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

Notice is given that the Meeting will be held at:

TIME: 11.00 am (WST)

DATE: 30 March 2021

PLACE: 22/589 Stirling Highway, Cottesloe, WA, 6011.

The business of the Extraordinary General 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 Extraordinary General Meeting are those who are registered Shareholders of the Company at 11.00am (WST) on 28 March 2021.

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.

CONTENTS PAGE

Notice of Extraordinary General Meeting (setting out the proposed resolution)	2
Explanatory Statement (explaining the proposed resolution)	3
Glossary	10
Proxy Form	Attached
Direct Credit Form	Attached

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 30 March 2021 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 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:

- 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. RESOLUTION 1 – CAPITAL RETURN 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 ordinary share capital of Neon Capital Limited (**Neon**) to be reduced by approximately \$3.851 million, by way of an equal capital reduction to be effected by Neon paying to each registered holder of Shares in Neon as at 28 March 2021 (**Record Date**), the amount of 10.5 cents per fully paid ordinary Shares in Neon held by that holder on the Record Date, and otherwise on the terms and conditions set out in the Explanatory Statement.”*

DATED: 4 MARCH 2021**BY ORDER OF THE BOARD****MS 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 Resolution in the Notice of Meeting.

1. RESOLUTION 1 – CAPITAL RETURN TO SHAREHOLDERS

1.1 PROPOSED FINAL RETURN OF CAPITAL

(a) **Final Return of capital**

Neon proposes to make a cash payment to Shareholders of 10.5 cents per Share (representing \$3.851 million in total) as a final return of capital (**Capital Return**).

The record date for determining entitlements to receive the return of capital is 11.00am (WST) on 28 March 2021 (**Record Date**). The terms of the Capital Return are the same for each Shareholder.

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

(b) **Payment details**

If the Capital Return is approved by Shareholders, funds 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 completing the attached form and sending the form to Neon's Share Registry, Automic Group Pty Ltd, on or before the record date.

(c) **Tax Treatment**

Refer to section 1.10 below for information about the tax implications of the Capital Return for Shareholders. This information is general in nature and Shareholders will need to seek their own tax and financial advice, having regard to their individual circumstances.

1.2 Reasons for the Capital Return

The decision to propose a Capital Return follows a strategic review by the Board which has determined the capital base of the company is too small to achieve the appropriate exposure and diversification required whilst being able to generate meaningful ongoing returns. Furthermore, Shareholder requests for liquidity and the overheads associated with operating a company of this nature have contributed to the Board's Capital Return proposal.

1.3 Subsequent Voluntary winding up of Neon Capital

As a result of this review and following the approval by Shareholders for the Capital Return, the Board's intention is to subsequently seek shareholder approval via a special resolution to place the Company into voluntary winding up and appoint a liquidator to the Company (the **Winding Up Resolution**) to be approved on, and such appointment to have effect from, a date after the date of payment of the Capital Return.

The Board's current intention is to dispatch a Notice of Meeting for the Winding Up Resolution in late April 2021, with the meeting to be held in May 2021. We note that these dates are indicative and are subject to change.

The Board has engaged WA Insolvency Solutions as the proposed liquidator of the Company (**Liquidator**). It is expected that if appointed, the Liquidator will arrange for the payment of any creditors, and any remaining surplus funds will be contributed to a registered charity of the Company's choice. Once the winding up process is complete, the Liquidator will arrange for the Company to be de-registered.

After the completion of the Capital Return, the Company is expected to hold approximately \$175,000 to meet all creditors and costs associated with winding up the company. The Board believes that undertaking the Capital Return in the amount proposed will leave the Company with sufficient funds to cover the costs of the winding up process whilst complying with the legal requirements for the return of capital.

The Company has evaluated various options for returning excess capital to Shareholders and determined the Capital Return was the optimal method because:

- (a) it is time-efficient and can be completed quickly; and
- (b) it applies equally to all Shareholders and proportionate interests in the Company remain unchanged.

1.4 Requirements for the return of capital

(a) **Equal reduction**

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

- (i) The reduction must be fair and reasonable to the Company's shareholders as a whole;
- (ii) The reduction must not materially prejudice the Company's ability to pay its creditors; and

- (iii) The reduction must be approved by shareholders under section 256C of the Corporations Act.

The Directors are of the opinion that the Capital Return is fair and reasonable to all Shareholders as a whole because:

- (i) it will be available to all shareholders;
- (ii) the overall amount received by each Shareholder will be proportionate to the number of Shares they hold; and
- (iii) the same amount of capital returned per Share will apply to each Shareholder.

The Directors are also of the opinion that after having reviewed the Company's assets, liabilities and cashflow position, the Capital Return will not materially prejudice the Company's ability to pay its creditors.

In accordance with section 256C(5) of the Corporations Act, a copy of this Notice of General Meeting has been lodged with the Australian Securities and Investments Commission.

1.5 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 Capital return. 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.

Following the Capital Return, the Company's share capital will be reduced by 10.5 cents per Share, which as at the date of this Notice amounts to approximately \$3.851 million (subject to rounding).

1.6 Impact on Future Strategy

In view of the financial position of the Company and the Company's operating results, the Board considers that the Capital Return will not materially impact the Company's ability to fund the winding up proceedings.

The Board believes that the proposed Capital Return will leave the Company with sufficient capital to manage the winding up process in an orderly manner.

1.7 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 Capital Return on the Company's financial position.

Neon Capital Limited – Proforma Balance sheet based on unaudited Financial statements as at 31 December 2020

	Unaudited 31/12/2020 \$	Adjustments \$	Proforma 31/12/2020 \$
CURRENT ASSETS			
Cash	4,069,080	(3,850,565)	218,515
TOTAL CURRENT ASSETS	4,069,080	(3,850,565)	218,515
TOTAL ASSETS	4,069,080	(3,850,565)	218,515
CURRENT LIABILITIES			
Trade and other payables	30,776		30,776
TOTAL CURRENT LIABILITIES	30,776		30,776
TOTAL LIABILITIES	30,776		30,776
NET ASSETS	4,038,304	(3,850,565)	187,739
EQUITY			
Contributed equity	151,035,615	(3,850,565)	147,185,050
Accumulated losses	(146,997,311)		(146,997,311)
TOTAL EQUITY	4,038,304	(3,850,565)	187,739

1.8 Ability to pay creditors not materially prejudiced

The Company has assessed the impact of the Capital Return on the Company's ability to pay its creditors, including current and reasonably foreseeable future creditors in order to complete the winding up of the Company once the Capital Return has been completed.

This review concluded that the payment to Shareholders of an amount equal to the Capital Return amount would not materially prejudice the Company's ability to pay its creditors and includes any future obligations following the proposed Capital Return and the winding up process.

As a consequence of the matters referred to above, the Company's Directors are satisfied that the Capital Return will not materially prejudice the Company's ability to pay its creditors and complete the winding up process of the Company.

1.9 Effect of the Capital Return on Shareholders

The Directors consider that the Capital Return will be fair and reasonable to Shareholders because:

- (a) it is made equally to all Shareholders, pro-rata to the Shares they hold in the Company;
- (b) all Shareholders are being treated in the same manner, and the terms of the Capital Return 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 Return;
- (d) the Capital Return does not deprive any Shareholder of any rights that they may hold; and
- (e) the Capital Return is subject to Shareholder approval pursuant to section 256C of the Corporations Act 2001 (Cth).

Advantages

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

Disadvantages

A disadvantage of the Capital Return is that following its implementation the Company will have reduced its capital base and as a result the Company will not continue to operate (but will complete the winding-up process).

The post return of capital net cash reserves of approximately \$175,000 will be sufficient to complete the winding up process but the Company will not seek to engage in any new investment opportunities. This is consistent with the strategy of the Board as described above.

There may be taxation consequences in respect of the distribution of the capital return to the Shareholders (see Section 1.10 below).

1.10 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. These implications do not take into account the individual circumstances of each Shareholder and does not constitute tax advice. Accordingly, Shareholders are encouraged to seek their own professional advice in relation to their tax position. Neither the Company 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 Capital Return.

(a) Capital Return

The Company 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

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.

1.11 Directors' recommendations

Noting their interests in Section 1.12, the Directors unanimously recommend that Shareholders vote in favour of Resolution 1.

1.12 Directors' interests

Each Director has a relevant interest (held directly or indirectly) in Shares as set out in the following table. The table also sets out the amount they are likely to receive if Resolution 1 is passed.

Director	Company Shares	Amount likely to be received if the Resolution is passed and implemented
Tim Kestell	7,746,792	\$813,413
Ross Williams	7,746,792	\$813,413
Peter Pynes	6,496,794	\$682,163

1.13 Voting of proxies

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

1.14 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.

1.15 Key dates

The timetable below assumes the Capital Return is approved by Shareholders:

Event	Date
Cut off dates for lodging Proxy Form and Record Date for determining entitlements to participate in the Capital Return.	11.00am (WST) 28 March 2020
Extraordinary General Meeting held to approve the Capital Return.	11.00am (WST) 30 March 2020
Payment Date for the Capital Return to Shareholders.	On or before 7 April 2020

Note:

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

1.16 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 document.

GLOSSARY

\$ means Australian dollars.

ASIC means the Australian Securities and Investments Commission.

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Years' Day, Good Friday Day, Easter Monday, Christmas Day, Boxing Day, and any other day that is declared a public holiday in Western Australia.

Capital Return means the proposed equal capital reduction as set out in the Notice of Meeting.

Chair means the chair of the meeting.

Company or **Neon** 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.

Explanatory Statement means the explanatory statement accompanying the Notice.

Extraordinary General Meeting or **Meeting** means the meeting of Shareholders to be held pursuant to the Notice of Meeting.

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 this Notice.

Record Date means 11.00am (WST) on 28 March 2021.

Resolution means the resolution to approve the Capital Return as set out in the Notice of Meeting.

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.