CHAIRMAN'S LETTER

Dear Shareholder,

NGE Capital Limited (NGE or Company) recorded a net profit after tax of $4.8 million for the financial year ended 31 December 2024. The portfolio returned 11.0% pre-tax and after all expenses during the year. NGE has returned, net of all expenses, 12.1% p.a. or 152.5% 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 FY2024 were unrealised gains from **Capricorn Energy PLC (LSE:CNE)**, **Cash Converters International Limited (ASX:CCV)**, **Embark Early Education Limited (ASX:EVO)**, **Indiana Resources Limited (ASX:IDA)**, **Metals X Limited (ASX:MLX)** and **Pioneer Credit Limited (ASX:PNC)**. Additionally, we realised solid gains from fully exiting holdings in **Galaxy Cosmos Mezz Plc (ATH:GCMEZZ)**, **OCI N.V. (AMS:OCI)**, **Phoenix Vega Mezz Plc (ATH:PVMEZZ)** and **SunriseMezz Plc (ATH:SUNMEZZ)**. The key detractors were mark-to-market declines in **Industrial Logistics Properties Trust (NAS:ILPT)**, **Jupiter Mines Limited (ASX:JMS)**, **John Wood Group plc (LSE:WG)** and our uranium basket (expressed via holdings in **Yellow Cake plc (LSE:YCA)** and **Sprott Physical Uranium Trust (TSX:U.UN)**).

With global equity markets at or near all-time highs following two years of strong performance, we are staying mindful of the potential for a retrace. Government demand and high levels of immigration have been key drivers of GDP in Australia, the UK and US. High government spending has cushioned GDP and employment numbers, but also masked weakness in the private sector. It has also resulted in large and persistent fiscal deficits, and high government debt levels. The new Trump administration has shown a strong resolve to cut wasteful US government spending in an effort to reduce the deficit and has made substantial headway in a short period of time. However, it is difficult to see a path to balancing budgets across the West without enduring an economic downturn in the short-term. Argentina provides a case study in what is possible if there is resolve: President Milei forced short-term pain on the economy following sharp cuts to government spending, but has likely set the country up for sustainable, long-term prosperity.

As things currently stand, we suspect there will be continued fiat currency printing and structurally higher inflation for the foreseeable future across the West, though the inflation trajectory may be a bumpy "up-and-down" one. Trade wars, reshoring of international operations to domestic markets, persistently high energy prices due to the energy transition, and a shift in the balance of power towards labour and away from capital, are also likely to add to higher structural inflation.

Given its ability to act as an inflation hedge, we think it makes sense to have some exposure to gold. We initiated two new positions with exposure to gold in 2024: a holding in Papua New Guinea-based gold miner **K92 Mining Inc. (TSX:KNT)**; and integrated mining services provider **MLG Oz Limited (ASX:MLG)**, which derives ~87% of its revenues from gold producers in Western Australia and the Northern Territory. We think both companies have a very strong period of earnings growth ahead of them, in an earnings cycle that is likely just ramping up and could last several years. The gold price is currently trading near all-time highs, driven by central bank purchases, safe haven demand in an uncertain macro- and geopolitical-environment, and expectations of higher-for-longer inflation.

We believe the current uncertain environment should continue to present attractive investment opportunities for stock pickers like ourselves. We expect to be able to continue our track record of solid returns over the medium to long term by sticking to our investment philosophy, which can be summarised as follows:

- 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.

We also think that patience, though more of a "soft element", is a significant pillar of our investment approach and is a trait that has been a strong contributor to our performance. Patience in investing is easier said than done sometimes but can be learned and improved on with experience. These days we are arguably more patient investors at monitoring ideas (prior to acting), building new positions over time (as opposed to simply buying a full position upfront), and not immediately rushing to add to positions when they move against us.

Our patience was on display through the first half of 2024, where we held an average cash balance of ~30% of NTA following the receipt of an $8.4 million capital return and dividend distribution from **Danakali Limited (NSX:DNK)**. We were then particularly active in the second half of the year as we added seven new positions: **Achieve Life Sciences, Inc. (NAS:ACHV)**, **Cash Converters International Limited (ASX:CCV)**, **Indiana Resources Limited (ASX:IDA)**, **K92 Mining Inc. (TSX:KNT)**, **MLG Oz Limited (ASX:MLG)**, **Northern Ocean Ltd. (OSL:NOL)** and **Pioneer Credit Limited (ASX:PNC)**. Two of these investments – Pioneer and Indiana – were made after having followed each company for some time and seeing that separate positive announcements were either missed or misread by the market. Pleasingly as at year end these seven new positions had collectively added a net ~$2.1 million to NTA, or ~14.2% of the invested capital, via capital growth and shareholder distributions. We expect these investments to do well for us as a whole over the coming years.

Our uranium holding was a drag on portfolio performance during 2024, with **Yellow Cake plc (LSE:YCA)** down ~19% and **Sprott Physical Uranium Trust (TSX:U.UN)** down ~12% as the spot U_3O_8 price declined ~27% from ~US$100/lb to ~US$73/lb at year end. Conversely the term price, which acts as a reference price for long-term contracting activity between utilities and producers and is a fairer representation of the "true" supply-demand dynamics of the uranium market, was up ~12% to ~US$81/lb. Some bearishness has crept into the uranium thesis over the past 12 months. This is likely a combination of:

- a belief that there is sufficient material available – either via excess inventories or the ability for incumbent producers to grow production – such that the forecast supply-demand imbalance may not come to fruition;
- a low level of term contracting activity in 2024 at ~120mmlbs versus ~160mmlbs in 2023;
- investors' focus on the decreasing spot price;
- improved 2024 production from key producers JSC National Atomic Company Kazatomprom (LSI:KAP) and Cameco Corporation (TSX:CCO; NYS:CCJ);
- Kazatomprom's 2025 production guidance is ~11% higher (at the mid-point of the guidance range) at ~65-69mmlbs (100% basis) than 2024 production;
- the fact that higher prices for conversion and enrichment fuel services have yet to translate into higher "upstream" prices for natural uranium;
- concern that a Russia-Ukraine peace deal will see uranium material welcomed back by Western utilities;
- the realisation that China's DeepSeek-R1 AI model appears to be more energy efficient than other large language models and therefore challenges the most bullish power consumption cases for AI data centres from technology companies; and
- uncertainty around potential forthcoming US energy tariffs.

We acknowledge the above concerns, and they may well prove out to be true. Since we initiated our position in mid-2018 when the spot U_3O_8 price was ~US$25/lb and the term price ~US$31/lb, we have always cautioned that the biggest uncertainty to our investment thesis was the level of excess inventories given the market is so opaque. However, we continue to hold a conviction that the demand for nuclear power is becoming increasingly durable and growing, whilst the risk to uranium supply remains high.

The World Nuclear Association expects global uranium demand to double by 2040. Over 30 countries have pledged to triple their nuclear energy capacity by 2050, including France, Japan, South Korea, the UK and the US. Amazon, Alphabet and Microsoft have each recently signed large, long-term nuclear power deals that represents incremental nuclear power demand that was never in our base case demand thinking to begin with.

On the supply side, Kazatomprom's incremental production is being mostly sold to Russia and China, while less is going to the US and Europe. Kazakhstan recently introduced mineral extraction taxes for uranium that increase the cost of production in the world's largest primary supplier country. Cameco had a strong year of production in 2024 due to the performance of the Key Lake mill but is being more reserved in its forward production outlook. Cameco noted on its 4Q2024 earnings call that it has stepped back from term contracting as utilities try to pull down the floor prices in contracts from US$70/lb escalated "into the US$60s escalated".

Orano was stripped of its mining rights by Niger's government last year, whilst its JV mines in Kazakhstan are running out of resources. Orano is now looking to develop a project in Mongolia to shore up its supply. Rio Tinto Limited (ASX:RIO; LSE:RIO), one of the world's best and most experienced miners, has struggled with its Mongolian operations suggesting the path to production for Orano's uranium deposits there will not be an easy one.

Junior producers including Paladin Energy Ltd (ASX:PDN) have struggled to ramp up previously mothballed mines, highlighting that primary production is never a given. And BHP Group Limited's (ASX:BHP) expansion plans for its Olympic Dam mine, which together with its other copper-focused South Australian mines is a large producer of uranium as a byproduct, show that it can double copper production without increasing the volume of uranium production. This alleviates concerns that BHP will flood the market with unwanted supply.

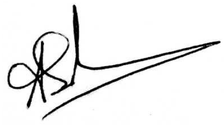
Overall we think there remains scope for a future supply shock that could materially tighten uranium markets, and continue to hold our conviction long for the time being.

Metals X Limited (ASX:MLX) was a strong performer for us in 2024, benefitting from a strengthening tin price, a weakening AUD against the USD, and improved production rates by the Bluestone Mines Tasmania JV from development of the high-grade Area 5 deposit and enhancement programs within the plant. Solid supply-demand fundamentals have underpinned tin's performance, whilst other base metals have fared worse in the face of weak Chinese demand. We think the outlook for tin remains strong due to a lack of significant supply growth, ongoing risks to supply from large producer countries such as Myanmar and Indonesia, and increasing demand from energy transition applications and semiconductors.

NGE remains a simple, clean and tax efficient investment vehicle, with ~$29 million of Australian unused and unrealised losses available at year end. In the aggregate these losses equate to a potential future tax benefit of ~$7m or ~$0.20 per share (of which only ~$3.3m or ~$0.093 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).

As we progress through 2025, our 9th year as a LIC, we will continue to make a concerted effort in NGE's monthly NTA statements to provide a transparent overview of the portfolio composition, detailed analyses of our investee companies, and our achieved returns after all fees and expenses. We believe this very high level of transparency sets us apart from most funds. We are working hard to find attractive investments to add to the portfolio whilst maintaining our disciplined approach. We remain enthusiastic about the prospects for the existing portfolio and are excited at the opportunity set in front of us.

Yours sincerely,



David Lamm
Executive Chairman
& Chief Investment Officer

Adam Saunders
Executive Director
& Portfolio Manager

27 February 2025

IMPORTANT INFORMATION:
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