



LOWELL RESOURCES FUNDS MANAGEMENT



MONTHLY UPDATE

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

January 2022

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

The Lowell Resources Fund estimated net asset value ('NAV') at the end of January 2022 was approximately \$55.6m, compared to \$57.2 million at the end of December 2021.

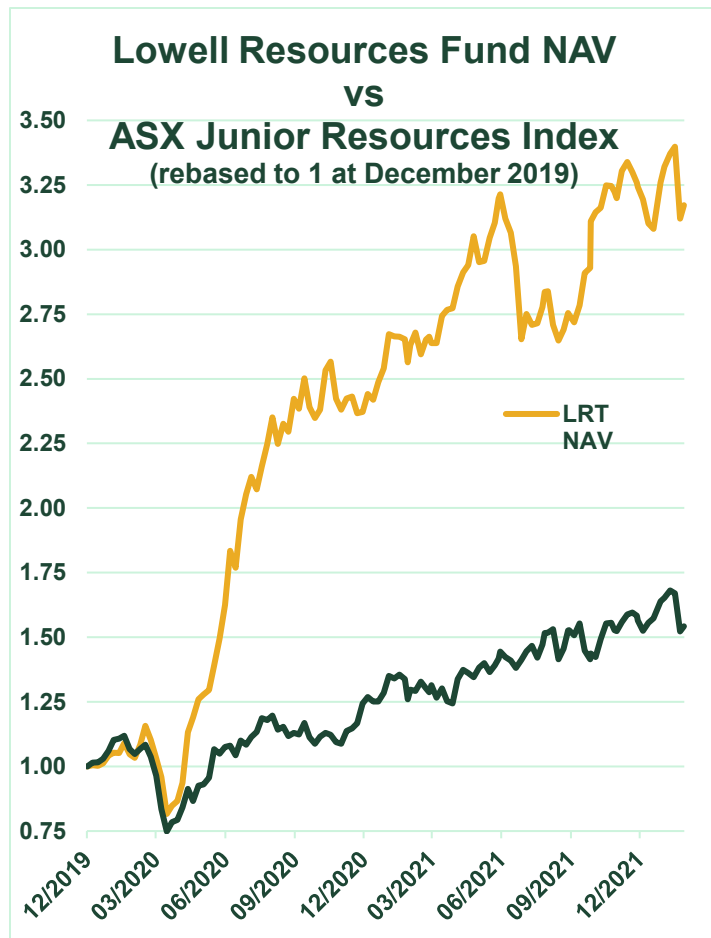
The NAV per unit finished the month of January at \$1.896/unit (vs \$1.948/unit at 31 December 2021). The traded unit price of the ASX listed LRT units at month end was \$1.75/unit.

FUND OVERVIEW

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

FUND SNAPSHOT 31 January 2022

NAV per unit	\$1.896
No. of Units on issue	29,354,614
Market Price (ASX)	\$1.75 / unit
Estimated NAV	\$55.6m
August 2021 Distribution	\$0.15/unit
Market Capitalisation	\$51.4m



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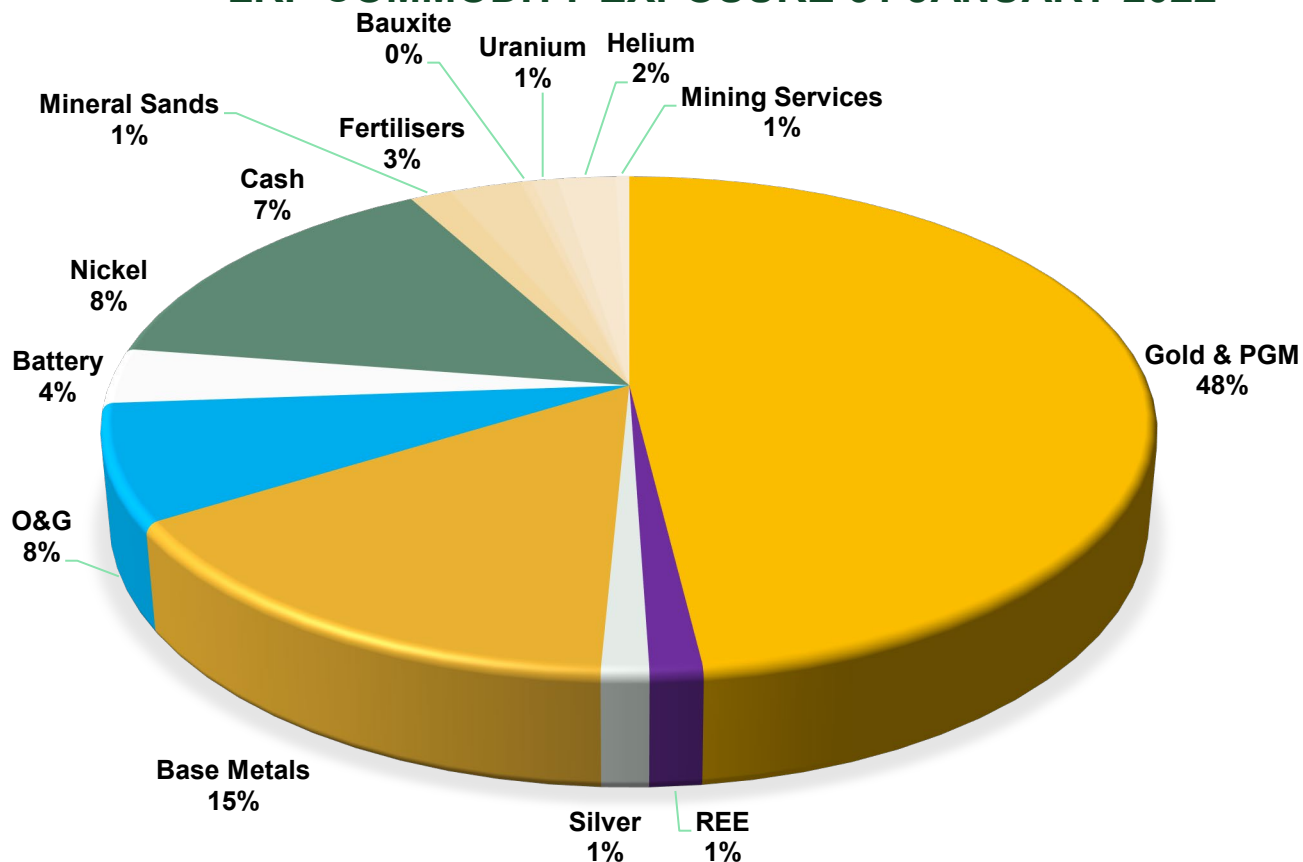
Fund Investment Actions - January 2022

In precious metals, the Fund boosted its holdings in ASX listed west Africa-focused explorer African Gold, and participated in the pre-IPO round for Mawson Gold spin-off Southern Cross Gold. The Fund also added to its positions in Alchemy Resources and Carnavale Resources.

In precious and base metals, the Fund completed its profitable exit from Zenith Minerals, as Zenith's share price rose after refocusing on lithium and receiving positive results from the Earraheedy zinc JV.

In January, the Fund also added to its position in O&G supply company Matrix Composites & Engineering.

LRF COMMODITY EXPOSURE 31 JANUARY 2022



Fund Top Holdings

Predictive Discovery (PDI.ASX) appointed new MD Andrew Pardey, previously CEO of US\$1.5 billion LSE/TSX-listed Centamin plc. Paul Roberts will continue to lead the team which discovered the 3.6Moz NE Bankan deposit as Technical Director. Progress was made in the permitting process for the development of the project with the government of Guinea.

Musgrave Minerals (MGV.ASX) JV partner Evolution Mining intersected new high grade lodes at West Island, including 4.3m at 41.5 t/t Au. Evolution has added \$3-6m to its spending on the JV this half year and elected to take over management of the JV. On its 100% owned ground, MGV drilled three new gold zones on the Waratah trend, including 2m at 28 g/t Au. Target 14 also returned 9m at 8.7 g/t Au.

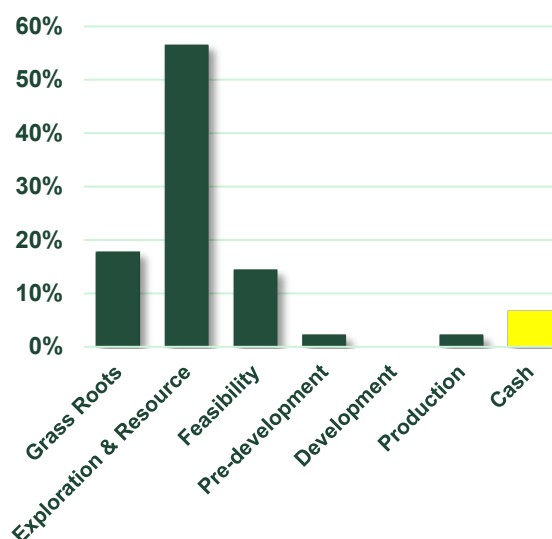
Azure Minerals (AZS.ASX) began its first drilling program at the 100% owned Barton gold project, including testing for along-strike extensions of Genesis Minerals' Puzzle North discovery which adjoins Azure's tenement boundary.

Talon Metals (TL.TSX) announced it had entered into an agreement with Tesla Inc to supply 75,000t of nickel in concentrate from the company's Tamarack Nickel Project in Minnesota.

Fund Top Performer

Pacgold Limited (PGO.ASX) share price rose 82% in January, and moved into the top 10 holdings for the Fund. PGO announced a significant expansion of the new high-grade gold zone below and along strike of the historical open pit at its Alice River gold project in Far North Queensland. Drill results included 17m at 9.3g/t Au and 6m at 6.5 g/t Au. The gold system has been identified over 3.5km of strike. The Fund has invested in the company at its seed funding round, at IPO and on-market post-listing.

LRF Portfolio Value by Project Stage
31 January 2022



Company	Commodity	% of Gross Investments
Cash	Cash	6.6%
Predictive Discovery	Gold	7.6%
Genesis Minerals	Gold	6.0%
Musgrave Minerals	Gold	5.6%
De Grey Mining	Gold	4.7%
Azure Minerals	Nickel	4.1%
Talon Metals	Nickel	3.9%
Pacgold	Gold	3.4%
Caravel Minerals	Copper	3.0%
South Harz Potash	Potash	2.5%
Blue Star Helium	Helium	2.4%

Performance Comparison – January 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 33.2%, and 87.3% 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 one, 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	33.2%	+22.4%	13.6%	9.4%
2 years p.a.	87.3% pa	+20.4% pa	10.7% pa	3.0% pa
5 years p.a.	22.1% pa	+11.3% pa	13.7% pa	8.5% pa
10 years p.a.	13.9% pa	-3.7% pa	4.8% pa	9.5% pa

The LRT.ASX traded unit price at the end of January was \$1.75/unit, the same unit price as at the end of December.

Market Notes

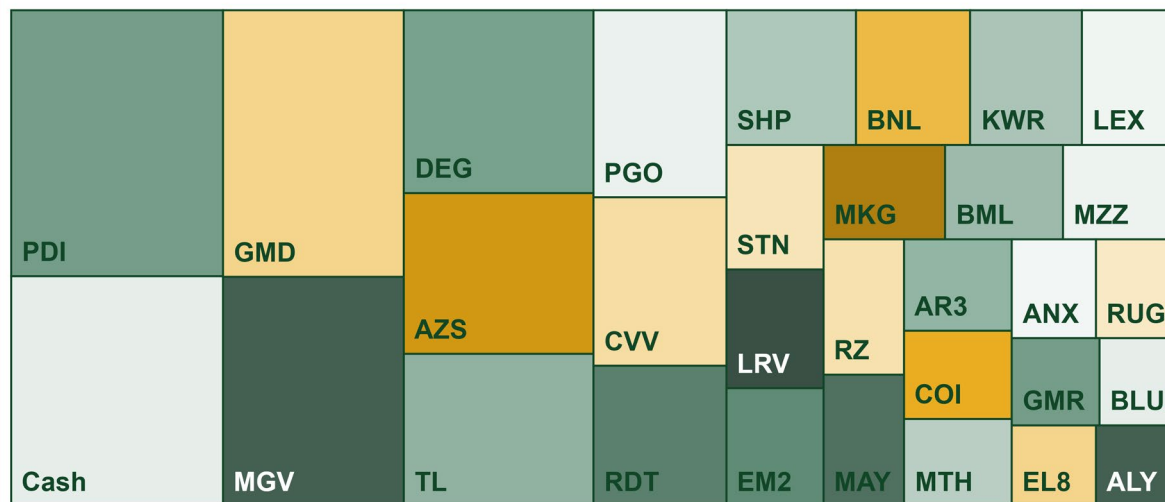
- Equity markets were volatile in January, with the S&P 500 falling over 9% at one point from 1st January levels. US real interest rates climbed back to pre-Covid levels, unemployment in the US dropped to a pre-pandemic 3.9% low, and the December US consumer price index rose 7% from a year earlier, the fastest pace since June 1982.
- Excluding food and energy, so-called "core CPI" was up 5.5% on the year, the biggest growth since February 1991. Jerome Powell called **inflation** a "serious threat" and said the US Fed won't hesitate to act to rein it in, signaling it will begin lifting interest rates "soon".
- The Fed's statements pushed the yield on the 2-year bond up 10 basis points, while the 10-year bond reached 1.86%.
- The US \$ **gold** price was softer over January, but SPDR Gold Shares, the largest bullion-backed exchange-traded fund, recorded its biggest one-day net inflow in dollar terms since listing in 2004 -- worth \$1.63 billion. Holdings declined in 2021, a lacklustre year for gold prices.
- Oil** markets rallied alongside rising tensions in the Russia-Ukraine conflict which caused jitters in the market about potential supply disruptions. Futures in New York rose as much as 2.6% with the Brent global benchmark touching \$US90 per barrel for the first time in seven years in late January. According to the Rice Report, despite OPEC having undertaken to increase supply, only two of its members have been able to achieve that, being Saudi Arabia and Iran. There are claims that Russia is at capacity limits and 17 other OPEC members are below the quota because they have

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hit their production constraints.

- Indonesia president Widodo said that more than 2,000 mining, plantation and forest use permits had been revoked, of which 1,776 were for metals and minerals mining.
- The **nickel** price hit decade highs as inventories fell for 50 straight days (the most since 2000) as Shanghai stocks neared their record low. BHP, having lost the battle for Noront nickel, invested \$100m in the Kabanga early stage nickel project in Tanzania. Tesla announced an offtake agreement with Talon Metals' Tamarack nickel project in Minnesota.
- **Iron ore** surged back over US\$147/t.
- Bank of America forecast the global **aluminum** market to be in a deficit of 254,000 tons this year, and a much larger deficit of 1.876 million tons in 2023. It expects spot aluminum prices to average \$3,125/t this year, up 26% from the 2021 average. Soaring power costs from the European energy crisis have forced producers to cut output in the region. Smelters in France and Spain have reduced output by more than 590,000 tons, according to CRU Group. Chinese smelters, which produce about half of the world's primary aluminum, are also expected to curtail output.
- **Rare earth** prices jumped again, increasing costs for manufacturers such as car makers. Neodymium and praseodymium - elements used in permanent magnets for cars and electric motors - rose to the highest level in more than a decade. Chinese industry regulators urged raw-material companies in the electric vehicle supply chain to absorb some of the cost increases instead of passing them on to avoid undermining EV development. China is a dominant producer of rare earths, accounting for 70% of global production, and exports rose to a record last year. The country is consolidating the sector by merging key producers to strengthen its control over the industry.
- It was feared the spread of protests in Kazakhstan could eventually cause workforce absenteeism and supply chain issues, resulting in a temporary **uranium** supply disruption. 46% of global mine supply of uranium is produced in Kazakhstan. Uranium supply out of Kazakhstan was already expected to be under pressure in 2022, with Kazatomprom, the world's largest producer, previously flagged ongoing supply chain issues related to COVID-19. Unrest in Kazakhstan also lent support to the **copper** price.
- Reportedly the world's first shipment of liquefied **hydrogen** began loading at the port of Hastings in Victoria, due to depart for Japan. However, experts say the extremely low temperature required for the long-distance transportation of liquid hydrogen and its lower energy density compared with LNG make it a significantly more expensive energy source.
- **Lithium** carbonate prices in China spiked to over US\$48,000 per tonne. Mine supply is struggling to keep pace with new Gigafactory expansion and has also been hit by a plant maintenance and output limits in China alongside labour shortages in Australia. . Buoyed by a combination of a rebound in demand and the industry's inability to quickly increase supply, lithium prices soared in 2021 – carbonate jumping 431%, hydroxide 340% and spodumene 532%.
- **Palladium** rose to its highest in four months, with traders looking to secure supplies amid growing tensions over Ukraine as Russia, the top metal producer, massed troops near the border. Russia produces around 40% of freshly mined palladium.

LRF Portfolio by Value 31 January 2022



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.

Characteristics of the Fund

Number of investments: 76

Unlisted Investments: 8%

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

Weighted Average Market Capitalisation of Investee companies in portfolio: AUD\$196 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

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WARNING

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