

Montreux Natural Resources Fund

(a Cayman Islands exempted company with limited liability)

Financial statements

For the year ended 31 March 2018

Montreux Natural Resources Fund

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Montreux Natural Resources Fund

Directors and other information

Board of Directors

Oliver Harris
David Lloyd
Barry Monks (appointed on 16 November 2017)
Michael Parton (resigned on 24 September 2018)

Custodian

Cayman National Bank and Trust Company
(Isle of Man) Limited
Cayman National House
4-8 Hope Street
Douglas, IM1 1AQ
Isle of Man

Registered office

Montreux Natural Resources Fund
c/o Apex Fund Services (Cayman) Ltd
One Artillery Court
161a Shedden Road
PO Box MP10085
Grand Cayman KY1-1001
Cayman Islands

Administrator, Registrar & Transfer Agent

Apex Fund Services Ltd.
20 Reid Street
3rd Floor, Williams House
P. O. Box 2460 HM JX
Hamilton HM11
Bermuda

Investment Manager

Montreux Capital Management Cayman
c/o Apex Fund Services (Cayman) Ltd
One Artillery Court
161a Shedden Road
PO Box MP10085
Grand Cayman KY1-1001
Cayman Islands

Auditors

Grant Thornton Cayman
5th Floor, Bermuda House,
PO Box 1044
Grand Cayman KY1-1102
Cayman Islands

Legal Advisor

Appleby (Cayman) Ltd.
Clifton House
75 Fort Street
PO Box 190
Grand Cayman KY1-1104
Cayman Islands

Montreux Natural Resources Fund

Directors' report

The Directors present their annual report and the audited financial statements of the Montreux Natural Resources Fund (the "Fund") for the year ended 31 March 2018.

Principal Activities

The company was incorporated on 15 February 2013 under the laws of the Cayman Islands as a private investment fund. The Company is part of a master/feeder structure with the Montreux Commodity Trading Fund PLC as the feeder fund and the Montreux Natural Resources Fund as the Master Fund. The company's objective is to deliver superior, risk adjusted returns through the allocation of 100% of its assets to trading in physical commodities and commodity related projects.

Result for the year and state of affairs as at 31 March 2018

The statement of comprehensive income for the year ended 31st March 2018 and the statement of financial position as at 31 March 2018 are set out on pages 9 and 10, respectively.

Dividends

No dividend was paid or proposed during the year. (2017: USDNIL)

Directors

The Directors at the date of this report are listed on page 1.

Directors' Interest

The Directors do not have any shareholding in the Fund as at 31 March 2018.

Statement of Director's Responsibilities

The Directors are responsible for the preparation of the Directors' Report and the financial statements in accordance with applicable law and regulations.

In preparing the financial statements, the Directors are responsible for:

- selecting suitable accounting policies and then applying them consistently;
- making judgments and estimates that are reasonable and prudent;
- stating that the financial statements comply with International Financial Reporting Standards.
- preparing the financial statements on the going concern basis unless it is inappropriate to presume that the Fund will continue in business; and
- prepare financial statements which give a true and fair view of the state of affairs of the Fund and of the profit and loss of the Fund for the year.

The Directors confirm that they have fulfilled their responsibilities as set out above in preparing the financial statements.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Fund's transaction and disclose with reasonable accuracy at any time the financial position of the Fund. The directors are also responsible for safeguarding the assets of the Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed on behalf of the Board of Directors:

Director: 

Date: 21/03/18

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Montreux Natural Resources Fund

Opinion

We have audited the financial statements of Montreux Natural Resources Fund (the "Fund") which comprise the Statement of Financial Position as at 31 March 2018 and the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Changes in Net Assets Attributable to Holders of Redeemable Shares, the Statement of Cash Flows, and a summary of significant accounting policies and other explanatory notes for the year then ended.

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of the Fund as at 31 March 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

This report, including the opinion, has been prepared for and only for the Fund's Directors as a body and for regulatory filing purposes only. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Basis for Opinion

We conducted our audits in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Other information comprises information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors of the Fund are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies in the financial statements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

INDEPENDENT AUDITOR'S REPORT (continued)

To the Board of Directors of Montreux Natural Resources Fund

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an **auditor's** report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- **Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.**
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITOR'S REPORT (continued)

To the Board of Directors of Montreux Natural Resources Fund

Auditor's Responsibilities for the Audit of the Financial Statements

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Grant Thornton

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Dr. Roy's Drive
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Grand Cayman
KY1-1102
Cayman Islands

Date: 31 October 2018

Montreux Natural Resources Fund

INVESTMENT MANAGER'S REPORT FOR THE YEAR ENDED 31 MARCH 2018

Overview

The Montreux Natural Resources Fund (the "Master Fund") is an open-ended fund domiciled in the Cayman Islands, with a feeder fund, The Montreux Natural Resources Fund PLC (the "Feeder Fund") domiciled in the Isle of Man. The Funds commenced operations in 2013 and currently have AUM of approximately \$14m.

The Feeder Fund invests substantially all of its assets in the Master Fund.

The Master Fund's investment strategy is intended to comprise a portfolio of physical commodity projects, "off take" contracts and short term trading strategies. Previously the Master Funds assets were primarily concentrated in the development of two underlying assets, a gold mining development in Tanzania and a combined gold mining and gold refinery project in Guinea.

Following the recent sale of the Tanzanian mining operation the strategy is now focused on developing the project in Guinea to a stage where it can be sold thus crystallising gains to investors.

Montreux Capital Management Cayman are directly involved in overseeing the development of this project and are committed to ensuring it reaches a stage where significant investor value will be generated in the short to medium term future.

A professional valuation agent, Duff & Phelps, has been engaged to provide periodic valuations of the projects, currently annually, and to develop and regularly review a model that is used to provide ongoing valuations of the project as it is developed such that a realistic projected current valuation can be provided to investors.

Gold Demand

- Despite gaining 6% year-on-year in Q4, 2017 proved to be a difficult year for gold demand as it fell to its lowest level since 2009 and was down 7% on 2016 over the full year. The primary drivers of this low level were investment and central bank demand.
- A weak US market resulted in bar and coin demand down 2%. Although institutional investors continued to add funds to gold-backed ETFs, inflows were significantly lower than the levels seen in 2016. Despite there being increased purchases from certain countries, total purchases overall were down 5% from the previous year.
- On the other hand, jewellery demand recovered from the seven-year low level seen in 2016, and rose 4%. This rise can be attributed to economic expansion and rising household wealth in China, India and the US. Yuan weakness in China also saw investors turn to the bar and coin market for protection.

Tanzania Overview

- Tanzania is located in East Africa and has a population of 56 million. The country possesses a variety of minerals, with gold being the most valuable mining segment. The mining sector accounts for \$1.7 billion or 4 percent of the total economy.

Montreux Natural Resources Fund

INVESTMENT ADVISOR'S REPORT FOR THE YEAR ENDED 31 MARCH 2018

In order to avert an imminent and significant loss of one of the Fund's two portfolio assets due to the inability of the Fund to meet the capital expenditure requirements of that asset, an affiliate of the Investment Manager purchased the Fund's interest in GRB Mining Ltd (**GRB**) at its current carrying cost which is significantly more than its current market value.

The benefits of this sale of GRB include:

- The Fund will dispose of an asset that it is unlikely to be able to fund to production;
- The Fund will receive the first payment under the sale and purchase agreement of \$2.6m, in two stages, which will ensure that the Fund can meet its liabilities and have sufficient liquidity to make an initial distribution to Shareholders. The first instalment of \$1.3m was paid in September with the second payment due in December;
- The Fund will receive a deferred payment of \$12.4m within a two year period once the asset has achieved production stage. This payment will be derived from the production of gold from the site and for the sake of prudence will not be recognised in the accounts until certainty of sufficient production to meet the payment can be obtained;
- To allow the Fund to raise sufficient funds to allow it to fund the remaining asset, Siguiri, to production, and to thereby enhance the prospects of generating liquidity for the Fund's Shareholders; and
- To satisfy a redemption request from the Fund's Feeder Fund such that redemptions can commence at the level of the current NAV, albeit on a gated basis.

If the asset was sold to a third party in its current stage it would result in a likely large loss for the fund, by entering into the transaction it means liquidity has been restored to the fund allowing the fund to meet all creditors and continue to fund the development of Metal Conakry.

Benefits to the Fund

The Fund currently holds two assets which both require ongoing funding in order to bring them to production and further development:

- GRB requires significant investment which the Fund is not able to access and therefore there is significant risk that the joint venture partner will be frustrated and may seek to force the Fund to sell its holding to a third party. This would result in a significant loss to the Fund.

The two assets are worth a similar amount in the accounts of the Fund. By selling GRB the Fund will:

- realize the carrying value of one of its assets at a significant premium to its current market value.
- generate sufficient cash to fund the further development of Conakry/Siguiri and to provide some liquidity to the Feeder Fund, which will allow the Feeder Fund to submit a redemption request to enable it to meet its liquidity requirements.
- continue to generate a return from the loan note issued by the purchasing entity.
- hold a loan note, which is secured on its original shareholding in GRB, giving the Fund the ability to take control of its original asset if the loan is not repaid. This would put it back into its original position while also having received cash up front and an on-going financing return while the loan is outstanding.

Montreux Natural Resources Fund

INVESTMENT ADVISOR'S REPORT (continued) FOR THE YEAR ENDED 31 MARCH 2018

Metal Conakry Refinery and Siguri Mining – Guinea

After careful consideration of the Fund's current situation, the above action, in the view of the board of the Fund, represents the best possible opportunity for the Fund to realize a portion of its assets at carrying cost, to the benefit of its shareholders, while allowing it to continue to develop its remaining asset with a reasonable expectation that this will achieve further asset growth for shareholders.

We thank you for your patience, trust, and continued confidence in the Fund through this difficult time. The Fund's management remains fully committed to the Funds and will continue to seek to protect its assets and maximize recovery.

The Master Fund made its first infrastructure type investment in 2014 when it invested into the only European standard gold refinery in Guinea. The intention of this investment was to be able to source gold directly from the refinery and allow the Master Fund to benefit from purchasing and selling gold at a significant margin in the market.

The cost of this investment was \$4,657,000, which gave the Master Fund an effective holding of 50% in the refinery through the acquisition of warrants, which could be converted at the option of the Master Fund. In the period prior to the conversion of the warrants and the continued existence of the loan, the Master Fund generates an interest return on its loan to the structure.

The Conakry Board recognized that the only way of achieving full capacity and ultimately full value for the refinery a regular increased source of gold had to be established. In order to achieve this position, the Conakry Board invested in a small gold mine, Siguri, which is in a recognized gold producing area and is only 850 miles from the refinery. This represented a relatively small investment of \$2m, which was funded through the working capital of the refinery without adding any additional debt to the structure. The mine is in the process of being fully funded with production set to start in February 2019 .

Independent sources have estimated that there are 200,000 ounces of gold in the mine that can be mined at an average cost of \$450-600 per oz. The Siguri mine is set to produce \$8,000,000 per annum in free cash flows once in commercial production.

Conclusion

In conclusion, we are looking to get the Conakry asset into production and prepare it for a sale within the next 24 months. On the basis that this can be achieved and the \$12.4m premium on the sale of GRB is paid this will result in the fund being able to maintain value for our shareholders in full with the fund ultimately being liquidated.

Oliver Harris
Director

October 2018

Montreux Natural Resources Fund
Statement of profit or loss and other comprehensive income
For the year ended 31 March 2018

	<i>Note</i>	2018 USD	2017 USD
Income			
Interest income	9	839,266	903,372
Other income		127,469	-
Net unrealised (loss)/gain on investments	5	(8,023,573)	22,222,975
Net realised loss on sale of financial assets – fair value through profit or loss	5	(17,334,402)	(3,878)
Foreign currency translation on cash and cash equivalents		22,694	(1,202)
Total (loss)/income		(24,368,546)	23,121,267
Expenses			
Management fee	7, 11	822,026	575,142
Performance fee	7, 11	(2,324,804)	3,157,177
Administration fees	7	55,080	44,601
Research expenses		-	283,312
Legal fees		20,059	45,545
Other expenses		356,534	210,947
Total expenses		(1,071,105)	4,316,724
Total comprehensive (loss)/income for the year		(23,297,441)	18,804,543
Other comprehensive income		-	-
Change in net assets attributable to holders of redeemable shares		(23,297,441)	18,804,543

The notes on pages 13 to 35 are part of these financial statements.

Montreux Natural Resources Fund

Statement of financial position

As at 31 March 2018

	Note	2018 USD	2017 USD
Assets			
Cash and cash equivalents	8	290,713	37,941
Financial assets – fair value through profit or loss	5	10,257	19,984,402
Receivable from sale of investment	5,11	2,650,000	-
Loans receivable	6	10,885,217	18,314,769
Interest receivable	6	1,496,062	847,815
Prepayments		26,526	38,785
Total assets		15,358,775	39,223,712
Equity			
Share capital (100 shares @ 0.01)	10	1	1
Total equity		1	1
Liabilities			
Management fee payable	7,11	511,354	322,916
Performance fee payable	7,11	197,800	2,988,755
Due to feeder		-	100,000
Subscriptions pending		43,206	-
Other accruals		110,806	298,299
Total liabilities (excluding net assets attributable to holders of redeemable shares)		863,166	3,709,970
Net assets attributable to holders of redeemable shares		14,495,608	35,513,741
Net assets attributable to holders of redeemable shares on a per share basis:			
Class A (162,195.84 shares) (2017: 162,195.84 shares)	10	83.94	218.07
Class G USD (17,110.92 shares) (2017: 1,059.16 shares)	10	40.04	104.85
Class G GBP (3,479.57 shares) (2017: 247.70 shares)	10	53.41	129.27
Class G EUR (249.61 shares) (2017: nil shares)	10	38.42	-

These financial statements were approved by the Board of Directors on 30 October 2018 and signed on their behalf by:

Director

Director

The notes on pages 13 to 35 are part of these financial statements.

Montreux Natural Resources Fund

Statement of cash flows

For the year ended 31 March 2018

	2018 USD	2017 USD
(Loss) /profit for the year	(23,297,441)	18,804,543
Change in net assets attributable to holders of redeemable shares		
<i>Adjustments for:</i>		
Interest income	(839,266)	(903,372)
Unrealised loss /(gain) on investments	8,023,573	(16,090,400)
Net realised loss on sale of financial assets – fair value through profit or loss	17,324,145	-
Sale of investments	2,650,000	-
Cash flows used in operating activities		
Receivable from sale of investment	(2,650,000)	-
Management fee payable	188,438	254,838
Performance fee payable	(2,790,955)	2,769,348
Due to feeder	(100,000)	100,000
Other accruals	(187,493)	(24,648)
Loans receivable	(594,021)	(6,236,786)
Prepayments	12,259	5,212
Net cash used in operating activities	(2,260,761)	(1,321,265)
Cash flows from investing activities		
Interest received	191,019	408,252
Net cash from investing activities	191,019	408,252
Cash flows from financing activities		
Subscriptions	2,415,747	2,721,702
Subscription pending	43,206	-
Redemptions	(136,439)	(2,762,615)
Net cash from / (used in) financing activities	2,322,514	(40,913)
Net increase / (decrease) in cash and cash equivalents	252,772	(953,926)
Cash and cash equivalents at the beginning of the year	37,941	991,867
Cash and cash equivalents at the end of the year	290,713	37,941

The notes on pages 13 to 35 are part of these financial statements.

Montreux Natural Resources Fund
Statement of changes in net assets attributable to holders of redeemable shares
For the year ended 31 March 2018

	2018	2017
	USD	USD
Net assets attributable to holders of redeemable shares at beginning of year	35,513,741	16,750,111
	-----	-----
Change in net assets attributable to holders of redeemable shares	(23,297,441)	18,804,543
	-----	-----
Share subscriptions during the year	2,415,747	2,721,702
Share redemptions during the year	(136,439)	(2,762,615)
	-----	-----
	2,279,308	(40,913)
	-----	-----
Net assets attributable to holders of redeemable shares at end of year	14,495,608	35,513,741
	=====	=====

The notes on pages 13 to 35 are part of these financial statements.

Montreux Natural Resources Fund

Notes to the financial statements

For the year ended 31 March 2018

1. Legal status and principal activity

Montreux Natural Resources Fund ("the Fund") was incorporated as an exempted limited liability company under the provisions of the Companies Law (as amended) of the Cayman Islands on 15 February 2013 with the name Montreux Sirius Commodity Fund. The Fund changed its name from Montreux Sirius Commodity Fund to Montreux Commodity Trading Fund on 27 February 2014. The Fund changed its name from Montreux Commodity Trading Fund to Montreux Natural Resources Fund on 17 February 2017. The Fund commenced operations on 10 September 2013. The Registered office of the Fund is located at the offices of Montreux Natural Resources Fund, c/o Apex Fund Services (Cayman) Ltd, One Artillery Court, 161a Shedden Road, PO Box MP10085, Grand Cayman KY1-1001, Cayman Islands.

Montreux Capital Management, a Cayman Islands exempted company with limited liability incorporated on 28 May 2013, has been appointed as the "Investment Manager" to the Fund pursuant to the terms of an investment management agreement entered into between the Fund and the Investment Manager (the "Investment Management Agreement").

Principal activity

The Fund's objective is to generate absolute returns through longer term, private equity type strategies complemented, where possible, with more liquid commodity focused trading strategies. The combination of the two strategies allows the Fund to generate profit opportunities in both rising and falling markets.

Through a combination of the various investment strategies where possible, the manager will seek to achieve diversification in the portfolio and also to manage liquidity such that sufficient liquidity may be available to meet the ongoing requirements of the Fund.

At any given time, the predominant strategy of the Fund may be heavily, or even fully, focused on investments in emerging or developing market countries including private equity projects located in Africa. The Fund's investment strategy is not subject to any concentration limits including with respect to any geographical area.

2. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and interpretations issued by the Standing Interpretations Committee of the IASB.

(b) Basis of measurement

These financial statements have been prepared under the historical cost convention, except for financial assets - fair value through profit or loss, which is measured at fair value. An independent valuation from Duff & Phelps adopting a combination of a mid income, mid market and mid liquidation basis has been used as a means to value the assets.

(c) Functional and presentational currency

Items included in the financial statements of the Fund are measured and presented in United States Dollar ("USD") which is the Fund's functional currency.

Montreux Natural Resources Fund
Notes to the financial statements (continued)
For the year ended 31 March 2018

2. Basis of preparation (continued)

(d) Use of estimates and judgements

The preparation of these financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, considerable management judgement is required in respect of determining the fair values of derivative financial instruments.

3. Significant accounting policies

The accounting policies set out below have been applied to items that are considered material in relation to the Fund's financial statements.

(a) Interest income and expense

Interest income and expense for all interest bearing financial instruments is recognised in 'Interest income' and 'Interest expense' in the statement of comprehensive income on an accrual basis, using the effective interest rates of the financial assets or financial liabilities to which they relate.

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments earned or paid on a financial asset or financial liability through its expected life or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The calculation of effective interest rate includes all fees paid or received that are an integral part of the effective interest rate.

(b) Gain or loss on financial assets and financial liabilities at fair value through profit or loss

Gains or losses on financial assets at fair value through profit or loss includes realised gains or losses arising on the sale of financial assets which are recognised in profit or loss when the Fund has transferred the risk and rewards of ownership of the financial assets to another party. In addition, any unrealised gains or losses arising from a change in fair value of such financial assets are also recognised in profit or loss in the year in which they arise.

(c) Expenses

Expenses of the Fund including the management fee, organisational fee, administration fee and other expenses are borne by the Fund.

(d) Financial instruments

A financial instrument is any contract that gives rise to both a financial asset for the Fund and a financial liability or equity instrument of another party. All assets and liabilities in the statement of financial position are financial instruments, except for shareholders' funds and other accruals.

Montreux Natural Resources Fund
Notes to the financial statements (continued)
For the year ended 31 March 2018

3. Significant accounting policies (continued)

(d) Financial instruments (continued)

Classification

The Fund classifies its investments in private equity, as financial assets or financial liabilities at fair value through profit or loss.

Financial assets and liabilities held for trading

A financial asset or financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if on initial recognition is part of a portfolio of identifiable financial investments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Derivatives are also categorised as held for trading. The Fund does not classify any derivatives as hedges in a hedging relationship.

The Fund may make short sales in which a borrowed security is sold in anticipation of a decline in the market value of that security, or it may use short sales for various arbitrage transactions. Short sales are categorised as held for trading.

Financial assets and liabilities designated at fair value through profit or loss at inception

Financial assets and financial liabilities designated at fair value through profit or loss at inception are financial instruments that are not classified as held for trading but are managed, and their performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy.

The Fund's policy requires the Investment Manager and the Board of Directors to evaluate the information about these financial assets and liabilities on a fair value basis together with other related financial information.

Initial recognition, Derecognition and measurement

Regular purchases and sales of investments are recognised on the trade date – the date on which the Fund commits to purchase or sell the investment. Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the profit or loss.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the statement of comprehensive income within other net changes in fair value of financial assets and liabilities at fair value through profit or loss in the year in which they arise.

Montreux Natural Resources Fund
Notes to the financial statements (continued)
For the year ended 31 March 2018

3. Significant accounting policies (continued)

(d) Financial instruments (continued)

Fair value measurement principles

Fair value is the amount for which an asset could be exchanged, or liabilities settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

In respect of the current portfolio it is not possible to obtain a quoted market price for the majority of the Funds assets. The Fund has therefore developed a pricing model, in conjunction with an independent specialist, Duff & Phelps, which is used to produce a market valuation for the portfolio. The model includes mathematical techniques including net present value techniques, discounted cash flow methods, and comparison to similar instruments for which market observable prices exist. Various risk factors are then applied to the results to reflect the various external factors that impact on the ultimate valuation of the assets.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market-related rate at the reporting date for an instrument with similar terms and conditions.

Impairment

Financial assets measured at amortised cost are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount is estimated. Impairment loss is the difference between the net carrying value of an asset and its recoverable amount.

If in a subsequent period the amount of impairment loss decreases and the decrease can be linked objectively to an event occurring after the write down, the write down or allowance is reversed through the statement of comprehensive income.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position only when the Fund has a legally enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash balances with banks having original maturity of three months or less.

(f) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, loans and most other receivables fall into this category of financial instruments.

Montreux Natural Resources Fund
Notes to the financial statements (continued)
For the year ended 31 March 2018

3. Significant accounting policies (continued)

(g) Foreign currencies

Foreign currency transactions are recorded at the rates of exchange ruling at the value dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into USD at the rates of exchange ruling at the reporting date. Any resultant gains and losses are recognised in the profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated into USD at the foreign exchange rates ruling at the dates at which fair values were determined.

(h) Provisions

Provisions are recognised when it is probable that an outflow of economic benefits will be required to settle a current legal or constructive obligation as a result of past events, and a reliable estimate can be made of the amount of the obligation.

(i) New standards and interpretations not yet adopted

A number of new standards, amendments to existing standards and interpretations are effective for the year beginning on or after 31 March 2018, and have not been early adopted in preparing these financial statements:

IFRS number	Title	Financial year beginning on or after
• IFRS 9	Financial instruments	1 January 2018

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. The fund has yet to evaluate the full impact of implementing IFRS 9.

Montreux Natural Resources Fund
Notes to the financial statements (continued)
For the year ended 31 March 2018

4. Financial risk management

Introduction and overview

All the Fund's activities involve analysis, evaluation, acceptance and management of some degree of risk or combination of risks. The Fund's significant exposure can be broadly categorised into the following risks:

- Credit risk;
- Market risk;
- Liquidity risk; and
- Operational risk.

Risk management framework

The risk management framework is established by the Investment Manager, which sets out the risk governance and ownership structure to ensure oversight of, and accountability for, effective management of risk. However, the primary responsibility for managing risk rests with the Board of Directors of the Fund. The Board of Directors has the responsibility to cascade risk management policies which are designed to support the formulation of risk appetite, guide employees and establish procedures for monitoring and controlling risk with timely and reliable reporting to the Board. The Investment manager regularly reviews and updates its risk management policies and systems to reflect changes in markets, products and emerging best practice which are then cascaded to the Fund.

The management of all risks which are significant to the Fund are discussed below:

(a) Credit risk management

Credit risk is the risk of financial loss if a customer or counterparty of the Fund fails to meet an obligation under a contract. Financial assets which expose the Fund to credit risk consist of cash and cash equivalents, which include amounts held with brokers and loan receivables. Credit risk is managed by placing funds with banks and institutions with acceptable credit ratings.

Management of credit risk

The Fund's policy over credit risk is to minimise its exposure to counterparties with perceived higher risk of default.

Credit risk is monitored on a monthly basis by the Investment Manager in accordance with policies and procedures in place. Where the credit risk is not in accordance with the investment policy or guidelines of the Fund, the investment manager will be required to recommend whatever action is necessary to resolve the situation.

Montreux Natural Resources Fund
Notes to the financial statements (continued)
For the year ended 31 March 2018

4. Financial risk management (continued)

(a) Credit risk management (continued)

Exposure to credit risk

The Fund's maximum credit risk exposure (without taking into account collateral and other credit enhancements) at the reporting date is represented by the respective carrying amounts of the relevant financial assets in the statement of financial position.

Derivative financial instruments

The Fund enters in over the counter (OTC) type of derivative transactions. OTC derivatives expose the Fund to the risk that the counterparties to the derivative financial instruments might default on their obligations to the Fund.

Forward contracts result in exposure to market risk based on changes in market prices relative to contracted prices. Market risks arise due to the possible movement in foreign currency exchange rates, indices, and securities' values underlying these instruments. In addition, because of the low margin deposits normally required in relation to notional contract sizes, a high degree of leverage may be typical of a forward contract and may result in substantial losses to the Company. Forward contracts are generally subject to liquidity risk.

As at 31 March 2018

Buy	Sell	Settlement date	Fair value assets
EUR 24,752	USD 30,249	3 April 2018	255
GBP 418,493	USD 576,600	3 April 2018	10,002

The Fund did not hold any derivative contract as at 31 March 2017.

Settlement risk

The Fund's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

The Fund has not transacted any such transaction during the year ended 31 March 2018 and 31 March 2017.

Past due and impaired assets

No financial assets carried at amortised cost were past due or impaired at 31 March 2018 and 31 March 2017.

Montreux Natural Resources Fund
Notes to the financial statements (continued)
For the year ended 31 March 2018

4. Financial risk management (continued)

(b) Market risk management

Market risk is the risk that movements in market risk factors, including foreign exchange rates, interest rates, commodity and equity prices, will reduce the Fund's income or the value of its portfolios. Market risk arises principally from mismatches between the future yield on assets and their funding cost.

The Fund is exposed to the market risk of changing commodity prices, specifically gold, and to currency and interest rate risks.

Management of market risk

The Fund's objective is to generate absolute returns through longer term, private equity type strategies complemented, where possible, with more liquid commodity focused trading strategies. The combination of the two strategies allows the Fund to generate profit opportunities in both rising and falling markets.

The Fund's strategies are complemented by exposure to joint venture and equity and debt investments directly or through subsidiary companies in commodity infrastructure production transport and other commodity related transactions and operations which provide the opportunity for significant returns in the medium term.

The Fund's market risk is managed on a timely basis by the investment manager in accordance with policies and procedures in place.

Currency risk

The Fund has entered into foreign currency spot and derivatives through OTC markets in different currencies for the sole purpose of hedging. The Fund is not holding any other currency which gives rise to a significant foreign currency risk other than USD which is the Fund's functional and presentational currency.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in interest rates prevailing in the market. The amount of cash at bank will be affected by the fluctuations in interest rates. The loan is fixed interest bearing and is therefore not affected by fluctuations in interest rates.

Montreux Natural Resources Fund
Notes to the financial statements (continued)
For the year ended 31 March 2018

4. Financial risk management (continued)

(b) Market risk management (continued)

Management of market risk (continued)

Interest rate risk (continued)

The following table analyses the Fund's interest rate risk exposure:

	Fixed rate 2018 USD	Floating rate 2018 USD	Non-interest bearing 2018 USD	Total 2018 USD
Assets				
Cash and cash equivalents	-	290,713	-	290,713
Financial assets – fair value through profit or loss	-	-	10,257	10,257
Receivable from sale of investment	-	-	2,650,000	2,650,000
Loans receivable	10,885,217	-	-	10,885,217
Interest receivable	-	-	1,496,062	1,496,062
Prepayments	-	-	26,526	26,526
Total	10,885,217	290,713	4,182,845	15,358,775
Liabilities				
Management fee payable	-	-	511,354	511,354
Performance fee payable	-	-	197,800	197,800
Subscriptions pending	-	-	43,206	43,206
Other accruals	-	-	110,806	110,806
Total	-	-	863,166	863,166

Montreux Natural Resources Fund
Notes to the financial statements (continued)
For the year ended 31 March 2018

4. Financial risk management (continued)

(b) Market risk management (continued)

Management of market risk (continued)

Interest rate risk (continued)

	Fixed rate 2017 USD	Floating rate 2017 USD	Non-interest bearing 2017 USD	Total 2017 USD
Assets				
Cash and cash equivalents	-	37,941	-	37,941
Financial assets – fair value through profit or loss	-	-	19,984,402	19,984,402
Loans receivable	18,314,769	-	-	18,314,769
Interest receivable	-	-	847,815	847,815
Prepayments	-	-	38,785	38,785
Total	18,314,769	37,941	20,871,002	39,223,712
Liabilities				
Management fee payable	-	-	322,916	322,916
Performance fee payable	-	-	2,988,755	2,988,755
Due to feeder	-	-	100,000	100,000
Other accruals	-	-	298,299	298,299
Total	-	-	3,709,970	3,709,970

(c) Liquidity risk and funding

Liquidity risk is the risk that the Fund does not have sufficient financial resources to meet its obligations as they fall due or will have to do so at an extensive cost. The risk arises from mismatches in the timing of cash flows. Funding risk arises when the necessary liquidity to fund illiquid asset positions cannot be obtained at the expected terms and when required. The management of liquidity and funding is carried out by the Fund in accordance with its practices and limits.

The Fund investment manager is responsible to manage the liquidity of the Fund.

Montreux Natural Resources Fund
Notes to the financial statements (continued)
For the year ended 31 March 2018

4. Financial risk management (continued)

(c) Liquidity risk and funding (continued)

Management of liquidity risk

The Fund's policy and the Investment Manager's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions. Including estimated redemptions of shares, without incurring unacceptable losses or risking damage to the Fund's reputation. The Fund's prospectus provides for the monthly creation and cancellation of shares and it is therefore exposed to the liquidity risk of meeting shareholder redemptions at each redemption date.

The Fund's liquidity risk is managed on a daily basis by the Investment Manager in accordance with policies and procedures in place.

The Fund's overall liquidity risk is monitored on a timely basis by the Investment Manager with oversight from the Board of Directors. The Fund's redemption policy only allows for redemptions on the last business day of each calendar week for Class A and such other day or days as determined by Directors and shareholders must provide 10 days' notice. The Fund's redemption policy only allows for redemptions on the last Business Day of each calendar month for Classes F and G and such other day or days as determined by Directors and shareholders must provide 60 days' notice. It is the investment manager's policy to have liquid assets comprising cash and cash equivalents for which there is an active and liquid market equal to at least 100% of permissible redemptions. Where permitted, partial redemptions will only be accepted where the number of Redeemable Shares remaining have a total redemption value in excess of the Minimum Holding. The Directors may in their absolute discretion accept redemptions for less than the Minimum Redemption.

Maturity analysis of financial liabilities

	Carrying amount USD	Gross nominal inflow/ (outflow) USD	Less than 1 month USD
31 March 2018			
Non derivative liabilities			
Management fee payable	511,354	511,354	511,354
Performance fee payable	197,800	197,800	197,800
Administration fees payable	13,558	13,558	13,558
Subscriptions pending	43,206	43,206	43,206
Other payables	97,248	97,248	97,248
	863,166	863,166	863,166
 Net assets attributable to the holders of redeemable shares	 14,495,608	 14,495,608	 14,495,608

Montreux Natural Resources Fund
Notes to the financial statements (continued)
For the year ended 31 March 2018

4. Financial risk management (continued)

(c) Liquidity risk and funding (continued)

Maturity analysis of financial liabilities (continued)

	Carrying amount USD	Gross nominal inflow/ (outflow) USD	Less than 1 month USD
31 March 2017			
Non derivative liabilities			
Management fee payable	322,916	322,916	322,916
Performance fee payable	2,988,755	2,988,755	2,988,755
Administration fees payable	7,556	7,556	7,556
Due to feeder	100,000	100,000	100,000
Other payables	290,743	290,743	290,743
	3,709,970	3,709,970	3,709,970
 Net assets attributable to the holders of redeemable shares	 35,513,741	 35,513,741	 35,513,741

The tables above show the undiscounted cash flows of the Fund's financial liabilities on the basis of their earliest possible contractual maturity. The Fund's expected cash flows on these instruments do not vary significantly from this analysis, except for net assets attributable to the holders of redeemable shares, which the Fund has a contractual obligation to redeem within 30 days.

(d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Fund's activities with financial instruments either internally within the Fund or externally at the Fund's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour.

The Fund is responsible for managing this risk through a controls-based environment in which processes are documented, authorisation is independent and transactions are reconciled and monitored. This is supported by monitoring external operational risk events, which ensure that the Fund stays in line with best practice and takes account of lessons learned from publicised operational failures within the industry.

Montreux Natural Resources Fund
Notes to the financial statements (continued)
For the year ended 31 March 2018

4. Financial risk management (continued)

(d) Operational risk (continued)

Capital management

The capital of the Fund is represented by the net assets attributable to holders of redeemable shares. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns to shareholders and benefits for other stakeholders and to maintain a strong capital base to support the development activities of the Fund.

The Board of Directors and Investment Manager monitor capital on the basis of the value of net assets attributable to redeemable shares. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty or market factor, pricing assumptions and other risks affecting the specific instrument.

5. Use of estimates and judgements

Fair value

Management believes that the carrying value of financial assets and liabilities in the statement of financial position represents a reasonable approximation of their fair values.

Fair value hierarchy

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry, group, pricing service or regulatory agency, and those prices represent actual and regularly recurring market transactions on an arm's length basis.

Level 2: Valuation techniques based on observable input, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Montreux Natural Resources Fund
Notes to the financial statements (continued)
For the year ended 31 March 2018

5. Use of estimates and judgements (continued)

Fair value (continued)

31 March 2018	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Assets				
Financial assets – fair value through profit or loss	-	-	-	-
Forward contract	-	10,257	-	10,257
Total assets	-	10,257	-	10,257
31 March 2017	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Assets				
Financial assets – fair value through profit or loss	-	-	-	-
Other assets	-	-	19,984,402	19,984,402*
Total assets	-	-	19,984,402	19,984,402

The following table shows a reconciliation of the closing balance for Level 3 instruments on the fair value hierarchy:

	2018 USD	2017 USD
Balance as at beginning of year**	19,984,402	3,894,000
Purchases	-	-
Sale	-	-
Realised loss on sale of investments	(17,334,402)	-
Unrealised gain on sale of investments	-	16,090,402
Balance at end of the year	2,650,000	19,984,402
Total unrealised (loss)/gain for the year included in the statement of comprehensive income for investments held at the year end	(8,023,573)	22,222,975

*Financial Assets held at fair value represent an investment in a number of mining licenses in Tanzania through a joint venture company incorporated in the Cayman Islands called GRB Mining Limited. The joint venture party is Mutus Liber International Limited, a company engaged in developing a gold reserve identified in Tanzania. The valuation of this investment represents an initial investment of USD2m plus a revaluation of identified reserves carried out by Duff & Phelps, a recognized specialist in the valuation of commodity assets. This investment represents nil (2017: 56%) of the net asset value of the fund at 31 March 2018.

Montreux Natural Resources Fund
Notes to the financial statements (continued)
For the year ended 31 March 2018

5. Use of estimates and judgements (continued)

Fair value (continued)

**During the prior year the Fund participated in a short term trading program in a number of commodity related instruments, largely in liquid commodity funds. Total purchases of such instruments amounted to nil (2017: nil) and sales amounted to nil (2017: nil) resulting in a net loss of nil (2017: nil). This program has been discontinued. The remaining purchases relate to the joint venture above which has generated unrealised losses of USD8,023,573 (2017: gains of USD16,090,402).

6. Loans receivable

On 29 April 2014, Montreux Natural Resources Fund (the "Lender") entered into a facility agreement with Montreux Gold Trading DMCC (the "Borrower") where a USD5,000,000 loan facility is made available to the Borrower approved by the Lender in writing from time to time. The interest rate on the loan is 18% per annum (i.e. 1.5% per calendar month) calculated monthly in arrears on the interest payment date for each applicable interest period. Interest shall accrue starting on the date the loan is made by the Lender. As at 31 March 2018, the outstanding loan amount is USDNIL (2017: USD1,674,825), including accrued interest of USDNIL (2017: USD128,846). USD1,084,825 was repaid and USD590,000 re-assigned (including USD62,095 of accrued interest) during the period 01 April 2017 to 31 March 2018.

On 20 February 2015, Montreux Natural Resources Fund (the "Lender") has entered into a facility agreement with GMM (Cayman) Limited (the "Borrower") where a USD4,657,000 loan facility is made available to the Borrower approved by the Lender in writing from time to time. The interest rate on the loan is 5% per annum (i.e. 0.42% per calendar month) calculated monthly in arrears on the interest payment date for each applicable interest period. Interest shall accrue starting on the date the loan is made by the Lender. As at 31 March 2018, the outstanding loan amount is USD5,385,533 (2017: USD5,152,684); including accrued interest of USD728,533 (2017: USD495,684). The loan has warrants attached which if exercised would result in the Fund acquiring a 50% shareholding in GMM. As of 31 March 2018, these warrants have a value of USDNIL (2017: USD8,023,573).

On 06 June 2016, Montreux Natural Resources Fund (the "Lender") entered into a facility agreement with Twin Oaks Holdings Limited (the "Borrower") where a USD9,000,000 loan facility is made available to the Borrower approved by the Lender in writing from time to time. The interest rate on the loan is 12% per annum (i.e. 1.0% per calendar month) accrued daily and shall be payable by the Borrower monthly, on the last Business Day of each calendar month and the Final Repayment Date. Interest will accrue but will not be immediately payable for the first 9 months of the term of the Loan commencing on the date of the agreement. The interest that accrues during the Initial Period will be added to the final repayment balance due on the Final Repayment Date. As at 31 March 2018, the outstanding loan amount is USD4,896,198 (2017: USD2,309,865), including accrued interest of USD626,198 (2017: USD179,865). USD1,550,000 was drawn down and USD590,000 re-assigned during the period 01 April 2017 to 31 March 2018.

Montreux Natural Resources Fund
Notes to the financial statements (continued)
For the year ended 31 March 2018

6. Loans receivable (continued)

On 13 October 2016, Montreux Natural Resources Fund (the "Lender") has entered into a facility agreement with GMM (the "Borrower") where a USD5,000,000 loan facility is made available to the Borrower approved by the Lender in writing from time to time. The interest rate on the loan is 5% per annum (i.e. 0.42% per calendar month) calculated monthly in arrears on the interest payment date for each applicable interest period. Interest shall accrue starting on the date the loan is made by the lender. As at 31 March 2018, the outstanding loan amount is USD2,099,548 (2017: USD2,001,637) including accrued interest of USD141,331 (2017: USD43,420).

7. Fees and Expenses

Management Fee

The Fund has appointed Montreux Capital Management Cayman to act as Investment Manager of the Fund. The Investment Manager receives a management fee (the "Management Fee"), payable weekly (Class A) and monthly (Classes F and G) in arrears by the Fund, which is equal to 2.00% per annum of the Net Asset Value.

Performance Fee

The Fund will also pay to the Investment Manager a Performance Fee in respect of the Class A Shares, Class F Shares and Class G Share on a share-by-share basis so that the Performance Fee is only charged on Participating Shares which have appreciated in value.

In respect of each Participating Share of the relevant Class, the Performance Fee will be equal to 20% (twenty per cent) of the increase in the Net Asset Value per Share calculated weekly above the Reference Net Asset Value per Share of that Share. The Reference Net Asset Value per Share is the greater of the Net Asset Value per Share of the relevant Participating Share at the time of issue or acquisition of that Participating Share and the highest Net Asset Value per Share at any subsequent Valuation Date at the end of a week (other than the current Valuation date) for Participating Shares of the relevant Class subsequent to the issue or acquisition of the Participating Share. Accordingly, Participating Shares issued or acquired on different dates may have a different Reference Net Asset Value per Share. The Performance Fee in respect of each Calculation Period will be calculated by reference to the Net Asset Value before deduction for any accrued Performance Fee.

Montreux Natural Resources Fund
Notes to the financial statements (continued)
For the year ended 31 March 2018

7. Fees and Expenses (continued)

Performance Fee (continued)

The Performance Fee is normally payable in arrears within 14 calendar days of the end of the week or month as applicable. If the Investment Management Agreement is terminated other than at the end of a week, the date of termination will be deemed to be the end of the week.

To the extent that Performance Fee is accrued with respect to private equity projects (as determined by the Directors), however, the payable amount will be 20% (twenty per cent) of the total Performance Fee accrued, subject to the approval of the Directors of the Fund, and the remaining 80% (eighty per cent) will remain accrued but not paid until a liquidity event in respect of the relevant asset(s) has/have occurred meaning either:

(a) the sale or disposal (including receipt of sale proceeds in full) of the asset in question; or

(b) if the asset is not sold but held and generates cash flow for the Fund, then once the asset has generated sufficient cumulative cash flows to the Fund in the amount of the Fund's investment cost in full for that asset plus the accrued total Performance Fee in full allocable to that particular asset (paid plus unpaid) to the satisfaction of the Directors, then any Performance Fee accrued and not paid in respect of that asset will become payable.

The Investment Manager may from time to time and at its sole discretion and out of its own resources decide to rebate to intermediaries and/or Shareholders part or all of the Investment Management Fee and/or Performance Fees. Any such rebates may be applied in paying up additional Participating Shares to be issued to the Shareholder, or may (at the discretion of the Investment Manager) be paid in cash.

Administration Fee

The Fund has appointed Apex Fund Services Ltd. (the "Administrator") to serve as its administrator pursuant to an Administration Agreement between the Fund and the Administrator (the "Administration Agreement"). The Administrator receives from the Fund an annual administration fee, which is equal to:

- 12 basis points for assets under management up to USD300m;
- 10 basis points for assets under management greater than USD300m;

Subject to minimum weekly fee of USD750.

The Fund shall reimburse the administrator for incurred out of pocket expenses which is 10% of the weekly administration fee, security pricing services and related audit, postage, telephone, facsimile, delivery services and communications. Additionally the administrator receives a one-time standard implementation fee of USD7,000. During the year ended 31 March 2018, administration fees of USD55,080 were paid (2017: USD44,601) out of which USD13,558 (2017: USD7,556) was outstanding as at 31 March 2018.

Directors' Fee

The Fund will pay fees to the Directors. The remuneration of the Directors shall be determined from time to time by the holders of the Voting Shares.

Montreux Natural Resources Fund
Notes to the financial statements (continued)
For the year ended 31 March 2018

8. Cash and cash equivalents

	2018	2017
	USD	USD
Balances with a bank	290,713	37,941
	<u>290,713</u>	<u>37,941</u>

9. Interest income

	2018	2017
	USD	USD
Interest on loans	839,266	903,372
	<u>839,266</u>	<u>903,372</u>

10. Share capital

10.1 Share capital

The authorised share capital of the Fund is USD50,000 divided into 4,999,900 Redeemable Shares of a nominal or par value of USD0.01 each and 100 Voting Shares of a nominal or par value of USD0.01 each, all of which have been issued and held by the Investment Manager, provided always that subject to the Companies Law and the Articles of Association the Fund shall have power to redeem or purchase any of its shares and to sub-divide or consolidate the said shares or any of them and to issue all or any part of its capital whether original, redeemed, increased or reduced with or without any preference, priority, special privilege or other rights or subject to any postponement of rights or to any conditions or restrictions whatsoever and so that unless the conditions of issue shall otherwise expressly provide every issue of shares whether stated to be ordinary, preference or otherwise shall be subject to the powers on the part of the Fund hereinbefore provided.

	2018	2017
Number of voting shares at the beginning of the year	1	1
Subscriptions during the year	-	-
	<u>1</u>	<u>1</u>
Number of voting shares at the end of the year	1	1
	<u>1</u>	<u>1</u>

These voting shares are held by the Investment Manager of the Fund.

Montreux Natural Resources Fund
Notes to the financial statements (continued)
For the year ended 31 March 2018

10. Share capital (continued)

10.1 Share capital (continued)

	2018 Class A
Number of redeemable shares at the beginning of the year	162,195.84
Subscriptions during the year	-
Redemption during the year	-

Number of redeemable shares at the end of the year	162,195.84
	=====

Following the successful recovery of a portion of the side pocketed assets, the directors approved a share conversion in September 2016 which determined that all Class S side pocketed participating shares were to be automatically converted to Class A shares on a pro – rata basis by way of compulsory redemption from Class S and subscription into Class A. The side pocket participating shares of any shareholder who had previously redeemed all of their Class A shares will be compulsory redeemed by the company rather than converted into participating shares in another share class.

	2018 Class G GBP	2018 Class G USD	2018 Class G EUR
Number of redeemable shares at the beginning of the year	247.70	1,059.16	-
Subscriptions during the year	3,243.21	16,051.76	249.61
Equilisation deficit settlement	(11.00)	-	-
	-----	-----	-----
Number of redeemable shares at the end of the year	3,479.91	17,110.92	249.61
	=====	=====	=====
		2017 Class A	2017 Class S
Number of redeemable shares at the beginning of the year		148,461.24	92,644.47
Subscriptions during the year		13,734.60	-
Redemption during the year		-	(92,644.47)
		-----	-----
Number of redeemable shares at the end of the year		162,195.84	-
		=====	=====

Montreux Natural Resources Fund
Notes to the financial statements (continued)
For the year ended 31 March 2018

10. Share capital (continued)

10.1 Share capital (continued)

	2017 Class G GBP	2017 Class G USD
Number of redeemable shares at the beginning of the year	-	-
Subscriptions during the year	247.70	1,059.16
	-----	-----
Number of redeemable shares at the end of the year	247.70	1,059.16
	=====	=====

In accordance with Private Placing Memorandum, in calculating the net assets attributable to holders of redeemable shares ("the NAV"), the Fund amortised the preliminary expenses over 60 months and valued its investments at the last-traded price. In these financial statements, the Fund charged all the establishment expenses to profit or loss as incurred in accordance with IAS 39. Accordingly, the NAV calculated under the Private Placing Memorandum does not equal the NAV shown in the financial statements at the year end. The difference is reconciled below:

	2018 USD
NAV as stated in the financial statements	14,495,608
Adjustment for unamortised establishment expenses	35,668
Adjustment in timing difference	14,755,660

NAV valued in accordance with Private Placing Memorandum	29,286,936
	=====
Number of redeemable shares in issue	
Class A	162,195.84
Class G GBP	3,479.57
Class G USD	17,110.92
Class G EUR	249.61
	=====
Net asset value per redeemable share in accordance with Private Placing Memorandum	
Class A	83.94
Class G GBP	53.41
Class G USD	40.04
Class G EUR	38.42
	=====

Montreux Natural Resources Fund
Notes to the financial statements (continued)
For the year ended 31 March 2018

10. Share capital (continued)

10.1 Share capital (continued)

	2017 USD
NAV as stated in the financial statements	35,513,741
Adjustment for unamortised establishment expenses	102,683
Adjustment of timing difference	(74,121)

NAV valued in accordance with Private Placing Memorandum	35,542,303
	=====
Number of redeemable shares in issue	
Class A	162,195.84
Class G GBP	247.70
Class G USD	1,059.16
	=====
Net asset value per redeemable share in accordance with Private Placing Memorandum	
Class A	218.25
Class G GBP	102.74
Class G USD	104.59
	=====

10.2 Share premium

As per the Private Placement Memorandum (“PPM”) of the Fund, Redeemable Shares will be offered at a Subscription Price of USD100.00 during the offering period. Subsequent subscriptions will be issued at the Net Asset Value as at the immediately preceding Valuation Date. The Fund reserves the right to raise or lower the minimum initial subscription amount. Upon exercise of share, the cash proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to share capital with any excess being recorded as share premium.

Montreux Natural Resources Fund

Notes to the financial statements (continued)

For the year ended 31 March 2018

11. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In the case of the Fund, related parties, as defined in the International Accounting Standard 24 ("IAS 24") (revised), include major shareholders of the Fund, directors and officers of the Fund and companies of whom they are principal owners and key management personnel. Transactions are entered into with related parties on agreed terms and conditions approved by Management.

The Fund finalised the sale of its 50% shareholding in GRB Mining Limited to Aurum Group Holdings Limited, a related company to the Investment Manager, on the basis of a common majority shareholder, for a market based consideration of \$2.65m. This transaction ensures that the Fund has sufficient liquidity to meet its liabilities for the foreseeable future.

The transaction also includes a premium payment of \$12.4m which is payable within two years. This premium is not shown as an asset in these financial statements as it is conditional on one or more uncertain future events.

Transactions and balances with related parties are as follows:

	2018	2017
	USD	USD
Transactions during the year		
Management fee	822,026	575,142
Performance fee	(2,324,804)	3,157,177
Directors fees	90,948	51,082
Balances as at 31 March		
Included in liabilities:		
Management fee payable	511,354	322,916
Performance fee payable	197,800	2,988,755
Directors fees payable	23,721	-

As detailed within note 6 to the financial statements, the fund has entered into a facility agreement with Montreux Gold Trading DMCC which is a related party by virtue of common control.

Included within directors' fees are amounts paid to Oliver Harris, who is also a director of the investment manager. Directors' fees are disclosed in other expenses in the statement of comprehensive income.

Montreux Natural Resources Fund

Notes to the financial statements (continued)

For the year ended 31 March 2018

12. Contingent liabilities and commitments

There were no significant contingent liabilities at the reporting date. The Fund has no external capital commitments as of the reporting date.

13 Significant events

The Fund finalised the sale of its shareholding in GRB Mining Limited to Aurum Group Holdings Limited, a related company to the Investment Manager. This transaction ensures that the Fund has sufficient liquidity to meet its liabilities for the foreseeable future. The transaction includes a premium payment of \$12.4m which is payable within two years and will result in an uplift on the current carrying value for shareholders. This premium is not shown as an asset in these financial statement as it is conditional on one or more uncertain future events.

The Fund engaged Duff & Phelps to carry out an updated valuation of its holding in Conakry, based on the fact that the Fund intends to sell this asset within two years. While the valuation represents a decrease in value from its previous carrying value mainly due to the fact that it is being valued at current sale value rather than a full working mine valuation to the Fund. The value of this asset is expected to increase as the asset moves towards production and a potential market sale.

14. Subsequent events

There were no other material subsequent events which necessitate revision of the figures or disclosures included in the financial statements. The Fund will receive the first payment under the sale and purchase agreement for GRB of \$2.6m, in two stages. The first instalment of \$1.3m was paid in September 2018 with the second payment due in December 2018.