

## PURE Resources Fund

Dear Investor,

We enclose the October 2022 update for the PURE Resources Fund.

The PURE Resources Fund is open for investment.

### Foundation Class Portfolio Returns (After Fees)

The PURE Resources Fund returned +1.0% in October 2022.

	1 Month	3 Month	6 Month	9 Month	1 Year	Since inception (Annualised)*
Returns (%)	+1.0%	+0.4%	+2.3%	+11.0%	+13.8%	+10.4%
St Dev (Annualised %)					8.0%	7.0%

After fees and assuming reinvestment of all income distributions. Fund inception 30 April 2021.

#### Fund overview as at 31 October 2022

Funds Under Management	\$78.4m
Since Inception Annualised Return After Fees (Foundation Class, Dist. Re-Invest)	+10.4%
Foundation Class Current Unit Price	\$1.1307
Total Distributions Paid After All Fees	2.7cpu
Number of Investments	8
Average Loan Size	\$6.5m
Weighted Average Portfolio Interest Rate	10.7%
Total Establishment and Arrangement Fees Paid to Investors (Gross)	\$1.2m

#### Current Portfolio Exposure

Fixed Income	65.5%
Equity/Warrants	8.2%
Cash	26.3%
Total	100.0%

**PURE online application form**

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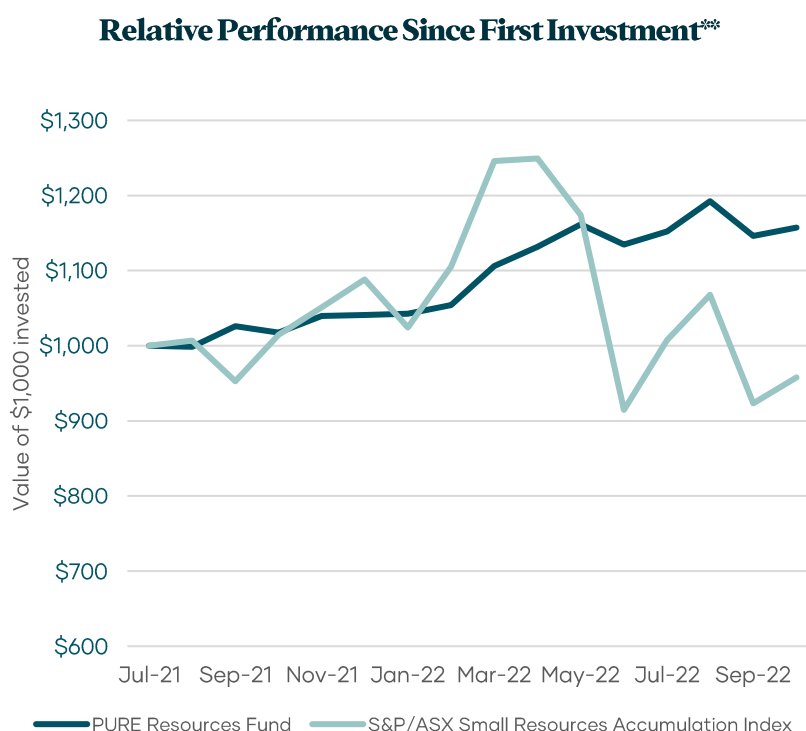
## The Fund is open for investment

Market conditions have become extremely conducive to PURE's hybrid investment strategy. As such, and with cash near fully deployed, the PURE Resources Fund is actively undertaking a fundraising campaign to capitalise on the opportunity being presented. If you would like to invest with the PURE team, please access the online application form via the Olivia123 link below:



The greatest compliment our investors can give is the referral of friends, family and associates. If you know of other investors who are seeking additional investment opportunities, please feel free to contact us at any time.

## Portfolio Summary



*\*\*Fund inception April 2021, first investment made in July 2021*

Pleasingly the Resources Fund returned to growth in the month, rising +1.0% following a pullback in September. The fund remains in positive territory, up +11.0% YTD.

While the past six months has been particularly volatile for commodities markets and mining and energy stocks, the fund has delivered some impressive market beating performance. Backed by our credit first strategy, we have withstood many of the major dips of our peers.



Nonetheless, it's starting to look like the worst may be behind us in the resources space. While global economic growth teeters on the balance of recession/tepid growth, we see a few green shoots that may help.

China's COVID-Zero policy appears to be steadily wound down, which always signals a growth path for Australian resources. Government relations also appear to be thawing, which augurs well for Australian bulk commodities, Iron Ore, Coal and Gas. This could provide a genuine inflection point for stocks.

Meanwhile, commodity inventories are still trending downwards, perhaps with the exception of Lithium. Supply responses generally trigger price falls, but from where we sit, it's hard to see where any meaningful supply response is coming from. Commodities such as Copper, Nickel and Zinc sit near all time lows, while oil inventories are sliding as the US continues to drawdown its emergency reserves. No supply response is likely from OPEC in this environment.

Peak negativity appears to be approaching (potentially) and one thing we do know from experience is that corrections do not last forever and we see limited downside risk to returns, despite market choppiness remaining a likely feature.

In our view, the recent pullback is a normal correction within a medium-term commodities cycle. Resources remains the place to be, and the catalysts continue to build across the portfolio, and provide an exciting entry point for investors still looking to position themselves with PURE.

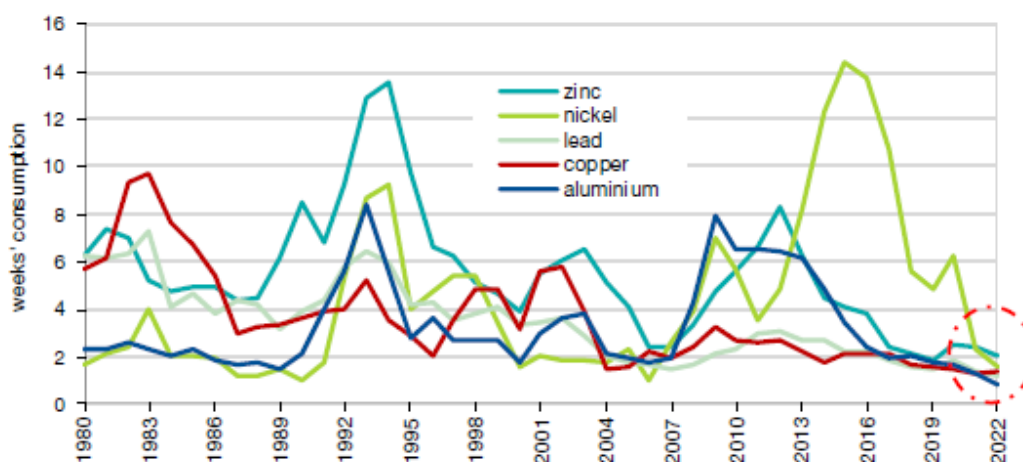
We appreciate your ongoing support.



## Chart of the month

How can Base Metal prices drop 10-50% over the last six months, when their corresponding reported inventories are at multi-decade lows? Is the long-standing inverse inventory-price relationship somehow broken? This is a question we have asked ourselves many times this year, as this age-old argument has been as weak as a kitten this year.

### Base Metals Inventories are at historic lows



Source: WBMS, Bloomberg, LME

We think that macro weakness and fears of recession have been the key drivers this year. Further, we believe this relationship has broken down for two major factors:

1. US Fed tightening has made the opportunity cost of holding no-yield commodities excessively high, and the speculators and hedge funds left the sector in droves.
2. China's COVID policies were brutal, but there was seemingly no end in sight. In addition, Europe has basically run out of energy so two major producing regions curtailed demand for inexplicable reasons we couldn't foresee.

These factors can change however, and stockpiles eventually need to be replenished. If they are not, we run out of the very things society needs to function. The macro is also starting to turn, with growth in inflation rates easing and China showing signs of opening up again, a net positive for Australia, though the war in the Ukraine continues and this can create unpredictable impacts.

Nonetheless, these are being priced into expectations and we're hopeful this can help to restore confidence in a commodity re-stocking cycle. It won't normalise overnight, but re-stocking is an important consideration in determining where the current cycle is, and where it is going.

## Comet Ridge (COLASX)



It's been a busy few months for Comet, locking away their \$24m equity raise in early September and recently announcing their maiden reserve on the Mahalo North block. PURE is delighted to have been involved with the financing of the pilot well on this block, and it is this block that is creating the most interest amongst the wider gas industry and end users.

Initial reserves were very solid (12PJ at 1P and 43 PJ at 2P) and we note there is scope to grow further as more wells are drilled and the gas flows increase over time, proving the productivity of the field.

Nonetheless, for most people reserves viewed in isolation are fairly meaningless without any context. In the chart below we show our estimate of the Dollar value of those reserves. It doesn't take a geologist or reservoir engineer to see why we are so excited about the future potential of this site, with Comet sitting on c\$3bn of 3P reserves at long term pricing, and why we think it will be Australia's next major East Coast supply project.

### Putting a Dollar value on Comet's Reserves

Comet Ridge Reserves (Pj)	2P	3P
Mahalo JV	152	262
Mahalo North	43	110
<b>Total</b>	<b>195</b>	<b>372</b>

\$m (Long term gas price @ \$8.50)	1,657,500	3,162,000
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\$m (Offtake gas price @ \$15.0)	2,925,000	5,580,000
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Source: Comet Ridge ASX

## **Vintage Energy (VEN.ASX)**



Vintage continues to progress its Vali gas fields in the Cooper Basin towards production. Unfortunately wet weather through November has pushed back first gas from December 2022, to January 2023 (ASX release 18 November 2022). This limited access to the site and delayed laying of key sections of pipeline. Nonetheless Management are confident this is a delay of a few weeks and nothing more. All key equipment, product (pipes etc) and staffing required to complete the job are on hand and on-site. The weather has been clear more recently and activity on site has resumed, at pace.

Pleasingly, gas wells are completed at Vali 1, 2 and 3, while its other well, Odin 1, has also recently been completed and pipe is being laid to connect it into the network over coming months.

### **Odin 1 flaring**



Source: Vintage Energy ASX

The company confirmed recently that it is fast tracking the drilling and connection to the Odin 2 well, which will provide even greater gas volumes. Odin 1 is scheduled to come online in Q3 2023, giving the company short and medium line of sight to gas from this high yielding field.



### **Odin 2 well connection**



Source: Vintage Energy ASX

The company is on track to fulfill its contractual rights to AGL for supply of 1PJ in FY23. However, we also note that pricing negotiations under this pre-payment agreement should be announced to market by year end, this would apply to calendar year 2024, while showing a substantial lift given recent price trends.

Strong user interest for Vintage gas continues, while East Coast gas markets remain on a precipice. Over ten Industrial users of gas have approached Management regarding offtake. It appears this supply is coming to market at the right time.

We remain very positive on this Company and believe it to be fundamentally undervalued. A top tier Management team (the team created Beach Energy), with quality assets in a known gas region underpin our view. First gas production and revenue are meaningful catalysts for investors.

### **Trenching pipeline route from Vali to Moomba via Odin**



Source: Vintage Energy ASX

### **Fiberspar Pipe Pools**



## Kingston Resources Limited (KSN.AX)



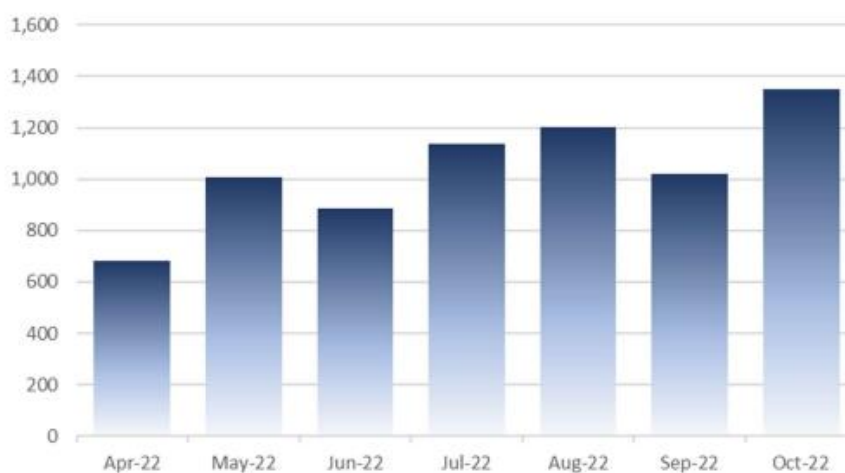
Management recently confirmed a cracking production and cost position for the month of October. The result was also hampered by wet weather over the first week, suggesting a production run rate far higher than that delivered.

Gold production hit 1,390 ounces while All-in-Sustaining-Costs were A\$1,719/oz, down from A\$2,147 in the previous month. Margins are steadily rising, and so is cash generation with prices achieved in the month averaging A\$2,600/oz.

Elsewhere, the team are very busy, and we expect a good amount of news flow and updates from the company in the lead up to Christmas, including:

- Update on timing and commencement of mining at the Pearse Pits, two low-cost ore reserves to be mined over the course of 2023, or thereabouts.
- Update on the SOZ underground with potential reserve increase and inclusion into the 5yr mine plan.
- More drill results and a resource from Jack's Hut, where some exciting and large copper strikes have already been reported.

### Monthly gold production (ozs)



Source: Kingston Resources ASX

We thank you for your support.

Dan, Nick, Mike, Tim, Jonathan and Jean-Luc

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## Monthly Returns – After Fees

PURE Resources Fund – Foundation Class													
Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Fin YTD
FY21											0.0%	0.0%	0.0%
FY22	0.2%	-0.1%	2.8%	-0.8%	2.2%	0.1%	0.1%	1.1%	4.9%	2.3%	2.6%	-2.3%	13.7%
FY23	1.6%	3.5%	-3.9%	1.0%									2.0%

PURE Resources Fund – Platform Class (APIR: PUA1097AU)													
Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Fin YTD
FY22		-0.1%	2.7%	-0.8%	2.2%	0.1%	0.2%	1.1%	4.9%	2.3%	2.6%	-2.3%	13.4%
FY23	1.6%	3.5%	-3.9%	1.0%									2.0%

## Unit Price Data Download

Please click on the link below to download the updated unit price data for each unit class.

[PURE Resources Fund – unit price data to 31 October 2022](#)

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