

**NEON ENERGY LIMITED  
(TO BE RENAMED “NEON CAPITAL LTD”)  
ACN 002 796 974**

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**PROSPECTUS**

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For an offer of up to 5,000 Shares at an issue price of \$0.20 per Share to raise up to \$1,000 (**Offer**).

Completion of the Offer is conditional upon satisfaction of the Conditions, which are detailed further in Section 4.10 of the Prospectus. No Securities will be issued pursuant to this Prospectus until such time as the Conditions are satisfied.

**IMPORTANT INFORMATION**

This is an important document that should be read in its entirety. If you do not understand it you should consult your professional advisers without delay. **The Securities offered by this Prospectus should be considered highly speculative.**

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## 1. CORPORATE DIRECTORY

### Directors

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

### Registered Office

33 Yilgarn Street  
Shenton Park, WA 6008  
  
Tel: 08 6144 4840

### Company Secretary

Amanda Burgess

### Share Registry\*

Security Transfer Registrars Pty Limited  
770 Canning Highway  
Applecross WA 6153

### ASX Code

NEN

### Solicitors

Steinepreis Paganin  
Level 4, The Read Buildings  
16 Milligan Street  
PERTH WA 6000

### Auditor\*

HLB Mann Judd  
Level 4, 130 Stirling Highway  
Perth WA 6000

### Investigating Accountant

Somes Cooke  
Level 2, 35 Outram St  
West Perth WA 6005

\*These entities are included for information purposes only. This entity has not been involved in the preparation of this Prospectus.

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**2. TIMETABLE**

| <b>Action</b>  | <b>Date*</b>     |
|--|------------------|
| General Meeting is held  | 3 February 2016  |
| Date of this Prospectus  | 3 February 2016  |
| Offer opens  | 3 February 2016  |
| Closing Date   | 4 February 2016  |
| Anticipated completion of the Transformation and issue of Shares under the Offer | 8 February 2016  |
| Anticipated timing of reinstatement  | 10 February 2016 |

\*These dates are indicative only and subject to change. The Directors reserve the right to vary these dates, including the Closing Date, without prior notice.

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### **3. IMPORTANT NOTICE**

This Prospectus is dated 3 February 2016 and was lodged with the ASIC on that date. The ASIC and its officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No Shares may be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

No person is authorised to give information or to make any representation in connection with this Prospectus, which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

It is important that you read this Prospectus in its entirety and seek professional advice where necessary. The Shares which are the subject of this Prospectus should be considered highly speculative.

#### **3.1 Forward-looking statements**

This Prospectus contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, Directors and management.

The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

The Company has no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

These forward looking statements are subject to various risk factors that could cause our actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in Section 7 of this Prospectus.

#### **3.2 Conditional Offer**

The Offer is subject to a number of conditions. Refer to Section 4.10 for further details.

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## 4. INVESTMENT OVERVIEW

This Section is a summary only and not intended to provide full information for investors intending to apply for Shares offered pursuant to this Prospectus. This Prospectus should be read and considered in its entirety.

### 4.1 The Company

Neon Energy Limited (to be renamed "Neon Capital Ltd") (the **Company**) is a public company listed on the Official List (ASX code: NEN).

On 3 February 2016, the Company obtained the requisite approvals at the General Meeting to undergo a change to the nature and scale of the activities of the Company such that it will transform into a Listed Investment Company (**Transformation**).

The Board is of the strong opinion that by becoming a Listed Investment Company (**LIC**), the Company will have greater potential to generate sustainable returns for its Shareholders than if the Company remains in the energy sector. The Company's investment strategy and risk management policy are set out in Section 6.

### 4.2 ASX Listing Rule 1.3.1A

Following obtaining Shareholder approval of the Transformation at the Meeting, the Company will now have to re-comply with the admission requirements of ASX through the satisfaction of Listing Rule 1.3.1A.

Listing Rule 1.3.1A provides that, at the time of admission, a LIC must have net tangible assets (**NTA**) of at least \$15 million after deducting the costs of the fund raising.

As at the date of this Prospectus, the Company satisfies these requirements as it holds:

- (a) net cash at bank (including term deposits) of approximately \$18.5 million; and
- (b) net tangible assets of approximately \$18.7 million.

Further details are contained in Section 8 (Investigating Accountant's Report).

### 4.3 Existing Activities

After conducting a review of the Company's current suite of energy investments over the last few months and in conjunction with the Transformation, the Board of the Company has divested these energy interests. The Company's only asset is its cash at bank.

### 4.4 What is a Listed Investment Company?

A LIC is an entity in which its main activities or the principal part of its activities relate to investing in listed or unlisted securities.

One of the factors the Board considered when deciding to undergo the Transformation is that the Company satisfies the NTA requirement mentioned above. As a result of this, the ASX has confirmed that the Company does not need to conduct a capital raising to complete the Transformation. Therefore the

Company will not raise any funds as a result of the Transformation and this Prospectus is only being issued for compliance and disclosure purposes.

However, as the Company is undergoing a significant change to the nature of its activities it will be required to re-comply with Chapters 1 & 2 of the ASX Listing Rules. This will involve obtaining Shareholder and ASX approval to the Transformation and issuing this Prospectus, further information for which is set out in Section 4.5.

#### **4.5 Terms of the Transformation**

The key steps of the Transformation are as follows:

- (a) The Company re-complying with Chapters 1 and 2 of the ASX Listing Rules, including the Company:
  - (i) obtaining all approvals necessary for the Transformation, the Shareholder approvals for which were obtained at the Meeting;
  - (ii) obtaining conditional ASX approval to the reinstatement of the Company to official quotation on the ASX on conditions satisfactory to the Company; and
  - (iii) issuing this Prospectus for the purpose of fulfilling disclosure and re-compliance obligations to ensure that the full terms of the Transformation have been released to the market.
- (b) Following successful completion of this Transformation, Neon will change its name to Neon Capital Ltd to better reflect its Transformation into a LIC.

#### **4.6 Background to the Directors**

An overview on the background and experience of the Directors of the Company is set out below.

##### **Mr Timothy Kestell**

Non-Executive Director

Mr Kestell has over 18 years experience in capital markets including working for Australian stockbrokers Euroz Securities Limited and Patersons Securities Limited. In the past decade, Mr Kestell has played a key role in forming and/or re capitalising publicly listed companies, helping raise over \$70m in the process. Mr Kestell holds a Bachelor of Commerce degree and is currently a director of Blue Capital Limited.

##### **Mr Peter Pynes**

Non-Executive Director

Mr Pynes has in excess of 20 years' experience in Australia and overseas capital markets. He previously worked at Deutsche Bank as a director of global markets where he gained extensive knowledge of global structured debt products as well as capital raising and syndication. In the past decade, Mr Pynes has played a key role in forming and capitalising both publicly listed and unlisted companies. Mr Pynes has been involved in both initial public offerings and takeovers, including the listing on the ASX of Tusker Gold Limited and its successful cash takeover by Barrick Gold Limited. Mr Pynes is a director of MPC Funding Limited, a specialist financing company providing in excess of \$450m of

loan funds for the development of the Melbourne Convention Centre. Mr Pynes is a Fellow of the Australian Institute of Company Directors (FAICD), a Senior Associate of Financial Services Institute of Australia (SA FIN) and a director of Blue Capital Limited and Nexus Bond Limited.

#### **Mr Ross Williams**

Non Executive Director

Mr Williams is a founding shareholder of MACA Limited (**MACA**) 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 resigning in February 2015. Mr Williams holds a Post Graduate Diploma in Financial Services Management from Macquarie University and was a Fellow of the Australian Institute of Banking and Finance prior to establishing MACA in 2002 and is currently serving as a non-executive director for publicly listed Emerald Resources Limited.

### **4.7 Key Investment Highlights**

The Directors of the Company are of the view that an investment in the Company provides the following non-exhaustive list of key highlights:

- (a) The Transformation provides the Company's shareholders with an opportunity to tap into the potential growth of the Australian investment services industry and diversify away from the highly cyclical resources/energy sectors.
- (b) The Company will be managed by Directors with significant experience in the investment industry which can potentially lead to increased returns to Shareholders.
- (c) The Transformation may encourage new investors in the Company because the Company is pursuing a new strategic direction. This improvement in the attractiveness of an investment in the Company may lead to an increased liquidity of Shares and greater trading depth than currently experiences by Shareholders.
- (d) The Directors have a significant equity stake ensuring alignment with Shareholders.
- (e) The Transformation provides future potential to exploit attractive investment opportunities within the Company's proposed mandate.

### **4.8 Key Risks**

The business, assets and operations of the Company will be subject to certain risk factors that have the potential to influence the operating and financial performance of the Company in the future. These risks can impact on the value of an investment in the securities of the Company.

The Board aims to manage these risks by carefully planning its activities and implementing risk control measures. Some of the risks are, however, highly unpredictable and the extent to which they can effectively be managed or mitigated may be limited.



Set out below are key risks that the Company is and will be exposed to. Further risks associated with an investment in the Company are outlined in Section 7.

(a) **Suspension and re-quotation of Shares on ASX**

The Transformation constitutes a significant change in the nature of the Company's activities and the Company is required to re-comply with Chapters 1 and 2 of the ASX Listing Rules as if it were seeking admission to the official list of ASX.

Trading in the Company's quoted Securities will be suspended from the date of the Meeting and will continue to be suspended until the Company satisfies the requirements of Chapters 1 and 2 of the ASX Listing Rules in accordance with ASX Listing Rule 11.1.3. It is anticipated that this will occur during March 2016. There is a risk that the Company will not be able to satisfy one or more of those requirements and that the quoted Securities may consequently remain suspended from quotation.

(b) **Reliance on key personnel**

The Company is reliant on the expertise of its Directors to devise and maintain its investment portfolio consistent with the Company's investment objectives, strategies, guidelines, permitted investments and elements of investment.

The Company intends to put in place systems and processes to mitigate the risk of losing key personnel. However, the loss of key personnel within the Company could have a negative impact on the Company.

(c) **Individual Investment Risk**

Individual investments within the Company's investment portfolio may fall in value for many reasons, such as changes in the entity's internal operations, management or in its business environment. If this occurs, the value of the NTA of the Company will fall, which is likely to have a negative effect on the Company's Share price.

(d) **Interest Rate Risk**

Changes in interest rates can have an impact directly or indirectly on investment valuations and returns on any cash deposits held.

(e) **Different Taxation Treatment**

Investing through the Company may give different after-tax results than investing individually because of income or capital gains accrued in the Company.

(f) **Liquidity**

The Company may invest in unlisted securities or in companies whose securities are thinly traded. Therefore, its ability to sell these securities may be restricted.

(g) **Financial Market Volatility**

A fall in global or Australian equity markets, global or Australian bond markets or a rapid change in the value of the Australian dollar against other major currencies may discourage investors from moving money into or out of equity markets. This may have a negative effect on Share prices.

(h) **Performance of Other Asset Classes**

Good performance, or anticipated performance, of other asset classes can encourage individuals to divert money away from equity markets. This may have a negative impact on the value of the investment portfolio.

(i) **Absolute Performance versus Relative Performance**

It is the objective of the Company to show positive returns on its investment regardless of the underlying movement in value of the investment markets. With such an objective, the value of the investment portfolio cultivated by the Company may not change in line with the overall movements in the market and its performance may differ significantly from funds that seek to measure performance against the broader share market.

(j) **Tax**

Taxation and changes to tax systems can have an effect on returns but also the relative merit of putting monies in various asset classes and in an individual security. All of these items may have a negative impact on the Company or the price of Shares.

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company and you should refer to the additional risk factors in Section 7 of this Prospectus before deciding whether to apply for Shares pursuant to this Prospectus.

#### **4.9 The Offer**

The Company invites applications for up to 5,000 Shares at an issue price of \$0.20 per Share, to raise up to \$1,000. However, as the purpose of this Prospectus is to ensure that the full terms of the Transformation are released to the market, the Company does not intend to issue any Shares under the Prospectus.

The key information relating to the Offer, including the purpose of the Offer is set out in Section 5.2.

#### **4.10 Conditions of the Offer**

Completion of the Offer under this Prospectus is still subject to the Company receiving conditional approval for re-quotation of the Company's Shares on the ASX on terms reasonably acceptable to the Company.

The Shares offered under this Prospectus will rank equally with the existing Shares on issue.

#### 4.11 Use of Funds

Together with existing funds of approximately \$18.5 million, the Company intends to use any funds raised under the Offer, to undertake new investments in line with its Investment Strategy, pay the expenses of the Transformation and otherwise for general working capital amongst others, pay expenses of the Offer. The specific allocation of funds and other details are set out in Section 5.3.

#### 4.12 Capital Structure

As it is not intended to issue any Securities pursuant to this Prospectus, only the Consolidation component of the Transformation will affect the Company's capital structure, approval for which will be sought at the Meeting.

The capital structure of the Company following Completion will be as follows (which assumes that no further securities are issued prior to Completion, other than as set out in the table):

| <b>Pre Consolidation</b>                   |                         |
|--|-------------------------|
| Shares currently on issue <sup>1</sup>     | 522,007,968             |
| <b>Post Consolidation</b>                  |                         |
| Securities on issue Post Consolidation     | 52,200,797 <sup>2</sup> |
| <b>TOTAL SECURITIES POST CONSOLIDATION</b> | <b>52,200,797</b>       |

##### Notes

- <sup>1</sup> The rights attaching to the Shares are summarised in Section 11.2 of this Prospectus.
- <sup>2</sup> Assumes no further securities are issued prior to completion of the Transformation, other than as set out in the table.

#### 4.13 Directors and Management

It is proposed that upon Completion, Peter Pynes, Timothy Kestell and Ross Williams will remain on the Board. This will provide the Company with a relevant, highly experienced and qualified leadership team.

Biographical details of the Directors and proposed Directors are set out in this Prospectus as follows:

- Mr Timothy Kestell (Non-Executive Director) (refer to Section 9.1(a));
- Mr Peter Pynes (Non-Executive Director) (refer to Section 9.1(b)); and
- Mr Ross Williams (Non-Executive Director) (refer to Section 9.1(c)).

Details of interests held by each those people in the securities of the Company are set out in Section 9.2.

#### 4.14 Agreements with Directors

The Company is a party to the following agreements with Directors:

- Non-Executive Letters of Appointment with Peter Pynes, Timothy Kestell and Ross Williams: refer Section 10.2; and

- (b) Deeds of Indemnity, Insurance and Access entered into with each of the Directors: refer Section 10.3.

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## 5. DETAILS OF THE OFFER

### 5.1 The Offer

Pursuant to this Prospectus, the Company invites applications for up to 5,000 Shares at an issue price of \$0.20 per Share, to raise up to \$1,000.

The Shares offered under the Offer will rank equally with the existing Shares on issue. Please refer to Section 11.2 for further information regarding the rights and liabilities attaching to the Shares.

### 5.2 Purpose of the Offer

The purpose of the Offer is to:

- (a) meet the requirements of the ASX and satisfy Chapters 1 and 2 of the ASX Listing Rules; and
- (b) satisfy the Company's continuous disclosure requirements and therefore ensure that all details of the Transformation are adequately disclosed.

### 5.3 Use of Funds

The Company currently has existing cash reserves of approximately \$18.5 million. The table below sets out the intended application of funds raised under the Prospectus together with its existing cash reserves over a two year period (from the date of reinstatement to trading on the ASX).

| Use of Funds                                      | Year 1             | Year 2             |
|---|--------------------|--------------------|
| New Investments                                   | \$7,000,000        | \$7,000,000        |
| Review & evaluation of new business opportunities | \$500,000          | \$500,000          |
| Expenses of the Offer <sup>2</sup>                | \$200,000          | \$nil              |
| Transformation Expenses                           | \$50,000           | \$nil              |
| Working Capital                                   | \$1,450,000        | \$2,000,000        |
| <b>TOTAL</b>                                      | <b>\$9,000,000</b> | <b>\$9,500,000</b> |

**Notes:**

<sup>1</sup> Refer to the Investigating Accountant's Report set out in Section 8 of this Prospectus for further details.

<sup>2</sup> Refer to Section 11.6 of this Prospectus for further details.

The table above is a statement of current intentions of the Board as of the date of this Prospectus. As with any budget, intervening events (including delays in contract negotiations and permitting) and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way funds are applied on this basis.

On completion of the Offer, the Board believes the Company will have sufficient working capital to achieve these objectives.

### 5.4 Minimum subscription

There is no minimum subscription under the Offer.

## **5.5 Applications under the Offer**

Applications for Shares under the Offer must be made using the Application Form.

Completed Application Forms and accompanying cheques, made payable to “**Neon Energy Ltd**” and crossed “Not Negotiable”, must be mailed to the address set out on the Application Form so that they are received by no later than the Closing Date.

The Company reserves the right to close the Offer early.

## **5.6 Re-compliance with Chapters 1 and 2 of the ASX Listing Rules**

The Company’s Quoted Securities will be suspended from trading from the date of the General Meeting and will not be reinstated to Official Quotation until the ASX approves the Company’s re-compliance with Chapters 1 and 2 of the ASX Listing Rules.

In the event that the Company does not receive conditional approval for re-quotation on the ASX, it will not proceed with the Offer and will repay all application monies received, without interest.

## **5.7 ASX listing**

Application for Official Quotation by the ASX of the Shares offered pursuant to this Prospectus will be made within 7 days after the date of this Prospectus.

If the Shares are not admitted to Official Quotation by the ASX before the expiration of 3 months after the date of issue of this Prospectus, or such period as varied by the ASIC, the Company will not issue any Shares and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest.

The fact that the ASX may grant Official Quotation to the Shares is not to be taken in any way as an indication of the merits of the Company or the Shares now offered for subscription.

## **5.8 Issue**

Subject to the satisfaction of the conditions set out in Section 4.10, the issue of the Shares under the Offer will take place as soon as practicable.

Pending the issue of the Shares or payment of refunds pursuant to this Prospectus, all application monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

The Directors will determine the allottees of all the Shares under the Offer in their sole discretion, subject to the terms of the Offer.

Subject to the terms of the Offer, the Directors reserve the right to reject any application or to allocate any applicant fewer Shares than the number applied for. Where the number of Shares issued is less than the number applied for, or where no allotment is made, surplus application monies will be refunded without any interest to the Applicant as soon as practicable after the Closing Date.

## 5.9 Applicants outside Australia

This Prospectus does not, and is not intended to, constitute an offer in any place or jurisdiction, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

No action has been taken to register or qualify the Shares or otherwise permit a public offering of the Shares the subject of this Prospectus in any jurisdiction outside Australia. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

If you are outside Australia it is your responsibility to obtain all necessary approvals for the allotment and issue of the Shares pursuant to this Prospectus. The return of a completed Application Form will be taken by the Company to constitute a representation and warranty by you that all relevant approvals have been obtained.

## 5.10 Not underwritten

The Offer is not underwritten.

## 5.11 Substantial Shareholders

Those Shareholders holding 5% or more of the Shares on issue (based on publicly available information) both as at the date of this Prospectus and on completion of the Offer are set out in the respective tables below.

### *As at the date of the Prospectus*

| Shareholder                               | Shares      | %      |
|---|-------------|--------|
| Evoworld Corporation Pty Ltd <sup>1</sup> | 206,903,762 | 39.64% |

#### Notes:

1. An entity associated with Peter Pynes, Timothy Kestell and Ross Williams, who are each a Director of the Company.

### *On completion of the Offer*

The Company's substantial shareholders on completion of the Offer are as set out below.

| Shareholder                               | Shares      | %      |
|---|-------------|--------|
| Evoworld Corporation Pty Ltd <sup>1</sup> | 206,903,762 | 39.64% |

The Company will announce to the ASX details of its top 20 holders of Shares (following completion of the Offer), prior to the Quoted Securities recommencing trading on the ASX.

## **5.12 Withdrawal of Offer**

The Offer may be withdrawn at any time. In this event, the Company will return all application monies (without interest) as soon as practicable.

## **5.13 Commissions payable**

The Company reserves the right to pay a commission of up to 6% (exclusive of goods and services tax) of amounts successfully subscribed through any licensed securities dealers or Australian financial services licensee in respect of any valid applications lodged and accepted by the Company and bearing the stamp of the licensed securities dealer or Australian financial services licensee. Payments will be subject to the receipt of a proper tax invoice from the licensed securities dealer or Australian financial services licensee.

## **5.14 Financial Information**

Following the change in the nature of its activities, the Company will become a LIC focussing its business activities on sourcing and evaluating suitable investment opportunities. Therefore, the Company's past operational and financial historical performance will not be of significant relevance to future activities.

As a result, the Company is not in a position to disclose any key financial ratios other than its balance sheet which is included in the Investigating Accountant's Report and Financial Information set out in Section 8 of this Prospectus.

The initial funding for the Company's future activities will be generated from the Offer and existing cash reserves. The Company may also consider future fundraising through capital or alternative forms of debt or quasi-debt funding, as required.

## **5.15 Taxation**

The acquisition and disposal of Shares will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisers accept no liability and responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus.

## **5.16 Dividend Policy**

Although the Company does not expect to declare any dividends in the immediate term, any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend on the availability of distributable earnings and operating results and financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Directors. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.



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## **6. COMPANY OVERVIEW UPON COMPLETION OF THE TRANSFORMATION**

### **6.1 Company Overview**

Upon completion of the Transformation the Company will operate as a LIC. The Board is of the strong opinion that by becoming a LIC, the Company will have greater potential to generate sustainable returns for its Shareholders than if the Company remains in the energy sector.

### **6.2 Listed Investment Company**

Listed Investment Companies (**LIC**) provide investors with exposure to an ASX traded entity with a professionally managed and diversified portfolio of assets. These assets may include Australian shares, international shares, fixed income securities, property, with some funds offering 'packaged strategies'.

An investor's exposure is very similar to a traditional managed fund. On completion of the Transformation, the Company will continue to seek investment opportunities and to invest in businesses and equities in accordance with its long term business model as a LIC. The Company has sufficient capital to achieve these outcomes.

### **6.3 Investment Portfolio and Business Plan**

As noted above, the Board proposes to implement a new business plan for the Company as a LIC with a view to recreating and growing shareholder wealth.

The investment mandate is intended to be as broad as permitted under the ASX Listing Rules and the new Board intends to have a wide discretion to determine what, how and when to invest on behalf of its Shareholders within these boundaries, subject to the criteria outlined below.

The Company sees a real opportunity in creating a company that has the monetary backing and the skills to move quickly to purchase listed or unlisted securities and derivatives particularly in companies where the Board perceives there to be a value gap.

The Company's proposed strategy will provide Shareholders with exposure to investments with the objective of delivering regular income and capital growth. The Company will have a mandate to be an active investor in securities with the flexibility to allocate capital to the most attractive securities in a given economic cycle.

The Directors have broad experience in legal, finance and corporate enterprise across a number of industries. They have senior relationships in the Australian and international wholesale financial markets and extensive diverse operating, transaction and investment experience. The background and profiles on each of the Directors are set out in detail in Section 4.6.

The Directors will use this experience and expertise to manage the Company's investment portfolio and implement its business plan within the constraints of its risk management policy, detailed in Section 6.4; this internal fund management will enable the Company to retain fund management fees that would otherwise be paid to a fund manager.

## 6.4 Risk Management

The Company will undertake a risk management and review process for all investments, including undertaking due diligence investigations in relation to acquiring interests in companies with a development on long term investment view.

The Company will monitor the investment policy and standards including:

- (a) investment returns;
- (b) credit risk;
- (c) asset and cash flow support;
- (d) maturity profile;
- (e) liquidity; and
- (f) concentration limits.

The Company may also look to invest in other opportunities, as approved by the Board in writing and subject to its investment criteria.

The financial data that will be taken into account in assessing potential investments for the portfolio will include, but not be limited to, an assessment of the past and projected earnings and profits of a company, the price-earnings ratio underlying any proposed investment, balance sheet strength, share price and earnings momentum and dividend yield and imputation credit levels.

Every investment made by the Company will be continuously monitored and reviewed on a periodic basis. The Company will be willing to move quickly to realise investments when a view is formed that an investment is overvalued or an alternative, superior investment opportunity arises.

## 6.5 Australian Financial Services Licence

The Company does not hold an Australian Financial Services Licence (**AFSL**) under the Corporations Act. Accordingly, the Offer will be made pursuant to an arrangement between the Company and Patersons Securities Limited as the holder of an Australian Financial Services Licence under section 911A(2)(b) of the Corporations Act (**Authorised Intermediary**).

The Company will authorise the Authorised Intermediary to make offers to arrange for the issue of Shares under the Prospectus and the Company will only issue the Shares in accordance with those offers and no others.

The Company will pay the Authorised Intermediary a fee of \$10,000 for acting as the Authorised Intermediary. Further details of the arrangement with the Authorised Intermediary are continued in Section 10.1.

In any event, it is not the intention that the Company provides investment advice to investors and it will be up to the individual investor to seek any investment advice.

## 6.6 Investment Strategy

The investment objectives of the Company are to achieve a consistent high real rate of return, comprising both income and capital growth whilst operating within acceptable risk parameters set by the Board.

The Directors intend to investigate and select potential assets or projects based on one or a combination of the following criteria:

- (a) the project or asset should be of a sufficient size and development to be capable of generating support in the market place to raise further funds;
- (b) the project should have the capacity to add value to the Company in the medium term; and
- (c) the project or asset should have quality management in place or have the ability to attract such people.

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## **7. RISK FACTORS**

### **7.1 Introduction**

The Shares offered under this Prospectus are considered highly speculative. An investment in the Company is not risk free and the Directors strongly recommend potential investors consider the risk factors described below, together with information contained elsewhere in this Prospectus, before deciding whether to apply for Shares and to consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

There are specific risks which relate directly to the Company's business which are contained in Section 4.8. In addition, there are other general risks, many of which are largely beyond the control of the Company and the Directors. The risks identified in this Section, or other risk factors, may have a material impact on the financial performance of the Company and the market price of the Shares and the value of Options.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed. The types of risks the Company is exposed to can change over time and vary with changes in economic, technological, environmental and regulatory conditions both generally and within the financial services industry.

### **7.2 Risk Factors**

Refer to Section 4.8 for details of the key risks the Company is exposed to. Additional risks specific to the Company are set out below.

#### **(a) Market risk**

Share market conditions may affect the value of the Company's quoted Securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (i) general economic outlook;
- (ii) interest rates and inflation rates;
- (iii) currency fluctuations;
- (iv) commodity price fluctuations;
- (v) changes in investor sentiment toward particular market sectors;
- (vi) the demand for, and supply of, capital; and
- (vii) terrorism and other hostilities.

#### **(b) Industry Risk**

There are a number of industry risk factors that may affect the future operational performance of the Company. These factors are outside the control of the Company. Such factors include increased regulatory and compliance costs, unforeseen Government legislation, and collapse in equity markets.

(c) **Regulatory Risk**

The Company is subject to a range of regulatory controls imposed by government (federal and state) and regulatory authorities (ASX and ASIC). The relevant regulatory regimes are complex and are subject to change over time, depending on changes in the laws and the policies of the governments and regulatory authorities.

The Company is exposed to the risk of changes to applicable laws and/or the interpretation of existing laws, which may have a negative effect on the Company, its investments and/or returns to Shareholders, or the risks associated with non-compliance with these laws (including reporting or other legal obligations). Non-compliance may result in financial penalties being levied against the Company.

(d) **General economic and political risks**

Changes in the general economic and political climate in Australia and on a global basis may impact on economic growth, interest rates, the rate of inflation, taxation and tariff laws, domestic security which may affect the value and viability of any financial services activities that may be conducted by the Company.

(e) **Insurance risk**

Insurance against all risks associated with the Company's activities is not always available or affordable. The Company will maintain insurance where it is considered appropriate for its needs. However, it will not be insured against all risks either because appropriate cover is not available or because the Directors consider the required premiums to be excessive having regard to the benefits that would accrue.

(f) **Changes in taxation laws and policies**

Tax laws are in a continual state of change which may affect the Company and its Shareholders.

There may be tax implications arising from ownership of the Shares, the receipt of franked and unfranked dividends (should any be paid) from the Company, receiving returns of capital and the disposal of the Shares.

Changes to tax laws may adversely affect the Company's financial performance and/or the returns achieved by investors. Should dividends be paid by the Company, the payment of these dividends to certain investors may not be recognised as frankable by the Australian Taxation Office.

The Company is not responsible for either taxation or penalties incurred by investors. You should carefully consider these tax implications and obtain advice from an accountant or other professional tax adviser in relation to the application of the tax legislation to your investment in the Company.

(g) **Future capital requirements of the Company**

There can be no assurance that the Company will not need to raise additional capital to fully exploit business opportunities available to it.

There can be no assurance that the Company will be able to raise such capital on favourable terms (or at all) or, if it is able to raise the capital, that it will be able to invest that capital efficiently.

If the Company is unable to obtain or invest such additional capital, the Company may be required to reduce the scope of its investment activities or forgo an investment opportunity which could adversely affect its business, financial condition and results of operation.

### **7.3 What if the Transformation does not succeed?**

If the conditions to the Transformation are not satisfied or waived the Transformation will not proceed and the Company will continue in its current form, albeit with its securities suspended from trading.

However, the Company is likely to continue to investigate new opportunities outside of its current energy sector.

### **7.4 Investment speculative**

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares offered under this Prospectus.

Therefore, the Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.

Potential investors should consider that the investment in the Company is highly speculative and should consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

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**8. INVESTIGATING ACCOUNTANT'S REPORT**

3 February 2016

The Directors  
Neon Energy Limited  
33 Yilgarn Street  
SHENTON PARK WA 6008

Dear Sirs

## Investigating Accountant's Report

### 1. Introduction

The Directors of Neon Energy Limited (to be renamed Neon Capital Ltd) ("**the Company**") and its controlled entities ("**Neon**") have requested SomeS Cooke Chartered Accountants ("**SomeS Cooke**") to prepare an Investigating Accountant's Report ("**Report**") for inclusion in a prospectus dated on or around 3 February 2016 ("**Prospectus**"), relating to, among other things:

- The offer of up to 5,000 Shares at an issue price of \$0.20 per Share to raise up to \$1,000; and
- the transformation of the Company into a Listed Investment Company ("**Transformation**")

Further details of the above and associated transactions are listed in Note 2 of Appendix 1 to this Report. All amounts stated in this report are in Australian Dollars unless otherwise indicated. All the terms used in this Report have the same meaning as the terms used and defined in the Prospectus unless otherwise defined in this Report.

### 2. Scope

SomeS Cooke has been engaged by the Directors to review the following ("**Financial Information**"):

- Historical Statement of Financial Position of Neon as at 31 December 2015 ("**Historical Financial Information**");
- Pro-forma Statement of Financial Position following the Transformation, as at 31 December 2015 ("**Pro-Forma Financial Information**").

The Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies. The Pro-Forma Financial Information is based on the Historical Financial Information, adjusted for transactions and assumptions as if they had occurred at 31 December 2015. These transactions and assumptions are detailed in Note 2 of Appendix 1. Due to its nature, the Pro-Forma Financial Information does not represent Neon's actual or prospective financial position or financial performance.

The Historical Financial Information and the Pro-Forma Financial Information is presented in the Prospectus and this Report in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

We have not been requested to consider the prospects for Neon, nor the merits and risks associated with becoming a shareholder of the Company and accordingly, have not done so, nor do we purport to do so. We accordingly, take no responsibility for those matters or any other matter or omission in the Prospectus, other than the responsibility for this Report. The risk factors are set out in Sections 4.8 and 7 of the Prospectus.



### **3. Background**

The Company is a public company listed on the Official List (ASX code: NEN). On 30 September 2015, the Company announced to the ASX that, subject to obtaining approvals at the General Meeting, it proposes to undergo a change to the nature and scale of the activities of the Company such that it will transform into a Listed Investment Company. Refer to Section 4.1 of the Prospectus for further information.

### **4. Responsibility for the Financial Information**

The directors of the Company are responsible for the preparation and presentation of the Historical Financial Information and the Pro-Forma Financial Information, including the selection and determination of the Pro-Forma adjustments. They are also responsible for all assumptions, judgements and estimates, used in the Historical Financial Information and included in the Pro-Forma Financial Information.

This responsibility includes establishing and maintaining internal control relevant to the preparation of the Historical and Pro-Forma Financial Information that is free from material misstatement which is due to fraud and error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The directors of the Company are also responsible for all information contained within the Prospectus.

### **5. Our Responsibility**

Our responsibility is to express a limited assurance conclusion on the Financial Information based on the procedures performed and the evidence we have obtained. We have conducted our review engagement in accordance with the Australian Standard on Assurance Engagements (ASAE) 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

In connection with the review, we made such enquiries and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit report. For the purposes of this Report, we have not performed an audit and accordingly do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the Financial Information.

### **6. Conclusion**

#### ***Historical Financial Information***

Based on our review, which was not an audit, nothing has come to our attention which would cause us to believe that the Historical Financial Information, as shown in abbreviated form in Appendix 1 to this Report, and comprising:

- The Statement of Financial Position of Neon as at 31 December 2015;

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Note 3 of Appendix 1.

#### ***Pro-Forma Financial Information***

Based on our review, which was not an audit, nothing has come to our attention which would cause us to believe that the Pro-forma Financial Information, comprising:

- The Pro-Forma Statement of Financial Position of Neon as at 31 December 2015;

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Notes 2 and 3 of Appendix 1.

## 7. Subsequent Events

Apart from the matters dealt with in this Report and the Prospectus and having regard to the scope of our Report, to the best of our knowledge and belief, there have been no other material items, transactions, or events outside the normal course of business, subsequent to 31 December 2015, that have come to our attention during the course of our engagement that would require comment on, or adjustment to, the information referred to in our Report, or that would cause such information to be misleading or deceptive.

## 8. Declaration

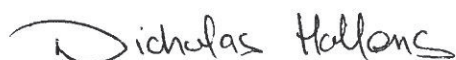
Somes Cooke are responsible for this Report.

The Financial Information presented in Appendix 1 has been prepared by Directors of the Company and is their responsibility. This report is strictly limited to the matters contained herein and is not to be read as extending by implication or otherwise to any other matter.

Somes Cooke do not have any interest that could reasonably be regarded as being capable of affecting its ability to give an unbiased conclusion in relation to this matter. Except for fees relating to this Report, which are based on normal commercial terms, Somes Cooke does not have any interest in Neon nor in the outcome of the Transformation. Somes Cooke have not made, and will not make, any recommendation through the issue of this Report to potential investors of the Company.

Consent for the inclusion of this Report in the Prospectus in the form and context in which it appears has been given. At the date of this Report, this consent has not been withdrawn.

Yours faithfully



Nicholas Hollens  
Partner  
Somes Cooke Chartered Accountants  
Level 2, 35 Outram Street  
West Perth WA 6005

Date: 3 February 2016

## Appendix 1

### 1. Consolidated Historical and Pro-Forma Statement of Financial Position as at 31 December 2015

|                                  | Note | Reviewed as at<br>31 December 2015<br>\$ | Pro-Forma adjustments<br>as at 31 December 2015<br>\$ | Pro-Forma as at 31<br>December 2015<br>\$ |
|----------------------------------|------|--|---|---|
| <b>Current Assets</b>            |      |  |   |   |
| Cash and cash equivalents        | 4    |  | (212,760)   | 18,375,065                                |
| Trade and other receivables      |      | 133,306                                  | -   | 133,306                                   |
| <b>Total Current Assets</b>      |      | 18,721,131                               | (212,760)   | 18,508,371                                |
| <b>Total Assets</b>              |      | 18,721,131                               | (212,760)   | 18,508,371                                |
| <b>Current Liabilities</b>       |      |  |   |   |
| Trade and other payables         |      | 36,843                                   | -   | 36,843                                    |
| <b>Total Current Liabilities</b> |      | 36,843                                   | -   | 36,843                                    |
| <b>Total Liabilities</b>         |      | 36,843                                   | -   | 36,843                                    |
| <b>Net Assets</b>                |      | 18,684,288                               | (212,760)   | 18,471,528                                |
| <b>Equity</b>                    |      |  |   |   |
| Contributed equity               | 5    | 170,687,570                              | -   | 170,687,570                               |
| Reserves                         |      | 5,573,960                                | -   | 5,573,960                                 |
| Accumulated losses               | 6    | (157,577,242)                            | (212,760)   | (157,790,002)                             |
| <b>Total Equity</b>              |      | 18,684,288                               | (212,760)   | (18,471,528)                              |

The above statement should be read in accordance with the accompanying notes. Neon's audited accounts for the previous 3 years are available on the ASX announcements platform, located at [www.asx.com.au](http://www.asx.com.au) using the company code NEN.



## 2. Pro-Forma Transactions and Assumptions

The Pro-Forma Financial Information incorporates the following assumptions and transactions as if they have occurred at 31 December 2015:

Pro-forma assumptions and transactions:

- a) The consolidation of 522,007,968 pre-consolidation shares into 52,200,797 post consolidation shares (“**Consolidation**”);
- b) Expenses of the Offer and Transformation; and
- c) Conditions outlined in Section 4.10 of the Prospectus are met.

## 3. Summary of Significant Accounting Policies

The significant accounting policies adopted in the preparation of the Financial Information are summarised below.

### *Basis of Reporting*

The Financial Information has been prepared in accordance with the *Corporations Act 2001* and recognition and measurement requirements (but not all disclosure requirements) of Australian Accounting Standards and Australian Accounting Interpretations adopted by the Australian Accounting Standards Board. The Financial Information covers the Company, a public company, incorporated and domiciled in Australia and the entities it controlled during the year (“**Group**”). The Financial Information is presented in Australian dollars. The Financial Information has been prepared on an accrual basis and is based on historical costs. Cost is based on the fair value of the consideration given in exchange for assets.

### *Compliance with IFRS*

Compliance with Australian Accounting Standards ensures that the Financial Information of the Group complies with International Financial Reporting Standards (IFRS).

### *Significant accounting policies*

Accounting policies are selected and applied in a manner which ensures that the resulting Financial Information satisfies the concepts of relevance and reliability, and that the substance of underlying transactions and other events is reported. The following significant accounting policies have been adopted in the preparation and presentation of the Financial Information:

### **Accounting Policies**

#### **(a) Income tax**

The income tax expense for the year comprises current income tax expense and deferred tax expense.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses, if any in fact are brought to account.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Information. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their

measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

**(b) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

**(c) Impairment of Assets**

Impairment testing is performed annually for goodwill, intangible assets with indefinite lives and intangible assets not yet available for use. For other assets, at each reporting date, the Group review the carrying values of their tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Profit or Loss and Other Comprehensive Income.

**(d) Financial Instruments**

**Recognition and Initial Measurement**

Financial assets and financial liabilities are recognised when the Group becomes party to the contractual provisions to the instrument.

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified at fair value through profit and loss, in which case transaction costs are expensed to profit and loss immediately.

**Classification and Subsequent Measurement**

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. *Fair value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

*Amortised cost* is calculated as:

the amount at which the financial asset or financial liability is measured at initial recognition;

less principal repayments;

plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and

less any reduction for impairment.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit and loss.

*Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.



**(e) Provisions**

Provisions are recognised when the Group have a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

**(f) Contributed Equity**

Ordinary share capital is recognised at the fair value of the consideration received by the Group. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

**(g) Share based payments**

The fair value of options granted is recognised as an expense with a corresponding increase in equity, unless the options are costs of capital in which case the options granted are recognised in equity only. The fair value of shares or performance rights is ascertained as the market bid price. The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. The number of shares and options expected to vest is reviewed and adjusted at each reporting date (except where the change in expectation relates to market conditions) such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

#### 4. Cash and cash equivalents

|  | Note | \$                |
|--|------|-------------------|
| Balance of cash and cash equivalents at 31 December 2015           |      | 18,587,825        |
| Add Pro-Forma adjustments:   |      |                   |
| - Expenses of the Offer and Transformation                         | 2.b) | (212,760)         |
| Pro-Forma balance of cash and cash equivalents at 31 December 2015 |      | <u>18,375,065</u> |

#### 5. Contributed equity

|   | Note | Number of Shares  | \$                 |
|---|------|-------------------|--------------------|
| Balance of contributed equity at 31 December 2015           |      | 522,007,968       | 170,687,570        |
| - Consolidation   | 2.a) | (469,807,171)     | -                  |
| Pro-Forma balance of contributed equity at 31 December 2015 |      | <u>52,200,797</u> | <u>170,687,570</u> |

Rights attaching to the shares are outlined in the Prospectus.

#### 6. Accumulated losses

|   | Note | \$                   |
|---|------|----------------------|
| Balance of accumulated losses at 31 December 2015           |      | (157,577,242)        |
| Add Pro-Forma adjustments:                                  |      |                      |
| - Expenses of the Offer and Transformation                  | 2.b) | (212,760)            |
| Pro-Forma balance of accumulated losses at 31 December 2015 |      | <u>(157,790,002)</u> |

#### 7. Post balance date events

No matters or circumstances have arisen since 31 December 2015 which significantly affect the state of affairs of the Group, other than the matters outlined above and those disclosed in the Prospectus.

#### 8. Related party transactions

Related parties and related party transactions are outlined in the Prospectus.

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## 9. BOARD, MANAGEMENT AND CORPORATE GOVERNANCE

### 9.1 Directors

#### (a) **Mr Timothy Kestell (Non-Executive Director)**

Mr Kestell has over 18 years experience in capital markets including working for Australian stockbrokers Euroz Securities Limited and Patersons Securities Limited. In the past decade, Mr Kestell has played a key role in forming and/or re capitalising publicly listed companies, helping raise over \$70m in the process. Mr Kestell holds a Bachelor of Commerce degree and is currently a director of Blue Capital Limited.

Mr Kestell's past directorships include Emerald Capital Limited, Northern Energy Limited, Biosignal Limited (formerly CTI Communications Limited), Centralian Minerals Limited, Tusker Gold Limited and Emmerson Resources Limited.

#### (b) **Mr Peter Pynes (Non-Executive Director)**

Mr Pynes has in excess of 20 years' experience in Australia and overseas capital markets. He previously worked at Deutsche Bank as a director of global markets where he gained extensive knowledge of global structured debt products as well as capital raising and syndication. In the past decade, Mr Pynes has played a key role in forming and capitalising both publicly listed and unlisted companies. Mr Pynes has been involved in both initial public offerings and takeovers, including the listing on the ASX of Tusker Gold Limited and its successful cash takeover by Barrick Gold Limited. Mr Pynes is a director of MPC Funding Limited, a specialist financing company providing in excess of \$450m of loan funds for the development of the Melbourne Convention Centre. Mr Pynes is a Fellow of the Australian Institute of Company Directors (FAICD) and a Senior Associate of Financial Services Institute of Australia (SA FIN) and a director of Blue Capital Limited and Nexus Bond Limited.

Mr Pynes past directorships include Emerald Capital Limited, Nexus Bonds Limited, Tusker Gold Limited, Resource and Investments NL and Centralian Minerals Limited.

#### (c) **Mr Ross Williams (Chairman)**

Mr Williams is a founding shareholder of MACA Limited (**MACA**) 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 resigning in February 2015. Mr Williams holds a Post Graduate Diploma in Financial Services Management from Macquarie University was a Fellow of the Australian Institute of Banking and Finance prior to establishing MACA in 2002 and is currently serving as a non-executive director for publicly listed Emerald Resources NL.

### 9.2 Disclosure of Interests

Directors are not required under the Company's Constitution to hold any Shares in the Company. Details of the Directors' remuneration and relevant interests in



the securities of the Company upon completion of the Offers are set out in the table below:

| Director                     | Remuneration for year ended 31 December 2014 | Remuneration for year ended 31 December 2015 | Proposed remuneration for current year | Shares                   |
|------------------------------|--|--|--|--------------------------|
| Peter Pynes <sup>1</sup>     | Nil  | \$76,613 <sup>4</sup>                        | \$100,000 <sup>5</sup>                 | 206,903,762 <sup>6</sup> |
| Timothy Kestell <sup>2</sup> | Nil  | \$76,613 <sup>4</sup>                        | \$100,000 <sup>5</sup>                 | 206,903,762 <sup>6</sup> |
| Ross Williams <sup>3</sup>   | Nil  | \$73,921                                     | \$100,000 <sup>5</sup>                 | 206,903,762 <sup>6</sup> |

**Notes:**

1. Appointed on 19 December 2014.
2. Appointed on 19 December 2014.
3. Appointed on 25 March 2015.
4. Plus superannuation of \$7,278.
5. This remuneration is per annum and exclusive of superannuation.
6. Shares are held by Evoworld Corporation Pty Ltd (**Evoworld**) in which the Director have an interest as follows:
  - (a) Mr Pynes has an indirect interest in the shares held by Evoworld through a controlled entity, P & L Capital Investments Pty Ltd, that has a deemed relevant interest in the shares held by Evoworld as it holds more than 20% of the shares of Evoworld;
  - (b) Mr Kestell has an indirect interest in the shares held by Evoworld through a controlled entity, Old Blood & Guts Pty Ltd, that has a deemed relevant interest in the shares held by Evoworld as it holds more than 20% of the shares of Evoworld; and
  - (c) Mr Williams has an indirect interest in the shares held by Evoworld through a controlled entity, Williams Trading Trust, that has a deemed relevant interest in the shares held by Evoworld as it holds more than 20% of the shares in Evoworld.

### 9.3 The ASX Corporate Governance Council Principles and Recommendations

The Company has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs.

To the extent applicable, the Company has adopted *The Corporate Governance Principles and Recommendations (3rd Edition)* as published by the ASX Corporate Governance Council (**Recommendations**).

In light of the Company's size and nature, the Board considers that the current board is a cost effective and practical method of directing and managing the Company. As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance policies and structures will be reviewed.

The Company's main corporate governance policies and practices as at the date of this Prospectus are outlined below and the Company's corporate governance statement, which indicates the Company's departures from these Recommendations, is contained in its Annual Report.

### ***Board Charter***

The Board has adopted a board charter which prescribes certain principles for the operation and structure of the Board. The charter also establishes certain principles and procedures in accordance with which the Board is required to act and allocates the functions of the Company between the Board and management of the Company.

### ***Code of Conduct***

The Board has adopted a code of conduct which sets basic principles of business conduct to which the Directors, officers and employees of the Company must adhere.

### ***Board of Directors***

The Board is responsible for corporate governance of the Company. The Board develops strategies for the Company, reviews strategic objectives and monitors performance against those objectives. The goals of the corporate governance processes are to:

- (a) maintain and increase Shareholder value;
- (b) ensure a prudential and ethical basis for the Company's conduct and activities; and
- (c) ensure compliance with the Company's legal and regulatory objectives.

Consistent with these goals, the Board assumes the following responsibilities:

- (d) developing initiatives for profit and asset growth;
- (e) reviewing the corporate, commercial and financial performance of the Company on a regular basis;
- (f) acting on behalf of, and being accountable to, the Shareholders; and
- (g) identifying business risks and implementing actions to manage those risks and corporate systems to assure quality.

The Company is committed to the circulation of relevant materials to Directors in a timely manner to facilitate Directors' participation in the Board's discussions on a fully-informed basis.

### ***Composition of the Board***

Election of Board members is substantially the province of the Shareholders in general meetings.

However, subject thereto, the Company is committed to the following principles:

- (a) the Board is to comprise persons with a blend of skills, experience and attributes appropriate for the Company and its business; and
- (b) the principal criterion for the appointment of new directors is their ability to add value to the Company and its business.

No formal nomination committee or procedures have been adopted for the identification, appointment and review of the Board's membership, but an informal assessment process, facilitated in consultation with the Company's professional advisers, has been committed to by the Board.

### ***Identification and management of risk***

The Board's collective experience will enable accurate identification of the principal risks that may affect the Company's business. Key operational risks and their management will be recurring items for deliberation at Board meetings.

### ***Continuous Disclosure Policy***

The Board has adopted a continuous disclosure policy to ensure the Company will be in a position to comply with its disclosure obligations following admission to the Official List.

Under the policy, the Company Secretary will have primary responsibility for ensuring the Company complies with its continuous disclosure obligations.

### ***Ethical standards***

The Board is committed to the establishment and maintenance of appropriate ethical standards.

### ***Independent professional advice***

Subject to the Chairman's approval (not to be unreasonably withheld), the Directors, at the Company's expense, may obtain independent professional advice on issues arising in the course of their duties.

### ***Remuneration arrangements***

The remuneration of an executive Director will be decided by the Board, without the affected executive Director participating in that decision-making process.

The total maximum remuneration of non-executive Directors was initially set by the Directors and subsequent variation is by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director. The fees paid to Directors for the financial year ending 30 June 2015 and the Company's intentions regarding remuneration for the financial year ending 30 June 2016 are set out in Section 9.2.

In addition, a Director may be paid fees or other amounts (i.e. subject to any necessary Shareholder approval, non-cash performance incentives such as options) as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director.

Directors are also entitled to be paid reasonable travelling, accommodation and other expenses incurred by them respectively in or about the performance of their duties as Directors.

The Board reviews and approves the remuneration policy to enable the Company to attract and retain executives and Directors who will create value

for Shareholders having consideration to the amount considered to be commensurate for a company of its size and level of activity as well as the relevant Directors' time, commitment and responsibility. The Board is also responsible for reviewing any employee incentive and equity-based plans including the appropriateness of performance hurdles and total payments proposed.

### ***Trading policy***

The Board has adopted a policy that sets out the guidelines on the sale and purchase of securities in the Company by its key management personnel (i.e. Directors and, if applicable, any employees reporting directly to the managing director). Broadly, the policy prohibits trading during designated "blackout periods" and recommends trading only during certain "trading windows". The policy generally provides that the written acknowledgement of the Chair (or the Board in the case of the Chairman) must be obtained prior to trading.

### ***External audit***

The Company in general meetings is responsible for the appointment of the external auditors of the Company, and the Board from time to time will review the scope, performance and fees of those external auditors.

### ***Audit committee***

The Company will not have a separate audit committee until such time as the Board is of a sufficient size and structure, and the Company's operations are of a sufficient magnitude for a separate committee to be of benefit to the Company. In the meantime, the full Board will carry out the duties that would ordinarily be assigned to that committee under the written terms of reference for that committee, including but not limited to, monitoring and reviewing any matters of significance affecting financial reporting and compliance, the integrity of the financial reporting of the Company, the Company's internal financial control system and risk management systems and the external audit function.

### ***Diversity policy***

The Board values diversity and recognises the benefits it can bring to the organisation's ability to achieve its goals. The Company has therefore adopted a diversity policy, outlining the Company's diversity objectives. In particular, under the policy the Board will establish measurable objectives for achieving gender diversity when it has grown to a point where it is appropriate to do so.

## **9.4 Departures from Recommendations**

Following readmission to the Official List of the ASX, the Company will be required to report any departures from the Recommendations in its annual financial report.

The Company's compliance and departures from the Recommendations as at the date of this Prospectus are set out in Annexure 1 to this Prospectus.

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## **10. MATERIAL CONTRACTS**

### **10.1 Intermediary Authorisation Agreement**

The Company entered into an AFSL Intermediary Arrangement on 30 November 2015 with Paterson's Securities Limited. As a LIC, the Company requires an AFSL in order to issue securities to retail investors.

The key material terms of that arrangement are as follows:

- (a) Paterson's Securities Limited is the holder of an AFSL with the appropriate authorisations to issue shares to both retail and wholesale investors.
- (b) The Company has appointed Paterson's Securities Limited to issue securities to both retail and wholesale investors pursuant to the Offer.
- (c) The Offer will be subject to the usual requirement of such offers in accordance with Section 911A of the Corporations Act.
- (d) The Company will pay Paterson's Securities Limited a fee of \$10,000 under the AFSL agreement.

### **10.2 Non-Executive Letters of Appointment**

The Company has entered into agreements for the appointment of its Directors pursuant to which they will be paid as follows:

- (a) Ross Williams: \$100,000 per annum plus superannuation.
- (b) Peter Pynes: \$100,000 per annum plus superannuation.
- (c) Tim Kestell: \$100,000 per annum plus superannuation.

### **10.3 Deeds of Indemnity, Insurance and Access**

The Company has entered into deeds of indemnity, insurance and access with each of its Directors and will enter into such deeds with the proposed directors following their appointments. Under these deeds, the Company agrees to indemnify each officer to the extent permitted by the Corporations Act against any liability arising as a result of the officer acting as an officer of the Company or a related body corporate (subject to customary exceptions). The Company is also required to maintain insurance policies for the benefit of the relevant officer and must also allow the officers to inspect board papers and other documents provided to the Board in certain circumstances.

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## **11. ADDITIONAL INFORMATION**

### **11.1 Litigation**

As at the date of this Prospectus, the Company is not involved in any material legal proceedings and the Directors are not aware of any material legal proceedings pending or threatened against the Company.

### **11.2 Rights attaching to Shares**

The following is a summary of the more significant rights attaching to Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

#### **(a) General meetings**

Shareholders are entitled to be present in person, or by proxy, attorney or corporate representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with section 249D of the Corporations Act.

#### **(b) Voting rights**

Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at general meetings of Shareholders or classes of Shareholders:

- (i) each Shareholder entitled to vote may vote in person or by proxy, attorney or corporate representative;
- (ii) on a show of hands, every person present who is a Shareholder or a representative of a Shareholder has one vote in respect of each Share carrying the right to vote; and
- (iii) on a poll, every person present who is a Shareholder or a proxy, attorney or corporate representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or corporate representative, have one vote for the Share, but in respect of partly paid Shares shall have such number of votes as bears the same proportion to the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

#### **(c) Dividend rights**

The Directors alone may declare a dividend to be paid to Shareholders. The dividend is payable at a time determined in the Directors' discretion. No dividend may be declared or paid except as allowed by the Corporations Act. No interest is payable in respect of unpaid

dividends. The Directors may set aside of the Company's profit any amount that they consider appropriate. This amount may be used in any way that profits can be used, and can be invested or used in the Company's business in the interim.

(d) **Winding-up**

If the Company is wound up, the liquidator may, with the authority of a special resolution of the Company, divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

The liquidator may, with the authority of a special resolution of the Company, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any Shares or other securities in respect of which there is any liability.

(e) **Shareholder liability**

As the Shares under the Prospectus are fully paid shares, they are not subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

(f) **Transfer of Shares**

Generally, Shares are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the ASX Listing Rules.

(g) **Variation of rights**

Pursuant to section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to Shares.

If at any time the share capital is divided into different classes of Shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up, may be varied or abrogated with the consent in writing of the holders of three-quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

(h) **Alteration of Constitution**

The Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. In addition, at least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

### 11.3 Interests of Directors

Other than as set out in this Prospectus, no Director holds, or has held within the two years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
  - (i) its formation or promotion; or
  - (ii) the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director:

- (d) as an inducement to become, or to qualify as, a Director; or
- (e) for services provided in connection with:
  - (i) the formation or promotion of the Company; or
  - (iii) the Offer.

### 11.4 Interests of Experts and Advisers

Other than as set out below or elsewhere in this Prospectus, no:

- (a) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- (b) promoter of the Company; or
- (c) underwriter (but not a sub-underwriter) to the issue or a financial services licensee named in this Prospectus as a financial services licensee involved in the issue,

holds, or has held within the two years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (d) the formation or promotion of the Company;
- (e) any property acquired or proposed to be acquired by the Company in connection with:
  - (i) its formation or promotion; or
  - (ii) the Offer; or
- (f) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:



- (g) the formation or promotion of the Company; or
- (h) the Offer.

Somes Cooke has acted as Investigating Accountant and has prepared the Investigating Accountant's Report and Financial Information, which is included in Section 8 of this Prospectus. The Company estimates it will pay Somes Cooke a total of \$5,000 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Somes Cooke has received nil fees from the Company for other services.

Steinepreis Paganin has acted as the Company's solicitor in the preparation of this Prospectus. The Company estimates it will pay Steinepreis Paganin a total of \$60,000 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Steinepreis Paganin has received \$62,646.51 in fees from the Company.

## **11.5 Consents**

Each of the parties referred to in this Section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section; and
- (b) to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

Somes Cooke has given its written consent to being named as the Investigating Accountant in this Prospectus and to the inclusion of the Investigating Accountant's Report and Financial Information in Section 8 of this Prospectus in the form and context in which the information and report is included. Somes Cooke has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

Steinepreis Paganin has given its written consent to being named as the Australian solicitors to the Company in this Prospectus and has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

## **11.6 Expenses of the Offer**

The total expenses of the Offer (excluding GST) are estimated to be approximately \$162,760 if the Offer is fully subscribed, and are expected to be applied towards the items set out in the table below.

| <b>Item of Expenditure</b>      | <b>Full Subscription<br/>(\$)</b> |
|---------------------------------|-----------------------------------|
| ASIC fees                       | 2,320                             |
| ASX fees                        | 65,440                            |
| Authorised Intermediary Fees    | 10,000                            |
| Investigating Accountant's Fees | 5,000                             |
| Legal Fees                      | 60,000                            |
| Printing and Distribution       | 10,000                            |
| Miscellaneous                   | 10,000                            |
| <b>TOTAL</b>                    | <b>162,760</b>                    |

### **11.7 Continuous disclosure obligations**

As the Company is admitted to the Official List, the Company is a "disclosing entity" (as defined in section 111AC of the Corporations Act) and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company will be required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company's securities.

Price sensitive information will be publicly released through the ASX before it is disclosed to shareholders and market participants. Distribution of other information to shareholders and market participants will also be managed through disclosure to the ASX.

### **11.8 Electronic Prospectus**

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please contact the Company and the Company will send you, for free, either a hard copy or a further electronic copy of this Prospectus or both. Alternatively, you may obtain a copy of this Prospectus from the ASX company announcements platform.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

### **11.9 Clearing House Electronic Sub-Register System (CHESS) and Issuer Sponsorship**

The Company currently participates in CHESS, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHESS will be issuer sponsored by the Company.

Electronic sub-registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with statements (similar to a bank account statement) that set out the number of Shares allotted to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship.

Electronic sub-registers also mean ownership of securities can be transferred without having to rely upon paper documentation. Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

#### **11.10 Privacy statement**

If you complete an Application Form, you will be providing personal information to the Company. The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder and to facilitate distribution payments and corporate communications to you as a Shareholder.

The information may also be used from time to time and disclosed to persons inspecting the register, including bidders for your securities in the context of takeovers, regulatory bodies including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the share registry.

You can access, correct and update the personal information that we hold about you. If you wish to do so, please contact the share registry at the relevant contact number set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information are governed by legislation including the *Privacy Act 1988* (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the application for Shares, the Company may not be able to accept or process your application.

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**12. DIRECTORS' AUTHORISATION**

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.



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**Ross Williams**  
**Chairman**  
**For and on behalf of**  
**NEON ENERGY LIMITED**

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## 13. GLOSSARY

Where the following terms are used in this Prospectus they have the following meanings:

**\$** means Australian dollars.

**AFSL** means an Australian Financial Services License.

**Application Form** means the application forms attached to or accompanying this Prospectus relating to the Offer.

**ASIC** means the Australian Securities & Investments Commission.

**ASX** means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

**ASX Listing Rules** means the Listing Rules of ASX.

**Authorised Intermediary** means as defined in Section 6.5.

**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 ASX declares is not a business day.

**Closing Date** means the closing date of the Offers as set out in the indicative timetable in Section 2 (subject to the Company reserving the right to extend the Closing Date or close the Offers early).

**Company** or **Neon** means Neon Energy Ltd (ACN 002 796 974).

**Completion** means completion of the Transformation.

**Consolidation** means the 1:10 consolidation of the Shares approval which is being sought at the Meeting.

**Constitution** means the Company's constitution.

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

**Directors** means the directors of the Company at the date of this Prospectus.

**Financial Information** means the Company's financial information prepared by the Investigating Accountant as set out in Section 8.

**General Meeting** or **Meeting** means the general meeting of Shareholders which was held on 3 February 2016.

**Investigating Accountant's Report** means the Investigating Accountant's Report set out in Section 8 of this Prospectus.

**Investment Strategy** means the Company's investment strategy as outlined in Section 6.6.

**LIC** has the meaning given in Section 4.1 of this Prospectus.

**NAV** means net asset value.

**Offer** means the offer of up to 5,000 Shares at \$0.20 to raise up to \$1,000 pursuant to this Prospectus.

**Official List** means the official list of the ASX.

**Official Quotation** means official quotation by the ASX in accordance with the ASX Listing Rules.

**Option** means an option to acquire a Share.

**Prospectus** means this prospectus.

**Quoted Securities** means Shares and quoted Options.

**Section** means a section of this Prospectus.

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

**Shareholder** means a registered holder of a Share.

**Transformation** has the meaning given in Section 4.1 of this Prospectus.

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

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**ANNEXURE 1 – DEPARTURES FROM ASX CORPORATE GOVERNANCE PRINCIPLES AND GUIDELINES**


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| RECOMMENDATIONS (3 <sup>RD</sup> EDITION)   | COMPLY    | EXPLANATION   |
|---|-----------|---|
| <b><i>Principle 1: Lay solid foundations for management and oversight</i></b>   |           |   |
| <p><b>Recommendation 1.5</b></p> <p>A listed entity should:</p> <p>(a) have a diversity policy which includes requirements for the Board or a relevant committee of the Board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity’s progress in achieving them;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(c) disclose as at the end of each reporting period:</p> <p style="padding-left: 20px;">(i) the measurable objectives for achieving gender diversity set by the Board in accordance with the entity’s diversity policy and its progress towards achieving them; and</p> <p style="padding-left: 20px;">(ii) either:</p> <p style="padding-left: 40px;">(A) the respective proportions of men and women on the Board, in senior executive positions and across the whole organisation (including how the entity has defined “senior executive” for these purposes); or</p> <p style="padding-left: 40px;">(B) if the entity is a “relevant employer” under the Workplace Gender Equality Act, the entity’s most recent “Gender Equality Indicators”, as defined in the Workplace Gender Equality Act.</p> | PARTIALLY | <p>(a) The Company has adopted a Diversity Policy which provides a framework for the Company to establish and achieve measurable diversity objectives, including in respect of gender diversity. The Diversity Policy allows the Board to set measurable gender diversity objectives, if considered appropriate, and to assess annually both the objectives if any have been set and the Company’s progress in achieving them.</p> <p>(b) The Diversity Policy is available, as part of the Corporate Governance Plan, on the Company’s website.</p> <p>(c)</p> <p style="padding-left: 20px;">(i) The Board does not presently intend to set measurable gender diversity objectives because:</p> <ul style="list-style-type: none"> <li>- the Board does not anticipate there will be a need to appoint any new Directors or senior executives due to limited nature of the Company’s existing and proposed activities and the Board’s view that the existing Directors and senior executives have sufficient skill and experience to carry out the Company’s plans; and</li> <li>- if it becomes necessary to appoint any new Directors or senior executives, the Board considered the application of a measurable gender diversity objective requiring a specified proportion of women on the Board and in senior</li> </ul> |

| RECOMMENDATIONS (3 <sup>RD</sup> EDITION)  | COMPLY                       | EXPLANATION  |
|--|------------------------------|--|
|  |                              | <p>executive roles will, given the small size of the Company and the Board, unduly limit the Company from applying the Diversity Policy as a whole and the Company's policy of appointing based on skills and merit; and</p> <p>(ii) the respective proportions of men and women on the Board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes) for each financial year will be disclosed in the Company's Annual Report.</p>  |
| <p><b>Recommendation 1.7</b></p> <p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p> | <p>YES (When applicable)</p> | <p>(a) The Company's Nomination Committee (or, in its absence, the Board) is responsible for evaluating the performance of the Company's senior executives on an annual basis. The Company's Remuneration Committee (or, in its absence, the Board) is responsible for evaluating the remuneration of the Company's senior executives on an annual basis. A senior executive, for these purposes, means key management personnel (as defined in the Corporations Act) other than a non executive Director.</p> <p>The applicable processes for these evaluations can be found in the Company's Corporate Governance Plan, which is available on the Company's website.</p> <p>(b) The Company's Corporate Governance Plan requires the Company to disclose whether or not performance evaluations were conducted during the relevant reporting period. The Company intends to complete performance evaluations in respect of the senior executives (if any) for each financial year in accordance with the applicable processes.</p> |



| RECOMMENDATIONS (3 <sup>RD</sup> EDITION)   | COMPLY    | EXPLANATION  |
|---|-----------|--|
|   |           | At this stage, due to the current size and nature of the existing Board and the magnitude of the Company's operations, the Company has not appointed any senior executives.  |
| <b>Principle 2: Structure the Board to add value</b>  |           |  |
| <p><b>Recommendation 2.1</b></p> <p>The Board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <ul style="list-style-type: none"> <li>(i) has at least three members, a majority of whom are independent Directors; and</li> <li>(ii) is chaired by an independent Director, and disclose:</li> <li>(iii) the charter of the committee;</li> <li>(iv) the members of the committee; and</li> <li>(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</li> </ul> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address Board succession issues and to ensure that the Board has the appropriate balance of skills, experience, independence and knowledge of the entity to enable it to discharge its duties and responsibilities effectively.</p> | PARTIALLY | <p>(a) The Company does not have a Nomination Committee. The Company's Nomination Committee Charter provides for the creation of a Nomination Committee (if it is considered it will benefit the Company), with at least three members, a majority of whom are independent Directors, and which must be chaired by an independent Director.</p> <p>(b) The Company does not have a Nomination Committee as the Board considers the Company will not currently benefit from its establishment. In accordance with the Company's Board Charter, the Board carries out the duties that would ordinarily be carried out by the Nomination Committee under the Nomination Committee Charter, including the following processes to address succession issues and to ensure the Board has the appropriate balance of skills, experience, independence and knowledge of the entity to enable it to discharge its duties and responsibilities effectively:</p> <ul style="list-style-type: none"> <li>(i) devoting time at least annually to discuss Board succession issues and updating the Company's Board skills matrix; and</li> <li>(ii) all Board members being involved in the Company's nomination process, to the maximum extent permitted under the Corporations Act and ASX Listing Rules.</li> </ul> |

| RECOMMENDATIONS (3 <sup>RD</sup> EDITION)  | COMPLY    | EXPLANATION  |
|--|-----------|--|
| <p><b>Recommendation 2.4</b></p> <p>A majority of the Board of a listed entity should be independent Directors.</p>  | NO        | <p>The Company's Board Charter requires that, where practical, the majority of the Board should be independent.</p> <p>The Board currently comprises a total of 3 directors, of whom none are considered to be independent. As such, independent directors are not currently an independent majority of the Board.</p> <p>The Board does not currently consider an independent majority of the Board to be appropriate given the speculative nature of the Company's business, and its limited scale of activities, means the Company only needs, and can only commercially sustain, a small Board of three (3) Directors and no senior executives.</p>            |
| <p><b>Recommendation 2.5</b></p> <p>The Chair of the Board of a listed entity should be an independent Director and, in particular, should not be the same person as the CEO of the entity.</p>  | NO        | <p>The Board Charter provides that, where practical, the Chair of the Board should be an independent Director and should not be the CEO/Managing Director.</p> <p>At this stage, the Chairman is not independent however the Board will consider appointing an independent Chairman in the future.</p>   |
| <p><b>Principle 4: Safeguard integrity in financial reporting</b></p>  |           |  |
| <p><b>Recommendation 4.1</b></p> <p>The Board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(i) has at least three members, all of whom are non-executive Directors and a majority of whom are independent Directors; and</p> <p>(ii) is chaired by an independent Director, who is not the Chair of the Board,</p> <p>and disclose:</p> | PARTIALLY | <p>(a) The Company does not have an Audit and Risk Committee. The Company's Corporate Governance Plan contains an Audit and Risk Committee Charter that provides for the creation of an Audit and Risk Committee (if it is considered it will benefit the Company), with at least three members, all of whom must be independent Directors, and which must be chaired by an independent Director who is not the Chair.</p> <p>(b) The Company does not have an Audit and Risk Committee as the Board considers the Company will not currently benefit from its establishment. In accordance with the Company's Board Charter, the Board carries out the duties</p> |

| RECOMMENDATIONS (3 <sup>RD</sup> EDITION)  | COMPLY    | EXPLANATION  |
|--|-----------|--|
| <p>(iii) the charter of the committee;</p> <p>(iv) the relevant qualifications and experience of the members of the committee; and</p> <p>(v) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its financial reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p> |           | <p>that would ordinarily be carried out by the Audit and Risk Committee under the Audit and Risk Committee Charter including the following processes to independently verify and safeguard the integrity of its financial reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner:</p> <p>(i) the Board devotes time at annual Board meetings to fulfilling the roles and responsibilities associated with maintaining the Company’s internal audit function and arrangements with external auditors; and</p> <p>(ii) all members of the Board are involved in the Company’s audit function to ensure the proper maintenance of the entity and the integrity of all financial reporting.</p> |
| <p><b>Recommendation 4.2</b></p> <p>The Board of a listed entity should, before it approves the entity’s financial statements for a financial period, receive from its CEO and CFO a declaration that the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>   | PARTIALLY | <p>The Company’s Audit and Risk Committee Charter requires the CEO and CFO (or, if none, the person(s) fulfilling those functions) to provide a sign off on these terms.</p> <p>The Company intends to obtain a sign off on these terms for each of its financial statements in each financial year.</p>   |

| RECOMMENDATIONS (3 <sup>RD</sup> EDITION)  | COMPLY    | EXPLANATION   |
|--|-----------|---|
| <b>Principle 7: Recognise and manage risk</b>  |           |   |
| <p><b>Recommendation 7.1</b></p> <p>The Board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <ul style="list-style-type: none"> <li>(i) has at least three members, a majority of whom are independent Directors; and</li> <li>(ii) is chaired by an independent Director, and disclose:</li> <li>(iii) the charter of the committee;</li> <li>(iv) the members of the committee; and</li> <li>(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</li> </ul> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the process it employs for overseeing the entity's risk management framework.</p> | PARTIALLY | <p>(a) The Company does not have an Audit and Risk Committee. The Company's Corporate Governance Plan contains an Audit and Risk Committee Charter that provides for the creation of an Audit and Risk Committee (if it is considered it will benefit the Company), with at least three members, all of whom must be independent Directors, and which must be chaired by an independent Director.</p> <p>A copy of the Corporate Governance Plan is available on the Company's website.</p> <p>(b) The Company does not have an Audit and Risk Committee as the Board consider the Company will not currently benefit from its establishment. In accordance with the Company's Board Charter, the Board carries out the duties that would ordinarily be carried out by the Audit and Risk Committee under the Audit and Risk Committee Charter.</p> |
| <b>Principle 8: Remunerate fairly and responsibly</b>  |           |   |
| <p><b>Recommendation 8.1</b></p> <p>The Board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <ul style="list-style-type: none"> <li>(i) has at least three members, a majority of whom</li> </ul>  | PARTIALLY | <p>(a) The Company does not have a Remuneration Committee. The Company's Corporate Governance Plan contains a Remuneration Committee Charter that provides for the creation of a Remuneration Committee (if it is considered it will benefit the Company), with at least three members, a majority of whom must be independent Directors, and which</p>   |

| RECOMMENDATIONS (3 <sup>RD</sup> EDITION)   | COMPLY | EXPLANATION   |
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| <p>are independent Directors; and</p> <p>(ii) is chaired by an independent Director, and disclose:</p> <p>(iii) the charter of the committee;</p> <p>(iv) the members of the committee; and</p> <p>(v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for Directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p> |        | <p>must be chaired by an independent Director.</p> <p>(b) The Company does not have a Remuneration Committee as the Board considers the Company will not currently benefit from its establishment. In accordance with the Company's Board Charter, the Board carries out the duties that would ordinarily be carried out by the Remuneration Committee under the Remuneration Committee Charter including the following processes to set the level and composition of remuneration for Directors and senior executives and ensuring that such remuneration is appropriate and not excessive:</p> <p>(i) the Board devotes time at the annual Board meeting to assess the level and composition of remuneration for Directors and senior executives.</p> |