



**NEON CAPITAL LIMITED
INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
30 JUNE 2018
ABN: 49 002 796 974**

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CORPORATE DIRECTORY

DIRECTORS:	Mr Ross Williams Mr Peter Pynes Mr Tim Kestell	Executive Chairman Executive Director Executive Director
SECRETARY:	Amanda Burgess	Company Secretary
REGISTERED OFFICE:	33 Yilgarn Street Shenton Park Western Australia, 6008	
TELEPHONE:	(61 8) 9481 1176	
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BANKERS:	National Australia Bank	
AUDITORS:	HLB Mann Judd	

DIRECTORS' REPORT

The Directors of Neon Capital Limited present the financial statements of Neon Capital Limited and its controlled entities ("the Group", "Neon" or "the consolidated entity") for the half-year ended 30 June 2018 and in accordance with a resolution of the Directors, report as follows:

DIRECTORS AND EXECUTIVES

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

Directors

Mr Ross Williams	Executive Chairman
Mr Tim Kestell	Executive Director
Mr Peter Pynes	Executive Director

All Directors and Executives held their position from 1 January 2018 to the date of this report, unless otherwise indicated.

REVIEW OF OPERATIONS

This report is presented for the six months to 30 June 2018.

A focus of the Directors the past three years has been to return the company to profitability as an investment company and reduce operating and administrative costs in order to preserve and enhance shareholder value.

We are pleased to report that the company continues to increase its profitability.

The Board resolved on 6 April 2018 to conduct a buy-back to provide a complete exit mechanism for those eligible shareholders who wish to sell their shares.

The Company sought approval from shareholders at the Annual General Meeting on 1 May 2018 to conduct the equal access buy back of shares.

Shareholders passed the resolution at the meeting on 1 May 2018 and the buy back was completed on 13 June 2018. At the conclusion of this buy back a total of 7,679,263 shares to the value of \$2,150,194 were bought back and cancelled.

DIRECTORS' REPORT

OPERATING AND FINANCIAL REVIEW (continued)

FINANCIAL SUMMARY

The Profit for the financial half-year ended 30 June 2018 amounted to \$1,133,330 (30 June 2017: Profit of \$564,459).

At 30 June 2018 the Group has net assets of \$17,823,221 (31 December 2017: \$18,840,085) which includes cash assets of \$4,993,727 (31 December 2017: \$8,337,520).

SHARE CAPITAL

At 30 June 2018 the Company's share capital consisted of 36,672,049 ordinary shares.

SUBSEQUENT EVENTS

There have been no significant changes in the state of affairs of the consolidated entity in the reporting period to 30 June 2018 other than stated above.

AUDITORS INDEPENDENT DECLARATION

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

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

ROSS WILLIAMS



Chairman
Perth, 13th September, 2018

AUDITOR'S INDEPENDENCE DECLARATION



Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the interim financial report of Neon Capital Limited for the half-year ended 30 June 2018, 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 review; and
- b) any applicable code of professional conduct in relation to the review.

Perth, Western Australia
13 September 2018

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


N G Neill
Partner

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

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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 30 June 2018 and of its performance for the half-year ended on that date of the consolidated entity; and

(ii) complying with *Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*;

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Ross Williams
Chairman

Perth, 13th September 2018

INDEPENDENT AUDITOR'S REVIEW REPORT



Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Neon Capital Limited

Report on the Condensed Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Neon Capital Limited (“the company”) which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration, for the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Neon Capital Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility


Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 30 June 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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INDEPENDENT AUDITOR'S REVIEW REPORT



A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

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
13 September 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 6 months ended 30 June 2018

	6 months ended 30 June 2018 \$	6 months ended 30 June 2017 \$
Income		
Profit on Sale of Financial Assets	199,196	449,188
Net changes in fair value of trading investments	1,320,544	250,106
Rent Received	131,121	-
Interest Received	51,329	149,427
Other Income	15,000	54,697
Corporate and administration expenses	(583,860)	(338,959)
Profit/(Loss) before income tax expense for continuing operations	1,133,330	564,459
Income tax expense	-	-
Profit/(Loss) for the period	1,133,330	564,459
Other comprehensive income	-	-
Total comprehensive income for the period attributable to members of the parent entity	1,133,330	564,459
	Cents	Cents
Basic earnings/(loss) per share	2.61	1.16
Diluted earnings/(loss) per share	2.61	1.16

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Note	As at 30 June 2018 \$	As at 31 December 2017 \$
CURRENT ASSETS			
Cash and Short Term Deposits	3	4,993,727	8,337,520
Financial assets at fair value through profit and loss	4	10,949,217	8,975,289
Trade and other receivables	5	112,226	212,515
TOTAL CURRENT ASSETS		16,055,170	17,525,324
NON CURRENT ASSETS			
Property ,plant and equipment		5,177	-
Investment Property		1,819,295	1,795,788
TOTAL NON-CURRENT ASSETS		1,824,472	1,795,788
TOTAL ASSETS		17,879,642	19,321,112
CURRENT LIABILITIES			
Trade and other payables	6	56,421	481,027
TOTAL CURRENT LIABILITIES		56,421	481,027
TOTAL LIABILITIES		56,421	481,027
NET ASSETS		17,823,221	18,840,085
EQUITY			
Contributed equity		166,804,596	168,954,790
Reserves		5,573,960	5,573,960
Accumulated losses		(154,555,335)	(155,688,665)
TOTAL EQUITY		17,823,221	18,840,085

CONSOLIDATED STATEMENT OF CASH FLOWS

For the 6 months ended 30 June 2018

	Note	6 months ended 30 June 2018 \$	6 months ended 30 June 2017 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from sale of financial assets		5,529,540	1,425,596
Payments to suppliers and employees		(902,969)	(305,107)
Interest received		69,301	179,537
Rent received		131,121	-
Security Deposit Lease		(8,181)	
Purchase of financial assets		(5,983,727)	(8,514,974)
Net cash flows used in operating activities		(1,164,915)	(7,214,948)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for Fixed assets		(28,684)	-
Net cash from investing activities		(28,684)	-
CASH FLOWS USED IN FINANCING ACTIVITIES			
Payments for share buy back		(2,150,194)	(1,607,364)
Net cash flows from financing activities		(2,150,194)	(1,607,364)
Net (decrease)/increase in cash and cash equivalents		(3,343,793)	(8,822,312)
Net foreign exchange differences		-	-
Cash and cash equivalents at beginning of period		8,337,520	19,048,930
Cash and cash equivalents at end of period	3	4,993,727	10,226,618

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the 6 months ended 30 June 2018

	Contributed equity	Accumulated losses	Option & rights premium reserve	Total equity
	\$	\$	\$	\$
At 1 January 2017	170,562,154	(156,846,426)	5,573,960	19,289,688
Loss for the half-year	-	564,459	-	564,459
Other comprehensive loss	-	-	-	-
Total comprehensive Profit for the half-year	-	564,459	-	564,459
Share buy back	(1,607,364)	-	-	(1,607,364)
Shares granted	-	-	-	-
At 30 June 2017	168,954,790	(156,281,967)	5,573,960	18,246,783
At 1 January 2018	168,954,790	(155,688,665)	5,573,960	18,840,085
Profit for the half-year	-	1,133,330	-	1,133,330
Other comprehensive loss	-	-	-	-
Total comprehensive income/(loss) for the half-year	-	1,133,330	-	1,133,330
Share buy back	(2,150,194)	-	-	(2,150,194)
Shares granted	-	-	-	-
At 30 June 2018	166,804,596	(154,555,335)	5,573,960	17,823,221

NOTES TO THE HALF-YEAR FINANCIAL REPORT

For the 6 months ended 30 June 2018

1. CORPORATE INFORMATION

The financial report of Neon Capital Limited (the Company) for the half-year ended 30 June 2018 was authorised for issue in accordance with a resolution of the directors on 13th September 2018.

Neon Capital Limited is a for profit company limited by shares incorporated and domiciled in Australia.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The half year financial report is a general purpose condensed financial report prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half year financial report does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2017 together with any public announcements made by Neon.

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the half year financial report are consistent with those followed in the preparation of the Group's annual financial report for the year ended 31 December 2017. In addition to this, new accounting policies have been applied for the first time. The new accounting policies are as follows:

Financial instruments

AASB 9 Financial Instruments replaces AASB 139 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has applied AASB 9 retrospectively, with the initial application date of 1 January 2018 and considered the impact on comparative information for the period beginning 1 January 2017 to be insignificant.

(a) Classification and measurement

Except for certain trade receivables, under AASB 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Financial assets at FVPL comprise quoted equity instruments which the Group had not irrevocably elected, at initial recognition or transition, to classify at FVOCI. This category would also include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Under IAS 39, the Group's quoted equity securities were classified as FVPL. Upon transition there was no impact.

The assessment of the Group's business models was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The statement of financial position as at 31 December 2017 did not require restatement as the application of AASB 9 has had an immaterial effect. The statement of profit or loss for the six months ended 30 June 2017 also did not require restatement as the application of AASB 9 had an immaterial impact.

NOTES TO THE HALF-YEAR FINANCIAL REPORT

For the 6 months ended 30 June 2018

(b) Impairment

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL. This is not applicable to the Group as there are no loans or other debt financial assets not held at FVPL.

(c) Hedge accounting

The Group applied hedge accounting prospectively. There are no existing hedging relationships in place.

(d) Other adjustments

In addition to the adjustments described above, upon adoption of AASB 9, other items of the primary financial statements were adjusted as necessary if required.

Several new standards and amendments apply for the first time in 2018. However, they do not impact the financial performance or position of the annual consolidated financial statements of the Group or the interim consolidated financial statements of the Group.

The carrying values of financial assets and liabilities approximate their fair values.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

The Group has not yet early adopted any standard, interpretation or amendment that has been issued, but not yet effective.

The financial report has been prepared on a going concern basis.

3. CASH

	30 June 2018	31 December 2017
	\$	\$
Cash at bank and on hand	4,993,727	8,337,520
	<u>4,993,727</u>	<u>8,337,520</u>

4. FAIR VALUE

a. Valuation Techniques

In the absence of an active market for an identical asset or liability, the Group selects and uses one or more valuation techniques to measure the fair value of the asset or liability. The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches the equity investments are all classed as held for trading. –

- Market approach uses prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- Income approach converts estimated future cash flows or income and expenses into a single discounted present value.
- Cost approach reflects the current replacement cost of an asset at its current service capacity.

NOTES TO THE HALF-YEAR FINANCIAL REPORT

For the 6 months ended 30 June 2018

4. FAIR VALUE (cont.)

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

b. Financial Instruments

The following table represents a comparison between the carrying amounts and fair values of financial assets and liabilities:

	30 June 2018		31 December 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Held for trading instruments	10,949,217	10,949,217	8,975,289	8,975,289
	10,949,217	10,949,217	8,975,289	8,975,289

As the carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables approximate their fair values, they have not been included in the above table.

c. Recurring and Non-recurring Fair Value Measurement Amounts and the Level of the Fair Value Hierarchy within which the Fair Value Measurements Are Categorised

Description	Fair Value Measurements at 30 June 2018 Using:		
	Quoted Prices in Active Markets for identical Assets \$ (Level 1)	Significant Observable inputs Other than Level 1 Inputs \$ (Level 2)	Significant Unobservable Inputs \$ (Level 3)
Recurring fair value measurements			
Securities held for trading (fair value through profit and loss):			
- Mining Sector	9,780,217	-	1,169,000
Property, plant and equipment (at relevant amounts)			
Buildings and Freehold Land	-	-	1,819,295
	9,780,217	-	2,988,295
Non-Recurring fair value measurements	-	-	-

NOTES TO THE HALF-YEAR FINANCIAL REPORT

For the 6 months ended 30 June 2018

4. FAIR VALUE (cont.)

Fair Value Measurements at 31 December 2017 Using:			
Description	Quoted Prices in Active Markets for identical Assets \$ (Level 1)	Significant Observable inputs Other than Level 1 Inputs \$ (Level 2)	Significant Unobservable Inputs \$ (Level 3)
Recurring fair value measurements			
Securities held for trading (fair value through profit and loss):			
- Mining Sector	7,806,289	-	1,169,000
Property, plant and equipment (at relevant amounts)			
Buildings and Freehold Land	-	-	1,795,788
	<u>7,806,289</u>	<u>-</u>	<u>2,964,788</u>
Non-Recurring fair value measurements			
	<u>-</u>	<u>-</u>	<u>-</u>

d. Valuation Techniques and Inputs Used to Determine Level 2 Fair Values

Description	Fair Value at 30 June 2018 \$	Valuation Techniques	Inputs Used
Level 2	-	-	-

There was no changes during the period in the valuation techniques used by the Group to determine Level 2 fair value

e. Valuation Techniques and Inputs Used to Determine Level 3 Fair Values

Description	Fair Value at 30 June 2018 \$	Valuation Techniques	Significant Unobservable inputs	Range of unobservable Inputs
Level 3				
Held for trading instruments	1,169,000	Placement or Capital Raising Amount	-	-
Buildings and Freehold Land	1,819,295	Price of property purchased in Dec 2017	-	-

The Held for trading instruments valued at Level 3 are being held at fair value as the company has invested in new projects which have not yet listed in any share trading market which could allow a level 1 fair value to be obtained.

5. TRADE AND OTHER RECEIVABLES

	30 June 2018 \$	31 December 2017 \$
Prepayments	74,685	129,860
Interest receivable	-	17,971
Other receivables	37,541	64,684
	<u>112,226</u>	<u>212,515</u>

NOTES TO THE HALF-YEAR FINANCIAL REPORT

For the 6 months ended 30 June 2018

6. TRADE AND OTHER PAYABLES

	30 June 2018	31 December 2017
	\$	\$
Trade creditors – unsecured (i)	16,466	173,233
Accruals and other expenses	12,000	279,812
Other payables	27,955	27,987
	<u>56,421</u>	<u>481,027</u>

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

7. SHARE BASED PAYMENTS

No share based payments were made during the 6 months ended 30 June 2018 or 30 June 2017. For the 6 months period, the company has recognised \$nil for the 6 months ending 30 June 2018 (2017: \$nil) were expensed in the Statement of Comprehensive Income.

8. CONTRIBUTED EQUITY

At 30 June 2018 the Company's share capital consisted of 36,672,049 ordinary shares.

	Number of shares
Shares at 31 December 2017	44,351,312
Less: Cancelled Shares June 2018	7,679,263
Shares at 30 June 2018	<u>36,672,049</u>

9. DIVIDENDS PAID AND PROPOSED

No dividend has been paid or proposed during the half year.

10. EVENTS AFTER BALANCE DATE

There have been no significant events subsequent to balance date.

11. CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.