



ANNUAL REPORT

**For the year ended
31 December 2016**

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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 Email: Info@neoncapital.com.au	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	
WEBSITE:	www.neoncapital.com.au	

DIRECTORS' REPORT

The Directors of Neon Capital 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 2016 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 Ross Williams	Non-Executive Chairman
Mr Tim Kestell	Non-Executive Director
Mr Peter Pynes	Non-Executive Director

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 NL.

Mr Timothy Kestell

Non-Executive Director

Mr Kestell has over 20 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.

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.

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	23,240,378 ⁽ⁱ⁾	-
Timothy Kestell	23,240,378 ⁽ⁱ⁾	-
Ross Williams	23,240,378 ⁽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
Tim Kestell	13	-	-	13
Peter Pynes	13	-	-	13
Ross Williams	13	-	-	13

COMPANY SECRETARY

Ms Amanda Burgess

Ms Burgess is a finance professional with over 25 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 a Listed Investment Company.

The company significantly changed the nature of its activities during the year and on 6 April 2016 Neon was returned to official listing as a Listed Investment Company from an Oil and Gas Company.

DIRECTORS' REPORT

OPERATING AND FINANCIAL REVIEW

Operations

This report is presented for the twelve months to 31 December 2016.

A focus of the Directors has been to significantly reduce operating and administrative costs in order to preserve and enhance shareholder value. We are pleased to report that this strategy was successfully implemented with the company returning to profitability.

During this period the company completed its transition from an exploration Oil and Gas Company to a Listed Investment Company.

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.

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

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).

DIRECTORS' REPORT

OPERATING AND FINANCIAL REVIEW (continued)

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 522,007,968 to 52,201,221 (see note 9).
- 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.

The company received reinstatement to official quotation on the ASX on 8 April 2016 after successful compliance with the listing rule 11.1.3 and Chapter 1 and 2 of the ASX Listing Rules.

On 4 May 2016, the company confirmed the implementation of an on-market buy-back for a purchase up to 5,220,122 shares.

As part of the buy back, Neon purchased 566,954 shares between 22 December 2016 and 31 December 2016 to the value of \$124,730.

On 24 November 2016 the Company announced its intention to de-list its shares from trading on the Australian Stock Exchange (ASX) and consequently be removed from the official list of the exchange one month following the receipt of shareholder approval to be sort at a meeting called for 24 January 2017.

The Consolidated Profit/(Loss) for 31 December 2016 amounted to \$756,356 (31 Dec 2015: (\$2,277,195)).

As at 31 December 2016, the company had significant cash reserves of \$19.0m in cash and cash on deposit (2015: \$18.6m).

Shareholder approval was received on 24 January 2017 and the Company subsequently delisted on 24 February 2017. Further details are outlined in the subsequent events part of this report.

DIRECTORS' REPORT

OPERATING AND FINANCIAL REVIEW (continued)

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 2016 other than stated above.

SIGNIFICANT EVENTS AFTER BALANCE DATE

There have been no significant events after balance date of the consolidated entity other than what is listed below;

Delisted from the Australian Stock exchange (ASX).

The company announced its intentions to seek Shareholder approval at a General Meeting held on 24 January 2017.

The reasons for delisting were stated in the notice of meeting and are as follows:

(a) Restrictions on investments:

The Board was of the view that it would be able to generate greater returns for its shareholders if the company was delisted. The Board believed that the ASX restrictions that it must comply with by virtue of being a Listed Investment Company, would not enable it to provide maximum value to shareholders as they limit some potential opportunities. The Board would like to advance opportunities for the benefit of shareholders that may not comply with the ASX's requirements for a Listed Investment Company.

(b) Lack of Liquidity:

The Company had approximately 3,862 members holding 52,201,221 shares but, despite this, there was a significant lack of liquidity in trading in the Company's shares on ASX.

(c) Disproportionate Impact of Price

As only small numbers of the Company's shares were being traded, this had on occasion a disproportionate impact on the share price. A low value trade or a trade in a small number of Company shares could have a marked impact on the official reported market price, and there is a risk that a trade of only a few Company shares could cause the reported price to change significantly. This potential volatility could make it difficult for investors to make an accurate assessment of the actual value of their Company shares and increase exposure to a person effecting trades with the intention of manipulating the reported price.

(d) Disproportionate Value:

The directors of the Company consider that the prices at which its securities were being traded on ASX at a materially lower than the underlying value of its net assets.

(e) ASX and Related costs:

Maintaining an ASX listing adds additional costs to the Company's business. In addition, there are indirect costs associated with the need to devote management time attending to matters relating to the listing which could be directed elsewhere if the Company was unlisted.

DIRECTORS' REPORT

OPERATING AND FINANCIAL REVIEW (continued)

SIGNIFICANT EVENTS AFTER BALANCE DATE (continued)

Disadvantages of Delisting

(a) Inability to trade the Company's shares

When the Company became unlisted, shareholders no longer had the ability to buy and sell shares on the ASX. This meant that there will no longer be a readily accessible market and mechanism to buy and sell the Company's shares.

(b) Removal of ASX Listing Rules Protection

The ASX Listing Rules ceased to apply to the Company once delisted and shareholders now do not have the benefit of protections inherent in the ASX Listing Rules. These include restrictions relating to:

- (i) disclosures on issuing of shares and other securities (Listing Rule 3);
- (ii) ASX corporate governance principles (Listing Rule 4); and
- (iii) making significant changes to the nature or scale of the Company's activities (Listing Rule 11).

However, shareholders will continue to have the protections applicable to public companies under the Corporations Act.

(c) Restriction on Public Capital Raising

Now the Company is unlisted, there are limitations on the Company's ability to raise funds quickly and simply. Although this is in the first instance a Company concern, if the Company is unable to raise funds under certain circumstances, this may impact on the Company and in turn affect the value of shares in the Company or price at which capital may be raised.

(d) Loss of value from listing

There is an inherent value in an entity that is listed. This is because the process of becoming listed has certain costs associated with it.

Shareholders passed the resolution at the meeting on 24 January 2017 and the company delisted on 24 February 2017 from the Australian Stock Exchange (ASX). The Company is now a public unlisted Investment Company.

The company continued its buy back which was commenced on 22 December 2016 and as at the date of this report there were an additional 4,226,710 shares purchased for \$928,876.

The buy back ceased on 20 February 2017 when the shares of the company were suspended from trading prior to delisting on 24 February 2017.

DIRECTORS' REPORT

OPERATING AND FINANCIAL REVIEW (continued)

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Board is of the strong opinion that by becoming an unlisted Investment Company, the Company will have a greater potential to generate sustainable returns for its shareholders.

SHARE OPTIONS AND PERFORMANCE RIGHTS

During the year ended 31 December 2016, no options were issued or exercised by the Company.

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.

NON-AUDIT SERVICES

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

- i No non-audit services were provided by HLB Mann Judd ;
- ii No fees were paid to the former auditors 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 16 to the Financial Statements.

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

DIRECTORS' REPORT

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

A handwritten signature in black ink, appearing to read 'Ross Williams', with a stylized flourish at the end.

Chairman

Perth, 31 March 2017

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Neon Capital Limited for the year ended 31 December 2016, 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.

A handwritten signature in blue ink, appearing to read 'Norman Neill'.

Perth, Western Australia
31 March 2017

N G Neill
Partner

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	Consolidated	
		Year ended 31 Dec 2016 \$	Year ended 31 Dec 2015 \$
Revenue - Interest Received	3(a)	483,008	476,716
Profit on Sale of Financial Assets		1,120,151	-
Net changes in fair value of trading investments		(46,838)	-
Other income		4,778	3,521
Corporate and administration expenses	3(b)	(804,743)	(2,802,622)
Net gain on foreign exchange		-	45,190
Profit/(Loss) before income tax expense for continuing operations		756,356	(2,277,195)
Income tax (expense)/benefit	4	-	-
Profit/(Loss) for the year for continuing operations		756,356	(2,277,195)
Other comprehensive income			
<i>Items reclassified subsequently to Profit or Loss:</i>			
Total comprehensive income/(loss) for the period attributable to members of the parent entity		756,356	(2,277,195)
		Cents	Cents
Basic earnings/(loss) per share	11	1.46	(4.23)
Diluted earnings/(loss) per share	11	1.46	(4.23)

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Note	Consolidated	
		As at 31 Dec 16 \$	As at 31 Dec 15 \$
CURRENT ASSETS			
Cash	12(a)	19,048,930	18,587,825
Financial assets at fair value through profit and loss	7	150,099	-
Trade and other receivables	5	111,450	133,306
TOTAL CURRENT ASSETS		19,310,480	18,721,131
NON-CURRENT ASSETS			
Property, plant and equipment	6	-	-
TOTAL NON-CURRENT ASSETS		-	-
TOTAL ASSETS		19,310,480	18,721,131
CURRENT LIABILITIES			
Trade and other payables	8	20,792	62,383
TOTAL CURRENT LIABILITIES		20,792	62,383
NON-CURRENT LIABILITIES			
TOTAL NON-CURRENT LIABILITIES		-	-
TOTAL LIABILITIES		20,792	62,383
NET ASSETS		19,289,688	18,658,748
EQUITY			
Contributed equity	9(a)	170,562,154	170,687,570
Reserves	9(b)	5,573,960	5,573,960
Accumulated losses	10	(156,846,426)	(157,602,782)
TOTAL EQUITY		19,289,688	18,658,748

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	Consolidated	
		Year Ended 31 Dec 16 \$	Year Ended 31 Dec 15 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from the sale of financial assets		4,300,223	1,953
Payments of financial assets		(3,377,010)	-
Payments to suppliers and employees		(860,283)	(2,484,667)
Interest received		523,591	388,065
Finance costs paid		-	-
Net cash flows from/(used in) operating activities	12(b)	586,521	(2,094,649)
CASH FLOWS FROM INVESTING ACTIVITIES			
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 investing activities		-	6,039,940
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments for Buy Back of Shares		(125,416)	(1,052,378)
Net cash flows used in from financing activities		(125,416)	(1,052,378)
Net increase in cash and cash equivalents		461,105	2,892,913
Net foreign exchange differences		-	-
Cash and cash equivalents at beginning of period		18,587,825	15,694,912
Cash and cash equivalents at end of period	12(a)	19,048,930	18,587,825

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

Consolidated	Issued Capital \$	Accumulated Losses \$	Option & Rights Premium 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 2016	170,687,570	(157,602,782)	5,573,960	18,658,748
Profit for the year	-	756,356	-	756,356
Other comprehensive loss	-	-	-	-
Total comprehensive income/(loss) for the year	-	756,356	-	756,356
Share Buy Back	(125,416)	-	-	(125,416)
At 31 December 2016	170,562,154	(156,846,426)	5,573,960	19,289,688

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 2016 was authorised for issue in accordance with a resolution of the directors on 31 March 2017.

Neon Capital Limited is an unlisted for profit company limited by shares incorporated in Australia 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 2016, 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 2016. 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 (continued)

(a) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2016. 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) Foreign Currency Translation

Both the functional and presentation currency of Neon Capital Limited is Australian Dollars.

(d) Revenue Recognition

Profit and losses realised from the sale of investments and unrealised gains and losses on securities held at fair value are included in the Statement of Comprehensive Income in the year they are earned. Revenue is measured at the fair value of the consideration received or receivable. Interest revenue is recognised as the interest accrues using the effective interest method.

(e) 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Income Tax (continued)

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.

(f) 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.

(g) 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.

NOTES TO THE FINANCIAL STATEMENTS

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) 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.

(i) Trading Portfolio

Classification

The trading portfolio comprises securities held for short term trading purposes, including exchange traded option contracts that are entered into, as described below. The purchases and the sale of securities are accounted for at the date of trade. Trade date accounting is adopted for financial assets that are delivered within timeframes established by market place convention.

Securities in the trading portfolio are classified as “assets measured at fair value through profit and loss”.

Recognition and derecognition

Purchases and sales of financial assets are recognised on trade date – the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Company measures a financial asset or financial liability at its fair value.

Subsequent to initial recognition, the financial instruments are measured at fair value with changes in their fair value recognised in the Statement of Comprehensive Income.

The objective of determining fair value for a financial instrument that is traded in an active market is to arrive at the price at which a transaction would occur at the end of the reporting period. The existence of published price quotations in an active market is the best evidence of fair value and is used to measure the financial asset.

Financial assets are valued at their fair value without any deduction for transaction costs that may be incurred on sale or other disposal. Certain costs in acquiring investments, such as brokerage and stamp duty are included in the initial costs of the financial asset.

NOTES TO THE FINANCIAL STATEMENTS

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) 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.

(k) 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.

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.

(l) 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.

(m) 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

NOTES TO THE FINANCIAL STATEMENTS

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Employee Leave Benefits (continued)

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.

(n) 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.

(o) 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.

(p) 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.

(q) 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.

NOTES TO THE FINANCIAL STATEMENTS

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) 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).

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.

(s) 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.

NOTES TO THE FINANCIAL STATEMENTS

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) 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.

(u) 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.

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 19.

NOTES TO THE FINANCIAL STATEMENTS

3. REVENUES AND EXPENSES

	Consolidated	
	Year Ended 31 Dec 16	Year Ended 31 Dec 15
	\$	\$
(a) Revenue		
Interest income	483,008	476,716
	483,008	476,716
(b) Corporate and Administrative Expenses include:		
Depreciation – other plant and equipment	-	10,676
Employee Benefits (i)	332,032	1,388,551
Operating Leases	-	45,866
Termination Fees	-	864,757
Travel Expenses	-	269
Consultants	-	51,296
Accounting and Legal	163,898	218,779
Exploration Expenses	23,328	-
Other	285,485	222,428
	804,743	2,802,622
<i>(i) Employee Benefits</i>		
Wages and salaries	309,500	976,882
Superannuation expenses	19,000	46,897
Payroll taxes	3,532	49,523
Share based payments expense	-	315,249
	332,032	1,388,551

NOTES TO THE FINANCIAL STATEMENTS

4. INCOME TAX

	Consolidated	
	Year Ended 31 Dec 16	Year Ended 31 Dec 15
	\$	\$
(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	756,356	(2,277,195)
At the domestic income tax rate of 30% (2015: 30%)	226,907	(683,158)
Current year tax losses not recognised	130,756	-
Non-deductible expenses	27,637	106,570
Deferred tax assets not brought to account	-	740,164
Movement in unrecognised temporary differences	(48,999)	(163,576)
Utilisation of previously unrecognised losses	(336,301)	-
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 2016 unrecognised deferred tax assets included \$7,276,668 (2015: \$7,347,237) of revenue losses and \$13,783,348 (2015: \$14,120,068) of capital losses. The company is currently investigating the use of the unrecognised losses against any future profits to determine what portion of the losses may not be useable.

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 2016, there is no recognised or unrecognised deferred tax liability (Dec 2015: 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.

5. TRADE AND OTHER RECEIVABLES

	Consolidated	
	Dec 16	Dec 15
	\$	\$
Trade debtors	-	-
Prepayments	4,509	1,915
Interest receivable	49,054	89,636
Other receivables	57,887	41,755
Total trade and other receivables	111,450	133,306

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

6. PROPERTY, PLANT & EQUIPMENT

Office furniture and equipment:

	Consolidated	
	Dec 16	Dec 15
	\$	\$
Cost	531,451	531,451
Accumulated depreciation	(531,451)	(531,451)
Net carrying amount	-	-

(b) Reconciliation

Carrying amount at beginning of year	-	8,826
Additions	-	1,850
Disposals	-	-
Depreciation charge for the year	-	(10,676)
Carrying amount at end of year	-	-

NOTES TO THE FINANCIAL STATEMENTS

7. FINANCIAL INSTRUMENTS

	Note	Consolidated	
		Dec 16 \$	Dec 15 \$
Financial assets at fair value through profit and loss		150,099	-
		<u>150,099</u>	<u>-</u>

The equity investments are all classed as held for trading. The market value of all equity investments represent the fair value based on quoted prices on active markets (ASX) as at the reporting date without any deduction for transaction costs. These investments are classified as Level 1 financial instruments. There have been no transfers between levels of the fair value hierarchy, used in measuring the fair value of these financial instruments, or changes in its classification as a result of a change in the purpose or use of these assets.

8. TRADE AND OTHER PAYABLES

Trade creditors – unsecured (i)	-	18,187
Accruals	20,000	25,000
Other payables	792	19,196
Total Trade and Other Payables	<u>20,792</u>	<u>62,383</u>

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

9. CONTRIBUTED EQUITY AND RESERVES

(a) Contributed equity

Issued and fully paid capital			
Ordinary shares Opening Balance	9(c)	170,687,570	171,571,258
Vesting of performance rights		-	168,690
Share Buy Back		(125,416)	(1,052,378)
		<u>170,562,154</u>	<u>170,687,570</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	3,590,546	3,522,963
Movements	-	67,583
Closing option premium reserve	<u>3,590,546</u>	<u>3,590,546</u>
Performance Rights Premium Reserve Opening	1,983,414	1,904,438
Movements	-	78,976
Performance Rights Premium Reserve Closing	<u>1,983,414</u>	<u>1,983,414</u>
Total Reserves	<u>5,573,960</u>	<u>5,573,960</u>

NOTES TO THE FINANCIAL STATEMENTS

9. 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 2015	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	Closing Balance	522,007,968	170,687,570
Feb 2016	Consolidation of shares 10:1	(469,806,747)	-
Dec 2016	Cancelled buy back Shares	(566,954)	(125,416)
31 Dec 2016		51,634,267	170,562,154

Subsequent to year end and prior to delisting from ASX a further 4,226,710 shares were bought back and cancelled, resulting in total share capital of 47,407,557 shares.

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

Date	Details	Consolidated	
		Number of options	\$
31 Dec 2014	Opening 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
31 Dec 2016	Closing Balance	-	3,590,546

NOTES TO THE FINANCIAL STATEMENTS

9. 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 2015	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
	Vested to ordinary shares	-	-
	Cancellation of Performance rights	-	-
	Acceleration of vesting performance rights in previous years	-	-
31 December 2016	Closing balance	-	1,983,414

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

	Consolidated	
	Dec 16 \$	Dec 15 \$
10. ACCUMULATED LOSSES		
Opening balance	(157,602,782)	(155,325,587)
Net profit/(loss) for the year	756,356	(2,277,195)
Closing balance	(156,846,426)	(157,602,782)

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

11. EARNINGS PER SHARE

	Consolidated	
	Dec 16	Dec 15
	\$	\$
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	756,356	(2,277,195)
Basic earnings/(loss) per share	1.45	(4.36)
Diluted earnings/(loss) per share	1.45	(4.36)

	Consolidated	
	Number of Shares	Number of Shares
	Dec 16	Dec 15
Weighted average number of ordinary shares used in calculating basic earnings per share	52,194,430	52,201,221
Effect of dilutive securities:		
Performance rights	-	-
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	52,194,430	52,201,221

The Company continued the buy back of its shareholdings subsequent to the reporting period and as at the date of this report the Company purchased an additional 4,226,710 shares for \$929,876.

12. 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 16	Dec 15
	\$	\$
Cash at bank and on hand	19,048,930	18,587,825
Closing balance	19,048,930	18,587,825

NOTES TO THE FINANCIAL STATEMENTS

12. NOTES TO THE CASH FLOW STATEMENT (continued)

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

Net profit/(loss) before tax	756,356	(2,277,195)
Adjustments for non-cash income and expense items		
Depreciation and amortisation	-	10,676
(Gain)/loss on revalue of assets	46,838	-
Acquisition of financial assets	(196,938)	-
Share based payments expensed	-	315,249
	<u>606,256</u>	<u>(1,951,270)</u>
Changes in assets and liabilities		
<i>(Increase)/Decrease in Assets</i>		
Trade and other receivables	21,855	75,671
<i>Increase/(Decrease) in liabilities</i>		
Trade and other payables	(41,590)	(37,878)
Provisions	-	(181,172)
Net cash used in operating activities	<u>582,521</u>	<u>(2,094,649)</u>

13. PARENT ENTITY INFORMATION

Information Relating to Neon Capital Limited	Dec 16 \$	Dec 15 \$
Current assets	19,298,592	18,679,377
Total assets	19,298,592	18,679,377
Current liabilities	(20,792)	(59,971)
Total liabilities	(20,792)	(59,971)
Issued capital	170,561,954	170,687,370
Accumulated Losses	(156,858,113)	(157,641,924)
Performance rights reserve	1,983,414	1,983,414
Option premium reserve	3,590,546	3,590,546
Total shareholders' equity	<u>19,277,801</u>	<u>18,619,406</u>
Profit/(Loss) of Neon Capital Ltd	783,811	(3,663,727)
Total comprehensive Profit/(loss) of Neon Capital Ltd	<u>783,811</u>	<u>3,663,727</u>

Contingent Liabilities

There are no contingent liabilities of the parent entity as at 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS

14. 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 16	Dec 15
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

15. 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 14).

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

Ross Williams	Non-Executive Chairman
Timothy Kestell	Non-Executive Director
Peter Pynes	Non-Executive Director

NOTES TO THE FINANCIAL STATEMENTS

15 RELATED PARTIES AND KEY MANAGEMENT PERSONNEL (continued)

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

	Consolidated	
	Dec 16	Dec 15
	\$	\$
Short-term	309,500	311,173
Termination benefit	-	780,627
Post employment	19,000	71,770
Share-based payments	-	247,665
	328,500	1,411,235

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

Options over equity instruments granted as compensation

There were no options issued or held during the reporting period.

The movement during the previous 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 2015	Vested and Exercisable at 31 Dec 2015
Other Key Management Personnel							
Ben Newton	-	-	-	-	-	-	-
Dave Cliff	-	-	-	-	-	-	-
Iain Smith	-	-	-	-	-	-	-
Richard Jason	2,000,000	-	-	-	(2,000,000)	-	-

NOTES TO THE FINANCIAL STATEMENTS

15. RELATED PARTIES AND KEY MANAGEMENT PERSONNEL (continued)

Movement in Performance Rights

There were no performance rights issued or held during the reporting period.

The movement during the previous 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.

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:

2016	Held at 1 Jan 2016	Purchases	Received on exercise of options/rights	Granted as remuneration	Consolidation of shares	Held at 31 Dec 2016
Directors						
Peter Pynes(i)	206,903,762	2,550,000	-	-	(186,213,384)	23,240,378
Ross Williams(i)	206,903,762	2,550,000	-	-	(186,213,384)	23,240,378
Tim Kestell(i)	206,903,762	2,550,000	-	-	(186,213,384)	23,240,378

(i) 23,240,378 shares was held by Evoworld Corporation Pty Ltd at time of appointment, a company that Ross Williams, Tim Kestell and Peter Pynes have 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.

2015	Held at 1 Jan 2015	Purchases	Received on exercise of options/rights	Granted as remuneration	Sold	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(i)	110,552,266	96,351,496	-	-	-	206,903,762
Ross Williams(i)	-	206,903,762	-	-	-	206,903,762
Tim Kestell(i)	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 were held by Evoworld Corporation Pty Ltd at time of appointment, a company that Ross Williams, Tim Kestell and Peter Pynes have a controlling interest in.

NOTES TO THE FINANCIAL STATEMENTS

16. REMUNERATION OF AUDITORS

The following total remuneration was received, or is due and receivable, by the Groups' auditors HLB Mann Judd in respect of:

	Consolidated	
	Year ended Dec 16	Year ended Dec 15
	\$	\$
Auditing the financial statements for the full year and review of half year	34,000	-
Tax and remuneration services	-	-
	<u>34,000</u>	<u>-</u>

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 16	Year ended Dec 15
	\$	\$
Auditing the financial statements for the full year and review of half year	-	47,850
Tax and remuneration services	-	29,950
	<u>-</u>	<u>77,800</u>

No amounts were due or payable to HLB Mann Judd at 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS

17. EVENTS SUBSEQUENT TO BALANCE DATE

Delisted from the Australian Stock exchange (ASX).

The company announced its intentions to seek Shareholder approval at a General Meeting held on 24 January 2017.

The reasons for delisting were stated in the notice of meeting and are as follows:

(a) Restrictions on investments:

The Board was of the view that it would be able to generate greater returns for its shareholders if the company was delisted. The Board believed that the ASX restrictions that it must comply with by virtue of being a Listed Investment Company, would not enable it to provide maximum value to shareholders as they limit some potential opportunities. The Board would like to advance opportunities for the benefit of shareholders that may not comply with the ASX's requirements for a Listed Investment Company.

(b) Lack of Liquidity:

The Company had approximately 3,862 members holding 52,201,221 shares but, despite this, there was a significant lack of liquidity in trading in the Company's shares on ASX.

(c) Disproportionate Impact of Price

As only small numbers of the Company's shares were being traded, this had on occasion a disproportionate impact on the Share price. A low value trade or a trade in a small number of Company shares could have a marked impact on the official reported market price, and there is a risk that a trade of only a few Company shares could cause the reported price to change significantly. This potential volatility could make it difficult for investors to make an accurate assessment of the actual value of their Company shares and increase exposure to a person effecting trades with the intention of manipulating the reported price.

(d) Disproportionate Value:

The directors of the Company consider that the prices at which its securities were being traded on ASX at a materially lower than the underlying value of its net assets.

(e) ASX and Related costs:

Maintaining an ASX listing adds additional costs to the Company's business. In addition, there are indirect costs associated with the need to devote management time attending to matters relating to the listing which could be directed elsewhere if the Company was unlisted.

NOTES TO THE FINANCIAL STATEMENTS

17. EVENTS SUBSEQUENT TO BALANCE DATE (continued)

Disadvantages of Delisting

(a) Inability to trade the Company's shares

When the Company became unlisted, shareholders no longer had the ability to buy and sell shares on the ASX. This meant that there will no longer be a readily accessible market and mechanism to buy and sell the Company's shares.

(b) Removal of ASX Listing Rules Protection

The ASX Listing Rules ceased to apply to the Company once delisted and shareholders now do not have the benefit of protections inherent in the ASX Listing Rules. These include restrictions relating to:

- (iv) disclosures on issuing of shares and other securities (Listing Rule 3);
- (v) ASX corporate governance principles (Listing Rule 4); and
- (vi) making significant changes to the nature or scale of the Company's activities (Listing Rule 11).

However, shareholders will continue to have the protections applicable to public companies under the Corporations Act.

(c) Restriction on Public Capital Raising

Now the Company is unlisted, there are limitations on the Company's ability to raise funds quickly and simply. Although this is in the first instance a Company concern, if the Company is unable to raise funds under certain circumstances, this may impact on the Company and in turn affect the value of shares in the Company or price at which capital may be raised.

(d) Loss of value from listing

There is an inherent value in an entity that is listed. This is because the process of becoming listed has certain costs associated with it.

Shareholders passed the resolution at the meeting on 24 January 2017 and the company delisted on 24 February 2017 from the Australian Stock Exchange (ASX). The Company is now a public unlisted Investment Company.

In order to allow shareholders an exit strategy, the company continued its buy back which was commenced on 22 December 2016.

As at the date of this report there were an additional 4,226,710 shares purchased for \$928,876. The buy back ceased on 20 February 2017 when the shares of the company were suspended from trading prior to delisting on 24 February 2017.

NOTES TO THE FINANCIAL STATEMENTS

18. 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 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.

Foreign currency risk

The company no longer operates in the United States and as such no longer has exposure to foreign currency risk.

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 2016 no dividends were paid (2015: nil).

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

NOTES TO THE FINANCIAL STATEMENTS

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk

The Group has no borrowings at 31 December 2016 (2015: 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 16				Dec 15			
	Effective Interest Rate	Interest Bearing \$	Non-Interest Bearing \$	Total \$	Effective Interest Rate	Interest Bearing \$	Non Interest Bearing \$	Total \$
Cash	2.50%	19,048,930		19,048,930	3.00%	18,587,825	-	18,587,825
Other financial assets	-	-	-	-	-	-	-	-
Trade and other receivables	-	-	111,450	111,450	-	-	133,306	133,306
Trade and other payables	-	-	(20,792)	(20,792)	-	-	(61,843)	(61,843)
		19,048,930	90,658	19,139,588		18,587,825	71,463	18,659,288

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 16	Other Comprehensive Income Dec 16	Profit Dec 15	Other Comprehensive Income Dec 15
Interest Variable	+0.50%	95,245	-	92,939	-
	-0.50%	(95,245)	-	(92,939)	-

*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

Market Risk

Exposure to market risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movements in market prices.

The table below details the market price sensitivity analysis of the entity of the reporting date, holding all other variables constant. A 5% favourable (+) and unfavourable (-) change is deemed to be reasonably possible change and is used when reporting market price risk.

Consolidated

Risk Variable	Sensitivity	Effect On:		Effect On:	
		Profit Dec 16	Other Comprehensive Income Dec 16	Profit Dec 15	Other Comprehensive Income Dec 15
Market Variable	+5.0%	7,505	-	-	-
	-5.0%	(7,505)	-	-	-

19. 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 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 2015 and 2016 financial period. All performance rights shares were cancelled at the time all employees were terminated in the 2015 reporting period.

DIRECTORS DECLARATION

In accordance with a resolution of the directors of Neon Capital 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 2016 and of its performance for the year ended on that date; and

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

(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 2016.

On behalf of the Board



Ross Williams
Chairman

Perth, 31 March 2017

INDEPENDENT AUDITOR'S REPORT

To the members of Neon Capital Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Neon Capital Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 31 December 2016, 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, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- a) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its financial performance for the year then ended; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

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

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2016, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

A handwritten signature in blue ink that reads 'HLB Mann Judd'.

HLB Mann Judd
Chartered Accountants

A handwritten signature in blue ink that reads 'Norman G. Neill'.

N G Neill
Partner

Perth, Western Australia
31 March 2017