



LOWELL RESOURCES FUNDS MANAGEMENT



MONTHLY UPDATE

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

May 2022

May 2022 Performance Summary: Lowell Resources Fund (ASX: LRT)

The Lowell Resources Fund's estimated net asset value ('NAV') at the end of May 2022 was approximately \$55.5m, compared to \$61.0 million at the end of April 2022.

The NAV per unit finished the month of May at \$1.890/unit (vs \$2.079/unit at 30 April 2022), a decrease of 9.1%. The traded unit price of the ASX listed LRT units at month end was \$1.58/unit.

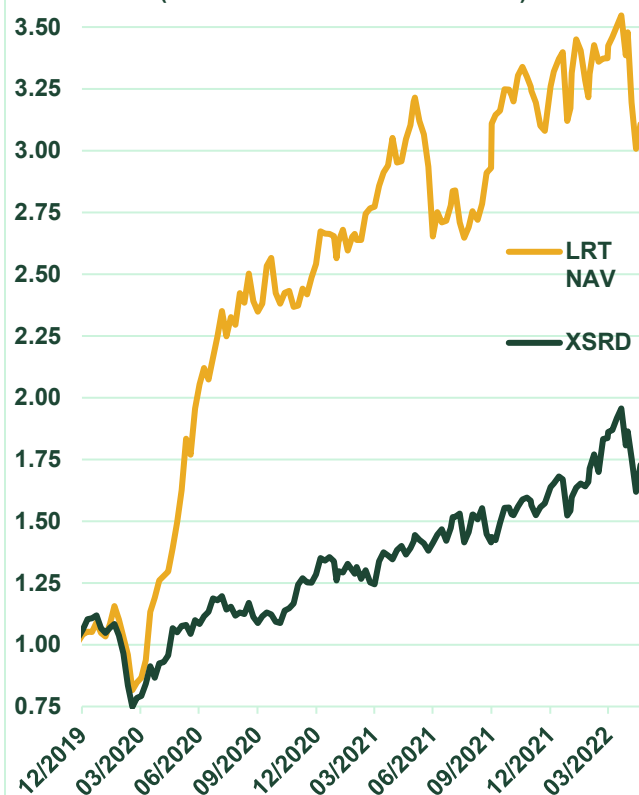
FUND OVERVIEW

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

FUND SNAPSHOT 31 May 2022

NAV per unit	\$1.89
No. of Units on issue	29,351,614
Market Price (ASX)	\$1.58 / unit
Estimated NAV	\$55.5m
August 2021 Distribution	\$0.15/unit
Market Capitalisation	\$46.3m

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



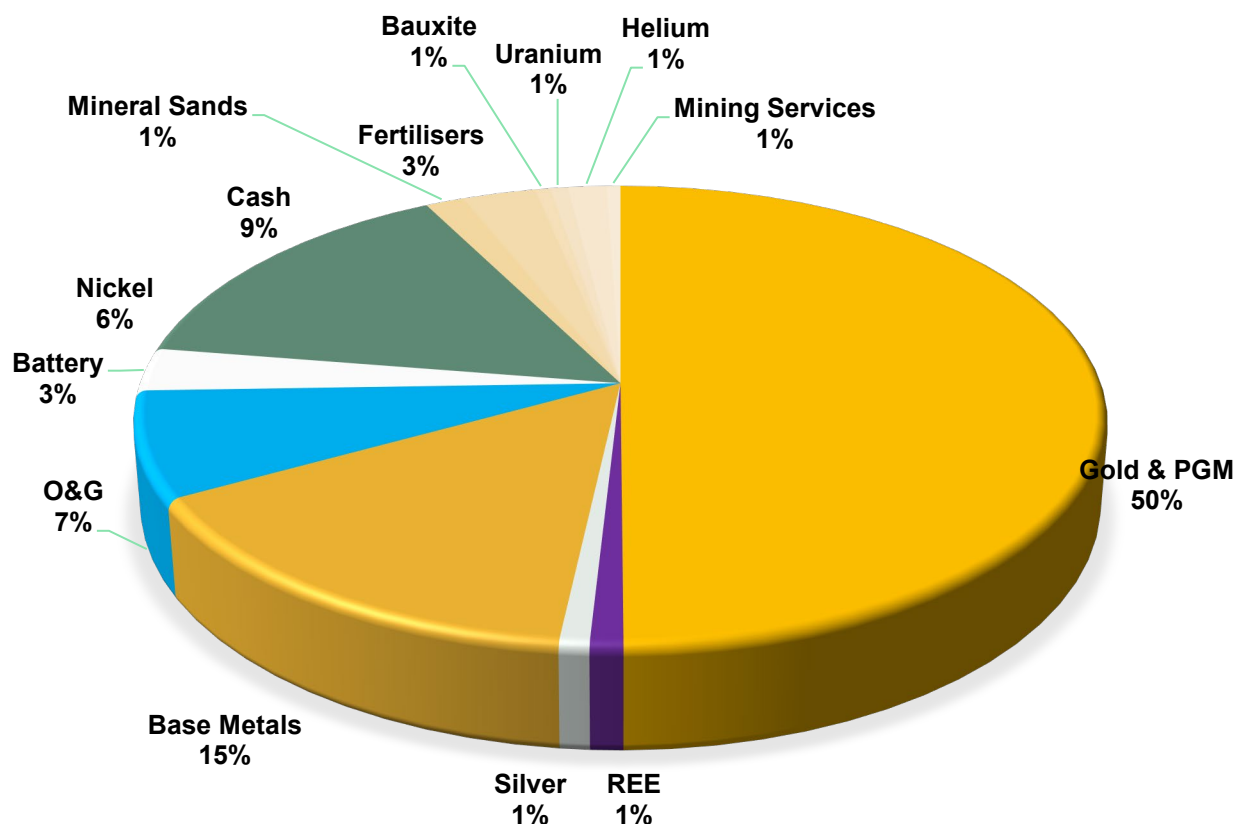
Fund Investment Actions - May 2022

In energy, the Fund continued to buy O&G materials supplier Matrix Composites and Engineering, and began accumulating new stakes in two ASX listed oil explorers.

In gold, the Fund added to its position in West African explorer Marvel Gold Ltd, while reducing its holding in African Gold Ltd. A further investment was made in Victorian gold IPO Southern Cross Goldfields, where the Fund already held a seed position.

The Fund continued to rebalance its copper investments by topping up the holding in E2 Metals, and completing a placement in Westar Resources.

LRF COMMODITY EXPOSURE 31 MAY 2022



Fund Top Holdings

Predictive Discovery (PDI.ASX) commenced a 60,000m drilling program at its Bankan project in Guinea, and raised A\$55m in new equity.

Musgrave Minerals (MGV.ASX) announced an increase in its Cue Gold Project mineral resource to 927,000 oz at 2.3 g/t Au, including the high-grade Break of Day trend totalling 327,000 ounces @ 10.4g/t Au.

De Grey Mining (DEG.ASX) announced a 25% increase in its Mallina Gold Project mineral resource to 8.5 Moz at 1.2 g/t Au.

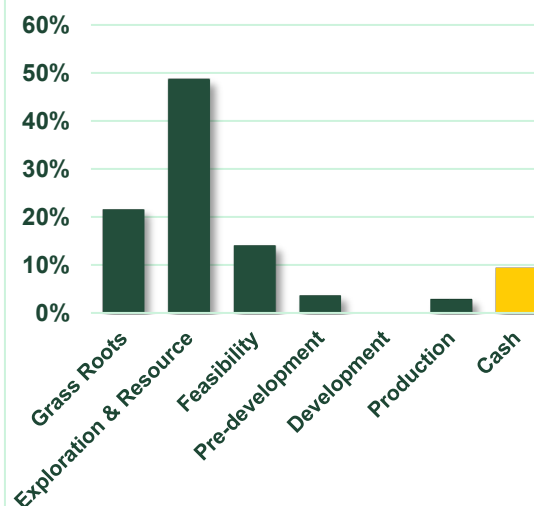
Comet Ridge (COI.ASX) announced an equipment upgrade for its Mahalo North CSG gas pilot production scheme in Queensland, where increasing gas rates are outperforming pre-drill modelling.

South Harz Potash (SHP.ASX) completed confirmation drilling at its Ohmgebirge Mining Licence in Germany. Both drillholes intersected potash at comparable depth and thickness to the historical holes. The South Harz Project hosts a large-scale JORC (2012) Inferred Mineral Resource of 5.3 billion tonnes at 10.8% K₂O across four 100%-owned project areas.

Fund Top Performer

Southern Cross Goldfields' (SXG.ASX) share price rose by 217% by the end of the month, after listing on the ASX on 16th May. SXG, a spin out of long-term LRT holding Mawson Gold, is focused on epizonal (Fosterville-style) gold exploration in Victoria. LRT participated in both the seed equity and IPO raising for SXG. The company announced an intersection of 119m at 3.9g/t Aueq at its 100% owned Sunday Creek project north of Melbourne.

LRF Portfolio Value by Project Stage
31 May 2022



Company	Commodity	% of Gross Investments
Cash	Cash	9.2%
Predictive Discovery	Gold	6.8%
Genesis Minerals	Gold	6.5%
Musgrave Minerals	Gold	5.9%
De Grey Mining	Gold	4.7%
Talon Metals	Nickel	3.2%
Southern Cross Goldfields	Gold	2.8%
Larvotto Resources	Au-Cu-Li	2.6%
Pacgold	Gold	2.6%
Comet Ridge	Gas	2.6%
South Harz Potash	Potash	2.5%

Performance Comparison – May 2022

Over the past 12 months, the Lowell Resources Fund's change in underlying estimated net asset value per unit (inclusive of distributions and after fees and expenses) was 6.5%, and 50.1% 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 two, five and ten years.

Total Portfolio Performance to 31 May 2022	LRT Change in NAV per unit incl distributions	S&P/ASX Small Resources Index (XSRD)	ASX Resources 300 Index	ASX 200 Index
12 months	6.5%	23.5%	16.0%	4.8%
2 years p.a.	50.1% pa	28.0% pa	23.4% pa	15.6% pa
5 years p.a.	20.2% pa	15.6% pa	17.3% pa	8.8% pa
10 years p.a.	12.2% pa	-0.2% pa	7.7% pa	10.4% pa

The LRT.ASX traded unit price at the end of May was \$1.58/unit, compared to \$1.87/unit at the end of April.

Market Notes

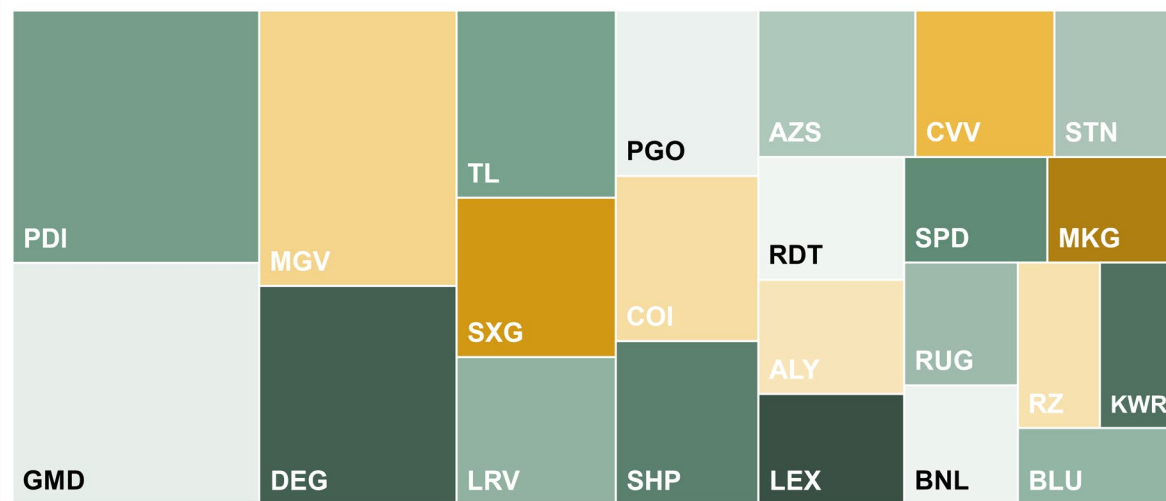
- The US Federal Reserve raised interest rates by 50bps for the first time in 20 years. After rising to a 20-year high, the **US dollar** index DXY retreated around 3% from its mid-month peak as the chances of the Fed continuing with a full program of hawkish rate hikes were downgraded.
- Inflation** hit an all time high in Germany of 7.9%, eclipsing the record of 7.8% set in January 1974. France also reported record high inflation. Across the global economy, companies are postponing or even cancelling capital expansion plans as increasing input prices and variable logistics create uncertainty.
- The Chinese government's enforcement of its Covid zero policy reportedly resulted in 41 Chinese cities in full or partial lockdown as of mid-May, representing 30% of China's GDP. UBS downgraded its projection for **China's** annual GDP growth target to 3%, compared to the government's forecast of 5.5%. However, at the end of the month Shanghai unveiled a 50-step economic support package that includes tax rebates and allows all manufacturers to resume operations in June. The city will speed approval of property projects and supply more building land. To boost car sales, it will raise the ownership quota, cut a purchase levy, and subsidize EV buyers.
- Gold** fell from over US\$1,900/oz at the end of April to below US\$1,850/oz at the end of May.
- Saudi Aramco posted its highest profit since its record stock-market listing, after **oil** prices surged in the wake of Russia's invasion of Ukraine. Aramco surpassed Apple Inc. during May to become the world's most valuable company. The Aramco CEO said the world is operating with less than 2% of spare oil capacity.

- Crude **oil** prices remain elevated following the EU's ban on seaborne Russian oil, which comprises 90% of the total supply to Europe.
- US **gas** prices hit a 14 year high as Warren Buffett's Berkshire Hathaway announced it had bought \$7.7bn worth of shares in oil & gas company Occidental Petroleum and boosted its stake in oil major Chevron in the first quarter.
- European gas prices fell despite Gazprom halting **gas** flows to Denmark's Orsted and Shell Energy for refusing to pay in roubles, following comments that it was unlikely to cut off supply to any more buyers. The halted supply amounts to about 15% of the total Russian supply to the EU.
- An extraordinary spike in wholesale **gas** prices in Victoria of up to 50 times normal levels prompted the Australian Energy Market Operator to intervene and impose a price cap. AEMO capped prices in the Sydney and Brisbane markets and imposed a price limit in Victoria of \$40/GJ after spot prices were set to rise to an incredible \$382 a gigajoule.
- The UK announced a 25% "energy profit levy", dubbed a windfall profits tax, that will increase the rate paid by North Sea producers from 40% to 65%, raising £5bn this year. But the tax measures also incentivized new investment with a substantial tax rebate.
- Goldman Sachs strategist said that predictions that a supply crunch could send **copper** to US\$15,000/t could prove conservative. "We don't rule out that copper could be a US\$50,000-US\$100,000 commodity ... over the course of the next three, five, 10 years, what we see are essentially impossibly large deficits... By the middle of this decade, we're forecasting the largest ever deficit in the copper market...It's just an impossibly tight future. At today's price, there's no fundamental adjustment under way that that can meaningfully solve what lies ahead."
- Chile's constitution writers rejected a proposal to replace the nation's investor-friendly mining concession model, keeping it out of the draft charter and easing concerns over future investments in the top **copper**-producing nation. But the draft charter will include an expansion of environmental governance, including a reshaping of water rules to focus on availability and greater protection of supplies on indigenous lands.
- The ILZSG forecast another year of **zinc** supply deficit, amounting to a shortfall of 292,000t, as European smelter woes slow metal output growth. The deficit in 2021 was 193,000t. Europe accounts for around 15% of global zinc supply capacity.
- Japanese Prime Minister Fumio Kishida said the country will take steps to restart idled **nuclear** power plants to make maximum use of nuclear power to stabilise energy prices and supply.
- Pilbara Minerals achieved another record auction price for its lithium concentrates. However, Goldman Sachs forecast a "sharp correction" in **lithium** prices from a current spot price of over \$60,000/t to average just over \$16,000 in 2023, based on increased supply of less attractive lithium mica ores. Goldmans however said that prices could jump again after 2024.
- Russian PGM producer Nor Nickel forecast a deficit in **palladium** in 2022. Russia is the leading Pd producer globally. The company forecast global palladium demand to rise by 3% to 10.3 million ounces in 2022, leading to a 90,000oz deficit according to SFA Oxford.

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 18-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.

LRF Portfolio by Value 31 May 2022



Lowell Resources Funds Management Ltd. **LRT**

Characteristics of the Fund

Number of investments: 77

Unlisted Investments: 3%

Average Market Capitalisation of Investee companies: AUD\$73 million

Weighted Average Market Capitalisation of Investee companies in portfolio: AUD\$193 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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