



The Lowell Resources Fund

Deep value equity fund focused on the junior resources sector



February 2018



Lowell Resources
Funds Management

ABN 36 006 769 982



Disclaimer

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The Lowell Resources Fund

An Australian-based unit trust investing in junior resource companies

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Overview

Fund size (10 Jan 2018)	A\$21.4m
Units on issue	2.4m units
Unit price (10 Jan 2018)	\$8.94
Options on issue	1.2m options
Number of unit holders	~500

Characteristics of the fund

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 resources equities
Distribution Policy	100% of taxable profits distributed annually

Listing summary

Capital raising	A\$5m (max A\$10m)
Capital raising price	5% discount to NAV of the fund
Offer period end	28 February 2018
Minimum application amount	A\$2,500

10 years of outperformance (net of fees)



Investment Overview & Objective

Lowell Resources Fund

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Overview

- Lowell Resources Funds Management Ltd (“LRFM” or “The Manager”) manages the Lowell Resources Fund (‘LRF’) 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
- LRF 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

- LRF’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**



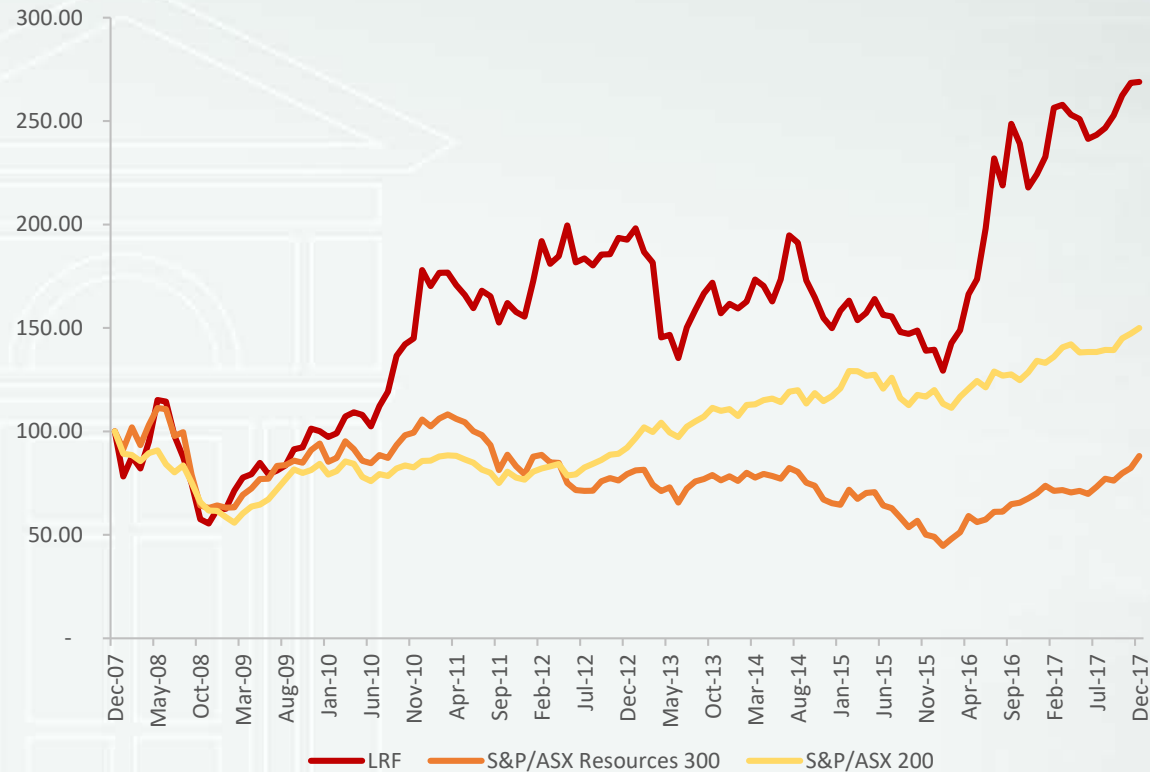
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10 year performance to 31 December 2017 (net of fees)



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

Total shareholder return (TSR)

Annualised TSR to 31 December 2017	Lowell Resources Fund	S&P/ASX Resources 300	S&P/ASX 200
10 year	10.4%	-1.3%	4.1%
5 year	7.1%	2.1%	10.2%
3 year	21.9%	10.5%	8.6%
2 year	39.3%	34.0%	11.8%
1 year	20.7%	25.7%	11.8%

¹Investment performance figures reflect the historic performance of Lowell Resources Fund, net of fees

²S&P/ASX Resources 300 index and S&P/ASX 200 index have been used for comparison, which assumes reinvestment of dividends/distributions

³Methodology for calculating total return is based on MorningStar, which assumes reinvestment of dividends

⁴Investment performance is pre-tax and ignores the potential value of franking credits on dividends that were partially or fully franked

⁵Source: LRFM, S&P





Recent distribution history

- As a unit trust, the LRF **must** distribute all taxable profits to unitholders

Distribution (financial year)	Distribution amount (A\$m)	NAV (pre distribution) (A\$m)	Distribution yield (%)
2011	1.5	16.5	8.9%
2012	0.5	17.4	2.8%
2015	0.4	13.4	3.3%
2017	1.0	20.0	5.0%

- Over the past 7 years, the LRF has made 4 distributions to unitholders
- The average distribution yield across the last 7 years has been 2.9%

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



Experienced team Lowell Resources Fund

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Lowell Resources Funds Management (the Manager)

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.

David Hobday, Director & Investment Committee Member

Joined LRFM in January 2004

Dr Hobday is a geologist with diverse experience in oil and mineral exploration, applied geological research, corporate finance and investment. As a fund manager with APA Oceanic during the 1980s, Dr Hobday was responsible for investments in energy and gold equities. With Bank of America and then the Australian Bank he was involved in corporate finance, particularly applied to the resource sector. He has undertaken resource appraisal globally, and explored for oil & gas in the USA. He has served on the Boards of several oil and mining companies in Australia and North America.

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.



Initial Public Offer and capital structure

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Initial Public Offer

- The LRF is expected to list on the ASX in March 2018, and the offer period closes 28 February 2018
- The LRF already has sufficient funds under management (~A\$21m) and the required number of unitholders to qualify for an ASX compliance listing, irrespective of whether funds are raised via the IPO
- Concurrent with the listing, the Fund is seeking to raise A\$5m (with the ability to accept oversubscriptions for up to a further A\$5m)
- New units will be priced at a 5% discount to NAV calculated on the business day after the offer closing date (expected to be 29 February 2018)
- Funds raised by the IPO will become part of the total Fund, and allow access to new investment opportunities in the sector
- Existing unitholders will be issued options with an exercise price set at a 10% premium to the new issue price, expiring 24 months from issuance

Indicative capital structure illustration¹

Holders	Minimum subscription (\$nil)		Maximum subscription (A\$5m)		Oversubscription (A\$10m)	
	Units	%	Units	%	Units	%
Existing unitholders	2,440,794	100.0%	2,440,794	79.4%	2,440,794	65.8%
Capital raising participants	-	0.0%	633,871	20.6%	1,267,742	34.2%
Total number of units²	2,440,794	100.0%	3,074,665	100.0%	3,708,536	100.0%
Existing unitholder options	1,221,594	-	1,221,594	-	1,221,594	-

¹Illustration is based on the number of units and NAV as at 30 September 2017

²Number of new units is based on a 5% discount to NAV



Fees Lowell Resources Fund

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The Lowell Resources Fund currently has the following management fee structure:

Management fee

Note: this management fee includes fees paid to the Responsible Entity and Investment Manager. Since the LRF is structured as a unit trust, there are no director fees.

The higher of:

- a) A\$25,625 per month plus 0.63% per annum of Total Gross Investments (“TGI”) of the Fund; or
- b) 2.16% per annum of the Total Gross Investments of the Fund if TGI is equal or less than A\$50m, and 1.65% per annum of the FUM greater than A\$50m.

Part of the management fee is on-paid to the Investment Manager and part is retained by the Responsible Entity.

Performance fee

17.94% of the amount by which performance exceeds a base return of 10%, subject to a high-water mark

Note: The above costs include the estimated net effect of GST less RITC

It is estimated that the costs of the offer and listing are as follows:

ASX listing fees	A\$100,000
Capital raising fees	5% of additional funds raised
Financial advisory fees	1% of the fund’s market capitalisation immediately prior to the issue of new units
Legal fees	A\$120,000
Accounting, registry, and other fees	A\$30,000

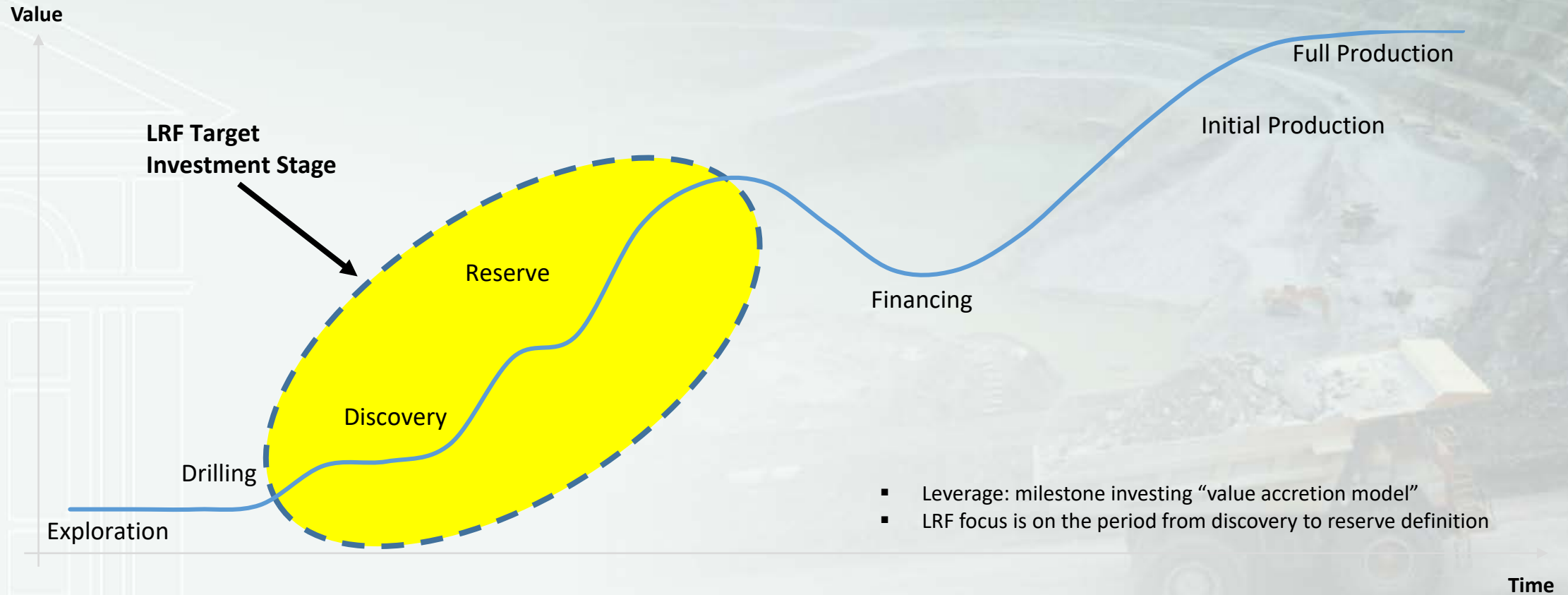
Note: these costs are only estimates and costs actually incurred may vary



Investing in resource equities



Capitalising on value accretion: optimal stage



Current portfolio (as at 31 Dec 2017)

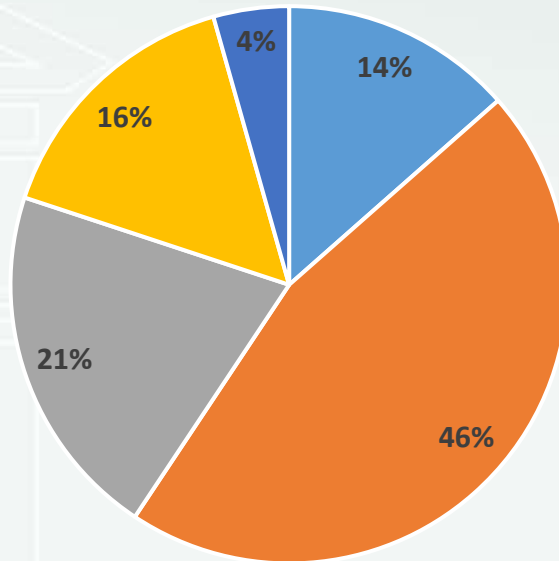
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Portfolio by sector (31 Dec 2017)



■ Oil & Gas / Energy ■ Gold ■ Base Metals ■ Battery Metals/Other ■ Cash

Portfolio: listed vs unlisted

	Market value (A\$m)	% Portfolio
Listed companies	17.3	79%
Unlisted companies	3.6	17%
Cash at bank	1.0	4%
Total	21.9	100%

Portfolio by geographic activity

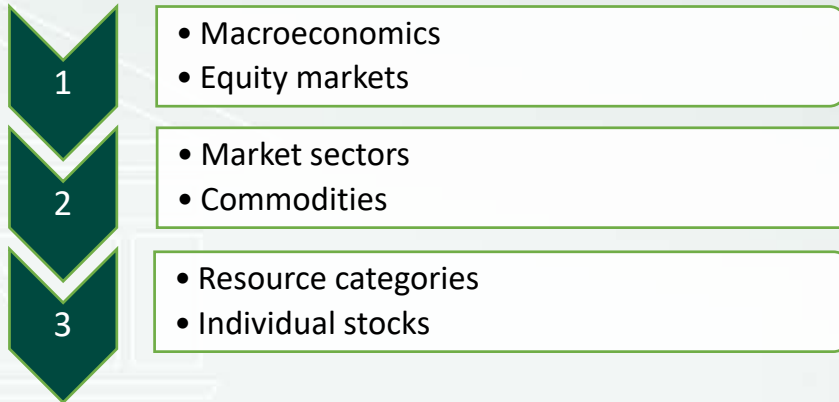
	Market value (A\$m)	% Portfolio
Asia	0.3	1%
US / Canada	2.6	12%
Europe	0.6	3%
Australia	7.4	34%
South America	6.0	27%
Central America / Caribbean	0.6	3%
Africa	3.5	16%
Cash	1.0	4%



Stock selection



Top down focus



Portfolio structure

LRF top 6 holdings (as at 9 February 2018)

Company	Description
Laguna Gold	Unlisted exploration and mining company
Gold Road Resources	ASX-listed gold explorer
Tinka Resources	TSX-listed junior explorer
Kidman Resources	ASX-listed resource company
Indago Energy	ASX-listed energy company
Predictive Discovery	ASX-listed gold explorer

Criteria

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



Our investment process

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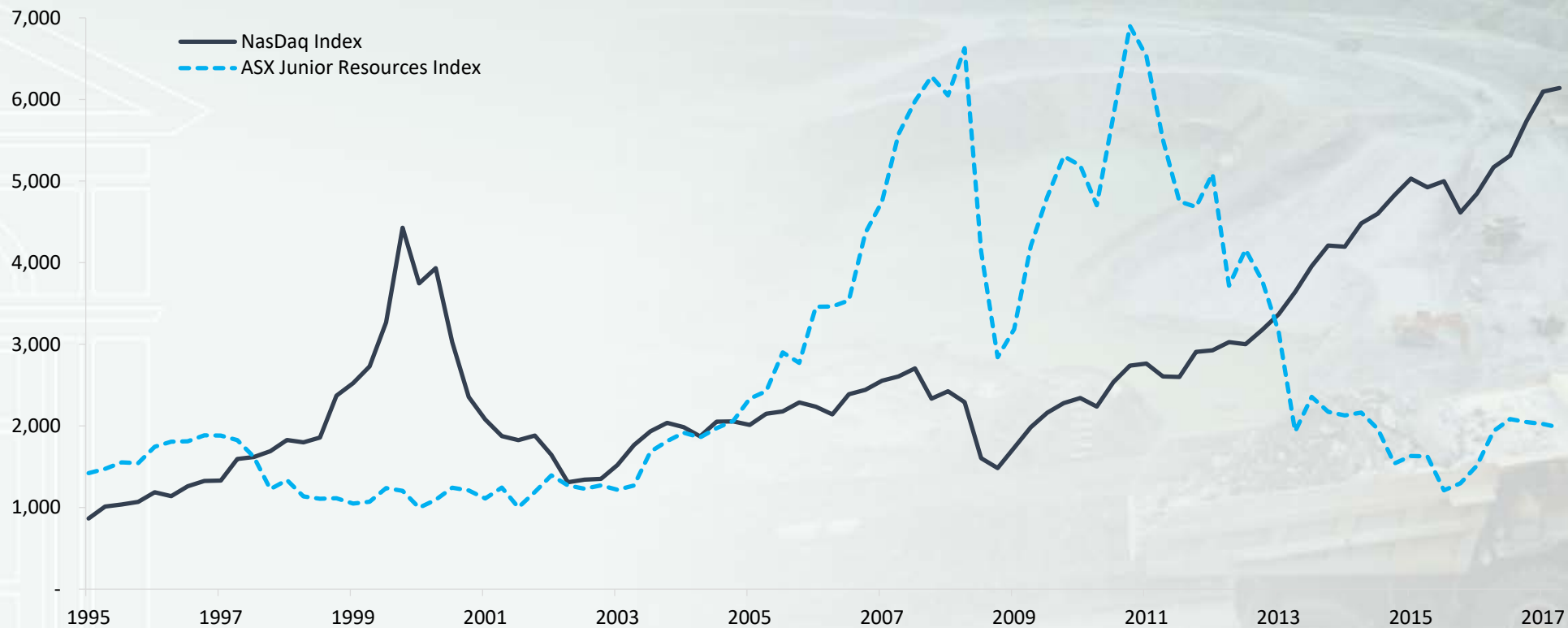


Market opportunity – why now?

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Nasdaq index vs AS39 index



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



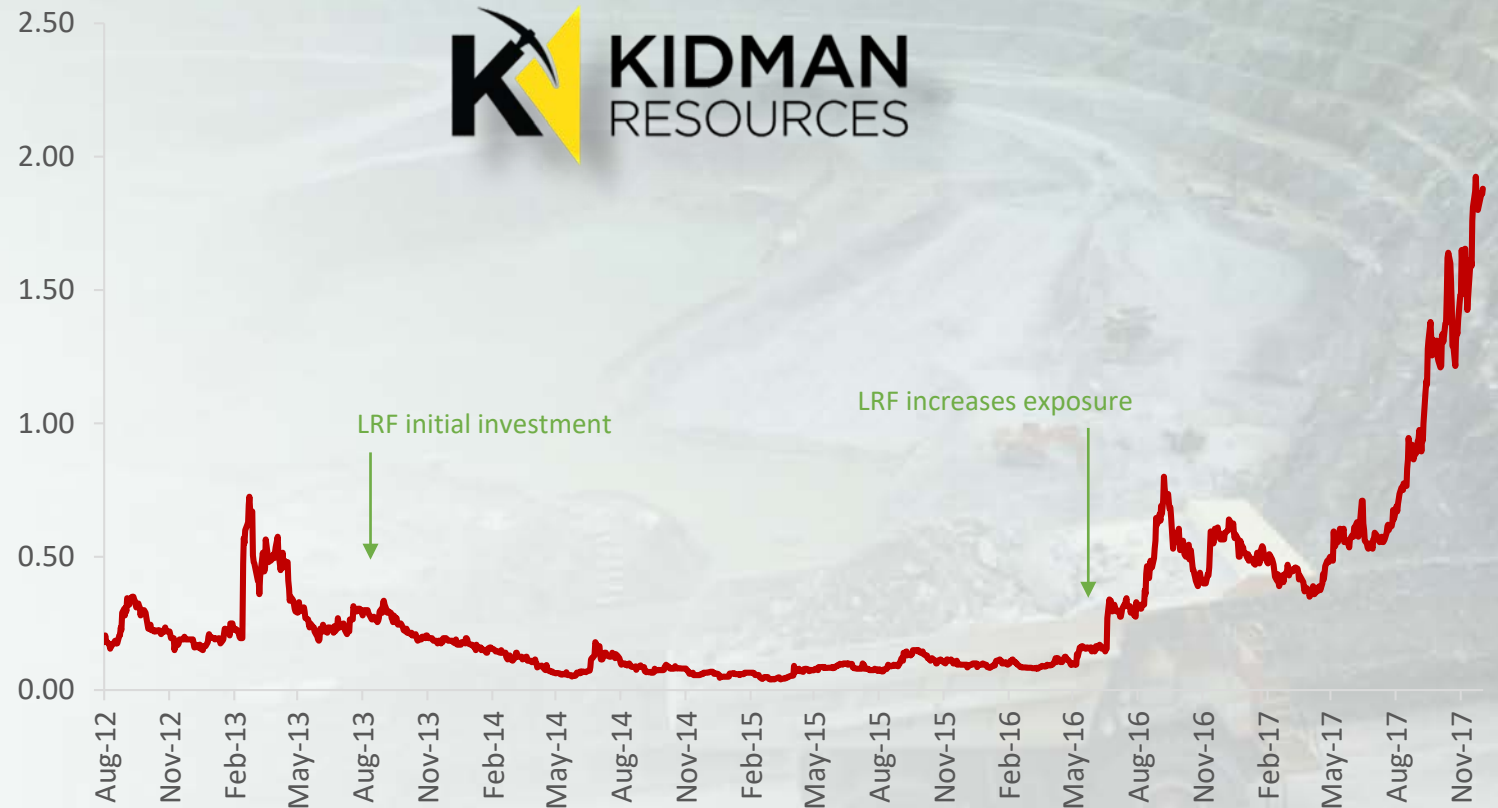
Case study: Kidman Resources

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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
- Partially sold down exposure between September 2016 and December 2017
- Generated a partially realised gain of \$3.9m, or 721% total return on the investment, to date



Case study: Laguna Gold

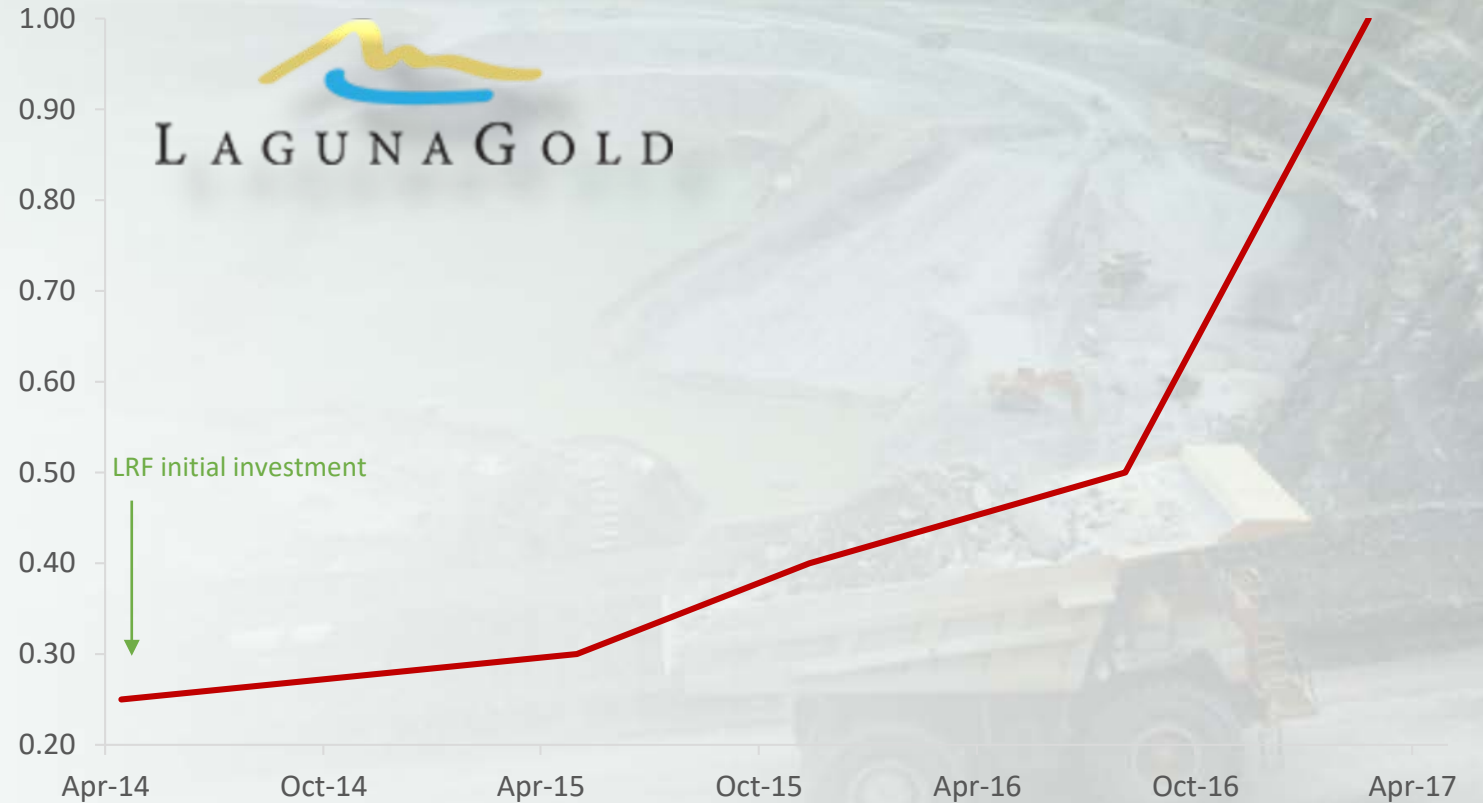
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Laguna Gold Pty Ltd

- Unlisted exploration and mining company focused on precious and base metals in Chile
- Purchased the Toqui Zn-Au mine from Nyrstar in 2016 at the bottom of the cycle
- LRF's first investment in Laguna Gold was in August 2014, at A\$0.25/share, and made 3 follow-on investments
- Laguna Gold has undertaken several rounds of private capital raisings. The price of the last capital raising was completed at \$1.40/share to Newmont
- LRF has generated an unrealised gain of \$1.7m or 153% return, to date
- Laguna Gold plans to list on the ASX in H1 2018



Case study: Tinka Resources

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Tinka Resources Limited (TSX: TK)

- Junior exploration company based in Vancouver, Canada, focused on base metal exploration in Peru
- Listed on the Toronto Stock Exchange
- LRF's first investment in TK was in July 2014, at around C\$0.27/share
- Over time, accumulated a holding of around 2.0m shares by November 2016
- High grade zinc discovery at its 100%-owned Ayawilca project in Central Peru in late 2016



Lowell – a unique investment opportunity

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The Lowell Resources Fund is a unique investment opportunity:

- **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 return of 10.4% p.a.
 - Fund must distribute of all taxable profits (4 distributions over the past 7 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

IPO open period closes on 28 February 2018



Trading Considerations Lowell Resources Fund

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Many LICs and LITs trade at a discount to NAV. LRF will have the following relevant characteristics:

- Over the last 3 years, the Lowell Resources Fund has received minimal redemptions each year – existing funds are considered “sticky”
- LICs and LITs with strong track records trade closer to NAV than poor performing funds
- The LRF has a share buy-back provision within its constitution
- Unit trusts are required to distribute profits to unitholders creating greater certainty for distributions (dividends). LICs and LITs with dividend streams generally trade at higher values than those without



Contact

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