



# LOWELL RESOURCES FUNDS MANAGEMENT



## MONTHLY UPDATE

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

September 2022

### September 2022 Performance Summary: Lowell Resources Fund (ASX: LRT)

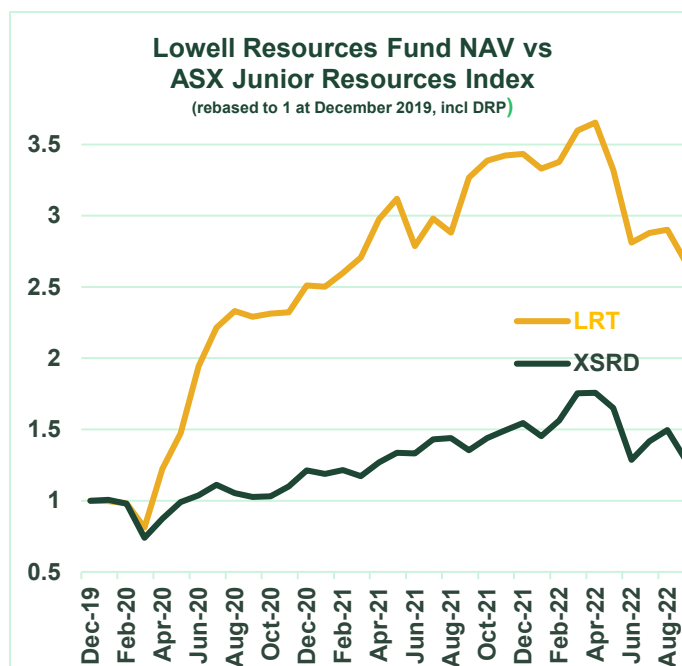
The Lowell Resources Fund's estimated net asset value ('NAV') at the end of September 2022 was approximately \$45.4m, compared to \$47.8m at the end of August 2022.

Units on issue increased by around 0.91 million to 31.43 million due to units issued under the LRT entitlement issue. The entitlement issue was made on the basis of 1 new unit for every 3 existing units (1:3) held at 9 August 2022, with 1 free unlisted option attached to each new unit offered. The entitlement offer price was \$1.35 per new unit. Options have an exercise price of \$1.65 and expire on 4 March 2024. Upon exercise, each option will entitle the holder to one fully paid ordinary LRT unit.

The NAV per unit finished the month of September at \$1.4439/unit (vs \$1.5658/unit at 31 August 2022), a decrease of 7.8% over the month. The traded unit price of the ASX listed LRT units at month end was \$1.135/unit.

#### FUND SNAPSHOT 30 September 2022

NAV per unit	\$1.4439
No. of Units on issue	31,432,505
Market Price (ASX)	\$1.135 / unit
Estimated NAV	\$45.4m
FY 22 Distribution	\$0.1157/unit
Market Capitalisation	\$35.6m



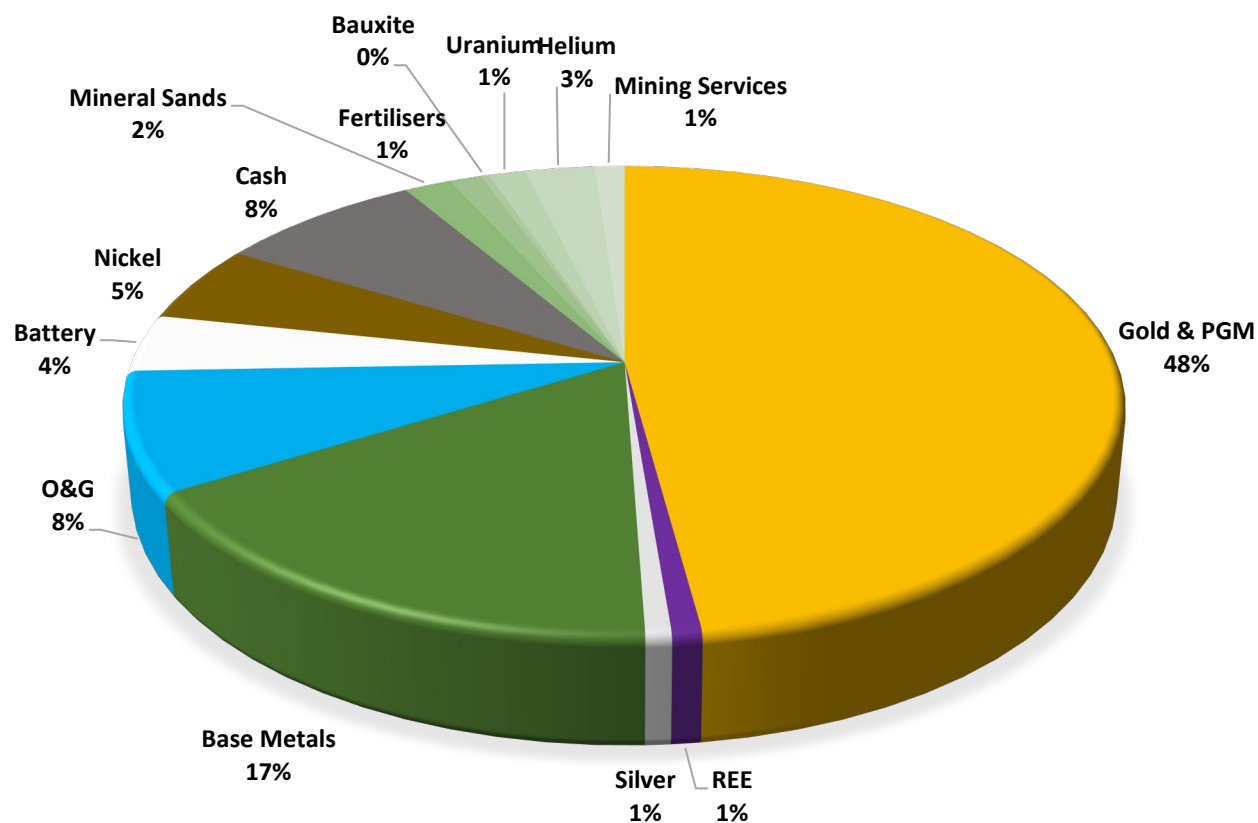
Lowell Resources Fund. (ASX: LRT)

## Fund Investment Actions - September 2022

In September, the Fund boosted its holding in Queensland gas developer Comet Ridge. It also subscribed for the IPO of new ASX uranium explorer Basin Energy which listed in October.

In gold, a portion of the Fund's shareholding in ASX listed gold developer De Grey Mining was sold.

### LRF COMMODITY EXPOSURE 30 SEPTEMBER 2022



Lowell Resources Fund. (ASX: LRT)

## Fund Top Holdings

**Predictive Discovery (PDI.ASX Market Cap A\$316m)** announced new drill hits of 9m @ 7.98g/t Au, and 16m @ 6.14g/t Au from 832m, up to 200m below the 3.9Moz pit shell at NE Bankan in Guinea. A second footwall high grade shear zone has been identified.

**Musgrave Minerals (Market Cap A\$137m MGV.ASX)** announced more high-grade drill intersections at its 100% owned Cue gold project in WA, including 4m at 29.9g/t Au from 17m at the Waratah trend (east of the high-grade resource at Break of Day). Four new regional targets have also been found with aircore drilling, including 9m at 3.8g/t Au.

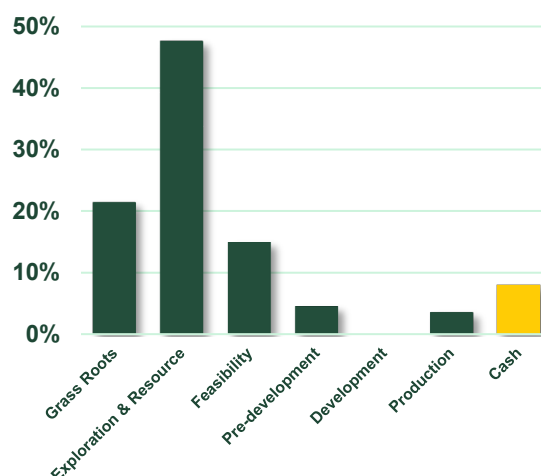
**Genesis Minerals (Market Cap A\$335m GMD.ASX)** announced it had acquired majority control of takeover target Dacian Gold, making the offer unconditional. Upon completion, GMD will control 4.2Moz of gold resources in the Leonora district.

**Southern Palladium (Market Cap A\$77m SPD.ASX)** announced it had intersected the UG2 reef at 31m depth in its first drilling program at the Bengwenyama PGM project on the Bushveld Igneous Complex in South Africa. SPD owns 70% of the 18.8 Moz PGM Inferred Resource at Bengwenyama.

## Fund Top Performer

**TMK Energy Ltd (Market Cap A\$49m TMK.ASX)** share price rose by 40% over the month, starting the month at 1.0c/sh and hitting 2.0c/sh post month end. The company announced it had completed its initial 4-well exploration program at its Gurvantes XXXV coal seam gas project in the South Gobi Basin of Mongolia. All wells intersected thick coals (up to 175m net) with high gas contents. An independent resource assessment is underway.

LRF Portfolio Value by Project Stage  
30 September 2022



Company	Commodity	% of Gross Investments
Cash	Cash	7.9%
Predictive Discovery	Gold	7.9%
Musgrave Minerals	Gold	5.9%
Genesis Minerals	Gold	5.3%
De Grey Mining	Gold	4.1%
Southern Palladium	PGM	3.5%
Talon Metals	Nickel	3.4%
Caravel Minerals	Copper	3.4%
Comet Ridge	O&G	3.1%
Red Dirt Metals	Li/Au	2.9%
Alchemy Resources	Au/Li	2.5%

Lowell Resources Fund. (ASX: LRT)

## Performance Comparison – September 2022

Over the past 2 years, the Lowell Resources Fund's change in underlying estimated net asset value per unit (inclusive of distributions and after fees and expenses) was 8.1% pa, and 35.5% pa over three 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 three, five and ten years.

Total Portfolio Performance to 31 August 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	<b>-18.1%</b>	-4.9%	16.4%	-7.7%
3 years p.a.	<b>35.5% pa</b>	8.7% pa	10.1% pa	2.7% pa
5 years p.a.	<b>15.0% pa</b>	7.5% pa	13.7% pa	6.8% pa
10 years p.a.	<b>10.6% pa</b>	-2.6% pa	6.7% pa	8.4% pa

The LRT.ASX traded unit price at the end of September was \$1.135/unit, compared to \$1.42/unit at the end of August 2022.

## Market Notes

### Economics

- US **inflation** fell to 8.3% in August, down from an 8.5% reading the previous month.
- The US Federal Reserve raised **interest rates** by 75 basis points, the third 75bp rise in a row. Market expectations are for rates to hit 4% by year end, from the current 3-3.25% range.
- As a result, all major US **equity indices** fell in August, as did US Treasuries.
- The **US dollar** index continued to climb to fresh 20-year highs, further dampening USD-denominated commodity prices.
- China, the world's second biggest economy that accounts for more than 50% of global demand for many raw materials, began to soften its strict **zero-COVID policy**, enforced by recurrent lockdowns that slow output and demand.

Lowell Resources Fund. (ASX: LRT)

### Metals

- **Gold** fell to the lowest in more than two years on the back of the strong dollar, before enjoying its biggest one-day gain in six months after the Bank of England unveiled its bond-buying program. Gold has lost almost 20% from its peak this year in March.
- The Chilean government announced measures including tax incentives for private investment, including suspending part of **copper** royalties on new projects for five years.
- The Chinese company Maike, which handles a million tons a year of refined **copper** imports, has been experiencing difficulties paying for its copper purchases, and several international companies — including BHP Group and Chile's Codelco — paused sales to Maike and diverted cargoes. Maike is the largest player in the most important global trade route for the metal, and a major trader on the London Metal Exchange.
- **Lithium** prices continued to rise. New producer Core Lithium reported it had sold DSO ore grading 1.4% Li<sub>2</sub>O for over US\$900/t.

### Energy

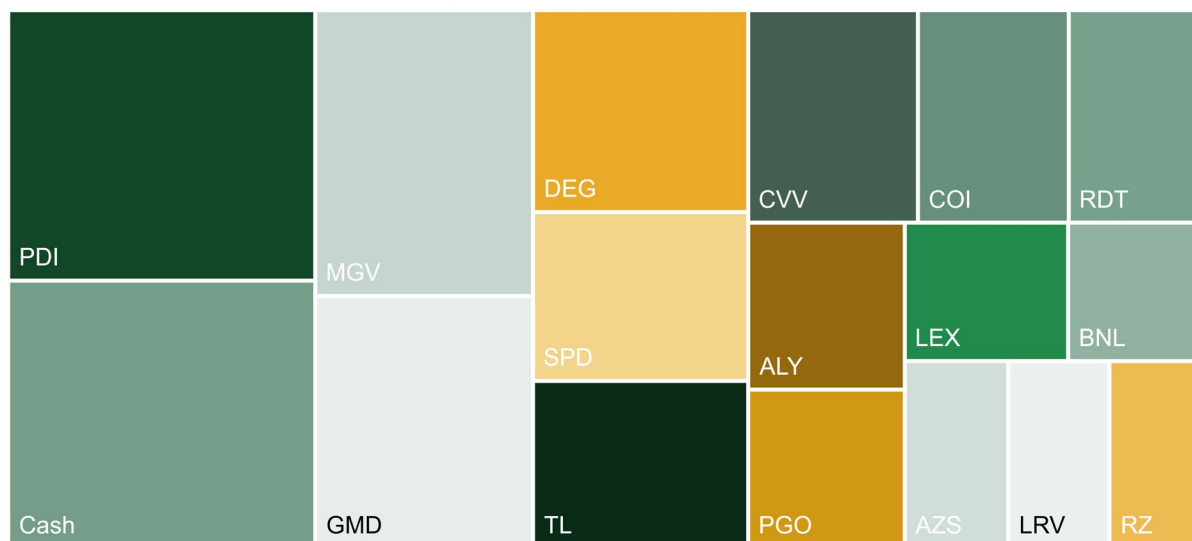
- Leaks in two Russian **gas** pipelines to Europe, Nord Stream 1 and 2 have been attributed to sabotage. The pipelines had already been closed indefinitely.
- The WSJ reported OPEC has reiterated its previous warning that the **oil** market is “disconnected from fundamentals”, describing it as being in a “state of schizophrenia”, increasingly disconnected from signs of robust demand. At month end, OPEC+ was considering its biggest output cut since the start of the COVID-19 pandemic. OPEC+ cuts, SPR selling ending soon, embargo and price cap on Russian oil, and gas-to-fuel switching are factors in support of a higher oil price.
- Thermal **coal** prices remain at record levels - currently US\$435/t FOB Newcastle. China has announced 15Gwh of new coal fired power plants in just the first half of CY22.

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 30 September 2022**



Lowell Resources Fund. (ASX: LRT)

## Characteristics of the Fund

Number of investments: 74

Unlisted Investments: 6%

Average Market Capitalisation of Investee companies: AUD\$77 million

Weighted Average Market Capitalisation of Investee companies in portfolio: AUD\$135 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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