LOWELL RESOURCES FUND

APIR code: NML0005AU

June 30, 2008 Yearly Report to Unitholders

Dear Unitholder,

During the year ending 30 June 2008 the unit price increased from $3.1326 to $4.5606. The fund recorded a profit for the year of $4,326,576. Funds under management increased over the period from $9,960,009 to $13,650,436.

Small resource companies, the focus of the LRF, are inherently risky investments that tend to languish or underperform the larger resource companies for much of the time. At times, however, selected junior companies do outperform the market by a wide margin. These disproportionately large share price gains tend to be made during short bursts of activity. The Managers attempt to identify small companies with the right attributes to capture and build on gains such as these. Ideally, these successful small explorers are transformed into mid-tier producers, and perhaps ultimately into large established companies, with commensurate growth in share price.

The goals of the LRF are therefore to:

1. Establish, and continually adjust, the portfolio weighting among gold, industrial minerals, petroleum and cash,
2. Invest in micro-cap explorers/developers with an established resource or reserve base which, on a risk-adjusted basis, are deemed to have the best prospects of success,
3. Maintain a core portfolio of the highest rated stocks, and a smaller trading portfolio,
4. Capture a proportion of profits after each growth spurt and phase into the highest quality junior stocks during periods of price weakness,
5. Build up cash reserves during times of extreme market uncertainty or anticipated sector weakness.

Stock investment criteria employed by the LRF combine a top-down and bottom-up approach. Expectations for different commodities provide an initial weighting, and stocks are then selected using a set of strict criteria. These criteria include a company's assets, share structure, management, location, infrastructure, valuation, and stage in the exploration, development and production spectrum. The LRF will generally not invest in companies that lack both an established resource base and the likelihood of strong cash flow.

The Manager use both fundamental and company-specific factors, but the timing of buy/sell decisions is conditioned by analysis of technical (chart) and sentiment indicators. The portfolio is constantly adjusted to reflect changes in commodity outlook. In late 2007, for example, the Manager took the view that expectations were deteriorating for certain base metals, while prospects for gold, iron ore and uranium continued to be strong.

With the exception of Thai Goldfields, all shares held by the Fund are listed on a major Stock Exchange, primarily the ASX, with a minor holding on the American Stock Exchange (AMEX).

We continue to remind shareholders that investing in small resources companies involves a high level of risk.

Market Commentary from the Investment Manager

Global stock markets were severely buffeted during the year by problems stemming from the US housing sector, the resulting pressure on financial institutions, political uncertainty, static consumer spending, declining consumer confidence, falling corporate profits, soaring metal and energy prices, and inflation fears. This weakness in the broad market exerted periodic downward pressure on oil and mining stocks, despite the generally high commodity prices.

The aversion to risk that emerged from the broad market was transmitted to the resource sector, with a loss of interest in the more speculative stocks. The LRF therefore decreased exposure to exploration, and increased its investment in current or emerging mineral producers.

The Manager also re-weighted the portfolio to conserve cash. It increased exposure to gold, coal, iron ore, and uranium, all of which showed attractive fundamentals and were considered less vulnerable to a protracted economic downturn. Resources such as these will still experience episodes of price appreciation and painful reversals, but we expect their prices to be appreciably higher a few years from now. Natural gas, another favoured commodity, has always been strongly represented in the LRF portfolio.

Demand for oil and minerals from China, India and other developing nations, coupled with the weakening US dollar, boosted crude oil, gold and several other metals to record levels. Late in the financial year the US dollar commenced what may prove to be an extended period of strengthening against other major currencies such as the Euro and Australian dollar. At the same time, growth in China showed signs that it might slow to 10% or even less, but is still likely to maintain a lively rate of economic expansion. This should continue to support energy resources and metals in general.

At the end of the year some commodities, notably crude oil, remain heavily overbought at what are believed to be unsustainably high price levels, and several others appear to have topped out temporarily. The prices of several metals peaked at different times over the 12 month period. Zinc, for example, experienced a price drop of some 50% from an all-time high; lead and nickel prices also fell heavily after seeing prices spike during the year. Copper was very volatile but overall maintained an erratic ascent. Aluminium continued to rise in price, albeit with a temporary decline late in the year.

Viewed over a longer time span of the past 5 years, however, the metals all achieved significant gains. The 5 year GFMS base metals index, for example increased by over 200%, even though it declined by over 10% during the last 6 months of 2007/2008. Given the medium to longer-term (3-5 year) perspective of the Manager, the goal is to capitalize on these sustained but perhaps erratic price trends.

The bulk commodities were particularly strong over the year. Iron ore and coal, both thermal and metallurgical, appreciated strongly in response to surging demand. Coal has continued to fuel most the world's increasing electrical power capacity, and has been further boosted by China's transition from an exporter to a net importer of coal. Shortages of both thermal and metallurgical coal were exacerbated by curtailed production in flood-affected regions of both Australia and China. An emerging Australian coal producer, Northern Energy, was added to the portfolio, and the Manager embarked on investigations of other coal opportunities in this country and abroad. One such possibility is currently being investigated in detail, with site visits and analysis.

Iron ore too benefitted from global demand growth, most particularly in China. Substantial price rises have been achieved in recent years, and this trend looks likely to continue. New smelting technologies have opened up opportunities for adding value to complex ores. The LRF has exposure to iron ore through several companies in the portfolio.

Natural gas producers had a mixed year in North America, the world's dominant gas market. In Australia, coalbed methane (CBM) has become increasingly important as a local gas supply in the eastern States. A key stock in the LRF portfolio is Molopo Australia, a company with major exposure to CBM in Australia, as well as China, South Africa and North America.

Gold responded to global uncertainty in typical fashion, surging to over U$1,000 in early 2008 before retreating towards year end. Some saw gold and gold stocks as a means to hedge against the impact of high oil prices, and as a result bullion prices tended to track crude oil. Paradoxically, gold producer's profit margins were severely reduced by the high oil price which drastically increased operating costs.

The share prices of many resource companies lagged behind the booming commodity prices. This is largely explained by increasing steel and power costs that have compressed or even negated profit margins. The Managers have therefore scrutinized cost data for the junior gold miners in particular. The Manager had selected Dominion and Andean as potentially low-cost gold producers, and this was subsequently reflected in their outstanding share price performance. Dominion did well on the back of reserve increases and low production costs, while Andean's exploration results indicated the possibility that it has discovered a significant new, low-cost gold province in Argentina. The strong rallies that stemmed from positive announcements led to a technically overbought condition in both companies, at which stage the Manager took some profits with a view to re-purchasing the stocks at lower prices.

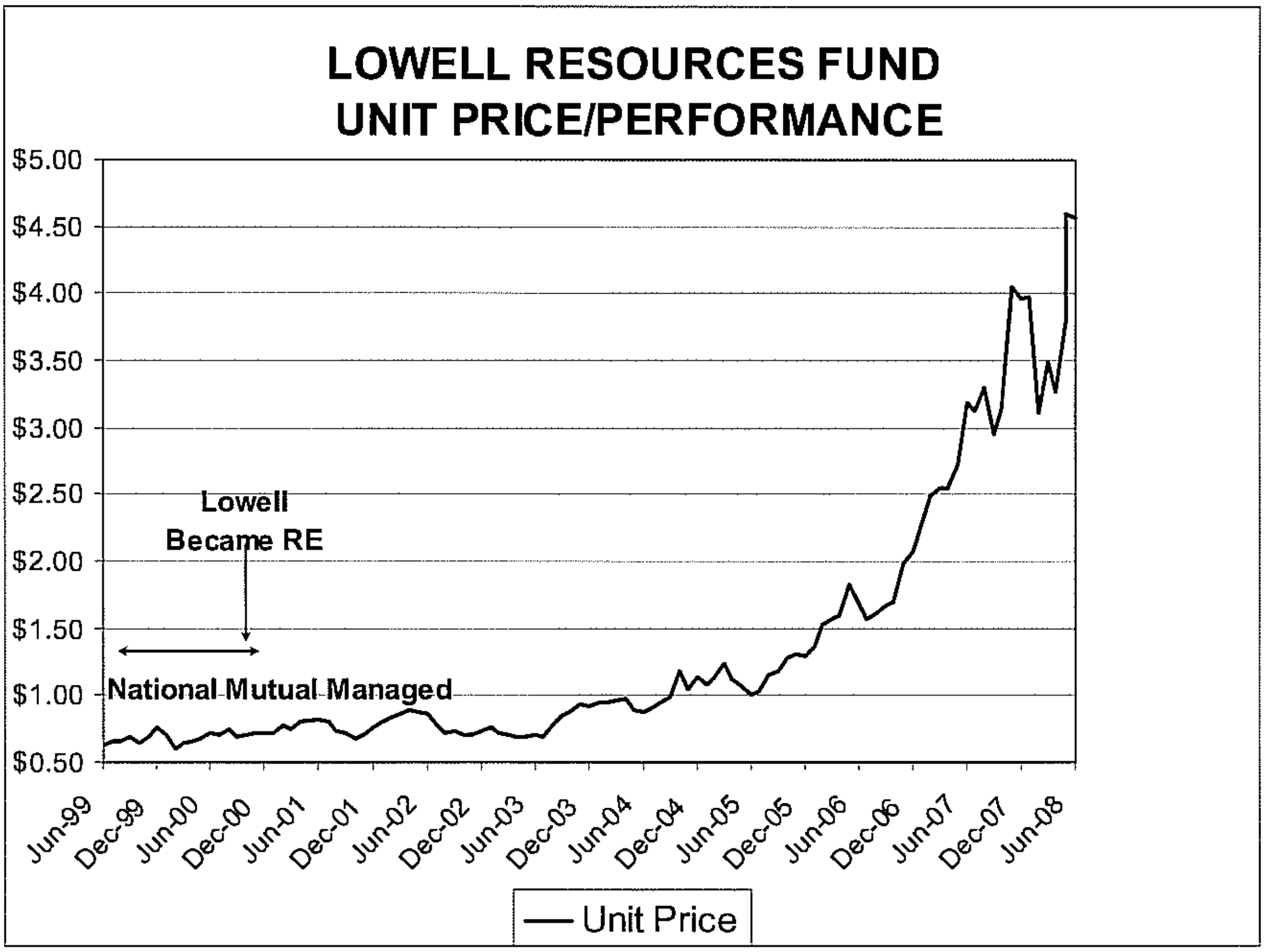
Currency exchange rates too affect profitability of many miners because metal prices are denominated in US$ while costs are met with local currency. With the decline in the $US, profit margins were reduced by the relatively strong Australian, South African and Canadian currencies. The Managers therefore increased overseas exposure, adding Metallica, a US-listed company with a 100% owned Cerro San Pedro silver/gold mine in Mexico, as well as 30% of the very large El Morro copper/gold deposit in Chile.

Gold equities generally move counter to the broad market, but in recent years have tended to move in parallel with the market, as they have been viewed as a "high beta proxy" with higher volatility and greater potential for rapid gains than the broad market. In our opinion this view is misplaced, and we expect that gold and gold stocks will resume their inverse relationship to the overall market. Further, investors tended to concentrate on major gold producers and to neglect the junior gold sector, particularly late in the year. We continue to believe, however, that the growth potential of carefully selected small-cap stocks will far exceed the percentage gains of the large resource companies. This is the fundamental rationale behind the LRF, but the higher growth potential undeniable necessitates greater risk.

The 2008/09 financial year has commenced with a severe correction in the resource sector. These corrections are inevitable, and their impacts are magnified in small mining and energy companies. Apart from reflecting risk, such volatility also creates opportunity. The portfolio has been strengthened by purchases of favoured stocks at discounted levels.

The Manager believes that commodities remain in a secular bull market that is likely to last for several more years. This will not be a smooth ride. The market will continue to react to news, positive or negative, and investor sentiment is expected to accentuate share price movements. But the expected erosion in the purchasing power of the major currencies should translate into appreciating prices of hard assets, especially commodities.

A chart of fund's performance is shown below. Since the end of the financial year the unit price has dropped sharply. Current unit prices are accessible on the Lowell Capital website at www.lowellcapital.com.au.



Yours faithfully,

Stephen Mitchell
Chairman

Lowell Resources Fund

ARSN 093 363 896

Financial Report for the Year Ended 30 June 2008

FINANCIAL REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

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 2008.

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
- 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 income of the Fund for the year ended 30 June 2008 was $4,326,576. This compares to a net income of $5,376,709 for the year ended 30 June 2007.

Distributions

In respect of the year ended 30 June 2008, no distributions are paid and payable (2007: Nil.)

Management costs

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

Indirect Cost Ratio

Fund	**2006**	**2007**	**2008**
Lowell Resources Fund	2.25%	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

....

Stephen P. Mitchell
Director

MELBOURNE

Dated: 15/9/08

Hayes Knight Audit
chartered accountants
your partners in success

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Registered Audit Company 291969

LOWELL RESOURCES FUND
ARSN 093 363 896

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF LOWELL CAPITAL LIMITED (THE RESPONSIBLE ENTITY)

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2008 there have been:

i. no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
ii. no contraventions of any applicable code of professional conduct in relation to the audit.

Hayes Knight Audit Pty Ltd
Melbourne

G. S. Parker
Director

Dated this 15 day of SEPTEMBER 2008

Hayes Knight Audit
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your partners in success

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Registered Audit Company 291969

INDEPENDENT REVIEW REPORT
TO THE UNITHOLDERS OF LOWELL RESOURCES FUND

Report on the financial report

We have audited the accompanying financial report of Lowell Resources Fund ('the fund'), which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in net assets attributable to unitholders and cash flow statement for the year ended on that date and the directors' declaration.

Directors' responsibility for the financial report

The directors of Lowell Capital Limited ('the responsible Entity') are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1, the directors of the responsibility entity also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Responsible Entity, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Fund's financial position, and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We have given to the directors of the Responsible Entity a written Auditor's Independence Declaration, a copy of which is attached to the directors' report.

Auditor's opinion

In our opinion:

a. the financial report of Lowell Resources Fund is in accordance with the Corporations Act 2001, including:

   i. giving a true and fair view of the Fund's financial position as at 30 June 2008 and of its performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Hayes Knight Audit

Hayes Knight Audit Pty Ltd
Melbourne

G. S. Parker
Director

Dated this 15 day of SEPTEMBER 2008

DIRECTORS' DECLARATION

The financial statements and notes thereto of the Lowell Resources Fund for the financial year ended 30 June 2008 as set out on pages 7 - 20 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

....

Stephen P. Mitchell
Director

MELBOURNE

Dated: 15/9/08

INCOME STATEMENT

For the Financial Year ended 30 June 2008

	Note	Year Ended 30 June 2008 $	Year Ended 30 June 2007 $
INCOME			
Dividends		44,351	33,014
Interest		126,651	134,951
Other income		-	3,000
Net gain on financial instruments at fair value through profit and loss		5,135,844	6,448,989
Total Income		5,303,846	6,619,954
EXPENSES			
Performance Incentive Fees	1	611,549	990,604
Management Fee		232,685	171,328
Custodian's Fee		55,061	26,026
Administration expenses		63,213	46,260
Auditor's Remuneration	6	14,762	9,027
Total Expenses		977,270	1,243,245
Net Income		4,326,576	5,376,709
Increase in net assets attributable to unit holders		4,326,576	5,376,709
Net Income attributable to unitholders		-	-
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 20.

BALANCE SHEET

As at 30 June 2008

	Note	30 Jun 2008 $	30 Jun 2007 $
ASSETS			
Cash and cash equivalents	9	2,694,992	1,734,682
Receivables	2	125,308	509,996
Financial Assets	1,3	11,134,977	8,375,228
Total Assets		**13,955,277**	**10,619,966**
LIABILITIES			
Performance Incentive Fees Payable	1,4	239,031	622,897
Accounts Payable		65,810	37,060
Total Liabilities (excluding net assets attributable to unitholders)		**304,841**	**659,957**
Net assets attributable to unitholders (liability)	**5**	**13,650,436**	**9,960,009**
Total Liabilities (including net assets attributable to unitholders)		**13,955,277**	**10,619,966**

The above balance sheet should be read in accordance with the notes to the financial statements which are included on pages 11 to 20.

STATEMENT OF CHANGES IN NET ASSETS

ATTRIBUTABLE TO UNITHOLDERS

For the Year ended 30 June 2008

	Net Assets Attributable to Unitholders
At 30 June 2006	5,637,466
Net Profit attributable to unitholders	5,376,709
Distribution to unitholders	-
Applications for units	5,000
Other Adjustments*	18,264
Redemption of units	(1,077,430)
At 30 June 2007	9,960,009
Net Profit attributable to unitholders	4,326,576
Distribution to unitholders	-
Applications for units	-
Redemption of units	(636,149)
At 30 June 2008	13,650,436

* Adjustments related to performance incentive fees reimbursed by the Responsible Entity for the financial year ended 30 June 2007.

The above statement should be read in accordance with the condensed notes to the interim financial statements which are included on pages 11 to 20

CASH FLOW STATEMENT

For the Financial Year ended 30 June 2008

	Note	Year Ended 30 June 2008 $ Inflows (Outflows)	Year Ended 30 June 2007 $ Inflows (Outflows)
Cash flows from Operating Activities			
Distributions and dividends received		41,351	33,014
Interest received		125,725	144,483
Management fee paid		(324,606)	(286,284)
Payments for expenses		(1,001,541)	(491,491)
Other income received		-	3,000
Net Cash used in operating activities	9(b)	**(1,159,071)**	**(597,278)**
Cash flows from Investing Activities			
Proceeds from sale of securities		7,178,018	4,033,947
Payment for securities		(4,442,602)	(3,956,925)
Net Cash used in/provided by investing activities		**2,735,416**	**77,022**
Cash flows from Financing Activities			
Payments for redemption of units		(616,035)	(1,077,430)
Receipts for application of units		-	23,264
Net cash used in financing activities		**(616,035)**	**(1,054,166)**
Net increase(decrease) in cash and cash equivalents held		960,310	(1,574,422)
Cash and cash equivalents at beginning of the year		1,734,682	3,309,104
Cash and cash equivalents at end of the year	9(a)	**2,694,992**	**1,734,682**

The above cash flow statement should be read in accordance with the notes to the financial statements which are included on pages 11 to 20

1 Summary of Significant Accounting Policies

Basis of preparation
This general purpose condensed financial report for the financial year ended 30 June 2008 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 8th September 2008.

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 2008 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. Details of the impact of the adoption of these new accounting standards are set out in the individual accounting policy notes set out below. The Fund has also adopted the following Standards as listed below which only impacted on the Fund's financial statements with respect to disclosure:

- AASB 101 'Presentation of Financial Statements (revised October 2006)'
- AASB 7 'Financial Instruments: Disclosures'

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.

b) Financial Instruments

Purchases and Sales of financial assets that require delivery of assets within the time frame generally established by regnlation 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 througb 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 date exists for certain assets, prices are interpolated using historic and long-term pricing relationships.

Financial liabilities arising from the redeemable units issued by the Scheme 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 cbanges 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.

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.

Cash flows are included in the cash flow statement on a gross basis.

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 2008, but have not been applied in preparing these financial statements:

AASB 1048 *Interpretation and Application of Standards* (September 2007) supersedes the previous version of AASB 1048, issued in March 2007 and is applicable to annual reporting periods beginning on or after 1 January 2009

AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 (February 2007) makes consequential amendments to AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 and AASB 1038. For example, references to AASB 114 *Segment Reporting* are replaced with references to AASB 8 *Operating Segments*, and language drawn from AASB 114 is replaced with that compatible with AASB 8. It is applicable to annual reporting periods beginning on or after 1 January 2009.

AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 (June 2007) making consequential amendments to AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12. The amendments principally remove references to expensing borrowing costs on qualifying assets, as AASB 123 was revised to require such borrowing costs to be capitalised. It is applicable to annual reporting periods beginning on or after 1 January 2009.

AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101 (September 2007) making consequential amendments to Australian Accounting Standards (including Interpretations). This Amending Standard also changes the term 'general purpose financial report' to 'general purpose financial statements' and the term 'financial report' to 'financial statements' in application paragraphs, where relevant, of Australian Accounting Standards (including Interpretations) to better align with IFRS terminology. It is applicable to annual reporting periods beginning on or after 1 January 2009

AASB 2007-9 Amendments to Australian Accounting Standards arising from the review of AASs 27, 29 and 31 (December 2007) makes amendments to: AASB 3 *Business Combinations*; AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*; AASB 8 *Operating Segments*; AASB 101 *Presentation of Financial Statements*; AASB 114 *Segment Reporting*; AASB 116 *Property, Plant and Equipment*; AASB 127 *Consolidated and Separate Financial Statements*; and AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*. It is applicable to annual reporting periods beginning on or after 1 July 2008.
AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB makes amendments to: AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*; AASB 2 *Share-based Payment*; AASB 4 *Insurance Contracts*; AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*; AASB 7 *Financial Instruments: Disclosures*; AASB 101 *Presentation of Financial Statements*; AASB 107 *Statement of Cash Flows*; AASB 112 *Income Taxes*; AASB 114 *Segment Reporting*; AASB 116 *Property, Plant and Equipment*; AASB 121 *The Effects of Changes in Foreign Exchange Rates*. This Standard is applicable to annual reporting periods beginning on or after 1 July 2009.

AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project and makes amendments to: AASB 5, AASB 7, AASB 101, AASB 102, AASB 107, AASB 108, AASB 110, AASB 118, AASB 119, AASB 120, AASB 123, AASB 127, AASB 128, AASB 129, AASB 131, AASB 132, AASB 134, AASB 136, AASB 138, AASB 139, AASB 140, AASB 141, AASB 1023, AASB 1038. This Standard is applicable to annual reporting periods beginning on or after 1 January 2009.

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.

The performance incentive fee of $611,549 reflects the net amount paid or payable for the year ended 30 June 2008.

2 Receivables

	30 June 2008 $	30 June 2007 $
Interest receivable	6,395	5,469
Goods and services tax recoverable	19,374	45,726
Application for new investments yet to be allotted	-	336,891
Trade debtors on sale of investments yet to be settled	99,539	121,910
	125,308	**509,996**

3 Financial Assets

Held for Trading	**30 June 2008** **$**	**30 June 2007** **$**
At fair value:		
Equities investments and units in unlisted schemes	11,134,978	8,375,288

4 Payables

Performance Incentive Fees accrued	239,031	622,897
Redemptions payable	20,114	-
Other unsecured payables and accrued expenses	45,697	37,060
	304,842	**659,957**

5 Net assets attributable to unit holders

(a) Movements in net assets attributable to unit holders

Units on issue at beginning of the year	9,960,009	5,637,466
Units issued during the year	-	5,000
Other adjustments*	-	18,264
Units redeemed during the year	(636,149)	(1,077,430)
Units on issue at year end	9,323,860	4,583,300
	4,326,576	5,376,709
Transfer of the net undistributed income from the income statement		
Closing balance of net assets attributable to unit holders	**13,650,436**	**9,960,009**

* Other adjustments relate to correction of prior period redemptions.

(b) Movements in number of units

On issue at beginning of the year	3,179,504	3,599,938
Units issued during the year	-	1,875
Units redeemed during the year	(186,381)	(422,309)
On issue at year end	**2,993,123**	**3,179,504**

6 Auditor's Remuneration

Review and Audit of the financial report	12,013	5,500
Other non-audit services	2,750	3,527
	14,763	9,027

7 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:

	INCOME		ASSETS	
COUNTRY	**2008**	**2007**	**2008**	**2007**
	$	**$**	**$**	**$**
Australia	5,206,550	6,431,550	13,418,803	10,510,691
Canada	97,296	188,404	536,475	109,275
	5,303,846	6,619,954	13,955,278	10,619,966

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 $232,685 (2007: $171,328) were paid to the Responsible Entity in accordance with the constitution at 2.1% per annum (2007: 2.1%) of the total cash and investment portfolio of the Fund assessed and payable on a monthly basis.

Custodian fees of $36,000 (2007: $5,935) were paid to the Responsible Entity in accordance with the constitution at a fixed rate of $3000 per month. Prior to June 01 2007, custodian fees were 1% per annum of the total net asset value of the Fund attributable to unit holders assessed and payable on a monthly basis.

There were no expenses reimbursed to the Responsible Entity (2007: $6,778) of costs incurred by the Responsible Entity on behalf of the Fund.

Performance incentive fees of $611,549 are paid or payable to Lowell Capital Limited (2007: $990,604).

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.

	Number of Units Held	
Responsible Entity and Its Associates	**2008**	**2007**
Stephen Mitchell	-	5,116
SP Mitchell Super Fund	1,414	11,414

9 Notes to the Cash Flow Statement

(a) Reconciliation of cash and cash equivalents

	2008	2007
	$	$
Cash	2,107,756	1,310,635
Deposits at call	587,236	424,047
Total cash and cash equivalents	**2,694,992**	**1,734,682**

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

Net profit attributable to unitholders	4,326,576	5,376,709
Net gains on disposal of investments	(4,167,577)	(2,060,672)
Net gains on revaluation	(968,267)	(4,388,318)
Changes in net assets:		
(Increase)/decrease in income receivable	25,426	(32,937)
Increase/(decrease) in creditors and accruals	(375,229)	507,940
Net cash used in operating activities	**(1,159,071)**	**(597,278)**

(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 Schemes 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.

(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 if it's 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 settles 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

30 June 2008	Weighted Average Int Rate (% p.a.)	Variable Int. Rate $'000	Non-Interest Bearing $'000	Total $'000
Financial Assets				
Cash & Equivalents	6.35%	2,695	-	2,695
Listed Equities	-	-	11,135	11,135
Receivables	-	-	125	125
	-	2,695	11,260	13,955
Financial Liabilities				
Performance Incentive Fees			-239	-239
Accounts Payable	-	-	-66	-66
			-305	-305

30 June 2007	Weighted Average Int Rate (% p.a.)	Variable Int. Rate $'000	Non-Interest Bearing $'000	Total $'000
Financial Assets				
Cash & Equivalents	5.7%	1,735	-	1,735
Listed Equities	-	-	8,375	8,375
Receivables	-	-	510	510
	-	1,735	8,885	10,620
Financial Liabilities				
Performance Incentive Fees			-623	-623
Accounts Payable	-	-	-37	-37
			-660	-660

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 2008 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 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)
30 June 2007	**Currency**	**AUD Equivalent in exposure by currency $'000**	**Change in currency rate in %**	**Effect on net assets attributed to unitholders $'000**
	CAD	109	10/(10)	11/(11)

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 2008	Index	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)
30 June 2007	**Currency**	**Change in equity price %**	**Effect on net profit attributable to unitholders $'000**
	ASX All Ords	20/(20)	1,597/(1,597)
	S&P/TSX Composite	20/(20)	22/(22)
	Unlisted Equities	25/(25)	70/(70)

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.

<u>Principal Registered Office and Principal Place of Business</u>
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