



ANNOUNCEMENT TO THE AUSTRALIAN SECURITIES EXCHANGE: 19 December 2014

Evoworld to make recommended revised proportional bid for Neon Neon terminates merger with MEO

Neon Energy Limited (ASX: NEN) (**Neon**) advises that it has today entered into a Bid Implementation Agreement (**BIA**) with Evoworld Corporation Pty Ltd (**Evoworld**) under which Evoworld has agreed to make a proportional off-market takeover offer for 50% of the ordinary shares in Neon not owned by Evoworld (**Offer**). A copy of the Bid Implementation Agreement is attached to this announcement.

Evoworld will offer Neon shareholders A\$0.038 per Neon share for 50% of their holding, subject only to the non-waivable condition that Neon shareholders (other than Evoworld and its associates) pass, or are deemed to have passed, a resolution to approve the Offer in accordance with Neon's constitution.

Having carefully considered the terms of Evoworld's proposal, the Board of Neon have unanimously determined that the Offer constitutes a superior proposal to the merger with MEO Australia Limited (**MEO**).

Accordingly, the Board has resolved to recommend the Offer to Neon shareholders, in the absence of a superior proposal and subject to an independent expert concluding that the Offer is fair and reasonable (or at least not fair but reasonable) to non-associated Neon shareholders.

As a result, Neon has terminated the merger implementation agreement with MEO and paid the reimbursement fee of A\$400,000 to MEO.

As part of the agreement with Evoworld and in recognition of Evoworld's 19.99% shareholding, Mr Timothy Kestell and Mr Peter Pynes have been appointed to the Board as non-executive directors. Mr John Lander has also resigned from the Board. The Board thanks Mr Lander for his long service to the company and the contributions he has made as a member of the Board.

In addition, once Evoworld acquires 30% of the Neon shares on issue and the Offer becomes unconditional, Mr Ken Charsinsky will resign from the Board and Mr Ross Williams will be appointed to the Board as a non-executive director.

Also as part of the agreement with Evoworld, Evoworld has signed consent orders dismissing the proceedings in relation to the general meeting held on 12 November 2014, and will withdraw its notice purporting to a meeting under section 249F of the Corporations Act for 14 January 2015.

A notice convening a meeting to consider whether to approve the Offer for the purposes of Neon's constitution is expected to be dispatched to shareholders in late January 2015, followed by Evoworld's bidder's statement shortly afterwards.

Enquiries:

Managing Director: Ken Charsinsky
Chief Financial Officer: Ben Newton
Telephone: 08 9481 1176
Website: www.neonenergy.com

19 December 2014

The Directors
Neon Energy Limited
Ground Floor, 88 Colin Street
West Perth WA 6005

Dear Sirs

Takeover bid by Evoworld for Neon

We refer to our recent discussions regarding the indicative, non-binding and confidential proposal by Evoworld Corporation Pty Ltd ACN 601 545 742 (**Evoworld**) to make a proportional off-market takeover offer for 50% of the shares held by each shareholder in Neon Energy Limited ACN 002 796 974 (**Neon**) other than Evoworld on the terms in clauses 1.1(a) to (d) of this letter (**Offer**).

Evoworld and Neon agree to implement the Offer on the terms and conditions set out in this letter.

1 Making the Offer

1.1 Evoworld's obligations

Evoworld agrees to make offers pursuant to a proportional off-market takeover bid under Chapter 6 of the *Corporations Act 2001* (Cth) (**Corporations Act**) to acquire 50% of the Neon shares held by each other shareholder in Neon on terms and conditions no less favourable to Neon shareholders than the following:

- (a) consideration of A\$0.038 per Neon share;
- (b) an initial offer period of at least one month, subject to extension by Evoworld in accordance with the Corporations Act;
- (c) the Offer does not extend to shares that are issued as a result of the vesting and exercise of options or performance rights on issue as at the date of this letter before the end of the offer period; and
- (d) subject only to the non-waivable condition that Neon shareholders (other than Evoworld and its associates) pass, or are deemed to have passed, a resolution to approve the Offer in accordance with Neon's constitution,

and to prepare and dispatch a bidder's statement under Part 6.5 of the Corporations Act in relation to the Offer by no earlier than 15 February 2015 unless the parties agree otherwise.

Notwithstanding the last dates by which the parties must dispatch the notice of meeting and bidder's statement specified in this letter, the parties agree to work together to dispatch the bidder's statement and notice of meeting in relation to the general meeting to approve the Offer as soon as is reasonably possible following the execution of this letter.

Evoworld represents and warrants in favour of Neon that it will have available to it sufficient cash amounts to enable it to perform its obligations to pay the total cash consideration payable to Neon shareholders under the Offer.

The parties agree that, immediately after the execution of this letter by Neon and Evoworld, they will publicly announce that Evoworld will make the Offer, with the form of the announcement to be agreed between the parties.

1.2 Neon's obligations

Neon agrees to call a general meeting to consider whether to approve the Offer in accordance with its constitution as soon as practicable after the execution of this letter by Neon and Evoworld. Evoworld agrees that it will ensure the offer period for the Offer remains open for so long as is necessary to allow the general meeting to be held before the resolution deadline prescribed by Neon's constitution provided the meeting is held by 15 March 2015. Neon agrees to commission and obtain an independent expert's report (as contemplated by clause 6 of this letter) to allow it to call the general meeting for no later than 15 March 2015 (and dispatch the independent expert's report to Neon shareholders with the notice of meeting).

2 Board recommendation

Neon confirms that the board of Neon (**Neon Board**) has met and considered the possibility of Evoworld agreeing to make the Offer and that the Neon Board will unanimously recommend that Neon shareholders accept the Offer to be made to them under the Offer, in the absence of a superior proposal and subject to an independent expert appointed by Neon concluding that the Offer is fair and reasonable, or not fair but reasonable, to non-associated Neon shareholders.

Evoworld acknowledges that, as a consequence of the Neon Board's recommendation and determination that this Offer is a 'Superior Proposal' (as defined in the merger implementation agreement between Neon and MEO Australia Limited (**MEO**) dated 5 November 2014 (**MIA**)) under this clause 2, Neon will be obliged to pay a break fee of A\$400,000 to MEO pursuant to the MIA.

Neon covenants in favour of Evoworld that it will pay the break fee to MEO and terminate the MIA as soon as practicable after the execution of this letter. The parties agree that the public announcement contemplated to be made in clause 1.1 will confirm that the break fee will be paid and the MIA will be terminated.

3 Withdrawal of notice of meeting and dismissal of proceedings

Evoworld agrees that, upon execution of this letter by both Neon and Evoworld and termination of the MIA:

- (a) Evoworld hereby withdraws the notice dated 11 December 2014 it sent to Neon shareholders purporting to call a general meeting of Neon for 14 January 2015 and to give written notice to Neon to this effect as soon as practicable after the execution of this letter by Neon and Evoworld (which notice Neon will release to the ASX); and
- (b) Evoworld will not seek to hold the general meeting called for 14 January 2015 and that it will otherwise take all action necessary to withdraw the notice and cancel the meeting.

Contemporaneously with the execution of this letter Evoworld will cause its solicitors to execute a memorandum of consent orders for the dismissal of proceedings CIV 2719 of 2014 commenced by the writ of summons served on Neon on 15 December 2014 with no order as to costs (including, without limitation, the costs of the pre-action discovery proceedings) in the form agreed by the parties prior to execution of this letter (**Consent Orders**) and provide it immediately to Neon's solicitors to be held in escrow by Neon's solicitors pending termination of the MIA at which time the Consent Orders will be released from escrow.

Neon agrees to cause its solicitors to execute (contemporaneously with the execution of this letter) the Consent Orders. Following release of the Consent Orders from escrow the executed Consent Orders will be filed by Neon's solicitors, and both parties agree to use all reasonable endeavours to seek that orders in the terms of the Consent Orders are made by the Court.

4 Board representation

- (a) Upon execution of this letter:
 - (1) Mr Timothy Kestell and Mr Peter Pynes will be appointed to the Neon Board as non-executive directors; and
 - (2) Mr John Lander will resign from the Neon Board.

[Neon represents and warrants in favour of Evoworld by executing this letter that the Neon Board has received the necessary consent and resignation documents and passed the necessary resolutions to give effect to these changes to the Board effective upon execution of this letter.]
- (b) As soon as practicable after Evoworld acquires a relevant interest in 30% of the Neon shares on issue and the Offer becomes unconditional, Neon will use all reasonable endeavours to procure that:
 - (1) the Neon Board resolves to appoint Mr Ross Williams to the Neon Board as a non-executive director; and
 - (2) Mr Ken Charsinsky resigns as a director of Neon (but the parties acknowledge that Mr Charsinsky's executive role will continue in accordance with his employment contract).
- (c) The parties agree that until the later of the date that is 4 months after the date of this letter and the date on which the Offer closes, the Neon Board will not appoint any additional directors to the Neon Board except as expressly contemplated by this letter or by resolution of at least 75% of the number of directors on the Neon Board, and Neon will use all reasonable endeavours to procure that each member of the Neon Board does not act in breach of this clause. Evoworld agrees that it will not use its rights as a Neon shareholder to seek to circumvent the intention of this clause 4(c), including by requisitioning or calling a general meeting, or proposing resolutions at a general meeting, to remove or appoint directors to the Neon Board until the later of the date that is 4 months after the date of this letter and the date on which the Offer closes.

5 Governance arrangements

- (a) The parties acknowledge and agree that Mr Alan Stein will remain as non-executive Chairman of the Neon Board.
- (b) In order to ensure that the Neon Board includes at least one director who is independent of Evoworld, Evoworld confirms that it will make a statement in its bidder's statement in relation to the Offer that it intends to vote all its Neon shares in favour of the re-election of Mr Alan Stein at the next general meeting at which his re-election is put to shareholders in accordance with the director rotation provisions of Neon's constitution. Evoworld further confirms that it will make a statement in its bidder's statement in relation to the Offer that it intends to ensure that there is at least one director on the Neon Board who is independent of Evoworld at all times.
- (c) The Neon Board will establish a committee (**Bid Committee**) consisting of Alan Stein (who will serve as Chairman of the Bid Committee) and, for so long as he remains a director of Neon, Ken Charsinsky. The Bid Committee will be exclusively responsible for all matters relating to Neon's response to the Offer, including, without limitation:
 - (1) the preparation and lodgement of the target's statement and all other ASX announcements and shareholder communications relating to the Offer;
 - (2) calling the general meeting contemplated by clause 1.2 of this letter;

- (3) exercising Neon's rights under this letter; and
- (4) considering, investigating and agreeing any alternatives to the Offer presented to Neon.
- (d) In recognition of the potential for conflicts of interest, directors of Neon nominated by Evoworld (being Mr Kestell, Mr Pynes and Mr Williams) (**Nominee Directors**) will not be entitled to attend Bid Committee meetings or have access to papers that are prepared for, or considered by, the Bid Committee (including minutes or other papers) without the prior written consent of the Bid Committee Chairman.
- (e) The Bid Committee may, at Neon's expense, seek advice from Neon's auditors, solicitors, or financial or other advisers or experts about any matter pertaining to the powers, duties or responsibilities of the Bid Committee.
- (f) Evoworld confirms that its nominees have agreed to the governance arrangements set out above.

6 Independent expert's report

The parties acknowledge and agree that Neon will commission the preparation of an independent expert's report for the target's statement to be prepared by Neon in relation to the Offer. Evoworld will provide any assistance or information reasonably requested by Neon or by the independent expert in connection with the preparation of the independent expert's report.

7 Releases

- (a) Subject to clause 7(c), Evoworld releases all of its rights, and agrees with Neon that it will not make a claim of any kind whatsoever, against Neon, its subsidiaries and their respective directors, officers, employees and advisers (**Neon Indemnified Parties**) in connection with the Offer, except where the Neon Indemnified Party has engaged in wilful misconduct or fraud.
- (b) Subject to clause 7(c), Neon releases all of its rights, and agrees with Evoworld that it will not make a claim of any kind whatsoever, against Evoworld and its directors, officers, employees and advisers (**Evoworld Indemnified Parties**) in connection with the Offer, except where the Evoworld Indemnified Party has engaged in wilful misconduct or fraud.
- (c) Nothing in this clause 7 is intended to release either party to this letter from its obligations as set out in this letter.
- (d) This clause is subject to any Corporations Act restriction and will be read down accordingly. Neon receives and holds the benefit of this clause to the extent it relates to each Neon Indemnified Party as trustee for each of them. Evoworld receives and holds the benefit of this clause to the extent it relates to each Evoworld Indemnified Party as trustee for each of them.

8 Evoworld acknowledgements

- (a) Evoworld acknowledges and agrees that Neon has taken out directors and officers' run-off insurance cover for its directors and officers, on terms determined by Neon having regard to market practice, and will not do anything, and will use all reasonable endeavours to procure that neither Neon nor the Nominee Directors will do anything, that would adversely affect that insurance cover.
- (b) Evoworld acknowledges that Neon has granted rights of indemnification, access and insurance coverage to each of the current directors pursuant to deeds entered into before the date of this letter.

- (c) Evoworld acknowledges the provisions in Neon's constitution and any provisions in the constitution of any subsidiary of Neon which permit the relevant company to indemnify any current or former officer of the company and obtain insurance against liability incurred by such person in their capacity as an officer, and agrees not to, and will use all reasonable endeavours to procure that neither Neon nor the Nominee Directors, amend those provisions for a period of 6 years after the close of the Offer.
- (d) Evoworld acknowledges and agrees not to do anything, and to use all reasonable endeavours to procure that neither Neon nor the Nominee Directors do anything, that is inconsistent with or contrary to the material terms of any employment or executive consultancy agreement or equity award arrangement (including any obligation to pay or right to receive a termination payment) between Neon and any employee, consultant or director of Neon as at the date of this letter.

9 Termination and change of recommendation

Neon, by unanimous resolution of the Bid Committee, may terminate this letter by written notice to Evoworld if the members of the Bid Committee unanimously resolve to recommend a superior proposal to Neon shareholders, provided that the Bid Committee must obtain independent financial advice (at Neon's cost) from an appropriately qualified and independent advisor on the proposal before making such a recommendation. The advisor engaged to provide this advice will be mutually agreed by the Bid Committee and Evoworld. If the Bid Committee and Evoworld cannot agree on an advisor within 3 business days, then Evoworld will (acting reasonably) nominate 4 advisors who have had no material prior business dealings with Evoworld and have appropriate experience in the oil & gas industry and the Bid Committee (acting reasonably) will select one to provide the advice.

Each member of the Neon Board may change their recommendation if the independent expert concludes that the Offer is neither fair nor reasonable to non-associated Neon shareholders.

10 General

- (a) This agreement is governed by the law in force in Western Australia.
- (b) No party to this agreement may rely on the words or conduct of any other party as a waiver of any right unless the waiver is in writing and signed by the party granting the waiver.
- (c) A variation of any term of this agreement must be in writing and signed by the parties.
- (d) This agreement states all the express terms agreed by the parties in respect of its subject matter. It supersedes all prior discussions, negotiations, understandings and agreements in respect of its subject matter. Neither party has relied on any statement by the other party not expressly included in this letter.
- (e) Each party must, at its own expense, do all things and execute all documents necessary to give full effect to this agreement and the transactions contemplated by it.
- (f) This agreement may be executed in any number of counterparts.
- (g) A term defined in or for the purposes of the Corporations Act, and which is not defined in this letter, has the same meaning when used in this agreement.

* * *

Please indicate your acceptance to the terms and conditions set out in this letter by signing this letter where indicated below.

Yours faithfully

Timothy Kestell
Director

Peter Pynes
Director

Neon Energy Limited accepts the terms and conditions set out in this letter:

Director

Director/Company Secretary

Name

Name