

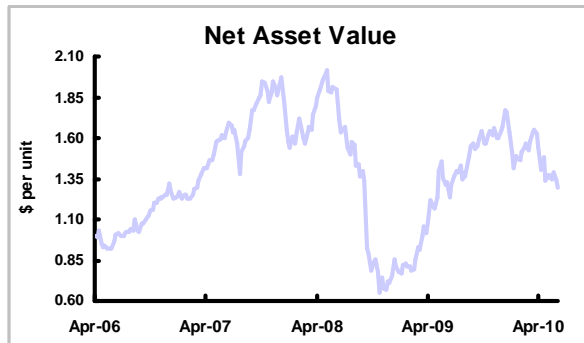
29 July 2010



Emerging Resources Company Share Fund Investment Manager's Annual Letter 2010

Dear Unitholder,

The recovery in resource sector equity prices which began in late 2008 continued through the first half of 2009/10 but began to lose momentum in early January. The S&P/ASX 300 resources index which had risen by 26.9% between the beginning of July 2009 and early January 2010 fell by 15.1% in the balance of the year.



The net asset value of the Emerging Resources Company Share Fund rose by 25.55% in the first half of 2009/10 but fell by 22.41% in the second half of the year for an overall decline of 2.58%. Since the inception of the Fund in April 2006, the value of the Fund increased at an annual rate of 6.37%.

STRATEGY

The investment strategy of the Fund is designed to take advantage of likely medium term appreciation in the value of companies developing new projects or undertaking substantial expansions of existing operations. The Fund does not usually buy or sell stocks in anticipation of market movements driven by short term macroeconomic influences.

In confronting the possibility of a peak in market values in January and a possibly weaker second half, the manager decided to hold its positions in companies making good progress along their development paths, including Pluton Resources, 3D Oil and Overland Resources, in the belief that they were fundamentally well placed to add value to the portfolio later in 2010 and 2011. Influencing that judgement was the likelihood that, once sold, the positions could not be easily re-established.

PORTFOLIO CHANGES

The manager did make several changes to the portfolio during the year. It sold Paladin Energy, Felix Resources, United Minerals Corporation, Macarthur Coal and Avoca Resources. The Fund initiated positions in Woodside Petroleum, Bauxite Resources, Red 5 and Independence Group.

Sales

The sales of United Minerals Corporation and Felix Resources were in response to bids for all the shares in those stocks.

Paladin Energy was sold after the company made a large share placement that materially diluted the value of existing shares and created uncertainty about the future strategic direction of the company. Since the capital raising was operationally unnecessary, the combination of lost value and ongoing strategic risk led the

manager to sell the stock.

After the announcement by the Australian government in early May that it intended to introduce a so called tax on super profits within the resources sector, the manager of the Fund reduced its valuation of Macarthur Coal and concluded that the tax could jeopardise the takeover proposal previously received by the company from Peabody Energy. Following this assessment, the manager sold the Fund's entire holding in Macarthur Coal.

Avoca Resources was sold late in the year after the company reached the output and price targets the manager had set for it.

Additions

Independence Group is a Western Australian based nickel miner with production costs less than half recent metal prices. It also has a 30% interest in the Tropicana gold mine development north of Kalgoorlie. The Tropicana joint venture is targeting annual output of around 350,000 ounces of gold with production slated to commence in 2013. The company also has several base metal exploration targets in WA.

Shares in Red 5 were purchased after the company confirmed that all the necessary approvals had been received to permit development of its 85,000 ounces per year gold mine in the Philippines. The mine is expected to commence production in 2011 with cash operating costs of approximately US\$350 per ounce.

Woodside is embarking on a decade long growth phase through the development of its Pluto, Sunrise and Browse gas fields. The new projects could result in a sixfold rise in output attributable to the company.

INVESTMENT CONTRIBUTIONS

Four stocks made similarly sized positive contributions to investment performance: Macarthur Coal, Mount Gibson Iron, 3D Oil and Horizon Oil.

Bidding by potential acquirers of the company lifted the Macarthur Coal share price.

Iron ore market conditions improved through the year amidst growing confidence about the sustainability of economic growth in China and the expansion of its steel industry. Mount Gibson Iron benefited from these improved market conditions as well as a \$30 million settlement with one of the parties that had reneged on its obligations under an iron ore supply contract at the beginning of the global credit crisis.

3D Oil, a small company seeking to develop energy prospects in Bass Strait, had a very strong first half price recovery after it announced it was reviewing potential partners to help it accelerate its development plans. The share price also benefited from rising expectations about the company's Felix prospect, located in an established oil production area. According to the company, Felix has the potential to contain 100 million barrels of recoverable oil.

Horizon Oil, which began production in the second quarter of 2009, announced additional oil discoveries and realisation of value from the partial sale of PNG assets.

Investment Losses

Bauxite Resources and Pluton Resources subtracted the most from investment performance. Without their impact, the Fund would have had a positive investment return.

The Pluton Resources share price fell by 49% during 2009/10 after a 370% rise in the last four months of 2008/09. During the year, the company purchased the 50% of its

Irvine Island iron ore project it did not already own. Encouraging metallurgical test results and further drilling enabled a substantial expansion of the Irvine Island resource base which has attracted the attention of a large number of potential joint venture partners.

Following a capital raising in October 2009 in which the Fund participated, Bauxite Resources announced that its proposed bauxite mining activities near Bindoon on the outskirts of Perth in Western Australia did not have the necessary regulatory approvals to proceed. Subsequently, the managing director left the company without notice.

Amid doubts about the company's ongoing business strategy, the manager decided to sell the Fund's holding in the company. The bulk of the holding had already been sold when litigation funding firm IMF (Australia) announced in late June that it was prepared to pay for a legal action against the company on behalf of investors who had participated in the October capital raising. The value of the company fell a further 25% after this announcement.

CASH POSITION

At the end of the year, 11% of the value of the portfolio was held in cash. The build-up in cash was due to a combination of share sales late in the year and a delay in replacing those stocks. The replacement stocks have been selected and the manager intends to deploy the cash holdings across these companies and others already in the portfolio as market conditions permit in the new year.

OUTLOOK

All the companies in the portfolio are developing new projects or undertaking or completing major expansions of existing operations. They are all positioned to take advantage of the global need for new mines and sources of energy.

An unusually large number of the companies in the portfolio are scheduled to pass key development milestones in the second half of 2010. In some cases, projects have been delayed by the global credit crisis in 2008 leading to some bunching of milestones in the coming six months. As they successfully meet their development targets, however, each of the companies will set in place the conditions for subsequent investment returns.

DISTRIBUTIONS AND TAXATION STATEMENT

As the Emerging Resources Company Share Fund seeks to invest for medium term capital gains rather than dividend income, distributions depend on the extent to which investments are realised and the size of those realisations relative to the operating costs of the Fund and any accumulated losses. Unrealised gains are not taken into account in calculating the distribution.

There have been no distributions for 2009/10 as the Fund's expenses and capital losses exceeded the value of realised capital gains during the year. Consequently, you will not receive a taxation statement covering your investment in the Fund for the financial year ended 30 June 2010.

Yours sincerely,

E.I.M. Capital Managers Limited

Important Information

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The product disclosure statement ("PDS") for the Emerging Resources Company Share Fund is issued by Officium Capital. The PDS details the terms of the offer and if you wish to invest in the Fund, then you should consider the contents of the PDS, consider whether or not an investment in the Fund is appropriate for you and complete the application form accompanying the PDS. You should also consider the PDS in deciding whether to continue to hold an interest in the Fund.

Past performance should not be taken as an indication of future performance. This information does not take into account your investment objectives, financial situation or particular needs. Before making any investment decision, you should obtain and carefully consider the PDS, having regard to your investment objectives, financial situation and particular needs.