Tribeca Investment Partners

Tribeca Global Natural Resources Credit Fund Q3 2021 Quarterly Update

Fin Year	Jul – Sep	Oct - Dec	Jan - Mar	Apr - Jun	YTD
2017 - 2018				0.87%	0.87%
2018 - 2019	2.51%	12.28%	-0.07%	1.63%	16.89%
2019 - 2020	1.31%	0.85%	-12.51%	-30.59%	-37.96%
2020 – 2021	-16.03%	7.39%	26.60%	24.13%	16.51%
2021 – 2022	-3.28%				-3.28%

Performance figures are for the Founders Class shares of the Tribeca Global Natural Resources Credit Fund and are net of all fees and expenses and reflect the reinvestment of dividends and other income and based on the official monthly NAV provided by the fund administrator.

Portfolio Manager

Haydn Smith

Fund Information

The Tribeca Global Natural Resources Credit Fund targets opportunities in the sector using lending, streaming and royalty structures. The Fund focuses on commodity sectors including energy, metals and mining and soft commodities. Repayment of investment structures is linked to revenue rather than net profits, prioritized through senior security ahead of equity and other creditors.

Inception Date:	15 May 2018
Structure:	Australian Unit Trust
Minimum Investment:	AUD $500,000
Subscriptions:	Monthly
Redemptions:	Three-year hard lock. Thereafter, quarterly redemptions with 180 calendar days' notice, subject to a 25% investor level gate and a quarterly fund level gate of 15% of the NAV of the fund.
Management Fee:	2%
Performance Fee:	20% subject to high water mark
Fund Manager:	Tribeca Investment Partners Pty Ltd
Fund Custodian:	Mainstream Fund Services Pty Ltd
Administrator:	Citco Fund Services (Australia) Pty Ltd
Auditor:	Ernst & Young
Valuation Agent:	IHS Markit
Trustee:	Equity Trustees Limited

Fund Commentary

Dear Fellow Investors,

Key Highlights

- The Fund closed the September quarter with a decline of -3.3% bringing the net return for the last 12 months to 55.1%;
- Paringa recovery efforts continue in earnest with the relisting of the company likely in 4Q21. Lenders are to be issued approx. 20% of the recapitalised entity under a deal negotiated with Tribeca;
- Eaze Technologies' formal closing of its Green Dragon acquisition remains on track to complete prior to year end while the business commences a cost-out program;
- Capcium is now on the cusp of being operationally profitable and is expected to be EBITDA positive in Q122 leading to valuation uplift prior to a CY22 liquidity event;
- Armour Energy remains on track to divest its McArthur Oil and Gas business by way of an ASX IPO in order to retire all debt before calendar year end, likely prompting an additional capital return for the Fund in early 2022;

The Fund posted a -3.3% decline for the quarter which was almost entirely driven by the mark-to-market impact of Halo which fell from C$0.05 to C$0.035 during the period. All other positions were essentially flat with some coupon contribution from Armour Energy. This Fund's NAV for the end of the quarter equates to 87% of par for an investor at inception and 72% of par for an investor in July 2019.

The private credit markets remain relatively tight with good access to public and private equity and we have observed generalist credit players starting to try their hand in the natural resources space. We continue to screen a large number of deals each month and are taking a discerning approach to future deals that are a good fit for our LPs.

As the loan book continues to roll off and capital is returned, the Fund will become more concentrated in the remaining positions of Halo, Eaze and Capcium which we believe will see liquidity opportunities in the second half of 2022.

Paringa Resources Recapitalisation

Following the conclusion of the Paringa Chapter 11 Bankruptcy in the US, we have been working in the background with the ASX-listed parent company for the past 10 months on a mechanism to recover some value from the guarantee that was provided by Paringa Resources Limited in respect of the loan to the US operating entity, Hartshorne Mining LLC. We recently reached an agreement with Paringa Resources Limited to enter into a Deed of Release whereby the parent guarantee will be released in return for 35 million shares in the recapitalised entity representing ~18.8% of the voting stock with an additional 20 million 5-year options (10m struck at $0.07 and 10m struck at $0.10) taking the potential fully diluted ownership to 22.4%, all subject to a range of conditions including:

- Approval from ASX for reinstatement of trading (granted);
- 20: 1 share consolidation;
- Capital raising of ~A$5.5m by way of placement and rights issue;
- Two Tribeca representatives appointed to the board of four. These seats will be taken up by Haydn Smith, Head of Credit and Ben Cleary, Partner in Tribeca Investment Partners and Head of Natural Resources.

Concurrent with the recapitalisation of Paringa, or under its proposed new name of GCX Metals Limited, the company has entered into an agreement to acquire an 80% interest in gold exploration tenements in the Pilbara region of Western Australia adjacent to tenements that were pegged by Paringa in late 2020 (granted mid-2021) which collectively are known as the Onslow Gold Project. Part of the capital raising will be used to fund an airborne electromagnetic survey which will be used to generate drill targets to be followed up with a Phase 1 drill program as required under the terms of the ASX's approval for reinstatement. The company believes the Onslow Gold Project is highly prospective for both copper and gold and will concurrently work to evaluate the prospectively of these tenements while also assessing other assets that may be well suited to an ASX listed entity.

At the capital raising price of $0.05/share the market value of the consideration under the Deed of Release is ~A$1.75m assuming nil value for the options. This consideration has been allocated amongst the three Paringa lenders according to their pro rata share of exposure, having been approved by each of the lenders' governing bodies (board or investment committee, as applicable). Should the recap transaction close (subject to Paringa shareholder approval), the look-through valuation of that equity will add ~1.5% based on the end September NAV or approximately ~0.8% of par for an investor at inception (0.7% for an investor in July 2019). We believe the strategic position held in an attractive ASX listed shell with organic value creation opportunities provides some excellent optionality on further recovery on the original loan.

Whilst the overall outcome has been far beyond our downside scenario, we can't help but observe that our overall thematic has played out with thermal coal prices back at record levels and the utility that fought us so hard in court to reject the coal offtake contract no doubt now be wishing that they had the fixed price supply that we were offering. Unfortunately, the cost of carrying the asset through one of the most uncertain periods of social and economic turmoil in a century made it untenable to continue to sink capital into the project as an alternative to the failed sales process.

Exposure to Coal Price Rebound – Active Resources

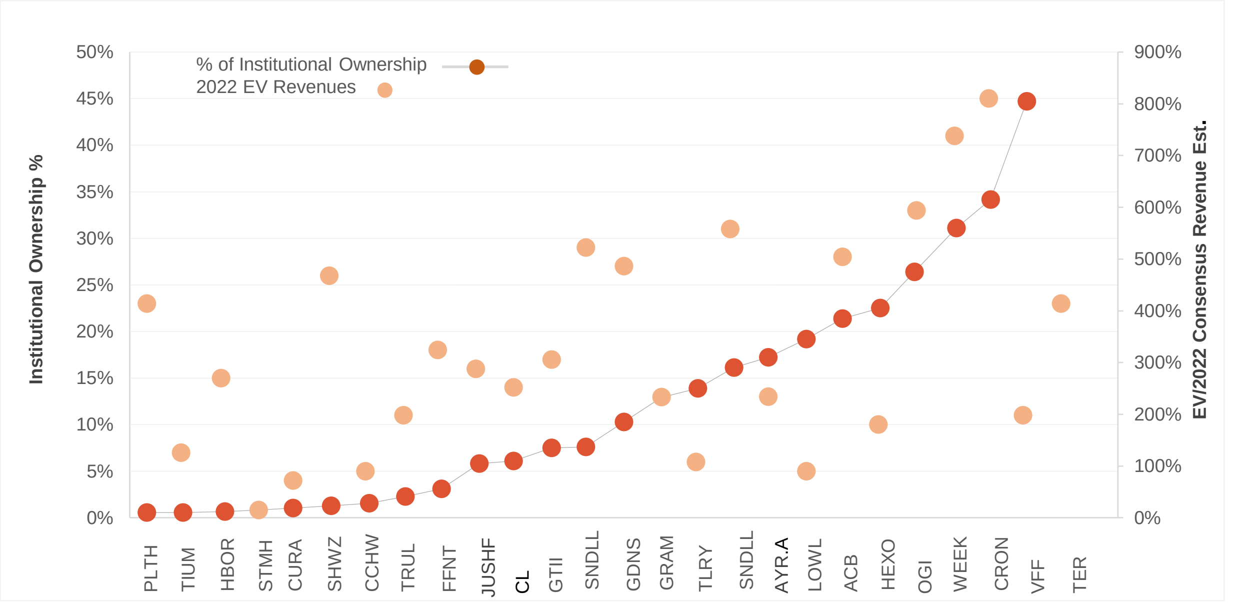
Following on from above, as part of the Paringa sales process, the Paringa Lenders entered into an agreement whereby the project washplant was sold to a met coal junior called Active Resources LLC. During the quarter the equity interest in Active was rolled into a note as part of the company's restructure in order to bring it closer to a liquidity event such as IPO or trade sale. The macro backdrop for the met coal business remains robust and we are optimistic that we will see some value from the Active position hit the P&L in the next quarter with a full repayment of the notes representing a further 4.8% of par for an investor at inception and 4.3% of par for an investor in July 2019.

Cannabis Updates

As we mentioned in our prior update, Senate Majority Lead Chuck Schumer proposed the Cannabis Administration Opportunities Act (CAOA) in July and more recently the Secure and Fair Enforcement (SAFE Banking Act) passed the House of Representatives for the fifth time with bi-partisan support, appended to the annual National Defence Authorization Act (NDAA). The SAFE Banking Act focuses on opening traditional banking services to the cannabis sector, which would improve security, lower G&A expenses and lower the cost of capital. We will not pre-empt the passing of either bill given historical challenges and the ability for the SAFE Banking Act to be removed from the NDAA as it progresses through the Senate, however, the drums of regulatory reform continue to beat louder and we firmly believe that meaningful regulatory reform is a "when, not if" proposition and will be a key catalyst for a re-rating of the sector.

To illustrate this point, Viridian Capital, a leading independent financial advisory firm focused on cannabis, recently published research reviewing the percentage of institutional ownership of cannabis stocks. The result highlights that the higher level of institutional ownership in the space is correlated with higher 2022 EV / Revenue multiples. Given Canada's federally legal status, it is not surprising to see a higher level of institutional ownership and valuation (red dots in the chart below). Given the positive regulatory tailwinds in the US and pressure from investors start allowing investment banks to custody cannabis stocks we believe that the US focused stocks will see growth in institutional ownership as soon as key forms such as the SAFE act are passed. It should be highlighted that the average institutional ownership of US cannabis stocks sits at ~3% vs 20% for Canadian stocks, both dwarfed by over 70% institutional ownership of both the large cap S&P500 and the broader Russell 3000 indices.

Institutional Ownership % is Correlated with Enterprise/2022 Revenue Multiples



Eaze

Eaze is on track to achieve formal closing of its Green Dragon acquisition during the December quarter as the numerous state and municipal approvals are obtained in both Colorado and Florida. The broader business performance over the quarter has been very much ‘business as usual’ with an increasingly competitive California market pushing many smaller players to the edge of profitability.

This latest price war has been led by a recently de-SPAC’d entity called The Parent Group whose direct-to-consumer business, Caliva is ~30% the size of Eaze’s California business. Notwithstanding, with a cashed up publicly listed parent, Caliva seems intent on spending as much as possible of that recently issued equity on promotional activity which has challenged many of the smaller players. As the largest player in the space, Eaze is more protected than anyone else and has been able to use its considerable buying power in an over-supplied wholesale market to acquire very attractively priced raw material. This has allowed the business to compete through its house brands with margins intact although overall blended margins have been slightly lower as third-party brands have not been as capable to react.

The silver lining of this scenario is that many of the smaller players or those without ready access to capital have been seeking to partner up with larger players like Eaze which has led to some attractively priced bolt-on acquisitions taking Eaze’s ownership or control over its delivery territory to 100% (some areas were previously outsourced). Once Caliva’s marketing budget has been exhausted, Eaze will likely own a greater percentage of the market than it already dominates with stronger contribution from house brands than is the case today (~22%).

An additional mitigating factor for Eaze in this period of intense California competition has been a post-merger costout program where US$4.3m of annual savings have been identified through consolidation of leased premises and reduction in duplicated workforce. This leaner corporate footprint will leave the company well positioned to drive into profitability in 2022.

Eaze remains well funded and well positioned in California as well as Colorado and Florida via its merger with Green Dragon and continues to advance its licenses in Michigan and New Jersey. These roll outs will start to ramp up materially in 2022 when we expect the business will seek to access public capital markets by way of IPO/RTO in 2H 2022.

Halo

Halo continues to pursue its disaggregation strategy with the intention of separately listing/spinning out two, possibly three existing businesses to create three or four separate listed entities. We have been supportive of this strategy given the four businesses have limited overlap and are clearly not being fully valued by the market within the Halo topco. The four separate entities will consist of Halo’s current core business which is cultivation, manufacturing, distribution and retail operations in Oregon and California, an international business focusing on the production and distribution of medicinal cannabis flower into the European wholesale market (“Akanda Corp”), a large Northern California cultivation joint venture and a small cannabis related technology business.

Halo’s share price continues to underperform the broader industry, notwithstanding continued positive financial performance, particular by the larger Multi State Operators. Halo has been quite liberal in the number of shares it has issued over the past twelve months through acquisitions and a poorly timed ‘at-the-market’ share sales program which has capped any short-term upswings. Despite its share price underperformance Halo announced a record revenue run rate of ~$50mpa based on August results and also announced that the at-the-market program had concluded which should start to alleviate the immediate supply overhang.

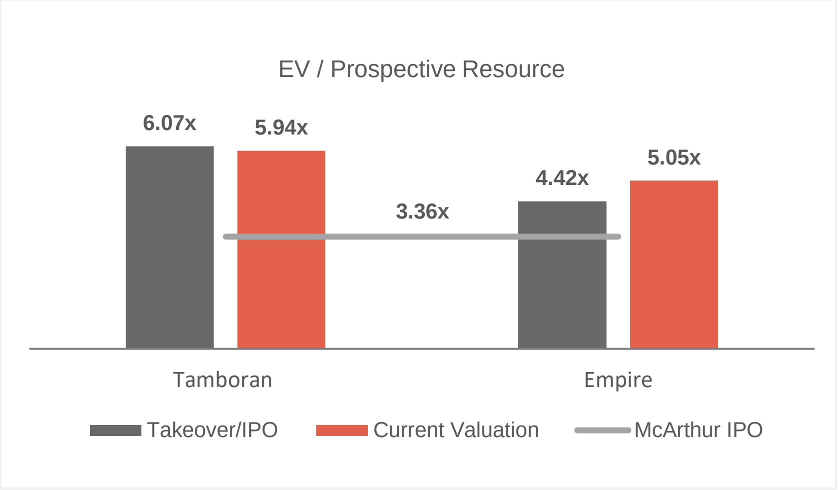
We believe that if even one of these mooted listings completes, we should see a material re-rating in Halo’s stock as investors will be able to clearly compare the valuation of the individual businesses. Halo has recently announced that Akanda Corp is being prepared for a senior exchange listing which we believe to be the NASDAQ, on a timeline prior to year end.

Armour

During the quarter Armour Energy progressed plans to undertake an IPO of McArthur Oil & Gas with the announcement of Board and Management. The company will be chaired by experienced ASX executive Greg Martin, former CEO and Managing Director of AGL and Chairman of Illuka Resources with Jeff Schrull named as CEO. Jeff joins from Beach Energy and comes with 30 years of upstream oil and gas experience. The IPO is slated for the mid-to-end of the December quarter with the proceeds being partially used to repay our Environmental Bonding Loan, occurring at the earlier of the IPO or December 31st, 2021. This will likely prompt a further return of capital for the Fund in early in 2022.

We strongly support Armour's planned IPO of McArthur Oil & Gas given the standalone valuation based on peer EV / Prospective Resource multiples is 3x that of Armour Energy. McArthur is targeting an IPO valuation of A$110m with an EV of $90m, implying a discount of ~50% to the current valuation of its listed ASX peers against the backdrop of record LNG prices as a result of the European energy crisis and robust demand from Asia

Peer Group Valuation



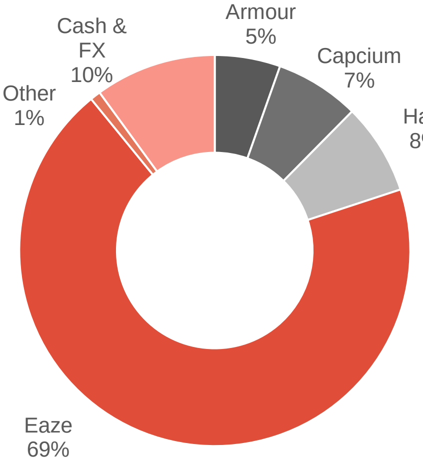
Capcium

Following a disrupted first half of 2021 from operating challenges presented by plant ramp up issues and COVID-19 restrictions impacting the local labour market, Capcium is now achieving forecast production figures. The key issues of employment and ramp up have been addressed, driven by a higher wage offering for production line employees balanced by rationalisation of middle management and plant adjustments to remove bottlenecks. During the quarter the company entered into a sale and leaseback agreement with a US-listed REIT in respect of its newly completed production facility on favourable terms. This transaction is close to completion and will move the company to a net cash position through the retirement of its commercial debt facilities (however its concessional loan of C$17m from the Province of Quebec will remain given its 10 year tenor at a very attractive fixed interest rate).

CEO Richard Italia, who was a founding shareholder of Capcium, was brought in to run the business just as COVID-19 hit in early 2020 and has done an outstanding job in turning the business around by repairing the balance sheet, obtaining key licenses (Cannabis, DEL & soon FDA) and reaching profitability which the company is on the cusp of doing. As a means obtaining greater influence over the growth path of the company, Haydn Smith is seeking to be elected to the board of Capcium as a representative of the Series A note holders in a process that is expected to play out over coming months.

As we've previously noted, 2022 is shaping up to be a transformative year for Capcium as it seeks to demonstrate its earnings potential which we believe will capture the attention of private equity players in the pharma business looking to 'verticalise' or other contract manufacturers looking to broaden their offering of form factors. Any liquidity event for Capcium is likely to bring further upside for the Fund which we anticipate to be in the order of 2% of par for an investor at inception (and for an investor in July 2019).

Portfolio



Source: Tribeca Investment Partners

Note that as capital continues to be returned to investors portfolio composition and concentration will change

Contact Information

Sydney
Level 23, 1 O'Connell Street
Sydney, NSW 2000
Tel: +61 2 9640 2600

Singapore
#16-01 Singapore Land Tower
50 Raffles Place, Singapore, 048623
Tel: +65 6320 7711

Investor Relations
Email: investors@tribecaip.com
Website: www.tribecaip.com