

Montreux Natural Resources Fund February 2022 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 work on liquidation of the Fund continues and the intention is that all outstanding loans will be repaid by the end of May and the intended liquidation will be initiated at that point.

However, as previously advised the Investment Manager is currently working on a partial refinance of the projects which will result in a distribution to investors of approximately \$1.3m during March 2022.

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. The premium is due to be paid from production.

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, by companies related to the Investment Manager, 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 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 May 2022.

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

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%, which has been paid, with the remaining 90% by the end of February 2022. Due to delays in production, this date will not be achieved and therefore the maturity date will be required to be extended to Q2 2022 although a partial repayment is expected during February, 2022 to allow an initial distribution to occur in March 2022.

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.

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Conclusion

While the Directors are disappointed in the delays in refinancing the projects, they are pleased to inform investors that a distribution of \$1.3m will take place in the next two weeks.

Further the Directors are satisfied that all loans will be repaid by the end of May leading to an additional significant distribution and the liquidation of the Fund being initiated. While it should be noted the premium included in the sale of its interest in GMM 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 is currently in progress 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 shortly.

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

Please be advised that Oliver Harris resigned as a director of the Fund on 20 October 2021.

On behalf of the Board

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