

Montreux Natural Resources Fund July 2022 Update

Dear Investor

As you are aware, the Montreux Natural Resources Fund (“the Fund”) continues to be suspended. The Investment Manager (“the IM”) wishes to provide an update in order to assure investors that work on liquidation of the Fund continues and the repayment of loans continues to be pursued with a significant proportion currently being repaid and made available for distribution to investors by the end of July subject to the Net Asset Value (NAV) for June being completed and the administrator carrying out the necessary process. The IM will continue to seek to identify opportunities to realise all of the assets of the Fund as soon as possible such that all recovered assets will be distributed to investors and the Fund placed into liquidation. This process is taking longer than anticipated but remains the primary focus of the IM.

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. The Guinea project has now been refinanced and all liabilities associated with the project have now been repaid.

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 IM. 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. The premium is conditional on the project achieving production.

During the interim period the project has continued to require funding to achieve production and to date an amount in excess of \$15m has been committed, by companies related to the IM, to the project and additional funding will be committed as necessary. In reality it is unlikely that production will be achieved in the short to medium term as a new drilling project will be required to be carried out and funded in the interim.

Based on the refinancing activities, the IM remains confident that Twin Oaks will be in a position to repay the full amount outstanding during the current year.

However, achieving production in Tanzania is driven largely by the political situation in the country which continues to be difficult for overseas companies and also through the results of a newly commissioned drilling program which could take up to two years to complete.

Guinea

All payments associated with this project have now been paid

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

Registered Office: Suntera (Cayman) Limited,
P.O. Box 1586, Suite 3204, Unit 2A, Block 3,
Building D, Gardenia Ct., 49 Market Street,
Camana Bay, Grand Cayman, KY1-1110,
Cayman Islands

Directors: 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.

Montreux Natural Resources Fund
C/O: Suntera Fund Services (IOM) Limited (“Administrator”)

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Distributions

As investors are aware, the first distributions from this Fund were made in April and it is the intention of the Fund to continue to crystallise assets as soon as is realistically possible and to make immediate distributions to investors.

Following the repayment of the outstanding liabilities associated with the Guinea project it is intended to distribute an additional \$6.5m to investors in July. This will be made on a pro rata basis of the end June indicative NAV and represents approximately 25% of the indicative NAV as at 30 June 2022, bringing the total distribution to date of approximately 30% of the indicative NAV.

Investors should be aware that as distributions are made the indicative NAV per unit will decrease by the distributed amount.

Conclusion

While the Directors are disappointed in the delays in refinancing the projects, they are pleased to inform investors that a distribution of \$6.5m will take place as soon as possible.

Further, the Directors are satisfied that significant progress is being made in the crystallisation of the assets of the Fund following the repayment of all liabilities associated with the Guinea project. Attention will now turn to the liabilities associated with the Tanzanian project. While it should be noted the premium included in the sale of its interest in Twin Oaks by the Fund was dependent on the project achieving production which seems unlikely in the short to medium term.

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.

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 annual audit for the year-ending 31 March 2021 continues to be progressed but has been delayed due to issues gathering information during the Covid-19 pandemic. It is expected that the audited financial statements will be issued next month.

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

On behalf of the Board

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