LOWELL RESOURCES FUNDS MANAGEMENT

MONTHLY UPDATE

Lowell Resources Funds Management Ltd. ABN 36 006 769 982 AFSL 345674

September 2021

September 2021 Performance Summary: Lowell Resources Fund (ASX: LRT)

The Lowell Resources Fund net asset value ('NAV') at the end of September 2021 was approximately $54.6m (post August 2021 distribution) compared to $48.1 million at the end of August, representing a 13.5% increase.

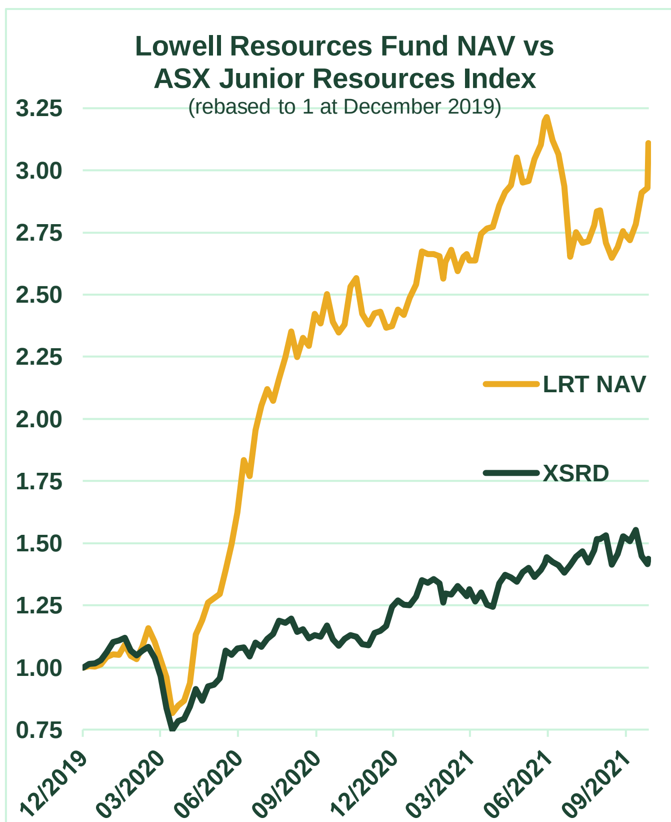
The NAV per unit finished the month of September at $1.859/unit (vs $1. 6394/unit at 31 August 2021) which is an all-time high after accounting for the $0.15/unit distribution paid in August. The traded unit price of the ASX listed LRT units at month end was $1.45/unit.

FUND OVERVIEW

Investment Manager	Lowell Resources Funds Management Limited
Managed since	6 February 2004
ASX code	LRT
Income distribution	Annual

FUND SNAPSHOT 30 September 2021

NAV per unit	$1.859 (post distribution)
No. of Units on issue (post Aug 21 DRP)	29,383,384
Market Price (ASX)	$1.45 / unit
Net Asset Value	$54.6m (post distribution)
August 2021 Distribution	$0.15/unit
Market Capitalisation	$42.5m



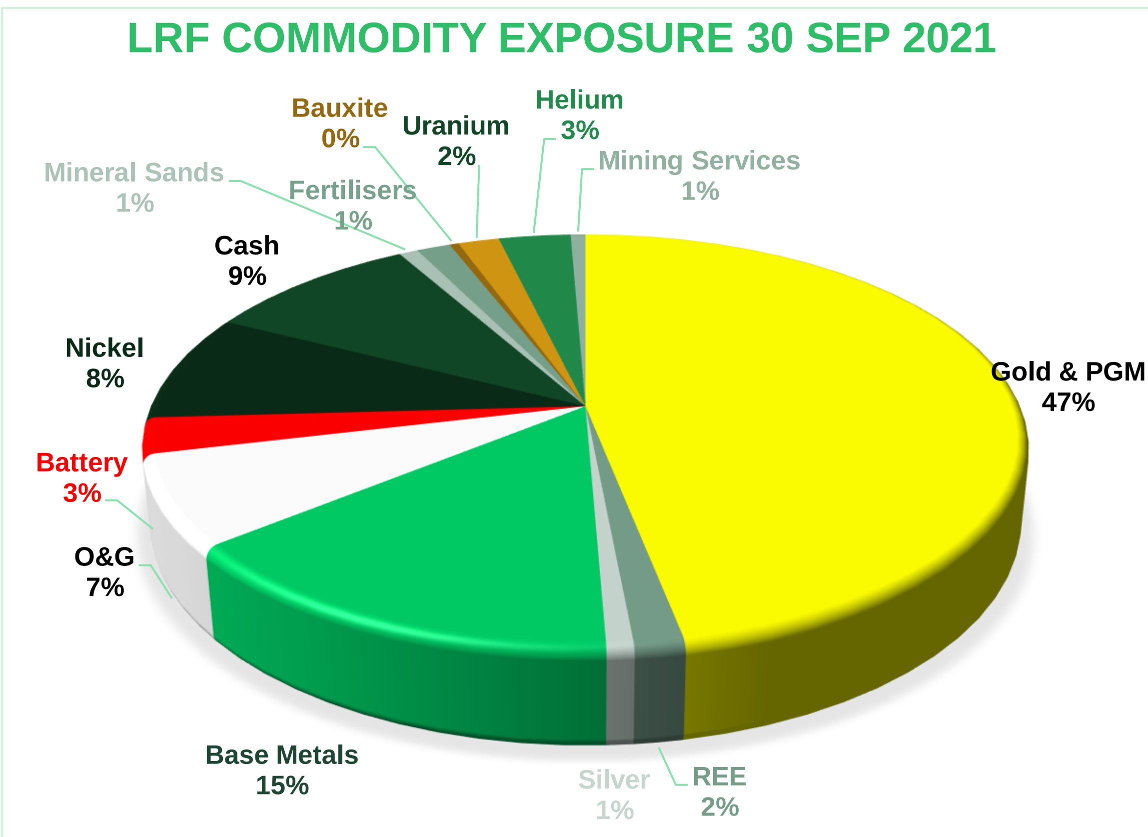
Fund Investment Actions - September 2021

In September, the Fund banked a portion of its profits in its top gold holdings, as share prices surged in both Predictive Discovery and Genesis Minerals. The Fund retains core holdings in both these companies - these two stocks remain the Fund's largest investments by value.

Amidst surging energy markets, the Fund boosted its positions in Australian East Coast gas companies Blue Energy and Comet Ridge, as well as taking a position in high-impact west African oil & gas exploration company FAR Ltd.

In gold, the Fund added to its holdings in WA explorers Musgrave Minerals and Kingwest Resources, and in west African explorer Golden Rim Resources. The Fund also increased its holdings in WA explorer Red Dirt Metals (formerly TNT Mines) upon its acquisition of the Mt Ida gold project, where the company has identified high potential lithium mineralization in historical drilling. The Fund also participated in equity placements by Sipa Resources and TSX listed Rugby Mining.

In nickel, the Fund's shareholding in WA focused nickel/gold explorer Azure Minerals was increased, while the Fund continued to take profits in nickel developer Centaurus Metals, although a substantial holding has been retained.



Fund Top Holdings

Predictive Discovery (PDI.ASX) share price soared in response to two major announcements on its NE Bankan discovery in Guinea, west Africa: a maiden mineral resource of 3.6Moz at 1.5 g/t Au; and initial metallurgical testwork indicating free-milling gold recoveries of between 94% to 98%. A military coup occurred in Guinea o 5th September, but the nation's mining industry appears unaffected.

Genesis Minerals (GMD.ASX) share price also skyrocketed when it was announced that Raleigh Finlayson (former MD of Saracen Minerals) and Nev Power (former MD of Fortescue Metals) would join the GMD board and cornerstone a $20m equity placement in the company. The funds will be used to advance GMD's 1.6Moz Ulysses Gold project.

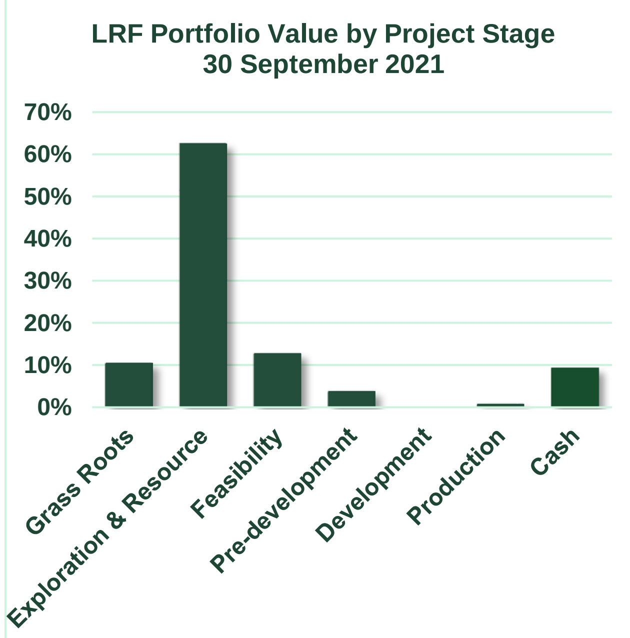
Musgrave Minerals (MGV.ASX) announced near surface gold results at its 100% owned "Big Sky" prospect (part of its Cue, WA gold project) including 36m at 2.9g/t Au from the T14 target and 60m at 1.0g/t Au from the Big Sky deposit.

Caravel Minerals (CVV.ASX) announced infill drill results at its Bindi copper deposit in WA such as 98m at 0.47% Cu, 164m at 0.37% Cu and 86m at 0.40% Cu, which confirm the previous drilling ahead of an updated resource estimate.

De Grey Mining (DEG.ASX) extended individual deposits Diucon and Eagle which form part of its 6.8 Moz Hemi gold project in the Pilbara (part of the overall project resource of 9.0 Moz). Drilling returned extensions of the Eagle zone including 84m at 2.8g/t Au.

Fund Top Performer

Red Dirt Metals (RDT.ASX) share price rose over 250% in September. RDT has acquired the 141koz Mt Ida Gold project in WA, where it has identified high-grade lithium spodumene (plus tantalum) intersections in historical gold exploration drilling.



Company	Commodity	% of Gross Investments
Cash	Cash	9.3%
Predictive Discovery	Gold	15.2%
Genesis Minerals	Gold	5.6%
Musgrave Minerals	Gold	5.1%
Caravel Minerals	Copper	4.1%
De Grey Mining	Gold	4.0%
Talon Metals	Nickel	3.8%
Blue Star Helium	Helium	3.1%
Centaurus Metals	Nickel	2.9%
Boab Metals	Lead-Silver	2.1%
Red Dirt Metals	Lithium/gold	2.1%

Performance Comparison – September 2021

Over the past 12 months, the Lowell Resources Fund's change in underlying net asset value per unit (inclusive of distributions and after fees and expenses) was 42.6%, and 74.3% pa over two years. The Fund has outperformed the benchmark S&P/ASX Small Resources Index (XSRD), the ASX Resources 300 Index, and the ASX 200 Index over one, two, five and ten years.

Total Portfolio Performance to 30 September 2021	LRT Change in NAV per unit incl distributions	S&P/ASX Small Resources Index (XSRD)	ASX Resources 300 Index	ASX 200 Index
12 months	**42.6%**	+34.4%	18.9%	30.5%
2 years p.a.	**74.3% pa**	+16.2% pa	7.1% pa	8.3% pa
5 years p.a.	**20.0% pa**	+10.0% pa	13.9% pa	10.4% pa
10 years p.a.	**15.3% pa**	-3.4% pa	4.4% pa	10.8% pa

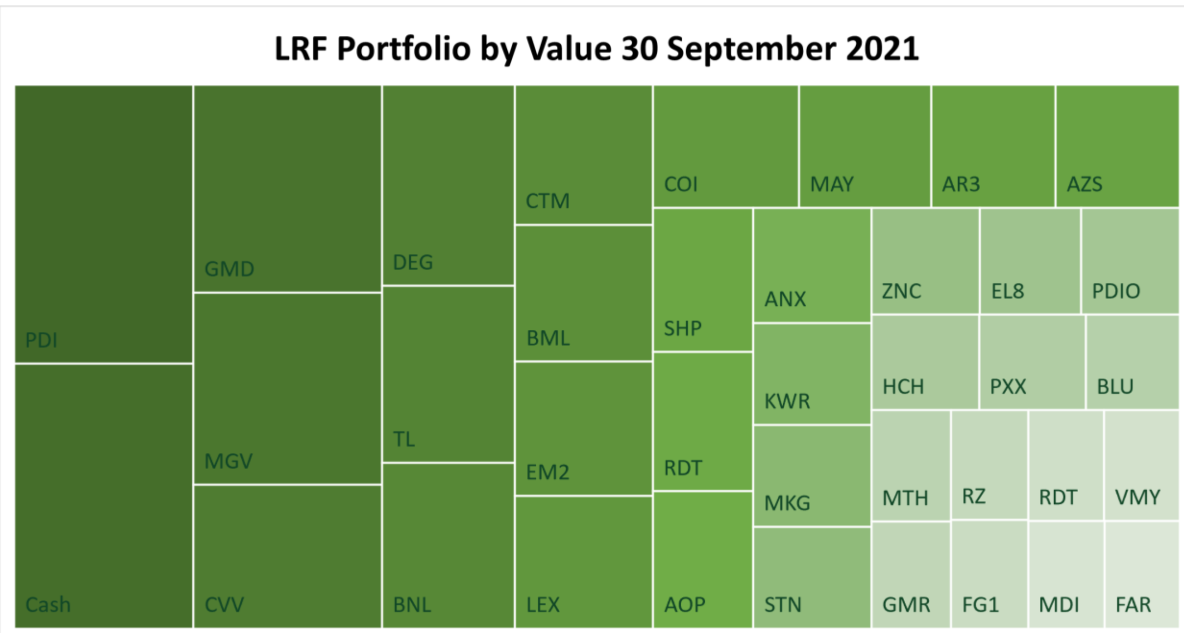
The LRT.ASX traded unit price at the end of September was $1.45/unit, compared to $1.40/unit at the end of August.

Market Notes

- **US dollar** hit a 10-month high on rising US bond yields and the US real interest rate (US 10 year TIPS) rose almost 20 basis points, although still negative at -0.85%. This corresponded to the US$ **gold** price falling 3% over September to finish at US$1,757/oz.
- Chairman Jerome Powell said the US Federal Reserve could begin "reducing asset purchases" (i.e. tapering) in November with an eye to ending its bond buying program by mid-2022. However, the bank appeared to wind back its signal to lift interest rates ("liftoff") next year. Benchmark 10-year US bond yields jumped back to 1.55%pa.
- The crash of China's second largest property developer Evergrande, reportedly the world's most indebted real estate company, reverberated around world markets, including commodities. One rough analysis indicates that the Chinese property sector accounts for 5-20% of global commodities consumption (including up to 20% of **copper** demand).
- BHP and Codelco resolved industrial action at **copper** mines in Chile where workers have used high copper prices and profits to achieve improved conditions. In the US, it appears two large copper developments (Resolution and Pebble) will not receive development approvals under the Biden administration. Chinese copper stockpiles hit a 12 year low due to shortage of scrap causing increased use of refined copper.

- China announced it would release more **base metals** from its state reserves in October comprising 30,000t of copper, 70,000t of aluminium and 50,000t of zinc, although previously this has had little impact on the market other than in the very short term. Since June this year, China has released 420,000 tonnes of copper, aluminium and zinc.
- The Australian **Oil & Gas** sector is witnessing two mega M&A deals: the acquisition of BHP Petroleum by Woodside, and the merger of Santos and Oil Search. The transition to a lower carbon economy is a major driver of this activity. Meanwhile, the after effects of Hurricane Ida forced an ongoing 0.5m bbls of oil production offline in the Gulf of Mexico, helping to strengthen oil prices.
- Amidst an emerging energy crisis, the spot price of liquefied natural gas (**LNG**) in Asia traded at record highs in September. Traders in Europe and Asia are competing to secure delivery. Spot LNG cargoes were trading at about US$25/MMbtu, up more than 10 times since mid-2020. Gas and power prices in Britain and Europe also hit new highs in recent weeks as the continent heads into winter with record low stocks. US natural gas futures extended a rally to above $5.8 per million British thermal units in September, a fresh high since February of 2014.
- Almost half of China's regions breached energy consumption limits set by Beijing and are now under pressure to reduce power use. It is expected that China will have to ration coal, gas and electricity over winter. 20 out of China's 31 provinces are already rationing power. In China's northern provinces, blackouts are occurring and even traffic lights, elevators and 3G phone masts have been shut down.
- Shipping rates, as represented by the Baltic Dry Index, hit levels last seen in 2008.
- With shipping and energy prices rising, factories being switched off, growing labour and semi-conductor shortages, not to mention a surge in the price of coffee, it is hard to see how consumer prices will not be impacted. Even Jerome Powell has now admitted "Inflation is elevated and will likely remain so in coming months before moderating". Senior economists such as Mohammed El-Arian have raised the possibility of **stagflation** as rising commodity prices are coupled with forecast weaker growth rates.
- **Aluminium** hit a 13 year high during September. Labour shortages, shipping bottlenecks, pollution related production curbs in China, and disasters such as fires and hurricanes are all affecting the supply chain.
- The new SPUT Fund is creating competition in the **uranium** spot market by removing the carry trade and creating a "consistent" (at least in the near term) buyer of physical uranium. This is expected to force long-term contracts to be signed at higher prices. Share prices of uranium companies surged as a result, although new production needs even higher prices - ASX listed uranium companies have used a uranium price ranging between US$49–70/lb (avg US$61/lb) in their re-start and development studies.
- The **iron ore** price has halved as China restricted steel output and carbon emissions. China's target of capping 2021 steel output at 2020 levels would require its H2 2021CY steel production to be significantly less than H1 levels. Over 80 Chinese steel mills suspended production in September.
- Remarkably, prices for Australian thermal and coking **coal**, the other key input for steel-making, hit record levels, probably due to the coal market chaos created by China's ban on Australian coal. China has 347GW of coal fired power stations under development (although President Xi Jinping has pledged that China would stop funding coal-fired power plants offshore). It is speculated that further blacklisting of Australian exports may occur in response to Australia's nuclear submarine program.

- A surge in global EV sales, up 150% to 3m vehicles in the first 7 months of 2021, coincided with large increases in spot **lithium** prices. Pilbara Minerals announced results of its second auction of spodumene concentrate, with a small parcel attracting a bid equating to double the highest bid at the company's first concentrate auction in July. This was believed to be to a Chinese buyer, with the price well above the long-term contract price. Despite the tight market, significant mine production capacity remains on care and maintenance, including the big Wodgina lithium mine in WA. Australian Prime Minister Scott Morrison returned from Washington to announce a A$2bn loan scheme for "critical minerals" projects.
- The LME 3-month **tin** contract hit a record high of US$36,500, up nearly 80% in 2021, as warehouse stocks were nearly non-existent (LME warehouse inventories down 80% yoy). The International Tin Association forecasts the global tin market deficit will rise to 12,700 tonnes in 2022 from 10,200 tonnes this year.



What is the Lowell Resources Fund? (ASX: LRT)

ASX-listed Lowell Resources Fund is focused on generating strong absolute returns from the junior resources sector. Our team of fund managers has many years of experience in this high risk, high reward sector. Lowell Resources Fund Management (LRFM) manages the portfolio of exploration and development companies operating in precious and base metals, specialty metals and the oil and gas space. LRFM has a successful 17-year track record managing LRT. An investment in LRT provides investors with exposure to an actively-managed portfolio focused squarely on one of the most rewarding sectors of the Australian, as well as global, share market.

Characteristics of the Fund

Number of investments: 72

Unlisted Investments: 7%

Average Market Capitalisation of Investee companies: AUD$77 million

Weighted Average Market Capitalisation of Investee companies in portfolio: AUD$163 million

Nature of Fund	Long only, absolute return fund
Investee companies	Junior resource companies, including gold, base and specialty metals, and energy
Investment type	Focus on global listed and unlisted resource equities
Distribution policy	100% of taxable profits distributed annually

WARNING

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