



# LOWELL RESOURCES FUNDS MANAGEMENT



## MONTHLY UPDATE

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

April 2023

### April 2023 Performance Summary: Lowell Resources Fund (ASX: LRT)

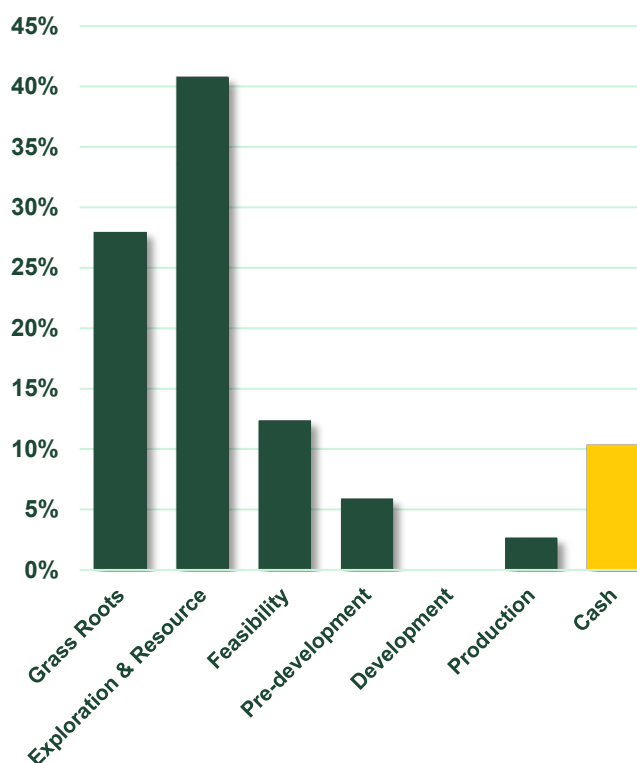
The Lowell Resources Fund's estimated net asset value ('NAV') at the end of April 2023 was approximately \$43.3m, compared to \$41.6m at the end of March 2023.

The NAV per unit finished the month of April at \$1.3711/unit (vs \$1.3176/unit at 31 March 2023), an increase of 4.1% over the month. The traded unit price of the ASX listed LRT units at month end was \$1.22/unit.

#### FUND SNAPSHOT 30 April 2023

NAV per unit	\$1.3711
No. of Units on issue	31,564,087
Market Price (ASX)	\$1.22 / unit
Estimated NAV	\$43.3m
FY 22 Distribution	11.57cents per unit
Market Capitalisation	\$38.5m
Responsible Entity	Cremorne Capital Limited
Fund Manager	Lowell Resources Funds Management Ltd

LRF Portfolio Value by Project Stage  
30 April 2023



Lowell Resources Fund. (ASX: LRT)

## Fund Investment Actions - April 2023

In April, the Fund continued to boost its levels of cash, principally by exiting long-term holding Genesis Minerals, as Genesis moved to become a substantial producer through the acquisition of the Gwalia gold mine. This exit is consistent with the Fund's focus on earlier stage resource companies leveraged to exploration upside.

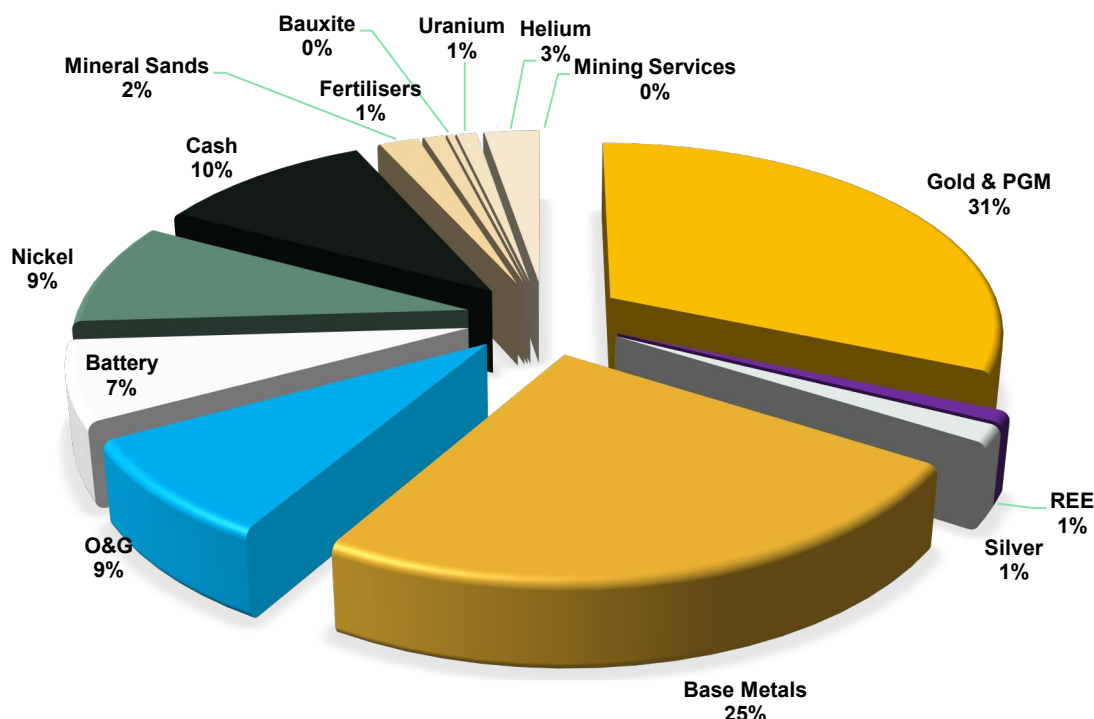
The ASX resource sector as a whole fell 28.8% over the 12 months to the end of April 2023. The first quartile by market cap only lost 1.7% over the year, in contrast to companies with market capitalisations less than \$8m which shed 53.7% over the year, according to Austex data. The Fund has therefore realized cash from larger market cap companies in the portfolio, to redeploy into holdings with small capitalisations, where greater value has appeared.

In other precious metals moves, the Fund added to positions in WA gold explorer Astral Resources, and Argentina focused silver company Unico Silver.

In energy, the Fund participated in a placement by Mongolia focused CBM developer TMK Energy.

In other metals, the Fund reduced its position in silver-lead developer Boab Metals, and sold its holding in Cygnus Metals. The Fund took up its entitlement in the Westar Resources rights issue and added to its position in Quebec focused TSXV listed copper company QC Copper & Gold. The Fund also participated in a placement by unlisted Ghana lithium explorer CAA Mining.

### LRF COMMODITY EXPOSURE 30 APRIL 2023



Lowell Resources Fund. (ASX: LRT)

## Fund Top Holdings

**Musgrave Minerals (Market Cap A\$136m MG.V.ASX)** announced the Stage 1 PFS on its 100% owned Cue Gold Project in WA. The study envisages gold production of 337koz over 5 years providing a pre-tax 95% IRR and NPV8 of A\$235mat A\$2,600/oz gold price. MG.V is now studying an expanded project.

**Predictive Discovery (Market Cap A\$331m PDI.ASX)** announced deep infill drilling results including 51m at 3.3g/t Au and 50m at 3.8 g/t Au at its 100% owned NE Bankan gold deposit in Guinea, West Africa. Drilling at the highly prospective regional Argo target has begun.

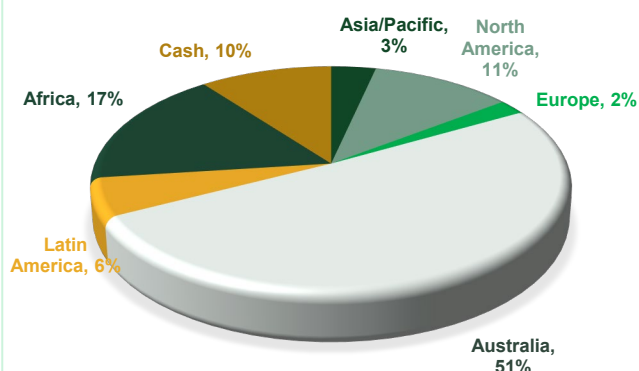
**Caravel Minerals (Market Cap A\$136m CVV.ASX)** announced an increase in the throughput capacity as part of the Caravel Copper Project PFS, as well as inclusion of a molybdenum recovery circuit. These changes increased the forecast project NPV to A\$2.0bn. Caravel is the largest undeveloped copper project in Australia.

**Azure Minerals (Market Cap A\$166m AZS.ASX)** announced drill intersections of up to 53m wide pegmatite with coarse spodumene crystals at the 60% owned Andover nickel-lithium project. Surface sampling of pegmatites on the project has returned numerous grades of 2-4% Li<sub>2</sub>O.

## Fund Top Performer

**Larvotto Resources (Market Cap A\$16m LRV.ASX)** share price jumped by 110% during April 2023. Larvotto announced high grade rare earth element ('REE') results of up to 1.26% TREO at the 100% owned Merivale South project in WA. This formed part of an initial drilling program to test a 3km long REE surface anomaly, which may be associated with ionic clay REE mineralization.

PORTFOLIO BY GEOGRAPHY OF MAIN PROJECT 30 APRIL 2023



Company	Commodity	% of Gross Investments
Cash	Cash	10.3%
Musgrave Minerals	Gold	5.8%
Predictive Discovery	Gold	5.2%
Caravel Minerals	Copper	4.6%
Azure Minerals	Ni-Li	4.4%
Larvotto Resources	REE-Li-Cu	3.8%
CAA Mining	Li	2.9%
Comet Ridge	Gas	2.7%
Talon Metals	Nickel	2.5%
Southern Cross Gold	Gold	2.5%
Lefroy Exploration	Cu-Au	2.5%

Lowell Resources Fund. (ASX: LRT)

## Performance Comparison – April 2023

Over the past 3 years, the Lowell Resources Fund's change in underlying estimated net asset value per unit (inclusive of distributions and after fees and expenses) was 27.6%pa. 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 30 April 2023	LRT Change in NAV per unit incl distributions	S&P/ASX Small Resources Index (XSRD)	ASX Resources 300 Index	ASX 200 Index
12 months	-30.5%	-17.2%	8.5%	2.8%
3 years p.a.	27.6% pa	18.2% pa	12.9% pa	14.0% pa
5 years p.a.	14.7% pa	5.1% pa	13.1% pa	8.3% pa
10 years p.a.	12.7% pa	3.7% pa	9.2% pa	7.9% pa

The LRT.ASX traded unit price at the end of April was \$1.22/unit, up from \$1.14/unit at the end of March 2023.

## Market Notes

### Economics

- **US inflation** fell to 5.0%pa. Bloomberg-pollled economists expected a headline CPI figure of 5.1% for March vs 6% in February.
- **US employment** data softened (according to the US Job Openings and Labour Turnover Survey), but the ratio of job openings to unemployed was still elevated compared to pre-pandemic levels.
- **US GDP** rose an annualised 1.1% in the first quarter, less than the median forecast of 1.9% in Bloomberg's survey, suggesting a higher risk of a stagflationary environment.
- **China's** economy rebounded more than expected after Covid reopening, with GDP expanding 4.5% year on year in the first quarter. About two thirds of China's regions have announced spending plans for major projects such as transport infrastructure, energy generation and industrial parks this year, adding up to more than 12.2 trillion yuan (US\$1.8 trillion), according to a Bloomberg analysis. That's an increase of 17% compared to last year.
- **Australia's inflation** rate fell from its December peak, with annual price increases of 7.0% for the year to March, down from 7.8%. The Reserve Bank of Australia implemented a one month pause in its interest rate hiking program.

Lowell Resources Fund. (ASX: LRT)

### Metals

- **Copper** mines in Chile are struggling. Chile accounts for a quarter of the world's mined copper, but posted its lowest monthly production in six years. State-owned Codelco said its output problems of 2022 will get worse in 2023 as it works to develop new areas of its ageing deposits after decades of underinvestment. Codelco is expecting production to fall 7% this year. The world's biggest copper company sees output of between 1.35Mtpa and 1.42 Mtpa at its wholly owned mines in 2023.
- **Copper** inventories on the LME continued to slide, with global stocks mid-April down 30% since February-end. LME inventories hit 18-year lows, although Shanghai Futures Exchange stocks have grown.
- Reports emerged that China is considering prohibiting exports of certain **rare-earth** magnet technology in order counter the U.S.'s advantage in the high-tech arena.
- Half of the four major **lithium** producers in Yichun, Jiangxi province, the "lithium capital of Asia", have shut down production, according to local media. Yichun accounted for about 11% of China's total lithium carbonate production in 2022, according to BloombergNEF. Surging prices of lithium carbonate, used in electric-car batteries, led to a production boom in Yichun centred around low-grade lithium mica lepidolite ore. Producers in Yichun, who were previously targeted for environmental infringements and unlicensed mining by government regulators, have now apparently shut down voluntarily due to falls in the lithium carbonate price (down over 60% from its peak).
- The Chilean President Gabriel Boric announced that his government plans to partly "nationalize" its **lithium** brine assets. In the announcement it was stated that, "Future lithium contracts would only be issued as public-private partnerships with state control." The announcement said the government would not terminate current contracts, but hoped companies would be open to state participation before they expire. The plan would need parliamentary approval. Chile is the world's second largest lithium producer with around 23%, behind Australia.
- Chinese battery manufacturer CATL stated that Chery will adopt its sodium ion batteries for its cars. CATL claims the energy density of the first-generation sodium-ion battery was slightly lower than that of the **lithium** iron phosphate battery. However, it has advantages in low-temperature performance and fast charging, especially in high-power application scenarios in alpine regions.
- Despite the recent falls, over the 2 years to April 2023, **lithium** carbonate prices are up over 150% and lithium hydroxide prices over 200%. Spodumene concentrate prices are up over 700% in the same period.
- US **gold** major Newmont Mining increased its takeover bid for Australian gold-copper producer Newcrest Mining to A\$29.4bn. Newmont said the deal represented a 46.4% premium to the price Newcrest shares in February before the first offer was made. Newcrest was originally spun out of Newmont Corporation as Newmont Australia in 1966, and changed its name to Newcrest in 1990 after acquiring BHP Gold.
- **Teck** Resources rejected an unsolicited US\$23bn acquisition proposal from Glencore Plc.
- BHP's \$9.6 billion **OZ Minerals** takeover was finalised with the endorsement of the world's biggest investors. The deal has grown BHP's reserves of copper and nickel and is BHP's largest acquisition since it spent \$US15 billion buying US shale gas producer Petrohawk Energy in 2011.
- **Tin** prices hit nine-month highs, bouncing to \$28,343/t after the International Tin Association said that a general halt to mining operations in Wa state was ordered by the United Wa State Army. Mining in Wa State will be suspended from the beginning of August in order to preserve remaining resources. The region accounts for around 30% of China's supply of tin ore, with over 70% of China's tin ore imports coming from wider Myanmar. Analysts suggest weak demand for electronic products and battery products for the foreseeable future should keep prices from an unsustainable rally

Lowell Resources Fund. (ASX: LRT)

- The dispute between China's CMOC and Congo's state-owned Gècamines appears to be over, paving the way for a massive stockpile of **cobalt** to start entering the market. The Tenke Fungurume copper cobalt mine, owned 80-20 by CMOC and Gècamines, continued to produce cobalt after its export permits were suspended in July. According to Benchmark, stockpiles of at least 16,000 tonnes of cobalt hydroxide will take a year or more to be cleared and are likely to put further pressure on the cobalt prices already down by 75% since the peak a year ago to trade below \$20,000 a tonne in April.
- The **mineral sands** market is holding up well according to Iluka, who said market conditions are tight with inventories of zircon and rutile low. Iluka gained another US\$50/t increase in the zircon price in the March quarter.

### Energy

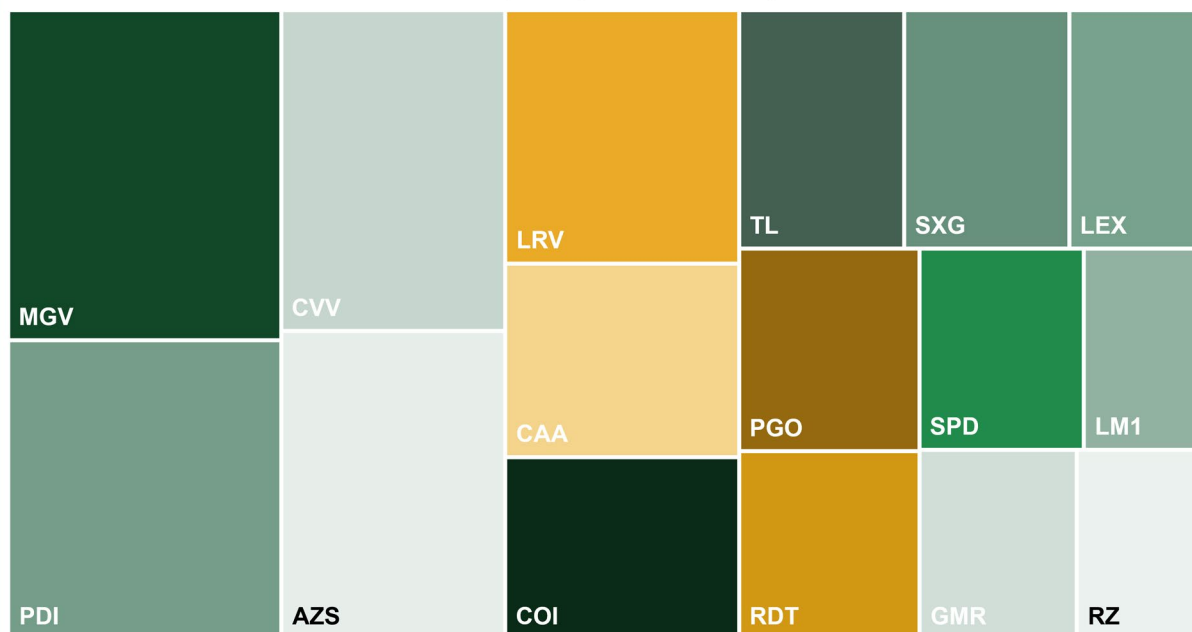
- **OPEC+** members announced an unexpected further cut in **oil** production by 1.16mb/d and Russia said it would maintain its own 0.5mb/d cut until YE23. Oil jumped 8% on the news to \$81/bbl. The cuts followed a sharp fall in oil prices in March after the collapse of the US's Silicon Valley Bank and the forced takeover of Credit Suisse by UBS, which led to fear of contagion in global financial markets and a significant drop-off in demand for crude. OPEC+ accounts for ~40% of the world's crude oil output. Reports stated that the alliance produced nearly two million barrels below its supply target in February, the last month for which official output figures were available.
- Data emerged of record Chinese **oil** imports in March of 11.1 mbbls per day.
- Kazakh state **uranium** firm Kazatomprom announced it is 'preparing our reserves for production, so we will be able to respond to market requests.' Eastern European demand is rising as nuclear plants look to cut their reliance on Russia. The World Nuclear Association noted a 16% increase in reactor capacity last year, with demand expected to jump 30% by 2030. Kazakhstan produces over 40% of global uranium supplies.
- After skyrocketing prices for **LNG** during 2021 & 2022, prices for spot LNG in North Asia have fallen more than 70% from a peak of US\$50/mBtu to below US\$13, due to growing stockpiles and milder weather in the northern hemisphere. European gas storage levels now sit at 10 year highs.
- Demand for **diesel** is weakening in Europe, the US and China. S&P Global forecasts diesel demand to drop 2% in 2023, a possible sign of economic slowdown.

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 20-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 April 2023**



Lowell Resources Fund. (ASX: LRT)

## Characteristics of the Fund

Number of Investments: 79

Unlisted Investments by value: 8%

Average Market Capitalisation of Investee Companies: AUD\$45 million

Weighted Average Market Capitalisation of Investee Companies in Portfolio: AUD\$95 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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This release has been approved by the Responsible Entity's Board of Directors