NGE Capital Limited
APPENDIX 4E (Listing Rule 4.3A)
Results for announcement to the market for the year ended 31 December 2017

All comparisons to year ended 31 December 2016

	$'000	**Up/Down**	**% change**
Revenue from ordinary activities	6,086	Up	143%
Profit (loss) after tax for the year	4,681	Up	577%

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 2017	**31 Dec 2016**	**Movement**
Net tangible asset backing per ordinary share	$0.630	$0.497	26.8%

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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NGE CAPITAL LIMITED

Annual Report for the year ended 31 December 2017

ABN 31 112 618 238

CONTENTS

OVERVIEW

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

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

26.8%

2017 NTA PER SHARE INCREASE

16.7%

2017 SHARE PRICE INCREASE

$4.7m

2017 AFTER-TAX PROFIT

KEY METRICS AS AT 31 DEC 2017

Post-tax NTA	$0.630
Net Asset Value	$23.6m
Share Price	$0.455
Shares Outstanding	37.44m
Directors' Shareholding	28.7%
Market Cap	$18.35m

INVESTMENT PHILOSOPHY

TARGET STRONG RETURNS WITH ADEQUATE MARGIN OF SAFETY
- Individual securities can and do significantly deviate away from their fair value.
- Potential to generate strong risk-adjusted returns by investing in select securities at opportune times.

HOLD A HIGH CONVICTION, CONCENTRATED PORTFOLIO
- Only invest in a compelling opportunity, otherwise hold cash.
- Prefer to invest heavily in a small number of high conviction opportunities than invest small amounts in a large number of less compelling opportunities.

INVEST BASED ON FUNDAMENTAL ANALYSIS
- Bottom up stock selection, focusing on the fundamentals of individual companies rather than market trends.
- Conduct extensive proprietary research with a focus on:
  - **Board and management** – track record, skin in the game.
  - **Credit risk** – gearing, debt profile, interest coverage.
  - **Earnings** – free cash flows including timing and likelihood, margins, payout ratio, and growth potential.
  - **Valuation** – multiples, discounted cash flow analysis, break-up value.
  - **Competition** – market share, industry position, market dynamics.

CORPORATE DIRECTORY

DIRECTORS

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

COMPANY SECRETARY
Leslie Smith

REGISTERED OFFICE
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Melbourne VIC 3000

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WEBSITE
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STOCK EXCHANGE LISTINGS

ASX Limited	OTC Markets
20 Bridge Street	304 Hudson Street, 3rd Floor
Sydney NSW 2000	New York, NY 10013
	USA

ASX CODE: NGE
OTC CODE: NGELF

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

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

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Grant Thornton Audit Pty Ltd
Collins Square, Tower 1
727 Collins Street
Docklands VIC 3008

SOLICITORS
Clayton Utz
Level 18
333 Collins Street
Melbourne VIC 3000

CHAIRMAN’S LETTER

Dear Shareholder,

I am pleased to report that NGE Capital Limited (**NGE** or **Company**) recorded an after-tax profit of $4.68 million for the financial year ended 31 December 2017, the first full year in which the company operated as a Listed Investment Company (**LIC**). The portfolio produced a return of 26.76% after all expenses and taxes, which compared favourably to the S&P ASX 200 Accumulation Index which returned 11.80% in 2017. The performance also positioned NGE second out of 71 LICs that were listed at the start of the year and had net tangible assets (**NTA**) of at least $10 million.

During the year we continued to build up NGE’s portfolio based on our investment principles, with investments in listed companies Eureka Group (ASX: EGH), Mineral Deposits (ASX: MDL), Godfreys Group (ASX: GFY) and Millennium Services (ASX: MIL). We also made a sizeable investment in unlisted public company Powerwrap.

The key positive contributors were our investment in Metals X (ASX: MLX) and Westgold Resources (ASX: WGX) following the demerger for a $1.65 million gain on a $5.01 million investment, and our investment in Mineral Deposits, which was up 2.5x on our initial $3.32 million investment. Key stocks that detracted from performance were Godfreys and Eureka.

We provide a brief summary of each of these investments in the Operating and Financial Review in the Directors’ Report, which I encourage you to read.

The Company’s investment strategy is to invest in a concentrated, high conviction portfolio of financial assets with the aim of generating strong risk-adjusted returns over the medium to long term. We feel strongly that investing in a concentrated way will produce the best returns over the long term as we can focus our capital on our best investment opportunities rather than buying “a little of everything”.

However, this does mean that we have to be more careful with each large position we take as the risks of a mistake are magnified. So to mitigate this risk we do a substantial amount of due diligence before making a large investment. However, if we make six or seven investments and one goes very wrong we can still generate strong returns from the portfolio. This year was a great example of that: we made a big loss on our investment in Godfreys, but our portfolio still generated a very strong return for the year.

Mathematically we can only lose 100% of any single mistaken investment, but we can make multiples of our capital on a great investment, so we focus on picking likely winners and can live with the occasional error or unforeseen event.

NGE’s share price appreciated 16.7% over the period and at 31 December was trading at a 27.8% discount to NTA. We recently resumed buying back shares on-market at attractive prices, given the prevailing discount to NTA per share was around 25-30% and we see no valid reason for this discount. We expect the share price discount to NTA to normalise over time as we build our track record as a LIC and investors inevitably compare NGE to other similar LICs. Furthermore, NGE has a very efficient tax structure for investing, with historical tax losses able to be applied to future investment income and capital gains: these are not captured in our NTA, are unique for a LIC, and are very valuable.

We are excited by NGE's prospects for another strong year ahead as we believe our portfolio remains significantly undervalued.

Yours sincerely,

David Lamm
Executive Chairman and Chief Investment Officer

DIRECTORS' REPORT

The Directors of NGE Capital Limited (**NGE** or **Company**) present their Report together with the financial statements of the consolidated entity, being NGE and its Controlled Entities (**Group**) for the year ended 31 December 2017.

DIRECTORS

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

Mr David Lamm

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

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

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

Other Current Directorships:
Alchemia Limited (appointed 7 March 2016)
Powerwrap Limited (appointed 29 November 2017)

NGE Shareholding as at report date: 10,081,810 shares (held indirectly)

Mr Ilan Rimer

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

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

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

NGE Shareholding as at report date: Nil

Mr Adam Caspar Saunders

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

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

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

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

Ceased Directors

Sir Michael Roger Bromley – Resigned 24 January 2017

Non-Executive Director	*4 October 2006 – 24 January 2017*

During the period to his resignation Sir Michael was Chair of the Remuneration Committee and a member of the Audit and Investment Committees.

Mr Grant Worner – Retired 30 May 2017

Non-Executive Director	*15 January 2016 – 30 May 2017*

During the period to his retirement Mr Worner was Chair of the Audit Committee and a member of the Remuneration and Investment Committees.

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), a Masters of Business Administration at the University of Melbourne (2003), and a Graduate Diploma in Applied Corporate Governance. Mr Smith is a Chartered Accountant, a CPA and a Member of the Governance Institute of Australia.

PRINCIPAL ACTIVITIES

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

INVESTMENT STRATEGY

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

- Only invest in a compelling opportunity, otherwise hold cash;
- Invest based on fundamental analysis;
- Target investments that can generate strong returns with an adequate margin of safety; and
- Aim to hold a concentrated portfolio of high conviction investments.

OPERATING AND FINANCIAL REVIEW

a) Financial Result

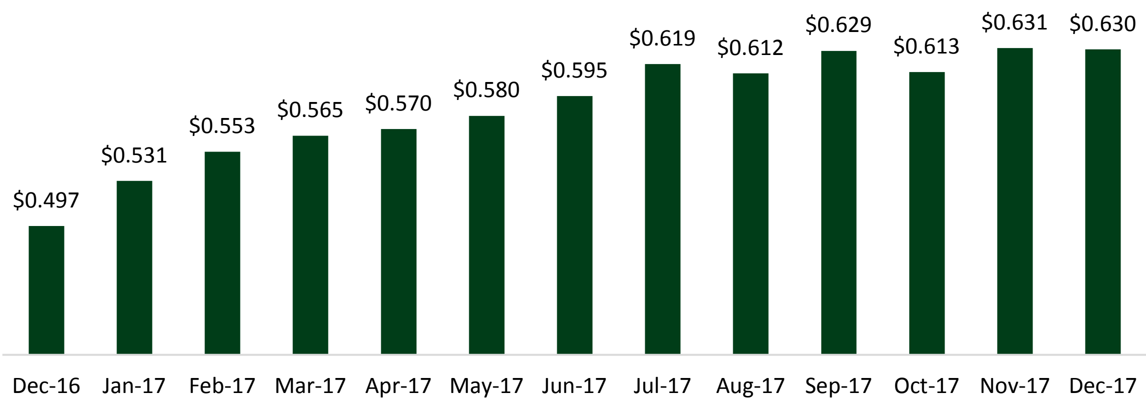
The profit of the Group after income tax for the year was $4,681,000 (2016: $691,000). This included a gain on sale of listed shares of $1,783,000 (2016: $2,705,000), and a $3,600,000 unrealised gain on listed investments (2016: loss $418,000).

b) Investment Performance

At year end NGE's principal assets comprised financial assets, mainly investments in listed equities at market value, of $18.654 million (2016: $5.614 million), and cash and cash equivalents of $5.296 million (2016: $14.816 million).

Net assets increased by $3.025 million to $23.625 million (2016: $20.600 million). On a per share basis, net assets (after tax) increased 26.76% to $0.630 (2016: $0.497).

NGE Monthly Net Asset Value (NAV) per share (after tax) recorded at month end



Total portfolio return

	31 December 2016	31 December 2017	Increase
NAV	$20.600 million	$23.625 million	$3.025 million
NAV per share after tax	$0.497	$0.630	26.76%

c) Portfolio

During the year the Company built up the portfolio based on its investment principles, which is presented below as at 31 December 2017.

Listed Equities	**Ticker**	**$**	**%**
Mineral Deposits Limited	MDL	8,263,348	35.0%
Eureka Group Holdings Limited	EGH	2,829,104	12.0%
Godfreys Group Limited	GFY	1,400,418	5.9%
Millennium Services Group Limited	MIL	974,225	4.1%
Warrior Met Coal, Inc.	HCC	483,291	2.0%
Total		**13,950,386**	**59.0%**

Unlisted Equities		
Powerwrap Limited	3,584,467	15.2%
Cody Live Pty Ltd	250,000	1.1%
PFE Holdings Pty Ltd	10,000	0.0%
Total	**3,844,467**	**16.3%**

Convertible Notes and Loans		
Cody Live Pty Ltd 6.50% Notes	750,000	3.2%
Western Drilling Limited	109,518	0.5%
Total	**859,518**	**3.6%**

Cash and Other		
Cash and cash equivalents	5,295,869	22.4%
Other	(325,240)	(1.4%)
Total	**4,970,629**	**21.0%**

Total Net Asset Value	**23,625,000**	**100.0%**

Investment transactions
The total number of contract notes that were issued for transactions in securities during the financial year was 134 (2016: 151). Total brokerage fees incurred net of GST were $72,009 (2016: $78,242).

Exits
The Group exited its investment in Metals X Limited (ASX: MLX) and Westgold Resources Limited (ASX: WGX) (following demerger) for a $1.7 million gain from a $5.0 million investment. The Group also sold its position in Peet Limited (ASX: PPC) for an 11.5% return on a $1.0 million investment.

Investment Income
The Group earned $735,000 (2016: $337,000) of investment income through the year, comprising interest income of $237,000 (2016: $336,000), dividend income of $370,000 (2016: 1,000) and underwriting income of $128,000 (2016: $ Nil). Dividends were received from Godfreys Group, Millennium Services and Warrior Met Coal.

Selected investment summaries

MINERAL DEPOSITS LIMITED (ASX: MDL)

MDL has been a standout performer, with NGE up 2.5x on our initial investment of $3.3 million. We were attracted to MDL for the following reasons:

- Bottom of the cycle of commodity prices – MDL is highly leveraged to a recovery in zircon and titanium slag prices, with signs of improvement in the months leading up to our investment;
- Operational performance had been poor at the Grande Côte mineral sands operation in Senegal and the Norwegian plant had been impacted, however both operations were being fixed (and are now running very well) – MDL is highly leveraged to an improvement in mine availability;
- Evidence of favourable industry dynamics returning, with the Chinese government encouraging expansion of chloride route pigment plants and the shutdown of high-polluting, marginal pigment producers;
- Significant infrastructure and plant in place and in operation in both Senegal and Norway; and
- The company had been trading at depressed levels due a heavy debt burden carried by TiZir, but we were confident that the debt would be refinanced on reasonable terms.

The investment has so far played out to plan. Pleasingly, we believe there to be significant upside from the current share price, as commodity prices are likely to trend higher still.

EUREKA GROUP LIMITED (ASX: EGH)

Eureka has been a poor performer to date since we invested. We were too early to buy in, and some of the company's problems have proved more difficult to solve than we anticipated.

We remain committed to our investment for now, however, as our original thesis continues to hold:

- Thematics remain strong: ageing population; housing affordability at all-time lows; 77% of single people over the age of 65 rely on pensions as their primary source of income;
- High operating leverage: higher occupancy will fall to the bottom line;
- Economies of scale: as the company grows, corporate overheads will be spread over a larger number of properties, and overall costs will reduce as a percentage of earnings;
- Revamp of executive team should provide greater focus on management of existing assets and more rigour around future acquisitions;
- The company's retirement villages are comfortable and good value for money for residents;

and

- There is little competition in the affordable rental retirement market: the only other company of scale is ASX listed Ingenia (ASX: INA), though it is not their core business or focus.

The failure of Eureka to continue the historical pace of retirement village acquisitions has led to questions about the ability to continue growing at same rate, as well as some very poor deals in South Australia that have negatively impacted earnings. Eureka has also been distracted by some non-core property deals. Combined, these issues have weighed on the share price in the short term, but we are confident that the company has learnt from its mistakes and performance will improve under the oversight of a refreshed board.

GODFREYS GROUP LIMITED (ASX: GFY)

Godfreys has been a disappointing investment for NGE to date. When we invested, Godfreys was trading on very low EV/EBITDA and P/E multiples, making it one of the cheapest stocks on the ASX. We were aware that it is in a tough sector and had been going through some management and strategy changes as well.

Unlike some retail categories Godfreys primarily sells their own designed products, therefore there is little risk of going to Godfreys and then finding the same product cheaper online. In terms of Amazon we were of the view that it will not be helpful for Godfreys, but also that it would not take too much business away in the short term either.

Having said all of that we have still made a significant loss on our investment and so far we have effectively been very wrong. The business remains profitable, cashflow positive and cheap on all traditional valuation methods. However, a re-rating in the share price would still require an improvement in operating performance, which the company so far has not managed to achieve.

MILLENNIUM SERVICES GROUP LIMITED (ASX: MIL)

We are roughly flat on our investment in Millennium Services after accounting for dividends received. Despite the fundamentals of the business having improved since listing, the company remains out of favour with most investors for several reasons including:

- the company had a disastrous IPO in November 2015, listing at an IPO price of $2.25 on a chunky pro forma forward EV/EBITDA multiple of 6.9x and P/E of 13.5x. Millennium missed its prospectus earnings forecasts as the timing of some contracts slipped slightly, but these were eventually signed up. The market was ruthless in dishing out punishment, however, and the stock was sold down to as low as $1.00 in July 2016;
- missed forecasts hurt management's credibility, and it will take time for management to regain the trust of the market through consistent delivery of strong financial performance;
- the stock is fairly illiquid due to ~50% of the shares being held by the vendors who sold their businesses into the group that was listed on ASX;
- the company's exposure to retail shopping centres will be on the nose for some investors who are constantly bombarded with news about the launch of Amazon in Australia; and
- the company could do better with their market disclosure, with particular reference to the company's unusual 1H/2H forecast earnings split for FY18E for what should be a stable business without much seasonality.

We believe that Millennium is being run by a sensible management team that is taking a disciplined approach to its tendering activities. Growth in the Security division continues to represent a big opportunity for growth. An orderly sell-down by the vendors of a portion of their holdings will ultimately have a positive impact on the liquidity of the stock and the share price as a result. We remain confident that the quality of this business will eventually be recognised and rewarded by the wider market in time. At current trading levels, the company is valued on cheap EV/EBITDA and adjusted P/E multiples for a solid, growing business with a high contracted revenue base that pays fully franked dividends on a yield of ~6%.

POWERWRAP LIMITED

Powerwrap is an unlisted public company that provides investment portfolio administration services. The company is not yet profitable but they have around $7 billion in funds under administration and have been growing rapidly.

Powerwrap operates in a very attractive market supporting independent financial advisors in managing their clients' wealth. The independent financial advice industry is growing strongly from superannuation and non-superannuation flows, largely driven by a shift away from conflicted remuneration structures, whereby large vertically integrated financial institutions manufacture and then sell their own financial products via their retail investor channels. This shift to independent, non-aligned financial planning groups is continuing to gain momentum and is expected to provide continued growth for the industry in the coming years.

Powerwrap has ambitions to list on the ASX in the next 12 months or so, in which case it is likely to be compared to listed peers like Netwealth (ASX: NWL), HUB24 (ASX: HUB), and Praemium (ASX: PPS). If Powerwrap can list on a valuation anywhere near these listed peers, then it should bode well for our investment.

We invested at a price per share of $0.06 as part of a $19.6m capital raising, implying a total equity valuation of ~$40 million. Powerwrap undertook a $2m capital raising in late December at $0.10 per share. In accordance with our Investment Valuation Policy we generally hold unlisted securities at cost for the first 12 months and due to the small amount raised we have not revalued our holding.

d) Cash Flows

Operating activities resulted in a net outflow of $7,663,000 (2016: outflow $4,313,000) as the Group continued to build up its investment portfolio funded from existing cash reserves after commencing operations as a Listed Investment Company in November 2016.

The Group's net outflow from financing activities of $1,635,000 (2016: outflow $277,000) was due to the Company's continued capital management program of on-market share buy-backs.

e) Capital Management

On-market buy-backs

During the year the Company purchased 3,525,687 of its own shares costing $1,452,099 (including brokerage) to complete a 10/12 on-market share buy-back that commenced in August 2016. In total 4,207,716 shares were purchased costing $1,718,580 (including brokerage) under this buy-back facility.

At the Company's Annual General Meeting (**AGM**) held on 30 May 2017 shareholders approved the buy-back of up to 3,000,000 shares in excess of the 4,207,716 permitted under the 10/12 limit in the period to 19 August 2017. At the end of this period no shares had been bought back under the facility.

On 21 August 2017 the Company announced a new on-market share buy-back of up to 10% of the Company's issued capital, being 3,786,944 shares. At year end 425,000 shares had been bought back under this facility at a total cost of $193,507 (including brokerage).

Off-market buyback
During the period the Company completed the buy-back and cancellation of 172,500 Treasury Shares. These shares, originally issued then forfeited pursuant to the 2006 Employee Incentive Share Plan, were bought back off-market and, as the Company held these shares, the buy-back was effected without transfer of funds.

f) Change in Company Name
At the Company's AGM shareholders approved a change of Company name to NGE Capital Limited. The change was effected and a new corporate website launched at www.ngecapital.com.au.

g) Board and Management
During the period Sir Michael Bromley and Mr Grant Worner ceased to be Directors of the Company. Sir Michael retains his 50% interest in Western Drilling Limited (**WDL**) via Maps Tuna Limited. NGE continues to work with Sir Michael to realise value from WDL.

On 17 August the Company announced the appointment of Mr Ilan Rimer as a Non-Executive Director. Mr Rimer has extensive experience in management consulting, corporate strategy and new business development across a wide range of industries.

In September the Board appointed Mr Adam Saunders to the executive role of Portfolio Manager. The Board, after completing an external search, is of the opinion that Mr Saunders was the best candidate to fulfil the role given his extensive investment experience and skillset.

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

i) Legacy Assets

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

EXPLORATION LICENSES

PPL 266 and PPL 267
In the prior year the company announced that it had lodged with the Papua New Guinea Department of Petroleum and Energy (**DPE**) applications to surrender PPL 266 and PPL 267. The DPE formally approved the lapse/surrender of these Permits in December 2017. No expenditure was incurred in relation to these permits in the year (2016: $115,000).

PPL 269 and PPL 277
In 2012 NGE sold its 100% interest in PPL 277 to ESSO PNG Exploration Limited and Oil Search Limited. In 2015 NGE sold its 50% interest in PPL 269 to a subsidiary of Santos Limited. The terms of sale in each case provided for future consideration components in favour of NGE in the event of the achievement of certain development and production milestones. PPL 269 has since expired without renewal and the holders of PPL 277 have requested an unconditional surrender of that licence. The possibility of NGE of receiving any future consideration from these licenses is considered remote.

In the year NGE received a claim from the purchaser of NGE's interest in PPL 269 for the proportional costs of remediating a well drilled while NGE held its interest in the licence. The cost of the claim was $205,000, which was paid and written off in the period. As the remediation costs were incurred to facilitate the licence holders handing back their licence to the DPE the Group does not anticipate any future claims of a similar nature.

SIGNIFICANT CHANGES STATE OF AFFAIRS

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

LIKELY DEVELOPMENTS

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

ENVIRONMENTAL ISSUES

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

REMUNERATION REPORT (AUDITED)

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

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

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

a) Remuneration policy and practices

The Board has 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 KMP.

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.

In September 2017 the Board assumed the duties and responsibilities of the Remuneration Committee until such time that the Company's size and operation warrant a Board composition with additional independent non-executive directors. In carrying out these functions, the Board ensures that conflicted members are not involved in remuneration determination and review discussions.

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

i) Non-Executive Directors

The Board's policy is to remunerate non-executive directors at market rates for comparable companies for their time, commitment and responsibilities. The Board determines the remuneration of the Company's non-executive directors and reviews their remuneration annually. During the year the Board approved the reduction in the annual remuneration of non-executive directors from $50,000 to $25,000 (inclusive of superannuation).

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

REMUNERATION REPORT (AUDITED) (CONTINUED)

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

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

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

The STI is an at-risk bonus provided in the form of cash and based on agreed key performance indicators (**KPIs**), paid at the discretion of the Board. The KPIs are reviewed annually by the Board. Currently NGE's Chief Investment Officer and Portfolio Manager are incentivised to meet the following KPIs in order to receive STI payments in addition to fixed compensation:

Growth in NTA per share before tax[1]	< 2.5%	12.5%	≥ 25.0%
STI payment (% of fixed compensation)	0%	50%	4% for each 1% growth in NTA per share before tax

[1] NTA is adjusted for NGE's legacy PNG assets and share buybacks.

REMUNERATION REPORT (AUDITED) (CONTINUED)

b) Service Agreements

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

Name	Position held	Employment arrangement	Notice period
Mr David Lamm[1]	Executive Chairman and Chief Investment Officer	Executive Services Agreement	6 months
Mr Ilan Rimer	Non-Executive Director	Appointment Letter	None
Mr Adam Saunders[2]	Executive Director and Portfolio Manager	Executive Services Agreement	2 months
Mr Les Smith	Company Secretary and Chief Financial Officer	Executive Services Agreement	2 months
Sir Michael Bromley	Non-Executive Director	Ceased 24 January 2017	
Mr Grant Worner	Non-Executive Director	Ceased 30 May 2017	

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

[2] An ESA between the Company and Mr Saunders was executed on 28 September 2017 with effect from 15 September 2017 upon his appointment to the position of Executive Director and Portfolio Manager. The ESA is for an indefinite period and is terminable on 2 months' notice, with annual remuneration of $130,000 per annum including superannuation and a short-term incentive paid at the discretion of the Board and dependent on meeting certain KPIs.

REMUNERATION REPORT (AUDITED) (CONTINUED)

c) Details of remuneration

Remuneration received by Directors and KMP for the years ended 31 December 2017 and 31 December 2016 is disclosed below:

		Short-term employee benefits		Post-employment benefit	Other long term benefit	Termination benefits		
Name	Position	Cash salary and fees $	Cash bonus $	Superannuation $	Long service leave $	Termination payments $	Total $	Performance linked compensation %
31 December 2017								
Directors								
D Lamm[1]	Executive Chairman and CIO	205,618	240,000	29,764	981	-	476,363	50.4
I Rimer[2]	Non-Executive Director	8,549	-	812	-	-	9,361	-
A Saunders[3]	Executive Director and Portfolio Manager	67,995	37,917	6,372	34	-	112,318	33.8
Sir M Bromley[4]	Non-Executive Director	3,334	-	-	-	-	3,334	-
G Worner[5]	Non-Executive Director	20,766	-	-	-	-	20,766	-
Other KMP								
L Smith	Company Secretary and CFO	141,744	-	25,641	530	-	167,915	-
TOTAL		**448,006**	**277,917**	**62,589**	**1,545**	**-**	**790,057**	**35.2**
31 December 2016								
Directors								
D Lamm[6]	Executive Chairman	194,387	103,073	18,491	204	-	316,155	32.6
A Saunders	Non-Executive Director	45,662	-	4,338	-	-	50,000	-
Sir M Bromley	Non-Executive Director	50,000	-	-	-	-	50,000	-
G Worner[7]	Non-Executive Director	57,917	2,750	-	-	-	60,667	4.5
Other KMP								
L Smith[8]	Company Secretary and CFO	56,416	-	9,646	62	-	66,124	-
E Sam Yue[9]	CFO	67,500	12,307	(631)	1,195	36,923	117,294	10.5
J Mouchacca[10]	Company Secretary	28,000	-	-	-	-	28,000	-
TOTAL		**499,882**	**118,130**	**31,844**	**1,461**	**36,923**	**688,240**	**17.2**

1 Title changed to Executive Chairman and Chief Investment Officer from 15 September 2017 with no change to remuneration conditions.
2 Appointed 17 August 2017.
3 Appointed to the role of Executive Director and Portfolio Manager from 15 September 2017.
4 Ceased 24 January 2017.
5 Ceased 30 May 2017.
6 Appointed to the role of Executive Chairman from Non-Executive Chairman from 29 February 2016.
7 Ceased as Managing Director on 14 January 2016 and resumed role of Non-Executive Director from that date.
8 Appointed 13 July 2016.
9 Ceased 21 October 2016.
10 Ceased 13 July 2016.

REMUNERATION REPORT (AUDITED) (CONTINUED)

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

	31 December 2016	31 December 2017	Increase
NTA per share after tax	$0.497	$0.630	26.76%
STI payment			100%

As the KPI of NTA per share after tax growth of at least 25% was achieved, the Board approved an STI payment of 100% of fixed compensation to the Chief Investment Officer, Mr David Lamm to be included in his remuneration for 2017. The Board also approved an STI payment of $37,917 to the Portfolio Manager, Mr Adam Saunders, representing an STI payment of 100% of fixed compensation pro-rata for the period of his appointment.

Use of remuneration consultants
The Board did not seek the advice of remuneration consultants during the year.

Voting and comments made at the Company's 2016 Annual General Meeting
At the Company's AGM a resolution to adopt the prior year remuneration report was put to the vote and at least 75% of the votes cast were in favour of the adoption of that report. No comments were made on the remuneration report that were considered at the AGM.

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

REMUNERATION REPORT (AUDITED) (CONTINUED)

e) Other information

Options held by Directors and Key Management Personnel
No Directors or KMP held options to acquire shares in the Company during the financial year ended 31 December 2017 except as set out below:

	Opening balance No. of options	Lapsed	Closing balance No. of options
E Sam Yue[1]	150,000	(150,000)	-

[1] Ceased employment on 21 October 2016, however under the terms of issue the options remained vested until they expired on 21 January 2017.

Shares held by Directors and Key Management Personnel
The relevant interests of Directors and KMP and their related parties in the shares of the Company during the financial year ended 31 December 2017 is set out below:

	Opening balance No. of shares	Acquired No. of shares	Sold No. of shares	Closing balance No. of shares
D Lamm[1]	9,661,810	45,000	(625,000)	9,081,810
I Rimer[2]	-	-	-	-
A Saunders	39,000	625,000	-	664,000
L Smith	-	-	-	-
Sir M Bromley[3]	-	-	-	-
G Worner[4]	-	23,810	-	23,810

[1] Acquired 1,000,000 shares post 31 December 2017.
[2] Appointed 17 August 2017.
[3] Ceased 24 January 2017.
[4] Ceased 30 May 2017.

End of audited Remuneration Report.

MEETINGS OF DIRECTORS

The following table shows the number of Board and Committee meetings held during the financial year ended 31 December 2017:

	Directors' Meetings		Audit Committee		Remuneration Committee	
	No. eligible to attend	No. attended	No. eligible to attend	No. attended	No. eligible to attend	No. attended
D Lamm	8	8	-	-	-	-
I Rimer	2	2	-	-	-	-
A Saunders	8	8	1	1	1	1
Sir M Bromley	1	1	-	-	1	1
G Worner	4	4	1	1	1	1

UNISSUED SHARES UNDER OPTION

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

INDEMNIFICATION OF DIRECTORS, OFFICERS AND AUDITORS

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

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

PROCEEDINGS

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

EVENTS ARISING SINCE THE END OF THE REPORTING PERIOD

There are no matters or circumstances that have arisen since the end of the year that have significantly affected or may significantly affect either:

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

NON-AUDIT SERVICES

No non-audit services were provided during the year. Refer to Note 21 of the financial statements for details of auditor remuneration.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is included on page 24 of this financial report and forms part of the Directors' Report.

ROUNDING OF AMOUNTS

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

Signed in accordance with a resolution of the Directors.

David Lamm

Executive Chairman and
Chief Investment Officer

26 February 2018

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Auditor's Independence Declaration to the Directors of NGE Capital Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of NGE Capital Limited for the year ended 31 December 2017, 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

A R J Nathanielsz
Partner – Audit & Assurance

Melbourne, 26 February 2018

CORPORATE GOVERNANCE STATEMENT

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

The Group's Corporate Governance Statement for the financial year ending 31 December 2017 is dated as 26 February 2018 and was approved by the Board on 26 February 2018. The Corporate Governance Statement is available on NGE Capital Limited's website at:

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017 $'000	2016 $'000
Revenue	5	735	337
Change in fair value of financial instruments held at fair value through profit or loss		5,351	2,164
Employee benefits expense		(764)	(487)
(Loss) from foreign exchange differences		(69)	(335)
Other expenses	6	(367)	(834)
Profit before income tax		4,886	845
Income tax expense	9	-	-
Profit from continuing operations after income tax		**4,886**	**845**
(Loss) from discontinued operations after income tax	10	**(205)**	**(154)**
Other comprehensive income			
Other comprehensive income for the year, net of tax		-	-
Other comprehensive income for the year		-	-
Total comprehensive income for the year attributable to members of the Parent Entity		**4,681**	**691**

		Cents	Cents
Basic and diluted earnings/(loss) per share			
From continuing operations	7	12.65	2.00
From discontinued operations	7	(0.53)	(0.36)
Total		**12.12**	**1.64**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
For the year ended 31 December 2017

	Notes	2017 $'000	2016 $'000
Assets			
Cash and cash equivalents	16	5,296	14,816
Trade and other receivables	17	22	383
Financial assets held at fair value through profit or loss	12	18,545	5,527
Other assets	18	41	40
Plant and equipment		-	1
Investments accounted for using the equity method	13	-	-
Other long-term assets	18	110	84
Total Assets		**24,014**	**20,851**
Liabilities			
Trade and other payables	19	379	246
Provisions	20	10	5
Total Liabilities		**389**	**251**
Net Assets		**23,625**	**20,600**
Equity			
Issued capital	14	78,293	79,939
Reserves	14	11,377	11,377
Accumulated losses		(66,045)	(70,716)
Total Equity		**23,625**	**20,600**

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Share capital	Accumulated losses	Option reserve	Equity component of convertible instrument	Total equity
	$'000	$'000	$'000	$'000	$'000
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
Total comprehensive income for the year	-	4,681	-	-	4,681
Prior year adjustment	-	(10)	-	-	(10)
Transactions with owners in their capacity as owners:					
Share buy-back	(1,646)	-	-	-	(1,646)
	-	-	-	-	-
Balance at 31 December 2017	78,293	(66,045)	7,894	3,483	23,625

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 2017

	Notes	2017 $'000	2016 $'000
Cash Flow from Operating Activities			
Payments to suppliers and employees		(914)	(1,471)
Payments for equity investments		(16,544)	(10,956)
Proceeds from sale of equity investments		9,083	7,779
Interest received		248	335
Dividends received		336	-
Underwriting income		128	-
Net cash from continuing operations		(7,663)	(4,313)
Net cash from discontinued operations	10	-	-
Net cash (used in) operating activities	16	**(7,663)**	**(4,313)**
Cash Flow from Investing Activities			
Payments for plant and equipment		-	(2)
Loans advanced to joint venture		(35)	-
Proceeds from refund of security deposits		71	22
Net cash from continuing operations		36	20
Net cash from discontinued operations	10	(205)	(181)
Net cash (used in) investing activities		**(169)**	**(161)**
Cash Flow from Financing Activities			
Payments for share buy-back		(1,635)	(277)
Net cash from continuing operations		(1,635)	(277)
Net cash from discontinued operations	10	-	-
Net cash (used in) financing activities		**(1,635)**	**(277)**
Net (decrease) in cash and cash equivalents held		(9,467)	(4,751)
Cash at beginning of period		14,816	19,898
Effect of exchange rates on cash holding in foreign currencies		(53)	(331)
Cash at end of period	16	**5,296**	**14,816**

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

NOTES TO THE FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS

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

These principal activities had effect from the Company's reinstatement to official quotation on the ASX on 30 November 2016 following the Company's application to change the nature of its 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 2017 were approved and authorised for issue by the board of directors on 26 February 2018.

3. SUMMARY OF ACCOUNTING POLICIES

a) 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.

b) Basis of consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 31 December 2017. 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

3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

b) Basis of consolidation (continued)
intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

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

c) Foreign currency translation

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

Foreign currency transactions and balances
Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year end exchange rates are recognised in profit or loss.
Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the date of the transaction), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

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

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

d) Revenue and income recognition

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

3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

d) Revenue and income recognition (continued)

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

Dividends

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

Interest income

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

e) Operating expenses

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

f) Earnings per share

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

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

g) Income tax

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

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

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

3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

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

Deferred tax liabilities are always provided for in full.

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

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

h) Investments in financial assets

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

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

Financial assets and financial liabilities designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Company's investment principles.

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

Measurement
Financial assets held at fair value through profit or loss
At initial recognition, the Company measures a financial asset at fair value excluding transaction costs that are directly attributable to its acquisition. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

h) Investments in financial assets (continued)

Fair value in an active market

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

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

The Company's Investment Valuation Policy is discussed in Note 12.

i) Investments in joint ventures

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

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

j) Equity, reserves and accumulated losses

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

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

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

Accumulated losses include all current and prior accumulated losses.

k) Cash and cash equivalents

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

l) Receivables

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

3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

m) Provisions
Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable than an outflow of economic benefits will result, and that outflow can be readily measured.
Provision is made for the Group's liability for employee benefits arising from the services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the lability 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.

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

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

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

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

q) Significant management judgement in applying accounting policies
When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

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

Carrying value of investments in unlisted securities
The fair value of directly held unlisted securities are generally held at cost for the first 12 months of ownership, unless there is an apparent change in circumstances which would indicate the need for a new valuation. Such a circumstance may include observing the price from a recent transaction of an investment, provided the relevant transaction occurred sufficiently close to the measurement date (usually within 12 months).

3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

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

Carrying value of investments in unlisted securities (continued)

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

Carrying value of investments accounted for using the equity method

The Group has assessed the carrying value of its 50% owned investment in the joint venture entity, Western Drilling Limited, which is accounted for using the equity method. Details of the assessment are included in Note 13.

Impairments

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment trigger. Recoverable amounts of relevant assets are reassessed using the higher of fair value 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 Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Despite the Group achieving 2 years of taxable profits, the Group's short investment history and concentrated high-conviction portfolio currently make it difficult to forecast with any degree of accuracy, such that it is more probable than not, that the Group will return steady taxable profits into the future. Accordingly, the Group has not recognised a Deferred Tax Asset in the current year. Details of deferred tax assets are included in Note 9.

4. CHANGES IN ACCOUNTING POLICIES

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

Some new standards, amendments to standards and interpretations became effective for the first time to annual reporting periods beginning on or after 1 January 2017.

Standard/Interpretation	Application date of standard	Application date for the Company
AASB 2015-2 "Amendments to AAS – Disclosure Initiative: Amendments to AASB 101"	1 January 2016	1 January 2017

Application of these new or revised standards has not had a material impact on the Group.

b) Standards and interpretations in issue but not yet adopted

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

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AAASB 16 "Leases"	1 January 2019	31 December 2019
AASB 9 "Financial Instruments", and the relevant amending standards	1 January 2018	31 December 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	1 January 2018	31 December 2018
IFRIC 23 "Uncertainty over Income Tax Treatments"	1 January 2019	31 December 2019
AASB 2016-1 "Amendments to AAS – Recognition of Deferred Tax Assets for Unrealised Losses"	1 January 2017	31 December 2018
AASB 2016-2 Amendments to AAS – Disclosure Initiative: Amendments to AASB 107"	1 January 2017	31 December 2018

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

5. REVENUE AND OTHER INCOME FROM CONTINUING OPERATIONS

	2017 $'000	2016 $'000
Interest income	237	336
Dividend income	370	1
Underwriting income	128	-
Total	**735**	**337**

6. OTHER EXPENSES INCURRED IN CONTINUING OPERATIONS

	2017 $'000	2016 $'000
Directors' fees	33	173
Audit, professional and legal fees	124	350
Listing costs	56	185
Operating leases	64	52
Other	90	74
Total	**367**	**834**

7. EARNINGS PER SHARE

	2017 $'000	2016 $'000
Profit/(loss) from continuing operation attributable to the ordinary equity holders used in the calculation of basic and dilatative earnings per share	4,886	845
Profit/(loss) from discontinued operation attributable to the ordinary equity holders used in the calculation of basic and dilatative earnings per share	(205)	(154)
	Number	**Number**
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic and diluted earnings per share.	38,632,716	42,228,655

Basic and diluted earnings per share

	2017 Cents	2016 Cents
Earnings from continuing operations	12.65	2.00
Earnings from discontinued operations	(0.53)	(0.36)

8. SEGMENT REPORTING

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

9. 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 NGE Capital Limited at 27.5% (2016: 28%) and the report tax expense in profit or loss are as follows:

	2017	2016
	$'000	$'000
Profit before tax	4,681	691
Domestic tax rate	27.5%	28%
Expected tax expense	1,287	194
Adjustments for tax effect of:		
Non-temporary differences	90	122
Equity capital raising costs debited to equity	-	-
Previously unrecognised tax losses now recouped to reduce current tax expense	(1,375)	(316)
Temporary differences and tax losses not recognised	(2)	-
Income tax expense	**-**	**-**

Tax losses		
Unused tax losses for which no tax loss has been recognised as a deferred tax asset adjusted for non-temporary differences[1]	71,083	74,574
Potential tax benefit at 27.5% (2016: 28%)	**19,547**	**20,881**

[1] Of the total unused tax losses for which no tax loss has been recognised as a deferred tax asset, $25,801,000 (potential tax benefit at 27.5% of $7,095,000) relates to Australian operating losses incurred. The remaining losses relate to either capital or foreign tax losses.

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.

10. DISCONTINUED OPERATIONS

During the previous 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.

	2017 $'000	2016 $'000
Revenue from discontinued operations		
Interest income	-	-
Other income from discontinued operations		
Gain on disposal of fixed assets	-	18
	-	18
Expenses incurred in discontinued operations		
Employee benefits expense	-	(172)
Impairment of deferred exploration expenditure	(205)	-
	(205)	(172)
Loss for the year	**(205)**	**(154)**
Cash flows generated by discontinued operations for the reporting periods are as follows:		
Operating activities	-	-
Investing activities	(205)	(181)
Financing activities	-	-

As at 31 December 2017 the carrying amounts of the net assets associated with exploration activities were $ Nil (2016: $ Nil).

11. FINANCIAL RISK MANAGEMENT

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

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

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

At 31 December 2017, the Group had the following exposure to various foreign currencies:

	2017 $'000	2016 $'000
Financial assets		
Cash and cash equivalents	87	1,089
Trade and other receivables	21	29
Financial assets held at fair value through profit or loss	483	87
Other assets	1	-
Investments accounted for using the equity method	-	-
Other long-term assets	110	84
	702	1,289
Financial liabilities		
Trade and other payables - Current	(42)	(66)
Net exposure	**660**	**1,223**

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.

Sensitivity Analysis- Increase/(decrease) in net exposure	2017 $'000	2016 $'000
Australian dollar depreciates by 5% against USD	23	18
Australian dollar depreciates by 5% against PGK	8	40
Australian dollar appreciates by 5% against USD	(23)	(18)
Australian dollar appreciates by 5% against PGK	8	(40)

11. FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Interest rate risk

At 31 December 2017, the Group had no fixed or floating rate debt and had the following mix of financial assets exposed to variable interest rate risk:

Financial assets	2017 $'000	2016 $'000
Cash and cash equivalents	5,209	14,028
Other current assets	-	87
Total	**5,209**	**14,115**

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.

Interest rate sensitivity analysis	2017 $'000	2016 $'000
Decrease/(increase) in profit/(loss)		
- increase in interest rate by 2%	190	278
- decrease in interest rate by 2%	(190)	(278)

d) 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 Group's investment in WDL at balance date 2017 is $110,000.

11. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

As at 31 December, the Group holds $5.296 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
2017			
Trade and other payables	379	-	-
Total	**379**	**-**	**-**
2016			
Trade and other payables	246	-	-
Total	**246**	**-**	**-**

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

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

12. FAIR VALUE MEASUREMENT

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

- Financial assets held at fair value through profit or loss

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

Fair value hierarchy

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

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

The table below presents the financial assets (by class) measured and recognised at fair value at 31 December 2017.

	Level 1	Level 2	Level 3	Total
2017	**$'000**	**$'000**	**$'000**	**$'000**
Financial Assets at fair value through profit or loss				
Listed equity securities	13,950	-	-	13,950
Unlisted convertible notes	-	-	750	750
Unlisted equities	-	-	3,845	3,845
Total Financial Assets at fair value through profit or loss	**13,950**	**-**	**4,595**	**18,545**
2016				
Financial Assets at fair value through profit or loss				
Listed equity securities	5,517	-	-	5,517
Unlisted equities	-	-	10	10
Total Financial Assets at fair value through profit or loss	**5,517**	**-**	**10**	**5,527**

Valuation techniques used to determine fair values

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

12. FAIR VALUE MEASUREMENT (CONTINUED)

LEVEL 1

The fair value of investments that are traded in an active market (for example, listed equities) is determined using the last traded quoted price in an active market. As at 31 December 2017, the Company had $13,950,000 (2016: $5,517,000) financial assets held at fair value through profit or loss included in Level 1. As at 31 December 2017 the Company had $ Nil (2016: $ Nil) financial liabilities held at fair value through profit or loss included in Level 1.

LEVEL 2

The fair value of investments that are not traded in an active market (for example, unlisted securities) is determined by reference to quoted prices for similar assets or liabilities in active markets. As at 31 December 2017, the Company had $ Nil (2016: $ Nil) investments in Level 2.

LEVEL 3

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

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

As at 31 December 2017, the Company had $4,595,000 (2016: $10,000) of investments held at fair value through profit or loss included in Level 3.

Valuation of Powerwrap Limited as at 31 December 2017

The Company invested at a price per share of $0.06 in June 2017 as part of a $19.6m capital raising, implying a total equity valuation of ~$40 million. Powerwrap undertook a $2m capital raising in late December 2017 at $0.10 per share. Due to the relatively small amount raised the Board has resolved not to revalue the Company's holding.

Valuation of Cody Live Pty Ltd as at 31 December 2017

The Board resolved to hold the carrying value of the Company's holdings in Cody Live Pty Ltd (**Cody Live**), comprising a convertible note of $750,000 and an equity investment of $250,000 at cost. The convertible note accrues interest at 6.50% per annum, payable quarterly in arrears with the option of being converted into ordinary shares prior to maturity at 25 cents per share. Cody Live has met all its interest payment requirements to date.

Valuation of PFE Holdings Pty Ltd as at 31 December 2017

The Board resolved to hold the carrying value of the Company's holding in PFE Holdings Pty Ltd (**PFE**) at $10,000 (2016: $10,000). This decision was based on PFE's unaudited financial statements for the year ended 30 June 2017 adjusted for the value of exploration assets and PFE's stated requirement to raise additional funds.

12. FAIR VALUE MEASUREMENT (CONTINUED)

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy.
The carrying amounts of investments measured using significant unobservable inputs (Level 3) are shown below:

	Unlisted Convertible notes	Unlisted equities	Total
For the year ended 31 December 2017	**$'000**	**$'000**	**$'000**
Beginning balance	-	10	10
Purchase	750	3,835	4,585
Ending balance	**750**	**3,845**	**4,595**
For the year ended 31 December 2016			
Beginning balance	-	10	10
Ending balance	**-**	**10**	**10**

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	2017	2016
Investment in Western Drilling Limited (WDL)	**$'000**	**$'000**
Loans to WDL	9,620	9,620
Share of losses accounted for using the equity method	(1,761)	(1,761)
Impairment	(7,859)	(7,859)
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 former Non-Executive Director Sir Michael Bromley, holds the remaining 50%.

WDL has a wholly-owned subsidiary registered in Australia and both companies have a reporting date of 31 December. Dividends are subject to the approval of a majority of directors of the joint venture entity. During 2016 and 2017 the Group received no dividends.

Until 2015 the Group's investment in WDL was accounted for using the equity method of accounting and the Group shares the results of WDL group based on the Group's percentage interest in WDL. At year end 2015 the investment was fully impaired and interest accruals on loans were suspended (see Note 18).

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

At each year-end subsequent to 2015 the Directors reviewed their impairment decision and determined that, with the exception of a recently advanced amount of $109,518 disclosed as a non-current asset, full impairment of the investment in WDL remained appropriate. WDL is continuing its

13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

efforts to secure contracts and should these arise in future then the impairment could be reversed in part or in full.

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

	2017 $'000	2016 $'000
Assets	18,068	19,692
Impairments	(17,421)	(18,881)
Liabilities	22,501	24,295
Revenues	-	-
Loss for the year	(386)	(630)
Loss attributable to the Group	(193)	(315)

14. EQUITY AND CAPITAL MANAGEMENT

a) Share Capital

Shares issued and fully paid	2017 Shares	2016 Shares	2017 $'000	2016 $'000
At beginning of year	41,567,635	845,577,227	79,939	80,217
Shares buy-back – pre-consolidation	-	(591,034)	-	(11)
Effect of consolidation	-	(802,736,529)	-	-
Treasury Share – buy-back	(172,500)	-	-	-
Shares buy-back – post consolidation	(3,950,687)	(682,029)	(1,646)	(267)
Total contributed equity at 31 December	**37,444,448**	**41,567,635**	**78,293**	**79,939**

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

b) On-market share buy-back

In accordance with its on-market share buy-back scheme announced on 4 August 2016, NGE Capital Limited bought back and cancelled 3,525,687 shares from the beginning of the year to 26 May 2017. 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 were acquired at an average price of $0.4102 per share. The total cost of $1,452,099 (2016: $11,000), including transaction costs, was deducted from contributed equity.

After receiving shareholder approval at its AGM, the Company announced a new on-market share buy-back scheme on 7 June 2017 for up to 3,000,000 shares on-market in the period to 19 August 2017. When this period expired no shares had been purchased.

14. EQUITY AND CAPITAL MANAGEMENT (CONTINUED)

b) On-market share buy-back (continued)

On 21 August 2017 the Company announced a 10/12 on-market buy-back of up to 10% of the Company's issued capital, 3,786,944 shares to commence on or after 4 September 2017. By year end 425,000 shares had been bought back and cancelled. The total cost of $193,507 including transaction costs was deducted from contributed equity.

c) Options over unissued shares

Unlisted options	2017 Number	2016 Number
Options J exercisable at $0.30 each on or before 7 February 2016:		
Balance at beginning of reporting period	-	400,000
Lapsed during the year	-	(400,000)
Balance at end of reporting period	**-**	**-**
Options A exercisable at $0.05 each on or before 30 November 2017:		
Balance at beginning of reporting period	150,000	33,500,000
Lapsed during year	(150,000)	(30,500,000)
Effect of Consolidation	-	(2,850,000)
Balance at end of reporting period	-	150,000
Total at end of year	**-**	**150,000**

d) Capital risk management

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

e) Reserves

	2017 $'000	2016 $'000
Option reserve	7,894	7,894
Equity component of convertible instrument	3,483	3,483
Total	**11,377**	**11,377**

Option reserve

	2017 $'000	2016 $'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.

14. EQUITY AND CAPITAL MANAGEMENT (CONTINUED)

e) Reserves (continued)

Equity component of convertible instrument

	2017 $'000	2016 $'000
Balance at beginning of year	3,483	3,483
Balance at end of year	3,483	3,483

15. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

Cash flows from operating activities	**2017 $'000**	**2016 $'000**
Profit for the period	4,681	691
Adjustments for:		
Depreciation	1	1
Discontinued operations	205	181
Foreign exchange differences	53	335
Provision for employee entitlements	5	(165)
Changes in assets and liabilities relating to operations		
Change in creditors and accruals	126	77
Change in receivables	274	(230)
Change in financial assets	(13,018)	(5,133)
Change in other-long term assets	10	(84)
Change in prepayments	-	14
Net cash used in operating activities	**(7,663)**	**(4,313)**

16. CASH AND CASH EQUIVALENTS

	2017 $'000	2016 $'000
Cash at bank and on hand	5,296	14,816

Cash and cash equivalents at balance date consisted of AUD5,208,930 and PGK218,306 (2016: AUD13,726,462, USD217,202 and PGK1,808,132).

17. TRADE AND OTHER RECEIVABLES

Current	**2017 $'000**	**2016 $'000**
Receivables	18	291
Deposits	4	92
Total	**22**	**383**

a) Allowance for impairment loss

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

17. TRADE AND OTHER RECEIVABLES (CONTINUED)

b) Foreign exchange and interest rate risk

Detail regarding foreign exchange and interest rate risk exposure is disclosed in Note 11.

18. OTHER ASSETS

	2017	2016
Current	**$'000**	**$'000**
Prepayments	41	40

	2017	2016
Non-current	**$'000**	**$'000**
Accrued interest receivable	4,726	4,726
Impairment	(4,726)	(4,726)
Loan to WDL	110	84
Total	**110**	**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 Loan to WDL represents working capital loans to WDL by the Group since 2016 for which repayment is reasonably expected.

See Note 13 for an analysis of the investment in WDL and impairment assessments.

19. TRADE AND OTHER PAYABLES

	2017	2016
Current	**$'000**	**$'000**
Trade payables	37	66
Sundry payables and accrued expenses	342	180
Total	**379**	**246**

20. PROVISIONS

	2017	2016
Current	**$'000**	**$'000**
Employee provisions	8	5
Non-Current		
Employee provisions	2	-

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

21. AUDITOR'S REMUNERATION

	2017	2016
	$	$
Audit and review of financial statements		
Auditor of the Company - Grant Thornton Audit Pty Ltd	**34,777**	**43,189**
Other auditors for audit and review of subsidiaries' financial statements	**32,800**	**17,773**
Total	**67,577**	**60,962**
Other non-audit services		
Auditor of the Company - Grant Thornton Audit Pty Ltd	**-**	**7,027**
Total	**67,577**	**67,989**

22. CONTROLLED AND JOINTLY CONTROLLED ENTITIES

Controlled Entities	Country of Incorporation	Ownership Interest %
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

Changes in 2017

- New Energy Resources Pty Ltd (Australia), owned 100% in 2016, was de-registered in the year.
- Engelberg Limited (Papua New Guinea), owned 100% in 2016, was amalgamated into Kingsbury Limited in the year.
- Taylor Limited (Papua New Guinea), owned 100% in 2016, was amalgamated into Kirkland Limited in the year.

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

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

23. RELATED PARTY TRANSACTIONS

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

a) Wholly owned group

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

23. RELATED PARTY TRANSACTIONS (CONTINUED)

b) Jointly controlled entity

The Group holds a 50% voting and equity interest in Western Drilling Limited (WDL), a jointly controlled company registered in Papua New Guinea. Maps Tuna Limited, a company related to former director Sir Michael Bromley, holds the remaining 50%. Rig 6 Pty Ltd, registered in Australia, is a wholly-owned subsidiary of WDL. Loans were made to WDL group in previous years to finance the acquisition of assets and working capital for its drilling business. The loans are denominated in USD and bore interest at market rates until balance date 2015 at which point the loans and interest receivable were fully impaired as noted in Notes 13 and 18. An agreement between the partners provided that no interest would be charged in 2016 and future periods until it became more certain that the accrued and future interest could be paid.

Since the end of 2015, additional funds were loaned by both parties, some of which have been repaid, and the Group's net loan balance ($110,000) is disclosed as a non-current asset, as repayment is reasonably expected.

c) Transactions with key management personnel

Key Management Personnel remuneration includes the following expenses:

	2017 $	2016 $
Short-term employee benefits	725,923	618,012
Post-employment benefits	62,589	31,844
Other long-term benefits	1,545	1,461
Termination benefits	-	36,923
Total	**790,057**	**688,240**

d) Transactions with other related party

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

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

25. COMMITMENTS

At balance date the Group had no commitments.

26. CONTINGENT ASSETS AND LIABILITIES

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

27. PARENT ENTITY INFORMATION

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

	2017 $'000	2016 $'000
Assets		
Cash and cash equivalents	5,209	14,028
Trade and other receivables	1	1
Financial assets held at fair value through profit or loss	18,545	5,318
Other Assets	38	35
Plant and equipment	1	1
Other long-term assets	175	1,400
Total Assets	23,969	20,783
Liabilities		
Trade and other payables	335	183
Provisions	10	5
Total Liabilities	345	188
Net Assets	23,624	20,595
Equity		
Issued capital	78,293	79,939
Option reserve	7,894	7,894
Equity component of convertible instrument	3,483	3,483
Accumulated losses	(66,046)	(70,721)
Total Equity	23,624	20,595
Financial Performance		
Profit for the year	4,675	697
Other comprehensive income	-	-
Total Comprehensive (Loss)/Income	**4,675**	**697**

28. POST-REPORTING DATE EVENTS

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorisation.

DIRECTORS' DECLARATION

1. In the opinion of the Directors of NGE Capital Limited:
    a. the consolidated financial statements and notes of NGE Capital Limited are in accordance with the Corporations Act 2001, including:
        i. Giving a true and fair view of its financial position as at 31 December 2017 and of its performance for the year ended on that date; and
        ii. Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
    b. there are reasonable grounds to believe that NGE Capital Limited will be able to pay its debts as and when they become due and payable.
2. The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the financial year ended 31 December 2017.
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 26th day of February 2018

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David Lamm
Executive Chairman and
Chief Investment Officer

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Independent Auditor's Report
to the Members of NGE Capital Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of NGE Capital Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a Giving a true and fair view of the Group's financial position as at 31 December 2017 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 independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Key audit matter	How our audit addressed the key audit matter
Financial assets designated at fair value through profit or loss – unlisted equity securities, Note 12	

As at 31 December 2017, the Group's financial assets held at fair value through profit or loss totalled $18.55m, including $3.85m in unlisted equity securities. Of these, $3.84m in unlisted equities were purchased within the current financial year.
 	
As per the Group's policy, the fair value of unlisted investments is determined as cost for the first 12 months after purchase unless there is a change in circumstances which indicates that cost is no longer a reasonable approximation of fair value. For example the price of subsequent transactions in the investment's equity.
 	
Determination of a change in circumstances indicating a change in fair value and identifying comparable transactions for the purpose of determining an asset's fair value requires significant judgment. Given the inherent subjectivity in determining the fair value of unlisted investments, this is a key audit matter.
	Our procedures included, but were not limited to:
	
	• Assessing the application of the valuation methodology applied to unlisted investments in accordance with accounting standard *AASB 13 – Fair Value Measurement*, specifically including those purchased within the last 12 months;
	• Assessing the ability and expertise of management in performing the investment valuations;
	• Obtaining the financial statements of investments of the underlying investment company, and performing the following:
	  - reviewing historical performance of each company;
	  - assessing whether there were any indicators of a decline or improvement in performance; and
	  - performing a comparison of the fair value of Group's investment to their share of the underlying investment company's net tangible asset backing.
	• Reviewing subsequent events of each underlying investment company to identify any significant indications of a change in value;
	• Obtaining an understanding of management's process for identifying key performance indicators for each investment held; and
	• Reviewing 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 included in the Group's annual report for the year ended 31 December 2017, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors' for the Financial Report

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

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

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A R J Nathanielsz
Partner – Audit & Assurance

Melbourne, 26 February 2018

ADDITIONAL INFORMATION

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

1. SHAREHOLDINGS

a) Distribution of Shareholders as at 7 February 2018

Size of holding	Holders	Ordinary shares held	%
1-1,000	249	95,915	0.25
1,001-5,000	673	1,961,683	5.24
5,001-10,000	210	1,683,353	4.50
10,001-100,000	275	8,835,915	23.60
100,001 and over	48	24,867,582	66.41
Total	**1,455**	**37,444,448**	**100.00**

253 shareholders held less than a marketable parcel.

b) Top Twenty Shareholders as at 7 February 2018

Shareholder	Number of ordinary shares	% Held of issued ordinary capital
KENTGROVE CAPITAL PTY LTD <KENTGROVE CAPITAL FUND A/C>	5,500,000	14.69
PARKBAY CAPITAL PTY LTD <PARKBAY A/C>	2,314,271	6.18
J P MORGAN NOMINEES AUSTRALIA LIMITED	2,140,867	5.72
AUST EXECUTOR TRUSTEES LTD<KENTGROVE CAPITAL FUND>	1,952,539	5.21
RUMINATOR PTY LTD	1,775,000	4.74
LUCERNE CAPITAL PTY LTD<LUCERNE CAPITAL A/C.>	664,000	1.77
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	655,695	1.75
WALLBAY PTY LTD<THE MICHAEL ABELL S/F A/C>	598,779	1.60
MR DAVID GEORGE MAXWELL WELSH	500,000	1.34
YARANDI INVESTMENTS PTY LTD<GRIFFITH FAMILY NO 2 A/C>	479,149	1.28
UCAN NOMINEES PTY LTD <COWEN FAMILY A/C>	412,317	1.10
MR EDWARD JAMES DALLY & MRS SELINA DALLY <EJ DALLY SFUND A/C>	400,000	1.07
ALAN DALE HOLDINGS PTY LTD	388,972	1.04
BNP PARIBAS NOMS PTY LTD <DRP>	346,650	0.93
DAWNEY & CO PTY LIMITED	324,999	0.87
MR DAVID LAMM & MRS PENINA SARA LAMM<D&P LAMM SUPER FUND A/C>	315,000	0.84
MRS MAN SUN NG	302,250	0.81
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	295,725	0.79
PACIFIC NOMINEES LIMITED	288,415	0.77
MR WARWICK SAUER	283,759	0.76
Twenty largest shareholders	**19,937,887**	**53.26**
Others	**17,506,561**	**46.74**
Total	**37,444,448**	**100.00**

2. UNLISTED OPTION HOLDINGS

Distribution of Option holders as at 7 February 2018
There are no unlisted options on issue as at 7 February 2018.

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 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 by the following shareholders:

Name	Number of ordinary shares	% Held of issued ordinary capital
Kentgrove Capital Pty Ltd	10,081,810	26.92%
Noontide Investments Ltd	1,949,500	5.21%