



LOWELL RESOURCES FUNDS MANAGEMENT



MONTHLY UPDATE

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

November 2021

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

The Lowell Resources Fund net asset value ('NAV') at the end of November 2021 was approximately \$57.1m compared to \$56.5 million at the end of October, representing a 1.1% increase.

The NAV per unit finished the month of November at \$1.948/unit (vs \$1.927/unit at 31 October 2021). The traded unit price of the ASX listed LRT units at month end was \$1.80/unit.

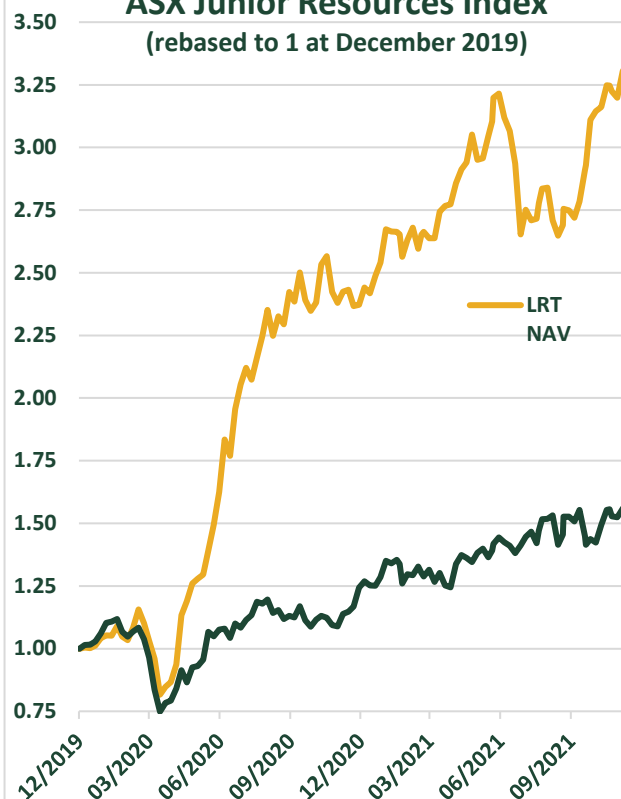
FUND OVERVIEW

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

FUND SNAPSHOT 30 November 2021

NAV per unit	\$1.948
No. of Units on issue	29,299,825
Market Price (ASX)	\$1.80 / unit
Net Asset Value	\$57.1m
August 2021 Distribution	\$0.15/unit
Market Capitalisation	\$52.7m

Lowell Resources Fund NAV vs ASX Junior Resources Index (rebased to 1 at December 2019)



Fund Investment Actions - November 2021

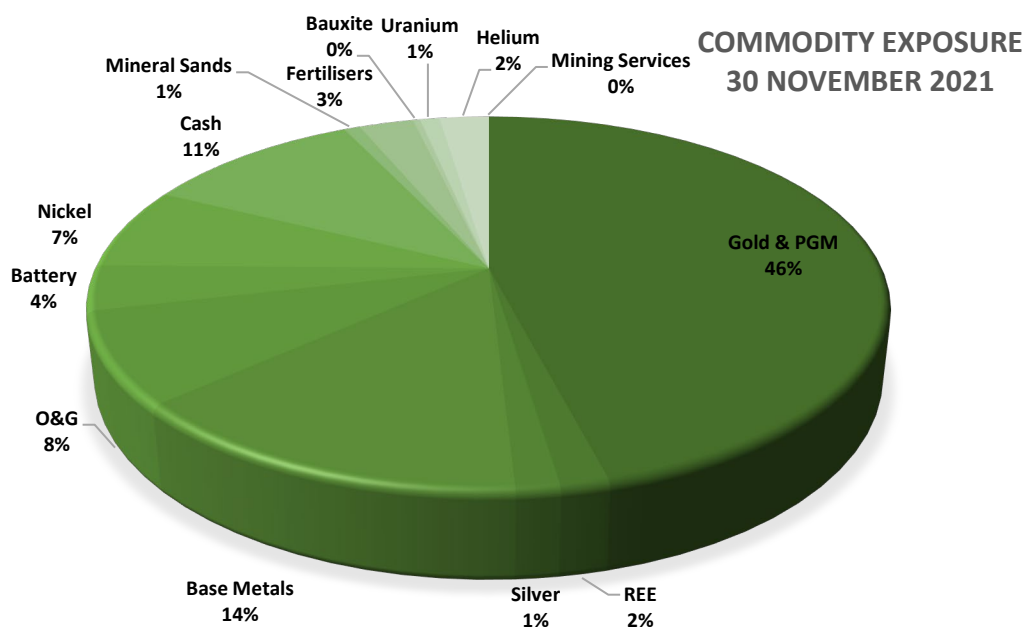
In November, the Fund sold its holding in advanced WA gold explorer Apollo Consolidated into a contested takeover, which was won by Ramelius Resources. The Fund remains positioned for further consolidation in the West Australian gold sector, in November increasing exposure to Saturn Metals. The Fund also increased its holdings in Kingwest Resources, Carawine Resources, Lefroy Exploration and upcoming IPO Larvotto Resources.

In west Africa, the Fund adjusted its holdings by selling a small amount of Predictive Discovery and using proceeds for further investment in Marvel Gold, and initial stakes in African Gold and Turaco Gold. In the Americas, the Fund added to its positions in Newfoundland explorer Matador Mining and Mexico gold-silver explorer Mithril Resources, and invested in Argentina-focused E2 Metals.

With the energy crunch driving continued strong demand for fossil fuels, the Fund invested in NT/Qld focused gas producer Central Petroleum, and took an initial stake in unlisted Mongolia-focused gas player Telmen Energy, as well as O&G services group Matrix Composites & Engineering. The Fund took advantage of announced corporate discussions at Vimy Resources by exiting the remainder of its holding, but maintained uranium exposure through a new holding in Argonaut Resources. The Fund also sold out of Pure Hydrogen after its very strong share price run.

The Fund continued to switch some of its nickel exposure from Centaurus Metals, and from TSX listed Talon Metals, to Azure Minerals.

While maintaining a positive outlook for the sector, after taking profits, cash represents 10.6% of the portfolio. The Fund's focus is on exploration and early-stage evaluation, which is the best-returning part of the Lassonde Curve. In recent months the Fund has locked in profits resulting from excitement about individual discoveries or commodities. The Fund continues to invest in early-stage companies where we see opportunities to make large returns.



Fund Top Holdings

Predictive Discovery (PDI.ASX) continued to extend the depth of its 3.6Moz NE Bankan gold deposit in Guinea, west Africa, with intercepts such as 24m at 8.8 g/t Au from 463m and 20m at 7.3 g/t Au from 511m.

De Grey Mining (DEG.ASX) announced infill drilling results for the proposed Brolga Stage 1 pit at the 9.0Moz Mallina gold project. Assays included 127m at 2.0g/t Au and 93m at 2.2 g/t Au.

Caravel Minerals (CVV.ASX) announced an upgrade of the mineral resource at its namesake copper deposit in the WA wheatbelt, increasing the contained copper by 53% to 1.86Mt Cu. Updated scoping study economics have a base case pre-tax NPV₇ of A\$1.44bn at a US\$4.00/lb Cu price.

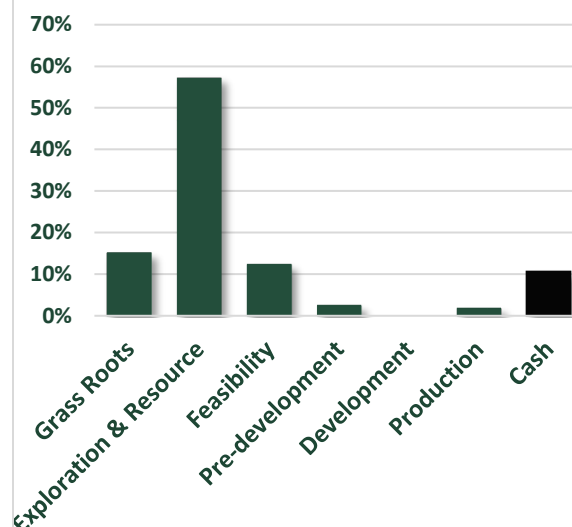
Azure Minerals (AZS.ASX) announced the highest nickel and copper grades to date from drilling at its 60% owned Andover project in the Pilbara, WA. Results from the VC-07 East deposit included 5.0% Ni over 1.5m and 4.9% Cu over 1.1m. Heritage approvals were received to drill a number of high priority regional EM anomalies.

Talon Metals (TL.TSX) announced further high grade intersections at its 51%-owned Tamarack nickel project in Minnesota, USA. Ongoing drilling at the CGO West area intersected 15m at 7.4% Nieq and 10m at 6.9% Cueq.

Fund Top Performer

Kingwest Resources (KWR.ASX) share price rose 76% in November. KWR has discovered extensive, open-ended "Kanowna Belle style" gold mineralization under salt lake cover at its new Sir Laurance prospect south of Menzies in WA. Best results from early stage drilling include 28m at 1.9g/t Au and 3m at 6.5 g/t Au. Mineralisation has been intersected over at least 1.2km of strike and 400m across strike.

LRF Portfolio Value by Project Stage
30 November 2021



Company	Commodity	% of Gross Investments
Cash	Cash	10.6%
Predictive Discovery	Gold	7.7%
Musgrave Minerals	Gold	6.0%
Genesis Minerals	Gold	5.5%
De Grey Mining	Gold	4.7%
Caravel Minerals	Copper	3.6%
Azure Minerals	Nickel	3.5%
Talon Metals	Nickel	3.4%
Red Dirt Metals	Lithium	2.5%
Blue Star Helium	Helium	2.4%
South Harz Potash	Potash	2.4%

Performance Comparison – November 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 47.2%, and 87.8% 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 November 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	47.5%	+33.9%	12.3%	15.5%
2 years p.a.	87.8% pa	+24.8% pa	7.2% pa	6.4% pa
5 years p.a.	24.4% pa	+13.0% pa	13.7% pa	10.1% pa
10 years p.a.	15.2% pa	-3.1% pa	4.5% pa	10.4% pa

The LRT.ASX traded unit price at the end of November was \$1.80/unit, compared to \$1.76/unit at the end of October.

Market Notes

- U.S. inflation again exceeded expectations by a wide margin, and Fed Chairman Jay Powell said it was time to “retire” the word “transitory”. The headline and core rates hit 30-year highs. U.S. consumer prices jumped 6.2% on an annual basis in October – the highest reading since 1990, while core CPI, which strips out food and energy costs, was up 4.6% year-over-year, marking the largest increase since August 1991.
- US\$ **gold** finished November at US\$1,775/oz, down slightly from October, after Powell said “The economy is very strong and inflationary pressures are high. It is therefore appropriate in my view to consider wrapping up the taper of our asset purchases...perhaps a few months sooner”. The gold price had risen around US\$100/oz in mid-November following the jump in inflation, before falling back following news of Jerome Powell's second term as governor of the US Federal Reserve. The US dollar traded at a 16-month high.
- China reported PPI in October was up 13.5% vs a year earlier (up from 10.7% in September), representing the fastest factory gate price rise in 26 years.
- Japan reported wholesale inflation hit a forty year high.
- Benchmark 10-year US bond yields fell over the month finishing at 1.44% pa (down from 1.55%), and real US interest rates dropped back below negative 1.0%.

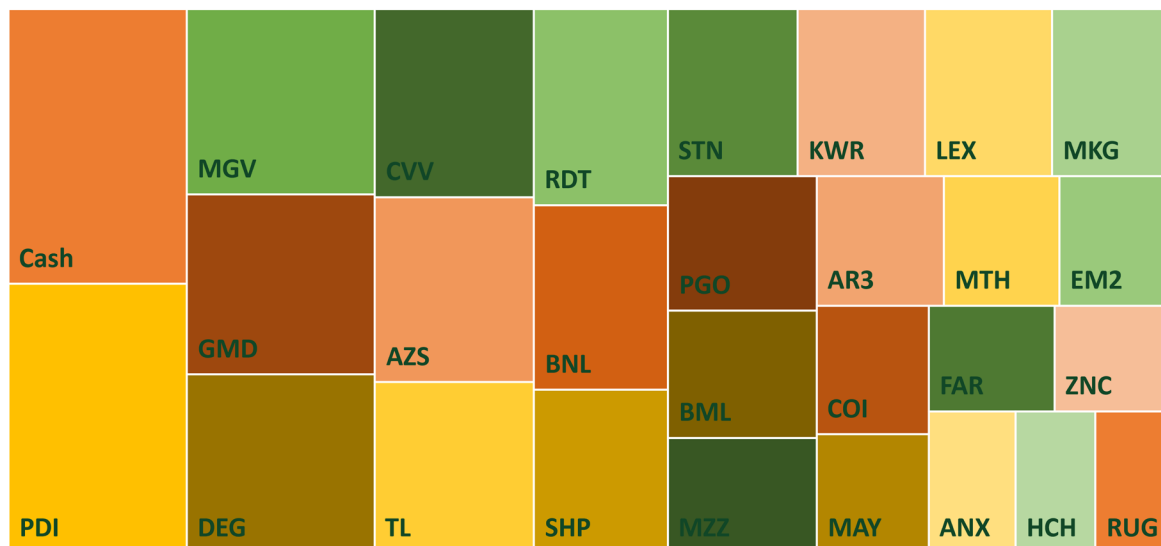
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- Joe Biden's US\$1.2trn infrastructure bill was passed, including \$US73 billion for electric grid and power structures, \$US66 billion for rail, \$US65 billion for broadband and \$US55 billion for water infrastructure.
- **Oil** prices fell around 20% in November. In response to US gasoline prices hitting a 7-year high, the US government announced it would release 50 million barrels from its strategic reserves in concert with China, Japan, India, South Korea and the UK. Nevertheless, this was less than anticipated and had little effect. However, the spread of the Omicron covid variant, and Powell's comments on accelerating tapering of bond purchases at month's end, did crunch the oil price, with the NYMEX oil price falling over \$20/bbl from 'Black Friday'.
- U.S. **oil** production remains about 12% below February 2020 levels, according to US Department of Energy data. That's equivalent to the U.S. Gulf of Mexico's entire output. US crude inventories fell below the five year minimum for the time of year. However, US shale oil production is set to hit record levels of 5mmbbl/day and Deloitte estimated that shale producers were making more money than at any time since the shale "revolution" began.
- Henry Hub, the US natural **gas** benchmark, traded at just under \$5 per mmbtu, more than double the price at the beginning of the year.
- UK natural **gas** prices increased ~17% in one trading session after Germany's energy regulator suspended approval of the Nord Stream 2 Natural gas pipeline from Russia. European gas stores could drop to zero if cold weather during the northern winter boosts demand. Nuclear reactors in France, an exporter of electricity, have limited availability due to pandemic-related maintenance delays. German inflation surged to 6%, the highest level since 1992, with the main driver being energy prices. Spanish inflation also hit a near 3-decade high.
- In Australia Incitec Pivot announced it will close the Gibson Island fertiliser plant in Queensland in 2023, saying it could not find a new **gas** contract at acceptable rates. Prices for ammonia, a key input into ammonium nitrate fertiliser, hit a record high in the US, while the CEO of European fertilizer producer Yara said that the cost to produce ammonia had increased 10-fold over the past year.
- **Copper** stocks at warehouses tracked by the London Metal Exchange remained historically low. Goldman Sachs predicted visible copper stockpiles could be depleted by February. China's copper premium spiked to the highest in at least six years as base metals extended their rebound on constrained supply and depleted inventories. The premium paid by buyers looking to get hold of copper in China jumped to US\$345 per tonne mid-month. The spike came after inventories on the Shanghai Futures Exchange fell to the lowest level since 2009.
- China's economy was impacted by the energy crisis and responses to the property development. Chinese regulators told banks to issue more loans to property companies. **Iron ore** prices received a shot in the arm and rose back over US\$100/t following China's expectations of a re-start of 16 idled pig iron blast furnaces. Steel production curbs, to help cut emissions ahead of the Winter Olympics in February, and a slowdown in the property sector, were the main causes behind the iron ore price halving in recent times. On the supply side, the three main producers Vale, Rio Tinto and BHP have all downgraded their 2021 iron ore production estimates this quarter.
- The Baltic Dry Exchange index more than halved from its peak in October and Pacific container rates fell. In China, after a runup since April, dry bulk freight rates have fallen steeply on the back of easing China port congestion, falling Chinese steel production and sharp drop in iron ore, thermal coal as well as other raw commodity prices. Major US retailers said they had imported most of their holiday supplies. However, there were still 71 container ships waiting to dock off California (pre-pandemic offshore waiting was rare).
- China imposed mandatory quarantines on cargo crews of up to 49 days. China has also banned crew changes for foreign seafaring crews in China. The International Chamber of Shipping said the new regulations would have a cumulative impact on the supply chain and cause further disruptions.

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- **Aluminium** surged briefly on a report of a 300,000 tpa Chinese smelter shutting following an accident.
- China's **rare earth** prices broke a 10-year high, driven by the development of emerging industries, tight supplies and the consolidation of industries at the national level.
- It was reported that China plans to build at least 150 new nuclear reactors over the next 15 years. This could see China surpass the U.S. as the world's largest generator of nuclear power. The Sprott Physical **Uranium** Trust (SPUT) released a prospectus increasing the SPUT "at the market" equity facility by US\$2.2bn from US\$1.3bn to US\$3.5bn. That is equivalent to 50mlbs of uranium, or over 25% of global annual demand.
- Benchmark Mineral Intelligence said its **Lithium** Price Index moved up 25% month-on-month in October, "surpassing its peak during the 2017/18 price cycle for the first time". Fastmarkets' research division forecast significant negative market balances for this year and next. Lithium prices in China again reached all time highs with lithium carbonate prices over US\$30,000 and lithium hydroxide US\$28,500 per tonne. Benchmark Minerals estimates that phasing out petrol and diesel vehicles by 2040 would require 17 times more lithium carbonate than currently produced (and 19 times more nickel sulphate production). Benchmark commented "Right now, lithium demand is growing at three times the speed of lithium supply"
- COP26 wording was amended to "phase down" rather than "phase out" **coal**. US coal prices jumped to their highest level in more than twelve years as the high cost of natural gas caused power generators to turn to coal-fired power. However, spot seaborne coking coal prices fob Australia fell from the recent ~\$400/t high due to collapse in demand from Chinese steel mills. Steel production in China has been hit by power limitations, shrinking profits and carbon emission restrictions. As temperatures dropped, the Chinese central government's coal mining push, since September's power crunch, boosted coal stocks at power plants and looks as if it will avert another large-scale energy shortage: Chinese thermal coal prices are at less than half the October peak. Australian coal miners were increasingly optimistic they may be able to resume selling coal to China, after official data confirmed small volumes of Australian coal cleared China's borders in October.
- **Tin** prices continued to soar to over US\$40,000/t, as the premiums that consumers pay to obtain physical shipments remain at sky-high levels, indicating that supply remains tight and record prices aren't yet putting a dent in demand. The outlook for tin supply from major producer Myanmar is worsening as the country battles a new Covid-19 outbreak, and Indonesian President Joko Widodo contemplated banning refined tin exports from 2024. Indonesia has already banned exports of tin and copper ore as well as nickel pig iron.
- In Australia, the Victorian government rejected the Environmental Effects Statement for the Fingerboards heavy mineral sands mine in Gippsland. Based on the 2019 DFS, Fingerboards was slated to produce 10% of global zircon demand. **Zircon** prices are now at 8-year highs.

LRF Portfolio by Value 30 November 2021



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: 8%

Average Market Capitalisation of Investee companies: AUD\$89 million

Weighted Average Market Capitalisation of Investee companies in portfolio: AUD\$203 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

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WARNING

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