



ANNUAL REPORT

**For the year ended
31 December 2015**

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CORPORATE DIRECTORY

DIRECTORS:	Mr Ross Williams Mr Tim Kestell Mr Peter Pynes	Non-Executive Chairman Non-Executive Director Non-Executive Director
SECRETARY:	Amanda Burgess	Company Secretary
REGISTERED OFFICE:	33 Yilgarn Street Shenton Park WA 6008 Telephone: +618 6144 4480	PO Box 8294 Subiaco East WA 6008
SHARE REGISTER:	Security Transfer Registrar Pty Ltd PO Box 535 APPLECROSS, WA, 6953 Telephone +618 9315 2333 Facsimile +618 9315 2033 www.securitytransfer.com.au	
BANKERS:	National Australia Bank Ltd	
AUDITORS:	HLB Mann Judd	
STOCK EXCHANGE:	Australian Securities Exchange Limited Exchange Plaza 2 The Esplanade PERTH WA 6000 ASX Code - NEN	

DIRECTORS' REPORT

The Directors of Neon Capital Limited (formerly Neon Energy Limited) present the financial statements of Neon Capital Limited and its controlled entities ("the Group" or "the consolidated entity") for the financial year ended 31 December 2015 and in accordance with a resolution of the Directors as follows:

DIRECTORS AND EXECUTIVES

The Directors and Executives of Neon Capital Limited ("Neon") during the reporting period and up to the date of this report were:

Directors

Mr Tim Kestell	Non-Executive Director (appointed 19 December 2014)
Mr Peter Pynes	Non-Executive Director (appointed 19 December 2014)
Mr Ross Williams	Non-Executive Director (appointed 25 March 2015, appointed Non-Executive Chairman 29 May 2015)
Dr Alan Stein	Non-Executive Chairman (resigned 29 May 2015)
Mr Kenneth Charsinsky	Non-Executive Director (resigned as Managing Director 1 February 2015, appointed Non-Executive Director 1 February 2015, resigned as Non-Executive Director 25 March 2015)

Executives

All other employees were terminated on 1 February 2015.

Current Directors

Mr Ross Williams

Non-Executive Chairman

Mr Williams is a founding shareholder of MACA Limited and up until July 2014 held the position of CFO and Finance Director with responsibility for capital management, finance, financial reporting and corporate strategy. He played a key role in the highly successful initial public offering of MACA in 2010 and was pivotal to its subsequent success as a publicly listed company. He continued to serve on the Board of MACA as a Non-Executive Director til resigning in February 2015. Mr Williams holds a Post Graduate Diploma in Financial Services Management from Macquarie University and was a Fellow of the Australian Institute of Banking and Finance prior to establishing MACA in 2002 and is currently serving as a Non-Executive Director for publically listed Emerald Resources Limited.

Other Directorships in the Last Three Years

MACA Limited Non-Executive director

Mr Timothy Kestell

Non-Executive Director

Mr Kestell has over 18 years experience in capital markets including working for Australian stockbrokers Euroz Securities Limited and Patersons. In the past decade years, Mr Kestell has played a key role in forming and/or re capitalising publicly listed companies, helping raise over \$70m in the process.

Mr Kestell holds a Bachelor of Commerce degree and is currently a director of Blue Capital Limited.

Other Directorships in the Last Three Years

Emerald Resources NL Non-Executive Director

DIRECTORS' REPORT

Mr Peter Pynes

Non-Executive Director

Mr Pynes has in excess of 20 years' experience in Australia and overseas capital markets. He previously worked at Deutsche Bank as a director, global markets where he gained extensive knowledge of global structured debt products as well as capital raising and syndication. In the past decade, Mr Pynes has played a key role in forming and capitalising both public listed and unlisted companies. Mr Pynes has been involved in both initial public offerings and takeovers, including the listing on the ASX of Tusker Gold Limited and its successful cash takeover by Barrick Gold Limited. Mr Pynes is a director of MPC Funding Limited, a specialist financing company providing in excess of \$450m of loan funds for the development of the Melbourne Convention Centre.

Mr Pynes is a Fellow of the Australian Institute of Company Directors (FAICD) and a Senior Associate of Financial Services Institute of Australia (SA FIN) and a director of Blue Capital Limited and Nexus Bonds Limited.

Other Directorships in the Last Three Years

Emerald Resources NL Non-Executive Director

Other Directors that Served During the Year

Mr Kenneth Charsinsky

Non Executive Director

Mr Charsinsky has over 35 years of experience in the upstream oil and gas industry, most recently as Exploration Director of International New Ventures for Noble Energy Inc. He has also served as Managing Director of operating subsidiary companies for CMS Oil and Gas in Congo and Tunisia.

Mr Charsinsky was appointed as a Director of the Company on the 27 October 2009 and resigned as Managing Director on 1 February 2015. He subsequently resigned as a Non-Executive Director on 25 March 2015.

Mr Charsinsky did not hold any other directorships in the last three years.

Dr Alan Stein

Non-Executive Chairman

Dr Stein is a geologist with over 20 years' experience in the international oil and gas industry. He was the CEO of AIM listed Fusion Oil & Gas Plc which made several discoveries offshore Mauritania and in 2004 he was one of the founders of Ophir Energy Plc where he was the CEO from inception until 2011. Ophir has made significant discoveries offshore Equatorial Guinea and Tanzania and is listed on the Main Market of the London Stock Exchange where it is a constituent of the FTSE 250 index. Dr Stein is non-executive director of ASX listed Buccaneer Energy Limited, director of private investment company Haroma Pty Ltd, and is the Non-Executive Chairman of Hanno Resources Limited which has mining interests in Africa.

Dr Stein was appointed as a Director of the Company on the 27 October 2009 and Chairman on the 29 November 2009. He resigned as Director and Chairman on 29 May 2015.

Other Directorships in the Last Three Years

Hanno Resources Limited
Buccaneer Energy Limited

DIRECTORS' REPORT

DIRECTORS' INTERESTS

Interests of Directors of Neon in the Company at the date of this report are:

	Ordinary Shares	Performance Rights
Peter Pynes	20,690,378 ⁽ⁱ⁾	-
Timothy Kestell	20,690,378 ⁽ⁱ⁾	-
Ross Williams	20,690,378 ⁽ⁱ⁾	-

(i) These shares are held in the name of Evoworld Corporation Pty Ltd, a company that Peter Pynes, Tim Kestell and Ross Williams have a controlling interest in.

DIRECTORS' MEETINGS

The number of circular resolutions attended to by the Directors and the attendance of Directors at meetings of the Board during the reporting period was as follows:

Current Directors	Circular Resolutions	Meetings Held	Number Attended	Maximum Possible
Ken Charsinsky	2	1	1	3
Tim Kestell	8	1	1	9
Peter Pynes	8	1	1	9
Alan Stein	2	1	-	3
Ross Williams	6	-	-	6

COMPANY SECRETARY

Ms Amanda Burgess

Ms Burgess is a finance professional with over 20 years' experience in accounting and company administration. She graduated from University of WA with a Bachelor of Economics degree and is a CPA with the Australian Society of Certified Practising Accountants. Ms Burgess currently holds CFO and Company Secretary positions with other Australian companies.

DIVIDENDS

Since the end of the previous financial year, no amounts have been paid or declared by Neon by way of a dividend.

PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the financial year were oil and gas exploration and oil production. The company announced its intention to significantly change the nature of its activities on 30 September 2015. At the date of this report the company has received conditional approval of reinstatement and are working towards meeting those conditions

DIRECTORS' REPORT

OPERATING AND FINANCIAL REVIEW

Operations

This report is presented for the twelve months to 31 December 2015.

The proportional takeover by Evoworld became unconditional on 25 March 2015 and was completed as at 31 March 2015.

On 25 March 2015, the company confirmed the implementation of an on-market buy-back for a purchase up to 55,303,784 shares. As part of the buy back, Neon has purchased 36,315,559 shares between 18 May 2015 and 31 July 2015 to the value of \$1,052,377. As at 31 December 2015 there were an additional 18,988,225 shares, pre consolidation available to be purchased under the current buy back.

On 15 May 2015 the Company received in full the escrowed funds from the sale of the USA Hydrocarbon assets announced on 12 May 2014. The total received in USD was \$ 4,043,723.

In the previous financial year the Company was awarded the WA-503-P offshore petroleum exploration permit, as Operator and 100% working interest holder.

During the year, Neon entered discussions with various parties about withdrawing from its involvement in Block WA 503-P. On 28 March 2015, the company signed a Deed of Assignment with Rampart Energy Limited and Black Swan Resources Pty Ltd to assign its full interest in Block WA 503P. The seismic contract with CGG Services SA has been terminated by way of a cash settlement of US\$ 682,550 between the parties.

The Consolidated (Loss)/Profit for 31 December 2015 amounted to (\$2,277,194) (31 Dec 2014 : \$8,334,834).

As at 31 December 2015, the company had significant cash reserves of \$18.6m in cash and cash on deposit (2014: \$15.7m).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the consolidated entity in the year ended 31 December 2015 other than stated above.

SIGNIFICANT EVENTS AFTER BALANCE DATE

The Company announced on 30 September 2015 its intention to change its activities to that of an Investment Company, subject to obtaining the requisite approvals from its members. As a result a meeting was called for 3 February 2016.

A meeting of its members was held on 3 February 2016 in order to obtain approval to change the nature of its activities. The resolution was passed and as such the Company has embarked on re-compliance with Chapters 1 and 2 of the ASX Listing Rules in order to get ASX approval.

As at the date of this report the company has completed the due diligence and we have received conditional approval from ASX and are working towards meeting those conditions.

DIRECTORS' REPORT

OPERATING AND FINANCIAL REVIEW (continued)

At the meeting the following resolutions were passed

1. Resolution 1 - Change to Nature and Scale of Activities

That subject to the Essential Resolutions being passed, for the purpose of ASX Listing Rules 11.1.2, 11.1.3 and for all other purposes, approval is given for the Company to make a significant change in the nature and scale of its activities as described in the Explanatory Statement accompanying the Notice of Meeting.

2. Resolution 2 - Consolidation of Capital

That subject to the Essential Resolutions being passed, pursuant to section 254H of the Corporations Act and for all other purposes, the issued capital of the Company be consolidated on the basis that every 10 Shares be consolidated into 1 Share and, where this Consolidation results in a fraction of a Share being held, the Company be authorised to round that fraction up to the nearest whole Share (as the case may be)."

3. Resolution 3 - Change of Company Name

That subject to the Essential Resolutions being passed for the purposes of section 157(1) (a) and for all other purposes, approval is given for the name of the Company to be changed to **Neon Capital Limited**.

4. Resolution 4 - Removal of Auditor

That subject to the passing of Resolution 5, pursuant to section 329 of the Corporations Act and for all other purposes, approval is given for the removal of Ernst & Young as the current auditor of the Company effective from the date of the Meeting.

5. Resolution 5 – Appointment of Auditor to replace removed from Office

That subject to the passing of Resolution 4, pursuant to section 327 of the Corporations Act and for all other purposes, approval is given for the appointment of HLB Mann Judd as auditor of the Company effective from the date of the Meeting.

As all resolutions were passed on 3 February 2016 the following occurred:

- The consolidation of capital was completed on 11 February 2016. The company share capital was consolidated from 558,149,678 to 52,201,221.
- The company name was changed on 8 February 2016 to Neon Capital Limited.
- The company appointed HLB Man Judd as auditor on 11 March 2016.

DIRECTORS' REPORT

OPERATING AND FINANCIAL REVIEW (continued)

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Board is of the strong opinion that by becoming a Listed Investment Company (LIC), the Company will have a greater potential to generate sustainable returns for its shareholders than that of remaining in oil and gas. Following the re-compliance with ASX listing rules we will provide a market update.

SHARE OPTIONS AND PERFORMANCE RIGHTS

UNISSUED SHARES

During the year ended 31 December 2015, the Company cancelled 31,661,669 performance rights under the performance rights plan

SHARES ISSUED AS A RESULT OF EXERCISE OF OPTIONS AND PERFORMANCE RIGHTS

There was 5,111,829 shares issued to former staff pursuant to the Neon Energy Share Option Plan during the financial year.

REMUNERATION REPORT (AUDITED)

Contents

1. Introduction
2. Remuneration governance
3. Executive remuneration policy
4. Components of Executive remuneration
5. The relationship between performance and remuneration
6. Non-Executive Director Remuneration
7. Employment Contracts
8. Key Management Personnel remuneration details
9. Other statutory disclosures

1. Introduction

The Remuneration Report details the amount and nature of remuneration of each Key Management Personnel in accordance with the Corporations Act 2001 and its Regulations. This information has been audited as required by section 308(3C) of the Act. Key Management Personnel are the directors plus the executives who have authority and responsibility for planning, directing and controlling the activities of the Group.

The following were key management personnel of Neon at any time during the reporting period and unless otherwise indicated were Key Management Personnel for the entire period.

Non-Executive Directors

Mr Ross Williams	Non-Executive Chairman (appointed 26 March 2015)
Mr Peter Pynes	Non-Executive Director
Mr Tim Kestell	Non-Executive Director
Dr Alan Stein	Non-Executive Chairman (resigned 29 May 2015)
Mr John Lander	Non-Executive Director (resigned 19 December 2014)

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (continued)

Executive Director

Mr Kenneth Charsinsky Managing Director (resigned 29 March 2015)

Executives

Mr Ben Newton Chief Financial Officer *employment ceased on 1 February 2015*
Mr Iain Smith Commercial Manager *employment ceased on 1 February 2015*
Mr Richard Jason New Ventures Manager *employment ceased on 1 February 2015*

For the purposes of this report, the term 'executive' encompasses the Managing Director and Executives of the Group.

All Staff were made redundant on 1 February 2015.

2. Remuneration Governance

For the period to which this report relates, there was a formally constituted Remuneration Committee and Remuneration Committee Charter.

The remuneration committee was comprised of Independent Non-Executive Director, Dr Alan Stein and Executive Director Mr Ken Charsinsky during 2014.

As the company had no employees as of 1 February 2015 the role of remuneration committee was undertaken as part of the Board of Directors as a separate committee was not warranted.

The Remuneration Committee and its charter governs the Remuneration Structures of Neon and includes the remuneration levels of executives, design and structure of Employee incentive plans and general overall remuneration policy including recruitment, retention and succession planning.

The Remuneration Committee reviews remuneration matters on behalf of the Board and refers matters to the Board for decision, with a recommendation, or determine matters (where the committee acts with delegated authority), which it then reports to the Board.

The remuneration committee meets at least once through the year.

A copy of the Remuneration Charter is available on request.

Use of Remuneration Consultants

To ensure the Board is fully informed when making remuneration decisions, the Board seeks external advice by way of the hiring of remuneration consultants, as required, on remuneration policies and practices. In the interests of independence and to avoid conflicts of interest, the remuneration consultant reports directly to the Remuneration Committee.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (Continued)

Outcome from previous AGM

On 29 May 2015, Neon held its Annual General Meeting including tabling of the Remuneration Report for 2014 and sought shareholders' approval as a non-binding resolution that the remuneration as contained in the Company's 2014 Annual Financial Report for the financial year ended 31 December 2014 be accepted. The results of this non-binding resolution were as follows noting positive shareholder support with a vote of 79% in favour:

	For	Chair's Discretion	Against
Remuneration Report	19,688,050	2,553,883	4,006,733

3. Executive Remuneration Policy

The Board believes that Executives should be rewarded for performance and challenged to achieve the growth targets set by the Board which is now primarily focussed on rebuilding shareholder value.

The guiding principles in managing remuneration for Executives as adopted by the Board are that:

- Remuneration should be set at an appropriate level having regard to market practice for roles of similar scope and skill;
- Incentive schemes should be appropriate to retain Executives and to encourage continuously high levels of performance; and
- Incentive schemes should be clearly linked to the creation of shareholder wealth.

Neon's executive remuneration is structured as a mix of fixed annual remuneration and variable remuneration, through "at risk" short term and long term incentive components. The mix of these components varies for different management levels. While fixed remuneration is designed to provide a predictable "base" level of remuneration, the short term and proposed long term incentive programs reward executives when performance conditions are met or exceeded.

For the Managing Director and senior executives the target remuneration mix is as follows:

■ Fixed remuneration ■ Target STI opportunity ■ LTI (face value)

Managing Director – Target remuneration mix



Senior Executives – Target remuneration mix



DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (Continued)

4. Components of Executive Remuneration

During 2015, the Company has a Remuneration scheme for Executives and employees that consists of the following components:

Fixed Remuneration ("FR"); and

Incentive Schemes, comprising:

- Short Term Incentive Plan⁽ⁱ⁾ ("STIP") – an annual cash and / or equity based incentive, which may be offered at the discretion of the Board, linked to the Company and individual performance.
- Long Term Incentive Plan⁽ⁱ⁾ ("LTIP") – Performance rights, which may be granted annually at the discretion of the Board, linked to performance conditions measured over a three-year period.
- Employee Share Option Scheme ("ESOP") – an allocation of share options granted at the discretion of the Board as a means to attract and retain employees where use of a leveraged option instrument may be consistent with Neon's understanding of market practice.

(i) As noted in the message from the Remuneration Committee announced at the time, the STIP and LTIP have been suspended until further notice with no STIP awards vesting or LTIP awards awarded for the 2015 performance year.

Fixed Remuneration

Fixed Remuneration ("FR") consists of base remuneration as well as employer contributions to superannuation funds. Overall remuneration levels are reviewed annually by the Board through a process that considers individual performances, market conditions and the overall performance of the Company.

Outcome for 2015: As part of the change of direction of Neon, all staff were made redundant as at 1 February 2015. As at 1 February 2015, Neon had no employees.

Performance Linked Remuneration

Performance linked remuneration includes both short-term and long-term incentives and is designed to reward Executives for meeting or exceeding their financial and personal objectives. Details of cash and / or equity short term incentives (STIP) paid by the Company during the year are provided in this report. The STIP is an "at risk" bonus provided in the form of cash and / or equity, while the long-term incentive is provided through the LTIP and ESOP. The LTIP and ESOP are linked to the Company's share price and are set out in more detail in this Remuneration Report.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (continued)

Short Term Incentive Plan (STIP)

The STIP is “at risk” cash and / or equity based incentive measuring performance over a 12-month period coinciding with Neon’s financial year. It is offered annually to Executives at the discretion of the Board when key performance measures are achieved within or over a financial year. The STIP is designed to put a proportion of executive remuneration at risk against meeting both financial and non-financial targets.

The performance conditions are set by the Board for each 12 month period and may vary from year to year and from participant to participant but reflect the financial and operational goals of Neon. Individual KPI’s are given different weightings depending on their role or importance to Neon.

The amount of cash and / or equity available for the STIP will be determined annually by the Board and will be allocated at the Board’s discretion. No STIP was awarded in 2014 or 2015.

Long Term Incentive Plan (LTIP)

The aim of the LTIP component of Remuneration is to:

- Align the interests of Executives and shareholders;
- Provide targeted but competitive remuneration and a long-term incentive for the retention of key Executives; and
- Support a culture of Executive share ownership.

To achieve these aims, the LTIP will include relevant performance hurdles, agreed in advance, as a key element, with vesting of rights over a period that is consistent with the realisation of the medium and long-term strategic objectives of the Company as approved by the Board.

Under the LTIP, participants are offered an award of rights to acquire ordinary shares in the Company (referred to here as “Performance Rights”). The offer of Performance Rights under the LTIP takes the form of a conditional entitlement to be issued shares in the Company for nil consideration at the end of the applicable performance period subject to the satisfaction of performance conditions. LTIP participants are not entitled to participate in any new issue of securities of the Company as a result of their holding Performance Rights. In addition, participants are not entitled to vote nor to receive dividends as a result of their holding Performance Rights.

The performance condition for the vesting of the rights relate to Total Shareholder Return (TSR). The basis of this measure is to align the interests of shareholder return with the reward to which an executive might become entitled.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (continued)

The number of shares allocated is dependent on the total shareholder return (relative to the peer group companies) thresholds being met. 100% of the Performance Rights are tested for vesting at the end of the three-year vesting period with the first three year testing period being 30 June 2014.

Generally, on cessation of employment, unvested rights will lapse, unless the Board in its sole discretion determines otherwise. It is noted upon the termination of all staff in 2015 all remaining non vested performance rights shares were cancelled on 29 March 2015.

ESOP

Neon shareholders approved the ESOP at a General Meeting held on the 20 April 2011, which allows the Board to issue options to Eligible Employees (being staff, directors and consultants) pursuant to ASX Listing Rules and the Corporations Act. The ESOP is not regarded as part of the on-going remuneration program, however may be used as a supplement to other forms of remuneration in one off situations that warrant a specific retention purpose such as a sign on incentive for new senior hires or for one-off awards where the STIP or LTIP programs may not be appropriate. The granting of options is not directly related to the Company's performance, however the change in share price is the key performance criteria for the ESOP as the realised value arising from options issued under the ESOP is dependent upon an increase in the share price to above the exercise price of the options.

The terms of the ESOP are at the discretion of the Board and generally provide that options issued pursuant to the plan will vest as follows:

As to 50% of any options issued, 12 months from the date the options are issued,

As to the total amount of options issued, any time after the expiration of 24 months from the date of issue.

The options have a life of 3 years from the date of issue, after which time they will expire. Participants ceasing to be Eligible Employees will be offered three months from the date of cessation of holding office, employment and/or consulting as the case may be in which to exercise the relevant vested options, failing which said options forfeited.

Other terms relevant to the ESOP are as follows;

- No monies will be payable for the issue of the Options.
- Each Option shall carry the right in favour of an Eligible Employee to subscribe for one Share.
- Options shall be issued at an exercise price to be determined by the Directors and shall be no less than 110% of the weighted average market price (as quoted by ASX) of the Company's shares for the 28 trading days prior to the issue of the Options. The issue price of Shares, the subject of the Options, shall be payable in full on exercise of the Options.
- Options shall not be listed for official quotation on the Australian Securities Exchange.
- Shares allotted pursuant to an exercise of Options shall rank, from the date of allotment, equally with existing Shares of the Company in all respects.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (Continued)

- Option holders shall not be entitled, by virtue of the unexercised Options, to participate in rights issues or bonus Share entitlements in the same manner as holders of ordinary shares.
- The Board retains its discretion over ESOP terms and conditions.
- In the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company, the number of options or the exercise price of the options or both shall be reconstructed (as appropriate) in accordance with the Listing Rules.

5. The Relationship between Performance and Remuneration

5 year performance snap-shot

In considering Neon's performance for shareholder wealth, the Board have regard to the following measures in respect of the current financial year and the previous four financial years.

	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011
Net Profit/(loss) of the Group	(\$2.27m)	(\$11.8m)	(\$89.9m)	(\$2.0 m)	(\$0.8m)
Dividends paid	None	None	None	None	None
Share price (year-end)	2.3 cents	3.5 cents	27.0 cents	31.5 cents	39.5 cents

STIP outcomes for the year

During the year ended 31 December 2015, no STIP vested. This follows on from the company's decision to not award any STIP during financial period to 31 December 2015. There have been no awards of equity in the form of ordinary shares to Executives and participants in the STIP for the reporting period.

LTIP and ESOP outcomes for the year

At the current date the milestones for achievement of 2011 Long term Incentive Rights which were due for assessment at 30 June 2014 none of the rights vested into shares.

No LTIP grants were made during the period due to the company assessing its remuneration structure and mix.

No options have been issued to executives or other key management personnel under the terms of the ESOP during the reporting period. Prior issues that have vested in the current year are disclosed at Notes 18 and 23 of the financial statements.

6. Non-Executive Director Remuneration

The Board policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The Board determines payments to the non-executive directors and reviews their remuneration annually with reference to comparative companies.

The total annual remuneration for all Non-Executive Directors for the 12 months to 31 December 2015 was \$247,182 (FY 2014: \$115,625) which includes fees for additional services requested by the Company and any superannuation where applicable.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (Continued)

All Non-Executive Directors have contracts and the following form the terms and conditions of their contracts are:

POSITION	BASE FEE	COMMITTEE FEES	TOTAL FEES
Non-Executive Director	\$109,500	\$0	\$109,500

The above fees are inclusive of statutory superannuation entitlements.

Non-Executive Directors are entitled to participate in the ESOP and this may be used as a sign on incentive for new Board appointments, or in unique situations that require a specific purpose. During the reporting period there have been no awards of Options made to Non-Executive Directors under the ESOP.

Non-Executive Directors are not entitled to participate in the STIP or LTIP.

All Non-Executive Directors contracts are subject to provisions of the constitution relating to retirement by rotation and re-election and will cease at the end of any meeting at which they are not re-elected.

7. Former Employment Contracts

It was Neon policy that employment contracts for Executives are unlimited in term but capable of termination by either party with due notice. All Executive contracts had a notice period of four months or less.

Treatment of termination provisions are as follows:

	Treatment of STIP on termination	Treatment of unvested LTIP on termination
Resignation	Unvested awards forfeited	Unvested awards forfeited
Termination for cause	Clawback of deferred STI payments at the boards' discretion.	Unvested awards forfeited
Termination in cases of death, disablement, redundancy or notice without cause	Pro-rated for time at boards' discretion	Pro-rated for time at boards' discretion

DIRECTORS' REPORT

8. Key Management Personnel Remuneration Details

	Year	Short-Term			Post Employment	Share-Based Payments			Termination Benefit	Total	% Performance Related	Value of options as proportion of remuneration
		Salary & Fees \$	Bonus Cash \$	Other \$		Shares \$	Rights \$	Options \$				
Non-Executive Directors												
Alan Stein	Dec 15	5,000	-	-	475	-	-	-	-	5,475	0%	0%
Chairman	Dec 14	60,000	-	-	5,625	-	-	-	-	65,625	0%	0%
John Lander	Dec 15	-	-	-	-	-	-	-	-	-	0%	0%
	Dec 14	50,000	-	-	-	-	-	-	-	50,000	0%	0%
Peter Pynes	Dec 15	76,613	-	-	7,278	-	-	-	-	83,891	0%	0%
	Dec 14	-	-	-	-	-	-	-	-	-	0%	0%
Tim Kestell	Dec 15	76,613	-	-	7,278	-	-	-	-	83,891	0%	0%
	Dec 14	-	-	-	-	-	-	-	-	-	0%	0%
Ross Williams	Dec 15	73,925	-	-	-	-	-	-	-	73,925	0%	0%
	Dec 14	-	-	-	-	-	-	-	-	-	0%	0%
Total	Dec 15	232,151	-	-	15,031	-	-	-	-	247,182		
Remuneration	Dec 14	110,000	-	-	5,625	-	-	-	-	115,625		
Executive Directors												
Ken Charsinsky ⁽ⁱ⁾	Dec 15	39,788	-	-	29,426	56,766	26,576	-	280,131	432,687	6.14%	6.14%
Managing Director	Dec 14	421,976	-	-	39,527	-	169,179	-	-	630,682	26.82%	26.82%
Total Directors	Dec 15	271,939	-	-	44,457	56,766	26,576	-	280,131	679,869		
Remuneration	Dec 14	531,976	-	-	45,152	-	169,179	-	-	746,307		

⁽ⁱ⁾ Includes 2 months of non-executive director's fees. Employed as MD for only one month before changing to Non-Executive Director.

DIRECTORS' REPORT

Details of remuneration to Key Management Personnel of the Company and Group for the financial year 12 months to 31 December 2015 together with the comparative for the period to 31 December 2014 are as follows:

	Year	Salary & Fees \$	Post-Employment Other \$		Shares \$	Share-Based Payments Rights \$	Options \$	Termination Benefit \$	Total \$	% Performance Related	Value of options as proportion of remuneration
Ben Newton ⁽ⁱⁱ⁾	Dec 15	20,470	-	10,424	39,026	18,270	-	209,089	297,279	6.15%	-
Chief Financial Officer (employ ceased 1 Feb 15)	Dec 14	264,425	-	39,527	-	96,887	-	-	400,839	24.17%	-
David Cliff	Dec 15	-	-	-	-	-	-	-	-	-	-
Exploration Manager (employ ceased 28 Feb 14)	Dec 14	134,832	-	26,370	-	93,593	-	116,707	371,502	25.19%	-
Iain Smith ⁽ⁱⁱ⁾	Dec 15	18,764	-	9,422	35,773	16,748	-	189,569	270,276	6.20%	-
Commercial Manager (employ ceased 1 Feb 15)	Dec 14	264,908	-	24,173	-	89,463	-	-	378,544	23.63%	-
Richard Jason	Dec 15	-	-	7,466	37,125	17,380	67,583	101,838	231,392	10.61%	29.20%
New Ventures Manager(employ ceased 1 Feb 15)	Dec 14	250,572	-	23,470	-	23,470	88,791	-	386,303	6.08%	29.08%
Donald Nelson (i)	Dec 15	-	-	-	-	-	-	-	-	-	-
Resident Manager (USA) (employ ceased 30 June 2014)	Dec 14	183,662	-	18,226	-	64,258	-	825,479	1,091,625	19.25%	28.06%
Total Executive Remuneration	Dec 15	39,234	-	27,312	111,924	52,398	67,583	500,496	798,947		
	Dec 14	1,098,399	-	131,766	-	367,671	88,791	942,186	2,628,813		
Total Remuneration of Key Management Personnel	Dec 15	311,173	-	71,769	168,690	78,974	67,583	780,627	1,478,816		
	Dec 14	1,630,375	-	176,918	-	536,850	88,791	942,186	3,375,120		

(i) In his role as Resident Manager of the USA office, Mr Nelson received other remuneration in the form of health insurance

(ii) Employee only employed for 1 month in this financial year.

DIRECTORS' REPORT

9. Other Statutory Disclosures

For the purpose of determining the amount of remuneration required to be disclosed in each reporting period for each director or key management personnel, the Company uses the following methodologies to determine the remuneration values:

With respect to share options, the Company uses the Black-Scholes model to determine the fair value of the options as at the date of their issue. The fair value of the options granted is allocated over the vesting period for each of the directors and executives.

With respect to the Performance Rights, the value that has been ascribed as remuneration has been determined by an independent valuation which determined the value of the Performance Rights based on the probability of the Performance Rights vesting on the date of issue.

Equity Instruments

All options refer to options over ordinary shares of the Company which are exercisable on a one-for-one basis. Performance Rights are rights to a fully paid ordinary share in the Company subject to satisfaction of the vesting criteria as determined by the Board.

Options and rights over equity instruments granted as Remuneration

There were no options or rights over ordinary shares in the Company that were granted as Remuneration to key management personnel during the reporting period, except for 34,078,862 LTI Performance Rights that were granted to employees for the FY13 period but were not issued until May 2014 as they were subject to shareholder approval. Subsequent to the Annual General Meeting held on 30 May 2014, Neon allotted 34,078,862 LTI Performance Rights that were in relation to the FY13 period. None were granted in the 2015 reporting year.

The details of the Performance Rights issued to Mr Ken Charsinsky in 2014 are set out below:

2014	Held at 1 Jan 2014	Granted as Remuneration	Cancelled	Held at 31 December 2014	Vested and Exercisable at 31 Dec 2014
Directors					
Ken Charsinsky (i)	2,262,885	11,467,890	(899,758)	12,831,017	-

Grant Date	Expiry Date	Fair Value per right	Share Price on Grant Date	Expected Volatility	Risk Free Interest Rate	Dividend Yield	Life of Right
01/06/14	01/12/15	.0060	.160	70%	2.78%	0.00%	11 mths
01/06/14	1/03/15	.0044	.160	70%	2.78%	0.00%	2mths

There were no options and rights held as at the date of this report as all were cancelled upon termination of staff on 29 March 2015.

Options over equity instruments granted as compensation

The movement during the reporting period in the number of options over ordinary shares in the Company held, directly, indirectly or beneficially by each Director or executive, including their related parties, is as follows:

DIRECTORS' REPORT

2015	Held at 1 Jan 2015	Granted Remuneration	Options Exercised	Options Expired	Other	Held at 31 December 2015	Vested and Exercisable at 31 Dec 2015
Directors							
Ross Williams	-	-	-	-	-	-	-
Tim Kestell	-	-	-	-	-	-	-
Peter Pynes							
Alan Stein	-	-	-	-	-	-	-
Ken Charsinsky	-	-	-	-	-	-	-
Other Key Management Personnel							
Ben Newton	-	-	-	-	-	-	-
Dave Cliff	-	-	-	-	-	-	-
Iain Smith	-	-	-	-	-	-	-
Richard Jason	2,000,000	-	-	-	(2,000,000)	-	-

2014	Held at 1 Jan 2014	Granted Remuneration	Options Exercised	Options Expired	Other	Held at 31 December 2014	Vested and Exercisable at 31 Dec 2014
Directors							
Alan Stein	-	-	-	-	-	-	-
John Lander	-	-	-	-	-	-	-
Ken Charsinsky	-	-	-	-	-	-	-
Other Key Management Personnel							
Ben Newton	-	-	-	-	-	-	-
Dave Cliff	-	-	-	-	-	-	-
Donald Nelson	2,200,000	-	-	(2,200,000)	-	-	-
Iain Smith	-	-	-	-	-	-	-
Richard Jason	2,000,000	-	-	-	-	2,000,000	-

Movement in Performance Rights

The movement during the reporting period in the number of Performance rights held, directly, indirectly or beneficially by each Director or executive, including their related parties, is as follows:

	Held at 1 Jan 2014	Granted Remuneration	Vested and Converted 31 Dec 2015	Cancelled(i)	Held at 31 Dec 2014	Vested and Exercisable at 31 Dec 2015
Directors						
Ken Charsinsky	12,831,017	-	(1,720,181)	(11,110,836)	-	-
Key Management Personnel						
Ben Newton	8,578,643	-	(1,182,592)	(7,396,051)	-	-
Iain Smith	7,863,824	-	(1,084,053)	(6,779,771)	-	-
Richard Jason	7,500,000	-	(1,125,000)	(6,375,000)	-	-

(i) Balance held by key management personnel at time of terminations.

DIRECTORS' REPORT

2014	Held at 1 Jan 2014	Granted as Remuneration	Cancelled	Vested and converted 31 December 2015	Held at 31 December 2014
Directors					
Ken Charsinsky	2,262,885	11,467,890	(899,758)	-	12,831,017
Other Key Management Personnel					
Ben Newton	1,136,900	7,883,950	(442,207)	-	8,578,643
Dave Cliff	1,119,210	-	(1,119,210)	-	-
Donald Nelson	1,006,020	-	(1,006,020)	-	-
Iain Smith	1,061,319	7,227,022	(424,517)	-	7,863,824
Richard Jason	-	7,500,000	-	-	7,500,000

Modification of terms of equity settled share based payment transactions

No terms of equity-settled share-based payment transactions (including options and rights granted as Remuneration to Key Management Personnel) have been altered or modified by the issuing entity during the reporting period or the prior period.

Exercise of options granted as remuneration

During the reporting period, No shares were issued to Key Management Personnel on the exercise of options.

Performance Rights

During the reporting period 5,111,829 shares were issued to Key Management Personnel under the Performance Rights Scheme and all the remaining performance rights were cancelled upon termination of employment on 29 March 2015.

END OF REMUNERATION REPORT

INDEMNIFICATION OF OFFICERS

Under the Constitution the Company is obliged, to the extent permitted by law, to indemnify an officer (including Directors) of the Company against liabilities incurred by the officer in that capacity, against costs and expenses incurred by the officer in successfully defending civil or criminal proceedings, and against any liability which arises out of conduct not involving a lack of good faith.

During or since the end of the financial year, the Company has paid insurance premiums in respect of a contract insuring all of the Directors of the Company against legal costs incurred in defending proceedings for conduct involving:

- i A wilful breach of duty; or
- ii A contravention of sections 182 or 183 of the Corporations Act 2001, as permitted by section 199B of the Corporations Act.

The premiums paid or payable for the above policy are unable to be disclosed pursuant to a confidentiality clause within the contract of insurance.

DIRECTORS' REPORT

INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its former auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

NON-AUDIT SERVICES

The Directors are satisfied that the provision of non-audit services during the financial year by the former auditor (EY) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001, as:

- i The only non-audit services provided by EY were advice relating to tax and industry remuneration policy and practice;
- ii The audit division (including partner and staff) involved with the audit of the Group were not involved with the provision of the non-audit services; and
- iii Fees totalling \$29,950 was paid to EY for non-audit services - details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 21 to the Financial Statements.

Based on the above, the Board is satisfied that the nature and scope of the non-audit services provided by former auditor EY, as well as no non-audit services having been provided by HLB Mann Judd, that the independence of the auditor has not been compromised.

AUDITOR'S INDEPENDENT DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the Directors of Neon Capital Limited with an Independence Declaration in relation to the audit of the attached Financial Statements. This Independence Declaration is attached to this Directors' Report and forms part of this Directors' Report.

This report has been made in accordance with a resolution of Directors.

Ross Williams



Chairman

Perth, 31 March 2016

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Neon Capital Limited (formerly Neon Energy Limited) for the year ended 31 December 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) any applicable code of professional conduct in relation to the audit.



Perth, Western Australia
31 March 2016

N G Neill
Partner

CORPORATE GOVERNANCE STATEMENT

This Corporate Governance Statement is current as at 3 February 2016 and has been approved by the Board of the Company on that date.

This Corporate Governance Statement discloses the extent to which the Company will, as at the date it is re-admitted to the official list of the ASX, follow the recommendations set by the ASX Corporate Governance Council in its publication Corporate Governance Principles and Recommendations (**Recommendations**). The Recommendations are not mandatory, however the Recommendations that will not be followed have been identified and reasons provided for not following them along with what (if any) alternative governance practices the Company intends to adopt in lieu of the recommendation.

The Company has adopted a Corporate Governance Plan which provides the written terms of reference for the Company's corporate governance duties.

Due to the current size and nature of the existing Board and the magnitude of the Company's operations, the Board does not consider that the Company will gain any benefit from individual Board committees and that its resources would be better utilised in other areas as the Board is of the strong view that at this stage the experience and skill set of the current Board is sufficient to perform these roles. Under the Company's Board Charter, the duties that would ordinarily be assigned to individual committees are currently carried out by the full Board under the written terms of reference for those committees.

The Company's Corporate Governance Plan is available on the Company's ASX platform available at www.asx.com.au using the ASX code "NEN".

RECOMMENDATIONS (3 RD EDITION)	COMPLY	EXPLANATION
Principle 1: Lay solid foundations for management and oversight		
<p>Recommendation 1.1</p> <p>A listed entity should have and disclose a charter which sets out the respective roles and responsibilities of the Board, the Chair and management, and includes a description of those matters expressly reserved to the Board and those delegated to management.</p>	YES	<p>The Company has adopted a Board Charter that sets out the specific roles and responsibilities of the Board, the Chair and management and includes a description of those matters expressly reserved to the Board and those delegated to management.</p> <p>The Board Charter sets out the specific responsibilities of the Board, requirements as to the Board's composition, the roles and responsibilities of the Chairman and Company Secretary, the establishment, operation and management of Board Committees, Directors' access to Company records and information, details of the Board's relationship with management, details of the Board's performance review and details of the Board's disclosure policy.</p> <p>A copy of the Company's Board Charter, which is part of the Company's Corporate Governance Plan, is available on the Company's website.</p>
<p>Recommendation 1.2</p> <p>A listed entity should:</p> <p>(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a Director; and</p> <p>(b) provide security holders with all material information relevant to a decision on whether or not to elect or re-elect a Director.</p>	YES	<p>(a) The Company has guidelines for the appointment and selection of the Board in its Corporate Governance Plan. The Company's Nomination Committee Charter (in the Company's Corporate Governance Plan) requires the Nomination Committee (or, in its absence, the Board) to ensure appropriate checks (including checks in respect of character, experience, education, criminal record and bankruptcy history (as appropriate)) are undertaken before appointing a person, or</p>

CORPORATE GOVERNANCE STATEMENT

RECOMMENDATIONS (3 RD EDITION)	COMPLY	EXPLANATION
		<p>putting forward to security holders a candidate for election, as a Director.</p> <p>(b) Under the Nomination Committee Charter, all material information relevant to a decision on whether or not to elect or re-elect a Director must be provided to security holders in the Notice of Meeting containing the resolution to elect or re-elect a Director.</p>
<p>Recommendation 1.3</p> <p>A listed entity should have a written agreement with each Director and senior executive setting out the terms of their appointment.</p>	<p>YES</p>	<p>The Company's Nomination Committee Charter requires the Nomination Committee (or, in its absence, the Board) to ensure that each Director and senior executive is a party to a written agreement with the Company which sets out the terms of that Director's or senior executive's appointment.</p> <p>The Company has written agreements with each of its Directors and senior executives.</p>
<p>Recommendation 1.4</p> <p>The company secretary of a listed entity should be accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.</p>	<p>YES</p>	<p>The Board Charter outlines the roles, responsibility and accountability of the Company Secretary. In accordance with this, the Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.</p>
<p>Recommendation 1.5</p> <p>A listed entity should:</p> <p>(a) have a diversity policy which includes requirements for the Board or a relevant committee of the Board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(c) disclose as at the end of each reporting period:</p> <p>(i) the measurable objectives for achieving gender diversity set by the Board in accordance with the entity's diversity policy and its progress towards achieving them; and</p> <p>(ii) either:</p> <p>Item 1 the respective proportions of men and women on the Board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these</p>	<p>PARTIALLY</p>	<p>(a) The Company has adopted a Diversity Policy which provides a framework for the Company to establish and achieve measurable diversity objectives, including in respect of gender diversity. The Diversity Policy allows the Board to set measurable gender diversity objectives, if considered appropriate, and to assess annually both the objectives if any have been set and the Company's progress in achieving them.</p> <p>(b) The Diversity Policy is available, as part of the Corporate Governance Plan, on the Company's website.</p> <p>(c)</p> <p>(i) The Board does not presently intend to set measurable gender diversity objectives because:</p> <ul style="list-style-type: none"> - the Board does not anticipate there will be a need to appoint any new Directors or senior executives due to limited nature of the Company's existing and proposed activities and the Board's view that the existing Directors and senior executives have sufficient skill and experience to carry out the

CORPORATE GOVERNANCE STATEMENT

RECOMMENDATIONS (3 RD EDITION)	COMPLY	EXPLANATION
<p>purposes); or</p> <p>Item 2 if the entity is a “relevant employer” under the Workplace Gender Equality Act, the entity’s most recent “Gender Equality Indicators”, as defined in the Workplace Gender Equality Act.</p>		<p>Company’s plans; and</p> <ul style="list-style-type: none"> - if it becomes necessary to appoint any new Directors or senior executives, the Board considered the application of a measurable gender diversity objective requiring a specified proportion of women on the Board and in senior executive roles will, given the small size of the Company and the Board, unduly limit the Company from applying the Diversity Policy as a whole and the Company’s policy of appointing based on skills and merit; and <p>(ii) the respective proportions of men and women on the Board, in senior executive positions and across the whole organisation (including how the entity has defined “senior executive” for these purposes) for each financial year will be disclosed in the Company’s Annual Report. No such disclosure has been made in the 2015 financial year due to the change in focus of the Company.</p>
<p>Recommendation 1.6</p> <p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the Board, its committees and individual Directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>YES</p>	<p>(a) The Company’s Nomination Committee (or, in its absence, the Board) is responsible for evaluating the performance of the Board, its committees and individual Directors on an annual basis. It may do so with the aid of an independent advisor. The process for this is set out in the Company’s Corporate Governance Plan, which is available on the Company’s website.</p> <p>(b) The Company’s Corporate Governance Plan requires the Company to disclose whether or not performance evaluations were conducted during the relevant reporting period. The Company intends to complete performance evaluations in respect of the Board, its committees (if any) and individual Directors for the each financial year in accordance with the above process. No performance evaluation was undertaken in the 2015 financial year due to the change in focus of the Company.</p>
<p>Recommendation 1.7</p> <p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its</p>	<p>YES</p>	<p>(a) The Company’s Nomination Committee (or, in its absence, the Board) is responsible for evaluating the performance of the Company’s senior executives on an annual basis. The Company’s Remuneration Committee (or, in its</p>

CORPORATE GOVERNANCE STATEMENT

RECOMMENDATIONS (3 RD EDITION)	COMPLY	EXPLANATION
<p>senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>		<p>absence, the Board) is responsible for evaluating the remuneration of the Company's senior executives on an annual basis. A senior executive, for these purposes, means key management personnel (as defined in the Corporations Act) other than a non executive Director.</p> <p>The applicable processes for these evaluations can be found in the Company's Corporate Governance Plan, which is available on the Company's website.</p> <p>(b) The Company's Corporate Governance Plan requires the Company to disclose whether or not performance evaluations were conducted during the relevant reporting period. The Company intends to complete performance evaluations in respect of the senior executives (if any) for each financial year in accordance with the applicable processes.</p> <p>At this stage, due to the current size and nature of the existing Board and the magnitude of the Company's operations, the Company has not appointed any senior executives.</p>
<p>Principle 2: Structure the Board to add value</p>		
<p>Recommendation 2.1</p> <p>The Board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(i) has at least three members, a majority of whom are independent Directors; and</p> <p>(ii) is chaired by an independent Director, and disclose:</p> <p>(iii) the charter of the committee;</p> <p>(iv) the members of the committee; and</p> <p>(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address Board succession issues and to ensure that the Board has the appropriate balance of skills, experience, independence and knowledge of the entity to enable it to discharge its duties and responsibilities effectively.</p>	<p>Yes</p>	<p>(a) The Company does not have a Nomination Committee. The Company's Nomination Committee Charter provides for the creation of a Nomination Committee (if it is considered it will benefit the Company), with at least three members, a majority of whom are independent Directors, and which must be chaired by an independent Director.</p> <p>(b) The Company does not have a Nomination Committee as the Board considers the Company will not currently benefit from its establishment. In accordance with the Company's Board Charter, the Board carries out the duties that would ordinarily be carried out by the Nomination Committee under the Nomination Committee Charter, including the following processes to address succession issues and to ensure the Board has the appropriate balance of skills, experience, independence and knowledge of the entity to enable it to discharge its duties and responsibilities effectively:</p> <p>(i) devoting time at least annually to discuss Board succession issues and updating the Company's Board skills matrix; and</p> <p>(ii) all Board members being involved in the Company's nomination process, to the</p>

CORPORATE GOVERNANCE STATEMENT

RECOMMENDATIONS (3 RD EDITION)	COMPLY	EXPLANATION
		maximum extent permitted under the Corporations Act and ASX Listing Rules.
<p>Recommendation 2.2</p> <p>A listed entity should have and disclose a Board skill matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.</p>	YES	<p>Under the Nomination Committee Charter (in the Company's Corporate Governance Plan), the Nomination Committee (or, in its absence, the Board) is required to prepare a Board skill matrix setting out the mix of skills and diversity that the Board currently has (or is looking to achieve) and to review this at least annually against the Company's Board skills matrix to ensure the appropriate mix of skills and expertise is present to facilitate successful strategic direction.</p> <p>The Company has a Board skill matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership. A copy is available in the Company's Annual Report.</p> <p>The Board Charter requires the disclosure of each Board member's qualifications and expertise. Full details as to each Director and senior executive's relevant skills and experience are available in the Company's Annual Report.</p>
<p>Recommendation 2.3</p> <p>A listed entity should disclose:</p> <p>(a) the names of the Directors considered by the Board to be independent Directors;</p> <p>(b) if a Director has an interest, position, association or relationship of the type described in Box 2.3 of the ASX Corporate Governance Principles and Recommendation (3rd Edition), but the Board is of the opinion that it does not compromise the independence of the Director, the nature of the interest, position, association or relationship in question and an explanation of why the Board is of that opinion; and</p> <p>(c) the length of service of each Director</p>	YES	<p>(a) The Board Charter requires the disclosure of the names of Directors considered by the Board to be independent. The Company will disclose those Directors it considers to be independent in its Annual Report and on its ASX website. The Board considers there are no independent Directors.</p> <p>(b) There are no independent Directors and so this is not applicable. The Company will disclose in its Annual Report and ASX website any instances where this applies and an explanation of the Board's opinion why the relevant Director is still considered to be independent.</p> <p>(c) The Company's Annual Report will disclose the length of service of each Director, as at the end of each financial year.</p>
<p>Recommendation 2.4</p> <p>A majority of the Board of a listed entity should be independent Directors.</p>	NO	<p>The Company's Board Charter requires that, where practical, the majority of the Board should be independent.</p> <p>The Board currently comprises a total of 3 directors, of whom none are considered to be independent. As such, independent directors are not currently an independent majority of the Board.</p> <p>The Board does not currently consider an independent majority of the Board to be appropriate given the speculative nature of the Company's business, and its limited scale of activities, means the Company only needs, and can only commercially sustain, a small</p>

CORPORATE GOVERNANCE STATEMENT

RECOMMENDATIONS (3 RD EDITION)	COMPLY	EXPLANATION
		Board of three (3) Directors and no senior executives.
<p>Recommendation 2.5</p> <p>The Chair of the Board of a listed entity should be an independent Director and, in particular, should not be the same person as the CEO of the entity.</p>	NO	<p>The Board Charter provides that, where practical, the Chair of the Board should be an independent Director and should not be the CEO/Managing Director.</p> <p>At this stage, the Chairman is not independent however the Board will consider appointing an independent Chairman in the future.</p>
<p>Recommendation 2.6</p> <p>A listed entity should have a program for inducting new Directors and providing appropriate professional development opportunities for continuing Directors to develop and maintain the skills and knowledge needed to perform their role as a Director effectively.</p>	YES	In accordance with the Company's Board Charter, the Nominations Committee (or, in its absence, the Board) is responsible for the approval and review of induction and continuing professional development programs and procedures for Directors to ensure that they can effectively discharge their responsibilities. The Company Secretary is responsible for facilitating inductions and professional development.
Principle 3: Act ethically and responsibly		
<p>Recommendation 3.1</p> <p>A listed entity should:</p> <p>(a) have a code of conduct for its Directors, senior executives and employees; and</p> <p>(b) disclose that code or a summary of it.</p>	YES	<p>(a) The Company's Corporate Code of Conduct applies to the Company's Directors, senior executives and employees.</p> <p>(b) The Company's Corporate Code of Conduct (which forms part of the Company's Corporate Governance Plan) is available on the Company's website.</p>
Principle 4: Safeguard integrity in financial reporting		
<p>Recommendation 4.1</p> <p>The Board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(i) has at least three members, all of whom are non-executive Directors and a majority of whom are independent Directors; and</p> <p>(ii) is chaired by an independent Director, who is not the Chair of the Board,</p> <p>and disclose:</p> <p>(iii) the charter of the committee;</p> <p>(iv) the relevant qualifications and experience of the members of the committee; and</p> <p>(v) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have an audit committee, disclose that fact and the processes it</p>	YES	<p>(a) The Company does not have an Audit and Risk Committee. The Company's Corporate Governance Plan contains an Audit and Risk Committee Charter that provides for the creation of an Audit and Risk Committee (if it is considered it will benefit the Company), with at least three members, all of whom must be independent Directors, and which must be chaired by an independent Director who is not the Chair.</p> <p>(b) The Company does not have an Audit and Risk Committee as the Board considers the Company will not currently benefit from its establishment. In accordance with the Company's Board Charter, the Board carries out the duties that would ordinarily be carried out by the Audit and Risk Committee under the Audit and Risk Committee Charter including the following processes to independently verify and safeguard the integrity of its financial reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner:</p>

CORPORATE GOVERNANCE STATEMENT

RECOMMENDATIONS (3 RD EDITION)	COMPLY	EXPLANATION
employs that independently verify and safeguard the integrity of its financial reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.		<p>(i) the Board devotes time at annual Board meetings to fulfilling the roles and responsibilities associated with maintaining the Company's internal audit function and arrangements with external auditors; and</p> <p>(ii) all members of the Board are involved in the Company's audit function to ensure the proper maintenance of the entity and the integrity of all financial reporting.</p>
<p>Recommendation 4.2</p> <p>The Board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	YES	<p>The Company's Audit and Risk Committee Charter requires the CEO and CFO (or, if none, the person(s) fulfilling those functions) to provide a sign off on these terms.</p> <p>The Company intends to obtain a sign off on these terms for each of its financial statements in each financial year.</p>
<p>Recommendation 4.3</p> <p>A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.</p>	YES	The Company's Corporate Governance Plan provides that the Board must ensure the Company's external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.
Principle 5: Make timely and balanced disclosure		
<p>Recommendation 5.1</p> <p>A listed entity should:</p> <p>(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and</p> <p>(b) disclose that policy or a summary of it.</p>	YES	<p>(a) The Board Charter provides details of the Company's disclosure policy. In addition, the Corporate Governance Plan details the Company's disclosure requirements as required by the ASX Listing Rules and other relevant legislation.</p> <p>(b) The Corporate Governance Plan, which incorporates the Board Charter, is available on the Company website.</p>
Principle 6: Respect the rights of security holders		
<p>Recommendation 6.1</p> <p>A listed entity should provide information about itself and its governance to investors via its website.</p>	YES	Information about the Company and its governance is available in the Corporate Governance Plan which can be found on the Company's website.
<p>Recommendation 6.2</p> <p>A listed entity should design and implement an investor relations program to facilitate effective</p>	YES	The Company has adopted a Shareholder Communications Strategy which aims to promote and facilitate effective two-way communication with investors. The Strategy outlines a range of ways in

CORPORATE GOVERNANCE STATEMENT

RECOMMENDATIONS (3 RD EDITION)	COMPLY	EXPLANATION
two-way communication with investors.		which information is communicated to shareholders and is available on the Company's website as part of the Company's Corporate Governance Plan.
<p>Recommendation 6.3</p> <p>A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.</p>	YES	Shareholders are encouraged to participate at all general meetings and AGMs of the Company. Upon the despatch of any notice of meeting to Shareholders, the Company Secretary shall send out material stating that all Shareholders are encouraged to participate at the meeting.
<p>Recommendation 6.4</p> <p>A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.</p>	YES	<p>The Shareholder Communication Strategy provides that security holders can register with the Company to receive email notifications when an announcement is made by the Company to the ASX, including the release of the Annual Report, half yearly reports and quarterly reports. Links are made available to the Company's website on which all information provided to the ASX is immediately posted.</p> <p>Shareholders queries should be referred to the Company Secretary at first instance.</p>
Principle 7: Recognise and manage risk		
<p>Recommendation 7.1</p> <p>The Board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(i) has at least three members, a majority of whom are independent Directors; and</p> <p>(ii) is chaired by an independent Director, and disclose:</p> <p>(iii) the charter of the committee;</p> <p>(iv) the members of the committee; and</p> <p>(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the process it employs for overseeing the entity's risk management framework.</p>	YES	<p>(a) The Company does not have an Audit and Risk Committee. The Company's Corporate Governance Plan contains an Audit and Risk Committee Charter that provides for the creation of an Audit and Risk Committee (if it is considered it will benefit the Company), with at least three members, all of whom must be independent Directors, and which must be chaired by an independent Director.</p> <p>A copy of the Corporate Governance Plan is available on the Company's website.</p> <p>(b) The Company does not have an Audit and Risk Committee as the Board consider the Company will not currently benefit from its establishment. In accordance with the Company's Board Charter, the Board carries out the duties that would ordinarily be carried out by the Audit and Risk Committee under the Audit and Risk Committee Charter.</p>
<p>Recommendation 7.2</p> <p>The Board or a committee of the Board should:</p> <p>(a) review the entity's risk management framework with management at least</p>	YES	<p>(a) The Audit and Risk Committee Charter requires that the Audit and Risk Committee (or, in its absence, the Board) should, at least annually, satisfy itself that the Company's risk</p>

CORPORATE GOVERNANCE STATEMENT

RECOMMENDATIONS (3 RD EDITION)	COMPLY	EXPLANATION
<p>annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose in relation to each reporting period, whether such a review has taken place.</p>		<p>management framework continues to be sound.</p> <p>(b) The Company's Corporate Governance Plan requires the Company to disclose at least annually whether such a review of the company's risk management framework has taken place.</p>
<p>Recommendation 7.3</p> <p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	<p>YES</p>	<p>(a) The Audit and Risk Committee Charter provides for the Audit and Risk Committee to monitor the need for an internal audit function.</p> <p>(b) The Company does not currently have an internal audit function, however the Audit and Risk Committee Charter outlines the monitoring, review and assessment of a range of internal audit functions and procedures.</p>
<p>Recommendation 7.4</p> <p>A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	<p>YES</p>	<p>The Audit and Risk Committee Charter requires the Audit and Risk Committee (or, in its absence, the Board) to assist management determine whether the Company has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p> <p>The Company's Corporate Governance Plan requires the Company to disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks. The Company will disclose this information in its Annual Report and on its ASX website as part of its continuous disclosure obligations.</p>
<p>Principle 8: Remunerate fairly and responsibly</p>		
<p>Recommendation 8.1</p> <p>The Board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(i) has at least three members, a majority of whom are independent Directors; and</p> <p>(ii) is chaired by an independent Director, and disclose:</p> <p>(iii) the charter of the committee;</p> <p>(iv) the members of the committee; and</p> <p>(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the</p>	<p>YES</p>	<p>(a) The Company does not have a Remuneration Committee. The Company's Corporate Governance Plan contains a Remuneration Committee Charter that provides for the creation of a Remuneration Committee (if it is considered it will benefit the Company), with at least three members, a majority of whom must be independent Directors, and which must be chaired by an independent Director.</p> <p>(b) The Company does not have a Remuneration Committee as the Board considers the Company will not currently benefit from its establishment. In accordance with the Company's Board Charter, the Board carries out the duties that would ordinarily be carried out by the Remuneration Committee under the</p>

CORPORATE GOVERNANCE STATEMENT

RECOMMENDATIONS (3 RD EDITION)	COMPLY	EXPLANATION
<p>members at those meetings; or</p> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for Directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>		<p>Remuneration Committee Charter including the following processes to set the level and composition of remuneration for Directors and senior executives and ensuring that such remuneration is appropriate and not excessive:</p> <p>(i) the Board devotes time at the annual Board meeting to assess the level and composition of remuneration for Directors and senior executives.</p>
<p>Recommendation 8.2</p> <p>A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive Directors and the remuneration of executive Directors and other senior executives and ensure that the different roles and responsibilities of non-executive Directors compared to executive Directors and other senior executives are reflected in the level and composition of their remuneration.</p>	<p>YES</p>	<p>The Company's Corporate Governance Plan requires the Board to disclose its policies and practices regarding the remuneration of Directors and senior executives, which is disclosed on the Company's website.</p>
<p>Recommendation 8.3</p> <p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p>	<p>YES</p>	<p>(a) The Company has an equity based remuneration scheme. The Company does not have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme.</p> <p>(b) A copy of the policy will be provided on the Company's website/Annual Report.</p>

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	Year ended 31 Dec 2015 \$	Year ended 31 Dec 2014 \$
Other income	3(a)	480,237	65,947
Corporate and administration expenses	3(b)	(2,802,622)	(6,377,209)
Finance costs		-	(43,856)
Impairment of exploration and evaluation assets	3(c)	-	(100,000)
Net gain on foreign exchange		45,190	2,822,987
Loss before income tax expense for continuing operations		(2,277,195)	(3,632,131)
Income tax (expense)/benefit	4	-	-
(Loss)/profit for the period for continuing operations		(2,277,195)	(3,632,131)
Discontinued operations			
Profit / (Loss) after tax for the period from discontinued operations	20	-	15,409,053
Profit / (Loss) for the period		(2,277,195)	11,776,922
Other comprehensive income			
<i>Items reclassified subsequently to Profit or Loss:</i>			
Exchange differences on translation of foreign operations		-	(1,076,089)
Recycle of foreign currency translation reserve of discontinued operations		-	(2,365,999)
Total comprehensive income/(loss) for the period attributable to members of the parent entity		(2,277,195)	8,334,834
		Cents	Cents
Basic earnings/(loss) per share	13	(0.42)	2.13
Diluted earnings/(loss) per share	13	(0.42)	2.04
Basic loss/(earnings) per share for continuing operations	13	(0.42)	(0.66)
Diluted loss/(earnings) per share for continuing operations	13	(0.42)	(0.66)

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	Note	Consolidated	
		As at 31 Dec 15 \$	As at 31 Dec 14 \$
CURRENT ASSETS			
Cash	15(a)	18,587,825	15,694,912
Other financial assets	15(c)	-	6,041,790
Trade and other receivables	5	133,306	208,975
TOTAL CURRENT ASSETS		18,721,131	21,945,677
NON-CURRENT ASSETS			
Property, plant and equipment	6	-	8,826
TOTAL NON-CURRENT ASSETS		-	8,826
TOTAL ASSETS		18,721,131	21,954,503
CURRENT LIABILITIES			
Trade and other payables	9	62,383	100,259
Provisions	10	-	181,172
TOTAL CURRENT LIABILITIES		62,383	281,431
NON-CURRENT LIABILITIES			
Provisions		-	-
TOTAL NON-CURRENT LIABILITIES		-	-
TOTAL LIABILITIES		62,383	281,431
NET ASSETS		18,658,748	21,673,072
EQUITY			
Contributed equity	11(a)	170,687,570	171,571,258
Reserves	11(b)	5,573,960	5,427,401
Accumulated losses	12	(157,602,782)	(155,325,587)
TOTAL EQUITY		18,658,748	21,673,072

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	Consolidated	
		Year Ended 31 Dec 15 \$	Year Ended 31 Dec 14 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		1,953	3,971,635
Payments to suppliers and employees		(2,484,667)	(9,366,939)
Interest received		388,065	78,075
Finance costs paid		-	(43,856)
Net cash flows used in operating activities	15(b)	(2,094,649)	(5,361,085)
CASH FLOWS FROM INVESTING ACTIVITIES			
Development expenditure		-	(75,635)
Exploration and evaluation expenditure		-	(13,789,850)
Proceeds from sale of US assets		-	22,978,268
Amounts held in escrow term deposits transferred to cash		4,893,915	-
Withdrawal from short term deposits		1,147,875	-
Purchase of property, plant and equipment		(1,850)	-
Net cash flows from/(used in) investing activities		6,039,940	9,112,783
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments for Buy Back of Shares		(1,052,378)	-
Net cash flows used in from financing activities		(1,052,378)	-
Net increase in cash and cash equivalents		2,892,913	3,751,698
Net foreign exchange differences		-	2,243,197
Cash and cash equivalents at beginning of period		15,694,912	9,700,017
Cash and cash equivalents at end of period	15(a)	18,587,825	15,694,912

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

	Issued Capital \$	Accumulated Losses \$	Option & Rights Premium Reserve \$	Foreign Currency Translation Reserve \$	Total Equity \$
At 1 January 2015	171,571,258	(155,325,587)	5,427,401	-	21,673,072
Loss for the year	-	(2,277,195)	-	-	(2,277,195)
Other comprehensive loss	-	-	-	-	-
Total comprehensive income/(loss) for the year	-	(2,277,195)	-	-	(2,277,195)
Share Buy Back	(1,052,378)				(1,052,378)
Shares issued	168,690				168,690
Rights granted	-	-	78,976	-	78,976
Options granted	-	-	67,583	-	67,583
At 31 December 2015	170,687,570	(157,602,782)	5,573,960	-	18,658,748
At 1 January 2014	171,571,258	(167,102,509)	4,729,336	3,442,088	12,640,173
Profit for the year	-	11,776,922	-	-	11,776,922
Other comprehensive loss	-	-	-	(3,442,088)	(3,442,088)
Total comprehensive income/(loss) for the year	-	11,776,922	-	(3,442,088)	8,334,834
Rights granted	-	-	609,274	-	609,274
Options granted	-	-	88,791	-	88,791
At 31 December 2014	171,571,258	(155,325,587)	5,427,401	-	21,673,072

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The financial report of Neon Capital Limited (the Company) for the year ended 31 December 2015 was authorised for issue in accordance with a resolution of the directors on 31 March 2016.

Neon Capital Limited is a for profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange and is domiciled in Australia.

The nature of the operations and principal activities of the Group are described in the directors' report.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The financial report has also been prepared on a historical cost basis.

The financial report is presented in Australian dollars unless otherwise stated.

Adoption of new and revised standards

In the year ended 31 December 2015, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group's operations and effective for the current annual reporting period.

It has been determined by the Directors that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 31 December 2015. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Group's business and, therefore, no change is necessary to Group accounting policies.

NOTES TO THE FINANCIAL STATEMENTS

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2015. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary
- De-recognises the carrying amount of any non-controlling interests
- De-recognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

NOTES TO THE FINANCIAL STATEMENTS

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Business Combinations

Business combinations are accounted for using the acquisition method. The cost of any acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. Acquisition costs incurred are expensed.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

The difference between the above items and the fair value of consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition.

(c) Operating Segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

Operating segments have been identified based on the information provided to the chief operating decision maker – being the executive management team.

During the previous period, the Group disposed of its interests in two operations, each previously representing their own segment for the purposes of AASB 8 *Operating Segment*, those segments being South East Asia and the USA. The Group has disclosed the discontinued operations results within the segment disclosures and accordingly has not separately disclosed discontinued operations in a separate note. Results from discontinued operations are set out in Note 20.

(d) Foreign Currency Translation

Both the functional and presentation currency of Neon Capital Limited is Australian Dollars. The functional currency of all controlled entities other than those noted below is Australian Dollars.

Company Name	Functional Currency	Functional Currency
Neon Energy Corporation	United States Dollar (pre 1 May 2014)	Australian Dollars (post 1 May 2014)
Neon Energy (Paris Valley) LLC	United States Dollar (pre 1 May 2014)	Australian Dollars (post 1 May 2014)
Neon Energy (Indonesia) Ltd	United States Dollar (pre 30 June 2014)	Australian Dollars (post 30 June 2014)
Neon Energy (Song Hong) Pty Ltd	United States Dollar (pre 30 June 2014)	Australian Dollars (post 30 June 2014)
Neon Energy (Nam Con Son)	United States Dollar (pre 30 June 2014)	Australian Dollars (post 30 June 2014)
Neon Energy (India) Pty Ltd	United States Dollar (pre 30 June 2014)	Australian Dollars (post 30 June 2014)

NOTES TO THE FINANCIAL STATEMENTS

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Foreign Currency Translation (continued)

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

Where the functional currency of a subsidiary of Neon is not Australian Dollars the assets and liabilities of the subsidiary at reporting date are translated into the presentation currency of Neon at the rate of exchange ruling at the statement of financial position date and the statements of comprehensive income are translated by applying the average exchange rate for the period. Any exchange differences arising on this translation are taken to the foreign currency translation reserve.

During the previous period the Group disposed of its operations in the USA and South East Asia. The economic environment of the subsidiaries that held the interests in those operations at the date of disposal ceased to be predominantly influenced by fluctuations in United States dollars, instead being predominantly impacted by Australian dollars. Accordingly, the functional currency of those subsidiaries changed on that date in accordance with the table above.

(e) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue from the sale of oil, gas and condensate is recognised in the profit or loss when the significant risks and rewards of ownership have been transferred to the buyer. Interest revenue is recognised as the interest accrues using the effective interest method.

(f) Income Tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the Parent Entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future, nor if the deferred tax arises on the initial recognition of an asset or liability that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Income Tax (continued)

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against tax liabilities and the deferred tax liabilities relate to the same taxable entity and the same taxation authority. Neon and its wholly owned Australian controlled entities have not implemented the tax consolidation legislation.

(g) Impairment of Non-financial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the recoverable amount of the asset. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does

not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset

or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset. Where fair value less costs to dispose is an applicable valuation, best available information is used which includes similar market transaction data, valuations from external parties and negotiations with third parties in regards to asset sales.

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

NOTES TO THE FINANCIAL STATEMENTS

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Cash and Cash Equivalents

“Cash and cash equivalents” includes cash at bank and in hand, deposits held at call with financial institutions, with an original maturity of three months or less and other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined.

(i) Trade and Other Receivables

Trade receivables, which generally have 30-90 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any uncollectible amounts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the group will not be able to collect the debt.

(j) Investments and Other Financial Assets

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loan and receivables, held-to-maturity investments, or available-for-sale investments. When financial assets are recognised initially they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial asset on initial recognition.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place.

(k) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(l) Property, Plant and Equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

NOTES TO THE FINANCIAL STATEMENTS

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Property, Plant and Equipment (continued)

Plant and equipment are depreciated at rates based upon their expected useful lives with depreciation rates ranging between 7.5% and 50% dependent upon the specific type of asset subject to the depreciation charge.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

An item of plant and equipment is derecognised upon disposal or when no further economic benefits are expected from its use or disposal. Gains and losses on disposals are determined by comparing the net disposal proceeds with carrying amount of the asset. These are included in the profit or loss in the period the asset is derecognised.

(m) Trade and Other Payables

Trade and other payables are carried at amortised cost and represent liabilities for the goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days.

(n) Employee Leave Benefits

Liabilities for wages and salaries are recognised in accruals and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-monetary benefits and annual leave due to be settled within twelve months of the reporting date are recognised in provisions in respect of employees' service up to the reporting date, and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Contributions to the defined contribution superannuation fund are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

NOTES TO THE FINANCIAL STATEMENTS

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Contributed Equity

Ordinary shares are classified as equity. Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(p) Dividends

Provision is made for the amount of any dividend declared on or before the end of the year but not distributed at balance date.

(q) Earnings per Share (EPS)

Basic earnings per share is calculated by dividing the result attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(r) Exploration Expenditure

Exploration and evaluation costs, including the costs of acquiring leases, are capitalised as exploration and evaluation assets on an area of interest basis.

Exploration and evaluation assets are only recognised if the rights to the area of interest are current and either:

- i the expenditures are expected to be recouped through successful development and exploitation of the area of interest or its sale; or
- ii Activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purpose of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest. Where there is no cash generating unit, within an area of interest, and it is determined that the exploration and evaluation asset does not meet the impairment test, the capitalised expenditure is written off to the profit and loss account.

Once the technical feasibility and commercial viability of the extraction of oil or gas in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to oil and gas properties.

NOTES TO THE FINANCIAL STATEMENTS

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Oil and Gas Properties

Assets in Development

When the technical and commercial feasibility of an undeveloped oil or gas field has been demonstrated the field enters its development phase. The costs of oil and gas assets are transferred from exploration and evaluation expenditure and reclassified into development phase and include past exploration and evaluation costs, development drilling and other subsurface expenditure, surface plant and equipment, and any associated land and buildings.

When commercial operation commences the accumulated costs are transferred to oil and gas assets – producing assets.

Producing assets

The costs of oil and gas assets in production are separately accounted for as tangible assets, and include past exploration and evaluation costs, pre-production development costs and the ongoing costs of continuing to develop reserves for production and to expand or replace plant and equipment and any associated land and buildings.

These costs are subject to depreciation and depletion. Depletion charges are calculated using a unit of production method which will amortise the cost of carried forward exploration, evaluation and development expenditure over the life of the estimated proved plus probable reserves, in a cash generating unit, together with the development expenditure necessary to develop the hydrocarbon reserves in the respective cash-generating units.

Oil & gas facilities, including storage facilities and pipelines, are depreciated over 15 years on a straight-line basis. Provisions for future restoration are made where there is a present obligation as a result of development or production activity, and is capitalised as a component of the cost of those activities.

(t) Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(u) Share Based Payments

Equity settled transactions:

The Group provides benefits to Directors, employees, consultants and other advisors of the Group in the form of share-based payments, whereby the Directors, employees, consultants and other advisors render services in exchange for shares or rights over shares (equity-settled transactions).

NOTES TO THE FINANCIAL STATEMENTS

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Share Based Payments (continued)

The cost of these equity-settled transactions is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Black-Scholes model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the market price of the shares of Neon if applicable.

Equity-settled awards granted by Neon to employees of subsidiaries are recognised in the parent's separate financial statements as an additional investment in the subsidiary with a corresponding credit to equity. As a result, the expense recognised by Neon in relation to equity-settled awards only represents the expense associated with grants to employees of the parent. The expense recognised by the Group is the total expense associated with such awards.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant recipient become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(v) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Restoration Provisions

The Group recognises any legal or constructive restoration obligation as a liability at its present value at the time a legal liability or constructive obligation exists and when a reliable estimate of the amount of the obligation can be made. The carrying amount of the long lived assets to which the obligation relates is increased by the asset retirement obligation costs and amortised over the producing life of the asset. Restoration provisions are based on the estimated cost of restoration work required at the end of the useful life of the producing fields, including removal of facilities and equipment required or intended to be removed, together with abandonment of producing wells. These estimates of the asset retirement obligations are based on current technology, legal requirements and future costs, which have been discounted to their present value. In determining the asset retirement obligations, the Company has assumed no significant changes will occur in the relevant legislation in relation to restoration of sites in the future.

NOTES TO THE FINANCIAL STATEMENTS

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Provisions (continued)

Where a restoration obligation is assumed as part of the acquisition of an asset or obligation, the liability is initially measured at the present value of the future cash flows to settle the present obligation as at the acquisition date.

Over time, the liability is accreted to its present value each period based on a risk adjusted pre-tax discount rate appropriate to the risks inherent in the liability. The unwinding of the discount is recorded within finance costs. Upon settlement of the liability, the Company either settles the obligation for its recorded amount or incurs a gain or loss upon settlement.

(w) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A finance lease is where substantially all the risks and benefits of the leased item are transferred to the lessee. All other leases are classified as operating leases and payments are recognised as an expense in the income statement. The Group currently does not have any finance leases.

(x) Joint Arrangements

Joint arrangements are arrangements of which two or more parties have joint control. Joint control is the contractual agreed sharing of control of the arrangement which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Joint arrangements are classified as either a joint operation or joint venture, based on the rights and obligations arising from the contractual obligations between the parties to the arrangement.

To the extent the joint arrangement provides the Group with rights to the individual assets and obligations arising from the joint arrangement, the arrangement is classified as a joint operation and as such, the Group recognizes its:

- Assets, including its share of any assets held jointly;
- Liabilities, including its share of any liabilities;
- Revenue from the sale of its share of the output arising from the joint operation;
- Share of revenue from the sale of the output by the joint operation; and
- Expenses, including its share of any expenses incurred jointly

To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the investment is classified as a joint venture and accounted for using the equity method. Under the equity method, the cost of the investment is adjusted by the post acquisition changes in the Group's share of the net assets of the venture.

NOTES TO THE FINANCIAL STATEMENTS

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Significant accounting judgments, estimates and assumptions

The carrying amount of certain assets and liabilities are often determined based on the estimates and assumptions of future events. In the process of applying Neon's accounting policies, the Board has made the following judgments which have the most significant effect on amounts recognised in the financial statements.

I Exploration and Evaluation Assets

Neon's accounting policy for exploration and evaluation expenditure is set out in Note 2(r). The application of this policy necessarily requires the Board to make certain estimates and assumptions as to future events and circumstances, in particular the assessment of whether economic quantities of reserves have been found. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under the policy, the Board concluded that the Company is unlikely to recover the expenditure by future exploration or sale, then the relevant capitalised amount is written off to the income statement. Changes in assumptions may result in a material adjustment to the carrying amount of exploration and evaluation assets.

II Reserve Estimates

Estimates of recoverable quantities of proven and probable reserves that Neon reports includes assumptions regarding commodity prices, exchange rates, discount rates, production and transportation costs for future cash flows. It also requires interpretation of complex geological and geophysical models in order to make an assessment of the size, shape, depth and quality of reservoirs and anticipated recoveries of hydrocarbons from said reservoirs. The economic, geological and technical factors that Neon uses to estimate reserves may change from period to period. Changes in reported reserves can impact development and production asset carrying values and the recognition of deferred tax assets, due to changes in expected future cash flows.

III Share-Based Payment Transactions

Neon measures the costs of equity-settled transactions with employees by reference to the fair value of the equity investments at the date of which they are granted. The fair value is determined using the Black-Scholes model, using the assumptions detailed in Note 23.

NOTES TO THE FINANCIAL STATEMENTS

3. REVENUES AND EXPENSES

	Consolidated	
	Year Ended 31 Dec 15	Year Ended 31 Dec 14
	\$	\$
(a) Revenue		
Interest income	480,237	65,947
	480,237	65,947
(b) Corporate and Administrative Expenses include:		
Depreciation – other plant and equipment	10,676	17,463
Employee Benefits (i)	1,388,551	2,786,831
Operating Leases	45,866	277,836
Termination Fees	864,757	-
Travel Expenses	269	126,825
Consultants	51,296	1,450,570
Accounting and Legal	218,779	1,046,148
Other	222,428	671,536
	2,802,622	6,377,209
<i>(i) Employee Benefits</i>		
Wages and salaries	976,882	1,414,409
Medical insurance	-	65,658
Superannuation expenses	46,897	144,209
Other	-	386,770
Payroll taxes	49,523	77,180
Share based payments expense	315,249	698,605
	1,388,551	2,786,831
(c) Impairment of exploration and evaluation assets		
Western Australia	-	100,000
	-	100,000

NOTES TO THE FINANCIAL STATEMENTS

4. INCOME TAX

	Consolidated	
	Year Ended 31 Dec 15	Year Ended 31 Dec 14
	\$	\$
(a) Recognised in the statement of comprehensive income		
<i>Current income tax</i>		
Current income tax charge	-	-
<i>Deferred income tax</i>		
Origination and reversal of temporary differences	-	-
Deferred tax assets not brought to account	-	-
Income tax benefit reported in the statement of comprehensive income	-	-
(b) Reconciliation between tax expense and accounting profit before income tax		
Accounting (loss)/profit before income tax	(2,277,195)	11,776,922
At the domestic income tax rate of 30% (2014: 30%)	(683,158)	3,533,077
Effect of tax rate in foreign jurisdictions	-	209,419
Non-deductible expenses	106,570	-
Deferred tax assets not brought to account	740,164	1,137,957
Movement in unrecognised temporary differences	(163,576)	-
Non-assessable gains	-	(4,880,453)
Income tax benefit reported in the statement of comprehensive income	-	-
(c) Deferred income tax		
Deferred income tax relates to the following:		
<i>Deferred tax liabilities</i>		
Exploration and evaluation assets	-	-
Other	-	-
Deferred tax assets used to offset deferred tax liabilities	-	-
<i>Deferred tax assets</i>		
Capital losses	-	-
Revenue tax losses	-	-
Exploration assets	-	-
Other	-	-
Deferred tax assets used to offset deferred tax liabilities	-	-
Deferred tax assets not brought to account	-	-

At 31 December 2015 unrecognised deferred tax assets included \$7,347,237 (2014: \$63,613,867) of revenue losses and \$14,120,068 (2014: \$46,783,090) of capital losses.

NOTES TO THE FINANCIAL STATEMENTS

4. INCOME TAX (Continued)

The benefit of deferred tax assets not brought to account will only be brought to account if:-

- i future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- ii the conditions for deductibility imposed by tax legislation continue to be complied with; and
- iii no changes in tax legislation adversely affect the Company in realising the benefit.

At 31 December 2015, there is no recognised or unrecognised deferred tax liability (Dec 2014: nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries as the Group has no liability for additional taxation should such amounts be remitted.

(d) Tax consolidation

Neon Capital Limited and its 100% owned Australian resident subsidiaries formed a tax consolidated group with effect from 28 October 2009. Neon Capital Limited is the head entity of the tax consolidated group. Members of The Group have entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations.

	Consolidated	
	Dec 15	Dec 14
	\$	\$
5. TRADE AND OTHER RECEIVABLES		
Trade debtors	-	1,953
Prepayments	1,915	55,066
Interest receivable	89,636	-
Other receivables	41,755	151,956
Total trade and other receivables	133,306	208,975

All trade debtors are current. No amounts are past due or impaired.

	Consolidated	
	Dec 15	Dec 14
	\$	\$
6. PROPERTY, PLANT & EQUIPMENT		
Office furniture and equipment:		
Cost	531,451	529,601
Accumulated depreciation	(531,451)	(520,775)
Net carrying amount	-	8,826
(b) Reconciliation		
Carrying amount at beginning of year	8,826	148,926
Foreign exchange effects	-	-
Additions	1,850	-
Disposals	-	(106,930)
Depreciation charge for the year	(10,676)	(33,170)
Carrying amount at end of year	-	8,826

NOTES TO THE FINANCIAL STATEMENTS

7. OIL AND GAS PROPERTIES

	Plant and Equipment	Development	Total
	\$	\$	\$
December 2015			
Opening Balance	-	-	-
Total oil and gas properties	-	-	-

	Plant and Equipment	Development	Total
	\$	\$	\$
December 2014			
Opening Balance	7,159,928	20,198,570	27,358,498
Foreign exchange differences	(333,037)	(560,240)	(893,277)
Additions	75,635	1,084	76,719
Amortisation	-	(329,972)	(329,972)
Depreciation	(192,779)	-	(192,779)
Disposal of oil and gas properties	(6,709,747)	(19,309,442)	(26,019,189)
Total oil and gas properties	-	-	-

	Consolidated	
	Dec 15	Dec 14
	\$	\$

8. EXPLORATION AND EVALUATION ASSETS

Opening Balance	-	4,765,243
Foreign exchange differences	-	(684,171)
Sale of exploration and evaluation assets	-	(3,109,868)
Current period expenditure	-	7,794,742
Relinquished exploration assets	-	(6,463,160)
Impairment of exploration and evaluation assets	(i) & (ii)	(2,302,786)
Total Exploration and Evaluation assets	-	-

Note, that impairments recognised during the periods presented were a result of the following:

- (i) South East Asia – The previous year's impairment was \$ 2,202,786 was a result of relinquishing the title of Neon's Indonesia interests on exit of the joint venture
- (ii) Australia – The prior year's impairment of \$100,000 relates to the impairment of the WA-503-P license with the Company ceasing to progress exploration of the prospect's commercial or technical feasibility. The company signed an agreement to assign its full interest in the asset following a negotiated settlement in regards to the seismic work for the same block for \$585,000USD in March 2015.

9. TRADE AND OTHER PAYABLES

Trade creditors – unsecured (i)	18,187	35,980
Accruals	25,000	37,500
Other payables	19,196	26,779
Total Trade and Other Payables	62,383	100,259

- (i) Trade creditors are non interest bearing and are normally settled on 30 day terms.

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated	
	Dec 15 \$	Dec 14 \$
10. PROVISIONS		
Current		
Employee benefits	-	181,172
	<u>-</u>	<u>181,172</u>
Movements in Restoration & Rehabilitation Provision		
Opening Balance	-	4,876,150
Obligations disposed of during the period	-	(4,889,497)
Accretion	-	13,347
Closing Balance	<u>-</u>	<u>-</u>

(i) Restoration obligations were disposed of in the prior year along with the discontinued operations reported in Note 20.

	Note	Consolidated	
		Dec 15 \$	Dec 14 \$
11. CONTRIBUTED EQUITY AND RESERVES			
(a) Contributed equity			
Issued and fully paid capital			
Ordinary shares Opening Balance	11(c)	171,571,258	171,571,258
Vesting of performance rights		168,690	-
Share Buy Back		(1,052,378)	-
		<u>170,687,570</u>	<u>171,571,258</u>

Fully paid shares entitle the holder to participate in dividends and to one vote per share at meetings of the Company. Ordinary shares participate in the proceeds on winding up of the Company in proportion to the number of shares held.

(b) Reserves

Option premium reserve opening	3,522,963	3,434,172
Movements	67,583	88,791
Closing option premium reserve	<u>3,590,546</u>	<u>3,522,963</u>
Performance Rights Premium Reserve Opening	1,904,438	1,295,164
Movements	78,976	609,274
Performance Rights Premium Reserve Closing	<u>1,983,414</u>	<u>1,904,438</u>
Foreign Currency Translation Reserve Opening	-	3,442,088
Movement	-	(3,442,088)
Foreign Currency Translation Reserve Closing	<u>-</u>	<u>-</u>
Total Reserves	<u>5,573,960</u>	<u>5,427,941</u>

NOTES TO THE FINANCIAL STATEMENTS

11. CONTRIBUTED EQUITY AND RESERVES (Continued)

Nature and Purpose of reserves

Option Premium Reserve

The option premium reserve is used to record the fair value of share based payments in the form of options issued by the Company.

Performance Rights Premium Reserve

The Performance rights premium reserve is used to record the fair value of share based payments in the form of Performance rights made by the Company.

Foreign Currency Translation Reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Movements in ordinary shares on issue during the past two years were as follows:

Date	Details	Consolidated	
		Number of Ordinary Shares	\$
1 Jan 2014	Closing Balance	553,037,848	170,951,258
31 Dec 2014	Closing Balance	553,037,848	171,571,258
March 2015	Vested Performance Shares	5,111,829	168,690
June 2015	Cancelled buy back Shares	(15,299,773)	(451,495)
July 2015	Cancelled buy back Shares	(13,183,021)	(380,990)
Sept 2015	Cancelled buy back Shares	(7,658,915)	(219,893)
31 Dec 2015		522,007,968	170,687,570

Movements in options on issue during the past two years were as follows:

Date	Details	Consolidated	
		Number of options	\$
31 Dec 2013	Opening balance	4,200,000	3,434,172
May 2014	Expiration of options	(2,200,000)	-
Dec 2014	Vesting of options granted in previous years	-	88,791
31 Dec 2014	Closing balance	2,000,000	3,522,963
Mar 2015	Cancelled Options	(2,000,000)	-
Mar 2015	Accelerate of vesting of options granted in prev years	-	67,583
31 Dec 2015	Closing Balance	-	3,590,546

NOTES TO THE FINANCIAL STATEMENTS

11. CONTRIBUTED EQUITY AND RESERVES (Continued)

Terms and conditions of unlisted Employee Share Options

The unlisted Employee Share Options listed below were issued after 20 April 2011 and therefore are based upon the terms and conditions of the Neon Energy Share Option Plan (“ESOP”) as approved by Shareholders on 20 April 2011. Options issued under the approved ESOP have expiry dates and exercise prices as per the following table:

Number Outstanding	Expiry Date	Exercise Price \$	Class
1,000,000	20/08/2016	0.60	ESOP
1,000,000	20/08/2016	1.00	ESOP

These options were cancelled upon the termination of employees on 29 March 2015.

The terms of the ESOP are at the discretion of the board and generally provide that options issued pursuant to the plan will vest as follows:

Movements in rights on issue during the past two years were as follows:

Date	Details	Consolidated	
		Number of Rights	\$
1 Jan 2014	Closing Balance	7,238,165	1,295,164
	Issue of Performance rights	34,078,862	609,274
	Cancellation of Performance rights	(4,543,527)	-
31 December 2014	Closing balance	36,773,500	1,904,438
	Vested to ordinary shares	5,111,829	-
	Cancellation of Performance rights	(31,661,671)	-
	Acceleration of vesting performance rights in previous years	-	78,976
31 December 2015	Closing balance	-	1,983,414

During the year, 5,111,829 rights vested into ordinary shares and the remaining performance rights were cancelled.

The fair value of the Performance rights is estimated at the date of grant using a Monte Carlo simulation model.

Terms and conditions of Neon Capital Share Incentive Plan

Under the LTIP, participants are offered an award of rights to acquire ordinary shares in the Company (referred to here as “Performance Rights”). The offer of Performance Rights under the LTIP takes the form of a conditional entitlement to be issued shares in the Company for nil consideration at the end of the applicable performance period subject to the satisfaction of performance conditions.

The current agreed performance conditions are two fold:

- A positive individual performance review of the eligible staff; and
- The Company’s relative share price performance over a three-year period against a peer group of 21 companies being a mix of South East Asia and USA focused companies and other competing ASX listed companies.
 - Neon share price relativity <50%, 0% vest
 - Neon share price relativity >50% but less than 75%, 75% vest
 - Neon in top quartile of performers >75%, 100% vest

NOTES TO THE FINANCIAL STATEMENTS

11. CONTRIBUTED EQUITY AND RESERVES (Continued)

The 21 peer group companies, to which the relative share price of Neon is measured, are listed below:

Antares Energy Limited	Otto Energy Limited
Buccaneer Energy Limited	Pancontinental Oil & Gas NL
Carnarvon Energy Limited	Pan Pacific Petroleum NL
Cooper Energy Limited	Petsec Energy Limited
Cue Energy Resources Limited	Senex Energy Limited
Lonestar Resources Limited (formerly Amadeus Energy Ltd)	Azonto Petroleum Limited (formerly Rialto Energy Limited)
Entek Energy Limited	Strike Energy Limited
Horizon Oil Limited	Sundance Energy Australia Limited
Kairiki Energy Limited	Sun Resources NL
Nido Petroleum Limited	Tap Oil Limited
Oilex Limited	

The number of companies in the peer group is reduced if and when any of the peer group companies are removed from being listed on the ASX.

The number of shares allocated is dependent on the total shareholder return (relative to the 21 peer group companies) thresholds being met. 100% of the Performance Rights are tested for vesting at the end of the three-year vesting period. In the event of a change of control of the Company, the Directors have the discretion to waive the vesting requirements.

	Consolidated	
	Dec 15 \$	Dec 14 \$
12. ACCUMULATED LOSSES		
Opening balance	(155,325,587)	(167,102,509)
Net profit/(loss) for the year	(2,277,195)	11,776,922
Closing balance	(157,602,782)	(155,325,587)

Dividends

No dividends were declared or paid during or since the end of the financial year.

Franking Credits

In respect to the payment of dividends by Neon in subsequent reporting periods (if any), no franking credits are currently available, or are likely to become available in the next 12 months.

NOTES TO THE FINANCIAL STATEMENTS

	Consolidated	
	Dec 15	Dec 14
	\$	\$
13. EARNINGS PER SHARE		
The following reflects the profit and loss used to calculated basic and diluted earnings per share		
Earnings used in calculating basic and diluted profit/(loss) per share attributable to equity holders	(2,277,195)	11,776,922
Earnings used in calculating basic and diluted profit/(loss) per share from continuing operations	(2,277,195)	(3,632,131)
Basic earnings/(loss) per share	(0.42)	2.13
Diluted earnings/(loss) per share	(0.42)	2.04
Basic (loss)/earnings per share from continuing operations	(0.42)	(0.66)
Diluted (loss)/earnings per share from continuing operations	(0.42)	(0.66)

	Consolidated	
	Number of Shares Dec 15	Number of Shares Dec 14
Weighted average number of ordinary shares used in calculating basic earnings per share	537,758,498	553,037,848
Effect of dilutive securities:		
Performance rights	-	24,934,819
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	537,758,498	577,972,667

	Consolidated	
	Number of Shares Dec 15	Number of Shares Dec 14
Weighted average number of ordinary shares used in calculating basic earnings per share from continuing operations	537,758,498	553,037,848
Effect of dilutive securities:		
Share options	-	-
Performance rights	-	-
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share from continuing operations	537,758,498	553,037,848

There have been no movements in shareholdings subsequent to the reporting period as at the date of this report.

14. COMMITMENTS AND CONTINGENCIES

a) Operating lease expenditure contracted for is payable as follows:

Not later than one year	-	22,290
Later than one year but not later than five years	-	-
	-	22,290

The company vacated the leased premises on 31 January 2015 as the lease expired.

14. COMMITMENTS AND CONTINGENCIES (Continued)

NOTES TO THE FINANCIAL STATEMENTS

b) Exploration Commitments

Not later than one year	-	685,000
Later than one year but not later than five years	-	-
	-	685,000

15. NOTES TO THE CASH FLOW STATEMENT

(a) Cash

For the purposes of the cash flow statement, cash includes cash at bank and on hand, bank bills, short term deposits at call and bank overdrafts. Cash as at the end of the financial year as shown in the cash flow statement is reconciled to cash at bank and on hand. Short term deposits that don't meet the definition of cash and cash equivalents are shown in the cash flow statement as an investing activity.

	Consolidated	
	Dec 15	Dec 14
	\$	\$
Cash at bank and on hand	18,587,825	15,694,912
Closing balance	18,587,825	15,694,912

(b) Reconciliation of net profit/(loss) before tax to net cash used in operating activities.

Net profit/(loss) before tax	(2,277,195)	11,776,922
Adjustments for non-cash income and expense items		
Depreciation and amortisation	10,676	555,921
Impairment loss on exploration and evaluation assets	-	2,302,786
Gain on exit of joint venture	-	(16,168,861)
(Gain)/loss on sale of assets	-	(2,024,406)
Share based payments expensed	315,249	698,065
Accretion	-	13,047
Net gain on foreign exchange	-	(2,822,987)
	(1,951,270)	(5,669,513)
Changes in assets and liabilities		
<i>(Increase)/Decrease in Assets</i>		
Trade and other receivables	75,671	1,222,148
<i>Increase/(Decrease) in liabilities</i>		
Trade and other payables	(37,878)	(864,493)
Provisions	(181,172)	(49,227)
Net cash used in operating activities	(2,094,670)	(5,361,085)

NOTES TO THE FINANCIAL STATEMENTS

15 NOTES TO THE CASH FLOW STATEMENT (continued)

(c) Other financial assets

In the previous reporting period to 31 Dec 2014, included in other financial assets is USD \$4.0 m (AUD\$4.9m at 31 December 2014) held in escrow for a period of no longer than 12 months in accordance with the conditions of the sale and purchase agreement in relation to the disposal of the Company's interests in California as well as AUD\$1.1m in term deposits with maturities greater than 3 months at balance date.

16. PARENT ENTITY INFORMATION

Information Relating to Neon Capital Limited	Dec 15 \$	Dec 14 \$
Current assets	18,679,377	15,859,491
Total assets	18,679,377	15,866,564
Current liabilities	(59,971)	(143,556)
Total liabilities	(59,971)	(143,556)
Issued capital	170,687,370	171,571,258
Accumulated Losses	(157,641,924)	(161,305,651)
Performance rights reserve	1,983,414	1,904,438
Option premium reserve	3,590,546	3,552,963
Total shareholders' equity	<u>18,619,406</u>	<u>15,723,008</u>
Loss of Neon Capital Ltd	3,663,727	22,234,563
Total comprehensive Profit/(loss) of Neon Capital Ltd	<u>3,663,727</u>	<u>22,234,563</u>

Contingent Liabilities

There are no contingent liabilities of the parent entity as at 31 December 2015.

Contractual Commitments

The parent entity has commitments of nil (Dec 2014: \$22,290) which relate to the lease for the office and printer.

NOTES TO THE FINANCIAL STATEMENTS

17. CONTROLLED ENTITIES

All controlled entities are included in the consolidated financial statements. The Parent Entity does not guarantee to pay the deficiency of its controlled entities in the event of a winding up of any controlled entity. The financial year end of the controlled entities is the same as that of the Parent Entity.

Name of Controlled Entity	Place of Incorporation	% of Shares held	
		Dec 15	Dec 14
Neon Energy Corporation	United States	100	100
Paris Valley LLC	United States	100	100
RECL Asia Sdn Bhd (Dormant)	Malaysia	100	100
Renewable Energy Corporation Pty Ltd (Formerly REL Operations Pty Ltd) (Dormant)	Australia	100	100
REL Australia Pty Ltd ⁽¹⁾ (Dormant)	Australia	50	50
Neon Energy (Australia) Pty Ltd	Australia	100	100
Neon Exploration Pty Ltd	Australia	100	100
Neon Energy (Nam Con Son) Pty Ltd	Australia	100	100
Neon Energy (India) Pty Ltd	Australia	100	100
Neon Energy (Indonesia) Pty Ltd	Australia	100	100
Neon Energy (Song Hong) Pty Ltd	Australia	100	100

⁽¹⁾ This company is included in the Group as Neon has nominated all Directors (being two) of the company and therefore has the capacity to control the financial and operating policies of the company

18. RELATED PARTIES AND KEY MANAGEMENT PERSONNEL

Transactions with Related Parties in the Consolidated Group

The consolidated group consists of Neon Capital Limited (the ultimate Parent Entity in the wholly owned group) and its controlled entities (see Note 17).

Transactions with Related Parties of the Consolidated Group

The following were key management personnel of Neon at any time during the reporting and previous period and unless otherwise indicated were key management personnel for the entire period.

Directors

Dr Alan Stein	Chairman (Non-Executive) (resigned 29 May 2015)
Kenneth Charsinsky	Managing Director (resigned 25 March 2015)
Timothy Kestell	Non-Executive Director
Peter Pynes	Non-Executive Director
Ross Williams	Chairman (Non-Executive) (appointed 25 March 2015)
John Landers	Non-Executive Director (resigned 19 December 2014)

NOTES TO THE FINANCIAL STATEMENTS

18 RELATED PARTIES AND KEY MANAGEMENT PERSONNEL (continued)

Other Key Management Personnel

Ben Newton	Chief Financial Officer (terminated 1 February 2015)
Iain Smith	Commercial Manager (terminated 1 February 2015)
Richard Jason	Business Development Manager (terminated 1 February 2015)
Iain Smith	Commercial Manager (terminated 1 February 2015)
David Cliff	Exploration Manager (terminated 28 February 2014)
Richard Jason	Business Development Manager (terminated 1 February 2015)

The key management personnel compensation included in administration expenses are as follows:

	Consolidated	
	Dec 15	Dec 14
	\$	\$
Short-term	311,173	1,630,375
Termination benefit	780,627	942,186
Post employment	71,770	176,918
Share-based payments	247,665	625,641
	1,411,235	3,375,120

Other Related Party or Key Management Personnel Transactions with the Company or its Controlled Entities

Options over equity instruments granted as compensation

The movement during the reporting period in the number of options over ordinary shares in the Company held, directly, indirectly or beneficially by each Director or executive, including their related parties, is as follows:

2015	Held at 1 Jan 2015	Granted Remuneration	Options Exercised	Options Expired	Other	Held at 31 December 2014	Vested and Exercisable at 31 Dec 2014
<i>Other Key Management Personnel</i>							
Ben Newton	-	-	-	-	-	-	-
Dave Cliff	-	-	-	-	-	-	-
		-	-		-	-	-
Iain Smith	-	-	-	-	-	-	-
Richard Jason	2,000,000	-	-		(2,000,000)	-	-

NOTES TO THE FINANCIAL STATEMENTS

18. RELATED PARTIES AND KEY MANAGEMENT PERSONNEL (continued)

2014	Held at 1 Jan 2014	Granted Remuneration	Options Exercised	Options Expired	Other	Held at 31 December 2014	Vested and Exercisable at 31 Dec 2014
Other Key Management Personnel							
Ben Newton	-	-	-	-	-	-	-
Dave Cliff	-	-	-	-	-	-	-
Donald Nelson	2,200,000	-	-	(2,200,000)	-	-	-
Iain Smith	-	-	-	-	-	-	-
Richard Jason	2,000,000	-	-	-	-	2,000,000	-

Movement in Performance Rights

The movement during the reporting period in the number of Performance rights held, directly, indirectly or beneficially by each Director or executive, including their related parties, is as follows:

2015	Held at 1 Jan 2015	Granted as Remuneration	Vested and exercised December 2015	Cancelled(i)	Held at 31 December 2015-
Directors					
Ken Charsinsky (i)	12,831,017	-	(1,720,181)	(11,110,836)	-
Other Key Management Personnel					
Ben Newton	8,578,643	-	(1,182,592)	(7,396,051)	-
Iain Smith	7,863,824	-	(1,084,053)	(6,779,771)	-
Richard Jason	7,500,000	-	(1,125,000)	(6,375,000)	-

(i) Balances held by key management personal at time of resignation

2014	Held at 1 Jan 2014	Granted as Remuneration	Vested and Exercisable at 31 Dec 2014	Cancelled	Held at 31 December 2014
Directors					
Ken Charsinsky	2,262,885	11,467,890	-	(899,758)	12,831,017
Other Key Management Personnel					
Ben Newton	1,136,900	7,883,950	-	(442,207)	8,578,643
Dave Cliff	1,119,210	-	-	(1,119,210)	-
Donald Nelson	1,006,020	-	-	(1,006,020)	-
Iain Smith	1,061,319	7,227,022	-	(424,517)	7,863,824
Richard Jason	-	7,500,000	-	-	7,500,000

NOTES TO THE FINANCIAL STATEMENTS

18. RELATED PARTIES AND KEY MANAGEMENT PERSONNEL (continued)

Movements in shareholdings

The movements during the reporting period in the number of ordinary shares in the Company held, directly, indirectly or beneficially by each key management personnel, including their related parties, is as follows:

2015	Held at 1 Jan 2015	Purchases	Received on exercise of options/rights	Granted as remuneration	Balance held at resignation	Held at 31 Dec 2015
Directors						
Ken Charsinsky	2,488,005	-	1,720,181	-	(4,208,186)	-
Alan Stein	1,000,000	-	-	-	(1,000,000)	-
Peter Pynes	110,552,266	96,351,496	-	-	-	206,903,762
Ross Williams(i)	-	206,903,762	-	-	-	206,903,762
Tim Kestel	110,552,266	96,351,496	-	-	-	206,903,762
Other Key Management Personnel						
Ben Newton	42,015	-	1,182,592	-	(1,224,607)	-
Iain Smith	-	-	1,084,053	-	(1,084,053)	-

(i) 110,522,266 shares was held by Evoworld Corporation Pty Ltd at time of appointment, a company that Ross Williams has a controlling interest in

All equity transactions with key management personnel have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

2014	Held at 1 Jan 2014	Purchases	Received on exercise of options/rights	Granted as remuneration	Sold	Held at 31 Dec 2014
Directors						
Ken Charsinsky	2,488,005	-	-	-	-	2,488,005
Alan Stein	9,041,321	-	-	-	(8,041,321)	1,000,000
Peter Pynes(i)	-	110,552,266	-	-	-	110,552,266
Tim Kestell(i)	-	110,552,266	-	-	-	110,552,266
John Lander	4,735,913	-	-	-	(4,735,913)	-
Other Key Management Personnel						
Ben Newton	306,157	-	-	-	(264,142)	42,015
Iain Smith	1,064,498	-	-	-	(1,064,498)	-

(i) 110,522,266 shares was held by Evoworld Corporation Pty Ltd at time of appointment, a company that Tim Kestell and Peter Pynes has a controlling interest in

19. REMUNERATION OF AUDITORS

The following total remuneration was received, or is due and receivable, by the Groups' former auditors Ernst & Young in respect of:

	Consolidated	
	Year ended Dec 15	Year ended Dec 14
	\$	\$
Auditing the financial statements for the full year and review of half year	47,850	112,476
Tax and remuneration services	29,950	177,231
	<u>77,800</u>	<u>289,707</u>

No amounts were due or payable to HLB Mann Judd at 31 December 2015.

NOTES TO THE FINANCIAL STATEMENTS

20. SEGMENT INFORMATION

The group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the country of origin, being the United States of America (USA) and South East Asia. Discrete financial information about each of these operating businesses is reported to the executive management team.

During the reporting period the operating segments have been reviewed following the company selling its assets located in the United States of America and exiting exploration operations in South East Asia (Vietnam and Indonesia)

Accounting policies and inter-segment transactions

The accounting policies used by the group in reporting segments internally are the same as those contained in Note 2 to the accounts and in the prior period.

In the event that a segment has taxable income in the country of operation, a tax expense is charged to that segment. All other tax expenses (if any) are unallocated.

The following items and associated assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Net gains/losses on available for sale investments
- Foreign exchange gains/losses
- Finance income/costs
- Head office corporate, administration and business development cost

NOTES TO THE FINANCIAL STATEMENTS

20. SEGMENT INFORMATION (continued)

The following table presents revenue and profit information for reportable segments.

2015	Discontinued Operations		Continuing Operations	Total
	USA	SEA	Corporate	
Oil Sales		-	-	-
Interest Revenue	-	-	480,237	480,237
Other Revenue	-	-	-	-
Segment Revenue	-	-	480,237	480,237
Exploration expensed and impaired	-	-	-	-
Depreciation and Amortisation	-	-	(10,675)	(10,675)
Gain on exiting from joint ventures	-	-	-	-
Gain on disposal of assets	-	-	-	-
Other Income	-	-	-	-
Operating Expenses	-	-	-	-
Income Tax Benefit	-	-	-	-
Royalty Payments	-	-	-	-
Plug and Abandon Costs	-	-	-	-
Admin and Corporate	-	-	(2,746,757)	(2,746,757)
Segment Result	-	-	(2,277,195)	(2,277,195)
2014	USA	SEA	Corporate	Total
Oil Sales	3,066,511	-	-	3,066,511
Interest Revenue	929	-	65,947	66,876
Other Revenue	7,432	-	-	7,432
Segment Revenue	3,074,872	-	65,947	3,140,819
Exploration expensed and impaired	-	(2,202,786)	(100,000)	(2,302,786)
Depreciation and Amortisation	(522,751)	-	(33,170)	(555,921)
Gain on exiting from joint ventures		16,168,861	-	16,168,861
Gain on disposal of assets	2,024,406	-	-	2,024,406
Other Income	-	-	2,822,987	2,822,987
Operating Expenses	(1,529,148)	-	-	(1,529,148)
Income Tax Benefit	-	-	-	-
Royalty Payments	(675,659)	-	-	(675,659)
Plug and Abandon Costs	-	-	-	-
Admin and Corporate	(887,331)	(41,411)	(6,387,895)	(7,316,637)
Segment Result	1,484,389	13,924,664	(3,632,131)	11,776,933

NOTES TO THE FINANCIAL STATEMENTS

20. SEGMENT INFORMATION (continued)

Discontinued Operations

During the period to 31 December 2014, the company announced transactions that have resulted in many of the company's operations being classified as discontinued operations. The discontinued operations have been grouped into the same reporting segments as per the Segment Reporting note – being the United States of America and South East Asia. Discontinued operations disclosures were deemed appropriate when Neon:

- executed a Sale and Purchase Agreement during the period for the disposal of all the producing and exploration interests owned by Neon in the USA which completed for accounting purposes on 1 May 2014; and
- exited from its South East Asian operations through the settled disposal of Tanjung Aru in Indonesia and the receipt of notices of default and withdrawal by its joint venture partners in Vietnam during the period.

	31 Dec 2015	31 Dec 2014
	\$	\$
<i>United States of America</i>		
Revenue	-	3,066,511
Cost of sales	-	(2,727,558)
Gross Profit	-	338,953
Other Income	-	8,361
Net gain/(loss) on sale of assets	-	2,024,406
Corporate and administration expenses	-	(887,331)
Impairment expense	-	-
Profit / (Loss) before income tax	-	1,484,389
Tax expense	-	-
Profit / (Loss) after tax for the period from a discontinued operation	-	1,484,389
<i>South East Asia</i>		
Revenue	-	-
Cost of sales	-	-
Gross Profit	-	-
Impairment of exploration and evaluation assets	-	(2,202,786)
Corporate and administration expenses	-	(41,410)
Gain on exiting joint ventures	-	16,168,860
Profit / (Loss) before income tax	-	13,924,664
Tax expense	-	-
Profit / (Loss) after tax for the period from a discontinued operation	-	13,924,664
Profit / (Loss) after tax for the period from all discontinued operations	-	15,409,053
	Cents	Cents
Basic earnings/loss per share of discontinued operations	-	2.79
Dilutive earnings/loss per share of discontinued operations	-	2.67

NOTES TO THE FINANCIAL STATEMENTS

20. SEGMENT INFORMATION (continued)

Discontinued Operations (continued)

	31 Dec 2014
	\$
<i>United States of America</i>	
Operating cash flows	819,900
Investing cash flows	22,902,993
Financing cash flows	(22,322,940)
<i>South East Asia</i>	
Operating cash flows	(41,410)
Investing cash flows	(13,689,840)
Financing cash flows	13,488,807

21. EVENTS SUBSEQUENT TO BALANCE DATE

The Company announced on 30 September its intention to change its activities to that of an Investment Company, subject to obtaining the requisite approvals from its members. As a result a meeting was called for 3 February 2016.

A meeting of its members was held on 3 February in order to obtain approval to change the nature of its activities. The resolution was passed and as such the Company has embarked on re-compliance with Chapters 1 and 2 of the ASX Listing Rules in order to get ASX approval.

As at the date of this report the company has completed the due diligence and ASX has granted our request for re-instatement once the annual report is lodged on 31 March 2016.

At the meeting the following resolutions were passed

1. Resolution 1 - Change to Nature and Scale of Activities

That, subject to the Essential Resolutions being passed, for the purpose of ASX Listing Rules 11.1.2, 11.1.3 and for all other purposes, approval is given for the Company to make a significant change in the nature and scale of its activities as described in the Explanatory Statement accompanying the Notice of Meeting.

2. Resolution 2 - Consolidation of Capital

That, subject to the Essential Resolutions being passed, pursuant to section 254H of the Corporations Act and for all other purposes, the issued capital of the Company be consolidated on the basis that every 10 Shares be consolidated into 1 Share and, where this Consolidation results in a fraction of a Share being held, the Company be authorised to round that fraction up to the nearest whole Share (as the case may be).

3. Resolution 3 - Change of Company Name

That, subject to the Essential Resolutions being passed for the purposes of section 157(1)(a) and for all other purposes, approval is given for the name of the Company to be changed to **Neon Capital Limited**.

NOTES TO THE FINANCIAL STATEMENTS

21. EVENTS SUBSEQUENT TO BALANCE DATE (continued)

4. Resolution 4 - Removal of Auditor

That subject to the passing of Resolution 5, pursuant to section 329 of the Corporations Act and for all other purposes, approval is given for the removal of Ernst & Young as the current auditor of the Company effective from the date of the Meeting.

5. Resolution 5 – Appointment of Auditor to replace removed from Office

That subject to the passing of Resolution 4, pursuant to section 327 of the Corporations Act and for all other purposes, approval is given for the appointment of HLB Mann Judd as auditor of the Company effective from the date of the Meeting.

As all resolutions were passed on 3 February 2016 the following occurred:

- The consolidation of capital was completed on 11 February 2016. The company share capital was consolidated from 558,149,678 to 52,201,221.
- The company name was changed on 8 February 2016 to Neon Capital Limited.
- The company appointed HLB Man Judd as auditor on 11 March 2016.

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Exposure to credit and interest rate risk together with exchange rate fluctuations arise in the normal course of Neon's business.

Credit risk

The maximum exposure of the Consolidated Entity to credit risk at balance sheet date in relation to each class of recognised financial asset is limited to the carrying amounts of the financial assets as indicated in the Statement of Financial Position. The credit risk relates to trade and other receivables and cash at bank. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. No receivables are impaired or past due. Specific concentration of credit risk exists primarily within trade debtors in respect of sale of oil.

Neon aligns itself with financial institutions demonstrating high credit quality to mitigate any credit risk in regard to its cash reserves.

NOTES TO THE FINANCIAL STATEMENTS

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk

As a result of operations in the United States, the Group's Statement of Financial Position can be affected by movements in the US\$/A\$ exchange rates. The Group also has transactional currency exposures. Such exposure arises from sales or purchases by an operating unit in currencies other than the unit's functional currency. The Group currently does not engage in any hedging or derivative transactions to manage foreign currency risk. The table below shows the exposure to assets in currencies other than the functional currency.

	Consolidated	
	Dec 15 \$	Dec 14 \$
Cash and term deposits	-	-
Cash held in escrow (Note 17(c))	-	4,929,601
Other term deposits	-	-
	-	4,929,601

The following sensitivity analysis is based on the foreign currency risk exposures in existence at the balance sheet date. The 10% sensitivity is based on reasonable possible changes, over a financial year, using an observed range of actual historical rates, for the Australian dollar to the US dollar, for the preceding 5 years.

At 31 Dec 2015, if the Australian Dollar had moved, as illustrated in the table below, with all other variables constant, post tax profit and other comprehensive income would have been affected as follows:

Risk Variable	Sensitivity	Effect on:		Effect on:	
		Profit Dec 15	Other Comprehensive Income Dec 15	Profit Dec 14	Other Comprehensive Income Dec 14
Foreign Exchange	+10%	-	-	492,960	492,960
	-10%	-	-	(492,960)	(492,960)

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans if appropriate. Prudent liquidity risk management implies maintaining sufficient cash to meet commitments as and when they fall due. Management monitors rolling cash flow forecasts to manage liquidity risk. The only financial liabilities of the Group at balance date are trade and other payables. The amounts are unsecured and are usually paid within 30 days of recognition.

Capital management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Total equity is what management consider and manage as capital.

During 2015 no dividends were paid (2014: nil).

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirement.

NOTES TO THE FINANCIAL STATEMENTS

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk

The Group has no borrowings at 31 December 2015 (2014: nil). It has no undrawn credit facilities with any financial institution.

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash and short-term deposits with a floating interest rate. These financial assets with variable rates expose the Group to cash flow interest rate risk. The Group currently does not engage in any hedging or derivative transactions to manage interest rate risk.

Consolidated	Dec 15				Dec 14			
	Effective Interest Rate	Interest Bearing \$	Non-Interest Bearing \$	Total \$	Effective Interest Rate	Interest Bearing \$	Non Interest Bearing \$	Total \$
Cash	3.00%	18,587,825		18,587,825	1.40%	15,694,912	-	15,694,912
Other financial assets	-	-	-	-	2.15%	6,041,790	-	6,041,790
Trade and other receivables	-	-	133,306	133,306	-	-	208,975	208,975
Trade and other payables	-	-	(61,843)	(61,843)	-	-	(281,431)	(281,431)
		18,587,825	71,463	18,659,288		21,736,702	(72,456)	21,664,246

The table below details the interest rate sensitivity analysis of the entity at the reporting date, holding all other variables constant. A 50 basis point favourable (+) and unfavourable (-) change is deemed to be reasonably possible change and is used when reporting interest rate risk.

Consolidated

Risk Variable	Sensitivity	Effect On:		Effect On:	
		Profit Dec 15	Other Comprehensive Income Dec 15	Profit Dec 14	Other Comprehensive Income Dec 14
Interest Variable	+0.50%	92,939	-	108,684	-
	-0.50%	(92,939)	-	(108,684)	-

*The method used to arrive at the possible change of 50 basis points was based on the analysis of the absolute nominal change of the Reserve Bank of Australia (RBA) monthly issued cash rate. It is considered that 50 basis points a 'reasonably possible' estimate.

NOTES TO THE FINANCIAL STATEMENTS

23. SHARE BASED PAYMENT PLANS

Share Options

The Company's share option plan was established to provide an incentive to Directors, key management personnel, consultants and employees to participate in the success of the Company. During the reporting period, there were no options outstanding granted to directors, key management personnel or employees in the prior periods. The Board determines the exercise price of the options having regard for the market price of the shares at the date of grant and the duration of the contractual life of the option.

The terms and conditions of the options over shares outstanding at the end of the period are as set out in the Remuneration Report and Note 11. All options are settled by physical delivery of shares upon the grantee exercising the option.

Performance Rights

The Company's performance rights plan was established to provide an incentive to Directors, key management personnel, consultants and employees to participate in the success of the Company. During the reporting period, there were no performance rights granted in relation to the 2014 and 2015 financial period. The Company issued 5,111,829 shares from vested performance rights shares. All other performance rights shares were cancelled at the time all employees were terminated.

Employment Costs Recognised in Income Statement:

	Consolidated	
	Dec 15 \$	Dec 2014 \$
Share options granted in 2013	-	88,791
Performance Rights granted in 2011 – equity settled	-	169,211
Performance Rights granted in 2012 – equity settled	-	273,561
Performance Rights granted in 2013 – equity settled	-	68,268
Performance Rights granted in 2014 – equity settled	-	98,234
Performance Rights granted in 2015 – equity settled	78,976	-
Total expense recognised as employee benefit expense	78,976	698,065

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Neon Capital Limited (formerly Neon Energy Limited), I state that:

In the opinion of the directors:

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

(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 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*;

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2; and

(c) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 31 December 2015.

On behalf of the Board



Ross Williams
Chairman

Perth, 31 March 2016

INDEPENDENT AUDITOR'S REPORT

To the members of Neon Capital Limited (formerly Neon Energy Limited)

Report on the Financial Report

We have audited the accompanying financial report of Neon Capital Limited ("the company"), which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for the Group. The Group comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility 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 is free from material misstatement, whether due to fraud or error.

In Note 2, the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

- (a) the financial report of Neon Capital Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the remuneration report included in the directors' report for the year ended 31 December 2015. 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.

Auditor's opinion

In our opinion the remuneration report of Neon Capital Limited for the year ended 31 December 2015 complies with section 300A of the *Corporations Act 2001*.



HLB Mann Judd
Chartered Accountants



N G Neill
Partner

Perth, Western Australia
31 March 2016

SHAREHOLDER INFORMATION

TWENTY LARGEST SHAREHOLDERS AT 24 MARCH 2016

	Fully Paid Shares	% Shareholding
EVOWORLD CORP PL	20,690,378	39.64%
NERO RESOURCE FUND PL	1,171,577	2.24%
TORNATORA ANTHONY	970,500	1.86%
ARREDO PL	900,000	1.72%
HSBC CUSTODY NOM AUST LTD	822,609	1.58%
BAHEN MARK JOHN + M P	774,801	1.48%
MAHARO PL	754,132	1.44%
J P MORGAN NOM AUST LTD	605,108	1.16%
LAI CHONG MENG + TAN B H	400,000	0.77%
FIL RES LTD	356,699	0.68%
CHARSINSKY LAURIE JO	296,419	0.57%
LEWIS CYNTHIA ANNE	293,000	0.56%
CITICORP NOM PL	286,766	0.55%
HELMET NOM PL	250,000	0.48%
HAWKES BAY NOM LTD + TERR	245,000	0.47%
ATHOL STEELE PL	237,286	0.45%
KILDERRY PAUL	225,000	0.43%
SOUTHERN TERRAIN PL	220,000	0.42%
ORYA AARON	200,000	0.38%
HAMMERHEAD HLDGS PL	200,000	0.38%
	29,899,275	57.26%

SHAREHOLDER INFORMATION

As at 25 MARCH 2015

DISTRIBUTION OF EQUITY

Analysis of shareholders by size of holding

	Total holders	Number	%
1 - 1,000	2,039	899,913	1.72%
1,001 - 10,000	1,383	3,565,169	6.83%
10,001 - 100,000	363	2,853,461	5.47%
100,001 - 1,000,000	371	11,077,117	21.22%
1,000,001 - 9,999,999,999	46	33,805,561	64.76%
Total	4,202	52,201,221	100.00

SUBSTANTIAL SHAREHOLDERS

As at the date of this report Evoworld is the only substantial holder of the company.

VOTING RIGHTS

There are no restrictions on voting rights attached to ordinary shares. On a show of hands every member present in person or by proxy shall have one vote and upon a poll each share shall have one vote. There are no voting rights attached to the unlisted options issued by the Company.

SHARE CAPITAL STRUCTURE

Fully Paid Ordinary Shares	52,201,221
Performance Rights	-
Options (Unlisted)	-
