NGE CAPITAL LIMITED

APPENDIX 4E

Results for announcement to the market
For the year ended 31 December 2022

All comparisons to year ended 31 December 2021.

Result Information	**$'000**	**Up/Down**	**% change**
Revenue from ordinary activities	(953)	Down	111.5%
Profit/(loss) after tax for the year – ordinary activities	(1,914)	Down	126.1%
Total comprehensive income for the year after tax attributable to members of the parent entity	(1,914)	Down	126.1%

Dividend information

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

Net Tangible Asset Information	**31 Dec 2022**	**31 Dec 2021**	**Movement**
Net tangible asset backing per ordinary share before tax	$0.928	$0.979	(5.2%)

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

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

This announcement is approved and authorised for release by the NGE Capital Limited Board.

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NGE Capital Limited

ABN 31 112 618 238

Annual Report

for the year ended
31 December 2022

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OVERVIEW

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

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

-5.2%

2022 NTA PER SHARE DECREASE

-2.0%

2022 SHARE PRICE DECREASE

10.3% p.a.

NTA PER SHARE INCREASE SINCE INCEPTION (p.a.) (1)

81.9%

AGGREGATE NTA PER SHARE INCREASE SINCE INCEPTION (1)

KEY METRICS AS AT 31 DEC 2022

Share Price	$0.750
Shares Outstanding	36.0m
Market Cap	$27.0m
NTA per share before tax	$0.928
NTA per share after tax	$0.992
Net Tangible Asset Value	$33.4m
Directors' Shareholding	15.6%

Note: Investment returns are net of all expenses.

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

INVESTMENT PHILOSOPHY

TARGET INVESTMENTS THAT CAN GENERATE STRONG RETURNS WITH AN 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.
- Event-driven special situations can provide strong risk-reward opportunities (e.g. M&A, asset sales, strategic reviews, corporate actions such as spinoffs/demergers, changes in leadership, changes in strategy, and capital management announcements such as buybacks/return of capital/increased dividends/special dividends).

AIM TO 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 whilst keeping abreast of macroeconomic indicators and conditions that may directly impact those fundamentals.
- 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

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STOCK EXCHANGE LISTINGS

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Sydney NSW 2000	New York, NY 10013
	USA

ASX CODE: NGE

OTC CODE: NGELF

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Boardroom Pty Limited
Level 8, 210 George Street
Sydney NSW 2000

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

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SOLICITORS
Clayton Utz
Level 18
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Melbourne VIC 3000

CHAIRMAN'S LETTER

Dear Shareholder,

NGE Capital Limited (**NGE** or **Company**) recorded a net loss after tax of $1.9 million for the financial year ended 31 December 2022. The portfolio returned -5.2% pre-tax and after all expenses during the year. NGE has returned, net of all expenses, 10.3% p.a. or 81.9% in aggregate since 30 November 2016, when the Company began operating as a Listed Investment Company.

The key positive contributors to portfolio performance in FY2022 were **International Petroleum Corporation (TSX:IPCO; STO: IPCO)**, **Geo Energy Resources Limited (SGX:RE4)** and **US Silica Holdings, Inc. (NYS:SLCA)**, all of which were realised gains from exited positions. The key detractors were the realised loss from the sale of our holding in **Allegiance Coal Limited (ASX:AHQ)** and mark-to-market declines in **Metals X Limited (ASX:MLX), Embark Education Group Limited (ASX:EVO)** and **John Wood Group plc (LSE:WG)**. We provide a portfolio update below.

We remain cautious on the macroeconomic outlook given the rapid increase in interest rates during the past year, the lagged impact of such rate hikes, weakening lead economic indicators, likely continuing high inflation due to stubbornly tight labour markets and a lack of sensible supply-side reforms (particularly in energy), and concerns over consumer spending. These and other factors are creating significant uncertainty for investors.

In response we have maintained a high cash balance (~36% at year end), and will continue to be patient about making new investments. Our current conservative stance affords us the ability to selectively deploy cash at opportune times when the risk-reward is attractive. We believe our investment approach of fundamental analysis, targeting investments that can generate strong returns with an adequate margin of safety and concentrating our bets will continue to serve us well.

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Our largest position is a bet on the uranium price, expressed via holdings in **Yellow Cake plc (LSE:YCA)** and **Sprott Physical Uranium Trust (TSX:U.UN) (SPUT)**. Combined these investments equated to a ~16.6% portfolio weighting as at 31 December. We trimmed our Yellow Cake position by ~350k shares during the year, netting a ~A$1.26m profit based on our average entry price of ~GBP2.26 per share.

Both entities are listed investment entities whose strategy is to buy physical uranium in the form of U_3O_8, also known as "yellow cake", and hold long-term. Yellow Cake and SPUT offer direct exposure to the uranium spot price without exploration, mining and processing risks. SPUT has aggressively accumulated ~44.1mmlbs of U_3O_8 since July 2021, when Sprott Asset Management assumed management of what was previously Uranium Participation Corp. SPUT has funded its purchases via an "At-The-Market" facility. Yellow Cake has also bulked up, adding ~20.2mmlbs since its 2018 IPO, making use of a US$100m annual purchase option to acquire material from **JSC National Atomic Company Kazatomprom (LSE:KAP)** and funding purchases via brokered placements. These entities now hold ~81.3mmlbs or ~45% of annual demand.

We first invested in Yellow Cake in 2018 when uranium was starting to show signs that the market had bottomed, after a seven-year rout of steadily declining prices that began with the Fukushima nuclear disaster. Our thesis centred on a looming supply shortfall, driven by forecast net growth in demand for nuclear power from China, India and the Middle East in the face of significantly curtailed primary production (i.e. mined material). The key uncertainty, as we have communicated before, was how much excess inventory remained to meet the primary production deficit of ~30-50mmlbs p.a.

YCA AND SPUT NAV AS AT 31 JANUARY 2023

		Yellow Cake	SPUT
Ticker		YCA.LSE	U.UN.TSX
Local FX		GBP	CAD
FX rate	1 USD:	0.8117	1.3305
U_3O_8 holding[1]	lb	20,155,601	61,145,847
Spot U_3O_8[2]	US$/lb	$50.630	$50.63
U_3O_8 holding	**US$m**	**1,020**	**3,096**
Cash & other[3]	US$m	18.5	42.2
NAV	**US$m**	**1,038.9**	**3,138.0**
NAV	**local FX**	**843.3**	**4,175.1**
Shares out.	m	198.10	247.51
NAV per share	**local FX/sh**	**4.26**	**16.87**
Share price	local FX	4.16	17.06
Premium/(discount) to NAV	**%**	**-2.2%**	**1.1%**

Source: Company filings, IRESS, Cameco, NGE analysis.
Note: Share price, FX and uranium price as at 31 January 2023; uranium holding and cash as at 14 February 2023.
1 YCA holding pro forma for 1.35mmlbs Kazatomprom purchase yet to be delivered.
2 Uranium price average of UxC and TradeTech as cited by Cameco.
3 YCA cash pro forma for ~US$75m placement less assumed 3% broker fee and payment for Kazatomprom purchase.

In mid-2018 the U_3O_8 spot price was ~US$25/lb. At year end the spot price was ~US$48/lb, representing an increase of ~92% or a CAGR of ~15% since we initiated the position. We believe there is still substantial upside potential due to recent developments that are likely to continue to force upward pressure on the price.

The accumulation of "loose pounds" by SPUT and Yellow Cake has accelerated the drawdown of excess inventories, which no longer appear to be overhanging the market. Indeed SPUT's management have remarked that they are finding it increasingly difficult to source additional pounds than when they first began buying.

The war in Ukraine and energy crisis in Europe have focused governments' attention on the importance of energy independence and security of supply. There is also growing acknowledgement that nuclear energy can play a greater role in helping countries achieve net-zero carbon emissions targets given its ability to provide reliable, cost-effective, and carbon-free baseload power. As a result, there has been a renewed appreciation of the existing nuclear fleet with the extension of reactor lives in France, Germany, Belgium and South Korea. Japan has indicated it will look to restart up to 17 nuclear reactors as quickly as possible. There has been an acceleration of new build intentions from China, Egypt, France, Japan, the Netherlands, Poland, Russia, Saudi Arabia, Sweden, Turkey and the UK. We expect more developing countries that have been priced out of LNG markets to look to nuclear to solve their future energy needs.

In contrast to the rising demand situation, supply side conditions remain challenging. Russia accounts for ~14% of global primary production, ~27% of global conversion capacity, and ~39% of global enrichment capacity. Kazakhstan, which has been experiencing political instability, accounts for ~40% of global U_3O_8 mined production. Kazakh material bound for Western markets is now being shipped via the more costly and laborious Trans-Caspian International Transport Route in order to avoid Russia. The challenge of reducing reliance on Russian-sourced supply, and perhaps to a lesser extent Kazakh-sourced supply, will need to be met by higher cost sources based in stable, low-risk jurisdictions.

This is perhaps best demonstrated by the strong increased demand for Western conversion and enrichment services that has resulted in significant price increases for both services. In particular, charges for enrichment services – known as Separative Work Units (SWU) – have increased at a rate well above the spot U_3O_8 price. It no longer makes economic sense for enrichers to sweat material through their centrifuges in order to produce extra material they are able to sell into the spot market. Instead, they are now likely to be net buyers of material which is then run more quickly through their plants. This development could see ~15-25mmlbs of secondary supply turn into ~20mmlbs of consumption: a staggering ~40mmlbs swing in a market consuming ~180mmlbs p.a.

Additionally, the passing of the US Inflation Reduction Act of 2022 establishes a Production Tax Credit to support existing nuclear reactors and provides US$700m to incentivise the development of domestic sources of high-assay low-enriched uranium. The US Department of Energy also announced domestic-sourced uranium purchase agreements for ~1.1mmlbs of U_3O_8 with several US production companies at prices ranging from US$59.50/lb up to US$70.50/lb.

In summary, we think there is low downside risk to the spot uranium price, with many catalysts currently in play that should result in higher prices in the near term.

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We invested in **John Wood Group plc (LSE:WG) (Wood Group)** after it announced in November 2021 that it was conducting a strategic review of its fast-growing Built Environment consulting business. The review resulted in a sale to **WSP Global Inc. (TSX:WSP)** that closed in September, delivering net proceeds of ~US$1.67bn. The proceeds have allowed Wood Group to reduce its net debt by ~$1.38bn.

WG CAPITAL STRUCTURE

		GBP	USD
FX rate	1 USD:	0.8117	1.0000
Share price (31-Jan-23)	$	1.4175	
Shares out.	m	691.8	
Market cap	**$m**	**981**	**1,208**
Cash (31-Dec-22)[1]	$m		375
Gross debt[1]	$m		750
Receivables financing facility[2]	$m		200
Net financial debt	**$m**		**575**
Asbestos related provision	$m		300
Retirement benefit scheme deficit	$m		77
Insurance and property related provision	$m		75
Project provisions	$m		65
Total adj to net debt[3]	**$m**		**517**
Adjusted net debt	**$m**		**1,092**
Minorities	$m		3.40
EV	**$m**		**2,303**

Source: Company filings, IRESS, NGE analysis.

1 Gross debt from CMD presentation Nov 2022, cash balance backed out from midpoint of net financial debt guidance at year end of $350-400m provided at Jan 2023 trading update.

2 Receivables financing facility is non-recourse and therefore not included in company's own net debt calculation, but in reality this is debt financing that should be included.

3 Adjustments as at 30 June 2022; excludes litigation provision that was settled in November.

Wood Group provides consulting, engineering and management of projects in a broad range of industrial markets, with a focus on oil & gas. Its key asset is its workforce. The company has been moving away from large, fixed-price, "lump sum turnkey" contracts that have hurt performance, instead focusing on lower risk, modular, cost-reimbursable work.

Wood Group held a Capital Markets Day presentation in November. The presentation made it clear that Wood Group is a quality business from an operational perspective, with a high level of internal technical expertise that is held in high regard by its Tier 1 client base. However, overall the CMD underwhelmed. Management, under new CEO Ken Gilmartin who was appointed following the BE sale, laid out unambitious financial targets including "EBITDA margins flat in the nearer term, opportunity for some improvement in the medium term".

We suspect new management is deliberately setting a low bar for itself. This would be understandable as management looks to restore credibility following a long period of disappointing financial results and an inability to produce a "clean" set of earnings numbers for a sustained period. Earnings have seen plentiful adjustments for exceptional items, such as legacy non-performing fixed priced contracts (thankfully coming to an end), historical contract dispute litigation payments, settlements with government enforcement bodies in relation to past bribery, legacy asbestos liabilities, internal restructuring charges, onerous leases and the list goes on.

Exceptionals will continue to weigh in 2023, but should improve significantly from 2024 when the business returns to sustainable free cash flows. Using the CMD forward guidance on revenue growth, EBITDA margins, leases and capex, we estimate Wood Group is worth ~GBP2.75-3.10 per share on a DCF basis, or roughly a double from the share price of GBP1.42 as at 31 January. However, given Wood Group's large revenue base (FY23E of ~US$5.6bn), small improvements in growth and margins can have a big impact on the bottom line. The bloated central costs of ~$80m p.a. (against FY23E EBITDA of ~US$330m) would be a good place to start.

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We recently initiated a position in **Golden Energy and Resources Ltd (SGX:AUE) (GEAR)** at an average entry price of ~S$0.779 per share. We wrote up our thesis in the November 2022 NTA statement. GEAR is a Singapore-listed conglomerate whose key assets comprise:

- a 62.50% shareholding in Indonesian thermal coal miner **Golden Energy Mines (IDX:GEMS) (GEMS)**;
- a 64.01% shareholding in ASX-listed met coal miner **Stanmore Resources (ASX:SMR)**; and
- a 50.0% stake in the unlisted Ravenswood Gold Mine in JV with EMR Capital.

GEAR's controlling shareholder the Widjaja family has announced its intention to take the company private at a bargain-basement price in a complicated three-part transaction that is inter-conditional. We are betting on a significant bump in the offer price to one that should appease all stakeholders:

- minority shareholders who at present are seeing close to ~S$700m of value being extracted from them directly;
- the Independent Financial Adviser (IFA) who cannot feasibly provide a fair and reasonable opinion given the ~75% value discrepancy between readily calculable NAV ex. GEMS and the proposed Exit Offer of S$0.16 cash per share; and
- the Widjajas who, by conceding some of the value that rightfully belongs to minorities, can still achieve a considerable windfall.

Working against the Widjaja take-private proposal is the strength in the Stanmore share price, which as at 31 January had risen ~25% since the proposal was announced. Stanmore has increased on the back of rising premium low-vol hard coking coal prices and a strong December quarter performance that showed free cash flows of ~US$400m (~A$570m) despite depressed HCC prices and adverse weather conditions. At present rates of free cash flow generation, Stanmore will have moved to a net cash position since year end and will soon be in a position to pay dividends. We estimate it is trading on a forward EV/FCF multiple of ~1-2x (assuming average achieved sale price is between US$250-

350/t) – hardly a demanding valuation.

The result is an increase in the effective Exit Offer discount to NAV (excluding GEMS) from ~68% to ~75%, and minorities short-changed an additional ~S$200m in aggregate as shown below:

INCREASE IN EXIT OFFER DISCOUNT TO NAV SINCE DEAL ANNOUNCEMENT

		30-Nov-22	31-Jan-23
Stanmore Resources (ASX:SMR) share price	AUD	$2.730	$3.420
Premium LV HCC (FOB Australia)	US$/t	248	332
Exit Offer	SGD	$0.160	$0.160
NAV ex GEMS[1]	SGD	$0.501	$0.644
Exit Offer Discount to NAV ex GEMS	**SGD**	**-$0.341**	**-$0.484**
Exit Offer Discount to NAV ex GEMS	**%**	**-68%**	**-75%**
Minorities' effective ownership of GEAR[2]	m	1,413.7	1,413.7
Value extracted from minorities	**SGDm**	**482**	**684**

Source: Company filings, IRESS, SGX, NGE analysis.
1 NAV excluding GEMS Consideration; no value ascribed for Ravenswood.
2 Widjaja family owns ~59.9% of DSS which in turn owns 77.5% of GEAR.

What might a bump in the Exit Offer of S$0.16 per share look like? We think an increase of S$0.20-0.25 per share to $0.36-0.41 would enable all sides to save face. At that level the implied NAV discount is ~36-44%, which is in line with where GEAR was trading just prior to the deal announcement. We show the financial impact of various bump scenarios below:

SENSITIVITY ANALYSIS: EXIT OFFER BUMP

Increase in Exit Offer	SGD	$0.00	$0.05	$0.10	$0.15	$0.20	$0.25	$0.30
Exit Offer	SGD	$0.16	$0.16	$0.16	$0.16	$0.16	$0.16	$0.16
Increased Exit Offer	**SGD**	**$0.16**	**$0.21**	**$0.26**	**$0.31**	**$0.36**	**$0.41**	**$0.46**
Increase in Exit Offer	*%*	*0%*	*31%*	*63%*	*94%*	*125%*	*156%*	*188%*
NAV ex GEMS[1]	SGD	$0.644	$0.644	$0.644	$0.644	$0.644	$0.644	$0.644
Exit Offer Discount to NAV ex GEMS	SGD	-$0.484	-$0.434	-$0.384	-$0.334	-$0.284	-$0.234	-$0.184
Discount to NAV ex GEMS	*%*	*-75%*	*-67%*	*-60%*	*-52%*	*-44%*	*-36%*	*-29%*
Minorities' effective ownership of GEAR	m	1,413.7	1,413.7	1,413.7	1,413.7	1,413.7	1,413.7	1,413.7
Value extracted from minorities	**SGDm**	**684**	**613**	**542**	**472**	**401**	**330**	**260**
Widjaja family outlay:								
Exit Offer	SGDm	226	226	226	226	226	226	226
Increase in Exit Offer	SGDm	0	71	141	212	283	353	424
Total outlay	**SGDm**	**226**	**297**	**368**	**438**	**509**	**580**	**650**

Source: Company filings, IRESS, NGE analysis.
1 As at 31 January 2023.

An increased Exit Offer to S$0.36-0.41 combined with the GEMS Cash Consideration of ~S$0.67 (the more likely option given the impediments for most investors to accept the GEMS Share Consideration) results in a total consideration per GEAR share of ~S$1.03-1.08. That would be an all-time high share price and a ~14-20% premium to the undisturbed GEAR share price of S$0.90 just prior to the share price crash on 8 November 2022 – curiously one day before the take-private deal was announced on 9 November.

PT Dian Swastatika Sentosa Tbk (IDX:DSSA) (DSS) was due to hold an EGM in December for minority shareholders to approve the deal, part of which involves the Widjajas acquiring DSS' stake in GEAR.

The EGM was postponed at the last minute, most likely because the Widjajas couldn't get the requisite number of votes. Shortly thereafter, GEAR announced it had pushed back the Long-Stop Date from April to August, likely playing for time and waiting for a more opportune moment to rush the deal through.

If the deal goes through without a bump then we stand to make a small profit. If the deal is voted down or pulled, the stock may drop initially but we think the downside is limited as the stock was trading at S$0.90 prior to the deal announcement (a ~40% discount to current NAV). However, we think the Widjajas will be very motivated to get this deal done, at a modest incremental cost.

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We bought into **Metals X Limited (ASX:MLX)** in February 2021 at an average entry price of ~A$0.195 per share, after the company announced a deal to divest its problematic copper assets to **Cyprium Metals Limited (ASX:CYM)**. We sold down ~37% of our position over the period December 2021 to February 2022 at an average price of ~A$0.53 per share, netting a ~172% return on investment and ~A$1.27m profit.

Metals X's share price was down ~33% YoY. The company was impacted by operational hiccups, a weakening tin price (down ~37% to ~US$24,750/t), and high cost inflation. A weakening AUD against the USD was one of the few positive contributing factors to performance.

MLX CAPITAL STRUCTURE

		AUD	Comments
Share price	$	0.41	<< as at 31-Jan-23
Shares out.	m	907.3	
Market cap	**$m**	**372**	
Cash	$m	119	<< as at 31-Dec-22; incl 50% share of Bluestone JV cash
Nico Resources (ASX:NC1) shareholding	$m	10	<< 15.7m shares, of which 0.7m escrowed until 19-Jan-24
Cyprium Metals (ASX:CYM) convertible	$m	36	<< Maturity 30-Mar-25
Cash and liquid assets	**$m**	**165**	
Hire purchase debt	$m	4	<< as at 30-Jun-22
Environmental rehab provision	$m	15	<< as at 30-Jun-22
Debt	**$m**	**18**	
Net cash	**$m**	**146**	
EV	**$m**	**226**	

Source: Company filings, IRESS.

However, the company has a strong balance sheet and continues to look cheap against a range of assumed long-term tin prices, even after factoring in some cost inflation to production. We show our updated DCF sensitivity analysis below:

MLX DCF SENSITIVITY ANALYSIS

	Long-Term Tin Price (US$/t)			
	$25,000	$30,000	$35,000	$40,000
DCF per share (A$)	$0.43	$0.66	$0.88	$1.10

Note: DCF based on detailed Life-of-Mine Plan published in June 2020, adjusted for NGE estimate of expected cost inflation.

MLX has the potential for further mine-life extensions via additional conversion of the ~320kt existing resource to reserves, exploration upside, or by tying-in other nearby tin deposits. None of these potential upside scenarios is captured by our DCF analysis. Longer-term, the outlook for the tin price looks positive: growth in tin demand driven by renewable energy and EV applications is forecast to outweigh new supply, leading to a significant deficit from 2025.

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Danakali Limited (ASX:DNK) is in the process of selling its key asset, a 50% stake in the Colluli Potash Project, to **Sichuan Road & Bridge Group (SHG:600039)**. The binding agreement will deliver net cash proceeds to Danakali of ~US$121m. The deal has several conditions precedent outstanding that must be satisfied before close, including an upcoming shareholder vote. The transaction is currently expected to close by May.

Following receipt of the net proceeds (noting that ~US$15.5m will be paid 6 months following deal close) and including cash on hand, Danakali will have ~A$188m of cash (~A$0.51 per share) assuming an AUDUSD FX rate of 0.70. Management intends to return ~90%+ of the sale proceeds to shareholders via an equal pro rata off-market buyback, with the intention of retaining A$25-35m of cash (~A$0.068-0.095 per share) to look for a new potash project in a more stable jurisdiction. That suggests an initial distribution of ~A$153-163m (~A$0.415-0.443 per share). A return in that range looks very favourable against the 31 January share price of A$0.4075. A lower AUD against the USD would help increase the distribution amount.

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JMS CAPITAL STRUCTURE

		AUD
Share price (31-Jan-23)	$	$0.23
Shares out.	m	1,959.0
Market cap	**$m**	**451**
Cash [1]	$m	95
EV	**$m**	**356**

Source: Company filings, IRESS.
1 Includes Jupiter's 49.9% attributable share of Tshipi cash balance.

Jupiter Mines Limited (ASX:JMS), which we wrote up in our November 2021 NTA statement, continues to perform solidly. Jupiter owns 49.9% of the Tshipi Borwa manganese mine in South Africa. The company maintains a robust balance sheet, and has paid out 2c of dividends since we acquired our stake at ~22.5c per share. We estimate the company generated ~A$58m of FCF (accounting for JMS overhead) in the 12 months to 30 November, despite muted manganese prices and high shipping costs. The ZAR weakened ~8% against the USD which helped performance.

Shipping costs have historically run at ~15-20% of revenues but blew out to ~35% in 2022 due to elevated freight rates. Rates have since declined from ~US$49/t to ~US$30/t, which at Tshipi's production rate of ~3.4mtpa equates to a massive ~US$65m annual saving. The long-term average shipping rate prior to Covid-19 was ~US$25/t.

Tshipi recently struck a new 5-year contract with its mining services contractor Moolmans, which is owned by **Aveng Limited (JSE:AEG)**. Based on the headline value of the contract (ZAR 7bn) we estimate that the new mining services charge is ~US$0.70/dmtu, up ~17% on the previous rate of ~US$0.60/dmtu. That is not as big an increase as it sounds like, as mining services has historically made up ~25-30% of the FOB cost of production. The new contract also incentivises Moolmans to upgrade its heavy mining equipment, which should drive long-desired productivity gains.

The manganese price is driven by China steel production. The recent rise of ~25% in Tshipi's benchmark manganese price (37% Mn FOB Port Elizabeth) to ~US$3.90/dmtu is a welcome development, and coincides with China's re-opening. There is long-term potential for a structural shift in demand for manganese ores as manganese sulphate is increasingly being used in dry cell batteries. Tshipi's semi-carbonate ore is likely to be conducive to battery-grade manganese sulphate chemistries.

Jupiter's long-awaited new corporate strategy is expected to be published next month. Near term we continue to believe it would make sense to consolidate 100% of Tshipi at a sensible price. Management has repeatedly commented on the number of manganese mines operating in the near vicinity to Tshipi, and highlighted the underutilised super-fast rail loadout facility that Tshipi owns which could make a tie-up logistically attractive. We note that the recently opened Mokala mine has a common major shareholder in Ntsimbintle/Safika.

Tshipi has proven itself to be a resilient, low-cost, long-life mine that is able to generate solid free cash flows through-the-cycle. From that base we get potential upside from an increase in the Mn price, the optionality to increase production to 4.5mtpa when the timing makes sense, opportunities to consolidate adjacent mining operations and realise product blend, cost and logistical synergies, and longer-term there is potential upside from new battery technologies.

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During the year **Embark Education Group Limited (ASX:EVO)** (formerly Evolve Education Group) sold its problematic NZ childcare business to PE firm Anchorage Capital Partners for an enterprise value of NZ$46m. Whilst at the low end of what we had hoped a NZ sale would achieve, we think the deal made financial, operational and strategic sense. NZ has been a drag on earnings since pre-Covid, tying up valuable capital that can be put to more profitable use in the Australian market. The company now owns and runs 24 childcare centres in Australia, which are far more lucrative.

Since the sale, Embark paid out its first dividend since June 2018, and also used the proceeds to pay down its outstanding senior secured medium term notes. The company should be able to replace the notes with a bank acquisition facility that it can draw down on when purchase opportunities arise.

EVO CAPITAL STRUCTURE

		AUD
Share price (31-Jan-23)	$	$0.55
Shares out.	m	159.5
Market cap	**$m**	**87.8**
Cash (30-Jun-22)	$m	7.6
NZ sale proceeds [1]	$m	40.0
Dividend	$m	-5.2
Repayment of notes	$m	-21.1
Net cash	**$m**	**21.4**
EV	**$m**	**66.4**

Source: Company filings, IRESS.
1 NGE estimate.

EVO PRO FORMA TRADING MULTIPLES

		AUD	
		High	Low
Run-rate revenue	$m	55.0	65.0
Centre-level EBITDA margin	%	30.0%	30.0%
Centre-level EBITDA	**$m**	**16.5**	**19.5**
PF overhead & support costs	$m	-3.5	-3.5
PF EBITDA	**$m**	**13.0**	**16.0**
PF EBITDA margin	%	23.6%	24.6%
PF EV/EBITDA	x	5.1	4.1

Source: Company filings, NGE estimates.

Childcare operators endured a difficult time during Covid, however it appears that the industry is turning a corner: occupancy levels have improved in 2HCY22, focused recruitment and rostering efforts are at least partly moderating the impacts of the ongoing teacher shortage, and the Albanese government is introducing higher childcare subsidy rates from July 2023. Embark should benefit from these tailwinds.

The company continues to trade very cheaply, though it is small and illiquid. A return to acquiring childcare centres on sensible multiples should see the return of some investor interest, which would be a welcome development. Additionally, Embark remains a potential takeover target. Childcare operators remain a happy hunting ground for both PE and strategic acquirers. Fellow ASX-listed nanocap, **Mayfield Childcare Limited (ASX:MFD)**, is the subject of a non-binding bid from Busy Bees that we estimate values the company on a trailing EV/EBITDA basis of ~7.2-7.5x, which is very much a "trough earnings" EBITDA number. Even at those bargain levels, Embark is worth ~$0.71-0.88 per share or ~30-60% upside from the 31 January close price.

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NGE remains a simple, clean and tax efficient investment vehicle, with ~$44 million of Australian unused and unrealised losses available at year end. In the aggregate these losses equate to a potential future tax benefit of ~$11m or ~$0.31 per share (of which only ~$2.3m or ~$0.064 per share is recognised in our after tax NTA). The Company has received tax advice that these losses are available to be offset against future tax liabilities so long as NGE continues to satisfy the continuity of ownership test as set out in Divisions 165 and 166 of the Income Tax Assessment Act 1997 (Cth).

Whilst we were down slightly in 2022 in a difficult market, it was far from a disaster and we are confident we will be able to more than make up the performance with our existing portfolio and a few additional sensible investments. As always we will be patient, disciplined, concentrated and opportunistic as we seek to build on our 6-year track record of strong risk-adjusted returns.

Yours sincerely,

David Lamm
Executive Chairman
& Chief Investment Officer

Adam Saunders
Executive Director
& Portfolio Manager

23 February 2023

IMPORTANT INFORMATION:
While management of NGE have taken every effort to ensure the accuracy of the material covering the Company's portfolio investments in the Chairman's Letter, the material is provided for information purposes only. No representation or warranty, express or implied, is or will be made by NGE or its officers, directors, employees or advisers as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in the Chairman's Letter, or as to the reasonableness of any assumption, forecasts, prospects or returns contained in, or implied by, the Chairman's Letter. The Chairman's Letter does not constitute investment, legal, taxation or other advice and does not take into account your investment objectives, financial situation nor particular needs. You are responsible for forming your own opinions and conclusions on such matters and should make your own independent assessment of the information contained in, or implied by, the Chairman's Letter and seek independent professional advice in relation to such information and any action taken on the basis of the information. The Chairman's Letter is not, and does not constitute advice or an offer to sell or the solicitation, invitation or recommendation to purchase any securities that are referred to in the Chairman's Letter.

DIRECTORS' REPORT

The Directors of NGE Capital Limited (**NGE** or **Company**) present their Report together with the financial statements for the year ended 31 December 2022.

DIRECTORS

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

<u>Mr David Lamm</u>

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

Mr Lamm is responsible for the origination of investment ideas, management of NGE's portfolio and overall performance of the LIC. He has over 20 years of experience in business and financial markets including roles at Credit Suisse, Bain & Company and the Alter Family Office. He is the founder and Managing Director of Kentgrove Capital, an investment management firm focused on listed Australian and international equities.

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

Current Directorships: Nil

NGE Shareholding as at report date: 4,000,000 shares (held directly and indirectly)

<u>Mr Ilan Rimer</u>

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

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

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

NGE Shareholding as at report date: Nil

DIRECTORS (CONTINUED)

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 Portfolio Manager at Kentgrove Capital, and previously held corporate advisory roles at GBS Finanzas in Madrid, and Credit Suisse in Melbourne.

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

NGE Shareholding as at report date: 1,600,000 shares (held indirectly)

COMPANY SECRETARY

Mr Leslie Smith

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

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

PRINCIPAL ACTIVITIES

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

INVESTMENT STRATEGY

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

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

OPERATING AND FINANCIAL REVIEW

a) Financial Result

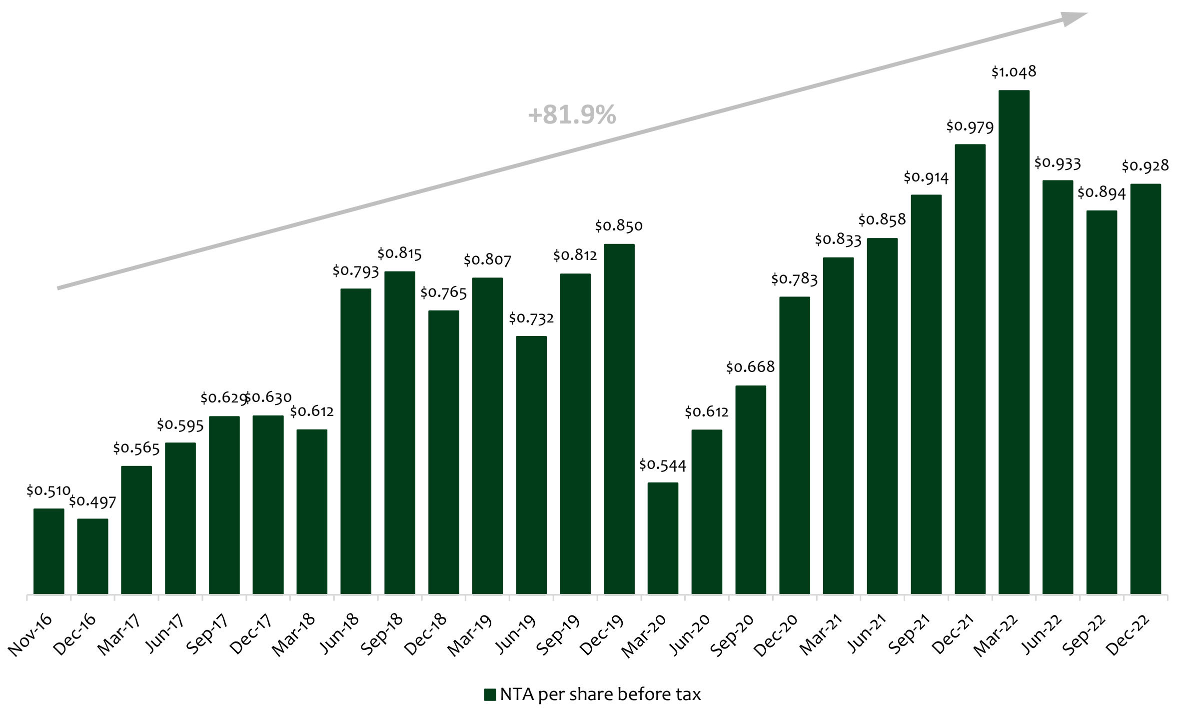
The loss of the Company after income tax for the year was $1.914 million (2021: profit $7.337 million), comprising a loss before income tax of $1.884 million (2021: profit $6.947 million) and a decrease in the value of a deferred tax asset of $0.030 million (2021: increase $0.390 million).

b) Investment Performance

At year end NGE's principal assets comprised financial assets, being investments in listed equities at a market value of $21.379 million (2021: $22.551 million), and cash and cash equivalents of $12.184 million (2021: $13.443 million).

Net assets decreased by $1.968 million to $35.794 million (2021: $37.762 million). Net tangible assets (**NTA**) decreased by $1.903 million to $33.403 million (2021: $35.306 million). On a per share basis, NTA (before tax and net of all expenses) decreased 5.2% to $0.928 (2021: $0.979). NTA per share after tax decreased by 4.9% to $0.992 (2021: $1.043).

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



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

Since inception to 31 December 2022, NGE has returned a cumulative 81.9% or 10.3% annualised on a pre-tax, net of expenses basis.

Total portfolio return

	31 December 2022	31 December 2021	Change
NTA	$33.403 million	$35.306 million	-$1.903 million
NTA per share before tax	$0.928	$0.979	-5.2%

OPERATING AND FINANCIAL REVIEW (CONTINUED)

c) Portfolio

The Company's investment portfolio as at 31 December 2022 is presented below.

Listed Equities	Ticker	$'000	%
Yellow Cake plc	LSE:YCA	3,822	11.4%
Golden Energy and Resources Limited	SGX:AUE	2,747	8.2%
John Wood Group PLC	LSE:WG.	2,638	7.9%
Metals X Limited	ASX:MLX	2,503	7.5%
Danakali Limited	ASX:DNK	1,950	5.8%
Jupiter Mines Limited	ASX:JMS	1,817	5.4%
Sprott Physical Uranium Trust	TSX:U.UN	1,736	5.2%
Embark Education Group Limited	ASX:EVO	1,728	5.2%
Geo Energy Resources Limited	SGX:RE4	1,688	5.1%
ARGO Group International Holdings, Ltd.	NYSE:ARGO	750	2.2%
Total		**21,379**	**64.0%**

Cash and Other		
Cash and cash equivalents	12,184	36.5%
Other assets net of liabilities	(160)	(0.5%)
Total	**12,024**	**36.0%**

Total Net Tangible Asset Value	**33,403**	**100.0%**

Note: Percentage totals may not sum exactly due to rounding.

<u>Investment transactions</u>

The total number of contract notes that were issued for transactions in securities during the financial year was 238 (2021: 241). Total brokerage fees incurred net of GST were $84,702 (2021: $122,369).

<u>Exits</u>

The Company exited portfolio positions which included International Petroleum Corporation (TSX:IPCO; STO: IPCO) ($841,000 profit), Geo Energy Resources Limited (SGX:RE4) ($647,000 profit including dividends received, prior to re-entry into current holding), US Silica Holdings, Inc. (NYS:SLCA) ($491,000 profit), Capricorn Energy PLC (LSE:CNE) ($214,000 profit), Allegiance Coal Limited (ASX:AHQ) ($1,650,000 loss) and 350,192 shares of Yellow Cake plc (LSE:YCA) ($1,257,000 profit based on average entry price).

<u>Investment Income</u>

The Company earned $741,000 (2021: $693,000) of investment income through the year, comprising interest income of $182,000 (2021: $68,000) and dividend income of $559,000 (2021: $625,000).

<u>Selected investment summaries</u>

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

OPERATING AND FINANCIAL REVIEW (CONTINUED)

d) Cash Flows

Operating activities resulted in a net outflow of $1,158,000 (2021: inflow $3,602,000).

The Company's net outflow from financing activities was $97,000 (2021: outflow $722,000), predominantly comprising share buy-back payments of $54,000 (including transaction costs) (2021: $660,000) and payments of lease liabilities $42,000 (2021: $58,000).

e) Capital Management

On-market buy-backs

A 10/12 buy-back facility remained on foot during the year and the Company purchased 65,025 of its own shares costing $52,995 before transaction costs. In the previous year 1,094,759 shares were bought back costing $657,845 before transaction costs.

f) Board and Management

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

g) Dividends

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

SIGNIFICANT CHANGES STATE OF AFFAIRS

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

LIKELY DEVELOPMENTS

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

ENVIRONMENTAL ISSUES

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

REMUNERATION REPORT (AUDITED)

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

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

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

a) Remuneration policy and practices

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

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

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

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

i) Company performance

The Board considers historical company performance when determining the nature and amount of remuneration of directors and KMPs. The following table sets out the Company's historical performance over the past 5 years, as measured by NTA per share:

	2022	2021	2020	2019	2018
NTA per share before tax	$0.928	$0.979	$0.783	$0.850	$0.765
NTA per share after tax	$0.992	$1.043	$0.835	$0.905	$0.819

REMUNERATION REPORT (AUDITED) (CONTINUED)

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

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

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

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

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

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

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

REMUNERATION REPORT (AUDITED) (CONTINUED)

b) Service Agreements

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

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

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

[2] An ESA between the Company and Mr Saunders was executed upon his appointment to the position of Executive Director and Portfolio Manager. During 2019 this ESA was reviewed by Mr Rimer, taking advice from external remuneration and legal advisers and an updated ESA was signed between the Company and Mr Saunders. The ESA is for an indefinite period and is terminable on 2 months' notice, with annual remuneration of $130,000 per annum including superannuation and a short-term incentive paid dependent on meeting certain KPIs. These terms and conditions did not change as a result of the review. In early 2022 the Board, chaired by Ilan Rimer, approved an increase in Mr Saunders' annual remuneration to $180,000 per annum including superannuation, effective from 1 January 2022.

REMUNERATION REPORT (AUDITED) (CONTINUED)

c) Details of remuneration

Remuneration received by Directors and KMP for the years ended 31 December 2022 and 31 December 2021 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 2022								
Directors								
D Lamm	Executive Chairman and CIO	233,538	-	-	5,395	-	238,933	-
I Rimer	Non-Executive Director	22,676	-	2,324	-	-	25,000	-
A Saunders	Executive Director and Portfolio Manager	146,617	-	31,652	7,455	-	185,724	-
Other KMP								
L Smith	Company Secretary and CFO	115,819	-	22,753	3,014	-	141,586	-
TOTAL		**518,650**	**-**	**56,729**	**15,864**	**-**	**591,243**	**-**
31 December 2021								
Directors								
D Lamm	Executive Chairman and CIO	245,539	305,882	-	5,252	-	556,673	54.95
I Rimer	Non-Executive Director	22,779	-	2,221	-	-	25,000	-
A Saunders	Executive Director and Portfolio Manager	114,779	165,686	11,221	2,845	-	294,531	56.25
Other KMP								
L Smith	Company Secretary and CFO	141,188	-	24,922	1,463	-	167,573	-
TOTAL		**524,285**	**471,568**	**38,364**	**9,560**	**-**	**1,043,777**	**45.18**

REMUNERATION REPORT (AUDITED) (CONTINUED)

Performance based short-term incentive included in remuneration

Review of performance against KPIs

	31 December 2022 $'000	Agreed adjustments[1] $'000	$'000
NTA	33,403	54	33,457
NTA – high-watermark (set in December 2021)			35,306
Decrease in NTA before STI			(1,849)
STI Pool at 10%			-

[1] Material adjustments include the add-back of the STI Pool accrued in the closing NTA as at 31 December 2022 ($ Nil) and the value of the reduction in share capital via share buy-backs since the high-watermark set as at 31 December 2021 ($54,000).

Use of remuneration consultants

No remuneration consultants were engaged during the year.

Voting and comments made at the Company's 2022 Annual General Meeting

At the Company's 2022 AGM a resolution to adopt the prior year remuneration report was put to the vote and at least 75% of the votes cast were in favour of the adoption of that report. No comments were made on the remuneration report that were considered at the AGM.

d) Share-based remuneration

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

e) Other information

Shares held by Directors and Key Management Personnel

The relevant interests of Directors and KMP and their related parties in the shares of the Company during the financial year ended 31 December 2022 is set out below:

	Opening balance No. of shares	Acquired No. of shares	Disposed No. of shares	Closing balance No. of shares
D Lamm	4,000,000	-	-	4,000,000
I Rimer	-	-	-	-
A Saunders	1,275,000	325,000	-	1,600,000
L Smith	-	-	-	-

Transactions with Key Management Personnel

Apart from remuneration transactions there were no other transactions with key management personnel in the year.

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 2022:

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

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

UNISSUED SHARES UNDER OPTION

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

INDEMNIFICATION OF DIRECTORS, OFFICERS AND AUDITORS

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

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

PROCEEDINGS

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

EVENTS ARISING SINCE THE END OF THE REPORTING PERIOD

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

NON-AUDIT SERVICES

No non-audit services were provided during the year. Refer to Note 23 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 28 of this financial report and forms part of the Directors' Report.

ROUNDING OF AMOUNTS

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

23 February 2023

Grant Thornton Audit Pty Ltd
Level 22 Tower 5
Collins Square
727 Collins Street
Melbourne VIC 3008
GPO Box 4736
Melbourne VIC 3001

T +61 3 8320 2222

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 2022, 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

D G Ng
Partner – Audit & Assurance

Melbourne, 23 February 2023

CORPORATE GOVERNANCE STATEMENT

The Board is committed to achieving and demonstrating the highest standards of corporate governance. As such, NGE Capital Limited has adopted the 4th edition of the *Corporate Governance Principles and Recommendations* which was released by the ASX Corporate Governance Council in February 2019 and became effective for the financial years beginning on or after 1 January 2020.

The Company's Corporate Governance Statement for the financial year ending 31 December 2022 is dated as 23 February 2023 and was approved by the Board on 23 February 2023. The Corporate Governance Statement is available on NGE Capital Limited's website at:

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 $'000	2021 $'000
Investment income	5	741	693
Other income		-	10
Change in fair value of financial instruments held at fair value through profit or loss		(1,694)	7,596
Employee benefits expense	6	(613)	(1,124)
Other expenses	7	(317)	(224)
Interest expense	8	(1)	(4)
(Loss)/profit before income tax		(1,884)	6,947
Income tax (expense)/ benefit	11	(30)	390
Profit from continuing operations after income tax		**(1,914)**	**7,337**
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 Company		**(1,914)**	**7,337**

		Cents	Cents
Basic and diluted earnings/(loss) per share			
From continuing operations	9	(5.32)	20.12
Total		**(5.32)**	**20.12**

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

STATEMENT OF FINANCIAL POSITION
As at 31 December 2022

	Notes	2022 $'000	2021 $'000
Assets			
Cash and cash equivalents	16	12,184	13,443
Trade and other receivables	17	6	7
Financial assets held at fair value through profit or loss	13	21,379	22,551
Other assets		73	66
Property, plant, equipment	18	28	69
Deferred tax assets	19	2,290	2,320
Total Assets		**35,960**	**38,456**
Liabilities			
Trade and other payables	20	61	549
Lease liabilities	21	25	67
Provisions	22	80	78
Total Liabilities		**166**	**694**
Net Assets		**35,794**	**37,762**
Equity			
Issued capital	14	77,403	77,457
Accumulated losses		(41,609)	(39,695)
Total Equity		**35,794**	**37,762**

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 2022

	Share capital $'000	Accumulated losses $'000	Total equity $'000
Balance at 31 December 2020	78,117	(47,032)	31,085
Total comprehensive income for the year	-	7,337	7,337
Share buy-back	(660)	-	(660)
Balance at 31 December 2021	77,457	(39,695)	37,762
Total comprehensive income for the year	-	(1,914)	(1,914)
Share buy-back	(54)	-	(54)
Balance at 31 December 2022	77,403	(41,609)	35,794

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

STATEMENT OF CASH FLOWS
For the year ended 31 December 2022

	Notes	2022 $'000	2021 $'000
Cash Flow from Operating Activities			
Payments to suppliers and employees		(1,492)	(888)
Payments for equity investments		(21,070)	(27,607)
Proceeds from sale of equity investments		20,710	31,394
Interest received		183	68
Dividends received		511	625
Other income receipts		-	10
Net cash (used in) operating activities	15	**(1,158)**	**3,602**
Cash Flow from Investing Activities			
Payments for fixed assets		(2)	(3)
Net cash (used in) investing activities		**(2)**	**(3)**
Cash Flow from Financing Activities			
Payments for share buy-back		(54)	(660)
Interest paid		(1)	(4)
Payments of lease liabilities		(42)	(58)
Net cash provided by/(used in) financing activities		**(97)**	**(722)**
Net increase/(decrease) in cash and cash equivalents held		(1,257)	2,877
Cash at beginning of period		13,443	10,519
Effect of exchange rates on cash holding in foreign currencies		(2)	47
Cash at end of period	16	**12,184**	**13,443**

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

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

NGE is a public company incorporated and domiciled in Australia. The address of its registered office and principal place of business is Level 4 100 Albert Road, South Melbourne Vic 3205.

For the period 1 January 2021 to 8 November 2021 NGE was the ultimate parent company in a group, controlling one subsidiary. Consequently, the comparative figures disclosed in the financial statements for the financial year ended 31 December 2021 are those of a consolidated group. The dormant subsidiary company was deregistered in the prior year and the group ceased. The financial impact of the transactions relating to the subsidiary within the consolidation are immaterial so while these general purpose financial statements are not consolidated the comparative figures are unadjusted.

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

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

The financial statements for the year ended 31 December 2022 (including comparatives) were approved and authorised for issue by the board of directors on 23 February 2023.

3. NEW OR REVISED STANDARDS AND INTERPRETATIONS

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

Some new standards, amendments to standards and interpretations became effective for the first time to annual reporting periods beginning on or after 1 January 2022. These have been adopted but do not have a significant impact on the Company's financial results or position.

Standard/Interpretation	Application date of standard	Application date for the Company
AASB 2020-3 Amendments to AAS – Annual Improvements 2018-2020 and Other Amendments	1 January 2022	1 January 2022
AASB 2021-7a Amendments to AAS – Effective Date of Amendment to AASB 10 and AASB 128 and Editorial Corrections [general editorials]	1 January 2022	1 January 2022

b) Standards and interpretations in issue but not yet adopted

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

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected application date for the Company
AASB 2014-10 Amendments to AAS – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2025	1 January 2025
AASB 2020-1 Amendments to AAS – Classification of Liabilities as Current or Non-current	1 January 2023	1 January 2023
AASB 2021-2 Amendments to AAS – Disclosure of Accounting Policies and Definitions of Accounting Estimates	1 January 2023	1 January 2023
AASB 2021-5 Amendments to AAS – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023	1 January 2023

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

4. SUMMARY OF ACCOUNTING POLICIES

a) Overall considerations

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

b) Foreign currency translation

Functional and presentation currency

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

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of Company 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.

c) 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 Company and the revenue can be reliably measured.

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

Dividends

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

Interest income

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

d) Operating expenses

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

4. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

e) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to shareholders of the 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 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.

f) 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 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 Company and it is probable that reversal will not occur in the foreseeable future.

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

Deferred tax assets are recognised to the extent that it is probable they will be able to be utilised against future taxable income, based on the Company’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 Company 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.

4. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

g) Investments in financial assets

Classification

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

Financial assets designated at fair value through profit or loss

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

Recognition and derecognition

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

Measurement

Financial assets held at fair value through profit or loss

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

Fair value in an active market

The fair value of listed investments is based on their quoted market prices at the reporting date without any deduction for estimated future selling costs. The quoted market price used for financial assets held by the Company 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 13.

h) 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.

Accumulated losses include all current and prior accumulated losses.

i) 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.

j) Receivables

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

4. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

k) Provisions

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

l) 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.

m) 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.

n) 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 Company that have the most significant effect on the financial statements.

Impairments

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

Recovery of deferred tax assets

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

5. INVESTMENT INCOME FROM CONTINUING OPERATIONS

	2022 $'000	2021 $'000
Interest income	182	68
Dividend income	559	625
Total	**741**	**693**

6. EMPLOYEE BENEFITS EXPENSE

	2022 $'000	2021 $'000
Employee base remuneration	613	633
Provision for performance-based short-term incentive	-	491
Total	**613**	**1,124**

7. OTHER EXPENSES INCURRED IN CONTINUING OPERATIONS

Other expenses	2022 $'000	2021 $'000
Directors' fees	25	25
Audit, professional and legal fees	72	56
Listing costs	53	53
Operating leases	3	7
Loss/(gain) from foreign exchange movements	1	(48)
Depreciation – right-of-use asset	42	56
Withholding tax on overseas dividends	18	-
Other	103	75
Total	**317**	**224**

8. INTEREST EXPENSE

Interest expense	2022 $'000	2021 $'000
Interest expense – short term loan	-	2
Interest expense – lease liabilities	1	2
Total	**1**	**4**

9. EARNINGS PER SHARE

	2022 $'000	2021 $'000
Profit/(loss) from continuing operations attributable to the ordinary equity holders used in the calculation of basic and dilutive earnings per share	(1,914)	7,337

	Number	Number
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic and diluted earnings per share.	36,013,183	36,459,508

Basic and diluted earnings per share

	2022 Cents	2021 Cents
Earnings from continuing operations	(5.32)	20.12

10. SEGMENT REPORTING

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

11. INCOME TAX EXPENSE

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

	2022	2021
	$'000	**$'000**
Profit/(loss) before tax	(1,884)	6,947
Domestic tax rate	25.0%	25.0%
Prima facie tax expense	(471)	1,737
Adjustments for tax effect of:		
Temporary differences and tax losses derecognised/(recouped)	501	(2,127)
Income tax expense/(benefit)	**30**	**(390)**
Tax expense comprises:		
Current tax	-	-
Deferred tax	**30**	**(390)**
Tax losses		
Unused Australian losses which have been recognised as a deferred tax asset[1]	9,160	9,280
Unused Australian losses for which no tax loss has been recognised as a deferred tax asset[2]	32,110	33,350
Unrealised Australian losses/(gains) (net)	4,285	(387)
Total Australian unused and unrealised losses	**45,555**	**42,243**
Potential tax benefit of unused and unrealised losses at 25.0% (2021: 25.0%)[3]	**11,388**	**10,560**
Potential tax benefit of unused and unrealised losses – $ per share	**$0.31**	**$0.29**

[1] A deferred tax asset of $2.290 million (potential tax benefit at 25.0% of $9.160 million) has been recognised on unused Australian tax losses of the Company. The deferred tax asset was recognised based on the following management judgements:

- i) The Company has produced a cumulative profit before income tax of $16.142 million since becoming a LIC on 30 November 2016; and
- ii) By applying the average Australian and International share returns since 1970 of 9.95% p.a. over a four-year investment time horizon, the Board considered it is probable that sufficient future taxable profits will be available to offset the amount of the deferred tax asset.

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

[3] The taxation benefits will only be obtained if:

- i) The Company 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 Company continues to comply with the conditions for deductibility imposed by law and, in particular, as long as NGE continues to satisfy the continuity of ownership test as set out in Divisions 165 and 166 of the *Income Tax Assessment Act 1997* (Cth); and
- iii) No changes in tax legislation adversely affect the Company in realising the benefits from the deductions for the loss.

Not included in the above table:

- The impaired value of certain investments in Australia which may in future give rise to further Australian tax losses.

12. FINANCIAL RISK MANAGEMENT

a) Risk management objectives and policies

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

The main risks arising from the Company'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 Company is exposed to foreign currency risk on holding assets and liabilities denominated in currencies other than Australian dollars. The currencies giving rise to this are CAD, SGD,GBP and USD. The Company does not currently enter into derivative financial instruments to hedge such transactions denominated in a foreign currency.

At 31 December 2022, the Company had the following exposure to various foreign currencies:

	2022 $'000	2021 $'000
Financial assets		
Cash and cash equivalents	-	845
Trade and other receivables	-	-
Financial assets held at fair value through profit or loss	13,381	10,954
Other assets	-	-
Other long-term assets	-	-
	13,381	11,799
Financial liabilities		
Trade and other payables - Current	-	-
Net exposure	**13,381**	**11,799**

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

Sensitivity Analysis – increase/(decrease) in net exposure	**$'000**	**$'000**
Australian dollar depreciates by 5% against CAD	91	97
Australian dollar depreciates by 5% against GBP	340	348
Australian dollar depreciates by 5% against USD	40	33
Australian dollar depreciates by 5% against SGD	233	94
Australian dollar depreciates by 5% against other currencies	-	48
Australian dollar appreciates by 5% against CAD	(83)	(88)
Australian dollar appreciates by 5% against GBP	(308)	(315)
Australian dollar appreciates by 5% against USD	(36)	(30)
Australian dollar appreciates by 5% against SGD	(211)	(85)
Australian dollar appreciates by 5% against other currencies	-	(43)

12. FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Interest rate risk

At 31 December 2022, the Company had no fixed rate debt.

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

Financial assets	2022 $'000	2021 $'000
Cash and cash equivalents	12,184	13,443
Total	**12,184**	**13,443**

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

Interest rate sensitivity analysis	2022 $'000	2021 $'000
Increase/(decrease) in profit/(loss)		
- increase in interest rate by 2%	215	273
- decrease in interest rate by 2%	(182)	(68)

d) Credit risk

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

The Company does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Company.

e) Liquidity risk

Liquidity risk is the risk that the Company might be unable to meet its obligations. The Company 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 Company holds $12.184 million in cash and has no fixed rate debt.

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

12. FINANCIAL RISK MANAGEMENT (CONTINUED)

e) Liquidity risk (continued)

	Recovered/ settled within 12 months $'000	Recovered/ settled after 12 months $'000
2022		
Trade and other payables	61	-
Lease liabilities	26	-
Total	**87**	**-**
2021		
Trade and other payables	549	-
Lease liabilities	43	26
Total	**592**	**26**

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 Company is exposed to movement in market prices of its equity investments. Equity investment in listed shares is subject to movement in the market prices of the shares.

The Company had the following mix of financial assets and liabilities exposed to variable price risk:

Financial assets	2022 $'000	2021 $'000
Financial assets held at fair value through profit or loss	21,379	22,551
Total	**21,379**	**22,551**

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

Price sensitivity analysis	2022 $'000	2021 $'000
Increase/(decrease) in profit/(loss)		
- increase in price by 10%	2,138	2,255
- decrease in price by 10%	(2,138)	(2,255)

13. FAIR VALUE MEASUREMENT

The Company 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.

2022	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial Assets at fair value through profit or loss				
Listed equity securities	21,379	-	-	21,379
Total Financial Assets at fair value through profit or loss	**21,379**	**-**	**-**	**21,379**
2021				
Financial Assets at fair value through profit or loss				
Listed equity securities	22,551	-	-	22,551
Total Financial Assets at fair value through profit or loss	**22,551**	**-**	**-**	**22,551**

Valuation techniques used to determine fair values

Assets in the Company's investment portfolio are valued in accordance with the Company'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 Company's website.

LEVEL 1

The fair value of investments that are traded in an active market (for example, listed equities) is determined using the last traded quoted price in an active market. As at 31 December 2022, the Company had $21,379,000 (2021: $22,551,000) financial assets held at fair value through profit or loss included in Level 1. As at 31 December 2022 the Company had $ Nil (2021: $ 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 2022, the Company had $ Nil (2021: $ Nil) investments in Level 2.

13. FAIR VALUE MEASUREMENT (CONTINUED)

Fair value hierarchy (continued)

Valuation techniques used to determine fair values (continued)

LEVEL 3

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

In the absence of a recent transaction providing a reliable estimate, the fair value of unlisted direct securities will be calculated with reference to appropriate valuation methods including, but not limited to, an assessment of the investment's cash flows, comparable transactions, and comparable listed assets. As at 31 December 2022, the Company had $ Nil (2021: $Nil) of investments held at fair value through profit or loss included in Level 3.

14. EQUITY AND CAPITAL MANAGEMENT

a) Share Capital

Shares issued and fully paid	2022 Shares	2021 Shares	2022 $'000	2021 $'000
At beginning of year	36,065,025	37,159,784	77,457	78,117
Share buy-back	(65,025)	(1,094,759)	(54)	(660)
Total contributed equity at 31 December	**36,000,000**	**36,065,025**	**77,403**	**77,457**

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

b) On-market share buy-back

On 21 August 2017 the Company announced a 10/12 on-market buy-back to commence on or after 4 September 2017. This buy-back is of unlimited duration and was re-confirmed by the Board for the years commencing on 4 September 2018, 2019, 2020, 2021 and 2022, with the Company reserving the right to suspend or terminate the buy-back at any time. During the year 65,025 (2021: 1,094,759) shares were bought back and cancelled. The total cost of $53,199 (2021: $660,378) was deducted from Share Capital. All shares bought back have been settled and then cancelled by the Registry at balance date.

c) Options over unissued shares

There were no options over unissued shares on issue in 2022 or 2021.

d) Capital risk management

The Company 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 Company are financed by its cash holdings. Capital risk management is continually reviewed by the Board and Management.

e) Reserves

The Company currently has no reserve accounts.

15. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

Cash flows from operating activities	**2022 $'000**	**2021 $'000**
Profit for the period	(1,914)	7,337
Adjustments for:		
Depreciation – fixed assets	1	1
Depreciation – right-of-use assets	42	56
Foreign exchange differences	2	(48)
Provision for employee entitlements	2	18
Changes in assets and liabilities relating to operations		
(Decrease)/increase in creditors and accruals	(487)	477
Decrease/(increase) in receivables	1	(7)
Decrease/(increase) in financial assets	1,173	(3,810)
(Increase)/decrease in prepayments	(8)	(32)
Decrease/(increase)in deferred tax asset	30	(390)
Net cash used in operating activities	**(1,158)**	**3,602**

16. CASH AND CASH EQUIVALENTS

	2022 $'000	**2021 $'000**
Cash at bank and on hand	**12,184**	**13,443**

Cash and cash equivalents at reporting date consisted of AUD12,183,979 (2021: AUD12,597,785, USD451,790, GBP119,711).

17. TRADE AND OTHER RECEIVABLES

Current	**2022 $'000**	**2021 $'000**
Receivables	6	7
Total	**6**	**7**

a) Allowance for impairment loss

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

b) Foreign exchange and interest rate risk

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

18. PROPERTY PLANT AND EQUIPMENT

	Right of use asset	Other	Total
Gross carrying amount	**$'000**	**$'000**	**$'000**
Balance at 1 January 2022	84	3	87
Additions	-	2	2
Balance at 31 December 2022	**84**	**5**	**89**
Amortisation and impairment			
Balance at 1 January 2022	(17)	(1)	(18)
Depreciation	(42)	(1)	(43)
Balance at 31 December 2022	**(59)**	**(2)**	**(61)**
Carrying amount 31 December 2022	**25**	**3**	**28**

	Right of use asset	Other	Total
Gross carrying amount	**$'000**	**$'000**	**$'000**
Balance at 1 January 2021	171	-	171
Additions	84	3	87
Adjustment on completion of lease	(171)	-	(171)
Balance at 31 December 2021	**84**	**3**	**87**
Amortisation and impairment			
Balance at 1 January 2021	(132)	-	(132)
Depreciation	(56)	(1)	(57)
Adjustment on completion of lease	171	-	171
Balance at 31 December 2021	**(17)**	**(1)**	**(18)**
Carrying amount 31 December 2021	**67**	**2**	**69**

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

	Total
	$'000
Buildings – licence to occupy	25
Total right-of-use asset	**25**

19. DEFERRED TAX ASSETS

The balance comprises temporary differences attributable to:

	2022 $'000	2021 $'000
Tax losses	2,290	2,320
Total	**2,290**	**2,320**

Movements	**Tax losses $'000**	**Other temporary differences $'000**	**Total $'000**
Balance at 31 December 2020	**1,930**	**-**	**1,930**
(Charged)/credited:			
- to profit or loss	390	-	390
- directly to equity	-	-	-
Balance at 31 December 2021	**2,320**	**-**	**2,320**
(Charged)/credited:			
- to profit or loss	(30)	-	(30)
- directly to equity	-	-	-
Balance at 31 December 2022	**2,290**	**-**	**2,290**

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

20. TRADE AND OTHER PAYABLES

Current	**2022 $'000**	**2021 $'000**
Trade payables	1	-
Sundry payables and accrued expenses	60	549
Total	**61**	**549**

21. LEASE LIABILITIES

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

	2022 $'000	2021 $'000
Lease liabilities (current)	25	42
Lease liabilities (non-current)	-	25
Total	**25**	**67**

The Company has a non-cancellable licence agreement with Regus Australia Management Pty Ltd for the occupancy of two (2) serviced offices for its business from 1 August 2021 to 31 July 2023 at an initial rate of $41,738 per annum annually indexed at 3.30%. Future minimum licence payments at 31 December 2022 are as follows:

Minimum lease payments due	**Within one year**	**One to five years**	**After five years**	**Total**
31 December 2022	**$**	**$**	**$**	**$**
Lease payments	26	-	-	26
Finance charges	(1)	-	-	(1)
Net present values	**25**	**-**	**-**	**25**

22. PROVISIONS

Current	**2022 $'000**	**2021 $'000**
Employee provisions	68	40
Non-Current		
Employee provisions	12	38
Total	80	78

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

23. AUDITOR'S REMUNERATION

	2022 $	**2021 $**
Audit and review of financial statements		
Auditor of the Company - Grant Thornton	40,000	37,500
Other auditors for audit and review of subsidiaries' financial statements	-	-
Total	**40,000**	**37,500**
Other non-audit services		
Auditor of the Company - Grant Thornton	**-**	-
Total	**40,000**	**37,500**

24. RELATED PARTY TRANSACTIONS

The Company's related parties include its 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) Transactions with key management personnel

Key Management Personnel remuneration includes the following expenses:

	2022	2021
	$	$
Short-term employee benefits	518,650	995,853
Post-employment benefits	56,729	38,364
Other long-term benefits	15,864	9,560
Total	**591,243**	**1,043,777**

b) Transactions with other related parties

There were no transactions with other related parties in the year.

25. EMPLOYEE BENEFITS

Superannuation

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

Employee incentive plan

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

26. COMMITMENTS

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

	2022	2021
	$	$
Within one year	25,565	43,116
Later than one year but not later than 5 years	-	25,981
Total	**25,565**	**69,097**

27. CONTINGENT ASSETS AND LIABILITIES

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

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 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 2022 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 2022.

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

Signed in accordance with a resolution of the Directors:

Dated this 23 day of February 2023

____

David Lamm
Executive Chairman and
Chief Investment Officer

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), which comprises the statement of financial position as at 31 December 2022, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors’ declaration.

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

a giving a true and fair view of the Company’s financial position as at 31 December 2022 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 Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board’s APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (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 asset existence and valuation [Note 13]	

As at 31 December 2022, the Company's financial assets held at fair value through profit or loss totalled $21.379m. We do not consider measuring the fair value of the investment portfolio is highly judgemental as it comprises equity securities listed on Australian and overseas stock exchanges, whose prices are readily available. Whilst there is no significant judgement determining the valuation of the investments, these represent a key measure of performance and comprise a significant portion of the Company's total assets. As such, the portfolio's valuation pervasively impacts the Company's key financial metrics. We consider the existence and valuation of investments a key audit matter due to this being a significant portion of the Company's total assets and representing a key measure of the Company's performance.	Our procedures included, amongst others: • Assessing the valuation of all listed investments held at year end to market data and publicly quoted prices for accuracy; • Testing a sample of purchases and sales of investments by agreeing to the details of supporting documentation; • Agreeing the number of shares held to external holdings statements as at 31 December 2022; • Reviewing purchases and sales occurring near year end to evaluate whether the Company appropriately accounted for unsettled trades; • Inspecting a roll forward of activity by investment and recalculating the realised gain or loss on disposal for accuracy; and • Reviewing all financial statement disclosures.
Deferred tax asset [Note 19]	
As at 31 December 2022, the Company recognised a deferred tax asset ("DTA") of $2.290m carry forward unused tax losses. The Company recognised the DTA to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised. The uncertainty of the timing and level of future taxable profits affects the probability of recovery. We consider the recognition and recoverability of the DTA to be a key audit matter, as the calculation is judgemental and based on significant management assumptions regarding expected future market and economic conditions.	Our procedures included, amongst others: • Obtaining historical tax returns lodged by the Company and checking the calculation of available losses; • Reviewing the Company's ability to utilise the availability of historical tax losses in the current and future years and evaluated advice provided by management's expert under the "continuity of ownership" test against the requirements of tax legislation; as well as evaluating their objectivity, competence and capability. • Considering whether the amount recognised as a DTA as at 31 December 2022 is reasonable based on historical investment performance, projections and other available information; and • Reviewing all financial statement disclosures.

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

The Directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 31 December 2022, 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 Company'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 Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1_2020.pdf.This description forms part of our auditor's report.

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in pages 21 to 25 of the Directors' report for the year ended 31 December 2022.

In our opinion, the Remuneration Report of NGE Capital Limited, for the year ended 31 December 2022 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

D G Ng
Partner – Audit & Assurance

Melbourne, 23 February 2023

ADDITIONAL INFORMATION

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

1. SHAREHOLDINGS

a) Distribution of Shareholders as at 01 February 2023

Size of holding	Holders	Ordinary shares held	%
1-1,000	219	76,661	0.21
1,001-5,000	432	1,212,597	3.37
5,001-10,000	139	1,081,223	3.00
10,001-100,000	200	7,014,999	19.49
100,001 and over	50	26,614,520	73.93
Total	**1,040**	**36,000,000**	**100.00**

171 shareholders held less than a marketable parcel.

b) Top Twenty Shareholders as at 01 February 2023

Shareholder	Number of ordinary shares	% Held of issued ordinary capital
DAVID LAMM	3,650,000	10.14
SHOMRON PTY LTD<LAMM FM FAMILY A/C>	2,519,014	7.00
RUMINATOR PTY LTD	1,775,000	4.93
LUCERNE CAPITAL PTY LTD <LUCERNE CAPITAL A/C>	1,600,000	4.44
KURIDALE NOMINEES PTY LTD<LAMM P/L STAFF S/F A/C>	1,344,128	3.73
WALLBAY PTY LTD <THE MICHAEL ABELL S/F A/C>	1,290,719	3.59
PERPETUAL CORPORATE TRUST LTD<AFFLUENCE LIC FUND>	1,213,035	3.37
CITICORP NOMINEES PTY LIMITED	1,012,769	2.82
ABBAWOOD NOMINEES PTY LTD<ABBOT FAMILY S/F NO 1 A/C>	739,000	2.05
LAMM SUPER FUND PTY LTD<THE RAPHI SUPER FUND A/C>	651,393	1.81
MR COLIN WEEKES	651,058	1.81
M & S BOWDEN SUPERANNUATION PTY LTD<M&S BOWDEN SUPER FUND A/C>	630,000	1.75
MR EDWARD JAMES STEPHEN DALLY & MRS SELINA DALLY<LEKDAL FAMILY A/C>	585,000	1.62
BAAUER PTY LTD<THE BAAUER FAMILY A/C>	565,000	1.57
CARMANT PTY LTD<CARMANT SUPER FUND A/C>	534,000	1.48
MAST FINANCIAL PTY LTD<A TO Z INVESTMENT A/C>	485,598	1.35
HSBC CUSTODY NOMIEES(AUSTRALIA) LIMITED	461,317	1.28
CELLAR STOCKS PTY LTD<CELLAR INVESTMENT A/C>	435,000	1.21
BILLY RAY PTY LTD<KRAM SUPER FUND A/C>	430,874	1.20
MR DAVID MINGORANCE	378,000	1.05
Twenty largest shareholders	**20,950,905**	**58.20**
Others	**15,049,095**	**41.80**
Total	**36,000,000**	**100.00**

2. VOTING RIGHTS

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

3. AUDIT COMMITTEE

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

4. SUBSTANTIAL SHAREHOLDERS

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

Name	Number of ordinary shares	% Held of issued ordinary capital
David Lamm	4,000,000	11.11
Raphael Lamm	3,170,407	8.81
Kuridale Nominees Pty Ltd	1,873,372	5.20