LOWELL RESOURCES
FUNDS MANAGEMENT

MONTHLY UPDATE

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

February 2022

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

The Lowell Resources Fund estimated net asset value ('NAV') at the end of February 2022 was approximately $56.4m, compared to $55.6m million at the end of January 2022.

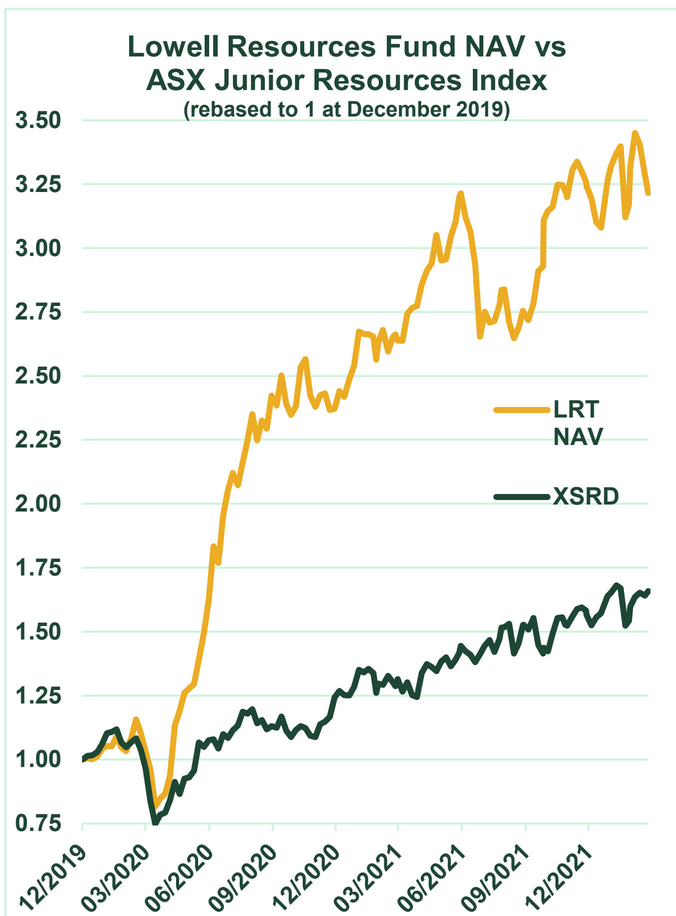
The NAV per unit finished the month of February at $1.922/unit (vs $1.896/unit at 31 January 2022), an increase of 1.4%. The traded unit price of the ASX listed LRT units at month end was $1.935/unit.

FUND OVERVIEW

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

FUND SNAPSHOT 28 February 2022

NAV per unit	$1.922
No. of Units on issue	29,351,614
Market Price (ASX)	$1.935 / unit
Estimated NAV	$56.4m
August 2021 Distribution	$0.15/unit
Market Capitalisation	$56.8m

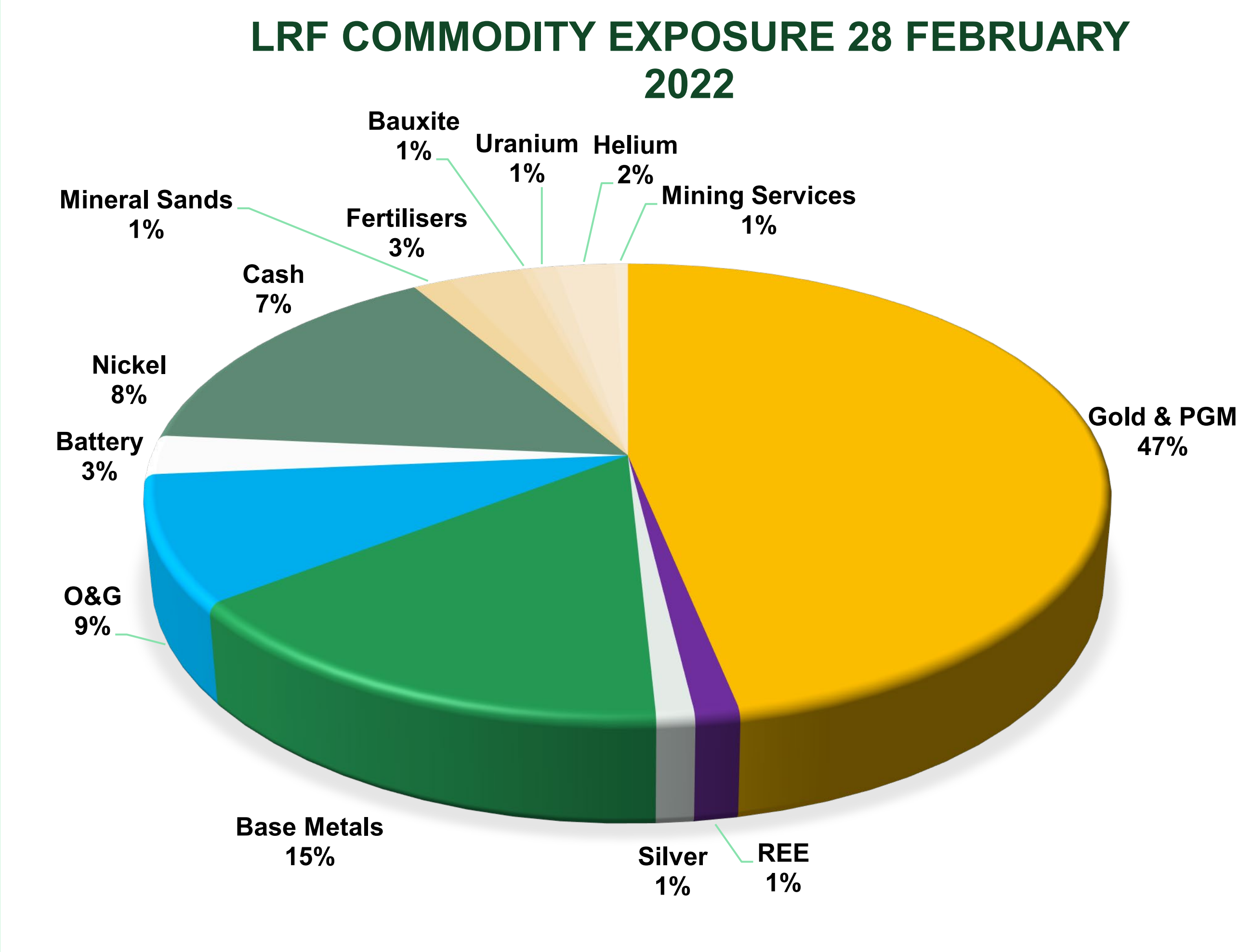


Fund Investment Actions - February 2022

In energy, the Fund added to its position in Canadian producer Calima Energy, and acquired stock in Mongolia-focused CSG developer TMK Energy as a result of the Fund's holding in unlisted Telmen Energy. The Fund exited its positions in FAR Limited, after a takeover bid was announced by Samuel Terry Asset Management, and in High Peak Royalties.

In gold, the Fund boosted its holdings in ASX listed Saturn Metals, Carnavale Resources and E2 Metals.

In February, the Fund added to its North American copper exposures through TSX listed Aguila Copper and Enduro Metals.



Fund Top Holdings

Predictive Discovery (PDI.ASX) announced high grade gold intersections from follow up aircore drilling of regional targets around its 3.6 Moz Bankan discovery, including: 12m at 10.5 g/t Au from 5m (800W prospect), 8m at 9.9 g/t Au (N-BCK prospect) and 6m at 10.5 g/t Au from 26m (AG2 prospect).

At **Genesis Minerals (GMD.ASX)** one of Australia's most successful gold mining managers Raleigh Finlayson took the reins as managing director. GMD announced broad, high-grade gold mineralisation at shallow depths in RC drilling at the Puzzle North discovery, including: 27m @ 8.2g/t Au from 30m, and 34m @ 13.4g/t Au from 42m.

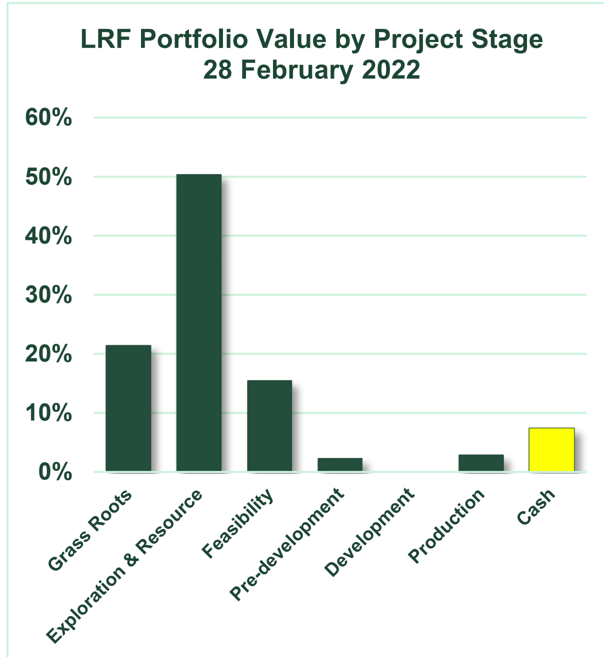
Musgrave Minerals (MGV.ASX) continued to release bonanza-grade gold drill results from its 100% owned Cue project in WA, including 9m at 110.5g/t Au from 42m, and 2.8m @ 122.2g/t Au from 72m at its new Mosaic discovery.

De Grey Mining (DEG.ASX) released resource definition drilling results at the Diucon deposit, which forms part of the huge Hemi discovery in the Pilbara of WA: 149m at 2.0 g/t Au and 152m at 2.3 g/t Au.

South Harz Potash (SHP.ASX) advanced its first drillhole at the Ohmgebirge potash project in eastern Germany. This is the first of two confirmatory holes which should allow completion of a scoping study in May 2022.

Fund Top Performer

Melbana Energy (MAY.ASX) share price rose by more than 200% in February, and moved into the top 10 holdings for the Fund. MAY announced progress results from its Alameda-1 onshore well in Cuba, which intersected a potential gross oil column of over 400m in the secondary "N" structure carbonate reservoir. The well is a 30:70 JV with Angolan national oil company Sonangol. The well is now drilling ahead to the primary and largest Alameda target, before testing the N structure.



Company	Commodity	% of Gross Investments
Cash	Cash	4.3%
Predictive Discovery	Gold	7.2%
Genesis Minerals	Gold	6.8%
Musgrave Minerals	Gold	5.6%
De Grey Mining	Gold	4.6%
Azure Minerals	Nickel	3.9%
Talon Metals	Nickel	3.8%
Melbana Energy	Gold	3.3%
Caravel Minerals	Copper	2.9%
South Harz Potash	Potash	2.6%
Blue Star Helium	Helium	2.4%

Performance Comparison –February 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 30.0%, and 85.6% 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	**30.0%**	+22.4%	12.7%	10.2%
2 years p.a.	**85.6% pa**	+31.5% pa	22.5% pa	8.3% pa
5 years p.a.	**20.1% pa**	+13.0% pa	15.9% pa	8.5% pa
10 years p.a.	**12.8% pa**	-3.3% pa	5.3% pa	9.6% pa

The LRT.ASX traded unit price at the end of February was $1.935/unit, compared to $1.75/unit at the end of January.

Market Notes

- Equity markets were volatile in January, with the S&P 500 falling by more than 9% at one point against 1st January levels. Overall the index was down nearly 3% in February.
- 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. Statements from the US Fed re the likelihood of interest rate hikes in 2022 pushed the yield on the 10-year bond over 2.0%, before falling back at month's end due to the Ukrainian conflict.
- The US$ **gold** price reached US$1,976/oz when Russia attacked Ukraine, its highest level since September 2020. Gold ETF's saw strong inflows. The Bank of Russia said it would start purchasing gold again in the domestic market, just under two years after it ended a 6 year period of gold buying. The move came after the central bank and several of the country's commercial banks were sanctioned in response to Russia's invasion of Ukraine. The Bank of Russia spent six years doubling its holdings to become the biggest sovereign buyer of the previous decade.
- Western government sanctions against Russia have specifically excluded Russian exports of **oil and gas** and aluminium, but a number of global banks and producers such as BP and Shell began "self-sanctioning" by announcing exits from their Russian operations. UK Prime Minister Boris Johnson said that the West must end its reliance on Russian oil and gas.

- In the U.S. **oil** producers are ramping up supplies to take advantage of higher prices. Production from America's Permian Basin rose to a record for a third month in a row in January, topping 5 million barrels a day. Western energy majors are on course to buy back shares at near-record levels this year as soaring oil and gas prices, and reduced capital investment, enable them to boost returns for investors. The seven super majors – including BP, Shell, ExxonMobil and Chevron – are expected to return $US38 billion ($53 billion) to shareholders through buybacks this year.

- In Germany, the Greens Party accepted a pledge to increase capacity for coal and **gas** reserves — as well as President Olaf Scholz's plan to build two liquid natural gas terminals to bring in LNG from Qatar and the US. The plan's aim is to try to reduce Germany's energy dependence on Russia, which provides it with 55% of its imported gas.

- **Aluminium** hit an all-time high on the day Russia began the armed conflict in Ukraine, amid energy shortages and supply concerns. Russian-supplied aluminium accounts for around 10% of total U.S. imports. Aluminium prices have risen more than 55% in the past year as demand has been spurred by the reopening of economies. The global market was in a 1.9 Mt deficit last year. Rusal is the world's 2nd largest aluminium producer ex-China at 70Mtpa.

- LME **copper** stocks fell 10% since January, tightening available metal into the market as problems with the Las Bambas mine in Peru continued. Global inventories fell for the 4th consecutive year, to a wafer thin 3 days of consumption. The diminishing stockpiles are primarily a result of ongoing China demand, with 2021 refined imports at 3.3mt, up from 2019.

- In 2022, diversified metal producer Nornickel said that the **copper** market is expected to be in a mild deficit of 82kt as global consumption grows on the back of further post-COVID global economic recovery and increasing investments in renewable energy and transport electrification. The company estimated that the number of planned probable copper mining developments is too small to meet the upcoming demand. That could shift the market into a sizeable deficit if no new projects are started in the next 2-3 years.

- **Chile**'s constituent assembly began discussions for a new Constitution. Parliamentarians are looking to replace Pinochet's market-focused constitution with a more socialist-based model. Potential alterations include nationalising the mining sector, increased protection for indigenous territories and radically changing the country's water rights laws. A nationwide referendum is planned for September.

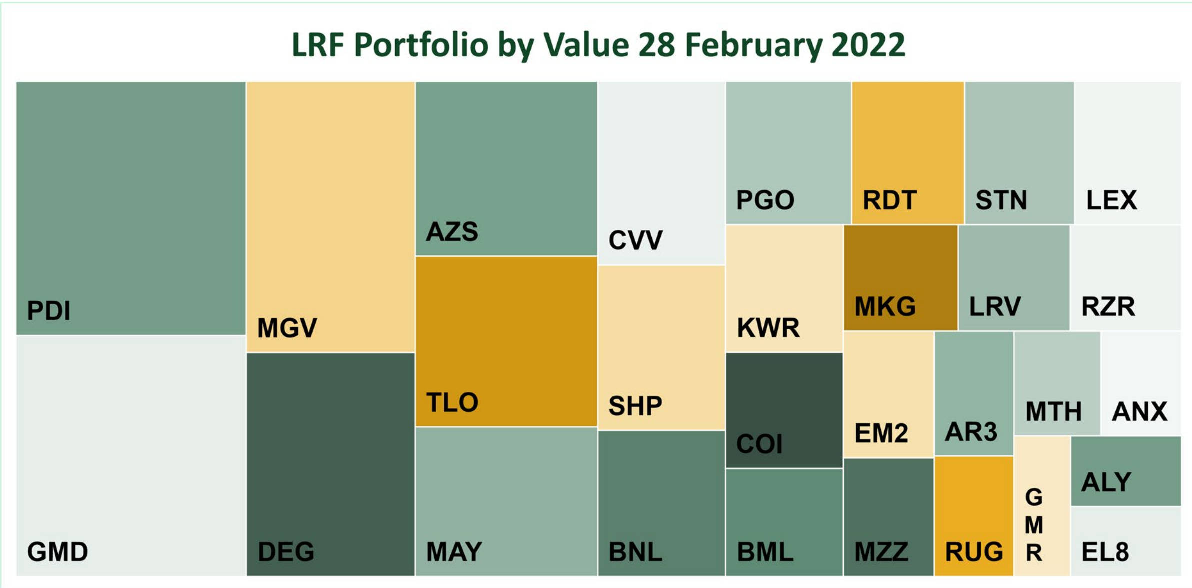
- China called a special "reminder and caution meeting" of **iron ore** market players, as Chinese authorities again tried to talk down the price. Singapore iron-ore futures tumbled 12% to a four-week low of $US131.15/t, after rising $US83.10 to $US157.25 in the previous three months.

- North America's largest **uranium** miner Cameco Corp said it wouldn't increase production to chase what one executive called "mythical" market demand. Instead, Cameco is advocating "indefinite supply discipline" by limiting production at two of its key Canadian uranium operations starting in 2024. It will reduce Cigar Lake production by 25% by 2024 as it endorsed deficit forecasts in the coming years.

- France reaffirmed its commitment to **nuclear** power following President Emmanuel Macron's announcement of plans to construct up to 14 new nuclear reactors. State-backed EDF will be responsible for the construction of at least 6 new reactors by 2050, with an option for another 8. The lives of all existing French nuclear plants will be extended where safe to do so. Germany is set to follow the trend into alternative and renewable energies and has already signalled that it might consider keeping its nuclear plants online.

- Owners of the Greenbushes' **lithium** mine in Western Australia, the largest hard rock lithium operation in the world, announced a $1.4bn plant expansion. The decision came as the price of lithium concentrate made from spodumene ore hit fresh highs.
- Spot prices for battery-grade **lithium** carbonate are 8x higher than January 2021. Demand has skyrocketed, with 26kt of LCE deployed to new vehicles in December 2021 alone – up 68% yoy and 31% mom. China has driven the demand, with new EV sales up 157.5% in 2021. Mercedes warned that 'the industrialization of mines and refinery capacities may not progress as quickly as demand increases.' Analysts do not expect a price crash as seen in 2018-2020 following Australia's ramp up in hard-rock spodumene production. Disruption from eco protestors, Australian struggles with Covid-19 labour shortages and regime change in Latin America are all expected to exacerbate already stretched supply in the coming years. Benchmark Mineral Intelligence estimate the lithium deficit to rise to 26,000t this year.
- **Nickel** jumped to its highest price since 2011 on concerns over Russian sanctions and global shortages as battery makers ramp up production to feed growth in EV sales. Russia accounts for 7% of global nickel production. Global EV sales climbed 83% yoy in 2021, and 54% of new battery capacity deployed was through high-nickel cathode chemistries. High-nickel cells continue to dominate in Europe due to the higher energy capacity of NCM 622 and increasing NCM 811 production. Sanctions on Russia could disrupt nickel supplies, though Norilsk Nickel and other Russian sales may to go into China i.e. simply changing supply routes.
- Global **cobalt** production rose 20% to 170kt in 2021. The DRC contributed 70% of that followed by Russia with 7.6kt and Australia with 5.6kt. Analysts point to the low base level in 2020 from suspended operations but draw attention to a ramp up in new supply. Cobalt prices rose 120% in 2021 and have extended gains in 2020. EV sales more than doubled in 2021, driving cobalt demand to record levels.
- Tesla is switching back to lithium-iron phosphate batteries due to the increasing cost of **nickel** and **cobalt**. The older batteries are significantly cheaper — costing about 30% per battery cell less than their nickel-rich counterparts, mainly due to the lower price of the raw materials that go into them. However, the older batteries have less range (although are more thermally stable).
- Chinese geologists claimed to have discovered a massive **lithium** spodumene hard rock lithium deposit near Mt Everest.
- **Tin** prices have risen 11% this year to $44,100/t driven by export delays in Indonesia, which produces 29% of global tin output, and strong consumer electronics demand. Indonesia exported 70% less tin in Jan 2022 than Jan 2021, as delays to private export licenses have hit available supply. Long-term supply is not forecast to be sufficient, with the ITA expecting 11 new projects by 2030 contributing 35kt into the concentrate market. Demand growth rates have doubled from 1-2%pa to 3-4%pa. Semiconductor demand has been a primary growth factor, forecast to grow an additional 9% this year.
- Billionaire Mike Cannon-Brookes proposed an A$8 billion joint takeover with Brookfield Asset Management of AGL Energy, Australia's largest electricity generator. Cannon-Brookes wants to force the company to switch from **coal** to renewables 10 years earlier i.e. by 2030. The Australian government voiced concerns that this could push up power prices and destabilise the grid. AGL is one of the first targets of Brookfield's new $US15 billion fund set up to transition to a net zero emissions economy.

- **Ilmenite** pigment margins continued to improve through 2021. Producers reported rising TiO_2 prices (China prices up 41% YoY) and an improvement in margins, while the market for feedstock remained tight with demand outstripping supply. These are ideal conditions for ilmenite and rutile producers.
- The **vanadium** price is up more than 60% in the past year. Russia supplies around 60% of the global market.
- **Palladium** rose to a near six-month peak, driven by fears of a hit to supply from top producer Russia. Russia is the world's third-largest producer of gold, while the country's Nornickel (GMKN.MM) is also a major producer of palladium and platinum, both of which are used in catalytic converters to clean car exhaust fumes. Russia produced 2.6 million troy ounces of palladium last year, or 40% of global mine production (South Africa 39%), and 641,000 ounces of platinum, or about 10% of total mine production.



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: 71

Unlisted Investments: 6%

Average Market Capitalisation of Investee companies: AUD$82 million

Weighted Average Market Capitalisation of Investee companies in portfolio: AUD$207 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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