



# MONTHLY UPDATE

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

April 2024

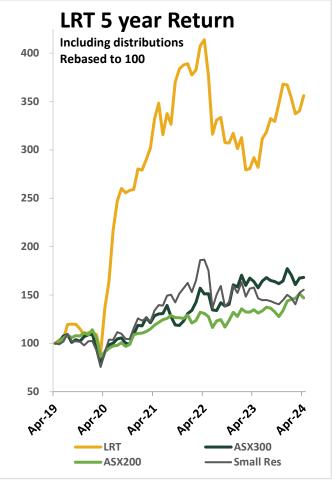
# April 2024 Performance Summary: Lowell Resources Fund (ASX: LRT)

The Lowell Resources Fund's estimated net asset value ('NAV') at the end of April 2024 was approximately AUD\$52.0m, compared to AUD\$49.7m at the end of March 2024.

The NAV per unit finished the month of April at \$1.6037 (vs \$1.5324/unit at 31 March 2024), an increase of 4.7% over the month. The last traded unit price of the ASX listed LRT units at month end was \$1.375/unit.

#### **FUND SNAPSHOT 30 April 2024**

NAV per unit	\$1.6037
No. of Units on issue	32,451,402 post DRP
Market Price (ASX)	\$1.375 / unit
Estimated NAV	AUD \$52.0m
FY 23 Distribution	7.0777 cents per unit
Market Capitalisation	AUD \$44.6m
Responsible Entity	Cremorne Capital Limited
Fund Manager	Lowell Resources Funds Management Ltd



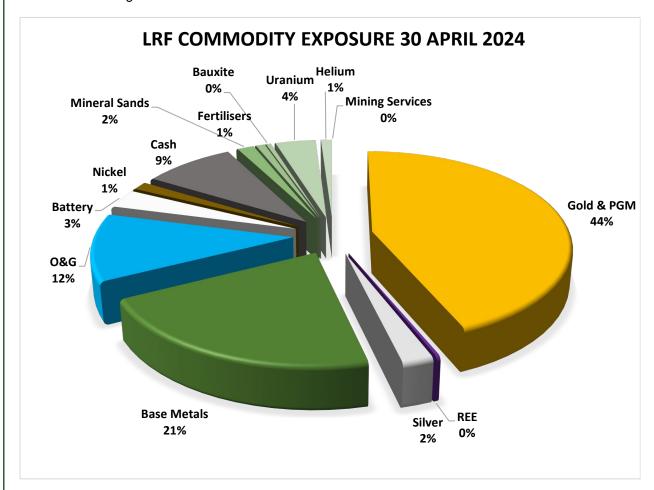
# Fund Investment Actions – April 2024

In April, the Fund invested in the IPO of D3 Energy, a South Africa focused gas and helium developer in which the Fund also had a seed shareholding. The Fund's holdings in TMK Energy (CBM in Mongolia) and Triangle Energy (Perth Basin gas) were also increased.

Gold exposure was increased through additional investments in Kingfisher Metals (British Columbia porphyry explorer), Flynn Gold (Tasmania-focused gold exploration) and a seed investment in Ordell Minerals (WA gold explorer).

Copper exposure was boosted through participation in placements in Alma Metals (Qld copper explorer) and New World Resources (Arizona copper developer). The Fund also added to its holding in TSX listed nickel developer Talon Metals (Minnesota nickel-copper).

The Fund's holdings in Westar Resources and Great Northern Minerals were sold.



# Fund Top Holdings

Ramelius Resources (Market Cap \$2,387m RMS.ASX) produced record group gold of 86,928 ounces in the March quarter at an AISC of A\$1,344/oz. Cash and gold holdings were boosted to A\$407m.

Predictive Discovery (Market Cap A\$436m PDI.ASX) announced the PFS at its Bankan gold project in Guinea, West Africa. The maiden ore reserve is 57.7Mt @ 1.64g/t for 3.05Moz of contained gold. Capex is estimated at US\$456m upfront and AISC is forecast to be US\$1,130/oz for a 5.5 Mtpa throughput.

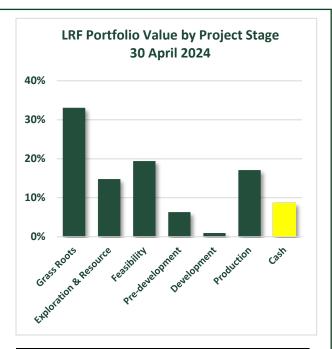
Southern Cross Gold (Market Cap A\$478m SXG.ASX) announced further high grade gold intersections from its Sunday Creek project in Victoria, including 3.6 m at 34 g/t Au, 0.9m at 328g/t Au and 4m at 23 g/t Au.

Karoon Energy (Market Cap A\$1,558m KAR.ASX) announced production for the March 2024 quarter on a net working interest basis was 3.11 MMboe, an 18% increase on the December 2023 quarter, driven by a full period of production from the Who Dat Gulf of Mexico acquisition. Average realized oil price was around US\$77/bbl.

Astral Resources (Market Cap A\$59m AAR.ASX) announced drilling from the Kamperman prospect at Feysville WA with results including 13m at 4.0 g/ tAu, 24m at 2.7 g/t Au and 15m at 3.12 g/t Au. The prospect has an openended strike of 350m.

# Fund Top Performer

Southern Palladium (Market Cap A\$44m SPD.ASX) share price rose 50% in April as it announced completion of 30,000m of drilling at the 70% owned Bengwenyama PGM project in South Africa. The project hosts an Inferred Mineral Resource of 26.2 Moz of 6E PGM across the UG2 and Merensky Reefs.



Company	Commodity	% of Gross Investments	
Cash	Cash	8.6%	
Ramelius Resources	Gold	6.5%	
Predictive Discovery	Gold	4.6%	
Southern Cross Gold	Gold	4.2%	
Newmont Corp	Gold	4.0%	
Karoon Energy	O&G	3.7%	
Comet Ridge	Gas	3.2%	
Caravel Minerals	Copper	2.8%	
Saturn Metals	Gold	2.7%	
Astral Resources	Gold	2.3%	
Rugby Resources	Copper	2.2%	

# Performance Comparison – April 2024

Over the past 5 years, the Lowell Resources Fund's change in underlying estimated net asset value per unit (inclusive of reinvested distributions and after fees and expenses) was 28.9%pa. The Fund has outperformed the benchmark S&P/ASX Small Resources Accumulation Index (XSRAI), the ASX Resources 300 Index (Total Return) and the ASX 200 Index (Total Return) over one, five and ten years.

Total Portfolio Performance to 30 April 2024	LRT Change in NAV per unit incl distributions	S&P/ASX Small Resources Accumulation Index (XSRAI)	ASX Resources 300 Index (Total Return)	ASX 200 Index (Total Return)
12 months	22.9%	-1.5%	2.6%	9.1%
3 years p.a.	2.5% pa	5.1% pa	9.3% pa	7.3% pa
5 years p.a.	28.9% pa	9.2% pa	11.0% pa	8.0% pa
10 years p.a.	13.5% pa	6.8% pa	8.3% pa	7.8% pa

The LRT ASX traded unit price at the end of April was \$1.375/unit, compared to \$1.44/unit at the end of March 2024.

## **Market Notes**

#### **Economics**

- Stronger than expected **U.S. inflation** data dampened expectations for interest rate cuts and sent the dollar surging. Official data showed a 3.5 % increase in US consumer prices for the year to March compared to expectations of 3.4%. CPI had previously risen to 3.2% in February from 3.1% in January.
- In contrast, **China's consumer price index** was 0.1% higher year on year in March, according to official statistics, lower than 0.7% in February.
- **US GDP** came in at an annual rate of 1.6% which was well below expectations of 2.4%.
- Israel vowed to retaliate for the ~300 missiles and drones fired into its territory by Iran, Hamas, Hezbollah and others. An explosion was subsequently reported in Iran's third largest city, Isfahan, that is believed to be one of several launch sites for Iran's attack on Israel. Israel prepared to invade Rafah in the Gaza Strip.

#### **Metals**

• Low rates of investment in the global mining sector have put the global energy transition at risk, widening the supply gap in **critical minerals** like copper, Rio Tinto chairman Dominic Barton said

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on Monday. "The gap is humungous, and I am actually very worried about whether we will be able to close (it)." The amount of metals required for each kilowatt of generation capacity has risen by 50% since 2010, according to the International Energy Agency, but Barton said "The mining industry has reduced its investments significantly since the 2015-2016 period ... We're hundreds of billions of dollars below what we need."

- **Gold** hit another all-time high of US\$2,431/oz on April 12, before its biggest one day drop in 2 years. Gold finished the month up 2.4%, but 5.9% off the high. The high was a record not only in nominal terms, but also above previous inflation-adjusted highs. The strong gold price is despite high US Treasury yields, which traditionally put pressure on **gold** prices. An additional headwind has been US ETF net sales of 3.7moz ytd. However, COMEX net long positions in gold hit a 4 year high, and SHFE gold volume turnover has increased from around 200,000 oz to nearly 1.2 Moz this year. The last time the SHFE saw this level of activity was in 2019.
- There was speculation that China has been building **gold** reserves ahead of a devaluation of the yuan. China's central bank added gold to its reserves for the 17th month in a row in March.
- Weekly data from the Reserve Bank of India indicated that its gold reserves rose by 5 tonnes in March, to 822 tonnes. YTD net purchases of nearly 19 tonnes, already exceeds its 2023 net purchases of 16 tonnes.
- Reports suggested that the Malian junta was planning to seize control of Barrick's key mining complex, Loulo-Gounkoto, one of the world's largest gold-producing mines.
- Peru's copper production grew 12.7% in February to reach 216,752 metric tons, largely from Glencore's Antapaccay mine and Anglo American's Quellaveco. In 2023, Peru was displaced by the Democratic Republic of the Congo as the world's second largest copper producer, although it remains ahead of the DRC in terms of the volume of its exports, according to data from both nations. Peru's Mining Minister said last month he expects copper production to reach 3.0 million tons in 2024, up from 2.76 million tons last year.
- Chile state-run Chilean Copper Commission (Cochilco) said the country was expected to produce a
  record 5.8 million metric tons of copper in 2025. The projected output would represent a 6%
  increase from the 5.5 million tons expected this year. However the 2024 production forecast of
  5.51Mt is down from a previous estimate of 5.63Mt.
- In March, 9% of China's **copper** smelters were inactive due to competition for concentrate feed. Treatment charges have fallen to near zero. Smelter inactivity levels grew to as much as 13% in the final days of the March and compare with a rate of 4.1% a year earlier. Global copper demand is expected to be around 26 million tons this year. In order to fill a hypothetical supply-demand forecast mismatch of 8Mt by 2034, mining companies need prices that are higher than \$10,000 a ton and possibly as high as \$12,000, according to Trafigura Group's CEO Jeremy Weir.
- Copper contango levels hit 30-year highs, suggesting there is ample refined product available.
   Copper inventories on the Shanghai Futures Exchange continued rising to over 300,000 metric tons, but reports of negative Treatment and Refining charges in the copper market implied that one or more smelters are so desperate for copper concentrates they will take losses to secure material. Copper prices hit their highest in almost two years as the metal price surged over US\$10,000/t, as funds bought into the market on supply concerns.

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- BHP is set to overtake Chile's state copper behemoth Codelco as the world number one copper
  producer, with Codelco's ore bodies suffering grade decline, and BHP's giant Escondida mine
  expected to continue step up production. Codelco is exploring more partnerships with the private
  sector to try to recover from a production slump and surging debt.
- Anglo American dismissed BHP's A\$60bn all-scrip takeover offer as "opportunistic". BHP's interest is largely attributed to Anglo's 700,000 tpa plus copper production from Chile. If the deal comes off it could result in BHP's production growing to 2.45-2.7Mtpa, potentially 12% of global production.
- Even in an optimistic low emission scenario for 2050, more than half the world's copper mines will be
  in areas exposed to drought risk that's deemed significant, high or extreme, according to a
  PricewaterhouseCoopers LLP report. For two other energy transition metals lithium and cobalt
   drought exposure is even higher at 74%, the study found.
- US fund manager Ethical Partners' suggested its modelling indicates the global market for lithium is
  moving "rapidly back" into balance and could even be undersupplied at odds with the view of
  groups such Goldman Sachs and Citi. "Since November, we believe the lithium market has moved
  from an 8 per cent surplus in 2024 to roughly in balance," said an analyst at Ethical Partners.
- Global Lithium-ion battery demand reached an all-time in Q1 2024 of 230GWh across all sectors.
- China Automotive Battery Innovation Alliance (CABIA) indicated lithium-ion battery production of 75.8GWh in March, an increase of 40% year on year. Battery installation was 35 GWh, an increase of 94% year on year, as CAM manufacturers are likely to need to return to the market to increase inventories which continue to be run down. According to Fastmarkets analysis CAM producers have destocked roughly 70kt LCE since January 2023, representing a fall from 3.5 months of inventory to 2 months.
- In response to new US and UK sanctions, the London Metal Exchange banned deliveries of any new Russian aluminium, copper, and nickel supplies. The new rules prohibit the LME and the Chicago Mercantile Exchange from accepting newly produced metals from Russia. However, according to SMM statistics, since March 2023, the amount of nickel metal exported by Russia to the United States and related allied countries has been zero. LME Chief Executive Officer Matthew Chamberlain said the exchange recognized that the sanctions may cause uncertainty, leading traders to dump old Russian stocks on the LME "as a safeguarding move." As such, he said, "it is possible that a relatively large supply" of Russian metal may be delivered to the exchange. Russia produces 5% of global aluminium, 4% of global copper and 6% of global nickel.
- Mining and trading house Glencore aims to take thousands of metric tons of Russian aluminium
  from the LME and return it at a later date to profit from the LME rule changes on Russian sourced
  metal, three sources familiar with the matter said. Glencore has a multi-year contract with Russia's
  Rusal, the world's largest aluminium producer outside China.
- Reuters reported Teck agreed a US\$165/t treatment charge with Korea Zinc, down from US\$274/t last year. The benchmark term reflects sliding concentrate supply on market, risking potential deficits. Mine closures have been a persistent theme over the past 12 months, with Boliden's Tara mine, Toho Zinc's Rasp mine and Nyrstar's Middle Tenneseee operations closing.
- **Zinc** prices, which had risen 20% in April, fell back slightly after Nyrstar, owned by the Trafigura group, said it will restart its idled Budel smelter in the Netherlands. Budel can produce up to 315,000 tons of zinc a year (about 2% of the global market), but it started operating on a flexible basis in late-2021, as soaring energy prices started to hammer industrial metal producers in Europe.

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- The bauxite market has tightened due to strong Chinese import demand and bauxite export bans
  from Indonesia. Junior Australian producer Metro Mining reported that the bauxite price has
  increased 20% in the March quarter compared to 4Q23. Growth in Chinese alumina capacity has
  overwhelmed China's ability to supply bauxite from domestic sources, and Indonesia has now
  banned exports.
- S32 announced that it does not expect its Groote Eylandt **manganese** operation to be back running properly until Q3 FY25, following cyclone damage to the wharf and bridge. Groote Eylandt accounts for more than 10% of seaborne supply. Manganese prices have risen since the outage.
- Anglo American, world's largest diamond producer by value, reported diamond prices continue to
  decline due to an oversupply of inventory, something that De Beers has previously acknowledged as
  being partially caused by lab-grown diamonds competing with mined stones for demand.
- Bloomberg reported that some of the world's biggest <u>energy trading companies are returning to metals</u>. Vitol, Gunvor Group and Mercuria Energy Group are among the traders building out their metals teams, looking to deploy record profits into other markets. These giant trading houses are reentering a market where they have had difficulty in the past, and one dominated by Glencore Plc and Trafigura Group.
- Passenger EV sales across the main markets rebounded 68.8% month over month in March, lifting
  the full quarter sales up 26.8% year over year, a faster rise than the 23.6% in the year-ago period
  and bucking an overall slowdown in global EV sales growth. China was the main driver of stronger
  quarterly sales, offsetting decelerating growth trends in the US and France and declining sales in
  Germany and Norway.
- The **tin** price increased ~25% since the start of 2024, partly due to supply disruptions in major producers Indonesia, Mynamar and Democratic Republic of Congo. The LME acknowledged tightness in the tin market and tried to reassure participants that it "has the necessary controls in place to ensure continued market orderliness."
- The Australian Federal Government announced A\$585m in loans for critical mineral projects (HPA Alpha and graphite Renascor).
- Gina Rinehart's Hancock Prospecting has emerged with stakes in 4 rare earth companies, including 5% in both Lynas Rare Earths and MP Materials, the only two listed western rare earths producers. Hancock also has a 5.85% interest in ASX-listed Brazilian Rare Earths and a 10% stake in Arafura Rare Earths, which last month was handed a \$840 million package of loans and grants by the Albanese government to help develop a mine and refinery in the Northern Territory. China controls the rare earths market, and banned the export of rare earth extraction and separation technologies in December in a move to protect its market dominance. China has previously threatened to cut off supply to the US and its allies.
- LME **nickel** jumped as much as 5% to \$19,480 a ton, due to worries about tighter supplies from top exporter Indonesia and rumours the Chinese government was buying for its stockpiles.

#### **Energy**

• The IMF estimated that Saudia Arabia will require an average **oil price** of US\$96.20 a barrel to balance its budget, assuming it holds crude output steady near 9.3 million barrels a day this year. The kingdom needs considerable revenue to fund the ambitious transformation plans of Crown Prince Mohammed bin Salman. Assuming the kingdom relaxes the supply cuts and revives production to 10.3 million barrels a day next year, its break-even price requirement should drop to \$84.70 a barrel, according to the IMF.

#### **Energy**

- The Biden administration increased the cost of **oil and gas** drilling on US public lands. The Bureau of Land Management finalised a rule to increase royalties drillers must pay to the government for the first time since 1920 and the bonds needed to cover the cost of clean-ups for the first time since 1960. Royalty rates will rise from 12.5% to 16.67%, in line with a change first mandated by the Inflation Reduction Act, Biden's landmark climate law. Minimum bond requirements, used to pay for the clean-up of abandoned wells, will rise from \$10,000 to \$150,000 for an individual lease.
- The Biden administration also blocked oil and gas drilling across over 13 million acres of the National Petroleum Reserve (NPR) in Alaska.
- The US Senate passed a bipartisan bill to ban Russian uranium imports. If signed by President Biden,
  Russian LEU imports would be banned 90 days after enactment until 2040, although the legislation
  would allow the US Department of Energy to issue waivers for imports to continue on a diminishing
  basis before completely ceasing in 2028.
- The S&P/TSX O&G exploration and production index hit its highest level since 2014.
- A report from Mining.com said that Global uranium production is expected to grow by 11.7% to more than 60.3 kilotonnes in 2024, according to estimates by UK-based analytics firm GlobalData, with the production rise predominantly coming from key producers such as Kazakhstan and Canada.
- The chairman of Kazatomprom, the world's largest uranium producer, said, "We have no desire to boost production in the coming years. Therefore, in some places we are even trying to extend the life of our deposits we are not chasing production volumes." This may be an attempt to put a positive spin on an inability to increase **uranium** production as planned.
- Cameco reiterated its contracted uranium sales forecast of 28 MMlbs / year for the next 5 years. Its
  production profile is ~26 MMlbs year, implying the company will need to buy an average of at least
  2Mmlbs/yr in the spot market.
- The Al-driven boost in power consumption is going to be big for **nuclear** energy, according to Joe Dominguez, chief executive officer of the largest US operator of nuclear plants Constellation Energy Corp. Cameco Corp's chief executive agreed that projected demand from data centres powering generative Al is likely to boost demand for nuclear energy.
- Global coal power capacity hit a record high last year, led by China, followed by Indonesia and India.
  China added 47GW of coal fired capacity last year and started construction on 70GW, compared to
  coal power capacity in Europe of 213 GW. Data in the Global Coal Plant Tracker showed that 70GW
  of coal power capacity was commissioned while 21GW was retired in 2023, resulting in a net annual
  increase of 48.4 GW for the year and a global total capacity of 2,130 GW. This is the highest net
  increase in operating coal capacity since 2016.
- **EV** sales are expected to reach 17m, up from 14m in 2023, according to the International Energy Agency (IEA). Over 20% of cars sold globally are set to be electric in 2024.
- Australian Federal Energy Minister Chris Bowen said Australia has no option but to seek new
  supplies of gas. In comments to major energy buyers at a conference in Melbourne, Bowen said
  that gas will play an important role filling the gap left by wind and solar. Meanwhile, Australia's
  biggest coal power station Eraring may stay open for four more years, with the NSW government
  working on the safety net solution to head off the threat of blackouts.
- Government agencies the ACCC, AER and AEMO have all warned of deteriorating east coast gas supply, with shortfalls expected in winter and higher prices. Longer term, the AEMO forecasts substantial increases in demand for gas in power generation to aid the energy transition. On the supply side, gas project developers cite delays in gaining governmental approvals to operate, and legal challenges from climate activist groups.

## 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 20-plus 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.



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## Characteristics of the Fund

Number of Investments: 86

Unlisted Investments by value: 11.3%

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**

The information given by Lowell Resources Funds Management Ltd "LRFM" (ACN 006 769 982, AFSL 345674) is general information only and is not intended to be advice. You should therefore consider whether the information is appropriate to your needs before acting on it, seeking advice from a financial adviser or stockbroker as necessary.

## **DISCLAIMER**

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This release has been approved by the Responsible Entity's Board of Directors