NEW GUINEA ENERGY LIMITED (NGE)
APPENDIX 4E (Listing Rule 4.3A)
Results for announcement to the market for the year ended 31 December 2016

All comparisons to year ended 31 December 2015

	$'000	**Up/Down**	**% change**
Revenue from ordinary activities	2,501	Up	2,113%
Profit (loss) after tax for the year	691	Up	102%

Dividend information

No dividends or distributions have been paid or provided during the year.
There are no dividend or distribution reinvestment plans in operation.

	31 Dec 2016	**31 Dec 2015**	**Movement**
Net tangible asset backing per ordinary share	$0.496	$0.477*	3.98%

* comparative adjusted to reflect the 20:1 share consolidation effected in the year

Additional Appendix 4E disclosure requirements can be found in the notes to the Annual Report attached hereto.

This report is based on the consolidated financial statements which have been audited by Grant Thornton.

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NEW GUINEA ENERGY LTD

ABN 31 112 618 238

ANNUAL REPORT
For the year ended 31 December 2016

CONTENTS

CORPORATE DIRECTORY

Directors

David Lamm	Executive Chairman
Sir Michael Bromley	Non-Executive – Resigned 24 January 2017
Adam Saunders	Non-Executive
Grant Worner	Non-Executive

Company Secretary
Leslie Smith

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Email:	office@ngenergy.com.au

Website
www.ngenergy.com.au

Stock Exchange Listings

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ASX Code: NGE

OTC Code: NGELY

Share Registry
Boardroom Pty Limited
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Sydney NSW 2000

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CHAIRMAN'S LETTER

Dear Shareholder,

I am pleased to report that New Guinea Energy Limited (**NGE** or **Company**) made an after-tax profit of $691k in 2016, with the Company's Net Tangible Assets growing by $413k. This is only the second profitable year in the Company's history and is despite the Company incurring one-off costs of $770k in transforming the business. The biggest development for NGE last year was the change in the nature and scale of the Company's activities to those of a Listed Investment Company (**LIC**), following shareholder approval in October.

The Board was able to begin implementing a new strategic direction for the Company, based on minimising overhead costs, undertaking appropriate capital management strategies, maximising the Company's Australian dollar cash balance, and making investments based on sound investing principles.

Specific actions that management undertook to implement the Board's strategy included:

- Moving the Company's headquarters to a cheaper office in Melbourne following the termination of the Brisbane, Sydney and Port Moresby offices and Port Moresby apartment lease;
- Making final redundancy and termination payments in Australia and Papua New Guinea;
- Undertaking a voluntary delisting from the Port Moresby Stock Exchange;
- Completing an unmarketable share sale facility;
- Buying back shares on-market at a discount to Net Tangible Assets (**NTA**) and implementing an open-ended share buy-back facility; and
- The purchase and subsequent sale of a stake in Karoon Gas Australia Limited (**Karoon**) that resulted in a $2.70 million gain, representing a 76% return on investment.

The Company also moved to reduce its exposure to direct oil and gas exploration activities in PNG during the year. This was a result of having been unsuccessful in attracting farm-in partners to PPL 266 and PPL 267, despite discussions with numerous parties. It was clear that the industry's appetite to commit capital to frontier exploration acreage had diminished, and without a partner to share the risks, returns and costs of exploration, the Board took the decision to apply to surrender both licences.

The unsuccessful drilling campaign in PPL 269, in which two wells were plugged and abandoned during the year by the current licensees, highlights the risks involved in wildcat exploration. Whilst NGE retains contingent payments in PPL 269, any future benefit looks less likely. The Company also received notification after year end that the holders of PPL 277 had lodged a request to surrender the licence. This is a disappointing outcome for the Company as NGE retained rights to contingent payments and royalties should the licence have been converted into a Petroleum Development Licence.

The Company's joint venture, Western Drilling Limited (**WDL**), continues to market WDL's drill rig, camp and other assets for lease, sale or potential sell-down of equity. Whilst the Company looks to extract value from the 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.

Following approval during the year by shareholders to change the Company's principal activities to those of a LIC, NGE now has greater freedom to implement the Board's strategy of investing the Company's cash to generate strong risk-adjusted returns. It is an exciting time for the Company as we build up NGE's investment portfolio according to a flexible mandate that allows for investments across a range of securities and industries, though with a focus on Australian listed equities.

Investments like the one in Karoon are the sorts of investments that we like to make: low downside risk, with investors attributing no value to Karoon's exploration and development and only partial value to the Company's substantial cash balance; and upside optionality if any value could be extracted from the Company's non-cash assets. We will continue to target such investments that can generate strong returns with an adequate margin of safety.

CHAIRMAN'S LETTER

Year on year, the Company's NTA grew from $20.18 million to $20.60 million, despite one-off costs of $0.77 million associated with redundancies, terminations, discontinued operations, the re-compliance process and FX losses, and buying back $0.28 million of NGE shares. Looking forward, we will continue to focus on strong overhead cost control, making compelling investments based on sound investment principles, and continuing capital management programs, each of which should cause the Company's intrinsic value to be better reflected in the share price.

The Board's decision to implement a new strategic direction for the Company is beginning to bear fruit, and I am confident that the foundations that have been laid in the past 12 months will set the Company in good stead for the future.

Yours sincerely

David Lamm
Executive Chairman

DIRECTORS' REPORT

The Directors of New Guinea Energy 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 2016.

DIRECTORS

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

Mr David Lamm
Executive Chairman (29 February 2016 – present)
Non-Executive Chairman (28 July 2015 – 28 February 2016)
Non-Executive Director (15 July 2015 – 27 July 2015)
Member of Audit Committee (20 August 2015 – 28 February 2016)
Chair of Investment Committee (5 December 2016 – present)
Member of Remuneration Committee (20 August 2015 – 28 February 2016)

Mr Lamm has over a decade of experience in business and financial markets including roles at Credit Suisse, Bain & Company and the Alter Family Office where he gained experience across an extensive range of sectors and industries. Mr Lamm is the founder and Managing Director of Kentgrove Capital, an investment management firm focused on listed Australian equities.

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

Other Current Directorships:
Alchemia Limited (appointed 7 March 2016)

Sir Michael Roger Bromley – Resigned 24 January 2017
Non-Executive Director (4 October 2006 – 24 January 2017)
Member of Audit Committee (September 2009 – 24 January 2017)
Member of Investment Committee (5 December 2016 – 24 January 2017)
Chair of Remuneration Committee (20 August 2015 – 24 January 2017)

Sir Michael Bromley, KBE, has extensive commercial experience in Papua New Guinea having been on the board of a number of companies including Air Niugini (Chairman in 1987, 1988, 1998, 2001 and 2002) and Orogen Minerals Limited. He is currently Chairman of Heli Niugini Limited (since 2006) and Chemica Limited (since 1996) and is on the board of Steamships Trading Company Limited (from 1986 to 1996 and since 2000), Sek No: 35 Limited (since 1990) and Maps Tuna Limited (since 1997), Chemica Ltd and Hoia Investments Ltd, all entities operating in PNG.

Other Current Directorships
Steamships Trading Company Ltd (appointed 15 August 2000)

Previous Directorships
Waratah Resources Limited (resigned 26 September 2013)

DIRECTORS' REPORT (continued)

Mr Adam Caspar Saunders
Non-Executive Director (15 July 2015 – present)
Chair of Audit Committee (20 August 2015 – 5 December 2016)
Member of Audit Committee (5 December 2016 – present)
Member of Investment Committee (5 December 2016 – present)
Member of Remuneration Committee (20 August 2015 – present)

Mr Saunders is currently employed by investment management firm Kentgrove Capital, where he is primarily involved in the origination and analysis of investment opportunities with the focus of delivering superior returns.

Previously Mr Saunders worked at boutique corporate advisory firm GBS Finanzas in Madrid, and Credit Suisse in Melbourne in the Mergers & Acquisitions team. Mr Saunders has worked on various oil and gas deals, cross-border transactions and has been involved in various buy-side and sell-side public company mandates.

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.

Mr Grant Worner
Non-Executive Director (15 July 2015 – 27 July 2015 and 15 January 2016 – present)
Managing Director (28 July 2015 – 14 January 2016)

Member of Audit Committee (29 February 2016 – present)
Chair of Audit Committee (5 December 2016 – present)
Member of Investment Committee (5 December 2016 – present)
Member of Remuneration Committee (29 February 2016 – present)

Mr Worner has more than 25 years' experience across the entire oil industry supply chain, including 12 years international experience in a 22 year career with BP. Mr Worner has spent the last 10 years operating at executive level for BP, NGE, Pan Pacific Petroleum NL, Cue Energy Resources Limited and his own specialist management consultancy firm.

Mr Worner has a Bachelor of Engineering (Chemical, 1st Class Honours) degree from the University of Queensland, an MBA from the University of Western Australia, and completed executive education courses in the London School of Economics, Cambridge, Harvard, and Stanford Universities. He is a Graduate of the Australian Institute of Company Directors.

Other Current Directorships:
CUE Energy Resources Limited (appointed 4 March 2016)
Pan Pacific Petroleum NL (appointed 22 June 2015)

DIRECTORS' REPORT (continued)

COMPANY SECRETARY

Mr Leslie Smith
Chief Financial Officer and Company Secretary (13 July 2016 – present)

Mr Smith was appointed CFO and Company Secretary on 13 July 2016. Mr Smith recently completed 6 years as CFO and Company Secretary with a listed junior mining company. 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) and a Masters of Business Administration at the University of Melbourne (2003), and recently completed a Graduate Diploma in Applied Corporate Governance. Mr Smith is a Chartered Accountant, a CPA and a Member of the Governance Institute of Australia.

Mr Justin Mouchacca
Company Secretary (resigned 13 July 2016)

Mr Mouchacca holds a Bachelor of Business majoring in Accounting. He graduated from RMIT University in 2008, became a Chartered Accountant in 2011 and since July 2013 has been a principal of the chartered accounting firm, Leydin Freyer Corp Pty Ltd. Mr Mouchacca has over 8 years' experience in the accounting profession and has extensive experience in relation to public company responsibilities, including ASX and ASIC compliance, control and implementation of corporate governance, statutory financial reporting, reorganization of companies and shareholder relations.

PRINCIPAL ACTIVITIES

With effect from its reinstatement to official quotation on the ASX on 30 November 2016 the Group's principal activities consisted of investment activities.

Prior to this date the Group's principal activities consisted of exploration for oil and gas in Papua New Guinea.

OPERATING AND FINANCIAL REVIEW

RESULTS

The profit of the Group after income tax for the year was $691,458 (2015: loss $35,774,000). This included a gain on sale of listed shares of $2,705,000 (2015: nil). Material transactions that occurred in 2015 and did not occur in 2016 were: gain on sale of an exploration licence $14,587,000; non-cash finance costs arising from fair value accounting of liabilities of $468,000; fair value loss on extinguishment of debts of $1,009,000; impairment charges on deferred exploration expenditure and fixed assets of $34,077,000; impairment of investments using the equity method of $12,799,000; and impairment of investments of $1,329,000.

DIRECTORS' REPORT (continued)

OPERATING AND FINANCIAL REVIEW (continued)

FINANCIAL POSITION

The net assets of the Group at 31 December 2016 increased to $20,600,000 (2015: $20,187,000). The net assets substantially comprise cash and investments in ASX listed equities.

CASH FLOWS

Operating activities resulted in net outflow of $1,136,000 (2015: $2,064,000) as the Group reduced overhead costs to match the activity profile of an investment company. Investing activities produced a net outflow of $3,338,000 (2015: inflow of $45,782,000) as the Group commenced to make investments funded from existing cash reserves once the Group's change in nature had been approved by shareholders and its re-compliance process with the ASX had been completed.

REVIEW OF OPERATIONS

Summary

During the year New Guinea Energy Limited (**NGE** or **Company**) received the requisite approvals to change the nature of the Company's activities to those of a Listed Investment Company (**LIC**) from oil and gas exploration. In addition, the Company:

- appointed a new Executive Chairman;
- started to make investments aimed at generating strong risk-adjusted returns, according to a defined set of investment principles;
- applied to surrender Petroleum Prospecting Licence (**PPL**) 266 and PPL 267, the Company's last remaining direct exploration interests;
- undertook significant capital management activities including a share consolidation, continuance of an on-market share buy-back, and sale of unmarketable parcels;
- moved the Company's headquarters to an economical office in Melbourne; and
- moved to separate the running of the joint venture company Western Drilling Limited (**WDL**) from the operations of NGE.

Change in Nature of Activities

On 11 August 2016, the Company announced that the Board had concluded that, after an extensive review, the best way to implement its strategy to enhance shareholder value was for the Company to transform its principal activities to those of a LIC within the definition of "investment entity" in ASX Listing Rule 19.

At a General Meeting held on 28 October 2016, shareholders approved the proposal for the Company to transform its principal activities to those of a LIC. On 28 November 2016, the ASX announced that the Company had received all other requisite approvals required to complete the transformation. Total costs for the process were approximately $0.236M (2015: nil).

DIRECTORS' REPORT (continued)

OPERATING AND FINANCIAL REVIEW (continued)

REVIEW OF OPERATIONS (continued)

Management

On 29 February 2016, the Company announced that Mr David Lamm had been appointed Executive Chairman. The Board is of the opinion that Mr Lamm's extensive investment skillset is best placed to drive future growth for NGE in accordance with the new corporate strategy of the Company.

Mr Leslie Smith was appointed to the role of CFO/Company Secretary on 13 July 2016 combining what had been two part-time roles into one. Mr Smith has considerable senior financial and company secretarial experience.

Investments

During the financial year, NGE continued to actively look for and assess investment opportunities consistent with the new corporate strategy of shifting away from investing in few, high cost, high risk activities to more attractive investment opportunities aimed at maximising returns for shareholders. In line with this strategy, the Company purchased and subsequently sold a stake in Karoon Gas Australia Limited (**Karoon**). The $3.55M initial investment in Karoon represented approximately 18% of NGE's net assets at the time of purchase. The sale generated proceeds of $6.25M, realising a gain-on-sale of $2.70M and representing a 76% return on investment.

Following the completion of NGE's transformation to a LIC in November, the Company has started making investments according to a flexible investment mandate and 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.

At year end NGE's principal assets comprised Cash and cash equivalents $14.816M (2015: $19.898M) and financial assets, mainly investments in ASX listed companies at market value, of $5.614M (2015: 0.508M)

Exploration Licences

PPL 266 and PPL 267

The Company announced on 11 August 2016 that it had lodged with the Papua New Guinea Department of Petroleum and Energy (**DPE**) applications to surrender PPL 266 and PPL 267. While no formal response has been received, it is expected that the applications to surrender will be accepted and approved.

The expiry date for PPL 266 was 15 August 2016. The expiry date for PPL 267 was 14 August 2017. The future expenditure commitments of these licences were significant ($30.278M at the time of relinquishment), and accordingly NGE had actively sought farm-in partners for both permits over many years. With the expiry date of PPL 266 approaching and the lack of success in attracting a farm-in partner to either licence, the Board reviewed its investment decision in both permits and determined that any further investment was not justified.

DIRECTORS' REPORT (continued)

OPERATING AND FINANCIAL REVIEW (continued)

REVIEW OF OPERATIONS (continued)

Exploration Licences (continued)

Exploration expenditure incurred in these licences in the period was $115,000 (2015: $251,000) which has been written off. This expenditure was necessary to keep the permits in good order and condition up to the date of surrender. All previous exploration expenditure associated with these licences was fully impaired in the previous financial year.

PPL 269

During the year it was announced that the wildcat exploration wells Strickland 2 and Strickland 1 ST4 had both been plugged and abandoned by the current licensees. Whilst NGE retains contingent payments in PPL 269, any future benefit looks less likely.

PPL 277

Subsequent to year end the Company received notification that the holders of PPL 277 had lodged with the DPE a request to unconditionally surrender this licence. This is a disappointing outcome as NGE retained rights to contingent payments and royalties should PPL 277 have been converted into a Petroleum Development Licence.

Capital Management

Share consolidation

A 20:1 share consolidation, as approved by shareholders at a General Meeting on 28 October 2016, was effected on 3 November 2016.

On-market share buy-back

In accordance with its on-market share buy-back scheme announced on 17 July 2015, NGE bought back and cancelled 591,034 (2015: 4,413,966) shares from the beginning of the period to 22 January 2016. No further shares were bought back by the time the scheme was formally closed on 3 August 2016. The total cost of $11,229 (2015: $86,000), plus transaction costs, was deducted from contributed equity.

The Company announced a new on-market share buy-back scheme on 4 August 2016. The Company bought back and cancelled 682,029 shares from the commencement of the buy-back to balance date. The total cost of $265,434 (2015: $86,000), plus transaction costs, was deducted from contributed equity.

Unmarketable parcels

On 28 July 2016, the Company announced that it had established an unmarketable parcel share sale facility to reduce the ongoing administrative and share registry fees for these small holdings. The Company sold the shares of, and returned the gross proceeds of sale to, those holders of unmarketable parcels who had not lodged a valid notice of retention with the Company. This process was completed by the end of the year. The Company reduced its number of shareholders by 784.

DIRECTORS' REPORT (continued)

OPERATING AND FINANCIAL REVIEW (continued)

REVIEW OF OPERATIONS (continued)

Capital Management (continued)

Delisting from the Port Moresby Stock Exchange

The Company announced on 21 April 2016 that it had applied for voluntary de-listing from the Port Moresby Stock Exchange (**POMSox**). Trading on the POMSoX had been minimal since the Company listed and the Board took the view that ongoing listing and compliance costs were no longer justified. The formal de-listing was effective on 29 June 2016.

Corporate

During the year the Company changed its Registered Office and Principal Place of Business to Level 15, 333 Collins Street, Melbourne VIC 3000, under a licence agreement with Kentgrove Capital Pty Ltd for $5,000 per month.

Western Drilling Limited

WDL was unsuccessful in the year in obtaining any new drilling contracts, highlighting the difficulty of providing upstream services to the oil and gas industry during a depressed exploration environment. In light of this the joint venture partners agreed to forego accruing interest on their investment in 2016. WDL continues to market its drill rig, camp and other assets for lease, sale or potential sell-down of equity. Whilst the Company 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.

DIRECTORS' REPORT (continued)

DIVIDENDS

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

STATE OF AFFAIRS

During the year, the following changes occurred within the Group:

- On 22 January 2016 the Company cancelled a total of 1,291,000 fully paid ordinary shares pursuant to the Company's on-market share buy-back facility as initially announced on 17 July 2015;
- On 29 January 2016 the Company announced that Mr David Lamm had been appointed Executive Chairman;
- On 19 March 2016 the Company announced a $3.55M investment in ASX listed company Karoon Gas Australia Limited;
- On 21 March 2016 the Company announced its intention to de-list from the Port Moresby Stock Exchange;
- On 28 July 2016 the Company announced that it had established an unmarketable parcel share sale facility;
- On 4 August 2016 the Company announced the closure of the on-market share buy-back facility announced on 17 July 2015 and announced the establishment of a new share buy-back facility for up to 10% of the Company's issued capital;
- On 11 August 2016 the Company announced that it had applied to surrender its final two permits, PPL 266 and PPL 267, in PNG;
- On 12 August 2016 the Company announced that, subject to obtaining requisite approvals it proposed to change the nature of its activities to those of a Listed Investment Company. The ASX granted the Company a voluntary suspension from quotation while the Company sought those requisite approvals;
- On 28 October 2016 a General Meeting of shareholders approved the proposal for the Company to change the nature of its activities and for the Company to consolidate its capital;
- On 14 November 2016 the Company announced that it had completed the sale of its investment in Karoon Gas Australia Limited realising a gain on sale of $2.70M;
- On 3 November 2016 the consolidation of the Company's capital on a 20:1 basis was effected;
- On 28 November 2016 the ASX announced that the Company had re-complied with Listing Rule requirements and would be re-instated to Official Quotation on 30 November 2016; and
- By 30 December 2016 the Company had announced the buy-back of 682,029 fully paid ordinary shares pursuant to the Company's on-market share buy-back facility announced on 12 August 2016.

DIRECTORS' REPORT (continued)

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

During the Group's period of activity as an explorer for oil and gas in Papua New Guinea the Group's operations were subject to significant environmental and other regulations. The Group at all times has a policy of engaging appropriately experienced contractors and consultants to advise on and ensure compliance with environmental regulations in respect of its exploration activities. There were no reports of breaches of environmental regulations for previous activities in the financial year and at the date of this report.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (audited)

The Directors present the Remuneration Report for Non-Executive Directors, Executive Directors and other Key Management Personnel, 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 established a Remuneration Committee which operates in accordance with its charter as approved by the Board and is responsible for determining and reviewing compensation arrangements for the directors and key management personnel.

The Remuneration Committee is responsible for providing the Board with advice and recommendations regarding the ongoing development of an executive remuneration policy that is designed 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 Remuneration Committee may engage independent external consultants and advisors to provide any necessary information to assist in the discharge of its responsibilities.

The Company's policy for determining the nature and amount of remuneration of Board members and senior executives 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. No changes were made to the remuneration of non-executive directors during the year.

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

(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 general human resources market pricing. There is no predetermined equity compensation element within the remuneration structure nor predetermined performance conditions to be satisfied except as disclosed where applicable. Compensation, where

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (audited) (continued)

appropriate, includes a mix of fixed and variable compensation and short term performance-based incentives.

Fixed compensation

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

Compensation levels are reviewed annually by the board through a process that considers individual performance and overall performance of the Company.

Performance linked compensation

Performance linked compensation includes short-term and long-term incentives and is designed to reward key management personnel for meeting or exceeding their financial and personal objectives and to keep the Company competitive in the market place. The short-term incentive (**STI**) is an at-risk bonus provided in the form of cash and based on agreed key performance indicators.

Short-term incentive bonus

Each year the board of directors sets KPIs for relevant key management personnel, when it is considered appropriate to do so. The KPIs will generally include measures relating to the Company and the individual, and include financial, people, strategy and risk measures. The measures are chosen as they directly align the individual's reward to the KPIs of the Company and to its strategy and performance. The full board reviews and confirms the cash incentive to be paid to each individual. This method of assessment was chosen as it provides the board with an objective assessment of the individual's performance.

Long-term incentive bonus

The Company had in place a long-term incentive (**LTI**) scheme which was provided as options over ordinary shares of the Company under the rules of the Employee Incentive Plan for no consideration. No LTI was awarded in 2016. The Board presently has no LTI scheme in place.

Company performance and director and executive remuneration

The aim of the Company's remuneration policy is to achieve goal congruence between the Company's shareholders, directors and executives.

Employee Incentive Plan

The Company established an Employee Incentive Plan (**Plan**) on 24 February 2006 under which Directors could offer options and ordinary shares in the Company to an eligible person, being a full or part-time employee, officer, consultant or contractor of the Company or of any controlled entity of the Company. As shareholder approval has not been sought for the issue of securities under the Plan within the past 3 years, securities cannot be issued under the Plan pursuant to ASX Listing Rule 7.2 Exception 9 and the Plan has effectively lapsed. The current Board has no present intention to seek shareholder approval for issuance of securities under the Plan. No options or shares were issued under the Plan during the year.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (audited) (continued)

Consequences of performance on shareholder wealth

In considering the Group's performance and benefits for shareholder wealth, the Board have regard to the following indices in respect of the current financial year and the previous four financial years:

	2016	2015	2014	2013	2012
Basic EPS (cents)*	1.64	(84.20)	(16.60)	(27.80)	14.0
Diluted EPS (cents)	1.64	(84.20)	(16.60)	(27.80)	12.0
Dividends	-	-	-	-	-
(Loss)/profit ($000)	691	(35,774)	(7,026)	(11,827)	5,721
Share price ($)*	0.39	0.400	0.160	0.340	0.580

*Comparative period data have been restated to reflect the impact of the 20:1 share consolidation completed in 2016.

b) Service agreements

The following table provides employment details of person who were, during the financial year, key management personnel of the consolidated Group:

Name	Position held	Term of agreement	Notice period
D Lamm[1]	Executive Chairman (effective 29 February 2016)	Unspecified	6 months
	Non-Executive Chairman (ceased 28 February 2016)	Unspecified	None
Sir M Bromley	Non-Executive Director	Unspecified	None
A Saunders	Non-Executive Director	Unspecified	None
G Worner[2]	Non-Executive Director (effective 15 February 2016)	Unspecified	None
	Managing Director (ceased 14 January 2016)	6 months	1 month
L Smith	Company Secretary/CFO (appointed 13 July 2016)	Unspecified	2 months
E Sam Yue	Chief Financial Officer (ceased 21 October 2016)	Unspecified	8 weeks
J Mouchacca	Company Secretary (ceased 13 July 2016)	Unspecified	1 month

[1] An Employment Services Agreement (**ESA**) between the Company and Mr Lamm was executed on 29 February 2016 upon his appointment to the position of Executive Chairman. The ESA is for an indefinite period and is terminable on 6 months' notice, with annual remuneration of $240,000 per annum including superannuation and a short-term incentive of up to 100% of the fixed annual remuneration, at the discretion of the Board and dependent on meeting certain key performance indicators.

[2] In July 2015, Mr Worner was appointed to the position of Managing Director of the Company by way of a Consultancy Services Agreement (**CSA**) for a 6 month period, with the key terms of the CSA being termination on one month's notice by either party, fixed remuneration of $20,000 per month inclusive of director fees, and an incentive bonus of up to 100% of the fixed remuneration payable at the discretion of the Board at the end of the term dependent on the success of meeting key deliverables. Mr Worner ceased to be Managing Director on 14 January 2016 and has been a Non-Executive Director since that date.

DIRECTORS' REPORT (continued)

c. Details of remuneration

Details of the nature and amount of each element of the remuneration of each Key Management Personnel (**KMP**) of New Guinea Energy Ltd are shown in the table below:

2016		Short-term employee benefits			Post employ-ment	Other long term	Termination benefits	Share-based payments		Proportion of remuneration performance related	Value of options as proportion of remuneration
Employee	**Position**	**Cash salary and fees $**	**Cash Bonus $**	**Non-cash benefits $**	**Superannua-tion $**	**Long service leave $**	**Termination payments $**	**Options $**	**Total $**	**%**	**%**
Directors											
D Lamm[1]	Executive Chairman	194,387	103,073	-	18,491	204	-	-	316,155	32.6	-
Sir M R Bromley	Non-Executive	50,000	-	-	-	-	-	-	50,000	-	-
A Saunders	Non-Executive	45,662	-	-	4,338	-	-	-	50,000	-	-
G Worner[2]	Non-Executive	57,917	2,750	-	-	-	-	-	60,667	4.5	-
Other KMP											
E Sam Yue[3]	Chief Financial Officer	67,500	12,307	-	(631)	1,195	36,923	-	117,294	10.5	-
J Mouchacca[4]	Company Secretary	28,000	-	-	-	-	-	-	28,000	-	-
L Smith[5]	Company Secretary/CFO	56,416	-	-	9,646	62	-	-	66,124	-	-
2016 Total		499,882	118,130	-	31,844	1,461	36,923	-	688,240	17.2	-

[1] Appointed Non-Executive Director on 15 July 2015, Non-Executive Chairman on 28 July 2015 and Executive Chairman on 29 February 2016.
[2] Appointed Non-Executive Director on 15 July 2015 and Managing Director on 28 July 2015. Ceased to be Managing Director on 14 January 2016 and has been a Non-Executive Director since that date.
[3] Ceased 21 October 2016.
[4] Ceased 13 July 2016.
[5] Appointed 13 July 2016.

DIRECTORS' REPORT (continued)

d. Details of remuneration

Details of the nature and amount of each element of the remuneration of each Key Management Personnel (**KMP**) of New Guinea Energy Ltd are shown in the table below:

2015		**Short-term employee benefits**			**Post employ-ment**	**Other long term**	**Termination benefits**	**Share-based payments**		**Proportion of remuneration performance related**	**Value of options as proportion of remuneration**
Employee	**Position**	**Cash salary and fees $**	**Cash Bonus $**	**Non-cash benefits $**	**Superannua-tion $**	**Long service leave $**	**Termination payments $**	**Options $**	**Total $**	**%**	**%**
Directors											
D Lamm[1]	Non-Executive Chairman	31,963	-	-	3,037	-	-	-	35,000	-	-
G Worner[2]	Managing Director	110,000	30,250	-	-	-	-	-	140,250	21.6	-
Sir M R Bromley	Non-Executive	45,625	-	-	-	-	-	-	45,625	-	-
A Saunders[3]	Non-Executive	21,309	-	-	2,024	-	-	-	23,333	-	-
M N Arnett[4]	Executive Chairman	290,231[10]	-	-	10,809	-	-	-	301,040	-	-
A L Martin[4]	Non-Executive	20,919	-	-	1,987	-	-	-	22,906	-	-
A A Young[5]	Non-Executive	14,980	-	-	-	-	-	-	14,980	-	-
Other KMP											
E Sam Yue	CFO	152,709	27,083	9,877	17,388	2,244	-	-	209,301[9]	12.9	-
J Mouchacca[6]	Company Secretary	20,000	-	-	-	-	-	-	20,000	-	-
D Kendrick[7]	General Manager	86,900	-	-	-	-	156,000	-	242,900	-	-
L N Rowe[8]	Company Secretary	77,500	25,937	6,525	9,233	549	-	-	119,744	21.7	-
2015 Total		872,136	83,270	16,402	44,478	2,793	156,000	-	1,175,079	7.1	-

[1] Appointed Non-Executive Director on 15 July 2015 and Non-Executive Chairman on 28 July 2015.
[2] Appointed Non-Executive Director on 15 July 2015 and Managing Director on 28 July 2015.
[3] Appointed Non-Executive Director on 15 July 2015.
[4] Ceased 15 July 2015.
[5] Resigned 20 May 2015.
[6] Appointed 10 August 2015.
[7] Ceased 15 August 2015.
[8] Resigned 10 August 2015.
[9] An amount of $67,428 was shared with Western Drilling Limited.
[10] Inclusive of $80,000 back pay from May 2014 when contract as Executive Chairman was finalised in April 2015.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (audited) (continued)

Incentive bonuses included in remuneration

On his appointment in February 2016 as Executive Chairman Mr David Lamm was entitled to an incentive bonus of up to 100% of the fixed remuneration for the period March-December 2016 at the discretion of the Board, at the end of the financial year, dependent on the success of meeting key deliverables. The Remuneration Committee resolved that the Executive Chairman be paid an incentive bonus of $103,073 at the end of the year following the delivery of key outcomes. This amount was included in his remuneration for 2016.

On his appointment in July 2015 as Managing Director for a period of six months, Mr Grant Worner was entitled to an incentive bonus of up to 100% of the fixed remuneration at the discretion of the Board at the end of the term dependent on the success of meeting key deliverables. The Remuneration Committee resolved that the Managing Director be paid an incentive bonus of $33,000 at the end of the term of the CSA following the delivery of key outcomes, of which $2,750 accrued for the period to 31 December 2016 and was included in his remuneration for 2016.

Hedging of remuneration

Key management personnel and their closely related parties are prohibited from hedging their exposure to incentive remuneration.

Use of remuneration consultants

The Company's Remuneration Committee did not seek the advice of remuneration consultants in the year.

Voting and comments made at the Company's 2015 Annual General Meeting

At the Company's Annual General Meeting (**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

e. Share based remuneration

Options granted over unissued shares

No options over ordinary shares in the Company were granted as remuneration to KMP during the year.

Modification of terms of equity share based payment transactions

No terms of equity based payment transactions have been altered or modified by the Company during the reporting period or prior period.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (audited) (continued)

f. Other information

Options held by Key Management Personnel

The number of options to acquire shares in the Company held during the 2016 reporting period held by each of the Group's Key Management Personnel is set out below:

	Balance at start of year[1]	Granted as compensation	Exercised	Other changes (effect of consolidation)	Vested & exercisable at end of the year	Vested & unexercisable at end of the year
D Lamm	-	-	-	-	-	-
Sir M R Bromley	-	-	-	-	-	-
A Saunders	-	-	-	-	-	-
G Worner	-	-	-	-	-	-
L Smith[2]	-	-	-	-	-	-
E Sam Yue[3]	3,000,000	-	-	(2,850,000)	150,000	-
	3,000,000	-	-	(2,850,000)	150,000	-

[1] The opening balance of options shown are pre-consolidation (20:1) which was effected on 3 November 2016.
[2] Appointed 13 July 2016.
[3] Ceased on 21 October 2016, however under the terms of issue the options remained vested until they expired on 21 January 2017.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (audited) (continued)
Shares held by Key Management Personnel

The number of ordinary shares in the Company during the 2016 reporting period held by each of the Group's Key Management Personnel is set out below:

	Balance at start of year[1]	Granted as remuneration	Received on exercise of options	Other changes	Balance at end of year or on ceasing to be a KMP
D Lamm[2]	168,785,403	-	-	(159,123,593)[3]	9,661,810
Sir M R Bromley	-	-	-	-	-
A Saunders[4]	-	-	-	39,000[5]	39,000
G Worner	-	-	-	-	-
L Smith[6]	-	-	-	-	-
E Sam Yue[7]	1,066,666	-	-	(1,013,332)	53,334
	169,852,069	-	-	(160,097,925)	9,754,144

[1] The opening balance of shares shown are pre-consolidation (20:1) which was effected 3 November 2016.
[2] Shares are held indirectly by Mr Lamm in entities which he controls.
[3] Effect of consolidation reduced opening balance by 160,346,132 shares. An additional 1,222,539 post-consolidation shares were purchased during the year.
[4] Shares are held indirectly by Mr Saunders in an entity which he controls.
[5] On-market purchase.
[6] Appointed 13 July 2016.
[7] Ceased on 21 October 2016.

None of the shares included in the table above are held nominally by Key Management Personnel.

End of audited Remuneration Report

DIRECTORS' REPORT (continued)

MEETINGS OF DIRECTORS

Attendances by each director to meetings of directors (including committee of directors) during the year were as follows:

	Directors' Meetings		**Audit Committee**		**Remuneration Committee**	
	Number eligible to attend	**Number Attended**	**Number eligible to attend**	**Number Attended**	**Number eligible to attend**	**Number Attended**
D Lamm	11	11	-	-	1	1
Sir M R Bromley	11	9	3	2	2	2
A Saunders	11	11	3	3	2	2
Grant Worner	11	10	3	3	-	-

During the year, some Board business was effected by execution of circulated resolutions.

UNISSUED SHARES UNDER OPTION

Unissued ordinary shares of the Company under option at the date of this report are:

Options A exercisable at $1.00 per share on or before 30 November 2017	Nil

The final Options As on issue, as disclosed in Note 18.3 of 150,000 options, expired under the terms of issue on 21 January 2017.

INDEMNIFYING OFFICERS OR AUDITORS

During the financial year, the Company paid a premium in respect of a contract 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.

DIRECTORS' REPORT (continued)

EVENTS ARISING SINCE THE END OF THE REPORTING PERIOD

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 entity's operations in future financial years;
- The results of those operations in future financial years; or
- The entity's state of affairs in future financial years,

with the following exceptions:

Surrender of PPL 277 by current licensees

On 23 January 2017 the Company reported that it had received notification that the holders of PPL 277 had lodged with the Papua New Guinea Department of Petroleum and Energy a request to unconditionally surrender this licence.

The Company no longer has a working interest in this licence however the terms of the sale of its 100% interest in the licence to Esso PNG Exploration Limited and Oil Search Limited (Purchasers) in equal shares in 2012 provided for the following consideration components in favour of NGE:

- Payment of US$20 million in cash if a Petroleum Development Licence is granted over any area of PPL 277; and
- An uncapped royalty over all revenue received by the Purchasers from the petroleum produced and sold.

The Company noted that its future potential consideration from PPL 277 is valued at zero in the Company's accounts and therefore this development will have no effect on the Company's financial statements or on NGE's Net Tangible Asset backing.

Resignation of director

On 24 January 2017 Sir Michael Bromley tendered his resignation as a Non-Executive Director of the Company. The Company noted that Sir Michael will remain involved in Western Drilling Limited and retain his 50% interest in WDL via Maps Tuna Limited. NGE will continue to work with Sir Michael to realise value from the WDL joint venture.

On-market buy-back

In accordance with the terms of the on-market share buy-back facility the Company has disclosed that it has purchased an additional 1,640,557 fully paid ordinary shares for a consideration of $655,285.00 in the period from 1 January 2017 to the date of the signing of the accounts.

DIRECTORS' REPORT (continued)

NON-AUDIT SERVICES

During the year Grant Thornton, the Company's auditors, performed certain other services in addition to their statutory audit duties.

The Board of Directors, in consultation with the Audit Committee, is satisfied that the provision of non-audit services by the auditor during the year is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit Committee to ensure that they do not impact upon the impartiality and objectivity of the auditor; and

- The non-audit services do not undermine the general principles relating to auditor independence as set out in AEPS 110 Code of Ethics for Professional Accountants, as they do not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly share risks and rewards.

Details of the amounts paid to auditors of the Company, Grant Thornton, and its related practices for audit and non-audit services provided during the year are set out in Note 9 to the financial statements.

A copy of the Auditor's Independence declaration a required under s307C of the Corporations Act 2001 is included on page 25 of this financial report and forms part of the Directors' Report.

ROUNDING OF AMOUNTS

NGE 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 (where rounding is applicable), or in certain cases, to the nearest dollar.

Signed in accordance with a resolution of the Board of Directors.

David Lamm
Executive Chairman

Dated this 28 day of February 2017

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Auditor's Independence Declaration
To the Directors of New Guinea Energy Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of New Guinea Energy Limited for the year ended 31 December 2016, 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

Adrian Nathanielsz
Partner - Audit & Assurance

Melbourne, 28 February 2017

CORPORATE GOVERNANCE

The Board is committed to achieving and demonstrating the highest standards of corporate governance. As such, New Guinea Energy Limited and its Controlled Entities (**Group**) have adopted the third edition of the *Corporate Governance Principles and Recommendations* which was released by the ASX Corporate Governance Council on 27 March 2014 and became effective for the financial years beginning on or after 1 July 2014.

The Group's Corporate Governance Statement for the financial year ending 31 December 2016 is dated as 28 February 2017 and was approved by the Board on 28 February 2017. The Corporate Governance Statement is available on New Guinea Energy Limited's website at http://www.ngenergy.com.au/corporate-governance.htm.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

	Notes	2016 $'000	2015 $'000
Revenue	5	337	160
Gain on disposal of listed investments		2,705	-
Depreciation expense		(1)	(6)
Employee costs		(183)	(254)
(Loss)/Gain from foreign exchange differences		(335)	1,589
Impairment of investments	12	-	(1,329)
Loss on disposal of listed investments		(123)	(4)
Unrealised loss on listed investments		(418)	(43)
Other expenses	6	(1,137)	(1,552)
Profit/(loss) before income tax		845	(1,439)
Income tax expense	7	-	-
Profit/(loss) from continuing operations after income tax		845	(1,439)
Profit/(loss) from discontinued operations after income tax	8	(154)	(34,335)
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Other comprehensive income for the year		-	-
Total comprehensive gain for the year attributable to members of the Parent Entity		691	(35,774)
		Cents	**Cents**
Earnings per share			
Basic earnings per share			
Earnings from continuing operations	27	2.00	(3.39)
Earnings from discontinued operations	27	(0.36)	(80.81)
Diluted earnings per share			
Earnings from continuing operations	27	2.00	(3.39)
Earnings from discontinued operations	27	(0.36)	(80.81)

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

Consolidated Statement of Financial Position

As at 31 December 2016

	Notes	2016	2015
		$'000	**$'000**
CURRENT ASSETS			
Cash and cash equivalents	10	14,816	19,898
Trade and other receivables	11	296	66
Financial assets	12	5,614	508
Other short term assets	13	40	54
TOTAL CURRENT ASSETS		20,766	20,526
NON-CURRENT ASSETS			
Plant and equipment		1	-
Exploration and evaluation expenditure	14	-	-
Investments accounted for using the equity methods	15	-	-
Other long term assets	13	84	-
TOTAL NON-CURRENT ASSETS		85	-
TOTAL ASSETS		20,851	20,526
CURRENT LIABILITIES			
Trade and other payables	16	246	169
Provisions	17	5	170
TOTAL CURRENT LIABILITIES		251	339
NON-CURRENT LIABILITIES			
Provisions	17	-	-
TOTAL NON-CURRENT LIABILITIES		-	-
TOTAL LIABILITIES		251	339
NET ASSETS		20,600	20,187
EQUITY			
Issued capital	18	79,939	80,217
Reserves	18	11,377	11,377
Accumulated losses		(70,716)	(71,407)
TOTAL EQUITY		20,600	20,187

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

Consolidated Statement of Changes in Equity

for the year ended 31 December 2016

	Share capital	Accumulated losses	Option reserve	Equity component of convertible instrument	Total equity
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Balance at 31 December 2014	80,303	(35,633)	7,894	3,483	56,047
Total comprehensive income for the year	-	(35,774)	-	-	(35,774)
Transactions with owners in their capacity as owners:					
Share buy-back	(86)	-	-	-	(86)
	(86)	-	-	-	(86)
Balance at 31 December 2015	80,217	(71,407)	7,894	3,483	20,187
Total comprehensive income for the year	-	691	-	-	691
Transactions with owners in their capacity as owners:					
Share buy-back	(278)	-	-	-	(278)
	(278)	-	-	-	(278)
Balance at 31 December 2016	79,939	(70,716)	7,894	3,483	20,600

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 2016

	Notes	2016 $'000	2015 $'000
CASH FLOW FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(1,471)	(2,132)
Payments for equity investments		(10,956)	(4,382)
Proceeds from sale of equity investments		7,779	2,617
Interest received		335	175
Net cash from continuing operations		(4,313)	(3,722)
Net cash from discontinued operations	8	-	(107)
Net cash used in operating activities	22	(4,313)	(3,829)
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for plant and equipment		(2)	-
Repayment of security deposits		22	140
Dividends received		-	7
Net cash from continuing operations		20	147
Net cash from discontinued operations	8	(181)	47,400
Net (cash used in)/provided by investing activities		(161)	47,547
CASH FLOW FROM FINANCING ACTIVITIES			
Payments for share buy-back		(277)	(86)
Net cash from continuing operations		(277)	(86)
Net cash from discontinued operations	8	-	(24,182)
Net cash used in financing activities		(277)	(24,268)
Net (decrease)/increase in cash and cash equivalents held		(4,751)	19,450
Cash at beginning of period		19,898	1,021
Effect of exchange rates on cash holding in foreign currencies		(331)	(573)
Cash at end of period	10	14,816	19,898

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

Notes to the Consolidated Financial Statements

1 Nature of operations

With effect from its reinstatement to official quotation on the ASX on 30 November 2016 the Group's principal activities consisted of investment activities.

Prior to this date the Group's principal activities consisted of exploration for oil and gas in Papua New Guinea.

2 General information and statement of compliance

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.

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 15, 333 Collins Street, Melbourne Vic 3000.

The consolidated financial statements for the year ended 31 December 2016 were approved and authorised for issue by the board of directors on 28 February 2017.

3 Changes in accounting policies

3.1 Re-classification of transactions

Following the Company's change in nature and scale of activities to those of a Listed Investment Company, those transactions relating to investing activities have now been considered as operating activities and have been re-classified, with the comparatives restated.

3.2 New and revised standards that are effective for these financial statements

A number of new standards, amendments to standards and interpretations became effective for the first time to annual periods beginning on or after 1 July 2015. Information on the more significant standard(s) is presented below.

- **AASB 2015-4 Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian groups with a Foreign Parent**

  AASB 2015-4 amends AASB 128 *Investments in Associates and Joint Ventures* to ensure that its reporting requirements on Australian groups with a foreign parent align with those currently available in AASB 10 *Consolidated Financial Statements* for such groups. AASB 128 will now only require the ultimate Australian entity to apply the equity method in accounting for interests in ssociates and joint ventures, if either entity or the group is a reporting entity, or both the entity and group are reporting entities.

  AASB 2015-4 is applicable to annual reporting periods beginning on or after 1 July 2015.

  The adoption of these amendments has not had a material impact on the Group.

Notes to the Consolidated Financial Statements (continued)

3.3 Accounting Standards issued but not yet effective and not been adopted early by the Group

- **AASB 9 Financial Instruments (December 2014)**
  AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially-changed approach to hedge accounting. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

  a Financial assets that are debt instruments will be classified based on: (i) the objective of the entity's business model for managing the financial assets; and (ii) the characteristics of the contractual cash flows.

  b Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

  c Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments.

  d Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

  e Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:

  - the change attributable to changes in credit risk are presented in Other Comprehensive Income (OCI)
  - the remaining change is presented in profit or loss.

  If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

  Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:

  - classification and measurement of financial liabilities; and
  - derecognition requirements for financial assets and liabilities.

  AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements. Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting.

Notes to the Consolidated Financial Statements (continued)

3.3 Accounting Standards issued but not yet effective and not been adopted early by the Group (continued)

- **AASB 9 Financial Instruments (December 2014) (continued)**
  AASB 9 is applicable to annual reporting periods beginning on or after 1 January 2018

  The entity is yet to undertake a detailed assessment of the impact of AASB 9. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 31 December 2018

- **AASB 15 Revenue from Contracts with Customers**
  AASB 15: replaces AASB 118 Revenue, AASB 111 Construction Contracts and some revenue-related Interpretations:
  – establishes a new revenue recognition model
  – changes the basis for deciding whether revenue is to be recognised over time or at a point in time
  – provides new and more detailed guidance on specific topics (e.g. multiple element arrangements, variable pricing, rights of return, warranties and licensing)
  – expands and improves disclosures about revenue.

  AASB 15 is applicable to annual reporting periods commencing on or after 1 January 2018

  The entity is yet to undertake a detailed assessment of the impact of AASB 15. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 31 December 2018.

- **AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**
  The amendments address a current inconsistency between AASB 10 Consolidated Financial Statements and AASB 128 Investments in Associates and Joint Ventures. The amendments clarify that, on a sale or contribution of assets to a joint venture or associate or on a loss of control when joint control or significant influence is retained in a transaction involving an associate or a joint venture, any gain or loss recognised will depend on whether the assets or subsidiary constitute a business, as defined in AASB 3 Business Combinations. Full gain or loss is recognised when the assets or subsidiary constitute a business, whereas gain or loss attributable to other investors' interests is recognised when the assets or subsidiary do not constitute a business. This amendment effectively introduces an exception to the general requirement in AASB 10 to recognise full gain or loss on the loss of control over a subsidiary. The exception only applies to the loss of control over a subsidiary that does not contain a business, if the loss of control is the result of a transaction involving an associate or a joint venture that is accounted for using the equity method. Corresponding amendments have also been made to AASB 128.

  AASB 2014-10 is applicable to annual reporting periods commencing on or after 1 January 2018

  When these amendments are first adopted for the year ending 31 December 2018, there will be no material impact on the financial statements.

Notes to the Consolidated Financial Statements (continued)

3.3 Accounting Standards issued but not yet effective and not been adopted early by the Group (continued)

- **AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses**
  AASB 2016-1 amends AASB 112 Income Taxes to clarify how to account for deferred tax assets related to debt instruments measured at fair value, particularly where changes in the market interest rate decrease the fair value of a debt instrument below cost.

  AASB 2016-1 is applicable to annual reporting periods commencing on or after 1 January 2017

  When these amendments are first adopted for the year ending 31 December 2017, there will be no material impact on the financial statements.

- **AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Sharebased Payment Transactions**
  This Standard amends AASB 2 Share-based Payment to address:

  a The accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
  b The classification of share-based payment transactions with a net settlement feature for withholding tax obligations; and
  c The accounting for a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

  AASB 2016-5 is applicable to annual reporting periods commencing on or after 1 January 2018

  When these amendments are first adopted for the year ending 31 December 2018, there will be no material impact on the financial statements.

- **IFRIC 22 Foreign Currency Transactions and Advance Consideration**
  IFRIC 22 looks at what exchange rate to use for translation when payments are made or received in advance of the related asset, expense or income. Although IAS 21 The Effects of Changes in Foreign Exchange Rates sets out requirements about which exchange rate to use when recording a foreign currency transaction on initial recognition in an entity's functional currency, IFRIC had observed diversity in practice in circumstances in which an entity recognises a nonmonetary liability arising from advance consideration. The diversity resulted from the fact that some entities were recognising revenue using the spot exchange rate at the date of the receipt of the advance consideration while others were using the spot exchange rate at the date that revenue was recognised. IFRIC 22 addresses this issue by clarifying that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.

  IFRIC 22 is applicable to annual reporting periods commencing on or after 1 January 2018

  When this Interpretation is first adopted for the year ending 31 December 2018, there will be no material impact on the financial statements.

Notes to the Consolidated Financial Statements (continued)

4 Summary of accounting policies

4.1 Overall considerations

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

Going concern basis of accounting

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.

4.2 Basis of consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 31 December 2016. 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. All subsidiaries have 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.

4.3 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.

4.4 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.

4 Summary of accounting policies (continued)

4.4 Foreign currency translation (continued)

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.

4.5 Segment reporting

The Group identifies its reportable operating segments based on the internal reports that are reviewed by the Board of directors. Corporate office activities are not allocated to operating segments and form part of the balance of unallocated revenue, expenses, assets and liabilities.

4.6 Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from the sale of assets is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership.

4.7 Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin.

Notes to the Consolidated Financial Statements (continued)

Summary of accounting polices (continued)

4.8 Plant and equipment

Plant and equipment are stated at cost. On disposal of an item of plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognised as a gain or loss. All items of plant and equipment are depreciated using the straight line method over their expected useful lives to the Group. The expected useful lives are as follows:

Office equipment and software	3 years
Leasehold improvements, furniture and fittings	2-5 years
Motor vehicles	3 years
Field equipment	3-5 years

Well equipment is stated at carrying value less impairment losses and is not depreciated until installed and ready for use. When completely installed well equipment will form part of deferred exploration and evaluation expenditure.

Depreciation of field equipment is capitalised in exploration and evaluation expenditure.

4.9 Leased assets

Operating leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged on a straight line basis.

4.10 Impairment testing of other intangible assets and property and plant

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at each reporting date and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Plant and equipment are assessed for impairment on a cash generating unit ("CGU") basis. A cash generating unit is the smallest grouping of assets that generates independent cash flows, and generally represents an individual oil or gas field. Impairment losses recognised in respect of cash generating units are allocated to reduce the carrying amount of the assets in the unit on a pro-rata basis. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior year. A reversal of an impairment loss is recognised in profit or loss immediately.

Summary of accounting polices (continued)

4.11 Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- loans and receivables
- financial assets at fair value through profit or loss (FVTPL)
- held-to-maturity (HTM) investments
- available-for-sale (AFS) financial assets.

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in other comprehensive income.

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

Notes to the Consolidated Financial Statements (continued)

Summary of accounting polices (continued)

4.11 Financial instruments (continued)

Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include borrowings, trade and other payables. Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

4.12 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 (ATO) 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 joint ventures is not provided 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 that 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 taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense 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.

4.13 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.

4.14 Receivables

Receivables represent the principal amounts due at balance date plus accrued interest and less, where applicable, any unearned income and provisions for doubtful accounts.

Notes to the Consolidated Financial Statements (continued)

Summary of accounting polices (continued)

4.15 Assets held for sale
Assets are classified as held for sale if the Group will recover the carrying amount principally through a sale transaction rather than through continuing use. Assets held for sale are measured at the lower of its carrying amount and fair value less costs to sell.

4.16 Equity, reserves and dividend payments

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.
Other components of equity include the following:

- Option reserve (see Note 18.5).
- Equity component of convertible instrument reserve (see Note 18.5).

Accumulated losses include all current and prior period accumulated losses.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting prior to the reporting date.

4.17 Employee benefits
Provision is made for the Group's liability for employee benefits arising from 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 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.

4.18 Share-based payment
The Group operates equity-settled share-based remuneration plans for its employees and contractors.

None of the Group's plans feature any options for a cash settlement.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions).

All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to share option reserve. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs are allocated to share capital.

Notes to the Consolidated Financial Statements (continued)

Summary of accounting polices (continued)

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

4.20 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.

4.21 Rounding of amounts
New Guinea Energy 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.

4.22 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.

Significant management judgement
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 investment in unlisted shares
The estimate of the carrying value of investment in shares of an unlisted company is based on the audited annual accounts of the company at 30 June 2016 adjusted for impairment.

Carrying value of investments accounted for using the equity method
The Company 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 15.

Impairments
The consolidated entity assesses impairment at the end of each reporting period by evaluating conditions and events specific to the consolidated entity that may be indicative of impairment trigger. Recoverable amounts of relevant assets are reassessed using the higher of fair value lees cost of sell 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 consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Management have assessed the continuing availability of these losses based on the 'continuity of ownership' test.

Notes to the Consolidated Financial Statements (continued)

Summary of accounting polices (continued)

4.23 Parent Entity financial information

The financial information for the Parent Entity, New Guinea Energy Ltd, disclosed in Note 28 has been prepared on the same basis as the consolidated financial statements.

	2016	2015
	$'000	$'000
5 Revenue and other income from continuing operations		
Revenue from continuing operations		
- interest income	336	154
- dividend income	1	6
	337	160

6 Other expenses incurred in continuing operations

Audit fees (see Note 9)	49	79
Corporate promotion expenses	1	8
Directors' fees	477	486
Professional and legal fees	301	364
Listing costs	185	189
Operating leases	52	103
Other	72	323
	1,137	1,552

Notes to the Consolidated Financial Statements (continued)

7 Income tax expense

The major components of tax expense and the reconciliation of the expected tax expense based on the domestic effective tax rate of New Guinea Energy Ltd at 28% (2015: 30%) and the report tax expense in profit or loss are as follows:

	2016 $'000	2015 $'000
(Loss) before tax	691	(35,774)
Domestic tax rate	28%	30%
Expected tax expense	194	(10,732)
Adjustments for tax effect of:		
Non-temporary differences	122	(1,636)
Equity capital raising costs debited to equity	-	(1)
Previously unrecognised tax loses no recouped to reduce current tax expense	(316)	-
Temporary differences and tax losses not recognised	-	12,369
Income tax expense	-	-

Tax losses

	2016 $'000	2015 $'000
Unused tax losses for which no tax loss has been recognised as a deferred tax asset adjusted for non-temporary differences *	74,574	47,140
Potential tax benefit at 28% (2015: 30%)	20,881	14,142

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
(iii) no changes in tax legislation adversely affect the Group in realising the benefits from the deductions for the loss.

* Of the total unused tax losses for which no tax loss has been recognised as a deferred tax asset, $26,920,000 (potential tax benefit at 28% of $7,538,000) relates to Australian operating losses incurred. The remaining losses relate to either capital or foreign tax losses.

Notes to the Consolidated Financial Statements (continued)

8 Discontinued Operations

During the year the Company received the requisite approvals to change the nature of its operations to a Listed Investment Company. The Company's previous principal activity, exploration for oil and gas in Papua New Guinea has been treated as a discontinued operation. Continuing activities for this disclosure have been treated as investment activities and those administrative activities required to operate an ASX listed corporation.

	2016 $'000	2015 $'000
Revenue from discontinued operations		
Interest income	-	1,070
Other income from discontinued operations		
Gain on sale of licence PPL 269	-	14,587
Gain on disposal of fixed assets	18	61
Gain on disposal of listed investments	-	-
	18	14,648
Expenses incurred in discontinued operations		
Employee benefits expense	(172)	(19)
Finance cost	-	(505)
Impairment of deferred exploration expenditure	-	(33,833)
Impairment of fixed assets	-	(244)
Impairment of investments accounted for using equity method	-	(12,779)
Loss on extinguishment of debts	-	(1,009)
Share of losses from equity accounted transactions	-	(1,483)
Other	-	(181)
	(172)	(50,053)
Loss for the year	(154)	(34,335)
Cash flows generated by exploration activities for the reporting periods are as follows:		
Operating activities	-	(107)
Investing activities	(181)	47,400
Financing activities	-	(24,182)

As at 31 December 2015 the carrying amounts of the net assets associated with exploration activities were Nil.

Notes to the Consolidated Financial Statements (continued)

9 Auditor's remuneration

	2016	2015
	$	$
Audit and review of financial statements		
Auditor of the Company - Grant Thornton Audit Pty Ltd	43,189	61,840
Other auditors for audit and review of subsidiaries' financial statements	17,773	15,908
	60,962	77,748
Other non-audit services		
Auditor of the Company - Grant Thornton Audit Pty Ltd	7,027	-
	67,989	77,748

10 Cash and cash equivalents

	2016	2015
	$'000	$'000
Cash at bank and on hand	14,816	19,898

Cash and cash equivalents at balance date consisted of AUD13,726,462, USD 217,202 and PGK1,808,132 (2015: AUD14,897,000, USD217,000 and PGK10,323,000).

11 Trade and other receivables

	2016	2015
	$'000	$'000
CURRENT		
Receivables	291	59
Deposits	5	7
	296	66

(a) Allowance for impairment loss

All amounts are short-term. The net carrying value of receivables is considered a reasonable approximation of fair value. A provision for impairment loss is recognised when there is objective evidence that an individual receivable is impaired. No impairment has been recognised by the Group in the current year.

(b) Foreign exchange and interest rate risk

Detail regarding foreign exchange and interest rate risk exposure is disclosed in Note 26.

Notes to the Consolidated Financial Statements (continued)

	2016	2015
	$'000	$'000

12 Financial assets

	2016 $'000	2015 $'000
CURRENT		
Shares in listed companies at market value	5,517	384
Shares in unlisted company at fair value	10	10
Security deposits	87	114
	5,614	508

12.1 Shares in listed companies at market value

The investments are in ASX listed shares.

The Group classifies financial assets at fair value through profit or loss if they are acquired principally for the purpose of selling in the short term; otherwise they are presented as non-current assets. They are presented as current assets if they are expected to be sold within 12 months after the end of the reporting period.

Changes in fair values of equity investment in listed shares are recorded in profit or loss (2016: loss $418,000; 2015: loss $43,000).

12.2 Shares in unlisted company at fair value

	2016 $'000	2015 $'000
At cost	1,339	1,339
Impairment	(1,329)	(1,329)
At 31 December 2016 at fair value	10	10

In May 2015 the Company invested a total of $1,338,824 for the purchase of 24 shares in an unlisted company, PFE Holdings Pty Ltd (**PFE**), via two separate transactions. The Company's shareholding represented 4.05% of the share capital of PFE.

After an assessment of the PFE's financial position at balance date 2015 and its prospects and forecasts and given the continuing low oil price, the investment was written down to an amount representing the approximate share of adjusted net assets at balance date.

PFE's audited financial statements for the year ended 30 June 2016 show net assets of $45.10 million, with the value held primarily in exploration assets. The Board noted that PFE's auditor qualified their opinion with regard to the auditor's inability to obtain sufficient appropriate audit evidence with regard to the recoverable amount of these assets. Therefore the directors believe that it is appropriate to exclude the exploration assets when estimating the recoverable value of the investment and confirmed that the calculated fair value remained appropriate at balance date 2016.

Notes to the Consolidated Financial Statements (continued)

	2016 $'000	2015 $'000
13 Other assets		
CURRENT		
Prepayments	40	54
NON-CURRENT		
Accrued interest receivable	4,726	4,726
Impairment	(4,726)	(4,726)
Investment 2016	84	-
	84	-

The accrued interest receivable represents a provision for interest on loans and payments made to and on behalf of the joint venture entity, Western Drilling Limited (WDL) and its subsidiary, Rig 6 Pty Ltd. This receivable was fully impaired in 2015.

The Investment 2016 represents a recent investment in WDL by the Group.

See Note 15 for an analysis of the investment in WDL and impairment assessments.

14 Exploration and evaluation expenditure

Exploration and evaluation expenditure at cost	-	-
Movements during the year		
Exploration areas:		
At beginning of year	-	33,300
Additions at cost	-	533
Transfer to assets held for sale	-	-
Impairment charges	-	(33,833)
At end of year	-	-

Following a review of the Group's Petroleum Prospecting Licences (PPLs) in 2015 the deferred exploration expenditure on PPL 266 of $9,310,000 and $24,523,000 on PPL 267 was fully impaired, as required by AASB 6 Exploration for and Evaluation of Mineral Resources.

The Group's attempts to pursue farm-in arrangements for these licences during the year proved unsuccessful and, on 11 August 2016, the Board announced that it had lodged applications to surrender both PPL 266 and PPL 267.

Notes to the Consolidated Financial Statements (continued)

	2016	2015
	$'000	$'000

15 Investments accounted for using the equity method

Investment in shares in Western Drilling Limited (WDL)	-	-
Loans to WDL	9,620	9,814
Share of losses accounted for using the equity method	(1,761)	(1,761)
Impairment	(7,859)	(8,053)
At end of year	-	-

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 Non-Executive Director Sir Michael Bromley, holds the remaining 50%. Until 2015 the Company's investment in WDL is accounted for using the equity method of accounting and the Company shared the results of WDL group based on the Company's percentage interest in WDL.

WDL has a wholly-owned subsidiary registered in Australia and both companies have a reporting date of 31 December. The investment was fully impaired in 2015.

Loans, which are denominated in USD were formerly interest bearing at a market rate. An agreement between the partners provided that no interest would be charged in 2016. Accrued interest receivable is disclosed under other non-current assets (note 13).

The shares are not publicly listed on a stock exchange and hence published price quotes are not available. The aggregate amounts of certain financial information of the jointly controlled entity can be summarised as follows:

Assets	19,692	20,150
Liabilities	24,295	24,069
Revenues	-	14,051
Loss for the year	(630)	(2,966)
Loss attributable to the Group	(315)	(1,483)

The assessment of recoverable value for the investment in WDL, including loan and accrued interest, is a complex process requiring the application of appropriate assumptions and forecasts of future cash flows or the identification of a fair value less costs of disposal. The Group's investment in WDL is underpinned by WDL's major asset being a Heli Rig. Due to the current depressed nature of the global oil & gas industry there is a lack of supportable evidence in the Papua New Guinea market regarding demand and reliable market value for this asset at the present time. The current lack of relevant contracts for drilling or hire of the asset or an active market for the sale of such assets makes it very difficult to support any assumptions or estimate of future cash flows for this asset under a value in use approach or to reliably estimate a fair value less costs of disposal.

Notes to the Consolidated Financial Statements (continued)

15 Investments accounted for using the equity method (continued)

In 2015 the Directors therefore assessed that a full impairment of the investment in WDL was required.

WDL is continuing its efforts to secure contracts or develop mutually advantageous partnership opportunities with third parties. Should economic conditions change, such that contracts are secured in the future or an active market for the asset is established then the impairment could be reversed in part or in full in future years.

However, in 2016 the Directors reviewed their decision and determined that, with exception of a recently advanced amount of $84,000 disclosed as a non-current asset, full impairment of the investment in WDL remained appropriate.

Dividends are subject to the approval of a majority of directors of the joint venture entity. During 2015 and 2016 the Group received no dividends.

	2016	2015
	$'000	$'000

16 Trade and other payables

	2016 $'000	2015 $'000
CURRENT		
Trade payables	66	52
Sundry payables and accrued expenses	180	117
	246	169

17 Provisions

	2016 $'000	2015 $'000
CURRENT		
Employee provisions	5	170
NON-CURRENT		
Employee provisions	-	-

Current employee provisions relate to annual leave and long service leave entitlements.

Notes to the Consolidated Financial Statements (continued)

18 Equity

18.1 Share capital

	2016 Shares	2015 Shares	2016 $'000	2015 $'000
Shares issued and fully paid:				
- At beginning of year	845,577,227	849,991,193	80,217	80,303
- Shares buy-back – pre consolidation	(591,034)	(4,413,966)	(11)	(86)
- Effect of consolidation	(802,736,883)	-	-	-
- Shares buy-back – post consolidation	(682,029)	-	(267)	-
Total contributed equity at 31 December	41,567,281	845,577,227	79,939	80,217

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.

18.2 On-market share buy-back

In accordance with its on-market share buy-back scheme announced on 17 July 2015, New Guinea Energy Ltd bought back and cancelled 591,034 (2015: 4,413,966) shares from the beginning of the period to 22 January 2016. No further shares were bought back by the time the scheme was formally closed on 3 August 2016. The number of shares bought back and cancelled during the period that the scheme was open was within the '10/12 limit' imposed by s257B of the Corporations Act 2001, and as such, shareholder approval was not required. The shares acquired in the current period were at price of $0.0190. These shares were pre-consolidation shares. The total cost of $11,000 (2015: $86,000), including transaction costs, was deducted from contributed equity.

The Company announced a new on-market share buy-back scheme on 4 August 2016. The Company bought back and cancelled 682,029 shares from the commencement of the buy-back to balance date. These shares were acquired at an average price of $0.389, with prices ranging from $0.38 to $0.39 per share. These were post consolidation shares. The number of shares bought back and cancelled during the period was within the '10/12 limit' imposed by s257B of the Corporations Act 2001, and as such, shareholder approval was not required. The total cost of $265,434 (2015: $86,000), plus transaction costs, was deducted from contributed equity.

Notes to the Consolidated Financial Statements (continued)

18 Equity (continued)

18.3 Options over unissued shares

	2016 Number	2015 Number
Unlisted options:		
Options J exercisable at $0.30 each on or before 7 February 2016:		
Balance at beginning of reporting period	400,000	400,000
Lapsed during the year	(400,000)	-
Balance at end of reporting period	-	400,000
Options A exercisable at $0.05 each on or before 30 November 2017:		
Note: After the Consolidation effective 24 November 2017 these options are described as follows:		
Options A exercisable at $1.00 each on or before 30 November 2017:		
Balance at beginning of reporting period	33,500,000	33,500,000
Lapsed during year	(30,500,000)	-
Effect of Consolidation	(2,850,000)	-
Balance at end of reporting period	150,000	33,500,000
Total at end of year	150,000	33,900,000

18.4 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. The capital risk management is continually reviewed as the Group has surplus cash available for investment.

Notes to the Consolidated Financial Statements (continued)

18 Equity (continued)

	2016	2015
	$'000	$'000

18.5 Reserves

	2016 $'000	2015 $'000
Option reserve	7,894	7,894
Equity component of convertible instrument	3,483	3,483
	11,377	11,377

Option reserve

	2016 $'000	2015 $'000
Balance at beginning of year	7,894	7,894
Balance at end of year	7,894	7,894

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.

Equity component of convertible instrument

	2016 $'000	2015 $'000
Balance at beginning of year	3,483	3,483
Balance at end of year	3,483	3,483

The equity component of the fair value of convertible Equity Bonds issued in previous years was credited to reserves. The convertible bonds were repaid in full in March 2015.

Notes to the Consolidated Financial Statements (continued)

19. Controlled and jointly controlled entities

Controlled Entities	Country of Incorporation	Ownership Interest %
New Energy Resources Pty Ltd	Australia	100
Engelberg Limited	Papua New Guinea	100
Kelliher Limited*	Papua New Guinea	-
Kingsbury Limited	Papua New Guinea	100
Kirkland Limited	Papua New Guinea	100
Ladysmith Limited	Papua New Guinea	100
NGE Administration Limited	Papua New Guinea	100
Roebuck Limited	Papua New Guinea	100
Taylor Limited	Papua New Guinea	100

*Kelliher Limited, owned 100% in 2015, was de-registered in the year.

Jointly Controlled Entities		
Western Drilling Limited(WDL)	Papua New Guinea	50
- Rig 6 Pty Ltd ^	Australia	50

^ Rig 6 Pty Ltd is a wholly owned subsidiary of WDL

20 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.

20.1 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.

20.2 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 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 balance date 2015 at which point the loans and interest receivable were fully impaired as noted in Note 16 above. An agreement between the partners provided that no interest would be charged in 2016. In the year, additional funds were advanced by both parties and the Company's advance ($84,000) is disclosed as a non-current asset.

The Company shared the costs of administration and project management staff with its joint venture company, Western Drilling Limited.

Notes to the Consolidated Financial Statements (continued)

20 Related party transactions (continued)

20.3 Transactions with key management personnel

Key Management Personnel remuneration includes the following expenses:

	2016 $'000	2015 $'000
Short-term employee benefits	618,012	971,808
Post-employment benefits	31,844	44,478
Other long-term benefits	1,461	2,793
Termination benefits	36,923	156,000
Share-based payments	-	-
	688,240	1,175,079

20.4 Transactions with other related party

During the year the Company made a short-term interest bearing loan in PGK to an entity controlled by Sir Michael Bromley, a non-executive director of the Company. The terms were arm's length and the loan was repaid within 30 days.

On 25 May 2016, the Company entered into a licence agreement with Kentgrove Capital Pty Ltd for the sub-lease of office premises for its business from 1 June 2016 to 30 April 2018 at the rate of $60,000 per annum. The Executive Chairman David Lamm is a director and controlling shareholder of Kentgrove Capital Pty Ltd.

21 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 legislations.

Employee incentive plan

The Company has established a New Guinea Energy Ltd Employee Incentive Plan under which the Directors may offer options and ordinary shares in the Company to eligible persons. The Directors may also offer interest free loans for terms of up to 5 years under the plan for subscription of shares and under such loans the Company holds a lien over the issued shares until the loans are fully repaid. No shares or options were granted under the plan during the year.

Notes to the Consolidated Financial Statements (continued)

22 Reconciliation of cash flows from operating activities

	2016 $'000	2015 $'000
Cash flows from operating activities		
Profit/(loss) for the period	691	(35,774)
Adjustments for :		
Depreciation	1	6
Dividends received	-	(7)
Finance costs	-	97
Foreign exchange differences	335	(1,589)
Impairment of exploration expenditure	-	33,833
Impairment of fixed assets	-	244
Impairment of investments accounted for using the equity method	-	12,779
Interest paid included in financing	-	408
(Gain) on disposal of fixed assets	(18)	(61)
(Gain) on disposal of licence	-	(14,587)
Interest income accrued	-	(1,070)
Loss on extinguishment of debt	-	1,009
Provision for employee entitlements	(131)	(32)
Share of loss/(profit) of equity accounted investments	-	1,483
Changes in assets and liabilities relating to operations		
Change in creditors and accruals	158	(317)
Change in receivables	(230)	111
Change in shares in listed companies at market value	(5,133)	(384)
Change in shares in unlisted company at fair value	-	(10)
Change in prepayments	14	32
Net cash used in operating activities	(4,313)	(3,829)

Notes to the Consolidated Financial Statements (continued)

23 Segment reporting

Basis of accounting for purposes of reporting by operating segments

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

The Group changed its activities to a Listed Investment Company and therefore identified only one corporate reportable segment. The results of this segment are the same as the Group results.

In the previous period the reportable operating segment was exploration for oil and gas in Papua New Guinea, which was the Group's principal activity. Corporate office activities which were not allocated to the operating segment form part of the balance of unallocated revenue, expenses, assets and liabilities. The comparative figures are presented on this basis.

Notes to the Consolidated Financial Statements (continued)

23 Segment reporting (continued)

	2015		
	Exploration	**Unallocated**	**Total**
	$'000	**$'000**	**$'000**
PROFIT AND LOSS			
Revenue			
From external customers	-	1,230	1,230
Gain on sale of licence	14,587	-	14,587
Gain on disposal of fixed assets	61	-	61
	14,648	1,230	15,878
Depreciation expenses	-	(6)	(6)
Employee costs	-	(275)	(275)
Finance costs	-	(505)	(505)
Foreign exchange gains	-	1,589	1,589
Impairment of deferred exploration expenditure	(33,833)	-	(33,833)
Impairment of fixed assets	(244)	-	(244)
Impairment of investments using the equity method	-	(12,779)	(12,779)
Impairment of investments	-	(1,329)	(1,329)
Loss on extinguishment of debts	-	(1,009)	(1,009)
Other expenses	-	(1,778)	(1,778)
Share-based payments	-	-	-
Share of (loss)/profit from equity accounted investments	-	(1,483)	(1,483)
Profit/(Loss) before income tax	(19,429)	(16,345)	(35,774)
Income tax expense	-	-	-
Profit/(Loss) from continuing operations after tax	(19,429)	(16,345)	(35,774)
FINANCIAL POSITION			
Assets and liabilities			
Segment assets	112	20,414	20,526
Segment liabilities	35	304	339

Notes to the Consolidated Financial Statements (continued)

24 Commitments

Petroleum prospecting licences

In August 2016 the Company announced that it had applied to surrender its two petroleum prospecting licences in Papua New Guinea, PPL 266 and PPL 267. While no formal response has been received it is expected that the applications to surrender will be accepted and approved.

A condition of the licences is that the Group is required to meet minimum committed expenditure requirements to maintain current rights of tenure. These commitments may be subject to renegotiation, may be farmed out or may be relinquished and have not been provided for in the financial statements and are due as follows from balance date:

	2016	2015
	$'000	$'000
Within twelve months	-	30,278
Twelve months or longer and not longer than five years	-	-
	-	30,278

The Group has obligations to restore and rehabilitate areas disturbed during exploration. Bank guarantees of $87,000 (2015: $91,000) collateralised by cash deposits have been provided as security for compliance with the conditions of the licences. It is anticipated that once the applications to surrender the licences are accepted the bank guarantees will be returned and the security released.

Operating leases

Minimum payment under non-cancellable operating leases according to the time expected to elapse from balance date to the expected date of payment:

Not later than one year	-	-
Later than one year and not later than five years	-	-
	-	-

Bank guarantees for $Nil (2015: $22,000). In previous years bank guarantees collateralised by cash deposits provided for fulfilment of the obligations under the operating leases. In the year the Company received a refund of a bank guarantee associated with an office lease that expired in October 2015.

25 Contingent assets and liabilities

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

26 Financial instruments

26.1 Risk management objectives and policies

The Group's financial instruments consist mainly of cash and deposits with banks, accounts receivable and payable 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.

26 Financial instruments (continued)

26.2 Foreign currency risk

The Group is exposed to foreign currency risk on holding currencies other than Australian dollar. The currencies giving rise to this are primarily United States dollars and Papua New Guinea Kina. The Group does not currently enter into derivative financial instruments to hedge such transactions denominated in a foreign currency.

At 31 December 2016, the Group had the following exposure to various foreign currencies:

	2016	2015
	$'000	$'000
Financial assets		
Cash and cash equivalents	1,089	5,001
Trade and other receivables	29	63
Security deposits	87	91
Investments accounted for using the equity method	-	-
Other	84	-
	1,289	5,155
Financial liabilities		
Trade and other payables - Current	(66)	(70)
Net exposure	1,223	5,085

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

Foreign currency sensitivity analysis

Increase/(decrease) in net exposure		
-Australian dollar depreciates by 5% against USD	18	14
-Australian dollar depreciates by 5% against PGK	40	228
-Australian dollar appreciates by 5% against USD	(18)	(14)
-Australian dollar appreciates by 5% against PGK	(40)	(228)

26 Financial instruments (continued)

26.3 Interest rate risk

At 31 December 2016, the Group had no fixed or floating rate debt and had the following mix of financial assets exposed to variable interest rate risk:

	2016 $'000	2015 $'000
Financial assets		
Cash and cash equivalents	14,028	15,195
Other current assets	87	113
	14,115	15,308

26.4 Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance 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 balance date 2015 all loans and interest receivable were fully impaired. The carrying value of the Company's investment in WDL at balance date 2016 is $84,000.

26.5 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.

At balance date the Group holds $14.8 million in cash and has no borrowings.

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

	Current	Non-current	
	< 1 year $'000	1 to 5 years $'000	Later than 5 years $'000
2016			
Trade and other payables	246	-	-
Total	246	-	-
2015			
Trade and other payables	169	-	-
Total	169	-	-

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

Notes to the Consolidated Financial Statements (continued)

26 Financial instruments (continued)

26.6 Price risk

The Group is exposed to movement in market prices of its equity investments.

26.7 Financial assets and liabilities

The carrying amounts presented in the statement of financial position relate to the following categories of financial assets and liabilities:

	Note	2016 $'000	2015 $'000
Financial assets at amortised cost			
Cash and cash equivalents	10	14,816	19,898
Trade and other receivables	11	296	66
Financial assets - current	12	5,614	508
Other long term assets	13	84	-
		20,810	20,472
Financial liabilities			
Financial liabilities measured at amortised cost:			
- Trade and other payables - current	16	246	169
		246	169

26.8 Fair value hierarchy

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of fair value hierarchy. This grouping is determined based on the lowest level of significant inputs used in fair value measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- 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)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the Consolidated Financial Statements (continued)

26 Financial instruments (continued)
26.8 Fair value hierarchy (continued)

The hierarchy of the fair value measurement of the Group's financial assets and financial liabilities was as follows:

	Note	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2016					
Assets					
Total	(a)	5,517	-	10	5,527
Liabilities					
Total		-	-	-	-
Net fair value		5,517	-	10	5,527
2015					
Assets					
Total	(a)	384	-	10	394
Liabilities					
Total		-	-	-	-
Net fair value		384	-	10	394

Measurement of fair value

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

(a) The fair values are estimated using market prices of listed investments and impairment assessment of unlisted investments.

26.9 Sensitivity analysis

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

	2016 $'000	2015 $'000
Interest rate sensitivity analysis		
Decrease/ (increase) in profit/(loss)		
- increase in interest rate by 2%	278	227
- decrease in interest rate by 2%	(278)	(227)

Notes to the Consolidated Financial Statements (continued)

26 Financial instruments (continued)

26.10 Price risk sensitivity analysis

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.

27 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 the dilutive potential ordinary shares into ordinary shares.

Earnings used in the calculation of basic and diluted earnings per share were as follows:

	2016	**2015**
	$'000	**$'000**
Profit/(loss) from continuing operation attributable to the ordinary equity holders used in the calculation of basic and dilatative earnings per share	845	(1,439)
Profit/(loss) from discontinued operation attributable to the ordinary equity holders used in the calculation of basic and dilatative earnings per share	(154)	(34,335)

	Number of shares	
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic and diluted earnings per share.	42,228,655	42,489,352

The 2015 weighted average number of ordinary shares outstanding used in the calculation of basic earnings per share were restated to reflect the impact of share consolidation in the year ended 31 December 2016 in order to achieve a comparable calculation to the 2016 basic earnings per share.

The options on issue are non-dilutive for the 31 December 2016 year.

Notes to the Consolidated Financial Statements (continued)

28 Parent Entity information

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

	2016	2015
	$'000	$'000
Assets		
Current assets	19,383	15,273
Non-current assets	1,400	5,172
Total assets	20,783	20,445
Liabilities		
Current liabilities	188	269
Non-current liabilities	-	-
Total liabilities	188	269
Equity		
Issued capital	79,939	80,217
Option reserve	7,894	7,894
Equity component of convertible instrument	3,483	3,483
Accumulated losses	(70,721)	(71,418)
	20,595	20,176
Financial performance		
Profit for the year	697	(36,717)
Other comprehensive income	-	-
Total comprehensive (loss)/income	697	(36,717)

The Parent Entity has no commitments for the acquisition of property, plant and equipment as at year end (2015: $Nil).

The Parent Entity has not entered into a deed of cross guarantee nor are there any contingent liabilities at year end.

Notes to the Consolidated Financial Statements (continued)

29 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 of the following:

Surrender of PPL 277 by current licensees

On 23 January 2017 the Company reported that it had received notification that the holders of PPL 277 had lodged with the Papua New Guinea Department of Petroleum and Energy a request to unconditionally surrender this licence.

The Company no longer has a working interest in this licence however the terms of the sale of its 100% interest in the licence to Esso PNG Exploration Limited and Oil Search Limited (Purchasers) in equal shares in 2012 provided for the following consideration components in favour of NGE:

- Payment of US$20 million in cash if a Petroleum Development Licence is granted over any area of PPL 277; and
- An uncapped royalty over all revenue received by the Purchasers from the petroleum produced and sold.

The Company noted that its future potential consideration from PPL 277 is valued at zero in the Company's accounts and therefore this development will have no effect on the Company's financial statements or on NGE's Net Tangible Asset backing.

Resignation of director

On 24 January 2017 Sir Michael Bromley tendered his resignation as a Non-Executive Director of the Company. The Company noted that Sir Michael will remain involved in Western Drilling Limited and retain his 50% interest in WDL via Maps Tuna Limited. NGE will continue to work with Sir Michael to realise value from the WDL joint venture.

On-market buy-back

In accordance with the terms of the on-market share buy-back facility the Company has disclosed that it has purchased an additional 1,640,557 fully paid ordinary shares for a consideration of $655,285.00 in the period from 1 January 2017 to the date of the signing of the accounts.

Directors' Declaration

1 In the opinion of the Directors of New Guinea Energy Ltd:

(a) the consolidated financial statements and notes of New Guinea Energy Ltd are in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of its financial position as at 31 December 2016 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 New Guinea Energy Ltd 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 2016.

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 28th day of February 2017

David Lamm
Executive Chairman

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INDEPENDENT AUDITOR'S REPORT
TO THE DIRECTORS OF NEW GUINEA ENERGY LTD

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of New Guinea Energy Ltd (the Company), and its subsidiaries (the Group) which comprises the consolidated statement of financial position as at 31 December 2016, 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 consolidated financial report of New Guinea Energy Ltd, 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 2016 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 *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 consolidated financial report of the current period. These matters were addressed in the context of our audit of the consolidated 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
Availability of carried forward tax losses and partial utilisation in current year **Note 7**	
An income tax benefit has been recognised in the current financial year. The income tax benefit has arisen through bringing to account historical carried forward tax losses not previously recognised. The income tax benefit brought to account was used to offset the income tax expense that would otherwise have been recognised on the taxable profit derived in the current financial year. The remaining historical tax losses have been disclosed as available in Note 7 for utilisation in a future period, but remain unrecognised in the Statement of Financial Position. As disclosed within 'Note 4.22 Significant management judgement in applying accounting polices', management have assessed the continuing availability of these losses based on the 'continuity of ownership' test. This is a key audit matter due to the judgements and estimates required in determining the availability of these losses and consequently the utilisation of these losses against current year profits.	Our procedures included, amongst others: • Obtained historical tax returns lodged by the Group to confirm calculation of available losses; • Reviewed the Group's ability to utilise and availability of historical tax losses in the current and future year's by reviewing advice provided by management's expert under the 'continuity of ownership' test against the requirements of tax legislation; • Evaluated management's expert used and their advice provided; • Consulted with an auditor's expert to assess the appropriateness of the advice provided; and • Reviewed the appropriateness of the related disclosures within the financial statements.

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 in the Group's financial report for the year ended 31 December 2016, but does not include the financial report and the 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.

Directors' Responsibilities for the Financial Report

The Directors of the Group 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.

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_files/ar2.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 14 to 21 of the directors' report for the year ended 31 December 2016. In our opinion, the Remuneration Report of New Guinea Energy Ltd, for the year ended 31 December 2016, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Group 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

Adrian Nathanielsz
Partner - Audit & Assurance

Melbourne, 28 February 2017

ADDITIONAL INFORMATION

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

1. SHAREHOLDINGS

(a) Distribution of Shareholders as at 17 February 2017

Size of holding	Holders	Ordinary shares held	%
1-1,000	256	103,397	0.257
1,001-5,000	782	2,268,926	5.640
5,001-10,000	255	2,043,988	5.081
10,001-100,000	322	10,289,138	25.577
100,001 and over	43	25,521,953	63.445
	1,658	40,227,402	100.000

271 shareholders held less than a marketable parcel.

(b) Top Twenty Shareholders as at 17 February 2017

Shareholder	Number of ordinary shares	% Held of issued ordinary capital
KENTGROVE CAPITAL PTY LTD <KENTGROVE CAPITAL FUND A/C>	5,500,000	13.67%
J P MORGAN NOMINEES AUSTRALIA LIMITED	4,159,308	10.34%
PARKBAY CAPITAL PTY LTD <PARKBAY A/C>	2,939,271	7.31%
ASIA IMAGE LIMITED	2,400,000	5.97%
AUST EXECUTOR TRUSTEES LTD<KENTGROVE CAPITAL FUND>	952,539	2.34%
HSBC CUSTODY NOMINEES	645,753	1.61%
MR LUCA ROTTER & MRS JANE LOUISE ABBOTT	600,000	1.49%
SPORRAN LEAN PTY LTD<SPORRAN LEAN SUPER FUND A/C>	495,000	1.23%
MAYBURYS PTY LTD<CARMICH SUPER FUND A/C>	385,400	0.96%
UCAN NOMINEES PTY LYD<COWEN FAMILY A/C>	377,317	0.94%
CITICORP NOMINEES PTY LIMITED	374,648	0.93%
MRS MAN SUN NG	343,000	0.86%
YARANDI INVESTMENTS PTY LTD<GRIFFITH FAMILY NO 2 A/C>	329,149	0.82%
PETO PTY LTD<THE 1953 SUPER FUND A/C>	325,000	0.81%
CAPITAL NOMINEES LIMITED	300,956	0.75%
DAWNEY & CO PTY LIMITED	300,000	0.75%
PACIFIC NOMINEES LIMITED	288,415	0.72%
ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD<CUSTODIAN A/C>	282,376	0.70%
CUSTODIAL SERVICES LIMITED <BENEFICIARIES HOLDING A/C>	282,150	0.70%
ROSSBEL PTY LIMITED<THE ROSSBEL A/C>	279,545	0.70%
Twenty largest shareholders	21,559,827	53.60%
Others	18,667,575	46.40%
	40,227,402	100.00

ADDITIONAL INFORMATION (continued)

2. Unlisted Option Holdings

Distribution of Option holders as at 17 February 2017

There are no unlisted options on issue as at 17 February 2017.

3. 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.

4. Audit Committee

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

5. Substantial Shareholders

As at the date of this report substantial shareholder notices had been lodged in relation to the Company's securities indicating the number of securities held by substantial shareholders are as follows:

Name	Number of shares
Kentgrove Capital Pty Ltd	9,661,810
Asia Image Limited	2,725,000
Noontide Investments Ltd	2,601,702