

New Guinea Energy Limited

(to be renamed “NGE Capital Limited”)

Annual General Meeting 2017

30 May 2017

Chairman’s Presentation



Disclaimer



The information in this presentation is in summary form and should not be relied upon as a complete and accurate representation of New Guinea Energy Ltd and or its various business activities. While management has taken every effort to ensure the accuracy of the material in the presentation, the presentation is provided for information purposes only. No representation or warranty, express or implied, is or will be made by New Guinea Energy or its officers, directors, employees or advisers as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in, or implied by, this presentation, or as to the reasonableness of any assumption, forecasts, prospects or returns contained in, or implied by, this presentation or any part of it. The presentation may include information derived from third party sources that has not been independently verified.

This presentation should be read in conjunction with the 2016 Annual Report of New Guinea Energy and other periodic and continuous disclosure announcements that have been lodged by New Guinea Energy with the Australian Securities Exchange.

This presentation contains certain forward-looking statements with respect to the financial condition, results of operations and business of New Guinea Energy and certain plans and objectives of the management of New Guinea Energy. Forward-looking statements can generally be identified by the use of words such as 'project', 'foresee', 'plan', 'expect', 'aim', 'intend', 'anticipate', 'believe', 'estimate', 'may', 'should', 'will' or similar expressions. Indications of, and guidance on, production targets, targeted output, development or timelines, exploration or expansion timelines, infrastructure alternatives and financial position and performance are also forward-looking statements.

Any forecast or other forward-looking statement contained in this presentation involves known and unknown risks and uncertainties and may involve significant elements of subjective judgment and assumptions as to future events which may or may not be correct. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of New Guinea Energy, and may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements.

The forward-looking statements included in this presentation involve subjective judgment and analysis and are subject to significant business, economic and competitive uncertainties, risks and contingencies, many of which are outside the control of, and are unknown to New Guinea Energy. Given these uncertainties, you are cautioned not to place undue reliance on forward-looking statements. These forward-looking statements are based on information available to us as of the date of this presentation. Except as required by law or regulation (including the ASX Listing Rules) we undertake no obligation to update these forward-looking statements.

This presentation is provided for informational purposes only and is subject to change without notice. Subject to any obligations under applicable laws, regulations or securities exchange listing rules, New Guinea Energy disclaims any obligation or undertaking to release any updates or revisions to the presentation to reflect any change in expectations or assumptions. Nothing in the presentation should be interpreted to mean that future earnings per share of New Guinea Energy will necessarily match or exceed its historical published earnings per share, or that there has been no change in the affairs of New Guinea Energy since the date of the presentation.

This presentation does not constitute investment, legal, taxation or other advice and the presentation 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, this presentation and seek independent professional advice in relation to such information and any action taken on the basis of the information.

References to dollars, cents or \$ in this presentation are to Australian currency, unless otherwise stated.

Company snapshot



- ▶ New Guinea Energy Limited (**NGE** or **Company**) is a Listed Investment Company (**LIC**) which allows investors to invest in a concentrated, high conviction, professionally managed portfolio of financial assets.
- ▶ Focus primarily on ASX listed equities.
- ▶ Aim to generate strong risk-adjusted returns over the medium to long term.
- ▶ Internally managed by portfolio manager David Lamm.
- ▶ Company to be renamed **NGE Capital Limited**.
- ▶ Significant Board shareholding in the Company: backing our investment decisions and ability, with interests aligned with shareholders.

Board of directors

David Lamm	Executive Chairman
Adam Saunders	Non-Executive Director
Grant Worner	Non-Executive Director

Summary

ASX ticker		NGE
NTA per share post tax (30 Apr 2017)	\$	\$0.570
NTA attributable to cash (30 Apr 2017) ⁽¹⁾	\$	\$0.295
Net asset value (30 Apr 2017)	\$m	\$21.59
Share price (26 May 2017)	\$	\$0.430
Discount to NTA	%	-24.6%
Shares outstanding ⁽²⁾	m	37.87
Market cap	\$m	\$16.28

(1) Cash held in the following currencies: A\$11.2M, PGK0.7M and US\$0.04M.

(2) Excludes shares bought back to 26 May 2017 and 172,500 unquoted treasury shares.

Top shareholders

Kentgrove Capital Pty Ltd ⁽¹⁾	23.9%
Asia Image Limited	7.2%
Noontide Investments Ltd	6.9%

(1) Entity controlled by David Lamm.

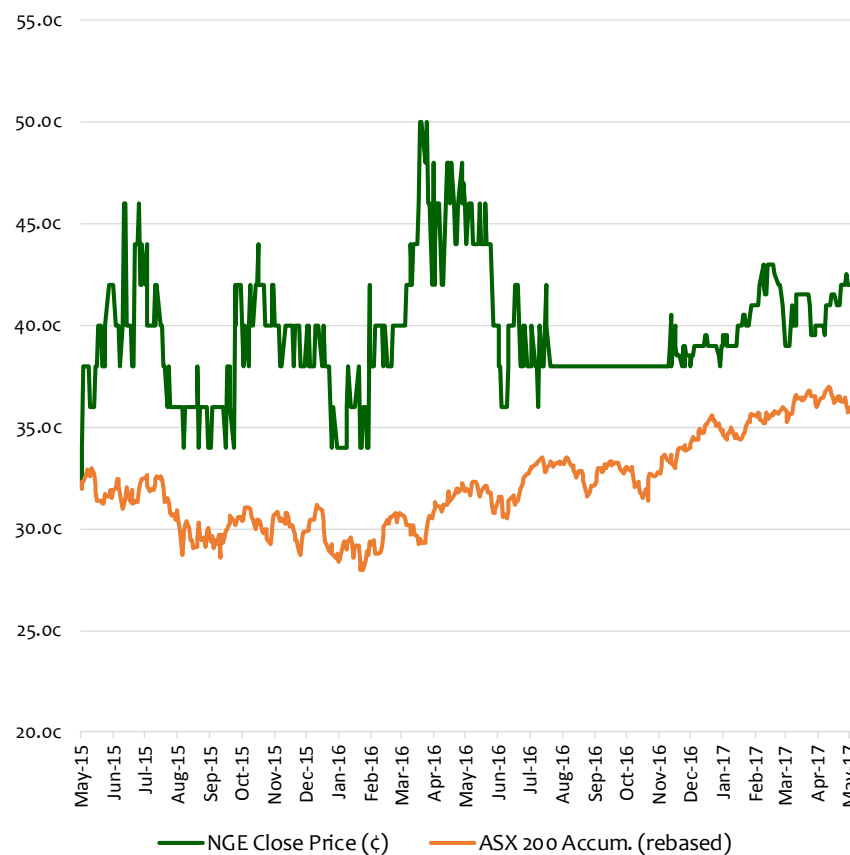
Review of operations



- ▶ Net Profit After Tax of \$691k achieved in FY2016, with Company's Net Tangible Assets growing \$413k, despite one-off costs of \$770k in transforming the business.
- ▶ Change in nature and scale of Company's activities to those of a LIC.
- ▶ Voluntary delisting from PoMSOX.
- ▶ Completion of unmarketable share sale facility.
- ▶ On-market buyback of approximately 4.2 million shares at an average price of \$0.407 (a price of 71.4% of NTA per share) for a total consideration of approximately \$1.7 million.
- ▶ Maximisation of Australian dollar cash balance by continued conversion of foreign currency.
- ▶ Early investment successes with a \$2.7M gain from a \$3.55M investment in Karoon Gas Australia Limited, and a \$1.7M gain from a \$5.0M investment in Metals X Limited prior to Westgold Resources demerger.

NGE share price performance

Total return	NGE	ASX 200 Accum.
Since May 2015	34.4%	12.2%



Investment philosophy



Target investments that can generate strong returns with an adequate margin of safety

- Individual securities can and do significantly deviate away from their fair value.
- Potential to generate strong risk-adjusted returns by investing in select securities at opportune times.

Aim to hold a high conviction, concentrated portfolio

- Only invest in a compelling opportunity, otherwise hold cash.
- Prefer to invest heavily in a small number of high conviction opportunities, than invest small amounts in a large number of less compelling investments.

Invest based on fundamental analysis

- Bottom up stock selection, focusing on the fundamentals of individual companies rather than market trends.
- Conduct extensive proprietary research with a focus on:
 - **Board and management** – track record, skin in the game.
 - **Credit risk** – gearing, debt profile, interest coverage.
 - **Earnings** – free cash flows including timing and likelihood, margins, payout ratio, growth potential.
 - **Valuation** – multiples, discounted cash flow analysis, break-up value.
 - **Competition** – market share, industry position, sensible market operating.

Investment process



Idea generation

- Screening
- Identify mispricing
- Leverage network of contacts



Proprietary research

- Fundamental analysis
- Company meetings / site visits
- Speak to experts



Investment decision

- Buy, hold, sell, wait, do nothing
- Investment committee approval as required
- Sizing and structure based on risk-reward payoff



Assessment

- Qualify against investment philosophy
- Stress test valuation and assumptions
- Refine hypothesis



Monitor and exit

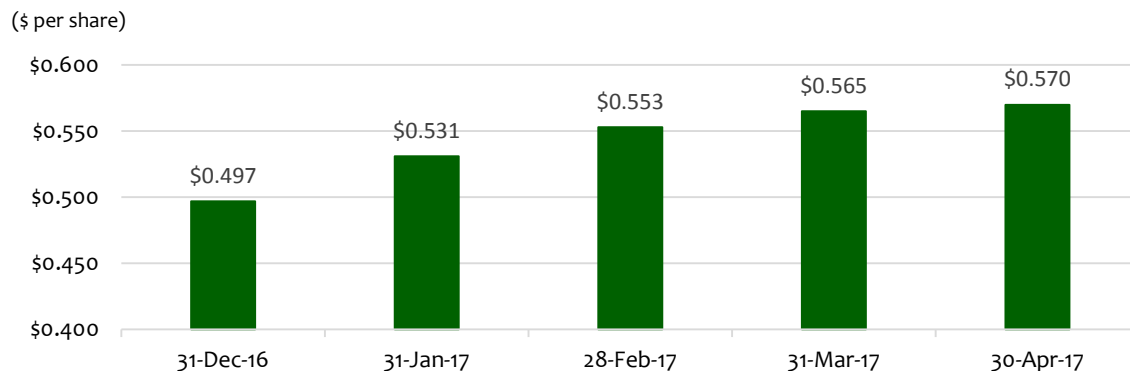
- Update assessment for new information
- Stay on top of the story

ASX's best performing LIC in 2017 YTD



▶ NGE has been the best performing LIC on the ASX since the beginning of the year.

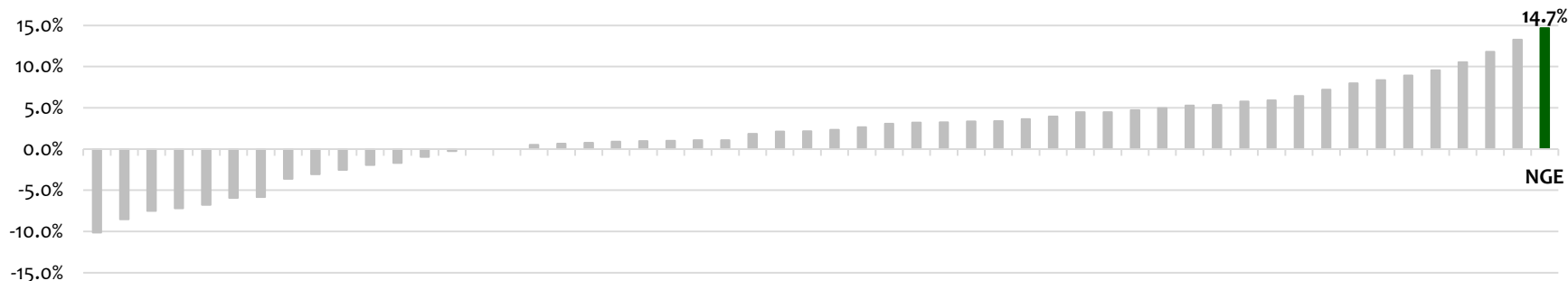
NTA per share (year to date)



Total portfolio return	Since 1-Jan-17
NGE	14.7%
ASX 200 Accumulation	5.9%
LICs - large cap focus	5.8%
LICs - mid cap focus	2.4%
LICs - small cap focus	-1.5%
LICs - specialist focus	0.4%

Note: Australian-focused LICs. LIC returns include dividend payments.

Growth in NTA per share (year to date) – Australian-focused LICs



Note: Each bar represents the total NTA return (including payment of dividends) of an Australian-focused LIC from 1 January 2017 to 30 April 2017.

Our aim is to generate strong risk-adjusted returns for shareholders over the medium to long term

NGE portfolio



Key characteristics – 30 April 2017

Listed equities	43%
Convertible notes	3%
Unlisted equities	1%
Other	1%
Cash balance	52%

Top holdings – 30 Apr 2017

Mineral Deposits	19%
Eureka Group Holdings	13%
Godfreys Group	6%
Peet	5%

Recent wins – Karoon Gas Australia



Karoon Gas Australia Limited (ASX:KAR)

Description	<ul style="list-style-type: none"> ▶ Oil and gas explorer with operations in Australia, Brazil and Peru. ▶ Stated ambition to transition from explorer to producer.
Situation	<ul style="list-style-type: none"> ▶ Trading at a share price of ~\$1.30, well below the cash per share of \$1.94 and net assets (book value basis) per share of \$3.42. ▶ Shareholders not confident that the company would be able to grow value from its substantial cash balance.
Assessment	<ul style="list-style-type: none"> ▶ No value attributed to exploration assets or Poseidon contingent payments. ▶ Sufficient margin of safety, with downside risk already baked into share price.
Outcome	<ul style="list-style-type: none"> ▶ Exited following market excitement about potential company transforming transaction. ▶ Risk to transaction success no longer justified the premium valuation. ▶ \$2.7M gain on \$3.55M investment.

Share price performance



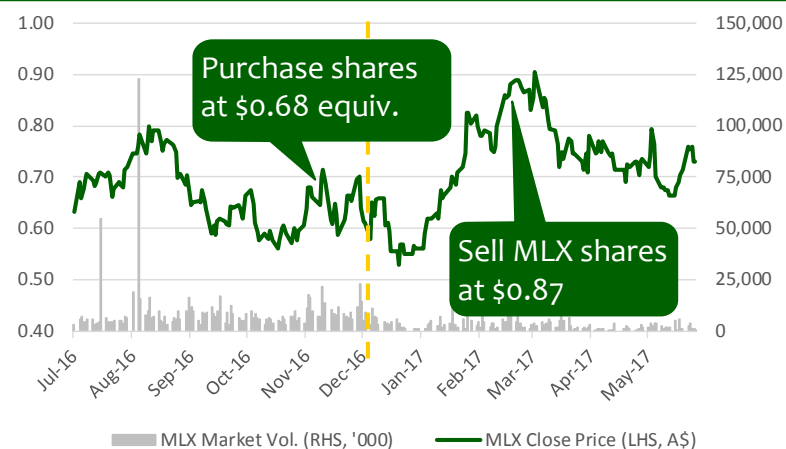
Recent wins – Metals X / Westgold



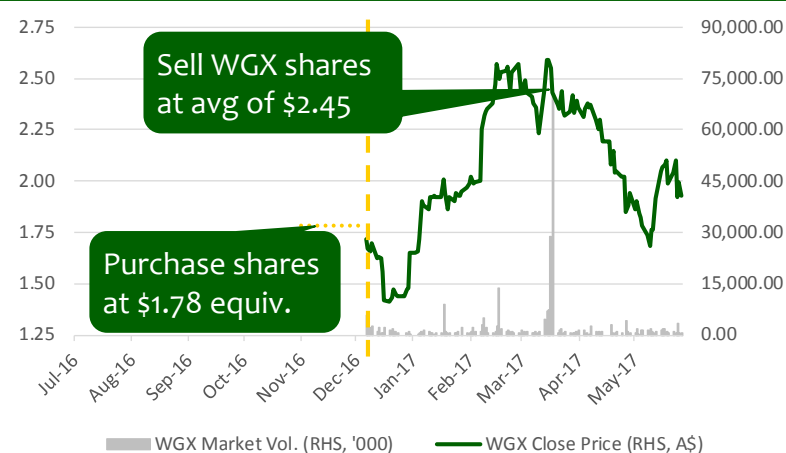
Metals X (ASX:MLX) and Westgold Resources (ASX:WGX)

Description	<ul style="list-style-type: none"> ▶ Gold and base metals (Copper and Tin) exploration, development and production company.
Situation	<ul style="list-style-type: none"> ▶ Demerger to spin-off the gold division into a separate company (Westgold Resources), leaving the base metals operations within Metals X. ▶ Catalyst for re-rating as pure-play gold investors now able to invest in Westgold. ▶ Gold companies currently attracting a premium.
Assessment	<ul style="list-style-type: none"> ▶ MetalsX management are sensible operators and consider themselves to be “Project Renovators”. ▶ Market cap at the time of investment of ~\$960m against our estimated valuation post demerger: <ul style="list-style-type: none"> ▶ Gold business ~\$800m-1.1bn; ▶ Base metals business ~\$300-400m; ▶ Cash on balance sheet \$170m; ▶ Total value ~\$1.3bn+. ▶ 30%+ upside initially.
Outcome	<ul style="list-style-type: none"> ▶ Short-term trade able to take advantage of value arbitrage, resulting in a \$1.7M gain from a \$5.0M investment.

Share price performance – Metals X



Share price performance – Westgold Resources



Portfolio holding: Eureka Group



Eureka Group Holdings (ASX:EGH)

Description	<ul style="list-style-type: none"> ▶ Provider of low cost rental accommodation to independent retirees who are reliant on the Government pension and Rent Assistance. ▶ The company owns and manages 26 villages comprising 1,388 units, and manages a further 9 villages comprising 681 units.
Situation	<ul style="list-style-type: none"> ▶ Market cap fell from \$173m (\$0.75 per share) to as low as \$74m (\$0.32 per share) after posting a disappointing 1H17 result. ▶ Business model has been to steadily acquire villages based on disciplined criteria, however a failure to continue historical pace of acquisitions, a few poorly executed deals, and a lack of management oversight led to the sell-off.
Assessment	<ul style="list-style-type: none"> ▶ We believe the sell-off has been overblown, with the problem areas (South Australia, Couran Cove, falling occupancy) being dealt with appropriately. ▶ New CEO hire should put in place better procedures around future acquisitions. ▶ Thematics remain strong: ageing population, housing affordability at all-time lows. ▶ High operating leverage: higher occupancy will fall to the bottom line. ▶ Few large competitors in the affordable rental retirement space (e.g. not a focus of Ingenia).

Snapshot

ASX ticker		EGH
Price (26 May 2017)	\$	0.40
Market cap	\$m	92
EV	\$m	134
EV / EBITDA (FY18E)	x	12.2
P/E (FY18E)	x	11.5
NGE position size	%	13%

Share price performance



Portfolio holding: Godfreys



Godfreys Group (ASX:GFY)

Description	<ul style="list-style-type: none"> ▶ Specialty retailer of vacuum cleaners and cleaning products for domestic use in Australia and NZ.
Situation	<ul style="list-style-type: none"> ▶ Share price has taken a battering after a series of poor financial results. ▶ The market is jittery over: <ul style="list-style-type: none"> ▶ a high level of debt (gross \$23.0m, net \$18.3m); ▶ a high level of inventory (\$35.5m) which actually crept up in the last half by \$0.5m; ▶ poor comparable store sales; ▶ scepticism about the ability of the company to stick to its timetable of converting 60 company-owned stores to franchises in the next 3 years; and ▶ a highly competitive retail environment, with Amazon on the horizon.
Assessment	<ul style="list-style-type: none"> ▶ Trading on cheap multiples for a business that we believe is being fixed by retail expert John Hardy. ▶ Company is invigorating its product range. ▶ Conversion of poor-performing company owned stores to franchises should free up cash. ▶ Mr Hardy has acquired \$984k worth of shares on-market at an average of ~\$0.90 per share since his appointment – serious skin in the game.

Snapshot

ASX ticker		GFY
Price (26 May 2017)	\$	0.625
Market cap	\$m	26
EV	\$m	44
EV / EBITDA (FY18E)	x	2.9
P/E (FY18E)	x	3.2
NGE position size	%	6%

Share price performance



Portfolio holding: Mineral Deposits



Mineral Deposits (ASX:MDL)

Description	<ul style="list-style-type: none"> ▶ MDL owns a 50% stake in the TiZir joint venture, which owns the Grande Cote (GCO) mineral sands operation in Senegal and the TiZir Titanium & Iron ilmenite upgrading facility (TTI) in Norway.
Situation	<ul style="list-style-type: none"> ▶ Company has been trading at depressed levels due a heavy debt burden carried by its joint venture company, TiZir. ▶ The company was stretched to the brink following a large decline in the market prices of its core commodities of ilmenite, zircon, titanium slag and high purity pig iron.
Assessment	<ul style="list-style-type: none"> ▶ Bottom of the cycle of commodity prices – MDL is highly leveraged to a recovery in commodity prices, with signs of improvement in recent months. ▶ Operational performance of the GCO mineral sands operation has been improved. ▶ TiZir should be able to refinance its debt on reasonable terms. ▶ Stable and supportive JV partner in ERAMET.

Snapshot – Mineral Deposits

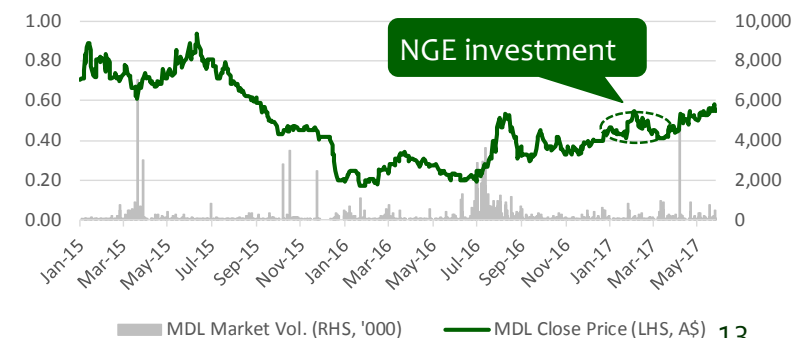
ASX ticker		MDL
Price (26 May 2017)	\$	0.55
Market cap	\$m	108
EV	\$m	89
NGE position size	%	19%

Snapshot – TiZir joint venture (50%)

Net assets	US\$m	451
Corporate net debt	US\$m	312
Sub debt - ERAMET ⁽¹⁾	US\$m	131
Sub debt - MDL ⁽¹⁾	US\$m	79

(1) ERAMET has provided excess loans of ~US\$52m to TiZir in the form of subordinated debt.

Share price performance



Company meetings



- ▶ We believe there is no substitute for meeting with company management.
- ▶ We meet with a lot of companies as part of our research process.
- ▶ To give a sense of the areas of the market we are covering here is a selection of companies we held meetings with, visited or attended their presentations since January:

3P Learning	3PL
AJ Lucas	AJL
Anatara Lifesciences	ANR
Battery Minerals	BAT
Dixon Hospitality	
Dreamscape Networks	DN8
Eureka Group Holdings	EGH
Godfreys Group	GFY

JustKapital	JKL
Metro Mining	MMI
Mineral Deposits	MDL
Namoi Cotton	NAM
Red River Resources	RVR
Sheffield Resources	SFX
Silver Chef	SIV
Yowie Group	YOW

Outlook



Funds investing in industrials and profiting from PE expansion at a time of loose global monetary policies will have a tough time with such a strategy from this point on.

We expect that it will become more of a stockpicker's market in the near-term, which will suit us just fine.

Currently seeing more value opportunities in the market.

Continue to build up NGE's portfolio and grow NTA based on sound investment principles.

Continue to build track-record, as has been the case over the past 6 months.

Continue sensible capital management programs, with the continuation of an on-market buy-back at attractive prices.

Improved marketing and promotion to improve liquidity of the Company's shares.

We expect the discount to NTA to narrow over time, better reflecting the Company's intrinsic value in the share price.

Contact details



David Lamm
Executive Chairman
New Guinea Energy Limited

P: +61 3 9648 2290
E: office@ngenergy.com.au

www.ngenergy.com.au

ACN: 112 618 238