenum project. During the year, Millennium commenced construction of the Nullagine Gold Project with first production scheduled to begin in the last quarter of calendar 2012. Millennium is expected to produce between 70,000 and 90,000 ounces of gold per annum from its 1.5 Mtpa of ore processing facility.

Zambezi Resources Limited ('Zambezi') is a Zambian based minerals exploration company holding significant tenements in the lower Zambezi region south east of Lusaka. Zambezi's most significant project to date is the Kangaluwi Copper Project for which a 25 year Large Scale Mining License was granted in February 2011. Earlier in the year, the Fund participated in a $14 million funding arrangement for Zambezi, providing the Fund with the option to convert a $10 million convertible note into a 25% joint venture stake in Zambezi's projects. During the year, Zambezi completed an extensive drilling program resulting in a major upgrade of its Mineral Resource, which now comprises 45 million tonnes at an average grade of 0.67% Cu, representing a 50% increase in contained copper metal to 300,000 tonnes.

GEOGRAPHICAL EXPOSURE

The Fund's investment portfolio continues to be weighted towards companies with projects in Australia (Figure 8). Where the Fund invests in a company that has its primary project offshore, many of these companies have a strong Australian component such as Australian management or Australian consultants, involved or the company is listed on the ASX. The non-Australian project locations include Brazil, Kazakhstan, Namibia, South Africa, Zambia, Tanzania, Ivory Coast, PNG, Mozambique, Peru and Cameroon. Approximately 35% of the Fund's portfolio (on a value weighted basis) is invested in offshore investments.

Figure 8: Exposure by Geographical Area
(as at 30 June 2012)



For the purpose of determining international weightings, a 50% weighting is given to project location, 25% weighting to the listing domicile (if companies are dual listed, for example, both ASX and AIM listed, then this is taken as a 100% Australian exposure), and 25% weighting to location of management.

OUTLOOK

Global economic activity remains underpinned by stronger activity in emerging economies in both Asia and Latin America where increased domestic activity, both in terms of consumption and investment in manufacturing, has to a large extent offset the slowdown in export demand from developed economies. Inflationary pressures in non-OECD countries have lead many governments to implement monetary tightening to dampen economic growth rates to more sustainable levels. China is expected to record GDP growth rates of between 7% and 8% in 2012 and 2013.

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

BREE forecasts global GDP to grow 3.25% in 2012 and is expected to return to form in 2013 with a growth rate of 4%.

Global equity markets reflected the outlook within their particular domestic activity with the US DOW Jones performing well (up 7.9% year-on-year) against an improved domestic economy whilst the UK FTSE was down 2.2% reflecting a stagnant economy and downside risk from Europe. The XAO's higher exposure to the mining sector resulted in a more pronounced decline of 9.3%, driven by a softening in commodity prices from last year's record high levels. Resources focused indices recorded more significant changes with the XSRAI down 28.8%, XMMAI down 30.9% and the XMM down 30.3%.

As anticipated, commodity prices softened during the year in line with the moderation of the global economic recovery and temperance in the outlook for global economic growth. Although prices for most bulk and base metal commodities did fall away over the last 12 months, they still remain at historically high levels.

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

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

Confirming its status as safe haven asset class, the gold price remained above the $US1500/oz during the last 12 months (Figure 9). With no immediate reprieve of market volatility in sight, and with the ongoing threat of quantitative easing by both the US and European central banks, gold prices are expected to remain at heightened levels.

Figure 9: 1 Year Gold Price

Source: InfoMine

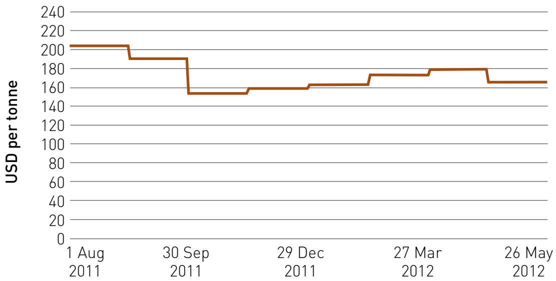
Consumption of the key base metals (including copper, alumina, nickel, zinc and lead) is expected to continue to grow in 2012, in the main driven by higher import levels by the emerging markets, in particular from China. This will likely offset lackluster demand from Europe. With production rates for most base metals likely to increase at moderately higher levels than global consumption, prices are expected to soften further in the short term. However, an anticipated upswing in demand from 2013 onwards driven by renewed European growth should see prices edge higher. In addition, continued increases in production costs equally support current elevated price levels going forward. A base metals pricing index for the last year is shown in Figure 10.

Figure 10: The Gold Fields Base Metals Index

Source: Kitco

During the last year, there has been a softening of iron ore prices from their previous highs – this is shown in Figure 11.

Figure 11: Iron Ore Pellets



Source: Infomine – uses major producer's contract pricing (lump, fines and pellets)

During the year there was also quite significant softening in coal prices generally as shown in Figure 12, which is a Bloomberg global coal index.

Figure 12: BBG World Coal Index

Source: BBG - uses delivered prices from Rotterdam, Europe, FOB Richards Bay and FOB Newcastle

Australia's export revenues from energy and mineral commodities are estimated to reach $209.5 billion for 2012-2013, an increase of 8% compared to the previous year. Revenues from energy are forecast to increase at a rate of 7% to $8.3 billion, whilst revenues from mineral commodities are expected to grow 10% to $127.1 billion. These figures underline the anticipated continued growth in global consumption of energy and mineral resources.

Key contributors for Australian growth in revenues from energy commodities are thermal coal (up 7% to $18.6 billion) and LNG (up 29% to $16 billion). Mineral export revenues will be driven by gold (up 27% to $19.7 billion), iron ore (up 7% to $67 billion) and copper (up 7% to $9 billion). Revenues from metallurgical coal are expected to decrease by 2% due to lower prices.

Recently the IMF confirmed its views on the role of countries with large current account surpluses in driving the global economic outlook. The agency predicts moderate growth in the US for 2012 (2%) and 2013 (2.25%) mainly as a result of an imminent process of fiscal consolidation which will see tax breaks expire after next year. The main risk however, remains the unresolved banking balance sheets situation in the Eurozone where governments are working hard in balancing structural budgetary reforms with a need for coordinated action to spur economic activity in the region. In this regard, tougher regulation and capital requirement rules of the Basel III accords (recommendations on banking laws and regulations issued by the Basel Committee on Banking Supervision) may further hamper credit expansion in the region.

Current stock market volatility is therefore expected to remain in the short term. Whilst these conditions underscore the need for focus on capital preservation, current market valuations can offer significant opportunities for the Fund to invest in substantially undervalued companies and projects. This has the potential to provide attractive returns for Unitholders when market conditions improve. Your Manager is well capable of taking advantage of these short term market opportunities, whilst actively investing a larger portion of the Fund's capital in investment structures offering a higher degree of capital preservation such as convertible notes and similar debt related instruments.

At present, the Fund has some 18% of the overall portfolio to such debt related investments. This will see the Fund's direct revenue streams from interest income increase in the next financial year whilst safeguarding the Fund's portfolio value from continued market volatility.

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

Clive Donner
Managing Director

29 August 2012

DIRECTORS' REPORT

The Directors of LinQ Capital Limited (ABN 66 098 197 258), the Responsible Entity of the LinQ Resources Fund, submit their report for the Fund for the year ended 30 June 2012.

DIRECTORS

The names of the Directors of the Responsible Entity in office during the financial year and until the date of this report are:

	Other listed company directorships
Bruno Camarri AM Chairman	Deputy Chairman – UGL Limited (formerly known as United Group Ltd) (October 1994 to October 2010).
Gordon Toll Former Chairman (resigned 24 February 2012)	Director – Eastern Mediterranean Minerals Ltd (May 2005 to July 2010). Non-executive Director of Evraz Group SA (May 2010 to May 2011). Non-executive Chairman of Petro Matad Limited (since December 2007).
Clive Donner Managing Director	Non-executive Director – Millennium Minerals Limited (September 2003 to April 2010) and China Goldmines plc (January 2006 to December 2009).
Graham Fariss	-
Nicholas Lattimore	-
Tai Sook Yee (resigned 2 July 2012)	Non-executive Director of Atlas Iron Limited (since May 2010).
Michael Chye Alternate to Tai Sook Yee (appointed 1 May 2012, resigned 2 July 2012)	-
Richard Procter (appointed 24 February 2012)	Non-executive Director of Zambezi Resources Limited (appointed September 2009), Non-executive Director of Intercept Minerals Limited (appointed September 2007), Non-executive Director of Millennium Minerals Limited (appointed June 2011); and Non-executive Chairman of MinRex Resources NL (appointed May 2011).

The Directors were in office from the beginning of the financial year until the date of this report, unless otherwise stated.

COMPANY SECRETARY

Simon Durack JP	Fellow of the Institute of Chartered Accountants in Australia and a Fellow of Chartered Secretaries Australia who has provided accounting, financial and company secretarial services to listed and unlisted companies in the engineering, resources and entertainment industries. Non-Executive Director of Millennium Minerals Limited (since February 2009) and Non-Executive Director of Zambezi Resources Limited (since August 2009), Non-executive Director of MinRex Resources NL (since May 2011).

PRINCIPAL ACTIVITIES

The principal activity of the Fund during the year was to invest funds in accordance with the provisions of the Fund Constitution.

The Fund specialises in investments in small to medium resources companies both in Australia and overseas. The Fund may invest in companies at all stages of development from exploration through to production, although the focus in pre cash flow companies is mostly on investment in companies in the later stage exploration and economic evaluation phases between discovery and completion of bankable feasibility studies.

FUND INFORMATION

The LinQ Resources Fund is an Australian registered scheme, and was established in March 2002. LinQ Capital Limited, the Responsible Entity of the Fund, is incorporated and domiciled in Australia. The registered office of the Responsible Entity is located at Level 1, LinQ House, 17 Ord Street, West Perth, Western Australia, 6005.

REVIEW OF RESULTS AND OPERATIONS

Results

The net profit after tax of the LinQ Resources Fund is presented in the Statement of Comprehensive Income. Net loss after tax for both the Consolidated and Parent Entities for the year ended 30 June 2012 was $36,810,000 (2011:$31,741,000 profit). The loss was due primarily to the unrealized revaluation of investment in the portfolio. Further information on the operations of the Fund is included in the Manager's Report.

Distributions

A final distribution of 2.5 cents per unit (2011: 3.0 cents) has been declared for the year ended 30 June 2012 and will be paid on 31 August 2012 to all registered unitholders at 29 June 2012. An interim distribution of 0.5 cents per unit was paid on 20 April 2012 to all registered unitholders at 5 April 2012.

UNIT PRICE HISTORY

The sales price and the highest and lowest sales prices for the LinQ Resources Fund during the year were:

	2012	2011
As at 30 June	$0.495	$0.845
Year to 30 June		
High	$0.87	$1.055
Low	$0.48	$0.65

UNITS AND OPTIONS ON ISSUE

Consolidated units on issue at 30 June 2012 amounted to 115,285,835 units (2011: 115,406,001 units) in the LinQ Resources Fund (67,640,071 units are owned by LinQ Resources Fund No 2 and are excluded on consolidation). The Fund issued 952,073 units during the year (2011: 1,405,829 units), pursuant to the Distribution Reinvestment Plan. No options were on issue during the year. 1,072,239 units (2011: 4,413,412 units) were bought back under the on-market buyback and nil units (2011: 55,566,392 units) were redeemed under the off-market withdrawal tender facility at reporting date. At the date of this report 1,072,239 units (2011: 4,688,887 units) had been bought back on-market.

FUND ASSETS

At 30 June 2012 the Consolidated entity held assets with a total value of $112,893,000 and the Parent entity held assets to a total value of $218,512,000 (2011: Consolidated entity $169,982,000, Parent entity $275,601,000). The basis for valuation of the assets is disclosed in Note 1 to the financial statements.

FEES PAID TO THE RESPONSIBLE ENTITY AND ASSOCIATES

The following fees were paid or are payable to the Responsible Entity out of the Fund property during the financial year:

- Management fee, excluding GST, for the financial year was paid to the Responsible Entity $2,642,892 (2011: $3,677,752);
- Performance fee, excluding GST, for the financial year is payable to the Responsible Entity $Nil (2011: $Nil);
- Expenses paid by the Responsible Entity and reimbursed by the Fund in accordance with the Fund's constitution was $510,684 (2011: $ 544,001); and
- Directors fees of $306,941 (2011: $335,000) were paid by the Responsible Entity and reimbursed by the Fund in accordance with the Fund's constitution.

INTERESTS IN THE FUND

At the date of this report, the Responsible Entity and its associates held the following interests in the Fund:

Director	Units	Options
Gordon Toll	-	-
Bruno Camarri	172,534	-
Clive Donner	1,281,145	-
Graham Fariss	200,501	-
Nicholas Lattimore	59,999	-
Tai Sook Yee	-	-
Michael Chye	-	-
Richard Procter	18,000	-
LinQ Capital Limited	-	-

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of LinQ Capital Limited support and have adhered to the principles of corporate governance. The corporate governance statement is contained in the additional ASX information section of this Annual Report.

BOARD COMMITTEES

As at the date of this report the Responsible Entity had an Audit Committee, a Compliance Committee and a Nomination Committee. The members of the Audit Committee were Gordon Toll (resigned 24 February 2012), Bruno Camarri, Graham Fariss and Nicholas Lattimore (appointed 24 February 2012) and members of the Nomination Committee are Bruno Camarri and Clive Donner. The Responsible Entity members of the Compliance Committee are Gordon Toll (resigned 24 February 2012), Clive Donner, Nicholas Lattimore (appointed 24 February 2012) and Bruno Camarri. The independent member of the Compliance Committee is Bob Jenkins.

DIRECTORS' MEETINGS

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director was as follows:

Director	Directors' Meetings		Audit Committee Meetings		Compliance Committee Meetings		Nomination Committee Meetings	
	A	B	A	B	A	B	A	B
Gordon Toll	6	7	2	2	1	3	-	-
Bruno Camarri	10	10	2	2	4	4	1	1
Clive Donner	10	10	-	-	4	4	1	1
Nicholas Lattimore	8	10	-	-	1	1	-	-
Graham Fariss	10	10	2	2	-	-	-	-
Tai Sook Yee	8	9	-	-	-	-	-	-
Michael Chye	1	1						
Richard Procter	3	3						

A - Meetings attended.
B - Meetings held whilst a director.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the LinQ Resources Fund during the year, other than those changes identified in the financial statements for the year ending 30 June 2012.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 10 August 2012, the Responsible Entity of the Fund announced that subject to Unitholder approval, it proposed to delist the Fund from the ASX. A notice of meeting and explanatory memorandum was mailed to Unitholders on 22 August 2012 outlining the reasons for the delisting proposal. A meeting of Unitholders has been called for 17 September 2012 to consider the proposal to delist the Fund.

There has not been any other matter or circumstance not otherwise dealt with in the financial report that has significantly affected or may significantly affect the Fund.

LIKELY DEVELOPMENT AND EXPECTED RESULTS

The investment strategy of the Fund will be maintained in accordance with the Fund's Constitution and investment objectives. Future results will depend on the performance of the markets in the areas in which the Fund chooses to invest.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Operations of the Fund are not subject to any particular and significant environmental regulation under a law of the Commonwealth or of a State or Territory. There have been no known significant breaches of any other environmental requirements applicable to the Fund.

INDEMNIFICATION AND INSURANCE OF OFFICERS

All current and former officers of the Responsible Entity are indemnified out of the property of the Responsible Entity against:

(a) any liability for costs and expenses which may be incurred by that person in defending civil or criminal proceedings in which judgement is given in that person's favour, or in which the person is acquitted, or in connection with an application in relation to any such proceedings in which the court grants relief to the person under the Corporations Act 2001; and

(b) a liability incurred by the person, as an officer of the Responsible Entity or of a related body corporate, to another person (other than the Responsible Entity or a related body corporate) unless the liability arises out of conduct involving a lack of good faith.

During the financial year, the Responsible Entity paid an insurance premium in respect of a contract insuring each of the officers of the Responsible Entity. The amount of the premium is, under the terms of the insurance contract, confidential. The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Responsible Entity or related body corporates. This insurance premium does not cover auditors.

No insurance premiums are paid for out of the assets of the Fund in regards to insurance cover provided to either the officers of LinQ Capital Limited or the auditors of the Fund.

AUDITOR INDEPENDENCE

The Directors received the following declaration from the auditor of the LinQ Resources Fund:

ERNST & YOUNG

Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
www.ey.com/au

Auditor's Independence Declaration to the Directors of LinQ Capital Limited as the Responsible Entity, for the LinQ Resources Fund

In relation to our audit of the financial report of LinQ Resources Fund for the financial year ended 30 June 2012, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

T G Dachs
Partner
Perth
29 August 2012

NON-AUDIT SERVICES

The Audit Committee has reviewed all non-audit services provided by the external auditor during the financial year ended 30 June 2012, and confirms that the provision of these services is in accordance with the independence provisions of the Corporations Act 2001. The external auditor has confirmed to the Audit Committee that they have complied with the Audit Committees' policy on non-audit services for the financial year ended 30 June 2012.

The total fees paid to the external auditor for non-audit services during the year were $38,758 (2011: $117,098).

MANAGING DIRECTOR/FUND ACCOUNTANT DECLARATION

The Managing Director and the Fund Accountant have given a declaration to the Board of Directors that in their opinion the financial records of the LinQ Resources Fund have been properly maintained in accordance with section 286 of the Corporations Act 2001, and the financial statements and notes for the financial year ended 30 June 2012 comply with accounting standards and give a true and fair view.

ROUNDING

The amounts contained in this report and in the financial report have been rounded off under the option available to the Fund under ASIC Class Order 98/0100. The Fund is an entity to which the Class Order applies, and in accordance with that Class Order, amounts in the Directors' Report and the Financial Report have been rounded to the nearest thousand dollars (where rounding is appropriate).

Signed in accordance with a resolution of the Directors.

Clive Donner
Managing Director
Perth

29 August 2012

LINQ RESOURCES FUND
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012

		Consolidated	
	Notes	2012 $000	2011 $000
Income			
Dividend income		**1,029**	187
Finance income	2(a)	**1,401**	2,074
Royalty income		**244**	162
Total revenue		**2,674**	2,423
Other income		**347**	116
Foreign exchange gain		**945**	-
Change in fair value of investments in financial assets classified at fair value through the profit & loss	2(b)	**-**	47,715
Total investment income		**3,966**	50,254
Expenses			
Change in fair value of investments in financial assets classified at fair value through the profit & loss	2(b)	**43,655**	-
Foreign exchange loss		**-**	5,240
Administration expenses		**698**	1,449
Directors' fees and expenses		**307**	335
Fund promotion		**218**	268
Legal and professional fees		**546**	2,750
Manager's fees		**2,643**	3,678
Total expenses		**48,067**	13,720
Net (loss)/profit before income tax		**(44,101)**	36,534
Income tax benefit/(expense)	6	**7,291**	(4,793)
Net (loss)/profit after income tax		**(36,810)**	31,741
Other comprehensive income		**-**	-
Total comprehensive income for the year		**(36,810)**	31,741
Basic (loss)/earnings per unit (cents)	14	**(32.1)**	23.1
Diluted (loss)/earnings per unit (cents)	14	**(32.1)**	23.1

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

LINQ RESOURCES FUND
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012

		Consolidated	
	Notes	2012 $000	2011 $000
Assets			
Cash and cash equivalents	8(a)	**25,408**	37,077
Trade and other receivables	3	**940**	229
Investments in financial assets	4	**86,545**	132,676
Deferred tax assets	6	**-**	-
Total assets		**112,893**	169,982
Liabilities			
Distribution payable	2(c)	**2,882**	3,463
Trade and other payables	5	**112**	147
Provision for income tax	6	**207**	8,398
Deferred tax liabilities	6	**339**	8,227
Total liabilities		**3,540**	20,235
Net assets		**109,353**	149,747
Equity			
Issued capital		**56,303**	56,428
Retained earnings		**53,050**	93,319
Total equity		**109,353**	149,747
Net tangible assets per ordinary unit ($)		**0.95**	1.30

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

LINQ RESOURCES FUND
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012

	Issued capital $000	Retained earnings $000	Total $000
Consolidated			
At 1 July 2010	108,282	72,675	180,957
Profit for the period	-	31,741	31,741
Other comprehensive income for the year	-	-	-
Total Comprehensive income for the year	-	31,741	31,741
Units issued – distribution reinvestment plan	1,010	-	1,010
Unit buyback	(3,965)	-	(3,965)
Withdrawal tender – unfranked dividend	-	(5,890)	(5,890)
Withdrawal tender – capital return	(48,899)	-	(48,899)
Distributions paid and payable	-	(5,207)	(5,207)
At 30 June 2011	56,428	93,319	149,747
At 1 July 2011	**56,428**	**93,319**	**149,747**
Loss for the period	**-**	**(36,810)**	**(36,810)**
Other comprehensive income for the year	**-**	**-**	**-**
Total Comprehensive income/(loss) for the year	**-**	**(36,810)**	**(36,810)**
Units issued – distribution reinvestment plan	**610**	**-**	**610**
Unit buyback	**(735)**	**-**	**(735)**
Distributions paid and payable	**-**	**(3,459)**	**(3,459)**
At 30 June 2012	**56,303**	**53,050**	**109,353**

LINQ RESOURCES FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2012

		Consolidated	
	Notes	2012 $000	2011 $000
Cash flows from operating activities			
Interest received		**1,334**	2,528
Dividend income received		**1,029**	187
Other income received		**484**	278
GST paid		**(14)**	39
Manager's fees paid		**(2,643)**	(3,678)
Other expenses paid		**(1,804)**	(4,870)
Income tax paid		**(8,788)**	-
Net cash outflow from operating activities	8(b)	**(10,402)**	(5,516)
Cash flows from investing activities			
Payments for investments		**(29,082)**	(42,061)
Proceeds from sale of investments		**31,980**	123,913
Net cash inflow from investing activities		**2,898**	81,852
Cash flows from financing activities			
Proceeds from issue of units		**610**	986
Distribution paid		**(4,040)**	(6,971)
Unit buyback		**(735)**	(4,008)
Withdrawal tender redemption paid		**-**	(54,788)
Net cash outflow from financing activities		**(4,165)**	(64,781)
Net (decrease)/increase in cash and cash equivalents held		**(11,669)**	11,555
Cash and cash equivalents at the beginning of the year		**37,077**	25,522
Cash and cash equivalents at the end of the year	8(a)	**25,408**	37,077

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The financial report of the LinQ Resources Fund ('Fund') for the year ended 30 June 2012 was authorised for issue in accordance with a resolution of the Directors of the Responsible Entity on 28 August 2012. The Fund is an Australian Registered Scheme, constituted on 8 March 2002. The Fund will terminate on 7 March 2082 unless terminated earlier in accordance with provisions of the Constitution.

LinQ Capital Limited, the Responsible Entity of the Fund, is incorporated and domiciled in Australia. The registered office of the Responsible Entity is located at Level 1, LinQ House, 17 Ord Street, West Perth WA 6005.

The nature of the operations and principal activities of the Fund are described in the accompanying Manager's Report.

Summary of Significant Accounting Policies

(a) Basis of Accounting

The financial report is a general purpose financial report, which has been prepared in accordance with the Fund's Constitution and the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report has been prepared in accordance with the historical cost convention, except for the valuation of investments in financial assets held at fair value through profit and loss, which have been measured at fair value.

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current, additional information regarding this are included in the relevant notes. All balances are expected to be recovered or settled within twelve months, except for investments in financial assets at fair value through profit and loss. The amount expected to be recovered or settled in relation to these balances cannot be reliably determined.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the Fund under the ASIC Class Order 98/0100. The Fund is an entity to which the Class Order applies.

(b) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the LinQ Resources Fund and its wholly owned subsidiary Trust, the LinQ Resources Fund No 2, as at 30 June 2012 (the Group).

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

The financial statements of the subsidiary Trust are prepared for the same reporting period as the parent, using consistent accounting policies.

In preparing the consolidated financial statements, all inter-trust balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

A subsidiary is fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

(c) Investments and Other Financial Assets

Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the trade date ie the date that the Fund commits to purchase or sell the asset.

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are categorised as either financial assets at fair value through profit and loss, loans and receivables, held to maturity investments or available for sale investments, as appropriate. The criteria for initial recognition are based on the Fund's objectives and Management's analysis.

When financial assets are recognised initially they are measured at fair value, plus in the case of investments not at fair value through the profit and loss, directly attributable transaction costs. The Fund determines the classification of its financial assets after initial recognition and when allowed and appropriate, re-evaluates this designation at each financial year end.

1. CORPORATE INFORMATION continued

(i) Financial assets at fair value through profit and loss

For financial assets that are actively traded in organised financial markets, fair value is determined by reference to the Securities Exchange quoted market bid prices at the close of business on balance date. These financial assets are designated at fair value through profit and loss on the basis that they are part of a group of financial assets which are managed and have their performance evaluated on a fair value basis in accordance with risk management and investment strategies of the Fund.

For financial assets where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the financial assets. The fair value of options is determined using an appropriate option pricing model.

Gains or losses on investments at fair value through profit and loss are recognised in the Statement of Comprehensive Income.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method.

Amortised cost is calculated by taking into account any discount or premium on acquisition.

For financial assets carried at amortised cost, gains and losses are recognised in the Statement of Comprehensive Income when the financial assets are derecognised or impaired, as well as through the amortisation process.

(iii) Derecognition of financial assets

A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired;
- The Fund retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party lender under a "pass-through" arrangement; or
- The Fund has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(iv) Impairment of financial assets

The Fund assesses at each reporting date whether a financial asset or group of financial assets classified as loans and receivables is impaired. Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted using the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss as 'impairment expense'.

(d) Investment Income

Income is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the income can be reliably measured. Specific income is recognised as follows:

(i) Dividend revenue

Dividends are recognised when the right to receive payment is established.

(ii) Interest revenue

Interest is recognised on an accruals basis using the effective interest rate method, which is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument to the net carrying amount of the financial asset. Interest on cash on deposit is recognised in accordance with the terms and conditions that apply to the deposit.

(iii) Changes in the fair value of investments

Gains or losses on investments are calculated as the difference between the fair value at sale, or at year end, and the fair value at the previous valuation point. This includes both realised and unrealised gains and losses, but does not include interest or dividend revenue.

(e) Distributions

As the Fund is now a public trading trust for tax purposes and will now pay income tax as though it were a company, it is no longer required to distribute the Fund's taxable income to unitholders. In determining the interim and annual distributions for the Fund, the Directors of the Responsible Entity will have proper regard to the return on the Fund's investments and its working and investment capital requirements in any given year.

(f) Trade and Other Receivables

Trade and other receivables may include amounts for dividends, interest and securities sold where settlement has not yet occurred. Receivables are recognised and carried at original amount, less an allowance for any uncollectible debts. An allowance for doubtful debts is made when there is objective evidence that the Fund will not be able to collect the debt. Objective evidence is determined when the debts are more than 90 days past due. Bad debts are written off when identified.

Amounts are generally received within 30 days of being recorded as receivables.

(g) Trade and Other Payables

Liabilities for creditors are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Fund.

Payables include outstanding settlements on the purchase of investments and distributions payable. The carrying period is dictated by market conditions and is generally less than 30 days.

(h) Interest-bearing Loans and Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. The Fund does not currently hold qualifying assets but, if it did, the borrowing costs directly associated with this asset would be capitalised (including any other associated costs directly attributable to the borrowing and temporary investment income earned on the borrowing).

1. CORPORATE INFORMATION continued

(i) Goods and Services Tax ('GST')

Revenue, expenses and assets, with the exception of receivables and payables, are recognised net of the amount of GST, to the extent that GST is recoverable from the Australian Tax Office (ATO).

Where GST is not recoverable it is recognised as part of the cost of the asset or as part of the expense item as applicable.

Reduced input tax credits (RITC) recoverable by the Fund from the ATO are recognised as receivables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of the cash flows arising from investing and financing activities, which is recoverable from or payable to the ATO are classified as operating cash flows.

(j) Cash and Cash Equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand and short term deposits with an original maturity of three months or less.

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes deposits held at call with banks or financial institutions.

(k) Treasury Stock

Treasury stock refers to those Fund units acquired by the LinQ Resources Fund No 2. For accounting purposes, the treasury stock is offset against the Fund's units on issue. Whilst the Treasury stock is held by LinQ Resources Fund No 2, those units do not participate in distributions from the Fund.

(l) Earnings Per Unit

Basic earnings per unit (EPU) is calculated as net profit/loss attributable to unitholders divided by the weighted average number of units, less the treasury stock. The diluted EPU is the same as basic EPU.

(m) Net Tangible Assets Per Unit

Net tangible assets per unit (NTA) is calculated by taking the net assets attributable to unitholders and dividing by the number of units on issue at year end, less the treasury stock.

(n) Terms and Conditions on Units

Each unit issued confers upon the unitholder an equal interest in the Fund, and is of equal value. A unit does not confer any interest in any particular asset or investment of the Fund. Unitholders have various rights under the Constitution and the Corporations Act 2001, including the right to:

- receive income distributions;
- attend and vote at meetings of unitholders; and
- participate in the termination and winding up of the Fund.

The rights, obligations and restrictions attached to each unit are identical in all respects.

(o) Income Tax

Under current legislation, the Fund has been classified as a public trading trust for tax purposes with effect for the financial year ended 30 June 2009 and will be subject to income tax.

Current tax assets and liabilities for the current year are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- When the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(p) Foreign Currency Translation

Both the functional and presentation currency of the Fund is Australian dollars.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in a previous financial report, is recognised in profit or loss in the period in which they arise.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(q) Significant Accounting Judgements, Estimates and Assumptions

The determination of fair value of unlisted securities requires the application of a discounted cash flow valuation model. A discounted cash flow model requires that certain judgements and assumptions are made, including an estimate for the discount rate applied and an estimation of future uncertain cash flows.

The Fund determines the fair value of unlisted options using the Black-Scholes formula taking into account the terms and conditions upon which the instruments were granted. The Black-Scholes formula requires the estimation of certain assumptions including the volatility of the underlying shares and an estimation as to the anticipated date at which the option will be exercised.

(r) Statement of Compliance

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

1. CORPORATE INFORMATION continued

(s) New and Amended Accounting Standards and Interpretations

The accounting policies applied are consistent with those of the previous financial year except as noted below.

The following standards and interpretations would have been applied for the first time for the year ended 30 June 2012:

Reference	Title	Application date of standard	Application date for Group
AASB 124 (Revised)	The revised AASB 124 Related Party Disclosures (December 2009) simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including: (a) The definition now identifies a subsidiary and an associate with the same investor as related parties of each other (b) Entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other (c) The definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other A partial exemption is also provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.	1 January 2011	1 July 2011
AASB 2009-12	Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] Makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations. In particular, it amends AASB 8 Operating Segments to require an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. It also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB.	1 January 2011	1 July 2011

Reference	Title	Application date of standard	Application date for Group
AASB 2010-4	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13] Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments. Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions. Clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.	1 January 2011	1 July 2011
AASB 2010-5	Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042] This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB. These amendments have no major impact on the requirements of the amended pronouncements.	1 January 2011	1 July 2011
AASB 1054	Australian Additional Disclosures This standard is as a consequence of phase 1 of the joint Trans-Tasman Convergence project of the AASB and FRSB. This standard, with AASB 2011-1 relocates all Australian specific disclosures from other standards to one place and revises disclosures in the following areas: (a) Compliance with Australian Accounting Standards (b) The statutory basis or reporting framework for financial statements (c) Whether the entity is a for-profit or not-for-profit entity (d) Whether the financial statements are general purpose or special purpose (e) Audit fees (f) Imputation credits	1 July 2011	1 July 2011

1. CORPORATE INFORMATION continued

Reference	Title	Application date of standard	Application date for Group
AASB 2010-6	Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7] The amendments increase the disclosure requirements for transactions involving transfers of financial assets but which are not derecognised and introduce new disclosures for assets that are derecognised but the entity continues to have a continuing exposure to the asset after the sale.	1 July 2011	1 July 2011
AASB 2010-9	Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time adopters [AASB 1] In respect of the removal of fixed dates, the amendments provide relief for first-time adopters of Australian Accounting Standards from having to reconstruct transactions that occurred before their date of transition to Australian Accounting Standards. The amendments in respect of severe hyperinflation provide guidance for entities emerging from severe hyperinflation either to resume presenting Australian Accounting Standards financial statements or to present Australian Accounting Standards financial statements for the first time.	1 July 2011	1 July 2011
AASB 2011-5	Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation [AASB 127, AASB 128 & AASB 131] **This Standard makes amendments to:** • **AASB 127 Consolidated and Separate Financial Statements** • **AASB 128 Investments in Associates** • **AASB 131 Interests in Joint Ventures** to extend the circumstances in which an entity can obtain relief from consolidation, the equity method or proportionate consolidation, and relates primarily to those applying the reduced disclosure regime or not-for-profit entities.	1 July 2011	1 July 2011
AASB 1048	Interpretation of Standards **AASB 1048 identifies the Australian Interpretations and classifies them into two groups: those that correspond to an IASB Interpretation and those that do not. Entities are required to apply each relevant Australian Interpretation in preparing financial statements that are within the scope of the Standard. The revised version of AASB 1048 updates the lists of Interpretations for new and amended Interpretations issued since the June 2010 version of AASB 1048.**	1 July 2011	1 July 2011

The application of these standards and interpretations did not have a material impact on the accounting policies, financial position or performance of the Group.

(t) New and Amended Accounting Standards and Interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Fund for the annual reporting period ending 30 June 2012. Only those Australian Accounting Standards that may apply to the Fund in the future have been disclosed in the table below.

The following standards and interpretations have been issued by the AASB but are not yet effective for the period ending 30 June 2012:

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 13	Fair Value Measurement	AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. Consequential amendments were also made to other standards via AASB 2011-8.	1 January 2013	Impact on the Fund has not been assessed	1 July 2013
AASB 119	Employee Benefits	The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognized in full with actuarial gains and losses being recognized in other comprehensive income. It also revised the method of calculating the return on plan assets. The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date. Consequential amendments were also made to other standards via AASB 2011-10.	1 January 2013	No impact on Fund expected	1 July 2013

1. CORPORATE INFORMATION continued

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine	This interpretation applies to stripping costs incurred during the production phase of a surface mine. Production stripping costs are to be capitalised as part of an asset, if an entity can demonstrate that it is probable future economic benefits will be realised, the costs can be reliably measured and the entity can identify the component of an ore body for which access has been improved. This asset is to be called the "stripping activity asset". The stripping activity asset shall be depreciated or amortised on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity. The units of production method shall be applied unless another method is more appropriate. Consequential amendments were also made to other standards via AASB 2011-12.	1 January 2013	No impact on Fund expected	1 July 2013
Annual Improvements 2009-2011 Cycle	Annual Improvements to IFRSs 2009–2011 Cycle	This standard sets out amendments to International Financial Reporting. Standards (IFRSs) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB. The following items are addressed by this standard: IFRS 1 First-time Adoption of International Financial Reporting Standards • Repeated application of IFRS 1 • Borrowing costs IAS 1 Presentation of Financial Statements • Clarification of the requirements for comparative information IAS 16 Property, Plant and Equipment • Classification of servicing equipment IAS 32 Financial Instruments: Presentation • Tax effect of distribution to holders of equity instruments IAS 34 Interim Financial Reporting • Interim financial reporting and segment information for total assets and liabilities	1 January 2013	Impact on the Fund has not been assessed	1 July 2013

Reference	Title	Summary	Appli-cation date of standard	Impact on Group financial report	Appli-cation date for Group
AASB 2011-4	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	This Amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies.	1 July 2013	No impact on Fund expected	1 July 2013
AASB 1053	Application of Tiers of Australian Accounting Standards	This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements: (a) Tier 1: Australian Accounting Standards (b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements. The following entities apply Tier 1 requirements in preparing general purpose financial statements: (a) For-profit entities in the private sector that have public accountability (as defined in this Standard) (b) The Australian Government and State, Territory and Local Governments The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements: (a) For-profit private sector entities that do not have public accountability (b) All not-for-profit private sector entities (c) Public sector entities other than the Australian Government and State, Territory and Local Governments Consequential amendments to other standards to implement the regime were introduced by AASB 2010-2, 2011-2, 2011-6, 2011-11 and 2012-1.	1 July 2013	Impact on the Fund has not been assessed	1 July 2013

1. CORPORATE INFORMATION continued

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2012-2	Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities	AASB 2012-2 principally amends AASB 7 Financial Instruments: Disclosures to require disclosure of information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.	1 January 2013	Impact on the Fund has not been assessed	1 July 2013
AASB 2012-4	Amendments to Australian Accounting Standards – Government Loans	AASB 2012-4 adds an exception to the retrospective application of Australian Accounting Standards under AASB 1 First-time Adoption of Australian Accounting Standards to require that first-time adopters apply the requirements in AASB 139 Financial Instruments: Recognition and Measurement (or AASB 9 Financial Instruments) and AASB 120 Accounting for Government Grants and Disclosure of Government Assistance prospectively to government loans (including those at a below-market rate of interest) existing at the date of transition to Australian Accounting Standards.	1 January 2013	No impact is expected on the Fund	1 July 2013
AASB 2012-5	Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle	AASB 2012-5 makes amendments resulting from the 2009-2011 Annual Improvements Cycle. The Standard addresses a range of improvements, including the following: • repeat application of AASB 1 is permitted (AASB 1); and • clarification of the comparative information requirements when an entity provides a third balance sheet (AASB 101 Presentation of Financial Statements).	1 January 2013	Impact on the Fund has not been assessed	1 July 2013
AASB 2012-3	Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities	AASB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	1 January 2014	Impact on the Fund has not been assessed	1 July 2015

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below. (a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. (b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. (d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: • The change attributable to changes in credit risk are presented in other comprehensive income (OCI) • The remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.	1 January 2015	The Fund anticipates that the classification and measurement of financial assets will remain consistent with the current treatment. The Fund may be able to elect on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other Comprehensive Income.	1 July 2015

2. FINANCE INCOME AND DISTRIBUTIONS TO UNITHOLDERS

	Consolidated	
	2012 $000	2011 $000
(a) Finance income		
Bank interest	**886**	1,641
Income from loans and receivables	**515**	433
	1,401	2,074
(b) Change in fair value of investments in financial assets classified at fair value through the profit & loss		
Unrealised gains/(losses) in net fair value of investments	**(52,602)**	(28,141)
Realised gains on sale of investments	**16,260**	79,540
Realised losses on sale of investments	**(7,313)**	(3,684)
	(43,655)	47,715
(c) Distributions to unitholders		
Interim distribution to unitholders	**577**	1,744
Final distribution to unitholders	**2,882**	3,463
Total distribution to unitholders	**3,459**	5,207

(d) Components of distribution	2012 $000	Number of units '000	Cents per unit	2011 $000	Number of units '000	Cents per unit
Interim distribution to unitholders	**577**	**115,309**	**0.5**	1,744	116,266	1.5
Final distribution to unitholders	**2,882**	**115,297**	**2.5**	3,463	115,447	3.0
	3,459		**3.0**	5,207		4.5

3. TRADE AND OTHER RECEIVABLES

	Consolidated	
	2012 $000	2011 $000
Accrued interest	**210**	144
GST recoverable	**65**	50
Other receivables	**665**	35
	940	229

4. INVESTMENTS IN FINANCIAL ASSETS

	Consolidated	
	2012 $000	2011 $000
(i) At fair value through profit and loss		
Listed securities		
- Listed equities	**49,595**	107,763
Unlisted securities		
- Options on convertible notes	**31**	786
- Unlisted equities	**18,928**	24,127
- Convertible notes	**6,847**	-
- Other Financial Asset	**2,719**	-
Total at fair value through profit and loss	**78,120**	132,676
(ii) At amortised cost		
Loans and receivables		
- Convertible notes and mezzanine facilities[1]	**8,425**	-
Total at amortised cost	**8,425**	-
	86,545	132,676

(1) The carrying amount of the loans and receivables approximates their fair value.

4. INVESTMENTS IN FINANCIAL ASSETS continued

The following table shows financial instruments recorded at fair value, analysed between those whose fair value is based on quoted market prices, those involving valuation techniques where all the model inputs are observable in the market and those where the valuation technique involves the use of non-market observable inputs.

	30 June 2012				30 June 2011			
	Valued at quoted market price (Level 1)	Valuation technique- market observable inputs (Level 2)	Valuation technique non market observable inputs (Level 3)	Total	Valued at quoted market price (Level 1)	Valuation technique- market observable inputs (Level 2)	Valuation technique non market observable inputs (Level 3)	Total
Financial assets at fair value through profit and loss								
Financial assets held for trading								
(i) Equities								
Listed equity securities	**49,595**	**-**	**-**	**49,595**	107,763	-	-	107,763
Unlisted equities	**-**	**-**	**18,928**	**18,928**	-	-	24,127	24,127
(ii) Other								
Share options	**-**	**31**	**-**	**31**	-	786	-	786
Convertible notes	**-**	**-**	**6,847**	**6,847**	-	-	-	-
Other Financial Assets	**-**	**-**	**2,719**	**2,719**	-	-	-	-
	49,595	**31**	**28,494**	**78,120**	107,763	786	24,127	132,676

The level in which instruments are classified in the hierarchy is based on the lowest level input that is significant to the fair value measurement in its entirety. Assessment of the significance of an input requires judgement after considering factors specific to the instrument.

The fair value of listed equity and debt securities is based on quoted market prices or binding dealer price quotations at the reporting date (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments, fair value is determined using valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

The Fund uses widely recognised valuation models for determining fair values of over-the-counter derivatives. For these financial instruments, inputs into models are not all market observable.

For instruments for which there is currently no active market, the Fund uses a valuation model which is accepted in the industry. Some of the inputs to that model may not be market observable and are therefore estimated based on assumptions. The model is calibrated to an appropriate index; where relevant, however significant adjustments may be required in order to reflect differences between the characteristics of the index and the instrument to be valued.

The following table shows a reconciliation of the movement in the fair value of financial instruments categorised within Level 3 between the beginning and the end of the reporting period.

	Financial assets designated at fair value through profit and loss:			
	2012		2011	
	Unlisted equity securities $000	Total $000	Unlisted equity securities $000	Total $000
Opening balance	**24,127**	**24,127**	29,367	29,367
Total gains and losses				
- in profit or loss	**(633)**	**(633)**	(5,240)	(5,240)
- in other comprehensive income	**-**	**-**	-	-
Purchases	**-**	**-**	-	-
Sales	**-**	**-**	-	-
Issues	**5,000**	**5000**	-	-
Settlements	**-**	**-**	-	-
Transfers into or out of Level 3	**-**	**-**	-	-
Closing balance	**28,494**	**28,494**	24,127	24,127

Gains or losses included in profit or loss are presented in change in fair value of financial assets and liabilities at fair value through profit or loss as follows:

	2012	2011
Total gains/(loss) included in profit and loss for the period	**(633)**	(5,240)
Total gains/(loss) included in profit or loss for the period for assets held at the end of the reporting period	**(633)**	(5,240)

4. INVESTMENTS IN FINANCIAL ASSETS continued

For financial instruments whose fair value is estimated using valuation techniques that use non-market observable inputs, the Group notes the following:

Unlisted Equities & Convertible Note

At 30 June 2012, the Group has obtained an independent valuation to support the valuation of the Convertible Note and has performed a valuation of unlisted equities based on valuation techniques outlined above.

The calculation of the fair value of the unlisted equities and convertible note is most sensitive to the following assumptions:

- Discount rates;
- Long term commodity prices; and
- Underlying resource levels.

Discount rates

Discount rates represent the current market assessment of the risks specific to each unlisted equity, taking into consideration the time value of money and individual risks of the underlying assets. The discount rate calculation is based on the specific circumstances of the unlisted equity.

Long term commodity prices

Estimates of long term commodity prices are obtained from published analysts' reports. Forecast figures are used if data is publically available.

Underlying resource levels

The underlying resource levels used in the valuations are based on reported resource levels from the relevant entities who control the investments.

Sensitivity to changes in assumptions

With regard to the fair value estimated using valuation techniques that use non-market observable inputs, the potential effect of using reasonably possible alternative assumptions for valuing those financial instruments would reduce the fair value of unlisted equity securities by up to $4.493 million (2011: $3.573 million) or increase the fair value by $6.317 million (2011: $4.090 million).

5. TRADE AND OTHER PAYABLES

	Consolidated	
	2012 $000	**2011 $000**
Trade creditors	**8**	-
Other fees payable	**104**	147
	112	147

6. INCOME TAX

	Consolidated	
	2012 $000	**2011 $000**
The major components of income tax expense are:		
Statement of Comprehensive Income		
Current income tax		
- Current income tax expense	**207**	8,398
- Adjustment in respect of current income tax of previous year	**390**	-
Deferred income tax		
- Relating to origination and reversal of temporary differences	**(7,888)**	(3,605)
Income tax expense reported in the statement of comprehensive income	**(7,291)**	4,793
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Company's applicable income tax rate as follows:		
Accounting profit before income tax	**(44,101)**	36,534
At the Group's statutory income tax rate of 30%	**(13,230)**	10,960
- Adjustments in respect of current income tax of previous year	**390**	-
- Franking credit	**(16)**	9
- Fund promotion and entertainment	**-**	2
- Perpetual income	**(408)**	-
- CGT discount component	**5,973**	(6,178)
Income tax expense reported in the statement of comprehensive income	**(7,291)**	4,793
Deferred income tax		
Deferred income tax at 30 June relates to the following:		
Deferred tax assets		
- Loan receivable	**248**	-
- Audit fees	**18**	10
- s 40-880 deductions	**462**	924
Total deferred tax assets	**728**	934
Deferred tax liabilities		
- Other financial asset	**817**	-
- Convertible Note	**554**	-
- Shares held for greater than 12 months	**968**	8,324
- Shares held for less than 12 months	**(1,277)**	719
- Options	**5**	118
Total deferred tax liabilities	**1,067**	9,161
Total deferred tax reported in the statement of financial position	**339**	8,227
Franking credits		
Balance at end of the year is $8.666 million (2011: $Nil)		

7. ISSUED CAPITAL

	Consolidated			
	2012		2011	
	Number 000	$000	Number 000	$000
The terms and conditions attached to the units in the Fund can be found in Note 1 (n).				
(a) Units on issue				
Units on issue as at beginning of financial year	**183,046**	**162,047**	241,620	213,901
Units issued pursuant to the distribution reinvestment plan	**952**	**610**	1,406	1,010
Unit buyback on-market	**(1,072)**	**(735)**	(4,414)	(3,965)
Withdrawal tender off-market buyback (i)	**-**	**-**	(55,566)	(48,899)
Treasury stock	**(67,640)**	**(105,619)**	(67,640)	(105,619)
Units on issue as at the end of the financial year	**115,286**	**56,303**	115,406	56,428

(i) On 8 November 2010, Unitholders approved of changes to the Fund's Constitution to facilitate the redemption of units under an off-market withdrawal tender process. 55,566,392 units were successfully redeemed at a tender price of $0.986 per unit, which were cancelled a short time thereafter, making those Unitholders who had successfully tendered their units, creditors of the Fund. These creditors were paid in a first and final payment from the Fund on 1 February 2011.

	2012 $	2011 $
(b) Net tangible assets per ordinary unit ($)	**0.95**	1.30

	2012 $000	2011 $000
(c) Components of net assets		
Included within closing net assets are the following:		
Net unrealised losses in market value of securities	**(88,829)**	(43,204)
(d) Capital management		
Refer to 'Financial risk management objectives and policies' for the policies and processes applied by the Fund in managing its capital.		

8. CASH AND CASH EQUIVALENTS

	Consolidated	
	2012 $000	2011 $000
(a) Reconciliation of cash and cash equivalents		
For the purposes of the Statement of Financial Position and Statement of Cash Flows, cash and cash equivalents comprise:		
- Cash at bank	**25,408**	37,077
Cash at bank and in hand earn interest at floating rates based on daily bank deposit rates. The fair value of cash and cash equivalents is $25,408,000 (2011: $37,077,000).		
(b) Reconciliation of net (loss)/profit after tax to net cash flows from operating activities		
Net (loss) / profit after tax	**(36,810)**	31,741
Adjustments for:		
Change in fair value of investments	**52,602**	28,141
Foreign exchange (gain) / loss	**(945)**	5,240
Net realised (gains) on sale of investments	**(8,947)**	(75,856)
Changes in assets and liabilities:		
Increase/(decrease) in fees payable	**(104)**	(71)
Increase/(decrease) in other accounts payable	**(39)**	3
Increase/(decrease) in deferred tax liabilities	**(7,888)**	(3,604)
(Increase)/decrease in accrued interest	**(66)**	453
(Increase)/decrease in GST recoverable	**(14)**	39
Increase/(decrease) in provision for Income tax	**(8,191)**	8,398
Net cash flows from operating activities	**(10,402)**	(5,516)
(c) Non-cash financing and investing activities		
Non-cash financing and investing activities carried out during the year on normal commercial terms and conditions included:		
- Reinvestment of unitholders distributions	**610**	1,010

9. AUDITOR'S REMUNERATION

	Consolidated	
	2012 **$**	**2011** **$**
Amounts received or due and receivable by Ernst & Young for:		
- an audit or review of the financial report of the Fund	**130,251**	72,750
- other services in relation to the Fund		
- Taxation advice	**38,758**	83,245
- Audit of the compliance plan	**12,500**	10,000
- Other assurance services	**-**	-
	181,509	165,995

10. RELATED PARTIES

(a) Responsible Entity

The Responsible Entity is LinQ Capital Limited ("LinQ"). LinQ is responsible for the day to day management of the Fund. Effective 10 March 2004 LinQ received its Australian Financial Services Licence ("AFSL"). LinQ's licence is broadly for the provision of general advice to retail persons and personal advice to wholesale persons and entities, dealing in financial products and the operation of a registered scheme. Perpetual Corporate Trust Limited is the custodian of the Fund.

(b) Details of Key Management Personnel

(i) Directors

The names of the persons who were Directors of LinQ at any time during the financial year and up to the date of this report were as follows:

Directors of Responsible Entity

- **Mr Bruno Camarri AM** Chairman (Non-executive)
- **Mr Gordon Toll** Former Chairman (Non-executive) – resigned 24 February 2012
- **Mr Clive Donner** Managing Director (Executive)
- **Mr Graham Fariss** (Non-executive)
- **Mr Nicholas Lattimore** (Non-executive)
- **Ms Tai Sook Yee** (Non-executive) – resigned 2 July 2012
- **Mr Michael Chye** (alternate to Ms Tai Sook Yee) – appointed 1 May 2012, resigned 2 July 2012
- **Mr Richard Procter** (Executive) – appointed 24 February 2012

(ii) Other Key Management Personnel

In addition to the Directors noted above, LinQ, the Responsible Entity of the Fund, is considered to be Key Management Personnel with the authority for the strategic direction and management of the Fund.

(iii) Compensation of Key Management Personnel

The Board of LinQ Capital Limited determines the aggregate level of Director's fees. Directors' fees are reimbursed from the LinQ Resources Fund in accordance with the Fund's Constitution.

Directors' remuneration is paid directly by LinQ Capital Limited and Directors' fees and expenses are reimbursed to LinQ Capital Limited in accordance with the Fund's Constitution. The Board assesses the appropriateness of the nature and amount of the fees paid to Directors by reference to relevant market conditions, the Board Charter and the Corporate Governance Overview Statement, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board.

Compensation is paid to the Responsible Entity in the form of fees and is disclosed in Note (c).

(c) Fees and reimbursements

Directors' fees

The Key Management Personnel compensation paid or payable for the year and reimbursed by the Fund is as follows:

		Short-term	
Specified Directors	**Position held**	**Fees[1] 2012 $**	**Fees[1] 2011 $**
Bruno Camarri	Non-Executive Chairman	**93,498**	90,000
Gordon Toll (resigned 24 February 2012)	Former Non-Executive Chairman	**65,110**	100,000
Clive Donner	Managing Director	**-**	-
Graham Fariss	Non-Executive	**55,000**	55,000
Nick Lattimore	Non-Executive	**48,333**	45,000
Tai Sook Yee (resigned 2 July 2012)	Non-Executive	**45,000**	45,000
Michael Chye (appointed 1 May 2012 resigned 2 July 2012)	Alternate Non-Executive	**-**	-
Richard Procter (appointed 24 February 2012)	Executive	**-**	-
Total short- term		**306,941**	335,000

1. Includes superannuation where applicable.

10. RELATED PARTIES continued

Management fees paid to the Responsible Entity

- Under the Fund Constitution, the Responsible Entity is entitled to receive fees monthly in advance calculated at 1.75% (exclusive of GST) per annum on Gross Asset Value as defined under the Fund Constitution.

Management fees, excluding GST, paid to the Responsible Entity for the financial year

- $2,642,892 (2011:$ 3,677,752) to LinQ Capital Limited.

Performance fee paid to the Responsible Entity

- Under the Fund Constitution, the Responsible Entity is also entitled to an annual performance fee which is determined by reference to the prescribed formula in the Constitution. The performance fee is payable when the performance of the Fund, as measured under the requirements of the Constitution, over the performance calculation period exceeds the performance of the Small Resources Accumulation Index over the same performance calculation period. The Responsible Entity's performance fee is calculated at end of the financial year and is payable after the end of the financial year and after the auditor's review of the calculation, on a date determined by the Responsible Entity.

Performance fee, excluding GST, payable to the Responsible Entity for the financial year

- $Nil (2011: $Nil) to LinQ Capital Limited.

Reimbursed expenses from the Fund

During the year the Responsible Entity incurred certain additional expenses on behalf of the Fund of $511,000 (2011: $544,000). These costs were reimbursed by the Fund in accordance with the Fund's Constitution.

(d) Unit and Option Holdings of Key Management Personnel

	Balance		Net change		Balance	
	1 July 2011				30 June 2012	
Director	**Ord Units**	**Options**	**Ord Units**	**Options**	**Ord Units**	**Options**
Bruno Camarri	163,525	-	9,009	-	**172,534**	**-**
Gordon Toll	-	-	-	-	**-**	**-**
Clive Donner	1,122,083	-	159,062	-	**1,281,145**	**-**
Graham Fariss	200,501	-	-	-	**200,501**	**-**
Nicholas Lattimore	59,999	-	-	-	**59,999**	**-**
Tai Sook Yee	-	-	-	-	**-**	**-**
Michael Chye	-	-	-	-	**-**	**-**
Richard Procter	-	-	18,000	-	**18,000**	**-**

All equity transactions with Key Management Personnel, which relate to the Fund's listed ordinary units and options, have been entered into on an arm's length basis.

(e) Related party transactions

Transactions between the Fund and the Responsible Entity during the year are outlined in Note 10(c) above.

The following transactions with other related parties occurred during the year.

(i) Mr Clive Donner is a Director and has an indirect interest in LinQ Capital Limited (the Responsible Entity) and LinQ Management Pty Ltd (the Investment Manager). LinQ Capital Limited receives a benefit as Responsible Entity of the Fund and LinQ Management Pty Ltd has an interest in LinQ Resources Fund pursuant to the rights and obligations under the Investment Management Agreement.

(ii) LinQ Capital Limited received $2,642,892 (2011: $3,677,752) excluding GST, for the management of the Fund and is entitled to receive a performance fee of $Nil (2011: $Nil). LinQ Capital Limited is a wholly owned entity of Ashdon Nominees Pty Ltd, a company in which Mr Clive Donner is a Director.

(iii) Mr Bruno Camarri was a former Partner and is now a consultant to Freehills, a legal firm. During the year ended 30 June 2012 the Fund paid Freehills the amount of $130,784 (2011: $659,754) in legal expenses. Mr Camarri did not charge any consulting fees in 2012 (2011: $107,845).

(iv) In December 2011, the Fund issued a Convertible Note to Zambezi Resources Limited ("ZRL") for $5,000,000. The convertible note was issued at a 10% coupon rate which was deemed to be at market value. The fair value of the convertible note at 30 June 2012 is $6,847,000 based on an independent valuation. ZRL is deemed to be an Associate of LRF by virtue of LRF holding 22.03% interest in ZRL investments worth $1,880,000.

All related party transactions are made in arms length transactions on normal commercial terms and conditions. Outstanding balances at year end are unsecured and settlement occurs in cash.

11. PARENT ENTITY INFORMATION

	2012 $000	2011 $000
Information relating to LinQ Resources Fund		
Assets		
Cash and cash equivalents	**25,408**	37,077
Trade and other receivables	**106,559**	105,848
Investments in financial assets	**86,545**	132,676
Total assets	**218,512**	275,601
Liabilities		
Distribution payable	**2,882**	3,463
Trade and other payables	**112**	147
Provision for income tax	**207**	8,398
Deferred tax liabilities	**339**	8,227
Total liabilities	**3,540**	20,235
Net assets	**214,972**	255,366
Equity		
Issued capital	**161,922**	162,047
Retained earnings	**53,050**	93,319
Total equity	**214,972**	255,366
Profit or loss of parent entity	**(36,810)**	31,741
Total comprehensive income of parent entity	**(36,810)**	31,741

12. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The strategy of the Fund in mitigating risk in the selection of financial assets is carefully managed by the Board and Management of the Responsible Entity. The investment strategy is regulated by broad investment guidelines. The investment strategy is encompassed by the following main guidelines. These guidelines can be amended at the discretion of the Board of the Responsible Entity:

- The Fund can invest in listed and unlisted smaller to medium sized Australian and overseas resource companies with market capitalisations of less than $3 billion (2011:$3 billion). The majority of investments are likely to be in Australian companies. However, the Fund may invest internationally.
- A sub-committee comprising at least 3 directors of the Responsible Entity can authorise the acquisition of investments with a cost of up to $3 million (2011: $3 million) with amounts in excess of this being approved by the Board of the Responsible Entity. Investments with a cost of $1 million (2011: $1 million) or less can be approved by senior management.
- The Fund may invest in companies involved in a wide variety of mineral commodities, in particular (but not limited to) precious metals, base metals, bulk minerals and energy.
- The Fund may invest in companies across the full spectrum of the maturity curve from early stage exploration through to production. Depending on the nature of deal flow and market conditions, many of the Fund's investments are likely to be in pre-cash flow or emerging companies.
- The Fund may utilise a variety of investment instruments to manage risk and optimise returns but may not short sell.
- Investments may be held for a number of years. The Fund may hold shorter-term investments when appropriate opportunities arise which will assist the Fund in improving its investment returns.
- The Investment Manager will, in some cases, take a proactive involvement in investee companies through board representation (or other means) to maximise the value of the investments of the Fund.
- The Fund's minimum weighting to available cash is $2.5 million (2011: $5 million).

The Fund engages in an on-market buy back of its units, which is designed to assist the Fund in maximising returns to unitholders. For information on the Fund's on-market buy back, refer to Note 7.

12. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Capital Management

When managing capital, the Fund's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to unitholders. The Fund also aims to maintain a capital structure that ensures the lowest cost of capital available to the Fund.

The Fund is constantly adjusting the capital structure to take advantage of favourable costs of capital or high returns on assets. As the market is constantly changing, the Fund may change the amount of distributions to be paid to unitholders or issue new units.

The Fund has an ongoing on-market unit buyback plan and during the previous year undertook an off-market withdrawal tender process to return capital to those unitholders who successfully tendered their units. During 2012, the Fund paid or provided for distributions of $3,459,000 (2011: $5,207,000).

The Fund considers total equity, comprising issued capital and retained earnings to form its capital base.

Financial risks

The main risks arising from the Fund's financial instruments are interest rate risk, credit risk, market price risk, foreign currency risk and liquidity risk. The Responsible Entity reviews and agrees policies for managing each of these risks and they are summarised below. The Fund also monitors the market price risk arising from all financial instruments.

The financial position and performance of the Fund is reported to and monitored by the Board of the Responsible Entity on a monthly basis.

(a) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Fund's exposure to market risk for changes in interest rates relate primarily to investments held in interest bearing instruments and the secured bank loan. The Fund's policy is to invest in accordance with the parameters as set out in the Constitution. The Fund's exposure to interest rate risk is set out below.

Interest rate risk is managed by investment of any surplus cash in short term deposits at variable interest rates so that the cash is available at short notice. Loans are provided at market rates for maximum periods as approved within the investment guidelines.

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until maturity of the instrument.

The other financial instruments of the Fund that are not included in the table below are non-interest bearing and are therefore not subject to interest rate risk.

There were no off balance sheet activities.

Consolidated 30 June 2012 On Statement of Financial Position	Weighted average effective interest rate	Floating rate	Fixed interest rate <1 year	>1 - <2 years	>2 - <3 years	Total
	%pa	$000	$000	$000	$000	$000
Financial assets						
Cash	4.8%	25,408	-	-	-	25,408
Convertible notes and mezzanine facilities	10.0%	-	250	6,847	-	5,250
Loan	13.0%	-	8,175	-	-	8,175
		25,408	8,425	6,847	-	40,680

There were no off balance sheet activities at 30 June 2012.

Consolidated 30 June 2011 On Statement of Financial Position	Weighted average effective interest rate	Floating rate	Fixed interest rate <1 year	>1 - <2 years	>2 - <3 years	Total
	%pa	$000	$000	$000	$000	$000
Financial assets						
Cash	5.0%	37,077	-	-	-	37,077
		37,077	-	-	-	37,077

There were no off balance sheet activities at 30 June 2011.

The table at (e) below summarises the impact of an increase/decrease of interest rates on the Fund's operating profit and net assets attributable to unitholders through changes in fair value or changes in future cash flows. The analysis is based on the assumption that interest rates changed by +/- 50 basis points (2011: +/- 50 basis points) from the year end rates with all other variables held constant. The impact mainly arises from changes in the interest income.

12. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

(b) Credit risk

Credit risk is the risk that a counterparty will fail to perform contractual obligations, either in whole or in part, under a contract.

Credit risk is managed through investment in entities after adequate due diligence and analysis by the Responsible Entity. All investments are approved in accordance with the financial risk management objectives and policies outlined in Note 12.

Concentrations of credit risk are minimised by the Fund primarily by:

- Carrying out all on market transactions through approved brokers.
- Settling non-market transactions with the involvement of suitably qualified legal and accounting personnel, both internal and external, with the support of the Responsible Entity.
- The Manager undertaking detailed due diligence on potential investments.

Receivables comprise interest accrued on interest bearing investments and the call deposit.

The maximum exposure to credit risk at 30 June 2012 is the carrying amount of the instruments noted in the table below together with cash and cash equivalents.

The Fund's credit risk is concentrated amongst the following convertible notes, mezzanine finance facility and interest accrued thereon, which are not rated. These instruments are not past due and impaired. The terms of these instruments are stated below:

Consolidated & Parent	Principal	Interest rate	Maturity dates
	$000	%	
30 June 2012			
Zambezi Resources Limited	5,000	10%	28/09/2013
Cadan Resources	250	10%	23/12/2012
Termite Resources NL	9,000	13%	31/05/2013
30 June 2011			
Nil	Nil		

(c) Market price risk

Market price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments in the market.

Market risk is minimised through ensuring that all investment activities are undertaken in accordance with established mandate limits and investment strategies. The majority of the Fund's equity investments are publicly traded and are included in the ASX Small Resources index.

The table at (e) below summarises the impact of an increase/decrease of the ASX Small Resources index on the Fund's net assets attributable at 30 June 2012. The analysis is based on the assumptions that the index will increase/decrease by 10% (2011: 10%) with all other variables held constant and that the fair value of the Fund's portfolio of equity securities and derivatives will move according to the historical correlation with the index. The impact mainly arises from the possible change in the fair value of listed equities.

(d) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund has exposure to foreign currency risk implicit in the value of portfolio securities denominated in a foreign currency, and transactional exposure arising from planned purchases or sales of securities.

The Fund's only foreign currency exposure is to two (2011: two) investments denominated in US dollars and no hedging strategy is in place for these exposures. The carrying values for these investments were $16,844,877 (2011: $22,877,165).

The table at (e) below summarises the sensitivities of the Fund's investments to foreign currency risk. The analysis is based on the assumptions that the Australian dollar will weaken/strengthen by 10% (2011: 10%) against other currencies to which the Fund is exposed. The impact arises from the possible change in the fair value of equities denoted in foreign currencies.

(e) Summarised sensitivity analysis

The following table summarises the sensitivity of the Fund's operating profit and net assets attributable to unitholders to price risk and interest rate risk. The reasonably possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in interest rates and the historical correlation of the Fund's investments with the ASX Small Resources index and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market corrections resulting from changes in the performance of the economies, markets and securities in which the Fund invests. As a result, historic variations in risk variables are not a definitive indicator of future variations in the risk variables.

12. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

	Price risk			
	Impact on net profit/(loss) after tax		Impact on other comprehensive income	
Consolidated	-10% $000	+10% $000	-10% $000	+10% $000
30 June 2012				
Financial assets	**-11,140**	**11,140**	**-**	**-**
30 June 2011				
Financial assets	-26,613	26,613	-	-

	Interest rate risk			
	Impact on net profit/(loss) after tax		Impact on other comprehensive income	
Consolidated	-50BPS $000	+50BPS $000	-50BPS $000	+50BPS $000
30 June 2012				
Financial assets	**-127**	**127**	**-**	**-**
30 June 2011				
Financial assets	-185	185	-	-

	Foreign currency risk							
	Impact on net profit/(loss) after tax				Impact on other comprehensive income			
Consolidated	-10% GBP $000	+10% GBP $000	-10% USD $000	+10% USD $000	-10% GBP $000	+10% GBP $000	-10% USD $000	+10% USD $000
30 June 2012								
Financial assets	**-**	**-**	**-1,684**	**1,684**	**-**	**-**	**-**	**-**
30 June 2011								
Financial assets	-	-	-2,288	2,288	-	-	-	-

(f) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in raising funds to meet commitments associated with financial instruments.

To control liquidity, the Fund invests in financial instruments, which under normal market conditions are readily convertible to cash. In addition, the Fund invests within established investment guidelines to ensure there is no concentration of risk.

The Fund holds options with exercise or maturity date of November 2012. If these options were exercised at balance date the exercise amount would be $500,000 (2011: $500,000).

- Maturity analysis for financial liabilities

Financial liabilities of the Fund comprise trade and other payables, and distributions payable. Trade and other payables and distributions payable have no contractual maturities but are typically settled within 30 days.

(g) Fair value estimation

The carrying amounts of financial instruments recorded in the financial statements represent their fair value determined in accordance with the accounting policies recorded in Note 1.

13. SEGMENT INFORMATION

For management purposes, the Fund is organised into one main operating segment, which invests in equity securities, debt instruments and related derivatives. All of the Fund's activities are interrelated, and each activity is dependent on the others. Accordingly, all significant operating decisions are based upon analysis of the Fund as one segment. The financial results from this segment are equivalent to the financial statements of the Fund as a whole.

The table below analyses the Fund's operating income per geographical location. The basis for attributing the operating income is the counterparty's place of incorporation.

	Consolidated	
	2012 $000	**2011 $000**
Australia	**(26,680)**	50,254
Rest of the world	**(6,032)**	(5,240)
	(32,712)	45,014

The table below analyses the Fund's operating income per investment type.

Listed & unlisted securities	**(38,678)**	42,940
Convertible notes, mezzanine facilities, other financial asset and bank interest	**5,966**	2,074
	(32,712)	45,014

14. EARNINGS PER UNIT

Basic earnings per unit amounts are calculated by dividing the net profit attributable to unitholders by the weighted average number of units outstanding during the year.

Diluted earnings per unit is the same as basic earnings per unit.

At year end, there are no options on issue.

The following reflects the income and unit data used in the basic and diluted earnings per unit computations.

	Consolidated	
	2012 $000	**2011 $000**
Net (loss)/profit	**(36,810)**	31,741
Weighted average number of units for basic and diluted earnings per unit (No.)	**114,499**	137,504
Basic earnings/(loss) per unit for net profit (cents)	**(32.1)**	23.1
Diluted earnings/(loss) per unit net profit (cents)	**(32.1)**	23.1

15. COMMITMENTS AND CONTINGENCIES

LinQ Capital Limited, in its capacity as Responsible Entity for the Fund conducts an on-market buy back of Fund units.

At balance date, LinQ Capital Limited had bought back 1,072,239 units (2011: 4,413,412 units), with a balance of potentially 18,104,296 units to be bought back by the Fund on-market.

In late 2012, the Fund provided a $15 million Loan Facility to Termite Resources NL ('Termite'). At 30 June 2012, only $9 million of this facility had been drawn down by Termite, leaving a commitment of $6 million undrawn. Termite can at its election, draw down the remaining $6 million of the facility, provided it satisfies all the required conditions in the facility agreement.

At year end, the Fund also has a $5 million commitment to Zambezi Resources Limited for tranche B of the convertible note facility, provided it meets all the required conditions contained in the facility agreement.

16. EVENTS AFTER THE REPORTING DATE

On 10 August 2012, the Responsible Entity of the Fund, announced that subject to Unitholder approval, it proposed to delist the Fund from the ASX. A notice of meeting and explanatory memorandum was mailed to Unitholders on 22 August 2012 outlining the reasons for the delisting proposal. A meeting of Unitholders has been called for 17 September 2012 to consider the proposal to delist the Fund.

There has not been any other matter or circumstance not otherwise dealt with in the financial report that has significantly affected or may significantly affect the Fund.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of LinQ Capital Limited, I state that:

In the opinion of the Directors:

(a) the financial statements and notes of the Fund and of the Consolidated Entity are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Fund's and the Consolidated Entity's financial position as at 30 June 2012 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards and the Corporations Regulations 2001;

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1;

(c) there are reasonable grounds to believe that the Fund will be able to pay its debts as when they become due and payable;

(d) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial period ending 30 June 2012; and

(e) the financial statements are in accordance with the provisions of the Fund's Constitution.

On behalf of the Board
LinQ Capital Limited

Clive Donner
Managing Director
Perth

29 August 2012

INDEPENDENT AUDIT REPORT

ERNST & YOUNG

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Independent auditor's report to the unitholders of LinQ Resources Fund

Report on the financial report

We have audited the accompanying financial report of LinQ Resources Fund, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the Fund and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Responsible Entity for the Fund are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the Responsible Entity a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Opinion

In our opinion:

a. the financial report of LinQ Resources Fund is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Ernst & Young

Ernst & Young

T G Dachs
Partner
Perth
29 August 2012

ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 20 August 2012.

(A) DISTRIBUTION OF UNITS

The numbers of unitholders, by size of holding are:

	Number of holders	Number of units
1 - 1,000	274	119,611
1,001 - 5,000	452	1,354,622
5,001 - 10,000	376	2,834,445
10,001 - 100,000	817	24,237,963
100,001 and over	80	154,379,265
Total	**1,999**	**182,925,906**

There are 209 unitholders holding less than a marketable parcel of units at 20 August 2012.

(B) TWENTY LARGEST UNITHOLDERS

The names of the twenty largest holders of quoted units are:

	Twenty largest unitholders	Number of units	Percentage of units
1	Linq Capital No 2 Pty Ltd (Linq Resources Fund No 2 A/C)	67,640,071	36.98
2	IMC Resources Holdings Pte Ltd	32,092,600	17.54
3	WA Local Government Superannuation Plan Pty Ltd	18,246,389	9.97
4	Fire and Emergency Services Superannuation Board	10,912,906	5.97
5	BNP Paribas Noms Pty Ltd (Master Cust Drp)	2,301,655	1.26
6	Coal Industry Superannuation Fund	2,110,886	1.15
7	Yandal Investments Pty Ltd	1,725,460	0.94
8	Lion Superannuation Pty Ltd (Lion Superannuation Fund A/C)	1,192,001	0.65
9	JP Morgan Nominees Australia Limited (Cash Income A/C)	1,095,616	0.60
10	HSBC Custody Nominees (Australia) Limited	1,073,075	0.59
11	Custodial Services Limited (Beneficiaries Holding A/C)	808,793	0.44
12	Citicorp Nominees Pty Limited	734,166	0.40
13	Fire and Emergency Services	641,935	0.35
14	Marguerite Corporation Pty Ltd (Julie Bladon Super Fund A/C)	590,000	0.32

	Twenty largest unitholders	Number of units	Percentage of units
15	Dr Ian Charles Simpson + Mrs Rupinder Kaur Sachdev	457,005	0.25
16	Dr John Hendry (Hendry Family S/F A/C)	453,592	0.25
17	ABN Amro Clearing Sydney Nominees Pty Ltd (Custodian A/C)	450,109	0.25
18	Mr Richard Hamilton Bartlett	437,662	0.24
19	Ala Moana Investments Pty Ltd (Warren Kinston Family A/C)	400,000	0.22
20	Forsyth Barr Custodians Ltd (Forsyth Barr Ltd-Nominee A/C)	398,810	0.22
		143,762,731	**78.59%**

(C) UNQUOTED OPTION SECURITIES

Nil

(D) SUBSTANTIAL UNITHOLDERS

The names of substantial unitholders who have notified the Fund in accordance with section 671B of the Corporations Act 2001 are:

Substantial Shareholder	Number of units
LinQ Capital No 2 Pty Ltd (LinQ Resources Fund No 2 A/C)	67,640,071
IMC Resources Holdings Pte Ltd	32,092,600
WA Local Government Superannuation Plan Pty Ltd	18,246,389

(E) VOTING RIGHTS

All units carry one vote per unit without restriction.

(F) TRANSACTIONS IN SECURITIES

During the year ended 30 June 2012, the Fund recorded 134 transactions in securities. Brokerage of $132,470 (net of GST) was paid or accrued on these transactions.

(G) INVESTMENT MANAGEMENT AGREEMENT

The Responsible Entity ('RE') engaged LinQ Management Pty Ltd ('the Manager') to manage the Fund's portfolio on the terms and conditions recorded in an Investment Management Agreement ('IMA') dated 11 October 2004, a summary of which is included in a Product Disclosure Statement dated 11 October 2004.

Subsequent to this IMA, the investment guidelines contained in this agreement have been amended from time to time at the Manager's discretion.

CORPORATE GOVERNANCE STATEMENT

The ASX Corporate Governance Council has published the 'Revised Corporate Governance Principles and Recommendations'. LinQ Capital Limited ("LCL") in its capacity as Responsible Entity of the LinQ Resources Fund ("Fund") has complied with these Revised Principles, which are covered in more detail on the Funds website at www.linqresources.com

More specific information on the Fund's corporate governance principles follows:

COMPOSITION OF THE BOARD

The composition of the Board of LinQ Capital Limited is determined in accordance with the following principles and guidelines:

- the Board should comprise at least 3 and a maximum of 12 Directors and should maintain a majority of non-executive Directors;
- the Chairperson must be a non-executive Director;
- the Board should comprise Directors with an appropriate range of qualifications and expertise; and
- the Board shall meet at least monthly and follow meeting guidelines set down to ensure all Directors are made aware of, and have available all necessary information, to participate in an informed discussion of all agenda items.

The Directors in office at the date of this statement are:

Name	Position	
Mr Bruno Camarri	Chairman, Non-Executive	Independent
Mr Clive Donner	Managing Director	
Mr Graham Fariss	Non-Executive Director	Independent
Mr Richard Procter	Executive Director	
Mr Nicholas Lattimore	Non-Executive Director	Independent

The Revised Corporate Governance Principles and Recommendations imply that the ideal is to have a Board consisting of a majority of independent non-executive Directors. The independence of each Director has been assessed according to the ASX's definition of independence. The Board has a majority of non-executive Directors (three of which are independent) and an independent Chairman.

It is a policy of LinQ Capital Limited that the Board comprises individuals with a range of skills, knowledge and experience necessary to monitor a specialist investment fund in the resources sector. For more than six years the current Board of Directors has demonstrated that they have a proper understanding of, and competence to deal with, the current and emerging issues of the Fund. Furthermore, the Board of Directors has demonstrated that it has the appropriate mix of skills, knowledge and experience to effectively review and challenge the performance of management and exercise independent judgement where necessary.

NOMINATION COMMITTEE

The Board has established a nomination committee, which meets at least annually, to ensure that the Board continues to operate within the established guidelines, including when necessary, selecting candidates for the position of Director. The nomination committee comprises one non-executive Directors and one executive Director. The nomination committee comprised the following members:

- Mr Bruno Camarri (Chairman)
- Mr Clive Donner

CODE OF ETHICS AND CONDUCT AND POLICY ON TRADING IN SECURITIES

The Board has adopted a Code of Ethics and Conduct, which promotes ethical and responsible decision making by Directors, executives and employees.

The Code of Ethics and Conduct requires high standards of honesty, integrity, fairness and equity in all aspects of employment with LCL. The Code also sets the task for management of delivering unitholder value, with the oversight of the Board, through the sustainable and efficient operation of LCL and the Fund.

The Board has also developed a written policy on personal account trading and inside information that governs trading in Fund securities and the securities the Fund invests in, or is likely to invest in, by Directors, executives, employees and associates of officers or employees, to ensure adherence to the requirements of LCL's AFSL, the Corporations Act and the Fund's Constitution.

CONTINUOUS DISCLOSURE

The Board has adopted a policy and procedures statement on Continuous Disclosure to ensure compliance with ASX Listing Rules and Corporations Act 2001 disclosure requirements and to ensure accountability at a senior management level for that compliance.

All Directors, officers and employees of LCL are required to comply with this and all other policy and procedures statements issued from time and time and to ensure adherence to these policies and procedures are required to sign an acknowledgement statement, which expressly states that they have received LCL policy statements and have read and understood them. Furthermore continuous training is provided to ensure that all officers and employees are kept abreast with and relevant changes made to the governing laws, rules and regulations.

AUDIT COMMITTEE

The Board has established an audit committee, which operates under a formal charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the Responsible Entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes.

This includes the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the management of the entity to the audit committee.

The committed also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. All members of the audit committee are non-executive Directors.

AUDIT COMMITTEE continued

The members of the audit committee during the year were:

- Mr Bruno Camarri (Chairman)
- Mr Gordon Toll (resigned 24 February 2012)
- Mr Graham Fariss
- Mr Nicholas Lattimore (appointed 24 February 2012)

The audit committee is also responsible for:

- directing and monitoring the internal audit function; and
- nomination of the external auditor and reviewing the adequacy of the scope and quality of the annual statutory audit and half year statutory review.

BOARD RESPONSIBILITIES

As the Board acts on behalf of and is accountable to the unitholders, the Board seeks to identify the expectations of the unitholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks. The Board seeks to discharge these responsibilities in a number of ways. The responsibility for the operation and administration of the Responsible Entity is delegated by the Board to the Managing Director and the management team. The Board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the Managing Director and the management team.

The Responsible Entity has adopted a formal Board Charter that sets out the functions reserved for the Board and those delegated to the Managing Director.

Specifically the Board is responsible for:

- setting strategic direction of the Fund and monitoring management's performance within that framework;
- monitoring and overseeing the day to day management of the Fund which is undertaken by the Manager in accordance with the Investment Management Agreement;
- monitoring and approving financial reporting for LinQ Capital Limited and the Fund;
- monitoring risk management, corporate governance and capital management for LinQ Capital Limited and the Fund; and
- ensuring that the Board is and remains appropriately skilled to meet the changing needs of the Fund.

The Chairman is responsible for leading the Board in these duties. The Managing Director is responsible for the efficient and effective operation of LinQ Capital Limited, including bringing material matters to the attention of the Board.

Remuneration of the Responsible Entity is governed by the Fund's Constitution. The external auditor reviews the fees paid to the Responsible Entity out of the assets of the Fund at least annually. The Board therefore considers it not appropriate to have a remuneration committee.

MONITORING OF THE BOARD'S PERFORMANCE AND COMMUNICATION TO UNITHOLDERS

In order to ensure that the Board continues to discharge its responsibilities in an appropriate manner, the performance of all Directors is reviewed annually by the Chairman. Directors whose performance is unsatisfactory are asked to retire.

The Board of Directors aims to ensure that the unitholders, on behalf of whom they act, are informed of all information necessary to assess the performance of the Directors. Information is communicated to the unitholders through:

- the annual report, which is distributed to all unitholders who have elected to receive it;
- the half-yearly report, which is released to the market; and
- the quarterly report summarising the Fund's activities in the past quarter, which is distributed to all unitholders.

LCL also communicates with unitholders in the Fund by direct mail and publication of material on the Fund's web site (http://www.linqresources.com). Unitholders may communicate with LCL by writing to or telephoning the Company, the contact details of which appear in the Corporate Directory.

The Fund is a registered managed investment scheme and, as such, LCL is not required to convene an annual general meeting for the scheme.

DIVERSITY POLICY

The Board of LCL has a long standing commitment to workplace diversity and has adopted a formal Diversity Policy.

LCL has not adopted formal measurable objectives, but has a number of strategies in place to ensure that diversity is achieved.

At year end, women represented twenty nine percent of the LCL's permanent work force. In addition, the Board of Directors of LCL had one serving woman as a Director of the Company, until her resignation on 2 July 2012. Her position on the Board has not been replaced.

CORPORATE DIRECTORY
MANAGEMENT AND ADMINISTRATION

RESPONSIBLE ENTITY

LinQ Capital Limited
Australian Financial Services
Licence 239785

MANAGER

LinQ Management Pty Ltd

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UNIT REGISTRY

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DIRECTORS OF THE RESPONSIBLE ENTITY

Mr Bruno Camarri AM
Mr Clive Donner
Mr Graham Fariss
Mr Richard Procter
Mr Nicholas Lattimore

SECRETARY OF THE RESPONSIBLE ENTITY

Mr Simon Durack JP
Level 1, LinQ House
17 Ord Street
West Perth WA 6005

CUSTODIAN

Perpetual Corporate Trust Limited
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Sydney NSW 2000

AUDITORS AND TAX ADVISERS TO THE FUND

Ernst & Young
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Perth WA 6000

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