



LOWELL RESOURCES FUNDS MANAGEMENT



MONTHLY UPDATE

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

February 2023

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

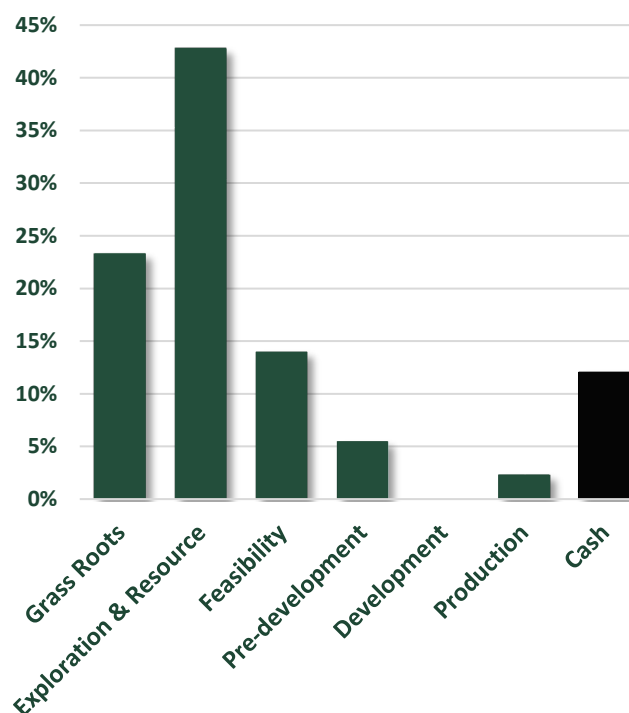
The Lowell Resources Fund's estimated net asset value ('NAV') at the end of February 2023 was approximately \$41.4m, compared to \$46.3m at the end of January 2023.

The NAV per unit finished the month of February at \$1.3114/unit (vs \$1.4684/unit at 31 January 2023), a decrease of 10.7% over the month. The traded unit price of the ASX listed LRT units at month end was \$1.14/unit.

FUND SNAPSHOT 28 February 2023

NAV per unit	\$1.3114
No. of Units on issue	31,564,087
Market Price (ASX)	\$1.14 / unit
Estimated NAV	\$41.4m
FY 22 Distribution	\$0.1157/unit
Market Capitalisation	\$35.9m

**LRF Portfolio Value by Project Stage
28 February 2023**



Lowell Resources Fund. (ASX: LRT)

Fund Investment Actions - February 2023

After a strong January for gold and gold stocks in particular, when the Fund took advantage of strength in the market to boost its cash holdings to over 10%, February saw a significant market pull back in commodity prices and junior resources stocks.

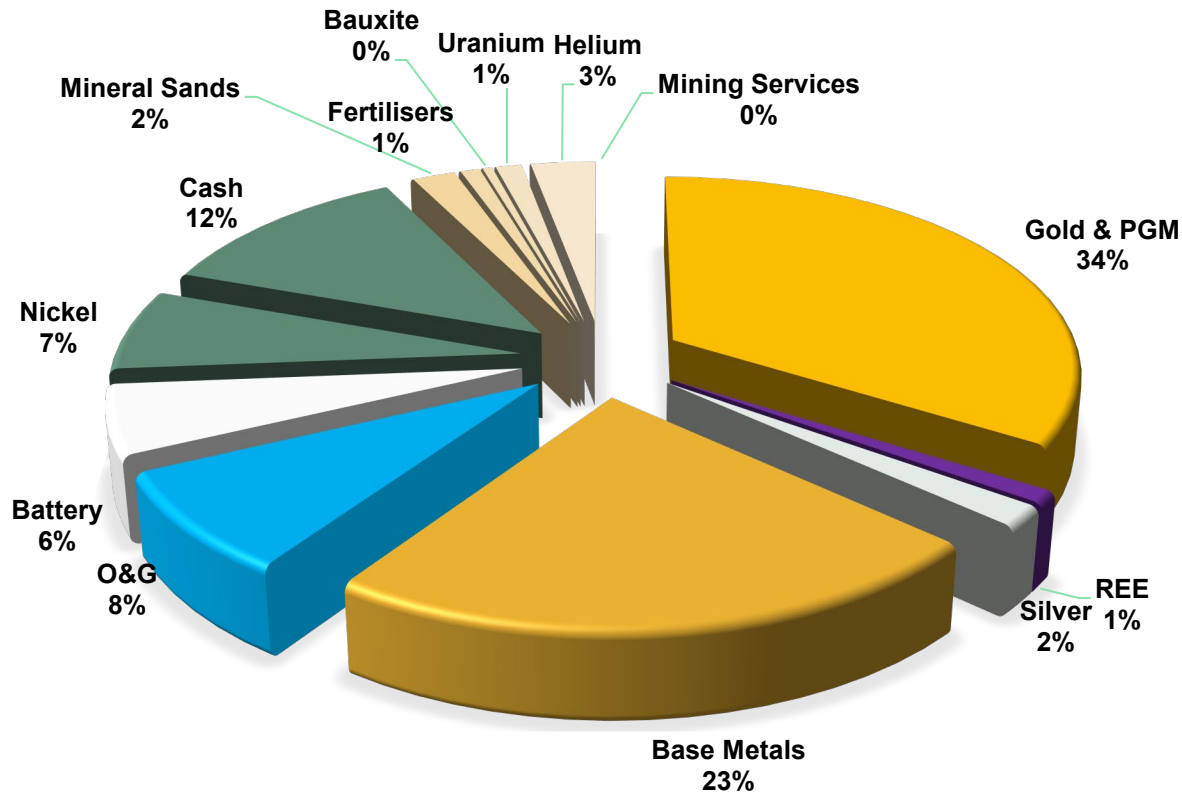
Early in February, the Fund sold its final shares in De Grey Mining at \$1.50/sh, a highly profitable investment with an average entry price of \$0.09/sh and an average exit price of \$1.10/sh. The Fund also exited Kingwest Resources. New gold investments were made in Golden Rim Resources, TSXV listed Sanu Gold, and unlisted Unity Energy & Resources.

The Fund added to positions in iron ore plays Arrow Minerals (Simandou North project in Guinea) and WA developer CZR Resources.

In battery metals, the Fund subscribed to the IPO of Leeuwin Metals, which holds nickel and lithium projects in the Thompson Nickel Belt, Manitoba. The Fund also bought stock in QC Copper & Gold, a TSXV listed company focused on copper in Quebec.

The Fund exited its profitable position in services company Matrix Composites & Engineering.

LRF COMMODITY EXPOSURE 28 FEBRUARY 2023



Lowell Resources Fund. (ASX: LRT)

Fund Top Holdings

Predictive Discovery (Market Cap A\$304m PDI.ASX) upgraded to indicated classification 50% of its 3.5Moz NE Bankan Deposit in Guinea, in preparation for a scoping study in 2023. New drill intersections outside the current resource included 13m at 6 g/t Au from 601m, extending the underground potential of the deposit.

Musgrave Minerals (Market Cap A\$104m MGV.ASX) identified a new high grade lode at its 100% owned Cue gold project in WA, with a single RC hole returning 4m at 8.2 g/t Au from 50m. The current mineral resource at Cue stands at 927koz at 2.3 g/t Au.

Caravel Minerals (Market Cap A\$115m CVV.ASX) confirmed PFS assumptions of the use of high pressure grinding rolls at its namesake copper project in the WA wheatbelt.

Azure Minerals (Market Cap A\$94m AZS.ASX) announced the first drill intersection in spodumene pegmatite at the Andover nickel project in WA returned 7.2m at 1.5% Li₂O. Several hundred pegmatites have been mapped at surface at the project with rock chip grades of up to 4% Li₂O.

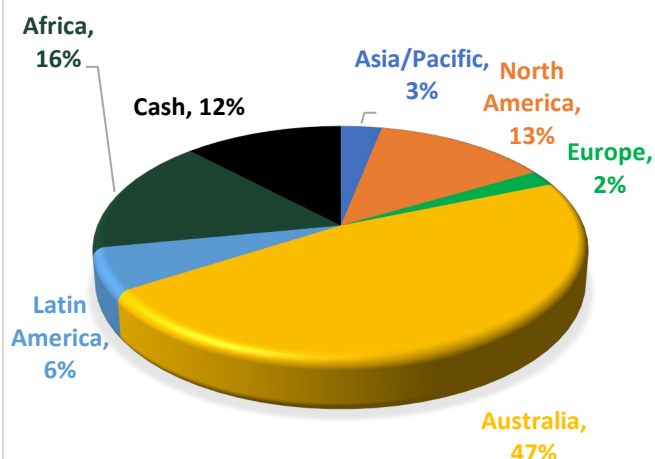
Southern Cross Gold (Market Cap A\$102m SXG.ASX) announced an intersection of 18.6m at 1.2 g/t Au and 1.8% antimony at its 100% held Sunday Creek project in Victoria. Sunday Creek has returned 19 intersections of over 100g.m Aueq.

Lefroy Exploration Limited (Market Cap A\$35m LEX.ASX) announced more thick intersections at its archaean porphyry Burns project in the WA Goldfields, including 66m at 0.85% Cu & 0.4 g/t Au, 78m at 0.64% Cu & 0.35 g/t Au, and 69m at 0.86% Cu & 0.41 g/t Au.

Fund Top Performer

Sierra Nevada Gold Ltd (Market Cap A\$17m SNX.ASX) share price rose by 22% over February 2023. SNX intersected 29m at 1.3 g/t Au at its Colorback prospect in Nevada.

PORTFOLIO BY GEOGRAPHY OF MAIN PROJECT 28 FEBRUARY 2023



Company	Commodity	% of Gross Investments
Cash	Cash	10.2%
Predictive Discovery	Gold	5.2%
Musgrave Minerals	Gold	4.7%
Caravel Minerals	Copper	4.4%
Genesis Minerals	Gold	3.5%
Azure Minerals	Li-Ni	3.4%
Talon Metals	Nickel	3.3%
Comet Ridge	O&G	2.8%
Southern Palladium	PGE	2.4%
Southern Cross Gold	Gold	2.4%
Lefroy Exploration	Copper-Gold	2.3%

Lowell Resources Fund. (ASX: LRT)

Performance Comparison – February 2023

Over the past 3 years, the Lowell Resources Fund's change in underlying estimated net asset value per unit (inclusive of distributions and after fees and expenses) was 35.3%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 three and ten years.

Total Portfolio Performance to 28 February 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	-28.1%	-11.9%	12.1%	7.2%
3 years p.a.	35.3% pa	15.1% pa	19.0% pa	7.9% pa
10 years p.a.	9.45% pa	-0.25% pa	7.5% pa	8.0% pa

The LRT.ASX traded unit price at the end of February was \$1.14/unit, compared to \$1.225/unit at the end of January 2023.

Market Notes

Economics

- On the anniversary of Russian's invasion of **Ukraine**, the prices of many major commodities have fallen back to lower levels than in January 2022, before the start of the war, including oil, coal, European and US gas, copper and zinc. Even palladium, where Russian produces around 40% of world supply, is down 25% over the past year. Notable exceptions are nickel, iron ore and lithium.
- The US Personal Consumption Expenditures ('PCE') price index, the US Federal Reserve's preferred measure of **inflation**, jumped 5.4% in January from a year earlier, or 0.6% month on month. Core PCE, which excludes volatile food and energy prices, also rose 0.6% mom (up 4.7% from a year ago). Both measures were above economist expectations after several months of declines.
- Prior to that data, the US Federal Reserve had raised **rates** by 25 basis points. Chairman Jerome Powell said the Fed is not looking to cut rates anytime this year. Minutes from the Federal Reserve's meeting at the start of February hinted at further interest rates increases to bring down inflation.
- BHP chief Mike Henry said "pent-up demand" was being unleashed in China following extended pandemic lockdowns and saw "green shoots" in **China's** lending and property sectors that could stoke demand for commodities.
- Japan** CPI hit a 41 year high for January.

Lowell Resources Fund. (ASX: LRT)

Metals

- **Gold** had a ~\$US100/oz correction after its best start to the year in over a decade. Stickier inflation data and a robust US consumer has weighed on gold by pushing real US Treasury yields higher alongside the dollar. The WGC reported that central banks bought more than 800 tonnes of gold in the second half of last year, accumulating 417 tonnes between October and December. 2022 ended up being a record year, with central banks adding 1,136 tonnes of gold to global foreign reserves
- Newcrest Mining directors rejected a \$24.4 billion takeover bid from the world's biggest **gold** miner, Newmont, but agreed to give it access to confidential information in the hope it flushes out a higher offer. The update comes as Newcrest announced dividends three times the market expectation.
- The world's second largest **copper**-gold mine, Freeport McMoRan's Grasberg suspended its mining operation following a major flood. The impact on copper output is tentatively estimated to be a loss of at least 100,000 tonnes. This is the second Indonesian mine hit by flooding in the past month. Amman Mineral Nusa Tenggara postponed first-quarter copper shipments from its Batu Hijau copper-gold mine on the island of Sumbawa after severe flooding halted operations. In Panama FQM was banned from loading and shipping copper at its 350kt/pa Cobre Panama mine, with no further storage capacity available. Production at the mine has been halted, the tenth largest copper mine globally. However, in Peru protestors lifted a blockade that has been stifling MMG's Las Bambas and Glencore's Antapaccay's ability to secure key supplies and ship concentrate.
- The **molybdenum** price has rocketed on the back of tight supply from disruptions to mines in South America (Peru and Chile), and firmer demand out of China. The price has doubled in the last 6 months, and quadrupled since 2021.
- Commodities trader Trafigura said it would take an almost half a billion dollar charge in relation to an alleged **nickel** fraud (as much as 25,000 tonnes of nickel), after discovering that some nickel cargoes it bought didn't contain the metal they were supposed to. Frustration in the industry has continued to build over nickel prices, with BHP calling for "reform" to the LME metal delivery rules for nickel, while other market participants tried to develop alternative pricing mechanisms.
- China became a net exporter of **zinc and lead** in 2022 for first time since 2007. Fastmarkets is forecasting a 48,000-tonne **lead** deficit for 2023, expected to rise to a 77,000-tonne deficit in 2024.
- **Lithium** carbonate and hydroxide prices weakened in February following weaker demand in China the world's largest market for electric vehicles. However, Sigma Lithium shares jumped on news that Tesla was weighing a takeover of the company which is developing a hard rock lithium mine in Brazil. The rise in share price drove the company to a market capitalisation of C\$4.8 billion.
- According to J.P. Morgan and Citi research, CATL will begin effectively discounting its **lithium** batteries. CATL will price its batteries on a lithium price-linked basis: 50% of the batteries embedding a price for lithium carbonate, the benchmark price for lithium products, of 200,000 yuan per metric ton, or about \$30,000/t. The rest of the batteries will embed the spot market price of lithium carbonate (around US\$64,000/t in February). CATL mines about 10% of its lithium consumption, but has 68% of Chinese EV battery market share. The \$30,000 per-metric-ton pricing level is \$10,000 more per ton than leading miner Albemarle suggested in January is needed to guarantee supply of lithium to the auto industry in the long run.
- **Cobalt** prices have fallen 50% since their peak in May 2022 to c.\$39,000/t. Demand for electronics including laptops, phones, and tablets, which require more cobalt than EV batteries, have fallen between 30-40% over the past 12 months. Demand from EVs remain strong, however manufacturers are shifting to minimal cobalt battery chemistries.

Lowell Resources Fund. (ASX: LRT)

- Alumina Limited chief Mike Ferraro likened the Chinese recovery to “a slingshot” and saw a coming shortage of **alumina**.
- US Treasury department has targeted Russia’s metals and mining industry with its latest round of sanctions. It has imposed a 200% ad valorem tariff on imports of **aluminium** from Russia as of March 10th.
- **Iron ore** prices surged to over US\$130/t in China.

Energy

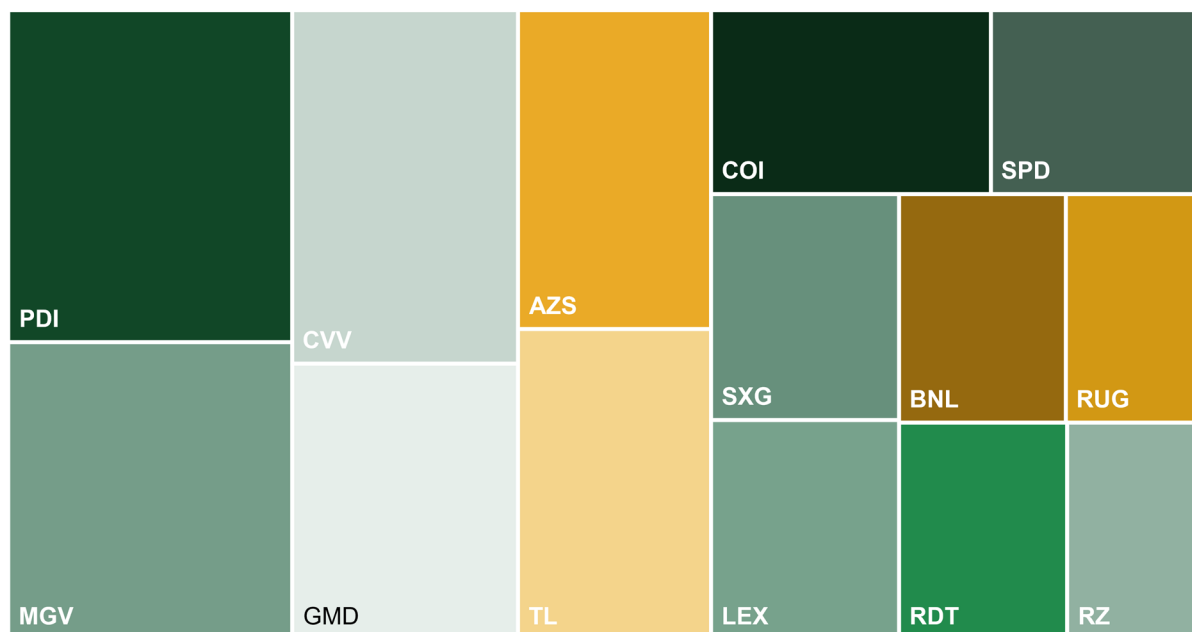
- **European** countries’ bill to shield households and companies from soaring energy costs has climbed to nearly €800 billion since September 2021, researchers from Breugel have calculated. Germany topped the spending with €270bn. However European Energy Futures have plunged by more than 80% from their August peak when Russia’s gas cuts hit Europe, hammering economies and pushing inflation to the highest in decades. The price falls are due to relatively mild weather, efforts to reduce fuel consumption and strong inflows of liquefied natural gas from the US and Qatar.
- Moscow said it would reduce **Russian oil** production by half a million barrels in February, equivalent to about 5% of January levels. The “cut” (perhaps forced as a result of field declines?) was the first major effect on Russian production from the swathe of sanctions that have been placed on the country’s output. Despite the cuts, Russia’s partners in the OPEC+ coalition signaled they wouldn’t boost output to fill in for the reductions - officials indicated they intend to leave oil production quotas unchanged throughout 2023. OPEC+ assigned the fixed production targets in October 2022.
- The **oil** price posted its 4th straight monthly fall, despite the International Energy Agency (IEA) projected that global **oil demand** is set to rise by 1.9 million barrels per day in 2023 to a record 101.7 million barrels per day. Nearly half the gain is attributed to China following the lifting of COVID restrictions with jet fuel accounting for the largest source of the growth.
- **Jet fuel** prices reached 12-year highs relative to diesel, spurred by China’s COVID re-opening.
- The 8.8m barrels a day of **petrol** consumed in the US last year was 6% lower than record volumes sold before the coronavirus pandemic. Consumption will continue to decline in 2023 and 2024, the US Energy Information Administration forecast. US petrol accounts for about 9% of global oil use, the world’s largest single market for an oil product. US drivers are driving less, mostly in cities, and fuel economy of vehicles has improved (30% improvement from 2004 to 2022).
- Australian Federal Environment minister Tanya Plibersek rejected Clive Palmer’s central Queensland coking **coal** mine on environmental grounds. This is the first time a coal mine has been rejected under Australia’s 22-year-old Environmental Protection and Biodiversity Conservation Act. The Newcastle thermal coal price is once again below the coking coal price.
- In the wake of Australian Federal Government intervention in the east coast **gas** market, spot prices have fallen back below \$20/GJ. However both the ACCC and AEMO warned of rising winter shortages from mid-2023. Some companies have “paused” new invested activity aimed to grow supply, specifically offshore Victoria where costs are high, pending clarification of the new “reasonable price” regime to be applied for contracts after 2023.
- China accelerated its **coal** power plans in 2022, quadrupling the number of new permits and approving new capacity equivalent to all the UK’s plants combined. Local governments permitted 106 gigawatts of new plants, the most since 2015.

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 19-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 28 February 2023



Lowell Resources Fund. (ASX: LRT)

Characteristics of the Fund

Number of Investments: 77

Unlisted Investments by value: 7%

Average Market Capitalisation of Investee Companies: AUD\$49 million

Weighted Average Market Capitalisation of Investee Companies in Portfolio: AUD\$96 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