Neon Energy and MEO Australia announce proposed merger of equals

Investor presentation

5 November 2014

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Transaction overview

1 All scrip merger of equals between Neon Energy (Neon) and MEO Australia (MEO)

- Following implementation, Neon shareholders and MEO shareholders to each hold 50% of the Merged Group
- MEO shareholders to receive 0.7369 Neon shares for each MEO share held
- Merger to be implemented by way of MEO scheme of arrangement
- Merger has the unanimous support of the Neon Board and the MEO Board
- Merger is conditional on Neon shareholders voting against the resolution to approve Evoworld's proportional takeover offer and the resolutions to replace a majority of the Neon Board with Evoworld nominees

2 Merged Group will have the capital and resources potential to become a robust junior E&P company

- Transaction will combine the material cash resources of both groups
- Scope to progress existing projects as well as to take advantage of acquisition opportunities in an increasingly attractive environment for buyers of E&P assets, including capture from a pipeline of exciting new venture opportunities
- Focus on cost synergies with a substantial reduction in annual corporate overheads targeted

3 The leadership team of the Merged Group will reflect the nature of the transaction as a merger of equals

- Board of the Merged Group to comprise two current Directors from Neon and two current Directors from MEO
- Alan Stein (the current Chairman of Neon) will remain Chairman and Ken Charsinsky (the current Managing Director of Neon) will remain on the Board as a Non-Executive Director
- Stephen Hopley (the Acting Chairman of MEO) and Michael Sweeney (a current Non-Executive Director of MEO) will join the Board of the Merged Group as Non-Executive Directors
- Peter Stickland (the current Exploration Manager of MEO) will become Chief Executive Officer of the Merged Group

Shareholder benefits

	NEON ENERGY LIMITED	MEO Australia	
Strong financial position to pursue attractive opportunities	✓	✓	• The Merged Group will be in a strong financial position with a pro forma net cash balance of A$37.0 million[1] • MEO's value realisation initiative in relation to the Tassie Shoal Projects announced in August 2014 provides the potential to further increase the balance sheet strength of the Merged Group • The Merged Group will have a strong platform from which to take advantage of existing opportunities within the combined portfolio as well as further business development opportunities in the E&P sector • In a constrained funding market, the Merged Group's robust financial position will place it at a distinct advantage to other junior ASX listed E&P companies
Potential substantial cost synergies	✓	✓	• The Merged Group has substantial opportunities to achieve cost savings through rationalisation of the combined corporate structure • Consistent with delivering shareholder value and maintaining a strong financial position, the Merged Group will target a substantial reduction in combined annual corporate overheads from approximately A$8.5 million to approximately A$3.5 million per annum
The Neon Board considers the Merger to be superior to Evoworld's offer	✓		• The Merger allows Neon and MEO shareholders to hold 50% of a well funded junior E&P company with the objective of becoming a material junior production company with exploration upside • Based on MEO's 30 day VWAP of 2.8 cents per share[2], the transaction implies a value for all Neon shares of 3.8 cents per share, exceeding Evoworld's 3.5 cents per share proportional offer
Attractive pathway for MEO to access capital		✓	• The Merger represents an opportunity for MEO to access substantial funding and is significantly more attractive than alternative pathways to access an equivalent level of capital • In a challenging environment for junior E&P companies, the MEO Directors consider it unlikely that MEO could access an equivalent level of funding through the capital markets and that funding would likely need to be raised at a substantial discount to the prevailing share price
More robust market investment than stand alone entities	✓	✓	• The Merged Group will have an established portfolio, streamlined organisational structure and capital to pursue attractive growth opportunities • The Merged Group offers potential for greater share trading liquidity and investor relevance
Experienced Board and management	✓	✓	• The Merged Group will benefit from the experience and depth of talent at the Board and management level of both companies

1. As at 30 September 2014. Based on Neon cash balance of A$25.3 million (including cash on deposit of A$1.1 million and cash held in escrow of A$4.6 million) and MEO cash balance of A$11.7 million. Excludes merger implementation costs
2. Up to and including 4 November 2014

The Neon Board considers the Merger to be superior to Evoworld's proportional takeover offer to Neon Shareholders

The Neon Board considers:

Evoworld offer

- ✗ Is proportional, for 30% of Neon shares not owned or controlled by Evoworld and its associates and is conditional on Evoworld gaining control of the Board
- ✗ Evoworld have provided little information regarding their intentions for Neon Energy
- ✗ Evoworld is attempting to gain access to Neon's assets at less than their net tangible asset value per share
- ✗ If Evoworld's offer is accepted by Neon shareholders, Evoworld will acquire effective control of Neon despite not holding a majority of shares on issue and despite not paying a premium for control
- ✗ Evoworld propose no independent representation on the Neon Board
- ✗ The Neon Directors believe Evoworld's nominees for the Neon Board lack the relevant expertise to further Neon's activities as an oil and gas company
- ✗ The Neon Directors are concerned that minority shareholders may have been disenfranchised in previous transactions in which Evoworld's directors have been involved

The Neon Board unanimously recommends that Neon shareholders support the proposed Merger and **REJECT** Evoworld's proportional takeover offer and Board spill resolutions

Proposed Merger

- ✓ Allows Neon shareholders to hold 50% of a well funded E&P company with the objective of becoming a material junior production company with exploration upside
- ✓ The Merged Group will have an established portfolio, streamlined organisational structure and capital to pursue attractive growth opportunities
- ✓ Based on MEO's 30 day VWAP of 2.8 cents per share[1], the transaction implies a value for all Neon shares of 3.8 cents per share, exceeding Evoworld's 3.5 cents per share proportional offer
- ✓ The leadership team of the Merged Group will reflect the nature of the transaction as a merger of equals
- ✓ The Board of the Merged Group will comprise two current Directors from Neon and two current Directors from MEO
- ✓ The Merged Group will benefit from the experience and depth of talent at the Board and management level of both companies

1. Up to and including 4 November 2014

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Merged Group asset overview

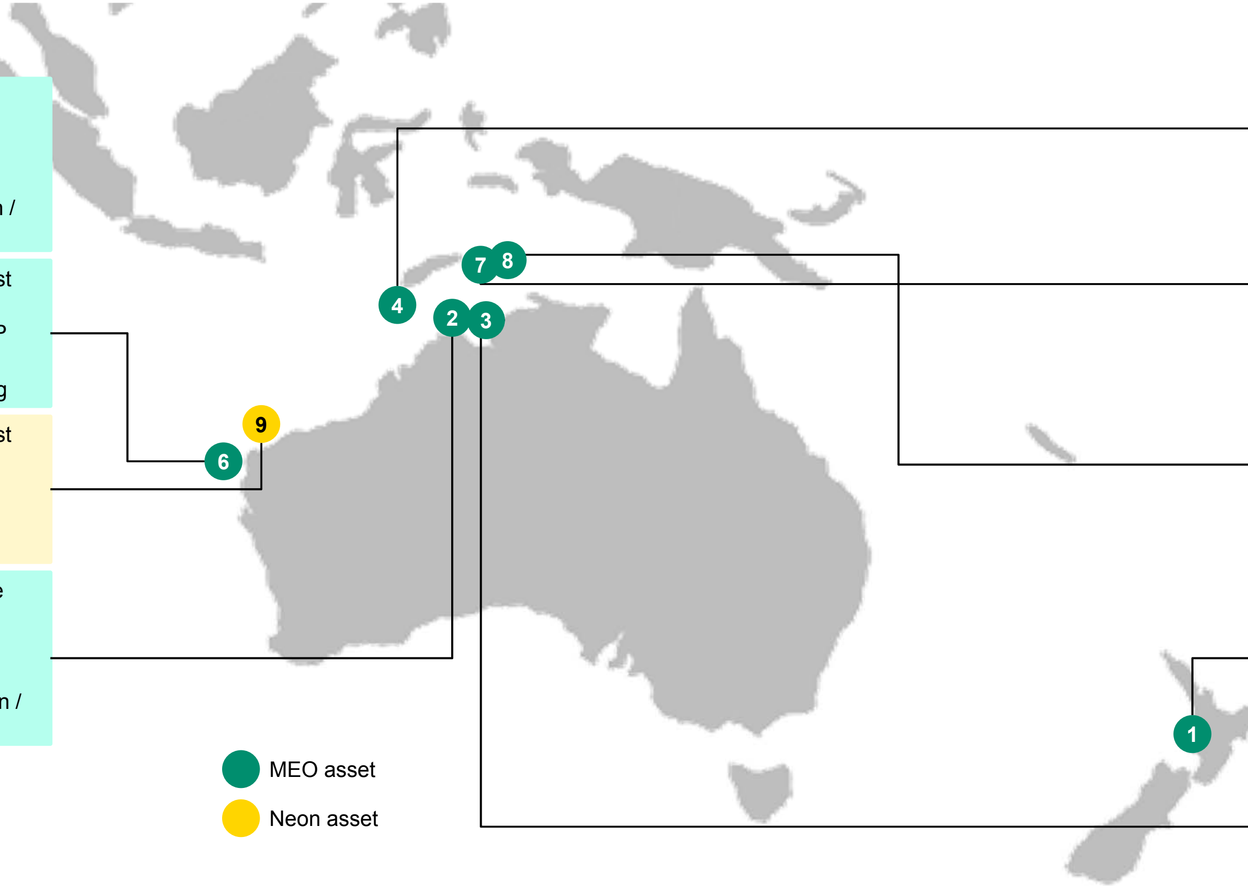
- ✓ **Diversified portfolio of E&P assets – strong financial position to progress existing projects and new ventures**
- ✓ **Scale will allow the Merged Group to add to the existing asset base – a distinct advantage to other ASX-listed E&P companies**
- ✓ **Significant pipeline of new business opportunities in core focus areas**
- ✓ **Material working interests**

5
Project: Indonesia – North Sumatra Basin
Permit: Seruway PSC
Equity: 100%
Status: Appraisal /exploration / relinquishing

6
Portfolio: Australia – North West Shelf
Permit: WA-360-P, WA-361-P
Equity: 62.5% / 50%
Status: Exploration / divesting

9
Portfolio: Australia – North West Shelf
Permit: WA-503-P
Equity: 100%
Status: Exploration

2
Portfolio: Australia – Bonaparte Gulf
Permit: WA-454-P
Equity: 50%
Status: Appraisal / exploration / farm out



4
Project: Australia – Vulcan Sub-Basin
Permit: AC/P50,P51,P53
Equity: 100%
Status: Exploration

7
Portfolio: Australia – Bonaparte Gulf
Permit: NT/P68
Equity: 50% / 100%
Status: Appraisal

8
Portfolio: Australia –Tassie Shoal Projects
Permit: Environmental approvals in place
Equity: 100%
Status: Early pre-FEED (methanol)

1
Project: New Zealand – Onshore Taranaki
Permit: PEP 51153
Equity: 30%
Status: Farmed into production / appraisal

3
Portfolio: Australia – Bonaparte Gulf
Permit: WA-488-P
Equity: 100%
Status: Exploration / farm out

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Immediate priorities of the Merged Group

1	**Take advantage of the Merged Group's strong cash position**	• The Merged Group will be in a strong financial position with a pro forma net cash balance of approximately $A37.0 million[1] • This strong combined financial position will provide the Merged Group a platform to progress existing projects as well as opportunistically take advantage of new E&P investments as they arise, putting it at a distinct advantage to other junior E&P companies
2	**Address corporate cost structure of the Merged Group**	• Disciplined approach to corporate overheads • Consistent with delivering shareholder value and maintaining a strong financial position, the Merged Group will target a substantial reduction in annual corporate overheads from approximately A$8.5 million to approximately A$3.5 million
3	**Take advantage of softer market for E&P opportunities**	• Combined cash position will allow the Merged Group to contribute significant equity towards acquisition of production or advanced development assets and to bid for development opportunities • Combined with a prudent approach to gearing, the Merged Group's cash position will allow it to comfortably target acquisitions up to US$50 million
4	**Create a robust junior E&P growth company with material levels of production**	• Create a cash generative E&P company – ASX has comparatively few companies with production in the range of 0.5–1.0 mmboe – This has been exacerbated by recent transactions including Nido (to be acquired by Bangchak) and Otto Energy (sale of Galoc interest to Risco) • Over the longer term, seek to grow from this expanded production base into a diversified mid-cap producer

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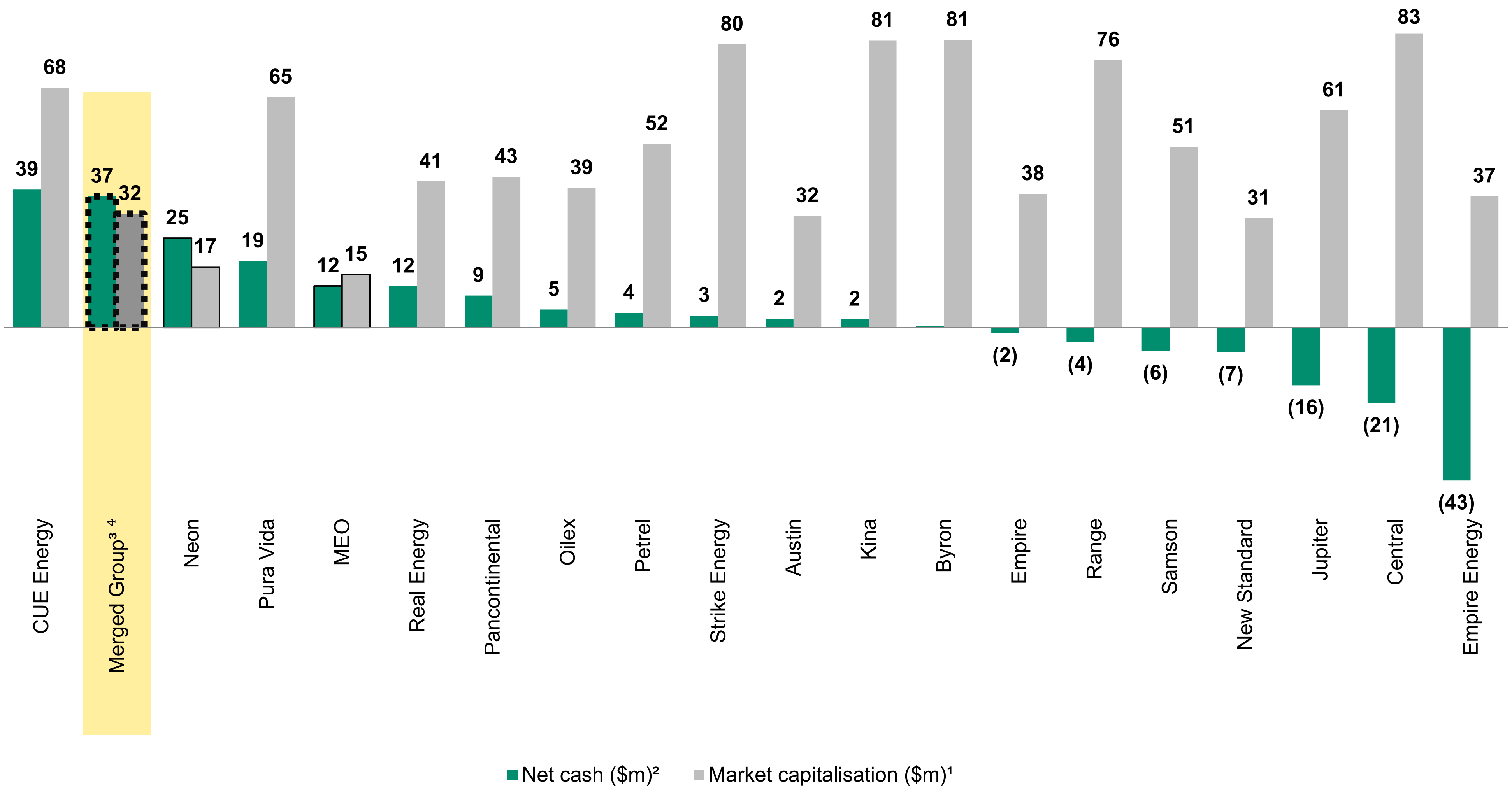
1. As at 30 September 2014. Based on Neon cash balance of A$25.3 million (including cash on deposit of $A1.1 million and cash held in escrow of A$4.6 million) and MEO cash balance of A$11.7 million. Excludes merger implementation costs

Strong comparative net cash position

Net cash position and market capitalisation of ASX listed E&P companies A$30 – A$100 million market capitalisation



1. ASX-listed E&P companies A$30million – A$100 million market capitalisation as at 31 October 2014
2. Net cash balance as at 30 September 2014. US dollar amounts converted at AUDUSD: 0.8794 as at 31 October 2014
3. Market capitalisation of the Merged Group has been derived by adding the market capitalisations for NEN and MEO as at 31 October 2014
4. The Merged Group pro forma cash balance excludes Merger implementation costs

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Board and management

- The leadership team of the Merged Group will reflect the nature of the transaction as a merger of equals
- The Board of the Merged Group will comprise two current directors from Neon and two current directors from MEO
- Alan Stein (the current Chairman of Neon and founder of Ophir Energy) will be Chairman of the Merged Group and Ken Charsinsky (the current Managing Director of Neon) will remain on the Board as a Non-Executive Director
- Stephen Hopley (the Acting Chairman of MEO) and Michael Sweeney (a current Non-Executive Director of MEO) will join the Board of the Merged Group as Non-Executive Directors
- Peter Stickland (the current Exploration Manager of MEO and previous Chief Executive Officer of Tap Oil) will be appointed Chief Executive Officer of the Merged Group
- As previously announced, Jürgen Hendrich (the current Managing Director of MEO) will step down from his role at the end of January 2015
- The headquarters of the Merged Group will be located in Melbourne

Key conditions of the Merger

Key terms	Neon and MEO have entered into a Merger Implementation Agreement, which contains conditions including: • receipt of regulatory and court approvals; • MEO shareholder approval of the Merger (by at least 75% of votes cast and 50% of shareholders voting); • an independent expert opining that the Merger is in the best interest of MEO shareholders; • no material adverse change, prescribed occurrence or regulated event in Neon or MEO; • all performance rights issued by Neon are cancelled for nil consideration and no such right vests prior to cancellation; and • Neon shareholders not approving the resolution to approve the Evoworld proportional takeover offer for Neon or replacement of a majority of the Neon Directors with nominees of Evoworld at the Neon general meetings convened for 12 November 2014.
Other provisions	The MIA also includes customary clauses for both Neon and MEO including mutual break fees, no shop and no talk provisions as well as various other provisions relevant to the Merger, such as termination rights and the obligations of the companies in the lead up to implementation The full terms of the MIA are included as Appendix A to the ASX announcement released in conjunction with this presentation

Indicative timetable

Event	Date
Announcement of the Merger	5 November 2014
Cut-off date for proxies in relation to Evoworld's proportional takeover over	2:00pm (WST) 10 November 2014
Cut-off date for proxies in relation to Evoworld's proposal to replace Neon Directors	3:00pm (WST) 10 November 2014
Neon general meetings in relation to the Evoworld proportional takeover bid and proposal to replace Neon Directors	12 November 2014
First Court hearing to approve scheme booklet and convene scheme meeting	Mid December 2014
Scheme booklet despatched to MEO shareholders	December 2014
Scheme meeting for MEO shareholders	Late January 2015
Second Court hearing to approve the Scheme	Late January 2015 / early February 2015
Merger implementation	Late January 2015 / early February 2015

Timetable in relation to the Merger events is indicative only and subject to change. Further details on the timing and implementation of the Merger will be made available to MEO shareholders and Neon Shareholders upon release of the scheme booklet