
NEON CAPITAL LIMITED (ACN 002 796 974)
NOTICE OF EXTRAORDINARY GENERAL MEETING

TIME: 11.00 am (WST)
DATE: 4 December 2019
PLACE: 22/589 Stirling Highway
COTTESLOE WA 6011

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.

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.

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IMPORTANT INFORMATION

TIME AND PLACE OF MEETING

Notice is given that the Extraordinary General Meeting of the Shareholders to which this Notice of Meeting relates will be held at 11.00am (WST) on 4 December 2019 at 22/589 Stirling Highway, Cottesloe, WA 6011.

YOUR VOTE IS IMPORTANT

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

VOTING IN PERSON

To vote in person, attend the General 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 11.00am 2nd December 2019, 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.

Proxy Forms received later than 2nd December 2019 at 11.00am will be invalid.

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is given that the Extraordinary General Meeting of Shareholders will be held at 11.00am (WST) on 4 December 2019 at 22/589 Stirling Highway, Cottesloe, WA 6011.

The Explanatory Statement provides additional information on matters to be considered at the Meeting. The Explanatory Statement and the Proxy Form are part of this Notice of Meeting.

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 of the Company at 11.00am (WST) on 2 December 2019.

Terms and abbreviations used in this Notice of Meeting are defined in the Glossary.

AGENDA

1. RESOLUTION 1 – RETURN OF CAPITAL TO SHAREHOLDERS

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

*“That, for the purposes of sections 256B and 256C of the Corporations Act 2001 (Cth) and for all other purposes, approval is given for the Share capital of Neon to be reduced by approximately \$9.168 Million, such reduction of capital to be effected by Neon paying to each registered holder of Shares as at 11.00am 2 December 2019 (**Record Date**), the amount of 25 cents for each Share held by that holder on the Record Date, and otherwise on the terms and conditions set out in the Explanatory Statement.”*

DATED: 12 NOVEMBER 2019

BY ORDER OF THE BOARD

**MS AMANDA BURGESS
COMPANY SECRETARY**

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the Extraordinary General Meeting to be held at 11.00am (WST) on 4 December 2019 at 22/589 Stirling Highway, Cottesloe, WA.

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 Resolution in the Notice of Meeting.

1. RESOLUTION 1 – RETURN OF CAPITAL TO SHAREHOLDERS

1.1 PROPOSED RETURN OF CAPITAL

(a) **Return of capital**

Neon proposes to make a cash payment to Shareholders of 25 cents per Share (representing \$9.168 million in total) as a return of capital.

The record date for determining entitlements to receive the return of capital is 5.00pm (WST) on 2 December 2019 (**Record Date**). The terms of the return of capital are the same for each Shareholder.

For the purposes of the Corporations Act, the proposed return of capital is an “equal” reduction of capital which requires the approval of Shareholders by ordinary resolution in general meeting. Accordingly, for the proposed return of capital to proceed, a majority of votes must be cast in favour of Resolution 1.

(b) **Payment details**

If the return of capital is approved by Shareholders, cheques will be despatched (or, in the case of Shareholders who have elected to have payments made directly into a nominated bank, building society or credit union account - see below), to entitled Shareholders, being registered holders of Shares at the Record Date referred to above.

No fractional entitlements will arise from the capital return. All Shares issued by the Company are fully paid.

Shareholders who wish to, can arrange to have the return of capital paid directly into a bank, building society or credit union account in Australia by contacting Neon's Share Registry on 1300 992 916 (within Australia) or +61 3 9628 2200 (outside Australia) before the record date.

(c) **Tax Treatment**

Refer to section 1.9 below for information about the tax implications of the return of capital for Shareholders.

1.2 Reasons for the return of capital

Further to the Notice of Extraordinary General Meeting dated 4 June 2019 which proposed a capital reduction of 18 cents per share (approved by shareholders on 26 June 2019), the Company has made good progress in realising the value of its investments and is now in a position to make a further capital reduction of 25

cents per share, taking the total capital reduction for this calendar year to 43 cents per share.

In addition to the capital return the subject of Resolution 1, the Board proposes to make a further and final capital return to shareholders following the realisation of the Company's remaining investments. The timing, quantum and nature of the proposed final capital return is uncertain at this time and will be influenced by many factors including market conditions and Shareholders will be provided with all necessary information. The Company may not be in a position to make a single, final capital return and may conduct more than one capital return to realise its remaining investments.

The Board has commenced and intends to continue to rationalise overheads commensurate with the reduction in capital in order to ensure the final return is not materially impacted by ongoing operating costs

1.3 Requirements for the return of capital

(a) Equal reduction

The proposed return of capital constitutes an equal reduction of Neon's share capital for the purposes of the Corporations Act. This is because it relates only to ordinary Shares, it applies equally to each holder of ordinary Shares in proportion to the number of Shares they hold, and the terms of the reduction are the same for each holder of ordinary Shares.

(b) Statutory requirements

Under section 256B(1) of the Corporations Act, a company can reduce its share capital if the reduction satisfies three key requirements. These requirements are that the capital reduction must:

- (i) be fair and reasonable to the Company's shareholders as a whole;
- (ii) not materially prejudice the Company's ability to pay its creditors; and
- (iii) be approved by shareholders under section 256C of the Corporations Act.

The Directors are of the opinion that the return of capital is fair and reasonable to all Shareholders as it will apply to all shareholders on the Record Date equally, in proportion to the number of Shares which they hold at the Record Date and otherwise for the reasons set out in Section 1.8.

The Directors are also of the opinion that the return of capital will not materially prejudice the Company's ability to pay its creditors after having reviewed and considered the financial position of the Company, including the Company's assets, liabilities, cashflow and capital requirements. In particular, the Company will have sufficient cash resources to pay its creditors after the return of capital.

1.4 Effect on capital structure

The Company has 36,672,049 Shares on issue as at the date of this Notice. No Shares will be cancelled in connection with the return of capital. Accordingly, the

return of capital will not affect the number of Shares held by each Shareholder, nor will it affect the control of the Company.

After the return of capital, Neon's Share capital will be reduced by 25 cents per Share, which as at the date of this Notice amounts to approximately \$9.168 million (subject to rounding).

1.5 Impact on growth strategies

In view of the financial position of Neon, the operating results, and Neon's capacity to raise additional finance if required, the Board considers that the return of capital will not materially impact Neon's ability to fund its reduced operations.

The Board believes that the proposed capital return will leave the Company sufficiently capitalised to manage its remaining investments with the intention of maximising realisation of its remaining investment assets in an orderly manner.

1.6 Impact on financial position of the Company

As a guide to assist Shareholders, the Company has prepared the pro forma balance sheet set out below to illustrate the effect of the return of capital on the Company's financial position.

Neon Capital Limited – Proforma Balance sheet based on unaudited Financial statements as at 11 November 2019

| | Unaudited 11/11/2019 | Adjustment s \$ | Proforma 11/11/2019 |
|--|-------------------------|-----------------------|------------------------|
| | \$ | | \$ |
| CURRENT ASSETS | | | |
| Cash | 9,570,924 | -9,168,012 | 402,912 |
| Financial Assets at fair value through P and L | 3,856,767 | | 3,856,767 |
| Trade and other receivables | 465,866 | | 465,866 |
| TOTAL CURRENT ASSETS | 13,893,557 | -9,168,012 | 4,725,545 |
| | | | |
| NON-CURRENT ASSETS | | | |
| Property | 232,412 | | 232,412 |
| TOTAL NON-CURRENT ASSETS | 232,412 | | 232,412 |
| | | | |
| TOTAL ASSETS | 14,125,969 | -9,168,012 | 4,957,957 |
| | | | |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 33,138 | | 33,138 |
| TOTAL CURRENT LIABILITIES | 33,138 | | 33,138 |
| | | | |
| TOTAL LIABILITIES | 33,138 | | 33,138 |
| | | | |
| NET ASSETS | 14,092,831 | -9,168,012 | 4,924,819 |
| | | | |
| EQUITY | | | |
| Contributed equity | 160,203,427 | -9,168,012 | 151,035,415 |
| Reserves | 5,573,960 | | 5,573,960 |
| Accumulated losses | -151,684,556 | | -151,684,556 |
| TOTAL EQUITY | 14,092,831 | 0 | 4,924,819 |

1.7 Ability to pay creditors not materially prejudiced

Neon has undertaken significant work to assess the impact of the return of capital on Neon's ability to pay its creditors, including current and reasonably foreseeable future claimants.

Neon has considered its financial position under a range of possible business and operating environments in order to assess Neon's capacity to meet the claims of all of its creditors, including current and reasonably foreseeable future obligations, following the return of capital. The review concluded that, even in the reasonable worst case scenarios that were considered, Neon would have the capacity to meet the claims of its creditors, including future obligations, following the proposed return of capital.

As a consequence of the matters referred to above, the Directors are satisfied that the return of capital will not materially prejudice Neon's ability to pay its creditors.

1.8 Effect of proposed capital reduction on Shareholders

The Directors consider that the capital reduction will be fair and reasonable to Shareholders because:

- (a) it is made equally to all Shareholders, pro-rata to their Share holding;
- (b) all Shareholders are being treated in the same manner, and the terms of the capital reduction are the same for each Shareholder;
- (c) the proportionate ownership interest of each Shareholder in the Company remains the same before and after the capital reduction;
- (d) the capital reduction does not deprive any Shareholder of any rights that they may hold; and
- (e) the capital reduction is subject to Shareholder approval pursuant to section 256C of the Corporations Act.

Advantages

The primary advantage in approving Resolution 1 is that the return of capital will enable the Company to repatriate capital to its Shareholders in an orderly and cost-efficient manner.

Disadvantages

A disadvantage of the proposed return of capital is that following its implementation the Company will have a reduced capital base from which to operate.

The post return of capital net cash reserves of approximately \$485,000 will be sufficient to operate but not to engage in new investment opportunities. This is consistent with the strategy of the Board as described above.

There may also be a taxation consequence in respect of the distribution of the Consideration Shares to the Shareholders (see Section 1.9).

1.9 Tax implications for shareholders

The summary in this Section is general in nature. In addition, particular taxation implications will depend on the circumstances of each Shareholder. Accordingly, Shareholders are encouraged to seek their own professional advice in relation to their tax position. Neither Neon nor any of its officers, employees, or advisers assumes any liability or responsibility for advising Shareholders about the tax consequences for them from the proposed return of capital.

(a) Capital Return

Neon confirms its understanding that:

- (i) no part of the proposed capital return will be treated as a dividend for tax purposes;
- (ii) if the cost base of a Share acquired is less than the capital return amount (on a cent per Share basis) then an immediate capital gain may arise for the difference;
- (iii) otherwise, the cost base for each Share will be reduced by the capital return amount (on a cents per Share basis) for the purpose of calculating any capital gain or loss on the ultimate disposal of that Share.
- (iv) for those Shareholders who are not tax residents of Australia, no Australian capital gain or loss should arise as a consequence of the capital return.

(b) Non-Residents

Existing Shareholders who are not residents of Australia for tax purposes should seek specific advice in relation to the taxation consequences arising from the return of capital under the laws of their country of residence.

1.10 Directors' recommendations

Noting their interests in Section 1.11, Neon's Directors unanimously recommend that Shareholders vote in favour of the proposed reduction of capital the subject of Resolution 1.

1.11 Directors' interests

The number of securities in which each Director and their associates have an interest as at the date of this Notice and the amount they are likely to receive if Resolution 1 is passed and implemented is set out in the table below.

| Director | Company Shares | Amount likely to be received if the Resolution is passed and implemented |
|---------------|----------------|--|
| Tim Kestell | 7,746,792 | \$1.937 million |
| Ross Williams | 7,746,792 | \$1.937 Million |
| Peter Pynes | 6,496,794 | \$1.624 million |

1.12 Voting of proxies

The Chair intends to vote undirected proxies in favour of Resolution 1.

1.13 No other material information

Other than as set out in this Notice, and information previously disclosed to Shareholders, there is no information that is known to the Directors which may reasonably be expected to be material to the making of a decision by Shareholders whether or not to vote in favour of Resolution 1.

1.14 Key dates

The timetable below assumes the return of capital is approved by Shareholders.

| Event | Date |
|---|-------------------------------|
| Cut off dates for lodging Proxy Form and Record Date for determining entitlements to participate in return of capital | 11.00am (WST) 2 December 2019 |
| Extraordinary General Meeting to approve the return of Capital | 11.00am (WST) 4 December 2019 |
| Payment Date for Capital return to Shareholders despatch cheques (or direct credits paid) | On or before 15 December 2019 |

Note:

All dates and times are indicative only and subject to change.

1.15 Enquiries

Shareholders are requested to contact the Company Secretary on (+61 8) 6144 4840 if they have any queries in respect of the matters set out in this Notice.

2. GLOSSARY

\$ means Australian dollars.

Board means the current board of directors of the Company.

Chair means the chair of the meeting.

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

Corporations Act means the Corporations Act 2001 (Cth).

Directors means the current directors of the Company.

Explanatory Statement means the explanatory statement accompanying the Notice.

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

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

Proxy Form means the proxy form accompanying the Notice.

Record Date means 11.00am (WST) on 2 December 2019.

Resolution means the resolution set out in the Notice.

Section means a section of this Notice.

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

Shareholder means a holder of a Share.

WST means western standard time as observed in Perth, Western Australia.

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NEON CAPITAL LTD

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ACN: 002 796 974

«EFT_REFERENCE_NUMBER»

«Holder_name»
 «Address_line_1»
 «Address_line_2»
 «Address_line_3»
 «Address_line_4»
 «Address_line_5»

«Company_code» «Sequence_number»

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

E: registrar@securitytransfer.com.au

W: www.securitytransfer.com.au

Code:

ZZUNEN

Holder Number:

«HOLDER_NUM

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.

«ONLINE

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 Extraordinary General Meeting of the Company to be held at 11:00am WST on Wednesday 4 December 2019 at 22/589 Stirling Highway, Cottesloe WA 6011 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. RETURN OF CAPITAL TO SHAREHOLDERS

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

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 11:00am WST on Monday 2 December 2019.

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My/Our contact details in case of enquiries are:

Name:

Number:

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.

