

Montreux Natural Resources Fund October 2020 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 current indicative NAV. The previous target date for pay-out and liquidation of the Fund was the end of 2020, However this is most likely expected to occur by end of Q2 2021.

In order to achieve this target both projects need to continue to be funded and achieve production as follows:

Tanzania

As you are aware the Fund disposed of its interest in the Tanzanian project for \$2.6m, which was the market value of the project based on an independent valuation of the project, plus an agreement to pay a premium of \$12.4m over market value recognising the risk carried by the Fund during its period of ownership. The initial amount of \$2.6m has been paid to the Fund while an initial payment has been made against the premium with additional payments expected during the year.

The new owner and related companies, continue to fund development of the project and are also engaged in negotiating the various legal and regulatory requirements to allow the project to move to a stage where production can commence. This has been a very expensive, difficult and time-consuming process but management are confident that all local requirements have now been met and commercial production can commence in 2021.

The initial target for commercial production has been delayed largely due to the impact of Covid-19 which resulted in the closure of the Tanzanian borders which made it impossible to bring in equipment required to achieve commercial production.

The delay in commercial production has in turn delayed an intended refinancing project which would have allowed the Fund's loan to be replaced by third party bank funding, which would have allowed the return of funds 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 \$5.7m due to the Fund by the end of Q1,2021.

This would see the Fund receive a total of \$18m from the project during 2021, which should allow the Fund to commence making distributions to investors.

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.

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.

Conclusion

The Directors are of the view that the above actions should allow them to achieve a full realisation of all assets at current carrying values, repayment of all investors and liquidation of the Fund within 12 months.

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 September 2020**, of:

Class A USD	159.2513
Class G Euro	43.6905
Class G GBP	58.8255
Class G USD	67.2940

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

We also wish to advise that the annual audit is underway but has been delayed due to issues gathering information during the Covid-19 pandemic. We will ensure that the financial statements will be issued as soon as possible.

On behalf of the Board

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