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If you were a Shareholder and have sold or otherwise transferred all of your Ordinary Shares, please send this document, together with the accompanying Form of Proxy, as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee. However, such documents should not be distributed, forwarded or transmitted in or into the United States, Canada, Australia, South Africa or Japan or into any other jurisdiction if to do so would constitute a violation of the relevant laws and regulations in such other jurisdiction.

NEW CITY ENERGY LIMITED

*(A closed-ended investment company incorporated with limited liability
under the laws of Jersey with registered number 99739)*

RECOMMENDED PROPOSALS FOR SUMMARY WINDING-UP OF THE COMPANY

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

The Proposals are conditional on approval from Shareholders, which is being sought at an extraordinary general meeting of the Company to be held at 2.00 p.m. on 7 March 2017, at the offices of R&H Fund Services (Jersey) Limited at Ordnance House, 31 Pier Road, St. Helier, Jersey JE4 8PW. Notice of the EGM is set out in Part 4 of this document.

A Form of Proxy is enclosed for use by Shareholders. To be valid for use at the EGM, the Form of Proxy should be completed, signed and returned to the Registrar in accordance with the instructions printed on it as soon as possible and, in any event, so as to be received by not later than 2.00 p.m. on 3 March 2017. The return of a Form of Proxy will not prevent a Shareholder from attending the EGM and voting in person if they so wish.

This document should be read as a whole. Your attention is drawn to the letter from the chairman of the Company which is set out in Part 1 of this document and which recommends that you vote in favour of the Winding-up Resolution and, in particular, to the section headed "Action to be Taken" on page 6 of this document.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS¹

2017

Date from which it is advised that dealings in Ordinary Shares should only be for cash settlement and immediate delivery of documents of title	close of business on 2 March
Latest time for receipt of Forms of Proxy	2.00 p.m. on 3 March
Last date that a NAV will be published	6 March
Latest time for delivery to Registrar of documents of title relating to dealings in Ordinary Shares subject to cash settlement	close of business on 6 March
Closing of the Company's register of members and record date for participation in liquidation distributions	6.00 p.m. on 6 March
Suspension of the listing of and trading in the Ordinary Shares	7.00 a.m. on 7 March
Extraordinary General Meeting	2.00 p.m. on 7 March
Appointment of the Liquidators	7 March
Announcement of the result of EGM	7 March
Cancellation of the listing and trading of the Ordinary Shares	7.00 a.m. on 8 March
Payment of initial cash distribution	by 28 April

¹ All references in this document to times are to the time in London. Each of the times and dates in the "Expected Timetable of Principal Events" and elsewhere in this document are subject to change and may be extended or brought forward without further notice. If any such time(s) and/or date(s) is/are subject to significant change, the revised time(s) and/or date(s) will be notified to Shareholders by a notice sent to their registered address.

PART 1

LETTER FROM THE CHAIRMAN

New City Energy Limited

*(A closed-ended investment company incorporated with limited liability
under the laws of Jersey with registered number 99739)*

Directors

David Norman (*Chairman*)
Stephen Folland
Craig Stewart

Registered Office

Ordnance House
31 Pier Road
St. Helier
Jersey JE4 8PW

17 February 2017

Dear Shareholder

PROPOSED SUMMARY WINDING-UP OF THE COMPANY

Introduction

The Company announced, on 14 December 2016, proposals for the summary winding-up of the Company. I am writing to provide you with details of those proposals, which are subject to Shareholder approval, and to explain why your Board is recommending that you vote in favour of the Winding-up Resolution to be proposed at an extraordinary general meeting of the Company to be held at 2.00 p.m. on 7 March 2017. A notice convening the EGM is set out in Part 4 of this document.

The Board believes that the summary winding-up of the Company is in the best interests of the Company and Shareholders as a whole and recommends that you vote in favour of the Winding-up Resolution at the EGM.

Background to the Proposals

Given the market capitalisation of the Company (less than £10 million), the fact that the Ordinary Shares had traded at prices which were, on average, a discount of approximately 22 per cent. to their underlying NAV in the 12 months preceding the announcement of the proposed winding-up of the Company and the short to medium term outlook for the oil price, the Board decided to propose that the Company be wound up and that the Company's surplus assets (after full provision for liquidation costs) be distributed in cash to Shareholders.

The Winding-up

If the Proposals are approved by Shareholders at the EGM, Robert James Kirkby and Linda Maree Johnson of KPMG Channel Islands Limited will be appointed as liquidators of the Company and will wind up the Company in accordance with the Companies (Jersey) Law, 1991 (as amended). Subject to the Winding-up Resolution being passed at the EGM, the Company will no longer release NAVs to the market after it has been placed into liquidation on 7 March 2017. It is expected that the final NAV to be published will be released to the market on 6 March 2017 and will be the NAV as at 3 March 2017.

Upon the appointment of the Liquidators, the Board will cease to be authorised to exercise its powers in respect of the Company and the Liquidators will be responsible for the affairs of the Company until it is wound up. Under the current terms of the Investment Management Agreement,

the Investment Manager's appointment will automatically terminate on the passing of the Winding-up Resolution. Following consultation with the Liquidators and the Investment Manager, arrangements have been put in place which, if the Winding-up Resolution is passed, will extend the duration of the Investment Management Agreement until the winding-up of the Company has been completed so that the Investment Manager can assist the Liquidators in realising the Company's investments. The Investment Manager has waived any entitlement to compensation that would arise on the automatic termination of the Investment Management Agreement on the passing of the Winding-up Resolution (save for any accrued but unpaid management fees as at 7 March 2017) and has agreed not to charge any fees during the winding-up of the Company.

The Liquidators will retain certain of the Company's other current service providers (its custodian - Credit Suisse AG, Dublin Branch, Kilmore House, Park Lane, Spencer Dock, Dublin 1, Ireland; and its registrar - Computershare Investor Services (Jersey) Limited, Queensway House, Hilgrove Street, St Helier, Jersey JE1 1ES) until the dissolution of the Company, at which point the Company's agreements with those service providers will be terminated.

Following their appointment, the Liquidators will make an initial cash distribution to Shareholders, discharge the liabilities and satisfy all the creditors of the Company, distribute the remaining surplus assets of the Company to Shareholders by way of one or more further cash distributions and then dissolve the Company. In addition, as part of the winding-up process, the Liquidators, on behalf of the Company, will apply to the Jersey Financial Services Commission for the cancellation of the Company's authorisation as an authorised closed-ended collective investment scheme under The Collective Investment Funds (Jersey) Law 1988 (as amended) with effect from the completion of the winding-up.

The estimated costs of winding-up the Company (including financial advisory, legal, secretarial and registrar fees) are approximately £85,000. In addition, the Liquidator will maintain a liquidation retention of up to £100,000 to meet the unknown and unascertained liabilities of the Company. Taking into account those estimated costs and liquidation retention and following advice from the Investment Manager regarding the likely timeline for realising the Company's investments, the Liquidators have indicated that they expect to make an initial cash distribution to Shareholders in April 2017 and that they expect this to represent a significant percentage of the Company's net assets at that time. The precise timing of the final cash distribution to Shareholders is uncertain, but it is expected that this process will be completed by the end of 2017.

The Company's register of members will be closed at 6.00 p.m. on 6 March 2017 and the Ordinary Shares will be disabled in CREST at the start of business on 7 March 2017. Subject to the following paragraph, all Shareholders on the Company's register of members at 6.00 p.m. on 6 March 2017 will be entitled to the distributions from the Liquidators. Shareholders who hold their Ordinary Shares in CREST will receive any distributions through the CREST system. Other Shareholders will be sent a cheque.

The Board has considered the fact that the distribution of any amount of less than £5 per Shareholder would be likely to be nullified by the administrative costs of making such distribution. Accordingly, the Board has resolved that any amount of less than £5 that would otherwise be paid to a Shareholder on an interim liquidation distribution shall be retained until the next interim liquidation distribution date, if any, on which it forms part of an amount owed to the Shareholder that is in excess of £5. If, at the date of the final liquidation distribution, there remains any amount of less than £5 that would otherwise be paid to a Shareholder, the Board has resolved that such amount shall be donated to charity (namely, Variety - the Children's Charity of Jersey).

After the final distribution to Shareholders (if any) has been made and the Company has been dissolved, existing certificates in respect of the Ordinary Shares will cease to be of value and any existing credit of the Ordinary Shares in any stock account in CREST will be redundant.

Suspension and Cancellation of the Company's Listing and Trading

Application has been made to the CISE for the suspension of the listing of the Ordinary Shares on the CISE Official List and the admission of the Ordinary Shares to trading on the CISE with effect

from 7.00 a.m. on 7 March 2017. The last day for dealings in the Ordinary Shares on the CISE on a normal rolling two-day settlement basis will be 2 March 2017. After 2 March 2017, dealings should be for cash settlement only and will be registered in the normal way if the transfer, accompanied by the documents of title, is received by the Registrar by close of business on 6 March 2017. Transfers received after that time will be returned to the person lodging them and, if the Winding-up Resolution is passed, the original holder will receive any proceeds from distributions made by the Liquidators.

The Company has also applied, conditional on the passing of the Winding-up Resolution, to the CISE for the cancellation of the listing of its Ordinary Shares on the CISE Official List and the admission of the Ordinary Shares to trading on the CISE. It is expected that, if the Winding-up Resolution is passed, such cancellations will take effect at 7.00 a.m. on 8 March 2017.

Risks Associated with the Proposals

Shareholders should note the following:

- The quantum and timings of distributions to Shareholders referred to in this document are indicative only and distributions will be made solely at the discretion of the Liquidators and subject to the prior satisfaction of the Company's creditors.
- The actual amount available for distribution to Shareholders may vary depending on the realisation value of the Company's investments during the winding-up process.

Only those risks that are material and currently known to the Company have been disclosed. Additional risks and uncertainties not currently known to the Company, or that the Company currently deems to be immaterial, may also have an adverse effect on the Company and the quantum and timing of distributions to Shareholders.

Consequences of the Proposals Not Being Approved

If the Winding-up Resolution is not passed, the Company will continue to operate in its current state.

Extraordinary General Meeting

The Proposals are subject to Shareholder approval, which will be sought at an extraordinary general meeting of the Company, to be held at the offices of R&H Fund Services (Jersey) Limited at Ordnance House, 31 Pier Road, St. Helier, Jersey JE4 8PW, on 7 March 2017 commencing at 2.00 p.m. The notice convening the EGM is set out in Part 4 of this document.

The following special resolution will be proposed at the EGM:

- to wind up the Company voluntarily pursuant to Chapter 2 of Part 21 of the Companies (Jersey) Law, 1991, as amended, and to appoint the Liquidators;
- to fix the remuneration of the Liquidators on the basis of time spent by them;
- to direct that the Company's books and records be held by the Company's secretary to the order of the Liquidators; and
- notwithstanding any provisions of the Company's articles of association and subject to any regulatory requirements, to resolve that an audit of the Company's accounts is not required for any period after 30 September 2016.

In order to be passed, a special resolution requires at least two-thirds of the votes cast to be in favour of it. All Shareholders are entitled to attend and vote at the EGM. In accordance with the Company's articles of association, all Shareholders present in person or by proxy upon a show of hands shall have one vote and upon a poll shall have one vote in respect of each Ordinary Share held.

The quorum for the EGM is two Shareholders present in person or by proxy (including a Shareholder present through a corporate representative).

Action to be Taken

If you are a Shareholder, you will find enclosed with this document a Form of Proxy for use at the EGM. The Form of Proxy should be completed, signed and returned in accordance with the instructions printed on it as soon as possible and, in any event, so as to be received by the Registrar not later than 2.00 p.m. on 3 March 2017. The return of a Form of Proxy will not prevent a Shareholder from attending the EGM and voting in person if they so wish.

Recommendation

The Board considers the Proposals to be in the best interests of the Company and its Shareholders as a whole. Accordingly, the Board unanimously recommends that you vote in favour of the Winding-up Resolution at the EGM as the Directors intend to do in respect of their own beneficial holdings of 600,000 Ordinary Shares, representing 1.1 per cent. of the Ordinary Shares in issue at the date of this document.

Yours faithfully

David Norman
Chairman

PART 2

TAXATION

The following comments are intended only as a general guide to certain aspects of current UK tax law and HM Revenue & Customs ("HMRC") published practice, both of which are subject to change possibly with retrospective effect. They are of a general nature, not exhaustive and do not constitute tax advice and apply only to Shareholders who are resident or ordinarily resident in the UK for tax purposes (except where indicated) and who hold their Ordinary Shares beneficially as an investment. They do not address the position of certain classes of Shareholders, such as dealers in securities, insurance companies or collective investment schemes.

Shareholders who are subject to tax in a jurisdiction other than the UK or who are in any doubt as to the potential tax consequences of the Proposals for their Ordinary Shares are strongly recommended to consult their own professional advisers without delay.

The Company

It is the intention of the Directors to continue to conduct the affairs of the Company so it remains non-resident and does not carry on any trade in the United Kingdom for taxation purposes. In order to ensure that the Company does not become resident in the UK for tax purposes, management and control will not be exercised in the UK.

Liquidation

Subject to the comments in the next paragraph, any Shareholder who is UK resident may, depending on that Shareholder's personal circumstances, be subject to capital gains tax (or, in the case of a corporate Shareholder, corporation tax on chargeable gains) in respect of any gain arising on a disposal (including on any distribution in the winding up of the Company) of their Ordinary Shares. For such individuals, capital gains are taxed at a rate of 10 per cent. (for basic rate taxpayers) or 20 per cent. (for higher or additional rate taxpayers) from 6 April 2016. Individuals may, depending on their personal circumstances, benefit from certain reliefs and allowances (including an annual exemption from capital gains, which is £11,100 for the 2016-17 tax year). For UK corporate Shareholders within the charge to UK corporation tax, any gain will be subject to corporation tax at a rate of 20 per cent. but they will benefit from indexation allowance, which, in general terms, increases the chargeable gains tax base cost of an asset in accordance with the rise in the retail prices index (but will not create or increase an allowable loss).

Shareholders who are not resident or ordinarily resident in the UK for taxation purposes will not normally be liable to UK taxation on chargeable gains arising from the disposal of their Ordinary Shares unless those Ordinary Shares are held for the purposes of a trade, profession or vocation through a UK branch, agency or permanent establishment. However, it should be noted that they may be subject to foreign taxation depending on their own particular circumstances. Individual Shareholders who are temporarily neither resident nor ordinarily resident in the UK for tax purposes may be liable to capital gains tax under tax anti-avoidance legislation and, therefore, should seek personal tax advice.

The UK tax legislation states that, if an entity meets the definition of an "offshore fund", the entity should enter the UK Reporting Fund Regime to ensure that UK investors are not taxable on gains at income tax rates (which are higher than capital gains tax rates). The Ordinary Shares do not meet the characteristics-based definition of an "offshore fund" and, therefore, the Ordinary Shares are not required to enter the UK Reporting Fund Regime in accordance with The Offshore Funds (Tax) Regulations and the related guidance. Consequently, UK resident investors will be taxable on income at income tax rates and gains at capital gains tax rates.

Shares Held in an ISA

Once the cancellation of the admission of the Ordinary Shares to trading on the CISE has occurred, the Ordinary Shares will cease to qualify for inclusion in an ISA. The Ordinary Shares will need to be either sold within 30 days by the ISA manager (in which case the cash realised can continue to be held in the ISA) or be transferred to the underlying ISA holder within that period. Any gain or loss on a sale will be exempt from UK capital gains tax. On a transfer of the Ordinary Shares out of the ISA to the underlying ISA holder there will be a deemed exempt market value disposal and reacquisition of the Ordinary Shares so that the underlying ISA holder will receive the Ordinary Shares with a market value base cost. **If any ISA holder is in any doubt about their position, they should contact their ISA manager without delay.**

PART 3

DEFINITIONS

The words and expressions listed below have the meanings set out opposite them throughout this document except where the context otherwise requires:

"Board"	the board of directors of the Company (or any duly authorised committee thereof) from time to time
"CISE"	The Channel Islands Securities Exchange Authority Limited, a subsidiary of The Channel Islands Securities Exchange Limited, and where appropriate, the regulated market known as "The Channel Islands Securities Exchange"
"CISE Official List"	the list of securities admitted to listing on the CISE which is published by the CISE on a daily basis
"Company"	New City Energy Limited
"CREST"	the facilities and procedures for the time being of the relevant system of which Euroclear UK and Ireland Limited has been approved as operator pursuant to the Uncertificated Securities Regulations 2001 (SI 2001 No. 2001/3755) of the United Kingdom
"Directors"	the directors of the Company from time to time
"discount"	in the context of an Ordinary Share, the amount by which its share price is lower than its NAV (expressed as a percentage of the NAV per Ordinary Share)
"EGM" or "Extraordinary General Meeting"	the extraordinary general meeting of the Company convened for 7 March 2017, commencing at 2.00 p.m. (or any adjournment of that meeting), and notice of which is set out in Part 4 of this document
"Form of Proxy"	the form of proxy for use by Shareholders in connection with the EGM
"Investment Management Agreement"	the investment management agreement between the Company and the Investment Manager dated 22 July 2014
"Investment Manager"	CQS (UK) LLP, trading as New City Investment Managers
"ISA"	an Individual Savings Account approved in the UK by HM Revenue & Customs
"Liquidators"	Robert James Kirkby and Linda Maree Johnson of KPMG Channel Islands Limited, 37 Esplanade, Jersey JE4 8WQ
"NAV"	in relation to (i) the Company, the value of the assets of the Company less its liabilities and (ii) the Ordinary Shares, the value of the assets of the Company less its liabilities divided by the number of Ordinary Shares in issue
"Ordinary Shares"	ordinary shares of no par value in the capital of the Company
"Proposals"	the proposals for the summary winding-up of the Company, as described in Part 1 of this document
"Registrar"	Computershare Investor Services (Jersey) Limited
"Shareholders"	holders of Ordinary Shares
"Winding-up Resolution"	the special resolution set out in the notice convening the EGM in Part 4 of this document

PART 4

NOTICE OF EXTRAORDINARY GENERAL MEETING

New City Energy Limited

*(A closed-ended investment company incorporated with limited liability
under the laws of Jersey with registered number 99739)*

Notice is hereby given that an extraordinary general meeting of New City Energy Limited will be held at the offices of R&H Fund Services (Jersey) Limited at Ordnance House, 31 Pier Road, St. Helier, Jersey JE4 8PW, on 7 March 2017 commencing at 2.00 p.m. for the purpose of considering and, if thought fit, passing the following resolution as a special resolution:

Special Resolution

THAT:

- (i) the Company be wound up voluntarily pursuant to Chapter 2 of Part 21 of the Companies (Jersey) Law, 1991 (as amended) and that Robert James Kirkby and Linda Maree Johnson of KPMG Channel Islands Limited be and hereby are appointed as liquidators (the "**Liquidators**") for the purposes of such winding-up, including realising and distributing the Company's assets (including distributing in specie the whole or any part of the assets of the Company) and any power conferred on them by law or by this resolution may be exercised by them jointly or by either of them alone;
- (ii) the remuneration of the Liquidators be determined by reference to the time properly given by them and their staff in attending to matters prior to and during the winding-up and they be and hereby are authorised to draw such remuneration as they may determine and to pay any expenses properly incurred by them, subject always to any prior agreement or quotation made between the Company and the Liquidators;
- (iii) the Company's books and records be held by the Company's secretary to the order of the Liquidators until the expiry of a minimum of ten years after the dissolution of the Company; and
- (iv) notwithstanding any provisions of the Company's articles of association and subject to any regulatory requirements, the Shareholders resolve that an audit of the Company's accounts is not required for any period after 30 September 2016.

Save where the context requires otherwise, the definitions contained in the circular to shareholders of the Company dated 17 February 2017 shall have the same meanings where used in this resolution.

By order of the Board
R&H Fund Services (Jersey) Limited
Company Secretary

17 February 2017

Registered Office
Ordnance House
31 Pier Road
St. Helier
Jersey JE4 8PW

Notes

1. **Entitlement to Attend and Vote**

Pursuant to Article 40 of the Companies (Uncertificated Securities) (Jersey) Order 1999, the Company has specified that only Shareholders registered on the Company's register of members at 6.00 p.m. on 3 March 2017 (or, if the EGM is adjourned, 48 hours prior to the adjourned meeting) shall be entitled to attend and vote at the EGM in respect of the number of Ordinary Shares registered in their name at that time. Changes to entries on the register of members after 6.00 p.m. on 3 March 2017 (or, if the EGM is adjourned, 48 hours prior to the adjourned meeting) shall be disregarded in determining the rights of any person to attend, speak and vote at the EGM.

2. *Appointment of Proxies*

- 2.1 A member of the Company at the time set out in note 1 above is entitled to appoint a proxy to exercise all or any of their rights to attend, speak and vote at the EGM. A proxy does not need to be a member of the Company but must attend the EGM to represent the member. A proxy may only be appointed using the procedures set out in these notes and the notes on the Form of Proxy.
- 2.2 Appointment of a proxy will not preclude a member from attending the EGM and voting in person.
- 2.3 The notes on the Form of Proxy explain how to direct a proxy how to vote, or abstain from voting, on the Winding-up Resolution. To appoint a proxy using the Form of Proxy, the Form of Proxy must be completed, signed and returned to the Registrar at Proxy Unit, Computershare Investor Services (Jersey), The Pavilions, Bridgwater Road, Bristol, BS99 6ZY, so as to be received no later than 2.00 p.m. on 3 March 2017. Any power of attorney or other authority under which the Form of Proxy is signed (or a duly certified copy of such power or authority) must be included with the Form of Proxy.

3. *Appointment of Proxy by Joint Members*

In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).