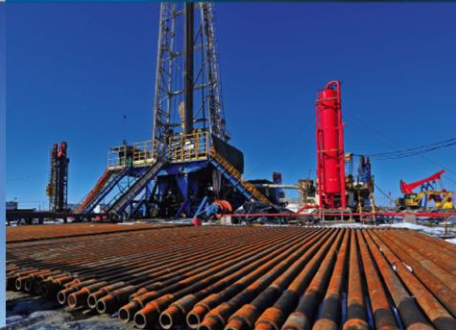




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FUNDS MANAGEMENT**

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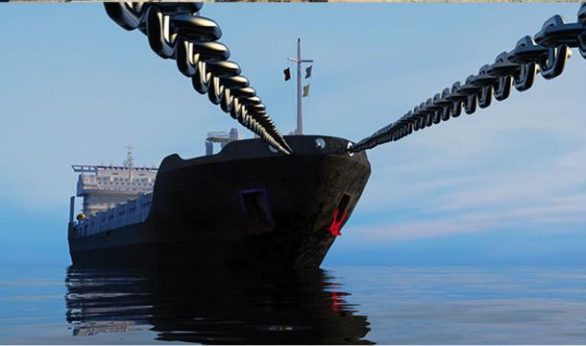


# LOWELL RESOURCES FUND

## Emerging Mining & Oil and Gas

AIA National Conference

Surfers Paradise, July, 2019



Deep value equity fund focused on the junior resources sector





# Disclaimer



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# Where are we..... in the Resources Cycle?



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## **Indicators to look for:**

- Historic commodity price levels
- Mergers and Acquisitions (M&A)
- IPO's
- Capital Raisings (number and amount raised)
- Availability of development funding
- Emerging Company Index (SPAXEC)
- Market reaction to newsflow

# Commodities vs Stocks



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## GSCI (TR) / S&P 500 ratio, 1970-2019



Source: Prof. Dr. Torsten Dennin, Lynkeus Capital, Bloomberg, Incrementum AG





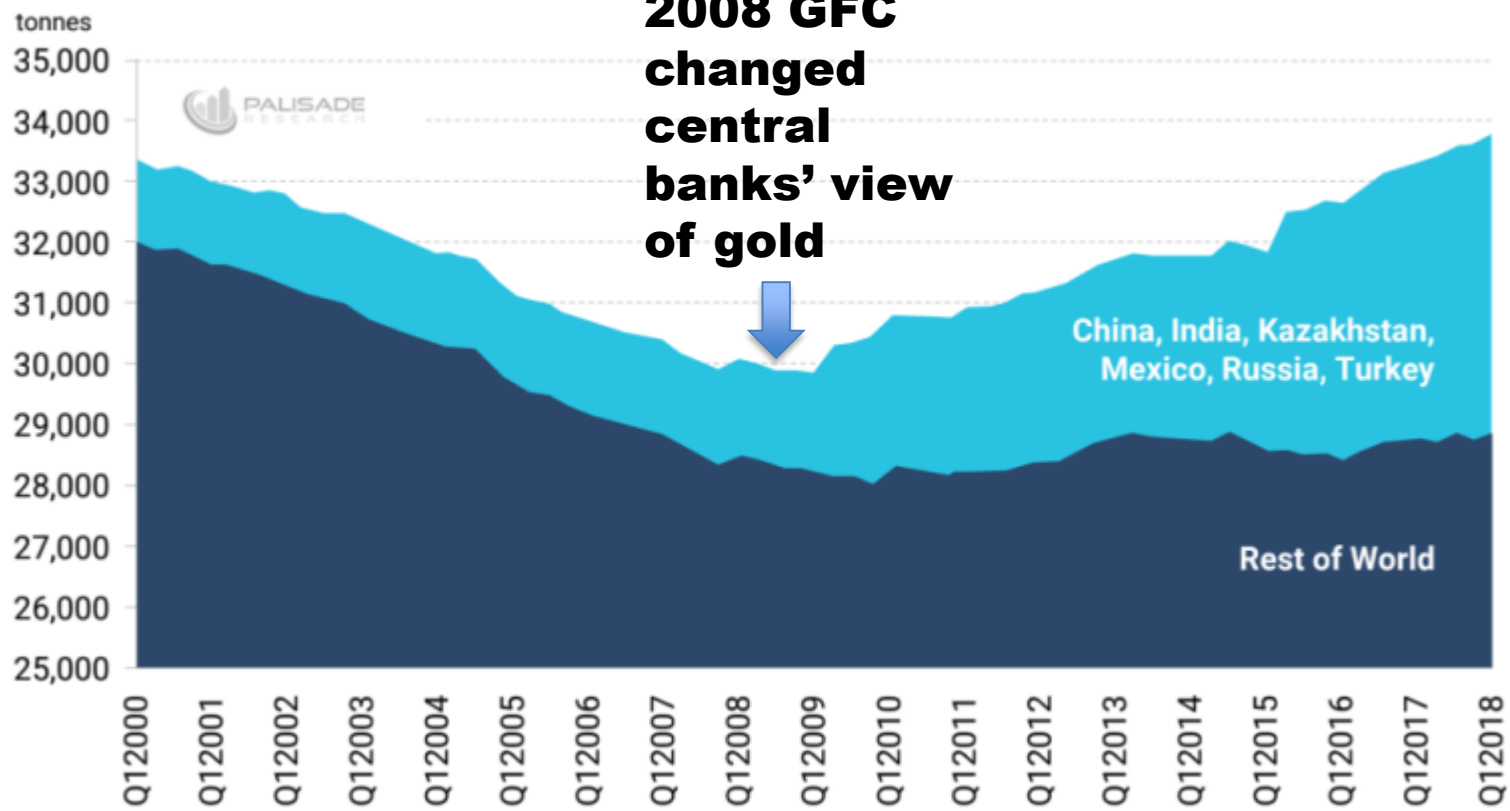
# Central Bank Gold Purchases



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## Central Bank Gold Reserves



Source: Gold Industry Group



# Euro Currency Buying Power in gold terms



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**Gold per EUR, in mg, 01/01/1999-01/01/2019**



Source: Federal Reserve St. Louis, Incrementum AG

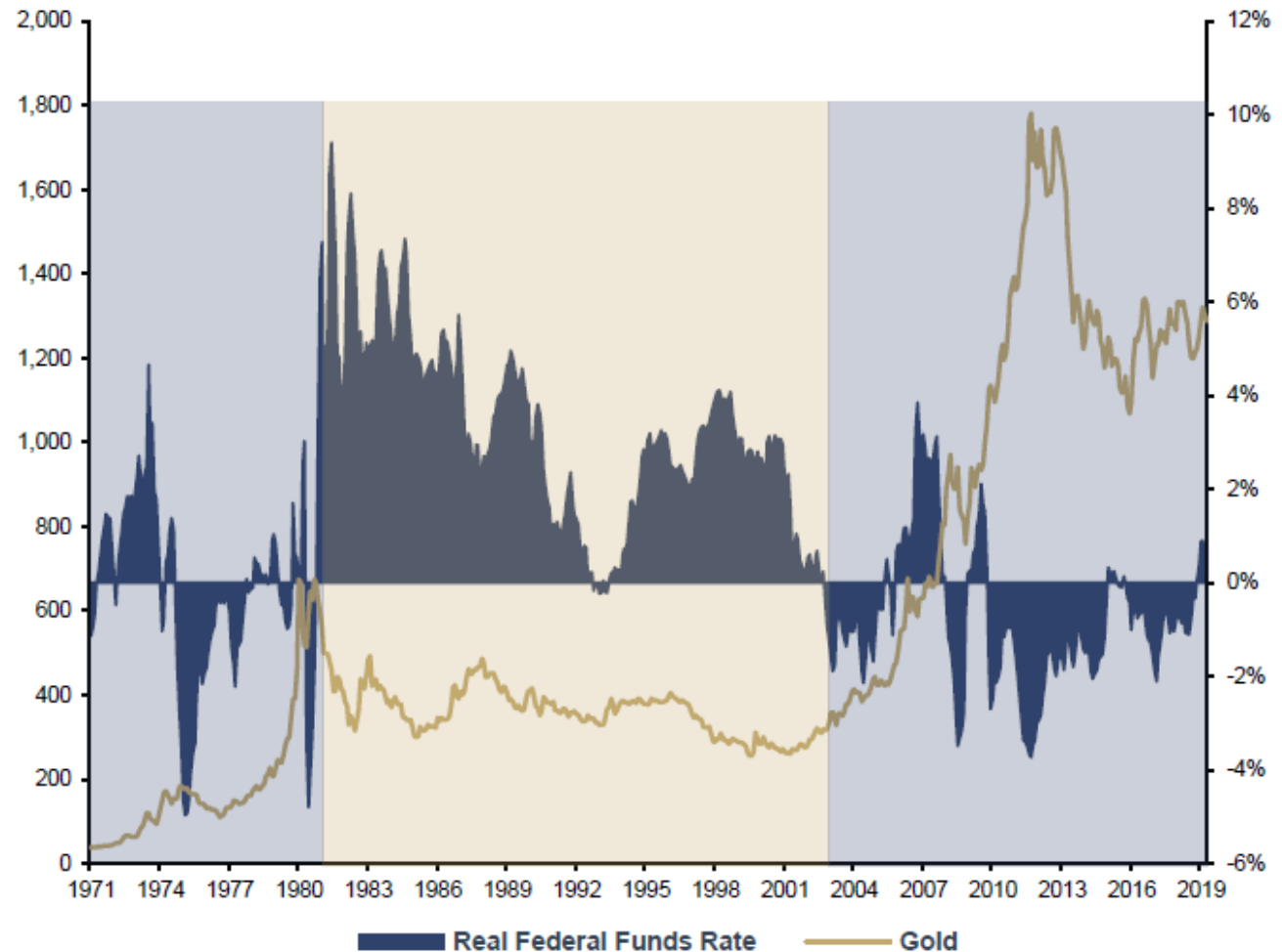
# US\$ Real Interest Rates Correlation to Gold Price



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When inflation is higher than real US\$ interest rates, it is generally positive for the gold price



Source: Federal Reserve St. Louis, Incrementum AG



# Selected ASX listed Gold Companies



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ASX Listed Gold Mining Company	Market Cap (A\$ mil)	Broker Valuation \$/sh	Broker	Share Price \$/sh	Premium to Valuation
Saracen Mineral Holdings (SAR)	\$3,500	\$3.20	Canaccord (June 19)	\$4.13	29%
Regis Resources (RRL)	\$3,300	\$4.70	Canaccord (June 19)	\$5.61	19%
Northern Star Resources (NST)	\$8,470	\$6.88	Hartleys (Feb 19)	\$13.25	93%
Gold Road Resources (GOR)	\$1,202	\$0.92	Baillieu Holst (July 19)	\$1.37	49%
ASX Listed Gold Developer	Market Cap (A\$ mil)	PFS Project Valuation AUD\$ mil	Valuation Parameters	Enterprise Value A\$ mil	Discount to Valuation
Cardinal Resources (CDV)	\$135	\$1,080	@US\$1,350/oz gold price, 0.70 AUD FX, 5% discount rate	\$171	-84%





# Gold Equities – M&A Building



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- Red Chris, BC – \$1.1bn acquisition by Newcrest
- Pogo, Alaska - \$420m acquisition by Northern Star
- Atlantic Gold, Nova Scotia - \$820m takeover by St Barbara
- Explaurum, WA – \$70m 2018 takeover by Ramelius
- Central Norseman, WA - \$30m acquisition of 50% by Pantoro

# US Oil Production



10

## Total US Oil Production

Monthly; 2010 to Present

MMB/d

12

■ Offshore

■ Onshore

10

8

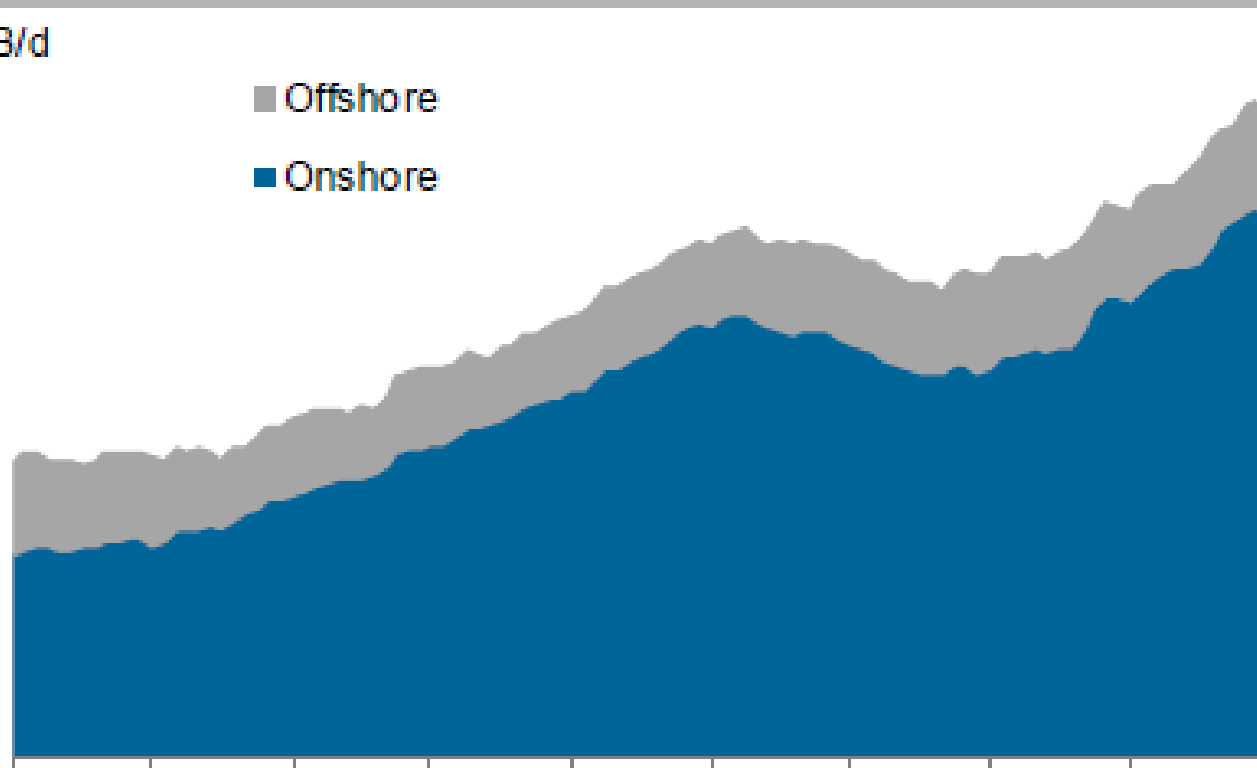
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4

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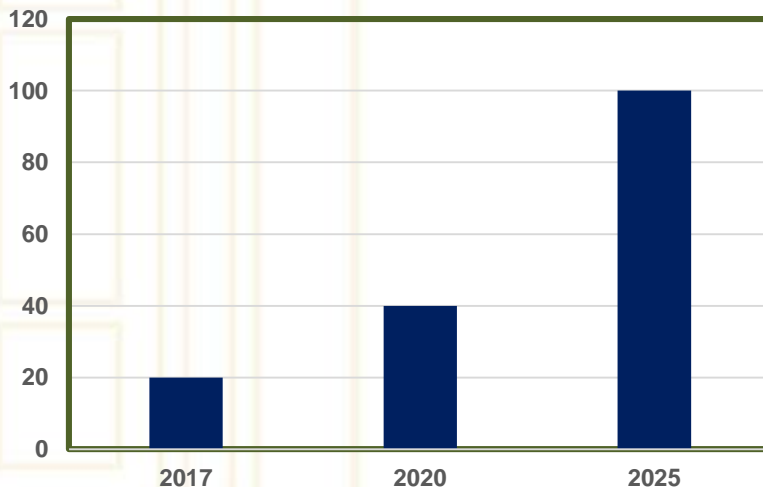
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2010 2011 2012 2013 2014 2015 2016 2017 2018 2019

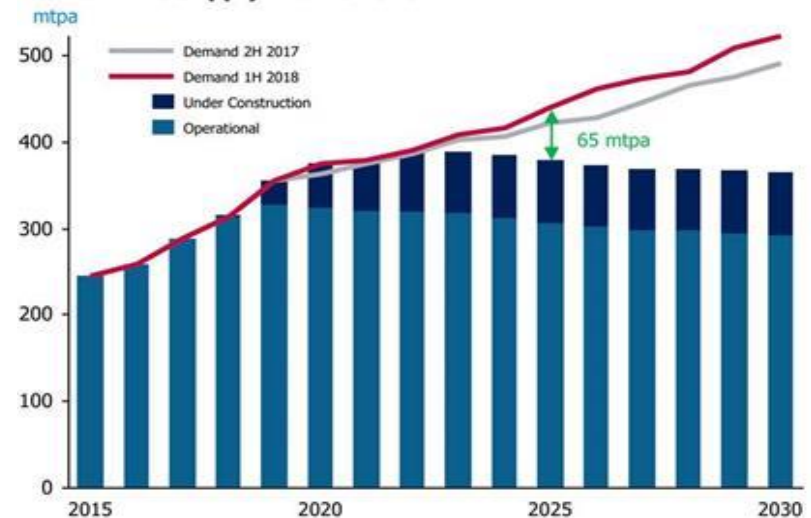


- China's government has recognised the importance of gas in its clean energy strategy. It has set an aggressive target with gas to account for around 10% of energy consumption by 2020 Morgan Stanley Oct 2018
- To achieve that, gas consumption needs to rise by more than 13% pa over the next two years: “a frantic growth rate”.

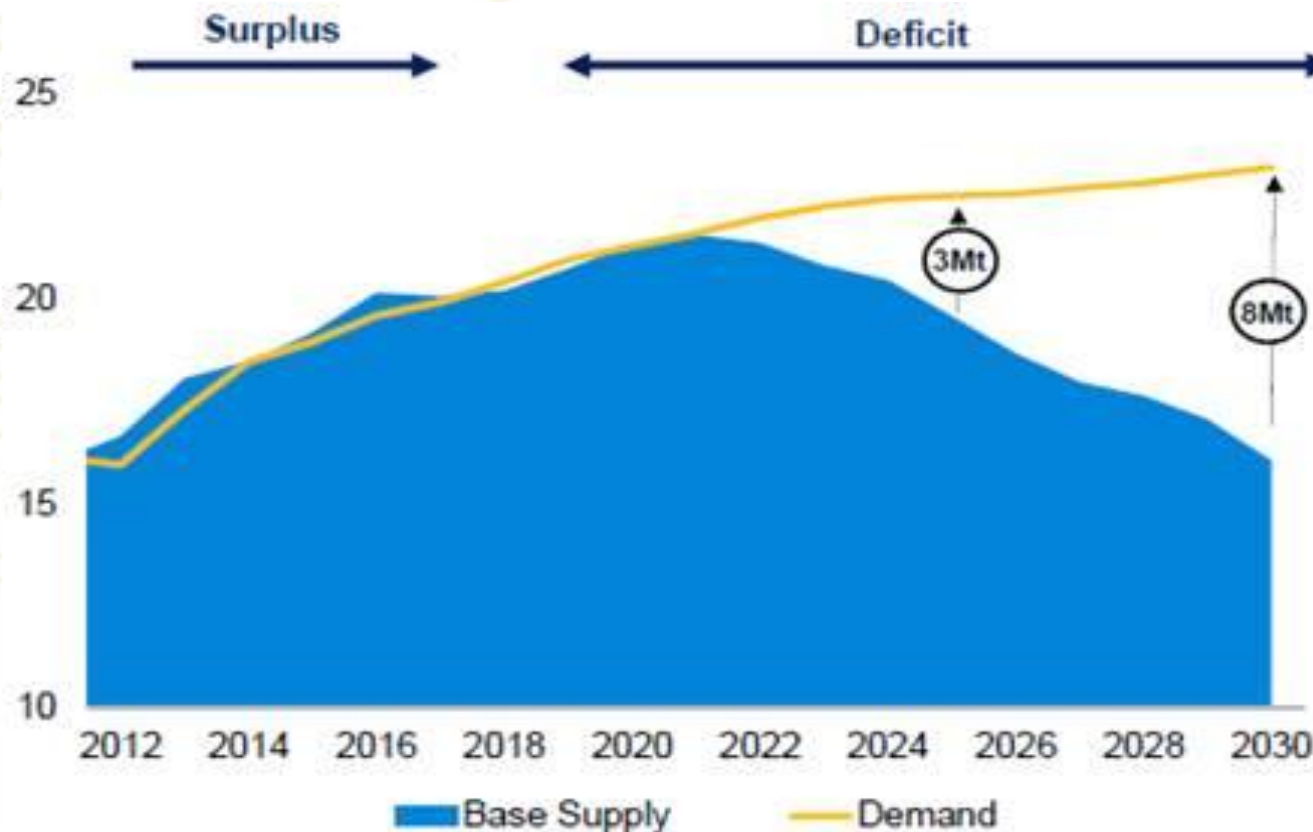
**Chinese Forecast LNG Imports Mt/a**



**Global LNG supply and demand**



# Copper



Global Copper Supply/Demand Forecast  
(source Rio Tinto, Sept 2018)

- M&A competition for copper deposits emerging (eg Solgold, MOD)
- Refined copper inventories decreasing
- mine concentrate supplies are falling
- Demand for Cu concs is rising: smelter TC/RCs costs are down to lowest in more than five years (April 2019)

# Forecast EV Production

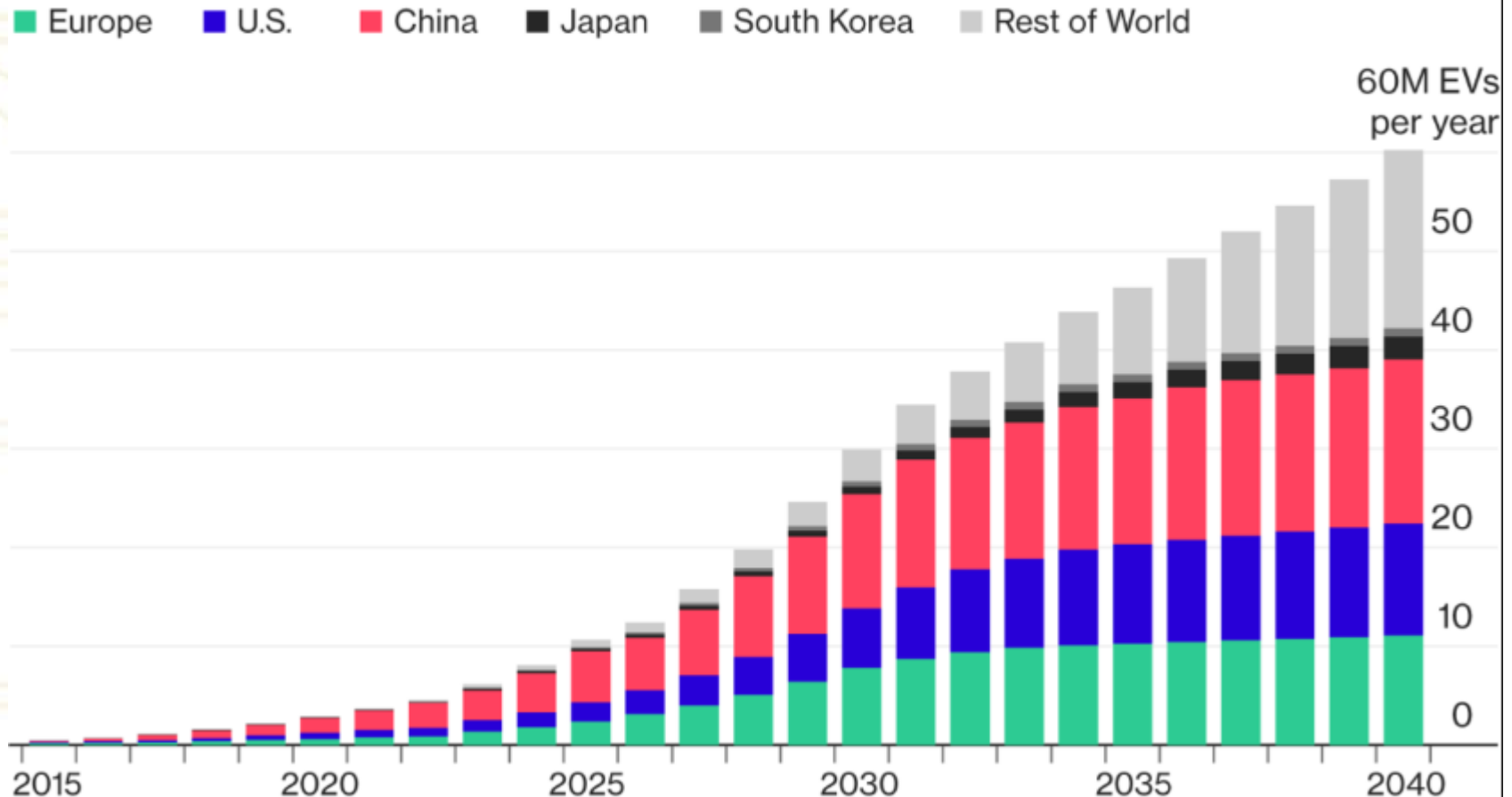


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## Global Electric-Car Revolution Set to Take Off

China set to lead EV market



Source: Bloomberg New Energy Finance

**Bloomberg**



EV batteries are moving from Ni:Co:Mn ratio of 1:1:1 to 8:1:1

## Significant nickel supply growth needed – Vale

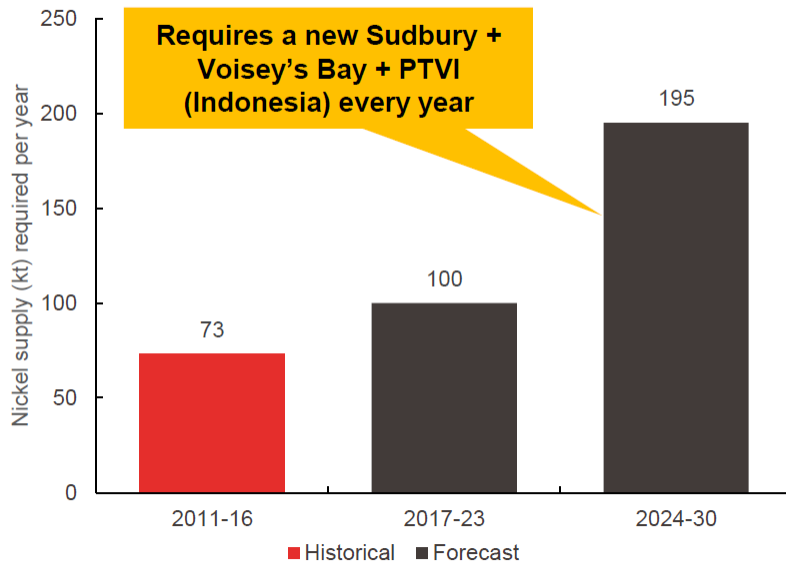
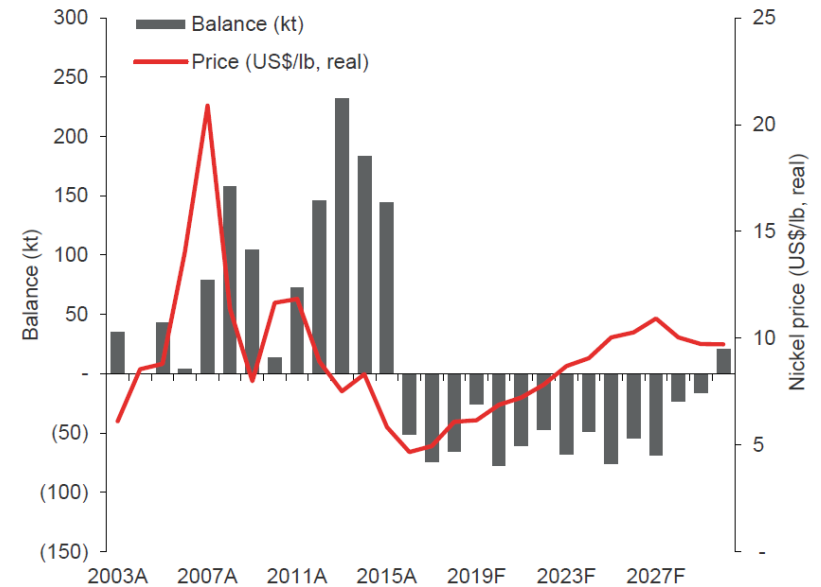


Chart source: Vale Day 2018 presentation (6 December 2018, slide 62).

## Battery-grade nickel supply deficit



Source: Wood Mackenzie, March 2019



# Investment Criteria



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Quality of Management	Board
	Executives
	Remuneration
Quality of Shareholders	external shareholders
	management 'hurt money' investment
Liquidity	high daily turnover vs unlisted
Size of Funded Program Budget	funding in place to reach next significant milestone; or only overheads funded?
Commodity	Market transparency
	Current Position in price cycle
	Fundamental outlook
Deposit / Energy resource	size
	grade
	exploration upside
Metallurgy	simple processing; or refractory/expensive/complex?
Potential Capex	Within the capacity of a <\$200m market cap company?
Potential Opex	First or second quartile on the global cost curve.
	Fiscal terms
Location	sovereign risk
	resource development history
Mine Permitting	easy/in place; or uncertain/ lengthy?
M&A	attractiveness as takeover target



# Fund Summary



**LOWELL RESOURCES  
FUNDS MANAGEMENT**  
ABN 36 006 769 982

## Overview

Fund size (23 July 2019)	A\$18.7 m
Units on issue	2.75m units
Unit price (24 July 2019)	\$4.80
Avg Liquidity (per day, prev 3 mths)	2,300 units
Discount to NAV	29%
Number of unit holders	~500

## Listing summary

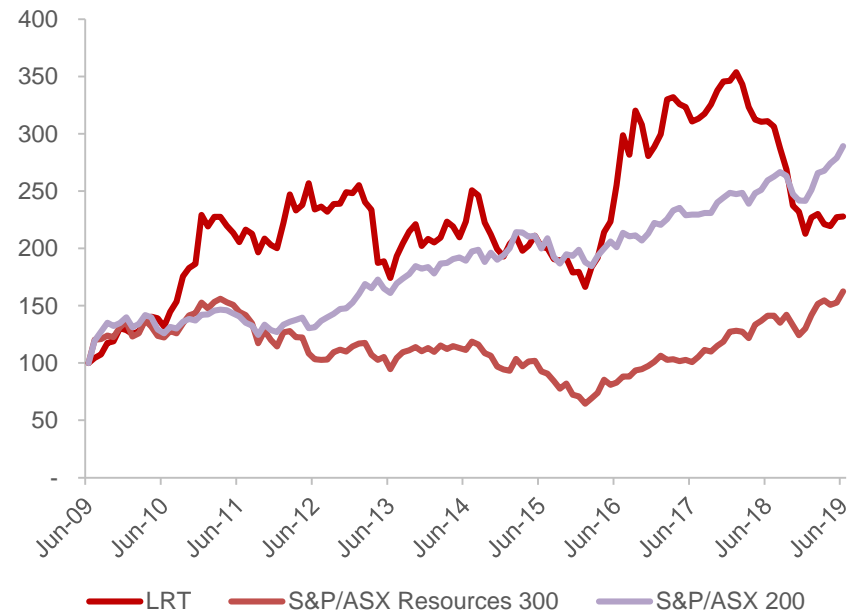
Exchange	ASX
Code	LRT

## Characteristics of the Fund

Nature of Fund	Long only, no gearing fund
Investee Companies	Junior resource companies, including gold, base and specialty metals, & energy
Investment Type	Focus on global listed and unlisted resources equities
Distribution Policy	100% of taxable profits distributed annually

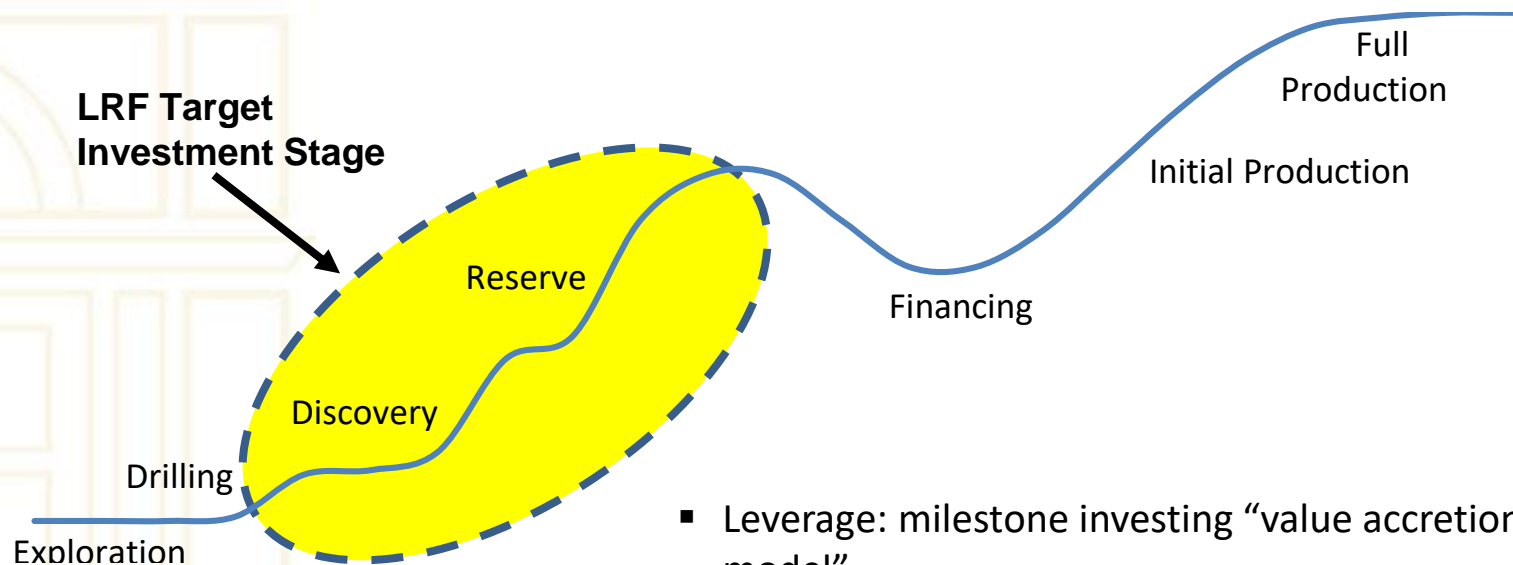
## 10 year comparison performance chart

(to 30 June 19, indexed at 100)<sup>1</sup>



<sup>1</sup>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



# Investment Committee Members



**LOWELL RESOURCES  
FUNDS MANAGEMENT**

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## **John Forwood, Chief Investment Officer**

*Joined LRFM in November 2016*

Mr Forwood is a qualified lawyer and geologist with more than 25 years experience in the resources sector. He has over 17 years of resources financing experience with RMB Resources, including 13 years as a Manager of the Telluride Fund. The Telluride Fund delivered average pre-tax returns of 28% for equity investing in the junior resources sector. Mr Forwood also has 5 years' experience in exploration and development geology in Australia, Tanzania and Indonesia. Previously, he qualified with a major Australian law firm to practice as a barrister and solicitor.



## **Richard Morrow, Investment Committee Member**

*Joined LRFM in November 2017*

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.



## **Stuart Baker, Investment Committee Member**

*Joined LRFM in July 2018*

Mr Baker brings a wide experience in valuation and analysis of energy companies. He 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. In a career spanning more than 30 years, 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.





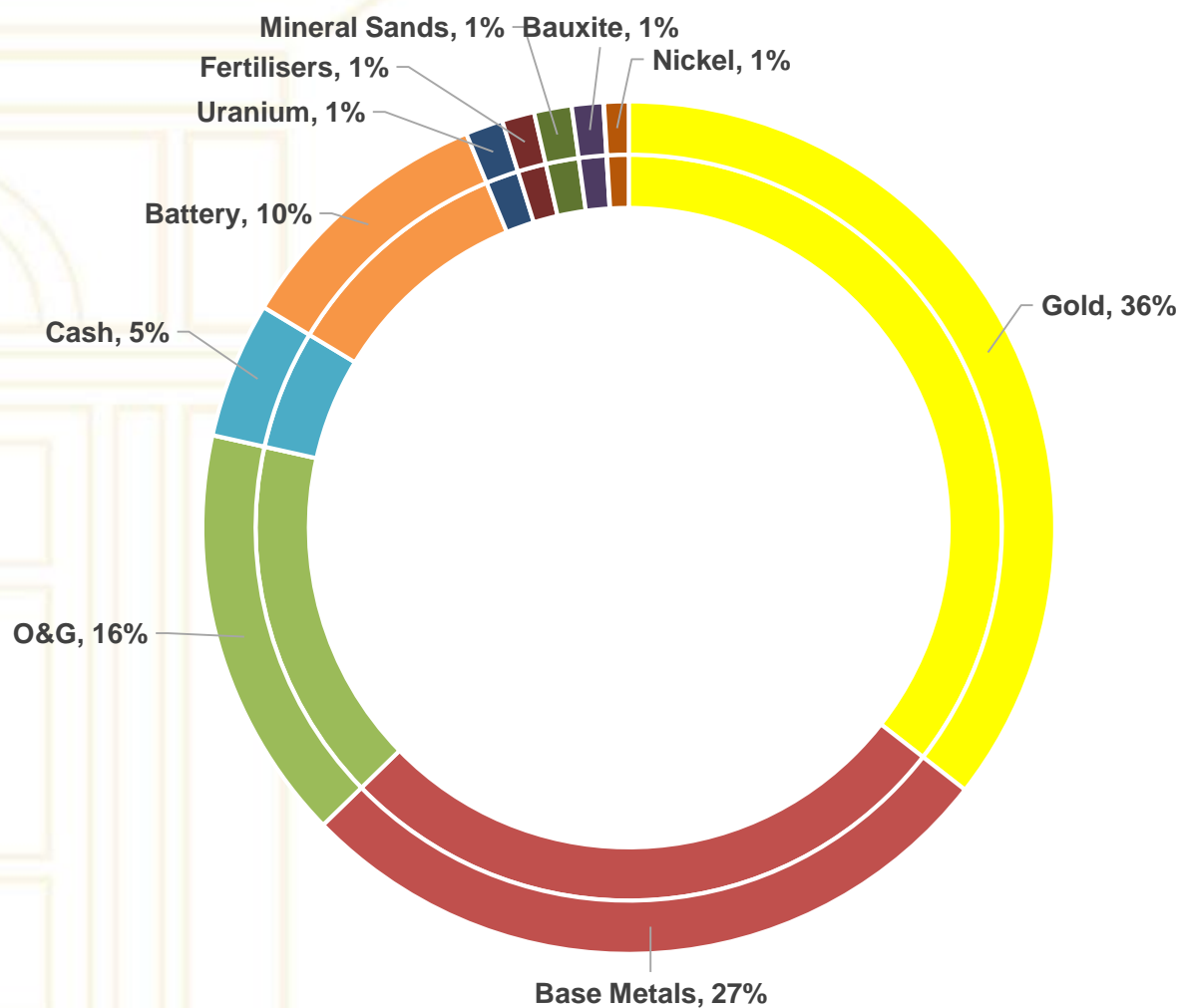
# Investments by Commodity

## 30 June 2019



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**Classified by main commodity  
of investee company's  
lead project.**



# SIGNIFICANT PERFORMERS



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## Adriatic Metals

- Au-Ag-Pb-Zn-Ba deposit in Bosnia
- Invested \$285k at 19cps (mostly as seed)
- Share price at 25 July A\$1.04/sh

## Gold Road Resources

- 50% of 300koz pa Gruyere gold mine in WA
- Invested \$294k at 16cps
- Share price at 25 July A\$1.37/sh

## Cardinal Resources

- Namdini 5.1 Moz gold reserve in Ghana. FS due Q3 2019.
- Market cap A\$159m vs Namdini PFS NPV US\$586m (post tax NPV(5) at US\$1,250/oz gold)
- \$228k invested (not incl options) at \$0.15/sh, 25 July 2019 share price \$0.36/sh

## Liontown Resources

- 75 Mt resource at 1.3% LiO<sub>2</sub>, spodumene
- Scoping Study NPV(8) post tax A\$421m
- A\$262k invested at 2.1cps
- Share price at 25 July \$0.16/sh

## High Peak Royalties

- Oil & Gas Royalty owners over production in US and Australia
- 2.25% royalty on Origin's Peat gasfield, Qld
- leveraged to current Santos drilling in Amadeus Basin – 1% royalty on Dukas well: target 2.4 Tcf gas and 420 Bcf Helium
- \$250k invested at 4.4cps, share price at 25 July 2019 7.5cps



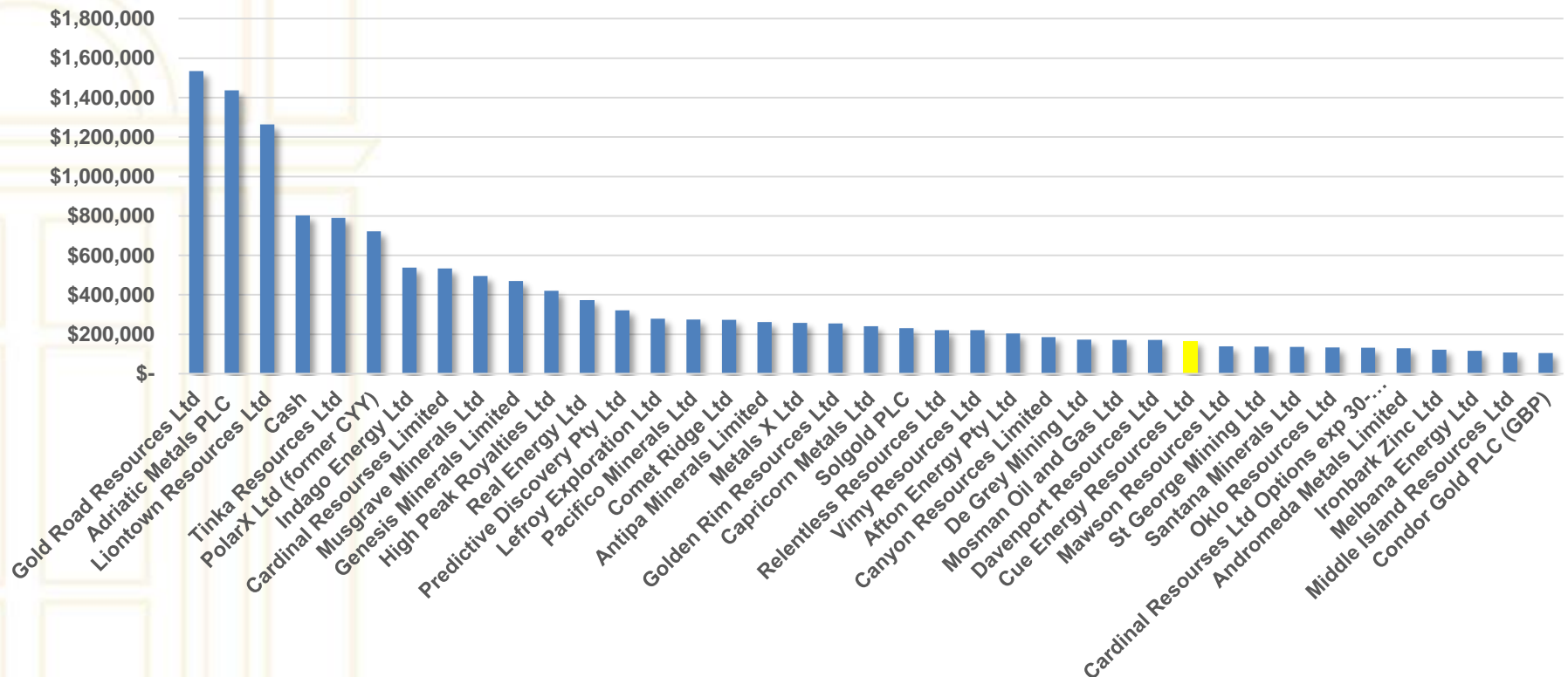
# Portfolio by Company



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FUNDS MANAGEMENT**

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**LRF Portfolio by Value 30 June 2019**





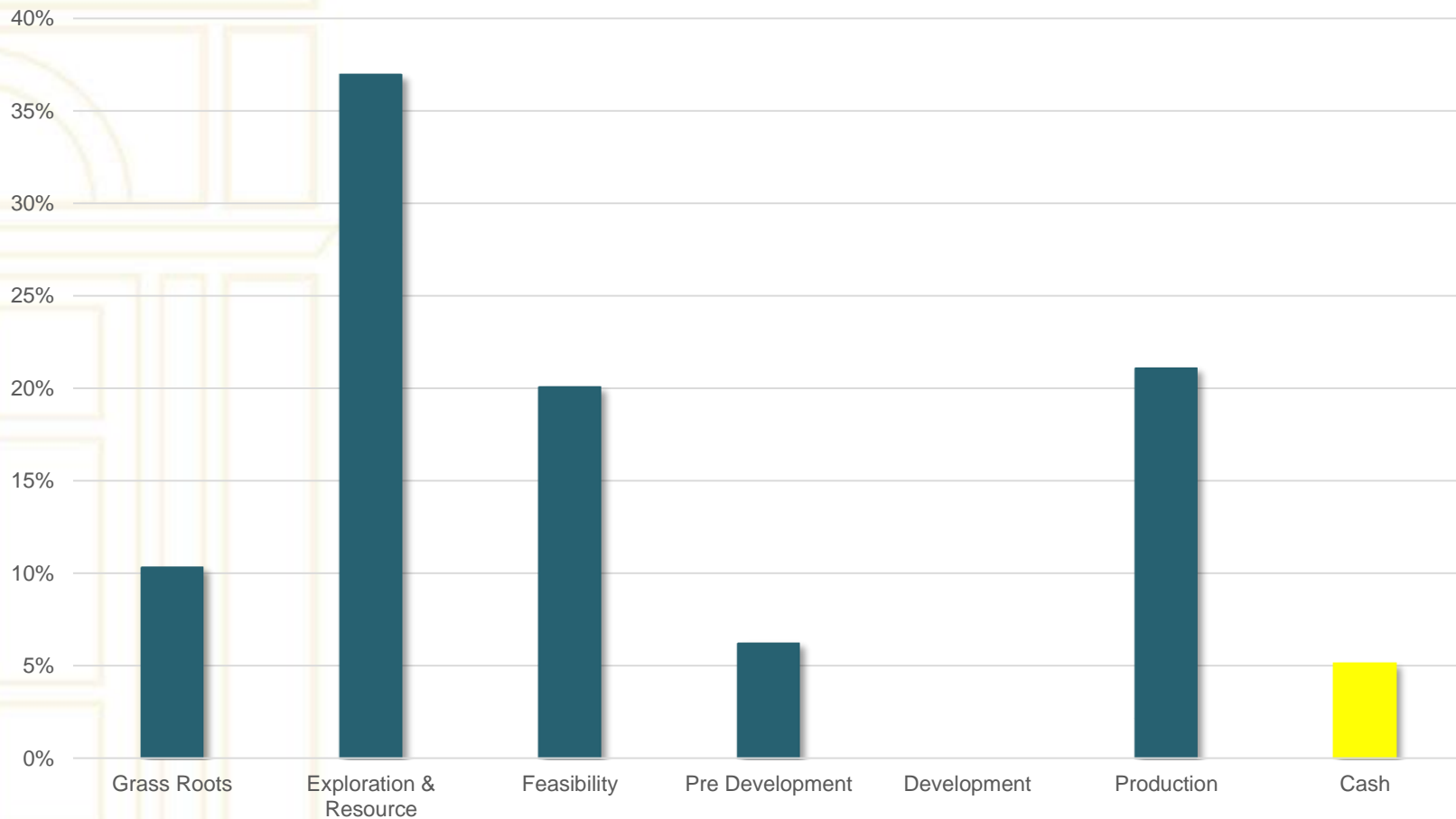
# LRF Portfolio by Project Stage



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**Portfolio Value by Stage of Project  
30 June 2019**





# Investment Overview & Objective



**LOWELL RESOURCES  
FUNDS MANAGEMENT**

ABN 36 006 769 982

## Overview

- Lowell Resources Funds Management Ltd (“LRFM” or “The Manager”) manages the Lowell Resources Fund (ASX ticker ‘LRT’) Portfolio, and has a successful track record for over 14 years
- The Manager operates through an Investment Committee which incorporates the experience and knowledge of individuals who have direct working experience in the minerals and energy industries, geosciences, broking, banking, and funds management
- LRT unitholders are provided with broad exposure to the junior mining and energy sectors in a Portfolio that is actively managed by the Manager in accordance with its investment philosophy and stock-selection criteria
- The fund is not frightened to take profits and will realise investments once targets are reached or can no longer be achieved

## Investment Objective

- LRT’s investment objective is to maximise absolute returns to its unitholders over the medium to longer term, along with **annual distribution payments of 100% of taxable profits**







# Historical Performance



**LOWELL RESOURCES  
FUNDS MANAGEMENT**

ABN 36 006 769 982

## Investment Portfolio Performance (IPP)

	LRT (after fees) <sup>1</sup>	Res 300	ASX 200
<b>10 year</b>	8.35% pa	3.85% pa	10.02% pa
<b>5 year</b>	0.39% pa	7.86% pa	8.85% pa
<b>3 year</b>	-3.73% pa	25.17% pa	12.88% pa
<b>2 year</b>	-14.41% pa	27.01% pa	12.28% pa
<b>1 year</b>	-26.78% pa	14.96% pa	11.55% pa
<b>6 months (to 30 June 2019)</b>	7.00%	24.83%	19.73%

<sup>1</sup>Investment performance figures reflect the historic performance of Lowell Resources Fund, net of fees

<sup>2</sup>Methodology for calculating total return is based on MorningStar, which assumes reinvestment of dividends

<sup>3</sup>Investment performance is pre-tax and ignores the potential value of franking credits on dividends that were partially or fully franked

*Note: historic performance or distributions are not a guide or indication of future performance or distributions*



# The Manager



**LOWELL RESOURCES  
FUNDS MANAGEMENT**  
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## Lowell Resources Funds Management Ltd

### **Stephen Mitchell, Chairman**

*Joined LRFM in February 2011*

Mr Mitchell has over 30 years' experience in the resources sector with experience in management, corporate advisory and investment banking. As MD, Mr. Mitchell developed Molopo Energy into an ASX 200 energy company with projects in Australia, Canada, the US, Asia and Africa. Previously he was Chairman of Lowell Capital, the Responsible Entity for the Lowell Resources Fund, and had various corporate advisory/finance roles specialising in resources. He is currently Chairman of Indago Energy and Afton Energy. Mr Mitchell completed a MA in International Economics and Politics at Johns Hopkins University in the US.

### **John Forwood, Director & Chief Investment Officer**

*Joined LRFM in November 2016*

Mr Forwood is a qualified lawyer and geologist with more than 25 years experience in the resources sector. He has over 17 years of resources financing experience with RMB Resources, including 13 years as a Manager of the Telluride Fund. The Telluride Fund delivered average pre-tax returns of 28% for equity investing in the junior resources sector. Mr Forwood also has 5 years' experience in exploration and development geology in Australia, Tanzania and Indonesia. Previously, he qualified with a major Australian law firm to practice as a barrister and solicitor.

### **Richard Morrow, Director**

*Joined LRFM in November 2017*

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

### **Steven O'Connell, Director**

*Joined LRFM in March 2009*

Mr O'Connell has over 30 years' extensive finance industry experience in asset management, life insurance, custodial services, financial planning and superannuation (consulting, administration and trustee services). He has headed the compliance and risk management functions for several large multi-national asset managers. Mr O'Connell has been appointed company secretary for a number of asset managers, headed custodial operations for corporate actions, reconciliations and unlisted trust management and was a key person in the eventual sale of Mellon Australia's superannuation and administration consulting businesses in 2005. He has held Board positions at one of Australia's leading asset management companies, chairs Compliance Committees for leading asset managers and continues to be a Responsible Manager for a number of asset management companies.



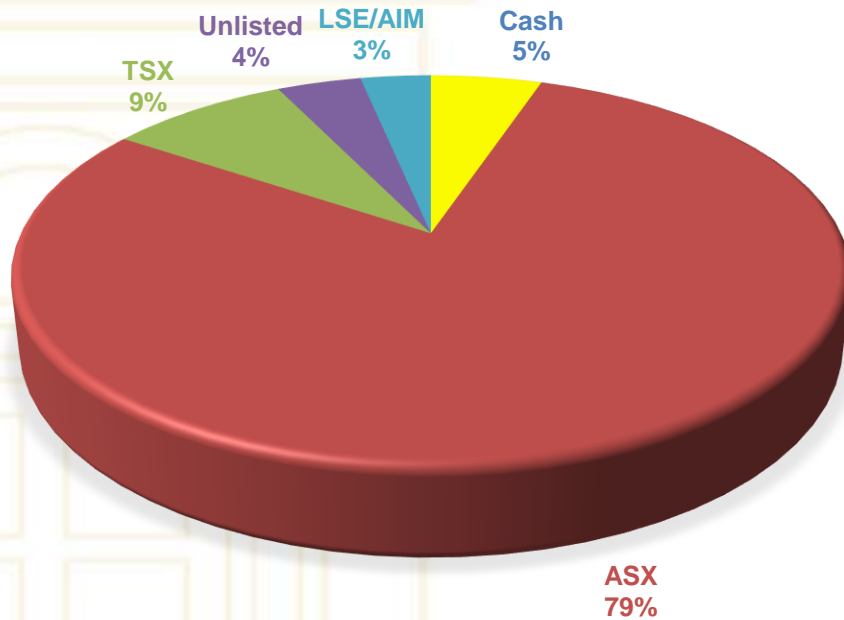
# Portfolio Characteristics



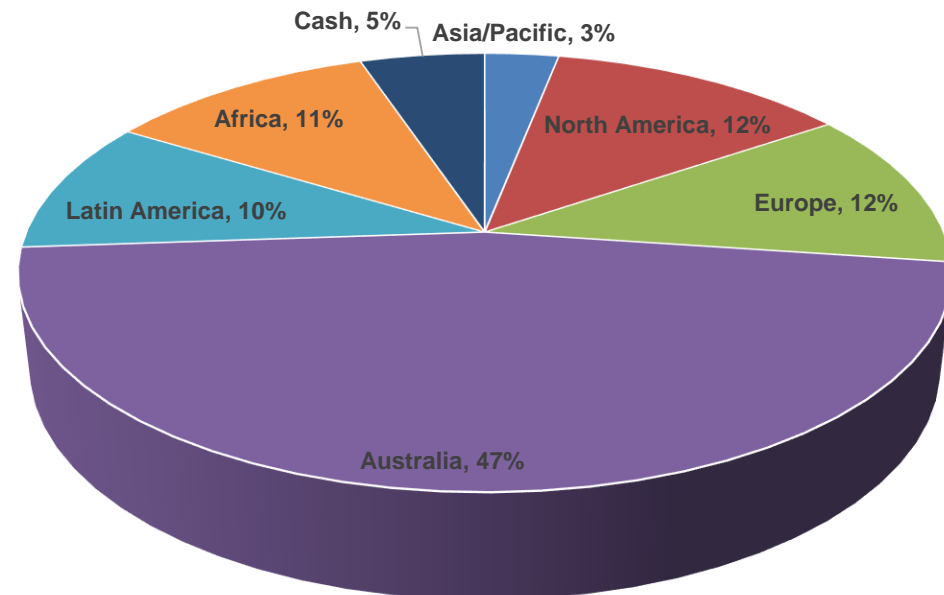
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## WEIGHTING 30 JUNE 2019



## Portfolio by Geography of main project 30 June 2019





# Stock Selection



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## Top down focus

1

- Macroeconomics
- Equity markets

2

- Market sectors
- Commodities

3

- Resource categories
- Individual stocks

## Criteria

- ✓ Management
- ✓ Geographic location
- ✓ Geological setting
- ✓ Resource/reserve magnitude
- ✓ Grade, metallurgy
- ✓ Stage
- ✓ Infrastructure and market
- ✓ Indicative economics
- ✓ Valuation
- ✓ Timing

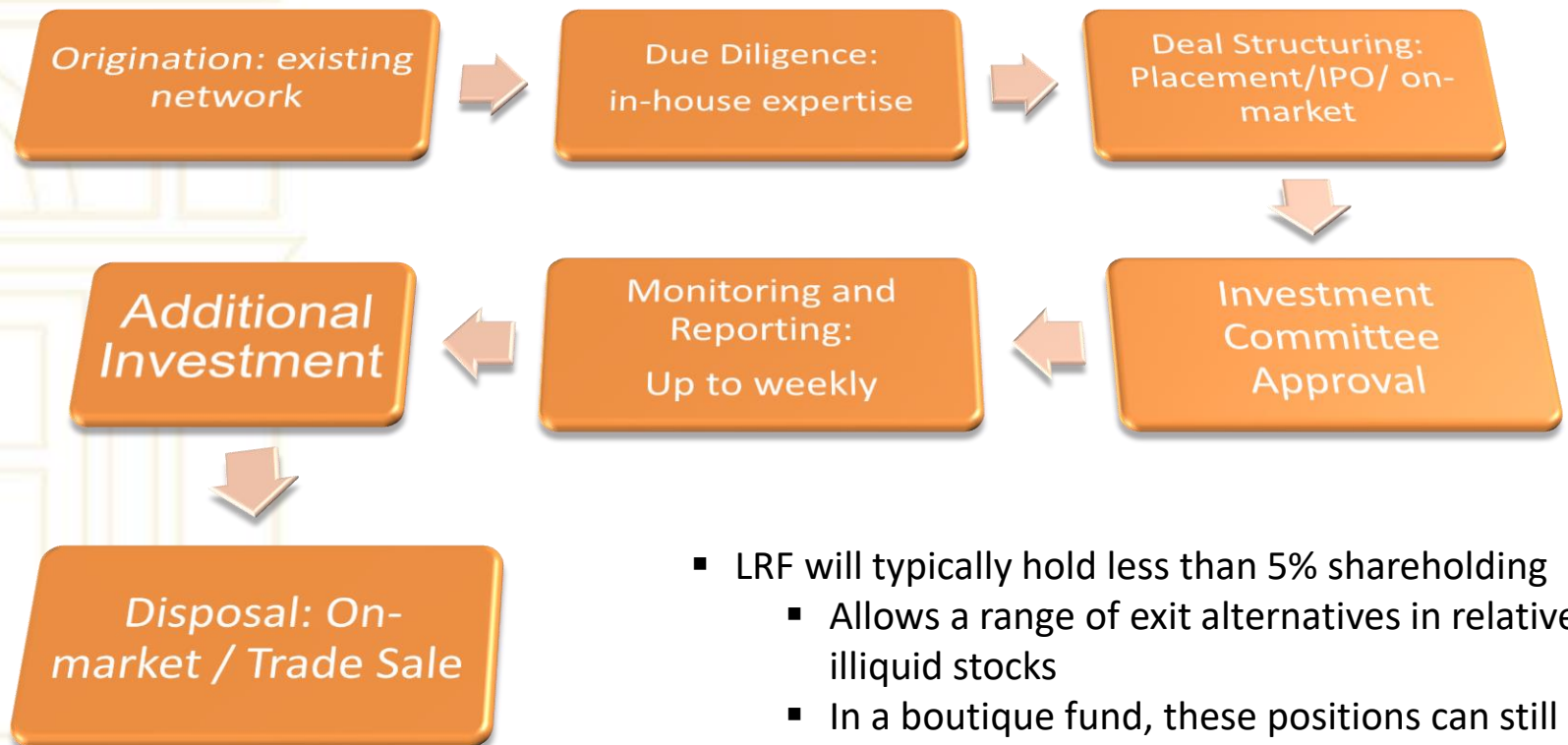


# Our Investment Process



**LOWELL RESOURCES  
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- LRF will typically hold less than 5% shareholding
  - Allows a range of exit alternatives in relatively illiquid stocks
  - In a boutique fund, these positions can still 'move the needle' for performance





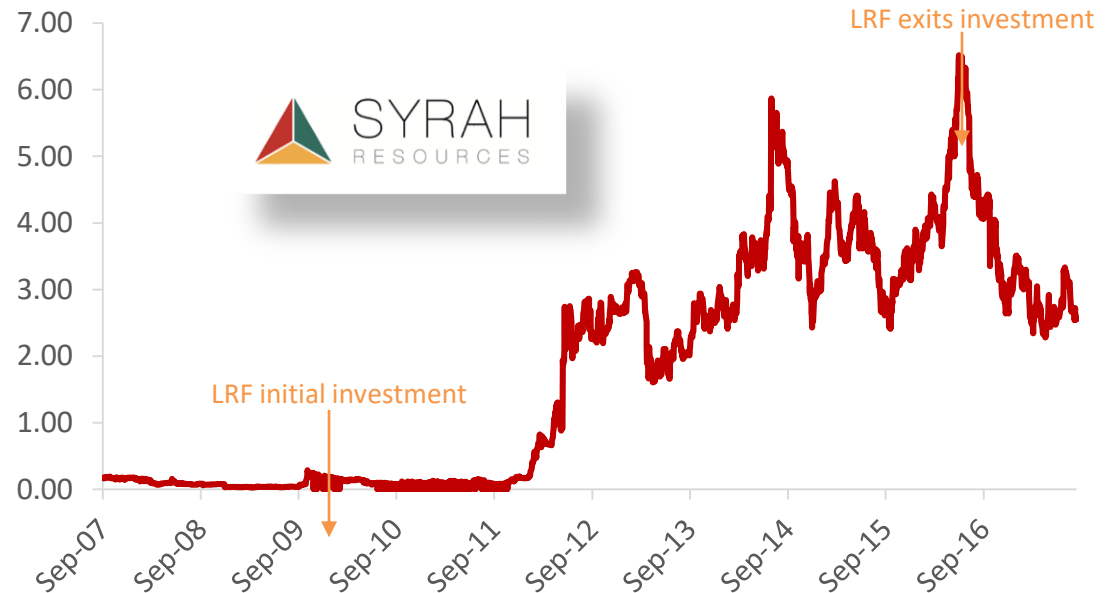
# Case Study: Syrah Resources



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## Syrah Resources Limited (ASX: SYR)

- Australian-based industrial minerals and technology company, with a focus on graphite in Mozambique
- LRF's first investment in SYR was in December 2009, at around \$0.18/share
- Accumulated a holding of around 2.2m shares by April 2012
- Progressively sold down all exposure between June 2012 and April 2016
- Generated a realised gain of A\$7.7m, or 1802.9% total return on the investment





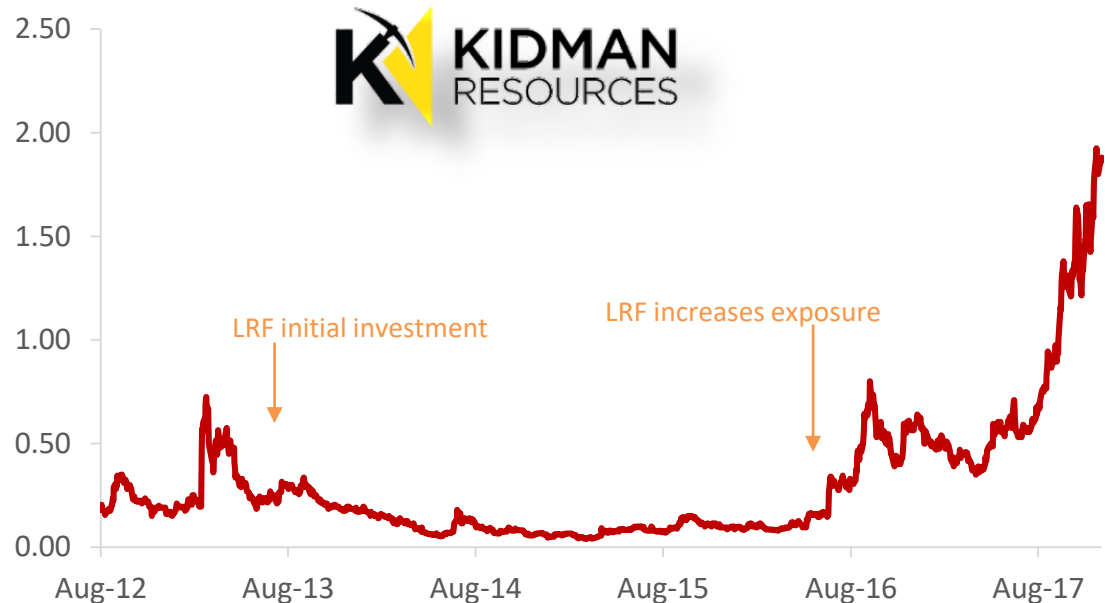
# Case Study: Kidman Resources



**LOWELL RESOURCES  
FUNDS MANAGEMENT**  
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## Kidman Resources Limited (ASX: KDR)

- Fast-growing Australian resource company, focused on gold and lithium, located near Southern Cross, in the Archaean Forrestania belt of Western Australia
- LRF's first investment in KDR was in August 2013
- Accumulated a holding of around 4.3m shares by August 2016 at an average cost of \$0.12/share
- Sold position between September 2016 and November 2018 averaging circa \$1.20/sh.
- Generated a realised gain of \$5.1m, or over 800% total return on the investment





# Lowell – a unique investment opportunity



**LOWELL RESOURCES  
FUNDS MANAGEMENT**  
ABN 36 006 769 982

- **Fund focus**
  - One of the very few investment funds that offers exposure to the junior resources sector across Australia and global stock exchanges in unlisted and listed companies
- **Successful track record for 10+ years**
  - Superior performance over the short, medium and long term
  - Historical 10 year total portfolio performance of 8.35% p.a. after fees (to 30 June 2019)
  - Fund must distribute of all taxable profits (4 distributions over the past 8 years)
- **Experienced management**
  - Deep technical, financial and commercial expertise and networks with experience through numerous cycles.
- **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
- **Liquidity**
  - ASX listing to provide liquidity



# Contact



**LOWELL RESOURCES  
FUNDS MANAGEMENT**

ABN 36 006 769 982

## **Lowell Resources Funds Management Limited**

### **Investment Manager**

ACN 006 769 982

AFSL 345674

### **Address**

Level 6, 412 Collins Street,  
Melbourne VIC 3000

Tel: (03) 9642 0655

Fax: (03) 9642 5177

Email: [johnf@lowell.net.au](mailto:johnf@lowell.net.au)

## **Cremorne Capital Limited**

### **Responsible Entity**

ACN 006 844 588

AFSL 241175

### **Address**

8 Chapel Street,  
Richmond VIC 3121

Tel: (03) 9665 2499