



Montreux Natural Resources Fund January 2020 Update

Dear Investor,

As you are aware the Montreux Natural Resources Fund ("the Fund") continues to be suspended. The Investment Manager (the "Investment Manager") wishes to provide an update on the progress of the underlying projects, so that investors can be assured that it is working hard to achieve a position whereby all positions will be exited by the Fund by the end of 2020, such that all investors will be paid out and the Fund liquidated.

GRB Cayman

As you are aware, the Fund sold its 50% shareholding in GRB Cayman, the holding company for a Tanzanian mining operation, in September 2018 to an entity, Aurum Group Holdings Limited (Aurum), associated with the Investment Manager.

The total sale price was \$15m of which \$2.6m has been paid with the remaining \$12.4m deferred and to be paid from the output of the mining operation once production commences. An initial payment of \$0.1m relating to the deferred amount was made in December 2019.

Subsequently, Aurum has taken full control of the mining operation by taking control of a subsidiary of the GRB Cayman, Twin Oaks, a Seychelles company. This action was taken to ensure that the Investment Manager has full control over the development of the mine to a stage where it can enter into production and generate sufficient revenue to repay the initial outstanding loan by the Fund to Twin Oaks of approximately \$5.7m and to meet the deferred payment of \$12.4m.

The Investment Manager has continued to invest its own money in this project and is confident that the project will achieve production in Q1 2020. Once production is achieved, the project should be in a position to start repaying its debt, which currently stands at approximately \$17m, including the Investment Manager loans. The intention of the current owner of the project is to pay the premium of \$12.4m due to the Fund under the sale agreement within 12 months.

From a Fund perspective, interest is being paid on the loan to ensure the Fund remains in a position where it can firstly meet its existing and ongoing liabilities.

Since the last update, the Investment Manager has continued to fund development of the project. Meanwhile, the management team have been engaged in negotiating the various legal and regulatory requirements to allow the project to move to a stage where production can commence. This has been a very difficult and time consuming process but management are confident that all local requirements have now been met and production can commence.

Montreux Natural Resources Fund registered in the Cayman Islands Company, Registration No. AP-275462
Registered Office: SMP Partners (Cayman) Limited, Royal Bank House, 3rd Floor, 24 Sheddin Road, P.O. Box 1586, Grand Cayman, KY1 1110 Cayman Islands
Directors: O S Harris, B Monks, C Rooney

Montreux Natural Resources Fund is established in the Cayman Islands as a mutual fund regulated under the Mutual Funds Law (as revised) of the Cayman Islands. Montreux is licensed as an "Administered Fund" with the Cayman Islands

Monetary Authority, however, it is currently under "Licence Under Termination" status.

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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Based on current projections, the Investment Manager remains confident that Twin Oaks will be in a position to repay the full amount of \$5.7m due to the Fund by the end of 2020.

This would see the Fund receive a total of \$18m from the project during 2020 which will allow the Fund to commence making distributions to investors.

GMM

The Fund initially invested in a gold refinery in Conakry through a Cayman subsidiary, GMM. This was seen as a revenue generating asset, as it was able to generate fees by processing gold produced by third parties. However, the level of local production required to achieve full value has not been achieved. In order to attempt to increase the level of gold being processed, a small gold mine was purchased. This mine has experienced significant delays in achieving production and, therefore, the expected additional throughput has not been achieved.

Since the last update, the Investment Manager has continued to fund the development of the project from its own resources in order to ensure the project continues to move towards achieving production. Total borrowing currently stands at just under \$12m, including the Investment Manager loans. However, the continued delays in achieving production has resulted in the most recent valuation of the project by Duff & Phelps indicating that the current market value of the combined project is not currently sufficient to repay the outstanding loans to the Fund and Investment Manager of approximately \$12m and, in the most recent audit, the investment was valued at the loan value plus accrued interest.

The first loan is repayable in February 2020, but the project is unlikely to be in a position to repay this on maturity and, therefore, the Investment Manager is exploring ways of replacing the loan and reducing the exposure of the Fund to the project.

As a result of the ongoing delays, the Investment Manager is exploring options to achieve a repayment of the loans early so that the Fund can be liquidated, and investors can be paid out with a target to achieve repayment by the end of 2020.

Conclusion

Assuming the Investment Manager can achieve its ambitions in both projects, the amount to be recovered by the Fund would be in the region of \$25m-\$27m, which will ensure that investors are paid out based on current indicative NAV.

From an investor perspective, the priority of the Board of the Fund (the "Board") remains to protect the value of assets attributable to investors and to ensure the Fund remains in a liquid position while the Investment Manager works towards realising the value of these assets. As a result, the Board has deemed that distributions are not appropriate at the moment, as this would impact the ongoing liquidity of the Fund.

The intention of the Board is to seek repayment of all outstanding amounts at the earliest possible date and to start making distributions to investors as soon as is practicable with the ultimate intention of having all available funds fully distributed by the end of 2020 and the Fund wound up.

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MONTREUX Natural Resources Fund

It should be noted that the revenue being generated and accrued by existing outstanding loans is being used to meet the ongoing running costs of the Fund and investors should not see their current value diminished by the operating costs of the Fund.

It is the intention of the Board to continue to have the Fund audited to ensure investors can take confidence in the management of the assets of the Fund.

The Board are committed to keeping investors apprised of the ongoing position and endeavour to communicate as soon as is practicable.

On behalf of the Board

Montreux Natural Resources Fund registered at the Cayman Islands Companies Registration Office, PO Box 27562, Registered Office: 2nd Floor, Cayman Islands, P.O. Box 1588, Grand Cayman KY-11103, Cayman Islands.
Directors: J. J. Jones, B. Jones, J. Jones

Montreux Natural Resources Fund is established in the Cayman Islands as a limited liability company under the Companies Act of the Cayman Islands. Montreux is a subsidiary of Montreux Fund with the Cayman Islands

Montreux Natural Resources Fund is currently under Licence Under Investment status

Investment in the Fund was accepted solely on the basis of the information set out in its offering documents. The Fund is currently in liquidation. Therefore, further subscriptions are no longer being accepted. The price of any security may have fallen or risen. It is not possible to say whether the price of any security may have risen or fallen. It is not possible to say whether the price of any security may have risen or fallen. It is not possible to say whether the price of any security may have risen or fallen.

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Please be aware that the revenue being generated and accrued by existing outstanding loans is more than sufficient to cover the ongoing running costs of the Fund and investors should not see their current value diminished by the operating costs of the Fund

It is also the intention of the Board to continue to have the Fund audited to ensure investors can take comfort from an independent assessment of the assets of the Fund

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

On behalf of the Board

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