

6 April 2018

Dear Shareholder

Offer to Buy Back your Shares in Neon Capital Limited

Neon Capital Limited (**Company**) is pleased to invite you to participate in an equal access buy back of ordinary, fully paid shares in the capital of the Company (**Shares**) on the terms set out in the following enclosed documents (**Buy-back** or **Buy-back Offer**):

1. a Notice of a General Meeting of shareholders of the Company (**Shareholders**) scheduled to be held at 10:00am (WST) on Tuesday 1 May 2018, where Shareholders will be asked to approve the terms and conditions of the Buy-back, in accordance with section 257C(1) of the *Corporations Act 2001* (Cth) (**Corporations Act**) and Clause 10.3 of the Company's Constitution (**Notice of Meeting**); and
2. a Buy-back Offer Document and Acceptance Form attached to the Notice of Meeting.

The Buy-back Offer, and any contract that results from acceptance of the Buy-back Offer, is conditional upon the Company obtaining Shareholder approval for the terms and conditions of the Buy-back, in accordance with section 257C(1) of the *Corporations Act* and Clause 10.3 of the Company's Constitution (**Approval Condition**).

The Board has resolved to conduct the Buy-back to provide a complete exit mechanism for those eligible Shareholders who wish to sell their Shares. The directors of the Company believe this is of particular value given that the Company's Shares do not trade on any securities exchange. It also represents an effective capital management strategy which the Board believes is in the interests of Shareholders.

The Buy-back is an equal access Share buy-back open to all Eligible Shareholders as disclosed in section 2.3 of the offer document attached to the Notice of Meeting and participation is entirely voluntary. If you choose to accept the Buy-back Offer, you will receive \$0.28 cash for every Neon share the Company buys back from you.

The Buy-back Offer will close at 5:00pm (WST) on 23 May 2018 (**Closing Date**). If you wish to accept the Buy-back Offer, please ensure that you submit a completed Acceptance Form in accordance with the terms set out in the offer document, by no later than the Closing Date.

You are encouraged to read all of the enclosed documents carefully and consult your professional or investment advisers in relation to your decision whether or not to accept the Buy-back Offer. In particular, the Company has not considered your specific taxation or other financial position and you should consider seeking specialist advice in relation to these issues.

Shareholders should note that it is currently the Boards intention not to conduct further buy-backs however this will ultimately be determined by many factors including the level of acceptances under the current offer.

A Buy Back acceptance form is attached to this letter together with a reply paid envelope should you wish to accept the offer.

Yours sincerely

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

Ross Williams
Chairman

BUYBACK ACCEPTANCE FORM

THIS DOCUMENT IS IMPORTANT. IF YOU ARE IN DOUBT AS TO HOW TO DEAL WITH IT, PLEASE CONTACT YOUR STOCK BROKER OR LICENSED PROFESSIONAL ADVISOR.

NEON CAPITAL LIMITED

ACN: 002 796 974

SHARE REGISTRY:

Security Transfer Australia Pty Ltd

All Correspondence to:

PO Box 52

Collins Street West VIC 8007

Suite 913, Exchange Tower

530 Little Collins Street

MELBOURNE VIC 3000

T: 1300 992 916 F: +61 8 9315 2233

E: registrar@securitytransfer.com.au

W: www.securitytransfer.com.au

Code:

Holder Number:

Current Holding:

EQUAL ACCESS BUYBACK OFFER CLOSING AT 5.00PM WST 23 MAY 2018
The Buyback price per Share is \$0.28 for every 1 Neon Capital Limited share sold.

I/We the above named hereby accept that by signing this form below, I/we are making an irrevocable, binding commitment to sell my/our Neon Capital Limited Shares in full as registered at the Record Date of 29 April 2018 in order to receive a consideration of \$0.28 per Share. This sale offer is made in accordance with the terms of the Buyback Offer Document attached to the Notice of Meeting dated 6 April 2018 which is binding on me/us.

SECURITY HOLDER(S) SIGNATURE(S) This section must be signed for your instructions to be executed.

Individual/Security Holder 1

Sole Director & Company Secretary

Individual/Security Holder 2

Director/Company Secretary

Individual/Security Holder 3

Director

Individual/Joint Holding: where the holding is in one name, the registered holder must sign. **Joint holdings:** where the holding is in more than one name, all of the securityholders should sign. **Power of Attorney:** To sign as power of attorney, you must have already lodged it with the registry. Alternatively, attach a certified copy of the power of attorney to this form. **Companies:** This form must be signed in accordance with the company's constitution and the Corporations Act 2001 and attested by two directors (or a director and a secretary) or by a sole director/company secretary. Please indicate the office held by signing in the appropriate space.

My/Our contact details in case of enquiries are:

NAME

TELEPHONE NUMBER

()

EMAIL ADDRESS

You must complete, sign and return this Acceptance Form by one of the methods shown below BEFORE the Offer closes at 5:00pm WST on 23 May 2018.

LODGEMENT INSTRUCTIONS: If you wish to accept the offer, you must complete this Acceptance Form and it must be mailed, delivered or faxed to the below address:

Security Transfer Australia Pty Ltd
 PO Box 52
 Collins Street West VIC 8007

Street Address:
 Suite 913, Exchange Tower
 530 Little Collins Street
 MELBOURNE VIC 3000

Facsimile:
 +61 8 9315 2233

Email:
 registrar@securitytransfer.com.au

REGISTRY DATE STAMP

PRIVACY STATEMENT

Personal information is collected on this form by Security Transfer Australia Pty Ltd as the registrar for securities issuers for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. Your personal details may be disclosed to related bodies corporate, to external service providers such as mail and print providers, or as otherwise required or permitted by law. If you would like details of your personal information held by Security Transfer Australia Pty Ltd or you would like to correct information that is inaccurate please contact them on the address on this form.

NEON CAPITAL LIMITED

ACN 002 796 974

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Meeting will be held at:

TIME: 10:00 AM (WST)
DATE: Tuesday, 1 May 2018
PLACE: Central Boardroom
22/589 Stirling Highway
Cottesloe WA 6005

The business of the Meeting affects your shareholding and your vote is important.

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 10:00 AM (WST) on Sunday, 29 April 2018.

CONTENTS

Business of the Meeting (setting out the proposed Resolutions)	3
Explanatory Statement (explaining the proposed Resolutions)	4
Glossary	17
Schedule – Buy Back Offer Document	18
Buy Back Acceptance Form	Attached
Proxy Form	Attached

IMPORTANT INFORMATION

Your vote is important

The business of the Meeting affects your shareholding and your vote is important.

Voting eligibility

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 10:00AM (WST) on Sunday, 29 April 2018

Voting in person

To vote in person, attend the Meeting at the time, date and place set out above.

Voting by proxy

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that changes to the Corporations Act made in 2011 mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 8 6144 4840.

BUSINESS OF THE MEETING

AGENDA

1. FINANCIAL STATEMENTS AND REPORTS

To receive and consider the annual financial report of the Company for the financial year ended 31 December 2017 together with the declaration of the directors, the director's report and the auditor's report.

2. RESOLUTION 1 – RE-ELECTION OF DIRECTOR – MR ROSS WILLIAMS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of clause 13.2 of the Constitution and for all other purposes, Mr Ross Williams, a Director, retires by rotation, and being eligible, is re-elected as a Director.”

3. RESOLUTION 2 – APPROVAL OF EQUAL ACCESS SHARE BUY BACK

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of clause 10.3 of the Constitution, section 257C(1) of the Corporations Act 2001 (Cth) and for all other purposes, approval is given for the Company to buy back up to 44,351,312 of the Company's issued Shares on the terms and conditions set out in the Explanatory Statement.”

Dated: 6 April 2018

By order of the Board

**Amanda Burgess
Company Secretary**

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

1. FINANCIAL STATEMENTS AND REPORTS

In accordance with the Constitution, the business of the Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 31 December 2017 together with the declaration of the directors, the directors' report and the auditor's report.

The Company will not provide a hard copy of the Company's annual financial report to Shareholders unless specifically requested to do so. The Company's annual financial report is available on its website at www.neoncapital.com.au.

2. RESOLUTION 1 – RE-ELECTION OF DIRECTOR – MR ROSS WILLIAMS

2.1 General

The Constitution of the Company sets out the requirements for determining which Directors are to retire by rotation at an annual general meeting.

Clause 13.2 of the Constitution requires that at the Company's annual general meeting in every year, one-third of the Directors for the time being, or, if their number is not a multiple of 3, then the number nearest one-third (rounded upwards in case of doubt), shall retire from office, provided always that no Director except a Managing Director shall hold office for a period in excess of 3 years, or until the third annual general meeting following his or her appointment, whichever is the longer, without submitting himself for re-election.

The Directors to retire at an annual general meeting are those who have been longest in office since their last election, but, as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by drawing lots.

A Director who retires by rotation under clause 13.2 of the Constitution is eligible for re-election.

The Company currently has 3 Directors and accordingly 1 must retire.

Mr Timothy Kestell, who has served as a director since 19 December 2014, was last re-elected on 27 May 2016.

Mr Peter Pynes, who has served as a director since 19 December 2014, was last re-elected on 26 May 2017.

Mr Ross Williams, who has served as a director since 25 March 2015, was also last re-elected on 29 May 2015.

Accordingly, Mr Williams has been in office for the longest time out of the three directors since his last election.

Therefore Mr Williams has elected to retire by rotation and seek re-election.

2.2 Qualifications and other material directorships

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 until retiring 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. He is currently serving as a Non-Executive Director for publicly listed Emerald Resources NL..

2.3 Independence

If elected the board considers Mr Williams will be a non-independent Chairman.

2.4 Board recommendation

The Board supports the re-election of Mr Williams and recommends that Shareholders vote in favour of Resolution 1.

3. RESOLUTION 2 – APPROVAL OF EQUAL ACCESS SHARE BUY BACK

3.1 Introduction

The Company has decided, subject to obtaining Shareholder approval, to undergo an off-market buy back of its Shares (**Buy Back**).

The approval of this Resolution will allow Shareholders to participate in the Buy Back as the Company will have the capacity to Buy Back up to 44,351,312 Shares.

3.2 Rationale

The Company's Board is of the view that buying back some of the Company's ordinary shares would be a prudent use of capital, given that the current cash holdings are in excess of what is required to progress its investment objectives.

The Buy Back also provides Shareholders an opportunity to realise their investment should they not wish to maintain their holding in the Company.

The Company's Board is presently of the view that whilst Shareholders have had the offer to participate in Equal Access Share Buy Backs each of the past two years it is unlikely that this can continue to be available as a liquidity opportunity. The prospect of further Buy Backs would ultimately be determined by a number of factors, including the level of acceptances under the Buy Back now contemplated.

3.3 Off-market Share Buy Back - process and timing

If Shareholder approval is granted for the conduct of the Buy Back, the Company would review prevailing market conditions, business development opportunities and its cash position prior to commencing the Buy Back process, and would implement the Buy Back at such time and in circumstances which would allow for the efficient management of the Company's capital.

Any Shares purchased by the Company in the Buy Back would be cancelled in due course.

The Company will only Buy Back the full number of Shares in any one holding, or no Shares at all, in its absolute discretion. However, the Company reserves the right to terminate, suspend or vary the terms of the Buy Back at any time. The implementation and timing of the Buy Back and the actual number of Shares acquired will depend on market conditions and the factors detailed above.

The Directors advise that, in order to provide the Company with flexibility in relation to the deployment of cash reserves, they unanimously recommend that shareholders approve the Buy Back.

3.4 Intention of the Board if the Buy Back is not approved

In the event the Buy Back is not approved by Shareholders, the Board will proceed with a buy back of its Shares within the "10/12 limit" set out in sections 257B(4) and (5) of the Corporations Act. It is the Board's intention to still utilise any of the remaining balance under the "10/12 rule" that is not taken up under the Buy Back.

3.5 Effect of Buy Back on creditors

The Buy Back involves a reduction in the Company's cash reserve. However, this will not materially prejudice the Company's ability to pay its creditors, as the Buy Back will be managed to ensure that the Company will have sufficient cash reserves to pay its creditors post the Buy Back.

3.6 Effect on Shareholders

The Buy Back will have no effect on the number of Shares held by Shareholders who have not had their Shares acquired off-market. The Company has no partly paid Shares on issue and no convertible securities on issue.

3.7 Effect on Company's contributed equity

On completion of the Buy Back, the contributed equity of the Company will be reduced by the amount expended in buying back Shares.

3.8 Why Shareholders' approval is required

Section 10.3 of the Company's Constitution provides that, subject to the Corporations Act and in accordance with the provisions of Part 2J.1 Division 2 of the Corporations Act, the Company may purchase its own Shares on such terms and at such times as may be determined by the Directors from time to time.

The Corporations Act rules relating to share buy backs are designed to protect the interests of shareholders and creditors by:

- (a) addressing the risk of the transaction leading to the company's insolvency;
- (b) seeking to ensure fairness between the shareholders of the company; and
- (c) requiring the company to disclose all material information.

In particular, Section 257A of the Corporations Act requires that a company may only buy back its own shares if:

- (a) the buy back does not materially prejudice the company's ability to pay its creditors; and
- (b) the company follows the procedures laid down in Division 2 of Part 2J.1 of the Corporations Act.

Division 2 of Part 2J.1 of the Corporations Act permits a company to conduct an equal access buy back scheme if each of the following conditions set out in subsection 257B(2) is satisfied:

- (a) the offers under the scheme relate only to ordinary shares;
- (b) the offers are to be made to every person who holds ordinary shares to buy back the same percentage of their ordinary shares;
- (c) all of those persons have a reasonable opportunity to accept the offers made to them;
- (d) buy back agreements are not entered into until a specified time for acceptances of offers has closed; and
- (e) the terms of all the offers are the same.

An equal access buy back in excess of the "10/12 Limit" (defined by sections 257B(4) and (5) of the Corporations Act as 10% of the smallest number of votes attaching to voting shares that the company had on issue that year) also requires approval under section 257C(1) of the Corporations Act by an ordinary resolution passed at a general meeting of the company.

In relation to these requirements:

- (a) the size of the Buy Back has been calculated after taking into account all current and future existing and contingent obligations. Accordingly, the Board considers that the approval of the Buy Back will not have a material impact on the Company's ability to meet its creditor obligations; and
- (b) Shareholders are being asked to approve the proposal at the Meeting.

Section 10.3 of the Company's Constitution provides that, subject to the Corporations Act and in accordance with the provisions of Part 2J.1 Division 2 of the Corporations Act, the Company may purchase its own Shares on such terms and at such times as may be determined by the Directors from time to time.

Pursuant to Section 257C(2) of the Corporations Act, the Company is required to disclose statement setting out all information known to the Company that is material to the decision of how to vote on the Buy Back Resolution.

However, the Company does not have to disclose information if it would be unreasonable to require the Company to do so because the Company has previously disclosed the information to its Shareholders.

Accordingly, this Explanatory Statement describes:

- (a) the proposed terms of the Buy Back;
- (b) the reasons for the Buy Back;
- (c) the effect of the Buy Back on the Company;
- (d) the possible advantages and disadvantages of the Buy Back; and
- (e) other information material to a Shareholders' decision on how to vote on the Buy Back Resolution.

3.9 Summary of and effect of proposed Buy Back

The terms of the proposed Buy Back are as follows:

- (a) **(Buy Back price):** The proposed Buy Back price per Share is \$0.28 (**Buy Back Price**). The proposed Buy Back price is higher than the last trading price of \$0.22 prior to delisting from the ASX and the price paid by the Company in the previous buy back program.
- (b) **(Buy Back period):** =Twenty one (21) days from the date of commencement, being the date Shareholder approval is granted for the conduct of the Buy Back (if granted).
- (c) **(Total number of Shares to be bought back):** The Company proposes buying back a maximum of 44,351,312 Shares from Eligible Shareholders who agree to sell their Shares under the Buy Back. Whilst this is the maximum number of Shares that may be repurchased, it is not necessarily the actual number that will be bought back and the Company has been informed that it is the current intention of the Directors (and their related parties) not to participate in the Buy Back and as such it is unlikely that all the Shares will be bought back.
- (d) **(Dilutionary effect):** There will be no dilutionary effect on Shareholders, other than those whose shares are acquired in an off-market transaction, as a result of the Buy Back.
- (e) **(Funding of Buy Back):** The Buy Back will be funded by surplus cash. The maximum potential outlay of cash by the Company on the Buy Back (before transaction costs) will be approximately \$12,418,367, however as it's the intention of the related parties (Directors' interests) not to participate, the more likely maximum is \$6,261,061. The Directors are satisfied that this outlay will have no material effect on the Company's ability to maintain and service its operations.
- (f) **(Eligible Shareholders):** The Company will offer to Buy Back Shares from all Shareholders registered as at 10:00am (WST) on 29 April 2018 (**Record Date**) (**Eligible Shareholders**). Share transfers registered after that time will be disregarded in determining entitlements to participate in the Buy Back.
- (g) **(Directors' interests):** As at the date of this Notice, the Directors' interests in the Company's securities are as follows:

Director	Shares currently held	% of Company's issued capital (pre-Buy Back)
Peter Pynes	3,378,731 Shares (being the Shares held by Quicksilver Asset Pty Ltd an entity controlled by Mr Pynes' s spouse.)	7.62%
Peter Pynes	3,026,395 Shares (being the Shares held by P & L Capital Pty Ltd an entity controlled by Mr Pynes.)	6.82%
Timothy Kestell	7,330,126 Shares being the Shares held by Desertfox Pty Ltd an entity controlled by Mr Kestell.)	16.53%
Timothy Kestell	425,000 Shares being the Shares held by Old Blood and Guts Pty Ltd an entity controlled by Mr Kestell.)	0.96%
Ross Williams	7,830,126 Shares (being the Shares held by Seascope Capital Pty Ltd an entity controlled by Mr Williams.)	17.65%

- (h) **(Effect on Share capital):** As at the date of this Notice of Meeting, the Company has 44,351,312 Shares on issue. Assuming the Buy Back is accepted up to the Buy Back Limit, the overall effect of the Buy Back on the Company's Share capital will be to reduce the total number of Shares on issue by approximately 44,351,312 Shares so that nil Shares remain on issue at completion of the Buy Back. The following table demonstrates the overall effect of the Buy Back if Eligible Shareholders accept the Buy Back offer in the varying proportions set out below:

Assumed Acceptances:	100%	50%	25%	Nil
Shares on issue	44,351,312	44,351,312	44,351,312	44,351,312
Less Shares bought back	44,351,312	22,175,656	11,087,828	Nil
Shares upon completion of Buy Back offer	Nil	22,175,656	33,263,484	44,351,312

- (i) **(Effect on control):** All of the Shares bought back under the Buy Back will be cancelled. Consequently, if Resolution 2 is approved, the Buy Back will reduce the total number of Shares on issue. Whilst the opportunity to participate for each Eligible Shareholder under the Buy Back is equal, the percentage of each Eligible Shareholder's interest which may be bought back will depend on the number of Shares nominated for sale by the Eligible Shareholder (which, for the avoidance of doubt, must be either 0% or 100%) and the application of any scale-back. Accordingly, the effect of the Buy Back on the control of the Company will not be known until the Buy Back is completed.

- (j) **(Financial effect):** The financial effect of the Buy Back on the Company will be to:
- (i) reduce the Company's cash reserves by up to \$12,418,367 (assuming the Buy Back is accepted up to the Buy Back Limit, which the Directors believe is unlikely, as the Company has been informed that it is the current intention of the Directors (and their related parties) to not participate in the Buy Back); and
 - (ii) cause an increase in the underlying value of the Company's net assets per Share (as a result of the cancellation of the Shares which are bought back under the Buy Back). By way of example, if the Buy Back is accepted at a rate of 50%, so that 22,175,656 Shares are bought back, the underlying value of the Company's net assets per Share will increase from \$0.4313 to \$0.59. It is also likely that the future earnings per Share will increase, assuming the Company's future trading results are broadly in line with those achieved historically.

3.10 The Company's current business plan

The Company intends to maintain its current business plan.

The Company will seek to adjust and improve its business plan in order to enhance Shareholder return.

Whilst the Company does not have specific investments in mind at this stage, it anticipates that its investments will include, but not be limited to, listed and unlisted securities; debentures, property, stocks or bonds; currencies and commodities; secured and unsecured loans; interests in a managed investment scheme; and derivatives with the flexibility to allocate capital to the most attractive asset class in a given economic cycle.

It is intended that such investments will be concentrated in the resources and technology sectors however the overarching factor that will govern the investment focus will be to areas that the Board perceives as undervalued. In addition, the investments may result in the Company taking a controlling or management role.

3.11 Advantages and disadvantages of the proposed Buy Back

Advantages

The Board believes that the Buy Back will provide the following advantages to Shareholders:

- (a) As the Company's Shares are not listed on a public market or securities exchange, the opportunity and market for Shareholders to dispose of their Shares is limited. The Buy Back provides an exit mechanism for those Eligible Shareholders who wish to sell their Shares.
- (b) The Buy Back allows Shareholders to realise value in the short term, compared with the uncertainty of realising superior value and liquidity in the future. The proposed Buy Back price is broadly in line (on a NTA adjusted basis) with the last trading price prior to delisting from the ASX and the last price paid by the Company in the previous buy back program.
- (c) Having sold all of their Shares, Eligible Shareholders will lower their exposure to the risks associated with an investment in the Company.

- (d) The Buy Back will result in an uplift of the net assets per Share for remaining Shareholders.
- (e) There will be a lesser number of Shares on issue, consequently the ownership interest in the Company of each Shareholder who does not or is not entitled to accept the Buy Back, will increase.
- (f) No transaction costs will be incurred by Eligible Shareholders pursuant to the Buy Back.

Disadvantages

The Board believes the disadvantages to Shareholders of the Buy Back include:

- (a) The Buy Back may reduce the Company's cash assets by up to approximately \$12,418,367 (from approximately \$8,337,520 (as at 31 December 2017) to approximately (\$4,080,847), resulting in a reduction in Shareholders' funds. However, as stated elsewhere in this Notice, the Directors believe this will not prejudice the Company's ability to pay its creditors or the interests of Shareholders generally.
- (b) Once the Company enters into an agreement with an Eligible Shareholder to acquire their purchased Shares, all rights attaching to purchased Shares are suspended, unless and until the Buy Back agreement is terminated.
- (c) Eligible Shareholders who accept the Buy Back offer will cease to gain any benefits associated with an investment in the Company to the extent of the number of Shares bought back.
- (d) The Buy Back Price of \$0.28 per Share is below the Net Tangible Asset backing per share as reported on the company's website monthly at www.neoncapital.com.au, which currently is reported as \$0.4313.
- (e) As the Buy Back will reduce the Company's cash assets as noted above, the Company will also have a reduced capacity to pay dividends to Shareholders. It will also have a reduced capacity to avail itself of investment opportunities.

3.12 Australian tax considerations

The following is a general guide to the Australian Income Tax and Capital Gains Tax (**CGT**) consequences of the proposed Buy Back on the Company and Shareholders. The information below applies only to Shareholders who hold their Shares on capital account and it does not apply to Shareholders who hold their Shares as trading stock (e.g. share traders), on revenue account or are subject to the taxation of financial arrangements (the TOFA) provisions.

The Company has not received a class ruling from the ATO for Shareholders who participate in the proposed Buy Back, nor does it intend to seek such a ruling.

(a) Tax consequences for the Company

The Directors do not consider that the proposed Buy Back will affect the Company's taxation position.

(b) Tax consequences for Australian resident Shareholders

The whole of the Buy Back Price will be debited against Neon's share capital account. Accordingly, no part of the Buy Back Price is expected to be a dividend.

A Shareholder who sells Shares in the Buy Back will trigger income tax and CGT consequences. The proposed Buy Back Price of \$0.28 is expected to consist of a capital return of \$0.28 per Share. The Buy Back Price will be taken to have been received as consideration for the sale of each Share. In the event where the Buy Back Price is lower than the Share's market value, the Shareholder is deemed to have received market value consideration. This would affect the capital gain or loss resulting from the disposal of Shares under the Buy Back as discussed below under the subheading of 'The capital component'. Where the Buy Back Price is higher than the Share's market value, the excess is treated as an un-franked dividend.

The capital component

Where the Shares are held on capital account, the Shareholder is taken to have disposed of a CGT asset and a capital gain or loss will arise. The capital proceeds for CGT purposes will be the total purchase price, representing the amount that is debited to the Share capital of the Company. The capital proceeds per Share is expected to be \$0.28.

A Shareholder will make a capital gain if the capital proceeds exceed the Share's cost base. If the Shareholder has held the Shares for a period of more than 12 months, a CGT discount may apply to reduce the capital gain by 50% for an individual and a trust, and by 33¹/₃% for complying superannuation funds and life insurance companies.

Conversely, a Shareholder will make a capital loss if the capital proceeds are less than the Share's cost base.

Tax consequences for non-Australian resident shareholders

If a non-Australian resident Shareholder participates in the Buy Back, the unfranked dividend (if any) received from the Buy Back Price is subject to dividend withholding tax. Non-Australian resident taxpayers are only subject to CGT on the disposal of 'Taxable Australian Property'. The term 'Taxable Australian Property' includes an indirect Australian real property interest. An entity would have an indirect interest if it has a non-portfolio interest where the sum of the direct participation interests held by that entity and its associates is 10% or more.

The Board confirms that there are no non-resident Shareholders who individually with their associates hold 10% or more of the Company's Shares. Therefore, the Shares disposed of by non-resident Shareholders are not Taxable Australian Property and any capital gain or loss is disregarded.

Non-Australian resident Shareholders should seek their own tax advice in their respective countries regarding their own tax implications of the Buy Back.

The tax anti-avoidance provisions

There are a number of tax anti-avoidance provisions which deal with the streaming of capital benefits to tax advantaged shareholder (e.g. non-resident Shareholders) and also various tax avoidance provisions in relation to imputation benefits.

The Board considers that the Buy Back should not attract the application of the anti-avoidance provisions. However, if it occurs, then the ATO has discretion to make a determination that some or all of the Buy Back Price is an unfranked dividend. This will have impact on the Shareholder's assessable income or liability to withholding tax.

(c) General value shifting regime

The Board considers that the Buy Back should not be subject to the general value shifting regime as the Buy Back will be conducted at arm's length or market value terms.

The above tax information is a general guide to the Australian Income Tax and CGT consequences of the Buy Back to the Company and Shareholders and is not designed to be relied upon as personal taxation advice. Shareholders should seek their own professional taxation advice in respect of their own particular circumstances. Any Shareholder who relies on the above information without seeking additional taxation advice as to their own individual circumstances does so at their own risk, and the Company, its officers, employees and advisors will not be responsible or liable for any losses incurred by Shareholders in this regard. The Company will not under any circumstance accept any responsibility, liability or loss to any other person who may seek to rely on the above tax information for any reason whatsoever.

3.13 Financial position

The pro-forma balance sheet extract as at 31 December 2017 set out below reflects the impact of the Buy Back based on the Buy Back Limit less the related party shareholders as it is their intention not to participate in the buy back.

For the purposes of showing the impact of the Buy Back on the Company's financial position, the balance sheet is prepared on the assumption that the Buy Back was completed on 31 December 2017.

	Consolidated 31-Dec-17 before Buy Back		Consolidated 31-Dec-17 after Buy Back
	\$		\$
CURRENT ASSETS			
Cash	8,337,520	-6,157,306	2,180,214
Financial assets at fair value through profit and loss	8,975,289		8,975,289
Trade and other receivables	212,515		212,515
TOTAL CURRENT ASSETS	17,525,324		11,368,018
NON-CURRENT ASSETS			
Property, plant and equipment	1,795,788		1,795,788
TOTAL NON-CURRENT ASSETS	1,795,788		1,795,788
TOTAL ASSETS	19,321,112		13,163,806
CURRENT LIABILITIES			
Trade and other payables	481,027		481,027
TOTAL CURRENT LIABILITIES	481,027		481,027
NON-CURRENT LIABILITIES			
TOTAL NON-CURRENT LIABILITIES	-		-
TOTAL LIABILITIES	481,027		481,027
NET ASSETS	18,840,085		12,682,779
EQUITY			
Contributed equity	168,954,790	-6,157,306	162,797,484
Reserves	5,573,960		5,573,960
Accumulated losses	-155,688,665		-155,688,665
TOTAL EQUITY	18,840,085	-6,157,306	12,682,779

3.14 Board recommendation

The Board unanimously recommends that the Shareholders vote in favour of the Resolution approving the off-market Share Buy Back for the reasons set out in this Notice of Meeting and noting that approval of the Resolution will give shareholders the **OPTION** to accept the Buy Back in relation to their shareholding.

Individual Directors have undertaken to vote all Shares controlled by them in accordance with the above recommendation.

The Chairman of the Meeting intends to vote undirected Proxies in favour of this Resolution.

The decision as to whether individual shareholders should accept the Buy Back in respect to their own shareholding is an entirely separate issue and should be based on individual circumstances known only to the holder and their professional advisers. From the perspective of a value proposition solely, the Buy Back Price represents a discount to the net tangible asset (**NTA**) value per Share and therefore, solely on the basis of value, the Directors recommend that you do not accept the Buy Back in respect of your shareholding. Other individual circumstances need to be taken into consideration in making this decision and you are encouraged to seek advice from your professional advisers as appropriate. It should also be noted that the NTA is based on the market price of ASX listed securities which may be different to the realisable value.

By indicating their intention not to accept the Buy Back, the Directors (and any other Shareholder who does not accept the Buy Back) would receive a potential benefit from the Buy Back because the NTA attributable to all Shares which are not accepted into the Buy Back would increase as a result of the Buy Back. The extent of this benefit would depend on how many Shares are accepted into the Buy Back.

3.15 Other material information

There is no information material to the making of a decision by a Shareholder whether or not to approve Resolution 2 being information that is known to any of the Directors and which has not been previously disclosed to Shareholders, other than as disclosed in this Explanatory Statement.

In accordance with section 257H(3) of the Corporations Act, immediately after the registration of the transfer to the Company of the Shares bought back, the Shares will be cancelled.

3.16 Buy Back Offer Document and Buy Back Acceptance Form

The Buy Back Offer Document is contained in the Schedule to this Notice of Meeting and the Buy Back Acceptance Form is attached to this Notice of Meeting.

Eligible Shareholders who intend to accept the Buy Back Offer must return a Buy Back Acceptance Form in accordance with the instructions on that form on or before the Closing Date (refer to the Buy Back Acceptance Form for details).

3.17 Proposed Buy Back timetable

The following table sets out the current proposed timeframe for completion of the Buy Back:

Event	*Date
Completion of dispatch of Buy Back Offer Document, Buy Back Acceptance Form and Notice of Meeting to Shareholders	6 April 2018
Record Date for determination of entitlements to participate in the Buy Back	10:00 AM (WST) 29 April 2018
General Meeting date (to approve Buy Back)	1 May 2018
Buy Back Offer Period	2 May 2018 – 23 May 2018
Buy Back Closing Date	5:00pm (WST) on 23 May 2018
Dispatch of Buy Back sale proceeds	6 June 2018

*This is an indicative timetable for the Buy Back. The Company reserves the right to change these dates in its absolute discretion.

GLOSSARY

\$ means Australian dollars.

Annual General Meeting or **Meeting** means the meeting convened by the Notice.

ASIC means the Australian Securities & Investments Commission.

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASIC declares is not a business day.

Buy Back Acceptance Form means the Buy Back Acceptance Form accompanying the Buy Back Offer Document.

Buy Back Limit means 100% (44,351,312 Shares) of the Company's total issued Share capital as at the date of the Buy Back offer.

Buy Back Offer Document means the document containing the formal Buy Back offer to Eligible Shareholders, forming the Schedule to this Explanatory Statement.

Chair means the chair of the Meeting.

Company means Neon Capital Limited (ACN 002 796 974).

Constitution means the Company's constitution.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the current directors of the Company.

Eligible Shareholders means all Shareholders registered as at 10:00am (WST) on the Record Date.

Explanatory Statement means the explanatory statement accompanying the Notice.

Notice or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form.

Proxy Form means the proxy form accompanying the Notice.

Record Date means 29 April 2018.

Resolutions means the resolutions set out in the Notice, or any one of them, as the context requires.

Section means a section of the Explanatory Statement.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a registered holder of a Share.

WST means Western Standard Time as observed in Perth, Western Australia.

SCHEDULE – BUY BACK OFFER DOCUMENT

1. DICTIONARY

Unless otherwise indicated, terms defined in this Buy Back Offer Document have the same meaning given to those terms in the Notice of Meeting.

2. BUY BACK OFFER TERMS

2.1 **Buy Back Offer:** The Company offers to Buy Back Shares which are held in your name on 29 April 2018 (**Record Date**), on the terms and conditions set out below. If you accept the Buy Back Offer, you may only do so in respect of all of your Shares.

2.2 **Approval Condition:** This Buy Back Offer, and any contract that results from acceptance of the Buy Back Offer, is conditional on the Company obtaining Shareholder approval for the Buy Back, in accordance with section 257C(1) of the Corporations Act and Clause 10.3 of the Company's Constitution (**Approval Condition**). If the Approval Condition is not satisfied by 1 May 2018 or such later date as determined by the Board in its absolute discretion, the Buy Back Offer, and any contract formed on acceptance of the Buy Back Offer, will terminate and the Company will have no further obligations other than rights and liabilities arising before the Record Date.

2.3 **Eligible Shareholders:** The Buy Back Offer is being made to all Shareholders registered as at the Record Date.

2.4 **Buy Back Price:** The Buy Back price per Share is \$0.28, which is expected to comprise a capital return of \$0.28 per Share.

2.5 **Buy Back Limit:** The Company will Buy Back in aggregate not more than 100% (44,351,312 Shares) of the Company's total issued Share capital as at the date of this Buy Back Offer. If you accept the Buy Back Offer, the Company will transfer to you cash consideration of \$0.28 for every one (1) Share bought back by the Company (**Consideration**).

2.6 **Offer Period:** Unless withdrawn, this Buy Back Offer will remain open for acceptance during the period commencing on 2 May 2018 (**Opening Date**) and ending at **5:00pm (WST) on 23 May 2018 (Closing Date)**, subject to any extension of that period made by the Board in its absolute discretion.

2.7 **Payment:** Subject to this Buy Back Offer, the Company will provide the Consideration for your Shares not later than one (1) month after the transfer of the Purchased Shares to the Company, or the contract resulting from its acceptance, becomes unconditional. The Company will post a cheque for the amount owing to you at the address set out in the register of members maintained by the Company.

2.8 How to accept this Buy Back Offer

2.8.1 If you accept the Buy Back Offer, the number of Shares the Company will Buy Back under the Buy Back Offer will be the total number of Shares which you hold in the Company. The Company will not Buy Back partial share holdings.

2.8.2 If you are registered as the holder of one or more parcels of Shares as trustee or nominee for, or otherwise on account of, another person, you may accept as if a separate and distinct offer on the same terms and conditions as this Buy Back Offer has been made in relation to each of those parcels and any parcel you hold in your own right.

If you accept the Buy Back Offer, you must:

- (a) complete and sign the attached Buy Back Acceptance Form in accordance with the instructions on the Buy Back Acceptance Form; and
- (b) ensure that the Buy Back Acceptance Form is returned in accordance with the instructions on that form by the Closing Date of **5:00pm (WST) on 23 May 2018**.

Your Buy Back Acceptance Form will be deemed to have been received in time if it is in compliance with the instructions on that form before the end of the Offer Period.

2.8.3 Once you have accepted this Buy Back Offer, you will be unable to revoke your acceptance and the contract resulting from your acceptance will be binding on you, subject to any conditions of the Buy Back Offer.

2.8.4 The Board may, in its sole discretion, at any time deem any Buy Back Acceptance Form it receives during the Offer Period (or, if applicable, in an envelope post-marked before the expiry of the Offer Period) (whether it is received by post or otherwise and whether it is received at the address set out on the Application Form or otherwise) to be a valid acceptance in respect of the number of Shares indicated on the Buy Back Acceptance Form, even if a requirement for acceptance has not been complied with.

2.9 **The effect of acceptance**

2.9.1 By following the acceptance procedures described in section 2.8, you will be deemed to have:

- (a) accepted the Buy Back Offer in respect of that number of Shares set out in the Buy Back Acceptance Form (being all of the Shares you hold in the Company), or such lesser number of Shares as the Board may determine, having regard to the Buy Back Limit and any scale back mechanism adopted by the Board (**Purchased Shares**);
- (b) agreed to transfer your Purchased Shares to the Company;
- (c) agreed to accept the Consideration being offered by the Company;
- (d) appointed and authorised the Company as your attorney and in your name and on your behalf:
 - (i) to complete the Buy Back Acceptance Form by correcting any errors in or omissions from the Buy Back Acceptance Form as may be necessary to make it valid;
 - (ii) to make the Buy Back Acceptance Form an effective acceptance of this Buy Back Offer;
 - (iii) to execute, at any time after your acceptance of this Buy Back Offer, all forms, notices and instruments in respect of your Purchased Shares; and/or
 - (iv) to enable registration of the transfer to the Company of your Purchased Shares and to complete a share transfer form on your behalf in this regard,

and to have agreed not to revoke that authority during the Proxy Period referred to in section 2.9.1(g) below;

- (e) represented and warranted to the Company that the Company will acquire good title to and beneficial ownership of all of your Purchased Shares free from all mortgages, charges, liens, encumbrances (whether legal or equitable) and other third party interests of any kind;
- (f) agreed to indemnify the Company fully in respect of any claim, demand, action, suit or proceeding made or brought against the Company and any loss, cost, expense, damage or liability whatsoever suffered or incurred by the Company as a result of the Company not receiving from you title to your Purchased Shares;

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NEON CAPITAL LTD

ACN: 002 796 974

SHARE REGISTRY:

Security Transfer Australia Pty Ltd

All Correspondence to:

PO BOX 52

Collins Street West VIC 8007

Suite 913, Exchange Tower

530 Little Collins Street

Melbourne VIC 3000

T: 1300 992 916 F: +61 8 9315 2233

E: registrar@securitytransfer.com.au

W: www.securitytransfer.com.au

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Code:

NEN

Holder Number:

PROXY FORM

THIS DOCUMENT IS IMPORTANT. IF YOU ARE IN DOUBT AS TO HOW TO DEAL WITH IT, PLEASE CONTACT YOUR STOCK BROKER OR LICENSED PROFESSIONAL ADVISOR.

**VOTE
ONLINE**Lodge your proxy vote securely at www.securitytransfer.com.au

1. Log into the Investor Centre using your holding details.

2. Click on "Proxy Voting" and provide your Online Proxy ID to access the voting area.

SECTION A: Appointment of Proxy

I/We, the above named, being registered holders of the Company and entitled to attend and vote hereby appoint:

The meeting chairperson

OR

or failing the person named, or if no person is named, the Chairperson of the meeting, as my/our Proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the Proxy sees fit) at the General Meeting of the Company to be held at 10:00am WST on Tuesday 1 May 2018 at Central Boardroom, 22/589 Stirling Highway, Cottesloe WA 6005 and at any adjournment of that meeting.

SECTION B: Voting Directions

Please mark "X" in the box to indicate your voting directions to your Proxy. The Chairperson of the Meeting intends to vote undirected proxies in FAVOUR of all the resolutions.

In exceptional circumstances, the Chairperson of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

RESOLUTION

1. Re-election of director – Mr Ross Williams

For**Against****Abstain***

2. Approval of Equal Access Share Buy Back

If no directions are given my proxy may vote as the proxy thinks fit or may abstain. * If you mark the Abstain box for a particular item, you are directing your Proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

SECTION C: Signature of Security Holder(s)

This section must be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Security Holder

Sole Director & Sole Company Secretary

Security Holder 2

Director

Security Holder 3

Director/Company Secretary

Proxies must be received by Security Transfer Australia Pty Ltd no later than 10:00am WST on Sunday 29 April 2018.

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My/Our contact details in case of enquiries are:

Name:

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Number:

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1. NAME AND ADDRESS

This is the name and address on the Share Register of the Company. If this information is incorrect, please make corrections on this form. Shareholders sponsored by a broker should advise their broker of any changes. Please note that you cannot change ownership of your shares using this form.

2. APPOINTMENT OF A PROXY

If the person you wish to appoint as your Proxy is someone other than the Chairperson of the Meeting please write the name of that person in Section A. If you leave this section blank, or your named Proxy does not attend the meeting, the Chairperson of the Meeting will be your Proxy. A Proxy need not be a shareholder of the Company.

3. DIRECTING YOUR PROXY HOW TO VOTE

To direct the Proxy how to vote place an "X" in the appropriate box against each item in Section B. Where more than one Proxy is to be appointed and the proxies are to vote differently, then two separate forms must be used to indicate voting intentions.

4. APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two (2) persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second Proxy, an additional Proxy form may be obtained by contacting the Company's share registry or you may photocopy this form.

To appoint a second Proxy you must:

- a) On each of the Proxy forms, state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each Proxy may exercise, each Proxy may exercise half of your votes; and
- b) Return both forms in the same envelope.

5. SIGNING INSTRUCTIONS

Individual: where the holding is in one name, the Shareholder must sign.

Joint Holding: where the holding is in more than one name, all of the Shareholders must sign.

Power of Attorney: to sign under Power of Attorney you must have already lodged this document with the Company's share registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the Company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the Company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director may sign alone. Otherwise this form must be signed by a Director jointly with either another Director or Company Secretary. Please indicate the office held in the appropriate place.

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be lodged with the Company before the meeting or at the registration desk on the day of the meeting. A form of the certificate may be obtained from the Company's share registry.

6. LODGEMENT OF PROXY

Proxy forms (and any Power of Attorney under which it is signed) must be received by Security Transfer Australia Pty Ltd no later than the date and time stated on the form overleaf. Any Proxy form received after that time will not be valid for the scheduled meeting.

The proxy form does not need to be returned to the share registry if the votes have been lodged online.

Security Transfer Australia Pty Ltd

Online	www.securitytransfer.com.au
Postal Address	PO BOX 52 Collins Street West VIC 8007
Street Address	Suite 913, Exchange Tower 530 Little Collins Street Melbourne VIC 3000
Telephone	1300 992 916
Facsimile	+61 8 9315 2233
Email	registrar@securitytransfer.com.au

PRIVACY STATEMENT

Personal information is collected on this form by Security Transfer Australia Pty Ltd as the registrar for securities issuers for the purpose of maintaining registers of security holders, facilitating distribution payments and other corporate actions and communications. Your personal details may be disclosed to related bodies corporate, to external service providers such as mail and print providers, or as otherwise required or permitted by law. If you would like details of your personal information held by Security Transfer Australia Pty Ltd or you would like to correct information that is inaccurate please contact them on the address on this form.



- (g) appointed the Company or any nominee of the Company as your agent and attorney to exercise all the powers and rights attaching to your Purchased Shares and have agreed not to revoke that appointment during the period (**Proxy Period**) between the date of your acceptance of this Buy Back Offer and the earlier of:
 - (i) the date on which the Company withdraws the Buy Back Offer;
 - (ii) the date on which the Buy Back Offer, and any contract that results from acceptance of the Buy Back Offer is terminated; and
 - (iii) the date on which the Company is registered as the holder of your Purchased Shares; and
- (h) agreed that in exercising the powers conferred by the power of attorney in section 2.9.1(g) above, the Company or its nominee is entitled to act in the interests of the Company.

2.9.2 In accordance with section 257H(1) of the Corporations Act, once the Company enters into an agreement with you to Buy Back the Purchased Shares, all rights attaching to the Purchased Shares are suspended. The suspension is lifted if the agreement is terminated.

- 2.10 **Withdrawal of Buy Back Offer:** The Company may withdraw this Buy Back Offer for any reason whatsoever at any time.
- 2.11 **No duty or other costs or brokerage:** The Company will pay all costs and expenses of the preparation, dispatch and circulation of this Buy Back Offer and any duty payable in respect of the transfers of Purchased Shares to the Company. No brokerage is payable by you if you accept this Buy Back Offer.
- 2.12 **Governing law:** This Buy Back Offer and any contract that results from your acceptance of this Buy Back Offer are governed by the laws in force in Western Australia.
- 2.13 **Date of Buy Back Offer:** This Buy Back Offer is dated 6 April 2018.