



17 September 2014

Chairman's Letter to Shareholders

Unsolicited Proportional Takeover Bid by Evoworld

Dear Shareholder,

As you would be aware, Neon Energy has recently received an unsolicited proportional takeover offer from Evoworld Corporation Pty Ltd (Evoworld), for 30% of the shares it and its associates do not own or control in your company.

Evoworld have provided no information regarding how they will add shareholder value, and consequently your Board is concerned that Evoworld may only be interested in gaining control over your company's cash assets.

Your Board has reviewed Evoworld's offer in detail, and regards it as an opportunistic bid to gain control of your company and its substantial cash assets. Of particular concern to your Board is the fact that Evoworld has to date provided no information regarding its intentions for the company, should its bid be successful. Further, we have serious concerns about a number of aspects of the Evoworld offer, as summarised in the attachment to this letter.

Neon Energy has successfully navigated through a particularly challenging period, following the disappointing results of the Vietnamese drilling program late last year. The significant cost overruns incurred by the Operator associated with that drilling program, and the subsequent commercial dispute, had the potential to ruin your company. However, management have been able to position the company for future growth by divesting underperforming assets, reducing corporate overheads, and settling the Vietnamese legal dispute for a monetary sum substantially lower than the claimed amount.

Neon Energy is extremely well positioned to pursue new, exciting growth opportunities.

With reduced corporate overheads, minimal commitments, and substantial cash assets, your Board considers that Neon Energy stands apart from many of our peers. Junior oil and gas companies generally face considerable funding constraints at the present time, and this creates an opportunity-rich environment for a well-funded company such as Neon Energy.

Previous uncertainty regarding the outcome of the Vietnamese commercial dispute impeded Neon Energy's ability to proceed with capturing new opportunities. Now that this uncertainty has been removed, and Neon Energy continues to be well funded, the company is poised to embark on a renewed phase of growth at an opportune period in the market.

Your Board recently met in order to review a number of corporate and new venture opportunities that management has been progressing over the past few months. Various options are under consideration, including mergers, acquisitions and reverse takeovers. While I cannot provide detail at this time, due to the confidential nature of the potential transactions, I am confident that the Neon team, with its many years of experience in the oil & gas industry, can add substantial shareholder value by leveraging the company's cash assets to secure an expanded portfolio of quality, high-impact, upstream oil and gas projects.

The Board continues to recommend that shareholders take no action in respect of Evoworld's bid.

Your board regards the Evoworld offer as an unfortunate distraction, and remains determined to create significant shareholder value by directing the company's material cash resources towards quality petroleum E&P projects.

We greatly value the support provided by our shareholders throughout what has been a difficult time for the company, and we look forward to executing our growth strategy for the benefit of *all* shareholders. I wish to thank you in anticipation of your continued support of the company, and if you have any queries regarding the Evoworld offer please contact Market Eye on +61 (03) 9591 8900.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Alan Stein', with a large, stylized initial 'A'.

Alan Stein
Chairman (on behalf of Neon Energy's Board of Directors)

Attachment: Summary of Concerns

Summary of Concerns Regarding Evoworld's Offer

At 3.5 cents per share, the offer is priced at a 12.5% discount to Neon's current Net Tangible Assets value (NTA) per share*, and appears to assign no value to the company's WA-503-P exploration block.

As such, it does not provide fair value to you.

If successful, the proposed proportional takeover bid would hand Evoworld control of Neon Energy without owning a majority of shares on issue. In light of this, and Evoworld's intention to replace your Directors with their own nominees, your Board has major concerns regarding Evoworld's bid.

Your Board has serious concerns regarding aspects of Evoworld's bid.

While your Board is yet to receive Evoworld's Bidder's Statement, it has significant concerns regarding the nature of Evoworld's bid, including:

- It appears that Evoworld wishes to gain access to the Company's cash assets, *at less than Net Tangible Assets value*.
- Evoworld's offer appears to place *no value on Neon Energy's recently awarded WA-503-P exploration block*, which has already been the subject of unsolicited third party expressions of interest to farmin.
- The offer is *conditional on Evoworld gaining control of your Board* before the bid can proceed. This means Evoworld would control Neon Energy despite not owning a majority of shares in the company; before the bid is successful; and before it pays accepting shareholders for their shares under the bid. In the Board's opinion such an arrangement is highly unusual.
- There would be *no independent representation on the Board* of Neon Energy if Evoworld are successful in replacing your Board with its own nominees, as proposed in the request for a general meeting received from Evoworld and its associates (see further below).
- Evoworld has *not yet indicated its intentions for your company*, should it gain control.

Evoworld's request for a general meeting of the company to remove your Directors and replace with Evoworld's nominees

On 12 September 2014, Evoworld and its associates submitted a request to Neon Energy to convene a general meeting of the Company, in accordance with their right under section 249D of the Corporations Act (as they control at least 5% of the votes that may be cast at a general meeting of the company). The purpose of this request is to ask shareholders to consider removing your Directors and replacing them with nominees of Evoworld, being Messrs. Timothy Kestell, Ross Williams and Peter Pynes.

This request for a general meeting to replace your Board heightens your Board's concerns that Evoworld intends to take control of the company without providing shareholders with fair value, and without majority ownership of the company.

Neon is actively pursuing a number of corporate growth opportunities in the interests of all shareholders

While the past twelve months have been challenging, your Board has always sought to ensure the right decisions were made for shareholders. The timing of, and conditions to Evoworld's unsolicited offer appear designed to impede progress on various strategic growth opportunities the company is pursuing.

**Your Board has reviewed Evoworld's bid and strongly urges you to
TAKE NO ACTION at this time.**

*Net Tangible Assets (NTA) is defined as total assets less total liabilities less intangible assets (such as capitalised exploration and evaluation expenditure). Neon's NTA as per the half-year financial report released to the market on 12/9/14 was AUD\$22,106,938. With 553,037,848 shares on issue, NTA per share equals 4.0c.