



**LOWELL RESOURCES  
FUNDS MANAGEMENT**

# LOWELL RESOURCES FUND

SEPTEMBER 2022



ABN 36 006 769 982 AFSL 345674



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# Fund Summary



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## Characteristics of the Lowell Resources Fund

### Nature of Fund

- Long only, no gearing fund

### Investee Companies

- Small Mining & energy companies, predominantly in the exploration phase offering major growth potential

### Investment Type

- Focus on global listed and unlisted resources equities

### Distribution Policy

- 100% of taxable profits distributed annually
- A\$0.1157/unit paid 31 Aug 2022



# Fund Summary August 2022

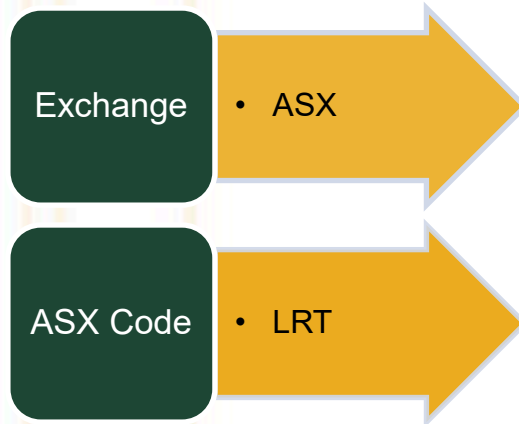


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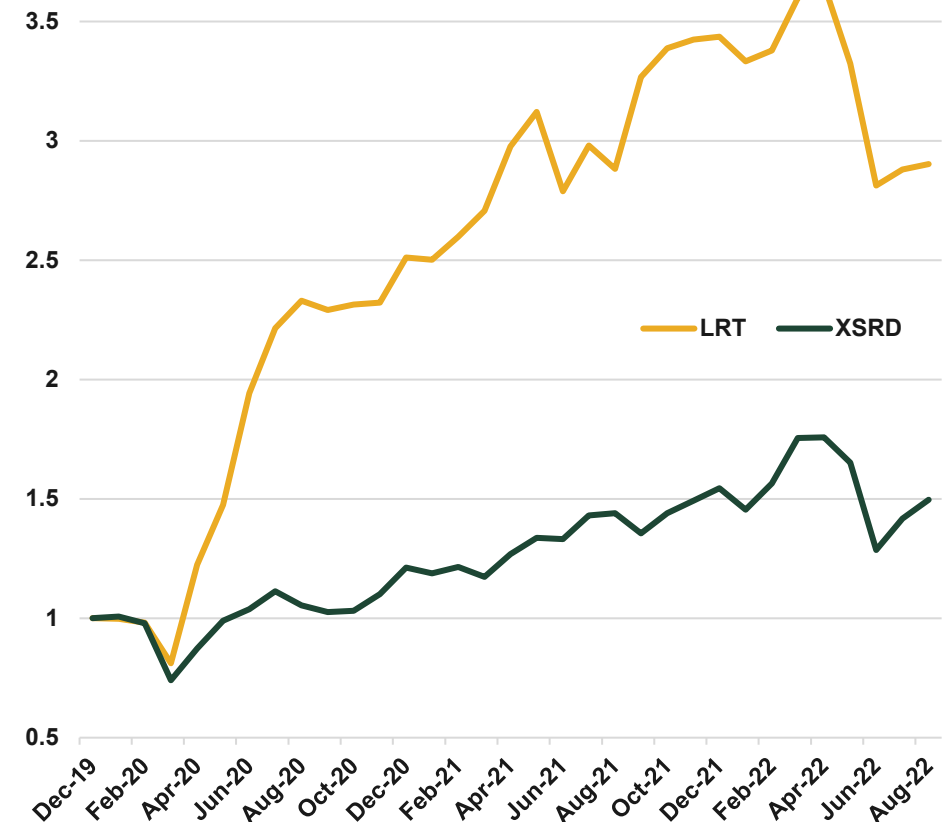
## Overview

Fund size (NAV)	A\$47.8 m
Units on issue	30.5m units
Net Asset Value 31/8/22	\$1.5658/unit
Distribution 31/8/22	\$0.1157/unit
Unit Price on 31/8/22	\$1.34
Number of unit holders	~700

## Listing summary



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



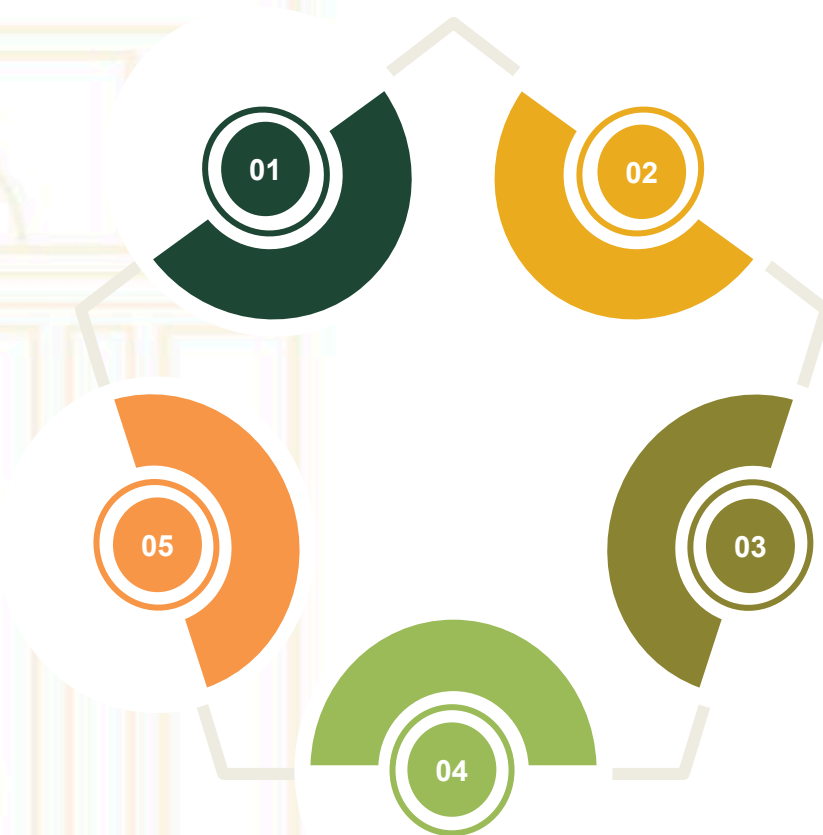
At 31 July 2021. LRT refers to Lowell Resources Fund NAV per unit, XSRD refers to the S&P/ASX Resources 300. Investment Portfolio Performance includes distributions to unitholders and is net of operating expenses, fees, taxes and interest.



# Lowell – a rare investment opportunity



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## 01 Fund Focus

- One of the few investment funds that offers exposure to the junior resources sector across Australia and global stock exchanges in unlisted and listed companies

## 02 Successful track record for 10+ years

- Superior performance over the short, medium and long term
- Total Portfolio Fund must distribute of all taxable profits

## 03 Experienced Management

- Deep technical, financial and commercial expertise and networks with experience through numerous cycles.

## 04 Unique network, not easily replaced

- Access to deal flow in public and private markets
- Proven ability to generate returns throughout the cycle
- Potential for structured investment opportunities through consultant relationships.

## 05 Liquidity

- ASX Listing under the code “LRT”



# Fund Outperformance



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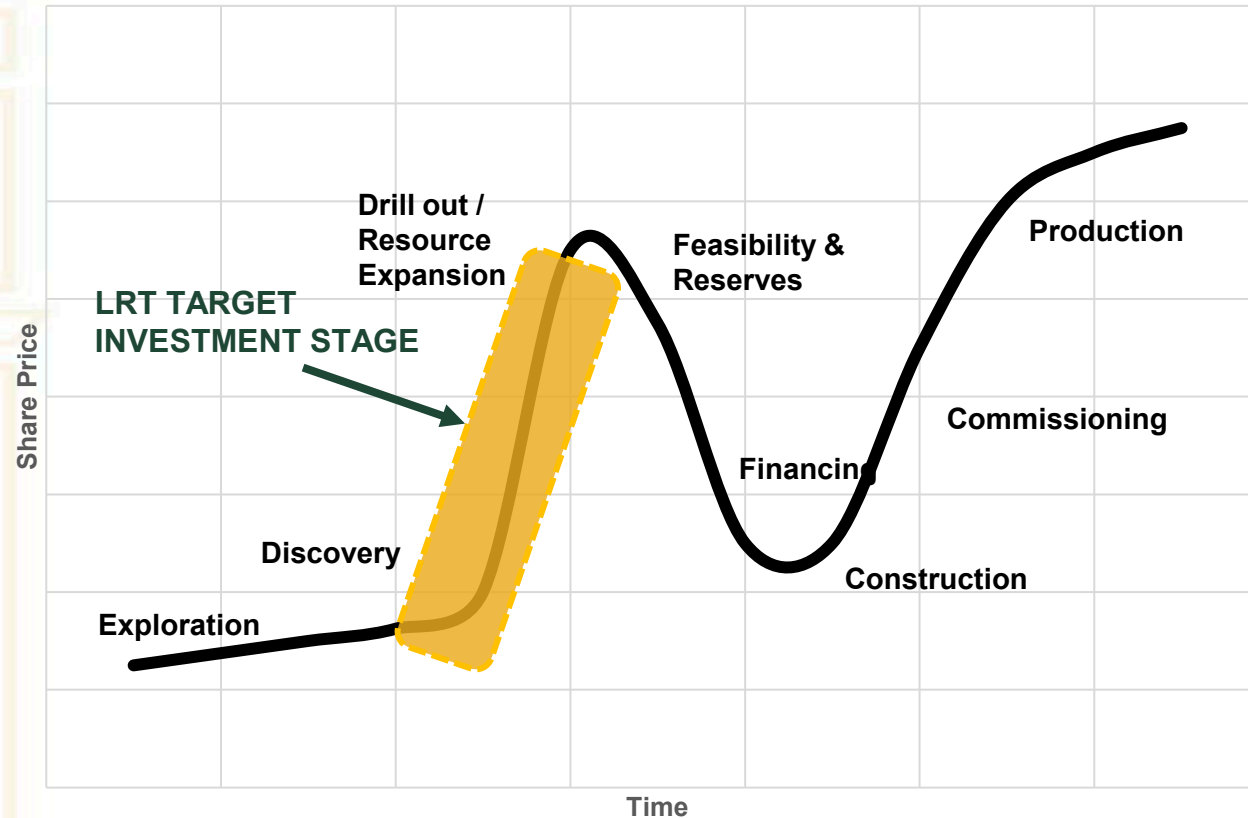
The Lowell Resources Fund has significantly outperformed the benchmark S&P/ASX Small Resources Index (XSRD), the ASX Resources 300 Index and the ASX 200 Index over three, five and ten years.

Total Portfolio Performance to 31 August 2022	LRT Change in NAV per unit incl distributions	S&P/ASX Small Resources Index (XSRD)	ASX Resources 300 Index	ASX 200 Index
12 months	<b>0.7%</b>	-0.9%	11.2%	-3.4%
3 years p.a.	<b>39.1% pa</b>	9.2% pa	12.0% pa	5.5% pa
5 years p.a.	<b>17.4% pa</b>	11.2% pa	14.0% pa	8.1% pa
10 years p.a.	<b>11.8% pa</b>	-0.2% pa	7.6% pa	9.3% pa

<sup>1</sup>Unaudited

LRT refers to Lowell Resources Fund NAV per unit, Res 300 refers to the S&P/ASX Resources 300 and ASX 200 refers to S&P/ASX 200 and the years refer to calendar years in the chart. Investment Portfolio Performance includes distributions to unitholders and is net of operating expenses, fees, taxes and interest.

## Capitalising on value accretion: optimal stage



- Leverage: milestone investing “value accretion model”
- LRF focus is on the period from discovery to reserve definition



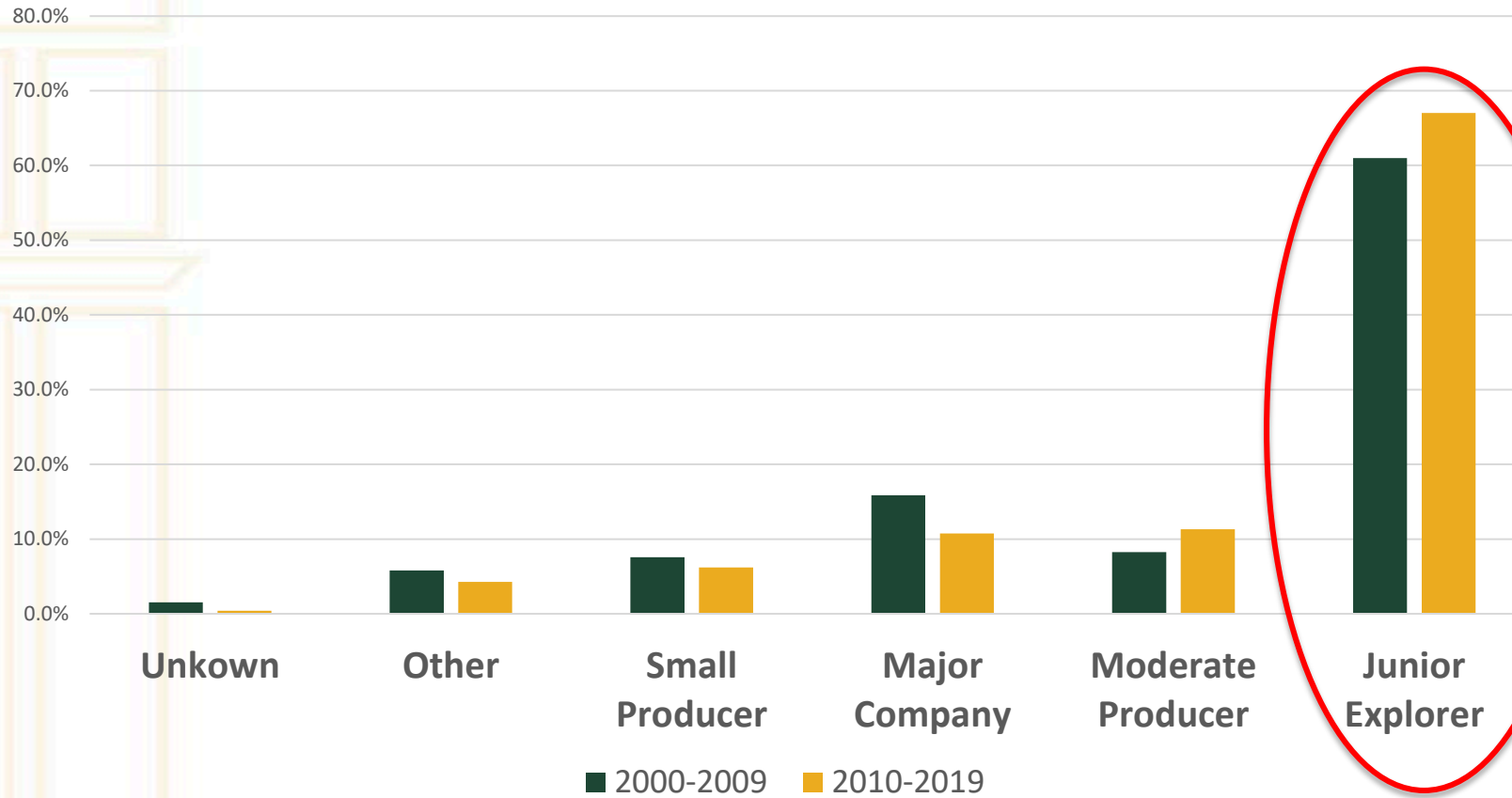
# ....Because Explorers Make the Discoveries



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## Australian Mineral Discoveries by Company Size

Source: Minex Consulting







# Case Study: De Grey Mining



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## Companies

### De Grey Mining (ASX:DEG)

- Gold explorer with a huge land position over the Mallina Shear Zone in the Pilbara, WA
- Gold Resource of 9.0 Moz
- New Hemi discovery 6.8 Moz
- LRF invested over a 2 year period, with average entry price of A\$0.061/sh for aggregate A\$500k investment
- Share price at Sep, 2022 A\$1.16/sh

De Grey Mining (DEG.ASX)





# Case Study: Liontown Resources



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## Companies

### Liontown Resources Ltd (ASX:LTR)

- Kathleen Valley Lithium Project: 156Mt @ 1.4% Li<sub>2</sub>O spodumene and 130ppm Ta<sub>2</sub>O<sub>5</sub>
- Moora Au-PGM-Ni-Cu prospect WA
- LRT A\$213k invested at 2.1cps in February 2019
- Over 20x share price rise





# Case Study: Melbana Energy



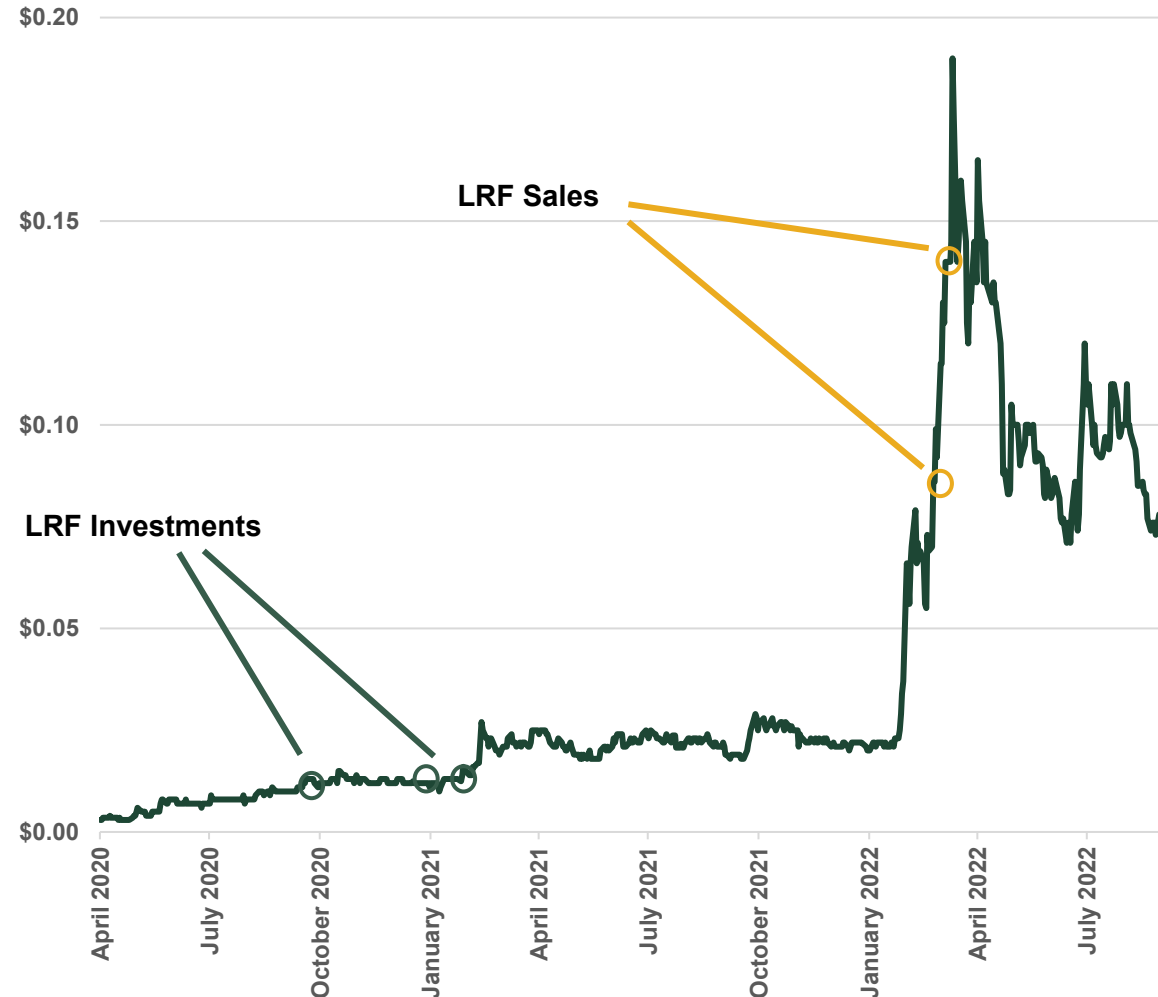
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## Companies

### Melbana Energy Ltd (ASX:MAY)

- Block 9 PSC onshore Cuba Alameda-1 exploration well
- Drilled 3 structures returning a total independent resource estimate 4.8 billion barrels of OOIP and 267 million barrels of prospective resource
- LRT A\$512k invested at 1.5cps in Q4 2020 & Q1 2021
- LRT sales averaged 10.1cps in Q1 2022

Melbana Energy (MAY.ASX) Share Price



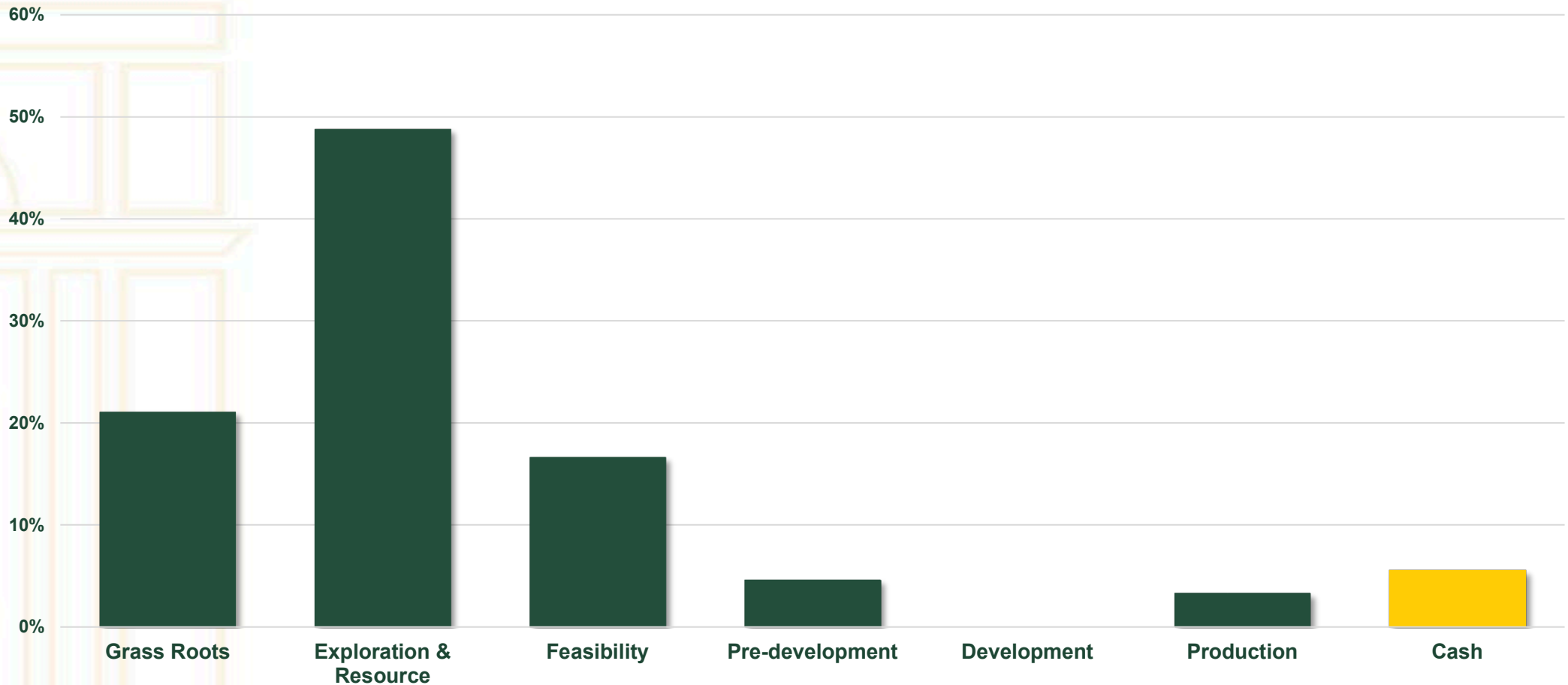


# LRF Portfolio by Project Stage



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31 August 2022



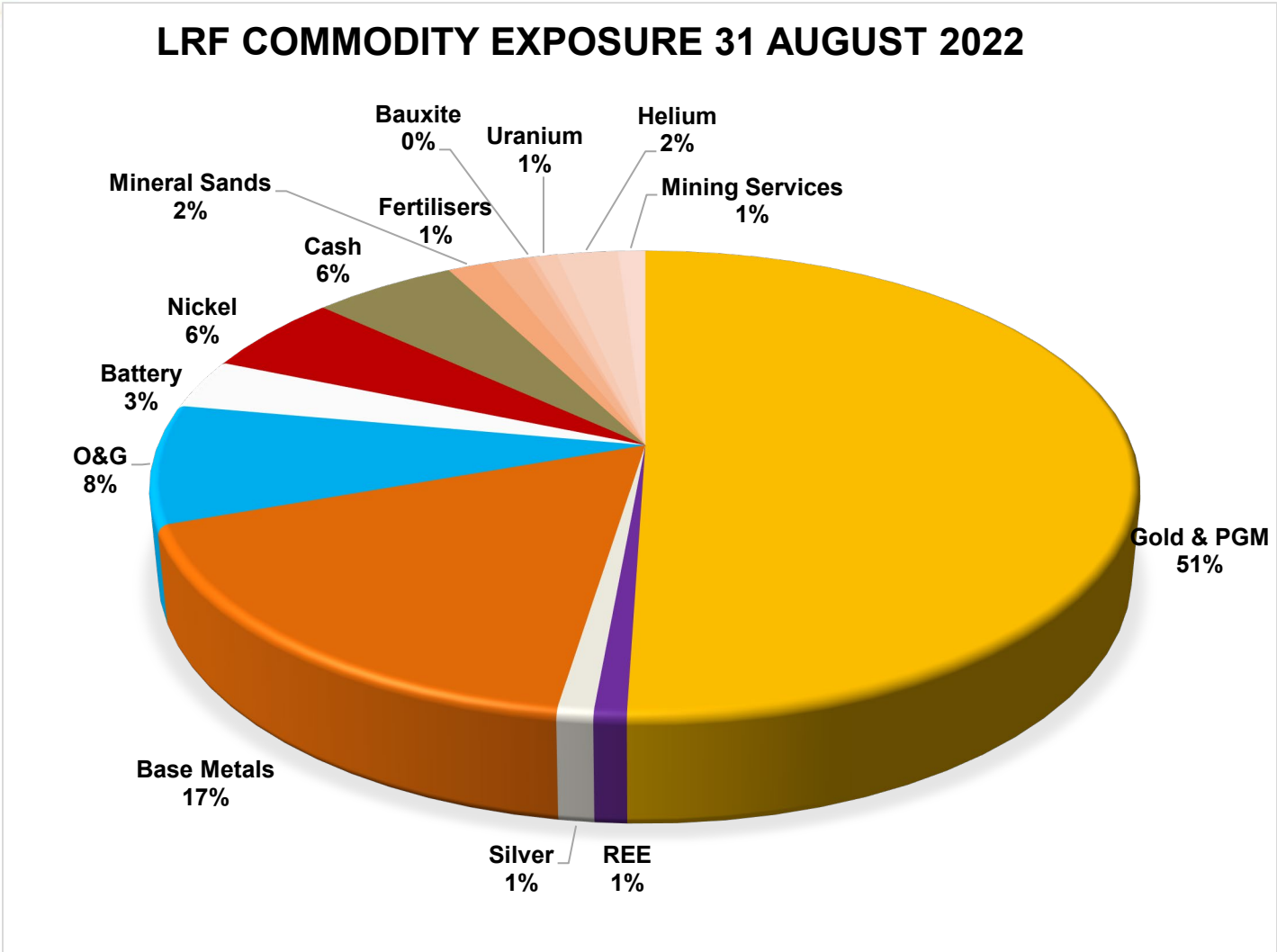


# Investments by Commodity



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**Portfolio  
31 Aug  
2022**





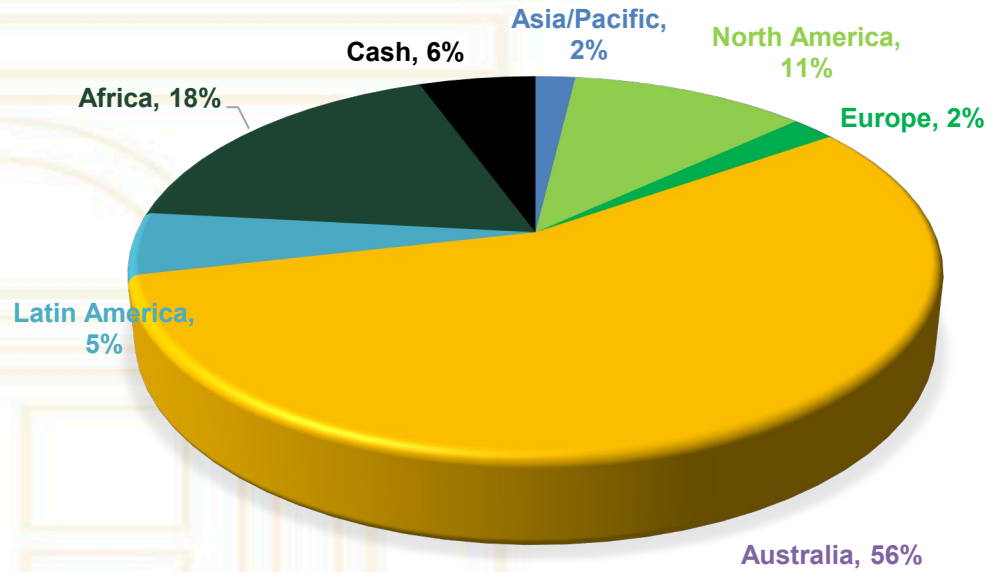
# Portfolio Characteristics

## 31 August 2022

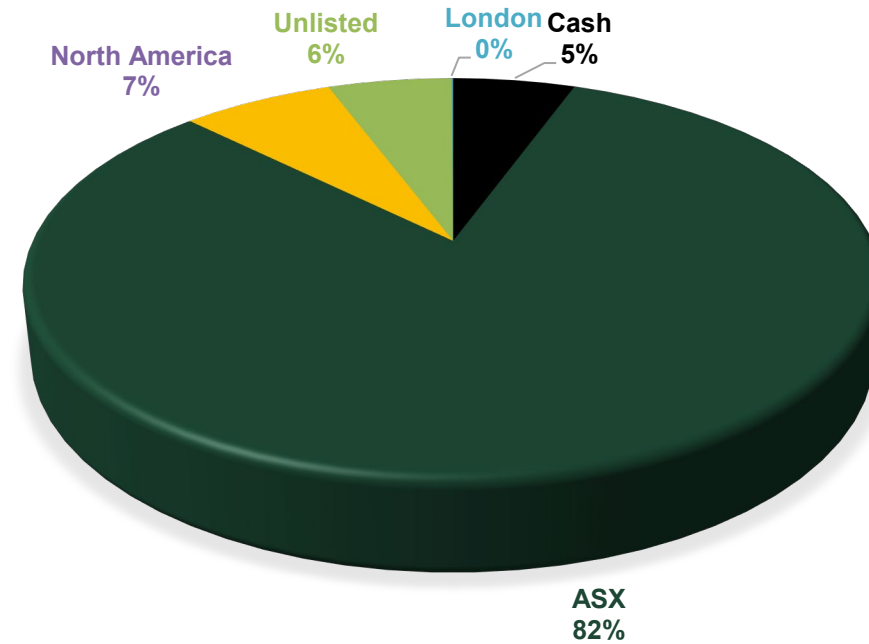


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### GEOGRAPHY OF MAIN PROJECT



### INVESTMENT LISTING





# 10 Largest Positions



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## Portfolio

LRT Portfolio at 31 August 2022			
Code	Company	Commodity	Portfolio Weight
PDI	Predictive Discovery	Gold	8.3%
GMD	Genesis Minerals	Gold	6.0%
MGV	Musgrave Minerals	Gold	5.9%
DEG	De Grey Mining	Gold	4.7%
CVV	Caravel Minerals	Copper	4.4%
SPD	Southern Palladium	PGM	3.6%
TL.TSX	Talon Metals	Nickel	3.4%
COI	Comet Ridge	O&G	3.2%
RDT	Red Dirt Metals	Li/Au	2.5%
LRV	Larvotto Resources	Au/Cu/Li	2.2%
<b>Cash</b>	<b>Cash (post distribution)</b>	<b>Cash</b>	<b>5.5%</b>



# Investment Committee Members



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**John Forwood,  
Chief Investment Officer**

Mr Forwood is a trained geologist and lawyer, with experience as an exploration geologist in Australia, and overseas. He spent 17 years in junior resource financing with RMB Resources, including 13 years as a Manager of the Telluride Fund. He also qualified with a major Australian law firm to practice as a barrister and solicitor. He has been CIO of the Lowell Resources Fund since 2016.



**Richard Morrow,  
Investment Committee  
Member**

Mr Morrow is an equity partner with Melbourne-based stockbroker Baillieu Holst and is honorary Chairman of the Melbourne Mining Club. He has more than 30 years' experience as a sharebroker in Melbourne and in London, with a particular interest in resources. Mr Morrow is a Master Stockbroker with the Stockbrokers and Financial Advisers Association and qualified as an accredited dealer in derivatives. He is a Fellow of the AusIMM.



**Stephen Mitchell,  
Investment Committee  
Member**

Mr Mitchell began his career as a natural resources specialist at investment banks and advisory firms in the US and Australia. From 1999-2011 he was Managing Director of Molopo Energy Ltd, an ASX-listed oil and gas company which generated a 10 fold increase shareholder value and entered the ASX 200.

Stephen is a partner of Mitchell Peterson Capital Partners, a Melbourne based corporate advisory firm.



**Stuart Baker, Investment  
Committee Member**

Mr Baker has a strong local and international reputation for oil and gas E&P company coverage as a senior investment analyst, including 14 years with Morgan Stanley. Mr Baker has also worked in senior research roles with BT Equities and Macquarie Equities. He crossed over to researching listed companies after gaining industry experience with international oilfield services group, Schlumberger.





# SIGNIFICANT PERFORMERS



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## Talon Metals

- \$0.54m invested in 2020 at average entry price of A\$0.16/sh
- Share price Sep 2022 A\$0.50/sh.
- Tamarack Nickel deposit, Minnesota USA
- 11Mt at 1.3% Ni & 0.8% Cu



## Red Dirt Metals

- \$0.3m invested in June and September 2021 average entry price of A\$0.15/sh.
- Share price Sep 2022 A\$0.685/sh.
- Acquisition of the Mt Ida gold project: 141koz @ 13 g/t Au plus unrecognised high grade lithium intersections



## Predictive Discovery

- LRF invested over 10 years starting at IPO in 2011, with average entry price of A\$0.038/sh for aggregate A\$1.6m investment
- Share price Sep, 2022 \$0.21/sh
- Major gold discovery at Bankan, Guinea in 2020
- Gold resource of 3.6 Moz at 1.6g/t Au



## Caravel Minerals

- \$0.24m invested at \$0.04/sh
- Share price Sep 2022 \$0.265/sh
- Large PFS copper reserve in WA wheatbelt: 583Mt at at 0.24% Cu

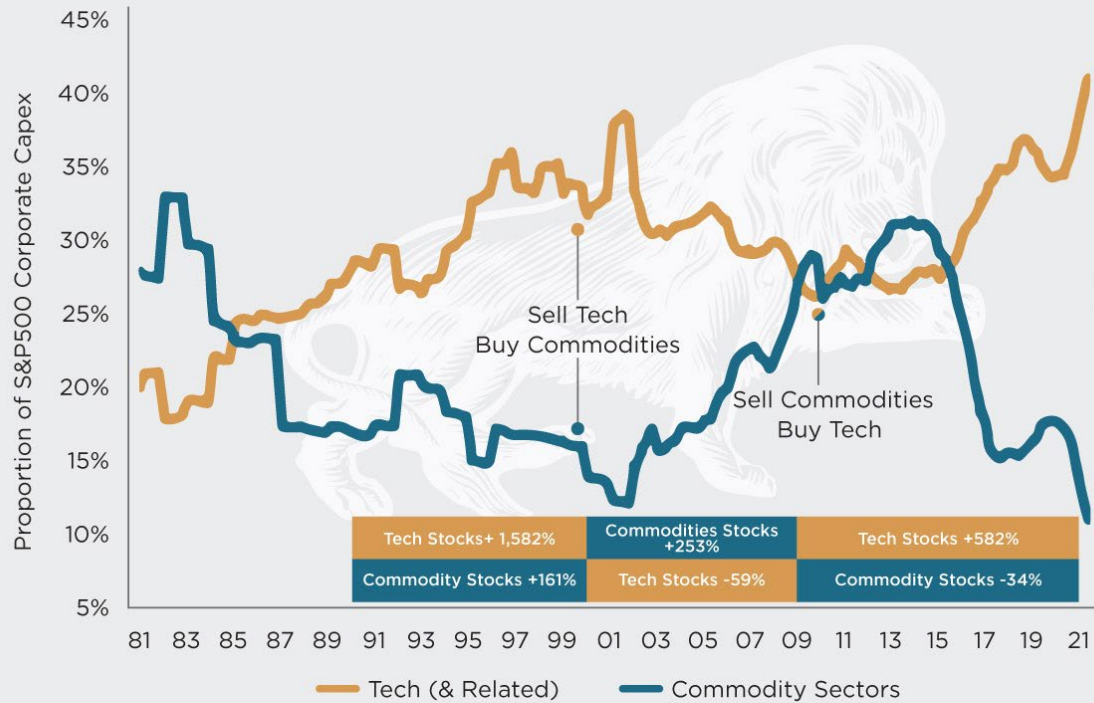




# General Commodity Landscape

## Best Time to Invest is When Industry Isn't

Capex in "New" Economy vs. "Old" Economy

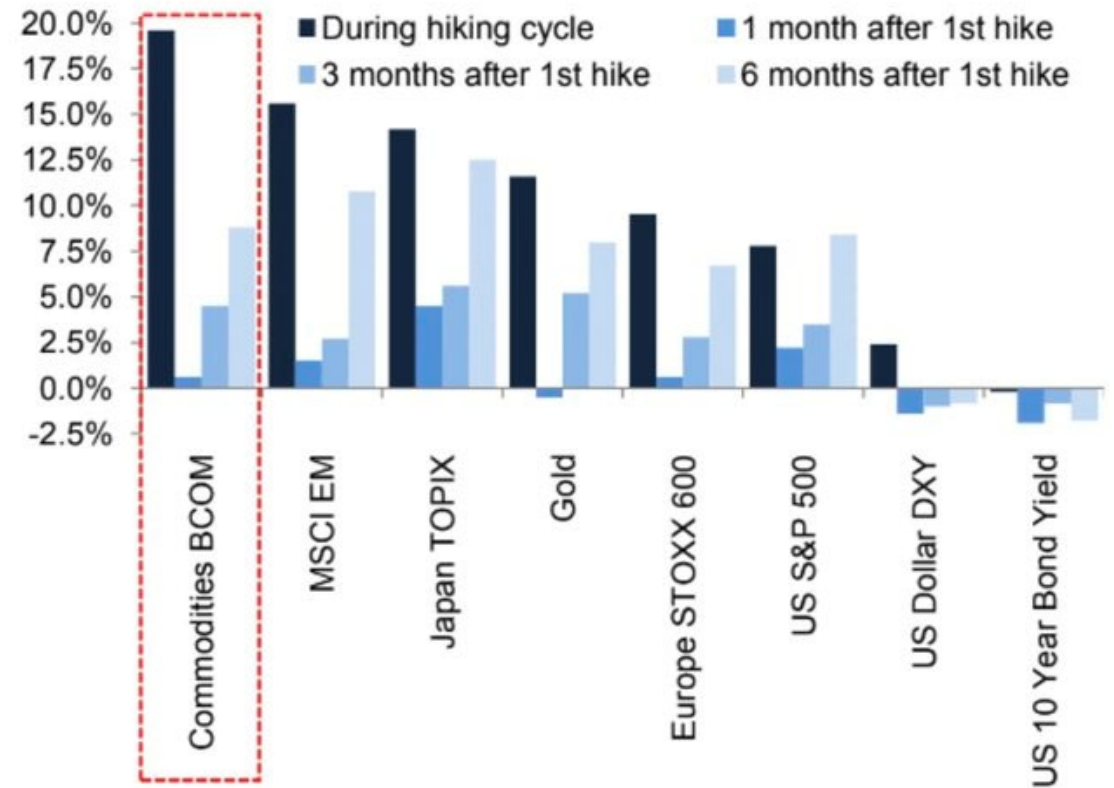


Source: Topdown Charts, Refinitiv Datastream, I/B/E/S, Bloomberg  
 Tech Stock performance S&P Information Technology Index, Commodity Stock performance  
 2/3 S&P Energy 1/3 S&P Metals and Mining, data begins 9/29/90

MARATHON

## COMMODITIES OUTPERFORM ALL MAJOR ASSET CLASSES DURING THE 9 FED HIKES SINCE 1972

TOTAL RETURNS BY EXAMINING THE 9 FED HIKING CYCLES SINCE 1972



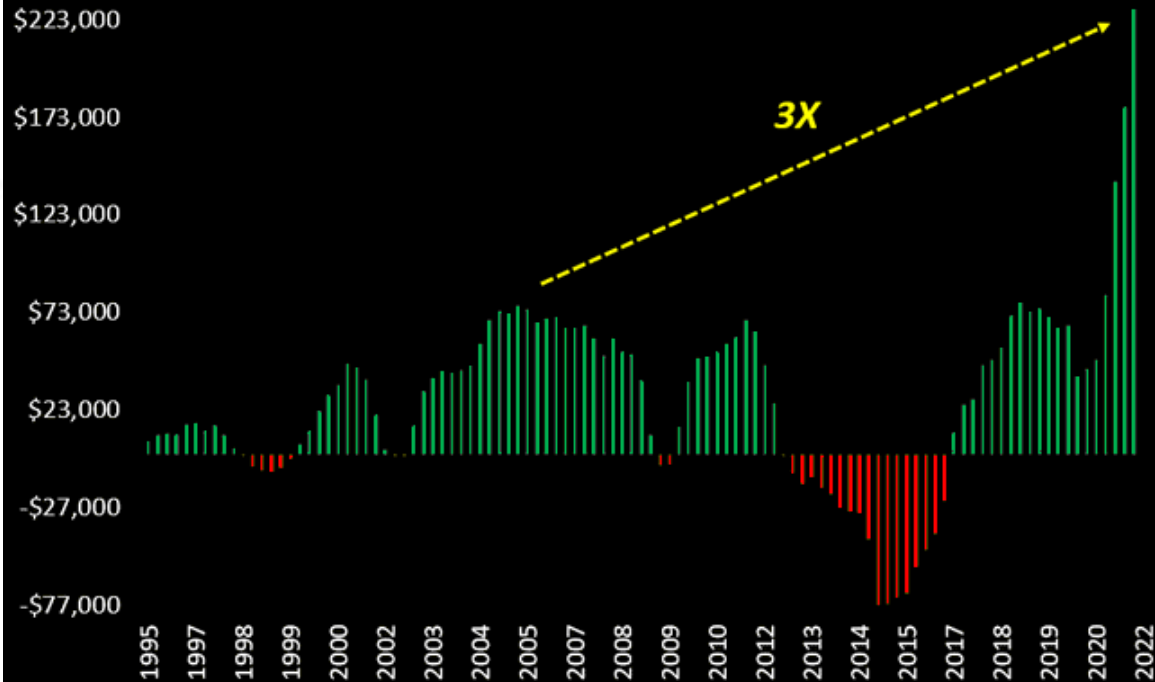
Source: Bloomberg, MUFG Research



# General Commodity Landscape

## Commodity Producers: Free-Cash-Flow

Aggregate Trailing 12-Months of Free-Cash-Flow in USD Millions

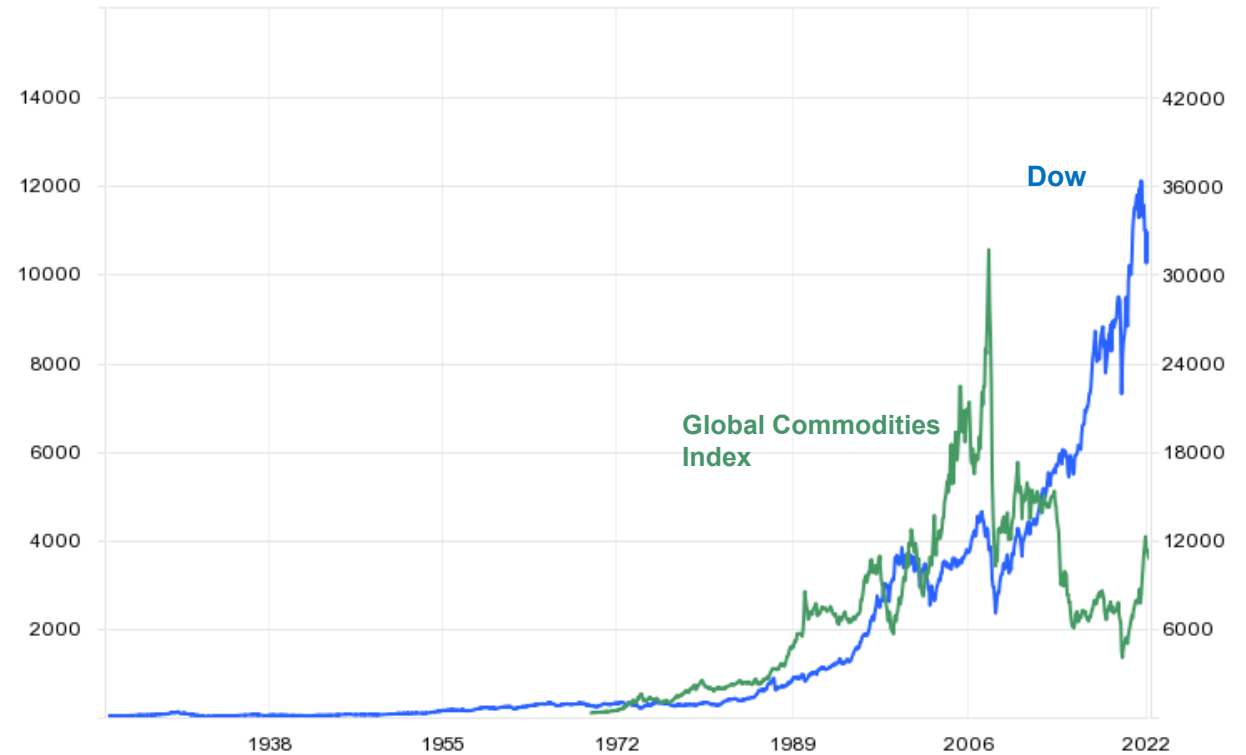


Commodity Producers With Market Cap Above \$1B in the Canadian & US Stock Exchanges

Source: Bloomberg

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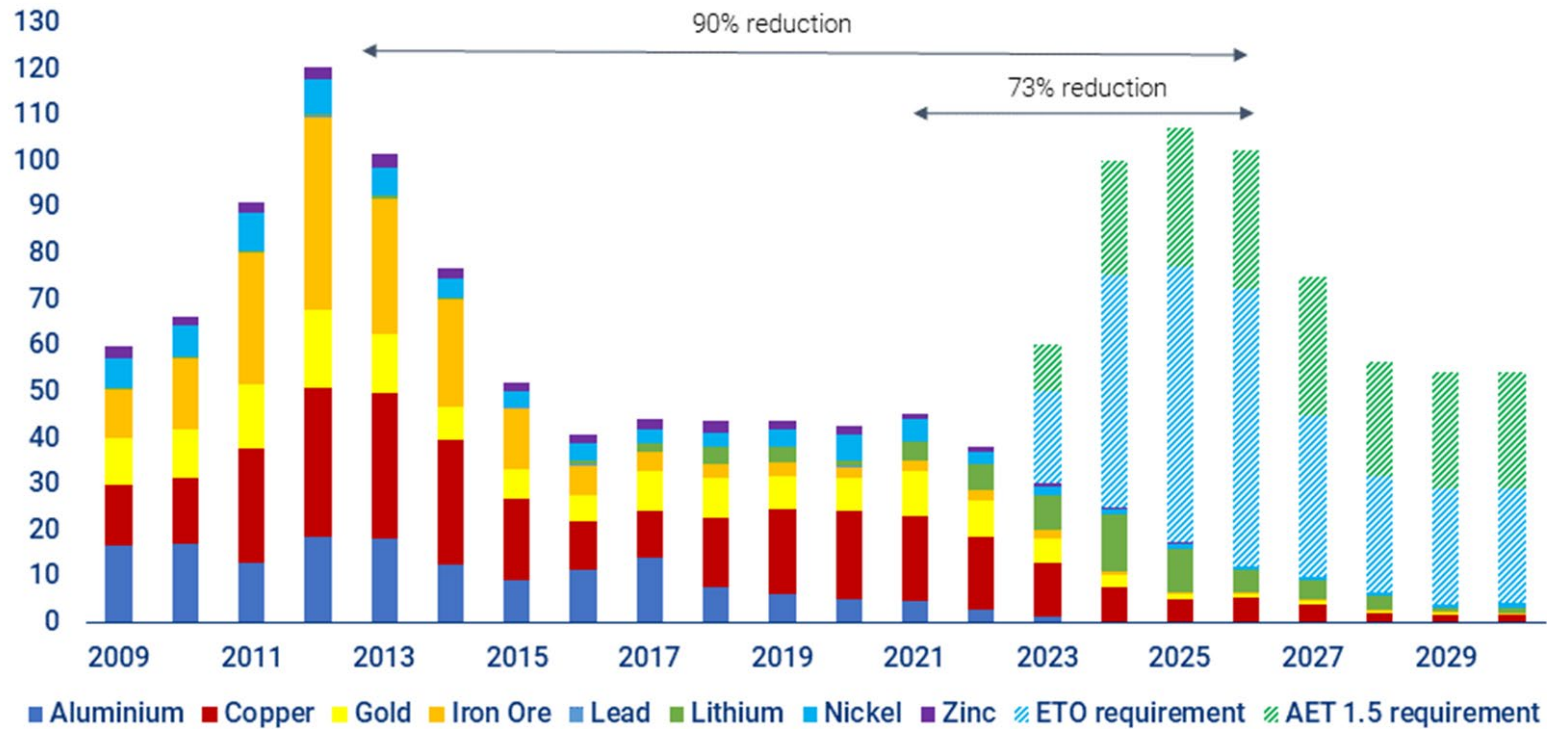


source: tradingeconomics.com



# Metals and Mining Capex

## Metals and mining committed investment capex and requirements (US\$bn)



Source: Wood Mackenzie Corporate Service



# Gold



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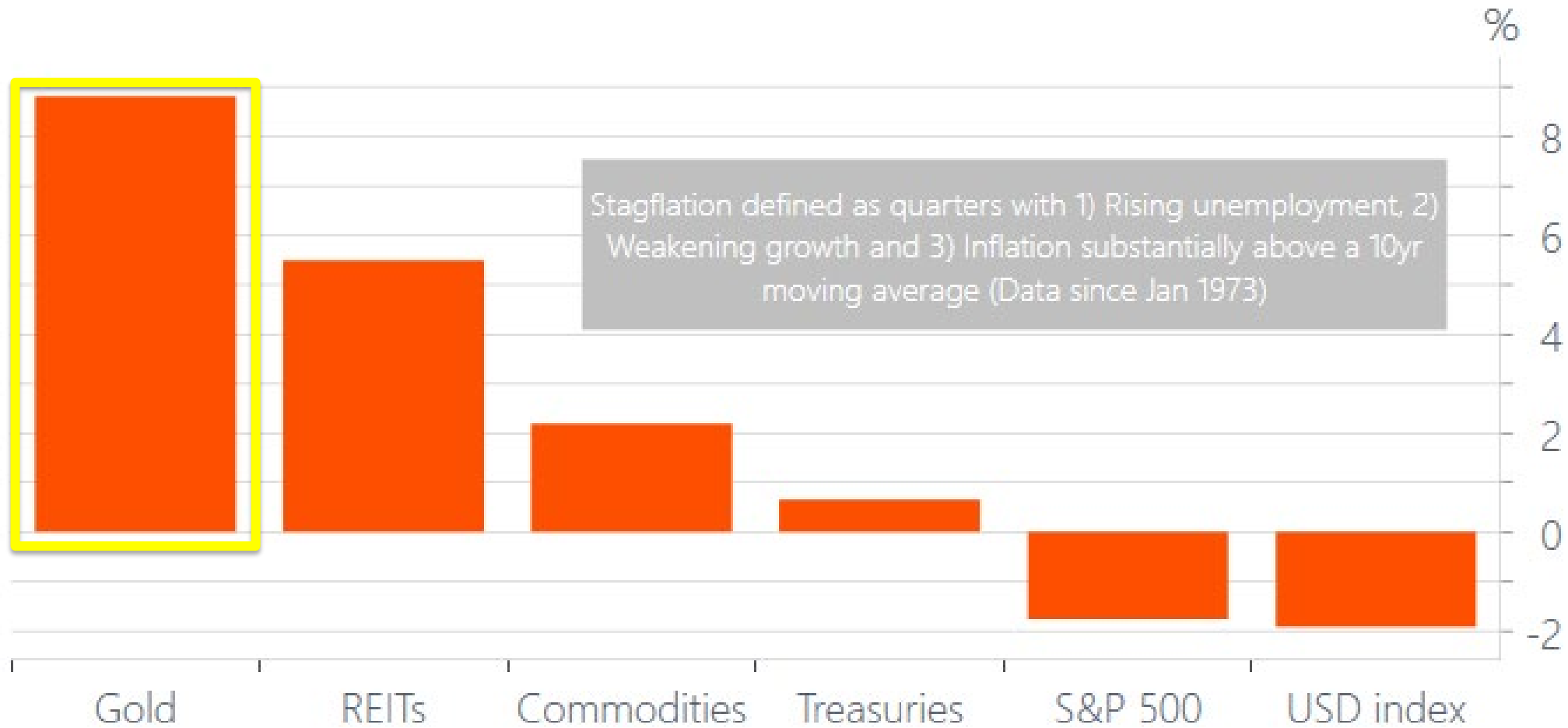
Dollar Index



source: tradingeconomics.com

- USD Index at 20 year high: dampening US\$ denominated commodity prices
- But, the US yield curve is inverted, which presages recession.
- China is cutting rates, unlike the US

## Quarterly real return in % through stagflation periods



Source: Heimstaden and Macrobond



# Australian Gold Equities vs AUD Gold



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- Current ASX Gold Index at 4,705 with the gold price at A\$2,510
- The current AUD gold price to ASX Gold Index ratio = 0.53x
- This compares to a 5-year average of 0.34x

**AUD gold price to ASX Gold Index Ratio**  
(1oz of gold buys "X" units of Index)







# Copper

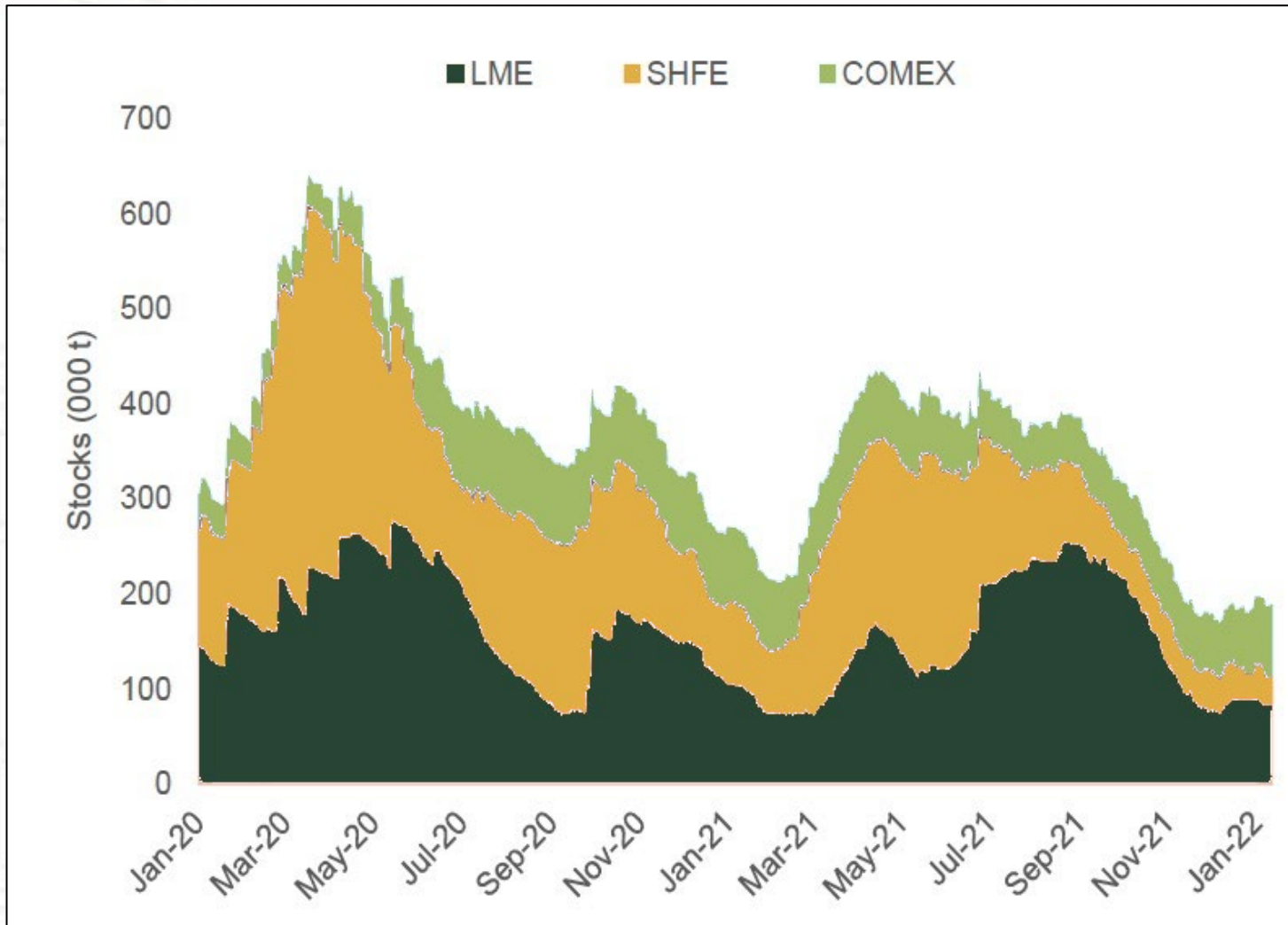


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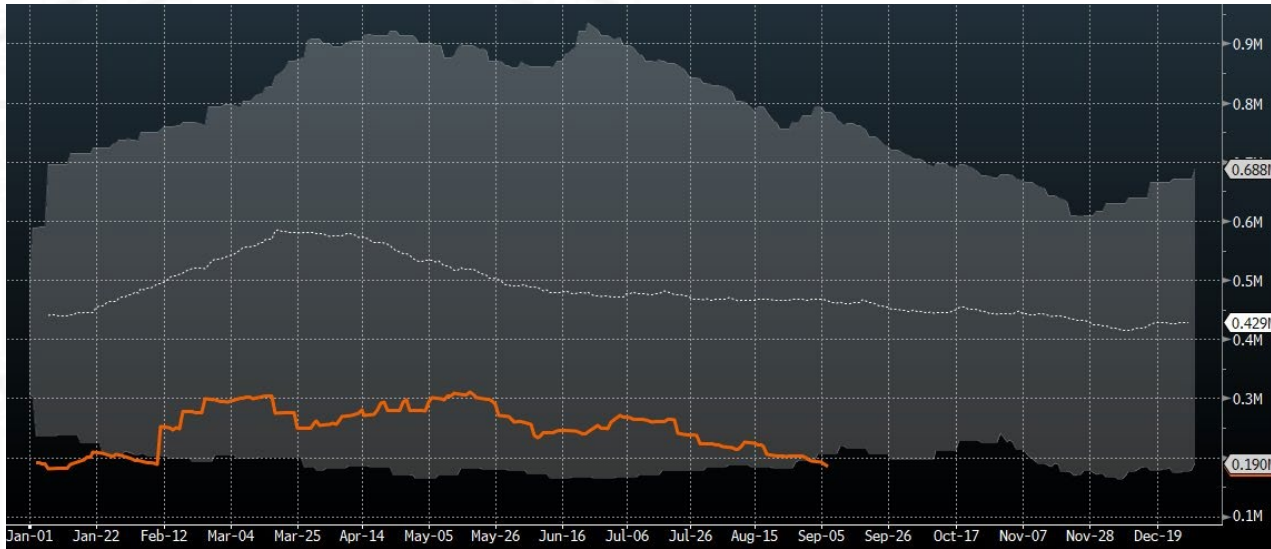


# Copper Stockpiles



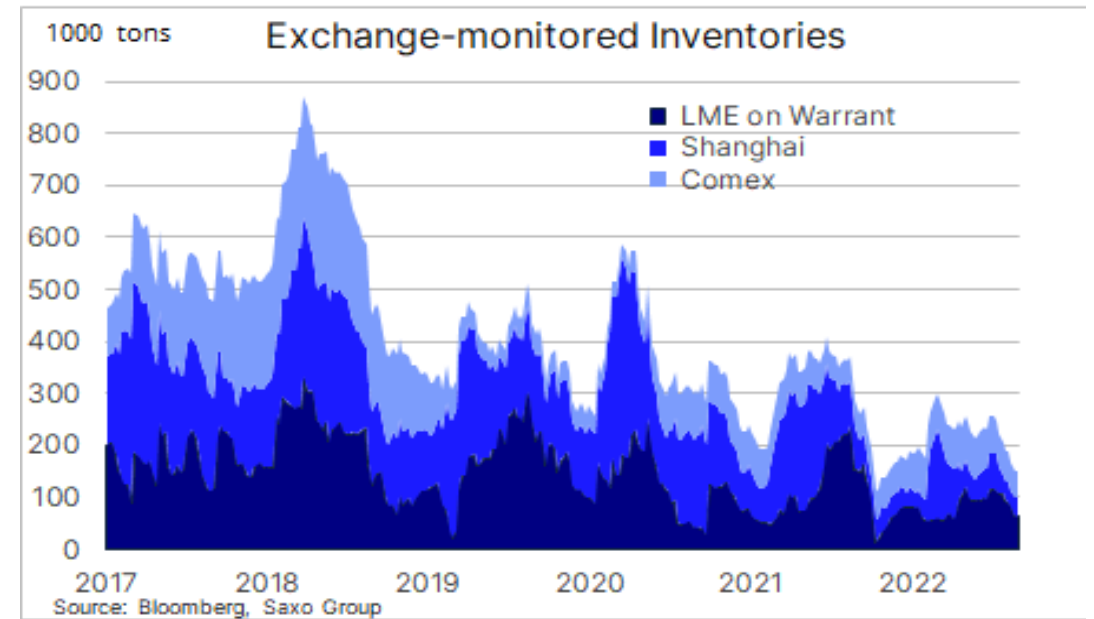


# 15 Year On-Exchange Cu Inventory



*Fig: 15-years Average Cu on-exchange inventories by month*

Global Cu consumption has grown from 15.6Mtpa to 21 Mtpa in the past 15 years



*Fig: 5-years Cu on-exchange inventories*

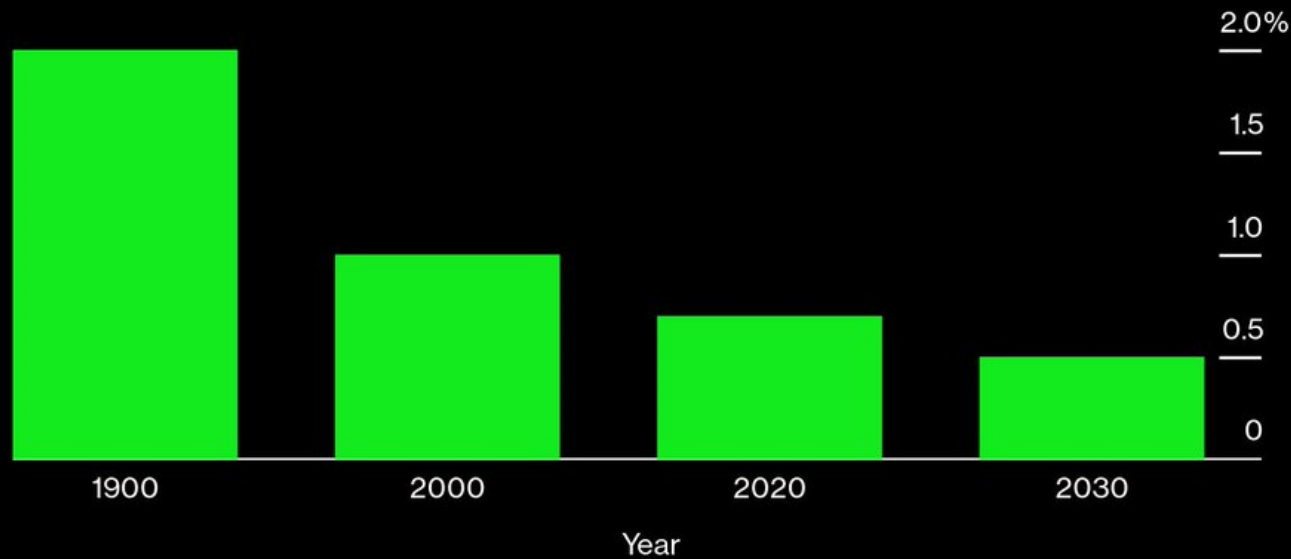
Global Cu exchange stocks have fallen to less than one week's supply



# Copper – Falling Grades and Falling Production

## Falling Grades

Copper ore grades, % copper



Source: BloombergNEF

Bloomberg Green

## *Chile – “the Opec of Copper”*

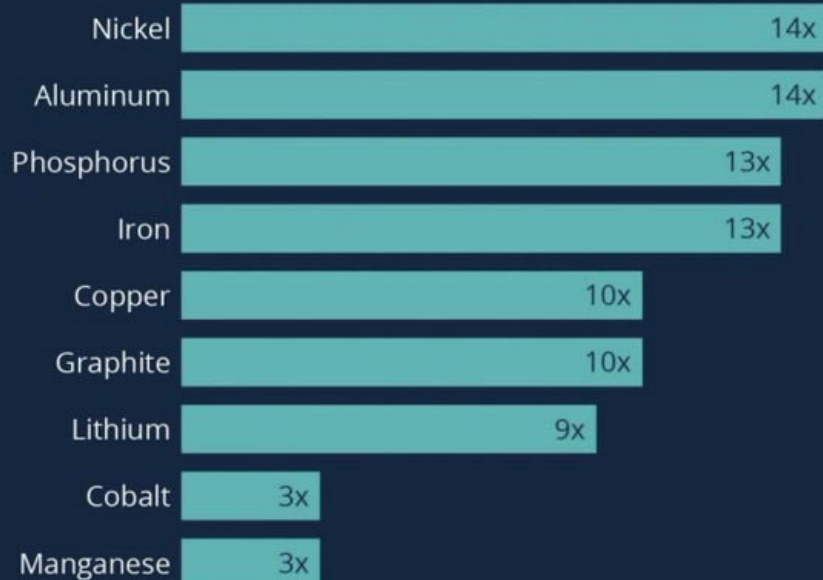
- Chile produces 25% of the world’s copper
- Chile’s largest producer Codelco’s production is falling:
  - Past 10 years: Average 1.7Mtpa
  - Next 5 years: Best Case 1.5Mtpa



# Base Metals: Rising Demand vs Falling Inventories

## Electric Cars Boost Metal Demand

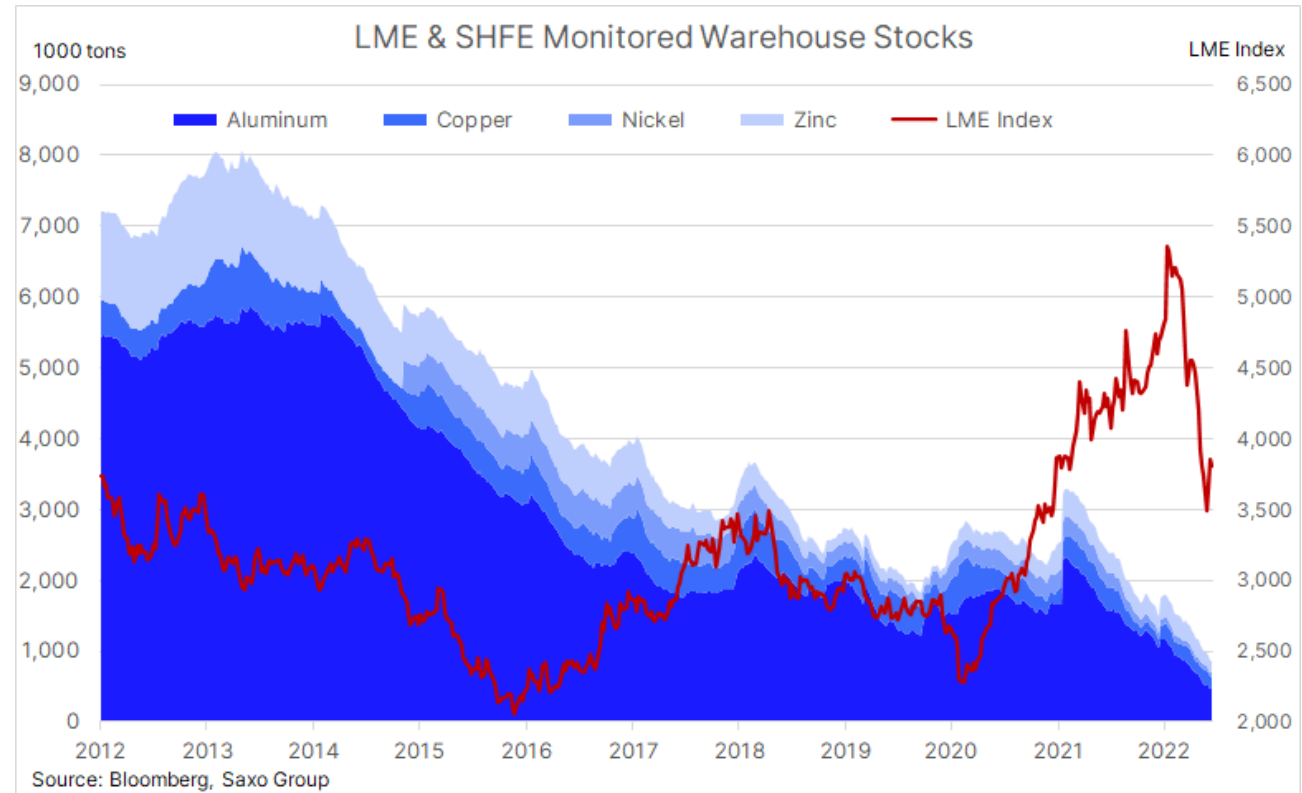
Demand increase in precious metals and materials between 2019 and 2030



Source: Bloomberg



statista





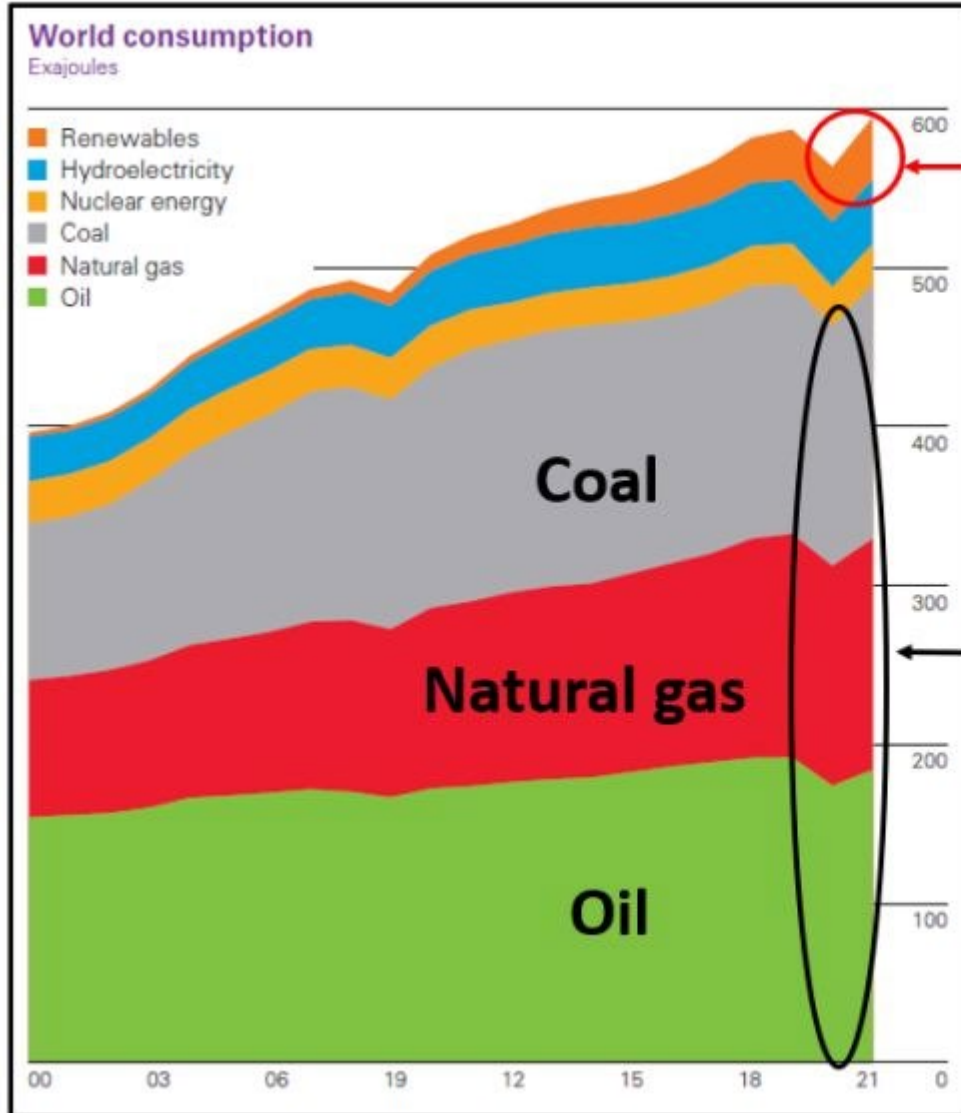
# Oil & Gas



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# Energy Supply



Renewable energy

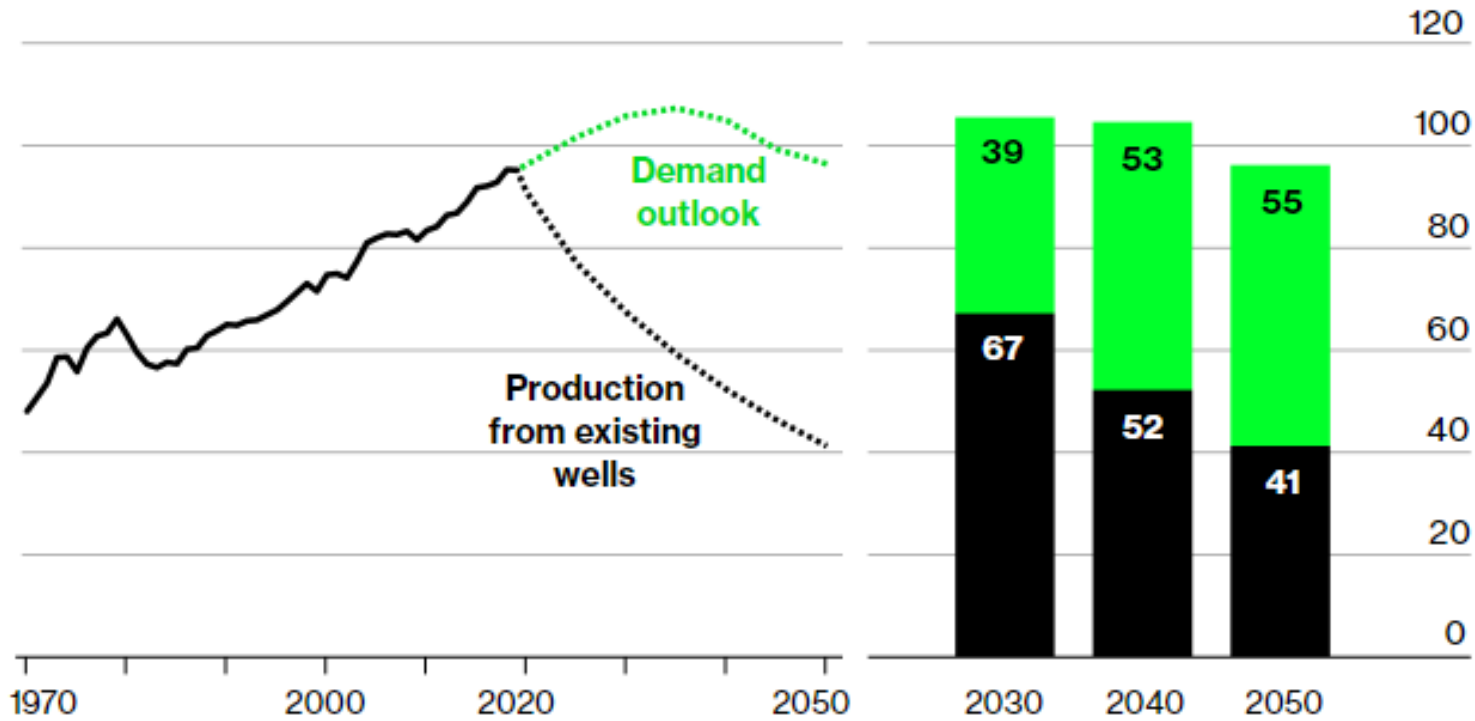
Fossil fuels

## Upstream Oil Investment Required

Significant new production will be needed even if demand eventually falls

Global oil production, million barrels per day

Production required: ■ New ■ Existing



Source: BloombergNEF





# Contact



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## Investment Manager

### **LOWELL RESOURCES FUNDS MANAGEMENT**

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## Responsible Entity

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