



LOWELL RESOURCES FUNDS MANAGEMENT



MONTHLY UPDATE

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

July 2022

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

The Lowell Resources Fund's estimated net asset value ('NAV') at the end of July 2022 was approximately \$45.6m, post the \$3.4m distribution to be paid this quarter, compared to \$47.0m at the end of June 2022.

The NAV per unit finished the month of July at \$1.5536/unit, ex distribution of \$0.1157/unit (vs \$1.5997/unit cum distribution at 30 June 2022), an increase of 7% over the month inclusive of the distribution. The traded unit price of the ASX listed LRT units at month end was \$1.32/unit.

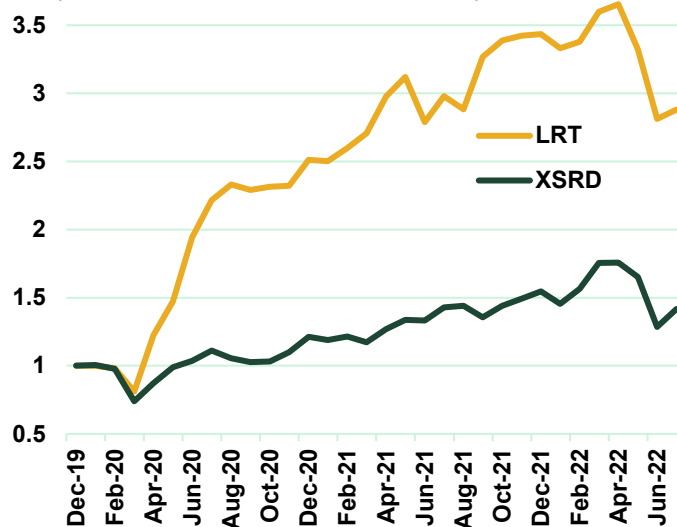
ENTITLEMENT ISSUE ANNOUNCED

A proposed non-renounceable entitlement issue for unitholders in the Fund was announced on 26 July 2022. The issue will be on the basis of 1 new unit for every 3 existing units (1:3) held at 9 August, with 1 free unlisted option attached to each new unit offered. The entitlement offer has been set at \$1.35 per new unit, and will raise up to \$13.2m before costs (before any acceptance of options). Options will have an exercise price of \$1.65 and will expire on 4 March 2024. Upon exercise, each option will entitle the holder to one fully paid ordinary LRT unit.

FUND SNAPSHOT 31 July 2022

NAV per unit	\$1.5536 ex A\$0.1157/unit distribution
No. of Units on issue	29,351,614
Market Price (ASX)	\$1.32 / unit
Estimated NAV	\$45.6m ex \$3.4m distribution
Estimated FY 22 Distribution	\$0.1157/unit
Market Capitalisation	\$38.7m

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



Lowell Resources Fund. (ASX: LRT)

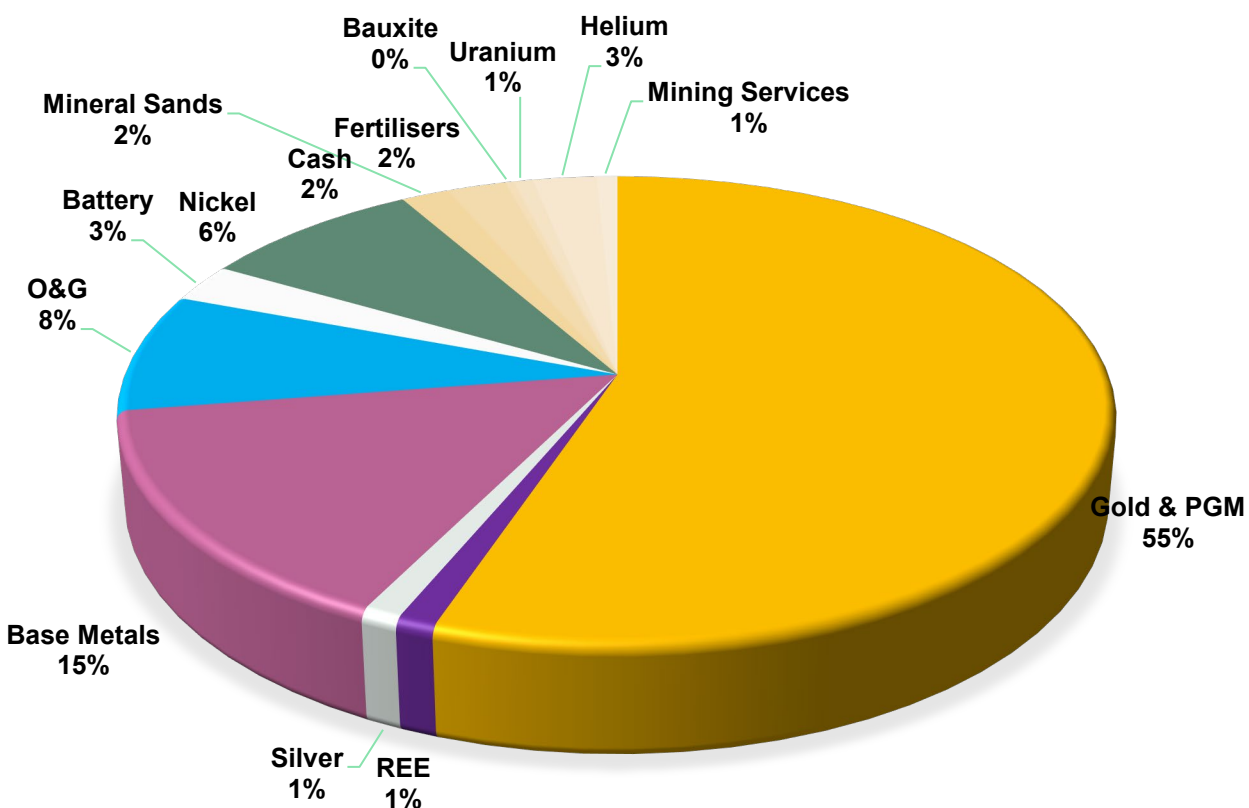
Fund Investment Actions - July 2022

In gold, the Fund continued to add to its position in Newfoundland explorer Matador Mining Ltd, while reducing its holding in Arrow Minerals.

Share prices in a number of the Fund's preferred stocks continued to trade at attractive entry levels, and the Fund further boosted positions in Alvo Minerals and Caravel Minerals.

Deeply in the money options were exercised in Lindian Resources, and the shares sold. The Fund also sold its position in Kincora Copper.

LRF COMMODITY EXPOSURE 31 JULY 2022



Fund Top Holdings

Genesis Minerals (GMD.ASX) announced the takeover of neighbouring Leonora gold producer Dacian Gold for \$111m in GMD scrip. The combined company will have 4.5 Moz in gold resources and the Mt Morgans gold plant.

Musgrave Minerals (MGV.ASX) announced that its JV partner Evolution Mining had intersected 66.0g/t Au from 438m and 3.5m at 16.2 g/t Au from 366m at the West Island prospect at Cue, WA. Evolution is earning 75% by spending \$18m on the project.

Talon Metals (TL.TSX) announced high grade drill intersections at the Tamarack nickel project in Minnesota, USA, including 2.5m at 3.8% Ni and 1.5% Cu from 138m. Talon has an earn-in right to acquire up to 60% of the Tamarack Nickel Project, and currently owns 51%.

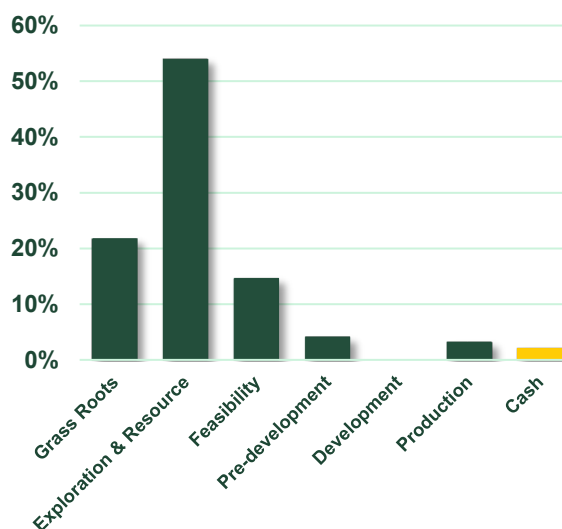
PacGold (PGO.ASX) hosted a site visit to its Alice River gold project in Far North Queensland, which LRFM attended. The drill season at the project has commenced and wide zones of veining and alteration have been intersected (assays pending).

Caravel Minerals (CVV.ASX) announced the Pre-feasibility Study on the Caravel Copper Project in the WA wheatbelt. C1 operating costs are estimated at US\$1.72/lb from a 28 Mtpa throughput with capex of \$1.2bn.

Fund Top Performer

Mako Gold (MKG.ASX) share price rose by 27% over the month, after announcing a high grade gold discovery at the Komboro prospect in Cote d'Ivoire. 6 of 7 first pass RC drill targets returned significant gold values, including 9m at 3.3 g/t Au from 67m. Komboro is part of the Napie project where a 868koz Au maiden gold resource was announced in June 2022.

LRF Portfolio Value by Project Stage
31 July 2022



Company	Commodity	% of Gross Investments
Cash (ex distribution)	Cash	2.1%
Predictive Discovery	Gold	10.2%
Genesis Minerals	Gold	7.3%
Musgrave Minerals	Gold	5.9%
De Grey Mining	Gold	4.6%
Talon Metals	Nickel	4.0%
Pacgold	Gold	3.2%
Caravel Minerals	Copper	3.1%
Comet Ridge	Gas	3.0%
Southern Palladium	PGM	2.4%
Azure Minerals	Nickel	2.3%

Lowell Resources Fund. (ASX: LRT)

Performance Comparison – July 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 -3.4%, and 38.9% pa over three years. The Fund has matched or outperformed the benchmark S&P/ASX Small Resources Index (XSRD) and the ASX 200 Index over two, three and ten years.

Total Portfolio Performance to 31 July 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	-3.4%	-0.9%	-3.8%	-2.2%
2 years p.a.	14.0% pa	14.3% pa	13.1% pa	12.1% pa
3 years p.a.	38.9% pa	9.2% pa	7.1% pa	4.3% pa
10 years p.a.	11.5% pa	-0.2% pa	7.0% pa	9.4% pa

The LRT.ASX traded unit price at the end of July was \$1.32/unit, compared to \$1.30/unit at the end of June 2022.

Market Notes

Economics

- US inflation hit a new 41 year record at 9.1%. However, long term inflation expectations (over the next 5-10 years) measured by the University of Michigan came in at 2.8% in July, down from 3.1% in June and the lowest since July last year.
- The US Federal Reserve raised interest rates by 75 basis points for the second month in a row. But chairman Powell indicated that the 75bp hike was not something investors should get used to, calling it an "unusually large increase".
- The US yield curve (10 year bond rate vs 2 year bond rate) inverted in early July and continued further into negative territory through the rest of the month. Yield curve inversion has been a reliable recession signal in the past.
- US real interest rates (10 year TIPS) fell back close to zero during July.
- Rising US rates pushed the US dollar index to a 22 year high as funds moved to take advantage of the differential between higher US rates vs the UK, Europe and Japan. The high dollar depressed commodity prices, in particular US dollar denominated copper and gold.
- The Bank of Canada lifted its key rate by full point to 2.5%. Australian unemployment fell to 3.5%.
- China is making 7.2 trillion yuan (US\$1.1 trillion) in funds available for infrastructure spending, a shift away from a focus on controlling debt toward supporting a lockdown-hit economy.

Lowell Resources Fund. (ASX: LRT)

Metals

- Ukraine's central bank has sold US\$12bn of gold reserves since the start of the Russian invasion.
- JPMorgan's gold traders cheated other market players for years by "spoofing trades" or manipulating the price of precious metals to boost their profits, a former employee testified to a Chicago court.
- Pilbara Minerals' spodumene July concentrate auction was slightly down at US\$6,188/dmt (FOB 5.5% Li₂O). This was the first backward step on price, but still around 5 times more than the July 2021 US\$1,250/dmt (FOB) price.
- Vladimir Potanin has said he's ready to discuss merging Norilsk Nickel with Rusal. Potanin controls about 35% of Norilsk Nickel, a key producer of nickel and copper and the world's biggest palladium miner – accounting for 40% of world supply.
- Chile's Supreme Court ratified the definitive closure of Barrick Gold's controversial \$8.5 billion Pascua Lama gold and copper mining project, previously ordered to shutter by the country's environmental regulator in 2018.
- Ford Motor Co announced it had signed MoU's with a number of potential battery metals suppliers such as BHP, Vale, Rio Tinto, Liontown and Ioneer for EV battery metals including nickel and lithium.
- The global zircon market tightened further in Q2, and the market is expected to remain tight in Q3 2022, according to an update from producer Kenmare Resources. Ilmenite pricing was also strong in Q2 and demand is expected to remain robust in Q3, supported by low inventories and continued supply constraints.
- Wood Mackenzie forecast the capital investment of 3,000 mining companies, with total capex set to fall by over 70% to 2026. Excluding lithium projects, the expected fall is even more dramatic, dropping by over 80% over the next five years. Excluding lithium would leave capex in 2026 at just 6% of the 2012 total.
- According to Industrial Info Resources, more capital is being spent on coal projects than on copper projects.

Energy

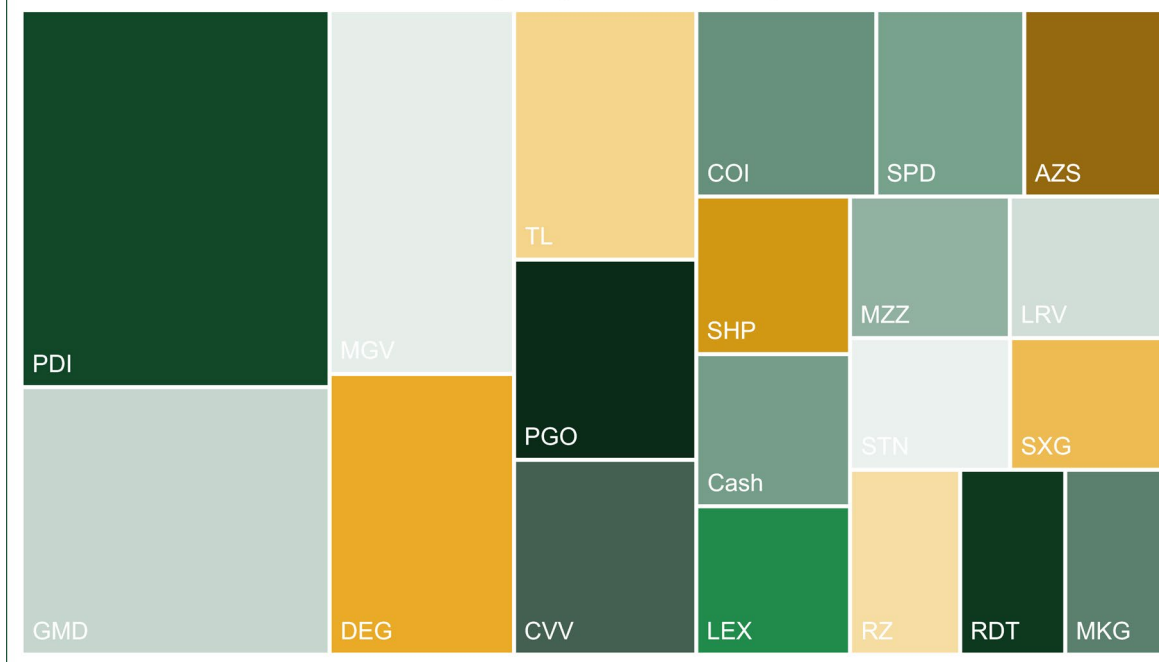
- "The world has never witnessed such a major energy crisis in terms of its depth and its complexity," Fatih Birol, executive director of the International Energy Agency (IEA), said at a forum on July 12.
- President Joe Biden's trip to Saudi Arabia failed to extract any commitment to boost oil supply.
- In the Australian east coast gas market, spot gas prices continued to surge, capped at A\$40/GJ by the Australian Energy Regulator (compared to the 2021 average of \$8.90/GJ), due to limited immediate supply, and record for gas requirements for power generation, to offset outages at coal generators and intermittent renewables. A near term outlook report by the ACCC published August 1, warned of a significant supply shortfall in 2023, compared to its previous report that forecast the gas market in balance.
- The European Parliament formally voted to enable qualification of "certain" nuclear power projects as environmentally friendly for the purposes of sustainable investing, to come into effect in January 2023. The proposal is still subject to member state veto and legal challenges.
- Japanese Prime Minister Fumio Kishida said he asked for as many as nine nuclear reactors to be online this winter to help with an expected power crunch. "There are concerns about a power shortage this winter," Kishida said. 10 of Japan's 33 operable nuclear reactors have been restarted under post-Fukushima safety rules, though some are offline for maintenance.
- Chinese bureaucrats studying the energy outlook are proposing to end a near two-year ban on Australian coal on concerns supply may tighten when Western sanctions on Russian energy kick in.

Lowell Resources Fund. (ASX: LRT)

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.

LRT Holdings by Value 31 July 2022



Lowell Resources Fund. (ASX: LRT)

Characteristics of the Fund

Number of investments: 73

Unlisted Investments: 4%

Average Market Capitalisation of Investee companies: AUD\$71 million

Weighted Average Market Capitalisation of Investee companies in portfolio: AUD\$197 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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