

Montreux Natural Resources Fund December 2023 Update

Dear Investor

As you are aware, the Montreux Natural Resources Fund (“the Fund”) continues to be suspended. The Board wishes to provide an update in order to assure investors that work on the liquidation of the Fund continues and the repayment of loans continues to be pursued (with a significant proportion having been repaid and distributed to investors during 2022). The Board 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 Board.

In order to achieve the final liquidation of the Fund, the Tanzanian project needs to continue to be funded and achieve production so that it can be refinanced.

However, recent analysis of the primary site has indicated that while there may be significant gold deposits on site it may not be economically viable to extract these deposits.

When the Fund originally invested in the Tanzanian project it did so by purchasing 100% of the shares in a Seychelles holding company, Twin Oaks, and advanced \$4.3m to Twin Oaks to fund the initial project.

Due to the Fund being unable to raise additional subscriptions, it disposed of its interests in Twin Oaks and the Tanzania gold project to Aurum (Holdings) IOM Ltd (“Aurum”), a company related to the former Investment Manager (“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 and spent, by companies related to the former IM, on the project and additional funding continues to be committed, as necessary, to ensure the project is protected. 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 conducted and funded in the interim, which will require additional funding of at least an additional \$5m that will need to be raised from third parties.

There is uncertainty around the future economics of the project and whether production can be achieved at all, which reduces the likelihood of receiving the premium.

The Board will continue to focus on having the outstanding loan repaid either through a refinance or possibly a sale of the asset if a buyer could be found.

The Board will monitor progress being made in the Tanzanian project with a view to recovering the premium included in the disposal of the Fund’s shares in Twin Oaks to Aurum. 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.

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

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 (“Administrator”)

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Distributions

As investors are aware, a number of distributions from this Fund were made during 2022 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. To date distributions representing in excess of 30% of the indicative NAV have been made to investors and the Board will seek to try and continue this process in 2024 subject to recovery of outstanding amounts.

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 Tanzanian project, they wish to assure investors that the refinancing attempts will continue until the outstanding loan has been achieved and the proceeds distributed to investors.

However, it should be noted that 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 had been to seek to reduce the market exposure of the Fund to the underlying projects and replace it with pure credit exposure. This quantified the assets available to investors with a higher level of certainty of recovery as demonstrated through the recovery of the loans associated with the Guinea project.

It remains 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 audited financial statements for the year-ending 31 March 2022 have been completed and distributed to investors. The audit work for the year-ending 31 March 2023 will commence shortly.

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

Indicative NAVs as at 30 November 2023 are as follows:

Class A USD	116.5313
Class G Euro	28.6161
Class G GBP	40.8214
Class G USD	49.2420

On behalf of the Board

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