CHAIRMAN'S LETTER

Dear Shareholder,

NGE Capital Limited (**NGE** or **Company**) recorded a net profit after tax of $8.9 million for the financial year ended 31 December 2023. The portfolio returned 25.0% pre-tax and after all expenses during the year. NGE has returned, net of all expenses, 12.3% p.a. or 127.5% in aggregate since 30 November 2016, when the Company began operating as a Listed Investment Company (LIC).

The key positive contributors to portfolio performance in FY2023 were unrealised gains from our uranium basket (expressed via holdings in **Yellow Cake plc (LSE:YCA)** and **Sprott Physical Uranium Trust (TSX:U.UN)**) and holdings in **Industrial Logistics Properties Trust (NAS:ILPT)**, **Danakali Limited (ASX:DNK)**, **John Wood Group plc (LSE:WG)** and **Embark Early Education Limited (ASX:EVO)**. Additionally, we realised solid gains from fully exiting holdings in **Golden Energy and Resources Ltd (SGX:AUE)** and **Franklin Street Properties Corp. (AME:FSP)**, partially selling down **John Wood Group plc (LSE:WG)**, and receiving shareholder distributions from **Danakali Limited (ASX:DNK)**. The key detractors were mark-to-market declines in **Metals X Limited (ASX:MLX)** and **Jupiter Mines Limited (ASX:JMS)**, and realised losses from exits in **Geo Energy Resources Limited (SGX:RE4)** and **Argo Group International Holdings, Ltd. (NYS:ARGO).** We provide a brief portfolio update on our top holdings below.

We continue to remain cautious on the macroeconomic outlook. Up until recently global equity markets appear to have largely shrugged off recession concerns, as the consensus narrative shifted to a belief that inflation has been defeated, employment and consumer spending remain strong, a "soft landing" has been achieved, central banks will cut interest rates, and asset prices should do well. The contraction of the UK and Japanese economies in the past two quarters and China's ailing property sector suggest that decelerating global growth may be behind the softening inflation figures, potentially setting up bullish investors for disappointment. Further adding to our caution is our expectation that it may take longer than anticipated for inflation to get sustainably below 2% long-term targets, as growth in wages, energy prices and rents may prove to be sticky even in a slowing economic environment.

Government stimulus such as the Biden administration's "Inflation Reduction Act", and ongoing geopolitical tensions including in the Middle East where shipping routes through the Red Sea continue to be impacted, are likely to be inflationary. Complicating the outlook is the recent sharp decline in US gas prices following President Biden's decision to pause pending LNG export approvals. Given natural gas is the bedrock of the US economy, the price plunge should provide a near-term boost to the US economy in an election year. However, as US gas producers inevitably curtail supply the risk of a future energy shortage, a violent rebound in gas prices and a potential economic crisis rises. Such a scenario would bring the record level of US federal debt and high fiscal deficit into sharper focus.

In the current "macro heavy" environment, we expect global markets to remain volatile. In response, we will continue to focus on what we can control:

- target investments that can generate strong returns with an adequate margin of safety;
- aim to hold a high conviction, concentrated portfolio; and
- invest based on fundamental analysis.

A broad investment mandate allows us to be flexible and respond quickly to a wide range of investment opportunities and allocate capital to the most attractive ones, across any sector or region. We are also able to be highly concentrated, where holdings can grow very large as a percentage of the portfolio. The flexibility and concentrated nature of our approach was on display on 3 April 2023 when we were able to purchase 11.0m shares of Danakali in a single trading session, taking advantage of heavy selling as the shares sold off just prior to being suspended from trading. We increased our holding from a ~11% to a ~22% portfolio position. Our decisive actions were subsequently rewarded with shareholder distributions that exceeded our average entry price for the entire position.

Our cash balance increased to ~28% of NTA at year end (including the $8.4 million of Danakali distributions receivable that was paid on 8 January). We will be patient about making new investments and look to selectively deploy cash at opportune times when the risk-reward is attractive. In volatile markets event-driven special situations can provide strong risk-reward opportunities that are not correlated to the market. These "special sits", which we are constantly assessing, can include M&A, asset sales, strategic reviews, corporate actions such as spinoffs/demergers, changes in leadership, changes in strategy, index additions/deletions, and capital management announcements such as buybacks/return of capital/increased dividends/special dividends.

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Uranium holding

Our uranium basket – held via holdings in **Yellow Cake plc (LSE:YCA)** and **Sprott Physical Uranium Trust (TSX:U.UN) (SPUT)** – is our largest position at ~26% of the portfolio at year end. We added slightly to our YCA holding in March when the discount to NAV blew out to ~15%. The aggregated position grew significantly following an ~80% increase in the U_3O_8 spot price to US$91/lb over the year, leading the security prices of YCA and SPUT to follow.

We initiated our position in 2018 when the uranium price was ~US$25/lb, and our patience is finally being rewarded. Despite the huge run-up in spot price last year, we believe there are several catalysts in play that should result in higher prices in the near-term. The uranium price peaked at over US$140/lb in 2007 during the last bull market, which adjusted for inflation would equate to over US$200/lb in today's money. The price had risen from ~US$10/lb in 2003 due to a range of factors, which are the same factors driving today's bull market: dwindling supplies of inventory, low primary mined production relative to demand, and increasing net demand for nuclear energy. Arguably the forces in operation today are more durable than back then. The peak price surge occurred shortly after the October 2006 flooding of Cameco's Cigar Lake mine, a black swan event that sent the price into bubble territory.

Excess inventories no longer appear to be overhanging the market. Utilities have been particularly active recently in purchasing material in the spot market, which is unusual given the strong run-up in price. The underfeeding to overfeeding dynamic is playing out, which we flagged as a possibility in last year's letter. Several enrichers have been active in the spot market as buyers, as high conversion and enrichment prices no longer incentivise underfeeding.

Supply coming from Kazakhstan, Russia and Niger looks shaky, at a time when Western utilities have run down their inventories and are short material. There is no guarantee the large incumbent producers – **JSC NAC Kazatomprom (LSE:KAP), Cameco Corporation (TSX:CCO; NYS:CCJ)** and Orano SA – will be able to hit production targets. Indeed, in February Kazatomprom revised its 2024 production guidance down by ~5.2-6.5mmlbs following an expectation it will not have access to sufficient quantities of sulfuric acid to carry out its mining activities. There are no big, new, greenfield mines under construction, and there is a long lead time to bring new production online.

Our original investment thesis centred on growth in net demand coming from new nuclear builds in China, India and the Middle East. Our base case had U_3O_8 demand growing from ~175mmlbs to ~190mmlbs by 2030. The World Nuclear Association's *Nuclear Fuel Report: Global Scenarios 2023-2040* released in September 2023 has an implied base case demand of ~226mmlbs by 2030, well above our original estimates. We had not anticipated new nuclear build intentions from countries such as France, Japan, the Netherlands, Poland, Sweden, Turkey and the UK when we initiated the position.

Tim Gitzel, Cameco CEO, noted during Cameco's 3Q23 earnings call that "we've never started a cycle at this high of a uranium price before". We will be looking to trim our position at some point as it has become very large, but for the moment the fundamentals look better than ever.

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Greek Non-Performing Exposures (NPE) basket

In July 2023 we acquired an aggregate ~10% position across **Galaxy Cosmos Mezz Plc (ATH:GCMEZZ)**, **Phoenix Vega Mezz Plc (ATH:PVMEZZ)**, and **SunriseMezz Plc (ATH:SUNMEZZ)**. At the time, these three Cyprus-incorporated, Athens listed securities were trading at P/E multiples (adj for cash) in a range of ~2.0-3.6x, whilst yielding ~19-25% based on forthcoming capital returns. The earnings are underpinned by quarterly interest coupon payments that flow from long-dated bonds they hold, with longer-term multi-bagger upside potential (up to ~3.5-9x) if bond principal is paid down. Whilst the background story and waterfall payment structure of the bonds held by these entities is somewhat complex, the investment essentially hinges on the continued recovery of Greece's economy and real estate sector.

So far, the thesis has played out very well and investor interest in Greece is presently very strong: to wit, the recent IPO for **Athens International Airport (ATH:AIA)** was 12x oversubscribed. Since year end we have trimmed our basket position, following the recent strong performance of each security.

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John Wood Group plc (LSE:WG)

John Wood Group plc (LSE:WG) (Wood Group) is steadily progressing on its turnaround plan, with new management focusing on lower risk, modular, cost-reimbursable work. Previously the company had been badly burnt by cost overruns from large, fixed-price, "lump sum turnkey" projects. Restructuring and one-offs have obscured the quality of the underlying business, which has a high level of repeat business and cash conversion across its divisions. 2024 should see one-off cash outflows drop to ~US$65m (down from ~US$140m in 2023), and a further decline to ~US$30m is expected in 2025. That should help Wood Group start to generate sustainable, positive free cash flows.

A positive outcome from the revived sale process of Wood's 51% stake in the EthosEnergy JV, a turbine servicing business that generated ~US$30m (Wood share) of adjusted EBITDA in 2023, would allow the company to cut its high-cost debt further. Wood paid an average interest rate of ~11% in 1H23.

Wood Group looks cheap trading on a FY24E EV/EBITDA multiple of ~6.3x compared to closest peer **Worley Limited (ASX:WOR)** on ~11.1x. For Wood Group to regain interest from investors it will need to continue to execute, deliver revenue and EBITDA growth in the mid- to high-single digit range, and print several periods of "clean" financials that show the FCF generation ability of the business. As we have previously noted, Wood's large revenue base (FY23 of ~US$6bn) mean that small improvements in growth and margins can have a big impact on the bottom line.

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Industrial Logistics Properties Trust (NAS:ILPT)

Industrial Logistics Properties Trust (NAS:ILPT) is a REIT that owns over 400 warehouse and logistics properties in the US. ILPT is externally managed by **The RMR Group Inc. (NAS:RMR)** pursuant to business management and property management agreements. RMR handles leasing activities, supervises construction, and evaluates acquisition and disposition opportunities on behalf of the REIT. ILPT's top tenants are **FedEx Corporation (NYS:FDX)**, **Amazon.com, Inc. (NAS:AMZN)** and **Home Depot, Inc. (NYS:HD)**.

CHAIRMAN'S LETTER

ILPT's occupancy was 98.8% at year end, and the company enjoyed rental growth of ~13% in 2023. Whilst ILPT is overly levered, the non-recourse nature of its debt means the odds of bankruptcy are far more remote than the depressed share price suggests. Its modestly geared Hawaii portfolio alone could be worth ~US$18/sh, if applying the implied "going in" 4.0% cap rate from **Prologis, Inc.'s (NYSE: PLD)** acquisition of a large industrial property portfolio from Blackstone as announced in June 2023.

The property portfolio is carried at initial cost plus capex (if any) less any impairment and accumulated depreciation. The reason for the extreme undervaluation of Hawaii is because the bulk of the portfolio was acquired in two transactions in 2003 and 2005 at prices that are well below current levels. The Hawaii portfolio consists of ground leases, so capex is minimal. These warehouses are in a highly constrained area, with a history of strong rental growth and high occupancy. For these reasons, the Hawaii portfolio is of particular quality and so a 4.0% "going in" cap rate is likely a fair proposition when valuing these assets.

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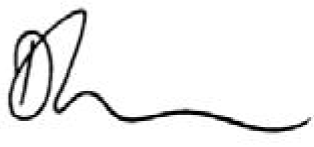
NGE remains a simple, clean and tax efficient investment vehicle, with ~$33 million of Australian unused and unrealised losses available at year end. In the aggregate these losses equate to a potential future tax benefit of ~$8m or ~$0.23 per share (of which only ~$2.9m or ~$0.081 per share is recognised in our after tax NTA). The losses – which include both income and capital losses – were generated from the Company's prior activities as an oil and gas explorer in Papua New Guinea when the Company was called "New Guinea Energy Limited". 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).

Now in our 8th year as a LIC, we hope that we have demonstrated that our investment approach is sensible, durable and able to generate strong risk-adjusted returns over time. We are confident the portfolio will do well over time given the high discounts at which our investments trade relative to our assessment of intrinsic value. We are excited by the prospect of deploying our significant cash balance into new ideas throughout 2024, and as always we will do so in a patient, disciplined and opportunistic manner.

Yours sincerely,



David Lamm
Executive Chairman
& Chief Investment Officer

Adam Saunders
Executive Director
& Portfolio Manager

27 February 2024

IMPORTANT INFORMATION:
While management of NGE have taken every effort to ensure the accuracy of the material covering the Company's portfolio investments in the Chairman's Letter, the material is provided for information purposes only. No representation or warranty, express or implied, is or will be made by NGE or its officers, directors, employees or advisers as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in the Chairman's Letter, or as to the reasonableness of any assumption, forecasts, prospects or returns contained in, or implied by, the Chairman's Letter. The Chairman's Letter does not constitute investment, legal, taxation or other advice and does not take into account your investment objectives, financial situation nor particular needs. You are responsible for forming your own opinions and conclusions on such matters and should make your own independent assessment of the information contained in, or implied by, the Chairman's Letter and seek independent professional advice in relation to such information and any action taken on the basis of the information. The Chairman's Letter is not, and does not constitute advice or an offer to sell or the solicitation, invitation or recommendation to purchase any securities that are referred to in the Chairman's Letter.