

NGE CAPITAL LIMITED SUMMARY

ASX ticker	NGE
Share price (29-Feb-20)	\$0.530
Shares outstanding	37,159,784
Market cap	\$19.7m
NTA per share before tax	\$0.737
NTA per share after tax	\$0.791
NTA before tax	\$27.4m
NTA after tax	\$29.4m

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.

INVESTMENT STRATEGY

NGE has a flexible investment mandate and invests according to a defined set of investment principles, summarised as follows:

- Only invest in a compelling opportunity, otherwise hold cash;
- Invest based on fundamental analysis;
- Target investments that can generate strong returns with an adequate margin of safety; and
- Aim to hold a concentrated portfolio of high conviction investments.

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

CONTACT DETAILS

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NET TANGIBLE ASSETS (NTA) PER SHARE

	29 Feb 2020	31 Jan 2020
NTA per share before tax	\$0.737	\$0.888
NTA per share after tax	\$0.791	\$0.943

NTA PER SHARE PERFORMANCE SUMMARY

1 month	Year-to-date	Last 12 months	Since inception ⁽¹⁾	
			(p.a.)	(cum.)
-17.1%	-13.4%	-16.2%	12.0%	44.5%

Note: Returns are before tax and net of all expenses.

(1) From 30 November 2016, the date on which NGE became a LIC.

TOP HOLDINGS (% OF NTA)

Company	Ticker	%
Karoon Energy	ASX:KAR	32.0%
United Company RUSAL	HKE:0486	31.6%
Yellow Cake plc	LSE:YCA	15.5%
Horizon Oil	ASX:HZN	5.7%
Base Resources	ASX:BSE	5.1%

PORTFOLIO COMPOSITION

	29 Feb 2020
Listed equities	90%
Net cash and other	10%
Total	100%

UNRECOGNISED TAX LOSSES

The Company has ~\$45 million of Australian unused and unrealised losses available as at 29 February 2020. In the aggregate these losses equate to a potential future tax benefit of ~\$12m or ~\$0.33 per share (of which only \$2.0m or \$0.054 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).

COMMENTARY

NGE's portfolio produced a return of -17.1% for the month of February.

During the month a series of articles appeared in the *Australian Financial Review* about **Horizon Oil Limited (ASX:HZN)** concerning the company's dealings in PNG license PRL 21 in 2011, after journalists were sent a cache of internal documents by an anonymous whistleblower. The articles alleged that the company may have paid a US\$10m bribe to secure its title over PRL 21 and smooth relations after then Petroleum Minister William Duma had refused to renew the license (previously known as PRL 5) upon its expiry. Furthermore, the articles alleged that the US lawyers of PRL 5 JV partner Talisman warned against the payment prior to its execution. The share price fell 30% in response.

An independent investigation is being carried out by Herbert Smith Freehills and Deloitte on behalf of Horizon's board, and the AFR noted that the whistleblower has also sent documents to the Australian Federal Police and ASIC.

If Horizon is indeed found to have paid a bribe, then a large financial penalty looms from several regulatory bodies, though it will be some time before any potential fine would be payable. If in fact there was no wrongdoing on the part of Horizon then we would expect the share price to recover and for Horizon to remain an attractive investment.

Adding to our poor result was the 27% month-on-month share price decline of **Karooon Energy Ltd (ASX:KAR)**. Since month-end Karoon has slid a further 50%, as the shock of a coronavirus-induced collapse in demand for oil has been exacerbated by the oil market being pushed deeper into oversupply following the breakdown of the OPEC+ agreement and an all-out price war being waged by Saudi Arabia in an attempt to bring Russia to heel. These events could not have happened at a worse time for Karoon, which is expected to settle on its Bauna transaction by the end of this month.

In December 2019 and January 2020 we sold ~4.4m shares at an average price of ~\$1.19. Since our entry into Karoon in February 2019, accounting for all purchases and sales, our effective entry price currently is ~68c per share.

In the event that the deal is not consummated, Karoon will be left with ~70c per share of cash (~84c if the US\$50m deposit paid to Petrobras is recoverable). If the shock to the oil price proves to be temporary and the deal closes as anticipated, then we expect Karoon's share price to rebound strongly.

This announcement was released to the market with the authorisation of:

David Lamm
Chief Investment Officer

Adam Saunders
Portfolio Manager

IMPORTANT INFORMATION:

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