

LinQ Resources Fund
(ARSN 108 168 190)

**CORPORATE GOVERNANCE
OVERVIEW STATEMENT**

Prepared by

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for the Fund.

LinQ Resources Fund

Corporate Governance Statement

OVERVIEW

In March 2003, the ASX Corporate Governance Council published the 'Principles of Good Corporate Governance and Best Practice Recommendations' ("the guidelines").

This document sets out in Part A, a brief summary of the requirements of those Guidelines.

Part B of this document describes how LinQ Capital Limited ("LCL") in its capacity as Responsible Entity of the LinQ Resources Fund ("Fund") is addressing those Guidelines. It is structured along the same lines as the Council's Guidelines, with sections dealing in turn with each of the Council's 10 corporate governance principles and best practice recommendations.

The Fund is a managed investment scheme, which was registered with the Australian Securities and Investment Commission ("ASIC") on 10 March 2004. The Fund is listed on the Australian Stock Exchange ("ASX"). LCL has outsourced the investment management of the Fund to LinQ Management Pty Ltd ("Manager"), a related party of LCL, under an investment management agreement ("IMA"). LCL holds an Australian Financial Services Licence ("AFSL") granted by ASIC.

PART A

In brief, the ten 'Principles of Good Corporate Governance and Best Practice Recommendations' published by the ASX Corporate Governance Council are as follows:

A company should:

- 1 Lay solid foundations for management and oversight
 - . Recognise and publish the respective roles and responsibilities of board and management.
- 2 Structure the board to add value
 - . Have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.
- 3 Promote ethical and responsible decision-making
 - . Actively promote ethical and responsible decision-making.
- 4 Safeguard integrity in financial reporting
 - . Have a structure to independently verify and safeguard the integrity of the company's financial reporting.
- 5 Make timely and balanced disclosure

- . Promote timely and balanced disclosure of all material matters concerning the company.
- 6 Respect the rights of unit holders
- . Respect the rights of unit holders and facilitate the effective exercise of those rights.
- 7 Recognise and manage risk
- . Establish a sound system of risk oversight and management and internal control.
- 8 Encourage enhanced performance
- . Fairly review and actively encourage enhanced board and management effectiveness.
- 9 Remunerate fairly and responsibly
- . Ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is defined.
- 10 Recognise the legitimate interests of stakeholders
- . Recognise legal and other obligations to all legitimate stakeholders.

PART B

The Board of LCL is responsible for the overall corporate governance of the Fund. Following a constructive review of LCL's own governance practices, many existing practices have been placed into formal charters, policies and procedures.

The Corporate Governance statement will be available at the LinQ Resources Fund website, www.linqresources.com.

The Board will keep its corporate governance practices under review.

1 Lay solid foundations for management and oversight

The ASX Corporate Governance Council states that a company¹ should “*Recognise and publish the respective roles and responsibilities of board and management.*” To achieve this principal the ASX Corporate Governance Council recommends that a company should:

1. *Formalise and disclose the functions reserved to the Board and those delegated to management.*

LCL has adopted a formal Board Charter that sets out the functions reserved to the Board and those delegated to the Managing Director.

¹ References to “company” are read as references to the Fund as applicable.

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 IMA ;
- monitoring and approving financial reporting for LCL and the Fund;
- monitoring risk management, corporate governance and capital management for LCL 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 those duties. The Managing Director is responsible for the efficient and effective operation of LCL, including bringing material matters to the attention of the Board.

2 Structure the Board to add value

The ASX Corporate Governance Council states that a company should *"Have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties."* To achieve this principal the ASX Corporate Governance Council recommends that:

1. *A majority of the Board should be independent directors;*
2. *The chairperson should be an independent director;*
3. *The roles of the chairperson and the chief executive officer should not be exercised by the same individual;*
4. *The Board should establish a nomination committee.*

Board Composition

The Council Guidelines imply that the ideal is to have a Board consisting of a majority of independent non-executive directors. The Board of LCL is outlined below.

Director	Position
Clive Donner	Managing Director
Gordon Toll	Independent Chairman
Graham Fariss	Independent Director
Bruno Camarri	Independent Director
Nick Lattimore	Non-executive Director
Jyn Sim Baker	Non-executive Director

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 (two of which are independent) and an independent Chairman.

The Board does not strictly comply with the ASX's recommendation that the Board comprise a majority of independent directors. It is a policy of LCL that the Board comprise individuals with a range of skills, knowledge and experience necessary to monitor a specialist investment fund in the resources sector. For more than two years the current Board of LCL (except Ms Baker, who was appointed in November 2006) has demonstrated that they have the appropriate mix of skills, knowledge and experience to function effectively and therefore the Board sees no reason to alter its composition at this stage.

The independence of directors is also assisted by the Boards' policy on independent advice. LCL directors may seek external professional advice at the expense of the Fund on matters relating to their role as directors. However, they must first request approval from the Chairman, which must not unreasonably be withheld. If permission is withheld, the matter may be referred to the whole Board.

The Board has established an independent Compliance Committee to monitor the extent to which LCL complies with the Compliance Plan and report to the Board of LCL any breach of the Act involving the Fund or certain provisions of the Fund Constitution.

The Role of the Chairperson

The Chairman is currently an independent director. The roles of Chairman and Managing Director are separated and the Managing Director may not hold the position of Chairman while he is the Managing Director.

Nomination Committee

The Directors of LCL have formed a nomination committee to oversee LCL's selection and appointment practices. The members of the nomination committee are:

1. Gordon Toll (Chairman)
2. Bruno Camarri
3. Clive Donner

3 Promote ethical and responsible decision making

The ASX Corporate Governance Council states that a company should "*Actively promote ethical and responsible decision-making*". To achieve this principal the ASX Corporate Governance Council recommends that a company should:

1. *Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to:*
 - a. *the practices necessary to maintain confidence in the company's integrity*
 - b. *the responsibility and accountability of individuals for reporting and investigating reports of unethical practices*
2. *Disclose the policy concerning trading in company securities by directors, officers and employees.*

Code of Conduct

LCL has adopted a Code of Ethics and Conduct, which promotes ethical and responsible decision making by directors, executives and employees.

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

Compliance Policies and Procedures

LCL has developed written compliance policies on personal account trading and continuous disclosure a Compliance Plan to help ensure adherence to the requirements of the AFSL, Corporations Act and Fund Constitution.

The policies lay a solid foundation for ethical and responsible decision making.

4 Safeguard integrity in financial reporting

The ASX Corporate Governance Council states that a company should “*Have a structure to independently verify and safeguard the integrity of the company’s financial reporting*”. To achieve this principal the ASX Corporate Governance Council recommends that a company should:

1. *Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the board that the company’s financial reports present a true and fair view, in all material respects, of the company’s financial condition and operational results and are in accordance with the relevant accounting standards.*
2. *The Board should establish an audit committee;*
3. *Structure the audit committee so that it consists of:*
 - only non-executive directors
 - a majority of independent directors
 - an independent chairperson, who is not the chairperson of the board
 - at least three members
4. *The audit committee should have a formal charter.*

LCL believes its practices in this regard are in accordance with this principle.

LCL has an internal monthly financial reporting process for LCL and the Fund to ensure that the Fund meets the requirements of ASX listing rule 4.12, the AFSL, the Corporations Act, the Fund Constitution and the Fund Compliance Plan.

The following financial reports are prepared monthly for LCL:

1. Balance Sheet and Profit and Loss Statement; and
2. Rolling Three Monthly Projected Cashflows

The above financial reports are approved by the Managing Director and are provided to the Board monthly.

The following financial reports are prepared monthly for the Fund:

- Balance Sheet and Profit and Loss Statement and the Net Tangible Asset per unit (NTA per unit reported to ASX within 14 days of month end)

LCL also has a highly structured six-monthly financial reporting process, culminating in Board sign-off and release of financial results to the market. The Managing Director and Company Secretary state in writing to the Board that the company’s financial reports present a true and fair view, in all material respects, of the company’s financial condition and operational results and are in accordance with the relevant accounting standards.

Audit Committee

LCL has established an audit committee. The members of the audit committee are:

1. Graham Fariss
2. Bruno Camarri (Chairman)
3. Gordon Toll

The audit committee is comprised of a majority of non-executive directors with at least one independent director.

Audit Committee Charter

LCL's Audit Committee is constituted in accordance with the guidelines, and its responsibilities and composition requirements are set out in the Audit Committee Charter.

5 Make timely and balanced disclosure

The ASX Corporate Governance Council states that a company should "*Promote timely and balanced disclosure of all material matters concerning the company.*" To achieve this principal the ASX Corporate Governance Council recommends that a company should:

1. *Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.*

LCL's disclosure responsibilities are formalised through a written policy on continuous disclosure, which has been approved by the Board of LCL.

The policy details all of the content suggested by the ASX Corporate Governance Council recommendations including:

- the type of information that needs to be disclosed
- internal notification and decision-making concerning the disclosure obligation
- the roles and responsibilities of directors, officers and employees of the company in the disclosure context; in particular, who has primary responsibility for ensuring that the Fund complies with its disclosure obligations and who is primarily responsible for deciding what information will be disclosed
- promoting understanding of compliance
- monitoring of compliance
- measures for seeking to avoid the emergence of a false market in the Fund's securities
- safeguarding confidentiality of corporate information to avoid premature disclosure
- media contact and information
- external communications such as analyst briefings and responses to unitholder questions.

LCL considers that its continuous disclosure policy is consistent with the best practice recommendations of the ASX.

6 Respect the rights of unitholders

The ASX Corporate Governance Council states that a company should “*Respect the rights of unit holders and facilitate the effective exercise of those rights*”. To achieve this principal the ASX Corporate Governance Council recommends that a company should:

1. *Design and disclose a communications strategy to promote effective communication with unit holders and encourage effective participation at general meeting.*
2. *Request the external auditor to attend the annual general meeting and be available to answer unitholder questions about the conduct of the audit and content of the auditor’s report.*

Communications Strategy

LCL will be documenting a unitholder communication policy, as recommended in the guidelines.

The policy identifies disclosure and transparency as important qualities for the Fund’s investors and prospective investors. LCL therefore aims to ensure the quality and clarity of communication with unitholders, using available methods and technologies.

External Auditor Attendance at AGM

The Fund is not required to hold an AGM under the Corporations Act therefore this recommendation is not applicable.

7 Recognise and manage risk

The ASX Corporate Governance Council states that a company should “*Establish a sound system of risk and oversight and management and internal control*”. To achieve this principal the ASX Corporate Governance Council recommends that:

1. *The board or appropriate board committee should establish policies on risk oversight and management.*
2. *The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state to the board in writing:*
 - a. *the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a system of risk management and internal compliance and control which implements the policies adopted by the board;*
 - b. *the company’s risk management and internal compliance and control system is operating efficiently and effectively in all material respects.*

Risk Management Polices

LCL takes this responsibility seriously and has put in place risk management procedures to enable the Fund to comply with its obligations under its Fund Constitution, Corporations Act, the AFSL, Compliance Plan and other relevant legislation. These measures include:

1. the adoption of a Compliance Plan which sets out the measures that LCL will use in managing the Fund to ensure compliance with the Corporations Act, the AFSL, the Constitution and the relevant offer documents;
2. engage a Compliance Manager who is responsible for maintaining and monitoring the compliance obligations of LCL and the Fund; and
3. appointment of an independent Compliance Committee.

LCL has based its risk management strategy on the principles of the Australian/New Zealand Risk Management Standard 4360:1999. The process involves an identification of risks, analysis of risks, assessment and prioritisation of risks, treatment of risks, monitor and review risk and document and report risk.

The Board has responsibility for the adequacy of the risk management framework and policies within LCL and assessing the adequacy of the ongoing risk management systems and resources.

The Compliance Committee will receive periodic reports from the Compliance Manager detailing its compliance activities over the relevant period. The Compliance Manager will also provide guidance to improve compliances and risk management practices within LCL.

LCL also considers the security of its people, buildings and technology systems as part of organisational risk management.

LCL will adopt a policy requiring the Managing Director and Company Secretary to state to the Board in writing to the best of their knowledge that the integrity of the financial statements is founded on a sound system of risk management and internal compliance and control which operates efficiently and effectively in all material respects. The integrity of this statement is enhanced by a sound system of monthly financial reporting requirements, which is outlined in guideline 4 above.

8 Encourage enhanced performance

The ASX Corporate Governance Council states that a company should “*Fairly review and actively encourage enhanced board and management effectiveness*”. To achieve this principal the ASX Corporate Governance Council recommends that a company should:

1. Disclose the process for performance evaluation of the board, its committees and individual directors and key executives.

LCL 's Board has put in place measures to implement this principle. The Managing Director and the Compliance Manager/or Board appointee, at least annually, will review the performance of the key external service providers in accordance with the Compliance Plan of the Fund.

Management provide monthly information to the Board on the performance of LCL and the Fund. LCL holds monthly board meetings and all care is taken by management to ensure that all information given to directors at each meeting is timely and accurate. The Managing Director prior to distribution reviews all information presented to the Board. Information that is generally presented at monthly board meetings include:

- Monthly compliance with financial AFSL Conditions
- Monthly Valuations
- Monthly Portfolio Summary (Table)
- Investment/divestment Recommendations as Required

Additionally the Board receives periodic briefings on topical issues. Compliance reports from the Compliance Manager are generally provided quarterly to the Board.

The Board has access to the resources of the Company Secretary and also approves the appointment or removal of the Company Secretary on the advice of the Managing Director. The

Secretary is responsible for providing reference files and Board papers to each director and ensuring that management provides content in adequate detail. The Company Secretary is also responsible and accountable to the Board on all LCL governance matters and is the Disclosure officer of the Fund.

9 Remunerate fairly and responsibly

The ASX Corporate Governance Council recommends that a company should:

- 1. Provide disclosure in relation to the company's remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the link between remuneration paid to directors and key executives and corporate performance.*
- 2. The Board should establish a remuneration committee*
- 3. Clearly distinguish the structure of non-executive directors remuneration from that of executives*
- 4. Ensure that payment of equity-based remuneration is made in accordance with thresholds set in plans approved by unitholders.*

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. It is therefore not appropriate to have a remuneration committee.

The Board of LCL has set the aggregate level of director's fees for the first year at \$200,000 and \$250,000 as the maximum aggregate limit for subsequent years.

10 Recognise the legitimate interests of stakeholders

The ASX Corporate Governance Council states that a company should: "*Recognise legal and other obligations to legitimate stakeholders*". To achieve this principal the ASX Corporate Governance Council recommends that a company should:

- 1. Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.*

The Board of LCL must ensure that the Fund recognises and complies with its obligations to stakeholders as set out under the Corporations Act, the Fund Constitution and the Fund Compliance Plan in addition to ensuring that LCL, its directors and employees maintain the highest social and ethical standards in dealing with and on behalf of all stakeholders.