NGE CAPITAL LIMITED

Annual Report for the year ended 31 December 2019

ABN 31 112 618 238

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OVERVIEW

NGE Capital Limited (ASX:NGE) is a Listed Investment Company which allows investors to gain exposure to a concentrated, high conviction, actively managed portfolio of financial assets.

We primarily focus on listed ASX and international equities, with the aim of generating strong risk-adjusted returns over the medium to long term.

11.2%
2019 NTA PER SHARE INCREASE

17.2%
2019 SHARE PRICE INCREASE

$3.2m
2019 PROFIT BEFORE INCOME TAX

KEY METRICS AS AT 31 DEC 2019

Share Price	$0.68
Shares Outstanding	37.19m
Market Cap	$25.3m
NTA per share before tax	$0.850
NTA per share after tax	$0.905
Net Tangible Asset Value	$31.6m
Directors' Shareholding	10.7%

INVESTMENT PHILOSOPHY

TARGET STRONG RETURNS WITH 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.

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 opportunities.

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, and growth potential.
  - **Valuation** – multiples, discounted cash flow analysis, break-up value.
  - **Competition** – market share, industry position, market dynamics.

CORPORATE DIRECTORY

DIRECTORS

David Lamm	Executive Chairman and Chief Investment Officer
Ilan Rimer	Non-Executive Director
Adam Saunders	Executive Director and Portfolio Manager

COMPANY SECRETARY
Leslie Smith

REGISTERED OFFICE
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Sydney NSW 2000

OTC Markets
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New York, NY 10013
USA

ASX CODE: NGE

OTC CODE: NGELF

SHARE REGISTRY
Boardroom Pty Limited
Level 12, 225 George Street
Sydney NSW 2000

Telephone:	1300 737 760 02 9290 9600
Facsimile:	1300 653 459 02 9290 0644
Website:	www.boardroomlimited.com.au

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Grant Thornton
Collins Square, Tower 5
727 Collins Street
Docklands VIC 3008

SOLICITORS
Clayton Utz
Level 18
333 Collins Street
Melbourne VIC 3000

CHAIRMAN'S LETTER

Dear Shareholder,

NGE Capital Limited (**NGE** or **Company**) recorded net profit after tax of $3.2 million for the financial year ended 31 December 2019, the third consecutive profitable year since NGE began operating as a Listed Investment Company (**LIC**). The portfolio returned 11.2% pre-tax and after all expenses during the year. NGE's share price rose 17.2% in 2019, and at 31 December was trading at a 20% discount to NTA.

The key positive contributors to portfolio performance in FY2019 were Karoon Energy Ltd (KAR:ASX), United Company RUSAL Plc (HKE:0486) and Horizon Oil Limited (ASX:HZN). Key detractors from performance were Cody Live Limited and Yellow Cake plc (LSE:YCA). During the year we booked profits exiting positions in Powerwrap Limited (ASX:PWL) and Warrior Met Coal Inc (NYS:HCC), whilst taking losses exiting Eureka Group Holdings Limited (ASX:EGH) and Millennium Services Group Limited (ASX:MIL).

Our concentrated investment style has delivered solid results since NGE converted to a LIC in November 2016, with annual returns (pre-tax, net of expenses) of 26.8% in 2017, 21.4% in 2018, and 11.2% in 2019. Whilst a concentrated portfolio such as ours will have more volatile returns than a highly diversified portfolio we believe our strategy is more capable of delivering stronger returns over the medium- to long-term.

Unfortunately NGE's portfolio has been substantially negatively impacted since 31 December 2019 from the triple impact of the coronavirus pandemic, the collapse of OPEC+ in March resulting in a Saudi Arabia/Russia oil price war, and a bribery probe into Horizon Oil's PNG dealings close to a decade ago.

The coronoavirus global pandemic is unlike anything seen since the Spanish flu 100 years ago. The Spanish flu infected one-third of the Earth's population, which was around 1.8 billion people at the time and is estimated to have claimed 50 million lives. The world's population is much larger now, more connected via cheap transport, and more densely inhabited due to urbanization, which presents even greater potential for the spread of a pandemic such as coronavirus. However, the world is also in a much better position to deal with health pandemics now. We have modern day medicines and diagnostics, greater ability to develop vaccines, online and mobile communication and even GPS tracking tools. There is also collective knowledge and experience from the handling of recent disease outbreaks such as SARS (2002-2004), swine flu (2009), and Ebola (2013-2016).

A pandemic of this scale is unprecedented in our generation, and therefore it is difficult to predict the outcome. There will no doubt be mass layoffs and potentially a deep global recession. The global economy was already in a precarious position prior to coronavirus, with slowing GDP growth despite historically low (and decreasing) central bank rates, high and rising debt-to-GDP ratios, and nonfinancial corporate leverage reaching unprecedented levels aided by low interest rates and loose financial conditions. The global economy is certainly not well placed to withstand a major shock, let alone one of this magnitude.

Coronavirus has caused the fastest collapse in equity markets in the last 100 years. Major stock market indices have fallen ~30% in less than 5 weeks. Any recovery will depend on the effectiveness of healthcare, fiscal and monetary policy measures. Governments, central banks and regulatory agencies around the world have implemented significant independent and coordinated measures to try and mitigate the negative impacts to economies and markets. Nevertheless, we remain cautious on the effectiveness of these measures.

Based on data published by the National Bureau of Economic Research the average duration of recessions since 1900 has been ~14.6 months, though at the extreme it was as long as 43 months during the Great Depression. Nobody can predict with certainty how long this global recession will last, though past experience indicates economies and markets should eventually recover.

Markets have already priced in a significant economic impact to companies, although significant risk remains in the credit markets due to the ~US$75 trillion global debt burden of nonfinancial corporates, equal to ~85% of global GDP. As profits fall, leverage ratios will blow out and companies are likely to breach debt covenants or struggle to refinance their debts. This is likely to put credit markets under significant stress, negatively impacting credit spreads and the ability of other indebted companies from accessing the market.

We have seen debt relief measures for small businesses implemented by the US Small Business Administration and the Australian Banking Association, and the US Federal Reserve has now established a Secondary Market Corporate Credit Facility to purchase corporate debt down to the lowest level of investment grade. We expect further debt relief measures to be implemented by governments, central banks, lenders and regulators in an attempt to avoid a credit crunch which would otherwise further exacerbate a global recession and lengthen the time to an eventual recovery.

To better position our portfolio to weather the current market conditions, in the past few weeks we sold down ~75% of our RUSAL holding at an average price of ~HKD$2.63 and increased our holding in Karoon at an average price of ~A$0.395. Karoon's Bauna transaction looks increasingly unlikely to go ahead, particularly as the benchmark Brent oil price has now dropped below Bauna's all-in costs of production of ~US$30/bbl. Saudi Arabia and Russia look unlikely to return to the negotiating table any time soon, which coupled with the demand destruction caused by coronavirus means oil prices may remain depressed for some time.

Following the sharp decline in Karoon's share price, together with the recent depreciation in the AUD/USD FX rate and Karoon's cash being held in USD, Karoon is now trading at ~47c in the dollar of cash (~40c in the dollar if the Bauna deposit is recoverable). At that kind of discount to cash, we believe the downside is reasonably protected. If the shock to the oil price proves to be temporary and the Bauna deal closes as anticipated, then we expect Karoon's share price to rebound strongly; if the oil price remains depressed or falls further, Karoon will likely continue to trade in reference to its cash balance.

Finally, NGE remains a tax efficient investment vehicle, with ~$41 million of Australian unused and unrealised losses available at year end. In the aggregate these losses equate to a potential future tax benefit of ~$11m or ~$0.30 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).

Despite the current headlines of doom and gloom, and the poor year-to-date return, we remain focused on positioning the portfolio to withstand these unprecedented market conditions and also benefit from an eventual recovery.

Yours sincerely,

David Lamm
Executive Chairman
& Chief Investment Officer

Adam Saunders
Executive Director
& Portfolio Manager

30 March 2020

CHAIRMAN'S LETTER

IMPORTANT INFORMATION:
While management of NGE have taken every effort to ensure the accuracy of the material covering the Company's portfolio investments in the Chairman's Letter, the material is provided for information purposes only. No representation or warranty, express or implied, is or will be made by NGE or its officers, directors, employees or advisers as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in the Chairman's Letter, or as to the reasonableness of any assumption, forecasts, prospects or returns contained in, or implied by, the Chairman's Letter. The Chairman's Letter does not constitute investment, legal, taxation or other advice and 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, the Chairman's Letter and seek independent professional advice in relation to such information and any action taken on the basis of the information. The Chairman's Letter is not, and does not constitute advice or an offer to sell or the solicitation, invitation or recommendation to purchase any securities that are referred to in the Chairman's Letter.

DIRECTORS' REPORT

The Directors of NGE Capital Limited (**NGE** or **Company**) present their Report together with the financial statements of the consolidated entity, being NGE and its Controlled Entities (**Group**) for the year ended 31 December 2019.

DIRECTORS

Current Directors
The following persons were directors of NGE during or since the end of the financial year:

<u>Mr David Lamm</u>

Executive Chairman and Chief Investment Officer	***15 September 2017 – present***
Executive Chairman	*29 February 2016 – 14 September 2017*
Chair of Investment Committee	

Mr Lamm is responsible for the origination of investment ideas, management of NGE's portfolio and overall performance of the LIC. He has over 16 years of experience in business and financial markets including roles at Credit Suisse, Bain & Company and the Alter Family Office. He is the founder and Managing Director of Kentgrove Capital, an investment management firm focused on listed Australian and international equities.

Mr Lamm qualified as an actuary, specialising in Investments and Finance, is a Fellow of the Institute of Actuaries of Australia, and also holds a Bachelor in Commerce from the University of Melbourne, with First Class Honours.

Current Directorships: Nil

Previous Directorships:
Alchemia Limited (appointed 7 March 2016, resigned 6 June 2018)

NGE Shareholding as at report date: 3,300,000 shares (held indirectly)

<u>Mr Ilan Rimer</u>

Non-Executive Director	***17 August 2017 – present***
Chair of Audit Committee	
Member of Investment Committee	

Mr Rimer has extensive experience in management consulting, corporate strategy and new business development. He is the founder of two Australian technology businesses and was most recently a Non-Executive Director for Australian Business Volunteers. Previously he held roles at Bain and Company, PwC, Australia Post, Visy Industries, and Stellar Asia-Pacific.

Mr Rimer holds a Master of Business Administration from Oxford University and a Bachelor of Commerce (Hons) from Monash University. He is a graduate of the Australian Institute of Company Directors.

NGE Shareholding as at report date: Nil

DIRECTORS (CONTINUED)

<u>Mr Adam Caspar Saunders</u>

Executive Director and Portfolio Manager	***15 September 2017 – present***
Non-Executive Director	*15 July 2015 – 14 September 2017*
Member of Audit Committee	
Member of Investment Committee	

Mr Saunders is responsible for the origination, analysis and execution of investment ideas and management of NGE's portfolio. He is a Portfolio Manager at Kentgrove Capital, and previously held corporate advisory roles at GBS Finanzas in Madrid, and Credit Suisse in Melbourne.

Mr Saunders holds a Bachelor in Commerce from the University of Melbourne with Honours in Finance, and is a Graduate of the Australian Institute of Company Directors.

NGE Shareholding as at report date: 664,000 shares (held indirectly)

COMPANY SECRETARY

<u>Mr Leslie Smith</u>

Chief Financial Officer and Company Secretary	***13 July 2016 – present***

Over a career spanning 30+ years, Mr Smith has held senior financial and company secretarial positions in various private, public and listed entities in the resources, manufacturing, IT and not-for-profit sectors. Mr Smith graduated with a Bachelor of Business from Massey University (1982), a Masters of Business Administration at the University of Melbourne (2003), and a Graduate Diploma in Applied Corporate Governance. Mr Smith is a Chartered Accountant, a CPA and a Member of the Governance Institute of Australia.

PRINCIPAL ACTIVITIES

NGE Capital Limited is an internally managed Listed Investment Company whose principal activities are to make investments in listed and unlisted securities.

INVESTMENT STRATEGY

The Company's investment strategy is to invest in a concentrated, high conviction portfolio of financial assets with the aim of generating strong risk-adjusted returns over the medium to long term. NGE has a flexible investment mandate and invests according to a defined set of investment principles that are 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.

OPERATING AND FINANCIAL REVIEW

a) Financial Result

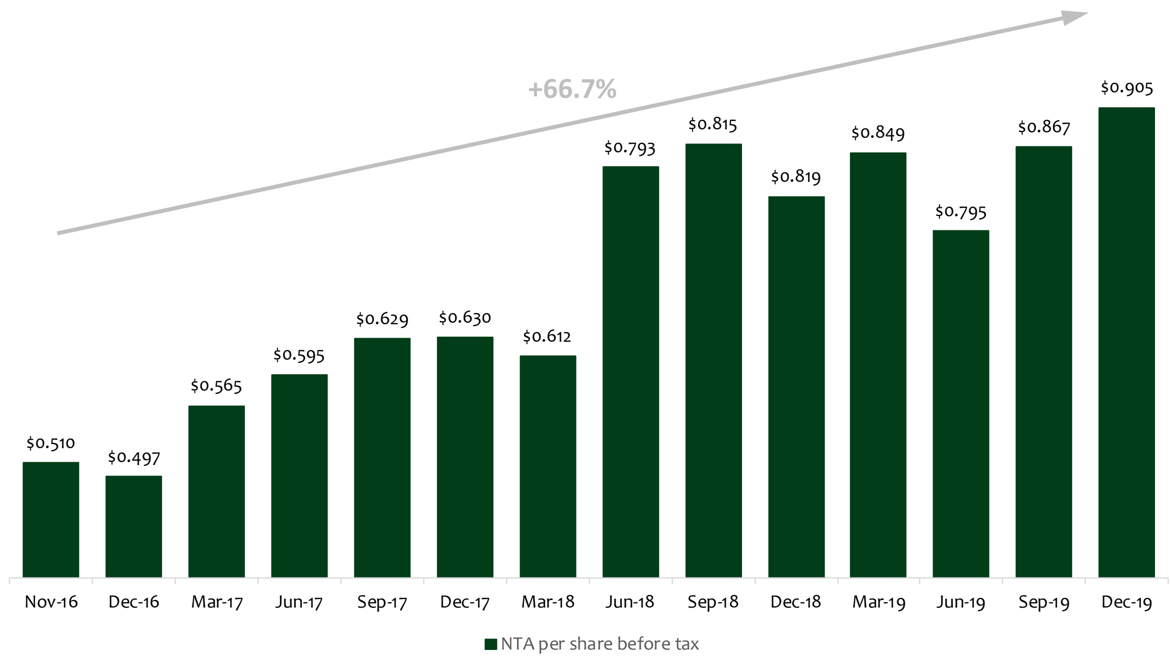
The profit of the Group after income tax for the year was $3.190 million (2018: $7.034 million), comprising profit before income tax of $3.190 million (2018: $5.014 million) and recognition of a deferred tax asset $ Nil (2018: $2.020 million).

b) Investment Performance

At year end NGE's principal assets comprised financial assets, mainly investments in listed equities, at market value of $32.062 million (2018: $26.770 million), and cash and cash equivalents of $2.640 million (2018: $2.095 million).

Net assets increased by $3.190 million to $33.691 million (2018: $30.501 million). Net tangible assets (**NTA**) increased by $3.10 million to $31.60 million. On a per share basis, NTA (before tax and net of all operating expenses) increased 11.2% to $0.850 (2018: $0.765). NTA per share after tax increased 10.5% to $0.905 (2018: $0.819).

NGE quarterly NTA per share (before tax and net of all operating expenses) since inception[1]



1 From 30 November 2016, the date on which NGE became a Listed Investment Company.

Since inception to 31 December 2019, NGE has returned a cumulative 66.7% or 18.0% annualised on a pre-tax, net of operating expenses basis.

Total portfolio return

	31 December 2019	31 December 2018	Increase
NTA	$31.566 million	$28.481 million	$3.085 million
NTA per share before tax	$0.850	$0.765	11.2%

c) Portfolio

The Company's investment portfolio as at 31 December 2019 is presented below.

Listed Equities	**Ticker**	**$'000**	**%**
Karoon Energy Limited	ASX:KAR	14,663	46.5%
United Company RUSAL Plc	HKE:0486	8,182	25.9%
Yellow Cake Plc	LSE:YCA	4,472	14.2%
Horizon Oil Limited	ASX:HZN	2,518	7.9%
Base Resources Limited	ASX:BSE	1,665	5.3%
Uranium Participation Corporation	TSX:U	135	0.4%
Total		**31,635**	**100.2%**

Loans		
Western Drilling Limited	427	1.4%
Total	**427**	**1.4%**

Cash and Other		
Cash and cash equivalents	2,640	8.3%
Other assets net of creditors and borrowings	(3,136)	(9.9%)
Total	**(496)**	**(1.6%)**

Total Net Tangible Asset Value	**31,566**	**100.0%**

Investment transactions

The total number of contract notes that were issued for transactions in securities during the financial year was 189 (2018: 137). Total brokerage fees incurred net of GST were $66,709 (2018: $55,315).

Exits

The Group exited its positions in Warrior Met Coal Inc (NYS:HCC) ($759,000 profit including dividends received), Powerwrap Limited (ASX:PWL) ($260,000 profit), Eureka Group Holdings Limited (ASX:EGH) ($1,182,000 loss), Millennium Services Group Limited (ASX:MIL) ($1,446,000 loss), and Cody Live Limited ($935,000 loss net of interest received).

Investment Income

The Group earned $376,000 (2018: $305,000) of investment income through the year, comprising interest income of $70,000 (2018: $161,000) and dividend income of $306,000 (2018: $134,000). The bulk of dividend income came from a US$4.41 per share special dividend paid by Warrior Met Coal (NYS:HCC) in May 2019, before the position was exited.

Selected investment summaries

Refer to the Chairman's Letter for management commentary on the Company's key portfolio investments.

d) Cash Flows

Operating activities resulted in a net outflow of $1,961,000 (2018: outflow $2,915,000). The Group's new investments were primarily funded from proceeds of sale of investments and cash investment income.

The Group's net inflow from financing activities was $2,683,000 (2018: outflow $170,000), comprising proceeds of new borrowings, less interest paid on those borrowings and interest paid for right-to-use assets. During the year the Company entered into a loan agreement, borrowing $3,000,000 at an interest rate of 10% p.a. and a maturity of 12 months (February 2020). The proceeds, along with a proportion of the Company's existing cash balance, were applied towards the purchase of a parcel of shares in Karoon Energy Ltd (ASX:KAR).

e) Capital Management

On-market buy-backs

A 10/12 buy-back facility remained on foot during the year, but no shares were bought back. In 2018 the Company purchased 249,674 of its own shares costing $157,300 before transaction costs.

f) Board and Management

There were no changes to the Board or management during the year.

g) Dividends

No dividends have been paid or declared by the Company since the beginning of the year.

h) Legacy Assets

Western Drilling Limited (WDL)

WDL continues to market its drill rig, camp and other assets for lease, sale or potential sell-down of equity. Whilst the Group looks to extract value from NGE's investment in WDL, the rig has been cold-stacked and overhead costs in maintaining the rig and equipment have been reduced to a minimum. The joint venture partners agreed to forego accruing interest on their investment from 2016.

SIGNIFICANT CHANGES STATE OF AFFAIRS

There have been no significant changes, other than those noted above, in the state of affairs of the Group during the financial year.

LIKELY DEVELOPMENTS

During the subsequent financial years, the likely developments of the Group will be to identify and invest in suitable investments using cash reserves on hand.

ENVIRONMENTAL ISSUES

The Group's current operations as a Listed Investment Company are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory of Australia.

REMUNERATION REPORT (AUDITED)

The Directors present the Remuneration Report for Non-Executive Directors, Executive Directors and other key management personnel (**KMP**), prepared in accordance with the Corporations Act 2001 and the *Corporations Regulations 2001*.

The Remuneration Report is set out under the following main headings:

(a) Remuneration policy and practices;
(b) Service agreements;
(c) Details of remuneration;
(d) Share-based remuneration; and
(e) Other information.

a) Remuneration policy and practices

The Board has assumed the duties and responsibilities of the Remuneration Committee until such time that the Company's size and operation warrant a Board composition with additional independent non-executive directors. Mr Rimer chairs the Board when it addresses remuneration matters. The Board ensures that conflicted members are not involved in remuneration determination and review discussions. Mr Rimer may engage independent external consultants and advisors to provide any necessary information to assist in the discharge of his responsibilities.

When determining and reviewing compensation arrangements for the directors and KMP, the Board operates in accordance with its established Remuneration Committee charter. The Board seeks to design and develop executive remuneration policy in such a way that it:

i) Attracts and retains talented senior executives and directors and motivates them to enhance the performance and growth of the Company; and
ii) Ensures that the level and composition of remuneration packages are fair, reasonable and adequate and, in the case of executive directors and senior managers, displays a clear relationship between the performance of the individual and the performance of the Company.

The Company's policy for determining the nature and amount of remuneration of directors and KMP is as follows:

i) Non-Executive Directors

The Board's policy is to remunerate non-executive directors at market rates for comparable companies for their time, commitment and responsibilities. The Board determines the remuneration of the Company's non-executive directors and reviews their remuneration annually. The annual remuneration for non-executive directors is $25,000 (inclusive of superannuation).

The maximum aggregate annual remuneration for non-executive directors is subject to approval by the shareholders at a general meeting. The shareholders have approved a maximum aggregate annual remuneration of $500,000 per annum.

REMUNERATION REPORT (AUDITED) (CONTINUED)

ii) Key Management Personnel
The remuneration structure for senior executives, including executive directors, is based on a number of factors, including qualifications, particular experience, general past performance of the individual concerned, overall performance of the Company and benchmarked against industry remuneration levels generally. KMP remuneration comprises fixed compensation and, where appropriate, performance-based short-term incentives. Remuneration levels are reviewed annually by the board through a process that considers individual performance and overall performance of the Company.

Fixed compensation
Fixed compensation consists of base salary (which is calculated on a total cost basis and includes any fringe benefits tax charges related to employee benefits) and employer contributions to superannuation funds, as required by law.

Performance-based short-term incentive
Performance linked compensation comprises a short-term incentive (**STI**) and is designed to reward KMP for meeting or exceeding the Company's financial objectives and to keep the Company competitive in the marketplace.

The STI is an at-risk bonus provided in the form of cash and based on the key performance indicator (**KPI**) of maximising the NTA per share before tax of the Company. This KPI is reviewed annually by the Board.

Under the STI structure, a pool of funds is established for payment to members of the investment team (which currently comprises the Chief Investment Officer and Portfolio Manager) and is calculated by reference to the increase in NTA before tax over the year (**Performance Fee**). The total value of the pool for distribution is equal to a 10.0% share of the growth in NTA before tax (adjusted for capital raisings and share buy-backs), subject to a high water mark. Subject to exceeding the high water mark, the Performance Fee will be paid annually in arrears.

REMUNERATION REPORT (AUDITED) (CONTINUED)

b) Service Agreements

The following table provides employment details of persons who were Directors or Key Management Personnel of the Group during the financial year:

Name	Position held	Employment arrangement	Notice period
Mr David Lamm[1]	Executive Chairman and Chief Investment Officer	Executive Services Agreement	6 months
Mr Ilan Rimer	Non-Executive Director	Appointment Letter	None
Mr Adam Saunders[2]	Executive Director and Portfolio Manager	Executive Services Agreement	2 months
Mr Leslie Smith	Company Secretary and Chief Financial Officer	Executive Services Agreement	2 months

[1] An Employment Services Agreement (ESA) between the Company and Mr Lamm was executed upon his appointment to the position of Executive Chairman. During the year this ESA was reviewed by Mr Rimer, taking advice from external remuneration and legal advisers. An updated ESA was signed between the Company and Mr Lamm in August 2019. The ESA is for an indefinite period and is terminable on 6 months' notice, with fixed annual remuneration of $240,000 per annum including superannuation and a short-term incentive paid dependent on meeting certain KPIs. These terms and conditions did not change as a result of the review.

[2] An ESA between the Company and Mr Saunders was executed upon his appointment to the position of Executive Director and Portfolio Manager. During the year this ESA was reviewed by Mr Rimer, taking advice from external remuneration and legal advisers. An updated ESA was signed between the Company and Mr Saunders in August 2019. The ESA is for an indefinite period and is terminable on 2 months' notice, with annual remuneration of $130,000 per annum including superannuation and a short-term incentive paid dependent on meeting certain KPIs. These terms and conditions did not change as a result of the review.

REMUNERATION REPORT (AUDITED) (CONTINUED)

c) Details of remuneration

Remuneration received by Directors and KMP for the years ended 31 December 2019 and 31 December 2018 is disclosed below:

		Short-term employee benefits		Post-employment benefit	Other long term benefit	Termination benefits		
Name	Position	Cash salary and fees $	Cash bonus $	Superannuation $	Long service leave $	Termination payments $	Total $	Performance linked compensation %
31 December 2019								
Directors								
D Lamm	Executive Chairman and CIO	188,719	226,996	18,045	3,370	-	437,130	51.9
I Rimer	Non-Executive Director	22,831	-	2,169	-	-	25,000	-
A Saunders	Executive Director and Portfolio Manager	122,721	122,956	11,278	1,826	-	258,781	47.5
Other KMP								
L Smith	Company Secretary and CFO	136,076	-	24,357	2,247	-	162,680	-
TOTAL		**470,347**	**349,952**	**55,849**	**7,443**	**-**	**883,591**	**39.6**
31 December 2018								
Directors								
D Lamm	Executive Chairman and CIO	210,891	218,251	20,822	3,815	-	453,779	48.1
I Rimer	Non-Executive Director	22,831	-	2,169	-	-	25,000	-
A Saunders	Executive Director and Portfolio Manager	119,801	118,219	11,279	811	-	250,110	47.3
Other KMP								
L Smith	Company Secretary and CFO	141,369	-	26,631	1,294	-	169,294	-
TOTAL		**494,892**	**336,470**	**60,901**	**5,920**	**-**	**898,183**	**37.5**

REMUNERATION REPORT (AUDITED) (CONTINUED)

Performance based short-term incentive included in remuneration
Review of performance against KPIs

	31 December 2019 $'000	31 December 2018 $'000	Increase $'000
NTA	$31,674	$28,481	$3,193
Add back STI accrued in closing NTA, less prepayments			$307
Increase in NTA before STI			$3,500
STI Pool at 10%			$350

Use of remuneration consultants
In March 2019, Mercer Consulting (Australia) Pty Ltd (**Mercer**) was appointed by Ilan Rimer, Non-Executive Director, as an independent remuneration consultant to conduct a remuneration review and provide remuneration recommendations as defined in section 9B of the *Corporations Act 2001*. The consideration payable for this engagement was $15,000, excluding GST. Their scope of work included benchmarking NGE against a group of comparable peer companies selected by Mercer, and to make recommendations relating to the absolute levels of remuneration and the structure of remuneration that would be required to bring NGE's remuneration practices into line with the group of peer companies. Mercer's remuneration recommendations were provided directly to the Non-Executive Director. Mercer's recommendations were made free of undue influence by members of Key Management Personnel to whom the recommendations relate.

In November 2019, Mercer was appointed by Ilan Rimer, Non-Executive Director, as an independent remuneration consultant to conduct a review of the Company's investment management structure. The consideration payable for this engagement was $10,000, excluding GST. Their scope of work included an analysis of the benefits and risks of any change to the Company's current investment management model, with reference to other listed investment company investment management structures. Mercer's recommendations were provided directly to the Non-Executive Director and were made free of undue influence by members of Key Management Personnel to whom the recommendations relate.

Voting and comments made at the Company's 2019 Annual General Meeting
At the Company's AGM a resolution to adopt the prior year remuneration report was put to the vote and at least 75% of the votes cast were in favour of the adoption of that report. No comments were made on the remuneration report that were considered at the AGM.

d) Share-based remuneration
No ordinary shares or options over ordinary shares in the Company were granted as remuneration to KMP during the year.

e) Other information

Shares held by Directors and Key Management Personnel

The relevant interests of Directors and KMP and their related parties in the shares of the Company during the financial year ended 31 December 2019 is set out below:

	Opening balance No. of shares	Acquired No. of shares	Disposed No. of shares	Closing balance No. of shares
D Lamm	10,116,810	357,038	(7,173,848)	3,300,000
I Rimer	-	-	-	-
A Saunders	664,000	-	-	664,000
L Smith	-	-	-	-

End of audited Remuneration Report.

MEETINGS OF DIRECTORS

The following table shows the number of Board and Committee meetings held during the financial year ended 31 December 2019:

	Directors' Meetings		Audit Committee		Remuneration Committee[1]	
	No. eligible to attend	No. attended	No. eligible to attend	No. attended	No. eligible to attend	No. attended
D Lamm	7	7	-	-	-	-
I Rimer	7	7	2	2	-	-
A Saunders	7	7	2	2	-	-

1 The Board has assumed the duties of the Remuneration Committee and deals with remuneration issues during the year as they arise. Mr Rimer chairs the Board when it addresses remuneration matters.

UNISSUED SHARES UNDER OPTION

There are no options over ordinary shares of the Company as at the date of this report.

INDEMNIFICATION OF DIRECTORS, OFFICERS AND AUDITORS

During the financial year, the Company paid premiums in respect of contracts insuring the Directors and officers of the Company against a liability incurred by such Directors and officers to the extent permitted by the *Corporations Act 2001*. The nature of the liability and the amount of premium has not been disclosed due to confidentiality of the insurance contract.

The Company has not otherwise, during or since the end of the year, indemnified or agreed to indemnify an officer or an auditor of the Company, or of any related body corporate, against a liability incurred by such an officer or auditor.

PROCEEDINGS

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

EVENTS ARISING SINCE THE END OF THE REPORTING PERIOD

Other than the matters described below, there are no matters or circumstances that have arisen since the end of the year that have significantly affected or may significantly affect either:

- the Group's operations in future financial years;
- the results of those operations in future financial years; or
- the Group's state of affairs in future financial years.

On 7 February 2020 the Company repaid the $3 million outstanding loan balance with cash on hand.

Since year-end the consequences of the coronavirus outbreak to economic conditions in general and NGE's portfolio in particular have been material. Due to continuing uncertainties in the global economic environment and the additional potential impact of Covid-19, there is a risk that the Company's portfolio may decline further in value. During this unprecedented period of uncertainty, NGE's management has put into action appropriate business continuity plans, in addition to reweighting certain holdings to put the Company in a stronger position to be able to weather this challenging moment in time.

EVENTS ARISING SINCE THE END OF THE REPORTING PERIOD (CONTINUED)

Since year-end the oil price has declined significantly in response to demand destruction caused by the coronavirus and the breakdown of OPEC+ and subsequent oil price war between Saudi Arabia and Russia. As a consequence, and despite fielding several expressions of interest in and physical inspections of the drill rig and camp in Papua New Guinea during the past six months, NGE's Board is likely to impair the carrying value of NGE's investment in Western Drilling Limited in the next reporting period.

NON-AUDIT SERVICES

No non-audit services were provided during the year. Refer to Note 25 of the financial statements for details of auditor remuneration.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is included on page 21 of this financial report and forms part of the Directors' Report.

ROUNDING OF AMOUNTS

NGE is a type of Company referred to in ASIC Corporation's (Rounding in Financial/Directors' Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest $1,000, or in certain cases, to the nearest dollar.

Signed in accordance with a resolution of the Directors.

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David Lamm

Executive Chairman and
Chief Investment Officer

30 March 2020

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Auditor's Independence Declaration

To the Directors of NGE Capital Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of (Client name) for the year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

Michael Climpson
Partner – Audit & Assurance

Melbourne, 30 March 2020

CORPORATE GOVERNANCE STATEMENT

The Board is committed to achieving and demonstrating the highest standards of corporate governance. As such, NGE Capital Limited and its Controlled Entities (**Group**) have adopted the 3rd edition of the *Corporate Governance Principles and Recommendations* which was released by the ASX Corporate Governance Council on 27 March 2015 and became effective for the financial years beginning on or after 1 July 2015.

The Board has reviewed the 4th edition of the *Corporate Governance Principles and Recommendations* released by the ASX Corporate Governance Council in February 2019. The 4th edition takes effect for a listed entity's first full financial year commencing on or after 1 January 2020. As such the financial year ended 31 December 2020 is expected to be the first period in which the new edition applies to the Group.

The Group's Corporate Governance Statement for the financial year ending 31 December 2019 is dated as 30 March 2020 and was approved by the Board on 30 March 2020. The Corporate Governance Statement is available on NGE Capital Limited's website at:

http://ngecapital.com.au/investor-information/corporate-governance/

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 $'000	2018 $'000
Revenue	5	376	305
Change in fair value of financial instruments held at fair value through profit or loss		4,422	5,900
Employee benefits expense	6	(879)	(873)
Other expenses	7	(455)	(318)
Interest expense	8	(274)	-
Profit before income tax		3,190	5,014
Income tax benefit	11	-	2,020
Profit from continuing operations after income tax		**3,190**	**7,034**
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Other comprehensive income for the year		-	-
Total comprehensive income for the year attributable to members of the Parent Entity		**3,190**	**7,034**

		Cents	Cents
Basic and diluted earnings/(loss) per share			
From continuing operations	9	8.58	18.83
Total		**8.58**	**18.83**

Note: This statement should be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Notes	2019 $'000	2018 $'000
Assets			
Cash and cash equivalents	16	2,640	2,095
Trade and other receivables	17	429	20
Financial assets held at fair value through profit or loss	13	32,062	26,770
Other assets	18	44	42
Property, plant, equipment	19	105	-
Deferred tax assets	20	2,020	2,020
Total Assets		**37,300**	**30,947**
Liabilities			
Trade and other payables	21	466	429
Borrowings	22,23	3,109	-
Provisions	24	34	17
Total Liabilities		**3,609**	**446**
Net Assets		**33,691**	**30,501**
Equity			
Issued capital	14	78,136	78,136
Reserves	14	-	-
Accumulated losses		(44,445)	(47,635)
Total Equity		**33,691**	**30,501**

Note: This statement should be read in conjunction with the notes to the financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Share capital $'000	Accumulated losses $'000	Option reserve $'000	Equity component of convertible instrument $'000	Total equity $'000
Balance at 31 December 2017	78,293	(66,045)	7,894	3,483	23,625
Total comprehensive income for the year	-	7,034	-	-	7,034
Transfer from reserves	-	11,377	(7,894)	(3,483)	-
Prior year adjustment	-	(1)	-	-	(1)
Transactions with owners in their capacity as owners:					
Share buy-back	(157)	-	-	-	(157)
Balance at 31 December 2018	78,136	(47,635)	-	-	30,501
Total comprehensive income for the year	-	3,190	-	-	3,190
Balance at 31 December 2019	78,136	(44,445)	-	-	33,691

Note: This statement should be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2019

	Notes	2019 $'000	2018 $'000
Cash Flow from Operating Activities			
Payments to suppliers and employees		(1,173)	(1,150)
Payments for equity investments		(18,429)	(20,817)
Proceeds from sale of equity investments		17,311	18,754
Interest received		70	161
Dividends received		260	127
Underwriting income		-	10
Net cash (used in) operating activities	15	**(1,961)**	**(2,915)**
Cash Flow from Investing Activities			
Loans advanced to joint venture		(174)	(144)
Net cash (used in) investing activities		**(174)**	**(144)**
Cash Flow from Financing Activities			
Payments for share buy-back		-	(169)
Proceeds from borrowing		3,000	-
Interest paid		(254)	(1)
Payments of lease liabilities for right-of use asset		(63)	-
Net cash provided by/(used in) financing activities		**2,683**	**(170)**
Net increase/(decrease) in cash and cash equivalents held		548	(3,229)
Cash at beginning of period		2,095	5,296
Effect of exchange rates on cash holding in foreign currencies		(3)	28
Cash at end of period	16	**2,640**	**2,095**

Note: This statement should be read in conjunction with the notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS

The Group's principal activities are to make investments in listed and unlisted securities. The Company is an internally managed Listed Investment Company.

2. GENERAL INFORMATION, STATEMENT OF COMPLIANCE AND GOING CONCERN ASSUMPTION

NGE is the Group's ultimate parent company. NGE is a public company incorporated and domiciled in Australia. The address of its registered office and principal place of business is Level 4 North Building 333 Collins Street, Melbourne VIC 3000.

The consolidated general financial statements of the Group have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (**AASB**). Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board (**IASB**). NGE is a for-profit entity for the purpose of preparing the financial statements.

The financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The consolidated financial statements for the year ended 31 December 2019 (including comparatives) were approved and authorised for issue by the board of directors on 30 March 2020.

3. NEW OR REVISED STANDARDS AND INTERPRETATIONS

a) New and revised standards that are effective for these financial statements

Some new standards, amendments to standards and interpretations became effective for the first time to annual reporting periods beginning on or after 1 January 2019.

AASB 16 – Leases

AASB 16 "*Leases*" replaces AASB 117 "*Leases*". Previously, under AASB 117 leases which were classified as 'operating leases' were accounted for "off-balance sheet" with total future lease payments disclosed as a commitment in the notes to the accounts. Under AASB 16 the Group has recognised a lease liability and a corresponding right-of-use asset for leases which had previously been classified as 'operating leases', bringing them "on-balance sheet". The new Standard has been applied using the modified retrospective approach Option 2, with the cumulative effect of adopting AASB 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

There was one contract in place at initial application. This contract fitted the definition of a lease from AASB 117. The Group elected not to include initial direct costs in the measure of the right-of-use asset for this contract at the date of the initial application of AASB 16, being 1 January 2019. At this date the Group elected to measure the right-of-use asset at an amount equal to the lease liability. There were no accrued or prepaid lease payments to be adjusted for.

3. NEW OR REVISED STANDARDS AND INTERPRETATIONS (CONTINUED)

a) New and revised standards that are effective for these financial statements (continued)

AASB 16 – Leases (continued)

Instead of performing an impairment review of the right-of-use asset at the date of initial application, the Group has relied on its historic assessment as to whether this lease was onerous immediately before the date of initial application of AASB 16.

For contracts in place at the date of initial application, on transition to AASB 16, the weighted average incremental borrowing rate of 3.0% has been applied to lease liabilities recognised.

The following is a reconciliation of total operating lease commitments at 31 December 2018 to the lease liabilities recognised at 1 January 2019.

	$'000
Total operating lease commitments disclosed at 31 December 2018	**179**
Discounted using incremental borrowing rate	(8)
Total lease liabilities recognised under AASB 16 at 1 January 2019	**171**

Other pronouncements

Other accounting pronouncements which have become effective from 1 January 2019 (see table below) and have been adopted do not have a significant impact on the Group's financial results or position.

Standard/Interpretation	Application date of standard	Application date for the Company
AASB 2017-4 "Uncertainty over Income Tax Treatments"	1 January 2019	1 January 2019
AASB 2017-6 "Amendments to AAS Prepayment features with Negative Compensation"	1 January 2019	1 January 2019
AASB 2017-7 "Amendments to AAS - Long term interests in associates and joint ventures"	1 January 2019	1 January 2019
AASB 2018-1 "Annual improvements to IFRS Standards 2015-2017 Cycle"	1 January 2019	1 January 2019
AASB 2018-2 "Plan amendment, Curtailment or Settlement"	1 January 2019	1 January 2019

b) Standards and interpretations in issue but not yet adopted

As at the report date, the standards and interpretations listed below were in issue but not yet effective and are available for early adoption.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected application date for the Company
AASB 2019 – 1 "Amendments to Australian Accounting Standards – Reference to the Conceptual Framework"	1 January 2020	1 January 2020
AASB 2018-6 "Amendments to Australian Accounting Standards – Definition of a Business"	1 January 2020	1 January 2020
AASB 2018-7 "Amendments to Australian Accounting Standards – Definition of Material"	1 January 2020	1 January 2020
AASB 17 "Insurance Contracts"	1 January 2020	1 January 2020

The potential effect of these standards on the Group's financial statements has not yet been determined. However, based on a preliminary assessment, they are not expected to have a material impact on the amounts recognised in the financial statements.

4. SUMMARY OF ACCOUNTING POLICIES

a) Overall considerations

The consolidated financial statements have been prepared using the significant accounting policies and measurement bases summarised below.

b) Basis of consolidation

The Group financial statements consolidate those of the Parent Company and its subsidiary as of 31 December 2019. The Parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The subsidiary has a reporting date of 31 December.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

c) Foreign currency translation

Functional and presentation currency

The consolidated financial statements are presented in Australian dollars (**AUD**), which is also the functional currency of the parent company.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year end exchange rates are recognised in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the date of the transaction), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

Foreign operations

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than the AUD are translated into AUD upon consolidation. The functional currency of the entities in the Group has remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into AUD at the closing rate at the reporting date. Income and expenses have been translated into AUD at the average rate over the reporting period. Exchange differences are charged/credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation the cumulative translation differences recognised in equity are reclassified to profit or loss and recognised as part of the gain or loss on disposal.

4. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

d) Revenue and income recognition

Revenue

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Net gains/(losses) on financial assets held at fair value through profit or loss arising on a change in fair value are calculated as the difference between the fair value at the period end and the fair value at the previous valuation point. Net gains/(losses) do not include interest or dividend income.

Dividends

Dividend income is recognised on the ex-dividend date with any corresponding foreign withholding tax recorded as an expense.

Interest income

Interest income is recognised on a time proportionate basis taking into account the effective interest rates applicable to the financial assets.

e) Operating expenses

Operating expenses are recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on an accruals basis.

f) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to shareholders of the parent company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing net profit for the year attributable to shareholders of the parent company, as adjusted for the effect of dilutive potential ordinary shares where applicable, by the weighted average number of ordinary shares outstanding during the year plus the weighted average of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

g) Income tax

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, the Australian Taxation Office and other fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and joints ventures is not provided

4. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

g) Income tax (continued)

if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable they will be able to be utilised against future taxable income, based on the Group's forecast of future operating results which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit.

Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same tax authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expenses in profit or loss, except where they relate to items that are recognised in other comprehensive income (such as the revaluation of land) or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity respectively.

h) Investments in financial assets

Classification

The Company's investments are classified as at fair value through profit or loss. They comprise:

Financial assets designated at fair value through profit or loss

All financial assets are held at fair value through profit or loss. These include financial assets that are not held for trading purposes and which may be sold. These are investments in exchange traded or unlisted securities.

Recognition and derecognition

Purchases and sales of financial assets at fair value through profit or loss are recognised on the trade date, being the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Measurement

Financial assets held at fair value through profit or loss

Changes in fair value and transaction costs are recognised in profit or loss.

Fair value in an active market

The fair value of listed investments is based on their quoted market prices at the reporting date without any deduction for estimated future selling costs. The quoted market price used for financial assets held by the Group is the current close price.

4. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

h) Investments in financial assets (continued)

Measurement (continued)

Net gains/(losses) on financial assets held at fair value through profit or loss arising on a change in fair value are calculated as the difference between the fair value at period end and the fair value at the previous valuation point. Net gains/(losses) do not include interest or dividend income.

The Company's Investment Valuation Policy is discussed in Note 13.

i) Investments in joint ventures

A joint venture is an arrangement that the Group controls jointly with one or more other investors, and over which the Group has rights to a share of the arrangement's net assets rather than direct rights to underlying assets and obligations for underlying liabilities.

Investments in joint ventures are initially recognised at cost and subsequently accounted for using the equity method. The carrying amount of the investments in joint ventures is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture, adjusted where necessary to ensure consistency with the accounting policies of the Group.

j) Equity, reserves and accumulated losses

Share capital represents the fair value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share capital, net of any related income tax benefits.

The Option Reserve records items recognised as expense on share options and rights granted for compensation and services rendered. The options and rights have been valued at the invoiced amounts or, if grated for nil consideration, at fair value.

The Equity component of convertible instrument reserve recognises the fair value of convertible equity bonds issued in previous years.

Accumulated losses include all current and prior accumulated losses.

k) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

l) Receivables

Receivables represent the principal amounts due at reporting date plus accrued interest and less, where applicable, any unearned income and provisions for expected credit loss.

m) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable than an outflow of economic benefits will result, and that outflow can be readily measured.

Provision is made for the Group's liability for employee benefits arising from the services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is

4. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

m) Provisions (continued)

settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

n) Parent entity financial information

The financial information for the parent entity, NGE Capital Limited, has been prepared on the same basis as the consolidated financial statements.

o) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST components of investing and financing activities, which are disclosed as operating cash flows.

p) Rounding of amounts

NGE Capital Limited is a type of Company referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest $1,000, or in certain cases, to the nearest dollar.

q) Significant management judgement in applying accounting policies

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the financial statements.

Carrying value of investments in unlisted securities

The best available evidence of fair value during the first 12 months of ownership is usually the cost of the investment, unless there is an apparent change in circumstances which would indicate the need for a new valuation. Such a circumstance may include observing the price from a recent transaction of an investment, provided the relevant transaction occurred sufficiently close to the measurement date (usually within 12 months).

In the absence of a recent transaction providing a reliable estimate, the fair value of unlisted direct securities will be calculated with reference to appropriate valuation methods including, but not limited to, an assessment of the investment's cash flows, comparable transactions, and comparable listed assets.

Carrying value of investments accounted for using the equity method

The Group has assessed the carrying value of its 50% owned investment in the joint venture entity, Western Drilling Limited, which is accounted for using the equity method. Details of the assessment are included in Note 18.

4. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

q) Significant management judgement in applying accounting policies (continued)

Impairments

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment trigger. Recoverable amounts of relevant assets are reassessed using the higher of fair value less costs of disposal and value-in-use calculations which incorporate various key assumptions.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Judgement is required in determining whether it is probable that the tax losses will be utilised against future taxable income and the quantum of the amount which is considered probable. Details of deferred tax assets are included in Note 11.

5. REVENUE AND OTHER INCOME FROM CONTINUING OPERATIONS

	2019 $'000	**2018 $'000**
Interest income	70	161
Dividend income	306	134
Underwriting income	-	10
Total	**376**	**305**

6. EMPLOYEE BENEFITS EXPENSE

	2019 $'000	**2018 $'000**
Employee base remuneration	529	537
Provision for performance-based short-term incentive	350	336
Total	**879**	**873**

7. OTHER EXPENSES INCURRED IN CONTINUING OPERATIONS

Other expenses	**2019 $'000**	**2018 $'000**
Directors' fees	25	25
Audit, professional and legal fees	140	80
Listing costs	52	55
Operating leases	4	67
Loss/(gain) from foreign exchange movements	11	(39)
Depreciation – right-of-use asset	66	-
Withholding tax on overseas dividends	46	7
Other	111	123
Total	**455**	**318**

8. INTEREST EXPENSE

Interest expense	2019 $'000	2018 $'000
Interest expense – short term loan	270	-
Interest expense – right of use lease finance charge	4	-
Total	**274**	**-**

9. EARNINGS PER SHARE

	2019 $'000	2018 $'000
Profit/(loss) from continuing operations attributable to the ordinary equity holders used in the calculation of basic and dilutive earnings per share	3,190	7,034

	Number	Number
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic and diluted earnings per share.	37,194,774	37,349,290

Basic and diluted earnings per share

	2019 Cents	2018 Cents
Earnings from continuing operations	8.58	18.83

10. SEGMENT REPORTING

The Group has only one reportable segment. The Group is engaged solely in investment activities conducted from Australia, deriving revenue from dividend income, interest income and from the sale of investments.

11. INCOME TAX EXPENSE

The reconciliation of prima facie tax payable to reported income tax expense/(benefit) is as follows:

	2019 $'000	2018 $'000
Profit before tax	3,190	5,014
Domestic tax rate	27.5%	27.5%
Prima facie tax expense	877	1,379
Adjustments for tax effect of:		
Non-temporary differences	13	-
Previously unrecognised tax losses now recouped to reduce current tax expense	-	(4,316)
Temporary differences and tax losses not recognised	(890)	917
Income tax expense/(benefit)	**-**	**(2,020)**

	2019	2018
Tax losses		
Unused Australian losses which have been recognised as a deferred tax asset[1]	7,345	7,345
Unused Australian losses for which no tax loss has been recognised as a deferred tax asset[2]	35,245	33,657
Unrealised Australian losses/(gains) (net)	(1,614)	3,289
Total Australian unused and unrealised losses	**40,976**	**44,291**
Potential tax benefit of unused and unrealised losses at 27.5% (2018: 27.5%)[3]	**11,268**	**12,180**
Potential tax benefit of unused and unrealised losses – $ per share	**$0.30**	**$0.33**

1 In 2018 a deferred tax asset of $2.020 million (potential tax benefit at 27.5% of $7.345 million) was recognised on unused Australian tax losses of the Group. The Group has determined that it is probable that these tax losses will be utilised as a result of the Group now being in a position to, more probably than not, earn sufficient taxable profits in the short-term.

2 This represents total realised tax losses and capital losses which are unused and have not been recognised as a deferred tax asset.

3 The taxation benefits will only be obtained if:

i) The Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deduction for the loss to be realised;
ii) The Group continues to comply with the conditions for deductibility imposed by law and, in particular, as 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); and
iii) No changes in tax legislation adversely affect the Group in realising the benefits from the deductions for the loss.

Not included in the above table:

- Unused PNG losses of $45.282 million (2018: $45.282 million) for which no tax loss has been recognised because of the uncertainty of being able to use them.
- The impaired value of certain investments in PNG and Australia which may in future give rise to further Australian tax losses.

12. FINANCIAL RISK MANAGEMENT

a) Risk management objectives and policies

The Group's financial instruments consist mainly of cash and deposits with banks, accounts receivable and payable, borrowings and loans to subsidiaries and its joint venture entity. The Group's overall risk management program seeks to minimise potential adverse effects on the financial performance of the group and may use a range of derivative financial instruments to manage risk exposures.

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, credit risk, liquidity risk and price risk. Senior management, in conjunction with the Board, reviews and agrees policies for managing each of these risks.

b) Foreign currency risk

The Group is exposed to foreign currency risk on holding currencies other than Australian dollars. The currencies giving rise to this are the CAD, GBP, HKD, PGK, USD. The Group does not currently enter into derivative financial instruments to hedge such transactions denominated in a foreign currency.

At 31 December 2019, the Group had the following exposure to various foreign currencies:

	2019	2018
	$'000	$'000
Financial assets		
Cash and cash equivalents	13	11
Trade and other receivables	13	18
Financial assets held at fair value through profit or loss	12,789	11,606
Other assets	2	2
Other long-term assets	427	263
	13,244	11,900
Financial liabilities		
Trade and other payables - Current	(10)	(10)
Net exposure	**13,234**	**11,890**

The Group has performed sensitivity analysis relating to its exposure to foreign currency risk at reporting date. This sensitivity analysis demonstrates the effect on the net exposure which could result from a change in this risk.

	2019	2018
Sensitivity Analysis – increase/(decrease) in net exposure	**$'000**	**$'000**
Australian dollar depreciates by 5% against CAD	6	7
Australian dollar depreciates by 5% against GBP	213	208
Australian dollar depreciates by 5% against HKD	390	262
Australian dollar depreciates by 5% against PGK	21	13
Australian dollar depreciates by 5% against USD	-	76
Australian dollar appreciates by 5% against CAD	(6)	(7)
Australian dollar appreciates by 5% against GBP	(213)	(208)
Australian dollar appreciates by 5% against HKD	(390)	(262)
Australian dollar appreciates by 5% against PGK	(21)	(13)
Australian dollar appreciates by 5% against USD	-	(76)

12. FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Interest rate risk

At 31 December 2019, the Group had fixed rate debt in the form of short-term borrowing of $3 million at an interest rate of 10% p.a.

The Group had the following mix of financial assets and liabilities exposed to variable interest rate risk:

Financial assets	2019 $'000	2018 $'000
Cash and cash equivalents	2,627	2,084
Liabilities – variable rate	-	-
Total	**2,627**	**2,084**

The Group has performed sensitivity analysis relating to its exposure to interest rate risk and price risk at reporting date. This sensitivity analysis demonstrates the effect on the current year results which could result from a change in these risks.

Interest rate sensitivity analysis	2019 $'000	2018 $'000
Increase/(decrease) in profit/(loss)		
- increase in interest rate by 2%	80	103
- decrease in interest rate by 2%	(80)	(103)

d) Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at reporting date, to recognised financial assets, is the carrying amount, net of any provision for impairment of those assets, as disclosed in the Statement of Financial Position and notes to the financial statements.

The Group does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the group other than the loans to and accrued interest receivable from its 50% owned joint venture entity, Western Drilling Limited and its subsidiary. At reporting date 2015 all loans and interest receivable were fully impaired. The carrying value of the Group's investment in WDL at reporting date 2019 is $427,000.

e) Liquidity risk

Liquidity risk is the risk that the Group might be unable to meet its obligations. The Group manages its liquidity needs by continuously monitoring forecast and actual cash flows and ensuring there are appropriate plans in place to finance these future cash flows.

As at 31 December, the Group holds $2.640 million in cash and has fixed rate debt in the form of short-term borrowing of $3 million at an interest rate of 10% p.a.

As at 31 December, the Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

12. FINANCIAL RISK MANAGEMENT (CONTINUED)

e) Liquidity risk (continued)

	Recovered/ settled within 12 months $'000	Recovered/ settled after 12 months $'000
2019		
Trade and other payables	466	-
Borrowings	3,068	41
Provisions	19	15
Total	**3,553**	**56**
2018		
Trade and other payables	429	-
Provisions	9	8
Total	**438**	**8**

The above amounts reflect the contractual undiscounted cash flows, which may differ to the carrying values of the liabilities at reporting date.

f) Price risk

The Group is exposed to movement in market prices of its equity investments. As the Group does not derive revenue from sale of products, the effect on profit and equity as a result of changes in the price risk is not considered material. Equity investment in listed shares is subject to movement in the market prices of the shares.

13. FAIR VALUE MEASUREMENT

The Group measures and recognises the following assets at fair value on a recurring basis:

- Financial assets held at fair value through profit or loss

There are no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

Fair value hierarchy

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). These include quoted prices for similar assets or liabilities in active markets.
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The table below presents the financial assets (by class) measured and recognised at fair value at 31 December 2019.

2019	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial Assets at fair value through profit or loss				
Listed equity securities	31,635	-	-	31,635
Unlisted equities	-	-	427	427
Total Financial Assets at fair value through profit or loss	**31,635**	**-**	**427**	**32,062**

2018				
Financial Assets at fair value through profit or loss				
Listed equity securities	19,649	-	-	19,649
Unlisted convertible notes	-	-	750	750
Unlisted equities	-	-	6,371	6,371
Total Financial Assets at fair value through profit or loss	**19,649**	**-**	**7,121**	**26,770**

Valuation techniques used to determine fair values

Assets in the Group's investment portfolio are valued in accordance with the Group's published Investment Valuation policy, a summary of which is provided below. This summary does not purport to be complete, and readers should refer to the full Investment Valuation Policy which is available on the Group's website.

LEVEL 1

The fair value of investments that are traded in an active market (for example, listed equities) is determined using the last traded quoted price in an active market. As at 31 December 2019, the Company had $31,635,000 (2018: $19,649,000) financial assets held at fair value through profit or loss included in Level 1. As at 31 December 2019 the Company had $ Nil (2018: $ Nil) financial liabilities held at fair value through profit or loss included in Level 1.

13. FAIR VALUE MEASUREMENT (CONTINUED)

Fair value hierarchy (continued)
Valuation techniques used to determine fair values (continued)

LEVEL 2

The fair value of investments that are not traded in an active market (for example, unlisted securities) is determined by reference to quoted prices for similar assets or liabilities in active markets. As at 31 December 2019, the Company had $ Nil (2018: $ Nil) investments in Level 2.

LEVEL 3

If one or more of the significant inputs is not based on observable market data, the investment is included in Level 3. The fair value of unlisted securities for the first 12 months of ownership is usually valued at the cost of the investment, unless there is an apparent change in circumstances which would indicate the need for a new valuation. Such a circumstance may include observing the price from a recent transaction of an investment, provided the relevant transaction occurred sufficiently close to the measurement date (usually within 12 months).

In the absence of a recent transaction providing a reliable estimate, the fair value of unlisted direct securities will be calculated with reference to appropriate valuation methods including, but not limited to, an assessment of the investment's cash flows, comparable transactions, and comparable listed assets.

As at 31 December 2019, the Company had $427,000 (2018: $7,121,000) of investments held at fair value through profit or loss included in Level 3.

Valuation of Powerwrap Limited as at 31 December 2019

On 23 May 2019 Powerwrap Limited (**Powerwrap**) listed on the ASX via an IPO. The Company sold 60% of its holding via the share sale facility offered under the IPO. The balance of shares were transferred to Level 1 assets following Powerwrap's listing. Accordingly, the fair value of the Level 3 Powerwrap holding at 31 December 2019 was $ Nil (31 December 2018: $5,974,000). The Company sold its remaining (Level 1) holding on-market prior to 30 June 2019.

Valuation of Cody Live Pty Ltd as at 31 December 2019

In April 2019 Cody Live Limited (**Cody Live**) was placed into voluntary administration and the Board fully impaired the Company's investment in Cody Live shares and convertible notes. In October 2019 the liquidators of Cody Live Limited notified shareholders that there was no likelihood that shareholders would receive any distribution in the course of the liquidation. Cody Live remains registered. The fair value of Cody Live shares at 31 December 2019 is $ Nil (31 December 2018: $133,636) and Cody Live convertible notes is $ Nil (31 December 2018: $750,000).

Valuation of Western Drilling Limited (WDL) as at 31 December 2019

Since 2016 the Company has advanced loans for working capital purposes to WDL. WDL continues to seek contracts for the rig and has also appointed sales agents to market the rig, camp and other drilling assets. Prospective buyers have indicated interest in purchasing the rig and/or camp at prices that would recover these loans.

The Board considers that the best available evidence of fair value of this loan investment is the original cost of the investment. At 31 December 2019 that fair value of this investment is $427,000 (2018: $262,899)

13. FAIR VALUE MEASUREMENT (CONTINUED)

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy.

The carrying amounts of investments measured using significant unobservable inputs (Level 3) are shown below:

	Unlisted Convertible notes	Unlisted equities	Total
For the year ended 31 December 2019	**$'000**	**$'000**	**$'000**
Beginning balance	750	6,371	7,121
Purchase	-	164	164
Revaluation losses recognised in profit or loss	(750)	(2,524)	(3,274)
Sale	-	(2,084)	(2,084)
Transfer to Level 1	-	(1,500)	(1,500)
Ending balance	**-**	**427**	**427**
For the year ended 31 December 2018			
Beginning balance	750	3,955	4,705
Purchase	-	173	173
Revaluation gain	-	2,389	2,389
Revaluation loss	-	(146)	(146)
Ending balance	**750**	**6,371**	**7,121**

14. EQUITY AND CAPITAL MANAGEMENT

a) Share Capital

Shares issued and fully paid	**2019 Shares**	**2018 Shares**	**2019 $'000**	**2018 $'000**
At beginning of year	37,194,774	37,444,448	78,136	78,293
Share buy-back	-	(249,674)	-	(157)
Total contributed equity at 31 December	**37,194,774**	**37,194,774**	**78,136**	**78,136**

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding-up of the Company in proportion to the number of shares held. Every ordinary shareholder present at a meeting of the Company, in person or by proxy, is entitled to one vote, and upon a poll each ordinary share is entitled to one vote. Ordinary shares have no par value.

b) On-market share buy-back

On 21 August 2017 the Company announced a 10/12 on-market buy-back to commence on or after 4 September 2017. This buy-back is of unlimited duration and was re-confirmed by the Board for the years commencing on 4 September 2018 and 4 September 2019, with the Company reserving the right to suspend or terminate the buy-back at any time. During the year Nil (2018: 249,674) shares were bought back and cancelled. The total cost of $ Nil (2018: $157,300) was deducted from Share Capital.

c) Options over unissued shares

There were no options over unissued shares on issue in 2019 or 2018.

14. EQUITY AND CAPITAL MANAGEMENT (CONTINUED)

d) Capital risk management

The Group currently has no long-term debt or short-term debt and is not subject to any externally imposed capital requirements, nor does it focus on obtaining debt as a key capital management tool. The operating cash flows of the Group are financed by its cash holdings. Capital risk management is continually reviewed by the Board and Management.

e) Reserves

	2019 $'000	2018 $'000
Option reserve	-	-
Equity component of convertible instrument	-	-
Total	**-**	**-**

Option reserve

	2019 $'000	2018 $'000
Balance at beginning of year	-	7,894
Transfer to accumulated losses/retained earnings	-	(7,894)
Balance at end of year	-	-

The option reserve records items recognised as expenses on share options and rights granted for compensation and services rendered. The options and rights have been valued at the invoiced amounts or if granted for nil consideration, at fair value. As there were no options outstanding at year-end 2018 the accumulated balance of the option reserve was transferred directly to accumulated losses/retained earnings.

Equity component of convertible instrument

	2019 $'000	2018 $'000
Balance at beginning of year	-	3,483
Transfer to accumulated losses/retained earnings	-	(3,483)
Balance at end of year	-	-

This reserve recognises the equity component of the fair value of convertible equity bonds issued in previous years. All of these equity bonds were subsequently repaid in full and none converted to equity. As there were no convertible equity bonds outstanding at year-end 2018 the accumulated balance of the equity component of convertible instrument reserve was transferred directly to accumulated losses/retained earnings.

15. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	2019	2018
Cash flows from operating activities	**$'000**	**$'000**
Profit for the period	3,190	7,034
Adjustments for:		
Depreciation – fixed assets	1	1
Depreciation – right-of-use assets	66	-
Foreign exchange differences	11	(37)
Provision for employee entitlements	18	7
Changes in assets and liabilities relating to operations		
Increase in creditors and accruals	291	62
(Increase)/decrease in receivables	(409)	2
Increase in financial assets	(5,127)	(7,963)
(Increase) in prepayments	(2)	(1)
Increase in deferred tax asset	-	(2,020)
Net cash used in operating activities	**(1,961)**	**(2,915)**

16. CASH AND CASH EQUIVALENTS

	2019	2018
	$'000	**$'000**
Cash at bank and on hand	2,640	2,095

Cash and cash equivalents at reporting date consisted of AUD2,627,236, HKD56,130 and PGK5,993 (2018: AUD2,084,414, HKD60,937 and PGK98).

17. TRADE AND OTHER RECEIVABLES

	2019	2018
Current	**$'000**	**$'000**
Receivables	429	20
Total	**429**	**20**

a) Allowance for impairment loss

All amounts are short-term. The net carrying value of receivables is considered a reasonable approximation of fair value.

b) Foreign exchange and interest rate risk

Detail regarding foreign exchange and interest rate risk exposure is disclosed in Note 12.

18. OTHER ASSETS

The Group holds a 50% voting and equity interest in Western Drilling Limited (WDL), a jointly controlled company registered in Papua New Guinea. Maps Tuna Limited, a company related to former Non-Executive Director Sir Michael Bromley, holds the remaining 50%.

WDL has a wholly-owned subsidiary registered in Australia and both companies have a reporting date of 31 December. Dividends are subject to the approval of a majority of directors of the joint venture entity. The Group received no dividends during 2019 or 2018.

Until 2015 the Group's investment in WDL was accounted for using the equity method of accounting and the Group shares the results of WDL group based on the Group's percentage interest in WDL. At year end 2015 the investment was fully impaired and interest accruals on loans were suspended.

These actions were taken because the global oil and gas market for WDL's major asset, a Heli rig, entered a downturn and there were no contract opportunities for the use, hire, or sale of the rig. Accordingly, it was difficult to support any assumptions or estimates of future cash flows for the rig under a value-in-use approach or to reliably estimate a fair value less costs of disposal.

At each year-end subsequent to 2015 the Directors reviewed their impairment decision and determined that, full impairment of the investment in WDL remained appropriate. WDL is continuing its efforts to secure contracts. WDL has also appointed sales agents to market the rig, camp and other drilling assets, however no bids have been received to date. In the future should new drilling contracts be secured and/or the rig, camp and and other drilling assets be sold in whole or in part then the impairment could be reversed in part or in full.

The aggregate amounts of certain financial information of the jointly controlled entity can be summarised as follows:

	2019	**2018**
	$'000	**$'000**
Assets	19,761	19,950
Impairments	(19,389)	(19,278)
Liabilities	25,673	25,200
Revenues	-	-
Loss for the year	(320)	(344)
Loss attributable to the Group	(160)	(172)

	2019	**2018**
Investments accounted for using the equity method - WDL	**$'000**	**$'000**
Loans to WDL	9,620	9,620
Shares of losses accounted for using the equity method	(1,761)	(1,761)
Impairment	(7,859)	(7,859)
Total	**-**	**-**

Other assets WDL non-current	**$'000**	**$'000**
Accrued interest receivable – WDL	4,726	4,726
Impairment	(4,726)	(4,726)
Total	**-**	**-**

18. OTHER ASSETS (CONTINUED)

Other assets	2019 $'000	2018 $'000
Prepayments	44	42
Total	**44**	**42**

19. PROPERTY PLANT AND EQUIPMENT

	Right of use asset	Other	Total
Gross carrying amount	$'000	$'000	**$'000**
Balance at 1 January 2019	-	-	-
Adjustment on transition to AASB 16	171	-	171
Balance at 31 December 2019	**171**	**-**	**171**
Amortisation and impairment			
Balance at 1 January 2019	-	-	-
Depreciation	(66)	-	(66)
Balance at 31 December 2019	**(66)**	**-**	**(66)**
Carrying amount 31 December 2019	**105**	**-**	**105**

	Buildings	Other	Total
Gross carrying amount	$'000	$'000	$'000
Balance at 1 January 2018	-	-	-
Balance at 31 December 2018	-	-	-
Amortisation and impairment			
Balance at 1 January 2018	-	-	-
Depreciation	-	-	-
Balance at 31 December 2018	**-**	**-**	**-**
Carrying amount 31 December 2018	**-**	**-**	**-**

Included in the net carrying amount of property, plant and equipment are right-of-use assets as follows:

	Total
	$'000
Buildings – licence to occupy	105
Total right-of-use asset	**105**

20. DEFERRED TAX ASSETS

The balance comprises temporary differences attributable to:

	2019 $'000	2018 $'000
Tax losses	2,020	2,020
Total	**2,020**	**2,020**

Movements	**Tax losses $'000**	**Other temporary differences $'000**	**Total $'000**
Balance at 31 December 2017	-	-	-
(Charged)/credited:			
- to profit or loss	2,020	-	2,020
- directly to equity	-	-	-
Balance at 31 December 2018	2,020	-	2,020
(Charged)/credited:			
- to profit or loss	-	-	-
- directly to equity	-	-	-
Balance at 31 December 2019	2,020	-	2,020

Refer to Note 11 for details of the recognition of this deferred tax asset.

21. TRADE AND OTHER PAYABLES

Current	**2019 $'000**	**2018 $'000**
Trade payables	5	18
Sundry payables and accrued expenses	461	411
Total	**466**	**429**

22. BORROWINGS

	2019 $'000	**2018 $'000**
Current borrowings[1]	3,000	-
Non-current borrowings[2]	-	-
Total	**3,000**	-

[1]Current borrowings exclude lease liabilities which have a carrying value of $68,000 at 31 December 2019 (31 December 2018: $ Nil). See Note 23 for further detail.

[2]Non-current borrowings exclude lease liabilities which have a carrying value of $41,000 at 31 December 2019 (31 December 2018: $ Nil). See Note 23 for further detail.

On 7 February 2019 the Company entered into a loan agreement and borrowed $3 million, at an interest rate of 10% p.a. and maturity of 12 months after the initial drawdown.

23. LEASE LIABILITIES

The gross carrying amount of lease liabilities presented in the statement of financial position within borrowings is as follows:

	2019 $'000	2018 $'000
Lease liabilities (current)	68	-
Lease liabilities (non-current)	41	-
Total	**109**	**-**

The Company has a non-cancellable licence agreement with Kentgrove Capital Pty Ltd for the sub-lease of office premises for its business from 1 August 2018 to 31 July 2021 at an initial rate of $66,000 per annum annually indexed at 4.00%. Future minimum licence payments at 31 December 2019 are as follows:

Minimum lease payments due	**Within one year**	**One to five years**	**After five years**	**Total**
31 December 2019	**$**	**$**	**$**	**$**
Lease payments	70	42	-	112
Finance charges	(2)	(1)	-	(3)
Net present values	**68**	**41**	**-**	**109**

24. PROVISIONS

Current	**2019 $'000**	**2018 $'000**
Employee provisions	19	9

Non-Current		
Employee provisions	15	8

Employee provisions relate to annual leave and long service leave entitlements.

25. AUDITOR'S REMUNERATION

	2019 $	**2018 $**
Audit and review of financial statements		
Auditor of the Company - Grant Thornton	37,500	31,339
Other auditors for audit and review of subsidiaries' financial statements	4,874	3,951
Total	42,374	35,290
Other non-audit services		
Auditor of the Company - Grant Thornton	-	-
Total	**42,374**	**35,290**

26. CONTROLLED AND JOINTLY CONTROLLED ENTITIES

Controlled Entities	Country of Incorporation	Ownership Interest %
NGE Administration Limited	Papua New Guinea	100

Jointly Controlled Entities	Country of Incorporation	Ownership Interest %
Western Drilling Limited (WDL)	Papua New Guinea	50
- Rig 6 Pty Ltd[1]	Australia	50

[1] Rig 6 Pty Ltd is a wholly owned subsidiary of WDL.

27. RELATED PARTY TRANSACTIONS

The Group's related parties include its joint venture company and key management.
Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

a) Wholly owned group

The Company provides all controlled entities with support services and funds for expenditure interest free with no fixed repayment dates and recovers overhead expenses from the controlled entities.

b) Jointly controlled entity

The Group holds a 50% voting and equity interest in Western Drilling Limited (WDL), a jointly controlled company registered in Papua New Guinea. Maps Tuna Limited, a company related to former director Sir Michael Bromley, holds the remaining 50%. Rig 6 Pty Ltd, registered in Australia, is a wholly-owned subsidiary of WDL. Loans were made to WDL group in previous years to finance the acquisition of assets and working capital for its drilling business. The loans are denominated in USD and bore interest at market rates until reporting date 2015 at which point the loans and interest receivable were fully impaired as noted in Note 18. An agreement between the parties provided that no interest would be charged in 2016 and future periods until it became more certain that the accrued and future interest could be paid.

Since the end of 2015, additional funds were loaned by both parties, some of which have been repaid, and the Group's net loan balance of $427,000 (2018: $262,899) is disclosed as a financial asset held at fair value through profit or loss (See Note 13) .

c) Transactions with key management personnel

Key Management Personnel remuneration includes the following expenses:

	2019 $	2018 $
Short-term employee benefits	820,299	831,362
Post-employment benefits	55,849	60,901
Other long-term benefits	7,443	5,920
Total	**883,591**	**898,183**

27. RELATED PARTY TRANSACTIONS (CONTINUED)

d) Transactions with other related parties

In 2018 the Company entered into a licence agreement with Kentgrove Pty Ltd for the sub-lease of office premises for its business from 1 August 2018 to 31 July 2021 at the rate of $66,000 per annum, with annual 4% increases.

The Executive Chairman and Chief Investment Officer David Lamm is a director and controlling shareholder of Kentgrove Capital Pty Ltd.

28. EMPLOYEE BENEFITS

Superannuation

The Group makes contributions based on each employee's salary to superannuation plans that provide employees with benefits on retirement in accordance with the requirements of superannuation legislation.

Employee incentive plan

The Company does not offer an Employee Incentive Plan under which the Directors may offer options and ordinary shares in the Company to eligible persons.

29. COMMITMENTS

The Group has no capital commitments. The Group signed a non-cancellable license agreement in the year, to occupy office facilities. Commitments for minimum licence payments are as follows:

	2019	**2018**
	$	**$**
Within one year	69,784	67,100
Later than one year but not later than 5 years	41,642	111,426
Total	**111,426**	**178,526**

30. CONTINGENT ASSETS AND LIABILITIES

At reporting date the Group has no contingent assets or contingent liabilities.

31. PARENT ENTITY INFORMATION

Information relating to NGE ("the Parent Entity"):

	2019 $'000	2018 $'000
Assets		
Cash and cash equivalents	2,638	2,095
Trade and other receivables	417	4
Financial assets held at fair value through profit or loss	32,062	26,770
Other Assets	42	40
Plant and equipment	105	-
Other long-term assets	4	6
Deferred tax assets	2,020	2,020
Total Assets	37,288	30,935
Liabilities		
Trade and other payables	456	419
Borrowings	3,109	-
Provisions	34	17
Total Liabilities	3,599	436
Net Assets	33,689	30,499
Equity		
Issued capital	78,136	78,136
Accumulated losses	(44,447)	(47,637)
Total Equity	33,689	30,499
Financial Performance		
Profit for the year	3,190	7,032
Other comprehensive income	-	-
Total Comprehensive Income	**3,190**	**7,032**

32. POST-REPORTING DATE EVENTS

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorisation, with the exception that:

On 7 February 2020 the Company repaid the $3 million outstanding loan balance with cash on hand.

Since year-end the consequences of the coronavirus outbreak to economic conditions in general and NGE's portfolio in particular have been material. Due to continuing uncertainties in the global economic environment and the additional potential impact of Covid-19, there is a risk that the Company's portfolio may decline further in value. During this unprecedented period of uncertainty, NGE's management has put into action appropriate business continuity plans, in addition to reweighting certain holdings to put the Company in a stronger position to be able to weather this challenging moment in time.

32. POST-REPORTING DATE EVENTS (CONTINUED)

Since year-end the oil price has declined significantly in response to demand destruction caused by the coronavirus and the breakdown of OPEC+ and subsequent oil price war between Saudi Arabia and Russia. As a consequence, and despite fielding several expressions of interest in and physical inspections of the drill rig and camp in Papua New Guinea during the past six months, NGE's Board is likely to impair the carrying value of NGE's investment in Western Drilling Limited in the next reporting period.

DIRECTORS' DECLARATION

1. In the opinion of the Directors of NGE Capital Limited:

   a. the consolidated financial statements and notes of NGE Capital Limited are in accordance with the Corporations Act 2001, including:

      i. Giving a true and fair view of its financial position as at 31 December 2019 and of its performance for the year ended on that date; and

      ii. Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

   b. there are reasonable grounds to believe that NGE Capital Limited will be able to pay its debts as and when they become due and payable.

2. The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the financial year ended 31 December 2019.

3. Note 2 confirms that the consolidated financial statements also comply with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:

Dated this 30 day of March 2020

____

David Lamm
Executive Chairman and
Chief Investment Officer

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Independent Auditor's Report

To the Members of NGE Capital Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of NGE Capital Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the year ended on that date; and

b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Financial assets held at fair value through profit or loss – listed equity securities, Note 13	
As at 31 December 2019, the Group's financial assets held at fair value through profit or loss totalled $31.64m. The fair value of the investment portfolio is not considered to be judgemental in nature as it is comprised of equity securities listed on the Australian Securities Exchange or overseas stock exchanges. Whilst there is not significant judgement in determining the valuation of investments, these represent a key measure of performance and comprise a significant portion of the total assets of the Group. As such, investments have a pervasive impact on the Group's key financial metrics. The valuation and existence of the listed securities is considered to be a key audit matter. As a result, this was the area with the greatest effect on our overall audit strategy and allocation of time and resources in planning and performing our audit.	Our procedures included, amongst others: • Assessing the valuation of all listed investments held at year end to market data and publicly quoted prices for accuracy; • Selecting a sample of purchases and sales of investments, and agreeing details to supporting documentation; • Agreeing the number of shares held to external holdings statements as at 31 December 2019; • Reviewing purchases and sales occurring near year end to ensuring that any significant unsettled trades are being appropriately accounted for; • Obtaining a roll forward of activity by investment and recalculating the realised gain or loss on disposals for accuracy; and • Reviewing all financial statement disclosures.

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Grant Thornton

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in pages 13 to 18 of the Directors' report for the year ended 31 December 2019.

In our opinion, the Remuneration Report of NGE Capital Limited, for the year ended 31 December 2019 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

Michael Climpson
Partner – Audit & Assurance

Melbourne, 30 March 2020

ADDITIONAL INFORMATION

Additional information included in accordance with the Listing Rules of ASX Limited.

1. SHAREHOLDINGS

a) Distribution of Shareholders as at 16 March 2020

Size of holding	Holders	Ordinary shares held	%
1-1,000	235	86,403	0.23
1,001-5,000	522	1,485,241	4.00
5,001-10,000	163	1,291,216	3.47
10,001-100,000	238	7,875,314	21.19
100,001 and over	54	26,421,610	71.11
Total	**1,212**	**37,159,784**	**100.00**

247 shareholders held less than a marketable parcel.

b) Top Twenty Shareholders as at 16 March 2020

Shareholder	Number of ordinary shares	% Held of issued ordinary capital
DAVID LAMM	2,950,000	7.94
SHOMRON PTY LTD<LAMM FM FAMILY A/C>	2,519,014	6.78
J P MORGAN NOMINEES AUSTRALIA LIMITED	2,236,284	6.02
RUMINATOR PTY LTD	1,775,000	4.78
WALLBAY PTY LTD <THE MICHAEL ABELL S/F A/C>	1,470,719	3.96
KURIDALE NOMINEES PTY LTD<LAMM P/L STAFF S/F A/C>	1,344,128	3.62
DAWNEY & CO LTD	836,000	2.25
YARANDI INVESTMENTS PTY LTD <GRIFFITH FAMILY NO 2 A/C>	668,376	1.80
LUCERNE CAPITAL PTY LTD <LUCERNE CAPITAL A/C>	664,000	1.79
LAMM SUPER FUND PTY LTD<THE RAPHI SUPER FUND A/C>	651,393	1.75
MAXLEK PTY LTD<JIMS AND JOELS SUPER FUND>	585,000	1.57
ALLAN DALE HOLDINGS PTY LTD	512,000	1.38
MR DAVID GEORGE MAXWELL WELSH	500,000	1.35
ABBAWOOD NOMINEEES PTY LTD<ABBOTT FAMILY S/F NO 1 A/C>	500,000	1.35
ROSSBEL PTY LIMITED<THE ROSSBEL A/C>	450,000	1.21
RIFLERANGE TRADING CO PTY LTD	449,508	1.21
BILLY RAY PTY LTD<KRAM SUPER FUND A/C>	430,874	1.16
PERPETUAL CORPORATE TRUST LTD<AFFLUENCE LIC FUND>	426,428	1.15
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	360,060	0.96
ALPHA GENERATOR PTY LTD<D&P LAMM SUPER FUND A/C>	350,000	0.93
Twenty largest shareholders	**19,466,563**	**52.96**
Others	**17,693,221**	**47.04**
Total	**37,159,784**	**100.00**

2. VOTING RIGHTS

a) At meetings of members each member entitled to vote may vote in person or by proxy or attorney or, in the case of a member which is a body corporate, by representative duly authorized.
b) On a show of hands every member entitled to vote and be present in person or by proxy or attorney or representative duly authorised shall have one (1) vote.
c) On a poll every member entitled to vote and be present in person or by proxy or attorney or representative duly authorised shall have one (1) vote for each fully paid share of which he is a holder.

3. AUDIT COMMITTEE

As at the date of this report the Group has an Audit Committee and an Investment Committee; subcommittees of the Board of Directors.

4. SUBSTANTIAL SHAREHOLDERS

As at the date of this report substantial shareholder notices had been lodged in relation to the Company's securities by the following shareholders:

Name	Number of ordinary shares	% Held of issued ordinary capital
Raphael Lamm	3,170,407	8.53
David Lamm	2,950,000	7.94
Wallbay Pty Ltd	2,242,182	6.03
Noontide Investments Ltd	2,123,554	5.72
Kuridale Nominees Pty Ltd	1,873,372	5.04