

NGE CAPITAL LIMITED SUMMARY

ASX ticker	NGE
Share price (31-Jul-20)	\$0.485
Shares outstanding	37,159,784
Market cap	\$18.0m
NTA per share before tax	\$0.654
NTA per share after tax	\$0.694
NTA before tax	\$24.3m
NTA after tax	\$25.8m

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

	31 Jul 2020	30 Jun 2020
NTA per share before tax	\$0.654	\$0.612
NTA per share after tax	\$0.694	\$0.652 ¹

(1) Adjusted from 30 June Investment and NTA update following Half Year accounts review.

NTA PER SHARE PERFORMANCE SUMMARY

1 month	Year-to-date	Last 12 months	Since inception ⁽¹⁾	
			(p.a.)	(cum.)
6.9%	-23.1%	-28.5%	7.0%	28.2%

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	31.1%
Yellow Cake plc	LSE:YCA	18.5%
Base Resources	ASX:BSE	6.4%
Uranium Participation	TSX:U	0.6%

PORTFOLIO COMPOSITION

	31 Jul 2020
Listed equities	57%
Net cash and other	43%
Total	100%

UNRECOGNISED TAX LOSSES

The Company has ~\$48 million of Australian unused and unrealised losses available as at 31 July 2020. In the aggregate these losses equate to a potential future tax benefit of ~\$12.5m or ~\$0.34 per share (of which only \$1.5m or \$0.04 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 6.9% for the month of July.

During the month **Karoon Energy Ltd (ASX:KAR)** announced it had agreed with Petrobras to a recut deal for the acquisition of the producing Bauna field, which splits the original US\$665m consideration into an upfront US\$380m firm consideration (subject to adjustments) and a US\$285m contingent consideration linked to future oil prices.

For the firm consideration Karoon will now pay US\$150m upfront, and after adjustments perhaps a further \$30-60m in 18 months from settlement. The renegotiated transaction structure is in line with what we conjectured in our AGM presentation in May:

"Ideally, price is reduced to a level that requires no debt funding and allows Karoon enough headroom to fund its low risk rejuvenation capex program. This would avoid the need to lock in current low oil prices through an onerous hedging program, which lenders require."

We have updated our Bauna DCF valuation model for the new transaction structure, using the oil forward curve up to 2Q 2022 and then sensitising the valuation for various oil prices from 3Q 2022 onwards:

DCF value	Long-term Brent oil price (US\$/bbl) (3Q 2022 onwards)						
	\$35	\$40	\$45	\$50	\$55	\$60	\$65
	\$0.64	\$0.89	\$1.13	\$1.34	\$1.55	\$1.74	\$1.88



At an assumed long-term oil price of US\$50/bbl, we value Karoon at ~A\$1.30 per share, or perhaps ~80% upside from the month-end price of \$0.715. We expect the price to appreciate further once the deal finally settles in 1-2 months.

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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