



LOWELL RESOURCES FUNDS MANAGEMENT



MONTHLY UPDATE

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

July 2023

July 2023 Performance Summary: Lowell Resources Fund (ASX: LRT)

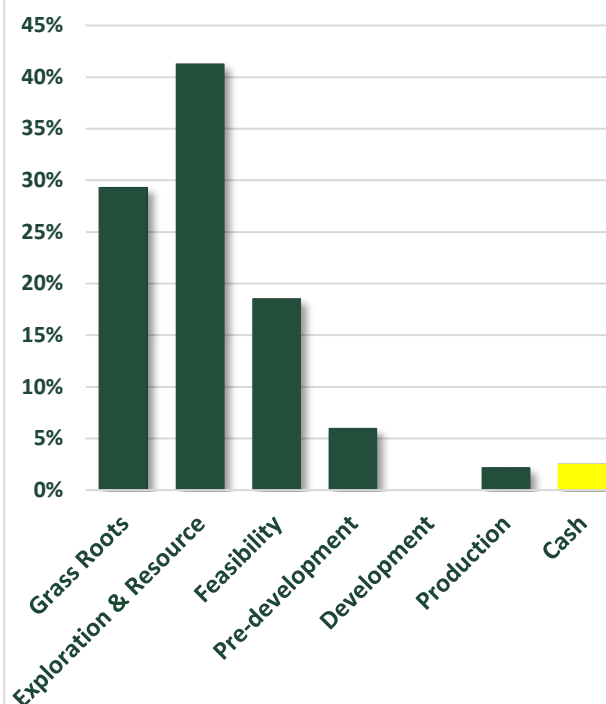
The Lowell Resources Fund's estimated net asset value ('NAV') at the end of July 2023 was approximately \$46.5m, compared to \$44.3m (post distribution) at the end of June 2023.

The NAV per unit finished the month of July at \$1.4339/unit (vs \$1.4030/unit (post distribution) at 30 June 2023), an increase of 2.2% over the month. The 30 June distribution was 7.08 cpm, and an additional 838,792 units were issued as part of the DRP at \$1.2356/unit. The traded unit price of the ASX listed LRT units at month end was \$1.34/unit.

FUND SNAPSHOT 31 July 2023

NAV per unit	\$1.4339
No. of Units on issue	32,402,879 post DRP
Market Price (ASX)	\$1.34 / unit
Estimated NAV	\$46.5m
FY 23 Distribution	7.0777 cents per unit
Market Capitalisation	\$43.4m
Responsible Entity	Cremorne Capital Limited
Fund Manager	Lowell Resources Funds Management Ltd

LRF Portfolio Value by Project Stage
31 July 2023



Lowell Resources Fund. (ASX: LRT)

Fund Investment Actions - July 2023

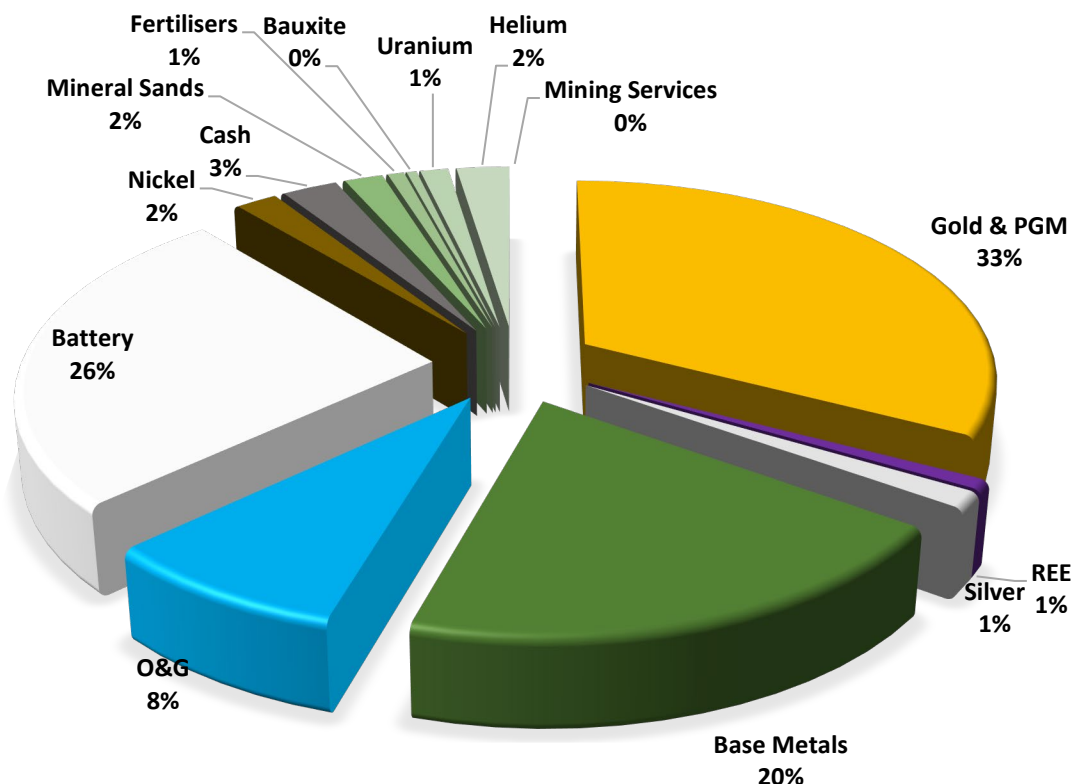
The major moves in the gold sector by the Fund in July included realising some of the long-held position in Musgrave Minerals, now under takeover offer, and redeploying into a number of existing positions at attractive prices. The junior gold exploration sector has continued to suffer from a capital drought and many stocks represent excellent value. The Fund made on-market purchases or participated in placements for Far North Queensland explorer Pacgold Ltd, Astral Resources and Carnavale. It also took new positions in ASX listed Medallion Metals and Battery Minerals, and TSXV listed gold-copper explorer Kingfisher Metals Corp.

In energy, the Fund sold its holding in Otto Energy and added to Athabasca Basin uranium explorer Basin Energy.

In battery minerals and base metals, the Fund added to positions in Alvo Minerals (REE/Base metals, ASX), Black Canyon Resources (Mn, ASX), CAA Mining (Li, unlisted), Cooper Metals (Cu, ASX) and Rugby Resources (Cu, TSXV). The Fund also invested in upcoming lithium exploration float James Bay Minerals.

The Fund made a seed investment in unlisted Serbia-focused exploration company Konstantin Resources.

LRF COMMODITY EXPOSURE 31 JULY 2023



Lowell Resources Fund. (ASX: LRT)

Fund Top Holdings

Azure Minerals (Market Cap A\$717m

AZS.ASX) announced two more drill intersections of over 100m at more than 1% Li₂O in pegmatite with coarse spodumene crystals at its 60% owned Andover nickel-lithium project. Surface sampling of spodumene pegmatites on the project has indicated this is part of one 2km mineralized corridor, with another 8 zones yet to be drill tested.

Musgrave Minerals (Market Cap A\$201m

MGV.ASX) completion of Stage 1 PFS on its Cue Gold Project in WA triggered a takeover battle by companies with neighbouring operations. In June Westgold made an unsolicited scrip bid for MGV, which was followed in July by a higher scrip-plus-cash offer from Ramelius Resources. The Ramelius offer has been recommended by the MGV board.

PacGold (Market Cap A\$15m PGO.ASX)

announced a new parallel gold zone at its 100% owned Alice River gold project in FNQ. Drilling of the new F1-2 zone intersected 1m @ 41.1g/t Au, with a potential strike length of 1.2km. PGO also expanded its Southern Target by 400m strike with an intersection of 26.8m @ 0.6g/t Au.

Saturn Metals (Market Cap A\$31m STN.ASX)

announced excellent metallurgical test results from its 1.8Moz Apollo Hill gold deposit in the Leonora region of WA. Test heap leach recoveries from the main ore type at Apollo Hill averaged 79.1%.

Leeuwin Metals (Market Cap A\$25m LM1.ASX)

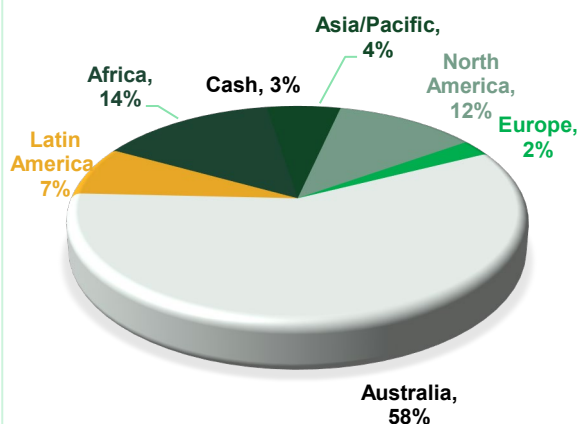
announced intersection of nickel sulphides at its William Lake project in the Thompson nickel belt in Manitoba. Spot XRF readings of up to 5% Ni within a 24m zone of disseminated sulphides.

Fund Top Performer

Great Southern Copper (Market Cap GBP7.1m

GSC.LN) share price rose 133% in July. GSC reported rock chip assays at its Teresita prospect in Chile of up to 5.97% copper and 13.7 g/t gold. Mapping points to multiple vein-breccias outcropping over a cumulative 5 km strike length.

PORTFOLIO BY GEOGRAPHY OF
MAIN PROJECT 31 JULY 2023



Company	Commodity	% of Gross Investments
Cash	Cash	2.5%
Azure Minerals	Lithium	15.8%
Musgrave Minerals	Gold	5.8%
Predictive Discovery	Gold	4.5%
Caravel Minerals	Copper	3.6%
CAA Mining	Lithium	3.2%
Comet Ridge	Gas	3.2%
PacGold	Gold	2.8%
Alvo Minerals	Cu-Zn & REE	2.6%
Saturn Metals	Gold	2.2%
Leeuwin Metals	Li-Ni	2.1%

Lowell Resources Fund. (ASX: LRT)

Performance Comparison – July 2023

Over the past 5 years, the Lowell Resources Fund's change in underlying estimated net asset value per unit (inclusive of distributions and after fees and expenses) was 16.2%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 five and ten years.

Total Portfolio Performance to 31 July 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	-7.7%	-5.7%	25.4%	11.7%
3 years p.a.	6.3% pa	7.2% pa	17.1% pa	12.0% pa
5 years p.a.	16.2% pa	3.2% pa	12.4% pa	7.5% pa
10 years p.a.	12.9% pa	3.3% pa	9.3% pa	8.3% pa

The LRT.ASX traded unit price at the end of July was \$1.34/unit, up from \$1.25/unit at the end of June 2023.

Market Notes

Economics

- The **US Federal Reserve** raised interest rates by a further 25 basis points to 5.5%, the highest level in 22 years, after a “pause” in June. The last time rates were at this level a global recession followed (2001). Real US yields, which factor in inflation rates and Treasury yields, hit their highest since 2008 in early July.
- The **US unemployment** rate fell to 3.6% in June from 3.7% May.
- The **US dollar** fell 1% to a 15-month low after **US inflation** fell sharply to 3.0% in June, more than expected. Gold in US\$ jumped \$25/oz as a result.
- **Australia's RBA** paused rate hikes in July, having raised rates 12 times over the past 15 months to 4.1%. Headline inflation in Australia fell to 6% in June from 7% in March, and quarterly CPI came in at 0.8% for Q2 2023 versus 1.4% in Q1.
- China is on the brink of deflation. **China CPI** dropped to 0.0% in June while the core measure slowed to 0.4% from 0.6% in May. Property investment in June fell by 20.6% following a 21.5% drop in May. China's property market accounts for circa 25% of Chinese GDP. However, official Q2 GDP growth was reported at +6.3% yoy.
- In contrast to OECD central banks, the People's **Bank of China** has been edging down its policy rates and encouraging banks to lend more at lower cost to mortgage borrowers.
- Chinese authorities announced measures intended to help boost sales of cars and electronics with the goal of shoring up a sluggish economy, but the steps failed to impress investors. Regions will

MONTHLY UPDATE

Lowell Resources Fund. (ASX: LRT)

be encouraged to increase annual car purchase quotas and efforts will be made to support sales of second-hand vehicles.

- China's NDRC revealed plans to attract increasing private capital for the construction of national infrastructure projects. Priorities will be made for clean energy, water, transport and modern agriculture projects. The **Chinese manufacturing sector** recorded a fourth consecutive monthly contraction, although the pace of a decline slowed.
- The rate of **South African** load shedding has more than doubled this year from 3,776 hours in all of 2022, to 4,308 hours so far in 2023. Some commentators forecast the national grid is on the verge of collapse.

Metals

- China's **gold** "consumption" rose more than 16% year-on-year to 555 metric tons in the first half of the year, while output climbed 2.24% to 179 tons, a report by China Gold Association showed. The demand for gold jewellery in the world's largest buyer of the precious metal increased nearly 15% to 368 tons in the first half, the report said. The demand figure excludes reserve purchases by the People's Bank of China.
- **Tin** prices pushed up to \$29,100/t, up 20% since May. Traders may have been securing physical supply before a potential suspension of mining in Myanmar's Wa State. Myanmar accounted for 77% of Chinese tin ore imports in 2022. The ban was expected to begin on 1st August to protect reserves. However, LME tin stocks were up at 3,380t in early July vs 1,510t in April.
- China hit back at US-led restrictions on semiconductor sales restricting exports of **gallium** and **germanium**, two metals used in chipmaking and communications equipment. While the metals are not rare and relatively low-priced, China is the world's leading producer of both Ga and Ge, accounting for more than 90% of gallium and 80% of germanium. The EU is now urgently asking local producers if they can manufacture gallium and germanium, the FT reported. The Pentagon, which has reserves of germanium but not gallium, plans to "prioritise awards ... focusing on recovery of gallium from existing waste streams of other products."
- Goldman Sachs said that the increase in the use of electric vehicles is a "key driving factor of bullish **copper** prices". It is expected that the industry's copper demand will reach 1 Mt this year and will increase to 1.5 Mt in 2025.
- **Copper** production in Peru rose nearly 35% in May compared to the same month last year, as MMG's Las Bambas mine returned to full capacity. Peru is the world's No. 2 copper producer. By contrast Codelco, the largest copper miner in Chile, the world's number one producer, saw a production slump of 17% in 2Q and lowered its annual projection to 1.31-1.35 Mt from a previous of 1.35-1.42 Mt on an accident at El Teniente. Codelco's copper output slid 14% yoy in H1 to 633kt.
- Volkswagen and Stellantis each announced \$100 million investments to create a mining company producing nickel and copper from two Brazilian mines that run on hydropower. Glencore is also putting in \$100 million and has agreed to turn the **nickel** and **copper** from the mines into battery-grade material at processing facilities in Western Europe and North America that would qualify for subsidies in the U.S. and Europe. In recent months, General Motors invested \$650 million in a startup lithium producer, Stellantis put \$155 million into an Argentinian copper mine, and Ford invested in an Indonesian nickel mine.
- Plummeting **zinc** metal prices and rising energy costs recently prompted Boliden to place its Tara zinc mine in Ireland on care and maintenance until further notice, while S32 took a US\$1bn write down on its Hermosa zinc project in the USA.

Lowell Resources Fund. (ASX: LRT)

- China's first futures exchange for **lithium** had a rocky start. Lithium carbonate on the Guangzhou Futures Exchange fell below the base settlement price in the first day of trading.
- The **diamond** market collapse continued as synthetic Lab Grown Diamonds ('LGD') steal market, with jewellers reported to be making big margins. DeBeers reported price cuts from 5-15% in several categories of stones from 0.75cts and up, with an emphasis on 2ct stones. Rapaport reported that prices of 1ct diamonds have fallen by 24% yoy in a market that used to be remarkably steady. LDG costs and prices are falling, while the cost of recovering natural mined diamonds is still rising.
- Indonesian miners are turning to high-pressure acid leaching to produce **nickel** for batteries, but their waste management plans will face a major challenge in a wet tropical climate and may put the nation's waterways at risk. Indonesia, which produces 37.9% of the world's nickel, implemented a ban on nickel exports in 2020 as part of a concerted effort to move up the nickel value chain and attract refining and battery manufacturing. The boom in Indonesia has caused a slump prices for intermediate products such as nickel pig iron and ferronickel which have been trading at around half the level of the LME price per ton of nickel, "something that is unprecedented in the history of the nickel market," according to Macquarie.
- The **nickel** market has become increasingly disconnected since the huge short squeeze that rocked the market last year, as surging production of the most widely used forms of nickel drives those prices lower, while the refined metal traded on the LME is in much tighter supply. New plants in China and Indonesia are able to convert intermediate forms of nickel into metal that can be delivered on the LME, the first of which was approved by the exchange this week. The plants could add as much as 200,000 tons of nickel capacity by the end of next year, according to Macquarie. Only about 20% of world production is in the pure metal form that is deliverable at the LME exchange. The rest comes as intermediate products that are used directly by the steel and battery industries. The new plants will reduce China's need to import nickel metal to close to zero by 2024, Macquarie said. Macquarie estimated the cost of converting nickel pig iron into nickel metal would be less than \$5,000 a ton, compared to average discounts of around \$8,000 a ton versus the LME price over the past year. "This 'arbitrage gap' is more likely to be closed by reducing LME prices," Macquarie noted.
- **Iron ore** prices rallied to hit their highest since April at \$115.7/t in Singapore. China's faltering property sector accounts for over 40% of domestic steel demand.
- Lynas **Rare Earths** will withhold a portion of supply from the market in response to a plunge in prices for the key ingredient in wind turbines, electronics and military applications. The world's biggest supplier of rare earths outside China said the lower prices were linked to softer demand for permanent magnets in Japan, and to oversupply in China.

Energy

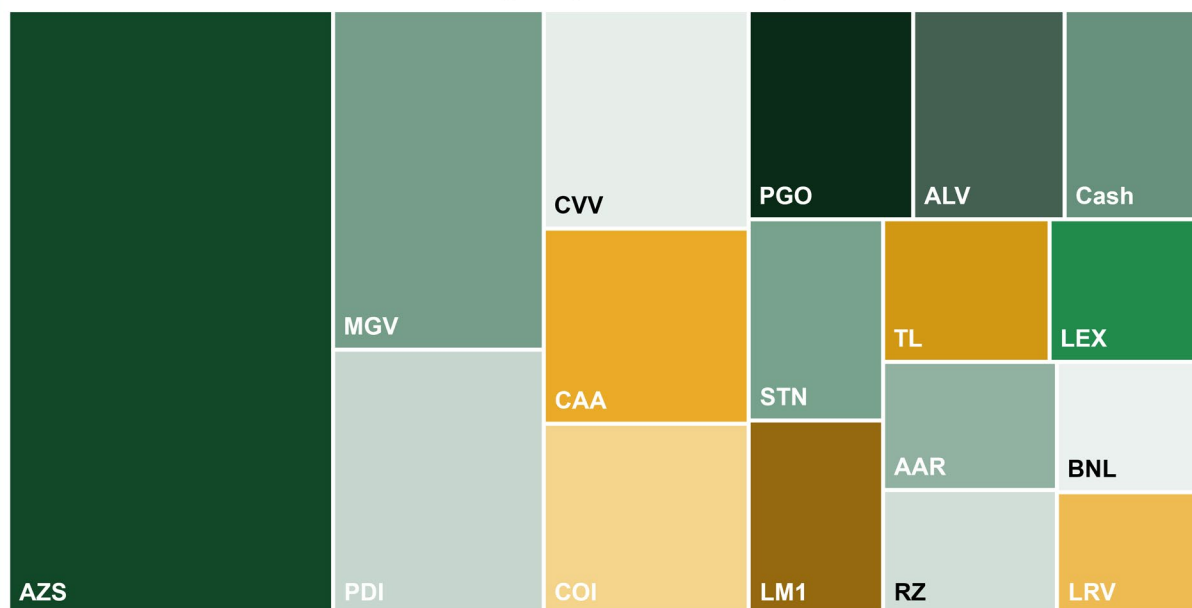
- The International Energy Agency said global **oil demand** won't grow as fast as previously expected this year due to the faltering economies of developed nations, but the agency still sees record demand this year. Oil demand has now surpassed the previous 'peak oil' level that was reached in 2019, pre-COVID (Source: Bloomberg, IEA). July demand forecast at 102.5 million barrels per day, August 2019 was 102.3 million barrels per day. It is forecast by the International Energy Agency that global oil demand will increase a further 3-4% over the next five years, before settling out at a plateau.
- The Energy Institute published its 2023 Statistical Review of World Energy, outlining key energy trends for the 2022 calendar year. The report demonstrated global **demand for crude** rising by 2.9MMbbl/day in 2022, the attributable growth split almost evenly between OECD and non-OECD countries. Global **natural gas** demand fell 3% yoy and pipelined natural gas saw a significant 15% decline in 2022, however LNG experienced strong demand growth, rising 5% yoy. These changes are largely due to the cut-off of pipelined gas to Europe from Russia following the commencement of the Russia-Ukraine conflict. Natural gas' share of electricity generation was flat yoy at 23%, while renewables (excluding hydropower) share rose roughly 11% yoy to 14.4%; nuclear's share of power generation in 2022 was 9%.
- Chinese imports of thermal and coking **coal** from Russia grew to 10.6 Mt in June, above the combined total from Indonesia and Mongolia, the other top shippers to China, according to customs data on Thursday. In the same month, oil flows from Russia hit 10.5 million tons, up more than 40% year-on-year.
- **Oil** rallied to over US\$80/bbl. Saudi Arabia has led a string of attempts by OPEC+ to tighten the oil supply-demand balance, with OPEC+ announcing a 2million bopd cut last October, a 500k bopd cut announced by Russia in February, a further 1.6 mbopd POEC+ reduction in April and then Saudi Arabia's a one-month one million bopd cut in June. In early July the Saudis announced extension of their latest 1m bopd cut, while Russia announced a 500k bopd reduction.
- **Niger** has suspended the export of gold and **uranium** to France. France suspended aid to Niger after the coup. 1 out of every 3 light bulbs in France is powered with uranium from Niger. Across Europe nuclear utility inventory coverage levels continue to fall. UxC data indicates that EU-based utilities now have less than 100Mlb of inventories, the lowest level since 2005. This situation is mirrored in the US where utilities have just over 100Mlb; their inventories have been in decline since 2016.
- In July, the ACCC finalised its **gas industry "Code of Conduct"**, following extensive consultations with producers, consumers and other stake-holders. The final version of the Code clarifies many of the earlier proposed rules and importantly, exempts small domestic gas producers from price-caps, allowing these companies to set prices driven by market forces.

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 July 2023



Lowell Resources Fund. (ASX: LRT)

Characteristics of the Fund

Number of Investments: 82

Unlisted Investments by value: 8.5%

Average Market Capitalisation of Investee Companies: AUD\$52 million

Weighted Average Market Capitalisation of Investee Companies in Portfolio: AUD\$182 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