



LOWELL RESOURCES FUNDS MANAGEMENT



MONTHLY UPDATE

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

December 2023

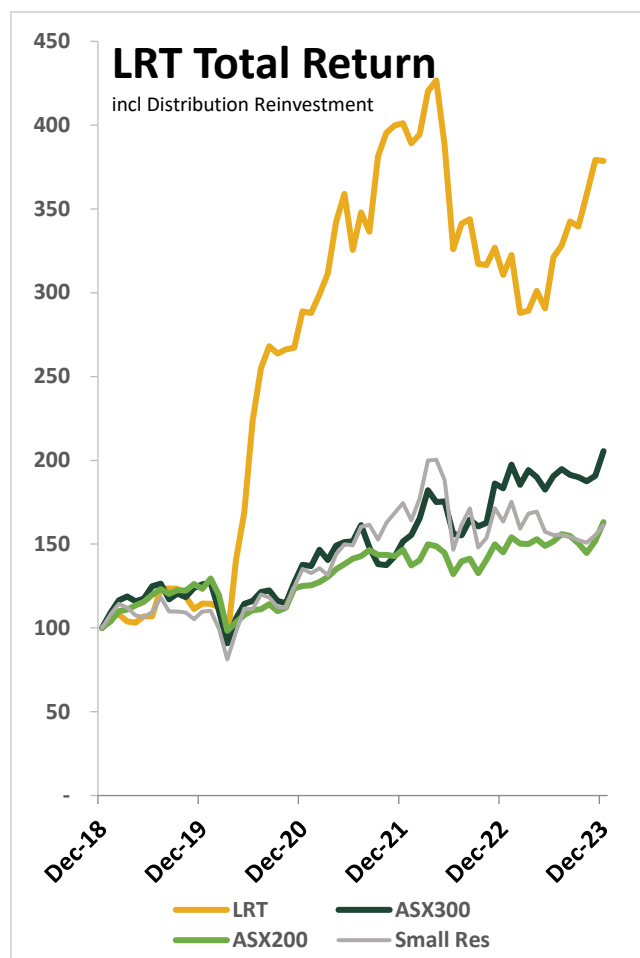
December 2023 Performance Summary: Lowell Resources Fund (ASX: LRT)

The Lowell Resources Fund's estimated net asset value ('NAV') at the end of December 2023 was approximately AUD\$53.7m, compared to AUD\$53.8m at the end of November 2023.

The NAV per unit finished the month of December at \$1.6537 (vs \$1.6569/unit at 30 November 2023), a decrease of 0.2% over the month. The last traded unit price of the ASX listed LRT units at month end was \$1.46/unit.

FUND SNAPSHOT 31 December 2023

NAV per unit	\$1.6537
No. of Units on issue	32,451,402 post DRP
Market Price (ASX)	\$1.40 / unit
Estimated NAV	AUD \$53.7m
FY 23 Distribution	7.0777 cents per unit
Market Capitalisation	AUD \$47.4m
Responsible Entity	Cremorne Capital Limited
Fund Manager	Lowell Resources Funds Management Ltd



Lowell Resources Fund. (ASX: LRT)

Fund Investment Actions - December 2023

The Fund's main changes in December 2023 were the continued sell down of its holding in Azure Minerals, and the increase in exposure to unlisted African lithium explorer CAA Mining. The takeover offer for Azure from major shareholder Chilean lithium company SQM at \$3.50/sh, was trumped by a \$3.70/sh joint offer from SQM and Hancock Mining.

In energy, the Fund returned to Karoon Energy, an independent oil producer in the Americas. It also participated in a placement by O&G chemicals company Hydrocarbon Dynamics.

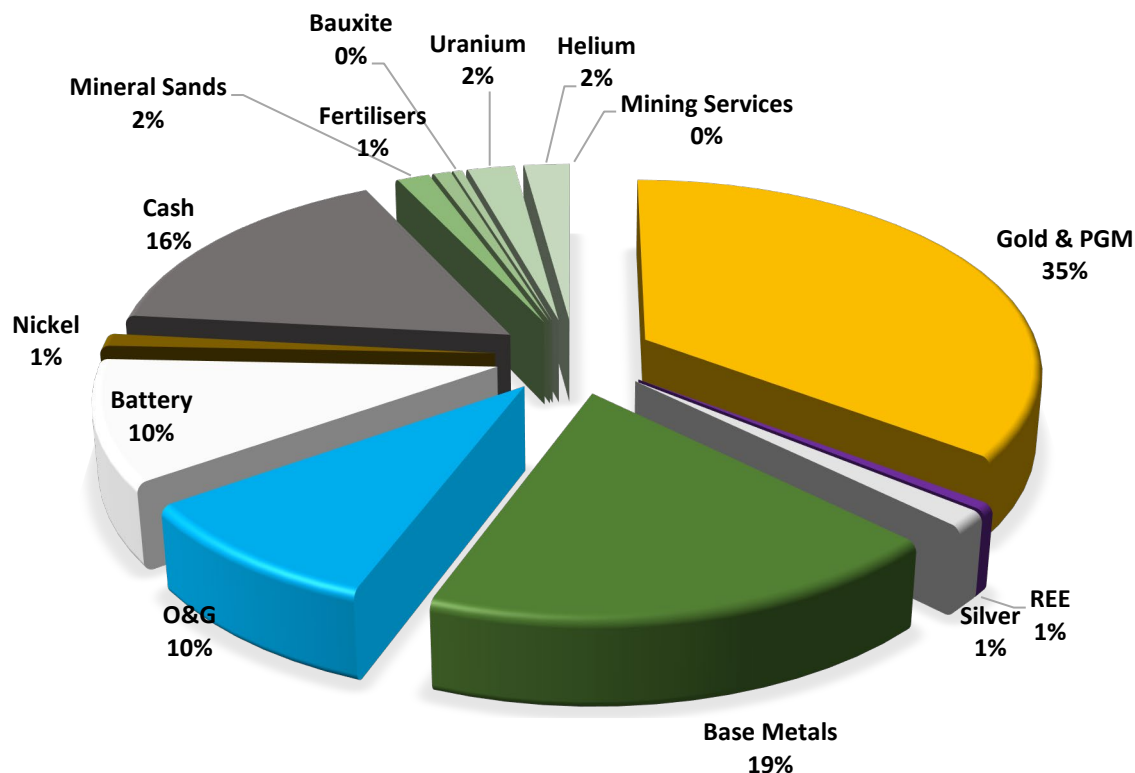
In gold, the Fund's investments in Mithril Resources and Flynn Gold were boosted, while exiting Turaco Gold Ltd. The Fund also sold its position in Battery Minerals Ltd after a strong share price run.

In uranium, the Fund boosted its position in Haranga Resources, and invested in unlisted Argentinian focused uranium explorer Piche Resources.

New positions were taken in two other unlisted offshore explorers:

- Pallas Resources: Cu-Au explorer in Kazakhstan; and
- Rio de Oro Corp: Cu-Au explorer in Argentina.

LRF COMMODITY EXPOSURE 31 DECEMBER 2023



Lowell Resources Fund. (ASX: LRT)

Fund Top Holdings

CAA Mining (unlisted Market Cap £8.7m) based on most recent financing) advanced the maiden drilling of its Mankesim lithium project in the Cape Coast area of Ghana, adjacent to Atlantic Lithium's Ewoyaa lithium project. Fourteen holes intersected pegmatite with widths range from 10m–115m, containing coarse grained spodumene.

Predictive Discovery (Market Cap A\$436m PDI.ASX) announced latest drilling at its 5.38 Moz Bankan gold project in Guinea, West Africa. Intersections at the Argo target, Fouwagbe, included 4m @ 12.1g/t from 6m and 4m @ 4.0g/t from 30m. Intersections at Sinkoumba (also at Argo) included 4m @ 6.9g/t from 18m and 2m @ 10.9g/t from 54m.

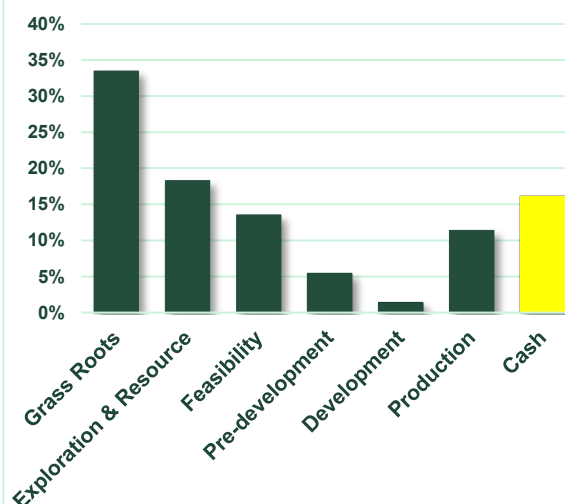
Comet Ridge (Market Cap A\$223m COI.ASX) announced that the gas sales agreement between Comet Ridge and CleanCo Queensland Limited (CleanCo) had received approval from CleanCo's shareholding Ministers. COI's Mahalo North 3P Reserves were increased by 39 PJ (35%) to 149PJ.

Cooper Metals (Market Cap A\$20m PGO.ASX) announced RC drilling had extended Cu-Au mineralisation at its Raven project in the Mt Isa Inlier to cover at least 100m of strike, with new results including 10m @ 1.35% Cu & 0.10 g/t Au from 62m.

Fund Top Performer

Arrow Minerals (Market Cap A\$17.4m AMD.ASX) share price rose 400% in December from 0.1cps to 0.5cps after announcing a recapitalization at 0.1cps, and recruitment of experienced iron ore developer David Flanagan as MD. Arrow's focus is the Simandou North iron ore exploration project in Guinea, West Africa, adjacent to Rio Tinto and Winning Corp's massive high grade iron ore development. LRT will invest a further \$0.1m at 0.1cps, subject to AMD shareholder approval.

LRF Portfolio Value by Project Stage
31 December 2023



Company	Commodity	% of Gross Investments
Cash	Cash	16.1%
Ramelius Resources	Gold	5.1%
CAA Mining	Lithium	5.0%
Predictive Discovery	Gold	4.5%
Newmont Corp	Gold	3.7%
Comet Ridge	Gas	3.5%
Cooper Metals	Copper	2.8%
Caravel Minerals	Copper	2.7%
Southern Cross Gold	Gold	2.5%
Rugby Resources	Copper	2.4%
Pacgold	Gold	2.0%

Lowell Resources Fund. (ASX: LRT)

Performance Comparison – December 2023

Over the past 5 years, the Lowell Resources Fund's change in underlying estimated net asset value per unit (inclusive of reinvested distributions and after fees and expenses) was 30.5%pa. The Fund has outperformed the benchmark S&P/ASX Small Resources Accumulation Index (XSRAI), the ASX Resources 300 Index (Total Return) and the ASX 200 Index (Total Return) over one, five and ten years.

Total Portfolio Performance to 31 December 2023	LRT Change in NAV per unit incl distributions	S&P/ASX Small Resources Accumulation Index (XSRAI)	ASX Resources 300 Index (Total Return)	ASX 200 Index (Total Return)
12 months	22.8%	-1.2%	12.1%	12.4%
3 years p.a.	9.6% pa	6.0% pa	14.3% pa	9.2% pa
5 years p.a.	30.5% pa	10.0% pa	15.5% pa	10.3% pa
10 years p.a.	14.4% pa	6.2% pa	9.0% pa	7.0% pa

The LRT ASX traded unit price at the end of December was \$1.46/unit, up from \$1.37/unit at the end of November 2023.

Market Notes

Economics

- The **US Federal Reserve left interest rates unchanged** at 5.25 to 5.5%, after the central bank's final meeting of 2023. The Fed has hiked rates 11 times since March 2022, but this was its third pause in a row. Fed Chair Powell's commentary in early December recognised the more recent deceleration in inflation with the core rate running with a 6- month annualized rate of 2.5% vs. the year-over-year rate of 3.5%. Powell also noted that the Fed target rate is well into restrictive territory, and given the lag of monetary policy on the economy, the full effects of tightening may be yet to been felt.
- **China's CPI fell into deflation** at -0.5% YoY in November, compared to October's fall of -0.2%. Producer prices, which are measured at factory gates and heavily driven by the cost of commodities and raw materials, dropped by 3% and have remained in negative territory for the past year.
- **China's property** sales fell 20% yoy in November in the top 30 cities. Property sales fell 40% yoy in October. Some cities are offering reduced deposits for second property purchases to lift the market.

Lowell Resources Fund. (ASX: LRT)

- **Australia's RBA** said it sees a high level of uncertainty around the outlook for China and held rates steady to allow time to assess impact of prior hikes, noting that job market conditions continue to ease gradually. The RBA hiked the Australian cash rate by 25 bp to 4.35% in November.

Metals

- Nine workers were killed and 10 others seriously injured in the latest attack where men armed with explosives raided and took hostages at a mine belonging to Ponderosa, one of **Peru's** top gold producers.
- Buyers began rapidly drawing down **copper inventories** in New Orleans as a logistical snarl at the Panama Canal delayed US-bound supplies from top producer Chile.
- Reduced treatment and refining charges for **copper concentrate** in China are being seen in response to the rapid tightening of the copper concentrate market following the expansion of Chinese smelting capacity and interruptions of concentrate supply from Panama, DRC (truck driver strikes), and Peru (Las Bambas strikes), as well as the reduction in output forecast by Anglo American. China's November copper imports climbed 10.1% from the previous month to the highest in almost two years.
- Anglo American cut its 2024 **copper** production forecast by ~200,000 tons, to 730-790kt, from as much as 1.0Mt, essentially removing the equivalent of a large copper mine from global supply. Production will fall even further in 2025.
- Teck, Canada's largest diversified miner, also said that 2023 production at Quebrada Blanca (QB), its flagship **copper** mine in Chile, was lower than expected. Teck had forecasted 80,000-tonne copper production for 2023, but due to reliability and consistency issues output, excluding copper cathode, only totalled 56,200 tonnes for the year.
- People's Bank of China data showed its official **gold** reserves rose by 11.8t in November. This brings YTD net purchases to 216t, and lifts total gold holdings to 2,226t (11% higher than December 2022).
- Spot US dollar **gold** price rallied to a record US\$2,148/oz after comments from Federal Reserve Chair Jerome Powell increased traders' confidence the U.S. central bank had completed its monetary policy tightening and could cut rates starting March. US dollar gold closed 2023 at US\$2,063/oz, an increase of US\$239/oz (13%). Noah's Rule noted that USD gold had never before finished a quarter above US\$1,970/oz, or a year above US\$1,900/oz. "This was a very strong finish for a very strong year for gold."
- A review by Norilsk Nickel forecast the surplus on the **nickel** market at 250,000 metric tons in 2023 and 190,000 metric tons in 2024.
- The Biden administration stopped short of allowing **Indonesian nickel** producers access to subsidies under the Inflation Reduction Act aimed at encouraging the transition to clean energy. Indonesian nickel producers had hoped for subsidy access, but President Joko Widodo failed to strike a deal in a meeting with Biden. Recently announced guidelines for the US Inflation Reduction Act (IRA) blocked electric vehicle manufacturers from sourcing battery materials from China and other foreign adversaries – setting a 25% ownership cap for Chinese involvement.

Lowell Resources Fund. (ASX: LRT)

- **Lithium** carbonate prices fell to US\$12k/t in China. Spodumene prices slid to US\$1,150/t. Banks have been lowering their price outlooks on rising supply from Australia and Zimbabwe alongside slowing EV demand. Goldman Sachs expect a 202kt surplus next year and UBS are suggesting potential US\$800/t spodumene prices.
- Mineral Resources and Hancock Prospecting have spent an estimated A\$2.7bn on acquiring substantial stakes in listed **ASX Lithium companies**. MinRes has spent circa \$840m since June'23 acquiring stakes in several lithium companies including AZS (\$228m for 13.6%), WC8 (\$173m for 19.9%), DLI (A\$92m for 19.1%) plus \$30m for PNR's lithium rights at Norseman and ~ \$260m for the operating Bald Hill Mine and another \$46m for tenements next to Mt Marion. Hancock Prospecting spent on \$285m for 18.3% of AZS (and growing due to its joint takeover bid with SQM), ~\$1.3bn for 19% of LTR and further ~\$35m for 12% in DLI.
- The G7 countries' direct ban on **Russian diamonds** starts 1 January '24, with restrictions on indirect imports targeted for March '24, with a "robust traceability-based verification and certification" mechanism for rough diamonds within the G7 by Sep'24. Russia is the world's largest producer of rough diamonds by volume, so restricted supply should help diamond prices.
- **Chileans** rejected a conservative constitutional draft 55%-45%. Last year a leftist draft was also rejected 62%-38%. Four years after embarking on a constitutional rewrite, Chile is back where it started.
- The Australian government added **fluorine, molybdenum, arsenic, selenium and tellurium** to its critical minerals list, enabling access to A\$4 billion in taxpayer funding for the relevant producers. The commodities are all used in the defence and technology sectors. Helium was removed from the list.
- The World Platinum Investment Council forecast a **platinum** deficit of 353 koz for 2024, with 2023's deficit to exceed 1 million ounces. Both mining and recycling supply are expected to be well below pre-COVID levels in 2023 and 2024. Automotive demand continues to strengthen, up 14% in 2023, with a further 2% increase expected next year. 2023 will see the highest industrial demand on record, with 2024 forecast to be the third-highest.

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Energy

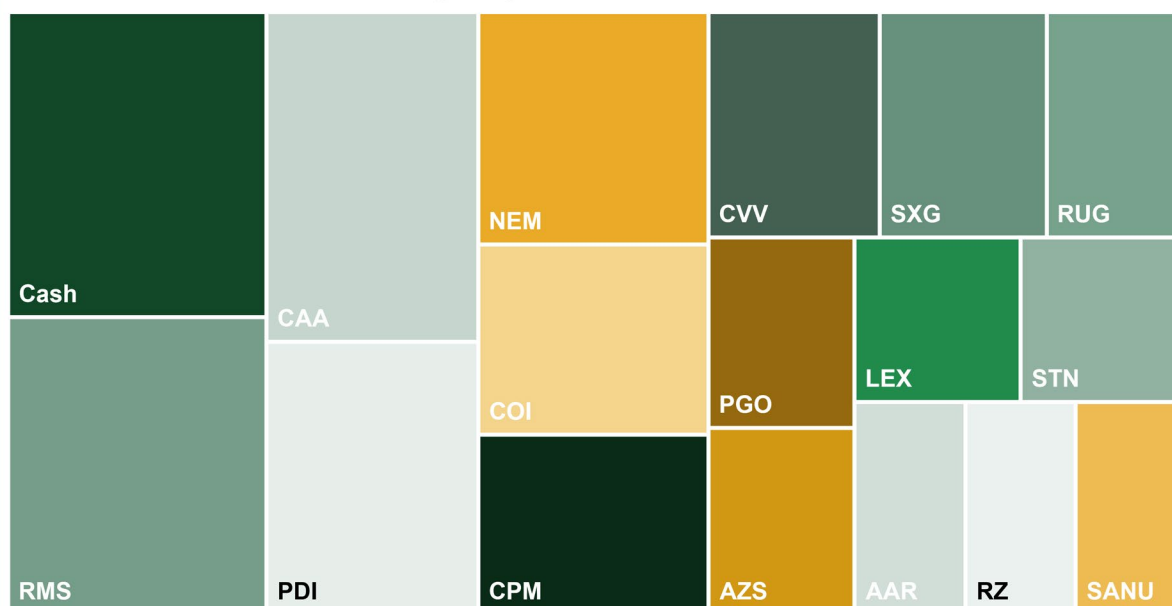
- The latest modelling of all energy sources, released by Australia's CSIRO, includes data from a recently scrapped project in the US that was showcasing **nuclear small modular reactors (SMRs)** as a way to fight climate change. The draft "GenCost 2023-24" report shows that while inflation pressures are easing there has been a recalculation on SMRs that puts them out of reach. Real data on a high-profile six-reactor power plant in the US has confirmed that the contentious technology costs more than any energy consumer wants to pay. Project costs for the Utah project were estimated at \$18,200 per kilowatt, but the company has since disclosed a capital cost overrun taking the capex to \$31,100/kW, prompting its cancellation in November. In contrast, under existing policies the cost of new offshore wind in Australia in 2023 would be \$5,545/kW (fixed) and \$6,856/kW (floating), while rooftop solar panels are calculated at a modest \$1,505/kW.
- More than 20 countries from four continents including US, UK and France, launched the **Declaration to Triple Nuclear Energy**. The Declaration recognizes the key role of nuclear energy in achieving global net-zero greenhouse gas emissions by 2050 and keeping the 1.5-degree goal within reach. Core elements of the declaration include working together to advance a goal of tripling nuclear energy capacity globally by 2050 and inviting shareholders of international financial institutions to encourage the inclusion of nuclear energy in energy lending policies.
- Kazatomprom, Kazakhstan's state **uranium** company and the world's largest producer, said shortages of key materials such as sulphuric acid are restricting production. The world's second largest producer Cameco of Canada also downgraded its production forecast for this year, citing problems with equipment reliability and a lack of skilled workers. Cameco subsequently indicated it could buy up to 8 million pounds of uranium from others in Q4 2023, compared with purchases totaling 5 million pounds over the first nine months of the year. "With over 40 years in this industry, I feel well qualified in saying, yes, we've seen enthusiasm in past cycles," said Tim Gitzel, Cameco's chief executive. "We've never been this early in the cycle with prices as high as they are today."
- A bill proposing to ban Russian imports of **uranium** to the US was passed by the House of Representatives and is now awaiting passage through the Senate. The ban would occur 90 days after enactment, but with waivers to allow the import of low-enriched uranium (LEU) if there is no alternative source available. The waivers will phase down and end in 2028. There are currently only 3 Western suppliers of conversion services for yellowcake (Cameco, Orano, Converdyn) and 2 Western suppliers of enrichment services (Urenco, Orano). The next generation of nuclear reactors called Small Modular Reactors (SMRs) need a higher level of enriched fuel called High-Assay Low Enriched Uranium (HALEU). There is no HALEU capacity in the West – it all comes from Russia.
- Bloomberg reported that Tenex (a Russian state-owned uranium company) warned US customers that the Kremlin may pre-emptively bar exports of its nuclear fuel to the US. Russia supplied nearly a quarter of **America's enriched uranium** last year.
- At COP28, 50 of the world's largest oil & gas companies representing 40% of global oil production signed the Oil and Gas Decarbonization pledge, promising to slash **methane emissions** from hydrocarbon production.
- **Oil** prices slid to five-month lows, partly due to record US supply. In a surprise to many industry insiders, American crude oil production reached a fresh all-time high of 13.2mn barrels a day in September (although partly due to the inclusion of non-gas liquids in the total for the first time), more than any other country. Growth has been strongest in the Permian Basin of Texas and New Mexico, the most prolific oilfield in North America. At new wells in the Permian, average oil production per drilling rig has increased to 1,319 b/d. A decade ago the figure was about 183 b/d.

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 December 2023



Lowell Resources Fund. (ASX: LRT)

Characteristics of the Fund

Number of Investments: 86

Unlisted Investments by value: 12.6%

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