

# ***Lowell Resources Fund***

***ARSN 093 363 896***

*Financial Report for the Year  
Ended 30 June 2009*

**FINANCIAL REPORT**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009**

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## DIRECTORS' REPORT

The directors of Lowell Capital Limited ('the Responsible Entity') submit herewith the financial report for the Lowell Resources Fund for the year ended 30 June 2009.

In order to comply with the provisions of the Corporations Act 2001, the directors' report as follows:

### Directors

The names of the directors of the Responsible Entity during or since the end of the year are:

- Mr S.P. Mitchell (resigned 9<sup>th</sup> September 2009)
- Mr M.A. Ramsden
- Mr D.B. Worth

Directors were in office for this entire period unless otherwise stated.

### Principal Activities

The Fund is a registered managed investment scheme domiciled in Australia.

The principal activity of the Fund is to invest funds in accordance with the investment objectives and guidelines communicated to unitholders and in accordance with the provisions of the Constitution.

The Fund has investments in listed and non listed equity investments, cash and cash equivalents. There has been no significant change in the activities of the Fund during the period.

### Changes in State of Affairs

During the year there was no significant change in the state of affairs of the Fund other than that referred to in the Financial Statements or notes thereto.

### Review of Operations

#### Results

The financial results of the operations of the Fund are disclosed in the income statement. The net loss for the Fund for the year ended 30 June 2009 was \$4,195,871. This compares to a net profit of \$4,326,576 for the year ended 30 June 2008. The financial crisis towards the end of 2008 resulted in unprecedented erosion of values across a broad range of asset classes including resource prices and this has had a major impact on the fund's results.

#### Distributions

In respect of the year ended 30 June 2009, no distributions are paid and payable (2008: Nil.)

#### Management costs

The Fund's history of management costs (ICR) is as follows:

Indirect Cost Ratio

<b>Fund</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Lowell Resources Fund	2.1%	2.1%	2.1%

### Subsequent Events

There has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the Fund, the results of the Fund, to the state of affairs of the Fund in future financial years.

## **Scheme Information in the Directors' Report**

The number of units in the Fund held by the Responsible Entity or its associates as at the end of the financial year is disclosed in Note 8 to the financial statements.

The number of applications in the Fund issued during the year, withdrawals from the Fund during the year and the number of units in the Fund at the end of the year is disclosed in Note 5 to the financial statements.

The value of the Fund's assets as at the end of the financial year are disclosed in the Balance Sheet as Total Assets and the basis of valuation is included in Note 1 to the financial statements.

## **Options Granted**

No options were:

- (i) Granted over unissued units in the Fund during or since the end of the year; or
- (ii) Granted to the Responsible Entity.

No unissued units in the Fund were under option as at the date on which this Report was made.

No units were issued in the Fund during or since the end of the year as a result of the exercise of an option over unissued units in the Fund.

## **Indemnification**

Under the Schemes constitution the responsible entity including its officers and employees is indemnified out of the Scheme's assets for any loss, damage, expenses or other liability incurred by it in properly performing or exercising any of its powers, duties or rights in relation to the scheme.

The scheme has not indemnified any auditor of the scheme.

## **Insurance Premiums**

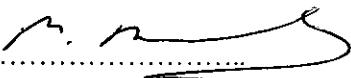
No insurance premiums are paid out of the Scheme's assets in relation to insurance cover for the Responsible Entity, its officers and employees, the Compliance Committee or the auditors of the Scheme.

## **Independence Declaration by Auditor**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

Signed in accordance with a resolution of the directors of the Responsible Entity made pursuant to s.298 (2) of the *Corporations Act 2001*.

On behalf of the Directors

  
.....  
Michael Ramsden

Director

MELBOURNE

Dated: 17.9.09

**Auditors Independence Declaration**

# AUDITOR'S REVIEW REPORT

## INCOME STATEMENT

For the Financial Year ended 30 June 2009

	Note	Year Ended 30 June 2009 \$	Year Ended 30 June 2008 \$
<b>INCOME</b>			
Dividends		53,652	41,351
Interest		113,757	126,651
Net changes in fair value of investments		(4,096,612)	5,135,844
<b>Net investment income/(loss)</b>		<b>(3,929,203)</b>	<b>5,303,846</b>
<b>EXPENSES</b>			
Performance Incentive Fees	1	-	611,549
Management Fee		181,982	232,685
Custodian's Fee		57,215	55,061
Administration expenses		17,342	63,213
Auditor's Remuneration	7	10,129	14,762
<b>Total Expenses</b>		<b>266,668</b>	<b>977,270</b>
<b>Profit (loss) from operating activities</b>		<b>(4,195,871)</b>	<b>4,326,576</b>
Changes in net assets attributable to unit holders		<u>(4,195,871)</u>	<u>4,326,576</u>
<b>Net Income attributable to unitholders</b>		<b>-</b>	<b>-</b>
Distribution to unitholders		-	-

The above income statement should be read in accordance with the notes to the financial statements, which are included on pages 11 to 19.

## DIRECTORS' DECLARATION

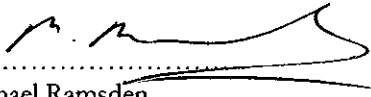
The financial statements and notes thereto of the Lowell Resources Fund for the financial year ended 30 June 2009 as set out on pages 7 - 19 have been prepared by Lowell Capital Limited (the Responsible Entity) in accordance with the Corporations Act 2001.

The directors of the Responsible Entity declare that:

- a) In the directors' opinion, there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable; and
- b) In the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Fund.

Signed in accordance with a resolution of the Directors of the Responsible Entity made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors



Michael Ramsden  
Director

MELBOURNE

Dated: 17.9.09.



## BALANCE SHEET

As at 30 June 2009

	Note	30 Jun 2009 \$	30 Jun 2008 \$
<b>ASSETS</b>			
Cash and cash equivalents	9	3,172,998	2,694,992
Receivables	2	1,843,909	125,308
Financial Assets	1,3	4,467,891	11,134,977
<b>Total Assets</b>		<b>9,484,798</b>	<b>13,955,277</b>
<b>LIABILITIES</b>			
Performance Incentive Fees Payable	1,4	-	239,031
Accounts Payable		283,491	65,810
<b>Total Liabilities (excluding net assets attributable to unitholders)</b>		<b>283,491</b>	<b>304,841</b>
<b>Net assets attributable to unitholders (liability)</b>	5	<b>9,201,307</b>	<b>13,650,436</b>
<b>Total Liabilities (including net assets attributable to unitholders)</b>		<b>9,484,798</b>	<b>13,955,277</b>

The above balance sheet should be read in accordance with the notes to the financial statements which are included on pages 11 to 19.

**STATEMENT OF CHANGES IN NET ASSETS**  
**ATTRIBUTABLE TO UNITHOLDERS**

For the Year ended 30 June 2009

	<b>Net Assets Attributable to Unitholders</b>
<b>At 30 June 2007</b>	9,960,009
Net profit attributable to unitholders	4,326,576
Distribution to unitholders	-
Applications for units	-
Redemption of units	(636,149)
<b>At 30 June 2008</b>	13,650,436
Net loss attributable to unitholders	(4,195,871)
Distribution to unitholders	-
Applications for units	-
Redemption of units	(253,258)
<b>At 30 June 2009</b>	9,201,307

The above statement should be read in accordance with the condensed notes to the financial statements which are included on pages 11 to 19.

## CASH FLOW STATEMENT

For the Financial Year ended 30 June 2009

	Note	Year Ended 30 June 2009 \$ Inflows (Outflows)	Year Ended 30 June 2008 \$ Inflows (Outflows)
<b>Cash flows from Operating Activities</b>			
Distributions and dividends received		53,653	41,351
Interest received		114,440	125,725
Payments for expenses		(500,110)	(1,326,147)
<b>Net Cash used in operating activities</b>	<b>9(b)</b>	<b>(332,017)</b>	<b>(1,159,071)</b>
<b>Cash flows from Investing Activities</b>			
Proceeds from sale of securities		2,433,272	7,178,018
Payment for securities		(1,349,877)	(4,442,602)
<b>Net Cash used in/provided by investing activities</b>		<b>1,083,395</b>	<b>2,735,416</b>
<b>Cash flows from Financing Activities</b>			
Payments for redemption of units		(273,372)	(616,035)
Receipts for application of units		-	-
<b>Net cash used in financing activities</b>		<b>(273,372)</b>	<b>(616,035)</b>
<b>Net increase(decrease) in cash and cash equivalents held</b>		<b>478,006</b>	<b>960,310</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>2,694,992</b>	<b>1,734,682</b>
<b>Cash and cash equivalents at end of the year</b>	<b>9(a)</b>	<b>3,172,998</b>	<b>2,694,992</b>

The above cash flow statement should be read in accordance with the notes to the financial statements which are included on pages 11 to 19.

## 1 Summary of Significant Accounting Policies

### **Basis of preparation**

This general purpose financial report for the financial year ended 30 June 2009 has been prepared in accordance with the *Corporations Act 2001*, Accounting Standards and Interpretations, and complies with other requirements of the law.

### **Statement of compliance**

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS).

The financial statements were authorised for issue by the directors on 17th September 2009.

In the application of A-IFRS management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of A-IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2009 and the comparative information presented in these financial statements.

### **Adoption of new and revised accounting standards**

In the current year, the Fund had adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period.

### **Significant Accounting Policies**

Accounting policies set out below have been applied consistently to all periods presented in these financial statements and the policies are selected and applied in a manner, which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions and other events is reported.

#### ***a) Foreign currency transactions***

All transactions in foreign currencies are translated at the foreign currency exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Australian dollars at the foreign currency closing exchange rate ruling at the balance sheet reporting date.

Foreign currency exchange differences arising on translation and realised gains and losses on disposals or settlements of monetary assets and liabilities are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to Australian dollars at the foreign currency closing exchange rates ruling at the dates that the values were determined.

Foreign currency exchange differences relating to investments at fair value through profit or loss and derivative financial instruments are included in gains and losses on investments and net gain/loss on derivatives, respectively. All other foreign currency exchange differences relating to monetary items, including cash and cash equivalents are presented separately in the income statement.

## Lowell Resources Fund

Condensed Notes to and forming part of the Financial Statements  
for the Financial Year Ended 30 June 2009

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### ***b) Financial Instruments***

Purchases and Sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the trade date i.e. the date that the fund commits to purchase or sell the asset.

#### **Held for trading**

Investments are measured initially at fair value (transaction price) plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through the profit and loss are expensed immediately, while on other assets they are amortised.

Subsequent to initial recognition, all instruments classified at fair value through profit or loss are measured at fair value with changes in their fair value recognised in profit or loss.

The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices at the balance sheet date without any deduction for estimated future selling costs.

For investments with no active market such as unlisted equity securities, fair values are determined using discounted cash flow models or other appropriate valuation methodologies. These models use inputs that include growth forecasts, dividend ratios, capital expenditure and terminal values. Additionally where limited data exists for certain assets, prices are interpolated using historic and long-term pricing relationships.

Financial liabilities arising from the redeemable units issued by the Fund are carried at the redemption amount representing the investors' right to a residual interest in the Fund's assets, effectively fair value at reporting date.

### ***c) Cash and cash equivalents***

Cash comprises current deposits with banks. Cash equivalents are short-term highly liquid investments readily convertible to known amounts of cash, subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or any other purposes

### ***d) Investment income***

Interest income is recognised in the income statement as it accrues, using the effective interest method of the instrument calculated at the acquisition date. Interest income includes amortisation of any discount, transaction costs or any other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

Dividend income is recognised in the income statement on the ex-dividend date.

The Fund may receive or choose to receive dividends in the form of additional shares rather than cash. The Fund recognises the dividend income for the amount of the cash dividend alternative with the debit treated as an additional investment.

### ***e) Expenses***

All expenses, including management fees and custodian fees, are recognised in the income statement on an accruals basis.

Included in other expenses are registry fees, accounting, legal and audit fees paid by the Fund.

### ***f) Distributions***

In accordance with the Fund's constitution, the Fund fully distributes its distributable income to unit holders by way of cash or reinvestment into the Fund. Distributions to unit holders comprise the taxable income of the Scheme to which the unit holders are presently entitled.

## Lowell Resources Fund

Condensed Notes to and forming part of the Financial Statements  
for the Financial Year Ended 30 June 2009

### **g) Income tax**

Under current income tax legislation the Fund is not liable to pay income tax as the net income of the Fund is assessable in the hands of the beneficiaries (the unit holders) who are 'presently entitled' to the income of the Fund. There is no income of the Fund to which the unit holders are not presently entitled and additionally, the Fund Constitution requires the distribution of the full amount of the net distributable income of the Fund to the unit holders each period.

As a result, deferred taxes have not been recognised in the financial statements in relation to differences between the carrying amounts of assets and liabilities and their respective tax bases, including taxes on capital gains which could arise in the event of a sale of investments for the amount at which they are stated in the financial statements. In the event that taxable gains are realised by the Fund, these gains would be included in the taxable income that is assessable in the hands of the unit holders as noted above.

Realised capital losses are not distributed to unit holders but are retained within the Fund to be offset against any realised capital gains. The benefit of any carried forward capital losses are also not recognised in the financial statements. If in any period realised capital gains exceed realised capital losses, including those carried forward from earlier periods and eligible for offset, the excess is included in taxable income that is assessable in the hands of unit holders in that period and is distributed to unit holders in accordance with the requirements of the Fund Constitution.

### **h) Application and redemptions**

Applications received for units in the Fund are recorded net of any entry fees payable prior to the issue of units in the Fund. Redemptions from the Fund are recorded gross of any exit fees payable after the cancellation of units redeemed.

The application and redemption prices are determined as the net assets attributable to unit holders of the Fund adjusted for the estimated transaction costs, divided by the number of units on issue on the date of the application or redemption.

### **i) Redeemable units**

All redeemable units issued by the Fund provide investors with the right to require redemption for cash and give rise to a financial liability. In accordance with the Constitution, the Fund is contractually obliged to redeem units at redemption price, which includes an allowance for transaction costs incurred by the Fund on disposal of its assets required to fund the redemptions.

### **j) Unit Prices**

The unit price is based on unit price accounting outlined in the Fund's constitution.

### **k) Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), recoverable from the Australian Taxation Office (ATO) as a reduced input tax credit (RITC) except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from the Australian Taxation Office is included in receivables in the balance sheet.

### **l) New accounting standards and interpretations not yet adopted**

The following new standards, amendments to standards and interpretations have been identified as those which may impact the Fund in the period of initial application. They are available for early adoption at 30 June 2009, but have not been applied in preparing these financial statements:

## Lowell Resources Fund

Condensed Notes to and forming part of the Financial Statements  
for the Financial Year Ended 30 June 2009

Revised AASB 101 *Presentation of Financial Statements* (2007) introduces the term total comprehensive income. Which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement) or, in an income statement and a separate statement of comprehensive income. Revised AASB 101 becomes mandatory for the Funds 30 June 2010 financial statements.

AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Process and 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process affect various AASB's resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments will become mandatory for the Funds 30 June 2010 financial statements.

### **m) Payables**

Trade payables and other accounts payable are recognised when the Fund becomes obliged to make future payments resulting from the purchase of goods & services.

### **n) Receivables**

Trade receivables and other receivables are recorded at amortised cost less impairment.

### **o) Performance incentive fees, changes to the deed & overpaid redemptions made**

The Lowell Resources Fund, by way of proxy votes from unit holders, adopted changes to the constitution on 29 March, 2007 including the introduction of a performance incentive fee effective from 1 July 2006.

<b>2 Receivables</b>	<b>30 June 2009</b>	<b>30 June 2008</b>
	<b>\$</b>	<b>\$</b>
Interest receivable	5,712	6,395
Goods and services tax recoverable	2,662	19,374
Trade debtors on sale of investments to be settled	1,835,535	99,539
	<b>1,843,909</b>	<b>125,308</b>

The Fund has no significant concentration of credit risk with respect to any party other than those receivables specifically provided for and, if any provision is made, mentioned within Note 2. The main source of credit risk is considered to relate to sale of investments to be settled.

On a geographic basis, the Funds credit risk exposures are limited to Australia as all investments are settled within Australia.

All balances of receivables are within initial terms and are considered to be of high credit quality. The fund does not hold any financial assets whose terms have been renegotiated, but which would otherwise be past due or impaired. No collateral is held as security for any of the trade and other receivable balances.

## Lowell Resources Fund

Condensed Notes to and forming part of the Financial Statements  
for the Financial Year Ended 30 June 2009

<b>3 Financial Assets</b>		
<b>Held for Trading</b>	<b>30 June 2009</b>	<b>30 June 2008</b>
	<b>\$</b>	<b>\$</b>
At fair value:		
Equities investments and units in unlisted schemes	4,467,891	11,134,978

## 4 Payables

Performance Incentive Fees accrued	-	239,031
Redemptions payable	-	20,114
Other unsecured payables and accrued expenses	34,574	45,697
Trade creditors on purchase of investments to be settled	248,917	-
	<b>283,491</b>	<b>304,842</b>

## 5 Net assets attributable to unit holders

### *(a) Movements in net assets attributable to unit holders*

At beginning of the year	13,650,436	9,960,009
Units issued during the year	-	-
Units redeemed during the year	(253,258)	(636,149)
Units on issue at year end	13,397,178	9,323,860
Transfer of the net undistributed income from the income statement	(4,195,871)	4,326,576
Closing balance of net assets attributable to unit holders	<b>9,201,307</b>	<b>13,650,436</b>

### *(b) Movements in number of units*

On issue at beginning of the year	2,993,123	3,179,504
Units issued during the year	-	-
Units redeemed during the year	(83,023)	(186,381)
On issue at year end	<b>2,910,100</b>	<b>2,993,123</b>

## 6 Segment Information

### Business Segments

The Fund operates solely in the business of investment management.

### Geographical Segments

The Fund operates solely from Australia. Whilst the Fund has only one business and geographical segment, it does have exposure to different geographical markets. The Fund has exposure to various resources' sectors as follows:

COUNTRY	INCOME		ASSETS	
	2009	2008	2009	2008
	\$	\$	\$	\$
Australia	(3,929,203)	9,484,798	13,418,803	13,418,803
Canada	-	-	-	536,474
	<b>(3,929,203)</b>	<b>9,484,798</b>	<b>13,955,278</b>	<b>13,955,277</b>



## Lowell Resources Fund

Condensed Notes to and forming part of the Financial Statements  
for the Financial Year Ended 30 June 2009

### 7 Auditor's Remuneration

Review and Audit of the financial report	10,129	12,013
Other non-audit services	-	2,750
	10,129	14,763

### 8 Related Party Disclosures

The Responsible Entity of Lowell Resources Fund is Lowell Capital Limited (**ACN 006 844 588**).

Lowell Capital Limited is a wholly owned subsidiary of Future Corporation Australia Ltd.

Lowell Capital Limited also acts as the manager of the Fund.

The Custodian of the Fund is Equity Trustees Limited.

Transactions with related parties have taken place at arms length and in the ordinary course of business.

Investment management fees of \$181,982 (2008: \$232,685) were paid to the Responsible Entity in accordance with the constitution at 2.1% per annum (2008: 2.1%) of the total cash and investment portfolio of the Fund assessed and payable on a monthly basis.

Custodian fees of \$36,000 (2008: \$36,000) were paid to the Responsible Entity in accordance with the constitution at a fixed rate of \$3000 per month.

There were no expenses reimbursed to the Responsible Entity (2008: Nil) of costs incurred by the Responsible Entity on behalf of the Fund.

There were no performance incentive fees in 2009 payable to Lowell Capital Limited (2008: \$611,549).

#### Key Management Personnel

The names of the key management personnel of the Fund during the financial year were:

- Mr S.P. Mitchell (Director)
- Mr M.A. Ramsden (Director)
- Mr D.B. Worth (Director)

The positions noted above for the Scheme's key management personnel are the positions held within the Responsible Entity and not the Scheme itself. The Responsible Entity continues to engage Lowell Resources Funds Management to make the day to day investment decisions for the fund.

#### Compensation of Key Management Personnel

No amount is paid by the Scheme directly to the Directors of the Responsible Entity. Consequently, no compensation as defined in AASB 124 "Related Party Disclosures" is paid by the Scheme to the Directors as Key Management Personnel.

#### Holdings of units by related parties

During or since the end of the financial period, the following key management personnel and/or their related parties held units in the Fund, either directly, indirectly, or beneficially.

Responsible Entity and Its Associates	Number of Units Held	
	2009	2008
SP Mitchell Super Fund	1,414	1,414

## Lowell Resources Fund

Condensed Notes to and forming part of the Financial Statements  
for the Financial Year Ended 30 June 2009

### 9 Notes to the Cash Flow Statement

<i>(a) Reconciliation of cash and cash equivalents</i>	2009	2008
	\$	\$
Cash	1,611,592	2,107,756
Deposits at call	1,561,406	587,236
<b>Total cash and cash equivalents</b>	<b>3,172,998</b>	<b>2,694,992</b>

#### *(b) Reconciliation of net income attributable to unitholders for period to net cash provided by operating activities*

<i>Net profit attributable to unitholders</i>	(4,195,870)	4,326,576
Net gains on disposal of investments	(946,533)	(4,167,577)
Net losses on revaluation	5,043,144	(968,267)
Changes in net assets:		
(Increase)/decrease in income receivable	17,395	25,426
Increase/(decrease) in creditors and accruals	(250,153)	(375,229)
<b>Net cash used in operating activities</b>	<b>(332,017)</b>	<b>(1,159,071)</b>

#### *(c) Non-Cash Financing and Investing Activities*

During the period, no distributions were reinvested by unitholders for additional units in the fund.

During the period, no distributions receivable by the Fund in respect of its investments were reinvested.

### 10 Financial Instruments

#### *(a) Financial risk management objectives*

The Fund outsources the investment management to Lowell Capital Limited, who in turn co-ordinate access to domestic and international financial markets, and manages the financial risks relating to the operations of the Fund in accordance with an investment mandate set out in accordance with the Fund's constitution.

The Fund does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The use of financial derivatives is governed by the Funds investment policies, which provide written principles on the use of financial derivatives.

Compliance with policies and exposure limits is reviewed by the Responsible Entity on a continuous basis.

#### *(b) Significant accounting policies*

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 1 to the financial statements.

#### *(c) Credit risk management*

Credit risk represents the risk that would be recognised if counterparties failed to perform as contracted. The Fund does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics, except for its investments as disclosed in note 3 and the cash held in the bank.

The carrying amount of financial assets recorded in the financial statements represents the Fund's maximum exposure to credit risk.

## Lowell Resources Fund

Condensed Notes to and forming part of the Financial Statements  
for the Financial Year Ended 30 June 2009

### **(d) Liquidity Risk**

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. This risk is controlled through the Fund's investment in financial instruments, which under normal market conditions are readily convertible to cash. In addition, the Fund maintains sufficient cash and cash equivalents to meet normal operating requirements.

Under the terms of its Constitution, the Fund has the ability to manage liquidity risk by delaying redemptions to unit holders, if necessary, until the funds are available to pay them.

### **Maturity analysis for financial liabilities**

Financial liabilities of the Fund comprise trade and other payables, distributions payable and net assets attributable to unit holders. Trade and other payables and distributions payable have no contractual maturities but are typically settled within 30 days.

Net assets attributable to unit holders are entirely payable on demand.

### **(e) Market Risk**

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and equity prices. Market risk is managed and monitored using sensitivity analysis, and minimised through ensuring that all investment activities are undertaken in accordance with established mandate limits and investment strategies.

### **Interest rate risk management**

<b>30 June 2009</b>	<b>Weighted Average Int Rate (% p.a.)</b>	<b>Variable Int. Rate \$'000</b>	<b>Non-Interest Bearing \$'000</b>	<b>Total \$'000</b>
<b>Financial Assets</b>				
Cash & Equivalents	3.75%	3,173	-	3,173
Listed Equities	-	-	4,468	4,468
Receivables	-	-	1,844	1,844
		3,173	6,312	9,485
<b>Financial Liabilities</b>				
Investments Payable	-	-	-249	-249
Accounts Payable	-	-	-35	-35
			-284	-284
<b>30 June 2008</b>				
	<b>Weighted Average Int Rate (% p.a.)</b>	<b>Variable Int. Rate \$'000</b>	<b>Non-Interest Bearing \$'000</b>	<b>Total \$'000</b>
<b>Financial Assets</b>				
Cash & Equivalents	6.35%	2,695	-	2,695
Listed Equities	-	-	11,135	11,135
Receivables	-	-	125	125
		2,695	11,260	13,955
<b>Financial Liabilities</b>				
Performance Incentive Fees			-239	-239
Accounts Payable	-	-	-66	-66
			-305	-305

## Lowell Resources Fund

Condensed Notes to and forming part of the Financial Statements  
for the Financial Year Ended 30 June 2009

### Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The table below indicates the currencies to which the Fund had significant exposure at 30 June 2009 on its monetary assets and liabilities and forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Australian Dollar on the income statement, with all other variables held constant.

30 June 2009	Currency	AUD Equivalent in exposure by currency \$'000	Change in currency rate in %	Effect on net assets attributed to unitholders \$'000
		Nil	10/(10)	Nil
30 June 2008	Currency	AUD Equivalent in exposure by currency \$'000	Change in currency rate in %	Effect on net assets attributed to unitholders \$'000
	CAD	536	10/(10)	54/(54)

### Equity Price Risk

Equity price risk is the risk that the fair value of equities decreases as a result of changes in market prices, whether those changes are caused by factors specific to the individual stock or factors affecting all instruments in the market. Equity price risk exposure arises from the Fund's investment portfolio.

The effect on net assets attributable to unit holders and operating profit before distribution due to reasonably possible changes in market factors, as represented by the equity indices, with all other variables held constant is indicated in the table below.

30 June 2009	Index	Change in equity price %	Effect on net profit attributable to unitholders \$'000
	ASX All Ords	20/(20)	846/(846)
	Unlisted Equities	25/(25)	60/(60)
30 June 2008	Currency	Change in equity price %	Effect on net profit attributable to unitholders \$'000
	ASX All Ords	20/(20)	2,027/(2,027)
	S&P/TSX Composite	20/(20)	107/(107)
	Unlisted Equities	25/(25)	115/(115)

### Additional company information

Lowell Capital Limited (A.C.N. 006 844 558) a company incorporated and operating in Australia is the Responsible Entity of the Lowell Resources Fund.

Registered Office  
8 Chapel Street  
Richmond Vic 3121