



**LimeStreet
Capital**

15 August 2011

Dear Investor,

While the close of the financial year is now some weeks ago, we have delayed reporting on the fund's performance during this year as we expected investors to be more interested in the current sector outlook. A key component of this outlook was recently determined with the lifting of the debt ceiling in the US although this came at a heavy price including the Standard and Poor's US debt downgrade and of course, dubious gain for both sides of US politics.

The volatility in the overseas stock markets has been unnerving with the recent wild swings from day to day. However, we are encouraged that the downward swings are now drawing a somewhat muted response from the Australian market. In particular, Wall Street's initial large 4.3% fall on the 4th August led to a 5.5% fall in the S&P/ASX 300 Resources Index on the 5th August. However, the subsequent 5.6% fall on Wall Street on the 8th August corresponded to a 1.2% rise in our index on the 9th August albeit following a 3.4% fall on the 8th August (the 8th of August was a Monday and didn't have a direction from Wall Street).

Meanwhile, data out of China has been encouraging with the trade surplus widening sharply to US\$31.5 billion in July – the highest since January 2009 and reflecting a 20.4% year on year export growth. The Chinese Government also seems to be partially addressing inflation concerns through a slow appreciation of the yuan and this may reduce pressure on the government raising interest rates further. LimeStreet Capital along with most economists continues to expect slowing growth out of China but then on a relative basis, the growth expectations for the western world have been significantly marked down.

In our resource portfolio, we have orientated investments towards the 'security of supply' factor that is occurring in many of the emerging economies. This is where China, India and other economies are seeking long-term commodity supply by investing directly in resource projects in Australia and elsewhere. Investors will recognise that this is occurring in both the resource and agriculture sectors.

From our investment perspective, the provision of financing in exchange for project equity leads to a significant de-risking of the overall project and translates to a rerating in the company share price. The company then experiences the normal share price increases as the project steadily approaches production and first cash flows.

As noted in our earlier quarterly reports, many of our investments have this bias and we believe this bias will remain beneficial to the fund's returns in the medium term.



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LSC Australian Resources Hi-Alpha Fund Performance

The past year has presented a mixed outcome with volatility extending through to the timing of writing in August. Over the last 6 months the LSC Australian Resources Hi-Alpha Fund (the ‘Fund’) outperformed its benchmark but unfortunately both returns were negative. Indeed all the major indices noted below were negative during this period except the Dow Jones Industrial Average. However, the return for this index would have also been negative if we had adjusted the index for A\$/US\$ exchange rate movements.

On a 12 month basis, the Fund outperformed all the indices. The Fund’s return was 63.7%, to the 30 June 2011, some 46.1% higher than the performance of our benchmark, the ASX Small Cap Resources. Elsewhere, the Fund exceeded the S&P/ASX 100 and 300 Resources Indices by around 45%.

LimeStreet Capital Fund	Inception Date	6 Month performance to 30 June 2011	12 Month performance to 30 June 2011	2 Year performance to 30 June 2011	Performance from inception to 30 June 2011 (3 Year)
LSC Australian Resources Hi-Alpha Fund*	30-Jun-08	-11.5%	63.7%	98.0%	24.9%
Resource focused indices					
ASX Accumulation Small Cap Resources Index (benchmark)	30-Jun-08	-20.0%	17.7%	32.7%	-14.9%
ASX Accumulation 300 Resources Index	30-Jun-08	-5.3%	18.3%	29.8%	-9.6%
ASX Accumulation 100 Resources Index	30-Jun-08	-3.1%	18.4%	29.7%	-8.4%
General market indices					
ASX Accumulation 200 Index	30-Jun-08	-0.9%	11.7%	26.4%	1.0%
ASX All Ordinaries Index	30-Jun-08	-3.9%	7.7%	18.0%	-12.6%
Dow Jones Industrial Average	30-Jun-08	7.2%	27.0%	47.0%	9.4%

*unaudited, performance returns are calculated on Fund Redemption Prices after the deduction of ongoing fees and expenses and based on opening and closing values. Past performance is not indicative of future performance.

Contributing factors to Fund’s performance during the year included an overweight position in Equinox (Minmetals takeover offer announced on the 4th April 2011) and a broader rerating of undeveloped resources in the September – December period last year. In particular, there were significant reratings of Tiger Resources, Avanco Resources and some uranium stocks.

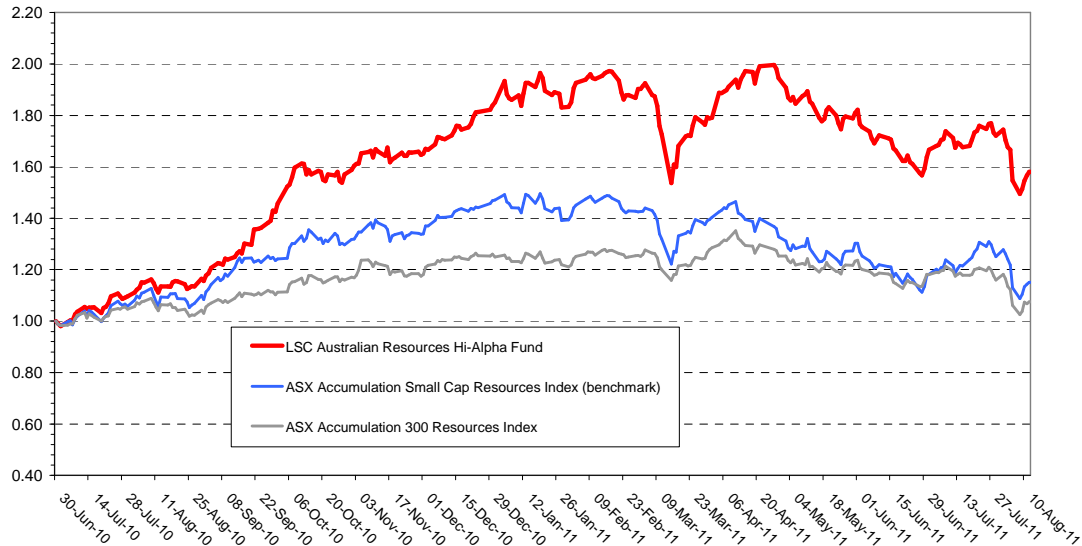
However a sharp dip in the performance of the Fund in March was a direct consequence of the earthquake and tragic tsunami in Japan on the 13 March 2011 and subsequent ‘accident’ at the Fukushima Daiichi Nuclear Power Station. Given the rapidly changing outlook for the uranium sector, we exited most of our uranium exposure at that time.



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All indices are indexed
to 1.00 as at 30 June 2010

LSC Australian Resources Hi-Alpha Fund 12 Month Performance

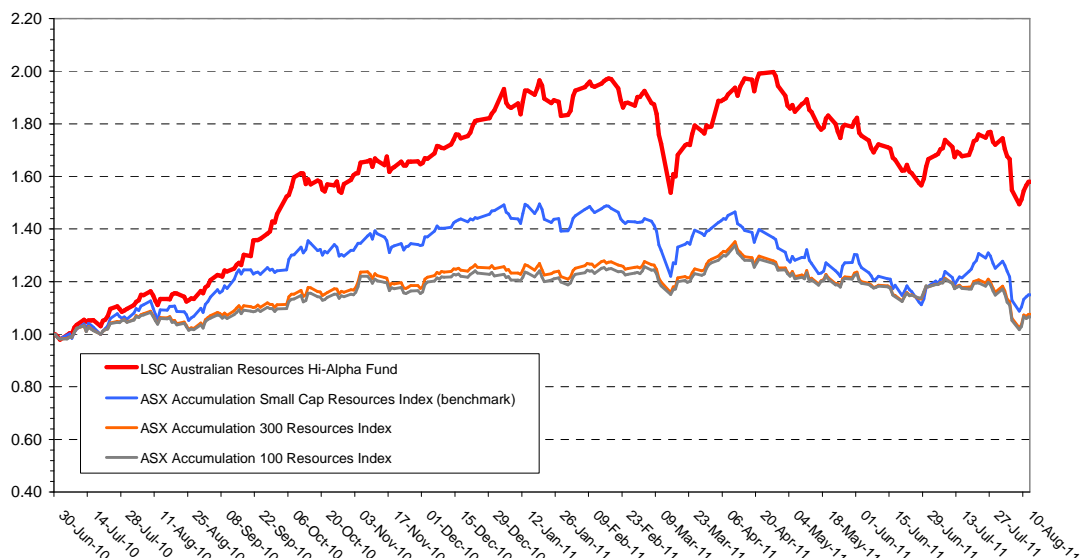


Note: ASX 300 Resources Index includes BHP and RIO and presented for comparison only. LSC adjusted for 5.6 cent distribution on 30 June 2010 & 9.8 cent 30 August 2011

In this report we have included two additional charts to highlight certain interesting features. Our first chart is a repetition of the above chart but includes the S&P/ASX 100 Resources Index as well as the S&P/ASX 300 Resources Index, the ASX Small Cap Resources Index and the performance of our Fund. (note timing is to 12th August 2011).

All indices are indexed
to 1.00 as at 31 June 2010

LSC Australian Resources Hi-Alpha Fund 12 Month Performance



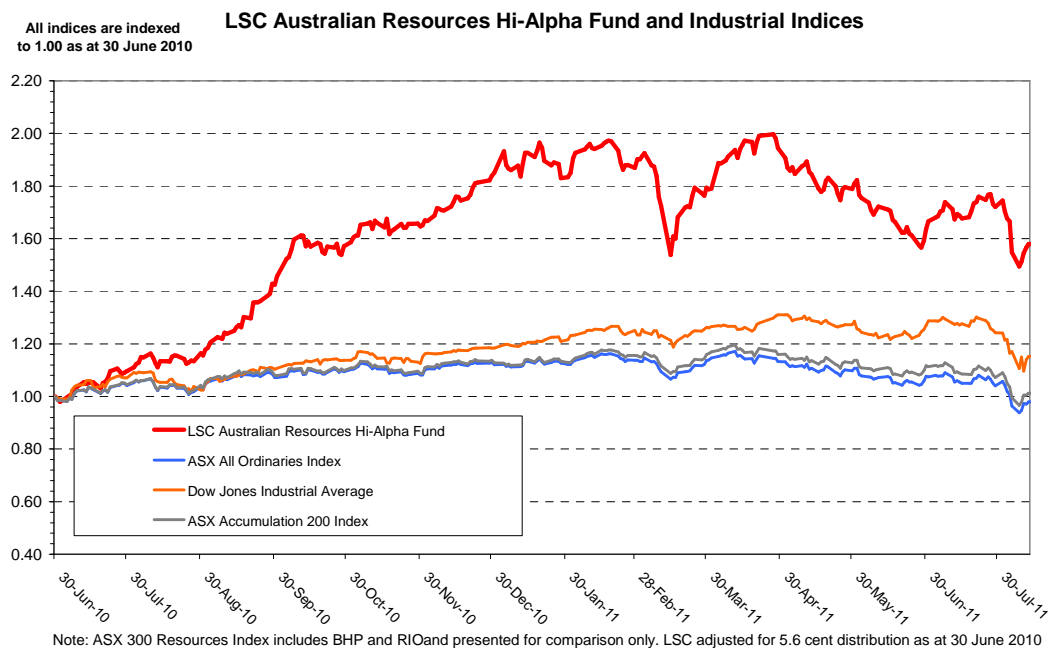
Note: ASX 300 Resources Index includes BHP and RIO and presented for comparison only. LSC adjusted for distributions as at 30 June 2010 & 30 June 2011



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In this case the point we wish to highlight is that indices which are increasingly dominated by BHP Billiton and Rio Tinto are in fact offering weaker returns than other parts of the resource sector. This is in part due to the possibility that forecast earnings for these companies have already peaked and both companies will find it difficult to offer material production growth in the future to drive their share prices higher. This has implications for the performance of the broader indices (and ETFs based on these indices) in comparison to investments targeted by the Fund.

The second chart plots the Fund's performance against the broader market indices including the ASX All Ordinaries Index, the S&P/ASX Accumulation 200 Index and the Dow Jones Industrial Average (not adjusted for A\$/US\$ exchange rate movements).



In this case we wish to highlight that over this period while the Fund's performance has been volatile, it can be argued that this volatility can lead to greater returns than the relatively flat broader market indices. We anticipate that market volatility will continue well into the future and hope that this will continue to translate to stronger Fund returns.

Annual Distribution

The Fund distribution for the year ending 30 June 2011 was 9.8 cents (5.58 cents for the year ending 30 June 2010) and represents an 8.2% yield on the unit price as at 30



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June 2011. This distribution largely reflects realised capital gains due to the Fund's trading activities which again suited the type of market experienced during the year.

Client login reminder

For new investors, we have a client login area on the top right hand side of our website: www.limestreetcapital.com Logins have now been set for all investors to access data on unit number and value, based on daily exit prices. Your login for this information is as follows:

Username: *your email address*

Password: *your postcode*

The password can be changed if so desired by using the *password reset* option.

Please note that the data is derived from our fund administrator, Mackenzie Coultas, and while unit prices are generally updated daily, unit numbers are updated only weekly. We have designed the client login as a guide for investors but of course, if there are any discrepancies, our fund administrator's records are the correct data.

We would like to thank you again for your support of the LSC Australian Resources Hi-Alpha Fund during the year. We would also like to thank Equity Trustees (Responsible Entity), MacKenzie Coultas (Fund Administrator) and JP Morgan (Custodian) for their services during the year.

Yours sincerely,

Stephen Bartrop

Managing Director

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