

Montreux Natural Resources Fund September 2021 Update

Dear Investor

As you are aware, the Montreux Natural Resources Fund (“the Fund”) continues to be suspended. The Investment Manager (“the Investment Manager”) wishes to provide an update in order to assure investors that they will be paid out on the prevailing indicative NAV at the point of liquidation. The previous target date for pay-out and liquidation of the Fund was the end of Q2 2021, however, due to ongoing delays, this is now most likely to occur by end of Q2 2022.

However, the Investment Manager is currently working on a partial refinance of the projects which is expected to result in a significant distribution to shareholders in Q4 2021.

In order to achieve the final liquidation of the Fund, both projects need to continue to be funded and achieve production. Once the projects achieve production it should be possible to refinance either/both projects such that investors can be paid out and the Fund closed.

An update on the two projects is as follows:

Tanzania

When the Fund originally invested in the Tanzanian project it did so by purchasing 50% of the shares in a Cayman holding company, GMM Limited (“GMM”), and advanced an additional \$4.3m from 2016 to 2017, to GMM to continue financing the project.

Due to the Fund being unable to raise additional subscriptions, it disposed of its interests in GMM and the Tanzania gold project to Aurum (Holdings) IOM Ltd (“Aurum”), a company related to the Investment Manager. The amount paid by Aurum represented the market value of the shares at the time plus a premium of \$12.4m recognising that investors had carried the initial risk involved in the project.

During the interim period the project has continued to require funding to achieve production and to date an amount in excess of \$12m has been committed to the project and additional funding will be committed as necessary.

The project has just been allocated a mining licence (ML) and is currently carrying out a drilling program which will ascertain the levels of gold that are contained within the project. With a combination of the ML and the drilling report it should be possible to obtain external banking finance to refinance out existing loans which will allow further distributions to investors.

Based on current projections, the Investment Manager remains confident that Twin Oaks will be in a position to repay the full amount of \$6m due to the Fund by the end of Q2 2022.

Montreux Natural Resources Fund
registered in the Cayman Islands Company,
Registration No: AP-275452

Registered Office: Suntera (Cayman)
Limited, Royal Bank House, 3rd Floor, 24
Shedden Road, P.O. Box 1586, Grand
Cayman, KY1-1110, Cayman Islands

Directors: O S Harris, B Monks, C Rooney

Investment in the Fund was accepted solely on the basis of the information set out in its offering document. The Fund is currently in suspension therefore; further subscriptions are no longer being accepted. The price of any security may move up or down. If it moves down losses can be incurred, which in some circumstances may extend to the full amount of the investment. Past performance is not necessarily a guide to future performance.

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Guinea

As previously advised, the Fund disposed of its loan to GMM of \$4,657,000 plus interest of \$1,164,250 for a final balance of \$5,821,250. The Loan Purchase Agreement required an immediate payment of 10% immediately with remaining 90% by the end of February 2021. Due to delays in production, it is unlikely that this date will be achieved and therefore the maturity date will be required to be extended to Q4 2022.

Following the completion of the above transaction the Fund's exposure to the Guinea project has been reduced to a loan of \$3.8m to GMM that falls due in 2021, which the Directors will continue to monitor and will seek early repayment if possible.

It is also possible that sufficient funding can be raised through the refinance of the Tanzanian project to pay off the debt associated with this project.

Conclusion

While the directors are disappointed in the delays in refinancing the projects, they are of the view that the above actions should allow them to make a significant distribution during Q4 2021 and achieve a full realisation of all assets at current carrying values, repayment of all investors and liquidation of the Fund by the end of Q2 2022.

The primary targets are to achieve commercial production which would allow the projects to obtain external funding which in turn will allow existing loans to be repaid and investors paid out.

Ultimately the actions of the Directors have been to seek to reduce the market exposure of the Fund to the underlying projects and replacing it with pure credit exposure. This quantifies the assets available to investors with a higher level of certainty of recovery.

Assuming the Investment Manager can achieve its ambitions in both projects, the amount to be recovered by the Fund would be in the region of \$25m-\$27m, which will ensure that investors are paid out based on **indicative NAVs***, as at **30 June 2021**, of:

Class A USD	160.1841
Class G Euro	43.1947
Class G GBP	58.5190
Class G USD	67.6881

**Please note that the indicative NAVs are, for the avoidance of any doubt, indicative only and therefore non-binding on either the Fund or the Investment Manager.*

From an investor perspective, the priority of the Directors remains to protect the value of assets attributable to investors and to ensure the Fund remains in a liquid position while the Investment Manager works towards realising the value of these assets. As a result, the Directors have deemed that distributions are not appropriate at the moment, as this would impact the ongoing liquidity of the Fund.

It is also the intention of the Directors to continue to have the Fund audited to ensure investors can take comfort from an independent assessment of the assets of the Fund. The audit for the year-ending 31 March 2021 is currently in progress. It is expected that the audited financial statements will be issued no later than the end of the year.

The Directors are committed to keeping investors apprised of the ongoing position and endeavour to commence distributions as soon as is practicable.

On behalf of the Board

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