



# LOWELL RESOURCES FUNDS MANAGEMENT



## MONTHLY UPDATE

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

February 2024

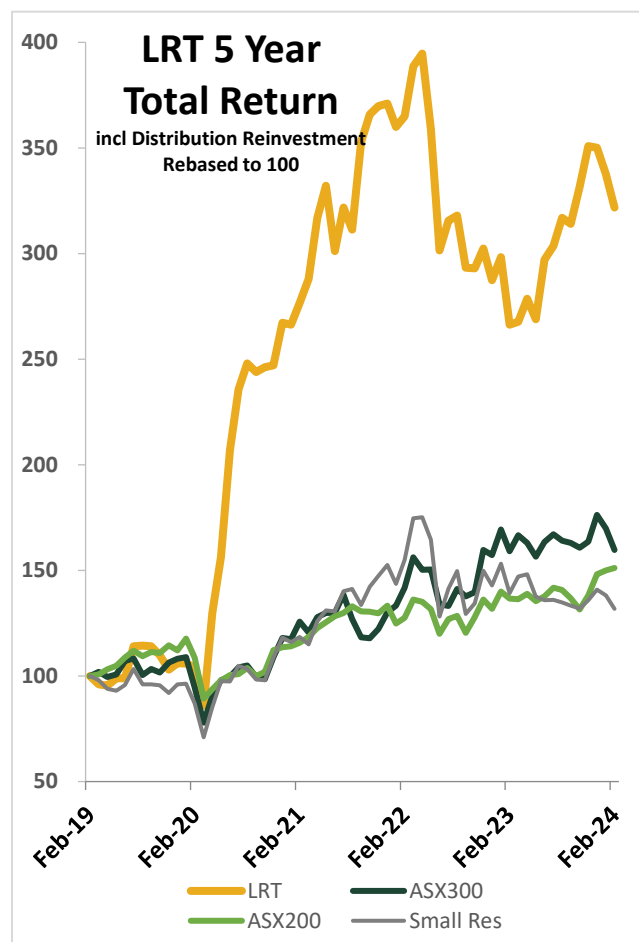
### February 2024 Performance Summary: Lowell Resources Fund (ASX: LRT)

The Lowell Resources Fund's estimated net asset value ('NAV') at the end of February 2024 was approximately AUD\$49.3m, compared to AUD\$51.7m at the end of January 2024.

The NAV per unit finished the month of February at \$1.5194 (vs \$1.5943 /unit at 31 January 2024), a decrease of 4.7% over the month. The last traded unit price of the ASX listed LRT units at month end was \$1.275/unit.

#### FUND SNAPSHOT 29 February 2024

NAV per unit	\$1.5194
No. of Units on issue	32,451,402
Market Price (ASX)	\$1.275 / unit
Estimated NAV	AUD \$49.3m
FY 23 Distribution	7.0777 cents per unit
Market Capitalisation	AUD \$41.4m
Responsible Entity	Cremorne Capital Limited
Fund Manager	Lowell Resources Funds Management Ltd



Lowell Resources Fund. (ASX: LRT)

## Fund Investment Actions – February 2024

In February, the Lowell Resources Fund reported a 559% increase in net profit to \$8.3million. The Fund's performance over the 6 months saw a 10.9% increase in underlying Net Asset Value net of fees and expenses (not including the A\$0.070777/unit 2023 distribution). Performance in the six months to 31 December 2023 was driven by the holding in WA lithium explorer Azure Minerals, which saw its share price rise by nearly 150% to make up over 20% of the Fund's NAV by value, before profits were taken.

In February 2024, in the energy sector, the Fund added to its holdings in Australian O&G explorers 3D Energi and Triangle Energy. The Fund exited CSG developer Blue Energy.

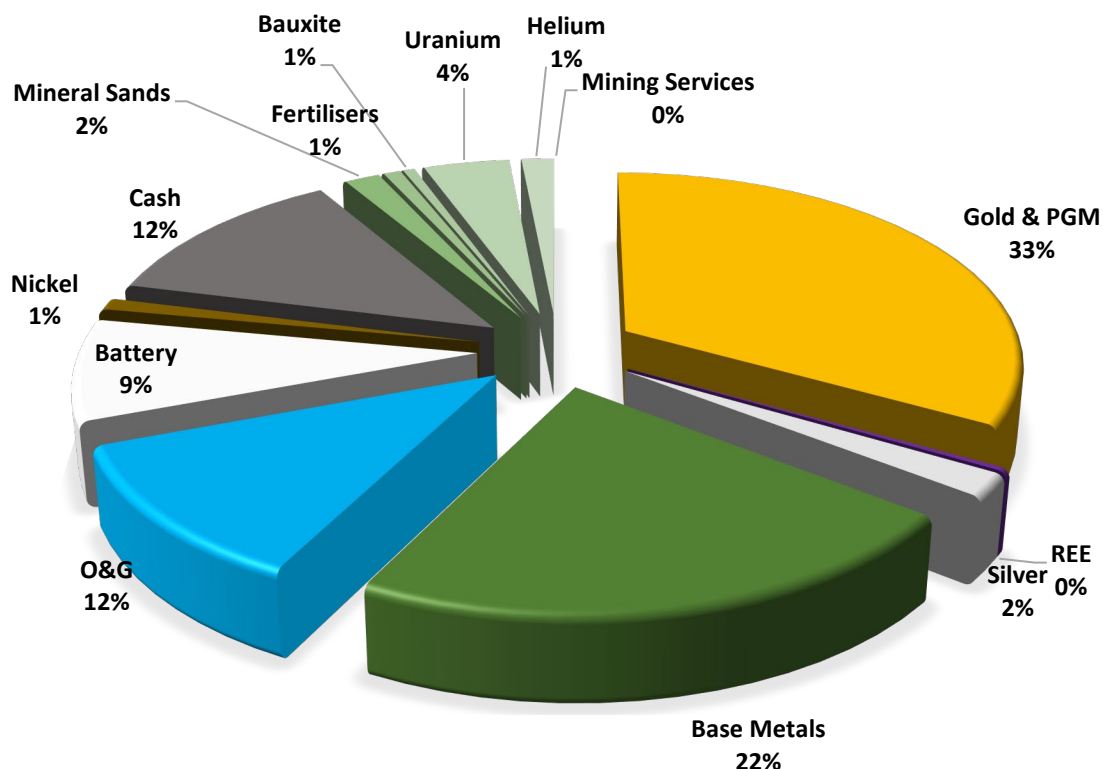
In uranium, the Fund boosted its holding in Saskatchewan-focused explorer Basin Energy, while acquiring a holding in Thelon Basin (Nunavut) explorer Forum Energy (TSX.V listed).

In precious metals, the Fund increased its position in Mexico-focused silver-gold explorer Mithril Resources.

In copper, the Fund participated in raisings for Cooper Metals, Eagle Mountain Mining, and Rugby Mining.

In other metals, the Fund exited its holding in Rare X and increased its stake in recapitalised iron-ore explorer Arrow Minerals.

### LRF COMMODITY EXPOSURE 29 FEBRUARY 2024



## Fund Top Holdings

**Predictive Discovery (Market Cap A\$405m PDI.ASX)** reported additional regional and near-resource drilling results from the 5.38Moz Bankan Gold Project in Guinea, including 2m @ 7.8g/t from 38m, 6m @ 2.1g/t from 11m and 6m @ 1.5g/t from 20m.

**Comet Ridge (Market Cap A\$221m COI.ASX)** raised \$15m in equity to progress the Mahalo Gas Hub blocks in Queensland towards a final investment decision.

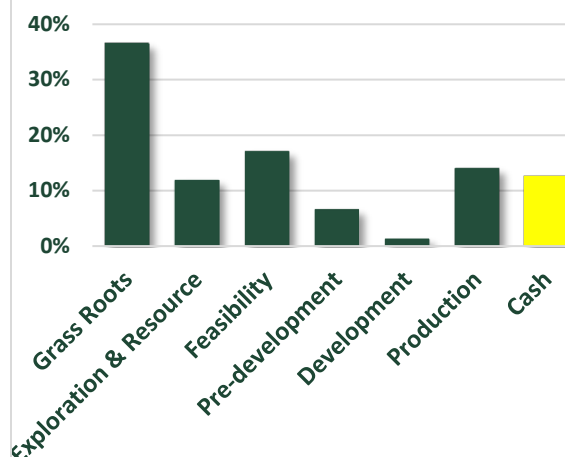
**Cooper Metals (Market Cap A\$21m CPM.ASX)** raised \$3.5m towards drilling at its Brumby Ridge copper project in the Mt Isa block, where IP surveys indicated strong depth potential of the chargeability anomaly associated with mineralisation. Drilling of this zone in 2023 returned 71m @ 2.8% Cu.

**Southern Cross Gold (Market Cap A\$220m SXG.ASX)** announced the highest grades of gold in drilling to date, including 0.2 m @ 576 g/t Au at Apollo at its 100%-owned Sunday Creek Project in Victoria. Mineralisation was extended 150m along strike and 150m deeper.

## Fund Top Performer

**T2 Metals Corp (Market Cap CAD\$8m TWO.TSXV)** share price rose 32% in February after announcing drilling results from the Sherridon Volcanic-Hosted Massive Sulphide Project in Manitoba. Best results included 8.0 m at 2.2% Cu, 4.8% Zn, 1.8 g/t Au and 34 g/t Ag (5.40% CuEq) from 87.03 m.

LRF Portfolio Value by Project Stage  
29 February 2024



Company	Commodity	% of Gross Investments
Cash	Cash	12.5%
CAA Mining	Lithium	5.6%
Ramelius Resources	Gold	4.7%
Predictive Discovery	Gold	4.6%
Karoon Energy	O&G	3.9%
Comet Ridge	Gas	3.4%
Newmont Corp	Gold	3.1%
Cooper Metals	Copper	3.0%
Caravel Minerals	Copper	2.6%
Southern Cross Gold	Gold	2.6%
Rugby Resources	Copper	2.5%

Lowell Resources Fund. (ASX: LRT)

## Performance Comparison – February 2024

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 26.3%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 29 February 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	21.7%	-5.4%	0.5%	10.6%
3 years p.a.	5.3% pa	3.6% pa	8.3% pa	9.3% pa
5 years p.a.	26.3% pa	5.7% pa	9.8% pa	8.6% pa
10 years p.a.	13.4% pa	5.0% pa	7.7% pa	8.0% pa

The LRT ASX traded unit price at the end of February was \$1.275/unit, compared to \$1.44/unit at the end of January 2024.

## Market Notes

### Economics

- **US inflation** fell to 2.4% in the year to January, from 2.6% in December, based on the Personal Consumption Expenditures Index, the metric most closely watched by the Federal Reserve, supporting expectations of rate cuts later this year.
- The US **S&P 500** equity index closed at an all time high at the end of the month.
- Statistics compiled by HLB Mann Judd found that 2023 was the worst market for **ASX IPOs** in almost 20 years. New listings fell from almost 200 in 2021 to just 32 last year, with the majority being small-cap raisings in the exploration space. Almost three dozen small explorers issued prospectuses, with about one-third failing to get listed. The total raised across all sectors of \$847 million last year was the first time less than \$1 billion has been raised since 2012.
- The People's Bank of **China** reduced the five-year loan prime rate to 3.95% from 4.2%, in order to stimulate the country's ailing property sector.
- **Japan and the UK** went into recession, with Japan losing its status as the world's number three economy to Germany.

Lowell Resources Fund. (ASX: LRT)

- Transportation costs for the **shipping** industry rose to a 15-month high as commercial vessels continued to take the lengthier but safer route around the Cape of Good Hope, bypassing the Houthi-controlled waters of the Red Sea.
- New home sales in China in 2021 were 1,565m<sup>2</sup> vs 945m<sup>2</sup> in 2023. Major **Chinese property** company Country Garden faced a liquidation petition over non-payment of a US\$205m loan.
- The price of **Bitcoin** rose above US\$60,000, after bottoming at US\$16,000 in late 2022.

#### Metals

- China added to its **gold** reserves for a 15th consecutive month in January. The People's Bank of China holdings rose by 320,000 troy ounces in January.
- Tsingshan Group's **nickel** output rose 27% in 2023 to 1.12 million metric tonnes. Tsingshan's stainless steel output also set a new record in 2023 at 16.28 million tons.
- Glencore announced that it plans to stop production at its Koniambo **Nickel** SAS in New Caledonia whilst it searches for a buyer for its 49% stake. Glencore said it would only fund the project until the end of February after pouring billions into the operation. The plant's furnaces will remain hot to maintain the viability of the site. The project had nameplate of 60ktpa of nickel production in the form of ferronickel.
- **Nickel** was included on the Australian government's official critical minerals list, opening the door to miners such as BHP to tap a \$4 billion federal loan facility as well as foreign export credits in allied nations such as Japan and Korea.
- The emerging dominance of Indonesia's low cost **nickel** suppliers have "really made a big part of the old traditional players structurally non-competitive for the future," Eramet boss Christel Bories said. "This part of the industry will either disappear or be subsidised by governments." She added: "The uncompetitive mines elsewhere will close. I'm not sure there will be so many governments deciding to subsidise big production with a lot of money just to compete with Indonesia production."
- **Lithium** producer Albemarle stated that prices need to be well above current levels to incentivise new production. The Company said that ~200ktpa of global LCE production has costs above the current spot price, adding that they don't understand why the high cost Chinese lepidolite supply is still producing. Soon thereafter reports emerged that the Jianxiawo mine (owned by CATL), the largest Chinese lepidolite mine, had been shut since before Chinese New Year.
- China's **lithium** carbonate production last year was up 31.1% from 2022, according to the China Nonferrous Metals Industry Association. Production capacity of lithium carbonate reached 1.1 Mt last year, up 83.3% on the year. Lithium hydroxide output rose to 319,600 metric tons, up 30.1%.
- **South African** load shedding has declined significantly to only stage 1 currently. Solar power has apparently assisted the situation, while the South African government has lifted the licence cap on private sector investment in the power sector, and are planning the separation of the national transmission company from Eskom.
- Bloomberg reported that **alumina** futures spiked in Shanghai as strikes in Guinea risked tightening bauxite supply to Chinese smelters. Guinea trade unions began a general strike, with demands ranging from lower food prices to lifting internet restrictions, Agence France-Presse reported. The news fuelled concerns about bauxite production in the African country, a major source of feedstock for Chinese alumina producers.

Lowell Resources Fund. (ASX: LRT)

- Myanmar was reported to have raised export taxes, now standing at 30%, on all **tin** concentrates. Myanmar is the third largest tin ore producer globally, with the Wa state accounting for ~30% of China's **tin** concentrate supply. Indonesia has slashed exports of concentrate in line with its intentions to support the downstream economy and preserve ore as alluvial deposits deplete. Tin stockpiles are currently high, but the small global market leaves it vulnerable to sudden shocks in price.
- Total Chinese **tin** imports rose to an all-time high of 33,470t in 2023 with net imports of 21,400t partly to feed growth in EV battery pack construction
- BHP's vice president of market analysis, Huw McKay, said supply disruptions – such as the sudden closure of First Quantum's Cobre Panama mine – had improved the outlook for **copper** prices and led his team to think a shortage could persist this year. Dr McKay had previously forecast a surplus of copper in the middle of this decade before pronounced shortages took hold toward the end of the decade.
- Chinese **copper** smelters are facing a collapse in margins after processing fees fell to their lowest in more than a decade and plants have failed to respond by cutting output. Spot treatment charges to turn concentrate into refined metal have plunged below US\$20/t, according to Fastmarkets, as smelters step up purchases to replenish stockpiles following the Lunar New Year break. That's a record low in data going back to 2013. (The fees dropped to single digits in 2010 after the global financial crisis forced miners to curtail operations, according to Wood Mackenzie Ltd.) Overseas mine disruptions are limiting the availability of ore, forcing smelters to drop their fees. In China, which has the world's largest copper processing industry, smelting capacity has expanded significantly. "There is panic in the market," said WoodMac analyst Yongcheng Zhao, given the dependence on imported concentrate.
- Norilsk's output of **palladium** is forecast to decline 11% in 2024. Norilsk is the world's largest producer of palladium with its 2.9mozpa making up ~ 30% of global output of around 9.5mozpa. A relatively faster increase in take up of Hybrid EVs compared to BEVs could push palladium demand higher.
- **Mexican** President Andrés Manuel López Obrador, known as 'AMLO', presented parliament a series of constitutional reforms including a proposal to prohibit open-pit mining. The motion was expected to revive hostilities between the Mexican government and big industry players, as the country's oldest and largest mines are open-pit operations.
- Rio Tinto announced to go-ahead for "the world's biggest mining project" at the Simandou **iron ore** mine in Guinea.
- Iron ore prices fell to around \$114/t in China for 62% Fe, with steel mill inventories well stocked. Vale's **iron ore** output rose 15% yoy in the quarter to January.
- BHP, Rio Tinto and BlueScope joined an Australian-first collaboration aimed at fast-tracking the path to 'nearly carbon-free' production by steelmakers relying on **iron ore**. Under the initiative, the three companies aim to develop a pilot plant to test the feasibility of production of molten iron from West Australian ores using renewable power in direct reduced iron process technology.

Lowell Resources Fund. (ASX: LRT)

### Energy

- Saudi Aramco's CEO, Amin Nasser, said he expects global **oil demand** to grow by 1.5mb/d to 104mb/d in 2024, which is in line with forecasts by major traders such as Vitol and Gunvor, but below the official OPEC forecast for 2.25mb/d growth.
- OPEC and its allies may start to wield more control over the market for **oil products**, according to Mukesh Sahdev, head of oil trading and downstream research at consultancy Rystad Energy. OPEC, Russia and perhaps China look set to increasingly "manage" the supply of refined fuels as part of their strategy to keep crude oil prices high, Mr Sahdev said. Refinery closures in Australia have led to increasing reliance on imports of petrol and diesel and left the country exposed to potential price shocks.
- Total US output hit a record 13.3 million barrels a day in December. Oil production from **US shale oil** is expected to grow at a slower pace after a speed bump late last year knocked output off its record level. Combined crude production from the seven US shale basins is forecast to rise to 9.72 million barrels a day in March, up 0.2% from February, the US Energy Information Administration reported. That's a deceleration from last year's average month-over-month growth of about 0.9%. Output from prolific shale fields that stretch from the Bakken in North Dakota to the Eagle Ford in south Texas peaked at 9.84 million barrels in November.
- Total **O&G drilling** by wells in the US was down 19% y-o-y in January, even while US oil production continued to rise.
- Kazatomprom issued guidance that the production volume for the majority of its **uranium** mining operations will be ~20% below the levels stipulated in Subsoil Use Agreements (previous 2024 guidance had production at ~10% below permitted levels). New mining operations have also been flagged as being at risk of producing below 20% of permitted levels. Revised CY24 guidance implies a significant ~9.5mlb U3O8 reduction on previous guidance. The downgrade is attributed to challenges relating to the availability of sulphuric acid and construction delays at newly developed deposits. Kazakhstan accounted for 37.3% of total global uranium supply in 2023.
- Cameco fell short of **uranium** production guidance. CCO has sales contracts of about 29m pounds per annum out to 2027 at an average price of about US\$52/lb, but only produced about 17.7mlb in 2023. The company is still guiding to 22.4mlb in 2024. However, to achieve this they expect both Cigar Lake and McArthur River to produce at 100% of capacity in 2024 which equates to 18m pounds meaning it still must purchase 2 million pounds of spot product to meet contractual obligations.
- Global **uranium** production is expected to grow by 11.7% to more than 133mlb in 2024, according to estimates by UK-based analytics firm GlobalData, with the production rise predominantly coming from key producers such as Kazakhstan and Canada.

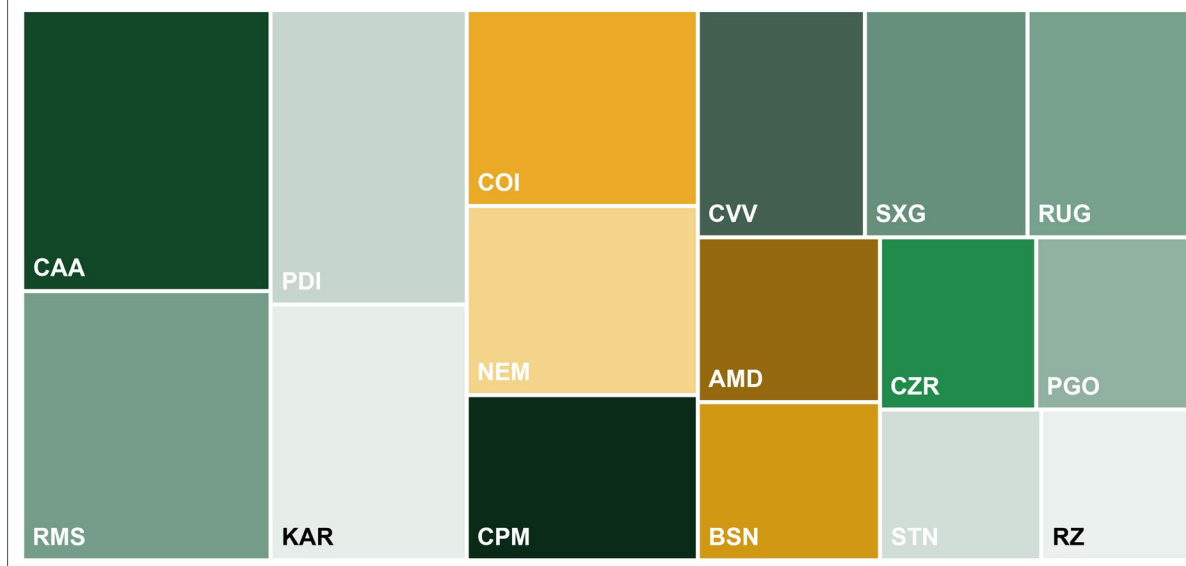


Lowell Resources Fund. (ASX: LRT)

## 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-plus 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 29 February 2024**





Lowell Resources Fund. (ASX: LRT)

## Characteristics of the Fund

Number of Investments: 88

Unlisted Investments by value: 14.6%

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

The information given by Lowell Resources Funds Management Ltd "LRFM" (ACN 006 769 982, AFSL 345674) is general information only and is not intended to be advice. You should therefore consider whether the information is appropriate to your needs before acting on it, seeking advice from a financial adviser or stockbroker as necessary.

## DISCLAIMER

Cremorne Capital Limited (ACN 006 844 588, AFSL No: 241175) is the responsible entity of the Lowell Resources Fund (ARSN 093 363 896). You should obtain and consider a copy of the product disclosure statement relating to the Lowell Resources Fund before acquiring the financial product. You may obtain a product disclosure statement from Cremorne Capital Limited at [www.cremornecapital.com/lrf-pds/](http://www.cremornecapital.com/lrf-pds/). To the extent permitted by law, Cremorne Capital Limited and Lowell Resources Funds Management, its employees, consultants, advisers, officers and authorised representatives are not liable for any loss or damage arising as a result of reliance placed on the contents of this document. Past performance is not a reliable indicator of future performance. The investment objective is not a forecast and returns are not guaranteed.

This release has been approved by the Responsible Entity's Board of Directors