

NEON CAPITAL LIMITED
ACN 002 796 974
(Company)

INVESTMENT MANDATE

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1. GENERAL

Neon Capital Limited (**Company** or **Neon**) operates as a listed investment company (**LIC**) providing investors with exposure to an ASX traded entity with a professionally managed and diversified portfolio of assets. These assets will be listed and unlisted securities or derivatives and may also include Australian shares, international shares, fixed income securities, property, with some funds offering 'packaged strategies', commodities, currencies and royalties.

An investor's exposure is very similar to a traditional managed fund. The Company's investment mandate is intended to be as broad as permitted under the ASX Listing Rules and the board of directors of the Company (**Board**) and on this basis the 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 Board will use this experience and expertise to manage the Company's investment portfolio (**Portfolio**) and implement its business plan within the constraints of its risk management policy, detailed in Section 4; this internal fund management will enable the Company to retain fund management fees that would otherwise be paid to a fund manager.

The following diagram represents the investment structure of the Company:



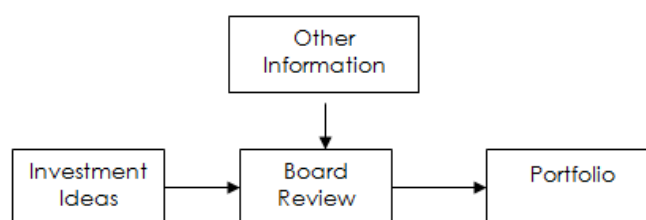
2. INVESTMENT OBJECTIVES AND FOCUS

The investment objective of the Company is to produce a positive return on funds, regardless of the general direction of the share market that is consistent with acceptable risk parameters. The Company's investment philosophy is based on the premise that financial markets and individual securities can and do deviate away from their fair value. By detailed analysis of a range of valuation parameters, active management of a portfolio of equities can be used to generate an acceptable level of absolute return over a range of time frames.

Due to the relative levels of research coverage by the market, the Company believes that companies outside of the top 100 companies on the ASX as ranked by market capitalisation will experience greater deviation from fair value. It also considers that, given its geographic location and range of contacts, a greater number of suitable investments will have exposure to the Western Australian economy as it has a comparative advantage in coverage of these stocks due to its location.

3. INVESTMENT STRATEGY AND PROCESS

The following diagram illustrates the investment strategy and process to be adopted for the management of the Portfolio:



The Company's short to medium-term investment strategy is to invest in a portfolio of assets that will deliver capital growth and regular income from interest, dividends, fees and profit from realisation on asset sales. The Company's mandate allows the Board to be an active investor in securities with the flexibility to allocate capital to the most attractive securities in any given economic cycle.

The Company's long-term investment strategy will depend on the Company's view on opportunities that present themselves, markets generally and the Board's approach to risk at any given time. The timing of investments in the medium to long-term will be determined by when opportunities arise that the Board believes can grow shareholder value based on a diligent risk reward analysis.

The Company does not intend to take a controlling interest in any entity in which it undertakes an investment.

A range of parameters are used to assess value, but a key input to the analysis is the expected growth potential of the company. Buy and sell recommendations are placed on stocks that are considered to significantly deviate from fair value.

Investment ideas may be suggested by any individual member of the Board and are subject to review by the Board as a whole. This involves an internal proprietary analysis of the company by the Board as a whole. The analysis undertaken by the Board typically includes:

- (a) an assessment of the past and projected revenue, costs and profits of the company;
- (b) the nature of the assets of the business and the appropriateness of assigned values;
- (c) the mix between tangible and intangible assets;
- (d) the cash flow profile of the business;
- (e) the present value of the anticipated cash flow;
- (f) the projected earnings and cash flow per share;
- (g) an assessment of various parameters to determine an appropriate value, including rate of return on equity employed, price to earnings ratio, price to book value and the internal rate of return over the short, medium and long term;
- (h) the amount of capital expenditure required (if any); and
- (i) an assessment of the management team in place and its ability to deliver on the company's objectives.

4. RISK MANAGEMENT POLICY

Performance of the Portfolio is generated from investment in suitable stocks. However, diversification of holdings is used to limit the risk where the actual performance of individual stocks does not meet expectations. Risk control features of the Portfolio include:

- (a) it is intended that no investment will represent more than a 20% stake in the issued securities of a company;
- (b) there are no minimum or maximum number of investments, although more or less may be held depending on the number of securities identified that are expected to meet the performance expectations;
- (c) where suitable stocks can not be identified, the portfolio may invest in cash. The Portfolio may consist from time to time of significant cash deposits;

Any breach of these risk control measures must be reported to the Board who will determine the appropriate action to remedy the breach or approve the deviation.

5. 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.

6. PERMITTED INVESTMENTS

The investment mandate allows the Company to be an active investor in assets including, but not limited to, listed and unlisted securities; debentures, stocks or bonds, currencies, commodities, secured and unsecured loans; interests in a managed investment scheme; and derivatives with the flexibility to allocate capital to the most attractive asset class in a given economic cycle. The time frame on investments will be short to medium term and permitted investments will include:

- (a) listed and unlisted securities;
- (b) listed securities for the purpose of short selling;
- (a) warrants or options to purchase any investment and warrants or options to sell any investment;
- (b) discount or purchase of bills of exchange, promissory notes or other negotiable instruments accepted, drawn or endorsed by any bank or by the Commonwealth of Australia, any State or Territory of Australia, or by any corporation of at least an investment grade credit rating granted by a recognised credit rating agency in Australia;
- (c) debentures, unsecured notes, loan stock, bonds, promissory notes, certificates of deposit, certificates of indebtedness issued by any bank

or by the Commonwealth of Australia, any State or Territory of Australia, or any Australian government authority, or, if authorised by its directors, a corporation of at least an investment grade credit rating granted by a recognised credit rating agency in Australia;

- (d) units or other interest in cash management trusts;
- (e) Property;
- (f) Currencies;
- (g) Commodities;
- (h) Exchange Traded Fund's; and
- (c) any other investment, or investment of a particular kind, approved by the Board.

7. PERSONNEL

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

7.1 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.

7.2 Mr Peter Pynes

Non-Executive Director

Mr Pynes has in excess of 25 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.

7.3 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 and Renaissance Minerals Ltd.

8. FEES AND INCOME

The Company intends to generate income through its Portfolio and will not be required to pay any management fees to third party investment managers as the Board is undertaking the internal investment management role on behalf of the Company.

The internal management function undertaken by the Board and the lack of any requirements to pay fees to third party investment managers means that 100% of any income generated through the Portfolio will be retained by the Company.

9. ALTERATION OF INVESTMENT MANDATE

No modification or alteration of this Investment Mandate shall be binding unless made in writing and approved and adopted by the Board.