



Quarterly Summary

- Resolution of Vietnamese commercial dispute
- Award of 3D seismic contract for Block WA-503-P
- Unsolicited off-market proportional received from Evoworld Corporation Pty Ltd

Six Month Outlook

- 3D seismic acquisition in WA-503-P
- Implementation of corporate growth strategy
- General Meetings to consider resolutions of Evoworld Corporation Pty Ltd

Southeast Asia Overview

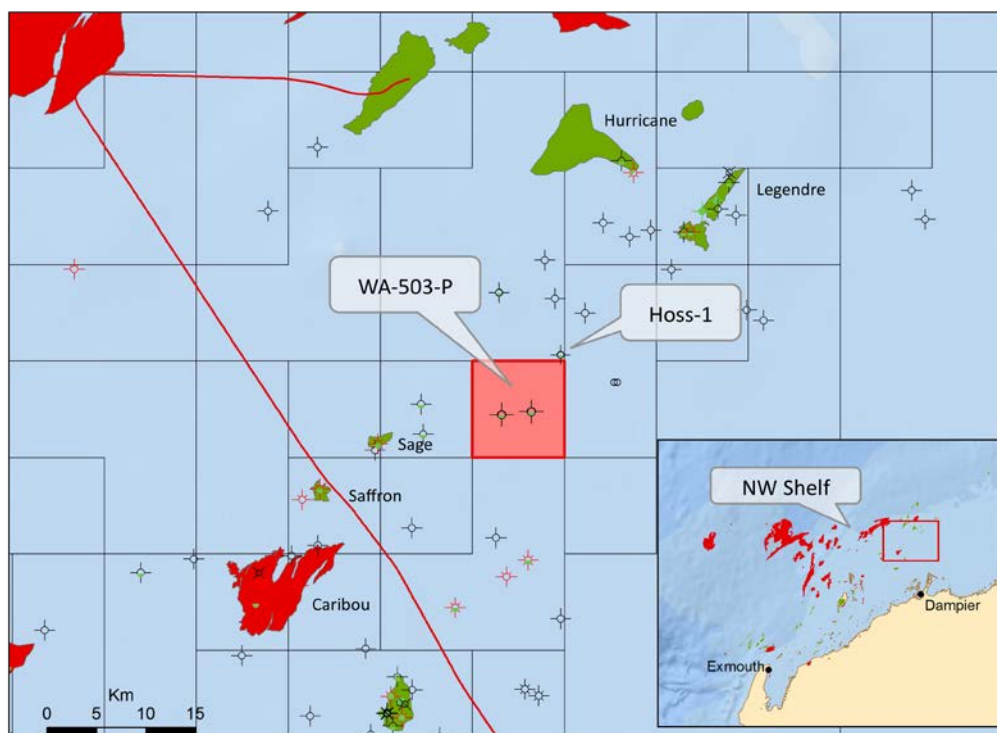
Vietnam Exploration (Blocks 120 & 105): As announced by the Company on 12 August 2014, Neon Energy reached an agreement with its joint venture partners, Eni Vietnam and KrisEnergy, regarding settlement of its financial liabilities subsequent to the Vietnamese drilling program conducted in late 2013. In consideration for a full release from all liabilities Neon has paid US\$5.75 million to Eni Vietnam and KrisEnergy, is in the process of assigning its working interest in the blocks, and will remit the net proceeds from the Cua Lo-1 insurance claim (if and when that claim is settled).

Australia Overview

Award of Block WA-503-P: Having been awarded the WA-503-P offshore petroleum exploration permit in May 2014, as Operator and 100% working interest holder, Neon Energy has awarded a contract to CGG Services, for licensing of 200 km² of new broadband 3D seismic data over the WA-503-P offshore petroleum exploration permit. Block WA-503-P is located within the Dampier Sub-basin, offshore Western Australia, in water depths of 50 metres to 70 metres. Completion of the 3D seismic program will meet Neon Energy's key firm work commitment for the block. Neon Energy has received unsolicited offers to farm in to WA-503-P, in return for funding the seismic program, however management believe that the 3D program will add significant value to the block and that it is therefore appropriate to defer farming out until the drilling stage.

The block is situated inboard of the giant Northwest Shelf gas field complex and on trend with numerous oil and gas discoveries, including the Legendre and Hurricane fields. The Legendre field produced over 40 MMbbls before decommissioning, and Hurricane is believed to be of a similar size. Two wells have been drilled within WA-503-P to date, confirming the presence of reservoir targets and a working oil system. Further, Neon Energy has acquired newly released data for the Hoss-1 well, drilled by Apache Energy in 2012. Hoss-1 was drilled near the northeastern boundary of WA-503-P, and encountered significant oil shows in M.Australis sandstone over a 100m gross interval. These sands represent the primary target in Neon's *Bojangles* prospect, which exhibits an Amplitude versus Offset (AvO) anomaly in the existing 3D seismic data.

Significantly, there is no such anomaly at the Hoss-1 well location, suggesting the possibility of superior reservoir development and the presence of a hydrocarbon column at *Bojangles*, consistent with Neon Energy's geological model. Future fluid substitution modelling of wireline log data from the existing wells will further derisk the prospect.



Block WA-503-P Location Map

The Company has identified a number of additional exploration leads based on existing 3D seismic data, all of which will be targeted by the new broadband 3D seismic program. Broadband seismic techniques enable the recording of a much wider range of seismic frequencies than conventional 3D seismic data, resulting in a high-resolution dataset that can be accurately correlated to both well data and regional geology. This in turn enables delineation of subtle structural, and complex stratigraphic targets that may not be readily identifiable on conventional data.

Corporate

Having settled its commercial dispute with the Vietnam Block 120 and Block 105 Joint Venture Partners, Neon Energy is in a strong position to pursue renewed growth, with substantial cash assets and minimal financial commitments. The junior oil and gas sector is currently facing significant funding constraints, and this provides an excellent environment for Neon Energy to pursue opportunities, both corporate and asset-based.

On 10 September 2014 Neon Energy announced that it has received a letter from Evoworld Corporation Pty Ltd (Evoworld) announcing its intention to make an unsolicited proportional takeover bid for 30% of the ordinary shares in Neon Energy that Evoworld and its associated do not already own. Subsequently Neon Energy received a 249D notice, requiring the Company to convene a shareholder general meeting to consider resolutions from Evoworld to remove the current Board of Neon Energy, and replace it with directors nominated by Evoworld. The Company has convened two general meetings for 12 November 2014, respectively to consider both the proportional takeover bid by Evoworld, and Evoworld's proposal to replace the current directors with Evoworld appointees.

The Board of Neon Energy regard Evoworld's bid as an opportunistic attempt to gain control of Neon Energy and its substantial cash assets, without paying a premium for control or even owning a majority of shares on issue. Further the Board of Neon Energy holds serious concerns for the interests of minority shareholders if Evoworld gain control of the Company, particularly in light of the nature of previous similar transactions that the individuals behind Evoworld's bid have been involved in.

The Board of Neon Energy urges shareholders to carefully read the Explanatory Memorandum that accompanied the General Shareholder Notice of Meeting, as issued on 3 October 2014, and recommends that shareholders vote against the resolutions to be considered within the two meetings.

Enquiries

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Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

Neon Energy Limited

ABN

49 002 796 974

Quarter ended ("current quarter")

Sep-14

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (9 months) \$A'000
1.1	Receipts from product sales and related debtors	-	3,976
1.2	Payments for (a) exploration & evaluation	(6,219)	(13,905)
	(b) development	-	(76)
	(c) production	-	(1,958)
	(d) administration	(1,155)	(4,370)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	10	59
1.5	Interest and other costs of finance paid	-	(4)
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	173	173
Net Operating Cash Flows		(7,191)	(16,104)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	22,677
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (oil sales subject to reconciliation with acquirer of assets, return of bond)	1,823	1,823
Net investing cash flows		1,823	24,500
1.13	Total operating and investing cash flows (carried forward)	(5,368)	8,396

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(5,368)	8,396
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(5,368)	8,396
1.20	Cash at beginning of quarter/year to date	23,330	9,700
1.21	Exchange rate adjustments to item 1.20	1,641	1,508
1.22	Cash at end of quarter (does not include term deposits or cash held in escrow)	19,603	19,603

Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	126
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Represents fees paid to non-executive directors and includes the Managing Directors salary.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	-
4.2 Development	-
4.3 Production	2,260
4.4 Administration	921
Total	3,181

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	19,603	23,330
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (does not include term deposits or cash held in escrow) (item 1.22)	19,603	23,330

+ See chapter 19 for defined terms.

Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed	Block 105 Offshore Vietnam Interest in blocks relinquished to partners Kris Energy and Eni following negotiated settlement of outstanding liabilities.	25%	0%
	Block 120 Offshore Vietnam	Interest in blocks relinquished to partners Kris Energy and Eni following negotiated settlement of outstanding liabilities.	25%	0%
6.2	Interests in mining tenements and petroleum tenements acquired or increased			

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	-	-	-	-
7.2	-	-	-	-
7.3	553,037,848	553,037,848		

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	-	-		
7.5	+Convertible debt securities (description)	-	-		
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	-	-		
7.7	Options (description and conversion factor)			<i>Exercise price</i>	<i>Expiry date</i>
		2,000,000	Unquoted	1,000,000 @ \$0.60	On or before 4 th September 2016
				1,000,000 @ \$1.00	On or before 4 th September 2016
	Performance Rights (issued pursuant to the terms of the Employee Rights Plan)	2,694,637	Unquoted	Nil	30 th June 2016
		34,078,862	Unquoted	Nil	1 st December 2015
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
	Performance Rights (issued pursuant to the terms of the Employee Rights Plan)	2,330,984	Unquoted	Nil	30 June 2015 Performance Rights cancelled 16 th July 2014
		820,123	Unquoted	Nil	30 June 2016 Performance Rights cancelled 16 th July 2014
7.11	Debentures (totals only)				

+ See chapter 19 for defined terms.

7.12	Unsecured notes (totals only)		
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Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does /does not* (*delete one*) give a true and fair view of the matters disclosed.

Ben Newton

Chief Financial Officer

31 October 2014

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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