



# LOWELL RESOURCES FUNDS MANAGEMENT



## MONTHLY UPDATE

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

October 2023

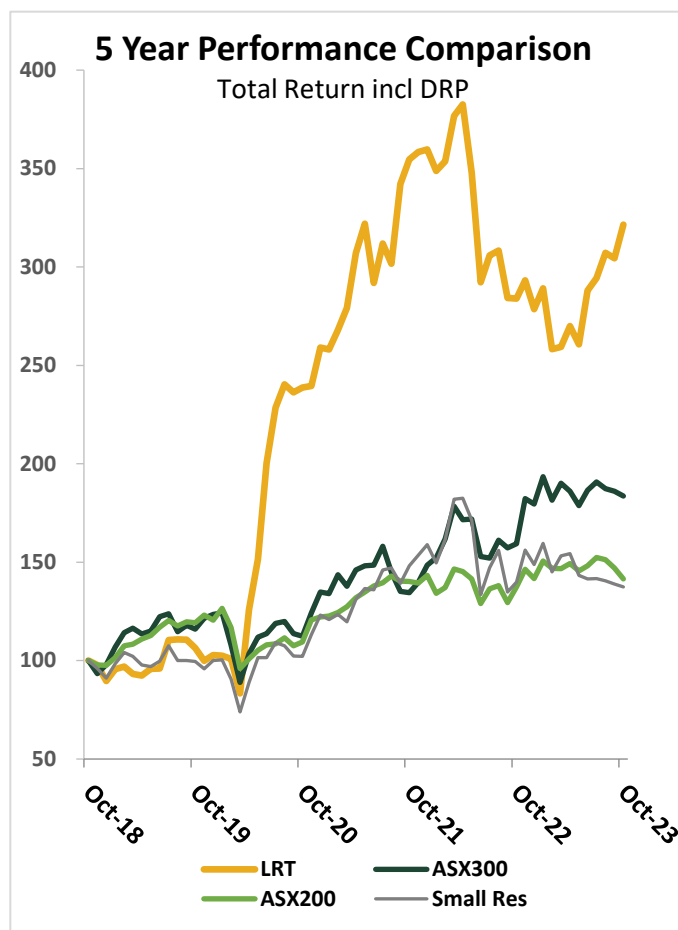
### October 2023 Performance Summary: Lowell Resources Fund (ASX: LRT)

The Lowell Resources Fund's estimated net asset value ('NAV') at the end of October 2023 was approximately AUD\$50.8m, compared to AUD \$48.1m at the end of September 2023.

The NAV per unit finished the month of October at \$1.5661 (vs \$1.4835/unit at 30 September 2023), a increase of 5.6% over the month. The last traded unit price of the ASX listed LRT units at month end was \$1.40/unit.

#### FUND SNAPSHOT 31 October 2023

NAV per unit	\$1.5661
No. of Units on issue	32,451,402
Market Price (ASX)	\$1.40 / unit
Estimated NAV	AUD \$50.8m
FY 23 Distribution	7.0777 cents per unit
Market Capitalisation	AUD \$45.4m
Responsible Entity	Cremorne Capital Limited
Fund Manager	Lowell Resources Funds Management Ltd



Lowell Resources Fund. (ASX: LRT)

## Fund Investment Actions - October 2023

The Fund's main change in October 2023 was the sale of around 28% of its holding in Azure Minerals. This resulted in a substantial increase in the Fund's cash holdings. Azure is the subject to a takeover offer from its major shareholder Chilean lithium company SQM at \$3.50/sh, which is more than a 40% premium to its pre-bid price.

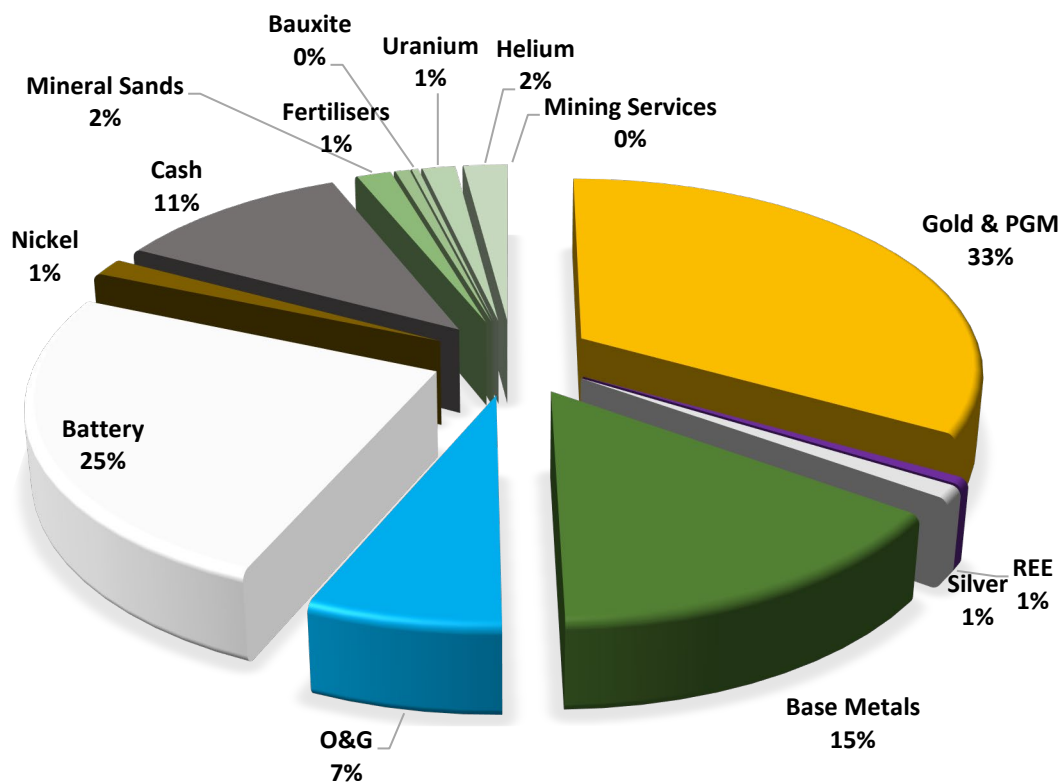
The Fund's investment in unlisted Ghana focused lithium explorer CAA Mining was increased as part of funding the company's maiden RC drilling program. The Fund exited its holding in James Bay Minerals Ltd.

In gold, a small portion of the Fund's holding in Predictive Discovery was sold to balance country exposure, as the Fund's investment in fellow Siguiri Basin gold explorer Sanu Gold (TSXV) was increased. The Fund also increased its holdings in unlisted Japan-focused gold explorer Cipango Pty Ltd, unlisted Cambodia explorer Unity Energy and Resources, and ASX-listed Newfoundland explorer Matador Mining. Further profits were realized from the holding in Southern Cross Gold.

In uranium, the Fund's holding in Elevate Uranium was sold, while buying further stock in Athabasca-focused uranium explorer Basin Energy Limited.

Further investment was made in Colorado helium developer Blue Star Helium.

### LRF COMMODITY EXPOSURE 31 OCTOBER 2023



Lowell Resources Fund. (ASX: LRT)

## Fund Top Holdings

### Azure Minerals (Market Cap A\$1,557m

**AZS.ASX**) became the subject of a takeover offer from its major shareholder Chilean lithium producer SQM at \$3.50/sh, more than a 40% premium to its pre-bid price. Subsequent buying by Hancock Prospecting and Mineral Resources pushed the price over \$4.00/sh.

### Predictive Discovery (Market Cap A\$486m

**PDI.ASX**) announced the scoping study on its 5.38 Moz gold resource at its 100% owned Bankan project in Guinea, West Africa would be upgraded to a pre-feasibility study, due out in Q1 2024. Further regional exploration results from Argo included 9m at 4.4 g/t Au.

### Ramelius Resources (Market Cap A\$1,829m

**RMS.ASX**) completed the compulsory acquisition of Musgrave Minerals. RMS announced quarterly group gold production of 55,523 ounces at an AISC of A\$1,975/oz.

### PacGold (Market Cap A\$20m PGO.ASX)

announced IP geophysics had defined a 4km extension to the Alice River Fault Zone in FNQ, which hosts high grade mineralization such as 8m at 55g/t Au.

### Southern Cross Gold (Market Cap A\$179m

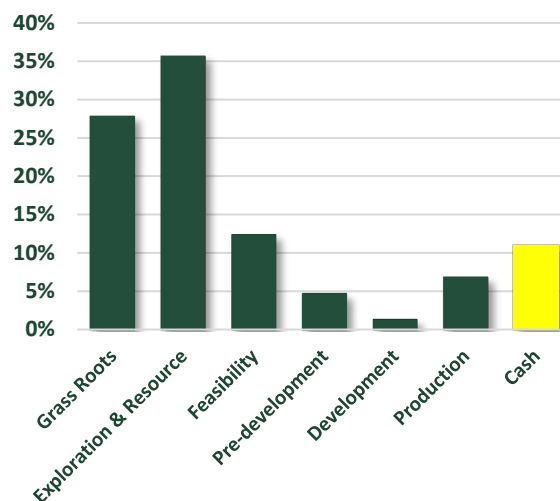
**SXG.ASX**) announced an uncut drill intersection of 332m at 6.8g/t Au plus 0.2% Sb at its Sunday Creek project in Victoria. The intersection is an aggregate of 18 high grade structures.

## Fund Top Performer

### Battery Minerals (Market Cap A\$5.6m

**BAT.ASX**) share price rose 56% in October after announcing the acquisition of the Spur gold project in the Lachlan Fold Belt of NSW, 14km west of Cadia. The project contains a best historical drill intersection of 86m at 1.56 g/t Au from 85m. The acquisition price is \$600k in BAT shares, plus BAT options and a 2.5% NSR royalty. The company held cash and listed investments of \$4.8m at 30<sup>th</sup> September.

LRF Portfolio Value by Project Stage  
31 October 2023



Company	Commodity	% of Gross Investments
Cash	Cash	11.0%
Azure Minerals	Lithium	17.8%
Predictive Discovery	Gold	5.3%
Ramelius Resources	Gold	5.3%
CAA Mining	Lithium	3.3%
Comet Ridge	Gas	2.7%
PacGold	Gold	2.7%
Caravel Minerals	Copper	2.2%
Astral Resources	Gold	2.0%
Lefroy Exploration	Gold-Nickel	1.9%
Southern Cross Gold	Gold	1.8%

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## Performance Comparison – October 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 26.3%pa. The Fund has outperformed the benchmark S&P/ASX Small Resources Accumulation Index (XSRAI and the ASX 200 Index over one, three, five and ten years.

Total Portfolio Performance to 30 October 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	14.1%	-1.8%	15.2%	3.0%
3 years p.a.	10.6% pa	10.4% pa	17.8% pa	8.9% pa
5 years p.a.	26.3% pa	6.6% pa	12.9% pa	7.2% pa
10 years p.a.	13.1% pa	4.5% pa	7.9% pa	6.6% pa

The LRT ASX traded unit price at the end of October was \$1.40/unit, up from \$1.33/unit at the end of September 2023.

## Market Notes

### Economics

- The US benchmark **10-year Treasury** yield exceeded levels last seen in August 2007, at 5.0%. The 30-year Treasury yield also notched a roughly 16-year high, rising above 5%. Yields on Treasuries climbed following a **bond market** rout that gathered momentum after Fed officials in September embraced a “higher for longer” approach to setting interest rates, followed by a surge in new jobs. This was in the context of a federal funds rate at a 22-year high of 5.25 to 5.5%.
- US GDP** grew by 4.9% QoQ annual rate, and 2.9%YoY in the September quarter. **US CPI** rose 3.7% yoy in September, higher than forecast, but “core” inflation remained steady at 0.3% MoM. Ord Minnett noted that “strong US growth, an overheated economy and inflation far above target puts the Taylor Rule for the Fed Funds Rate at ~7.5%, far above 5.4% current levels”.
- Gold and oil prices jumped as Israel's prime minister Netanyahu declared war on **Gaza** after a surprise attack from Hamas forces.
- Infrastructure spending in **China** is expected to increase following the issuance of US\$136bn worth of sovereign debt by Beijing (Bloomberg). China's GDP grew 1.3% on a quarterly basis in the third quarter, exceeding market expectations after growth of 0.5% annualised in the second quarter.

Lowell Resources Fund. (ASX: LRT)

- **China's** imports of major commodities remained resilient in September in contrast to the market narrative that the world's second-largest economy is struggling for momentum. Imports of crude oil, natural gas, coal and iron ore dropped slightly from August, but all were higher than in September last year. According to *Fastmarkets*, benchmark 62% Fe fines imported into Northern China rose to US\$120.20 per ton. The first nine months of the year showed strong growth over the same period in 2022, with crude oil imports up by 14.6%, natural gas by 8.2%, coal by 73.1% and iron ore by 6.7%.
- Australia's RBA governor Michelle Bullock described **inflation** as "sticky" due to "shock after shock". Quarterly inflation in Australia rebounded up to 1.2% in the September quarter, driven by surging fuel prices.

### Metals

- Copper hit an 11-month low of US\$7,850/t. The International **Copper** Study Group sees a 27,000 ton deficit in 2023, after mine growth expectations were revised down from 3% to 1.9%, before moving into a surplus in 2024. The ICSG estimates a surplus of 467,000 tonnes in 2024 due to refined copper production growth being higher than usage. This is a significant upward revision on the 297kt surplus the ICSG forecast in April. New output is coming online from the DRC, Peru and Chile, with mine growth expected to grow by 3.7% next year. Kamoakakula and Tenke, QB2 and Torromochoco and Quellaveco are all expected to support more buoyant supply in 2024, alongside additional supply from Malmyzhskoye and Udokan in Russia. Refined output is expected by the ICSG to increase by 4.6% next year as China ramps up smelter capacity, with scrap supply also increasing.
- The **copper** price fell below US\$8,000/t, hit by higher yields and a higher dollar. Inventories grew and downstream margins in China were weak, weighing on price sentiment. The contango in the cash/three-month copper spread - the largest seen in three decades - closed at US\$75 per tonne. A wide contango indicates ample immediate supply and suggests poor demand.
- Panama is to hold a referendum banning all new mining contracts, and will include a vote on whether to revoke the mining licence for First Quantum's Cobre **Panama copper** mine (386kt forecast copper production for FY2024 i.e. ~1.5% of world supply).
- The global **nickel** market is expected to remain in surplus next year as the output of low-grade nickel pig iron (NPI) will continue to grow in Indonesia, Sumitomo Metal Mining said. The surplus will widen to 36,000 metric tons from 24,000 tons this year as Indonesia's NPI production increases by 10.3% to 1.27 Mt, after a 16.1% rise in 2023. Global demand for nickel in 2024 was seen increasing by 8.5% from this year to 3.35 Mt, while supply is likely to climb 8.9% from a year earlier to 3.39 Mt. BHP said electric vehicle manufacturers are not yet willing to pay a "green premium" to recognise the sustainability credentials of nickel mined in Australia.
- According to the International **Nickel** Study Group, global nickel production will outpace demand to the tune of 239,000 t next year. The cumulative forecast surplus of 566,000 t over the three years and global consumption this year is expected to come in at 3.2 Mt.
- Investors are returning to the London **nickel** market with substantial bets that prices will fall, in a trend could set the stage for a fresh bout of volatility after steep declines this year. Funds have US\$4.6 billion in short positions against London Metal Exchange nickel contracts, helping to create a net short position valued at US\$2 billion, according to data from the bourse.
- The International Lead and Zinc Study Group's (ILZSG) statistics committee met in October and thinks **zinc** supply will exceed usage by a hefty 248,000 tonnes in 2023 with the surplus growing to 367,000 in 2024.
- **Gold** fell to US\$1,820/oz on the outlook for higher interest rates in the US, but then surged back to as high as US\$1,996/oz after gold's correlation to real yields - US bond yields adjusted for inflation - collapsed upon Israel's threat to invade the northern section of the Gaza strip and the bombing of a hospital in Gaza. Gold's correlation with real yields had largely held since the 2008 financial crisis.

Lowell Resources Fund. (ASX: LRT)

- The People's Bank of China has opened a facility to convert cash savings into **gold**, also to be held in the banks. Reports say that the PBOC is advising bank customers to make regular monthly purchases, the return on the investment to rise solely from the increasing price of gold over the long term.
- **Lithium** prices have plunged around the world, but the slump is particularly glaring in China, where the battery metal is trading at a big discount versus the US. Futures in the crucial Chinese market are about a third cheaper. That's helped push Chinese lithium carbonate futures down about 37% since they started trading in July. They're at a level that works out to a roughly 35% discount to lithium hydroxide futures in the US, according to traders.
- Management at Mineral Resources, one of WA's largest spodumene producers, complained that 'market manipulation' is a factor in current weak **lithium** prices. They noted that 'there is a lot of paper trading in the market right now'
- In the first three quarters of 2023, **EV** sales in the US experienced a significant surge, increasing by 50.9% compared to the same period in the previous year. September saw a sales figure of 229,812 EVs, driving the national EV market share from 7.2% to 7.5%. This compares to 2022 when the market share was slightly over 5%. EV owners in Texas are now required to pay a \$200 annual surcharge, to compensate for lost revenue from gas taxes. The fee contributes to road construction and repairs, addressing the decline in funding due to the increasing popularity of EVs. In China from January to September, new energy passenger vehicle retail sales were 5.2 million units, up 33.8% YoY.
- The rapid build-out of solar generation and increasing sales of electric vehicles are driving an important step change in demand for **silver**. According to data from the Silver Institute's World Silver Survey, industrial and electronics demand are forecast to rise by 4% and 3% respectively this year, both hitting new all-time highs. Demand from solar panels alone is forecast to rise 21 million ounces this year, adding almost 2% to total silver demand. The strong demand tailwind from solar panels is offsetting recycling supply, meaning mine production will have to make up the difference going forward. Underinvestment in silver exploration and mine development has led to a 7% production decline over the last 8 years, compared to demand for silver growing 23% over the same time period.
- Fertilizer makers jumped after Hamas' surprise attack on Israel raised concerns over how the conflict could impact global supplies of nutrients used to grow crucial food crops. Israel's Port of Ashdod, just north of Gaza and a key hub for the country's **potash** fertilizer exports, is in emergency mode amid the deadly conflict. That's putting as much as 3% of global potash supply at possible risk. Further, if Iran, a critical nitrogen exporter in the region, is drawn into the conflict, Isaacson said prices of the nutrient needed for grain production could spike due to limited supply and potential premiums in benchmark Dutch TTF natural gas, a commodity used to make nitrogen-based fertilizers. Global fertilizer prices had significantly cooled this year after surging in 2022 due to supply disruptions from the war in Ukraine.
- The **coking coal** price rallied to US\$360/t in the past two months – despite all the negative headlines about Chinese growth. It's partly because Chinese demand is better than expected, partly due to strong demand from India post the monsoon season and partly due to supply constraints in Queensland (BHP issues at Peak Downs).
- **Cobalt** prices, meanwhile, have been stung particularly hard because it is produced as a byproduct at copper and nickel mines in the Democratic Republic of Congo and Indonesia, making it hard for supplies to be cut back to balance the market when prices fall sharply. China's CMOC was banned from exporting copper and cobalt from its giant Tenke-Fungurume mine for 10 months until April this year. That created a huge stockpile of cobalt which is slowly being pushed into the market, while its KFM mine began producing this year. "Cobalt is one of the worst markets I've ever seen. I can't remember a similar level of oversupply," said Jim Lennon, senior commodities consultant at Macquarie. "For the next three or four years, the projected supply increase is almost double the market size."



Lowell Resources Fund. (ASX: LRT)

- China announced that it plans to impose export restrictions on two primary **graphite** products crucial to the EV anode sector. From December 1st, China will require export permits for both synthetic graphite and natural flake graphite products. The ban is a similar structure to the restrictions placed on gallium and germanium exports in July. China dominates graphite supply, producing 79% of total world graphite production, split between 24% synthetic and 76% natural flake. Furthermore, China refines over 90% of graphite for Active Anode Materials. The decline of China's natural flake output has been forecast for some time, with analysts expecting their share to fall to below 40% by the end of the decade. This reflects declining ore grades among other factors. SP Angel hold the view that China has been flooding the market with unsustainably cheap synthetic graphite to rebuild anode material supplies before the winter.
- Virtually every gigafactory in the world depends on Li-ion anodes made from purified spherical **graphite** sourced in China. If Chile nationalises lithium, Australia can increase supply and America and Europe will increase supply, But if China starts to restrict exports of graphite, the entire battery global supply chain may come to a halt. Beijing's move to block graphite exports from December 1 comes after the US widened curbs on Chinese companies' access to semiconductors, including stopping sales of more advanced artificial intelligence chips made by Nvidia.
- Japanese firms like Mitsubishi Chemical and Sumitomo Chemical are working on **GaN** substrates to enhance EV performance and extend their range. Meanwhile, researchers in Japan are also conducting a pilot program in Kashiwa City to embed wireless charging technology into road surfaces, allowing electric vehicles to charge at traffic lights. **EVs** waiting at traffic lights can wirelessly receive a 10-second charge, adding approximately 1 km of range.
- Brazilian **iron ore** giant Vale commented "Regarding iron ore, management is seeing very tight markets with inventories at multi-year lows and steel production growing in 2023 (with no mandatory output curbs in sight as of now)."
- Both BHP and Vale reported 4% declines in the **iron ore** production in the September quarter. And Rio Tinto's September quarter exports of Pilbara Blend fines were more than 20% lower - or 7.8 Mt - than the same time in 2022, despite 1 Mt improvement in overall export rates. The difference was largely made up with an increase in exports of the lower-grade SP10 iron ore products. In a reversal of previous forecasts, Rio is now saying its lower grade SP10 exports are likely to make up a significant portion of its total exports until Rhodes Ridge enters production towards the end of the decade.
- Argus Media reported 'Steeply rising orders and build rates in the commercial aerospace sector, alongside record military spending, will drive up **titanium** demand in the coming decade'. While titanium dioxide production for paint represents by far the largest single use for titanium feedstock new demand from aerospace is good news. Falling mine supply is serving to constrain available feedstock raising ilmenite concentrate prices since July to US\$314/t from US\$298/t in July for 46% TiO2 Fe2O3 8%max.
- Sibanye Stillwater, South Africa's biggest mining sector employer, may be forced to close some loss-making shafts, its CEO told Reuters, adding job cuts in **platinum** mining had become inevitable as prices of the precious metals fall. "Significant restructuring" is very likely in the platinum sector of the world's top supplier of the metal as miners try to stay profitable, said Neal Froneman. Anglo American Platinum also said it was preparing for a sustained period of lower prices. Palladium hit a 5 year low in October.

Lowell Resources Fund. (ASX: LRT)

## Energy

- Saudi Arabia and Russia reaffirmed that they will stick with **oil supply** cuts of more than 1 million barrels a day until the end of the year. The leaders of the OPEC+ coalition announced the plans in separate official statements in early October. Riyadh has slashed crude production by 1 million barrels a day, and Moscow is curbing exports by 300,000 a day, on top of earlier cuts made with fellow OPEC+ nations./
- Coinciding with a spike in prices in Q3, US government figures showed **gasoline** demand dropped to the lowest seasonal level in 25 years, driving West Texas Intermediate down 5.6% in a day to settle below US\$85 a barrel.
- ExxonMobil agreed to buy Pioneer Natural Resources for \$US59.5 billion in the world's largest takeover announced this year, doubling down on fossil fuel production. The deal is the **oil giant's** biggest acquisition since merging with Mobil Corp in 1999. This was swiftly followed by Chevron announcing the acquisition of Hess for US\$53 billion in stock. The Hess acquisition will increase Chevron's oil and gas output by more than 10% and is the biggest deal in Chevron's history.
- China bought 87% of **Iran's oil** exports in September according to Kpler, because it is now cheaper than Russian oil. Iranian oil sells at a discount of around US\$10/bbl to world prices, despite sanctions, compared to the discount for Russian oil of US\$5/bbl.
- **Oil refiners** in China, the world's largest crude importer, ramped up daily usage to highest rate on record last month, offering fresh evidence of robust consumption that may help to support global prices. Processing swelled to 15.5m barrels of crude a day in September, according to Bloomberg calculations based on official data. The monthly volume was 12% higher on-year at 63.6 Mt.
- Meanwhile **oil inventories** at Cushing, Oklahoma, the largest US storage hub fell to a critical levels last seen in 2014. Stockpiles, which typically build during this time of the year, when refineries carry out preventive maintenance and use less oil, are running dry amid strong overseas demand.
- Bangladesh received its first shipment of **nuclear** fuel from Russia as it prepares to turn on the 2,400MW Rooppur nuclear plant. This plant was conceived in 2009, contracts signed in 2013 and first power will be in 2023. That now makes 33 countries with active nuclear reactors. The plant has been funded by Russia – the plant was constructed by Rosatom using a US\$11bn loan from Russia to be repaid over two decades.
- The **uranium** price hit its highest level since 2008.
- The world's largest **uranium** producer Kazatomprom said that it will increase production to 65m lbs per year by 2025 (from 45m lbs pa in 2023) – essentially full production, and 46% higher than 2022 production. However Kazatomprom's Q3 2023 production fell 5% YoY due to problems accessing key materials like sulphuric acid.
- Germany will bring several mothballed **coal** plants back to the market this winter, from October to the end of March 2023. Despite gas import bottlenecks easing since last winter with new LNG terminal deliveries, the move is directed at saving gas and prevent supply shortages in the upcoming heating season, according to an economy ministry release. A unit of a power plant in the eastern part of the country — LEAG's Jämschwalde block F — started generating in October, according to the operator. The facility, which has a capacity of 500 megawatts, was operational last winter, put in reserve in July, and is now fully available in the market to help boost supplies.
- The renewed threat of strikes at two huge Chevron-run **LNG** plants in Western Australia was averted after a deal struck with unions 24 hours before industrial action was due to start. Unions withdrew strike plans at Chevron's Gorgon and Wheatstone LNG facilities.
- The United Nations' chief climate body, the Copernicus Climate Change Service, released data showing the first nine months of 2023 were 0.05 degrees warmer than the first nine months of 2016, the hottest year on record.

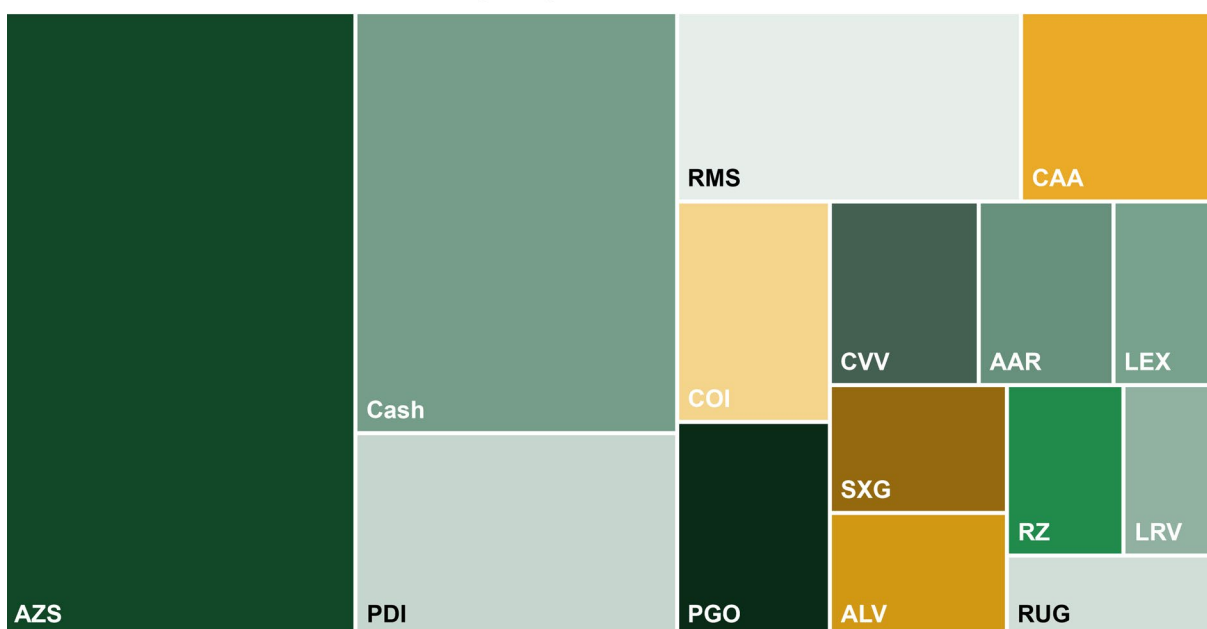


Lowell Resources Fund. (ASX: LRT)

## 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 October 2023



Lowell Resources Fund. (ASX: LRT)

## Characteristics of the Fund

Number of Investments: 79

Unlisted Investments by value: 9.4%

Average Market Capitalisation of Investee Companies: AUD\$78 million

Weighted Average Market Capitalisation of Investee Companies in Portfolio: AUD\$334 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