

Investment & NTA Update

31 July 2022



NGE Capital Summary

ASX ticker	NGE
Share price (31 Jul 22)	\$0.765
Shares outstanding	36,000,000
Market cap	\$27.5m
NTA per share before tax	\$0.910
NTA per share after tax	\$0.973
NTA before tax	\$32.7m
NTA after tax	\$35.0m

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.

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

Level 4 100 Albert Road South Melbourne VIC 3205	+61 3 9648 2290 admin@ngecapital.com.au www.ngecapital.com.au
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Net Tangible Assets Per Share

	31 Jul 2022	30 Jun 2022
NTA per share before tax	\$0.910	\$0.933
NTA per share after tax	\$0.973	\$0.996

NTA Per Share Performance Summary

1 month	Year-to-date	Last 12 months	Since inception ¹ (p.a.)	(cum.)
-2.5%	-7.1%	3.2%	10.7%	78.4%

Note: Returns are net of all expenses.
1 From 30 Nov 2016, the date on which NGE became a LIC.

Portfolio Composition

Company	Ticker	% of NTA
Yellow Cake plc	LSE:YCA	18.1%
John Wood Group plc	LSE:WG.	9.2%
Capricorn Energy plc	LSE:CNE	6.6%
Metals X	ASX:MLX	6.3%
Evolve Education Group	ASX:EVO	5.4%
Sprott Physical Uranium Trust	TSX:U.UN	5.2%
Jupiter Mines	ASX:JMS	5.0%
Undisclosed	Listed	2.8%
Austin Engineering	ASX:ANG	0.2%
Net cash and other		41%
Total		100%

Unrecognised Tax Losses

The Company has ~\$45 million of Australian unused and unrealised losses available as at 31 July 2022. In the aggregate these losses equate to a potential future tax benefit of ~\$11m or ~\$0.31 per share (of which only ~\$2.3m or ~\$0.064 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).

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Commentary

31 July 2022



In July we sold down and exited several portfolio positions, increasing our cash balance to ~41% of NTA at month end. As we noted in last month's NTA statement, we think it makes sense to cash up and de-risk the portfolio in the current difficult investing environment, with a view to deploying the cash at opportune times as they present.

Specifically, we made the following portfolio changes in July:

- We acquired ~245k shares of **John Wood Group plc (LSE:WG.)**, and held 1.1m shares at month acquired at an average price per share of ~GBP1.54 (after accounting for previous sales).
- We exited our holding in **Allegiance Coal (ASX:AHQ)** for a large realised loss. We make some comments below on this disappointing outcome.
- We exited our remaining holding in **International Petroleum (TSX:IPCO)**. In aggregate we achieved a ~A\$841k profit on a ~A\$535k investment for a total return of ~157%.
- We exited our remaining holding in **Embecta Corp. (NAS:EMBC)** for a small overall profit.
- We sold down our holding in **Austin Engineering (ASX:ANG)**. After month end we fully exited this position, achieving a small overall profit.
- We exited our remaining holding in **Ten Sixty Four (ASX:X64)** for a small overall loss.

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Allegiance Coal's quarterly report was full of nasty surprises that arguably had not been announced to the market in a timely manner:

- Black Warrior ROM production was only ~57% of the targeted 150kt+ that the company had guided to in its March quarterly which was published on 29 April;
- Black Warrior's March quarter clean coal production was overstated;
- New Elk ROM production was only ~68% of the targeted "more than 200kt" guided to in the March quarterly report;
- New Elk's clean coal yields, which are well below the target level of 72% previously touted by management, are being disadvantaged by unstable roof rock;
- Equipment upgrades to enhance production at both mines have been delayed due to an unavailability of

equipment financing;

- Labour at New Elk remains an ongoing issue, despite previous statements suggesting that the production crew had been settled;
- New Elk has been experiencing roof falls which are being investigated by the Mine Safety and Health Administration; and
- Tranche 2 funds of the convertible note financing (~A\$12m) were being withheld.

The concurrent announcement of a seemingly emergency equity facility highlights the precarious situation the company is in.

We were aware of the risks in investing in a start-up mining operation, and therefore had not added to our relatively modest initial position even after the share price had declined and the company's operations appeared to be improving. Nevertheless, the thesis did not play out as we had hoped, and we will apply the learnings from this experience when making future investments.

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Announcement released to the market with the authorisation of:

David Lamm
Chief Investment Officer

Adam Saunders
Portfolio Manager