Investment & NTA Update

30 September 2023

NGE Capital Summary

ASX ticker	NGE
Share price (30 Sep 23)	$0.865
Shares outstanding	35,833,676
Market cap	$31.0m
NTA per share before tax	$1.073
NTA per share after tax	$1.138
NTA before tax	$38.4m
NTA after tax	$40.8m

Overview

NGE Capital Limited is an internally managed Listed Investment Company which allows investors to gain exposure to a concentrated, high conviction, actively managed portfolio of financial assets. NGE primarily focuses on listed ASX and international equities, with the aim of generating strong risk-adjusted returns over the medium to long term.

Board & Management

David Lamm
Executive Chairman & Chief Investment Officer

Adam Saunders
Executive Director & Portfolio Manager

Ilan Rimer
Non-Executive Director

Les Smith
Company Secretary & Chief Financial Officer

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Net Tangible Assets Per Share

	30 Sep 2023	31 Aug 2023
NTA per share before tax	$1.073	$1.042
NTA per share after tax	$1.138	$1.107

NTA Per Share Performance Summary

			Since inception[1]	
1 month	Year-to-date	Last 12 months	(p.a.)	(cum.)
3.0%	15.6%	20.1%	11.5%	110.4%

Note: Returns are net of all expenses.
1 From 30 Nov 2016, the date on which NGE became a LIC.

Portfolio Composition

Company	Ticker	% of NTA
Danakali	ASX:DNK	21.3%
Yellow Cake plc	LSE:YCA	18.5%
Greek NPE basket	Various	9.4%
John Wood Group plc	LSE:WG.	7.7%
Sprott Physical Uranium Trust	TSX:U.UN	7.0%
Embark Early Education	ASX:EVO	6.0%
OCI N.V.	AMS:OCI	5.9%
Metals X	ASX:MLX	5.2%
Jupiter Mines	ASX:JMS	4.2%
Industrial Logistics Properties	NAS:ILPT	3.5%
Capricorn Energy PLC	LSE:CNE	2.9%
Net cash and other		8%
Total		100%

Unrecognised Tax Losses

The Company has ~$36 million of Australian unused and unrealised losses available as at 30 September 2023. In the aggregate these losses equate to a potential future tax benefit of ~$9m or ~$0.25 per share (of which only ~$2.3m or ~$0.065 per share is recognised in our after tax NTA). The Company has received tax advice that these losses are available to be offset against future tax liabilities so long as NGE continues to satisfy the continuity of ownership test as set out in Divisions 165 and 166 of the Income Tax Assessment Act 1997 (Cth).

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Commentary

30 September 2023

During the month we made the following notable portfolio changes:

- We bought back into a former holding of the portfolio, **Capricorn Energy PLC (LSE:CNE)**, acquiring ~340k shares at an average price per share of ~GBP1.697. Following a share consolidation after month end as part of the forthcoming 56p per share dividend, we currently hold ~226.8k shares. We go over the investment thesis below.

- We sold out of our holding in **Geo Energy Resources (SGX:RE4)** for a small loss, after accounting for dividends received during the hold period.

In addition, we bought back 13,343 shares via NGE's on-market buyback facility.

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Capricorn Energy PLC (LSE:CNE) looks attractive to us again given the company's low implied Enterprise Value of ~US$160m at month end, against a portfolio of valuable assets including a strong net cash position and the near-term contingent receivable from the 2023 North Sea earn-out. The market is ascribing little to no value to the company's Egypt production assets, offering a cheap option on any performance improvement. Catch-up payments by government entity Egyptian General Petroleum Corporation (EGPC) in relation to the company's growing outstanding receivable balance would likely see a significant re-rating in the share price. We understand it is a case of "when" rather than "if" the receivables are paid.

We previously invested in Capricorn in February 2022, but sold out in October following the then-board's non-sensical, value-destructive attempts to do a merger, firstly with **Tullow Oil plc (LSE:TLW)**, and then with **NewMed Energy Limited Partnership (TAE:NWMD)**. Both merger proposals were terminated following a shareholder revolt, and investor Palliser Capital successfully undertook an activist campaign to reconstitute the board. Seven out of nine directors were removed in February, with six new directors appointed. The two directors who were spared at the EGM then retired at the AGM in June.

Since February, the new board has undertaken a strategic review, which has refocused the business to:

- Reduce the excessive legacy cost base, with headcount expected to decrease from ~200 to ~50 by year end. Ultimately the board is "targeting G&A costs of below U$20m annually", down from the astronomical FY22 level of ~US$96m (excluding one-offs);
- Maximise the value of the Egyptian operations, by focusing capital and resources on production and development activities;
- Improve relationships with Egypt JV partner Cheiron and the Government of Egypt (as represented by EGPC);
- Accelerate Egypt accounts receivable collections;
- Amend Production Sharing Contracts (PSC) in Egypt to improve fiscal terms and incentivise investment;
- Cease high risk exploration activities;
- Exit international assets (ex Egypt), either via sale or relinquishment; and
- Return excess cash to shareholders.

CAPRICORN ENERGY CAPITAL STRUCTURE

		GBP	USD
FX rate	1 USD:GBP		0.8195
Share price (30 Sep 23)[1]	$	1.72	
Shares outstanding[1]	m	95.2	
Market cap	$m	164	200
Cash (30 Jun 23)	$m		301
Less: restricted cash[2]	$m		-35
Unrestricted cash	$m		266
Less: 56p/sh dividend due 20 Oct	$m	-79	-97
Pro forma cash	$m		169
Reserves-based lending facility	$m		125
Add: unamortised facility fees	$m		2
Drawn debt	$m		126
Net cash	$m		43
EV	$m		157

Source: IRESS, company filings, NGE analysis.

1. Share price and shares out. adjusted for 2 for 3 share consolidation undertaken on 5 October and dividend to be paid on 20 October.
2. US$33.9m is available for use to fund non-operated concessions in Egypt.

A GBP1.15 per share (~US$450m) special dividend was paid in May. In addition, a US$25m on-market share buyback commenced in May and remains on foot with ~US$10m remaining and targeted to be completed by year end. A new CEO with experience operating in Egypt was appointed in June. A further 56p per share special dividend (~US$100m) is to be paid on 20 October. It is the board's intention to pay out any contingent payment received (whether from the North Sea or Sangomar) as a dividend.

Capricorn's Western Desert assets in Egypt deliver low cost production with significant upside potential. To date production has been disappointing, with delays in new well delivery, equipment performance issues, some poorly performing

Commentary

30 September 2023

CAPRICORN SUM-OF-THE-PARTS VALUATION

		Low	High
Producing assets			
Egypt assets[1]	US$m	240	350
Less: BV Egypt earnout	US$m	-40	-40
PV North Sea earn-out (2023)[2]	US$m	38	47
PV North Sea earn-outs (2024-2025)[3]	US$m	16	42
PV Sangomar earn-out[4]	US$m	0	42
Total producing assets	US$m	254	440
Other assets/liabilities			
Pro forma net unrestricted cash	US$m	43	43
Restricted cash	US$m	35	35
Egypt receivables (overdue)	US$m	113	113
Non-listed investment fund[5]	US$m	7	7
Corporate overhead[6]	US$m	-100	-100
Total other assets	US$m	98	98
SOTP valuation	US$m	351	538
FX rate	USD:GBP	0.8195	0.8195
SOTP valuation	£m	288	441
Shares outstanding	m	95.2	95.2
SOTP valuation	£/sh	3.02	4.63
Share price	£/sh	1.72	1.72
Upside	*%*	*76%*	*169%*

Source: IRESS, company filings, NGE analysis.

Note: No value ascribed to international portfolio.

1. NGE estimate with reference to BV as at 30 June and ECRE report (Sep 22) commissioned by Palliser Capital.
2. Low estimate based on BV of earn-out as at 30 June 2023; high estimate based on YTD average YTD Brent oil price and Catcher and Kraken production, paid 31 Mar 2024 and discounted back at 15%.
3. Assumes outperformance of 45% in 2024 and 40% in 2025 over minimum production volumes achieved under US$70-100/bbl scenarios, discounted back at 15%.
4. High case assumes Sangomar First Oil achieved on 30 Jun 2024, with contingent receivable paid out on 31 Jan 2025, discounted back at 15%.
5. In 2021 Capricorn invested US$6.9m into a non-listed trust in India and with a minimum investment period of five years.
6. Assume US$25m p.a. run-rate capitalised at 4x.

wells and capacity constraints crimping volumes. However, we think the renewed focus on existing production and development reserves offers promise to a turnaround in fortunes.

The Western Desert assets are still governed by the old fiscal structure – whereas peer operators such as Apache have negotiated a modernised PSC. The new agreement allows for improved cost recovery of past and future investment, higher oil and gas offtake prices on future developments, as well as license extensions, in exchange for a firm commitment to invest in Egypt. This offers a handy blueprint for Capricorn to pursue an improvement in its own agreement and enhance the value of its portfolio.

In summary, we think Capricorn's new board has done a commendable job of cleaning up a range of legacy issues, focusing on extracting an acceptable return on investment from the Egypt asset portfolio, and setting the company up to deliver significant ongoing shareholder returns in the future.

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Announcement released to the market with the authorisation of:

David Lamm	**Adam Saunders**
Chief Investment Officer	Portfolio Manager