

Neon Energy Limited ACN 002 796 974

Notice of Extraordinary General Meeting

to consider the revised proportional takeover bid by Evoworld Corporation Pty Ltd

Notice is given to the members of Neon Energy Limited (the **Company**) that a general meeting of the Company will be held at Training Room 2, Conference Centre, QV1 Building, 250 St Georges Terrace, Perth WA 6000 on 13 March 2015 at 10:00am (Perth time).

The purpose of the meeting is to consider and, if thought fit, to pass the resolution referred to in this notice. Shareholders are referred to the explanatory memorandum accompanying and forming part of this notice of meeting.

The Directors recommend that shareholders read the explanatory memorandum in full.

Agenda

Resolution 1 – Approval of Proportional Takeover Bid

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

That, for the purposes of Clause 35 of the Company's constitution and for all other purposes, approval be given for the proportional off-market takeover bid by Evoworld Corporation Pty Ltd for 50% of the fully paid ordinary shares in the capital of the Company which Evoworld Corporation Pty Ltd does not own, on the terms and conditions set out in the bidder's statement to be lodged by Evoworld Corporation Pty Ltd under Part 6.5 of the Corporations Act 2001 (Cth) and summarised in the explanatory memorandum accompanying this notice of meeting.

Voting Exclusion Statement

The Company will disregard any votes cast on Resolution 1 by Evoworld Corporation Pty Ltd and any of its associates.

However, the Company will not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form.

Entitlement to vote

In accordance with Rule 35.1(b) of the Company's constitution, only persons who hold ordinary shares as at 7.00pm (Sydney time) on the day on which the first offers are made under the proportional takeover bid by Evoworld Corporation Pty Ltd are entitled to vote at the meeting.

As Evoworld Corporation Pty Ltd has not yet made offers under its proportional bid, this date has not yet been set. Evoworld has advised the Company that intends to lodge and dispatch its bidder's statement by 19 February 2015.

Share transfers registered after the time and date described above will be disregarded in determining entitlements to attend and vote at the meeting.

Proxies

A shareholder entitled to attend and vote has a right to appoint a proxy to attend and vote instead of the shareholder. A proxy need not be a shareholder and can be either an individual or a body corporate. If a shareholder appoints a body corporate as a proxy, that body corporate will need to ensure that it:

- appoints an individual as its corporate representative to exercise its powers at the meeting, in accordance with section 250D of the *Corporations Act 2001* (Cth); and
- provides satisfactory evidence of the appointment of its corporate representative.

If such evidence is not received, then the body corporate (through its representative) will not be permitted to act as a proxy.

A shareholder that is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If no proportion or number is specified, each proxy may exercise half of the shareholder's votes.

A Proxy Form accompanies this Notice and to be effective must be received as follows:

- by post to GPO Box 242 Melbourne Victoria 3001 Australia, or
- by facsimile to 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia).

Alternatively, you may register your proxy appointment electronically:

- online: at www.investorvote.com.au, or
- by mobile: scan the QR code on your proxy form and follow the prompts.

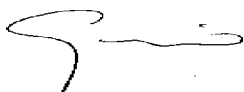
Your proxy form or electronic proxy appointment must be received no later than 10:00am (Perth time) on 11 March 2015.

Further details on how to vote are contained in the accompanying explanatory memorandum.

By Order of the Board

Dated: 10 February 2015

By order of the Board



Gabriel Chiappini
Company Secretary

This document is important. You should read it in its entirety before making a decision on how to vote on the resolution to be considered at the meeting. If you are in doubt as to what you should do, you should consult your legal, investment or other professional adviser.



**Explanatory Memorandum
in respect of the general meeting to consider
the revised proportional takeover bid by Evoworld
Corporation Pty Ltd**

to be held on 13 March 2015

**Your Independent Directors unanimously recommend
that you vote to approve the revised proportional
takeover bid by Evoworld Corporation Pty Ltd (in the
absence of a superior proposal)**

**Shareholders who are unable to attend the meeting are encouraged to
cast their vote by proxy in accordance with the instructions in this
Explanatory Memorandum.**

A proxy form is enclosed.

**Please contact Neon Energy on +61 8 6144 4840 if you have any queries regarding the
content of this Explanatory Memorandum**

Neon Energy Limited ACN 002 796 974

Explanatory Memorandum

in respect of

the Extraordinary General Meeting to consider the revised proportional takeover bid by Evoworld Corporation Pty Ltd

This explanatory memorandum (**Explanatory Memorandum**) has been prepared for the information of the shareholders of Neon Energy Limited (**Neon Energy** or the **Company**) in connection with the extraordinary general meeting of the Company to be held at 10:00am (Perth time) on 13 March 2015 at Training Room 2, Conference Centre, QV1 Building, 250 St Georges Terrace, Perth WA 6000 to consider the revised proportional off-market takeover bid by Evoworld Corporation Pty Ltd (**Evoworld**) for the purpose of clause 35 of the Company's constitution (**Meeting**).

Purpose of this Explanatory Memorandum

The purpose of this Explanatory Memorandum is to provide information that the board of directors of the Company (**Board**) believes to be material to shareholders in deciding whether or not to pass the resolutions to be considered at the meeting.

- Part A of this Explanatory Memorandum explains the resolution to approve Evoworld's revised proportional bid.
- Part B of this Explanatory Memorandum provides information on how to vote.

This Explanatory Memorandum should be read in conjunction with the accompanying notice convening the Meeting.

Timetable for Evoworld's Revised Offer

On 19 December 2014, Neon Energy and Evoworld entered into a Bid Implementation Letter Agreement (**BIA**) under which Evoworld agreed to make a revised proportional off-market takeover bid for 50% of the Neon Energy shares held by each other Neon Energy shareholder for 3.8 cents per share (**Revised Offer**).

Under the BIA, Evoworld must prepare and dispatch a bidder's statement under Part 6.5 of the *Corporations Act 2001* (Cth) (**Corporations Act**) in relation to the Revised Offer no earlier than 15 February 2015 unless agreed otherwise. With Neon Energy's consent, Evoworld will lodge its bidder's statement with ASIC (**Bidder's Statement**) and dispatch the Bidder's Statement by 19 February 2015.

The Company will provide shareholders with a target's statement in accordance with the timetable prescribed by the Corporations Act (which is determined by reference to the date of receipt of the Bidder's Statement).

Your vote is important

The resolution to be considered at the Meeting is important for the future of your Company and your investment in it.

The Board urges you to cast your vote either by attending the Meeting in person or by appointing a proxy in accordance with the instructions set out in this Explanatory Memorandum.

Part A – Resolution to approve the Revised Offer

1 Overview of the Revised Offer

Evoworld's Revised Offer

On 19 December 2014, Neon Energy and Evoworld entered into the BIA under which Evoworld agreed to make a revised proportional off-market takeover bid for 50% of the Neon Energy shares held by each other Neon Energy shareholder on terms and conditions no less favourable to Neon Energy shareholders than the following:

- (a) consideration of A\$0.038 per Neon Energy share;
- (b) an initial offer period of at least one month, subject to extension by Evoworld in accordance with the Corporations Act;
- (c) the Revised 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 19 December 2014 (being the date of execution of the BIA) before the end of the offer period; and
- (d) subject only to the non-waivable condition that Neon Energy shareholders (other than Evoworld and its associates) pass, or are deemed to have passed, a resolution to approve the Revised Offer in accordance with Neon Energy's constitution.

The full terms of the Revised Offer will be set out in the Bidder's Statement. A full copy of the BIA was released to ASX on 22 December 2014.

Why approval is required

The Company's constitution requires that a proportional takeover bid be approved by the Company's shareholders (other than the bidder and its associates) in order to proceed (**Proportional Bid Resolution**).

If the Proportional Bid Resolution is not passed at the Meeting, then no transfers can be registered under Evoworld's Revised Offer and so Evoworld will not be able to acquire any Neon Energy shares under the Revised Offer.

These requirements were incorporated into the Company's constitution following shareholder approval by special resolution at a general meeting of the Company held on 12 April 2013.

As set out in the notice convening that meeting, the main reason for including these requirements in the Company's constitution was that:

a proportional takeover bid may result in control of the Company changing without Shareholders having the opportunity to dispose of all their Shares. By making a partial bid, a bidder can obtain practical control of the Company by acquiring less than a majority interest. Shareholders are exposed to the risk of being left as a minority in the Company and the risk of the bidder being able to acquire control of the Company without payment of an adequate control premium. These amended provisions allow Shareholders to decide whether a proportional takeover bid is acceptable in principle, and assist in ensuring that any partial bid is appropriately priced.

Composition of the Board

Pursuant to the BIA, Tim Kestell and Peter Pynes, both currently directors of Evoworld, were appointed to the Board. Alan Stein remains the Chairman of Neon Energy. Ken Charsinsky currently remains a non-executive director of the Company.

If the Revised Offer proceeds, Mr Charsinsky will resign as a non-executive director of Neon Energy as soon as possible once Evoworld acquires a relevant interest in 30% of the Neon Energy shares on issue and the Revised Offer becomes unconditional, and the Neon Energy Board will resolve to appoint Ross Williams (also a current director of Evoworld) to the Board at that time.

Independent Bid Committee

As part of the arrangements agreed in the BIA, the Board has established an independent committee (**Bid Committee**) consisting of Alan Stein and, for so long as he remains a director of the Company, Ken Charsinsky (the **Independent Directors**) in relation to the Revised Offer. The Bid Committee has exclusive responsibility for all matters relating to the Company's response to the Revised Offer, including the preparation of the notice of the Meeting and this Explanatory Memorandum.

The recommendations in this Explanatory Memorandum are those of the Independent Directors. Tim Kestell and Peter Pynes have not made a recommendation in relation to the Revised Offer as they are also directors of, and hold indirect interests in, Evoworld.

Ongoing governance arrangements

Pursuant to the BIA, the Board will not appoint any additional directors to the Board except as expressly contemplated by the BIA or by resolution of at least 75% of the directors on the Board, until the later of 19 April 2015 or the date on which the Revised Offer closes. Evoworld has agreed not to use its rights as a Neon Energy shareholder to remove or appoint directors to the Board during the same period.

Dr Alan Stein will remain as non-executive Chairman of the Board. Evoworld has agreed to confirm in the Bidder's Statement that it intends to vote all its Neon Energy shares in favour of the re-election of Dr Alan Stein at the next general meeting at which his re-election is put to shareholders.

In addition, Evoworld has acknowledged that it intends to ensure that there is at least one director on the Neon Energy Board who is independent of Evoworld at all times.

Independent Expert's Report

Because Tim Kestell and Peter Pynes are each directors of both Neon Energy and Evoworld, Neon Energy has commissioned BDO Corporate Finance (WA) Pty Ltd (**Independent Expert**) to provide an independent expert's report on the Revised Offer (**Independent Expert's Report**) in accordance with section 640 of the Corporations Act.

The Independent Expert has concluded that the Revised Offer is fair and reasonable. A copy of the Independent Expert's Report is attached to this Explanatory Memorandum. Shareholders are encouraged to read the Independent Expert's Report carefully and in full.

Proportional bid and minority ownership consequences

The Revised Offer is a proportional off-market takeover bid by Evoworld to purchase 50% of the shares in the Company. If the Proportional Bid Resolution is passed by Neon Energy shareholders, each shareholder who accepts the Revised Offer from Evoworld will:

- retain 50% of their shareholding in the Company;¹ and
- receive 3.8 cents cash for each ordinary Neon Energy share accepted under the Revised Offer.

¹ Although holders of parcels of Neon Energy shares that represent less than a marketable parcel may be able to accept the Revised Offer with respect to 100% of their shareholding – further details of the terms of the Revised Offer will be set out in the Bidder's Statement.

Evoworld currently owns 19.99% of the ordinary shares in Neon Energy. The maximum number of ordinary shares that Evoworld may hold following the Revised Offer is approximately 60% of Neon Energy's issued ordinary shares (excluding the effect of acceptances that leave a shareholder with less than a marketable parcel of Neon Energy shares).

If Evoworld acquires more than 50% of Neon Energy's ordinary shares then Evoworld will obtain control of the Company and current Neon Energy shareholders will no longer have control of the Company. This has a number of possible implications, including:

- (a) Evoworld will be able to cast the majority of votes at a general meeting of the Company enabling Evoworld to control the Board and senior management. This will enable it to control the composition of Neon Energy's board and senior management (subject to the governance arrangements agreed with in the BIA – see further above) and control the strategic direction of the businesses of Neon Energy and its subsidiaries and determine the Company's strategic direction;
- (b) Evoworld's shareholding will be such that a third party would not be able to successfully make a takeover bid for control of the Company without the support of Evoworld. This means it is less likely that the Company's ordinary share price in the future will reflect a control premium;
- (c) the Neon Energy share price may fall immediately following the end of the Revised Offer period and the liquidity of Neon Energy shares may be lower than at present.

Entitlement to vote

As set out in the notice of the Meeting, in accordance with rule 35.1(b) of the Company's constitution, only persons who hold ordinary shares as at 7.00pm (Sydney time) the day on which the first offers are made under the Revised Offer are entitled to vote at the Meeting.

As Evoworld has not yet made offers under the Revised Offer, this date has not yet been confirmed. Under the BIA, this date must be no earlier than 15 February 2015. Evoworld has indicated that it intends to make the offer by 19 February 2015.

Evoworld and its associates are not entitled to vote on the Proportional Bid Resolution.

2 Recommendation of your Independent Directors

In the absence of a superior proposal, the Independent Directors unanimously recommend that shareholders vote IN FAVOUR of the Proportional Bid Resolution.

The Independent Directors consider that **the Revised Offer represents an opportunity for Neon Energy shareholders to realise a portion of their investment in the Company at a premium to the pre-announcement trading price of Neon Energy shares**, in circumstances where the interests of minority shareholders will be protected into the future by Evoworld's agreement to continue to retain independent board representation.

Further reasons for this recommendation are set out below.

3 Reasons why you should vote in favour of the Proportional Bid Resolution

Evoworld has satisfactorily addressed the concerns of the Independent Directors in relation to its previous proportional takeover bid

A previous proportional off-market takeover bid for 30% of the ordinary shares in Neon Energy not already owned by Evoworld or its associates, as first announced on 10 September 2014 (**Previous Offer**), was not recommended by the then Board on the basis of a number of concerns, including:

- The price offered by Evoworld under the Previous Offer did not reflect the Company's net tangible assets at that time.
- Evoworld's Previous Offer only allowed for the sale of 30% of each Neon Energy shareholding, meaning that Evoworld may have acquired effective control of the Company without holding a majority of the shares on issue, and despite not paying a premium for control.
- The then Board held concerns about the outcomes for minority shareholders in previous transactions that the directors of Evoworld had been involved in.
- Evoworld sought control of the Board as a condition to the Previous Offer proceeding and, in conjunction with the meeting to replace the directors requisitioned by Evoworld, the then Board was concerned about the lack of independence on the Board should Evoworld's nominees be elected and the Previous Offer proceed.
- Evoworld lacked the relevant expertise to further the Company's activities as an oil and gas company.

As a result of negotiations between Evoworld and Neon Energy, the concerns of the then Board in relation to the Previous Offer have been addressed to the satisfaction of the Independent Directors.

The Independent Directors have formed the considered view that the Revised Offer presents a superior outcome for Neon Energy shareholders to the Previous Offer and recommends the Revised Offer to Neon Energy shareholders, in the absence of a superior proposal.

Further details of the matters that the Independent Directors have taken into consideration in reaching their conclusion are set out below.

The cash offer of \$0.038 per Neon Energy share represents a premium to the pre-announcement trading price of Neon Energy shares for a portion of your shareholding

The Revised Offer represents an opportunity for liquidity for 50% of each Neon Energy shareholding at a 11.8% premium to the Company's closing share price of \$0.034 per share on 19 December 2014, being the last date before the release of the announcement of the Revised Offer, and on 6 February 2015, being the last practicable date prior to finalisation of this Explanatory Memorandum. The Independent Directors consider that the Revised Offer represents fair value.

The Revised Offer represents a partial liquidity event for all Neon Energy shareholders

The Revised Offer presents an opportunity for all Neon Energy shareholders to sell 50% of their Neon Energy shares, at a time when there is considerable volatility in the market for shares in oil and gas exploration companies.

The Revised Offer is not conditional on a minimum level of acceptance by Neon Energy shareholders, meaning that the Revised Offer will proceed regardless of how many or how few Neon Energy shareholders accept the Revised Offer, provided that the Proportional Bid Resolution is passed at the Meeting.

Even if you do not intend to accept the Revised Offer, the Independent Directors recommend that you vote in favour of the Proportional Bid Resolution in the absence of a superior proposal to allow other Neon Energy shareholders to take advantage of the opportunity for partial liquidity represented by the Revised Offer.

The Revised Offer offers the certainty of cash for a portion of your Neon Energy shares

As the Revised Offer is a cash offer, you will obtain the certainty of receiving a cash payment of 3.8 cents per share for 50% of your Neon Energy shares.

The cash offer provides the certainty of cash value at a time of considerable volatility in oil prices and following a period of uncertainty and instability for the Company resulting from Evoworld's Previous Offer and its actions to try to replace the Board in 2014.

Your Independent Directors also note that Evoworld will continue to have the right, as a substantial holder of Neon Energy shares, to requisition or convene general meetings, and the ability to acquire Neon Energy shares on-market at a price less than it is offering under the Revised Offer to the extent permitted by law (including under the '3% creep' rule under the Corporations Act).

The Independent Expert's Report concludes that the Revised Offer is fair and reasonable

The Independent Expert's Report concludes that the Revised Offer is fair and reasonable. A copy of the Independent Expert's Report is attached to this Explanatory Memorandum. The Board encourages shareholders to read the report carefully and in full before deciding how to vote at the Meeting

The Company's share price may fall below the Revised Offer price if the Revised Offer does not proceed

The Revised Offer is for 50% of each holder's ordinary shares at 3.8 cents cash per share. If the Revised Offer is not successful, your Independent Directors consider that the ordinary shares of Neon Energy may trade at levels below the Offer price.

In addition, there is no guarantee that the ordinary share price will maintain current levels, especially given the recent impact of the falling oil price on the market price of shares in oil and gas companies.

The Revised Offer represents a superior proposal to the proposed merger of equals with MEO Australia Limited and alternative strategic growth opportunities explored by the Board since mid-2014

Since mid-2014, the Board of Neon Energy had been actively pursuing strategic growth opportunities designed to deliver value to the Neon Energy shareholders. As a result of this activity, Neon Energy entered into a merger implementation agreement dated 5 November 2014 with MEO Australia Limited for a scrip-for-scrip merger of equals by way of scheme of arrangement (MIA).

As announced to ASX on 22 December 2014, Neon Energy has terminated the MIA after the then Board formed the view that the Revised Offer represents a superior proposal to the proposed merger with MEO Australia Limited.

Your Independent Directors consider it unlikely that an alternative proposal, including a superior proposal to the Revised Offer, will be received during the Revised Offer period.

Evoworld has agreed to maintain independent Board representation if the Revised Offer proceeds, ensuring that the interests of minority shareholders will be represented into the future

Evoworld's Previous Offer was conditional on Evoworld gaining control of the Board prior to the completion of the offer. The then Board was concerned that Evoworld's nominees at that time did not include any independent representation and that Evoworld had not indicated how Neon Energy shareholders would receive independent advice on the Previous Offer had it gained control of the Board.

The establishment of the Bid Committee by the Board addresses the Independent Directors' concerns about ensuring Neon Energy shareholders receive independent advice on the Revised Offer.

In addition, if the Revised Offer proceeds, Evoworld have agreed under the BIA that Alan Stein will remain Chairman of the Company. Evoworld has agreed to confirm in the Bidder's Statement that it intends to vote its shares in favour of the re-election of Dr Stein at the next meeting of the Company at which Dr Stein's re-election is put to Neon Energy shareholders, and that it intends to ensure that there is at least one director on the Board who is independent of Evoworld at all times. The retention of Dr Stein as Chairman of the Company provides Neon Energy shareholders with an independent director on the Board.

Neon Energy shareholders who accept the Revised Offer will maintain exposure to potential capital growth

If it proceeds, the Revised Offer will allow the Company to maintain its ASX listing and gives Neon Energy shareholders the ability to retain 50% of their holding in the Company, allowing shareholders to participate in any upside from potential capital growth.

Risk profile of the Company

An investment in Neon Energy is subject to a number of risks due to the nature of the specific industry in which Neon Energy is engaged as well as macroeconomic factors more generally.

While your Board believes they have the skills to manage these risks if and when they arise, there is no guarantee that Neon Energy will generate a return which is greater than the immediate return offered under the Revised Offer.

No brokerage fees payable

If you accept the Revised Offer, you will not incur brokerage or other transaction costs under the Revised Offer, which you may otherwise incur if selling your shares on the ASX.

4 Reasons to consider voting against the Proportional Bid Resolution

As set out above, while your Independent Directors recommend that you vote in favour of the Proportional Bid Resolution in the absence of a superior proposal, you may wish to consider voting against the resolution because:

A majority shareholding by Evoworld in Neon Energy may result in reduced liquidity for Neon Energy shares, and less chance of a full takeover bid by a third party in the future

The maximum shareholding that Evoworld would hold if all shareholders fully participate in the Revised Offer is approximately 60%, based on Evoworld's shareholding as at the date of this Explanatory Memorandum of 19.99% (excluding the effect of acceptances that leave a shareholder with less than a marketable parcel of Neon Energy shares).

The level of Evoworld's shareholding may:

- Make it less likely that a third party would be willing to make a full takeover bid for Neon Energy, thereby reducing the opportunity for existing Neon Energy shareholders to realise a control premium and a full exit with respect to their shareholding.
- Mean a less liquid market for Neon Energy shares, which may affect the ability of existing Neon Energy shareholders to trade the balance of their shareholding on-market.

Part B – How to vote

1 How to vote at the Meeting

Shareholders should read this Explanatory Memorandum carefully before deciding how to vote at the Meeting.

Your vote is important and the Board urges all shareholders to cast their vote at the Meeting.

If you are entitled to vote, you may do so by:

- attending and voting in person;
- appointing a proxy to attend and vote on your behalf, using the proxy form for the relevant meeting accompanying this Explanatory Memorandum, or by appointing a proxy online in accordance with the instructions set out below;
- appointing an attorney to attend and vote on your behalf, using a power of attorney; or
- in the case of a body corporate, appointing a body corporate representative to attend the meeting and vote on your behalf, using a certificate of appointment of body corporate representative.

Further details are set out below.

Attending the Meeting

If you or your proxies, attorney(s) or representative(s) plan to attend the Meeting, please arrive at the venue at least 15 minutes before the scheduled time for commencement of the Meeting, so that your shareholding can be checked against the register, any certificate of appointment of body corporate representative verified, and your attendance noted.

Jointly held shares

If you hold shares in the Company jointly with one or more other persons, only one of you may vote. If more than one of you attempts to vote in person at the Meeting, only the vote of the holder whose name appears first on the register will be counted.

See also the comments below regarding the appointment of a proxy by persons who jointly hold shares.

Casting your vote

(a) Voting in person

To vote in person, you must attend the Meeting.

Shareholders who wish to attend and vote in person will be admitted and given a voting card at the point of entry to the Meeting, once they have disclosed their name and address and their entitlement to attend and vote has been confirmed.

(b) Voting by proxy

You may appoint one or two proxies. Your proxy need not be another shareholder in the Company. Each proxy will have the right to vote and to speak at the Meeting.

To appoint a proxy, you should complete and return the proxy form accompanying this Explanatory Memorandum in accordance with the instructions on the form.

Alternatively, you may register your proxy appointment electronically:

- online at www.investorvote.com.au, or
- by mobile: scan the QR code on your proxy form and follow the prompts.

You must deliver the signed and completed proxy form by the means shown on the form, or register your electronic appointment, by the cut-off time for the Meeting, being no later than **10:00am (Perth time) on Wednesday, 11 March 2015**.

Proxy forms and electronic appointments received after the cut-off time will be invalid.

You should consider how you wish your proxy to vote on the relevant resolutions. If you do not direct your proxy how to vote on an item of business, the proxy may vote, or abstain from voting, as he or she thinks fit. If you instruct your proxy to abstain from voting on an item of business, he or she is directed not to vote on your behalf, and the shares the subject of the proxy appointment will not be counted in computing the required majority.

Shareholders should be aware that the chairman of the Meeting intends to vote all valid undirected proxies which nominate the chairman **FOR** the Proportional Bid Resolution at the Meeting.

(c) **Voting by corporate representative**

If you are a body corporate, you may appoint an individual to act as your body corporate representative. The appointment must comply with the requirements of section 250D of the Corporations Act, meaning that the Company will require a certificate of appointment of body corporate representative to be executed by you in accordance with the Corporations Act.

A form of certificate may be obtained from the Registry by calling 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia). The certificate of appointment may set out restrictions on the representative's powers.

The certificate should be lodged at the registration desk on the day of the meeting or with the Registry before the cut-off time for receipt of proxy forms, as set out above.

If a certificate is completed under power of attorney or other authority, the power of attorney or other authority, or a certified copy of the power of attorney or other authority, must accompany the completed certificate unless the power of attorney or other authority has previously been provided to the Registry by the cut-off time for the meeting, being no later than **10:00am (Perth time) on 11 March 2015**.

(d) **Lodgement**

If you wish to complete and return a proxy form, please return the completed form to Computershare Investor Services Pty Limited:

- by post to GPO Box 242 Melbourne Victoria 3001 Australia, or
- by facsimile to 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia)


Alternatively, you may register your proxy appointment electronically:

- Online: at www.investorvote.com.au
- Mobile: scan the QR code on your Proxy Form and follow the prompts.

(e) **Custodians and nominees**

For Intermediary Online subscribers only (custodians and nominees), please visit www.intermediaryonline.com to submit your voting instructions.

Lodge your vote:

 **Online:**
www.investorvote.com.au

 **By Mail:**
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:
(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000



┌ 000001 000 NEN
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Proxy Form



Vote online

- Go to www.investorvote.com.au or scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.



Your access information that you will need to vote:

Control Number: 999999

SRN/HIN: I9999999999 PIN: 99999

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.



**For your vote to be effective it must be received by
10:00am (Perth Time) Wednesday, 11 March 2015**

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

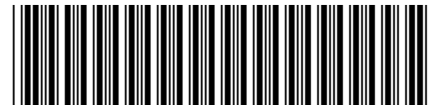
Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,
or turn over to complete the form →**

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

Proxy Form

Please mark to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Neon Energy Limited hereby appoint

the Chairman of the Meeting **OR**

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the General Meeting of Neon Energy Limited to be held in Training Room 2 at the Conference Centre, QV1 Building, 250 St Georges Terrace, Perth, Western Australia on Friday, 13 March 2015 at 10:00am (Perth Time) and at any adjournment or postponement of that meeting.

STEP 2 Items of Business

Resolution 1 Approval of revised Proportional Takeover Bid

For	Against	Abstain
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date / /

NEN

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NEON ENERGY LIMITED
Independent Expert's Report

9 February 2015



Financial Services Guide

9 February 2015

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 ('we' or 'us' or 'ours' as appropriate) has been engaged by Neon Energy Limited ('Neon') to provide an independent expert's report on the proposal by Evoworld Corporation Pty Ltd to make a proportional off-market takeover offer for 50% of the shares held by each shareholder in Neon. You will be provided with a copy of our report as a retail client because you are a shareholder of Neon.

Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ('FSG'). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- ◆ Who we are and how we can be contacted;
- ◆ The services we are authorised to provide under our Australian Financial Services Licence, Licence No. 316158;
- ◆ Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- ◆ Any relevant associations or relationships we have; and
- ◆ Our internal and external complaints handling procedures and how you may access them.

Information about us

BDO Corporate Finance (WA) Pty Ltd is a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The financial product advice in our report is provided by BDO Corporate Finance (WA) Pty Ltd and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients.

When we provide the authorised financial services we are engaged to provide expert reports in connection with the financial product of another person. Our reports indicate who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

General Financial Product Advice

We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice.

Fees, commissions and other benefits that we may receive

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement is approximately \$24,000.

Except for the fees referred to above, neither BDO, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Remuneration or other benefits received by our employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report. We have received a fee from Neon for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Complaints resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Corporate Finance (WA) Pty Ltd, PO Box 700 West Perth WA 6872.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ('FOS'). FOS is an independent organisation that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry. FOS will be able to advise you as to whether or not they can be of assistance in this matter. Our FOS Membership Number is 12561. Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
Toll free: 1300 78 08 08
Facsimile: (03) 9613 6399
Email: info@fos.org.au

Contact details

You may contact us using the details set out on page 1 of the accompanying report.



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Appendix 1 - Glossary and copyright notice

Appendix 2 - Valuation Methodologies

Appendix 3 - Independent Valuation Report prepared by SRK Consulting (Australasia) Pty Ltd

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9 February 2015

The Directors
Neon Energy Limited
Level 1, 248 Hay Street
Subiaco, WA 6008

Dear Directors

INDEPENDENT EXPERT'S REPORT

1. Introduction

On 22 December 2014, Neon Energy Limited ('Neon' or 'the Company') announced that it had 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').

Under the terms of the BIA, Evoworld will offer Neon shareholders \$0.038 per Neon share for 50% of their holding ('Offer Consideration').

Section 4 of our report details the conditions precedent to the Offer.

The Offer is subject to shareholders' approval which is to be sought under Neon's constitution and section 640 of the Corporations Act 2001 (Cth) (the 'Act'), on the basis that pursuant to execution of the bid implementation agreement between Neon and Evoworld, two of the directors on Neon's board would be nominees of Evoworld.

2. Summary and Opinion

2.1 Purpose of the report

The directors of Neon have requested that BDO Corporate Finance (WA) Pty Ltd ('BDO') prepare an independent expert's report ('our Report') to express an opinion as to whether or not the Offer is fair and reasonable to the non associated shareholders of Neon ('Shareholders').

Our Report is prepared pursuant to section 640 of the Act and is to be included in the Target's Statement and Notice of Meeting for Neon in order to assist the Shareholders in their decision whether to approve the Offer.

2.2 Approach

Our Report has been prepared having regard to Australian Securities and Investments Commission ('ASIC') Regulatory Guide 111 'Content of Expert's Reports' ('RG 111') and Regulatory Guide 112 'Independence of Experts' ('RG 112').

In arriving at our opinion, we have assessed the terms of the Offer as outlined in the body of this report. We have considered:

- How the value of a Neon share on a controlling basis compares to the value of the cash consideration of \$0.038 per Neon share subject to the Offer;
- The likelihood of a superior alternative offer being available to Neon;
- Other factors which we consider to be relevant to the Shareholders in their assessment of the Offer; and
- The position of Shareholders should the Offer not proceed.

2.3 Opinion

We have considered the terms of the Offer as outlined in the body of this report and have concluded that, in the absence of a superior offer, the Offer is fair and reasonable to Shareholders.

In our opinion, the Offer is fair because the Offer Consideration is greater than our assessed preferred value of a Neon share. In our opinion, the Offer is reasonable because it is fair, and the position of Shareholders if the Offer is approved is more advantageous than the position if the Offer is not approved.

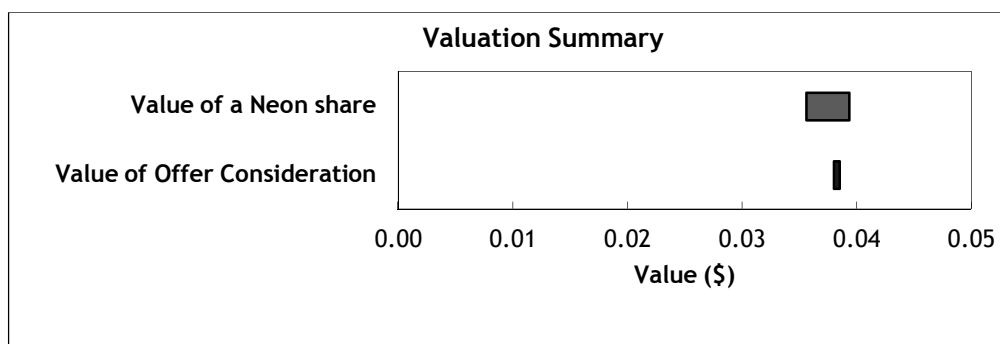
2.4 Fairness

In section 12, we determined that our assessed preferred value of a Neon share on a controlling basis is less than the value of the Offer Consideration, as detailed below.

	Low	Preferred	High
	\$	\$	\$
Value of a Neon share (controlling basis)	0.0356	0.0374	0.0393
Value of Offer Consideration	0.0380	0.0380	0.0380

Source: BDO analysis

The above valuation ranges are graphically presented below:



The above pricing indicates that, in the absence of a superior offer, the Offer is fair for Shareholders.

2.5 Reasonableness

We have considered the analysis in section 13 of this report, in terms of both

- advantages and disadvantages of the Offer; and

- other considerations, including the position of Shareholders if the Offer does not proceed and the consequences of not approving the Offer.

In our opinion, the position of Shareholders if the Offer is approved is more advantageous than the position if the Offer is not approved. Accordingly, in the absence of any other relevant information and/or a superior proposal we believe that the Offer is reasonable for Shareholders.

The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES			
Section	Advantages	Section	Disadvantages
13.1.1	The Offer is Fair	13.2.1	If the Offer is implemented, Shareholders exposure to Neon’s assets will be diluted
13.1.2	Shareholders obtain cash under the Offer	13.2.2	Majority shareholding by Evoworld could reduce liquidity for Neon shareholders
13.1.3	Shareholders have the opportunity to realise their investment with certainty and at a premium to the Company’s quoted market price	13.2.3	Shareholders may face potential tax implications
13.1.4	Shareholders will be partially protected with regard to funding uncertainties of the WA-503-P Project		
13.1.5	The Offer gives Shareholders the opportunity to receive value for a part of their shareholding and also benefit from the future potential upside to Neon’s operations		

Other key matters we have considered include:

Section	Description
13.3	Alternative Proposal
13.4	Practical Level of Control
13.5	Consequences of not approving the Offer

3. Scope of the Report

3.1 Purpose of the Report

Section 640 of the Act requires the Target Statement to include an independent expert's report to shareholders if:

- The bidder's voting power in the target is 30% or more; or
- The bidder and the target have a common director or directors.

The terms of the BIA provide for the appointment of Mr Timothy Kestell and Mr Peter Pynes as non-executive directors of Neon, who are existing directors of Evoworld. The Board of Neon has received the necessary consent and passed the necessary resolutions to give effect to the above as evidenced by Appendix 3X (Initial Director's Interest Notice) filed with the ASX on 23 December 2014.

Therefore, an independent expert's report is required for inclusion in the Target Statement, given that the bidder (Evoworld) and the Target (Neon) have common directors. The directors of Neon have engaged BDO to satisfy this requirement and under Neon's constitution.

3.2 Regulatory guidance

Neither the Listing Rules nor the Act defines the meaning of 'fair and reasonable'. In determining whether the Offer is fair and reasonable, we have had regard to the views expressed by ASIC in RG 111. This regulatory guide provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.

This regulatory guide suggests that where the transaction is a control transaction, the expert should focus on the substance of the control transaction rather than the legal mechanism to affect it. RG 111 suggests that where a transaction is a control transaction, it should be analysed on a basis consistent with a takeover bid.

In our opinion, the Offer is a control transaction as defined by RG 111 and we have therefore assessed the Offer as a control transaction to consider whether, in our opinion, it is fair and reasonable to Shareholders.

3.3 Adopted basis of evaluation

RG 111 states that a transaction is fair if the value of the offer price or consideration is greater than the value of the securities subject of the offer. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. When considering the value of the securities subject of the offer in a control transaction the expert should consider this value inclusive of a control premium. Further to this, RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if despite being 'not fair' the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid.

Having regard to the above, BDO has completed this comparison in two parts:

- A comparison between the value of a Neon share and the value of the consideration being offered by Evoworld per Neon share (fairness - see Section 12 'Is the Offer Fair?'); and

- An investigation into other significant factors to which Shareholders might give consideration, prior to accepting the Offer, after reference to the value derived above (reasonableness - see Section 13 ‘Is the Offer Reasonable?’).

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 ‘Valuation Services’ (‘APES 225’).

A Valuation Engagement is defined by APES 225 as follows:

‘an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.’

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.

4. Outline of the Offer

On 22 December 2014, Neon announced that it had entered into a BIA with 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. The terms of the Offer are below:

- consideration of \$0.038 per Neon share;
- an initial offer period of at least one month, subject to extension by Evoworld in accordance with the Act;
- 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 19 December 2014 before the end of the offer period; and
- subject 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.

As part of the terms of the BIA with Evoworld and in recognition of Evoworld’s 19.99% shareholding, Mr Timothy Kestell and Mr Peter Pynes (being non-executive directors in Evoworld) were appointed to the Board of Neon as non-executive directors on 19 December 2014. Further, Mr John Lander who was a Non-Executive Director has also resigned on the same date. In addition, once Evoworld acquires 30% of the Neon shares on issue and the Offer becomes unconditional, Mr Ken Charsinsky (a Non Executive Director of the Company) would resign and Mr Ross Williams would be appointed to the Neon Board as non-executive director.

5. Profile of Neon

5.1 History

Neon listed on the Australian Stock Exchange ('ASX') on 12 March 1990 and is focused on oil and gas exploration. During 2014, the Company executed a Purchase & Sale Agreement with a major Californian exploration and production company, for the sale of the Company's Californian assets for US\$26.95 million. Additionally, the Company executed a Deed of Settlement & Assignment with Eni Vietnam B.V ('Eni Vietnam') and KrisEnergy with regard to its projects in Vietnam and Indonesia respectively.

The Company's current board of directors and senior management are set out below:

- Dr Alan Stein - Non-Executive Chairman
- Mr Ken Charsinsky - Non Executive Director;
- Mr Timothy Kestell - Non-Executive Director;
- Mr Peter Pynes - Non-Executive Director;
- Mr Ben Newton - Chief Financial Officer; and
- Mr Gabriel Chiappini - Company Secretary

On 5 November 2014 Neon and Meo Australia Limited ("Meo") announced a merger implementation agreement that the Neon board considered to be superior to a proportional takeover offer as announced in a bidders statement on 15 October 2014. Subsequently Evoworld revised the offer resulting in the Neon board determining that it was superior to the proposed scheme of arrangement with Meo, resulting in the termination of the merger implementation agreement.

5.2 Projects

WA-503-P

The Company was awarded a new exploration block, offshore Western Australia, in May 2014. Block WA-503-P is located inboard of the Northwest Shelf gas field complex, within the Dampier Sub-basin. The Block was awarded with a six-year term. The initial three-year primary term includes the commitment to license a minimum 80 km² of new broadband 3D seismic data (within one year) and complete various geological and geophysical studies. The secondary term is optional and includes an associated commitment to drill one exploration well.

Two wells have been drilled to date, confirming the presence of reservoir targets and a working oil system. Further, Neon Energy has acquired data released for the Hoss-1 well, drilled by Apache Energy in 2012, near the north-eastern boundary of WA-503-Pm which encountered significant oil shows in M. Australia sandstone over a 100m gross interval. These sands represent the primary target in Neon's Bojangles prospects.

Further information on Neon's project may be found in Appendix 3.

5.3 Historical Balance Sheet

Statement of Financial Position	Unaudited as at 31-Oct-14 \$	Reviewed as at 30-Jun-14 \$	Audited as at 31-Dec-13 \$
CURRENT ASSETS			
Cash	19,063,651	23,329,835	9,700,017
Other financial assets	5,641,371	5,392,994	1,147,875
Trade and other receivables	368,933	948,384	1,458,045
Inventories	-	-	118,086
TOTAL CURRENT ASSETS	25,073,955	29,671,213	12,424,023
NON-CURRENT ASSETS			
Property, plant and equipment	46,272	51,500	148,926
Oil and gas properties	-	-	27,358,498
Exploration and evaluation assets	100,000	100,000	4,765,243
TOTAL NON- CURRENT ASSETS	146,272	151,500	32,272,667
TOTAL ASSETS	25,220,227	29,822,713	44,696,690
CURRENT LIABILITIES			
Trade and other payables	2,924,845	1,372,252	838,358
Provisions	169,003	6,243,523	28,688,701
TOTAL CURRENT LIABILITIES	3,093,848	7,615,775	29,527,059
NON-CURRENT LIABILITIES			
Provisions	-	-	2,529,458
TOTAL LIABILITIES	3,093,848	7,615,775	32,056,517
NET ASSETS	22,126,379	22,206,938	12,640,173
EQUITY			
Issued capital	171,571,258	171,571,258	171,571,258
Reserves	3,536,388	5,229,604	8,171,424
Accumulated losses	(152,981,267)	(154,593,924)	(167,102,509)
TOTAL UNIT HOLDERS EQUITY	22,126,379	22,206,938	12,640,173

Source: : Neon's audited financial statements as at 31 December 2013, reviewed financial statements as at 30 June 2014 and unaudited management accounts as at 31 October 2014

We have not undertaken a review of Neon's unaudited management accounts as at 31 October 2014 in accordance with Australian Auditing and Assurance Standard 2405 'Review of Historical Financial Information' and do not express an opinion on this financial information. However from the procedures we have performed nothing has come to our attention as a result of our procedures that would suggest the financial information within the management accounts has not been prepared on a reasonable basis.

We note the following in relation to Neon's recent financial position:

- Neon's auditor, included an emphasis of matter paragraph in their audit report for the year ended 31 December 2013, which describes that the principal conditions of the Company, indicate the existence of a "material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business". As at 30 June 2014 Neon's auditor issued an unmodified review opinion on the 30 June 2014 half year accounts.
- The increase in the cash balance from approximately \$9.7 million as at 31 December 2013 to \$23.3 million as at 30 June 2014 was primarily attributable to the proceeds of US\$26.95 million received from the sale of the Company's Californian assets. The decline in the cash balance between 30 June 2014 and 31 October 2014 was on account of the cash payment of US\$5.75 million made to Eni Vietnam in relation to the dispute relating to the Company's Vietnam drilling program.
- Other financial assets include short term deposits and escrowed funds. The escrowed funds are held in an escrow account as surety against Neon's warranties to the purchaser of its Californian assets and would be released 12 months following the closing date of the closing date of the sale and purchase agreement.
- The significant decline in Oil and gas properties from \$27.4 million as at 31 December 2013 to Nil as at 30 June 2014 and 31 October 2014 was because of the discontinuation of the Company's operations in the US and Vietnam and disposal of its oil and gas properties.
- With regard to exploration and evaluation assets, during the year ended 31 December 2013, the Directors were of the view that based on the analysis of the economic viability of appraisal projects and intention of the business to progress commercial and technical feasibility, an impairment of \$79.9 million was justified. A further impairment of \$2.1 million was undertaken during the six month period ended 30 June 2014, in addition to disposal of exploration and evaluation assets of \$3.1 million, resulting in a carrying value of \$100,000 as at 30 June 2014 and 31 October 2014 respectively.
- The decline in provisions from \$28.7 million as at 31 December 2013 to \$6.2 million as at 30 June 2014 was caused by the settlement of Neon's dispute with Eni Vietnam regarding the Company's US\$22.1 million dispute in relation to cost overruns. Additionally, given the discontinuation of the Company's Vietnam and US operations, there was a write back of the Restoration and rehabilitation provision of \$4.9 million.
- Trade and other payables have increased to their current levels predominantly due to the sales adjustment amount payable in respect of the US assets sold.

5.4 Historical Statement of Comprehensive Income

Statement of Comprehensive Income	Unaudited 31-Oct-14 10 months	Reviewed 30-Jun-14 6 months	Audited 31-Dec-13 12 months
Revenue	-	-	9,706,546
Cost of sales			
Operating expenses	-	-	(5,063,848)
Royalty payments	-	-	(2,000,536)
Depreciation and amortisation expense	-	-	(1,586,299)
Gross profit	-	-	1,055,863
Expenses			
Impairment of exploration and evaluation assets	-	-	(79,911,886)
Impairment of oil and gas properties	-	-	(6,738,041)
Corporate and administration expenses	(5,227,218)	(2,647,357)	(6,492,738)
Plug and abandon costs	-	-	(3,116,697)
Finance costs	(62,799)	(3,891)	(58,930)
Net (loss)/gain on foreign exchange	758,107	(497,976)	-
Net loss on sale of assets	-	-	(3,556)
Other income	61,878	36,601	897,773
Loss from continuing operations before income tax	(4,470,032)	(3,112,623)	(94,368,212)
Income tax benefit/(expense)	-	-	4,485,427
Loss from continuing operations after income tax	(4,470,032)	(3,112,623)	(89,882,785)
Discontinued operations			
Profit/(Loss) after tax for the period from discontinued operations	18,318,131	15,621,208	-
Profit/(Loss) for the period	13,848,099	12,508,585	(89,882,785)
Other comprehensive income			
Exchange differences on translation of foreign operations	-	(1,076,089)	10,765,596
Foreign currency translation reserve of discontinued operations	-	(2,365,999)	-
Total comprehensive income	13,848,099	9,066,497	(79,117,189)

Source: : Neon's audited financial statements as at 31 December 2013, reviewed financial statements as at 30 June 2014 and unaudited management accounts as at 31 October 2014

We note the following with regard to Neon's operating performance:

- The significant decline noted in revenues between the FY13 and the 10 months ended 31 October 2014 is primarily a result of the Company discontinuing its operations in Vietnam and the US during the six month period ended 30 June 2014. This has been reflected above in the profit from discontinued operations of \$18.3 million.
- Additionally, the Company has impaired a significant percentage of its exploration and evaluation assets amounting to approximately \$80 million during FY13 in view of the Directors assessment of the economic viability of its ongoing projects.

5.5 Capital Structure

The share structure of Neon as at 31 December 2014 is outlined below:

Share structure	Number
Total ordinary shares on issue	553,037,849
Top 20 shareholders	230,069,152
Top 20 shareholders - % of shares on issue	41.60%

Source: Management information

The range of shares held in Neon as at 31 December 2014 is as follows:

Range of Shares Held	Number of Ordinary Shareholders	Number of Ordinary Shares	Percentage of Issued Shares (%)
1 - 1,000	373	154,127	0.03%
1,001 - 10,000	2051	11,093,696	2.01%
10,001 - 100,000	2342	88,558,091	16.01%
100,001 - and over	619	453,231,935	81.95%
TOTAL	5,385	553,037,849	100.00%

Source: Management information

The ordinary shares held by the most significant shareholders as at 31 December 2014 are detailed below:

Name	Number of Ordinary Shares Held	Percentage of Issued Shares (%)
Evoworld Corporation Pty Ltd	110,552,266	19.99%
HSBC Custody Nominees Australia Ltd	13,983,903	2.53%
Rubicon Nominees Pty Ltd	11,500,000	2.08%
JP Morgan Nominees Pty Ltd	16,000,000	2.89%
ComSec Nominees Australia Ltd	10,073,990	1.82%
Arredo Pty Ltd	9,000,000	1.63%
Subtotal	171,110,159	30.94%
Others	381,927,690	69.06%
Total ordinary shares on Issue	553,037,849	100.00%

Source: Management information

The options and other equity instruments currently on issue as at 31 December 2014 are outlined below:

Name	Number of Options
Options exercisable at \$0.60 on or before 4-Sep-15	1,000,000
Options exercisable at \$1.00 on or before 4-Sep-15	1,000,000
Performance rights with a nil exercise price	36,773,499
Total Number of Equity Instruments	38,773,499

Source: Management information

6. Profile of Evoworld

Evoworld is a privately held company incorporated on 1 September 2014 as a special purpose vehicle for making the Offer. Evoworld's registered office is located in Perth.

The current shareholders of Evoworld are:

- a) P&L - 1 Evoworld Share
- b) OBG- 1 Evoworld Share; and
- c) Ross Williams ATF the Williams Trading Trust - 1 Evoworld Share

Due to Evoworld being recently incorporated, it does not have any historical financial information. Evoworld currently owns 19.99% interest in the issued share capital of Neon. The current list of key directors of Evoworld is as below:

- a) Mr Peter Pynes - Non-Executive Director;
- b) Mr Tim Kestell - Non-Executive Director; and
- c) Mr Ross Williams - Non- Executive Director

Further information on Evoworld is to be contained in the bidders' statement.

7. Economic analysis

Growth in the global economy continued at a moderate pace in 2014. China's growth was in line with policymakers' objectives. The US economy continued to strengthen, but the euro area and Japanese economies were both weaker than expected. Forecasts for global growth in 2015 envisage continued moderate growth.

Commodity prices have continued to decline, in some cases sharply. The price of oil in particular has fallen significantly over the past few months. These trends appear to reflect a combination of lower growth in demand and, more importantly, significant increases in supply. The much lower levels of energy prices will act to strengthen global output and temporarily to lower CPI inflation rates.

Financial conditions are very accommodative globally, with long-term borrowing rates for several major sovereigns reaching new all-time lows over recent months. Some risk spreads have widened a little but overall financing costs for creditworthy borrowers remain remarkably low.

In Australia the available information suggests that growth is continuing at a below-trend pace, with domestic demand growth overall quite weak. As a result, the unemployment rate has gradually moved higher over the past year. The fall in energy prices can be expected to offer significant support to consumer spending, but at the same time the decline in the terms of trade is reducing income growth. Overall, the Bank's assessment is that output growth will probably remain a little below trend for somewhat longer, and the rate of unemployment peak a little higher, than earlier expected. The economy is likely to be operating with a degree of spare capacity for some time yet.

The CPI recorded the lowest increase for several years in 2014. This was affected by the sharp decline in oil prices at the end of the year and the removal of the price on carbon. Measures of underlying inflation also declined a little, to around 2¼ per cent over the year. With growth in labour costs subdued, it appears likely that inflation will remain consistent with the target over the next one to two years, even with a lower exchange rate.

Credit growth picked up to moderate rates in 2014, with stronger growth in lending to investors in housing assets. Dwelling prices have continued to rise strongly in Sydney, though trends have been more varied in a number of other cities over recent months. The Bank is working with other regulators to assess and contain economic risks that may arise from the housing market.

The Australian dollar has declined noticeably against a rising US dollar over recent months, though less so against a basket of currencies. It remains above most estimates of its fundamental value, particularly given the significant declines in key commodity prices. A lower exchange rate is likely to be needed to achieve balanced growth in the economy.

For the past year and a half, the cash rate has been stable, as the Board has taken time to assess the effects of the substantial easing in policy that had already been put in place and monitored developments in Australia and abroad. At today's meeting, taking into account the flow of recent information and updated forecasts, the Board judged that, on balance, a further reduction in the cash rate was appropriate. This action is expected to add some further support to demand, so as to foster sustainable growth and inflation outcomes consistent with the target.

Source: www.rba.gov.au Statement by Glenn Stevens, Governor: Monetary Policy Decision dated 3 February 2015

8. Industry analysis

8.1 Petroleum Exploration in Australia

8.1.1 Overview

The Petroleum Exploration industry provides both onshore and offshore drilling services and exploration services. Given the significant volatility on a yearly basis, industry revenue is forecast to grow at a compound annual growth rate ('CAGR') of 1.8% over the five years through 2014/15, to \$4.2 billion. The volatility noted in overall industry revenue is representative of the role that commodity pricing plays in funding for exploration, which is inherently risky and capital intensive.

Oil prices play a large role in sentiment towards the industry, as gas contracts have been historically negotiated using oil prices as a benchmark. This is forecast to be followed by a sharp contraction of 13.5% in 2014/15.

In Australia, the Oil and Gas Extraction industry has move away from exploration and towards production activities, with a focus on completing construction of liquefied natural gas ('LNG') export terminals. In the five years to 2019/20, industry revenue is forecast to contract at a CAGR of 6.4% to \$3.0 billion.

The key external drivers of this industry are:

- **Demand from oil and gas extraction:** Firms within the Oil and Gas Extraction industry produce crude oil, natural gas or condensate. These extraction companies are typically vertically integrated, conducting both exploration and extraction activities. In 2014/15, demand from this industry is expected to increase.
- **Global crude oil prices:** Being a globally traded commodity, the price of oil is determined by the value of an oil resource. Low oil prices are a threat to the industry, as they reduce the incentives for exploration activities.
- **Foreign exchange rate with the US dollar:** The exchange rate between US Dollars and Australian dollars directly impacts the earnings of oil production companies. In 2014/15, the Australian dollar is expected to weaken, as the terms of trade of Australia decline.
- **Global price of natural gas:** High gas prices support increased exploration activities and in 2014/15, the world price of gas is expected to increase marginally.

8.1.2 Current performance

Given that the industry provides exploration services for oil, gas and related products, the price of crude oil is the key determinant of industry performance. Further, supply contracts for gas and other commodities have historically used the oil prices as a benchmark for pricing. In 2014/15, the price of crude oil is expected to decline by 14.5%, which would impact the anticipated demand for industry services strongly.

There are two primary kinds of firms operating in the industry:

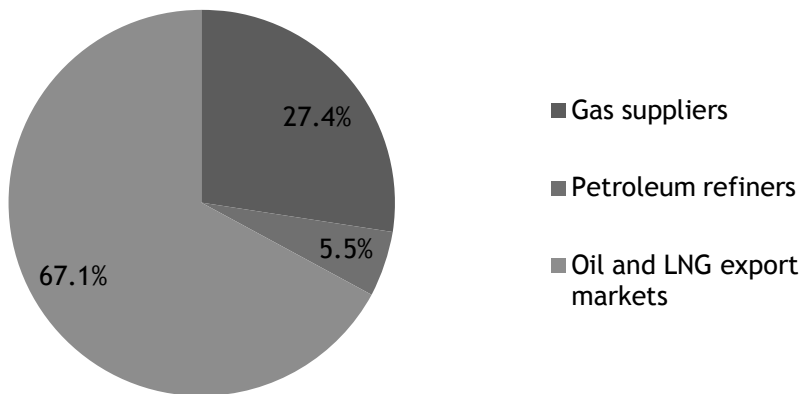
- a. major oil and gas exploration companies which conduct exploration activities with a view to assessing the viability for developing or expanding existing sites; and
- b. pure-play exploration companies and junior miners who are often equity funded and seek to find proven resources to on sell as projects.

The industry has significantly benefited from the heightened level of exploration expenditure in 2008/09, which set a high base level of revenues during 2009/10. Further, growth during 2012/13 arose from the new LNG export projects under development in the downstream Oil and Gas Extraction industry. A greater portion of the new exploration activity undertaken in the past five years has been directed at gas rather than oil. This is reflective of a growing global demand for gas, which has lower level of emissions and also the mature to declining life cycle phase of oil extraction in Australia. The adoption of advanced technologies for coal seam gas extraction and deepwater extraction has also expanded the gas reserves available for further exploration.

8.1.3 Major markets

The industry serves the Oil and Gas Extraction industry, which supplies crude oil, natural gas and LPG to a number of markets. The graph below displays the major market segmentation for 2014/15.

Major market segmentation - 2014/15



Source: IBISWorld

8.1.4 Industry outlook

The Petroleum Exploration industry is expected to continue to perform poorly as global energy markets absorb surplus capacity over the next five years. Additionally, the supply of unconventional petroleum products such as shale oil and coal seam gas are forecast to continue to expand globally.

Given the capacity expansion, a low CAGR of 1.0% is forecast in the price of crude oil over the five years through 2020. The lower prices would diminish the incentive for funding exploration projects and identifying new resources. Within Australia, the past decade has witnessed a focus on gas projects which has led to construction of a number of LNG export facilities.

Based on the above factors, industry revenue is forecast to decline at a CAGR of 6.4% over the five years through 2019/20, to \$3.0 billion and the industry is forecast to contract by 20.2% during 2015/16 as significant competitors from the downstream Oil and Gas Extraction industry focus on completing projects and production, slashing exploration budgets. Further, the number of players in the industry is forecast to fall at a CAGR of 5.7%, given the successive years of declining demand. Also, the change in the regulatory landscape over the next five years could have significant ramifications for exploration activity.

8.2 Oil and Gas Extraction in Australia

The Oil and Gas Extraction industry is impacted by volatility in oil and gas prices, domestic demand and annual production volumes. During the five years ended 2014/15, beneficial price movements have positively impacted the industry, which helped offset the decline in oil production in Australia. Higher prices have also propelled industry revenue growth, with a pipeline of new projects under construction or consideration.

Revenues for the industry are expected to grow at a CAGR of 7.7% over the five years through 2014/15, to reach \$48.3 billion. In terms of production output, the same is projected to expand by 9.1% with 479 million barrels of oil equivalent ('BOE'). The industry's primary products are crude oil and natural gas. The output of crude oil is expected to have marginally increased over the past five years, despite the mature life stage of most Australian oil basins. Although absolute oil production in Australia is wavering, gas output, including coal seam methane, is growing strongly as demand for LNG increases globally. This has been reflected primarily in higher world prices, which have supported the industry's export revenues.

The industry is forecast to register higher growth in the next five years, in response to increased production volumes (especially of natural gas) and higher prices for oil and gas. Industry revenue is projected to expand at a CAGR of 11.6% over the next five years to 2019/20 to \$83.6 billion and production output is forecast to increase at an annualised 10.6% to 792 million BOE.

9. Valuation approach adopted

There are a number of methodologies which can be used to value a business or the shares in a company. The principal methodologies which can be used are as follows:

- Capitalisation of future maintainable earnings ('FME')
- Discounted cash flow ('DCF')
- Quoted market price basis ('QMP')
- Net asset value ('NAV')
- Market based assessment such as a Resource Multiple

A summary of each of these methodologies is outlined in Appendix 2.

Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information. In our assessment of the value of Neon shares we have chosen to employ the following methodologies:

- NAV as our primary methodology; and
- QMP as a secondary methodology

We have chosen these methodologies for the following reasons:

- The FME approach is not considered appropriate as the Company has discontinued its operations in Vietnam and the US during FY14, and hence there is no discernible trend with regard to the continuing operations in the last three financial years, meaning that we do not have reasonable grounds on which to base a forecast future maintainable earnings figure.
- The QMP basis is a relevant methodology to consider as Neon's shares are listed on the ASX. This means there is a regulated and observable market share where Neon's shares can be traded. However, in order for the QMP methodology to be considered appropriate, the Company's shares should be liquid and the market should be fully informed as to Neon's activities. We have considered these factors in section 10.2 of our Report.
- The DCF approach has not been considered as the Company has not provided us with suitable or extended forecast cash flows.
- We also consider the NAV methodology to be an appropriate valuation approach to undertake.
- It should be noted that asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. This is particularly significant if the growth potential of a company is substantial.
- Alternatively, if the company is making losses and earnings are deteriorating, asset based methods ignore the deteriorating financial performance of a company, which may result in the entity's value trading below the realisable value of its assets.

10. Valuation of Neon

10.1 Net Asset Valuation of Neon

The value of Neon assets on a going concern basis is reflected in our valuation below:

Statement of Financial Position		Unaudited as at 31-Oct-14	Low value	Preferred value	High value
	Note	\$	\$	\$	\$
CURRENT ASSETS					
Cash	1	19,063,651	3,694,776	3,694,776	3,694,776
Other financial assets	2	5,641,371	18,041,071	18,041,071	18,041,071
Trade and other receivables		368,933	368,933	368,933	368,933
TOTAL CURRENT ASSETS		25,073,955	22,104,780	22,104,780	22,104,780
NON-CURRENT ASSETS					
Property, plant and equipment		46,272	46,272	46,272	46,272
Exploration and evaluation assets	3	100,000	650,000	1,630,000	2,650,000
TOTAL NON- CURRENT ASSETS		146,272	696,272	1,676,272	2,696,272
TOTAL ASSETS		25,220,227	22,801,052	23,781,052	24,801,052
CURRENT LIABILITIES					
Trade and other payables		2,924,845	2,924,845	2,924,845	2,924,845
Provisions		169,003	169,003	169,003	169,003
TOTAL CURRENT LIABILITIES		3,093,848	3,093,848	3,093,848	3,093,848
TOTAL LIABILITIES		3,093,848	3,093,848	3,093,848	3,093,848
NET ASSETS					
Shares on issue (number)		553,037,849	553,037,849	553,037,849	553,037,849
Value per share (\$)	4	0.0400	0.0356	0.0374	0.0393

Source: BDO analysis

We have been advised that there has not been a significant change in the net assets of Neon since 31 October 2014. The table above indicates the net asset value of a Neon share is between \$0.0356 and \$0.0393 with a preferred value of \$0.0374.

The following adjustments were made to the net assets of Neon as at 31 October 2014 in arriving at our valuation.

Note 1: Cash assets

During the three month period between 31 October 2014 and 31 December 2014, there has been a decrease in the cash balance of Neon. This was primarily attributable to the \$12 million term deposit maintained with Westpac and the reimbursement fee of \$400,000 paid to MEO in relation to the termination of the merger implementation agreement.

Cash assets		\$
Cash balance at 31 October 2014		19,063,651
Less: Cash outflow towards term deposit with Westpac		(12,000,000)
Less: Reimbursement fee to MEO towards termination of the Merger		(400,000)
Less: Other operating expenses		(2,968,875)
Adjusted cash balance		3,694,776

Note 2: Other financial assets

Other financial assets		\$
Balance at 31 October 2014		5,641,371
Add: Term deposit with Westpac		12,000,000
Add: Appreciation in USD Escrow balance		399,700
Adjusted financial assets balance		18,041,071

The increase in the 'Other financial assets' balance is due to the inflows arising from the term deposit maintained with Westpac as discussed above. Additionally, there has been an appreciation in relation to the USD term deposit maintained with JP Morgan as surety against Neon's warranties to the purchaser of its Californian assets.

Note 3: Valuation of Neon's petroleum interest in WA-503-P

We instructed SRK Consulting (Australasia) Pty Ltd ('SRK') to provide an independent market valuation of the exploration asset held by Neon. SRK considered the committed funded work program to be the basis of the WA-503-P Block value.

The approach considered by SRK is similar to a recent valuation undertaken by AWT International Pty Ltd as a part of the original proposal with MEO which was terminated. AWT valued WA-503-P using the actual and committed work programs method.

The range of values for each of Neon's exploration asset as calculated by SRK is set out below:

	Low	Preferred	High
Exploration asset	\$	\$	\$
WA-503-P Block value	650,000	1,630,000	2,650,000

Source: SRK Report Appendix 3.

Note 4: Neon performance rights

The performance rights issued to key management personnel vest in 2 tranches (1 March 2015 and 1 December 2015) and are subject to an absolute total shareholder return ('TSR') hurdle, whereby the percentage of rights that vest is determined by the TSR achieved by Neon over the performance period. Given that the performance rights vest only in March and December 2015, we have not considered the impact of the exercise of the rights in the value per share above. Additionally, the terms of the Offer

expressly state that the consideration of \$0.038 per share would not apply to the shares issued as a result of the vesting and exercise of performance rights on issue as at 19 December 2014.

Share options

As discussed in section 8, Neon has approximately 2 million options on issue. Based on the exercise price and the current market price of the shares, these options are significantly 'out of the money'. We have therefore, not adjusted the value per share above to factor in the cash received on exercise of options.

10.2 Quoted Market Prices for Neon Securities

To provide a comparison to the valuation of Neon in Section 10.1, we have also assessed the quoted market price for a Neon share.

The quoted market value of a company's shares is reflective of a minority interest. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company.

RG 111.11 suggests that when considering the value of a company's shares for the purposes of approval, the expert should consider a premium for control. An acquirer could be expected to pay a premium for control due to the advantages they will receive should they obtain 100% control of another company. These advantages include the following:

- control over decision making and strategic direction;
- access to underlying cash flows;
- control over dividend policies; and
- access to potential tax losses.

Whilst Evoworld will not be obtaining 100% of Neon, RG 111 states that the expert should calculate the value of a target's shares as if 100% control were being obtained. RG 111.13 states that the expert can then consider an acquirer's practical level of control when considering reasonableness. Reasonableness has been considered in Section 13.

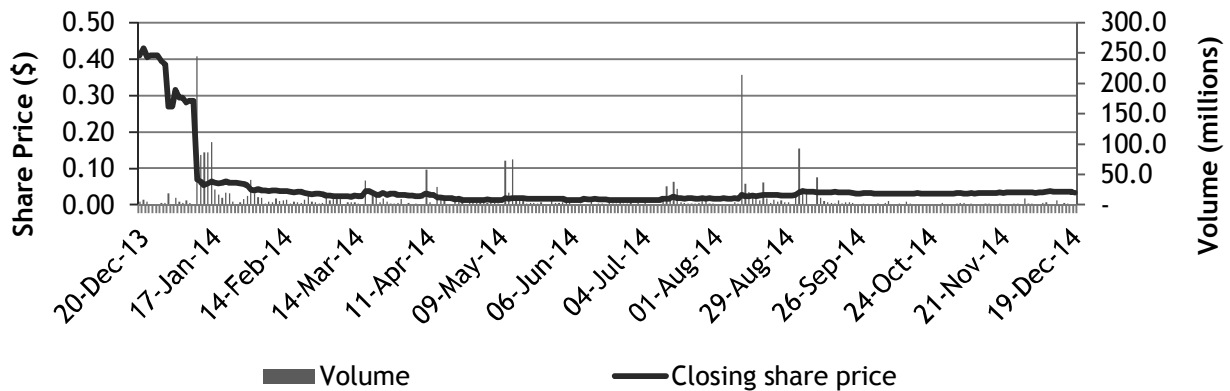
Therefore, our calculation of the quoted market price of a Neon share including a premium for control has been prepared in two parts. The first part is to calculate the quoted market price on a minority interest basis. The second part is to add a premium for control to the minority interest value to arrive at a quoted market price value that includes a premium for control.

Minority interest value

Our analysis of the quoted market price of a Neon share is based on the pricing prior to the announcement of the Offer. This is because the value of a Neon share after the announcement may include the affects of any change in value as a result of the Offer. However, we have considered the value of a Neon share following the announcement when we have considered reasonableness in Section 13.

Information on the Offer was announced to the market on 22 December 2014. Therefore, the following chart provides a summary of the share price movement over the 12 months to 19 December 2014 which was the last trading day prior to the announcement.

Neon share price and trading volume history



Source: Bloomberg

The daily price of Neon shares from 19 December 2013 to 19 December 2014 has ranged from a low of \$0.012 on 2 May 2014 to a high of \$0.43 on 23 December 2013.

The significant spike in trading volumes noted on 10 January 2014 (approximately 245 million shares were traded) was because of the Company announcing that testing of the *Cua Lo-1* exploration well, located in offshore Vietnam had been completed and the drilling had confirmed the existence of a petroleum system. Similarly, the significant increase in trading volumes on 12 August 2014 (wherein approximately 214 million shares were traded) was on account of Neon reaching an agreement with its joint venture partners, Eni Vietnam and KrisEnergy, regarding settlement of financial liabilities of its wholly owned subsidiary Neon Energy (Song Hong) Pty Ltd ('NESH').

During this period a number of announcements were made to the market. The key announcements are set out below:

Date	Announcement	Closing Share Price Following Announcement		Closing Share Price Three Days After Announcement	
		\$ (movement)	% (movement)	\$ (movement)	% (movement)
11/12/2014	Takeover Proposal for MEO Australia Limited	0.036	▼ 2.7%	0.036	► 0.0%
24/09/2014	Change in substantial holding	0.032	▼ 9%	0.032	► 0%
05/09/2014	Becoming a substantial holder	0.036	▼ 5%	0.035	▼ 3%
03/09/2014	Response to ASX Query	0.035	▲ 25%	0.036	▲ 3%
12/08/2014	Successful Settlement of ENI Vietnam Dispute	0.027	▲ 59%	0.025	▼ 7%
16/07/2014	Appendix 3B Cancellation of Performance Rights	0.022	▲ 29%	0.017	▼ 23%
14/07/2014	Response to Price Query	0.017	▲ 6%	0.019	▲ 12%
14/05/2014	Award of Australian Offshore Exploration Permit	0.018	▲ 6%	0.018	► 0%
12/05/2014	Completion of Divestment of Californian Assets	0.019	▲ 36%	0.018	▼ 5%
06/05/2014	Tanjung Aru Update	0.013	▼ 13%	0.014	▲ 8%
30/04/2014	Quarterly Report March 2014	0.013	▼ 7%	0.015	▲ 15%

15/04/2014	Vietnam Update	0.021	▼	22%	0.019	▼	10%
10/04/2014	Neon Completes Sale of US Assets USD\$27m	0.030	▲	20%	0.021	▼	30%
25/03/2014	Tanjung Aru 3D Seismic Program	0.032	▲	14%	0.031	▼	3%
19/03/2014	Response to ASX Query Lifting of Trading Halt	0.038	▶	0%	0.028	▼	26%
18/03/2014	Trading Halt	0.038	▲	65%	0.027	▼	29%
31/01/2014	Quarterly Activities Report	0.041	▼	23%	0.040	▼	2%
10/01/2014	Cua Lo Production Testing Result	0.070	▼	75%	0.059	▼	16%
31/12/2013	Ca Ngu-1 Drilling Update	0.270	▼	30%	0.295	▲	9%

The significant price movements noted with regard to key announcements by the Company can be attributed to the following:

- 12 May 2014:** The completion of the divestment of the Company's Californian assets contributed to a 36% increase in share prices following the announcement.
- 14 May 2014:** The Company was awarded Block WA-503-P in the Dampier Sub Basin in Western Australia which led to an increase in share prices by 6% with share trading of approximately 75 million shares.
- 12 August 2014:** As discussed earlier, the successful settlement of the dispute with ENI Vietnam resulted in a positive upside of 59% to the share price of Neon.

To provide further analysis of the market prices for a Neon share, we have also considered the weighted average market price for 10, 30, 60 and 90 day periods to 19 December 2014.

Share Price per unit	19-Dec-14	10 Days	30 Days	60 Days	90 Days
Closing price	\$0.034				
Volume weighted average price (VWAP)		\$0.036	\$0.034	\$0.033	\$0.033

Source: Bloomberg, BDO analysis

The above weighted average prices are prior to the date of the announcement of the Offer, to avoid the influence of any increase in price of Neon shares that has occurred since the Offer was announced.

An analysis of the volume of trading in Neon shares for the twelve months to 19 December 2014 is set out below:

Trading days	Share price low	Share price high	Cumulative volume traded	As a % of Issued capital
1 Day	\$0.034	\$0.036	744,715	0.13%
10 Days	\$0.034	\$0.037	24,172,478	4.37%
30 Days	\$0.030	\$0.037	60,592,732	10.96%
60 Days	\$0.030	\$0.037	107,558,488	19.45%
90 Days	\$0.023	\$0.042	455,526,001	82.37%
180 Days	\$0.012	\$0.042	1,325,943,703	239.76%
1 Year	\$0.012	\$0.430	2,566,234,708	464.03%

Source: Bloomberg, BDO analysis

This table indicates that Neon’s shares display a high level of liquidity, with 464% of the Company’s current issued capital being traded in a twelve month period. However, as discussed above, the significant spike in trading volumes during the past 12 months can be attributed to positive developments with regard to its Vietnam project. However, given that subsequently the Company discontinued its operations in Vietnam (which again contributed to a spike in volumes as discussed above) and the US, the high level of liquidity is not sustainable. Similarly, the high level of trading noted in the 90 days preceding the Offer can be attributed to the proposed merger with MEO, which was subsequently terminated.

The volume of Neon shares traded in the 60 days prior to announcement of the Offer is more reflective of the normal liquidity levels of the Company, given that Neon has a long term early phase exploration permit with an expected payoff in the near future.

For the quoted market price methodology to be reliable there needs to be a ‘deep’ market in the shares. RG 111.69 indicates that a ‘deep’ market should reflect a liquid and active market. We consider the following characteristics to be representative of a deep market:

- Regular trading in a company’s securities;
- Approximately 1% of a company’s securities are traded on a weekly basis;
- The spread of a company’s shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and
- There are no significant but unexplained movements in share price.

A company’s shares should meet all of the above criteria to be considered ‘deep’, however, failure of a company’s securities to exhibit all of the above characteristics does not necessarily mean that the value of its shares cannot be considered relevant.

In the case of Neon, the shares have demonstrated a very high level of liquidity over the twelve months to 19 December 2014 as demonstrated by the above table. Further, the Company has replied to queries from the ASX regarding abnormal spikes in trading volumes and share price movements and stated that there were no other explanations that the Company was aware of regarding these movements.

Our assessment is that a range of values for Neon shares based on market pricing, after disregarding post announcement pricing, is between \$0.032 and \$0.036.

Control Premium

We have reviewed the control premiums paid by acquirers of oil and gas exploration and production companies listed on the ASX. We have summarised our findings below:

Year	Number of Transactions	Average Deal Value (AU\$m)	Average Control Premium (%)
2014	3	808.20	63.12
2013	0	-	-
2012	4	57.23	35.97
2011	3	365.57	42.64
2010	6	605.72	48.58
2009	3	235.14	62.01
2008	10	365.11	66.36
	Median	365.57	48.58
	Mean	406.76	51.81

Source: Bloomberg, BDO Analysis

In arriving at an appropriate control premium to apply we note that observed control premiums can vary due to the:

- Nature and magnitude of non-operating assets;
- Nature and magnitude of discretionary expenses;
- Perceived quality of existing management;
- Nature and magnitude of business opportunities not currently being exploited;
- Ability to integrate the acquiree into the acquirer's business;
- Level of pre-announcement speculation of the transaction;
- Level of liquidity in the trade of the acquiree's securities.

The table above indicates that the long term average control premium paid for ASX-listed companies is in the order of 40% to 50%. However, given that Neon is still in a very early stage with regard to its exploration permit the discontinuation of the operations in the US and Vietnam and the fact that the majority of the Company's value is attributable to its cash term deposit, we consider an appropriate control premium to be in the range of 25% to 35%.

Quoted market price including control premium

Applying a control premium to Neon's quoted market share price results in the following quoted market price value including a premium for control:

	Low	Preferred	High
	\$	\$	\$
Quoted market price value	0.0320	0.0340	0.0360
Control premium	25%	30%	35%
Quoted market price valuation including a premium for control	0.0400	0.0442	0.0486

Source: BDO analysis

Therefore, our valuation of a Neon share based on the quoted market price method and including a premium for control is between \$0.04 and \$0.0486, with a midpoint value of \$0.0442.

10.3 Assessment of Neon Value

The results of the valuations performed are summarised in the table below:

	Low	Preferred	High
	\$	\$	\$
Net assets value (Section 10.1)	0.0356	0.0374	0.0393
ASX Market prices (Section 10.2)	0.0400	0.0442	0.0486

Source: BDO analysis

We note that the value obtained under the NAV methodology is lower than the values obtained under the QMP methodology in our low, preferred and high scenarios. The differences between the valuations obtained under the NAV and QMP approaches can be explained by the following:

- The QMP reflects investors’ perception/view taken by the market of the future prospects of Neon which may differ from the assumptions considered by SRK in relation to the current market value of WA-503-P;
- Given that the high level of liquidity noted for the Company was the result of significant developments with regard to its discontinued operations in Vietnam and the gains arising from the failed merger arrangement with MEO, we do not consider the high liquidity level as reflective of the normal trading volumes in the Company. This is evidenced by the fact that only 19.45% of the share capital of the Company has been traded in the 60 days preceding the date of announcement of the Offer.
- The significant volatility noted in the volume of shares traded; also make the NAV method a more relevant valuation measure.

Therefore, we consider the NAV method to be the most appropriate method to value a Neon share.

Based on our analysis, we consider the value of a Neon share to be between \$0.0356 and \$0.0393, with a preferred value of \$0.0374.

11. Valuation of consideration

The Offer Consideration is \$0.038 per Neon share for 50% of the existing Neon shares outstanding.

12. Is the Offer fair?

The value of a Neon share on a controlling basis is compared to the Offer Consideration below:

	Low	Preferred	High
	\$	\$	\$
Value of a Neon share (controlling basis)	0.0356	0.0374	0.0393
Value of Offer Consideration	0.0380	0.0380	0.0380

We note from the table above that our assessed preferred value of a Neon share on a controlling basis is less than the value of the Offer Consideration of \$0.038 per share. Therefore, we consider that the Offer is fair.

13. Is the Offer reasonable?

13.1 Advantages of accepting the Offer

We set out the key advantages that the Offer is expected to bring to Shareholders.

13.1.1 The Offer is Fair

As set out in Section 12, the Offer is fair. RG 111 states that an offer is reasonable if it is fair.

13.1.2 Shareholders obtain cash under the Offer

The Offer involves the acquisition of 50% of the outstanding shares of existing shareholders for a cash consideration of \$0.038 per share. Shareholders will obtain cash for the exit on their investment, which offers certainty in their returns.

Given the demonstrated low level of liquidity in the trading of Neon’s shares in the past 60 days, the certainty of the cash consideration of \$0.038 per share is a benefit to Shareholders. In particular, those

who hold large parcels of shares and may therefore have difficulty selling their shares on the market or in the event that they are able to sell, may cause the quoted market price to fall.

13.1.3 Shareholders have the opportunity to realise their investment with certainty and at premium to the Company's quoted market price

The terms of the Offer involves the acquisition of outstanding shares for cash at \$0.038 per share, which represents a premium to the quoted market price as outlined in section 10.2 of our Report.

13.1.4 Shareholders will be partially protected with regard to funding uncertainties of the WA-503-P Project

Shareholders will be partially protected against the exposure to funding uncertainties of the WA-503-P Project, which, if present, would put their investment at risk. The Project would require significant capital outlay and given the current state of equity capital markets and depressed commodity prices, the Company may have difficulty funding the Project.

13.1.5 Evoworld's Offer gives Shareholders the opportunity to receive value now for part of their shareholding and also benefit from the future potential upside to Neon's operations

Evoworld's proportional offer will:

- a. Ensure that Neon remains listed on the ASX; and
- b. Enable Neon shareholders to capture any future potential growth in the value of Neon, which may not be available to Neon shareholders through an offer for 100% of Neon at this time.

Should the Shareholders accept the Offer, the remaining 50% of their shareholding would be held alongside Evoworld, and all Neon Shareholders, will retain exposure to Neon and its assets and benefit in any future potential upside of Neon.

13.2 Disadvantages of accepting the Offer

13.2.1 If the Offer is implemented, Shareholders' exposure to Neon's assets will be diluted

If the Offer is accepted, Evoworld will own a maximum of 61.31% of Neon. While Neon Shareholders will maintain an exposure to Neon's existing assets, these interests would be diluted in exchange for the cash consideration.

13.2.2 Majority shareholding by Evoworld could reduce liquidity for Neon Shareholders

If the Offer is accepted and all Shareholders fully participate, Evoworld would own 61.31% of Neon. This could potentially diminish the possibility of a third party making a full takeover bid for Neon, thereby reducing the opportunity for existing Neon shareholders to realise a control premium for their remaining 50% shareholding. Further, the decline in free float, and the reduced liquidity thence, would inhibit the ability of Neon shareholders to realise their remaining shareholding at a fair price.

13.2.3 Shareholders may face potential tax implications

If the Offer is accepted, Shareholders may face potential tax implications

13.3 Alternative Proposal

We are unaware of any alternative proposal that might offer the Shareholders of Neon a premium over the value ascribed to, resulting from the Offer.

13.4 Practical Level of Control

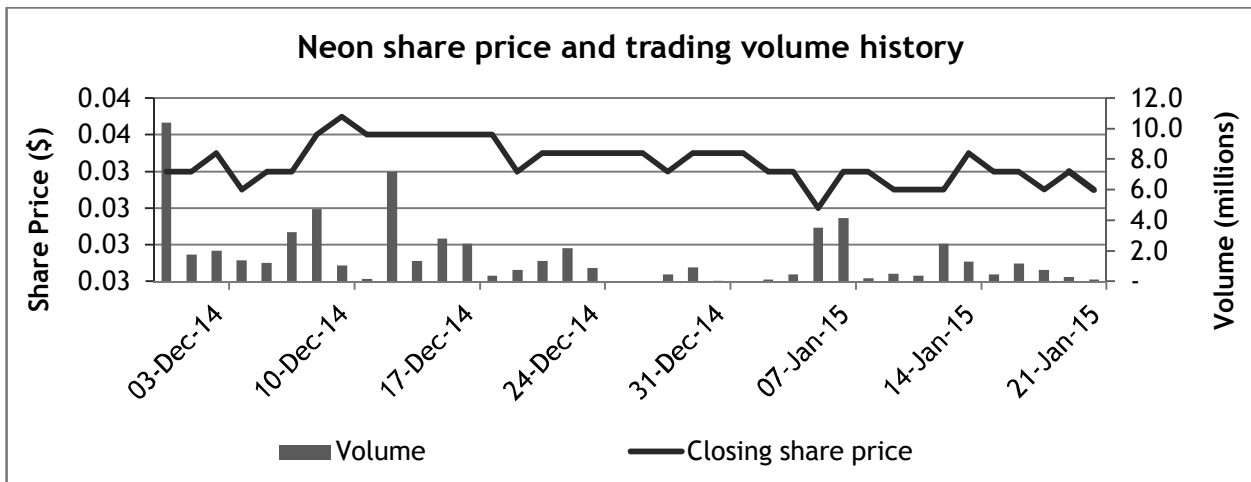
If the Offer is approved, then Evoworld will hold a maximum interest of approximately 61.31% in Neon.

When shareholders are required to approve an issue that relates to a company there are two types of approval levels. These are general resolutions and special resolutions. A general resolution requires 50% of shares to be voted in favour to approve a matter and a special resolution required 75% of shares on issue to be voted in favour to approve a matter. If the Offer is approved then Evoworld will be able to block special and general resolutions.

Neon’s Board currently comprises 4 directors. In addition to this, Evoworld will have an additional Board member, Mr Ross Williams appointed to the Board as a non-executive director, once Evoworld acquires 30% of the Neon shares on issue, which will take Neon’s Board to 5 directors. This means that Evoworld nominated directors will make up 60% of the Board (Mr Timothy Kestell and Mr Peter Pynes have already been appointed as non-executive directors in Neon).

13.5 Consequences of not Approving the Offer

We have analysed movements in Neon’s share price since the Offer was announced. A graph of Neon’s share price since the announcement is set out below.



Source: Bloomberg

As can be seen from the above, the Company’s share price has remained within the range of \$0.033 and \$0.035 per share. Accordingly, it is possible that if the Offer is not approved then Neon’s share price may continue to perform in this manner.

14. Conclusion

We have considered the terms of the Scheme as outlined in the body of this report and have concluded that the Offer is fair and reasonable to the Shareholders of Neon.

15. Sources of information

This report has been based on the following information:

- Draft Notice of General Meeting, Explanatory Memorandum on or about the date of this report;
- Audited financial statements of Neon for the year ended 31 December 2013;
- Reviewed financial statements of Neon for the six month period ended 30 June 2014;
- Unaudited management accounts of Neon for the ten month period ended 31 October 2014;
- Independent Valuation Report of Neon's exploration permit WA-503-P dated 28 January 2015 performed by SRK;
- Share registry information;
- Information in the public domain; and
- Discussions with Management of Neon.

16. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of \$24,000 (excluding GST and reimbursement of out of pocket expenses). The fee is not contingent on the conclusion, content or future use of this Report. Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO Corporate Finance (WA) Pty Ltd has been indemnified by Neon in respect of any claim arising from BDO Corporate Finance (WA) Pty Ltd's reliance on information provided by Neon, including the non provision of material information, in relation to the preparation of this report.

Prior to accepting this engagement BDO Corporate Finance (WA) Pty Ltd has considered its independence with respect to Neon and Evoworld and any of their respective associates with reference to ASIC Regulatory Guide 112 'Independence of Experts'. In BDO Corporate Finance (WA) Pty Ltd's opinion it is independent of Neon and Evoworld and their respective associates.

Neither the two signatories to this report nor BDO Corporate Finance (WA) Pty Ltd, have had within the past two years any professional relationship with Neon or their associates, other than in connection with the preparation of this report.

A draft of this report was provided to Neon and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

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17. Qualifications

BDO Corporate Finance (WA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate Finance (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sherif Andrawes and Adam Myers of BDO Corporate Finance (WA) Pty Ltd. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Member of the Institute of Chartered Accountants in Australia. He has over twenty five years experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 250 public company independent expert's reports under the Corporations Act or ASX Listing Rules and is a CA BV Specialist. These experts' reports cover a wide range of industries in Australia with a focus on companies in the natural resources sector. Sherif Andrawes is the Chairman of BDO in Western Australia, Corporate Finance Practice Group Leader of BDO in Western Australia and the Natural Resources Leader for BDO in Australia.

Adam Myers is a member of the Institute of Chartered Accountants in Australia. Adam's career spans 18 years in the Audit and Assurance and Corporate Finance areas. Adam has considerable experience in the preparation of independent expert reports and valuations in general for companies in a wide number of industry sectors.

18. Disclaimers and consents

This report has been prepared at the request of Neon for inclusion in the Target Statement and Explanatory Memorandum which will be sent to all Neon Shareholders. Neon engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider the proportional off-market bid to be made by Evoworld to acquire 50% of the shares held each shareholder in Neon other than Evoworld.

BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above Explanatory Memorandum and Target's Statement. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate Finance (WA) Pty Ltd.

BDO Corporate Finance (WA) Pty Ltd takes no responsibility for the contents of the Explanatory and Target's Statement other than this report.

We have no reason to believe that any of the information or explanations supplied to us are false or that material information has been withheld. It is not the role of BDO Corporate Finance (WA) Pty Ltd acting as an independent expert to perform any due diligence procedures on behalf of the Company. The Directors of the Company are responsible for conducting appropriate due diligence in relation to Neon. BDO Corporate Finance (WA) Pty Ltd provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.

The opinion of BDO Corporate Finance (WA) Pty Ltd is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Offer, tailored to their own particular circumstances. Furthermore, the

advice provided in this report does not constitute legal or taxation advice to the Shareholders of Neon, or any other party.

BDO Corporate Finance (WA) Pty Ltd has also considered and relied upon independent valuation for an exploration permit held by Neon.

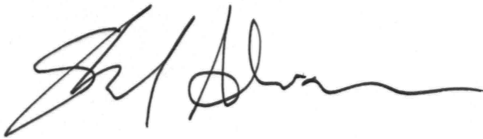
The valuer engaged for the mineral asset valuation, SRK, possess the appropriate qualifications and experience in the industry to make such assessments. The approaches adopted and assumptions made in arriving at their valuation are appropriate for this report. We have received consent from the valuer for the use of their valuation report in the preparation of this report and to append a copy of their report to this report.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Corporate Finance (WA) Pty Ltd has no obligation to update this report for events occurring subsequent to the date of this report.

Yours faithfully

BDO CORPORATE FINANCE (WA) PTY LTD



Sherif Andrawes
Director



Adam Myers
Director

Appendix 1 - Glossary of Terms

Reference	Definition
The Act	The Corporations Act
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services'
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
BDO	BDO Corporate Finance (WA) Pty Ltd
BOE	Barrels of oil equivalent
CAGR	Compound annual growth rate
DCF	Discounted Future Cash Flows
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
Evoworld	Evoworld Corporation Pty Ltd
FME	Future Maintainable Earnings
JORC Code	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
NAV	Net Asset Value
Our Report	This Independent Expert's Report prepared by BDO
RG 111	Content of expert reports (March 2011)
RG 112	Independence of experts (March 2011)
The Company	Neon Energy Limited
The Offer	The proposal by Evoworld to acquire 50% of the shares in Neon
Shareholders	Shareholders of Neon not associated with Evoworld
Valmin Code	The Code of Technical Assessment and Valuation of Mineral and Petroleum Assets and

Securities for Independent Expert Reports

Valuation Engagement An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.

VWAP Volume Weighted Average Price

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The Directors

BDO Corporate Finance (WA) Pty Ltd

38 Station Street

SUBIACO, WA 6008

Australia

Appendix 2 - Valuation Methodologies

Methodologies commonly used for valuing assets and businesses are as follows:

1 *Net asset value ('NAV')*

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when an entity is not making an adequate return on its assets, a significant proportion of the entity's assets are liquid or for asset holding companies.

2 *Quoted Market Price Basis ('QMP')*

A valuation approach that can be used in conjunction with (or as a replacement for) other valuation methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a 'deep' market in that security.

3 *Capitalisation of future maintainable earnings ('FME')*

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax ('EBIT') or earnings before interest, tax, depreciation and amortisation ('EBITDA'). The capitalisation rate or 'earnings multiple' is adjusted to reflect which base is being used for FME.

4 *Discounted future cash flows ('DCF')*

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

Considerable judgement is required to estimate the future cash flows which must be able to be reliably estimated for a sufficiently long period to make this valuation methodology appropriate.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start up phase, or experience irregular cash flows.

5 *Market Based Assessment*

The market based approach seeks to arrive at a value for a business by reference to comparable transactions involving the sale of similar businesses. This is based on the premise that companies with similar characteristics, such as operating in similar industries, command similar values. In performing this analysis it is important to acknowledge the differences between the comparable companies being analysed and the company that is being valued and then to reflect these differences in the valuation.

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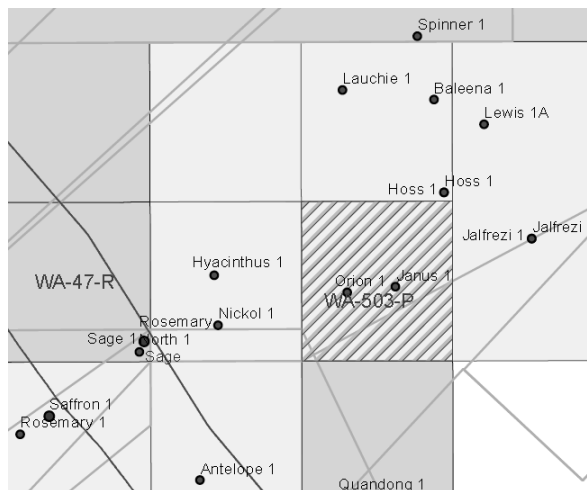
Appendix 3 - Independent valuation report by SRK

Neon WA-503-P



Report Prepared for

BDO Limited Perth



Report Prepared by



SRK Consulting (Australasia) Pty Ltd

Project Number: BDO003

February 2015

Neon WA-503-P

BDO Limited Perth

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Associate Principal Consultant

Executive Summary

Neon Energy Limited (ASX: NEN; Neon) is the title holder of WA-503-P in northwest Western Australia.

Exploration block WA-503-P is located within the Dampier Sub-basin, offshore Western Australia. Water depths of the block range from 50 metres to 70 metres, within the depth capability of offshore jack-up drilling rigs.

Block WA-503-P was awarded in May 2014 with a six year term. The initial three year primary term includes the work commitment to license a minimum of 80 km² of new broadband 3D seismic data (to be acquired by May 2015) and completion of various geological and geophysical studies.

In November 2014, Neon Energy awarded a seismic acquisition contract to CGG Services S.A. to shoot 200 km² of new 3D seismic data, at a cost of approximately US\$1.3 million. The survey is anticipated to be undertaken in early 2015. As such the WA-503-P is considered to be in good standing.

TITLE_NAME	TITLE_TYPE	BASIN	OFFSHORE_A	TITLE_HOLD	No_BLOCKS	STATUS	EDIT_DATE	GRANT_DATE	CURRENTEXP	RELATED_TI	Area km ²
WA-503-P	Exploration Permit	Northern Carnarvon Basin	Western Australia	Neon Energy Limited	1	Active	14/05/2014	13/05/2014	12/05/2020	W13-11	80.5

SRK Consulting has reviewed the block details and work program with the following outcome:

SRK Consulting estimate the value range to fall between A\$0.65 million to A\$2.65 million with a preferred value of A\$1.63 million.

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Disclaimer

The opinions expressed in this Report have been based on the information supplied to SRK Consulting (Australasia) Pty Ltd (SRK) by BDO Limited Perth (BDO). The opinions in this Report are provided in response to a specific request from BDO to do so. SRK has exercised all due care in reviewing the supplied information. Whilst SRK has compared key supplied data with expected values, the accuracy of the results and conclusions from the review are entirely reliant on the accuracy and completeness of the supplied data. SRK does not accept responsibility for any errors or omissions in the supplied information and does not accept any consequential liability arising from commercial decisions or actions resulting from them. Opinions presented in this Report apply to the site conditions and features as they existed at the time of SRK's investigations, and those reasonably foreseeable. These opinions do not necessarily apply to conditions and features that may arise after the date of this Report, about which SRK had no prior knowledge nor had the opportunity to evaluate.

1 Introduction and Scope of Report

SRK Consulting (Australasia) Pty Ltd (SRK) has been asked to provide an updated valuation for The Neon Energy Block WA-503-P.

2 Scope of Work

Provide an updated valuation of WA-503-P petroleum exploration block located in **Figure 2-1**.

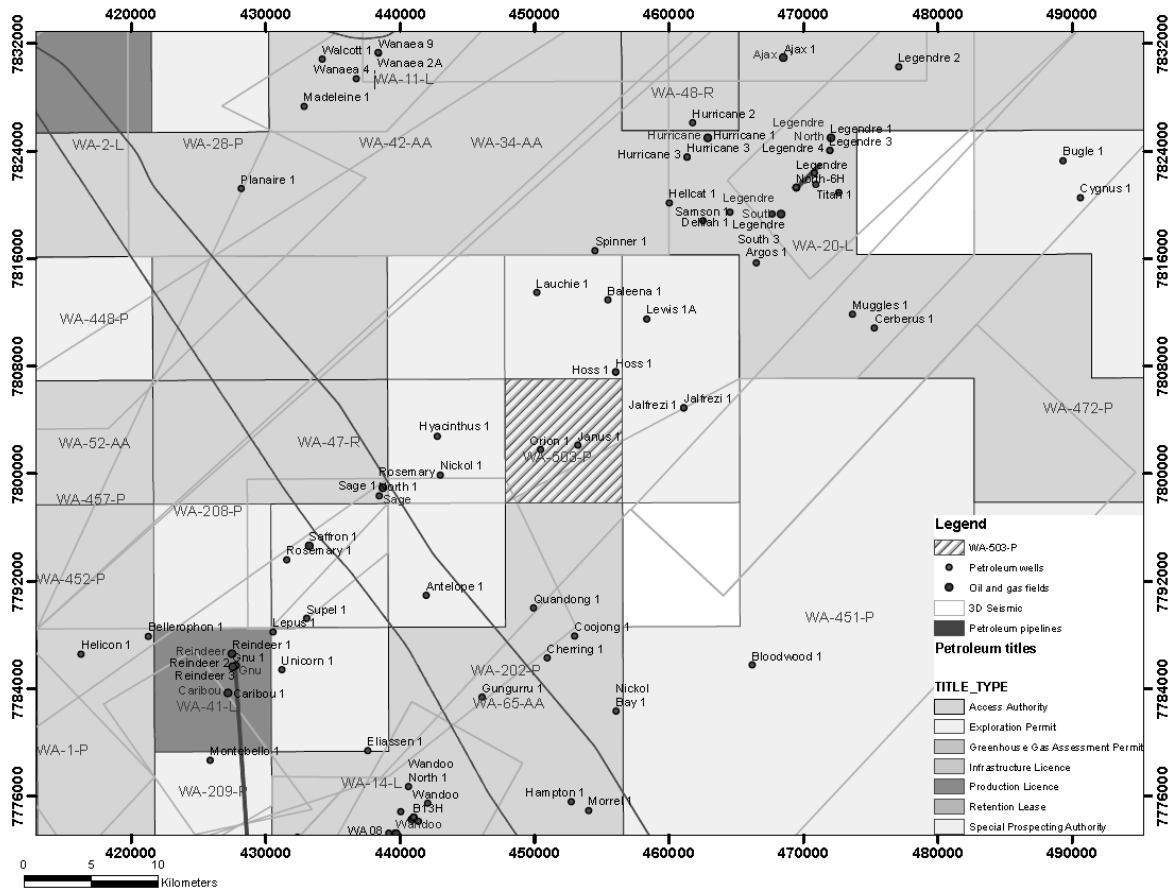


Figure 2-1: Petroleum Exploration Block WA-503-P

3 Valuation

Exploration block WA-503-P is located within the Dampier Sub-basin, offshore Western Australia. Water depths of the block range from 50 metres to 70 metres, which is within the depth capability of offshore jack-up drilling rigs.

The Dampier Sub-basin contains Paleozoic to Cenozoic sedimentary successions, with maximum thicknesses of 10 to 20 km. The region offers proven petroleum systems of Late Triassic, Middle-Late Jurassic and Lower Cretaceous ages. Both oil and gas fields exist within these Sub-basins notably the Reindeer, Saffron, Sage trend to the southwest.

Two wells, Janus-1 and Orion-1, have been drilled to date within WA-503-P, confirming the presence of reservoir targets and a working petroleum system. Neon has acquired recently released data for the Hoss-1 well, drilled by Apache Energy in 2012. Hoss-1 was drilled near the north-eastern boundary of WA-503-P. The well encountered significant oil shows in the Lower Cretaceous M. Australis Sandstone over a 100 m gross interval. These sands represent the primary target in Neon's

Bojangles prospect, which offers significant potential and 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 thereby suggesting the potential for 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 is expected to further de-risk the prospect (**Figure 3-1**).

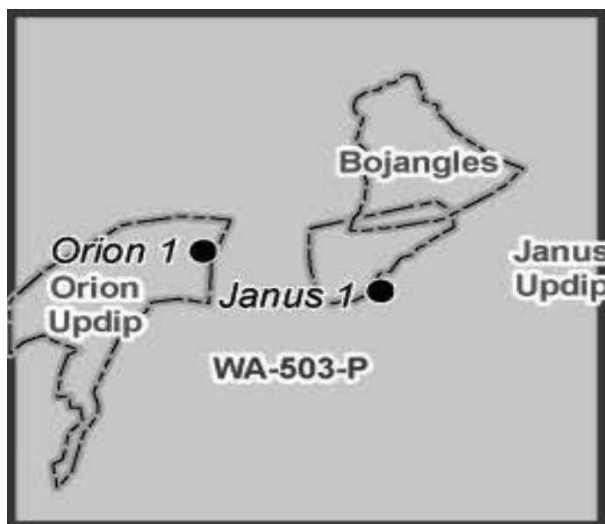


Figure 3-1: Location of the Bojangles Prospect in WA-503-P

One prospect and two leads have been identified in this permit to date.

The Bojangles Prospect is a down side fault closure with access to hydrocarbons migrating from the Lewis Trough. Cross fault seal is considered the critical risk. Well-developed sands at the reservoir level are present in the nearby wells at Janus-1 and Orion-1. Allen diagrams and migration timing modelling should identify the key risks.

Updip Orion and updip Janus are leads within the block. Reservoir has been proven by Janus-1 and Orion-1. The prospectivity of WA-503-P will be further delineated by the forthcoming 3D seismic survey.

Block WA-503-P was awarded with a six year term. The initial three year primary term includes the work commitment to license a minimum of 80 km² of new broadband 3D seismic data (to be acquired by May 2015) and completion of various geological and geophysical studies.

In November 2014, Neon Energy awarded a seismic acquisition contract to CGG Services S.A. to shoot 200 km² of new 3D seismic data, at a cost of approximately US\$1.3 million. The survey is anticipated to be undertaken in early 2015. As such the WA-503-P is considered to be in good standing.

The license details from the WA Department of Mines and Petroleum is presented in **Table 3-1**.

Table 3-1: Details for permit WA-503-P

TITLE_NAME	TITLE_TYPE	BASIN	OFFSHORE_A	TITLE_HOLD	No_BLOCKS	STATUS	EDIT_DATE	GRANT_DATE	CURRENTEXP	RELATED_TI	Area km ²
WA-503-P	Exploration Permit	Northern Carnarvon Basin	Western Australia	Neon Energy Limited	1	Active	14/05/2014	13/05/2014	12/05/2020	W13-11	80.5

Neon was granted the permit WA-503-P in May 2014 for an initial period of 6 years. Neon holds a 100% interest in the permit.

The work program for WA-503-P is shown in **Table 3-2**.

Table 3-2: WA-503-P Work Commitments

Year	Start Date	End Date	Activity	Expenditure (A\$)
1	13 April 2014	12 April 2015	80 km ² 3D seismic	1,000,000
2	13 April 2015	12 April 2016	Geological and Geophysical Studies	250,000
3	13 April 2016	12 April 2017	Geological and Geophysical Studies	300,000
4	13 April 2017	12 April 2018	Drill 1 Well	22,500,000
5	13 April 2018	12 April 2019	Geological and Petrophysical Studies	300,000
6	13 April 2019	12 April 2020	Geological Petrophysical Studies	200,000

Azimuth Energy Pty Ltd (Azimuth) has the option to acquire 20% of the permit any time after the grant of the permit and up to 12 months after grant date. If Azimuth exercises this option they will be required to pay 20% of the costs incurred from the time Neon is registered as a title holder including any bid application fee. This deal has no promote value attached.

A recent valuation by AWT (MEO Scheme Booklet, 2014) indicated a value of A\$1.25 million. AWT valued WA-503-P using the actual and committed work programs method, using the actual costs for the seismic data and the commitments for the work program up to the drilling of the well in Year 4. AWT noted that Neon is in the first year of a six year term. AWT estimated that the value for WA-503-P lay between A\$0.72 million and A\$1.79 million with a preferred value of A\$1.25 million.

SRK Consulting also consider the committed funded work program to be the basis of the WA-503-P Block value. The current low market oil price (as at the date of issue of our report) bears little relevance in the case of long term early phase exploration permits. With 2 leads and one prospect to be evaluated the outcome is like to range between double the value (typical promote in a success case) and half the value in the event of a poor outcome.

SRK Consulting therefore estimate the value range to fall between A\$0.65 million to A\$2.65 million with a preferred value of A\$1.63 million.

4 Conclusions and Recommendations

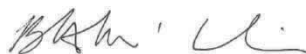
SRK Consulting considers the committed funded work program to be the basis of the WA-503-P Block value.

SRK Consulting estimates the value range to fall between A\$0.65 million to A\$2.65 million with a preferred value of A\$1.63 million.

5 References

MEO Scheme Booklet, 2014. **MEO Scheme Booklet and Independent Experts Report** lodged with ASIC and ASX. pp214.

Compiled by



Dr Bruce McConachie

Principal Consultant

Peer Reviewed by



Peter Stanmore

Associate Principal Consultant

SRK Report Client Distribution Record

Project Number: BDO003

Report Title: Neon WA 503P Report

Date Issued: 9 February 2015

Name/Title	Company
Adam Myers	BDO Limited Perth

Rev No.	Date	Revised By	Revision Details
0	28/01/2015	Bruce McConachie	DRAFT issued to client for review
1	09/02/2015	Bruce McConachie	Final report issued to client

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