

**This is an important document and requires your immediate attention.
If you are in any doubt about how to deal with this document, you should contact
your broker, financial adviser or legal adviser.**



Neon Energy Limited

(ACN 002 796 974)

Target's Statement

**This Target's Statement has been issued in
response to the proportional off-market takeover
offer made by Evoworld Corporation Pty Ltd
(ACN 601 545 742) to acquire 50% of your fully paid
ordinary shares in Neon Energy Limited for 3.8
cents per share**

**Your Independent Directors unanimously
recommend that you**

ACCEPT

**the offer by Evoworld in the absence
of a superior proposal**

Important notices

Nature of this document

This document is a target's statement issued by Neon Energy Limited (ACN 002 796 974) under Part 6.5 Division 3 of the Corporations Act in response to the proportional off-market takeover bid made by Evoworld Corporation Pty Ltd (ACN 601 545 742) for 50% of the fully paid ordinary shares in Neon Energy held by each Shareholder (other than Evoworld).

A copy of this Target's Statement was lodged with ASIC and given to ASX on 4 March 2015. Neither ASIC nor ASX nor any of their respective officers takes any responsibility for the content of this Target's Statement.

Key dates

Date of Offer	17 February 2015
Date of this Target's Statement	4 March 2015
Deadline to submit proxies for Proportional Bid Meeting	10:00am (Perth time) on Wednesday, 11 March 2015
Proportional Bid Meeting	10:00am (Perth time) on Friday, 13 March 2015
Close of Offer Period (unless extended or withdrawn)	4:00pm (Perth time) on Monday, 30 March 2015

Nature of proportional takeover bid

Shareholders should note that the Offer is a proportional takeover bid, not a full takeover bid. Evoworld is offering to acquire 50% of the Neon Shares held by each Neon Shareholder (other than Evoworld). If all Neon Shareholders accepted the Offer, Evoworld would obtain a relevant interest in Neon of approximately 62.72% (including the effect of acceptance by holders of Small Parcels with respect to 100% of their Shareholding based on the register of Neon Shareholders as at 29 January 2015 – see further section 5.2 of the Bidder's Statement).

Defined terms

A number of defined terms are used in this Target's Statement. These terms are explained in section 10 of this Target's Statement. In addition, unless the contrary intention appears or the context requires otherwise, words and phrases used in this Target's Statement have the same meaning and interpretation as in the Corporations Act.

No account of personal circumstances

This Target's Statement does not take into account your individual objectives, financial situation or particular needs. It does not contain personal advice. Your directors encourage you to seek independent financial and taxation advice before making a decision as to whether or not to accept the Offer.

Disclaimer as to forward looking statements

Some of the statements appearing in this Target's Statement (including the Independent Expert's Report) may be in the nature of forward looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industry in which Neon operates as well as general economic conditions, prevailing exchange rates and interest rates, and conditions in the financial markets. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement. None of Neon, Neon's officers and employees, any persons named in this Target's Statement with their consent or any person involved in the preparation of this Target's Statement makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, except to the extent required by law. You are cautioned not to place undue reliance on any forward looking statement. The forward looking statements in this Target's Statement (including the Independent Expert's Report) reflect views held only as at the date of this Target's Statement.

Disclaimer as to information

The information about Evoworld contained in this Target's Statement has been prepared by Neon using publicly available information, including the information contained in the Bidder's Statement. The information in the Target's Statement concerning Evoworld and its assets and liabilities, financial position and performance, profits and losses and prospects has not been independently verified by Neon. Accordingly, Neon does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of such information.

Foreign jurisdictions

The release, publication or distribution of this Target's Statement in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations. This Target's Statement has been prepared in accordance with Australian law and the information contained in this Target's Statement may not be the same as that which would have been disclosed if this Target's Statement had been prepared in accordance with laws and regulations outside Australia.

Maps and diagrams

Any diagrams, charts, maps, graphs and tables appearing in this Target's Statement are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in diagrams, charts, maps, graphs and tables is based on information available at the date of this Target's Statement.

Privacy

Neon has collected your information from the Neon register of Neon Shareholders for the purpose of providing you with this Target's Statement. The type of information Neon has

collected about you includes your name, contact details and information on your shareholding in Neon. Without this information, Neon would be hindered in its ability to issue this Target's Statement. The Corporations Act requires the name and address of Shareholders to be held in a public register. Your information may be disclosed on a confidential basis to Neon's related bodies corporate and external service providers (such as the share registry of Neon and print and mail service providers) and may be required to be disclosed to regulators such as ASIC. If you would like details of information about you held by Neon, please contact Computershare Investor Services Pty Limited at the address shown below. Neon's privacy policy is available at <http://www.neonenergy.com/irm/content/privacy.aspx?RID=327>.

The registered address of Neon is Level 1, 248 Hay Street, Subiaco WA 6008.

Contents of this Target's Statement

Section	Title	Page
1	Frequently asked questions	6
2	Why you should accept the Offer	10
3	Independent Directors' recommendation	14
4	Important matters for Neon Shareholders to consider	16
5	Your choices as a Neon Shareholder	19
6	Key features of the Offer	20
7	Information relating to your Directors	24
8	Additional information	26
9	Glossary and interpretation	31
10	Authorisation	34

1 Frequently asked questions

This section answers some frequently asked questions about the Offer. It is not intended to address all relevant issues for Neon Shareholders. This section should be read together with all other parts of this Target's Statement.

Question	Answer
What is the Offer?	Evoworld is offering 3.8 cents per Neon Share for 50% of the Neon Shares that you hold.
What choices do I have as a Neon Shareholder?	<p>As a Neon Shareholder, you have the following choices in respect of your Neon Shares:</p> <ul style="list-style-type: none">• accept the Offer;• sell all or part of your Shareholding on the ASX; or• do nothing. <p>There are several implications in relation to each of the above choices. A summary of these implications is set out in section 6 of this Target's Statement.</p>
Can I accept the Offer for less than 50% of my Neon Shares?	No. You cannot accept the Offer for less than 50% of your Neon Shares.
What can I do with my Remaining Shares?	<p>If you accept the Offer, you will continue to hold the Remaining Shares – being 50% of your Neon Shares.¹</p> <p>While you will be able to sell your Remaining Shares on the ASX, the recipient of the Remaining Shares will not be able to accept the Offer with respect to the Remaining Shares and settlement of those trades will be deferred until after the close of the Offer Period (see further section 7.9 of this Target's Statement).</p> <p>ASX has put in place special trading and settlement arrangements to facilitate trading in the Remaining Shares, which are set out in section 7.9 of this Target's Statement.</p>

¹ Holders of Small Parcels may be able to accept the Offer with respect to 100% of their Shareholding. See further section 7.9(a) of this Target's Statement.

Question	Answer
What are the Independent Directors recommending in relation to the Offer?	Each of your Independent Directors ² recommends that you ACCEPT the Offer in the absence of a superior proposal.
What does the Independent Expert say?	The Independent Expert has concluded that the Offer is fair and reasonable. The Independent Expert's Report is included in Attachment 1 to this Target's Statement. You should read that report carefully and in full.
What do the Directors intend to do with their own Neon Shares?	Each Director who has a relevant interest in Neon Shares intends to accept the Offer in relation to those Neon Shares in the absence of a superior proposal (other than, in the case of Tim Kestell and Peter Pynes, the Neon Shares held by Evoworld which are not the subject of the Offer).
What is the Proportional Bid Meeting?	Neon's constitution requires that a proportional takeover bid, such as the Offer, be approved by Neon Shareholders (other than the bidder and its associates) in order to proceed. Neon has convened a general meeting of Neon Shareholders to consider whether to approve the Offer (Proportional Bid Meeting) for 10:00am (Perth time) on 13 March 2015 (see section 7.4 of this Target's Statement for further details). If the Offer is not approved at the Proportional Bid Meeting, then no transfers can be registered under the Offer and so Evoworld will not be able to acquire any Neon Shares under the Offer. In addition, the Offer will lapse in this scenario as the condition to the Offer for shareholder approval cannot be waived (see further section 7.4 of this Target's Statement). A notice of meeting, explanatory memorandum and proxy form relating to the Proportional Bid Meeting were mailed to Neon Shareholders on 10 February 2015 and are available via ASX on www.asx.com.au .
What are the Independent Directors recommending in relation to the Proportional Bid Meeting?	For the reasons set out in the explanatory memorandum in relation to the Proportional Bid Meeting, the Independent Directors unanimously recommend that

² Being Alan Stein and Ken Charsinsky. Tim Kestell and Peter Pynes have not made a recommendation in relation to the Offer or the Proportional Bid Meeting as they are also directors of, and hold indirect interests in, Evoworld.

Question	Answer
	you vote IN FAVOUR of the resolution to approve the Offer in the absence of a superior proposal. ³
How do I accept the Offer?	Details of how to accept the Offer are set out in section 2.7 of the Bidder's Statement.
What are the consequences of accepting the Offer now?	<p>If you accept the Offer:</p> <ul style="list-style-type: none"> • unless withdrawal rights are available (see below), you will give up your right to sell 50% of your Neon Shares on the ASX or otherwise deal with 50% of your Neon Shares while the Offer remains open; • you will remain entitled to sell your Remaining Shares on ASX; however, the recipients of the Remaining Shares will not be able to accept the Offer with respect to those Shares (see section 7.9 of this Target's Statement for further details); and • you will be unable to accept any superior proposal if one emerges, except in certain limited circumstances (see below).
What if a superior proposal emerges?	<p>The Independent Directors will carefully consider any competing proposal and will advise you whether the competing proposal affects their recommendation that you accept the Offer. However, the Independent Directors consider it unlikely that a superior proposal will emerge.</p> <p>Importantly, if you accept the Offer, you will be unable to withdraw your acceptance and accept a superior proposal if one emerges, except in certain limited circumstances (set out immediately below and further in section 7.7 of this Target's Statement).</p>
If I accept the Offer, can I withdraw my acceptance?	<p>You may only withdraw your acceptance if Evoworld varies the Offer in a way that postpones the time when Evoworld is required to satisfy its obligations by more than one month.</p> <p>See section 7.7 of this Target's Statement for further details.</p>
When does the Offer close?	The Offer is presently scheduled to close at 4:00pm (Perth time) on 30 March 2015 but the Offer Period can be extended in certain circumstances.

³ Being Alan Stein and Ken Charsinsky. Tim Kestell and Peter Pynes have not made a recommendation in relation to the Offer or the Proportional Bid Meeting as they are also directors of, and hold indirect interests in, Evoworld.

Question	Answer
	See section 7.6 of this Target's Statement for details of the circumstances in which the Offer Period can be extended.
What are the conditions to the Offer?	<p>The Offer is only subject to one, non-waivable condition: that Neon Shareholders approve the Offer, or be deemed to have approved the Offer, as required by Neon Energy's constitution.</p> <p>Neon has convened a general meeting of Neon Shareholders to consider whether to approve the Offer for 10:00am (Perth time) on 13 March 2015.</p> <p>Further details are set out in sections 7.2 and 7.4 of this Target's Statement.</p>
What happens if the conditions of the Offer are not satisfied or waived?	If the condition is not satisfied before the Offer closes, the Offer will lapse. You would then be free to deal with Neon Shares even if you had accepted the Offer.
When will I be sent my consideration if I accept the Offer?	<p>If you accept the Offer, you will have to wait for the Offer to become unconditional before you will be sent your consideration from Evoworld.</p> <p>See section 7.11 of this Target's Statement for further details on when you will be sent your consideration.</p>
What are the tax implications of accepting the Offer?	<p>A general outline of the tax implications of accepting the Offer is set out in section 8 of the Bidder's Statement.</p> <p>As the outline is a general outline only, Neon Shareholders are encouraged to seek their own specific professional advice as to the taxation implications applicable to their circumstances.</p>
Is there a number that I can call if I have further queries in relation to the Offer?	If you have any further queries in relation to the Offer, you can call the Company on +61 8 6144 4840.

2 Why you should ACCEPT the Offer

2.1 **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 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 Neon's net tangible assets at that time.
- Evoworld's Previous Offer only allowed for the sale of 30% of each Neon shareholding, meaning that Evoworld may have acquired effective control of Neon 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 Neon's activities as an oil and gas company.

As a result of negotiations between Evoworld and Neon, 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 view that in consideration of the reasons outline above and in consideration also of the changing market conditions for oil and gas companies due to a declining oil price that the Offer presents a superior outcome for Neon Shareholders to the Previous Offer and recommends the Offer to Neon 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.

2.2 **The cash offer of \$0.038 per Neon share represents a premium to the pre-announcement trading price of Neon Shares for a portion of your Shareholding**

The Offer represents an opportunity for liquidity for 50% of each Neon Shareholding at an 11.8% premium to Neon'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 Offer, and an 18.7% premium to the closing share price of \$0.032 per share on 3 March 2015, being the last practicable date prior to finalisation of this Target's Statement. The Independent Directors consider that the Offer represents fair value.

2.3 The Offer represents a partial liquidity event for all Neon shareholders

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

The Offer is not conditional on a minimum level of acceptance by Neon Shareholders, meaning that the Offer will proceed regardless of how many or how few Neon Shareholders accept the Offer, provided that the condition requiring the approval of Neon Shareholders is satisfied (see further section 7.2 of this Target's Statement).

2.4 The Offer offers the certainty of cash for a portion of your Neon Shares

As the 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 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 Neon resulting from Evoworld's previous proportional bid 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 Shares, to requisition or convene general meetings, and the ability to acquire Neon Shares on-market at a price less than it is offering under the Offer to the extent permitted by law (including under the '3% creep' rule under the Corporations Act).

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

The Independent Expert's Report concludes that the Offer is fair and reasonable. A copy of the Independent Expert's Report is attached to this Target's Statement. The Board encourages shareholders to read the report carefully and in full before deciding whether to accept the Offer.

2.6 Neon's share price may fall below the Offer price if the Offer does not proceed

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

In addition, there is no guarantee that the Neon 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.

2.7 The 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 had been actively pursuing strategic growth opportunities designed to deliver value to Neon Shareholders. As a result of this activity, Neon 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 has terminated the MIA after the then Board formed the view that the Offer represents a superior proposal to the proposed merger with MEO Australia Limited.

The Independent Directors will carefully consider any competing proposal and will advise you whether the competing proposal affects their recommendation that you accept the Offer. However, your Independent Directors consider it unlikely that an alternative proposal, including a superior proposal to the Offer, will be received during the Offer Period.

2.8 Evoworld has agreed to maintain independent Board representation if the 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 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 Shareholders receive independent advice on the Offer.

In addition, if the Offer proceeds, Evoworld have agreed under the BIA that Alan Stein will remain Chairman of Neon. Evoworld has confirmed 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 Neon at which Dr Stein's re-election is put to Neon 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 Neon provides Neon Shareholders with an independent director on the Board.

2.9 Neon Shareholders who accept the Offer will maintain exposure to potential capital growth

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

2.10 Risk profile of Neon

An investment in Neon is subject to a number of risks due to the nature of the specific industry in which Neon 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 will generate a return which is greater than the immediate return offered under the Offer.

2.11 No brokerage fees payable

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

3 Other matters you may consider before deciding whether to accept

As set out above, your Independent Directors recommend that you accept the Offer in the absence of a superior proposal.

However, some other matters you may wish to consider before deciding whether to accept are set out below.

If Evoworld acquires more than 50% of the Neon Shares, then, assuming the condition to the Offer is satisfied, Evoworld will acquire a majority Shareholding in Neon.

There are a number of possible implications to other Neon Shareholders becoming minority shareholder in Neon Energy, including:

- Evoworld will be in a position to cast the majority of votes at a general meeting of Neon Energy. This will enable it to control the composition of Neon Energy's board and senior management (subject to the governance arrangements agreed with Neon Energy in the Implementation Agreement – see further section 9.1 of this Target's Statement) and control the strategic direction of the businesses of Neon Energy and its subsidiaries;
- the Neon Energy share price may fall immediately following the end of the Offer Period and it is unlikely that the price will contain any takeover premium;
- it may be 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 Shareholders to realise a control premium and a full exit with respect to their Shareholding; and
- liquidity of Neon Energy shares may be lower than at present, which may affect the ability of existing Neon Shareholders to trade the balance of their Shareholding on market.

4 Independent Directors' recommendation

4.1 Summary of Offer

The consideration being offered by Evoworld under the Offer is 3.8 cents per Neon Share for 50% of the Neon Shares held by each Neon Shareholder (other than Evoworld).

The Offer is subject to Neon Shareholders approving the Offer as required by Neon's constitution (as to which see further section 7.2 of this Target's Statement).

4.2 Directors of Neon Energy

As at the date of this Target's Statement, the Directors are:

Name	Position
Dr Alan Stein	Non-Executive Chairman
Mr Kenneth Charsinsky	Non-Executive Director
Mr Timothy Kestell	Non-Executive Director
Mr Peter Pynes	Non-Executive Director

4.3 Your Independent Directors' recommendation

After taking into account each of the matters in this Target's Statement (including the Independent Expert's Report) and in the Bidder's Statement, each of your Independent Directors recommends that you ACCEPT the Offer in the absence of a superior proposal.

Tim Kestell and Peter Pynes have not made a recommendation in relation to the Offer as they are also directors of, and hold indirect interests in, Evoworld.

The reasons for your Independent Directors' recommendation are set out in section 2 of this Target's Statement.

In considering whether to accept the Offer, your Directors encourage you to:

- read the whole of this Target's Statement (including the Independent Expert's Report) and the Bidder's Statement;
- have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances;
- consider the alternatives noted in section 6 of this Target's Statement; and
- obtain financial advice from your broker or financial adviser upon the Offer and obtain taxation advice on the effect of accepting the Offer.

4.4 Intentions of your Directors in relation to the Offer

Each Director who has a relevant interest in Neon Shares presently intends to accept the Offer in relation to those Neon Shares in the absence of a superior proposal (other than, in the case of Tim Kestell and Peter Pynes, the Neon Shares held by Evoworld which are not the subject of the Offer).

Details of the relevant interests of each Director in Neon Shares are set out in section 8 of this Target's Statement.

5 Important matters for Neon Energy Shareholders to consider

5.1 Evoworld's Offer

Background

On 5 September 2014, Evoworld notified Neon of its intention to make an unsolicited proportional off-market takeover bid for 30% of the ordinary shares in Neon that Evoworld and its associates did not own or control at an offer price of 3.5 cents per share.

On 12 September 2014, Neon received from Evoworld and certain associates of Evoworld a request under section 249D of the Corporations Act to convene a meeting of the Neon Shareholders to consider resolutions to replace the existing Directors with nominees of Evoworld.

Neon called general meetings to consider whether to approve the proportional bid (pursuant to its constitution) and to consider the resolutions to replace the Board.

The general meetings were held on 12 November 2014 and Neon Shareholders voted against the resolutions to approve Evoworld's proportional bid and to replace the Board.

Evoworld's proportional bid was automatically withdrawn as a result.

Evoworld subsequently gave notice to Neon that it intended to call a general meeting under section 249F of the Corporations Act to again consider resolutions to replace the Board. Evoworld also commenced proceedings in the Supreme Court of Western Australia against Neon seeking orders in relation to the validity of voting at the requisitioned general meeting held on 12 November 2014.

Evoworld dispatched a notice purporting to call a general meeting under section 249F of the Corporations Act on 11 December 2014.

On 18 December 2014 Neon announced that although defects in the notice of meeting provided by Evoworld may have made it invalid, the Board determined that, in the circumstances, it was in the best interests of Neon that the Board exercise its power to postpone the meeting.

Neon also announced that it had received an unsolicited, indicative and non-binding approach from Evoworld that may lead to a superior proposal to the proposed merger with MEO by scheme of arrangement, announced to ASX on 5 November 2014.

Revised offer

On 22 December 2014, Neon announced that it had entered into a bid implementation agreement with Evoworld under which Evoworld agreed to make a revised proportional off-market takeover offer for 50% of the ordinary shares in Neon not owned by Evoworld for 3.8 cents per share – being the Offer.

The board of Neon determined that the Offer was a superior proposal to the proposed merger with MEO, and accordingly terminated the implementation agreement with MEO and paid MEO a reimbursement fee of \$400,000.

As part of the agreement with Evoworld:

- Mr Timothy Kestell and Mr Peter Pynes were appointed to the Board as non-executive directors.
- Mr John Lander resigned from the Board.
- Evoworld signed consent orders dismissing the proceedings in relation to the requisitioned general meeting held on 12 November 2014.

- Evoworld withdrew its notice withdraw its notice purporting to a meeting under section 249F of the Corporations Act.

As noted in Neon's December 2014 Quarterly Report, released to ASX on 31 January 2015 (and available at www.asx.com.au), all Neon management and personnel were made redundant effective 31 January 2015, including the Managing Director, Ken Charsinsky, who remains on the Board as a non-executive director.

Further details of the arrangements agreed between Neon and Evoworld in the BIA, including as to the composition of the Board and ongoing governance arrangements, are set out in section 9.1 of this Target's Statement.

The Offer is open for acceptance until 4:00pm on 30 March 2015, unless it is extended or withdrawn (sections 7.6 and 7.7 of this Target's Statement describe the circumstances in which Evoworld can extend or withdraw the Offer).

5.2 Background information on Neon

Neon is an oil and gas exploration company, incorporated in Australia and listed on the ASX (ASX: NEN).

As at 3 March 2015, Neon had a market capitalisation of approximately \$17.70 million.

Neon's major assets are its substantial cash balance and its 100% working interest as operator in the WA-503-P exploration permit. In addition, Neon has an active new ventures program and has submitted two applications for joint study agreements in Indonesia.

Neon was formed in 2009 through the purchase of Neon Energy Pty Ltd (a private, unlisted company) by Salinas Energy Limited (**Salinas Energy**), an ASX-listed entity. The merged entity combined Neon's highly prospective Vietnamese exploration assets with Salinas Energy's diverse portfolio of Californian production, appraisal and exploration assets.

5.3 Current business activities of Neon

Exploration block WA-503-P is located offshore Western Australia, within the Dampier Sub-basin. Water depths of the block range from 50 metres to 70 metres, within the depth capability of jackup drilling rigs. 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 80km² of new broadband 3D seismic data (by May 2015) and complete various geological and geophysical studies. In November 2014, Neon Energy awarded a contract to CGG Services S.A. to acquire 200 km² of new 3D seismic data, at a cost of approximately US\$1.3 million. Neon is reviewing its activities as a result of the Offer. Neon is presently in discussions with CGG Services S.A. about terminating the seismic contract. Further information will be provided once completed.

Two wells within WA-503-P have been drilled to date, confirming the presence of reservoir targets and a working oil 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, and encountered significant oil shows in M. australis Sandstone over a 100m gross interval. These sands represent the primary target in Neon's Bojangles prospect, which 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 presenting the opportunity 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 will further de-risk the prospect.

Neon previously held exploration and production interests in various assets in California, USA, in addition to exploration interests offshore Vietnam and Indonesia. The Californian assets were sold for US\$26,950,000 in April 2014, and Neon exited its Indonesian and Vietnamese exploration projects thereafter, after reaching negotiated settlements with joint venture partners that removed Neon from any further liability associated with those assets.

5.4 Financial information

Neon released its preliminary final report for the full financial year ending 31 December 2014 on 27 February 2015. Copies are available at www.asx.com.au and www.neonenergy.com.

During the year to 31 December 2014, Neon divested its Californian assets and as a result the production, revenue and field operating expenditure contained in the preliminary final report represents only four months of operations in 2014, being the period January 2014 to April 2014. The unaudited consolidated profit for the period ending 31 December 2014 was \$13.97m and includes a net gain on disposal of US assets of \$2.2m and a net gain on exiting the Vietnam assets of \$18.1m. As at 31 December 2014, Neon had \$21.7m cash and cash on deposit.

5.5 Independent Expert's Report

This Target's Statement includes, in Attachment 1, a copy of a report by BDO Corporate Finance (WA) Pty Ltd (an independent expert not associated with either Neon or Evoworld) stating whether, in its opinion, the Offer is fair and reasonable to Neon Shareholders not associated with Evoworld and giving reasons for forming that opinion.

Your Directors recommend that you read the report in full.

By way of summary, the Independent Expert has concluded that the Offer is fair and reasonable.

5.6 Taxation consequences of accepting the Offer

The taxation consequences of accepting the Offer depend on a number of factors and will vary depending on your particular circumstances. A general outline of the Australian taxation considerations of accepting the Offer are set out in section 8 of the Bidder's Statement.

You should carefully read and consider the taxation consequences of accepting the Offer. The outline provided in the Bidder's Statement is of a general nature only and you should seek your own specific professional advice as to the taxation implications applicable to your circumstances.

Neon, its Directors and advisers take no responsibility for the contents of the Bidder's Statement.

6 Your choices as a Neon Shareholder

Your Independent Directors unanimously recommend that you ACCEPT the Offer in the absence of a superior proposal.

However, as a Neon Shareholder, you have three choices currently available to you:

6.1 Accept the Offer

Neon Shareholders may elect to accept the Offer with respect to 50% of their Neon Shareholding. Details of the consideration that will be received by Neon Shareholders who accept the Offer are set out in section 7.1 of this Target's Statement and in the Bidder's Statement.

Neon Shareholders who accept the Offer are free to deal with their Remaining Shares (subject to the restrictions set out in section 7.9 of this Target's Statement where the Remaining Shares are traded during the Offer Period).

Neon Shareholders who accept the Offer may be liable for CGT on the disposal of their shares (see section 8 of the Bidder's Statement). However, they will not incur any brokerage charge.

Section 2.7 of the Bidder's Statement contains details of how to accept the Offer.

6.2 Sell your Neon Shares on market

During a takeover, shareholders of a target company who have not already accepted the bidder's offer can still sell their shares on market for cash.

On 3 March 2015, Neon Shares closed at a price per Neon Share of 3.2 cents, a 15.8% discount to the price under the Offer of 3.8 cents per Neon Share.

The latest price for Neon Shares may be obtained from the ASX website:
www.asx.com.au.

Neon Shareholders who sell their Neon Shares on market may be liable for CGT on the sale (see section 8 of the Bidder's Statement) and may incur a brokerage charge.

Neon Shareholders who wish to sell their Neon Shares on market should contact their broker for information on how to effect that sale.

6.3 Do nothing

Neon Shareholders who do not wish to accept the Offer or sell their Neon Shares on market should do nothing.

7 Key features of the Offer

7.1 Consideration payable to Shareholders who accept the Offer

The consideration being offered by Evoworld is 3.8 cents per Neon Share for 50% of the Neon Shares held by Neon Shareholders (other than Evoworld).

7.2 Conditions to the Offer

The Offer is subject to only one 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.

This condition cannot be waived by Evoworld.

As set out in section 7.4 of this Target's Statement, Neon has convened the Proportional Bid Meeting to consider whether to approve the Offer in accordance with Neon's constitution for 13 March 2015.

See also section 6 of the Annexure to the Bidder's Statement regarding the conditions to the Offer.

7.3 Notice of Status of Conditions

Evoworld is required to give a Notice of Status of Conditions to the ASX and Neon Energy by 17 March 2015.

Evoworld is required to set out in its Notice of Status of Conditions:

- whether the Offer is free of the condition;
- whether, so far as Evoworld knows, the condition has been fulfilled; and
- Evoworld's voting power in Neon.

If the Offer Period is extended by a period before the time by which the Notice of Status of Conditions is to be given, the date for giving the Notice of Status of Conditions will be taken to be postponed for the same period. In the event of such an extension, Evoworld is required, as soon as practicable after the extension, to give a notice to the ASX and Neon that states the new date for the giving of the Notice of Status of Conditions.

If the condition is fulfilled (so that the Offer becomes unconditional) during the bid period but before the date on which the Notice of Status of Conditions is required to be given, Evoworld must, as soon as practicable, give the ASX and Neon a notice that states that the condition has been fulfilled.

7.4 Proportional Bid Meeting

It is a condition to the Offer 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 Energy's constitution.

Neon's constitution requires that a proportional takeover bid be approved by the Neon Shareholders (other than the bidder and its associates) in order to proceed.

Neon has convened a general meeting of Neon Shareholders to consider whether to approve the Offer (**Proportional Bid Meeting**) for 10:00am on 13 March 2015.

If the Offer is not approved at the Proportional Bid Meeting, then no transfers can be registered under the Offer and so Evoworld will not be able to acquire any Neon Shares

under the Offer. In addition, the Offer will lapse in this scenario as the condition to the Offer for shareholder approval cannot be waived.

A notice of meeting, explanatory memorandum and proxy form relating to the Proportional Bid Meeting were mailed to Neon Shareholders on 10 February 2015 and are available from the ASX website: www.asx.com.au.

The Independent Directors have unanimously recommended that Neon Shareholders vote IN FAVOUR of the resolution to approve the Offer. The reasons for the Independent Directors' recommendation are set out in the explanatory memorandum relating to the Proportional Bid Meeting.

7.5 Offer Period

Unless the Offer is extended or withdrawn, it is open for acceptance from 17 February 2015 until 4:00pm on 30 March 2015.

The circumstances in which Evoworld may extend or withdraw its Offer are set out in section 7.6 and section 7.7 respectively of this Target's Statement.

7.6 Extension of the Offer Period

Evoworld may extend the Offer Period at any time before giving the Notice of Status of Conditions (referred to in section 7.3 in this Target's Statement) while the Offer remains conditional. However, if the Offer is unconditional (that is, the condition has been fulfilled), Evoworld may extend the Offer Period at any time before the end of the Offer Period.

In addition, there will be an automatic extension of the Offer Period if, within the last 7 days of the Offer Period:

- Evoworld improves the consideration offered under the Offer; or
- Evoworld's voting power in Neon increases to more than 50%.

If either of these 2 events occurs, the Offer Period is automatically extended so that it ends 14 days after the relevant event occurs.

7.7 Withdrawal of Offer

Evoworld may not withdraw the Offer if you have already accepted it (though the Offer will lapse if the condition is not fulfilled). Before you accept the Offer, Evoworld may withdraw the Offer with the written consent of ASIC and subject to the conditions (if any) specified in such consent.

7.8 Effect of acceptance

The effect of acceptance of the Offer is set out in section 7 of the Annexure to the Bidder's Statement. Neon Shareholders should read these provisions in full to understand the effect that acceptance will have on their ability to exercise the Rights attaching to their Neon Shares and the representations and warranties which they give by accepting of the Offer.

7.9 Effect of acceptance under ASX trading arrangements for the Offer

As the Offer is a proportional takeover offer rather than a full takeover offer, special arrangements have been put in place regarding the process of accepting the Offer and the ASX trading and settlement of Neon Shares.

- (a) **You can only accept the Offer for 50% of your Neon Shareholding**

The Offer can only be accepted for 50% of your Neon Shares. For instance, if you hold 50,000 Neon Shares, only 25,000 of them can be accepted into the Offer, and you will retain the balance of 25,000 Neon Shares which you are free to deal with, including selling them on the ASX (but see section 7.9(b) below regarding trades on ASX during the Offer Period and for a short period following the close of the Offer Period).

The Offer cannot be accepted for:

- 1) more than 50% of your holding of Neon Shares, unless you hold a Small Parcel (see below); or
- 2) less than 50% of your holding of Neon Shares, unless you are a custodian or nominee holding Neon Shares on behalf of more than one person (see section 1.3 of the Annexure to the Bidder's Statement).

If 50% of your Neon Shares does not equal a whole number of Neon Shares, there will be a rounding down to the nearest whole number and the Offer will relate to that whole number of Neon Shares. For instance, if you hold 501 Neon Shares, 50% equates to 250.5 Neon Shares. That will be rounded down to 250 Neon Shares so the Offer will relate to 250 Neon Shares.

Despite the above, if accepting the Offer for 50% of your Neon Shares would leave you holding a parcel of Neon Shares that has a market value of \$500 or less (a **Small Parcel**), the Offer extends to all of your Neon Shares and if you accept the Offer you will be deemed to have accepted the Offer for all of your Neon Shares (subject to the terms and conditions of the Offer set out in section 1.3 of the Annexure to the Bidder's Statement).

- (b) **If you accept the Offer for 50% of your Neon Shareholding, you can sell the remaining 50% on the ASX but the sale will not settle (and you will not receive the sale proceeds) until after the end of the Offer Period**

As with previous proportional takeover offers, the ASX has put in place special trading and settlement arrangements which apply to ASX trades in Neon Shares during the Offer Period and for a short period following the close of the Offer Period.

These arrangements seek to ensure that not more than 50% of each parcel of Neon Shares is accepted into the Offer, irrespective of who owns those Neon Shares (except with respect to Small Parcels).

For the duration of the Offer Period and until 2 April 2015 (assuming the Offer Period closes on 30 March 2015), there are two markets in Neon Shares as follows.

- 1) **Normal settlement Cum Offer market (ASX code: NEN)**

This market is for Neon Shares capable of acceptance into the Offer. For example, if you hold 50,000 Neon Shares and you decide not to accept the Offer but to sell all of those Neon Shares on ASX, all 50,000 of your Neon Shares will be sold in this Cum Offer market. The purchaser of those Neon Shares can accept the Offer in respect of 25,000 of those 50,000 Neon Shares, and is free to deal with the remaining 25,000 Neon Shares.

All trades in the Cum Offer market will settle on a normal T+3 settlement basis (ie on the 3rd trading day after the trade date).

- 2) **Deferred settlement Ex Offer market (ASX code: NENE)**

This market is for Neon Shares not capable of acceptance into the Offer. For example, if you hold 50,000 Neon Shares and you accept the Offer for 25,000 of your Neon Shares, you can sell the remaining 25,000 on the ASX. Those 25,000 Neon Shares will be sold into the Ex Offer market. The purchaser of those 25,000 Neon Shares cannot accept the Offer in respect of 50% of those 25,000 Neon Shares, because those 25,000 Neon Shares were previously part of a parcel of 50,000 Neon Shares in respect of which 25,000 were accepted into the Offer.

All trades in the Ex Offer market will be subject to deferred settlement and Neon understands that settlement of those trades will not occur until 10 April 2015, assuming the Offer Period closes on 30 March 2015. This means that if you sell Neon Shares into the Ex Offer market, you will not receive sale proceeds until after the Offer Period. The Offer Period is currently scheduled to end at 4:00pm on 30 March 2015.

7.10 Your ability to withdraw your acceptance

You only have limited rights to withdraw your acceptance of the Offer.

You may only withdraw your acceptance of the Offer if Evoworld varies the Offer in a way that postpones, for more than one month, the time when Evoworld needs to meet its obligations under the Offer. This will occur if Evoworld extends the Offer Period by more than one month and the Offer is still conditional.

7.11 When you will receive your consideration if you accept the Offer

In the usual case, you will be issued your consideration on or before the later of:

- one month after the date the Offer becomes or is declared unconditional; and
- one month after the date you accept the Offer if the Offer is, at the time of acceptance, unconditional,

but, in any event (assuming the Offer becomes unconditional), no later than 21 days after the end of the Offer Period.

However, there are certain exceptions to the above timetable for the issuing of consideration. Full details of when you will be issued your consideration are set out in section 5 of the Annexure to the Bidder's Statement.

7.12 Effect of an improvement in consideration on Neon Shareholders who have already accepted the Offer

If Evoworld improves the consideration offered under the Offer, all Neon Energy Shareholders, whether or not they have accepted the Offer before that improvement in consideration, will be entitled to the benefit of that improved consideration.

7.13 Lapse of Offer

The Offer will lapse if the condition to the Offer is not fulfilled by the end of the Offer Period, in which case all contracts resulting from acceptance of the Offer and all acceptances that have not resulted in binding contracts are void. In that situation, you will be free to deal with your Neon Shares as you see fit.

8 Information relating to your Directors

8.1 Interests and dealings in Neon securities

(a) Interests in Neon Shares, Options and Performance Rights

As at the date of this Target's Statement, your Directors had the following relevant interests in Neon Shares, Options and Performance Rights:

Director	Number of Neon Shares	Number of Options	Number of Performance Rights
Dr Alan Stein	9,041,320*	0	0
Mr Ken Charsinsky	2,488,005**	0	12,831,032
Mr Tim Kestell	110,552,266 129,215,189***	0	0
Mr Peter Pynes	110,552,266 129,215,189***	0	0

NOTES:

* 7,541,320 held by Haroma Pty Ltd, of which Dr Stein is a Director and in which Dr Stein has a 100% beneficial interest.

** Held by Laurie Jo Charsinsky, wife of Mr Ken Charsinsky.

*** [Relevant interest in Neon Shares](#) Held by in which Evoworld has a relevant interest (see [section 9.5](#)). See section 8.2(a) for details of Mr Kestell and Mr Pynes' interest in Evoworld.

(b) Dealings in Neon securities

No Director has acquired or disposed of a relevant interest in any Neon Shares, Options or Performance Rights in the 4 month period ending on the date immediately before the date of this Target's Statement.

8.2 Interests and dealings in Evoworld securities

(a) Interests in Evoworld securities

As at the date immediately before the date of this Target's Statement, no Director had a relevant interest in any Evoworld securities, except as set out below.

Mr Kestell holds an indirect interest in Evoworld securities through Old Blood & Guts Pty Ltd, which holds a third of the issued shares in Evoworld. The current director of Old Blood & Guts Pty Ltd is Mr Kestell and the shareholders of Old Blood & Guts Pty Ltd are Mr Kestell and his father, Paul Kestell (who holds 1 of 1001 shares).

Mr Pynes holds an indirect interest in Evoworld securities through P & L Capital Investments Pty Ltd, which holds a third of the issued shares in Evoworld. The current directors and shareholders of P & L Capital Investments Pty Ltd are Peter Pynes and his wife Lara Pynes, who each hold 1 fully paid ordinary share.

(b) **Dealings in Evoworld securities**

No Director acquired or disposed of a relevant interest in any Evoworld securities in the 4 month period ending on the date immediately before the date of this Target's Statement.

8.3 Benefits and agreements

(a) **Benefits in connection with retirement from office**

Except as described in this Target's Statement, as a result of the Offer, no person has been or will be given any benefit (other than a benefit which can be given without member approval under the Corporations Act) in connection with the retirement of that person, or someone else, from a board or managerial office of Neon or related body corporate of Neon.

(b) **Agreements connected with or conditional on the Offer**

Except as described in this Target's Statement, there are no agreements made between any Director and any other person in connection with, or conditional upon, the outcome of the Offer other than in their capacity as a holder of Neon Shares, Options or Performance Rights.

(c) **Benefits from Evoworld**

Except as described in this Target's Statement, none of the Directors has agreed to receive, or is entitled to receive, any benefit from Evoworld which is conditional on, or is related to, the Offer, other than in their capacity as a holder of Neon Shares, Options or Performance Rights.

(d) **Interests of Directors in contracts with Evoworld**

Except as described in this Target's Statement, none of the Directors has any interest in any contract entered into by Evoworld.

9 Additional information

9.1 Summary of key terms of the Bid Implementation Agreement

In the Bid Implementation Agreement (**BIA**), the parties agreed certain administrative arrangements in respect of the Offer, including as to the dispatch of the Bidder's Statement and the convening of the Proportional Bid Meeting.

Set out below is a summary of the key terms of the BIA. A full copy of the agreement was attached to the announcement of the Offer, released to the ASX on 22 December 2014.

(a) **Withdrawal of 249F notice and dismissal of proceedings**

Evoworld agreed to withdraw the notice dated 11 December 2014 purporting to call a general meeting of Neon under section 249F of the Corporations Act.

Evoworld also agreed to the dismissal by consent of the proceedings brought by it against Neon in relation to the voting at the extraordinary general meeting of Neon held on 12 November 2014 pursuant to a requisition by Evoworld, with no order as to costs.

(b) **Board representation**

The parties agreed that, upon the execution of the BIA, Mr John Lander would resign from the Board of Neon and Mr Timonthy Kestell and Mr Peter Pynes would be appointed to the Neon Board as non-executive directors.

As soon as practicable after Evoworld acquires a relevant interest in 30% of the Neon Shares and the Offer becomes unconditional, the Board will appoint Mr Ross Williams to the Board as a non-executive director and Mr Ken Charsinsky will resign as a director of Neon.

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

(c) **Bid Committee**

The parties agreed that the Board would establish the Bid Committee, consisting of Dr Alan Stein (who will serve as Chairman) and Mr Ken Charsinsky (for so long as he remains a director of Neon), to be exclusively responsible for all matters relating to Neon's response to the Offer.

The Directors of Neon nominated by Evoworld (being Mr Kestell, Mr Pynes and, if appointed during the Offer Period, Mr Williams) will not be entitled to attend Bid Committee meetings or to have access to papers that are prepared for, or considered by, the Bid Committee, without the prior consent of the Bid Committee Chairman.

The Bid Committee may, at Neon's expense, seek advice from Neon's professional experts or advisers about any matter pertaining to the powers, duties or responsibilities of the Bid Committee.

(d) **Ongoing governance arrangements**

The parties agreed that Dr Alan Stein will remain as non-executive Chairman of the Neon Board. Evoworld agreed to make a statement in the Bidder's Statement to the effect that it intends to vote all its Neon shares in favour of the re-election of Dr Alan Stein at the next general meeting of Neon at which Dr Stein's re-election is put to shareholders (as set out in section 9.1 of the Bidder's Statement).

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

(e) **Releases and acknowledgments**

Evoworld and Neon granted each other customary releases in relation to claims relating to the implementation of the Offer. Evoworld has also given customary acknowledgements of the existing terms of engagement of employees, consultants and directors of Neon, as well as rights of indemnification, access and insurance coverage.

(f) **Termination and change of recommendation**

Neon may terminate the BIA by written notice to Evoworld if the members of the Bid Committee unanimously resolve to recommend a superior proposal to Neon shareholders, provided that the Bid Committee obtain independent financial advice (at Neon's cost) from an appropriately qualified and independent advisor on the proposal before making such a recommendation. The Bid Committee and Evoworld must agree on the advisor, subject to an agreed process for appointment of the advisor should they be unable to agree.

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

9.2 Effect of the takeover on Neon's material contracts

To the best of Neon's knowledge, none of the material contracts to which Neon is a party contain change of control provisions which may be triggered as a result of, or as a result of acceptances of, the Offer and which may have a material adverse effect on the assets and liabilities, financial position and performance, profits and losses and prospects of Neon.

9.3 Material litigation

Neon does not believe that it is involved in any litigation or dispute which is material in the context of Neon and its subsidiaries taken as a whole.

9.4 Issued capital

As at the date of this Target's Statement, Neon's issued capital consisted of:

- 553,037,848 Neon Shares;
- 1,000,000 Options at the exercise price of \$0.60 and expiring 4 September 2016;
- 1,000,000 Options at the exercise price of \$1.00 and expiring 4 September 2016;
- 2,694,638 Performance Rights, expiring 30 June 2016; and
- 34,078,862 Performance Rights, expiring 1 June 2016.

9.5 Substantial holders

As at the date of this Target's Statement, based on the substantial shareholding notices provided to Neon, the substantial shareholders of Neon are:

Name of substantial shareholder	Person's votes	Voting power (%)
Evoworld Corporation Pty Ltd	110,552,266 129,215,189	23.364%

9.6 Effect of Offer on Neon's employee incentive schemes and securities issued under those schemes

As set out in section 9.4 above, Neon currently has 36,773,500 Performance Rights on issue, subject to the terms of the Neon Performance Rights Plan.

These Performance Rights are held by former members of the executive management team of Neon, including the Managing Director, Ken Charsinsky (see section 8.1(a) of this Target's Statement).

The Board resolved to make all existing members of the executive management team redundant with effect from 1 February 2015. As acknowledged in the BIA, the executives have been paid their legal and contractual entitlements in connection with their redundancy, which total \$780,628 gross.

Under the terms of the Performance Rights Plan, the Board may, in its absolute discretion, determine that all or a specified number of unvested Performance Rights vest where the holder of the Performance Rights ceases to be employed by Neon by reason of retirement, redundancy, or total and permanent disability.

In consideration of the executives' service to Neon during the recent periods of uncertainty and high workload, and in consideration of the executives agreeing to be available to Neon during a transitional period between 1 February 2015 and 18 March 2015, the Board resolved that, on being made redundant, 15% of all Performance Rights held by each Former Executive will vest with effect from 18 March 2015. The remaining Performance Rights will lapse in accordance with their terms.

Also as set out in section 9.4 above, Neon currently has 2,000,000 Options on issue. The Options remain on foot in accordance with their terms and no change to the Options will result as a consequence of the Offer.

9.7 Consents

BDO Corporate Finance (WA) Pty Ltd consents to the inclusion of the Independent Expert's Report as Attachment 1 to this Target's Statement in the form and context in which it appears and to all references to the Independent Expert's Report in this Target's Statement in the form and context in which those references appear.

SRK Consulting (Australasia) Pty Ltd consents to the inclusion of the Technical Report included with the Independent Expert's Report as Attachment 1 to this Target's Statement in the form and context in which it appears.

As permitted by ASIC Class Order [CO 13/521], this Target's Statement contains statements which are made, or based on statements made, in documents lodged by Evoworld with ASIC or given to the ASX, or announced on the Company Announcements Platform of the ASX, by Evoworld. Pursuant to the Class Order, the consent of Evoworld is not required for the inclusion of such statements in this Target's Statement. Any Neon Shareholder who would like to receive a copy of any of those documents may obtain a copy (free of charge) during the Offer Period by contacting the Company Secretary on +61 8 6144 4840.

As permitted by ASIC Class Order [CO 13/523], this Target's Statement may include or be accompanied by certain statements:

- fairly representing a statement by an official person; or
- from a public official document or a published book, journal or comparable publication.

In addition, as permitted by ASIC Class Order [CO 07/429], this Target's Statement may contain share price trading data sourced from IRESS and Bloomberg without their consent.

9.8 ASIC declarations / ASX Listing Rule waivers

Neon has not been granted any modifications or exemptions by ASIC from the Corporations Act in connection with the Offer. Nor has Neon been granted any waivers from ASX in relation to the Offer.

9.9 Continuous disclosure

Neon is a disclosing entity under the Corporations Act and is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules. These obligations require Neon to notify the ASX of information about specified matters and events as they occur for the purpose of making that information available to the market. In particular, Neon has an obligation (subject to limited exceptions) to notify the ASX immediately on becoming aware of any information which a reasonable person would expect to have a material effect on the price or value of Neon Shares.

Copies of the documents filed by Neon with the ASX may be obtained from the ASX website at www.asx.com.au or from Neon's website at www.neonenergy.com.

9.10 No other material information

This Target's Statement is required to include all the information that Neon Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer, but:

- only to the extent to which it is reasonable for investors and their professional advisers to expect to find this information in this Target's Statement; and
- only if the information is known to any Director.

The Directors are of the opinion that the information that Neon Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Offer is:

- the information contained in the Bidder's Statement (to the extent that the information is not inconsistent or superseded by information in this Target's Statement);
- the information contained in Neon's releases to the ASX, and in the documents lodged by Neon with ASIC before the date of this Target's Statement; and
- the information contained in this Target's Statement.

The Directors have assumed, for the purposes of preparing this Target's Statement, that the information in the Bidder's Statement is accurate (unless they have expressly indicated otherwise in this Target's Statement). However, the Directors, in their capacity as directors of Neon, do not take any responsibility for the contents of the Bidder's Statement and are not to be taken as endorsing, in any way, any or all statements contained in it.

In deciding what information should be included in this Target's Statement, the Directors have had regard to:

- the nature of the Neon Shares;
- the matters that Neon Shareholders may reasonably be expected to know;
- the fact that certain matters may reasonably be expected to be known to Neon Shareholders' professional advisers; and
- the time available to Neon to prepare this Target's Statement.

10 Glossary and interpretation

10.1 Glossary

The meanings of the terms used in this Target's Statement are set out below.

Term	Meaning
\$, A\$ or AUD	Australian dollars.
ASIC	the Australian Securities and Investments Commission.
ASX	ASX Limited (ABN 98 008 624 691) and, where the context requires, the financial market it operates.
BIA	the bid implementation letter agreement dated 19 December 2014 between Neon and Evoworld.
Bid Committee	an independent committee consisting of the Independent Directors of Neon pursuant to the BIA for the purpose of having exclusive responsibility for all matters relating to Neon's response to the Offer.
Bidder's Statement	the bidder's statement issued by Evoworld in respect of the Offer dated 12 February 2015.
Board	the board of Directors.
CGT	capital gains tax.
CHESS Holding	a number of Neon Shares which are registered on Neon's share register being a register administered by ASX Settlement Pty Limited and which records uncertificated holdings of Neon Shares.
Corporations Act	the <i>Corporations Act 2001</i> (Cth) (as modified or varied by ASIC).
Director	a director of Neon.
Evoworld	Evoworld Corporation Pty Ltd (ACN 601 545 742).

Term	Meaning
Former Executives	Mr Ken Charsinsky, Mr Ben Newton, Mr Iain Smith and Mr Ric Jason.
Independent Directors	Alan Stein and, for so long as he remains a director of Neon, Ken Charsinsky.
Independent Expert's Report	the report on the Offer prepared by BDO Corporate Finance (WA) Pty Ltd in accordance with section 640 of the Corporations Act.
MIA	the merger implementation agreement dated 5 November 2014 between Neon and MEO Australia Limited.
Neon or Neon Energy	Neon Energy Limited (ABN 49 002 796 974).
Option	an option to acquire an unissued Neon Share.
Performance Right	a right granted to the key management personnel of Neon that vests and converts into an unissued Neon Share when certain performance hurdles are satisfied.
Neon Share or Share	a fully paid ordinary share in Neon.
Neon Shareholder or Shareholder	a holder of Neon Shares.
Notice of Status of Conditions	Evoworld's notice disclosing the status of the conditions to the Offer which is required to be given by section 630(3) of the Corporations Act.
Offer	the offer by Evoworld for 50% of the Neon Shares held by Neon Shareholders (other than Evoworld and its associates), which is contained in the Annexure to the Bidder's Statement.
Offer Period	the period during which the Offer will remain open for acceptance in accordance with section 3 of the Annexure to the Bidder's Statement.

Term	Meaning
Previous Offer	the previous proportional off-market takeover bid by Evoworld for 30% of the ordinary shares in Neon not already owned by Evoworld or its associates, as first announced on 10 September 2014.
Proportional Bid Meeting	the meaning given in section 7.4.
Remaining Shares	the 50% of the Neon Shares held by each Neon Shareholder (other than Evoworld) that are not the subject of the Offer.
Rights	the meaning given in section 10.1 of the Bidder's Statement.
Small Parcel	the meaning give in section 7.9(a).
Target's Statement	this document (including the attachments), being the statement of Neon under Part 6.5 Division 3 of the Corporations Act.

10.2 Interpretation

In this Target's Statement:

- (a) Other words and phrases have the same meaning (if any) given to them in the Corporations Act.
- (b) Words of any gender include all genders.
- (c) Words importing the singular include the plural and vice versa.
- (d) An expression importing a person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa.
- (e) A reference to a section, clause, attachment and schedule is a reference to a section of, clause of and an attachment and schedule to this Target's Statement as relevant.
- (f) A reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of any of them.
- (g) Headings and bold type are for convenience only and do not affect the interpretation of this Target's Statement.
- (h) A reference to time is a reference to Australian Western Standard Time (**WST**).
- (i) A reference to dollars, \$, A\$, AUD, cents, ¢ and currency is a reference to the lawful currency of the Commonwealth of Australia.

11 Authorisation

This Target's Statement has been approved by a resolution passed by the Directors of Neon.

Signed for and on behalf of Neon:

sign here ►

Alan Stein
Chairman



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.



TABLE OF CONTENTS

1.	Introduction	1
2.	Summary and Opinion	1
3.	Scope of the Report	4
4.	Outline of the Offer	5
5.	Profile of Neon Energy Limited	6
6.	Profile of Evoworld Corporation Pty Ltd	11
7.	Economic analysis	12
8.	Industry analysis	13
9.	Valuation Approach Adopted	16
10.	Valuation of Neon	17
11.	Offer Consideration	24
12.	Is the Offer fair?	24
13.	Is the Offer reasonable?	24
14.	Conclusion	26
15.	Sources of information	27
16.	Independence	27
17.	Qualifications	27
18.	Disclaimers and consents	28

Appendix 1 - Glossary and copyright notice

Appendix 2 - Valuation Methodologies

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

© 2015 BDO Corporate Finance (WA) Pty Ltd

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.

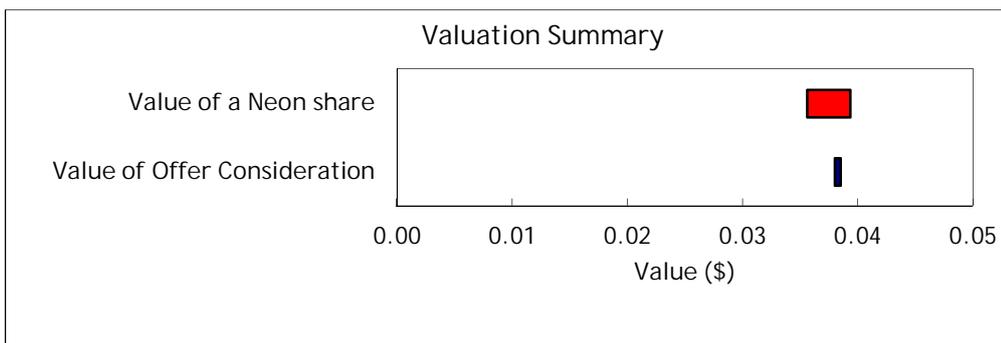
2.4 Fairness

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	Reviewed	Audited
	31-Oct-14	30-Jun-14	31-Dec-13
	10 months	6 months	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 (%)
Eworld 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:

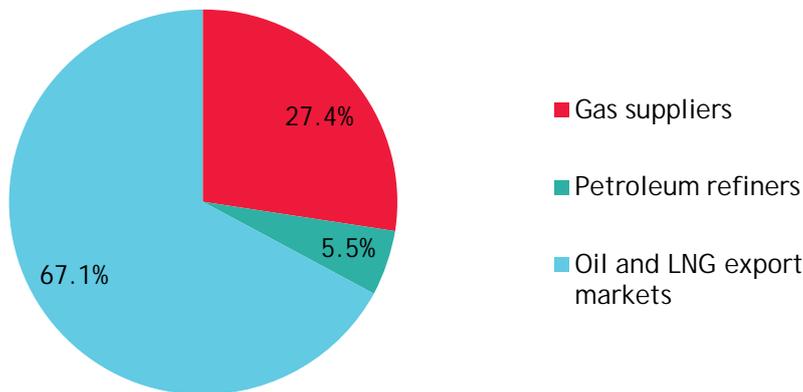
- a. major oil and gas exploration companies which conduct exploration activities with a view to assessing the viability for developing or expanding existing sites; and
- b. pure-play exploration companies and junior miners who are often equity funded and seek to find proven resources to on sell as projects.

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.

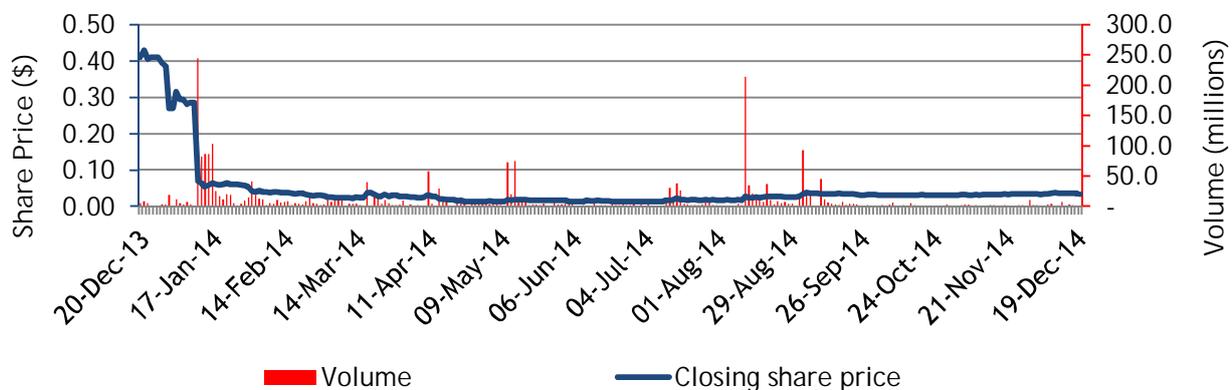
Therefore, our calculation of the quoted market price of a Neon share including a premium for control has been prepared in two parts. The first part is to calculate the quoted market price on a minority interest basis. The second part is to add a premium for control to the minority interest value to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

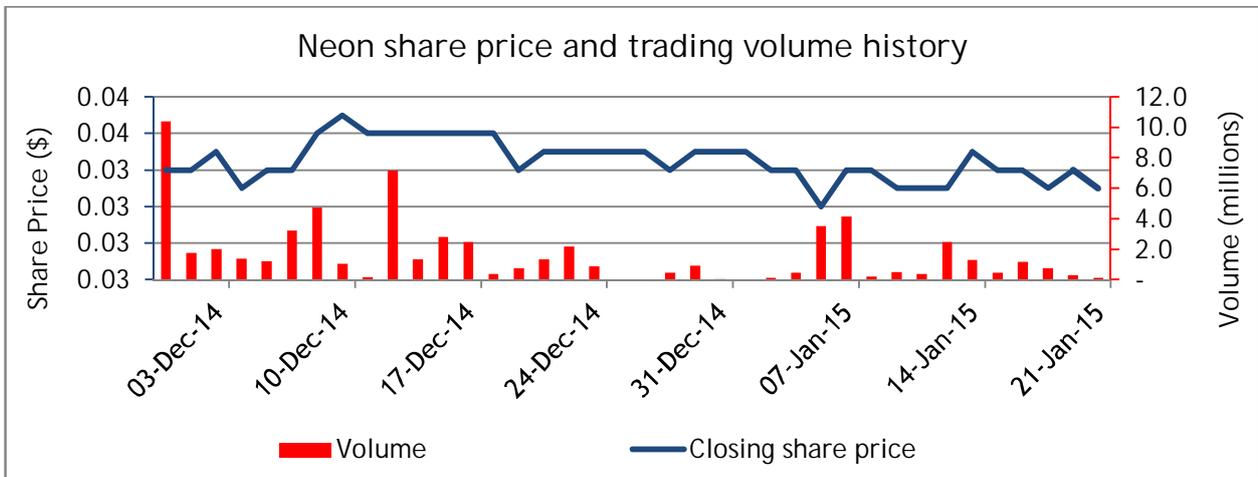
If the Offer is approved, then Evoworld will hold a maximum interest of approximately 61.31% in Neon.

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.

BDO is the brand name for the BDO International network and for each of the BDO Member firms.

BDO (Australia) Ltd, an Australian company limited by guarantee, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of Independent Member Firms. BDO in Australia, is a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International).

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

Copyright © 2015 BDO Corporate Finance (WA) Pty Ltd

All rights reserved. No part of this publication may be reproduced, published, distributed, displayed, copied or stored for public or private use in any information retrieval system, or transmitted in any form by any mechanical, photographic or electronic process, including electronically or digitally on the Internet or World Wide Web, or over any network, or local area network, without written permission of the author. No part of this publication may be modified, changed or exploited in any way used for derivative work or offered for sale without the express written permission of the author.

For permission requests, write to BDO Corporate Finance (WA) Pty Ltd, at the address below:

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.

Copyright © 2015 BDO Corporate Finance (WA) Pty Ltd

All rights reserved. No part of this publication may be reproduced, published, distributed, displayed, copied or stored for public



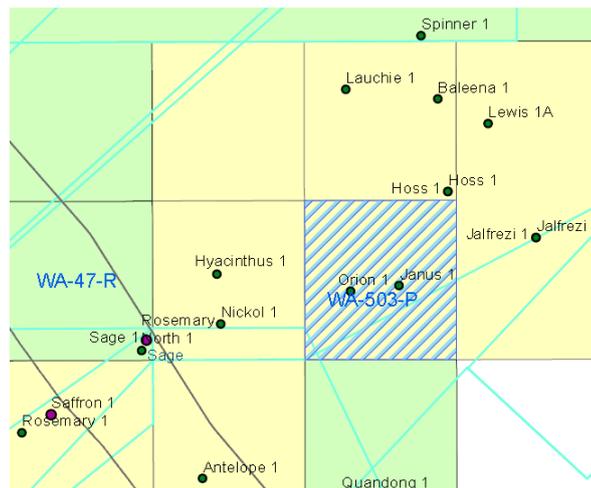
Appendix 3 - Independent valuation report by SRK

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

PO Box 7426, Cloisters Square, PERTH QA 6850

SRK Consulting (Australasia) Pty Ltd

Level 6, 141 Queen Street, BRISBANE QLD 4000

e-mail: brisbane@srk.com.au
website: srk.com.au

Tel: +61 7 3054 5000
Fax: +61 7 3054 5001

SRK Project Number BDO003

February 2015

Compiled by

Dr Bruce McConachie
Principal Consultant

Email: bmconachie@srk.com.au

Author/s:

Bruce McConachie

Peer Reviewed by

Peter Stanmore
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.

Table of Contents

Executive Summary	ii
Disclaimer.....	iv
1 Introduction and Scope of Report.....	1
2 Scope of Work	1
3 Valuation	1
4 Conclusions and Recommendations.....	4
5 References	4

List of Tables

Table 3-1: Details for permit WA-503-P	2
Table 3-2: WA-503-P Work Commitments	3

List of Figures

Figure 2-1: Petroleum Exploration Block WA-503-P	1
Figure 3-1: Location of the Bojangles Prospect in WA-503-P	2

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.

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**).

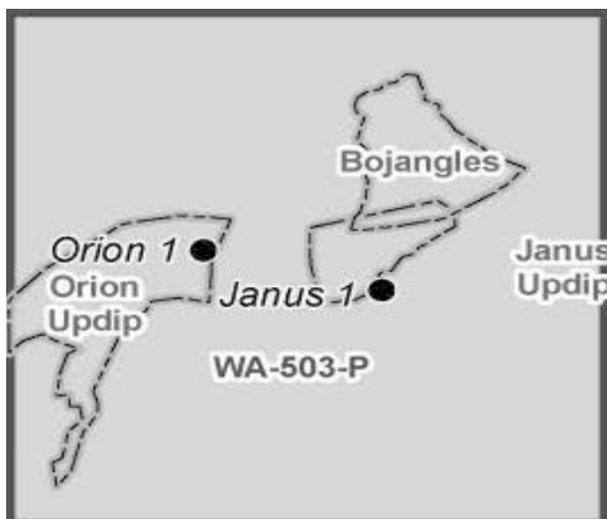


Figure 3-1: Location of the Bojangles Prospect in WA-503-P

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

This Report is protected by copyright vested in SRK Consulting (Australasia) Pty Ltd. It may not be reproduced or transmitted in any form or by any means whatsoever to any person without the written permission of the copyright holder, SRK.