



LOWELL RESOURCES FUNDS MANAGEMENT



MONTHLY UPDATE

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

March 2022

March 2022 Performance Summary: Lowell Resources Fund (ASX: LRT)

The Lowell Resources Fund's estimated net asset value ('NAV') at the end of March 2022 was approximately \$60.1m, compared to \$56.4m million at the end of February 2022.

The NAV per unit finished the month of March at \$2.047/unit (vs \$1.922/unit at 28 February 2022), an increase of 6.5%. The traded unit price of the ASX listed LRT units at month end was \$1.89/unit.

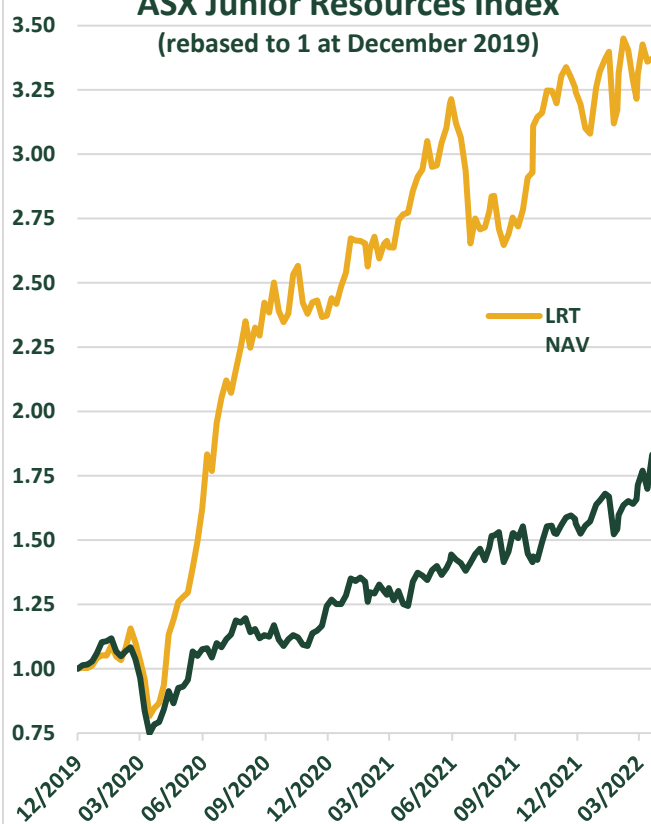
FUND OVERVIEW

Investment Manager	Lowell Resources Funds Management Limited
Managed since	6 February 2004
ASX code	LRT
Income distribution	Annual

FUND SNAPSHOT 31 March 2022

NAV per unit	\$2.047
No. of Units on issue	29,351,614
Market Price (ASX)	\$1.89 / unit
Estimated NAV	\$60.1m
August 2021 Distribution	\$0.15/unit
Market Capitalisation	\$55.5m

**Lowell Resources Fund NAV vs
ASX Junior Resources Index**
(rebased to 1 at December 2019)



Fund Investment Actions - March 2022

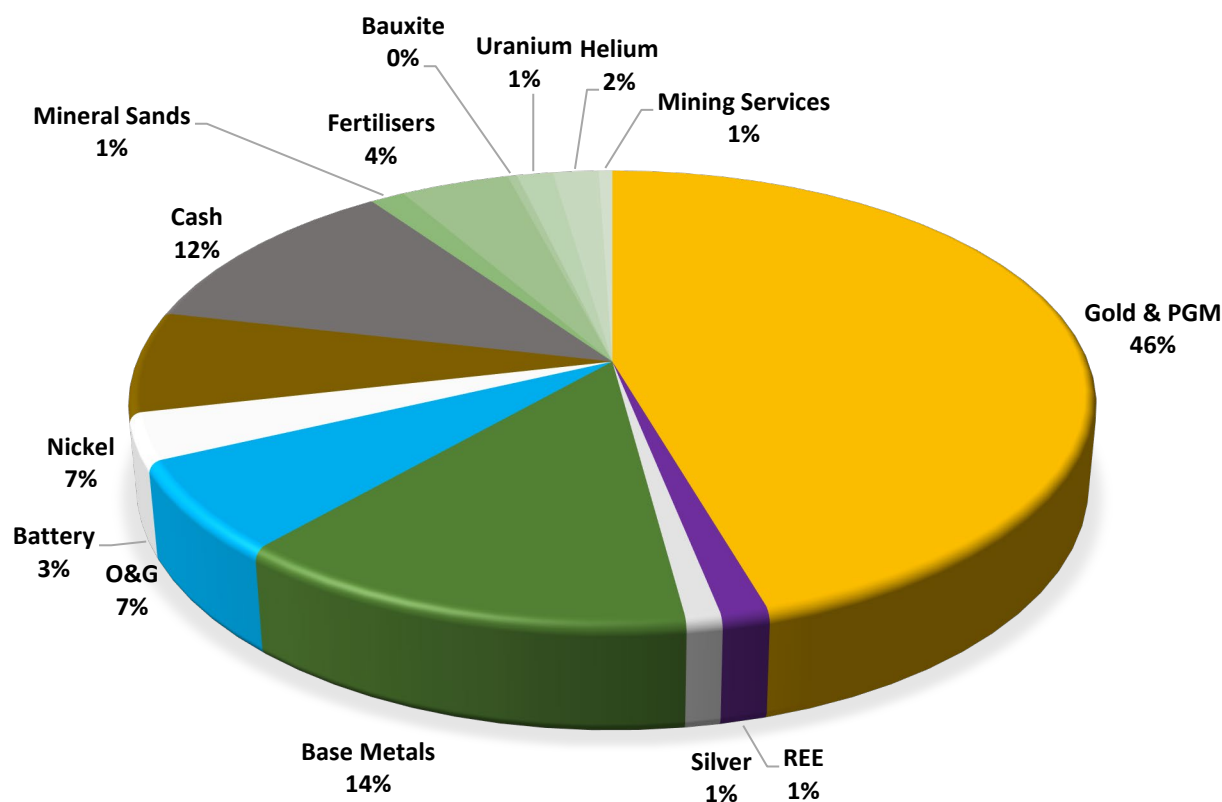
In energy, the Fund exited its position in ASX listed Cuban oil explorer Melbana Energy. Melbana's share price rose almost 5 times since the start of February as it announced 2.5bn barrels of oil in place for in the upper sheet of its Alameda-1 JV well, and 119m bbls of prospective resource. The Fund took up its entitlement in the Hydrocarbon Dynamics rights issue.

In gold, the Fund participated in rights issues by west African explorers Golden Rim Resources and Marvel Gold. The positions in gold explorer's E2 Metals and Carnavale Resources were increased while Carawine Resources received a takeover offer which allowed the Fund to exit at a profit. Investments were made in two new gold IPO's Sierra Nevada Gold and Southern Cross Goldfields.

In March, the Fund trimmed some existing base metals exposures, but continued to add to its copper related investments in TSX listed Aguila Copper and Rugby Mining, and ASX listed Westar Resources.

A new rare earths investment was made in ASX-listed Rare-X Limited.

LRF COMMODITY EXPOSURE 31 MARCH 2022



Fund Top Holdings

Predictive Discovery (PDI.ASX) announced the retirement of long-serving executive and founding managing director Paul Roberts. Paul has given over a decade of dedicated expertise and experience to the company, culminating in the discovery of the huge Bankan gold deposit in Guinea.

Genesis Minerals (GMD.ASX) upgraded the resource at its Leonora gold project by 25% to 2 Moz at a grade of 1.6g/t Au, citing a discovery cost of A\$27/oz.

Musgrave Minerals (MGV.ASX) continued to release bonanza-grade gold drill results from its 100% owned Cue project in WA, including 4m at 79.6 g/t Au at its new Mosaic discovery, and 7m at 23.7 g/t Au at the Amarillo prospect. Musgrave also acquired a new tenement south of Mt Magnet.

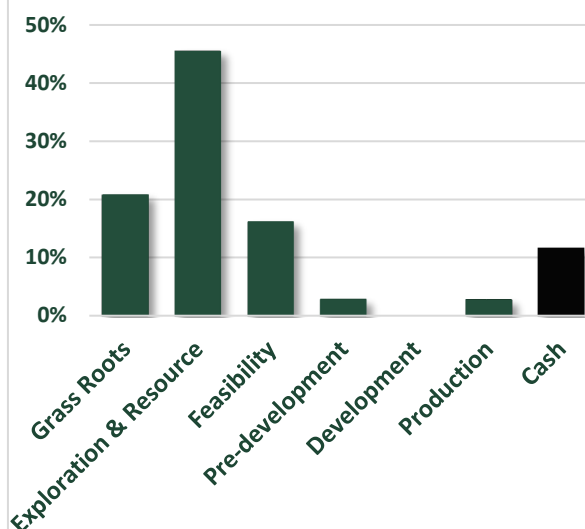
De Grey Mining (DEG.ASX) released resource definition drilling results at the Brolga deposit, which forms part of the huge Hemi discovery in the Pilbara of WA: best intersection was 193m at 1.7 g/t Au from 40m.

Talon Metals (TL.TSX) announced drill intersections from outside its main resource area at the Tamarack Nickel Project in Minnesota including 15m at 6.0% Ni equivalent. Interest in the stock was also boosted by President Biden designating nickel for US Defense Production Act support.

Fund Top Performer

Elevate Uranium (EL8.ASX) share price rose by 60% in March. EL8 announced it had identified over 70km of palaeochannels prospective for uranium at its Capri tenement in Namibia. Sections of these channels give significant uranium radiometric responses. The uranium spot price rose 10% in March.

LRF Portfolio Value by Project Stage
31 March 2022



Company	Commodity	% of Gross Investments
Cash	Cash	11.7%
Predictive Discovery	Gold	6.7%
Genesis Minerals	Gold	6.4%
Musgrave Minerals	Gold	5.8%
De Grey Mining	Gold	4.4%
Talon Metals	Nickel	4.3%
South Harz Potash	Potash	3.7%
Azure Minerals	Nickel/Gold	2.9%
Caravel Minerals	Copper	2.8%
Red Dirt Metals	Lithium/Gold	2.4%
PacGold	Gold	2.3%

Performance Comparison – March 2022

Over the past 12 months, the Lowell Resources Fund's change in underlying estimated net asset value per unit (inclusive of distributions and after fees and expenses) was 33.0%, and 110.7% pa over two years. The Fund has outperformed the benchmark S&P/ASX Small Resources Index (XSRD), the ASX Resources 300 Index, and the ASX 200 Index over two, five and ten years.

Total Portfolio Performance to 30 November 2021	LRT Change in NAV per unit incl distributions	S&P/ASX Small Resources Index (XSRD)	ASX Resources 300 Index	ASX 200 Index
12 months	33.0%	+49.6%	29.5%	15.0%
2 years p.a.	110.7% pa	+54.6% pa	41.6% pa	23.5% pa
5 years p.a.	21.5% pa	+16.5% pa	18.0% pa	9.2% pa
10 years p.a.	14.2% pa	-1.6% pa	6.8% pa	9.4% pa

The LRT.ASX traded unit price at the end of March was \$1.89/unit, compared to \$1.935/unit at the end of February.

Market Notes

- The war in Ukraine has exacerbated existing low inventories of almost all major hard commodities. Bloomberg's gauge of raw materials had its biggest weekly gain since at least 1960 in reaction to the Russian invasion.
- Russia accounts for well over 10% of global oil and natural gas production, and about 40% of Europe's gas comes from Russia. As the conflict worsened, European natural gas broke price records and crude oil prices reached US\$137/bbl. Thermal coal rocketed up an unprecedented 80%.
- The significant rise in energy costs is escalating the cost of production for manufacturing and mining globally, prompting the suspension of even more metal and metal alloy smelting across Europe. **Zinc** jumped 14% in March. The LME halted **nickel** trading after an unprecedented 250% spike in the price of nickel to over US\$100,000/t. Major producer Tingshan was under pressure to meet margin calls in the billions. All other base metals established fresh year-to-date highs and **copper** set a record-high.
- To try to stem an **inflation** rate running at 7% pa, the US Fed commenced a cycle of hiking interest rates with a 25bp rise, the first hike in 3 years. Most commentators agreed that the Fed was "behind the curve" in starting the rate hike cycle, and hawkish comments from some Federal Reserve governors indicated a series of 50bp hikes could occur over the remainder of 2022.
- The US yield curve inverted at the end of March, a signal which is often a sign of a coming recession.

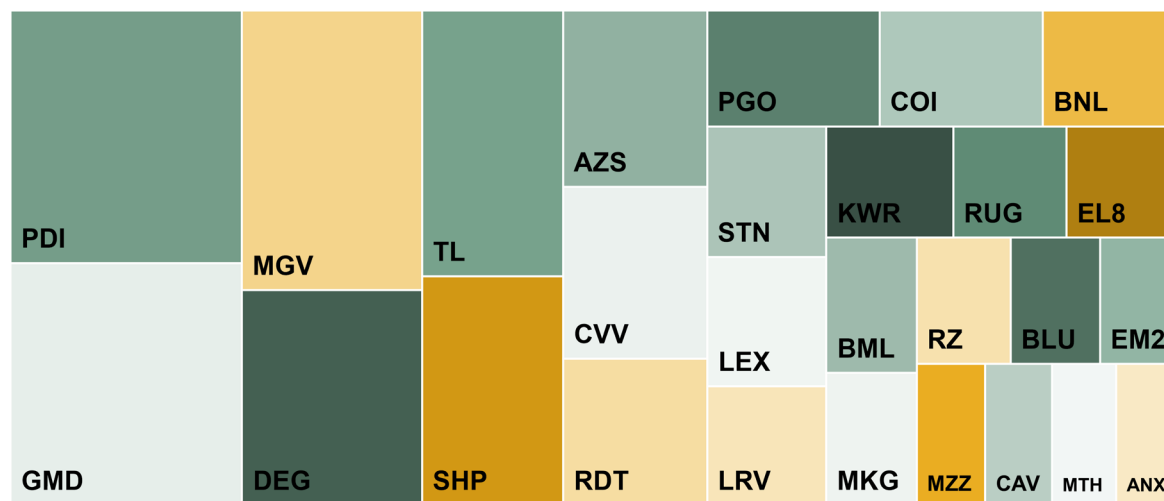
Lowell Resources Funds Management Ltd. **LRT**

- Inflation and an **interest rate** hiking cycle have historically been favourable for commodity prices. US real interest rates rose, but remained negative, while 10 year treasury bond yields have increased from a low of around 0.8% to over 2.6%.
- **Gold** typically performs best in the first 6-12 months after the first interest rate rise in a tightening cycle. **Gold** spiked to over US\$2,050/oz in early March. The first quarter of 2022 year was the US mint's strongest sales quarter for 23 years.
- The US, UK, Canada, France, Germany, Italy and the European Commission blocked Russia's central bank from using its roughly \$630bn stockpile of foreign reserves (22% made up of **gold** holdings). Around 45% of ~\$630bn central bank reserves were in the US, UK, France, Germany and Japan at the end of 2020.
- The Russian central bank said it will start buying **gold** again on the domestic precious metals market. The Bank of Russia spent six years rapidly accumulating gold, doubling its holdings and becoming the biggest sovereign buyer. It stopped in March 2020 as prices spiked at the onset of the pandemic, and has largely kept its stockpile steady since.
- Western banks began "self-sanctioning" financing of Russian energy, while major energy companies BP and Shell announced exits from Russian investments.
- Shell exemplified the decade-long capital flight of **oil** majors from investments in their core businesses, announcing a deal to buy 49% of WestWind Energy Development in Australia, deepening its push into renewable energy. Shell also announced an \$8.5 billion share buyback scheme, as high fossil fuel prices generate soaring profits.
- Peabody Energy Corp, the biggest U.S. **coal** producer has formed a joint venture to develop utility-scale solar projects on land around previous coal mining operations.
- U.S. Republican Senators introduced a bill to ban U.S. imports of Russian **uranium**. Russian production is significant in terms of enrichment – contributing are about 38% of global capacity and 20-25% of the US's enriched uranium.
- The White House announced it would add **nickel** and battery materials to the list of items covered by the 1950 Defense Production Act -- the same legislation which was used to make steel for the Korean War. US Commerce Secretary Gina Raimondo committed to help finance Australian **critical minerals** projects through America's export financing arms.
- Major **aluminium** shipper A.P. Moller-Maersk said it was halting vessel bookings to and from Russia, deepening supply turmoil for buyers who are already facing critical shortage.
- Mineral Resources said "unprecedented global customer demand for **lithium** product" had convinced it to resume exports from Western Australia's Wodgina mine in May, months earlier than its former September schedule. Prices for the spodumene concentrate that Australian lithium miners produce were as low as \$US400 per tonne in August 2020, but have soared to over \$2,400 per tonne this year as strong sales of electric vehicles drove demand for the battery mineral. Some miners have reported selling small volumes on daily spot markets for about \$US32,00 per tonne in recent months
- **Palladium** hit fresh record highs of almost US\$3,200/oz following fears of further disruption in supplies from a country which accounts for over 40% of global supplies.

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 18-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.

LRF Portfolio by Value 31 March 2022



Lowell Resources Funds Management Ltd. **LRT**

Characteristics of the Fund

Number of investments: 72

Unlisted Investments: 7%

Average Market Capitalisation of Investee companies: AUD\$86 million

Weighted Average Market Capitalisation of Investee companies in portfolio: AUD\$221 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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