DENHAM CAPITAL

DENHAM INTERNATIONAL
POWER FUND

IMPACT REPORT 2019

CONTENTS

Forecasts and projections contained herein are based on internal information and/or outside sources believed to be reliable. There can be no assurance that any forecast or projection will be realized. Past performance is not an indication of future results. See “Notice to Recipients” for important additional information.

1 INTRODUCTION

In 2018, we released our first impact report defining the way in which we integrate ESG in the investment cycle. The report highlighted our position that ESG can have a material impact on investments, by delivering projects on time and at costs, and with community support. By developing projects to international standards, such as the World Bank's IFC Performance Standards, our investments not only comply with international environmental and social standards, but also make our investments highly marketable.

Our investment strategy is not only about ESG management; it has substantive impact by providing low-cost affordable power to economies that are growing rapidly, CO2 savings, employment generation and local impacts through community related projects. All these impacts have a clear alignment with several of the United Nations Sustainable Development Goals (SDGs).

The focus of this year's report is not on ESG but on Impact. This report focuses on the metrics that are applicable to our investment strategy, our reporting framework and transparency over our calculation methodology.

WORKING WITH OUR PORTFOLIO COMPANIES

The Denham International Power Fund owns five portfolio companies, each covering a specific geography or technology. Each portfolio company has an ESG team to manage on the ground ESG programs including the development of community related projects.

THEMIS

HEADQUARTERS	Casablanca, Morocco
TARGET MARKETS	Select Countries in Africa
SECTOR	International Power

NEXIF ENERGY

HEADQUARTERS	Singapore
TARGET MARKETS	Southeast Asia
SECTOR	International Power
WEBSITE	www.nexifenergy.com

RIO ENERGY

HEADQUARTERS	Rio de Janeiro, Brazil
TARGET MARKETS	Brazil
SECTOR	International Power
WEBSITE	www.rioenergyllc.com

JENNER RENEWABLES

HEADQUARTERS	Madrid, Spain
TARGET MARKETS	Select Countries In Latin America
SECTOR	International Power
WEBSITE	www.jenner-renewables.com

CEIBA ENERGY

HEADQUARTERS	Houston
TARGET MARKETS	Latin America
SECTOR	International Power

MOVING FROM ESG TO IMPACT

MINIMIZING ESG RISK

- Physical risks of climate change
- Implementing systems to manage E&S risks and opportunities
- Engaging with stakeholders
- Contractor Management
- Providing a labor force with a safe working environment
- Ensuring human rights are respected of the labor force, community members, women, vulnerable groups
- Management of waste and disposal
- Managing biodiversity issues and ensuring no net loss of critical habitats

MAXIMIZING IMPACT

Primary Impacts:

- Provision of low-cost affordable energy
- CO2 savings

Secondary Impacts:

- Enabling a middle class
- Generating local employment
- Financial leverage

Community Impacts:

- Healthcare
- Women empowerment programs
- Education
- Reforestation programs

2 MEASURING WHAT MATTERS

Denham Power invests in renewables and gas-fired power projects in high-growth economies. We believe that gas-fired power projects have a role to play in providing base-load power in these economies, and are often a cleaner substitute to business as usual. Our platform companies that develop these projects also typically invest in local community development (for example, in education, healthcare and women empowerment programs).

Our impact metrics track the following 5 areas:

1 PROVIDING LOW-COST AFFORDABLE POWER

We invest in renewables and gas-fired power projects which has a direct alignment with UN SDG 7, ensuring access to affordable, reliable, sustainable and modern energy for all. Access to competitively priced power is a major enabler of industrial and economic growth and improvement in living standards, in particular in economies experiencing growth. Low cost power is essential for the provision of healthcare, education, manufacturing and commerce.

2 CLIMATE CHANGE IMPACT

More than ever, our society and the financial markets are concerned by the risks and impact of climate change. Investors, such as pension funds, are being asked about their climate change strategy. The Task Force on Climate Related Disclosure (TCFD) run by the Financial Stability Board and chaired by Mike Bloomberg asks investors to disclose their exposure to climate change and to run scenario analysis. By generating CO2 savings, our investments have a natural fit to investors appetite for transitioning towards a low-carbon economy.

3 EMPLOYMENT

The construction and operation of projects results in the creation of jobs, which in turn helps to raise living standards. Whilst a majority of employment is short-term in nature, the operations and maintenance (O&M) phase results in long-term employment. Where possible, we encourage the use of a local labor force as much as possible in both the construction and O&M phases. We require all our portfolio companies to protect labor rights and promote a safe and secure working environment by following standards such as the ILO Core Labor Standards and ILO Basic Terms and Conditions of Work, as well as the International Bill of Human Rights. This contributes to UN SDG 8: Decent Work and Economic Growth.

4 COMMUNITY IMPACT

Whenever we invest in a project, we also invest in the local community. This not only provides a "social license" to operate, but we believe it is the right thing to do. Engagement with communities takes place to identify specific needs of the community, and these are invariable linked to the SDGs. Projects generally relate to improved healthcare, educational projects and training.

5 FINANCIAL LEVERAGE

Public and/or private debt and equity investors attracted to our projects as a result of Denham's involvement and investment. This may include domestic and foreign commercial finance and also development finance institution funding. This demonstrates Denham's role as a catalyst for other investors.

3 METRIC TRANSPARENCY

To be considered an impact metric, we select metrics that are trackable, measurable and reportable.

We see our proprietary impact metric database as continuous work in progress, as we seek to capture relevant and improved data from each investment. Below is a summary of key impact metrics recorded. Actual data is provided to our investors. We provide metrics on a net ownership basis – reflecting the impact from our ownership in an investment.

KEY IMPACTS		IMPACT INDICATOR
PROVIDING LOW-COST AFFORDABLE POWER	*SDG 7* Affordable and Clean Energy	Installed capacity (MW) (of which renewables) Energy generated (MWh) (of which renewables)
CLIMATE CHANGE IMPACT	*SDG 7* Affordable and Clean Energy	CO2 savings (tCO2/ year)
EMPLOYMENT Providing safe working conditions in countries	*SDG 8* Decent Work and Economic Growth	Ensuring labor standards follow international standards
Providing employment opportunities	*SDG 8* Decent Work and Economic Growth	Peak number of direct jobs (male/ female) Peak number of indirect jobs (male/ female)
COMMUNITY IMPACT	*Multiple SDGs*	Total amount on $ spent on community related projects Project specific metrics • Women empowerment programs • Number of people provided improved medical care • Number of people provided training
FINANCIAL LEVERAGE	*Multiplier effect due to our investment*	Debt and co-investment as a result of Denham's investment (US$m)

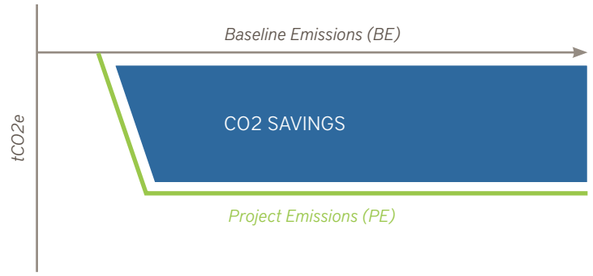
4 STATEMENT METHODOLOGY

The purpose of this statement methodology is to provide transparency over how we calculate our impact metrics for assets either under construction or in operation.

CALCULATING CO2 SAVINGS

In calculating CO2 emission for renewables, we use the IFI Approach to *GHG Accounting for Renewable Energy Projects*[1]. This approach was agreed by a number of International Finance Institutions, including the European Investment Bank (EIB), the African Development Bank (AfDB), the International Finance Corporation (IFC) and the World Bank to ensure a consistent approach in calculating CO2 savings. We also use guidance from *IFC's Greenhouse Gas Reduction Accounting Guidance for Climate-Related Projects*[2].

CO2 savings are calculated to a baseline scenario. In other words, CO2 savings is the difference between Baseline Emissions (BE) and Project Emissions (PE).



To calculate the baseline emissions, the Combined Margin (CM) of a country needs to be calculated. This is derived from the Build Margin and Operating Margin of the electricity system of the country. Countries with an electricity system which is heavily reliant on fossil-fuels will have a higher CM than countries with an electricity system which has a strong renewable share.

The approach to calculate CO2 savings is based on the following assumptions:

- Renewable energy generation projects such as wind, solar and run-of-river hydro are considered inherently additional with no Scope 3 emissions
- For solar and wind generation, the combined margin is as follows:

  CM = [0.75 x Operating Margin (OM)] + [0.25 x Build Margin (BM)]

  For run-of-river hydro power projects, the combined margin is calculated as follows:

  CM = [0.50 x Operating Margin (OM)] + [0.50 x Build Margin (BM)]

  The IFIC (interim) Dataset of Harmonized Grid Factors provides data for the Combined Margin for a number of countries
- Hydro power projects above 10MW need to include reservoir emissions to balance the estimated CO2 savings. For hydropower projects we use, where available, the CO2 calculations from the Environmental and Social Impact Assessments, which take into account potential greenhouse gas emissions related to reservoir methane emissions
- Construction emissions for renewable energy projects may be excluded

[1] http://documents.worldbank.org/curated/en/758831468197412195/pdf/101532-WP-P143154-PUBLIC-Box394816B-Joint-IFI-RE-GHG-Accounting-Approach-clean-final-11-30.pdf

[2] https://www.ifc.org/wps/wcm/connect/21d21b80423bdbf19f39bf0dc33b630b/IFC+GHG+Reduction+Accounting+Guidance.pdf?MOD=AJPERES

EXAMPLE: A NEW WIND ENERGY POWER PROJECT IN MEXICO IS EXPECTED TO GENERATE 724 GWH OF CLEAN ENERGY ANNUALLY.

Absolute emissions:

Wind and solar power projects avoid fossil fuel usage and result in CO2 savings. The absolute emissions associated with production of electricity from these sources are therefore assumed to be zero.

Baseline emissions:

We compare this to the "business as usual" scenario, where the 724 GWh of energy would have been generated by each unity of electricity produced in an electricity system.

In the case of Mexico with a CM of 0.503, the CO2 savings are calculated as follows:

Be = (724*0.503) *1000 = 364,172 tonnes of CO2e/year

CO2 savings:

Be = 364,172 tonnes of CO2e/year

For gas-fired power projects, we use EIB's Methodologies for the Assessment of Project Greenhouse Gas Emissions and Emission Variations[3] to calculate the potential CO2 savings.

This methodology calculates the difference between the country's CM and the technology's emission factor. Where a country's energy mix is reliant on fossil fuels for electricity generation, the country's CM will be high and an efficient gas project with a lower carbon intensity will result in CO2 savings compared to business as usual. Where the project's CO2 emission factor is not available (due to the stage in project development), the default efficiency factors for power plants published by the United Nations Framework on Climate Change (UNFCCC) is used.

EXAMPLE: A NEW COMBINED-CYCLE NATURAL GAS-FIRED POWER PROJECT IN NIGERIA, EXPECTED TO GENERATE 4,185GWH OF ELECTRICITY ANNUALLY.

Absolute emissions:

The resulting CO2 emissions are estimated to be 0.335 g/kWh, based on plant efficiency of 60% and the default emission factor for natural gas of 56,155 gCO2e. TJ. The absolute emissions are:

Ab = (4185*0.335) *1000 = 1,401,975

Baseline emissions:

Nigerian energy demand growth is more than 5%, therefore the ratio for the Operating Margin and Build Margin are 25%, 75% respectively. As per the IFC Dataset, the CM of Nigeria is 0.474. g/kWh. The baseline emissions are:

Be= (4,185*0.474) *1000 = 1,983,690

CO2 savings:

This project compared to the baseline scenario is expected to result in CO2 savings as calculated below:

CO2 savings = Be - Ab

CO2 savings = 1,983,690 - 1,401,975

CO2 savings = 581,715 tonnes of CO2e/ year

[3] https://www.eib.org/attachments/strategies/eib_project_carbon_footprint_methodologies_en.pdf

4

STATEMENT METHODOLOGY *(Continued)*

LABOUR STANDARDS

We will provide a qualitative summary on work done to ensure labour standards follow international standards. Where possible, we will provide key performace indicators, such as number of trainings completed.

PEAK NUMBER OF DIRECT/ INDIRECT JOBS

This is provided by our portfolio companies on an annual basis. We also track the male/female breakdown.

LOCAL COMMUNITY IMPACT

We have an internal database which is updated on a regular basis which tracks investment made on each community related project and expected outreach.

FINANCIAL LEVERAGE

This is provided by the investment team.

CALCULATING NUMBER OF INDIVIDUALS POWERED

This is calculated by dividing the annual actual/ expected electricity generation delivered to off takers by the average annual electricity consumption in that country. We use data sources from the World Bank which provide per capita electricity consumption.

We recognize the limitations of this data metric as it is difficult to calculate the number of actual new households powered by an investment as our project sells electricity to the grid under a power purchase agreement. Our portfolio companies will not have the data defining who is getting electrified from their specific project. Our peers, including development finance institutions, currently use the same methodology for this calculation. We are engaging with the wider industry to see how this metric can be made more robust. For the time being, although we calculate this number, we do not use it as an official metric.

NOTICE TO RECIPIENTS

This report is made available on a confidential basis to the recipient for the purpose of providing certain information about Denham Capital Management LP and its affiliates ("Denham") and specified investment funds sponsored by Denham (each, a "Fund"). This report does not constitute an offer to sell or a solicitation of an offer to purchase interests in any Fund. Any such offer or solicitation will be made only pursuant to a confidential private placement memorandum for a Fund, which qualifies in its entirety the information set forth herein and which should be read carefully prior to investment in any Fund for a description of the merits and risks of an investment in the Fund. This report is not, and may not be relied on in any manner as legal, tax, investment, accounting or other advice. Neither the U.S. Securities and Exchange Commission nor the securities regulatory authority of any state or of any other U.S. or non-U.S. jurisdiction has passed upon the accuracy or adequacy of this document or the merits of an investment in the Fund. Any representation to the contrary is unlawful. An investment in a Fund entails a high degree of risk and no assurance can be given that a Fund's investment objective will be achieved or that investors will receive a return of their capital.

Unless otherwise noted, all information herein is as of March 31, 2019, and all figures are expressed in U.S. Dollars.

The information contained herein should be treated in a confidential manner and may be not reproduced, distributed or used in whole or in part for any other purpose, nor may it be disclosed without the prior written consent of Denham. Certain information contained in this report, including the values given for some assets, is non-public, proprietary and highly confidential information. Further, this report may contain material non-public information under the federal securities laws. Accordingly, by accepting and using this report, the recipient will be deemed to agree to not disclose any information contained herein except as may be required by law. In particular, the recipient specifically agrees not to trade in securities on the basis of material non-public information.

Statements contained in this report (including those relating to current and future market conditions and trends in respect thereof) that are not historical facts are based on current expectations, estimates, projections, opinions and/or beliefs of Denham and information currently available to Denham. Certain information contained in this report constitutes "forward-looking statements," which can generally be identified by the use of forward-looking terminology such as "may," "will," "should," "expect," "anticipate," "project," "estimate," "forecast," "intend," "continue," "target," or "believe" or the negatives thereof or other variations thereon or comparable terminology. Due to various risks and uncertainties, actual events or results or the actual performance of the Fund may differ materially from those reflected or contemplated in such forward-looking statements. Prospective investors should carefully review the data and assumptions underlying the analyses, forecasts and targets contained herein. Although reviewed, data is not guaranteed as to accuracy or completeness. The analyses, forecasts and targets contained in this report are based on assumptions believed to be reasonable in light of the information presently available. Such assumptions (and the resulting analyses, forecasts and targets) may require modification as additional information becomes available and as economic and market developments warrant. Any such modification could be either favorable or adverse. Such analyses, forecasts and targets are subject to uncertainties, changes (including changes in economic, operational, political or other circumstances) and other risks, all of which are beyond Denham's control and any of which may cause the relevant, actual financial and other results to be materially different from the results expressed or implied by such analyses, forecasts and targets. Industry experts may disagree with such analyses, forecasts and targets, the estimations and assumptions used in preparing the analyses, forecasts and targets or Denham's view or understanding of current or future events. No assurance, representation or warranty is made by any person that any of such analyses, forecasts and targets will be achieved and no investor should rely on such analyses, forecasts and targets. None of Denham, any of its affiliates or any of their respective directors, officers, employees, partners, shareholders, advisors or agents makes any assurance, representation or warranty as to the accuracy of any of such analyses, forecasts and targets. Nothing contained in this report may be relied upon as a guarantee, promise, assurance or a representation as to the future.

This report is based on information available as of the time it was written, provided or communicated, and Denham disclaims any duty to update this report and any content, research or information therein. For instance, certain of the information contained herein regarding the global economy, the global private equity markets, the global energy and commodities markets and other matters has been derived from published material prepared by other parties, which in certain cases has not been updated through the date thereof. While such information is believed to be reliable for the purpose used herein, neither Denham nor its affiliates assume any responsibility for the accuracy or completeness of such information or for the validity of any opinions or interpretations expressed in respect thereof. Further, the information concerning the market environment and opportunities in the marketplace represent the views of Denham. Reasonable persons may disagree as to perceptions of the market environment and the investment opportunities created thereby. The statements, opinions, targets, and data expressed in this report are subject to change without notice.

Monetary amounts identified as "committed capital" or "earmarked capital" in this report include non-legally binding amounts that represent Denham's best estimate and are subject to change at any time.

References to portfolio companies are presented to illustrate the application of Denham's investment process only and should not be considered a recommendation of any particular security or portfolio company. It should not be assumed that investment made in the future will be profitable or will equal the performance of past or current investments.

There are risks associated with investing in securities, including but not limited to erratic market conditions, geopolitical risk, management risk, liquidity, non-diversification risk, focused investment risk, credit and counterparty risk, and possible loss of principal.

As used throughout, "de-risk" means the process of identifying, quantifying and seeking to mitigate risks pertaining to a particular investment. De-risking is generally an iterative process and new risks may emerge after others have been mitigated. "De-risk" does not mean that all risk has been removed from a particular investment.

DENHAM CAPITAL