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## LINQ RESOURCES FUND ASX ANNOUNCEMENT

24 December 2007

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### ***LinQ Board successfully agrees terms of exit for Carrousel and Weiss subject to unitholder approval***

#### **Introduction**

Following the successful outcome of the EGM on Monday 22 October 2007 where LinQ Resources Fund unitholders overwhelmingly supported the Board's ongoing strategy for the Fund, the Board of LinQ Capital (the Responsible Entity for the LinQ Resources Fund) has reached agreement with its two large arbitrage investors, Carrousel Capital Limited and Weiss Asset Management LLC, to enable them to dispose of their holdings in the Fund, on terms the Board can recommend to remaining unitholders. In reaching an agreement with Carrousel and Weiss, the Board has sought to implement a solution which serves the interests of continuing unitholders as a whole.

It is the Board's view that if Carrousel and Weiss were to dispose of their unitholding through the open market, this would negatively impact the Fund's unit price, considering the large size of their combined unitholding and the relative illiquidity of the Fund's units. This would be to the detriment to the interests of the remaining LinQ unitholders.

The agreements with Carrousel and Weiss are conditional on the approval of unitholders at an EGM, the provision of an independent expert's report reporting on the respective transactions and any other necessary consents from the ASX and ASIC.

#### **Terms of the Agreements**

The key terms and conditions of the agreement with Weiss Asset Management LLC are:

- LinQ Resources Fund 2, a newly-formed and fully-owned subsidiary of LinQ Resources Fund, will purchase all the 31,141,601 units in the Fund held on behalf of Weiss Asset Management LLC
- The purchase price to be 90% of the Net Tangible Asset (NTA) per unit at the close of business on the EGM date
- The units held in LinQ Resources Fund 2 will either be sold on to third party investors or cancelled with the aim of maximising the enhancement to NTA for remaining unitholders in LinQ Resources Fund
- Weiss Asset Management LLC has agreed not to reinvest in the Fund for a period of 5 years

The key terms and conditions of the agreement with Carrousel Capital Limited are:

- LinQ Capital will hold an auction on behalf of Carrousel, inviting unitholders and new investors to purchase the 36,498,470 units in the Fund held by Carrousel

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LinQ Capital Limited  
ABN 66 098 197 258  
Responsible Entity for the  
LinQ Resources Fund  
ARSN 108 168 190

Ground Floor  
24 Outram St  
West Perth  
WA Australia 6005

PO Box 1134  
West Perth  
WA Australia 6872

T: +61 8 9488 8888  
F: +61 8 9481 0666  
E: [info@linqresources.com](mailto:info@linqresources.com)  
W: [www.linqresources.com](http://www.linqresources.com)

- Existing unitholders and investors will be offered the opportunity to bid in the auction for the units held by Carrousel. However, rather than bidding at a cash price per unit, all bidders will be required to specify a discount to NTA per unit in a discount range of 0% to 14%
- LinQ Resources Fund will underwrite through its LinQ Resources Fund 2 subsidiary, any units that are not purchased through the auction at a price equal to 85% of the NTA per unit as at the close of business on the closing date for the auction
- Any units acquired by LinQ Resources Fund 2 will either be cancelled or sold with the aim of maximising the enhancement to NTA for remaining unitholders in LinQ Resources Fund
- Carrousel Capital Limited has agreed not to reinvest in the Fund for a period of 5 years

### **LinQ Resources Fund 2**

LinQ Resources Fund 2 ('LRF 2') is a wholly-owned subsidiary of the LinQ Resources Fund and has been established to enable the execution of the proposed transactions. It will hold the units purchased from Carrousel and Weiss, and it is envisaged that LRF 2 will either sell these units to new or current unitholders or the units will be cancelled in due course.

### **Benefits to LinQ unitholders**

The Board believes that implementing these proposals will benefit remaining unitholders for the following reasons:

- The agreements will allow the Fund to commence the elimination of the overhang of the substantial Carrousel and Weiss unitholdings
- Distribution income for remaining unitholders in LRF will increase because its subsidiary, LRF 2, will waive its share of distribution income in favour of the Fund whilst the units are held by LRF 2
- The removal of the Fund's short term investors will allow stability to return to the Fund's unitholder base and better align investors with the Fund's current investment strategy, which to date has provided significant capital growth and income distributions to unitholders.
- A restructuring of the unitholder base will allow the Fund to maintain its excellent relations with investee companies as a long term investor and allow the Fund Manager to focus solely on managing the portfolio and enhancing LRF's NTA per unit

The Board will be recommending that all unitholders vote in favour of the agreements with Carrousel Capital Limited and Weiss Asset Management LLC. A notice of meeting to vote on the proposed transactions together with an Explanatory Memorandum will be sent to unitholders in due course. Full details of the transactions including the proposed method of financing the purchase of the units will be set out in the Explanatory Memorandum.

In the interim, the Board wishes to reiterate its appreciation for the overwhelming support it received from all its unitholders at the last EGM.

#### **Enquiries:**

**Martin Cole**  
CPR Communications & Public Relations Pty Ltd  
Tel: +61 2 9252 6644

**Clive Donner**  
LinQ Capital Limited  
Tel: +61 8 9488 8888

**Nicholas Gold / William Marle**  
ING Corporate Finance (London)

**Tel: +44 20 7767 1000**

**About LinQ Resources Fund ('LRF') ARSN 108 168 190**

LRF is a registered managed investment scheme.

LRF is an actively-managed resources fund listed on the ASX, which 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 on pre cash flow companies is in the later stage exploration and economic evaluation phases between discovery and completion of bankable feasibility studies. The Fund aims to provide both yield and capital growth for its investors. Interests in the Fund have been issued by LinQ Capital Ltd. A copy of the original Product Disclosure Statement for listing of the interests may be obtained from <http://www.linqresources.com/reports/> Past performance is not a reliable indicator of future performance.