

A Letter to Investors

AZURIA MINING FUND

Dear Prospective Investor,

We are launching Azuria Mining Fund with a straightforward ambition: to build a portfolio with the characteristics we would seek in an ideal mining company. That company would have a profitable operating business, a strong pipeline of future producing assets, and the conviction to commit meaningful capital to exploration.

Individual companies offer elements of this combination. Few, in our assessment, bring all three together with the quality and ambition we seek. We believe there is a reason for that.

Boards across the industry remain under considerable pressure to repair balance sheets, return capital to shareholders, and exercise restraint. Those priorities have restored financial discipline, but they have also left limited appetite for bold investment in future growth. These are the scars of an industry emerging from a prolonged depression.

Mining remains essential to the global economy, yet its representation in equity markets has diminished to roughly 1% of global equity value, little more than a rounding error.¹ After years of disappointing returns, caution has become deeply embedded in capital-allocation decisions.

In our assessment, that caution has contributed to insufficient investment in the development projects and discoveries needed to sustain future production. Exploration, whether pursued internally or accessed through strategic acquisitions, is too often treated as a peripheral activity.

There is a useful lesson here from the technology sector, where successful companies have used established, cash-generating businesses to finance ambitious investment in future growth. That willingness to look beyond near-term earnings has helped build businesses whose long-term value was not immediately apparent.

We believe the same mindset has an important application in mining. As value investors, we place considerable importance on cash flow. We also see it as the foundation that allows a business to invest with conviction in its next generation of assets.

Azuria Mining Fund seeks to apply that principle at the portfolio level. Established, cash-generating producers would anchor the core, alongside selected development companies with a path to future production, complemented by exploration businesses capable of making significant discoveries.²

The growth potential within those development and exploration investments remains substantially underestimated, in our view. The industry's reluctance to commit capital to them is part of what makes the opportunity compelling.

¹ Mining industry as a share of global equities; about 1% in 2025, against 11% in 1960. Source: Statista; S&P Global.

² Describes the portfolio framework the Investment Manager intends to follow. It is illustrative, remains at the Portfolio Manager's discretion, may vary with market conditions and the opportunity set, and is not an investment limit.

This is also where our approach differs from many of the investment options available in the sector. Mining ETFs offer diversified exposure, but an index allocation does not necessarily provide the balance of current cash generation, future production, and discovery potential we seek. Strategies focused almost exclusively on exploration, meanwhile, may miss the value of owning a great cash-generating business as an important part of the mix.

By no means are we suggesting that others are doing something wrong. There are plenty of ways to succeed in this industry. We simply believe that a core portfolio of high-quality, cash-generating businesses is what allows us to be bold elsewhere.

A Macro Arbitrage

A second element of our approach concerns the long-term metal-price assumptions embedded in mining valuations. We believe there is a potentially substantial disconnect between the prices used to value long-lived mining assets and the environment in which those assets may ultimately operate. If metal prices remain near prevailing levels, or rise over time, valuations built around materially lower long-term prices may understate their economic value.

This is what we mean by a macro arbitrage: an opportunity arising from a disagreement with the assumptions underlying a valuation, rather than a risk-free trade.

Consider the valuation model for a major mining company. It will typically contain detailed assumptions about production over the next decade or longer, the conversion of resources into reserves, recovery rates, mine life, and other technical factors. These inputs are essential. They deserve rigorous analysis and, where appropriate, conservatism.

But the precision of the operating model can obscure the importance of another assumption: the price at which the company will sell its metals over that same period. A model can be technically detailed and still assign too little value to an asset if its long-term commodity-price assumptions prove too low.

Our disagreement centers on valuation cases that assume metal prices decline from prevailing levels and remain lower for many years. For illustration, assuming a gold price of approximately \$3,500 per ounce over a 15- to 20-year mine life embeds a very specific view of the future.³ That is a forecast about future gold prices, and it should be questioned just as carefully as any other investment assumption. While we do not claim to know the future, our assessment of the long-term outlook is materially different.

The implications for valuation are substantial. In a discounted cash flow analysis, materially higher long-term metal prices can translate into significantly greater asset values, even with the same production assumptions. If our outlook proves correct and metal prices rise over the next decade, rather than decline as these valuation models assume, the gap between today's valuations and the underlying value of mining assets could be substantial. That is the macro arbitrage we aim to capture.

³ Illustrative only, and not a description of any specific company's or analyst's valuation model. Spot gold was approximately US\$4,140 per ounce in early October 2026. Source: Kitco.

Our objective is to identify businesses where we believe the market has not adequately recognized that potential, while remaining disciplined about operating costs, capital requirements, asset quality, and execution.

The strategy is not designed to avoid volatility. Prospective investors should understand that meaningful fluctuations in portfolio value are consistent with the opportunity we intend to pursue, particularly in development and exploration investments. Of course, metal prices can move sharply in either direction, but given the macro backdrop, we have conviction over a long time horizon.

Our approach brings together two principles we admire: Warren Buffett's emphasis on owning exceptional businesses and Jeff Bezos's willingness to invest boldly, with a long horizon, in what those businesses can become. We believe mining offers a compelling setting in which to apply both.

We look forward to partnering with investors who share that perspective.

Sincerely,

Tavi Costa

FOUNDER AND CEO · AZURIA CAPITAL

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