



LOWELL RESOURCES FUNDS MANAGEMENT



MONTHLY UPDATE

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

December 2021

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

The Lowell Resources Fund net asset value ('NAV') at the end of December 2021 was approximately \$57.2m, compared to \$57.1 million at the end of November.

The NAV per unit finished the month of December at \$1.948/unit (vs \$1.948/unit at 30 November 2021). The traded unit price of the ASX listed LRT units at month end was \$1.75/unit. A further 54,789 units were issued as part of the DRP during the month (required as a result of some unit holder bank account details for cash distributions for year ended 30 June 2021).

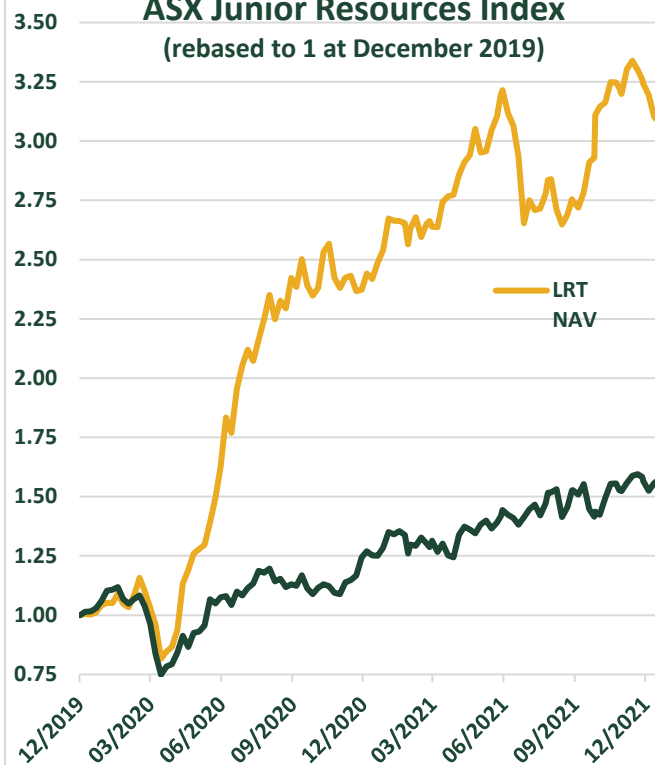
FUND OVERVIEW

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

FUND SNAPSHOT 31 December 2021

NAV per unit	\$1.948
No. of Units on issue	29,354,614
Market Price (ASX)	\$1.75 / unit
Net Asset Value	\$57.2m
August 2021 Distribution	\$0.15/unit
Market Capitalisation	\$51.4m

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



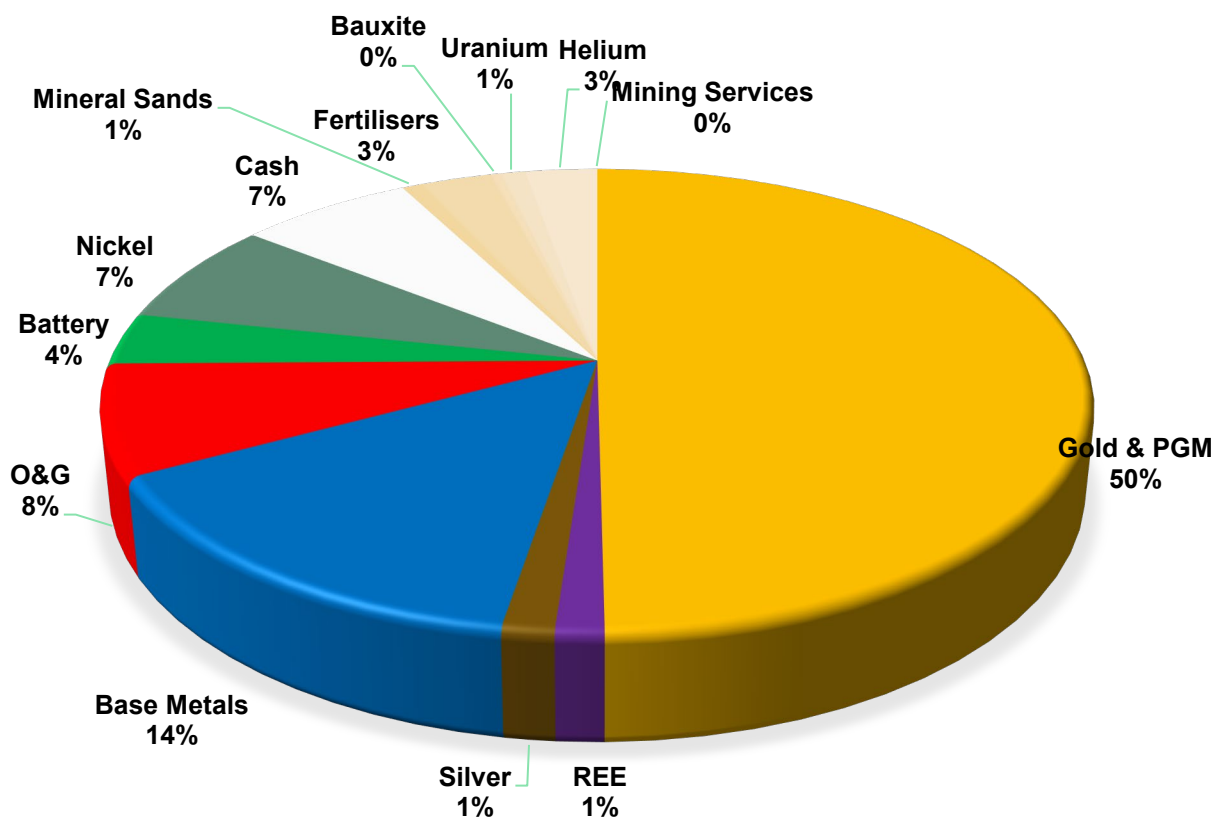
Fund Investment Actions - December 2021

In precious metals, the Fund boosted its holdings in ASX listed Australia-focused explorers Genesis Minerals, Great Northern Mining and Kingwest Resources.

In base metals, the Fund completed its very profitable exit from Centaurus Metals, as the company advances its feasibility studies on the Jaguar nickel sulphide project in Brazil.

In December, the Fund added to its position in ADX Energy, which is developing both conventional hydrocarbons as well as hydrogen-focused projects in Austria.

LRF COMMODITY EXPOSURE 31 DECEMBER 2021



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 34m at 5.5 g/t Au from 441m. It also released aircore drill results from new prospects including 36m at 1.9g/t Au at the 800W zone and 22m at 12.1g/t Au at the SW Bankan area.

Musgrave Minerals (MGV.ASX) announced new shallow high grade lodes at its 100% held Cue project in WA, including 15m at 111g/t Au. High grades were also returned from the Big Sky deposit including 4m at 20g/t Au.

De Grey Mining (DEG.ASX) announced extension of the Diucon deposit to 550m depth, and high grades at the Eagle deposit (53m at 5.8 g/t Au) at the 9.0Moz Mallina gold project.

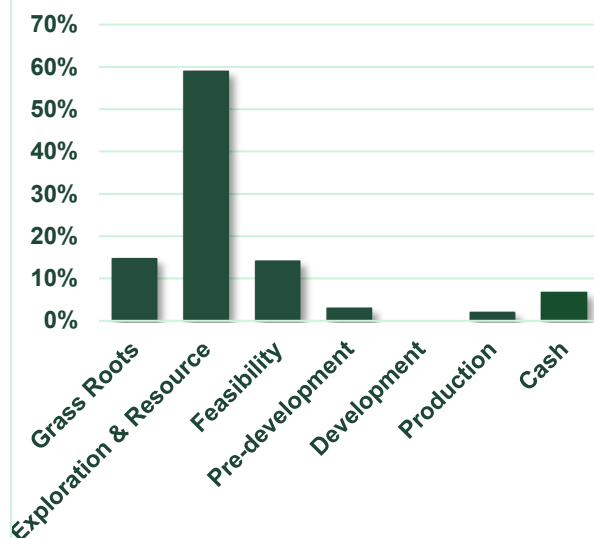
Azure Minerals (AZS.ASX) announced a new discovery at the Skyline prospect at its 60% owned Andover project in the Pilbara, WA. Assays are awaited from multiple intersections of disseminated Ni-Cu sulphides. At the VC-07 East deposit mineralization was extended to at least 550m depth.

Blue Star Helium (BNL.ASX) announced it had received the long awaited approval for a permit to drill the Enterprise helium well in Colorado. Significant gas columns have been interpreted in water wells at the Enterprise and Voyager prospects, with up to 8.8% helium content calculated.

Fund Top Performer

Golden Rim Resources (GMR.ASX) share price rose 41% in December. GMR is completing resource drilling at the Kada project in Guinea, west Africa, where the company is earning a 75% interest. Best results include 96m at 3.3 g/t Au. An initial resource is expected in Q1 2022.

LRF Portfolio Value by Project Stage
31 December 2021



Company	Commodity	% of Gross Investments
Cash	Cash	6.7%
Predictive Discovery	Gold	8.6%
Genesis Minerals	Gold	6.9%
Musgrave Minerals	Gold	6.6%
De Grey Mining	Gold	4.9%
Azure Minerals	Nickel	3.9%
Caravel	Copper	3.5%
Talon Metals	Nickel	3.3%
Blue Star Helium	Helium	2.8%
South Harz Potash	Potash	2.5%
Red Dirt Metals	Lithium	2.3%

Performance Comparison – December 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 36.4%, and 85.1% pa over two years. The Fund has outperformed the benchmark S&P/ASX Small Resources Index (XSRD) and the ASX 200 Index over one, two, five and ten years.

Total Portfolio Performance to 30 December 2021	LRT Change in NAV per unit incl distributions	S&P/ASX Small Resources Index (XSRD)	ASX 200 Index TR
12 months	36.4%	+27.5%	17.2%
2 years p.a.	85.1% pa	+24.3% pa	9.0% pa
5 years p.a.	23.7% pa	+13.3% pa	9.8% pa
10 years p.a.	15.4% pa	-2.0% pa	10.8% pa

The LRT.ASX traded unit price at the end of December was \$1.75/unit, compared to \$1.80/unit at the end of November.

Market Notes

- U.S. inflation hit a 39 year high of 6.8% in November, on the same day the S&P 500 equity index hit its 67th all-time high of 2021. The US Federal Reserve announced it would end its asset-buying program earlier, and signaled it favours raising interest rates in 2022 at a faster pace than expected. Elsewhere, the Bank of England raised rates to 0.25% from historic lows of 0.10% amid reports of improving labour market and strong inflation. Early in December, the US jobless claims dropped to the lowest level since 1969.
- Supply chain bottlenecks continued to impact markets. As at 13 December, a record 101 container ships were queueing off Los Angeles and Long Beach ports.
- US President Joe Biden still requires the support of key Democrat Senator Joe Manchin to pass his US\$1.7tn "Build Back Better" stimulus plan. Manchin has refused to vote for the spending plan citing the risk of cost blow outs and its effect on inflation.
- US\$ gold finished the 2021 calendar year at US\$1,820/oz, up 2.5% on the month, but down from US\$1,890/oz over the year.
- Real US interest rates dropped back below negative 1.0%, before beginning to rise in the new year.

Lowell Resources Funds Management Ltd. **LRT**

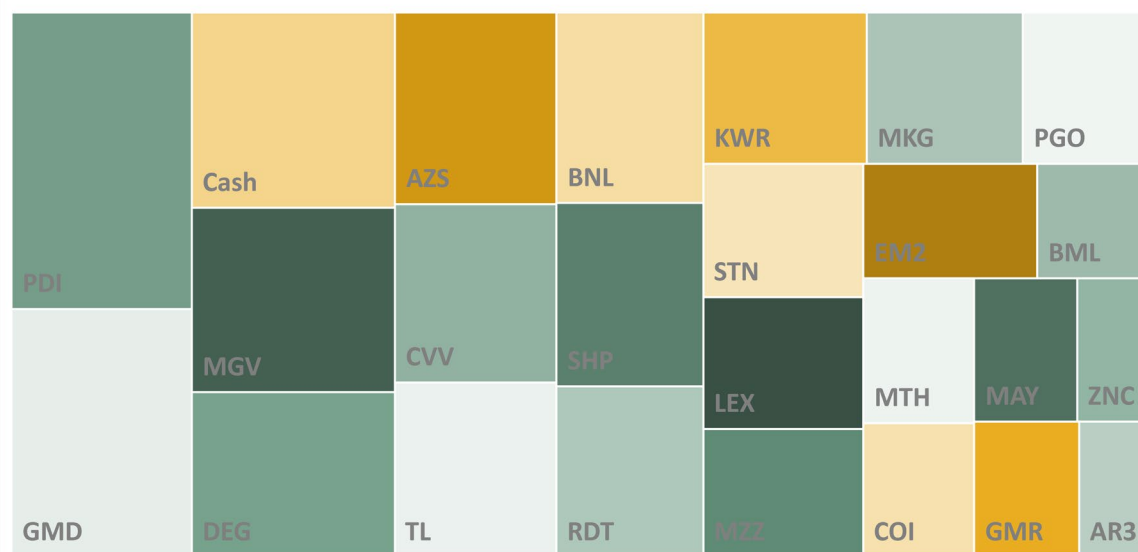
- **Oil** prices bounced back as the Omicron variant was assessed by various medical authorities as “mild”. Overall, oil was up around 60% for the 2021 calendar year, with Brent peaking at US\$86/bbl in November. OECD oil inventory has been falling for 2 years and is back at levels not seen since 2012.
- Henry Hub, the US natural **gas** benchmark, was softer as milder weather in North America prevailed (with lethal tornadoes hitting the US Midwest).
- Discoveries of new **oil** and gas supplies are set to plunge to their lowest annual level in 75 years amid a broader trend of falling investment, triggering volatility in crude prices. With no major finds in December, the industry is on course for its worst discoveries total since 1946, consultancy Rystad said. The Covid-19 crisis sparked the biggest fall in global energy investment in history, plummeting 20 per cent or \$US400bn in 2020.
- European **gas** prices spiked to records as operations permitting for the completed Nord Stream 2 pipeline, built to supply gas from Russia to western Europe, was blocked, in part due to the escalation of tensions in Ukraine. This prompted diversion of US LNG vessels bound for Asia back towards European ports and the first shipment of Australian LNG to Europe in more than a decade. As in continental Europe, UK gas prices have risen roughly 650% since the start of the year, bankrupting more than two dozen domestic energy suppliers. Gas accounts for about 40% of UK electricity generation and heats the majority of homes. High gas prices are impacting global production of fertilizer, and more locally the supply of diesel fuel additive Adblue. German power prices have also increased to a record high while French power prices jumped to a decade high.
- In Australia Woodside Petroleum announced a plan to supply the east coast markets with gas from Western Australia by shipping **LNG** from WA to a planned import terminal in Victoria’s Geelong. The value of Australia’s LNG shipments has almost trebled within 12 months as soaring international prices for gas give a massive boost to export revenue, but also present problems for Australia’s east coast manufacturers. Australia’s LNG export sales rose to \$5.77 billion in November, up about 196 per cent on the same month last year. Asian LNG spot prices have been holding above \$US30 per million British thermal units for several months, around 15 times levels in the June quarter last year, according to EnergyQuest.
- The **copper** supply outlook was threatened by MMG’s announcement early in the month that it would shutter the Las Bambas mine in Peru in December, due to local community blockades of road supplies. Communities are pressuring the company for more jobs and a larger share of revenue. Las Bambas produces around 2% of the world’s copper supply. This coincided with a rise in nationalism in the world’s no.2 copper producer. At the end of December, it was reported that the road blockade had been cleared and would resume operation.
- Gabriel Boric, a left wing 35-year-old former student leader won the Chilean presidency. Boric said he would oppose mining initiatives that “destroy” the environment. That included the contentious \$2.5bn copper, gold and iron Dominga mining project approved in August. One of Boric’s proposals is to create a national lithium company, although a complexly divided congress will be a significant hurdle.
- Chinese **copper** concentrate imports rose 21.9% in November to a record 2.19mt.
- Rio Tinto announced the write off of \$2.3bn of debt which it loaned to the Mongolian government for the Oyu Tolgoi **copper** mine. Rio will now meet all development costs, and hopes the deal will allow commissioning of the underground operation of the mine in H1 2023. Once complete, Oyu Tolgoi will be one of the biggest copper mines in the world, producing almost 500,000 tpa of the metal.

- **Nickel** fell 2% when major producer Tsingshan Holding Group announced it had brought an unspecified amount of new nickel matte production online in Indonesia, pushing ahead with a plan to boost nickel supply for battery-makers. Meanwhile, Twiggy Forrest's Wyloo Metals increased its cash bid for Canadian nickel developer Noront Resources by 47% above the Cdn\$0.75/sh offered by BHP. And the next stage of consolidation in the WA nickel industry got underway, with WA nickel miner IGO agreeing to pay \$1.1bn for rival Western Areas in a friendly tie-up, although Wyloo also holds a stake in WSA.
- **Iron ore** prices rose back over US\$120/t as Chinese steel production curbs, implemented to help cut emissions ahead of the Beijing Winter Olympics in February, appeared to have met their targets. Beijing is encouraging banks to boost funding for project acquisitions as well as encouraging developers with stronger balance sheets to ramp up purchases. Chinese domestic banks are also cutting interest rates for the first time in nearly two years.
- **Aluminium** was up around 40% in 2021. China's aluminum industry, the world's biggest, is becoming increasingly dependent on overseas bauxite supplies. 49% of China's alumina capacity will be fed by overseas bauxite in 2022, up from 30% in 2015, according to state-owned data. Chinese bauxite imports are forecast to climb to 130 million tons in 2022 from around 110 million tons in 2020. Depletion of local resources, falling ore grades and tighter environmental regulations have constrained domestic mining, and led to a decline in Chinese bauxite production. Meanwhile, US-listed Alcoa is set to halt primary aluminium production at its plant in Spain for two years, the latest casualty of soaring energy prices in Europe.
- Battery grade **lithium** prices hit new heights in China. Lithium carbonate prices were up over 400% yoy. Rio Tinto entered into a binding agreement to buy the Rincon lithium brine project in Argentina for \$825m, as local opposition to its \$3.3bn Jadar lithium project in Serbia grows. Rio has said that EV manufacturers would need about 3Mtpa of lithium, compared with the roughly 350,000 tpa consumed today. Rio estimates existing operations and projects combined, however, are slated to contribute 1mtpa of lithium.
- Major EV battery maker CATL has stated it is 'desperate' to source **graphite** to fulfil key orders. China supplies 70% of the world's graphite and its recent power shortages have exacerbated already tight supplies. Analysts expect a 20kt graphite deficit in 2022 (20kt is sufficient for 250k EVs). Anode-grade graphite flake prices have risen 40% this year to 2018 highs.
- **Lead** output in China rose by 7.9% yoy to 673,000t. Automotive EV manufacturers may look to replace higher-cost Li-ion batteries with more traditional Lead-acid.
- China imported 7.7 Mt of **coking coal** in November, up by 108% year on year. Australia was China's largest source of imports during the month, accounting for 2.7Mt. The material was part of previously stranded Australian coal.
- **Tin** was the best performer in 2021 among all base metals. The price soared over 90% from the start of the year, and the current price has almost tripled since the pandemic sank the price in March 2019. Tin stocks remain at record lows despite LME inventories rising slightly in December. The International Tin Association expects a market deficit of 9kt in 2021 on a 380kt market. Production has been hit by extreme rains in major producer Indonesia alongside Covid-related border disruptions in Myanmar. Production cuts in Malaysia have further exacerbated supply limitations. 2022 demand is expected to be strengthened by the booming semiconductor industry which grew 26% this year and a further 9% in 2022.

Lowell Resources Funds Management Ltd. **LRT**

- LME **cobalt** almost doubled in 2021 due to strong demand from the EV sector coupled with Covid supply chain disruptions. South Africa ships most of DRC's cobalt (the world's major producer of Co) and escalating Omicron cases have placed further pressure on already disrupted SA ports.
- **Zinc** inventories remained tight as European smelter production (16% of world supply) continued to be restricted due to power shortages. Nyrstar will halt production at a zinc smelter in France in the first week of January and Nyrstar's other two plants in Netherlands and Belgium have also been operating at a reduced rate, and will continue to do so. Electricite de France SA said that two nuclear power stations will stop unexpectedly and two more will have extended halts, curbing about 10% of the nation's nuclear capacity and driving up power prices across France and the rest of Europe.

LRF Portfolio by Value 31 December 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: 73

Unlisted Investments: 8%

Average Market Capitalisation of Investee companies: AUD\$83 million

Weighted Average Market Capitalisation of Investee companies in portfolio: AUD\$204 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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