CHAIRMAN'S LETTER

Dear Shareholder,

NGE Capital Limited (**NGE** or **Company**) recorded a net loss after tax of $1.9 million for the financial year ended 31 December 2022. The portfolio returned -5.2% pre-tax and after all expenses during the year. NGE has returned, net of all expenses, 10.3% p.a. or 81.9% in aggregate since 30 November 2016, when the Company began operating as a Listed Investment Company.

The key positive contributors to portfolio performance in FY2022 were **International Petroleum Corporation (TSX:IPCO; STO: IPCO)**, **Geo Energy Resources Limited (SGX:RE4)** and **US Silica Holdings, Inc. (NYS:SLCA)**, all of which were realised gains from exited positions. The key detractors were the realised loss from the sale of our holding in **Allegiance Coal Limited (ASX:AHQ)** and mark-to-market declines in **Metals X Limited (ASX:MLX), Embark Education Group Limited (ASX:EVO)** and **John Wood Group plc (LSE:WG)**. We provide a portfolio update below.

We remain cautious on the macroeconomic outlook given the rapid increase in interest rates during the past year, the lagged impact of such rate hikes, weakening lead economic indicators, likely continuing high inflation due to stubbornly tight labour markets and a lack of sensible supply-side reforms (particularly in energy), and concerns over consumer spending. These and other factors are creating significant uncertainty for investors.

In response we have maintained a high cash balance (~36% at year end), and will continue to be patient about making new investments. Our current conservative stance affords us the ability to selectively deploy cash at opportune times when the risk-reward is attractive. We believe our investment approach of fundamental analysis, targeting investments that can generate strong returns with an adequate margin of safety and concentrating our bets will continue to serve us well.

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Our largest position is a bet on the uranium price, expressed via holdings in **Yellow Cake plc (LSE:YCA)** and **Sprott Physical Uranium Trust (TSX:U.UN) (SPUT)**. Combined these investments equated to a ~16.6% portfolio weighting as at 31 December. We trimmed our Yellow Cake position by ~350k shares during the year, netting a ~A$1.26m profit based on our average entry price of ~GBP2.26 per share.

Both entities are listed investment entities whose strategy is to buy physical uranium in the form of U_3O_8, also known as "yellow cake", and hold long-term. Yellow Cake and SPUT offer direct exposure to the uranium spot price without exploration, mining and processing risks. SPUT has aggressively accumulated ~44.1mmlbs of U_3O_8 since July 2021, when Sprott Asset Management assumed management of what was previously Uranium Participation Corp. SPUT has funded its purchases via an "At-The-Market" facility. Yellow Cake has also bulked up, adding ~20.2mmlbs since its 2018 IPO, making use of a US$100m annual purchase option to acquire material from **JSC National Atomic Company Kazatomprom (LSE:KAP)** and funding purchases via brokered placements. These entities now hold ~81.3mmlbs or ~45% of annual demand.

We first invested in Yellow Cake in 2018 when uranium was starting to show signs that the market had bottomed, after a seven-year rout of steadily declining prices that began with the Fukushima nuclear disaster. Our thesis centred on a looming supply shortfall, driven by forecast net growth in demand for nuclear power from China, India and the Middle East in the face of significantly curtailed primary production (i.e. mined material). The key uncertainty, as we have communicated before, was how much excess inventory remained to meet the primary production deficit of ~30-50mmlbs p.a.

YCA AND SPUT NAV AS AT 31 JANUARY 2023

		Yellow Cake	SPUT
Ticker		YCA.LSE	U.UN.TSX
Local FX		GBP	CAD
FX rate	1 USD:	0.8117	1.3305
U_3O_8 holding[1]	lb	20,155,601	61,145,847
Spot U_3O_8[2]	US$/lb	$50.630	$50.63
U_3O_8 holding	**US$m**	**1,020**	**3,096**
Cash & other[3]	US$m	18.5	42.2
NAV	**US$m**	**1,038.9**	**3,138.0**
NAV	**local FX**	**843.3**	**4,175.1**
Shares out.	m	198.10	247.51
NAV per share	**local FX/sh**	**4.26**	**16.87**
Share price	local FX	4.16	17.06
Premium/(discount) to NAV	**%**	**-2.2%**	**1.1%**

Source: Company filings, IRESS, Cameco, NGE analysis.
Note: Share price, FX and uranium price as at 31 January 2023; uranium holding and cash as at 14 February 2023.
1 YCA holding pro forma for 1.35mmlbs Kazatomprom purchase yet to be delivered.
2 Uranium price average of UxC and TradeTech as cited by Cameco.
3 YCA cash pro forma for ~US$75m placement less assumed 3% broker fee and payment for Kazatomprom purchase.

In mid-2018 the U_3O_8 spot price was ~US$25/lb. At year end the spot price was ~US$48/lb, representing an increase of ~92% or a CAGR of ~15% since we initiated the position. We believe there is still substantial upside potential due to recent developments that are likely to continue to force upward pressure on the price.

The accumulation of "loose pounds" by SPUT and Yellow Cake has accelerated the drawdown of excess inventories, which no longer appear to be overhanging the market. Indeed SPUT's management have remarked that they are finding it increasingly difficult to source additional pounds than when they first began buying.

The war in Ukraine and energy crisis in Europe have focused governments' attention on the importance of energy independence and security of supply. There is also growing acknowledgement that nuclear energy can play a greater role in helping countries achieve net-zero carbon emissions targets given its ability to provide reliable, cost-effective, and carbon-free baseload power. As a result, there has been a renewed appreciation of the existing nuclear fleet with the extension of reactor lives in France, Germany, Belgium and South Korea. Japan has indicated it will look to restart up to 17 nuclear reactors as quickly as possible. There has been an acceleration of new build intentions from China, Egypt, France, Japan, the Netherlands, Poland, Russia, Saudi Arabia, Sweden, Turkey and the UK. We expect more developing countries that have been priced out of LNG markets to look to nuclear to solve their future energy needs.

In contrast to the rising demand situation, supply side conditions remain challenging. Russia accounts for ~14% of global primary production, ~27% of global conversion capacity, and ~39% of global enrichment capacity. Kazakhstan, which has been experiencing political instability, accounts for ~40% of global U_3O_8 mined production. Kazakh material bound for Western markets is now being shipped via the more costly and laborious Trans-Caspian International Transport Route in order to avoid Russia. The challenge of reducing reliance on Russian-sourced supply, and perhaps to a lesser extent Kazakh-sourced supply, will need to be met by higher cost sources based in stable, low-risk jurisdictions.

This is perhaps best demonstrated by the strong increased demand for Western conversion and enrichment services that has resulted in significant price increases for both services. In particular, charges for enrichment services – known as Separative Work Units (SWU) – have increased at a rate well above the spot U_3O_8 price. It no longer makes economic sense for enrichers to sweat material through their centrifuges in order to produce extra material they are able to sell into the spot market. Instead, they are now likely to be net buyers of material which is then run more quickly through their plants. This development could see ~15-25mmlbs of secondary supply turn into ~20mmlbs of consumption: a staggering ~40mmlbs swing in a market consuming ~180mmlbs p.a.

Additionally, the passing of the US Inflation Reduction Act of 2022 establishes a Production Tax Credit to support existing nuclear reactors and provides US$700m to incentivise the development of domestic sources of high-assay low-enriched uranium. The US Department of Energy also announced domestic-sourced uranium purchase agreements for ~1.1mmlbs of U_3O_8 with several US production companies at prices ranging from US$59.50/lb up to US$70.50/lb.

In summary, we think there is low downside risk to the spot uranium price, with many catalysts currently in play that should result in higher prices in the near term.

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We invested in **John Wood Group plc (LSE:WG) (Wood Group)** after it announced in November 2021 that it was conducting a strategic review of its fast-growing Built Environment consulting business. The review resulted in a sale to **WSP Global Inc. (TSX:WSP)** that closed in September, delivering net proceeds of ~US$1.67bn. The proceeds have allowed Wood Group to reduce its net debt by ~$1.38bn.

WG CAPITAL STRUCTURE

		GBP	USD
FX rate	1 USD:	0.8117	1.0000
Share price (31-Jan-23)	$	1.4175	
Shares out.	m	691.8	
Market cap	$m	981	1,208
Cash (31-Dec-22)[1]	$m		375
Gross debt[1]	$m		750
Receivables financing facility[2]	$m		200
Net financial debt	$m		575
Asbestos related provision	$m		300
Retirement benefit scheme deficit	$m		77
Insurance and property related provision	$m		75
Project provisions	$m		65
Total adj to net debt[3]	$m		517
Adjusted net debt	$m		1,092
Minorities	$m		3.40
EV	$m		2,303

Source: Company filings, IRESS, NGE analysis.

1 Gross debt from CMD presentation Nov 2022, cash balance backed out from midpoint of net financial debt guidance at year end of $350-400m provided at Jan 2023 trading update.

2 Receivables financing facility is non-recourse and therefore not included in company's own net debt calculation, but in reality this is debt financing that should be included.

3 Adjustments as at 30 June 2022; excludes litigation provision that was settled in November.

Wood Group provides consulting, engineering and management of projects in a broad range of industrial markets, with a focus on oil & gas. Its key asset is its workforce. The company has been moving away from large, fixed-price, "lump sum turnkey" contracts that have hurt performance, instead focusing on lower risk, modular, cost-reimbursable work.

Wood Group held a Capital Markets Day presentation in November. The presentation made it clear that Wood Group is a quality business from an operational perspective, with a high level of internal technical expertise that is held in high regard by its Tier 1 client base. However, overall the CMD underwhelmed. Management, under new CEO Ken Gilmartin who was appointed following the BE sale, laid out unambitious financial targets including "EBITDA margins flat in the nearer term, opportunity for some improvement in the medium term".

We suspect new management is deliberately setting a low bar for itself. This would be understandable as management looks to restore credibility following a long period of disappointing financial results and an inability to produce a "clean" set of earnings numbers for a sustained period. Earnings have seen plentiful adjustments for exceptional items, such as legacy non-performing fixed priced contracts (thankfully coming to an end), historical contract dispute litigation payments, settlements with government enforcement bodies in relation to past bribery, legacy asbestos liabilities, internal restructuring charges, onerous leases and the list goes on.

Exceptionals will continue to weigh in 2023, but should improve significantly from 2024 when the business returns to sustainable free cash flows. Using the CMD forward guidance on revenue growth, EBITDA margins, leases and capex, we estimate Wood Group is worth ~GBP2.75-3.10 per share on a DCF basis, or roughly a double from the share price of GBP1.42 as at 31 January. However, given Wood Group's large revenue base (FY23E of ~US$5.6bn), small improvements in growth and margins can have a big impact on the bottom line. The bloated central costs of ~$80m p.a. (against FY23E EBITDA of ~US$330m) would be a good place to start.

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We recently initiated a position in **Golden Energy and Resources Ltd (SGX:AUE) (GEAR)** at an average entry price of ~S$0.779 per share. We wrote up our thesis in the November 2022 NTA statement. GEAR is a Singapore-listed conglomerate whose key assets comprise:

- a 62.50% shareholding in Indonesian thermal coal miner **Golden Energy Mines (IDX:GEMS) (GEMS)**;
- a 64.01% shareholding in ASX-listed met coal miner **Stanmore Resources (ASX:SMR)**; and
- a 50.0% stake in the unlisted Ravenswood Gold Mine in JV with EMR Capital.

GEAR's controlling shareholder the Widjaja family has announced its intention to take the company private at a bargain-basement price in a complicated three-part transaction that is inter-conditional. We are betting on a significant bump in the offer price to one that should appease all stakeholders:

- minority shareholders who at present are seeing close to ~S$700m of value being extracted from them directly;
- the Independent Financial Adviser (IFA) who cannot feasibly provide a fair and reasonable opinion given the ~75% value discrepancy between readily calculable NAV ex. GEMS and the proposed Exit Offer of S$0.16 cash per share; and
- the Widjajas who, by conceding some of the value that rightfully belongs to minorities, can still achieve a considerable windfall.

Working against the Widjaja take-private proposal is the strength in the Stanmore share price, which as at 31 January had risen ~25% since the proposal was announced. Stanmore has increased on the back of rising premium low-vol hard coking coal prices and a strong December quarter performance that showed free cash flows of ~US$400m (~A$570m) despite depressed HCC prices and adverse weather conditions. At present rates of free cash flow generation, Stanmore will have moved to a net cash position since year end and will soon be in a position to pay dividends. We estimate it is trading on a forward EV/FCF multiple of ~1-2x (assuming average achieved sale price is between US$250-

350/t) – hardly a demanding valuation.

The result is an increase in the effective Exit Offer discount to NAV (excluding GEMS) from ~68% to ~75%, and minorities short-changed an additional ~S$200m in aggregate as shown below:

INCREASE IN EXIT OFFER DISCOUNT TO NAV SINCE DEAL ANNOUNCEMENT

		30-Nov-22	31-Jan-23
Stanmore Resources (ASX:SMR) share price	AUD	$2.730	$3.420
Premium LV HCC (FOB Australia)	US$/t	248	332
Exit Offer	SGD	$0.160	$0.160
NAV ex GEMS[1]	SGD	$0.501	$0.644
Exit Offer Discount to NAV ex GEMS	**SGD**	**-$0.341**	**-$0.484**
Exit Offer Discount to NAV ex GEMS	**%**	**-68%**	**-75%**
Minorities' effective ownership of GEAR[2]	m	1,413.7	1,413.7
Value extracted from minorities	**SGDm**	**482**	**684**

Source: Company filings, IRESS, SGX, NGE analysis.
1 NAV excluding GEMS Consideration; no value ascribed for Ravenswood.
2 Widjaja family owns ~59.9% of DSS which in turn owns 77.5% of GEAR.

What might a bump in the Exit Offer of S$0.16 per share look like? We think an increase of S$0.20-0.25 per share to $0.36-0.41 would enable all sides to save face. At that level the implied NAV discount is ~36-44%, which is in line with where GEAR was trading just prior to the deal announcement. We show the financial impact of various bump scenarios below:

SENSITIVITY ANALYSIS: EXIT OFFER BUMP

Increase in Exit Offer	SGD	$0.00	$0.05	$0.10	$0.15	$0.20	$0.25	$0.30
Exit Offer	SGD	$0.16	$0.16	$0.16	$0.16	$0.16	$0.16	$0.16
Increased Exit Offer	**SGD**	**$0.16**	**$0.21**	**$0.26**	**$0.31**	**$0.36**	**$0.41**	**$0.46**
Increase in Exit Offer	*%*	*0%*	*31%*	*63%*	*94%*	*125%*	*156%*	*188%*
NAV ex GEMS[1]	SGD	$0.644	$0.644	$0.644	$0.644	$0.644	$0.644	$0.644
Exit Offer Discount to NAV ex GEMS	SGD	-$0.484	-$0.434	-$0.384	-$0.334	-$0.284	-$0.234	-$0.184
Discount to NAV ex GEMS	*%*	*-75%*	*-67%*	*-60%*	*-52%*	*-44%*	*-36%*	*-29%*
Minorities' effective ownership of GEAR	m	1,413.7	1,413.7	1,413.7	1,413.7	1,413.7	1,413.7	1,413.7
Value extracted from minorities	**SGDm**	**684**	**613**	**542**	**472**	**401**	**330**	**260**
Widjaja family outlay:								
Exit Offer	SGDm	226	226	226	226	226	226	226
Increase in Exit Offer	SGDm	0	71	141	212	283	353	424
Total outlay	**SGDm**	**226**	**297**	**368**	**438**	**509**	**580**	**650**

Source: Company filings, IRESS, NGE analysis.
1 As at 31 January 2023.

An increased Exit Offer to S$0.36-0.41 combined with the GEMS Cash Consideration of ~S$0.67 (the more likely option given the impediments for most investors to accept the GEMS Share Consideration) results in a total consideration per GEAR share of ~S$1.03-1.08. That would be an all-time high share price and a ~14-20% premium to the undisturbed GEAR share price of S$0.90 just prior to the share price crash on 8 November 2022 – curiously one day before the take-private deal was announced on 9 November.

PT Dian Swastatika Sentosa Tbk (IDX:DSSA) (DSS) was due to hold an EGM in December for minority shareholders to approve the deal, part of which involves the Widjajas acquiring DSS' stake in GEAR.

The EGM was postponed at the last minute, most likely because the Widjajas couldn't get the requisite number of votes. Shortly thereafter, GEAR announced it had pushed back the Long-Stop Date from April to August, likely playing for time and waiting for a more opportune moment to rush the deal through.

If the deal goes through without a bump then we stand to make a small profit. If the deal is voted down or pulled, the stock may drop initially but we think the downside is limited as the stock was trading at S$0.90 prior to the deal announcement (a ~40% discount to current NAV). However, we think the Widjajas will be very motivated to get this deal done, at a modest incremental cost.

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We bought into **Metals X Limited (ASX:MLX)** in February 2021 at an average entry price of ~A$0.195 per share, after the company announced a deal to divest its problematic copper assets to **Cyprium Metals Limited (ASX:CYM)**. We sold down ~37% of our position over the period December 2021 to February 2022 at an average price of ~A$0.53 per share, netting a ~172% return on investment and ~A$1.27m profit.

Metals X's share price was down ~33% YoY. The company was impacted by operational hiccups, a weakening tin price (down ~37% to ~US$24,750/t), and high cost inflation. A weakening AUD against the USD was one of the few positive contributing factors to performance.

MLX CAPITAL STRUCTURE

		AUD	Comments
Share price	$	0.41	<< as at 31-Jan-23
Shares out.	m	907.3	
Market cap	$m	372	
Cash	$m	119	<< as at 31-Dec-22; incl 50% share of Bluestone JV cash
Nico Resources (ASX:NC1) shareholding	$m	10	<< 15.7m shares, of which 0.7m escrowed until 19-Jan-24
Cyprium Metals (ASX:CYM) convertible	$m	36	<< Maturity 30-Mar-25
Cash and liquid assets	$m	165	
Hire purchase debt	$m	4	<< as at 30-Jun-22
Environmental rehab provision	$m	15	<< as at 30-Jun-22
Debt	$m	18	
Net cash	$m	146	
EV	$m	226	

Source: Company filings, IRESS.

However, the company has a strong balance sheet and continues to look cheap against a range of assumed long-term tin prices, even after factoring in some cost inflation to production. We show our updated DCF sensitivity analysis below:

MLX DCF SENSITIVITY ANALYSIS

	Long-Term Tin Price (US$/t)			
	$25,000	$30,000	$35,000	$40,000
DCF per share (A$)	$0.43	$0.66	$0.88	$1.10

Note: DCF based on detailed Life-of-Mine Plan published in June 2020, adjusted for NGE estimate of expected cost inflation.

MLX has the potential for further mine-life extensions via additional conversion of the ~320kt existing resource to reserves, exploration upside, or by tying-in other nearby tin deposits. None of these potential upside scenarios is captured by our DCF analysis. Longer-term, the outlook for the tin price looks positive: growth in tin demand driven by renewable energy and EV applications is forecast to outweigh new supply, leading to a significant deficit from 2025.

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Danakali Limited (ASX:DNK) is in the process of selling its key asset, a 50% stake in the Colluli Potash Project, to **Sichuan Road & Bridge Group (SHG:600039)**. The binding agreement will deliver net cash proceeds to Danakali of ~US$121m. The deal has several conditions precedent outstanding that must be satisfied before close, including an upcoming shareholder vote. The transaction is currently expected to close by May.

Following receipt of the net proceeds (noting that ~US$15.5m will be paid 6 months following deal close) and including cash on hand, Danakali will have ~A$188m of cash (~A$0.51 per share) assuming an AUDUSD FX rate of 0.70. Management intends to return ~90%+ of the sale proceeds to shareholders via an equal pro rata off-market buyback, with the intention of retaining A$25-35m of cash (~A$0.068-0.095 per share) to look for a new potash project in a more stable jurisdiction. That suggests an initial distribution of ~A$153-163m (~A$0.415-0.443 per share). A return in that range looks very favourable against the 31 January share price of A$0.4075. A lower AUD against the USD would help increase the distribution amount.

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JMS CAPITAL STRUCTURE

		AUD
Share price (31-Jan-23)	$	$0.23
Shares out.	m	1,959.0
Market cap	**$m**	**451**
Cash [1]	$m	95
EV	**$m**	**356**

Source: Company filings, IRESS.
1 Includes Jupiter's 49.9% attributable share of Tshipi cash balance.

Jupiter Mines Limited (ASX:JMS), which we wrote up in our November 2021 NTA statement, continues to perform solidly. Jupiter owns 49.9% of the Tshipi Borwa manganese mine in South Africa. The company maintains a robust balance sheet, and has paid out 2c of dividends since we acquired our stake at ~22.5c per share. We estimate the company generated ~A$58m of FCF (accounting for JMS overhead) in the 12 months to 30 November, despite muted manganese prices and high shipping costs. The ZAR weakened ~8% against the USD which helped performance.

Shipping costs have historically run at ~15-20% of revenues but blew out to ~35% in 2022 due to elevated freight rates. Rates have since declined from ~US$49/t to ~US$30/t, which at Tshipi's production rate of ~3.4mtpa equates to a massive ~US$65m annual saving. The long-term average shipping rate prior to Covid-19 was ~US$25/t.

Tshipi recently struck a new 5-year contract with its mining services contractor Moolmans, which is owned by **Aveng Limited (JSE:AEG)**. Based on the headline value of the contract (ZAR 7bn) we estimate that the new mining services charge is ~US$0.70/dmtu, up ~17% on the previous rate of ~US$0.60/dmtu. That is not as big an increase as it sounds like, as mining services has historically made up ~25-30% of the FOB cost of production. The new contract also incentivises Moolmans to upgrade its heavy mining equipment, which should drive long-desired productivity gains.

The manganese price is driven by China steel production. The recent rise of ~25% in Tshipi's benchmark manganese price (37% Mn FOB Port Elizabeth) to ~US$3.90/dmtu is a welcome development, and coincides with China's re-opening. There is long-term potential for a structural shift in demand for manganese ores as manganese sulphate is increasingly being used in dry cell batteries. Tshipi's semi-carbonate ore is likely to be conducive to battery-grade manganese sulphate chemistries.

Jupiter's long-awaited new corporate strategy is expected to be published next month. Near term we continue to believe it would make sense to consolidate 100% of Tshipi at a sensible price. Management has repeatedly commented on the number of manganese mines operating in the near vicinity to Tshipi, and highlighted the underutilised super-fast rail loadout facility that Tshipi owns which could make a tie-up logistically attractive. We note that the recently opened Mokala mine has a common major shareholder in Ntsimbintle/Safika.

Tshipi has proven itself to be a resilient, low-cost, long-life mine that is able to generate solid free cash flows through-the-cycle. From that base we get potential upside from an increase in the Mn price, the optionality to increase production to 4.5mtpa when the timing makes sense, opportunities to consolidate adjacent mining operations and realise product blend, cost and logistical synergies, and longer-term there is potential upside from new battery technologies.

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During the year **Embark Education Group Limited (ASX:EVO)** (formerly Evolve Education Group) sold its problematic NZ childcare business to PE firm Anchorage Capital Partners for an enterprise value of NZ$46m. Whilst at the low end of what we had hoped a NZ sale would achieve, we think the deal made financial, operational and strategic sense. NZ has been a drag on earnings since pre-Covid, tying up valuable capital that can be put to more profitable use in the Australian market. The company now owns and runs 24 childcare centres in Australia, which are far more lucrative.

Since the sale, Embark paid out its first dividend since June 2018, and also used the proceeds to pay down its outstanding senior secured medium term notes. The company should be able to replace the notes with a bank acquisition facility that it can draw down on when purchase opportunities arise.

EVO CAPITAL STRUCTURE

		AUD
Share price (31-Jan-23)	$	$0.55
Shares out.	m	159.5
Market cap	**$m**	**87.8**
Cash (30-Jun-22)	$m	7.6
NZ sale proceeds [1]	$m	40.0
Dividend	$m	-5.2
Repayment of notes	$m	-21.1
Net cash	**$m**	**21.4**
EV	**$m**	**66.4**

Source: Company filings, IRESS.
1 NGE estimate.

EVO PRO FORMA TRADING MULTIPLES

		AUD	
		High	Low
Run-rate revenue	$m	55.0	65.0
Centre-level EBITDA margin	%	30.0%	30.0%
Centre-level EBITDA	**$m**	**16.5**	**19.5**
PF overhead & support costs	$m	-3.5	-3.5
PF EBITDA	**$m**	**13.0**	**16.0**
PF EBITDA margin	%	23.6%	24.6%
PF EV/EBITDA	x	5.1	4.1

Source: Company filings, NGE estimates.

Childcare operators endured a difficult time during Covid, however it appears that the industry is turning a corner: occupancy levels have improved in 2HCY22, focused recruitment and rostering efforts are at least partly moderating the impacts of the ongoing teacher shortage, and the Albanese government is introducing higher childcare subsidy rates from July 2023. Embark should benefit from these tailwinds.

The company continues to trade very cheaply, though it is small and illiquid. A return to acquiring childcare centres on sensible multiples should see the return of some investor interest, which would be a welcome development. Additionally, Embark remains a potential takeover target. Childcare operators remain a happy hunting ground for both PE and strategic acquirers. Fellow ASX-listed nanocap, **Mayfield Childcare Limited (ASX:MFD)**, is the subject of a non-binding bid from Busy Bees that we estimate values the company on a trailing EV/EBITDA basis of ~7.2-7.5x, which is very much a "trough earnings" EBITDA number. Even at those bargain levels, Embark is worth ~$0.71-0.88 per share or ~30-60% upside from the 31 January close price.

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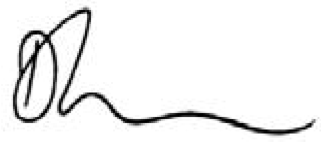
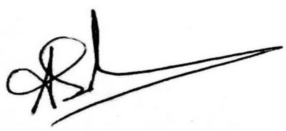
NGE remains a simple, clean and tax efficient investment vehicle, with ~$44 million of Australian unused and unrealised losses available at year end. In the aggregate these losses equate to a potential future tax benefit of ~$11m or ~$0.31 per share (of which only ~$2.3m or ~$0.064 per share is recognised 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).

Whilst we were down slightly in 2022 in a difficult market, it was far from a disaster and we are confident we will be able to more than make up the performance with our existing portfolio and a few additional sensible investments. As always we will be patient, disciplined, concentrated and opportunistic as we seek to build on our 6-year track record of strong risk-adjusted returns.

Yours sincerely,





David Lamm
Executive Chairman
& Chief Investment Officer

Adam Saunders
Executive Director
& Portfolio Manager

23 February 2023

IMPORTANT INFORMATION:

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