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ASX RELEASE

19 December 2014

MEO Scheme Booklet and Independent Expert’s Report

- **Scheme Booklet registered with ASIC and to be dispatched to shareholders**
- **Independent Expert concludes Scheme is in the best interests of MEO shareholders**
- **MEO directors unanimously recommend MEO shareholders vote in favour**
- **Shareholder meeting 2 February 2015, final implementation 20 February 2015**

MEO Australia Limited (ASX:MEO) (**MEO**) is pleased to announce that the Australian Securities and Investments Commission has registered the scheme booklet in relation to the proposed scheme of arrangement (**Scheme Booklet**) under which Neon Energy Limited (ASX:NEN) (**Neon**) will acquire all of the shares in MEO (**Scheme**). This follows the issuance of orders earlier today by the Supreme Court of Victoria approving dispatch of the Scheme Booklet.

Further, the independent expert appointed by the MEO Board to review the transaction, KPMG Financial Advisory Services (Australia) Pty Ltd, has concluded that the Scheme is fair and reasonable and therefore in the best interests of MEO shareholders.

A copy of the Scheme Booklet, including the independent expert's report, is attached to this announcement.

Printed copies of the Scheme Booklet, including the independent expert's report, will be sent to MEO shareholders over the next few days.

If the Scheme is approved and all conditions precedent under the Merger Implementation Agreement between MEO and Neon, a copy of which was released to the ASX on 5 November 2014 (**MIA**), are satisfied (or waived), MEO shareholders (other than Ineligible Overseas Shareholders) will receive 0.7369 shares in Neon per MEO share.

MEO's directors have considered the advantages and disadvantages of the proposed Scheme and unanimously recommend that shareholders vote in favour of the resolution required to implement the Scheme, in the absence of a superior proposal.

The MEO directors also intend to vote all MEO shares that they control in favour of the Scheme, which amount to approximately 0.73% of the total current MEO shares on issue.

The key events and the expected timing in relation to the approval and implementation of the Scheme are set out in the table below.

Scheme Booklet despatched to MEO Shareholders	Monday 29 December 2014
Scheme Meeting	Monday 2 February 2015
Second Court Hearing	Thursday 5 February 2015

Effective Date	Friday 6 February 2015
Scheme Record Date	Friday 13 February 2015
Implementation Date	Friday 20 February 2015

All dates are indicative only and are subject to the Court approval process, ASX approval and the satisfaction or, where applicable, waiver of conditions under the MIA. Any changes to the above timetable will be announced to ASX and notified on MEO's website at www.meoaustralia.com.au.

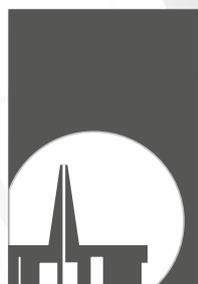
If you have any questions in relation to the Scheme, please contact the MEO shareholder information line on 1800 990 363 (within Australia) or +61 1800 990 363 (outside Australia) between 8.30am and 5.30pm (AEST).

--ENDS--

For further information, please contact:

MEO
Peter Stickland
Chief Executive Officer
+61 3 8625 6000

Neon
Ken Charsinsky
Managing Director
+61 8 9481 1176



MEOAustralia

energy for the future

Scheme Booklet

This Scheme Booklet relates to the proposed implementation of a scheme of arrangement between MEO Australia Limited ACN 066 447 952 (MEO) and MEO Shareholders which, if implemented, will result in the transfer of all the issued ordinary shares of MEO to Neon Energy Limited ACN 002 796 974

**YOUR DIRECTORS UNANIMOUSLY RECOMMEND
YOU VOTE IN FAVOUR OF THE SCHEME, IN THE
ABSENCE OF A SUPERIOR PROPOSAL**

This is an important document and requires your immediate attention. You should read this document in its entirety before deciding whether to vote in favour of the Scheme. If you are in any doubt as to what you should do, please consult your legal, financial, taxation or other professional adviser immediately.

If, after reading this Scheme Booklet, you have any questions about the Scheme, please call the MEO Shareholder Information Line on 1800 990 363 (within Australia) or +61 1800 990 363 (outside Australia) Monday to Friday between 8.30am and 5.30pm (Melbourne time).

If you have sold all of your MEO Shares, please disregard this document.

Financial Adviser



Legal Adviser



LAWYERS

Important notices

General

This Scheme Booklet is important. You should read this Scheme Booklet in its entirety before making a decision on how to vote on the Resolution to be considered at the Scheme Meeting. The notice convening the Scheme Meeting is contained in Attachment A (*Notice of Meeting*). A Proxy Form for the Scheme Meeting is also enclosed with this Scheme Booklet.

This Scheme Booklet includes the explanatory statement required to be sent to MEO Shareholders in relation to the Scheme under Part 5.1 of the Corporations Act. A copy of the Scheme of Arrangement is set out in Attachment D (*Scheme of Arrangement*).

If you require further information or have questions regarding the Scheme, please call the MEO Shareholder Information Line on 1800 990 363 (within Australia) or +61 1800 990 363 (outside Australia) between 8.30am and 5.30pm (Melbourne time) Monday to Friday. If you are in any doubt about anything in this Scheme Booklet, please contact your legal, financial, taxation or other professional adviser.

ASIC and ASX

A copy of this Scheme Booklet (including the Independent Expert's Report) has been lodged with ASIC and registered for the purposes of section 412(6) of the Corporations Act.

ASIC has examined a copy of this Scheme Booklet. ASIC has been requested to provide a statement, in accordance with section 411(17) (b) of the Corporations Act, that ASIC has no objection to the Scheme. If ASIC provides that statement, it will be produced to the Court at the Second Court Hearing. The Scheme has not been proposed by MEO or Neon for the purpose of enabling any person to avoid the operation of any of the provisions of Chapter 6 of the Corporations Act.

Neither ASIC nor any of its officers is responsible for the contents of this Scheme Booklet.

A copy of this Scheme Booklet has been lodged with ASX. Neither ASX nor any of its officers is responsible for the contents of this Scheme Booklet.

Important notice associated with Court Order under subsection 411(1) of the Corporations Act

The fact that under subsection 411(1) of the Corporations Act the Court has ordered that the Scheme Meeting be convened and has approved the Scheme Booklet required to accompany the notice of the Scheme Meeting does not mean the Court:

- i. has formed any view as to the merits of the Scheme or how MEO Shareholders should vote (on this matter MEO Shareholders must reach their own decision); or
- ii. has prepared, or is responsible for, the content of the Scheme Booklet.

Responsibility for information

Other than set out below, this Scheme Booklet has been prepared by and is the responsibility of MEO.

The Neon Information contained in this Scheme Booklet has been prepared by and is the responsibility of Neon. Neither MEO nor any of its directors, officers or advisers assumes or

accepts any responsibility for the accuracy or completeness of the Neon Information. This includes the information in this Scheme Booklet regarding Neon and Neon's intentions with respect to the assets, business and employees of MEO if the Scheme is approved and implemented.

The Joint Information contained in this Scheme Booklet has been prepared by and is the joint responsibility of MEO and Neon.

Gilbert + Tobin has prepared the general outline of taxation implications of the Scheme in Section 8 (*Australian taxation considerations*) and takes responsibility for that section only. Neither MEO nor Neon assume responsibility for the accuracy or completeness of the information contained in the information contained in Section 8 (*Australian taxation considerations*). Gilbert + Tobin does not assume any responsibility for the accuracy or completeness of the information contained in this Scheme Booklet other than that contained in Section 8 (*Australian taxation considerations*).

KPMG Corporate Finance has prepared the Independent Expert's Report in relation to the Scheme, as set out in Attachment B (*Independent Expert's Report and Technical Expert's Report*) and is responsible for the Independent Expert's Report only. Neither MEO nor Neon assume responsibility for the accuracy or completeness of the information contained in the Independent Expert's Report other than the factual information contained relating to each of MEO and Neon. KPMG Corporate Finance does not assume any responsibility for the accuracy or completeness of the information contained in this Scheme Booklet other than that contained in the Independent Expert's Report. MEO Shareholders should read the Independent Expert's Report carefully and in its entirety to understand the scope of the report, the methodology of assessment, the sources of information and the assumptions made.

AWT International has prepared the Independent Technical Expert's Report set out in Attachment B (*Independent Expert's Report and Technical Expert's Report*) and is responsible for that Independent Technical Expert's Report only. Neither MEO nor Neon assume responsibility for the accuracy or completeness of the information contained in the Technical Expert's Report other than the factual information contained relating to each of MEO and Neon. AWT International does not assume any responsibility for the accuracy or completeness of the information contained within this Scheme Booklet other than that contained in the Technical Expert's Report.

EY has prepared the Independent Limited Assurance Report in Attachment C (*Independent Limited Assurance Report*) and is responsible for that Independent Limited Assurance Report only. Neither MEO nor Neon assume responsibility for the accuracy or completeness of the information contained within the Independent Limited Assurance Report.

Link Market Services has had no involvement in the preparation of any part of this Scheme Booklet other than being named as the MEO Share Registry, and proxy solicitation and shareholder services agent. Link Market Services has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for any part of this Scheme Booklet.

Computershare Investor Services Pty Limited has had no involvement in the preparation of any part of this Scheme Booklet other than being named as the Neon Share Registry. Computershare has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for any part of this Scheme Booklet.

Canaccord Genuity (Australia) Limited has had no involvement in the preparation of any part of this Scheme Booklet other than being named as the Sale Agent. Canaccord Genuity (Australia) Limited has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for any part of this Scheme Booklet.

Investment decisions

The information contained in this Scheme Booklet does not constitute financial product advice or investment advice. This Scheme Booklet has been prepared without reference to the investment objectives, financial situation, taxation position or particular needs of any MEO Shareholder or any other person. This Scheme Booklet should not be relied on as the sole basis for any investment decision in relation to MEO Shares or Neon Shares. MEO Shareholders and others should consider the appropriateness of the information having regard to their own investment objectives, financial situation, taxation position and other particular needs and seek independent financial, legal and taxation advice appropriate to their jurisdiction and circumstances before making any investment decision or decision as to how to vote at the Scheme Meeting.

Forward looking statements

Certain statements in this Scheme Booklet relate to future matters, including forward looking statements. Such statements and information relating to the Merged Group and the transactions contemplated by the Scheme are not based solely on historical facts, but rather reflect the current expectations of MEO or, in relation to the Neon Information, Neon, concerning future results, events or other matters. Such statements also involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual conduct, results, performance or achievements of MEO, Neon or the Merged Group to be materially different from the future conduct, results, performance or achievements expressed or implied by such statements or could cause the future conduct to be materially different from historical conduct. Such risks, uncertainties, assumptions and other important factors include, among other things, receipt of all necessary regulatory or shareholder approvals required to complete the Scheme and the satisfaction or waiver of the Conditions, the risks described in Section 7 (*Risk factors*), exploration, development and production, oil and gas prices, general economic conditions, specific market conditions, reserve and resource estimates being inherently uncertain, environmental concerns, availability of, and access to, drilling equipment, contractual risk, management of growth, exchange rates, interest rates and regulatory changes. These statements may sometimes be identified by the use of forward looking words or phrases such as 'if', 'when', 'believe', 'aim',

'will', 'expect', 'anticipate', 'intend', 'foresee', 'likely', 'should', 'could', 'plan', 'may', 'estimate', 'budget', 'forecast', 'envisage', 'target', 'potential' or other similar words or phrases.

The statements in this Scheme Booklet about the impact that the Scheme may have on MEO, and the advantages and disadvantages anticipated to result from the Scheme, are forward looking statements.

Any forward looking statements included in this Scheme Booklet and made by MEO have been made on reasonable grounds. Although MEO believes that the views reflected in any forward looking statements in this Scheme Booklet (other than the Neon Information, information in Attachment B (*Independent Expert's Report and Technical Expert's Report*) and the information in Section 8 (*Australian taxation considerations*)) have been made on a reasonable basis, no assurance can be given that such views or forward looking statements will prove to have been correct.

None of MEO, Neon or their respective directors, officers and advisers, nor any other person gives any representation, assurance or guarantee that the occurrence of the results or events expressed or implied in any forward looking statements in this Scheme Booklet will actually occur.

These statements reflect the expectations of relevant parties' views only as at the date of this Scheme Booklet. Subject to the Corporations Act and any other applicable laws or regulations, MEO and Neon, their respective related bodies corporate, and their respective directors, officers and advisers, disclaim any obligation or undertaking to disseminate after the date of this Scheme Booklet any updates or revisions to any forward looking statements and information to reflect any change in expectations in relation to them or any change in the events, conditions or circumstances on which they are based.

MEO Shareholders outside Australia and its external territories or New Zealand

This Scheme Booklet and the Scheme are subject to Australian disclosure requirements, which may be different from the requirements applicable in other jurisdictions. This Scheme Booklet and the Scheme do not in any way constitute an offer of securities in any place in which, or to any person to whom, it would not be lawful to make such an offer.

A MEO Shareholder:

- i. who is known by MEO to be (or is known by MEO to be holding MEO Shares on behalf of) a citizen or resident of a jurisdiction other than in Australia and its external territories or New Zealand; or
- ii. who is recorded in the MEO Share Register at the Record Date as having a registered address outside Australia and its external territories or New Zealand,

will be an Overseas MEO Shareholder for the purposes of the Scheme.

Overseas MEO Shareholders should refer to Section 1.10 (*Overseas MEO Shareholders*) of this Scheme Booklet to determine whether they are eligible to receive the New Neon Shares under the Scheme or whether they are Ineligible Overseas Shareholders. Ineligible

Overseas Shareholders will not be able to receive New Neon Shares under the Scheme. Instead, Ineligible Overseas Shareholders will receive Cash Proceeds from the sale of the New Neon Shares which they would have otherwise received. MEO Shareholders resident outside Australia for tax purposes should also seek specific taxation advice in relation to the Australian and overseas taxation implications of their participation in the Scheme.

Jurisdictional disclaimer

This Scheme Booklet is not a New Zealand prospectus or an investment statement and has not been registered with, filed with, or approved by, any New Zealand regulatory authority under or in accordance with the Securities Act 1978 (or any other relevant New Zealand law). The offer of New Neon Shares under the Scheme is being made to existing MEO Shareholders in reliance upon the Securities Act (Overseas Companies) Exemption Notice 2013 (New Zealand) and accordingly this Scheme Booklet may not contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

Contingent and Prospective Resources

The information in this Scheme Booklet that relates to Contingent Resources and Prospective Resources for MEO is based on, and fairly represents, information and supporting documentation compiled by Peter Stickland. On 12 December 2014, MEO announced Mr Stickland, who has been the Exploration Manager of MEO since June 2013, would be appointed as the Chief Executive Officer of MEO with effect from 19 December 2014. Mr Stickland B.Sc (Hons) has over 20 years of relevant experience, is a member of the European Association of Geoscientists & Engineers and the Petroleum and Exploration Society of Australia, and consents to the publication of the resource assessments contained herein. The Contingent Resource and Prospective Resource estimates are consistent with the definitions of hydrocarbon resources that appear in the Listing Rules.

In regard to Prospective Resources, the estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration, appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

Maps and diagrams

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

Rounding of numerical information

A number of figures, amounts, percentages, estimates, calculations of value and fractions in this Scheme Booklet are subject to rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Scheme Booklet.

Privacy and personal information

MEO and Neon may need to collect personal information to implement the Scheme. The personal information may include the names, contact details and details of shareholdings of MEO Shareholders plus names and contact details of individuals appointed by MEO Shareholders as proxies, corporate representatives or attorneys at the Scheme Meeting. The collection of certain personal information is required or authorised by the Corporations Act.

MEO Shareholders who are individuals, and other individuals in respect of whom personal information is collected, have certain rights to access the personal information collected about them and can contact the MEO Share Registry by calling Link Market Services on 1800 990 363 if they wish to exercise those rights.

To the extent necessary to effect the Scheme, personal information may be disclosed to print and mail service providers, and to MEO and Neon and their respective advisers, authorised securities brokers and agents. MEO Shareholders who appoint an individual as their proxy, corporate representative or attorney to vote at the Scheme Meeting should inform that individual of the matters outlined above.

It is noted that all persons are entitled, under section 173 of the Corporations Act, to inspect and obtain a copy of the MEO Share Register, subject to certain limitations. This register contains personal information about MEO Shareholders.

No internet site is part of this Scheme Booklet

MEO and Neon each maintain websites at www.meoaustralia.com.au and www.neonenergy.com respectively. Any references in this Scheme Booklet to those or other websites are for information purposes only and do not form part of this Scheme Booklet.

Currency

Unless otherwise specified, a reference to 'A\$', '\$' or 'dollar' or 'cents' is to Australian currency, a reference to 'US\$' is to the currency of the United States and a reference to 'NZ\$' is to the currency of New Zealand.

Defined terms

Capitalised terms in this Scheme Booklet are defined in Section 11 (*Glossary*).

Times and dates

Unless otherwise stated, all times referred to in this Scheme Booklet are times in Melbourne, Victoria. All dates following the date of the Scheme Meeting are indicative only and are subject to the Court approval process, ASX approval and the satisfaction, or where applicable waiver, of the Conditions. See Section 9.1 (*Conditions to the Scheme*) for further information.

Date

This Scheme Booklet is dated Friday, 19 December 2014.

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Important dates and times

Date	Event
Wednesday, 5 November 2014	<ul style="list-style-type: none"> Announcement of the Scheme
Friday, 19 December 2014	<ul style="list-style-type: none"> First Court Date for approvals to convene Scheme Meeting and issue Scheme Booklet
Monday, 29 December 2014	<ul style="list-style-type: none"> Scheme Booklet and Notice of Meeting dispatched to MEO Shareholders
10.30am Saturday, 31 January 2015	<ul style="list-style-type: none"> Latest time and date for receipt of Proxy Forms for the Scheme Meeting
8.00pm Saturday, 31 January 2015	<ul style="list-style-type: none"> Time and date for determining eligibility to vote at the Scheme Meeting
10.30am Monday, 2 February 2015	<ul style="list-style-type: none"> Scheme Meeting of MEO Shareholders to vote on the Scheme

If MEO Shareholders approve the Scheme at the Scheme Meeting on Monday, 2 February 2015 the following indicative timetable will apply.

Date	Event
Thursday, 5 February 2015	<ul style="list-style-type: none"> Second Court Hearing for approval of the Scheme
Friday, 6 February 2015	<ul style="list-style-type: none"> Court order lodged with ASIC and Scheme takes effect (Effective Date) Last day of trading in MEO Shares Suspension of MEO Shares from trading on ASX
Monday, 9 February 2015	<ul style="list-style-type: none"> New Neon Shares commence trading on ASX on a deferred settlement basis
8.00pm Friday, 13 February 2015	<ul style="list-style-type: none"> Record Date for determining entitlement to receive Scheme Consideration (Record Date)
Friday, 20 February 2015	<ul style="list-style-type: none"> Implementation of the Scheme (Implementation Date) Scheme Shares transferred to Neon Neon issues Scheme Consideration Expected date of dispatch of holding statements for New Neon Shares
Monday, 23 February 2015	<ul style="list-style-type: none"> New Neon Shares commence trading on ASX on a normal settlement basis
Friday, 27 February 2015	<ul style="list-style-type: none"> Expected completed dispatch of holding statements for New Neon Shares

Unless stated otherwise, all times referred to in this Scheme Booklet are Melbourne time.

Dates and times are indicative only. MEO has the right (with Neon's consent and subject to any necessary approvals or orders from the Court) to vary any or all of these dates and times and will provide reasonable notice of any such variation. Any changes to the timetable will be announced on ASX and on MEO's website at www.meoaustralia.com.au.

Letter from the Chairman of MEO



Dear MEO Shareholder

On Wednesday, 5 November 2014, MEO announced a proposed merger of equals with Neon by way of a scheme of arrangement. The transaction will combine the cash resources and asset portfolios of the two companies to create an attractive and well-capitalised junior E&P company positioned for substantial growth. I am pleased to provide you with this Scheme Booklet which sets out the detail of the proposed merger with Neon and matters relevant to your vote on the Scheme.

If the Scheme is implemented, MEO Shareholders (other than Ineligible Overseas Shareholders) will receive 0.7369 New Neon Shares in exchange for each MEO Share held on the Record Date. Reflecting the nature of the transaction as a merger of equals, MEO Shareholders and Neon Shareholders will each hold 50% of the Merged Group and the Board of the Merged Group will have equal representation, comprising two MEO Directors and two Neon Directors.

It is proposed that my fellow MEO Directors, Stephen Hopley and Michael Sweeney, will be joining the Board of the Merged Group as Non-Executive Directors. It is also proposed that the current Managing Director of Neon, Ken Charsinsky, will also be a Non-Executive Director of the Merged Group and the Chairman will be Alan Stein, current Chairman of Neon and a founder of UK-listed Ophir Energy. The Chief Executive Officer of the Merged Group is proposed to be Peter Stickland, the former Chief Executive Officer and Managing Director of Tap Oil and former Exploration Manager of MEO. On 12 December 2014, MEO announced the appointment of Mr Stickland as the Chief Executive Officer of MEO with effect from 19 December 2014.

The MEO Directors and Neon Directors believe the Merged Group will be better positioned than either company as a standalone entity. Consolidation amongst emerging E&P companies is long overdue and makes strong strategic sense and the Scheme provides MEO Shareholders with the opportunity to retain exposure to a company with increased scale and capital to pursue value accretive growth opportunities.

The estimated pro forma cash balance of the Merged Group as at 31 October 2014 was approximately \$32.0 million¹, providing a strong platform from which to grow its combined asset and new venture portfolio as well as take advantage of business development opportunities in the E&P sector. The proposed merger will also result in a sharp reduction in the combined cost base of the Merged Group and a repositioning towards a production oriented growth strategy.

In an extremely difficult capital markets environment for junior E&P companies, this transaction will give MEO the potential to access substantial funding and is significantly more attractive than alternative pathways to raise an equivalent amount of capital.

The MEO Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal. Each MEO Director intends to vote in favour of the Scheme in relation to MEO Shares held or controlled by them, in the absence of a Superior Proposal.

This Scheme Booklet contains important information in relation to the Scheme, including the reasons for the MEO Directors' unanimous recommendation and the Independent Expert's Report prepared by KPMG Corporate Finance which concludes that the Scheme is fair and reasonable and therefore is in the best interests of MEO Shareholders.

Your vote is important and I encourage you to read this Scheme Booklet carefully and cast an informed vote at the Scheme Meeting to be held at 10.30am on Monday, 2 February 2015. If you are unable to attend the Scheme Meeting in person, I encourage you to vote by completing the personalised Proxy Form enclosed with this Scheme Booklet and returning it in accordance with the directions on the form so it is received by 10.30am (Melbourne time) on Saturday, 31 January 2015.

On behalf of the MEO Board, I reiterate our conviction in the benefits of the merger and look forward to working with the Neon Board and management to bring the transaction to a successful conclusion.

Yours sincerely,

Gregory Short
Chairman, MEO Australia Limited

1. As at 31 October 2014, being the last practicable date prior to the finalisation of this Scheme Booklet. Based on the Neon cash balance of approximately \$24.7 million (including cash on deposit and cash held in escrow – (see Section 5.5.2), totalling approximately \$5.6 million) and the MEO cash balance of approximately \$10.7 million less estimated combined transaction costs associated with the Scheme of approximately \$3.4 million (including GST).

Letter from the Chairman of NEON



Dear MEO Shareholder

I am pleased to present you with the opportunity to participate in the Scheme and become a shareholder in the Merged Group.

The Neon Board believes that the Scheme has a strong strategic rationale and that opportunities for future growth of the Merged Group are greatly improved, relative to the prospects of the two companies as independent entities.

Neon has recently emerged from a challenging period, but remains well funded as a result of the divestment of Neon's Californian oil assets earlier this year. Since that transaction was executed, Neon's Board and management have appraised various corporate growth opportunities, ultimately resulting in the execution of the Merger Implementation Agreement with MEO. Neon regards MEO as offering an attractive portfolio of E&P assets and new business opportunities that, with appropriate funding, have the potential to create significant value for the shareholders of both companies. The combination of Neon's cash assets, Australian exploration permit and new ventures opportunity pipeline with MEO's existing asset base provides a basis for significant future growth. Further, the merger provides an opportunity to materially reduce the combined corporate overheads of the two companies.

On behalf of the Neon Board, I trust that you will recognise the substantial benefits to be gained by both sets of shareholders, and will vote in favour of the Scheme. We very much look forward to working closely with the MEO Board to implement the merger, and to create significant value for all shareholders via prudent investment of the Merged Group's substantial cash assets.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Alan Stein".

Alan Stein
Chairman, Neon Energy Limited

Key reasons to vote in favour of or against the Scheme

Reasons why you should vote in favour of the Scheme	
	The Merged Group will be in a stronger financial position than MEO as a standalone entity
	The transaction creates an attractive combined E&P business positioned for growth
	The transaction represents an attractive pathway for MEO to access capital
	The Merged Group will realise substantial cost synergies
	The Merged Group will provide you with a more robust investment than MEO as a standalone entity
	The Independent Expert has concluded that the Scheme is fair and reasonable and therefore in the best interests of MEO Shareholders
	The MEO Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal

Reasons why you may choose not to vote in favour of the Scheme	
	You may disagree with the recommendation of the MEO Directors and the conclusions of the Independent Expert
	You may believe that a Superior Proposal will emerge for MEO
	If the Scheme is implemented, your exposure to MEO's assets will be diluted
	You may consider the investment profile of the Merged Group to be inferior to that of MEO
	The market price of New Neon Shares to be received as Scheme Consideration is not certain and will fluctuate

Action required by MEO Shareholders

READ THIS SCHEME BOOKLET CAREFULLY AND IN ITS ENTIRETY

You should read this Scheme Booklet carefully and in its entirety before making any decision on how to vote at the Scheme Meeting.

There are answers to some questions you may have in Section 3 (*Frequently asked questions*). In forming your opinion, you should also consider the advantages and disadvantages of the Scheme, including the information set out in Section 2 (*Directors' recommendation and matters relevant to your vote on the Scheme*), Section 7 (*Risk factors*) and Attachment B (*Independent Expert's Report and Technical Expert's Report*). However, this Scheme Booklet does not take into account the investment objectives, financial situation, taxation position or particular needs of any MEO Shareholder.

SEEK FURTHER INFORMATION

If you have any queries in relation to how the Scheme may affect your financial situation, tax situation, investment objectives or other particular needs, or are otherwise in doubt as to what you should do, you should consult your legal, financial, taxation or other professional adviser.

If you have any questions in relation to the Scheme or how to vote, you can call the MEO Shareholder Information Line on 1800 990 363 (within Australia) or +61 1800 990 363 (outside Australia) Monday to Friday between 8.30am and 5.30pm (Melbourne time).

Meeting details and how to vote

MEETING DETAILS

The Scheme Meeting will be held at The Institute of Chartered Accountants, Level 3, 600 Bourke Street, Melbourne, 3000 at 10.30am on Monday, 2 February 2015.

APPROVAL REQUIREMENTS

The Resolution must be approved by:

- i. a majority in number (more than 50%) of MEO Shareholders present and voting at the Scheme Meeting (whether in person, by proxy, by attorney or, in the case of corporate MEO Shareholders, by a corporate representative); and
- ii. at least 75% of the total number of votes cast on the Resolution at the Scheme Meeting (**Requisite Majorities**).

VOTING ENTITLEMENTS

MEO Shareholders who are registered as holders of MEO Shares at 8.00pm on Saturday, 31 January 2015 will be entitled to attend and vote at the Scheme Meeting.

Voting will be conducted by poll.

VOTING IN PERSON

To vote in person at the Scheme Meeting, MEO Shareholders must attend the Scheme Meeting.

If you cannot attend the Scheme Meeting, you may vote by proxy, attorney or if you are a body corporate, by appointing a corporate representative.

VOTING BY PROXY

A personalised proxy form is enclosed with this Scheme Booklet.

MEO Shareholders wishing to appoint a proxy to attend and vote at the Scheme Meeting must complete and return the MEO proxy form in accordance with the instructions on it.

You may complete the proxy form in favour of the Chairman of the Scheme Meeting or appoint up to two proxies to attend and vote on your behalf at the Scheme Meeting.

There are a number of ways a proxy form may be submitted.

Method	Instructions
Mail	Sent to the MEO Share Registry (using the reply paid envelope enclosed with this Scheme Booklet), addressed to: MEO Australia Limited c/- Link Market Services, Locked Bag A14, Sydney South, NSW 1235
Hand Delivery	Delivered during business hours to the MEO Share Registry at Link Market Services Limited at: Level 12, 680 George Street, Sydney, NSW 2000
Fax	Sent to (+612) 9287 0309
Online	Lodged at www.linkmarketservices.com.au

Proxy Forms must be received by the MEO Share Registry **by no later than 10.30am on Saturday, 31 January 2015**. As the Proxy Forms must be received by 10.30am on Saturday, 31 January 2015, if you are lodging a proxy via the post or by hand, ensure it is received by the MEO Share Registry by no later than 5.00pm Friday, 30 January 2015. If you have an attorney sign a proxy form on your behalf, the original or a certified copy of the power of attorney or other evidence of your attorney's authority must be received by the MEO Share Registry at the same time as the proxy form (unless previously provided to the MEO Share Registry).

MEO Shareholders executing and delivering a proxy have the power to revoke it by an instruction in writing. This instruction must be executed by the MEO Shareholder or by an authorised attorney and delivered to the registered office of MEO or in any other manner, and by the time, permitted by law.

VOTING BY ATTORNEY

MEO Shareholders may have an attorney attend and vote at the Scheme Meeting on their behalf. To be effective, a certified copy of the Power of Attorney, or the original Power of Attorney, must be received by MEO in the same manner, and by the same time as outlined for proxy forms above.

VOTING BY CORPORATE REPRESENTATIVE

MEO Shareholders who are bodies corporate may have a corporate representative attend and vote at the Scheme Meeting on their behalf. The appointment must comply with section 250D of the Corporations Act. Persons attending the Scheme Meeting as a corporate representative should bring to the meeting evidence of their appointment, including any authority under which the document appointing them as corporate representative was signed.

JOINT HOLDERS

In the case of MEO Shares held by joint holders, only one of the joint holders is entitled to vote. If more than one MEO Shareholder votes in respect of jointly held MEO Shares, only the vote of the MEO Shareholder whose name appears first in the MEO Share Register will be counted.

PROXY SOLICITATION AGENT

Link Market Services has been appointed by MEO to provide proxy solicitation and shareholder services. The fee payable to Link Market Services for these services is approximately A\$21,000 (excluding GST).

YOUR VOTE IS IMPORTANT

Voting is not compulsory. However, the MEO Directors believe that the Scheme is important to MEO Shareholders.

As a MEO Shareholder you have a say in whether Neon will acquire all of the issued shares in MEO. This is your opportunity to play a role in deciding the future of MEO.

The MEO Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal.

Section 1

Summary of the Scheme and update

1.1 BACKGROUND

This Scheme Booklet outlines the proposal being put to MEO Shareholders in relation to the Scheme, pursuant to which Neon will, subject to approval by MEO Shareholders and the Court, acquire all of the MEO Shares on issue.

1.2 MOSMAN PROPOSAL

On 11 December 2014, MEO received an unsolicited notice of intention to make an off-market takeover offer from Mosman Oil and Gas Limited ABN 90 150 287 111 (**Mosman**) to acquire 100% of the MEO Shares (**Mosman Proposal**). The Mosman Proposal indicates the intention of Mosman to offer one (1) Alternative Investment Market (**AIM**) listed Mosman share for every 20 MEO Shares on issue. Mosman has indicated that it anticipates dispatch of a bidder's statement in relation to the Mosman Proposal in February 2015, which will contain full details of the Mosman Proposal.

Based on this timing, an off-market takeover offer from Mosman pursuant to the Mosman Proposal will not be capable of acceptance until approximately mid-February 2015, which will be after the anticipated Effective Date, and will effectively be conditional such that the takeover offer will not proceed if the Scheme is implemented.

The Mosman Proposal was announced to ASX on 11 December 2014.

In response to the Mosman Proposal, MEO made an announcement to ASX on 15 December 2014 confirming that on the basis of the information provided to date, the MEO Board considers the Mosman Proposal to be inferior to the proposed merger with Neon on the terms set out in this Scheme Booklet.

In forming this view, the MEO Directors have considered the following important matters:

- i. the Mosman Proposal represents an implied value of approximately 1.65 cents per MEO share, representing a discount of approximately 13.1% to the last traded price of MEO shares on 11 December 2014, substantially below the implied value of 2.65 cents per MEO Share under the Scheme as at 11 December 2014;
- ii. Mosman had a reported cash balance of approximately \$6.3 million as at 30 June 2014, substantially below Neon's adjusted cash balance of approximately \$23.5 million as at 31 October 2014¹;
- iii. the Mosman Proposal is highly conditional, being subject to, among other conditions, approval of Mosman's shareholders and 90% minimum acceptance; and
- iv. Mosman is offering Mosman shares which are traded on AIM as opposed to ASX-traded Neon Shares being offered as Scheme Consideration.

The MEO Directors maintain their unanimous recommendation that you vote in favour of the Scheme, in the absence of a Superior Proposal, for the reasons set out in Section 2 (*Directors' recommendation and matters relevant to your vote on the Scheme*).

1.3 INFORMATION ON EVOWORLD

Evoworld Corporation Pty Ltd ACN 601 545 742 (**Evoworld**) is a privately held company incorporated as a special purpose vehicle for making an off-market proportional takeover offer for Neon.

Evoworld continues to be Neon's largest shareholder, holding 19.99% of outstanding Neon Shares.

Prior to announcement of the Scheme, Neon received an unsolicited proportional off-market takeover offer from Evoworld. Neon convened a general meeting of shareholders to vote on whether to approve the proportional takeover offer pursuant to applicable provisions in its constitution. Evoworld also requisitioned a general meeting of shareholders to consider resolutions to replace the existing Neon Directors with nominees of Evoworld.

The general meetings were held on 12 November 2014 and Neon Shareholders voted against the resolutions to approve Evoworld's proportional takeover offer and to replace the Neon Directors with appointees of Evoworld.

Evoworld's off-market proportional takeover offer has been automatically withdrawn.

On 13 November 2014, Neon announced to ASX that it had received a letter from Evoworld, giving notice under section 203D of the Corporations Act.

Attached to a letter to the Neon Company Secretary dated 12 December 2014, Evoworld provided a notice of meeting which purported to call a general meeting of Neon Shareholders on 14 January 2015 to consider six resolutions seeking to appoint Messrs Timothy Kestell, Peter Pynes and Ross Williams as Neon Directors and remove Messrs Lander, Charsinsky and Stein. The notice makes statements questioning the phrase "merger of equals" and suggests MEO's assets should be revalued given the falling oil price (please see Attachment B (*Independent Expert's Report and Technical Expert's Report*)). The notice provides no

1. As at 31 October 2014, being the last practicable date price for the finalisation of this Scheme Booklet. Based on Neon's cash balance of approximately \$24.7 million (including cash on deposit and cash held in escrow (see Section 5.5.2), totalling approximately \$5.6 million) less Neon's estimated transaction costs of the Scheme of approximately \$1.2 million (including GST).

statement as to the intentions of the proposed directors concerning the Scheme; however it does propose starting an on market buyback of Neon Shares to underpin the Neon Share Price. If this proposed buyback of Neon Shares occurred before 11.00am on the day of the Second Court Hearing without MEO's consent, it would constitute a Neon Prescribed Occurrence and breach the Merger Implementation Agreement, which would entitle MEO (but not require MEO) to terminate the Merger Implementation Agreement.

Evoworld has also commenced proceedings in the Supreme Court of Western Australia against Neon seeking orders in relation to the validity of voting at the requisitioned meeting on 12 November 2014.

On 18 December 2014 Neon announced that although defects in the notice of meeting provided by Evoworld may mean that it is invalid, the Board of Neon has determined that, in the circumstances, it is in the best interests of Neon that it exercises its power to postpone the meeting called by Evoworld until the later of:

- the determination or resolution of the Evoworld proceedings in the Supreme Court of Western Australia against Neon;
- Evoworld providing timely corrective disclosure that the Neon Board considers adequately addresses its concerns; and
- the determination of the Supreme Court of Victoria at the Second Court Hearing in relation to the proposed merger with MEO.

Neon is continuing to consider the defects in the notice and what action to take in order to appropriately protect the interests of Neon and its shareholders.

While there is no way of knowing with certainty what orders the Supreme Court of Western Australia will make, if any, in response to the Evoworld writ, and MEO and Neon make no comment on the likelihood or otherwise of any particular outcome, it is possible that orders could be made which:

- result in a change in the composition of the Neon Board (see below concerning MEO's intentions in relation to proceeding with the Merger Implementation Agreement in those circumstances); or
- impact the purported satisfaction of the Condition in clause 3.1(o)(2) of the Merger Implementation Agreement relating to the outcome of the requisitioned meeting, and so, pursuant to the Merger Implementation Agreement, Neon and MEO may need to discuss whether to waive that Condition. Evoworld's present position is that if a Neon Board is controlled by Evoworld, it is unlikely to agree to a waiver.

Neon intends to defend the proceedings and will keep the market informed of all material developments in relation to the conduct of the proceedings.

Neither the Merger Implementation Agreement nor the Scheme are conditional on the outcome of the resolutions that Evoworld has purported to convene for 14 January 2015.

Neon is obliged to comply with the Merger Implementation Agreement and the Deed Poll. MEO expects that Neon will honour all of its obligations under the Merger Implementation Agreement and expressly reserves its rights to take such action as it considers appropriate in this regard, given the surrounding circumstances at the time. In particular, if, following any general meeting called by Evoworld, any Neon Director makes a public statement indicating that they do not support the Scheme, Neon must pay MEO the Reimbursement Fee and MEO may (but would not be required to) terminate the Merger Implementation Agreement. As at the date of this Scheme Booklet, MEO does not intend to exercise any right to terminate the Merger Implementation Agreement in those circumstances, but it expressly reserves all of its rights in relation to any such termination right (including to terminate the Merger Implementation Agreement) if one arises.

There are a number risks associated with Evoworld's shareholding including Evoworld seeking to utilise this shareholding to propose another transaction to gain control of Neon or the Merged Group, or remove the Merged Group's directors and replace them with Evoworld appointees.

Neon announced on 18 December 2014 that it had received an unsolicited, indicative and non-binding approach from Evoworld that may lead to a Superior Proposal to the merger with MEO.

The Board of Neon is currently investigating the approach. However, it remains incomplete and non-binding and there is no certainty that a formal offer will be made or that a binding transaction will result, either at all or on terms that the Neon Board considers a Superior Proposal to the merger with MEO. Neon will continue to keep shareholders informed of all material developments. Under clause 13.1(b)(3) of the Merger Implementation Agreement if the Neon Board or a majority of the Neon Board has recommended a Superior Proposal to Neon Shareholders, and Neon has paid the Reimbursement Fee to MEO, Neon may terminate the Merger Implementation Agreement by written notice to MEO at any time before 11.00am on the day of the Second Court Hearing.

Alternatively, there is a risk that Evoworld seeks to divest its shareholding, which may adversely impact the price of Neon Shares, including any New Neon Shares that MEO Shareholders receive as Scheme Consideration.

If the Scheme is implemented, Evoworld's pro-forma shareholding in the Merged Group will reduce to approximately 10%. At this stage, Evoworld has not announced its intentions in relation to its shareholding in Neon in that scenario.

1.4 CONDITIONS

The Scheme is subject to a number of customary conditions precedent. The Conditions which remain outstanding as at the date of this Scheme Booklet are set out in Section 9.1 (*Conditions to the Scheme*).

The Scheme will become binding on MEO and MEO Shareholders only if all of the Conditions are satisfied or waived.

1.5 IMPLEMENTATION OF THE SCHEME

The proposed merger with Neon is to be implemented as a Court-ordered scheme of arrangement between MEO and MEO Shareholders. A scheme of arrangement is a statutory procedure that can be used to enable one company to acquire another company.

If the Scheme is implemented:

- i. Neon will acquire all of the MEO Shares;
- ii. MEO Shareholders (other than Ineligible Overseas Shareholders) will receive the Scheme Consideration in respect of each MEO Share they hold on the Record Date; and
- iii. MEO will become a subsidiary of Neon and subsequently be de-listed from ASX.

A copy of the Scheme of Arrangement is included as Attachment D. (*Scheme of Arrangement*)

1.6 RECORD DATE FOR THE SCHEME

MEO Shareholders (other than Ineligible Overseas Shareholders) who are registered as holders of MEO Shares on the Record Date will be entitled to receive the Scheme Consideration under the Scheme. The Record Date is expected to be Friday, 13 February 2015.

1.7 SCHEME CONSIDERATION

1.7.1 Overview of the Scheme Consideration

If the Scheme is implemented, each MEO Shareholder (other than Ineligible Overseas Shareholders) will receive 0.7369 New Neon Shares for each MEO Share they hold on the Record Date.

Ineligible Overseas Shareholders will not be issued with New Neon Shares. Further details of the Scheme arrangements for Ineligible Overseas Shareholders are set out in Section 1.10 (*Overseas MEO Shareholders*).

1.7.2 Rights and liabilities attaching to the Scheme Consideration

From the date of their issue, the New Neon Shares received as Scheme Consideration will rank equally in all respects with the existing Neon Shares and will be fully paid and free from any encumbrance. The rights and liabilities attaching to the New Neon Shares will be governed by the Neon constitution, subject to the Corporations Act and the Listing Rules. A summary of the key terms of the Neon constitution relevant to rights and liabilities attaching to the New Neon Shares is contained in Section 10.1 (*Rights and liabilities attaching to New Neon Shares*).

1.7.3 Timing of receipt of the Scheme Consideration

It is expected that:

- i. all MEO Shareholders who receive New Neon Shares will have their names entered on the Neon Share Register on the Implementation Date, expected to be Friday, 20 February 2015;
- ii. holding statements for MEO Shareholders' entitlements to New Neon Shares will be dispatched to MEO Shareholders by no later than five Business Days after the Implementation Date. Those holding statements will be sent by prepaid post to the MEO Shareholders' addresses as listed in the MEO Share Register on the Record Date; and
- iii. New Neon Shares are expected to commence trading on ASX on a deferred settlement basis from Monday, 9 February 2015 and thereafter on a normal settlement basis from Monday, 23 February 2015.

1.7.4 Fractional entitlements

If a MEO Shareholder becomes entitled to a fraction of a New Neon Share, the number of New Neon Shares issued (or, in the case of Ineligible Overseas Shareholders, the number of New Neon Shares the Sale Agent will receive for sale on their behalf) will be rounded down to the nearest whole number of New Neon Shares.

1.8 MEO OPTIONS AND MEO PERFORMANCE RIGHTS

As at the date of this Scheme Booklet, MEO had 14,730,000 MEO Options and 350,000 MEO Performance Rights on issue.

As provided for under the Merger Implementation Agreement, MEO and Neon have entered into deeds with each of the holders of MEO Options and MEO Performance Rights pursuant to which:

- i. each MEO Option Holder has agreed to cancel their MEO Options (to the extent they have not otherwise lapsed) in exchange for the amounts set out in Section 10.12 (*Consideration to be provided to MEO Option Holders and MEO Performance Rights Holders*); and
- ii. the MEO Performance Rights Holder has agreed to cancel his MEO Performance Rights (to the extent they have not otherwise lapsed) for nil consideration.

The deeds provide that holders will receive their consideration for the cancellation as soon as practicable after the Implementation Date.

The cancellation of the MEO Options and MEO Performance Rights is subject to the Scheme becoming Effective. A portion of the MEO Options will be cancelled for consideration and the cancellation of these options is therefore also subject to ASX granting a waiver from Listing Rule 6.23.2. This waiver has been granted by ASX. See Section 10.23 (*ASX waiver*) for further details.

1.9 MEO AMERICAN DEPOSITARY RECEIPTS

Under the MEO American Depositary Receipts (ADR) program, custodians hold the MEO Shares underlying the ADRs non-beneficially and on behalf of the ADR holders (being foreign residents). In respect of the underlying MEO Shares, ADR custodians will be treated as Ineligible Overseas Shareholders. That is, rather than issuing New Neon Shares to the custodians as Scheme Consideration, Neon will issue the Neon Shares that would have been issued to the custodians to the Sale Agent. See Section 1.11 (*Sale process for Ineligible Overseas Shareholders*) for further details.

On or around the Implementation Date, MEO will issue notice to terminate the ADR program, and the holders of the ADRs must follow the process set out in the Deposit Agreement to surrender their ADRs and receive the underlying Cash Proceeds (net of any fees and commissions payable to the custodians and depositary).

1.10 OVERSEAS MEO SHAREHOLDERS

A MEO Shareholder who is recorded in the MEO Share Register at the Record Date as having a registered address outside Australia and its external territories and New Zealand, or who is known by MEO to be (or who is known by MEO to be holding MEO Shares on behalf of) a citizen or resident of a jurisdiction other than residents of Australia and its external territories and New Zealand, will be an Overseas MEO Shareholder for the purposes of the Scheme. All Overseas MEO Shareholders are entitled to vote at the Scheme Meeting.

Restrictions in foreign countries may make it impractical or unlawful for Neon to issue New Neon Shares to some Overseas MEO Shareholders. Accordingly, some Overseas MEO Shareholders may not be able to receive New Neon Shares under the Scheme.

Pursuant to clause 5.3 of the Scheme, Neon is under no obligation to issue New Neon Shares as consideration to any Overseas MEO Shareholder, unless Neon determines that the laws of a particular foreign holder's country of residence (as shown in the MEO Share Register) would permit the issue and allotment of New Neon Shares to that foreign holder, either unconditionally or after compliance with conditions which Neon in its sole discretion regards as not unduly onerous or impractical.

1.11 SALE PROCESS FOR INELIGIBLE OVERSEAS SHAREHOLDERS

The New Neon Shares that would have been issued to these Ineligible Overseas Shareholders will be issued to the Sale Agent on the Implementation Date.

Neon will procure that, as soon as reasonably practicable after the Implementation Date, the Sale Agent sells or procures the sale on ASX of all of the New Neon Shares issued to the Sale Agent (in relation to Ineligible Overseas Shareholders) in such manner, at such price and on such other terms as the Sale Agent determines in good faith. The Sale Agent will remit to MEO the proceeds of the sale after deduction of any applicable brokerage and other selling costs, taxes and charges (Cash Proceeds). The amount of brokerage deducted is not expected to exceed 1% of the gross proceeds of the sale.

MEO must then promptly pay (and, in any event, within eight weeks after the Implementation Date) to the Ineligible Overseas Shareholders their pro rata proportion of the Cash Proceeds of the sale of the relevant New Neon Shares.

Under the Scheme, Ineligible Overseas Shareholders appoint MEO as their agent to receive any financial services guide or other notice given by the Sale Agent. Copies of any document MEO receives from the Sale Agent as agent for the Ineligible Overseas Shareholders can be obtained by emailing admin@meoaustralia.com.au.

MEO, Neon and the Sale Agent give no assurance as to the price that will be achieved for the sale of the New Neon Shares. The Cash Proceeds that Ineligible Overseas Shareholders receive may be more or less than the current market value of Neon Shares after deducting any applicable brokerage and other costs.

Ineligible Overseas Shareholders are not required to make an election to participate in the Sale Agent process.

1.12 TAXATION IMPLICATIONS

The transfer of MEO Shares pursuant to the Scheme may be a taxable transaction. MEO Shareholders should seek their own professional advice regarding the individual tax consequences applicable to them. Where a capital gain arises, Australian resident MEO Shareholders may be eligible to receive capital gains tax rollover relief in respect of the disposal of their MEO Shares for the Scheme Consideration which they will receive in the form of New Neon Shares. See Section 8 (*Australian taxation considerations*) for further details.

1.13 BROKERAGE AND STAMP DUTY

No brokerage or stamp duty will be payable by MEO Shareholders (other than Ineligible Overseas Shareholders) on the transfer of their MEO Shares to Neon under the Scheme or the issue by Neon to them of New Neon Shares as Scheme Consideration.

Section 2

Directors' recommendation and matters relevant to your vote on the Scheme

2.1 THE MEO DIRECTORS' RECOMMENDATION

The MEO Directors, being Messrs Gregory Short, Stephen Hopley, Michael Sweeney and Jürgen Hendrich, unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal. Each MEO Director intends to vote in favour of the Scheme in relation to MEO Shares held or controlled by them, in the absence of a Superior Proposal.

The MEO Directors have formed their conclusion and made their recommendation based on the matters summarised in this section. The MEO Directors have also had regard to the risks associated with the Scheme outlined in Section 7 (*Risk factors*) and the Independent Expert's Report contained in Attachment B (*Independent Expert's Report and Technical Expert's Report*).

2.2 REASONS WHY YOU SHOULD VOTE IN FAVOUR OF THE SCHEME

The following is a summary of the reasons why you should vote in favour of the Scheme and is qualified by the detailed information contained in this Scheme Booklet.

2.2.1 The Merged Group will be in a stronger financial position than MEO as a standalone entity

The Merged Group will have a robust balance sheet with a pro forma net cash position of \$32.0 million¹ as at 31 October 2014. This compares to MEO's cash balance of \$10.7 million².

In a constrained funding environment, the Merged Group's financial position will place it at a distinct advantage to other junior ASX listed E&P companies, with the ability to pursue a substantial growth strategy.

2.2.2 The transaction creates an attractive new E&P company positioned for growth

The transaction represents a compelling proposition to MEO Shareholders by providing exposure to a larger and financially stronger E&P investment vehicle. The Merged Group will be positioned for growth from the combined asset and new ventures portfolios as well as further business development opportunities within the E&P sector.

Following implementation of the Scheme, the Merged Group intends to pursue a production oriented growth strategy with the aim of transforming into a robust and cash generative junior E&P company.

In addition to enabling the diverse portfolio of existing projects to be progressed, the capital position of the Merged Group will provide a strong platform from which to take advantage of acquisition opportunities in what the MEO Directors believe will be an increasingly attractive market for buyers of E&P assets following recent declines in the price of crude oil.

The combination of the considerable skills and technical expertise of the two companies is expected to provide the Merged Group with the ability to identify value accretive growth opportunities that arise.

2.2.3 The transaction represents an attractive pathway for MEO to access capital

While Neon has its own exploration asset, the Scheme will create a well-funded Merged Group. The Scheme represents a potential opportunity for MEO to access the substantial cash reserves of Neon under significantly more attractive terms than alternative pathways to raise an equivalent level of capital. As at 31 October 2014, Neon had an adjusted cash balance of approximately \$23.5 million³.

In the current challenging funding environment for junior resources companies, the MEO Directors consider it unlikely that MEO could access an equivalent level of funding through capital markets and that any funding available would likely need to be raised at a substantial discount to the prevailing MEO Share Price.

1. As at 31 October 2014 being the last practicable date prior to the finalisation of this Scheme Booklet. Based on the Neon cash balance of approximately \$24.7 million (including cash on deposit and cash held in escrow (see Section 5.5.2), totalling approximately \$5.6 million) and the MEO cash balance of approximately \$10.7 million, less estimated combined transaction costs of the Scheme of approximately \$3.4 million (including GST).

2. As at 31 October 2014, being the last practicable date prior to the finalisation of this Scheme Booklet. Based on the MEO cash balance of approximately \$10.7 million, without adjusting for MEO's estimated transaction costs of the Scheme of approximately \$0.8 million (including GST) in the event the Scheme does not proceed.

3. As at 31 October 2014, being the last practicable date prior to the finalisation of this Scheme Booklet. Based on the Neon cash balance of approximately \$24.7 million (including cash on deposit and cash held in escrow (see Section 5.5.2), totalling approximately \$5.6 million) less Neon's estimated transaction costs of the Scheme of approximately \$1.2 million (including GST).

2.2.4 The Merged Group will realise substantial cost synergies

The Merged Group has an opportunity to achieve substantial cost savings through rationalisation of the combined corporate structure.

Consistent with maintaining a strong financial position, the Merged Group will substantially reduce combined annual corporate overheads, targeting a reduction from approximately \$8.5 million to approximately \$3.5 million per annum.

In addition to the elimination of duplication of compliance and listing costs, the transaction is expected to result in a material reduction in the head count of the Merged Group without materially impacting its capability to pursue and capture value accretive growth opportunities.

Costs savings are expected to be achieved, among other methods, by:

- moving from two ASX listed companies to one ASX listed company with a commensurate cost reduction including directors fees, ASX fees, share registry costs, annual general meeting costs and external audit fees;
- consolidation of two corporate offices into one Melbourne based office. MEO recently reduced office space by 50% by relocating the corporate office from Level 23, 500 Collins Street to Level 20, 500 Collins Street. The lease for the Neon office will expire 31 January 2015 (noting Neon has requested a 2 month extension of the existing lease);
- implementing a redundancies program thereby reducing the number of full time equivalent employees and utilising technical and commercial staff on a part time basis rather than full time basis; and
- reducing other business costs including computing, travel and legal related costs through consolidation of two corporate offices.

The reduction in combined overheads for the Merged Group excludes one-off costs associated with redundancies and lease "make-good" provisions.

2.2.5 The Merged Group will provide you with a more robust investment than MEO as a standalone entity

The increased scale of the Merged Group has the potential to enhance the level of attention from market analysts and investors seeking exposure to the oil and gas sector and may lead to increased liquidity in the Merged Group's shares.

With a larger market value and free float, the Merged Group may have greater access to capital markets and to growth opportunities which are unlikely to be available to MEO as a standalone entity.

2.2.6 The Independent Expert has concluded that the Scheme is fair and reasonable and therefore is in the best interests of MEO Shareholders

MEO commissioned the Independent Expert, KPMG Corporate Finance, to prepare a report on whether the Scheme is in the best interests of MEO Shareholders.

The Independent Expert has concluded that the Scheme is fair and reasonable and therefore is in the best interests of MEO Shareholders.

2.2.7 The MEO Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal

The MEO Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal. Each MEO Director intends to vote in favour of the Scheme in relation to MEO Shares held or controlled by them, in the absence of a Superior Proposal.

The MEO Directors have formed their conclusion and made their recommendation based on the matters outlined in this Section. The MEO Directors have also had regard to the risks associated with the Scheme outlined in Section 7 (*Risk factors*) and the Independent Expert's Report contained in Attachment B (*Independent Expert's Report and Technical Expert's Report*).

Regardless of how many MEO Shares you own, your vote is important to ensure that the Scheme is implemented so that the benefits associated with the transaction can be delivered for all MEO Shareholders.

2.3 REASONS WHY YOU MAY CHOOSE NOT TO VOTE IN FAVOUR OF THE SCHEME

The following is a summary of the reasons why you may choose not to vote in favour of the Scheme and is qualified by the detailed information contained in this Scheme Booklet.

2.3.1 You may disagree with the recommendation of the MEO Directors and the conclusions of the Independent Expert

Notwithstanding the unanimous recommendation of the MEO Directors and the conclusions of the Independent Expert, you may believe that the Scheme is not in your best interests.

The MEO Directors and the Independent Expert have made judgements based on future conditions and events which are not predictable with certainty and which may prove to be inaccurate (either positively or negatively).

You may hold a different view from, and are not obliged to follow the recommendation of, the MEO Directors, and may not agree with the Independent Expert's conclusions.

2.3.2 You may believe that a Superior Proposal will emerge for MEO

It is possible that a Superior Proposal for MEO, which is more attractive for MEO Shareholders than the Scheme, will emerge in the future. The implementation of the Scheme may mean that MEO Shareholders would not obtain the benefit of any such proposal.

The MEO Directors have not received such a Superior Proposal since MEO and Neon announced the Scheme, despite the significant period of time for such a proposal to emerge. If a Superior Proposal emerges, this will be announced to ASX and the MEO Directors will carefully reconsider the Scheme and advise you of their recommendation.

2.3.3 You may believe the Mosman Proposal is more attractive

You may consider the Mosman Proposal to be a more attractive investment opportunity than the Scheme and implementation of the Scheme will mean that MEO Shareholders would not obtain the benefit of the Mosman Proposal, given it is conditional on MEO announcing that it will not proceed with the Scheme for any reason.

The MEO Board considers the Mosman Proposal to be inferior to the proposed merger with Neon for the reasons set out at Section 1.2 (*Mosman Proposal*).

2.3.4 If the Scheme is implemented, your exposure to MEO's assets will be diluted

If the Scheme is implemented, MEO Shareholders will own 50% of the Merged Group. While MEO Shareholders will maintain an exposure to MEO's existing assets, these interests will be diluted as part of the Merged Group in exchange for gaining exposure to 50% of the Neon assets.

You may not wish your exposure to MEO's existing assets to be diluted at all, or may not consider that the assets that you gain exposure to through the transaction provide sufficient consideration to you in exchange for this dilution.

2.3.5 You may consider the investment profile of the Merged Group to be inferior to that of MEO

As the primary asset of Neon is cash, the operating profile of the Merged Group will remain largely unchanged (but for the addition of the 100% working interest of Neon as operator in the WA-503-P exploration permit) relative to MEO as a standalone entity. However, other aspects of the investment profile including the strategy, new ventures opportunity portfolio, capital structure, ownership and board and management will change.

It is possible that you wish to maintain an interest in MEO as a standalone entity because you are seeking an investment in a publicly listed company with the specific characteristics of MEO. You may consider such a change to be a disadvantage.

2.3.6 The market price of New Neon Shares to be received as Scheme Consideration is not certain and will fluctuate

If the Scheme is implemented, MEO Shareholders (other than Ineligible Overseas Shareholders) will receive Scheme Consideration in the form of New Neon Shares. The exact market value of the Scheme Consideration that will be issued will depend on the price at which the New Neon Shares trade on ASX after the Implementation Date.

Following implementation of the Scheme, the Merged Group's share price may fluctuate based on market conditions and the Merged Group's financial and operational performance. If the Merged Group's share price falls, the value of those New Neon Shares received by MEO Shareholders (other than Ineligible Overseas Shareholders) as Scheme Consideration will decline in value.

2.3.7 Transaction and other costs

If the Scheme is implemented, the costs of the transaction payable by MEO is currently expected to be approximately \$2.2 million (including GST). This includes financial advisory, legal, accounting, tax and administrative fees, Independent Expert fees, Scheme Booklet design and printing, share registry and other expenses. It does not include transaction costs that may be payable by Neon.

MEO estimates that it will have incurred or committed transaction costs of approximately \$0.8 million (including GST) prior to the Scheme Meeting. These costs will be payable regardless of whether or not the Scheme is implemented.

2.4 OTHER RELEVANT CONSIDERATIONS

2.4.1 Implications for MEO if the Scheme is not implemented

If the Scheme does not proceed:

- i. MEO will remain listed on ASX;
- ii. MEO Shareholders will retain their MEO Shares; and
- iii. MEO Shareholders will not receive the Scheme Consideration.

If the Scheme does not proceed and no Superior Proposal for MEO is received, MEO will consider alternative strategic options for the Company. MEO Directors consider the Scheme to be the most attractive transaction currently available to MEO and there is no guarantee that any of the other funding initiatives will be successful or be accessible on terms as attractive as the Scheme.

If MEO remains as a standalone entity, it may need to secure additional funding from alternative sources to develop existing assets and take advantage of new business opportunities. In these circumstances, it is expected that MEO will investigate a range of possible transactions with alternative parties to assist with any funding requirements it may have.

See Section 7.3 (*Risks to MEO if the Scheme does not proceed*) for further details.

2.4.2 Reimbursement Fee under the Merger Implementation Agreement

Under the Merger Implementation Agreement entered into between MEO and Neon, a Reimbursement Fee of \$400,000 may become payable by MEO to Neon, or by Neon to MEO, in certain circumstances. These include where MEO or Neon terminates the Merger Implementation Agreement for material breach or where a MEO Competing Proposal or Neon Competing Proposal is accepted. Failure of MEO Shareholders to approve the Scheme at the Scheme Meeting will not trigger a Reimbursement Fee.

Further details of the circumstances in which a Reimbursement Fee may become payable are set out in Section 9.9.3 (*Reimbursement Fee*).

Section 3

Frequently asked questions

This section sets out answers to frequently asked questions that MEO Shareholders may have in relation to the Scheme. This information is a summary only and should be read in conjunction with the detailed information set out in the remainder of this Scheme Booklet.

Question	Answer	Further information
Overview of this Scheme Booklet		
Why have I received this Scheme Booklet?	This Scheme Booklet has been sent to you because you are a MEO Shareholder and you are being asked to vote on the Scheme. This Scheme Booklet is intended to help you to consider and decide on how to vote on the Scheme at the Scheme Meeting.	
What is the Scheme I am being asked to consider?	The Scheme is a proposed transaction whereby the businesses of MEO and Neon are merged into a single company listed on ASX (Merged Group). This transaction is proposed to be implemented as a Court-ordered scheme of arrangement between MEO and MEO Shareholders, which is subject to the satisfaction of certain Conditions.	Section 1 (<i>Summary of the Scheme and update</i>)
Who is Neon?	Neon is an oil and gas exploration company, incorporated in Australia and listed on ASX. Neon's major assets are its substantial cash balance of \$23.5 million ¹ and a 100% working interest as Operator in the WA-503-P exploration permit, located offshore in Western Australia. As at Thursday, 18 December 2014, being the last practicable date before the date of the Scheme Booklet, Neon had 553,037,848 shares on issue and a market capitalisation of approximately \$20 million.	Section 5 (<i>Profile of Neon</i>)
What will be the effect of the Scheme?	If the Scheme is implemented: i. Neon will acquire all of the MEO Shares; ii. MEO Shareholders (other than Ineligible Overseas Shareholders) will receive the Scheme Consideration in respect of each MEO Share they hold on the Record Date; and iii. MEO will become a subsidiary of Neon and subsequently be de-listed from ASX.	Section 1 (<i>Summary of the Scheme and update</i>)
What is a scheme of arrangement?	A scheme of arrangement is a statutory procedure that can be used to enable one company to acquire another company. The Scheme of Arrangement requires, amongst other things, a vote in favour by the Requisite Majorities of MEO Shareholders and Court approval.	Section 1 (<i>Summary of the Scheme and update</i>)
Is this a takeover offer?	The Scheme is not a takeover offer, it is a scheme of arrangement. However, if the Scheme is implemented, the outcome will be similar to a successful 100% takeover offer in that all of the MEO Shares will be transferred to Neon.	

1. As at 31 October 2014, being the last practicable date prior to the finalisation of this Scheme Booklet. Based on the Neon cash balance of approximately \$24.7 million (including cash on deposit and cash held in escrow (see Section 5.5.2), totalling approximately \$5.6 million) less Neon's estimated transaction costs of the Scheme of approximately \$1.2 million (including GST).

Question	Answer	Further information
What should I do?	<p>You should read this Scheme Booklet carefully and in its entirety.</p> <p>Based on this information and any advice you may receive, you should determine how you wish to vote on the Scheme and vote at the Scheme Meeting (whether in person or by proxy, attorney or, in the case of bodies corporate, corporate representative).</p> <p>If you have any queries in relation to how the Scheme may affect your financial situation, investment objectives or other particular needs, or are otherwise in doubt as to what you should do, you should consult your legal, financial, taxation or other professional adviser.</p>	<p>Page vii <i>(Action required by MEO Shareholders)</i></p> <p>Page viii <i>(Meeting details and how to vote)</i></p>
Scheme Consideration		
What will I receive if the Scheme is implemented?	If the Scheme is implemented, MEO Shareholders (other than Ineligible Overseas Shareholders) will receive Scheme Consideration of 0.7369 New Neon Shares for each MEO Share they hold on the Record Date.	Section 1.7 <i>(Scheme Consideration)</i>
Is Neon bound to provide the Scheme Consideration?	<p>Under the Deed Poll, Neon has undertaken in favour of each MEO Shareholder to, among other things, provide the Scheme Consideration in accordance with the terms of the Scheme (subject to the Scheme becoming Effective).</p> <p>Under clause 8.5 of the Scheme, MEO Shareholders appoint MEO and its directors, officers and secretaries as their agent and attorney to enforce the Deed Poll on their behalf, with such appointment to take effect upon the Scheme becoming Effective.</p>	<p>Attachment D <i>(Scheme of Arrangement)</i></p> <p>Attachment E <i>(Deed Poll)</i></p>
Can I choose to receive cash instead of New Neon Shares?	<p>No. There is no option for MEO Shareholders to receive cash instead of New Neon Shares.</p> <p>However, once you have received your New Neon Shares, you may sell some or all of those shares on ASX.</p> <p>Alternatively, you may elect to sell your existing MEO Shares so you are not on the MEO Share Register on the Record Date.</p>	
Do I need to make any payments to participate in the Scheme?	No.	
Do I have to pay a brokerage fee or stamp duty to participate in the Scheme?	No, unless you are an Ineligible Overseas Shareholder.	Section 1.13 <i>(Brokerage and stamp duty)</i>
Do I need to do or sign anything to transfer my MEO Shares?	No. If the Scheme becomes Effective (which requires MEO Shareholders to vote to approve the Scheme by the Requisite Majorities, among other things), MEO will automatically have authority to sign a transfer document on behalf of MEO Shareholders, who will then receive the Scheme Consideration in New Neon Shares (other than Ineligible Overseas Shareholders who will receive Cash Proceeds).	
When will I receive the Scheme Consideration?	<p>The names of MEO Shareholders (other than Ineligible Overseas Shareholders) will be entered in the Neon Share Register in respect of the New Neon Shares issued as Scheme Consideration on the Implementation Date, which is expected to be on or about Friday, 20 February 2015.</p> <p>Holding statements in relation to New Neon Shares will be dispatched on the Implementation Date (other than Ineligible Overseas Shareholders who will receive Cash Proceeds).</p>	<p>Page iii <i>(Important dates and times)</i></p> <p>Section 9 <i>(Detailed information about the Scheme)</i></p>

Question	Answer	Further information
Will I be able to trade the New Neon Shares on ASX?	Neon Shares currently trade on ASX and the New Neon Shares are expected to trade on ASX if the Scheme is implemented. It is expected that you will be able to trade the New Neon Shares on a deferred settlement basis commencing on or about Monday, 9 February 2015 and on a normal settlement basis commencing on or about Monday, 23 February 2015.	Section 9 <i>(Detailed information about the Scheme)</i>
How will fractional shares be treated?	If, pursuant to the calculation of your Scheme Consideration, you would be entitled to a fraction of a New Neon Shares, the number of New Neon Shares to which you would be entitled will, after aggregating all of your holdings of MEO Shares, be rounded down to the nearest whole number of New Neon Shares.	Section 1.7.4 <i>(Fractional entitlements)</i>
Can I keep my MEO Shares?	If the Scheme is implemented, your MEO Shares will be transferred to Neon. This will be the case even if you did not vote or you voted against the Scheme.	
Can I sell my MEO Shares on ASX?	You can sell your MEO Shares on ASX prior to the Effective Date, which is expected to be Friday, 6 February 2015. However, you will not be able to do so after the Effective Date. If you sell your MEO Shares on ASX: i. you may pay brokerage on the sale; ii. you will not share in any of the potential benefits of owning shares in the Merged Group; and iii. there may be different tax consequences for you compared to those that would arise under the implementation of the Scheme.	
What if I am an Overseas MEO Shareholder?	If you are an Overseas MEO Shareholder who is an Ineligible Overseas Shareholder, on implementation of the Scheme the number of New Neon Shares to which you would have otherwise be entitled under the Scheme will be issued to the Sale Agent. The Sale Agent will sell those Neon Shares as soon as reasonably practicable after the Implementation Date and, through MEO, will remit to you the Cash Proceeds received. Other Overseas MEO Shareholders will receive the Scheme Consideration in the form of New Neon Shares. Overseas MEO Shareholders should refer to Section 1.10 (<i>Overseas MEO Shareholders</i>) to determine whether they will be an Ineligible Overseas Shareholder.	Section 1.10 <i>(Overseas MEO Shareholders)</i> Section 1.11 <i>(Sale process for Ineligible Overseas Shareholders)</i>
Reasons to vote for or against the Scheme and risks associated with the Scheme		
What are the reasons why I should vote in favour of the Scheme?	The reasons why you should vote in favour of the Scheme are that: i. the Merged Group will be in a stronger financial position than MEO as a standalone entity; ii. the transaction creates an attractive new E&P group positioned for growth; iii. the transaction represents an attractive pathway for MEO to access capital; iv. the Merged Group will realise substantial cost synergies; v. the Merged Group will provide you with a more robust investment than MEO as a standalone entity; vi. the Independent Expert has concluded that the Scheme is fair and reasonable and therefore in the best interests of MEO Shareholders; and vii. the MEO Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal.	Section 2.2 <i>(Reasons why you should vote in favour of the Scheme)</i>

Question	Answer	Further information
What are the reasons why I may choose not to vote in favour of Scheme?	<p>The reasons why you may choose not to vote in favour of the Scheme are that:</p> <ul style="list-style-type: none"> i. you may disagree with the recommendation of the MEO Directors and the conclusions of the Independent Expert; ii. you may believe that a Superior Proposal will emerge for MEO; iii. you may believe the Mosman Proposal is more attractive; iv. if the Scheme is implemented, your exposure to MEO's assets will be diluted; v. you may consider the investment profile of the Merged Group to be inferior to that of MEO; and vi. the market price of New Neon Shares to be received as Scheme Consideration is not certain and will fluctuate. 	Section 2.3 <i>(Reasons why you may choose not to vote in favour of the Scheme)</i>
What are the potential risks associated with the Scheme?	<p>Investment in the Merged Group will be subject to a range of risks that may adversely affect its future operating or financial performance, prospects, investment returns or value of its securities.</p> <p>The key risks associated with the Scheme are, in summary:</p> <ul style="list-style-type: none"> i. a Superior Proposal may emerge for MEO; ii. you may consider the investment profile for the Merged Group to be inferior to that of MEO as a standalone entity; iii. the market price of New Neon Shares to be received as Scheme Consideration is not certain and will fluctuate; iv. the consequences of Evoworld's shareholding in Neon may adversely affect the Merged Group; and v. there may be adverse tax consequences as a result of the Scheme for MEO Shareholders. <p>There are also implementation risks associated with the Scheme, risks if the Scheme does not proceed and investment, operational and legal and regulatory risks.</p> <p>A detailed description of the risks associated with the Scheme is set out in Section 7 <i>(Risk factors)</i>.</p>	Section 7 <i>(Risk factors)</i>
Who is Evoworld?	<p>Evoworld Corporation Pty Ltd ACN 601 545 742 (Evoworld) is a privately held company incorporated as a special purpose vehicle for making an off-market proportional takeover offer for Neon.</p> <p>Evoworld continues to be Neon's largest shareholder, holding 19.99% of outstanding Neon Shares.</p>	Section 7.1.5 <i>(Risks associated with Evoworld's shareholding in Neon)</i>
What has Evoworld proposed in relation to Neon?	<p>Prior to announcement of the Scheme, Neon received an unsolicited proportional off-market takeover offer from Evoworld. Neon convened a general meeting of shareholders to vote on whether to approve the proportional takeover offer pursuant to applicable provisions in its constitution. Evoworld also requisitioned a general meeting of shareholders to consider resolutions to replace the existing Neon Directors with nominees of Evoworld.</p> <p>The general meetings were held on 12 November 2014 and Neon Shareholders voted against the resolutions to approve Evoworld's proportional takeover offer and to replace the Neon Directors with appointees of Evoworld.</p> <p>Evoworld's off-market proportional takeover offer has been automatically withdrawn.</p>	Section 7.1.5 <i>(Risks associated with Evoworld's shareholding in Neon)</i>

Question	Answer	Further information
<p>How does Evoworld's presence on the Neon Share Register present risks to the Scheme?</p>	<p>On 13 November 2014, Neon announced to ASX that it had received a letter from Evoworld, giving notice under section 203D of the Corporations Act.</p> <p>Attached to a letter to the Neon Company Secretary dated 12 December 2014, Evoworld provided a notice of meeting which purported to call a general meeting of Neon Shareholders on 14 January 2015 to consider six resolutions seeking to appoint Messrs Timothy Kestell, Peter Pynes and Ross Williams as Neon Directors and remove Messrs Lander, Charsinsky and Stein. The notice makes statements questioning the phrase "merger of equals" and suggests MEO's assets should be revalued given the falling oil price (please see Attachment B (<i>Independent Expert's Report and Technical Expert's Report</i>)). The notice provides no statement as to the intentions of the proposed directors concerning the Scheme; however it does propose starting an on market buyback of Neon Shares to underpin the Neon Share Price. If this proposed buyback of Neon Shares occurred before 11.00am on the day of the Second Court Hearing without MEO's consent, it would constitute a Neon Prescribed Occurrence and breach the Merger Implementation Agreement, which would entitle MEO (but not require MEO) to terminate the Merger Implementation Agreement.</p> <p>Evoworld has also commenced proceedings in the Supreme Court of Western Australia against Neon seeking orders in relation to the validity of voting at the requisitioned meeting on 12 November 2014.</p> <p>On 18 December 2014 Neon announced that although defects in the notice of meeting provided by Evoworld may mean that it is invalid, the Board of Neon has determined that, in the circumstances, it is in the best interests of Neon that it exercises its power to postpone the meeting called by Evoworld until the later of:</p> <ul style="list-style-type: none"> • the determination or resolution of the Evoworld proceedings in the Supreme Court of Western Australia against Neon; • Evoworld providing timely corrective disclosure that the Neon Board considers adequately addresses its concerns; and • the determination of the Supreme Court of Victoria at the Second Court Hearing in relation to the proposed merger with MEO. <p>Neon is continuing to consider the defects in the notice and what action to take in order to appropriately protect the interests of Neon and its shareholders.</p> <p>While there is no way of knowing with certainty what orders the Supreme Court of Western Australia will make, if any, in response to the Evoworld writ, and MEO and Neon make no comment on the likelihood or otherwise of any particular outcome, it is possible that orders could be made which:</p> <ul style="list-style-type: none"> • result in a change in the composition of the Neon Board (see below concerning MEO's intentions in relation to proceeding with the Merger Implementation Agreement in those circumstances); or • impact the purported satisfaction of the Condition in clause 3.1(o)(2) of the Merger Implementation Agreement relating to the outcome of the requisitioned meeting, and so, pursuant to the Merger Implementation Agreement, Neon and MEO may need to discuss whether to waive that Condition. Evoworld's present position is that if a Neon Board is controlled by Evoworld, it is unlikely to agree to a waiver. <p>Neon intends to defend the proceedings and will keep the market informed of all material developments in relation to the conduct of the proceedings.</p>	<p>Section 7.1.5 (<i>Risks associated with Evoworld's shareholding in Neon</i>)</p>

Question	Answer	Further information
<p>How does Evoworld's presence on the Neon Share Register present risks to the Scheme?</p> <p><i>continued</i></p>	<p>Neither the Merger Implementation Agreement nor the Scheme are conditional on the outcome of the resolutions that Evoworld has purported to convene for 14 January 2015.</p> <p>Neon is obliged to comply with the Merger Implementation Agreement and the Deed Poll. MEO expects that Neon will honour all of its obligations under the Merger Implementation Agreement and expressly reserves its rights to take such action as it considers appropriate in this regard, given the surrounding circumstances at the time. In particular, if, following any general meeting called by Evoworld, any Neon Director makes a public statement indicating that they do not support the Scheme, Neon must pay MEO the Reimbursement Fee and MEO may (but would not be required to) terminate the Merger Implementation Agreement. As at the date of this Scheme Booklet, MEO does not intend to exercise any right to terminate the Merger Implementation Agreement in those circumstances, but it expressly reserves all of its rights in relation to any such termination right (including to terminate the Merger Implementation Agreement) if one arises.</p> <p>There are a number risks associated with Evoworld's shareholding including Evoworld seeking to use its shareholding to propose another transaction to gain control of Neon or the Merged Group, or remove the Merged Group's directors and replace with Evoworld appointees.</p> <p>Neon announced on 18 December 2014 that it had received an unsolicited, indicative and non-binding approach from Evoworld that may lead to a Superior Proposal to the merger with MEO.</p> <p>The Board of Neon is currently investigating the approach. However, it remains incomplete and non-binding and there is no certainty that a formal offer will be made or that a binding transaction will result, either at all or on terms that the Neon Board considers a Superior Proposal to the merger with MEO. Neon will continue to keep shareholders informed of all material developments. Under clause 13.1(b)(3) of the Merger Implementation Agreement if the Neon Board or a majority of the Neon Board has recommended a Superior Proposal to Neon Shareholders, and Neon has paid the Reimbursement Fee to MEO, Neon may terminate the Merger Implementation Agreement by written notice to MEO at any time before 11.00am on the day of the Second Court Hearing.</p> <p>Alternatively, there is a risk that Evoworld seeks to divest its shareholding, which may adversely impact the price of Neon Shares, including any New Neon Shares that MEO Shareholders receive as Scheme Consideration.</p> <p>If the Scheme is implemented, Evoworld's pro-forma shareholding in the Merged Group will reduce to approximately 10%. At this stage, Evoworld has not announced its intentions in relation to its shareholding in Neon in that scenario.</p>	<p>Section 7.1.5 <i>(Risks associated with Evoworld's shareholding in Neon)</i></p>
<p>How does the Mosman Proposal impact the Scheme?</p>	<p>An off-market takeover offer from Mosman pursuant to the Mosman Proposal will (based on the terms of the Mosman Proposal) not be capable of acceptance until mid-February 2015, which will be after the anticipated Effective Date, and will effectively be conditional such that it will not proceed if the Scheme is implemented.</p>	<p>Section 1.2 <i>(Mosman Proposal)</i></p>

2. As at 31 October 2014, being the last practicable date prior to the finalisation of this Scheme Booklet. Based on the Neon cash balance of approximately \$24.7 million (including cash on deposit and cash held in escrow (see Section 5.5.2), totalling approximately \$5.6 million) and the MEO cash balance of approximately \$10.7 million less estimated combined transaction costs of the Scheme of approximately \$3.4 million (including GST).

Question	Answer	Further information
Overview of the Merged Group		
What will the Merged Group look like if the Scheme is implemented?	Implementation of the Scheme will combine the existing E&P assets and cash balances of MEO and Neon. Following implementation of the Scheme, the Merged Group based on cash balances as at 31 October 2014 will have a pro forma cash balance of approximately \$32.0 million ² and a portfolio of E&P assets. If the Scheme is implemented, MEO Shareholders and Neon Shareholders will each hold 50% of the Merged Group.	Section 6 (<i>Profile of the Merged Group</i>)
What will be the strategy of the Merged Group?	The Merged Group is expected to continue to review all aspects of its assets and operations to identify ways to maximise value for all shareholders. Following implementation of the Scheme, the Merged Group intends to pursue a production oriented growth strategy with the aim of transforming into a robust and cash generative junior E&P company. In addition to enabling its portfolio of existing projects to be progressed, the capital position of the Merged Group will provide a strong platform from which to take advantage of acquisition opportunities in an increasingly attractive market for buyers of E&P assets.	Section 6 (<i>Profile of the Merged Group</i>)
Who will be on the Board of the Merged Group?	The Board of the Merged Group will comprise two Neon Directors and two MEO Directors. It is proposed that Mr Alan Stein (the current Chairman of Neon) will remain as Chairman of the Merged Group and Mr Ken Charsinsky (the current Managing Director of Neon) will remain on the Merged Group board as a Non-Executive Director. It is proposed that Mr Stephen Hopley and Mr Michael Sweeney (current Non-Executive Directors of MEO) will join the board of the Merged Group as Non-Executive Directors. Messrs Gregory Short and Jürgen Hendrich will retire from the MEO Board.	Section 6 (<i>Profile of the Merged Group</i>)
Who will be the senior executive team for the Merged Group?	The current Chief Executive Officer of MEO (effective from 19 December 2014), former Exploration Manager of MEO and former Managing Director and CEO of Tap Oil, Peter Stickland, is proposed to be Chief Executive Officer of the Merged Group. Other members of the Merged Group's senior management team will be drawn from MEO and Neon's existing management teams following implementation of the Scheme.	Section 6.5.2 (<i>Management</i>)
What will happen to the MEO name?	Following implementation of the Scheme, the Merged Group will be known as Neon. The Merged Group currently intends to continue to use the MEO name and existing legal entities including any associated trademarks and logos in the progression of its current projects.	Section 6.5.2 (<i>Management</i>)
What will be the trading price of the New Neon Shares?	There is no certainty as to the trading price of the New Neon Shares following implementation of the Scheme as this is subject to market forces outside of the control of MEO and Neon.	
Conditions to the Scheme		
Is the Scheme subject to any conditions?	Implementation of the Scheme is subject to a number of Conditions, including: i. MEO Shareholder approval of the Scheme by the Requisite Majorities; ii. Court approval of the Scheme; and iii. the remainder of the Conditions to the Scheme as summarised in Section 9 (<i>Detailed information about the Scheme</i>) and clause 3.1 of the Merger Implementation Agreement.	Section 9.1 (<i>Conditions to the Scheme</i>)

Question	Answer	Further information
Can all the Conditions be waived?	No. Pursuant to clause 3.3 of the Merger Implementation Agreement, the Conditions relating to ASIC and ASX regulatory approvals, MEO Shareholder approval, Court approval of the Scheme and restraints prohibiting, preventing or delaying the Scheme cannot be waived. If these Conditions are not satisfied, the Scheme will not proceed. The other Conditions may be waived by the party for whose benefit the Condition operates, or, where the Condition operates for the benefit of more than one party, by each such party.	Section 9.1 <i>(Conditions to the Scheme)</i>
Under what scenarios can MEO or Neon terminate the transaction?	The Scheme can be terminated by MEO or Neon (as applicable) in the circumstances set out in the Merger Implementation Agreement. A summary of the termination rights is set out in Section 9.9.1 <i>(Termination rights)</i> .	Section 9 <i>(Detailed information about the Scheme)</i>
What if the Scheme does not proceed?	If the Scheme does not proceed: i. MEO will remain listed on ASX; ii. MEO Shareholders will retain their MEO Shares; and iii. MEO Shareholders will not receive the Scheme Consideration. If the Scheme does not proceed and no Superior Proposal for MEO is received, MEO will consider alternative strategic options for the Company. The MEO Directors consider the Scheme to be the most attractive transaction currently available to MEO and there is no guarantee that any of the other funding initiatives will be successful or be accessible on terms as attractive as the Scheme. If MEO remains as a standalone entity, it may need to secure additional funding from alternative sources to develop existing assets and take advantage of new business opportunities. In these circumstances, it is expected that MEO will investigate a range of possible transactions with alternative parties to assist with any funding requirements it may have. MEO estimates that it will have incurred or committed transaction costs of approximately \$0.8 million (including GST) prior to the Scheme Meeting. These costs will be payable regardless of whether or not the Scheme is implemented.	Section 2.4 <i>(Other relevant considerations)</i> Section 7.3 <i>(Risks to MEO if the Scheme does not proceed)</i>
What happens if a Superior Proposal emerges?	It is possible that a Superior Proposal for MEO, which is more attractive for MEO Shareholders than the Scheme, will emerge in the future. The MEO Directors have not received such a Superior Proposal since MEO and Neon announced the Scheme, despite the significant period for such a proposal to emerge. If a Superior Proposal emerges, this will be announced to ASX and the MEO Directors will carefully reconsider the Scheme and advise you of their recommendation (subject to the exclusivity and Reimbursement Fee provisions of the Merger Implementation Agreement).	
MEO Directors' recommendation and the Independent Expert's conclusion		
What do the MEO Directors recommend?	The MEO Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal.	Section 2.1 <i>(The MEO Directors' recommendation)</i>
How do the MEO Directors intend to vote?	Each MEO Director intends to vote in favour of the Scheme in relation to MEO Shares held or controlled by them, in the absence of a Superior Proposal.	Section 2.1 <i>(The MEO Directors' recommendation)</i>
What is the Independent Expert's conclusion?	The Independent Expert has concluded that the Scheme is fair and reasonable and therefore is in the best interests of MEO Shareholders.	Attachment B <i>(Independent Expert's Report and Technical Expert's Report)</i>

Question	Answer	Further information
Voting		
What choices do I have as a MEO Shareholder?	As a MEO Shareholder you have the following choices: i. you can vote at the Scheme Meeting (either in person or via proxy); ii. you can elect not to vote at the Scheme Meeting; or iii. you can sell your MEO Shares on ASX prior to the Effective Date. If you sell your MEO Shares on ASX you may incur brokerage costs.	Page vii <i>(Action required by MEO Shareholders)</i> Section 9 <i>(Detailed information about the Scheme)</i>
Am I entitled to vote?	MEO Shareholders on the MEO Share Register as at 8.00pm (Melbourne Time) on Saturday, 31 January 2015, will be entitled to vote at the Scheme Meeting.	Section 9 <i>(Detailed information about the Scheme)</i>
Should I vote?	Voting is not compulsory. However, the MEO Directors believe that the Scheme is important to MEO Shareholders. As a MEO Shareholder you have a say in whether Neon will acquire all of the issued shares in MEO. This is your opportunity to play a role in deciding the future of MEO.	
How do I vote?	MEO Shareholders who are entitled to vote may do so by: i. by attending the Scheme Meeting to be held on Monday, 2 February 2015; ii. by completing and lodging the Proxy Form that is enclosed with this Scheme Booklet; iii. by corporate representative appointed to vote on behalf of a MEO Shareholder that is a company; or iv. attorney appointed to vote on your behalf.	Page viii <i>(Meeting details and how to vote)</i> Section 9 <i>(Detailed information about the Scheme)</i>
Do I have to complete the Proxy Form enclosed with this Scheme Booklet?	You only need to complete the Proxy Form if you wish to vote by proxy at the Scheme Meeting to consider the Scheme. You do not need to complete the Proxy Form if you intend to vote in person, by corporate representative or by attorney.	
What vote is required to approve the Scheme?	For the Scheme to proceed, votes in favour of the Resolution to approve the Scheme at the Scheme Meeting must be received from Requisite Majorities of MEO Shareholders. Requisite Majorities consist of: i. a majority in number (more than 50%) of MEO Shareholders, who are present and voting either in person or by proxy, attorney or, in the case of corporate MEO Shareholders, by corporate representative at the Scheme Meeting; and ii. at least 75% of the total number of votes cast on the Resolution at the Scheme Meeting. It is also necessary for the Court to approve the Scheme before it can become Effective.	Section 9 <i>(Detailed information about the Scheme)</i>
What happens if I do not vote, or I vote against the Scheme?	If you do not vote or you vote against the Scheme, but the Requisite Majorities of MEO Shareholders vote in favour of the Scheme and the Scheme also receives Court approval, the Scheme will become Effective, binding all MEO Shareholders. If the Scheme is implemented, on the Implementation Date your MEO Shares will be transferred to Neon and you will receive the Scheme Consideration for your MEO Shares. If you are not eligible to receive the Scheme Consideration because you are an Ineligible Overseas Shareholder, you will receive Cash Proceeds in lieu of New Neon Shares. If you do not vote or you vote against the Scheme and the Requisite Majorities of MEO Shareholders do not vote in favour of the Scheme, the Scheme will not be approved at the Scheme Meeting. If this occurs, the Scheme will not proceed and you will not receive the Scheme Consideration and you will remain a MEO Shareholder.	Section 9 <i>(Detailed information about the Scheme)</i>

Question	Answer	Further information
When will the result of the Scheme Meeting be known?	The result of the Scheme Meeting will be known shortly after the conclusion of the Scheme Meeting and will be announced to ASX as soon as practicable. Even if the Scheme is approved by MEO Shareholders at the Scheme Meeting, it will remain subject to a number of Conditions including approval of the Scheme by the Court at the Second Court Hearing. The Second Court Hearing is currently anticipated to be held on Thursday, 5 February 2015.	Page iii <i>(Important dates and times)</i> Section 9 <i>(Detailed information about the Scheme)</i>
What if I want to oppose the Scheme?	If you wish to oppose the Scheme, you may: i. attend the Scheme Meeting in person or by proxy and vote against the Scheme; ii. attend the Second Court Hearing to oppose the Court exercising its discretion to grant orders approving the Scheme; or iii. make a complaint to ASIC about the Scheme. If you wish to attend the Second Court Hearing, you should seek legal advice and note that the Second Court Hearing for the approval of the Scheme is presently scheduled for Thursday, 5 February 2015. You should file and serve a notice of appearance in the Supreme Court of Victoria together with any affidavit on which you wish to rely at the hearing at least one day before the hearing.	
Australian taxation implications		
What are the Australian taxation implications of the Scheme for MEO Shareholders?	Section 8 (<i>Australian taxation considerations</i>) provides a general outline of the Australian income tax, capital gains tax, goods and services tax (GST) and stamp duty consequences for MEO Shareholders who dispose of their MEO Shares in accordance with the Scheme. CGT rollover relief may be available to you if you are an Australian resident MEO Shareholder. You should consult your own tax adviser regarding the tax consequences of disposing of your MEO Shares in accordance with the Scheme in light of current and proposed tax laws and your particular circumstances.	Section 8 <i>(Australian taxation considerations)</i>
Will MEO Shareholders be entitled to scrip-for-scrip capital gains tax rollover relief as part of the transaction?	Australian resident MEO Shareholders who hold MEO Shares on capital account may be entitled to scrip-for-scrip CGT roll-over relief to the extent they would otherwise make a capital gain.	Section 8 <i>(Australian taxation considerations)</i>
Further questions		
What if I have further questions about the Scheme?	If you require further information or have questions regarding the Scheme, please call the MEO Shareholder Information Line on 1800 990 363 (within Australia) or +61 1800 990 363 (outside Australia) between 8.30am and 5.30pm (Melbourne time) Monday to Friday. If you are in doubt as to what you should do, you should consult your legal, financial, taxation or other professional adviser.	

Section 4

Profile of MEO

4.1 OVERVIEW OF MEO

MEO is an independent oil and gas company focused on building an Australian and international E&P business to service growing Asian energy markets.

MEO is listed on the Australian Securities Exchange (ASX: MEO) and is headquartered in Melbourne, Australia. As at Thursday, 18 December 2014, being the Business Day before the date of the Scheme Booklet, MEO had 750,488,387 shares on issue and a market capitalisation of approximately \$15.0 million.

MEO has assembled a portfolio of exploration, appraisal and development stage opportunities on the North West Shelf, the Ashmore Cartier and the Timor Sea regions in Australia and onshore New Zealand.

In the ordinary course of its business, MEO has an active marketing program which seeks to secure joint venture partners for its exploration portfolio. MEO is in preliminary discussions with third parties as part of this marketing program, however the outcome of these discussions is uncertain.

MEO has an active new ventures program. MEO seeks to acquire interests in permits by original application, farm-in, purchase or by acquisition of interest in other entities which carry on the business of exploration for, or development or production of, oil and gas. MEO has pre-qualified as an operator in a number of jurisdictions.

MEO is currently in uncertain or incomplete discussions with a number of parties regarding new venture opportunities. Approval by the relevant government is typically required in connection with any such transaction.

In addition, MEO has (sometimes with a third party) submitted a number of outstanding bids for permits in a number of jurisdictions. MEO has not yet received returning offers from the relevant governments in respect of these bids. Following the receipt of an offer in respect of a permit, the applicant/s will typically have a period to accept or reject the offer. MEO would consider the decision to accept or reject such an offer based on circumstances at the relevant time, including the funding requirements for work in respect of the relevant permit.

The Seruway PSC was relinquished by MEO on 8 December 2014. MEO has submitted a joint study application with a third party for the Seruway Area with the relevant government department. If the application for the joint study is successful, MEO will hold a 20% participating interest (including in any resulting PSC) and will be fully carried for the costs associated with the joint study, including any required bond. MEO is awaiting the outcome of the joint study application, which is uncertain.

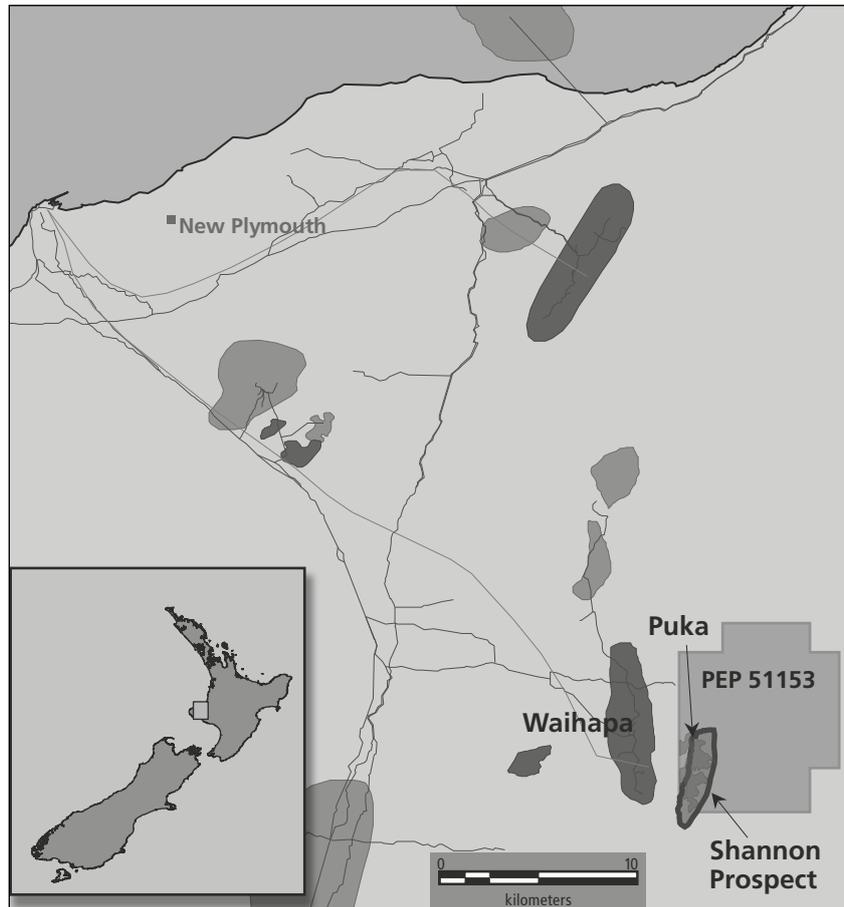
4.2 OVERVIEW OF MEO'S ASSETS¹



1. MEO's Block 9 PSC project in Cuba is excluded from this map as this project remains subject to the receipt of regulatory approvals (see Section 4.2.8 for further information).

Country	Location	Permit	MEO equity	Status
New Zealand	Onshore Taranaki	PEP 51153	30%	Production / appraisal / exploration
Australia	Bonaparte Gulf	WA-454-P	50%	Appraisal / exploration
Australia	Bonaparte Gulf	WA-488-P	100%	Exploration
Australia	Vulcan Sub-Basin	AC/P50, AC/P51, AC/P53	100%	Exploration
Australia	North West Shelf	WA-360-P, WA-361-P	62.5%/50.0%	Exploration
Australia	Bonaparte Gulf	NT/P68	50%	Appraisal
Australia	Tassie Shoal Projects	EPBC 2000/108 & 2003/1067	100%	Early pre-FEED (methanol)
Cuba	Onshore	Block 9 PSC	100% ²	Exploration. Execution and award of PSC is subject to final regulatory approval

4.2.1 New Zealand – Onshore Taranaki (PEP 51153) ²



MEO currently holds a 30% non-operating participating interest in PEP 51153. In April 2014, MEO announced a staged farm-in transaction with Kea Petroleum Plc (AIM: KEA) to PEP 51153 onshore New Zealand in the Taranaki Basin. The permit contains the Puka oil discovery in the Mount Messenger sands. The Puka-1 and Puka-2 exploration wells are producing oil under a long-term production test from this formation at a gross rate of approximately 100 barrels per day (30 bopd net to MEO). A 3D seismic survey had been acquired over the Puka discovery after the drilling of the two exploration wells. Earlier exploration efforts had resulted in the drilling of Douglas-1, Wingrove-1 and Wingrove-2 to the north.

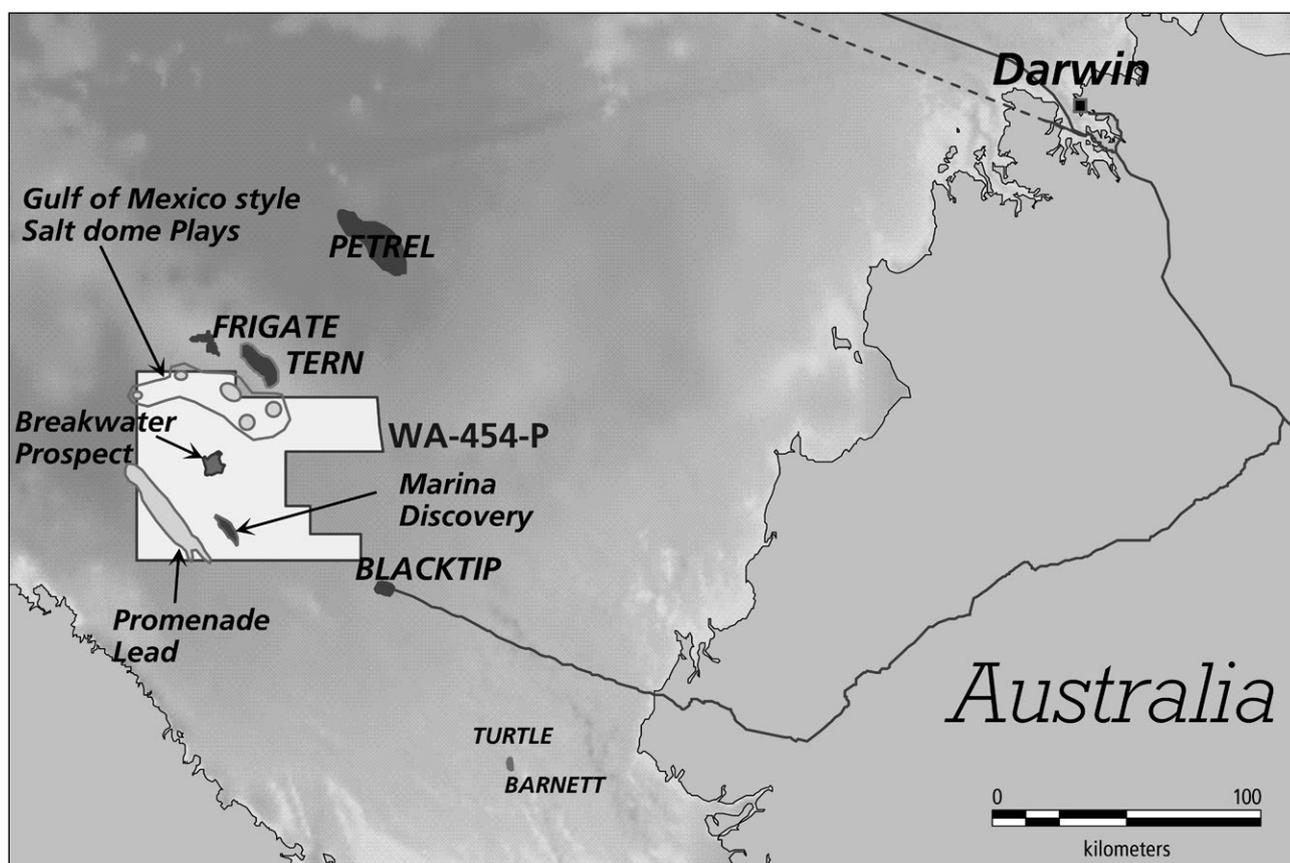
2. Petro Australis Limited has an option to secure up to a 40% participating interest in the event that it qualifies for participation.

Stage 1 of the farm-in involved MEO earning a 30% interest in the permit and the existing production by funding NZ\$4.0 million of an agreed NZ\$5.0 million work program including the drilling of Puka-3, workovers of the existing wells, installation of permanent production pipework and re-testing and abandonment of Douglas-1.

Puka-3 was drilled in mid-2014. While a thicker section of Mount Messenger sands was intersected, they were predominantly water bearing with an interpreted oil-water-contact (OWC) intersected substantially shallower than expected near the top of the interval. The result has downgraded the Mount Messenger play.

When drilled in 2012, Douglas-1 intersected approximately 15 metres of promising oil shows at the top of the deeper Tikorangi Limestone formation, which was heavily fractured in the lower half of the 145 metre interval intersected. On testing, this unit flowed substantial quantities of water. It is not known whether the top 15m of the formation contributed to the flow and as such, the fluid content remains uncertain. MEO and KEA now intend to forego the Douglas-1 re-testing and focus on the exploration potential of the Shannon prospect, which is an extension of the deeper Tikorangi objective updip of Douglas-1 and is analogous to the nearby Waihapa oil field. The PEP 51153 joint venture partners have commenced a marketing campaign aimed at attracting an additional partner to the permit to fund the drilling of the Shannon prospect to establish whether the Tikorangi play can deliver a commercial discovery.

4.2.2 Australia – Bonaparte Gulf (WA-454-P)

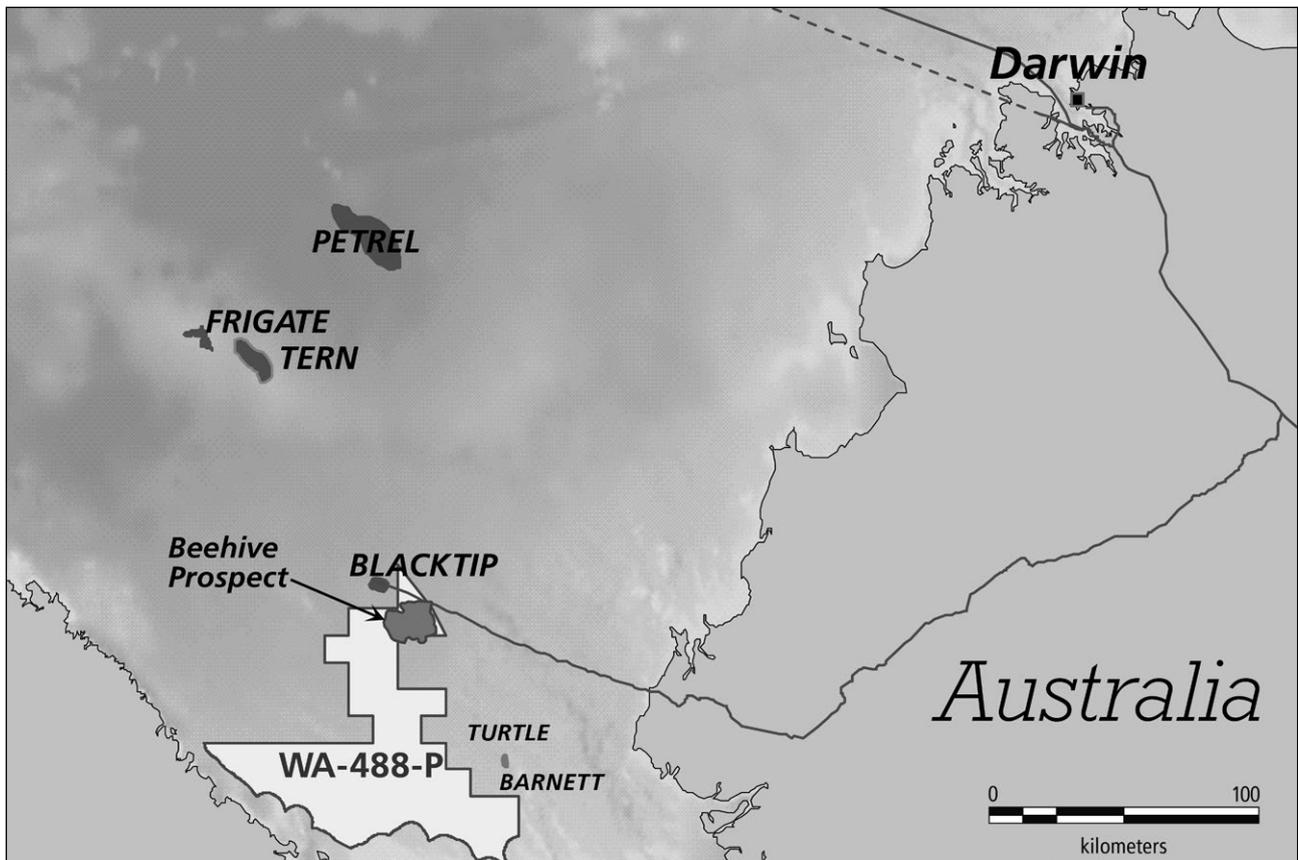


MEO currently holds a 50% non-operating participating interest in WA-454-P. MEO was awarded 100% interest in WA-454-P in June 2011 and acquired the Floyd 3D seismic survey in early 2012. The permit contains the 2007 Marina gas and probable oil discovery and a number of prospects and leads. A binding farm-out agreement was executed with Origin Energy Resources Limited (a subsidiary of Origin Energy Limited) in July 2013. Origin acquired a 50% interest in WA-454-P in return for reimbursing MEO \$5.6 million of past costs and funding 80% of the Breakwater-1 well to a cap of \$35.0 million excluding production testing. The well cap assumes that 65% of the well costs will be denominated in US\$ with an exchange rate between the A\$ and US\$ of parity and will be adjusted for the exchange rate at the time of drilling.

A thorough review of the technical information has led to a location being proposed for Breakwater-1 as the nominated well to fulfil the commitment well for Permit Year 5 commencing June 2015.

MEO has commenced a marketing campaign aimed at attracting an additional partner to the permit to fund the residual 20% cost of the well up to the well cap.

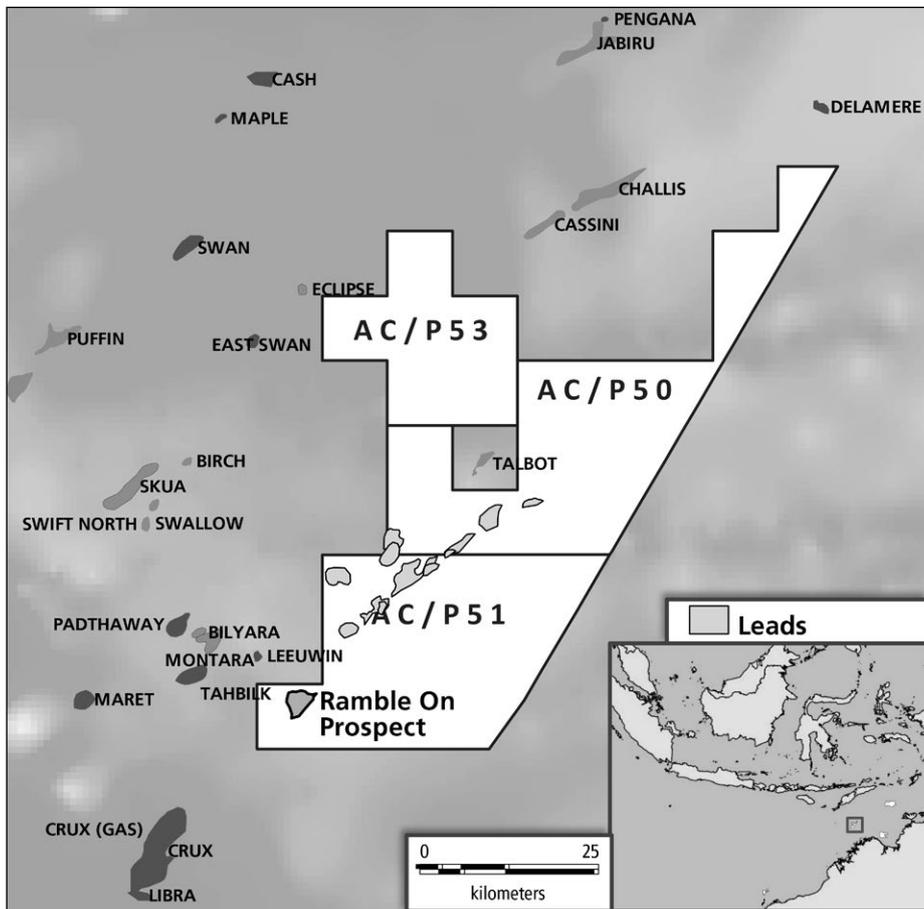
4.2.3 Australia – Bonaparte Gulf (WA-488-P)



MEO currently holds a 100% participating interest in WA-488-P. MEO was awarded WA-488-P in May 2013. The permit lies on trend with WA-454-P to the north-west and contains the Beehive prospect assessed by the technical team as being able to be readily upgraded to drillable status with minor seismic reprocessing. Beehive was identified as a follow-up to the 2011 Ungani-1 oil discovery in the adjacent Canning Basin and represents a new play type in the Bonaparte Basin.

Beehive is considered prospective for oil in two Palaeozoic aged carbonate objectives. The upper Carboniferous aged target is considered analogous to the giant Tengiz oil field in the Caspian Sea, while the lower Ordovician aged target has a giant field onshore China as a potential analogue. A well is currently required in Permit Year 3 commencing May 2015. A farm-out/partial sale process remains in progress.

4.2.4 Australia – Vulcan Sub-Basin (AC/P50, AC/P51 and AC/P53)



MEO currently holds a 100% participating interest in each of AC/P50, AC/P51 and AC/P53.

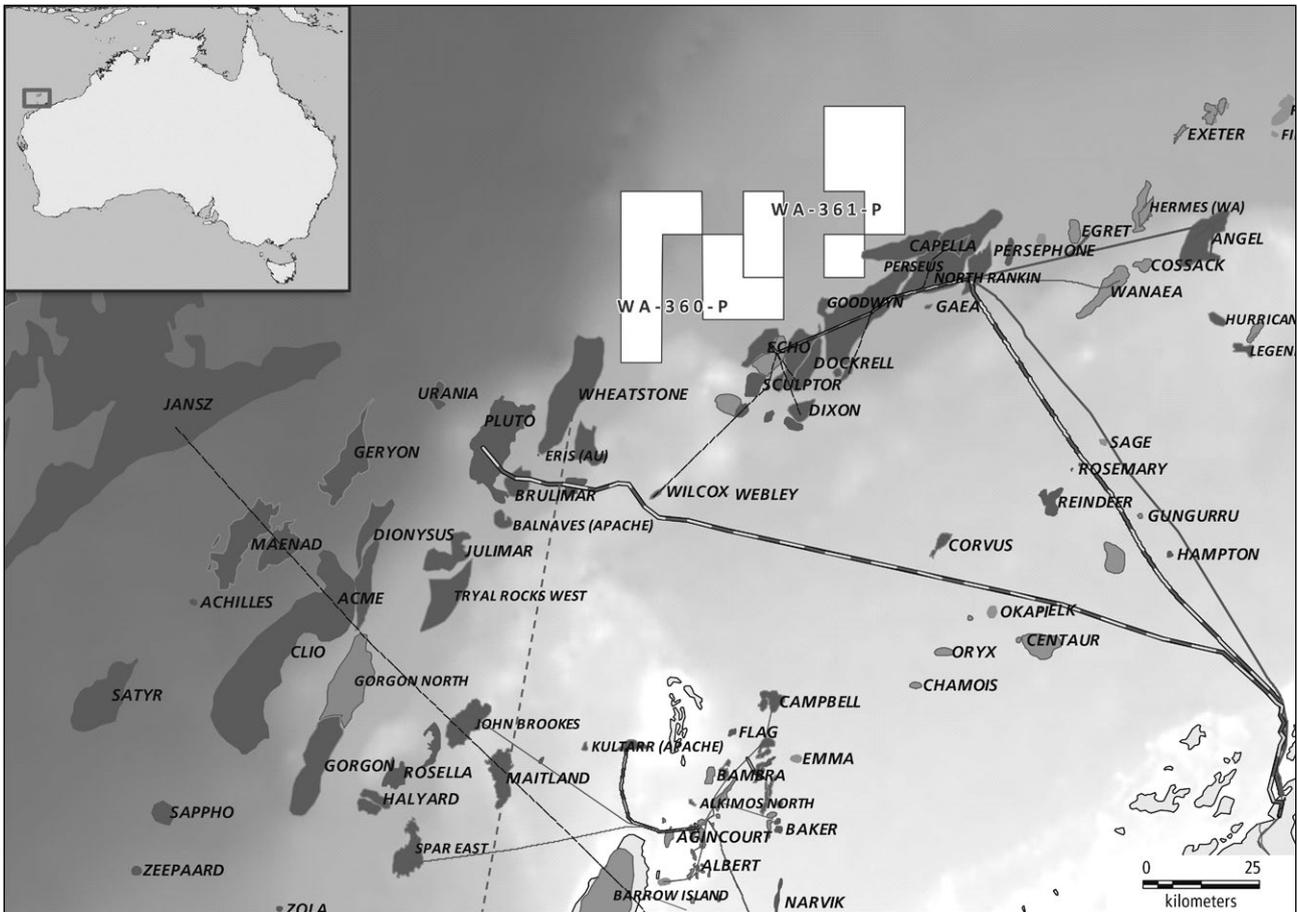
MEO acquired AC/P50 and AC/P51 in late 2010 for US\$270,000 and acquired the Zeppelin 3D seismic survey covering a portion of both permits in early 2012.

Improvements in seismic acquisition parameters and processing streams resulted in a step change in seismic imaging quality, although this remains challenging. When the modern processing stream was applied to the vintage Onnia 3D seismic survey, an improvement in image quality was obtained and allowed the Ramble-On prospect to be identified in AC/P51, together with a number of low side fault-bend folds to be identified on the Zeppelin 3D survey.

MEO is seeking prospective partners in the lead-up to the permit renewal date in April 2015.

The AC/P53 permit was awarded to MEO in early July 2011. The Zeppelin 2D seismic survey was acquired in early 2012 including a tie-line to the Zeppelin 3D. Interpretation of the survey continues to be undertaken.

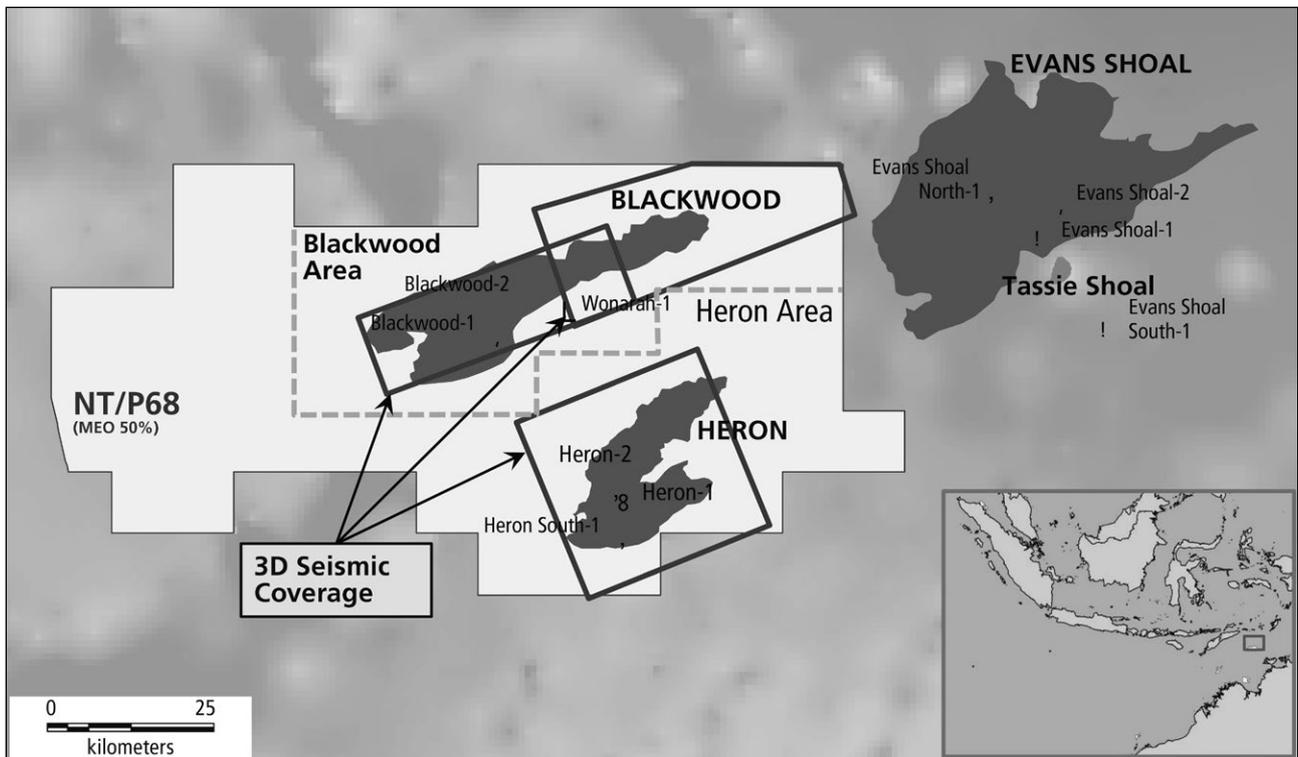
4.2.5 Australia – North West Shelf (WA-360-P and WA-361-P)



MEO currently holds a 62.5% participating interest and is Operator of WA-360-P. MEO drilled the Artemis-1 exploration well in 2010 after securing Petrobras as a 50% participant to fund the well. The well encountered good quality reservoir rock but was water wet. After Petrobras withdrew in 2011, WA-360-P was renewed in early 2012 for a further five-year period. The joint venture licensed the available Foxhound multi-client 3D seismic data on permit to confirm the validity of the Maxwell prospect which targets an extension of the reservoir identified in Artemis-1. The adjoining WA-269-P Joint Venture drilled Ananke-1 during 2012, targeting the same play concept as the Maxwell prospect. Ananke-1 results became open file in August 2014. The well did not encounter the target sands or any hydrocarbons. The impact of these results remains under analysis. MEO continues efforts to divest its interests in the permit.

MEO currently holds a 50% participating interest and is Operator of WA-361-P. MEO drilled the Zeus-1 well in 2009 after securing Resource Development International Ltd, to partially fund the well. The well encountered good quality reservoir rock but was water wet. The WA-361-P permit was renewed for five years in early 2011. The joint venture licensed a significant portion of the Zeus multi-client 3D seismic survey acquired over the permit. A work program variation request to replace the Year 4 well with studies was granted during FY2014. MEO continues efforts to divest its interests in the permit.

4.2.6 Australia – Bonaparte Basin (NT/P68)

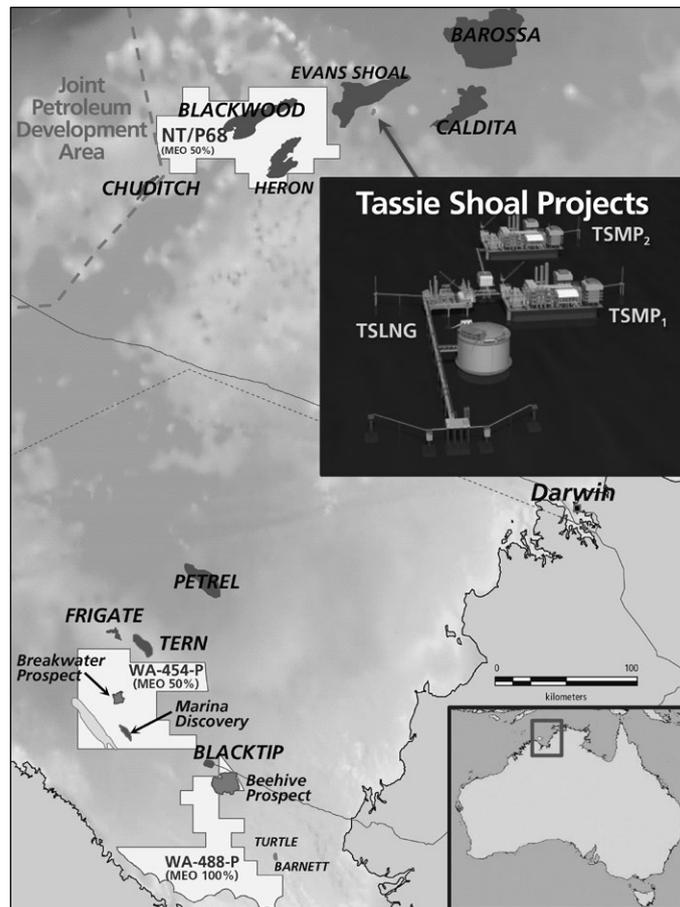


MEO currently holds a 50% participating interest in NT/P68 which is operated by Eni Australia Limited (Eni). The permit has effectively been split into two areas, the Blackwood Area and the Heron Area, via commercial agreement between the parties.

Pursuant to a farm-in transaction in May 2011, Eni commenced drilling Blackwood-2 on 28 October 2013. A 60m core was cut through the target reservoir en route to a total depth of 3,425mMDRT (metres Measured Depth Below Rotary Table). Following wireline logging, Eni elected to undertake production testing to determine fluid composition and reservoir productivity. DST#1 was conducted over the interval 3,234m – 3,254mMDRT. No flow was recorded indicating low reservoir permeability. The well was subsequently plugged and abandoned with the rig released on 3 January 2014. Eni has elected not to increase its participating interest in the Blackwood Area under the farm-in agreement and the parties are in a process of negotiating certain amendments to the Blackwood Area agreements to define the basis of the joint venture's future activities on Blackwood.

In 2008, MEO drilled Heron-2 on the Heron North structure. Despite significant drilling difficulties, the well was production tested and produced intermittent flow up to 6 MMscfd of high CO₂ gas. In 2012, Eni funded and drilled Heron South-1 on the Heron South structure. The well was interpreted to have encountered a significant gas column in tight reservoir but failed to produce gas at commercial rates on test. In October 2014, Eni elected not to drill an additional well on the Heron structure and to withdraw from the Heron Area of NT/P68. Consequently, MEO will regain a 100% participating interest in the Heron Area, subject to commercial and regulatory processes.

4.2.7 Australia – Tassie Shoal Projects (EPBC 2000/108 & 2003/1067)



MEO has Commonwealth environmental approvals to construct, install and operate a single 3 Mtpa LNG plant known as the Timor Sea LNG Project and two stand-alone world-scale 1.75 Mtpa methanol plants collectively referred to as the Tassie Shoal Methanol Project on Tassie Shoal, an area of shallow water and benign metocean conditions in the Australian waters of the Timor Sea approximately 275 kilometres north-west of Darwin, Northern Territory. The Tassie Shoal projects can cater for a range of gas qualities and although potentially independent are designed to share infrastructure and logistic support systems and benefit from a number of production process synergies. In the case of the methanol projects, environmental approvals are valid until 2052, while the LNG project approvals are scheduled for review in 2017.

4.2.7.1 Tassie Shoal Methanol Project

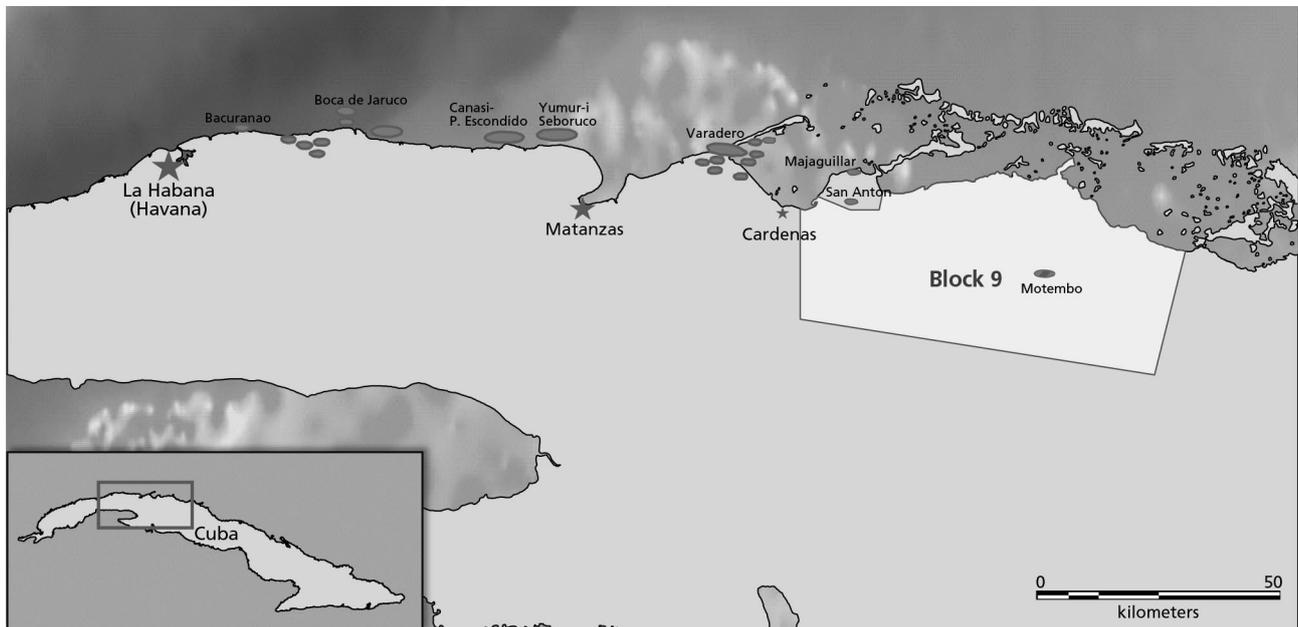
MEO proposes the staged construction of two large natural gas reforming and methanol production plants, each with production capacity of 1.75 Mtpa on its own concrete gravity structure. Each plant is designed to be constructed in a single module in a low cost South East Asian location and towed to Tassie Shoal and grounded for operation using sea water as ballast. Each plant requires approximately 1.4 Tcf of raw gas, ideally containing around 25% CO₂ to operate for 20 years.

Adjacent third party resources, including at the Evans Shoal resource, appear to have sufficient gas to underpin both methanol plants for over 20 years. MEO continues to work with prospective partners to secure gas for its proposed projects.

4.2.7.2 Timor Sea LNG Project

The Timor Sea LNG Project requires approximately 3 Tcf of low CO₂ (<4%) gas to operate for 20 years. Gas supply for the LNG plant could come from one or more of the neighbouring undeveloped gas fields confronting economic challenges imposed by long distances from land and high domestic construction costs. The LNG plant is designed to be constructed in a single module in a low cost South East Asian location and carried by heavy lift vessel to site, floated off and jacked up directly onto the sea floor, thereby avoiding FLNG complexities and cost. The LNG tank is designed to be constructed in a casting basin and wet towed to site, then ballasted directly onto sea floor.

4.2.8 Cuba – Block 9 PSC



MEO qualified as an onshore and shallow water operator in Cuba in early 2013. MEO has completed negotiations for a 100% participating interest in a PSC for Block 9 in the Republic of Cuba. Block 9 covers approximately 2,380km² of predominantly low lying farmland on the north coast of Cuba approximately 130 kilometres east of Havana.

Detailed terms of the PSC have been agreed with the Commercial division of Cuba Petr leo Union and final PSC documents have been initialled by the parties. Official execution and award is subject to final regulatory approval.

The exploration phase of the PSC term is split into four sub-periods totalling eight-and-a-half years with withdrawal options at the end of each sub-period. The negotiated work program includes a commitment to an initial 18 month exploration sub-period during which existing exploration data in the block will be evaluated and selected seismic reprocessed before MEO elects whether to proceed with a subsequent 24 month exploration sub-period which includes acquisition of new 2D seismic. MEO is not entitled to existing production from any field in Block 9.

MEO pursued the opportunity for Block 9 with Petro Australis Limited, an unlisted Australian company. In the event that MEO is awarded the PSC and Petro Australis Limited qualifies for participation in Cuba, Petro Australis Limited has an option to secure up to a 40% participating interest in Block 9 by reimbursing its share of costs incurred by MEO.

4.3 RESOURCES AND RESERVES

MEO does not currently have any booked reserves. MEO's Contingent Resources as at 30 June 2014 are as follows:

MEO Corporate Contingent Resources Summary as at 30 June 2014

Permit/PSC	Feature	MEO WI %	Fluid	MEO Net		
				1C	2C	3C
NT/P68	Heron <i>Subject to re-evaluation</i>	50.0%	Hydrocarbon Gas (Bscf)	23	56	597
			Condensate & Oil (MMstb)	–	1	1
			Barrels Equiv. (MMboe)	4	10	100
NT/P68	Blackwood <i>Subject to re-evaluation</i>	50.0%	Hydrocarbon Gas (Bscf)	187	271	378
			Condensate & Oil (MMstb)	1	1	2
			Barrels Equiv. (MMboe)	32	46	65
WA-454-P	Marina	50.0%	Hydrocarbon Gas (Bscf)	57	82	211
			Condensate & Oil (MMstb)	1	6	24
			Barrels Equiv. (MMboe)	10	19	59
PEP51153	Puka <i>Subject to re-evaluation</i>	30.0%	Hydrocarbon Gas (Bscf)	–	–	–
			Condensate & Oil (MMstb)	0	1	3
			Barrels Equiv. (MMboe)	0	1	3
Aggregation			Barrels Equiv. (MMboe)	46	76	227

4.4 CHANGE IN CONTROL TRIGGERS IN MATERIAL CONTRACTS

MEO has no material contract which contains a change in control provision which would be triggered by the implementation of the Scheme and have a material adverse effect on its operations.

4.5 MEO DIRECTORS

Gregory A Short

Non-Executive Chairman

After a long international career in exploration, development and production management with ExxonMobil, Mr Short has now focused his broad experience on leadership of junior oil and gas companies. He brings valuable experience to MEO, from taking several start-up ventures from exploration through to development and production start-up. Mr Short became Chairman of MEO in October 2013 after five years as a Non-Executive Director. Mr Short is also a Non-Executive Director of Pryme Energy Limited (ASX: PYM), Po Valley Energy Limited (ASX: PVE) and Metgasco Limited (ASX: MEL).

Jürgen Hendrich

Executive Director Special Projects (effective 19 December 2014)

Mr Hendrich commenced his career in 1984 as a Petroleum Geologist with Esso Australia Limited (wholly owned by ExxonMobil). In 1996, he joined Australian stockbroking firm JBWere & Son as an Energy Analyst before moving to a role as Portfolio Manager with a boutique fund manager in 2000. Following a period of running his own consulting practice specialising in advising junior resource companies, he joined Tolhurst Limited in 2005 initially as Head of Resources Research and subsequently Director of Corporate Finance. In 2008, he accepted an invitation to take on the role of CEO and subsequently Managing Director of MEO. As first announced to ASX in November 2014 and then on 12 December 2014, Mr Hendrich will step down as CEO and Managing Director of MEO and assume the role of Executive Director Special Projects effective from 19 December 2014 until he leaves the Company on 31 January 2015.

Stephen W Hopley

Non-Executive Director

Mr Hopley retired from Macquarie Bank in 2003 after a 14-year career. In the last four years of his career, Mr Hopley acted as Division Director of the Financial Services Group with responsibility for Adviser Relationships and Distribution. Mr Hopley has served on a number of boards, foundations, committees and not-for-profit organisations. He is a past board member of the Education Foundation of Australia, the Lord Mayor's Charitable Fund and is a past Securities Industry Education Chair of Task Forces in relation to final subjects in the Graduate Diploma in Financial Planning. He devotes part of his time as a business coach and mentor to a number of early stage enterprises.

Michael J F Sweeney

Non-Executive Director

Mr Sweeney is a barrister, Victorian Bar, Melbourne, specialising in the fields of energy and resources law, joint ventures and generally in commercial and contract law. He also specialises in alternative disputes resolution, particularly arbitration both as arbitrator and as counsel in arbitrations. He is a nationally accredited mediator.

Mr Sweeney was the Senior Managing Executive (prior to this, general counsel and Company Secretary) of the Mitsubishi and Mitsui interests (MIMI) in the Australian North West Shelf (NWS) Gas Joint Venture from 1986 to 1996. He served as a member of the NWS Joint Venture Project Committee and was deputised to the Board of the North West Shelf LNG Shipping Company. He was a member of the Tokyo-based Operating Committee responsible for overseeing MIMI's investments in Australia.

4.6 MEO HISTORICAL FINANCIAL INFORMATION

The following selected financial information for MEO is extracted from the audited consolidated financial statements of MEO for the financial years ended 30 June 2014 and 30 June 2013. The MEO Group is involved in the exploration and evaluation of oil and gas tenements. Further expenditure will be required on these tenements to ascertain whether they contain economically recoverable reserves. As at 30 June 2014 the MEO Group had cash reserves of \$15,989,872. The cash reserves are sufficient to meet the MEO Group's planned expenditure exploration activities for the 12 months to 30 June 2015. As a result, the audited consolidated financial statements of MEO for the financial years ended 30 June 2014 and 30 June 2013 were prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. Having carefully assessed the potential uncertainties relating to the MEO Group's ability to effectively fund the planned exploration activities and operating expenditures, the MEO Directors believe that the MEO Group will continue to operate as a going concern for the foreseeable future. Therefore, the MEO Directors considered it appropriate to prepare the audited consolidated financial statements of MEO for the financial years ended 30 June 2014 and 30 June 2013 on a going concern basis.

The MEO consolidated financial statements for the financial years ended 30 June 2014 and 30 June 2013 were audited by EY in accordance with Australian Auditing Standards and the audit opinions issued relating to those financial statements were unqualified.

The following selected financial information for MEO has been prepared in accordance with the recognition and measurement requirements of Australian Accounting Standards (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board (AASB). Full compliance with Australian Accounting Standards results in compliance with International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board. The financial information presented in the tables below does not represent complete financial statements and should therefore be read in conjunction with the financial statements for the respective periods, including the description of accounting policies contained in those financial statements and the notes to those financial statements. Where appropriate, adjustments have been made to headings and classifications of historical data to provide a consistent basis of presentation. Except as set out in Section 4.7 (*Update on MEO financial performance and financial position*), in the interval between the end of the full year to 30 June 2014 and the date of this Scheme Booklet, there has not arisen any item, transaction or event of a material and unusual nature that is likely, in the opinion of the MEO Directors, to significantly affect the operations of MEO, the results of those operations, or the state of affairs of MEO in future financial years other than as disclosed in the 30 June 2014 full year financial statements and subsequent filings on ASX.

MEO Shareholders may view complete copies of the audited consolidated financial statements of MEO for the years ended 30 June 2014 and 30 June 2013 on the ASX website at www.asx.com.au or the MEO website at www.meoaustralia.com.au.

Alternatively, MEO will give a copy of the financial report for the full year ended 30 June 2014 free of charge to any MEO Shareholder who requests a copy prior to the Scheme being approved by the Court.

4.6.1 MEO Consolidated Statement of Comprehensive Income

	Year ending 30 June 14 (Audited)	Year ending 30 June 13 (Audited)
Interest income	293,425	1,005,266
Total income	293,425	1,005,266
Net administration costs	(6,498,867)	(7,697,729)
Exploration expenditure written-off	(129,443,520)	(60,443,484)
Tassie Shoal Project expenditure	–	(278,055)
Share of losses of an associate	(29,142)	–
Gain on disposal of associate	215,871	–
Impairment on available-for-sale financial assets	(215,871)	–
Foreign exchange (losses)/gains	(76,872)	435,129
Loss before income tax	(135,754,976)	(66,978,873)
Income tax expense	(155,495)	(231,221)
Net loss for the period	(135,910,471)	(67,210,094)
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences on translation of foreign operations	254,789	1,683,536
Other comprehensive income for the period, net of tax	254,789	1,683,536
Total comprehensive loss for the period	(135,655,682)	(65,526,558)
	Cents per share	Cents per share
Basic loss per share	(21.12)	(11.26)
Diluted loss per share	(21.12)	(11.26)

4.6.2 MEO Consolidated Statement of Financial Position

	As at 30 June 14 (Audited)	As at 30 June 13 (Audited)
Current assets		
Cash and cash equivalents	15,989,872	16,602,849
Other receivables	410,890	302,837
Total current assets	16,400,762	16,905,686
Non-current assets		
Property, plant and equipment	802,679	1,136,560
Intangible assets	274,234	507,613
Exploration and evaluation costs	11,330,618	143,119,433
Total non-current assets	12,407,531	144,763,606
Total assets	28,808,293	161,669,292
Current liabilities		
Trade and other payables	1,528,895	1,350,817
Provisions	241,059	225,175
Total current liabilities	1,769,954	1,575,992
Non-current liabilities		
Provisions	309,882	282,795
Total non-current liabilities	309,882	282,795
Total liabilities	2,079,836	1,858,787
Net assets	26,728,457	159,810,505
Equity		
Contributed equity	262,367,184	259,934,368
Reserves	3,979,795	3,731,619
Accumulated losses	(239,618,522)	(103,855,482)
Total equity	26,728,457	159,810,505

4.6.3 MEO Consolidated Statement of Cash Flows

	Year ending 30 June 14 (Audited)	Year ending 30 June 13 (Audited)
Cash flows from operating activities		
Payments to suppliers and employees	(5,967,995)	(7,479,127)
Cost recovery from joint venture partners	78,849	167,985
Interest received	311,833	1,270,997
Net cash (used in) operating activities	(5,577,313)	(6,040,145)
Cash flows from investing activities		
Expenditure on plant and equipment	(7,995)	(123,495)
Expenditure on intangible assets	(24,160)	(35,724)
Investment in associate	(29,142)	–
Expenditure on exploration tenements	(2,774,816)	(51,806,014)
Proceeds from 50% farm in to WA-454-P	5,600,000	–
Net cash (used in) from investing activities	2,763,887	(51,965,233)
Cash flows from financing activities		
Proceeds from share issues	2,464,476	19,307,000
Transaction costs on issue of shares	(187,155)	(464,913)
Net cash from financing activities	2,277,321	18,842,087
Net decrease in cash and cash equivalents	(536,105)	(39,163,291)
Cash and cash equivalents at beginning of period	16,602,849	55,331,011
Net foreign exchange differences	(76,872)	435,129
Cash and cash equivalents at end of period	15,989,872	16,602,849

4.7 UPDATE ON MEO FINANCIAL PERFORMANCE AND FINANCIAL POSITION

The following selected financial information for MEO is taken from the unaudited MEO Quarterly Activity Report and Appendix 5B for the quarter ended 30 September 2014:

- i. MEO had cash of \$11.8 million; and
- ii. during the September quarter, MEO participated in the drilling of the Puka-3 appraisal/development well in PEP 51153 onshore Taranaki Basin New Zealand.

A copy of the Quarterly Activity Report for the quarter ended 30 September 2014 is available at www.asx.com.au and www.meoaustralia.com.au.

MEO expects that its Quarterly Activity Report for the quarter ending 31 December 2014 will be released to ASX on or before 31 January 2015. A copy of the report will be available at www.asx.com.au and www.meoaustralia.com.au.

4.8 MEO CAPITAL STRUCTURE

As at the date of this Scheme Booklet, MEO has the following securities on issue:

- i. 750,488,387 MEO Shares quoted on ASX;
- ii. 14,730,000 MEO Options exercisable over MEO Shares; and
- iii. 350,000 MEO Performance Rights.

The tranches of MEO Options are set out below:

Date	Exercise Price	Number
4 October 2015	\$0.50	1,500,000
27 October 2015	\$0.50	2,700,000
1 July 2016	\$0.50	3,000,000
1 July 2016	\$0.50	500,000
3 October 2016	\$0.50	1,200,000
1 December 2016	\$0.50	4,330,000
3 April 2017	\$0.50	1,500,000

MEO and Neon have entered into option cancellation deeds and a performance rights cancellation deed with each of the MEO Option Holders and MEO Performance Rights Holder. Under the terms of the deeds, each person holding MEO Options and/or MEO Performance Rights has agreed to have their MEO Options and/or MEO Performance Rights cancelled with effect from 5.00pm Melbourne time on the Implementation Date. The consideration for each tranche of MEO Options is set out in Section 10.12 (*Consideration to be provided to MEO Option Holders and MEO Performance Rights Holders*). The MEO Performance Rights Holder has agreed to cancel his MEO Performance Rights (to the extent they have not otherwise lapsed) for nil consideration.

4.9 MEO SHARE PRICE PERFORMANCE

The graph below shows the MEO Share Price and the volume of MEO Shares traded for the 12 months to Thursday, 18 December 2014, being the Business Day before the date of this Scheme Booklet.



As at Thursday, 18 December 2014, being the Business Day before the date of this Scheme Booklet:

- i. the last recorded trading price of MEO Shares was 2.0 cents per share;
- ii. the 1 month VWAP of MEO Shares was 1.90 cents per share;
- iii. the 3 month VWAP of MEO Shares was 2.46 cents per share;
- iv. the highest recorded trading price of MEO Shares in the previous three months was 4.20 cents per share on 30 September 2014; and
- v. the lowest recorded trading price of MEO Shares in the previous three months was 1.60 cents per share on 5 December 2014.

As at Tuesday, 4 November 2014, being the last day on which MEO Shares traded prior to announcement of the Scheme:

- i. the last recorded trading price of MEO Shares was 2.10 cents per share;
- ii. the 1 month VWAP of MEO Shares was 2.55 cents per share;
- iii. the 3 month VWAP of MEO Shares was 6.03 cents per share;
- iv. the highest recorded trading price of MEO Shares in the previous three months was 8.90 cents per share on 8 August 2014; and
- v. the lowest recorded trading price of MEO Shares in the previous three months was 1.90 cents per share on 31 October 2014.

4.10 FURTHER INFORMATION

4.10.1 Continuously disclosing entity

MEO is required to lodge various documents with ASIC. Copies of documents lodged with ASIC in relation to MEO may be obtained from, or inspected at, an ASIC office.

MEO will provide a copy of each of the following documents, free of charge, to anyone who asks for them before the Scheme is approved by the Court. The documents can also be obtained from the ASX website at www.asx.com.au or from the MEO website at www.meoaustralia.com.au:

- i. the annual financial report of MEO for the year ended 30 June 2014 (being the annual financial report most recently lodged with ASIC by MEO before lodgement of a copy of this Scheme Booklet with ASIC for registration); and
- ii. any continuous disclosure announcements made by MEO after the date of the lodgement of the annual financial report referred to above and before the lodgement of a copy of this Scheme Booklet with ASIC for registration.

As a company with securities quoted on the ASX and being a disclosing entity under the Corporations Act, MEO is subject to regular reporting and disclosure obligations. These obligations require MEO to announce price sensitive information as soon as it becomes aware of the information, subject to the exceptions for certain confidential information. MEO's recent ASX announcements are available from the MEO website at www.meoaustralia.com.au and the ASX website at www.asx.com.au.

It is intended that further announcements concerning developments at MEO will continue to be made on these websites after the date of this Scheme Booklet.

There is no information which has been excluded from a continuous disclosure notice in accordance with the Listing Rules, and which is required to be set out in this Scheme Booklet.

4.10.2 Recent MEO announcements

The following table lists the announcements made to the ASX by MEO that may have affected share price movements over the period between 1 July 2014 and 18 December 2014, being the Business Day before the date of this Scheme Booklet:

Date	Headline
18 December 14	NEN: Company Update
15 December 14	MEO Directors respond to Mosman Proposal
12 December 14	MEO Australia Appoints New CEO
12 December 14	NEN: MEO takeover bid received from Mosman Oil & Gas
11 December 14	Takeover Proposal for MEO Australia Limited
04 December 14	MEO Completes Negotiations for Cuba Block 9 PSC
02 December 14	Lodgement of Scheme Booklet
01 December 14	MEO Securities as at 1st December 2014
25 November 14	Ceasing to be a Substantial Holder
17 November 14	New Address for MEO Australia Limited
05 November 14	NEN: Chairman's Shareholder letter proposed Neon & MEO Merger
05 November 14	MEO NEON Merger Investor Presentation
05 November 14	MEO NEON Merger Announcement
05 November 14	Amended Trading Halt Request
05 November 14	Trading Halt
05 November 14	MEO Securities Update as at 5 Nov 2014
03 November 14	MEO Managing Director to Leave 31 January 2015
03 November 14	Acting MEO Chairman
30 October 14	Results of Annual General Meeting
30 October 14	Annual General Meeting – Technical Supplement 2014
30 October 14	MEO Annual General Meeting Presentation 2014
29 October 14	NT/P68 Farmin Agreement Notices Received
23 October 14	Quarterly Activities Summary for Period Ending 30th Sep 2014
23 October 14	Quarterly Cash Flow Summary for Period Ended 30th Sept 2014
01 October 14	Apache option agreement
26 September 14	2014 Notice of Annual General Meeting & Proxy Form
26 September 14	2014 MEO Australia Limited Annual Report to shareholders
17 September 14	2014 MEO Directors Report & Statutory Accounts
19 August 14	Puka-3 Progress Report No. 3
15 August 14	Trading Halt
15 August 14	NT/P68 Farmin Notice Dates extended to 28 October
07 August 14	Tassie Shoal Projects – Value Realisation Initiative
01 August 14	Puka-3 Progress Report No. 2
25 July 14	Quarterly Activities Summary for Period Ended 30th June 2014
25 July 14	Quarterly Cash Flow Summary for Period Ended 30th June 2014
23 July 14	Puka-3 Progress Report No. 1
09 July 14	ASX Release MEO Securities
09 July 14	Appendix 3Y

Section 5

Profile of Neon

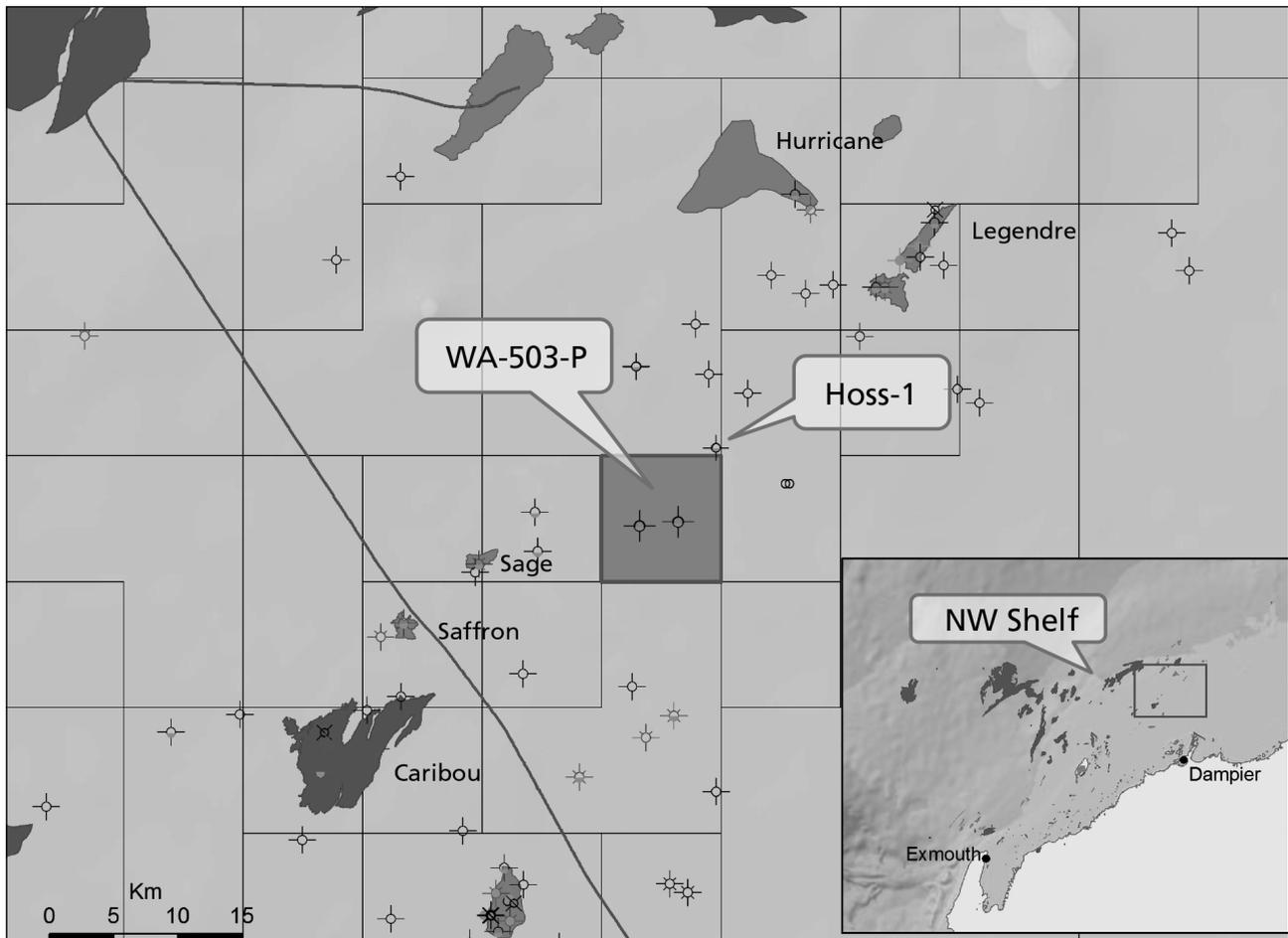
5.1 OVERVIEW OF NEON

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

As at Thursday, 18 December 2014, being the Business Day before the date of this Scheme Booklet, Neon had 553,037,848 shares on issue and a market capitalisation of approximately \$20 million.

Neon's major assets are its substantial cash balance of approximately \$23.5 million as at 31 October 2014¹ 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.

5.2 AUSTRALIA – NORTH WEST SHELF (WA-503-P) PERMIT



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. The data is anticipated to be acquired in early 2015.

1. As at 31 October 2014, being the last practicable date prior to the finalisation of this Scheme Booklet. Based on the Neon cash balance of approximately \$24.7 million (including cash on deposit and cash held in escrow (see Section 5.5.2), totalling approximately \$5.6 million) less Neon's estimated transaction costs of the Scheme of approximately \$1.2 million (including GST).

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.

5.3 SALE OF OFFSHORE INTERESTS

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 NEON DIRECTORS

Dr Alan Stein

Non-Executive Chairman

Dr Stein is a petroleum geologist with over 25 years' international experience. He was a founder and former CEO of Fusion Oil & Gas plc (AIM) and Ophir Energy plc (LSE). With these companies he has been involved in major oil and gas discoveries in Mauritania, Equatorial Guinea and Tanzania. Ophir was the most successful IPO on the London Stock Exchange during 2011 and the company now has a market capitalisation of approximately £820 million.

Dr Stein is currently one of the founding partners of Havoc Partners LLC, a natural resources investment group. He is also the non-executive Chairman of Hanno Resources which has extensive mineral exploration interests in northwest Africa. Dr Stein was one of the founders of Neon, having been involved in the acquisition of the corporate database in 2005.

Mr Ken Charsinsky

Managing Director

Mr Charsinsky has over 37 years of worldwide international E&P experience in both technical and management roles. After receiving an MS Geology degree from Rensselaer Polytechnic Institute, he commenced his career with Cities Service Oil and Gas Company. He has subsequently worked for Oxy, Maxus Energy, CMS (Nomeco) Oil and Gas Company and Noble Energy Inc. He has held several management positions including assignments as resident MD in Congo and Tunisia.

During his tenure on those projects production was enhanced and exploration discoveries were made, adding significant value. Prior to assuming his current role as Managing Director at Neon, Mr Charsinsky was Exploration Director, International New Ventures for Noble Energy Inc. He was responsible for the acquisition of a number of key strategic assets in Equatorial Guinea, Cameroon, Nicaragua and Southeast Asia.

John Lander

Non-Executive Director

Mr Lander has over 45 years' experience in the international E&P industry. He began as a geophysicist with Shell prior to holding executive positions at RTZ Oil and Gas Limited, Pict Petroleum plc, Premier Oil plc, British-Borneo Petroleum Syndicate plc and Tullow Oil plc. In addition he has held directorships with several successful oil and gas companies listed in the United Kingdom, and is currently a non-executive director of Trajan Energy Ltd.

5.5 NEON HISTORICAL FINANCIAL INFORMATION

The selected statement of comprehensive income information and selected statement of financial position information contained below for Neon is extracted from the reviewed consolidated financial statements of Neon for the half-years ended 30 June 2014 and 30 June 2013, as well as audited consolidated financial statements of Neon for the full year ended 31 December 2013 and for the financial year 31 December 2012 (which was a six-month financial year as a result of Neon changing its financial year end from 30 June to 31 December during that period).

The financial information has been prepared in accordance with the recognition and measurement requirements of Australian Accounting Standards (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board (AASB). Full compliance with Australian Accounting Standards results in compliance with International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board.

The audit opinion on the financial statements for the full year ended 31 December 2013 was issued by EY and was unqualified, with an emphasis of matter in relation to a going concern. The audit opinion on the financial statements for the financial year ended 31 December 2012 was issued by EY and was unqualified.

The review statement on the half year financial statements for the half year ended 30 June 2014 was issued by EY and was unqualified.

The review statement on the half year financial statements for the half year ended 30 June 2013 was issued by EY and was unqualified.

The financial information presented in the tables below does not represent complete financial statements and should therefore be read in conjunction with the financial statements for the respective periods, including the description of accounting policies contained in those financial statements and the notes to those financial statements. Where appropriate, adjustments have been made to headings and classifications of historical data to provide a consistent basis of presentation.

Except as set out in Section 5.6 (*Update on Neon financial performance and financial position*), in the interval between the end of the half year ending 30 June 2014 and the date of this Scheme Booklet, there has not arisen any item, transaction or event of a material and unusual nature likely, in the opinion of the Neon Directors, to significantly affect the operations of the Neon Group, the results of those operations, or the state of affairs of the Neon Group, in future financial years other than as disclosed in the 30 June 2014 half-year reviewed financial statements and subsequent filings on ASX. Neon Shareholders may view complete copies of the audited consolidated financial statements of Neon for the financial years ending 31 December 2013, 31 December 2012 and 30 June 2012 on ASX's website at www.asx.com.au or on the Neon website at www.neonenergy.com, or by contacting Neon's Company Secretary by emailing admin@neonenergy.com.

5.5.1 Neon Consolidated Statement of Comprehensive Income

	6 months ended 30 Jun 2014	12 months ended 31 Dec 2013	6 months ended 30 Jun 2013	6 months ended 31 Dec 2012
Revenue	–	9,706,546	4,016,446	4,087,588
Operating expenses	–	(5,063,848)	(2,537,561)	(1,573,446)
Royalty payments	–	(2,000,536)	(868,321)	(859,443)
Depreciation and amortisation expense	–	(1,586,299)	(703,970)	(751,976)
Cost of sales	–	(8,650,683)	(4,109,852)	(3,184,865)
Gross (loss)/profit	–	1,055,863	(93,406)	902,723
Other income	36,601	897,773	327,636	–
Corporate and administration expenses	(2,647,357)	(6,492,738)	(3,153,293)	(3,454,894)
Finance costs	(3,891)	(58,930)	(19,818)	(75,280)
Impairment of exploration and evaluation assets	–	(79,911,886)	(1,599)	(324,615)
Impairment of oil and gas properties	–	(6,738,041)	–	–
Plug and abandon costs	–	(3,116,697)	–	–
Insurance proceeds	–	–	–	–
Net (loss)/gain on foreign exchange	(497,976)	–	358,579	–
Net Loss on sale of assets	–	(3,556)	–	–
Loss before income tax expense for continuing operations	(3,112,623)	(94,368,212)	(2,581,900)	(2,952,066)
Income tax benefit/(expense)	–	4,485,427	–	121,745
Loss for the period for continuing operations	(3,112,623)	(89,882,785)	(2,581,900)	(2,830,321)
Discontinued operations				
Profit/(loss) after tax for the period from discontinued operations	15,621,208	–	–	–
Profit/(loss) for the period	12,508,585	(89,882,785)	(2,581,900)	(2,830,321)
Other comprehensive income				
<i>Items reclassified subsequently to profit or loss:</i>				
Exchange differences on translation of foreign operations	(1,076,089)	10,765,596	7,986,078	(824,881)
Recycle of foreign currency translation reserve of discontinued operations	(2,365,999)	–	–	–
Total comprehensive income for the period attributable to members of the parent entity	9,066,497	(79,117,189)	5,404,178	(3,655,202)
	Cents per share	Cents per share	Cents per share	Cents per share
Basic earnings/(loss) per share	2.26	(16.30)	(0.47)	(0.58)
Diluted earnings/(loss) per share	2.26	(16.30)	(0.47)	(0.58)
Basic loss per share for continuing operations	(0.56)	–	–	–
Diluted loss per share for continuing operations	(0.56)	–	–	–

5.5.2 Neon Consolidated Statement of Financial Position

	As at 30 June 2014	As at 31 Dec 2013	As at 30 June 2013	As at 31 Dec 2012
Current assets				
Cash	23,329,835	9,700,017	20,517,610	20,649,993
Other financial assets	5,392,994 ²	1,147,875	–	–
Trade and other receivables	948,384	1,458,045	2,337,594	8,489,123
Inventories	–	118,086	124,024	85,322
Total current assets	29,671,213	12,424,023	22,979,228	29,224,438
Non-current assets				
Property, plant and equipment	51,500	148,926	150,228	181,252
Oil and gas properties	–	27,358,498	33,792,891	29,718,057
Exploration and evaluation assets	100,000	4,765,243	49,478,078	41,734,784
Total non-current assets	151,500	32,272,667	83,421,197	71,634,093
Total assets	29,822,713	44,696,690	106,400,425	100,858,531
Current liabilities				
Trade and other payables	1,372,252	26,936,621	2,624,227	2,603,376
Provisions	6,243,523	2,590,438	488,751	604,847
Total current liabilities	7,615,775	29,527,059	3,112,978	3,208,223
Non-current liabilities				
Deferred Tax Liability	–	–	4,395,581	4,133,013
Provisions	–	2,529,458	2,701,155	3,066,321
Total non-current liabilities	–	2,529,458	7,096,736	7,199,334
Total liabilities	7,615,775	32,056,517	10,209,714	10,407,557
Net assets	22,206,938	12,640,173	96,190,711	90,450,974
Equity				
Contributed equity	171,571,258	171,571,258	170,951,258	170,951,258
Reserves	5,229,604	8,171,424	5,041,077	(3,280,560)
Accumulated losses	(154,593,924)	(167,102,509)	(79,801,624)	(77,219,724)
Total equity	22,206,938	12,640,173	96,190,711	90,450,974

2. Comprising \$1,100,781 in short-term deposits and \$4,292,213 of escrowed funds. The escrowed funds are held in an escrow account as surety against Neon's warranties to the purchaser of its Californian assets. The escrow account will be released to Neon 12 months following the closing date of the purchase and sale agreement of The Neon Board fully expects that the whole of the escrowed amount will be released to Neon at the conclusion of the escrow period.

5.5.3 Consolidated Statement of Cash Flows

	6 months ended 30 Jun 2014	Full year ended 31 Dec 2013	6 months ended 30 Jun 2013	6 months ended 30 Jun 2012
Cash flows from operating activities				
Receipts from customers	3,976,301	8,916,548	3,887,763	4,133,031
Payments to suppliers and employees	(5,172,342)	(12,201,390)	(7,106,597)	(6,023,798)
Interest received	48,729	472,499	327,637	147,216
Finance costs paid	(3,891)	(29,273)	(19,818)	(313)
Net cash flows (used in) in operating activities	(1,151,203)	(2,841,616)	(2,911,015)	(1,743,864)
Cash flows from investing activities				
Development expenditure	(75,635)	(2,689,682)	(1,912,958)	(895,187)
Exploration and evaluation expenditure	(7,686,198)	(12,209,920)	(2,513,199)	(20,024,581)
Proceeds from sale of interest in exploration and evaluation assets	–	6,556,804	6,556,804	57,781
Net proceeds from the sale of property, plant and equipment	22,676,632	–	–	79,997
Purchase of property, plant and equipment	–	(43,994)	(19,401)	–
Investments in short-term deposits		(1,147,875)		
Net cash used in investing activities	14,914,799	(9,534,667)	2,111,246	(20,781,990)
Cash flows from financing activities				
Proceeds from issue of shares	–	619,800	–	33,222,052
Transaction costs of issue of shares	–	–	–	(1,531,710)
Net cash flows from financing activities	–	619,800	–	31,690,342
Net increase/(decrease) in cash and cash equivalents	13,763,595	(11,756,483)	(799,769)	9,164,488
Net foreign exchange differences	(133,877)	806,507	667,386	(53,205)
Cash and cash equivalents at beginning of period	9,700,117	20,649,993	20,649,993	11,538,710
Cash and cash equivalents at end of period	23,329,835	9,700,017	20,517,610	20,649,993

5.6 UPDATE ON NEON FINANCIAL PERFORMANCE AND FINANCIAL POSITION

The following selected financial information for Neon is taken from the unaudited Neon Quarterly Activity Report and Appendix 5B for the quarter ended 30 September 2014 and reflects other subsequent revenue:

- i. As at 30 September 2014, Neon had pro forma net cash of \$25.3 million (including cash on deposit and escrowed cash).
- ii. During the September quarter, Neon settled the financial dispute with joint venture partners Eni Vietnam and Kris Energy regarding settlement of liabilities related to the Vietnam drilling program conducted in late 2013. US\$5.75 million was paid for a full release from all liabilities. Net proceeds from the Cua Lo-1 insurance claim, if any, are payable to the Vietnamese joint venture partners as part of the settlement.
- iii. As at 30 June 2014, Neon had included an amount of US\$1.17 million (A\$1.25 million) as a payable in respect to an adjustment amount owing to the acquirer of its US assets. The amount payable was equivalent to oil revenue received post the signing of the Purchase and Sale Agreement on 9 May 2014.
- iv. The US asset sale adjustment figure was settled on 12 November 2014 for US\$1.978 million. This increase in the amount owing from the 30 June 2014 provision was due to oil revenue being received until September, at which point the crude oil sales contract was assigned from Neon Energy Corporation to the acquirer of the US assets. The final settlement amount paid was net of an amount of additional costs claimed by Neon.

A copy of the Quarterly Activity Report for the quarter ended 30 September 2014 is available at www.asx.com.au and www.neonenergy.com.

Neon expects that its Quarterly Activity Report for the quarter ending 31 December 2014 will be released to the ASX on or before 31 January 2015. A copy of the report will be available at www.asx.com.au and www.neonenergy.com.

5.7 NEON CAPITAL STRUCTURE

5.7.1 Neon securities

As at the date of this Scheme Booklet, Neon's issued capital consists of:

- i. 553,037,848 fully paid ordinary shares;
- ii. 1,000,000 Neon Options at the exercise price of \$0.60 and expiring 4 September 2016;
- iii. 1,000,000 Neon Options at the exercise price of \$1.00 and expiring 4 September 2016;
- iv. 2,694,638 Neon Performance Rights, expiring 30 June 2016; and
- v. 34,078,862 Neon Performance Rights, expiring 1 June 2016.

All issued Neon Shares carry one vote per share and carry the right to dividends, and are quoted on ASX. Neon Options and Neon Performance Rights do not carry any voting rights or rights to dividends, and are not quoted on ASX.

5.7.2 Impact of the Scheme on Neon Performance Rights

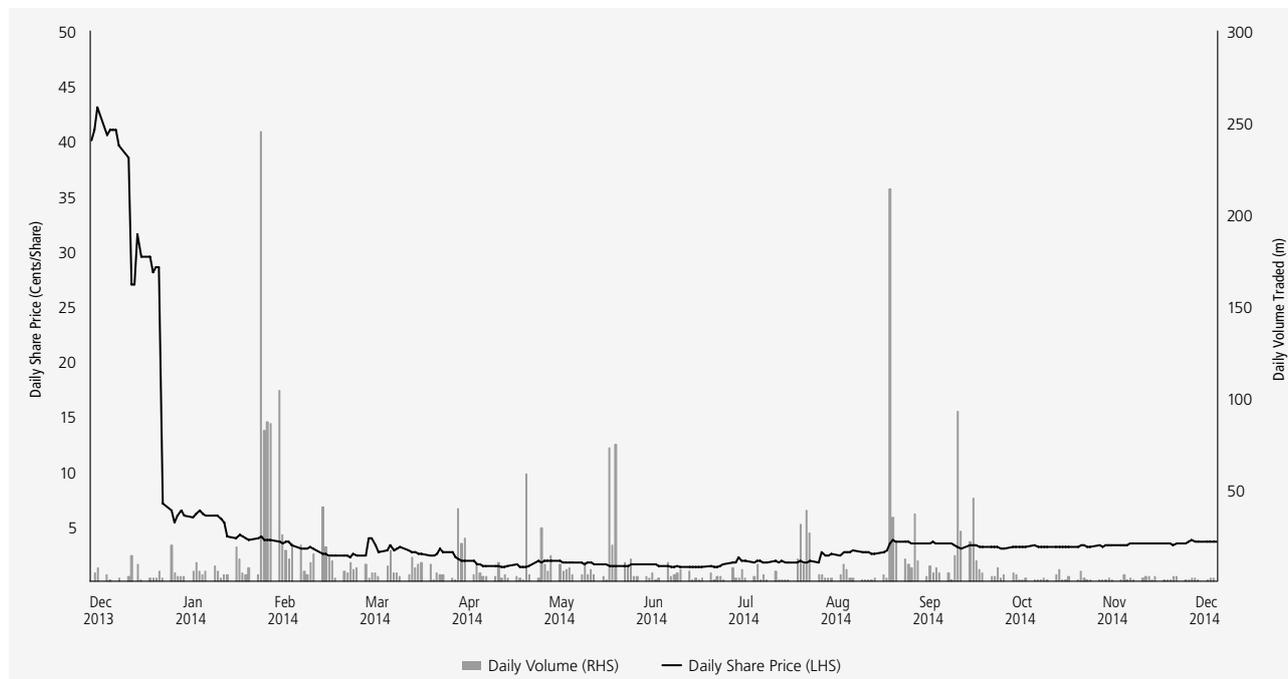
As the Scheme is conditional on:

- i. each holder of Neon Performance Rights agreeing to the cancellation of all of his or her Neon Performance Rights (subject to the Scheme becoming Effective) for nil consideration by 8.00pm on the Business Day before the Second Court Date; and
- ii. no Neon Performance Rights vesting between 5 November 2014 and 8.00pm on the Business Day before the Second Court Date, there will be no Neon Performance Rights on issue following completion of the Scheme.

Neon intends to enter into cancellation deeds with the holders of the MEO Performance Rights in order to satisfy this condition.

5.8 NEON SHARE PRICE PERFORMANCE

The graph below shows the Neon Share Price and the volume of Neon Shares traded for the 12 months to Thursday, 18 December 2014, being the Business Day before the date of this Scheme Booklet.



As at Thursday, 18 December 2014, being the Business Day before the date of this Scheme Booklet:

- i. the last recorded trading price of Neon Shares was 3.60 cents per share;
- ii. the 1 month VWAP of Neon Shares was 3.49 cents per share;
- iii. the 3 month VWAP of Neon Shares was 3.32 cents per share;
- iv. the highest recorded trading price of Neon Shares in the previous three months was 3.70 cents per share on 10 December 2014; and
- v. the lowest recorded trading price of Neon Shares in the previous three months was 3.0 cents per share on 26 September 2014.

As at Tuesday, 4 November 2014, being the last day on which Neon Shares traded prior to announcement of the Scheme:

- i. the last recorded trading price of Neon Shares was 3.20 cents per share;
- ii. the 1 month VWAP of Neon Shares was 3.11 cents per share;
- iii. the 3 month VWAP of Neon Shares was 3.11 cents per share;
- iv. the highest recorded trading price of Neon Shares in the previous three months was 4.20 cents per share on 10 September 2014; and
- v. the lowest recorded trading price of Neon Shares in the previous three months was 1.70 cents per share on 11 August 2014.

5.9 FURTHER INFORMATION

5.9.1 Continuously disclosing entity

As a company with securities quoted on the ASX and being a disclosing entity under the Corporations Act, Neon is subject to regular reporting and disclosure obligations. These obligations require Neon to announce price sensitive information as soon as it becomes aware of the information, subject to the exceptions for certain confidential information. Neon's recent ASX announcements are available from the Neon website at www.neonenergy.com and the ASX website at www.asx.com.au. It is intended that further announcements concerning developments at Neon will continue to be made on these websites after the date of this Scheme Booklet. Historical ASX announcements and copies of half-yearly and annual financial results (and accompanying releases) are also available from the Neon website at www.neonenergy.com.

Neon will provide a copy of each of the following documents, free of charge, to anyone who asks for them before the Scheme is approved by the Court. The documents can also be obtained from the ASX website at www.asx.com.au or from the Neon website at www.neonenergy.com:

- i. the annual financial report of Neon for the year ended 31 December 2013 (being the annual financial report most recently lodged with ASIC by Neon before lodgement of a copy of this Scheme Booklet with ASIC for registration);
- ii. the interim financial report of Neon for the half year ended 30 June 2014 (being the half year financial report lodged with ASIC by Neon after lodgement of its annual financial report and before lodgement of a copy of this Scheme Booklet with ASIC for registration); and
- iii. any continuous disclosure announcements made by Neon after the date of the lodgement of the annual financial report referred to above and before the lodgement of a copy of this Scheme Booklet with ASIC for registration.

Copies of documents lodged with ASIC in relation to Neon may be obtained from, or inspected at, an ASIC office.

5.9.2 Recent Neon announcements

The following table summarises announcements made to the ASX by Neon that may have affected share price movements over the period between 1 July 2014 and 18 December 2014, being the Business Day before the date of this Scheme Booklet:

Date	Headline
18 December 14	Company Update
15 December 14	MEO: MEO Directors respond to Mosman Proposal
12 December 14	MEO Takeover bid received from Mosman Oil & Gas
11 December 14	Takeover Proposal for MEO Australia Limited
02 December 14	MEO: Lodgement of Scheme Booklet
26 November 14	Neon update to shareholders on Evoworld Notice and Letter
13 November 14	Notice to Remove Directors Received from Evoworld
13 November 14	Support for Growth Strategy
12 November 14	Results of General Meeting – Requisitioned Meeting
12 November 14	Results of General Meeting – Proportional Takeover Bid
5 November 14	Chairman's Shareholder letter proposed Neon & MEO Merger
5 November 14	MEO NEON Merger Investor Presentation
5 November 14	MEO NEON Merger Announcement
5 November 14	Trading Halt
31 October 14	Sending of Bidder's Statement
31 October 14	Neon Quarterly Activities Report
31 October 14	Award of WA 503P Seismic Contract
24 October 14	Supplementary Bidder's Statement
16 October 14	Neon Update on Receipt of Bidder's Statement
15 October 14	Evoworld Corporation P/L Bidder's Statement – Off-market bid

Date	Headline
3 October 14	Notice of General Meeting/Proxy Form
3 October 14	Change in substantial holding
24 September 14	Change in substantial holding
22 September 14	Change in substantial holding
17 September 14	Chairman's Letter to Shareholders
16 September 14	Change in substantial holding
15 September 14	Further Section 249D Notice
12 September 14	Change in substantial holding
12 September 14	Half Yearly Report and Accounts
12 September 14	Invalid 249D Notice
11 September 14	Change in substantial holding
10 September 14	Reinstatement to Official Quotation
10 September 14	Unsolicited proportional takeover bid and reinstatement
9 September 14	Suspension from Official Quotation
5 September 14	Change in substantial holding
5 September 14	Trading Halt request
5 September 14	Trading Halt
5 September 14	Becoming a substantial holder
3 September 14	Response to ASX Query
12 August 14	Successful Settlement of ENI Vietnam Dispute
30 July 14	Neon Quarterly Report June 2014
16 July 14	Appendix 3B Cancellation of Performance Rights
16 July 14	Change of Director's Interest Notice
14 July 14	Response to Price Query

Section 6

Profile of the Merged Group

6.1 OVERVIEW OF THE MERGED GROUP

The transaction will combine the cash resources and asset portfolios of the two companies to create an attractive and well-capitalised junior E&P company positioned for substantial growth.

If the Scheme is implemented, based on cash balances as at 31 October 2014 the Merged Group will have a pro forma cash balance of approximately \$32.0 million¹, providing a strong platform from which to grow its combined asset and new venture portfolio as well as take advantage of business development opportunities in the E&P sector.

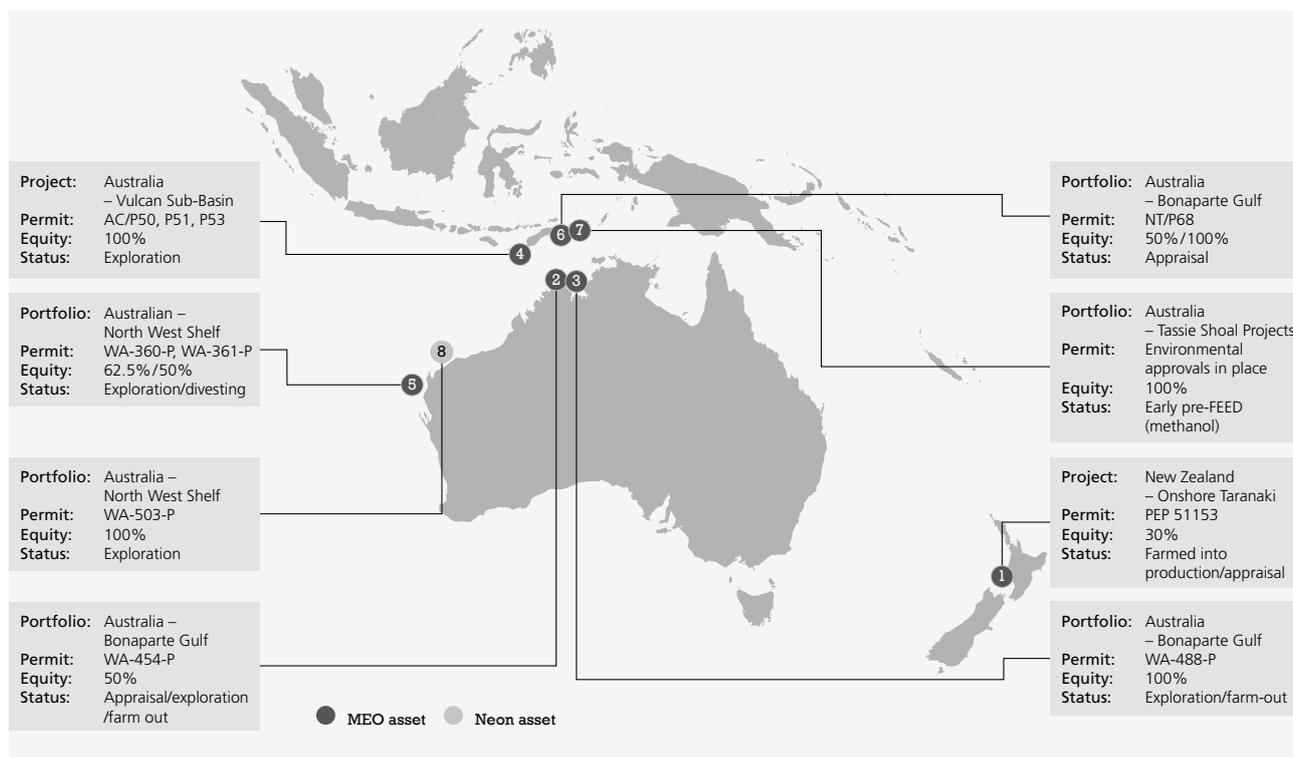
The merger will result in a sharp reduction in the combined cost base of the Merged Group and a repositioning towards a production oriented growth strategy. Consistent with delivering shareholder value and maintaining a strong financial position, the Merged Group will substantially reduce combined annual overheads, targeting a reduction from approximately \$8.5 million to approximately \$3.5 million per annum.

In addition to the elimination of duplication of compliance and listing costs, the transaction is expected to result in a material reduction in the head count of the Merged Group.

6.2 MERGED GROUP ASSETS²

The Merged Group will hold a diversified portfolio of E&P assets, and will seek to add to the existing asset base with a pipeline of new business opportunities in core focus areas.

For further information on the assets of each company, refer to Section 4 (*Profile of MEO*) and Section 5 (*Profile of Neon*).



1. As at 31 October 2014, being the last practicable date prior to the finalisation of this Scheme Booklet. Based on the Neon cash balance of approximately \$24.7 million (including cash on deposit and cash held in escrow (see Section 5.5.2), totalling approximately \$5.6 million and the MEO cash balance of approximately \$10.7 million less estimated combined transaction costs of the Scheme of approximately \$3.2 million (including GST).

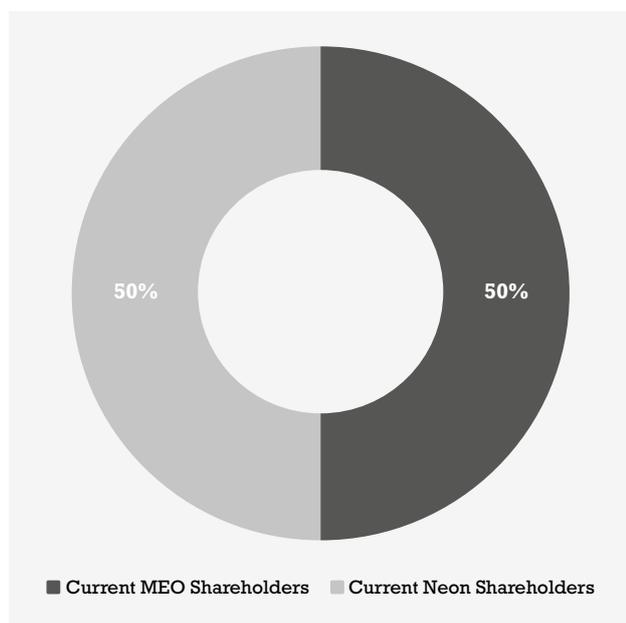
2. MEO's Block 9 PSC project in Cuba is excluded from the map in this Section as this project remains subject to the receipt of regulatory approvals (see Section 4.2.8 for further information).

6.3 CAPITAL STRUCTURE AND OWNERSHIP

	Shares
Neon Shares as at the date of this Scheme Booklet	553,037,848
New Neon Shares to be issued as Scheme Consideration	553,037,848
Neon Shares on issue following implementation of the Scheme	1,106,075,696

Following implementation of the Scheme, Neon Shareholders and MEO Shareholders will each hold 50% of the Merged Group.

Pro forma shareholding of the Merged Group³



6.4 OPTIONS AND PERFORMANCE RIGHTS

If the Scheme is implemented, it is expected that the Merged Group will have the following options and performance rights on issue:

	Performance rights	Unlisted options
As at the date of this Scheme Booklet	Neon: 36,773,500 MEO: 350,000	Neon: 2,000,000 MEO: 14,730,000
Number cancelled prior to implementation of the Scheme	Neon: 36,773,500 MEO: 350,000	MEO: 14,730,000
Number to be issued as result of the Scheme	nil	nil
Following implementation of the Scheme	nil	2,000,000

3. Based on MEO Shares and Neon Shares on issue as at 18 December 2014.

6.5 BOARD AND MANAGEMENT OF THE MERGED GROUP

6.5.1 Board

The Board of the Merged Group will comprise two current MEO Directors and two current Neon Directors.

The two current MEO Directors proposed to join the Merged Group as Non-Executive Directors will be:

- i. Stephen Hopley (current Non-Executive Director of MEO); and
- ii. Michael Sweeney (current Non-Executive Director of MEO).

The two current Neon Directors proposed to continue on the Board of the Merged Group will be:

- i. Alan Stein (current Chairman of Neon); and
- ii. Ken Charsinsky (current Managing Director of Neon).

It is proposed Alan Stein will serve as the Chairman of the Merged Group and Ken Charsinsky will served as a Non-Executive Director.

6.5.2 Management

The Chief Executive Officer of the Merged Group is proposed to be Peter Stickland, the former Chief Executive Officer and Managing Director of Tap Oil, former Exploration Manager of MEO (since June 2013) and current Chief Executive Officer of MEO (effective from 19 December 2014). Other members of the Merged Group's senior management team will be drawn from the two companies, existing management teams following implementation of the Scheme.

6.6 INTENTIONS IN RELATION TO MEO AND THE MERGED GROUP

References to Neon and MEO intentions in this Section are references to current intentions of the Neon and MEO Boards respectively, and references to the intentions of the Merged Group are references to the current intentions of those Neon and MEO Directors who it is intended will join the board of the Merged Group.

Following implementation of the Scheme, the Merged Group intends to pursue a production and advanced development oriented growth strategy with the aim of transforming into a robust and cash generative junior exploration and production company.

In addition to enabling the diverse portfolio of existing projects to be progressed, the capital position of the Merged Group will provide a strong platform from which to take advantage of acquisition opportunities in an increasingly attractive market for buyers of E&P assets.

Final decisions regarding any such matters will be made by the Board of the Merged Group in light of material information and circumstances at the relevant time. Accordingly, the statements set out in this section are statements of current intentions only, which may vary as new information becomes available or circumstances change and the Merged Group further develops its strategic focus and outlook.

6.6.1 Corporate matters in relation to MEO

If the Scheme is implemented, it is intended that:

- i. MEO be removed from the official list of ASX; and
- ii. as MEO will be a subsidiary of the Merged Group, the MEO Board will be reconstituted so that it comprises persons nominated by the Board of the Merged Group.

Following implementation of the Scheme, the Merged Group will be known as Neon. The Merged Group currently intends to continue to use the MEO name and legal entities, including any associated trademarks and logos in the progression of its current projects.

6.6.2 Continuation of MEO's business

It is the current intention of MEO and Neon that the Merged Group will continue to operate the business of MEO in substantially the same manner as it is currently being conducted. The headquarters of the Merged Group will be in Melbourne.

In addition to progressing existing projects, the Merged Group intends to continue the previously announced value realisation initiative in relation to the Tassie Shoal projects to provide additional scope to further increase balance sheet strength, subject to a successful transaction arising out of that process.

The Merged Group is expected to continue to review all aspects of its assets and operations to identify ways to maximise value for all shareholders. The Merged Group will have a particular focus on cost rationalisation, and will substantially reduce combined corporate overheads, targeting a reduction from approximately \$8.5 million to approximately \$3.5 million per annum.

6.6.3 Future employment of present employees

If the Scheme is implemented, the elimination of duplicated functions across MEO and Neon will result in some positions becoming redundant across the two groups of employees. There also may be instances where functions currently staffed within MEO are not required post the implementation of the Scheme. However, incidence, extent and timing of such job losses cannot be predicted in advance. In these cases, the relevant MEO employees would receive redundancy payments and other benefits in accordance with their pre-existing contractual and other legal entitlements. Neon has entered into arrangements with certain key employees to ensure their continued service during the period of increased workload and uncertainty during the implementation of the Scheme, which may result in payments to those employees post the implementation of the Scheme if they are made redundant as part of the merger.

6.7 HISTORICAL AND PRO FORMA HISTORICAL FINANCIAL INFORMATION

The Merged Group pro forma historical consolidated financial information provided in this Scheme Booklet comprises a pro forma historical consolidated statement of financial position as at 30 June 2014 (hereafter, the **Pro Forma Historical Financial Information**), which is based upon the:

- i. MEO historical consolidated statement of financial position as at 30 June 2014 (hereafter the **Historical Financial Information**);
- ii. Neon consolidated statement of financial position as at 30 June 2014 (refer to Section 5.5.2 (*Neon Consolidated Statement of Financial Position*)), and
- iii. Pro forma adjustments as set out in Section 6.8.3 (*Historical and Pro Forma Historical Information*), including those required to illustrate the effect of the proposed transaction.

(hereafter the Historical Financial Information and Pro Forma Historical Financial Information is collectively referred to as **Financial Information**).

The Pro Forma Historical Financial Information in this Section 6.8 (*Basis of Preparation of Historical and Pro Forma Historical Financial Information*) is presented on a pro forma basis only, and as a result it is likely that this information will differ from the actual financial position for the Merged Group as at the Implementation Date.

During the year ended 30 June 2014, there were a number of events which significantly impacted the financial performance of MEO and Neon and as a result, the financial performance of the Merged Group is not presented within this Scheme Booklet. The MEO Directors believe that the inclusion of a pro forma historical consolidated statement of comprehensive income would not be a true reflection of the Merged Group's financial performance.

Standalone historical consolidated statement of comprehensive income for both Neon and MEO is located within Section 5.5 (*Neon historical financial information*) and Section 4.6 (*MEO historical financial information*) respectively.

6.8 BASIS OF PREPARATION OF HISTORICAL AND PRO FORMA HISTORICAL FINANCIAL INFORMATION

The MEO Directors are responsible for the preparation and presentation of the Pro Forma Historical Financial Information.

The Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards.

The Historical Financial Information has been extracted from the financial report of MEO for the year ended 30 June 2014 which was audited by EY, in accordance with Australian Auditing Standards. EY issued an unqualified audit opinion on that financial report.

The Pro Forma Historical Financial Information was prepared in a manner consistent with the recognition and measurement principles contained in the Australian Accounting Standards applied to the Historical Financial Information and the events or transactions to which the pro forma adjustments relate, as described in Section 6.8.3 (*Historical and Pro Forma Historical Financial Information*), as if those events or transactions had occurred as at 30 June 2014.

The accounting policies of the Merged Group used in the preparation of the Pro Forma Historical Financial Information are based on those of Neon. Neon's summary of significant accounting policies are disclosed in the audited financial statements of Neon for the year ended 31 December 2013, available on the ASX website at www.asx.com.au or on the Neon website at www.neonenergy.com.

No adjustments have been made in the Pro Forma Historical Financial Information for any expected synergies or integration costs following the implementation of the Scheme. No adjustments have been made in the Pro Forma Historical Financial Information for any one-off or non-recurring costs, other than those set out in the pro forma adjustments described in Section 6.8.3 (*Historical and Pro Forma Historical Financial Information*).

There were no material differences noted between the significant accounting policies of MEO and Neon.

The Financial Information is presented in an abbreviated form insofar as it does not contain all the presentation, disclosures, statements or comparative information as required by Australian Accounting Standards applicable to general purpose financial reports usually provided in an annual report prepared in accordance with the Corporations Act.

The Financial Information is presented in Australian dollars, the operating and presentation currency of both MEO and Neon.

The Historical and Pro Forma Historical Financial Information presented in the Scheme Booklet has been reviewed by EY whose Independent Limited Assurance Report is contained in Attachment C (*Independent Limited Assurance Report*). MEO Shareholders should note the scope and limitations of the report.

6.8.1 Accounting under AASB 3 Business Combinations

Under Australian Accounting Standards, the proposed merger will be accounted for as a business combination. Australian Accounting Standards require that where two or more entities combine through an exchange of equity for the purposes of a business combination, one of the entities must be deemed to be the accounting acquirer (accounting parent).

Neon is the legal acquirer (legal parent) in respect of the proposed Scheme (MEO is the legal subsidiary) and it will issue New Neon Shares to effect the business combination with MEO. In accordance with Australian Accounting Standards, all relevant facts and circumstances must be considered to determine which entity has obtained control in the transaction and is therefore deemed to be the accounting acquirer (accounting parent).

While the terms of the proposed merger reflect a merger of equals, having regard to the guidance set out in Australian Accounting Standard AASB 3 *Business Combinations* (AASB 3) and given the potential for MEO to access capital as set out in Section 2.2.3 (*the transaction represents an attractive pathway for MEO to access capital*), the legal acquirer being Neon, relative voting rights after the business combination, Board and management composition of the Merged Group, the effective premium and other factors, Neon was determined to be the acquirer (accounting parent) for accounting purposes.

For the purposes of the Merged Group, the impact of the net asset value of MEO (reflecting the assets and liabilities deemed to be acquired by Neon) is restated at fair value, while the assets and liabilities of Neon are maintained at their historical book values.

The acquisition accounting has been determined on a provisional basis as permitted under AASB 3. The fair value of the consideration deemed transferred, assets acquired and liabilities assumed by Neon have been determined based on preliminary fair value estimates as at 30 June 2014, which will be different to the ultimate fair values at the Effective Date. The acquisition accounting is expected to be finalised within 12 months of the implementation of the proposed Scheme, as allowed under Australian Accounting Standards.

6.8.2 Summary of Acquisition

Under AASB 3, the fair value of the consideration issued to MEO will be measured based upon the value of Neon Shares at the close of trading on the Implementation Date. For the purposes of the Pro Forma Historical Financial Information, a value of 3.6 cents per Neon Share has been assumed, being the closing price of Neon Shares as at 18 December 2014, being the Business Day before the date of this Scheme Booklet. The ultimate value of the purchase consideration for accounting purposes as at the Implementation Date will differ from the amount assumed for the purposes of the Pro Forma Historical Financial Information. For the purposes of the Pro Forma Historical Financial Information, a fair value of the consideration issued to MEO of \$19,909,000 has been calculated.

The difference between the fair value of the consideration issued to MEO and the fair value of MEO's net assets, for the purposes of the Pro Forma Historical Financial Information, has been assumed to be allocated to exploration and evaluation assets.

Following implementation of the Scheme, a detailed valuation of the identifiable assets, liabilities and contingent liabilities of MEO will be undertaken to ascertain the allocation of this difference. The ultimate value of the consideration deemed transferred for accounting purposes as at the Implementation Date will differ from that assumed for the purposes of the Pro Forma Historical Financial Information. Therefore, as the Scheme, if implemented, will be effected at a future date, the actual impact of the acquisition accounting will differ from that presented below.

The provisional allocation of the fair value of consideration issued to MEO is calculated as follows:

Fair value of consideration issued	
MEO Shares on issue	750,488,387
Adjustment factor	0.7369
Neon Shares issued	553,037,848
Neon closing share price as at 18 December 2014	3.6 cents
Fair value of consideration issued	\$19,909,000

Following implementation of the Scheme, it is assumed that MEO forms part of the Neon tax consolidated group under Australian taxation law. Neon will be the head entity in the Neon tax consolidated group. MEO's unused tax losses will be transferred to the head entity, subject to satisfying requirements for such a transfer under Australian tax laws.

6.8.3 Historical and Pro Forma Historical Financial Information

This section contains the Pro Forma Historical Financial Information for the Merged Group as at 30 June 2014, reflecting the consolidated business of MEO and Neon. The Pro Forma Historical Financial Information is presented to provide MEO Shareholders with an indication of the Merged Group's historical consolidated statement of financial position as if the Scheme had been implemented as at 30 June 2014.

As the Scheme, if implemented, will be effected at a future date, the actual consolidated statement of financial position of the Merged Group following implementation of the Scheme will differ from that presented below.

References to notes refer to the notes to pro forma adjustments set out in this section.

The following pro forma adjustments have been made to the Historical Financial Information to present the Pro Forma Historical Financial Information, including the adjustments to reflect the accounting impact of the acquisition of MEO, as follows:

- The acquisition of MEO by Neon through the issuance of 0.7369 Neon Shares for each MEO Share as described in this scheme booklet and associated acquisition accounting adjustments;
- The inclusion of transaction costs associated with the above transactions;
- The impact of MEO moving offices as announced on 17 November 2014;
- The settlement of Neon's disputes with Eni and Kris Energy;
- The payment of the final sale adjustment for Neon's sale of the US assets; and
- The elimination of MEO Group's pre-acquisition equity.

Merged Group Pro Forma Historical Consolidated Statement of Financial Position as at 30 June 2014

	MEO historical actual \$'000	Notes	MEO Pro-forma adjustments \$'000	MEO Fair values \$'000	Neon historical actual \$'000	Notes	Pro-forma Adjustments \$'000	Merged group pro-forma consolidated \$'000
Current assets								
Cash and cash equivalents	15,990			15,990	23,330	a,b,i	(10,123)	29,197
Other financial assets					5,393 ⁴			5,393
Trade and other receivables	411			411	948	b	(645)	714
Total current assets	16,401			16,401	29,671		(10,768)	35,304
Non-current assets								
Plant and equipment	802	c	(442)	360	52			412
Intangible assets	274			274				274
Exploration phase expenditure	11,331	d	(6,377)	4,954	100			5,054
Total non-current assets	12,407		(6,819)	5,588	152			5,740
Total assets	28,808		(6,819)	21,989	29,823		(10,768)	41,044
Current liabilities								
Trade and other payables	1,529			1,529	1,372	b	(1,250)	1,651
Provisions	241			241	6,244	a	(6,104)	381
Total current liabilities	1,770			1,770	7,616		(7,354)	2,032
Non-current liabilities								
Provisions	310			310				310
Total non-current liabilities	310			310				310
Total liabilities	2,080			2,080	7,616		(7,354)	2,342
Net assets	26,728	c,d	(6,819)	19,909	22,207		(3,414)	38,702
Equity								
Contributed equity	262,367			262,367	171,571	e,f	(242,458)	191,480
Reserves	3,980			3,980	5,230	g	(3,980)	5,230
Accumulated losses	(239,619)	c,d	(6,819)	(246,438)	(154,594)	h,i	243,024	(158,008)
Total equity	26,728		(6,819)	19,909	22,207		(3,414)	38,702

4. Consists of short-term deposits (\$1,101,000) and escrowed funds of \$4,292,000 (US\$4,043,000) that are held in an escrow account as surety against Neon Energy's warranties to the Purchaser of its Californian assets. The escrow account will be released to Neon Energy 12 months following the closing date of the purchase and sale agreement. The Neon Directors fully expect that the whole of the escrowed amount will be released to the Company at the conclusion of the escrow period.

6.8.4 Notes to Pro Forma Adjustments

The Neon Statement of Financial Position at 30 June 2014 has been extracted from the financial report of Neon for the half year ended 30 June 2014.

The following pro forma adjustments have been made to the Historical Financial Information in the preparation of the Pro Forma Historical Financial Information, including the adjustments to reflect the impact of acquisition accounting and certain material transactions and/or events post 30 June 2014, as follows:

6.8.4.1 Pro forma adjustments for transactions and/or events post 30 June 2014

Owing to the significance of the following transactions which occurred after 30 June 2014, they have been adjusted as a pro forma adjustment.

Note a): During the September 2014 quarter, Neon settled the financial dispute with joint venture partners Eni Vietnam and Kris Energy regarding liabilities related to the Vietnam drilling program conducted in late 2013. US\$5.75 million was paid for a full release from all liabilities.

Note b): As at 30 June 2014, Neon had included an amount of US\$1.17 million (A\$1.25 million) as a payable in respect to a US asset sale adjustment owing to the acquirer of its US assets. The amount payable was equivalent to oil revenue received post the signing of the Purchase and Sale Agreement on 9 May 2014.

The US asset sale adjustment was settled on 12 November 2014 for US\$1.978 million. This increase in the amount owing from the 30 June 2014 provision was due to oil revenue being received until September, at which point the crude oil sales contract was assigned from Neon Energy Corporation to the acquirer of the US assets. The final settlement amount paid was net of an amount of additional costs claimed by Neon.

6.8.4.2 Pro forma adjustments to recognise and measure MEO's assets and liabilities at fair value

The acquisition accounting for MEO has been determined on a provisional basis as permitted by AASB 3 *Business Combinations*. The fair value of the consideration issued to MEO, the assets acquired and liabilities assumed by Neon have been determined based on preliminary fair value estimates, which will be different to the ultimate fair values at Implementation Date and may be adjusted at any time within 12 months of the acquisition date in accordance with AASB 3. The provisional allocation of the fair value of consideration deemed transferred on consolidation is as follows:

Assumed fair value of consideration issued	
Fair value of net assets acquired	\$19,909,000
Existing book value of MEO net assets at 30 June 2014	\$26,728,000
Fair value adjustments	
– Adjustment to Plant and Equipment (note c)	\$(442,000)
– Exploration and evaluation assets (note d)	\$(6,377,000)
Total fair value of MEO net assets acquired	\$19,909,000

Note c): As announced by MEO on 17 November 2014, MEO had moved to a new corporate office. This has resulted in a fair value adjustment of \$442,000 of leasehold improvements recorded in Plant and Equipment, at the previous premises no longer occupied by MEO.

Note d): The difference between the fair value of the consideration issued to MEO and the fair value of MEO's net assets, for the purposes of the Pro Forma Historical Financial Information, has been assumed to be allocated to exploration and evaluation assets.

6.8.4.3 Pro forma acquisition accounting impact of implementing the proposed Scheme

Note e): Represents the issue of an assumed \$19,909,000 of new shares in Neon as consideration issued to MEO as a result of the merger, based on 553,037,848 new shares issued at 3.6 cents per share.

Note f): Represents a decrease in contributed equity of \$262,367,000 to reflect the elimination of MEO's issued share capital.

Note g): Represents a decrease in other reserves of \$3,980,000 to reflect the elimination of MEO's pre-acquisition share equity reserve and foreign currency translation reserve.

Note h): Represents a decrease in accumulated losses of \$246,438,000 to reflect the elimination of MEO's pre-acquisition accumulated losses.

Note i): Estimated MEO and Neon transaction costs associated with the Scheme of \$3,414,000 are expensed as incurred, including payments to Directors and Employees for the cancellation of MEO Options and Neon Performance rights described in Section 10.12 (*Consideration to be provided to MEO Option Holders and MEO Performance Rights Holders*).

6.9 FORECAST FINANCIAL INFORMATION FOR THE MERGED GROUP

MEO has given careful consideration as to whether a reasonable basis exists to produce reliable and meaningful forecast financial information. The MEO Directors have concluded that, as at the date of this Scheme Booklet, it would be misleading to provide forecast financial information, as a reasonable basis does not exist for providing forecasts that would be sufficiently meaningful and reliable as required by applicable law, policy and market practice.

The financial performance of the Merged Group in any period will be influenced by various factors that are outside the control of the MEO Directors and that cannot, at this time, be predicted with a high level of confidence. In particular, the financial performance of the Merged Group will be materially affected by the costs related to exploration, development and operating activities.

Section 7

Risk factors

MEO Shareholders should be aware that there are risks associated with the implementation of the Scheme, the Merged Group's assets, the oil and gas industry and share ownership in general and there can be no guarantees that any of the benefits of the Scheme anticipated by the MEO Directors will be achieved. This Section sets out some key risks that have been identified by the MEO Directors in respect of an investment in the Merged Group. This Section does not take into account the investment objectives, financial situation, taxation position or particular needs of MEO Shareholders. Additional risks and uncertainties not currently known to Neon or MEO may also have an adverse effect on the Merged Group's business and the information set out below does not purport to be, nor should it be construed as representing, an exhaustive summary of the risks.

If you are in doubt as to what you should do, you should consult your legal, financial, taxation or other professional adviser.

7.1 SCHEME SPECIFIC RISKS

7.1.1 You may believe that a Superior Proposal will emerge for MEO

It is possible that a Superior Proposal for MEO, which is more attractive for MEO Shareholders than the Scheme, will emerge in the future. The implementation of the Scheme may mean that MEO Shareholders would not obtain the benefit of any such proposal.

The MEO Directors have not received such a Superior Proposal since MEO and Neon announced the Scheme, despite the significant period during which such a proposal could have emerged. If a Superior Proposal emerges, this will be announced to ASX and the MEO Directors will carefully reconsider the Scheme and advise you of their recommendation (subject to the exclusivity and Reimbursement Fee provisions of the Merger Implementation Agreement).

7.1.2 You may consider the investment profile for the Merged Group to be inferior to that of MEO

As the primary asset of Neon is cash, the operating profile of the Merged Group will remain largely unchanged (but for the addition of the 100% working interest of Neon as operator in the WA-503-P exploration permit) relative to MEO as a standalone entity. However, other aspects of the investment profile including the strategy, new ventures opportunity portfolio, capital structure, ownership and board and management will change.

It is possible that you wish to maintain an interest in MEO as a standalone entity because you are seeking an investment in a publicly listed company with the specific characteristics of MEO. You may consider such a change to be a disadvantage.

7.1.3 The market price of New Neon Shares to be received as Scheme Consideration is not certain and will fluctuate

If the Scheme is implemented, MEO Shareholders (other than Ineligible Overseas Shareholders) will receive Scheme Consideration in the form of New Neon Shares. The exact market value of the Scheme Consideration that will be issued will depend on the price at which the New Neon Shares trade on ASX after the Implementation Date.

Following implementation of the Scheme, the Merged Group's share price may fluctuate based on market conditions and the Merged Group's financial and operational performance. If the Merged Group's share price falls, the value of those New Neon Shares received by MEO Shareholders (other than Ineligible Overseas Shareholders) as Scheme Consideration will decline in value.

There is also a risk that New Neon Shares could be sold after implementation of the Scheme, placing downward pressure on the share price of the Merged Group.

7.1.4 Risks of trading during deferred settlement trading period

MEO Shareholders will not necessarily know the exact number of New Neon Shares (due to rounding) that they will receive (if any) as Scheme Consideration until a number of days after those shares can be traded on ASX on a deferred settlement basis. MEO Shareholders who trade New Neon Shares on a deferred settlement basis without knowing the number of New Neon Shares they will receive as Scheme Consideration may risk adverse financial consequences if they purport to sell more New Neon Shares than they receive.

7.1.5 Risks associated with Evoworld's shareholding in Neon

Evoworld Corporation Pty Ltd ACN 601 545 742 (Evoworld) is a privately held company incorporated as a special purpose vehicle for making an off-market proportional takeover offer for Neon.

Evoworld continues to be Neon's largest shareholder, holding 19.99% of outstanding Neon Shares.

Prior to announcement of the Scheme, Neon received an unsolicited proportional off-market takeover offer from Evoworld. Neon convened a general meeting of shareholders to vote on whether to approve the proportional takeover offer pursuant to applicable provisions in its constitution. Evoworld also requisitioned a general meeting of shareholders to consider resolutions to replace the existing Neon Directors with nominees of Evoworld.

The general meetings were held on 12 November 2014 and Neon Shareholders voted against the resolutions to approve Evoworld's proportional takeover offer and to replace the Neon Directors with appointees of Evoworld.

Evoworld's off-market proportional takeover offer has been automatically withdrawn.

On 13 November 2014, Neon announced to ASX that it had received a letter from Evoworld, giving notice under section 203D of the Corporations Act.

Attached to a letter to the Neon Company Secretary dated 12 December 2014, Evoworld provided a notice of meeting which purported to call a general meeting of Neon Shareholders on 14 January 2015 to consider six resolutions seeking to appoint Messrs Timothy Kestell, Peter Pynes and Ross Williams as Neon Directors and remove Messrs Lander, Charsinsky and Stein. The notice makes statements questioning the phrase "merger of equals" and suggests MEO's assets should be revalued given the falling oil price (please see Attachment B (*Independent Expert's Report and Technical Expert's Report*)). The notice provides no statement as to the intentions of the proposed directors concerning the Scheme; however it does propose starting an on market buyback of Neon Shares to underpin the Neon Share Price. If this proposed buyback of Neon Shares occurred before 11:00am on the day of the Second Court Hearing without MEO's consent, it would constitute a Neon Prescribed Occurrence and breach the Merger Implementation Agreement, which would entitle MEO (but not require MEO) to terminate the Merger Implementation Agreement.

Evoworld has also commenced proceedings in the Supreme Court of Western Australia against Neon seeking orders in relation to the validity of voting at the requisitioned meeting on 12 November 2014.

On 18 December 2014 Neon announced that although defects in the notice of meeting provided by Evoworld may mean that it is invalid, the Board of Neon has determined that, in the circumstances, it is in the best interests of Neon that it exercises its power to postpone the meeting called by Evoworld until the later of:

- the determination or resolution of the Evoworld proceedings in the Supreme Court of Western Australia against Neon;
- Evoworld providing timely corrective disclosure that the Neon Board considers adequately addresses its concerns; and
- the determination of the Supreme Court of Victoria at the Second Court Hearing in relation to the proposed merger with MEO.

Neon is continuing to consider the defects in the notice and what action to take in order to appropriately protect the interests of Neon and its shareholders.

While there is no way of knowing with certainty what orders the Supreme Court of Western Australia will make, if any, in response to the Evoworld writ, and MEO and Neon make no comment on the likelihood or otherwise of any particular outcome, it is possible that orders could be made which:

- result in a change in the composition of the Neon Board (see below concerning MEO's intentions in relation to proceeding with the Merger Implementation Agreement in those circumstances); or
- impact the purported satisfaction of the Condition in clause 3.1(o)(2) of the Merger Implementation Agreement relating to the outcome of the requisitioned meeting, and so, pursuant to the Merger Implementation Agreement, Neon and MEO may need to discuss whether to waive that Condition. Evoworld's present position is that if a Neon Board is controlled by Evoworld, it is unlikely to agree to a waiver.

Neon intends to defend the proceedings and will keep the market informed of all material developments in relation to the conduct of the proceedings.

Neither the Merger Implementation Agreement nor the Scheme are conditional on the outcome of the resolutions that Evoworld has purported to convene for 14 January 2015.

Neon is obliged to comply with the Merger Implementation Agreement and the Deed Poll. MEO expects that Neon will honour all of its obligations under the Merger Implementation Agreement and expressly reserves its rights to take such action as it considers appropriate in this regard, given the surrounding circumstances at the time. In particular, if, following any general meeting called by Evoworld, any Neon Director makes a public statement indicating that they do not support the Scheme, Neon must pay MEO the Reimbursement Fee and MEO may (but would not be required to) terminate the Merger Implementation Agreement. As at the date of this Scheme Booklet, MEO does not intend to exercise any right to terminate the Merger Implementation Agreement in those circumstances, but it expressly reserves all of its rights in relation to any such termination right (including to terminate the Merger Implementation Agreement) if one arises.

There are a number risks associated with Evoworld's shareholding including Evoworld seeking to utilise this shareholding to propose another transaction to gain control of Neon or the Merged Group, or remove the Merged Group's directors and replace with Evoworld appointees.

Neon announced on 18 December 2014 that it had received an unsolicited, indicative and non-binding approach from Evoworld that may lead to a Superior Proposal to the merger with MEO.

The Board of Neon is currently investigating the approach. However, it remains incomplete and non-binding and there is no certainty that a formal offer will be made or that a binding transaction will result, either at all or on terms that the Neon Board considers a Superior Proposal to the merger with MEO. Neon will continue to keep shareholders informed of all material developments. Under clause 13.1(b)(3) of the Merger Implementation Agreement if the Neon Board or a majority of the Neon Board has recommended a Superior Proposal to Neon Shareholders, and Neon has paid the Reimbursement Fee to MEO, Neon may terminate the Merger Implementation Agreement by written notice to MEO at any time before 11.00am on the day of the Second Court Hearing.

Alternatively, there is a risk that Evoworld seeks to divest its shareholding, which may adversely impact the price of Neon Shares, including any New Neon Shares that MEO Shareholders receive as Scheme Consideration.

If the Scheme is implemented, Evoworld's pro-forma shareholding in the Merged Group will reduce to approximately 10%. At this stage, Evoworld has not announced its intentions in relation to its shareholding in Neon in that scenario.

7.1.6 Transaction and other costs

If the Scheme is implemented, the cost of the transaction to be payable by MEO is currently expected to be approximately \$2.2 million (including GST). This includes financial advisory, legal, accounting, Independent Expert, tax and administrative fees, Scheme Booklet design and printing, share registry and other expenses. It does not include transaction costs that may be payable by Neon.

MEO estimates that it will have incurred or committed transaction costs of approximately \$0.8 million (including GST) prior to the Scheme Meeting. These costs will be payable regardless of whether or not the Scheme is implemented.

7.1.7 Tax consequences for MEO Shareholders

If the Scheme is implemented, there may be tax consequences for MEO Shareholders which may include tax payable on any gain on the disposal of New Neon Shares. General information on the Australia taxation consequences of the Scheme is set out in Section 8 (*Australian taxation considerations*). However, MEO Shareholders should seek their own professional advice regarding the individual tax consequences applicable to them.

7.2 IMPLEMENTATION RISKS

7.2.1 Integration risk

The long-term success of the Merged Group will depend, amongst other things, on the success of management in integrating MEO and Neon and the strength of management of the Merged Group.

There are risks that any integration of the businesses of MEO and Neon may take longer or cost more than expected and that the anticipated benefits of that integration may be less than estimated. These risks include possible differences in the management culture of the two groups, and the potential loss of key personnel.

7.2.2 Accounting treatment of the Scheme

In accounting for the Scheme, the Merged Group will need to determine, in accordance with Australian Accounting Standard AASB 3 *Business Combinations* which entity is the acquirer in the Merged Group. Following this determination, the Merged Group will need to perform a fair value assessment of all of the acquiree's assets, liabilities and contingent liabilities, which will include the identification and valuation of tangible and intangible assets. As a result of this fair value assessment, the Merged Group's charges (for example, depreciation expense and amortisation expense) may be higher or lower than the relevant charges of MEO and Neon as separate businesses and to that extent may affect the future earnings of the Merged Group.

7.2.3 Contract risk and third party consents

Under certain contracts to which MEO and Neon are parties, the Scheme may be deemed to result in a change of control or other relevant event in respect of MEO or Neon that allows the counterparty to review or terminate the contract upon implementation of the Scheme. If the counterparty to any such contract were to validly seek to renegotiate or terminate the contract on that basis, this may have a material adverse effect on the financial performance of the Merged Group, depending on the nature of the relevant contracts.

7.3 RISKS TO MEO IF THE SCHEME DOES NOT PROCEED

7.3.1 You will not receive the Scheme Consideration

Each MEO Shareholder will retain their MEO Shares and will not receive any New Neon Shares.

7.3.2 MEO will remain listed on ASX and continue to operate as a standalone entity

If the Scheme is not implemented, MEO will remain listed on ASX and will continue to run its business in the same manner in which it is currently operating. MEO Shareholders will therefore continue to be exposed to the risks and benefits of owning MEO Shares, including many of the risks set out in this Section.

7.3.3 MEO Share Price may fall

The MEO Directors expect that if the Scheme is not implemented, the MEO Share Price may fall below its recent trading price.

7.3.4 Transaction costs will be incurred

If the Scheme is not implemented, MEO's transaction costs (approximately \$0.8 million (including GST)) may be borne by MEO alone.

7.3.5 Uncertainty regarding the proposed Scheme may lead to the loss of key personnel

The proposed Scheme may introduce additional uncertainties that may lead to the loss of key staff. This may affect MEO operations, even if the Scheme does not proceed.

The MEO Directors are not aware of any key personnel who may wish to terminate their contractual relations with MEO at this time.

7.3.6 Future capital requirements to fund development of MEO's project

If MEO remains as a standalone entity, it may need to secure additional funding from alternative sources to develop existing assets and take advantage of new business opportunities. In these circumstances, it is expected that MEO will investigate a range of possible transactions with alternative parties to assist with any funding requirements it may have.

7.4 INVESTMENT RISKS

7.4.1 Share market conditions

There are general risks associated with any equity market investments. The trading price of shares in the Merged Group may fluctuate with movements in equity capital markets in Australia and internationally. This may result in the market price for New Neon Shares declining. Generally applicable factors which may affect the market price of shares include:

- i. general movements in Australian and international stock markets;
- ii. investor sentiment;
- iii. Australian and international economic conditions and outlook;
- iv. changes in interest rates and the rate of inflation;
- v. changes in government regulation and policies;
- vi. material announcements in respect of an entity's business or operations; and
- vii. geo-political instability, including international hostilities and acts of terrorism.

No assurances can be given as to the price that the shares of the Merged Group will trade.

7.4.2 Changes in economic climate

Economic conditions, both domestic and global, may affect the performance of the Merged Group. Adverse changes in macroeconomic conditions, including global and country-specific growth rates, the cost and availability of credit, the rate of inflation, interest rates, exchange rates, government policy and regulations, general consumption and consumer spending, input costs, employment rates and industrial disruptions, among others, are variables which while generally outside the control of the Merged Group and its directors, may result in material adverse impacts on the Merged Group's businesses, financial position and operating results.

7.4.3 Exchange rate risk

Some of the Merged Group's assets are located in foreign jurisdictions, with cash flows denominated in foreign currencies. Some of these currencies may be subject to exchange controls and may operate in relatively inefficient markets. The Merged Group may also source equipment, supplies and services from various foreign countries. The Merged Group is therefore subject to changes beyond its control due to fluctuations in currency exchange rates. Neither Neon or MEO currently engage in active hedging to minimise exchange rate risk.

7.4.4 Risks associated with future growth initiatives

Historically, MEO and Neon have each sought to grow both organically and through mergers and acquisitions. At any time each may be evaluating one or more potential new investments. In addition, from time to time each may be presented with the potential to increase or decrease its investment in existing assets pursuant to the pre-emptive rights or change of control provisions in respect of the joint ventures to which they are parties. In addition, new investments may not necessarily take the form of investment in further oil and gas assets, but rather may involve diversification into complementary activities or potentially new areas of operation.

There are always risks that the benefits, synergies or efficiencies expected from such investments or growth opportunities may take longer than expected to be achieved or may not be achieved to the extent intended. Any investments pursued could, for a variety of reasons, have a material adverse effect on the value of the Merged Group.

7.4.5 Equity dilution

Following the implementation of the Scheme, the Merged Group is expected to have sufficient working capital to enable the Company to achieve its planned initial business activities. However, the oil and gas industry is a capital intensive industry and there can be no assurances that such planned initial business activities will in fact be met without future borrowings or further capital raisings, and whether or not such funding will be on terms favourable to the Merged Group.

7.5 OPERATING RISKS

7.5.1 Drilling risk

Drilling operations are high-risk and subject to hazards normally encountered in exploration, development and production. These include unexpected geological formations, infrastructure failure and other incidents or conditions which could result in damage to plant or equipment or the environment and which could impact production throughput. Although it is intended to take adequate precautions to minimise risk, there is a possibility of a material adverse impact on the Merged Group's operations and its financial results should any of these hazards be encountered.

7.5.2 Exploration risk

Development of the Merged Group's petroleum exploration properties is contingent upon securing funding and obtaining satisfactory exploration results. Petroleum exploration and development involves substantial expenses and a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to adequately mitigate. The degree of risk increases substantially when the Merged Group's properties are in the exploration phase as opposed to the development phase. There is no assurance that commercial quantities of petroleum will be discovered on the Merged Group's exploration properties. There is also no assurance that, even if commercial quantities of petroleum are discovered, a particular property will be brought into commercial production.

The discovery of resources is dependent upon a number of factors including the technical skill of the exploration personnel involved. The commercial viability of a particular resource, once discovered, is also dependent upon many factors, some of which include particular attributes of the resource. Drilling of oil and gas wells involves a high degree of risk, especially the risk of a dry hole or of a well that is not sufficiently productive to provide economic return of the capital expended to drill the well. No assurances can be given that if resources are discovered by the Merged Group, it will be able to commercialise any such resources as intended. In the event a commercial resource is discovered, depending on the type of operation involved, several years may elapse from the initial phase of drilling until commercial operations are commenced. Most of the above factors are beyond the control of the Merged Group.

7.5.3 Development risk

The Merged Group's development projects may be delayed or be unsuccessful for many reasons, including unanticipated financial, operational or political events, the failure to receive government approvals, whether a final investment decision is reached, cost overruns, decline in petroleum prices or demand, equipment and labour shortages, technical concerns including with respect to reserves and deliverability difficulties, increases in operational cost structures, contractual issues with securing sales contracts for petroleum products or with engineering procurement and construction contracts, community or industrial actions, changes in construction costs, design requirements and delays in construction or other circumstances which may result in the delay, suspension or termination of the development projects.

In addition, the ability of counterparties of the relevant sales contracts to meet their commitments under such arrangements may impact on the Merged Group's investment in these projects.

Development projects to which the Merged Group is or may become involved are subject to the abovementioned risks (and the other risks outlined in this document), and may adversely affect the commerciality and economics of project development.

7.5.4 Production risk

Ongoing production and commissioning of staged expansions to production may not proceed to plan, with potential for delay in the timing of targeted production and/or a failure to achieve the level of targeted production. In certain circumstances, these potential delays or difficulties may necessitate additional funding requirements which could lead to additional equity and/or debt requirements for the Merged Group. In addition to potential delays, there is a risk that capital and/or operating costs will be higher than expected or there will be other unexpected changes in variables upon which expansion and commissioning decisions were made. These potential scope changes and/or cost overruns may also lead to additional funding requirements.

The Merged Group's activities may be affected by numerous other factors beyond the Merged Group's control. Mechanical failure of the Merged Group's operating plant and equipment, and general unanticipated operational and technical difficulties, may adversely affect the Merged Group's operations.

The business of petroleum exploration and development is subject to a variety of risks and hazards. Such occurrences may delay production, increase production costs or result in damage to, and destruction of, petroleum properties or production facilities, personal injury, environmental damage and legal liability.

7.5.5 Reserves and resources

Estimates of Reserves, and Contingent Resources and Prospective Resources are not precise and no assurance can be given that Reserves, Contingent Resources and Prospective Resources estimates will be recovered during production.

Production estimates are dependent on, among other things, the accuracy of Reserves, Contingent Resources and Prospective Resources estimates, the accuracy of assumptions regarding the resource calculations and recovery rates. Reserves, Contingent Resources and Prospective Resources estimates are based on limited sampling. The failure of the Merged Group to achieve its production estimates could have a material and adverse effect on any or all of its future cash flows, access to capital, profitability, results of operations, financial condition and prospects.

Commodity price fluctuations, as well as increased production costs or reduced recovery rates, may render Reserves uneconomic and may ultimately result in a restatement of such Reserves. Moreover, short-term operating factors relating to Reserves, such as the need for sequential development of resource bodies and the processing of new or different resource types may cause an operation to be unprofitable in any particular accounting period.

7.5.6 Commodity price risk

The current and future profitability of the Merged Group's operations is directly related to the market price of commodities, in particular oil. Commodity prices may substantially impact on the economics of projects and, hence, on exploration and development programs.

Commodities and other resource prices fluctuate widely and are affected by numerous factors beyond the Merged Group's control, including but not limited to global supply and demand, expectations with respect to the rate of inflation, the exchange rates of the US dollar to other currencies, interest rates, weather conditions, the price and availability of alternative fuels, actions taken by governments and international cartels, forward selling by producers, central bank sales and purchases, production and cost levels in major producing regions, global or regional. The aggregate effect of these factors on commodity prices is impossible to predict. Decreases in commodity prices could adversely affect the Merged Group, including its ability to finance the development of its projects.

7.5.7 Country risk

The Merged Group will operate in foreign jurisdictions including Indonesia and New Zealand. As a result, the Merged Group will be exposed to the political, economic and other risks and uncertainties associated with operating in such countries. These risks and uncertainties may be different for each country and include changing political conditions, changes in regulations and taxation policies, renegotiation or cancellation of existing permits and contracts, currency exchange rates, restrictions on foreign exchange and currency controls, inflation, labour unrest and changes in diplomatic relations. These risks and uncertainties may be unpredictable and could adversely affect the value of the assets or future financial performance of the Merged Group.

7.5.8 Joint ventures

MEO participates in several joint venture arrangements and the Merged Group may enter into further joint ventures. Although MEO has sought, and the Merged Group will seek, to protect its interests, existing and future joint ventures necessarily involve special risks. Whether or not the Merged Group holds majority interests or maintains operational control in its joint ventures, its partners may:

- i. have economic or business interests or goals that are inconsistent with, or opposed to, those of the Merged Group;
- ii. exercise veto rights to block actions that the Merged Group believes are in its or the joint venture's best interests;
- iii. take action contrary to the Merged Group's policies or objectives with respect to its investments; or
- iv. be unable or unwilling to fulfil their obligations under the joint venture or other agreements, such as contributing capital to expansion or maintenance projects.

Where projects and operations are controlled and managed by the Merged Group's partners, the Merged Group may provide expertise and advice but it has limited control with respect to compliance with its standards and objectives. Improper management or ineffective policies, procedures or controls could adversely affect the value of related non-managed projects and operations and, by association, damage the Merged Group's reputation thereby harming the Merged Group's other operations and access to new assets.

While the Merged Group may seek contractual indemnities from any such partner, no assurance can be given that such indemnities would provide sufficient coverage in the event that a particular project did not meet the Merged Group's expectations.

7.5.9 Competition and substitution

Significant and increasing competition exists for petroleum acquisition opportunities throughout the world. As a result of this competition, some of which is with large, established petroleum companies with substantial capabilities and greater financial and technical resources, the Merged Group may be unable to acquire rights to exploit additional attractive petroleum properties on terms it considers acceptable. Accordingly, there can be no assurance that the Merged Group will acquire any interest in additional operations that would yield reserves or result in commercial petroleum operations.

7.5.10 Dependence on key personnel

Retaining qualified personnel is critical to the Merged Group's success. The Merged Group may face risks from the loss of key personnel, as it may be difficult to secure and retain candidates with appropriate experience and expertise. The Merged Group intends to review and consider retention and recruitment strategies in relation to key personnel. Despite this, one or more of the Merged Group's key employees could leave their employment and this may adversely affect the Merged Group's ability to conduct its business and, accordingly, affect the profitability, financial position and performance and prospects of the Merged Group.

The Merged Group's success also depends on its ability to identify, attract, accommodate, motivate and retain additional suitably qualified personnel. The number of persons skilled in the acquisition, exploration, development and operation of petroleum properties is limited and competition for such persons is high. As the Merged Group's business activity grows, it may require additional personnel to meet its growing needs. If the Merged Group is unable to access and retain the services of a sufficient number of qualified personnel, this could be disruptive to the Merged Group's development and may materially adversely affect its profitability, financial position and performance and prospects.

7.5.11 Environmental risk

Oil and gas exploration, development and production can be hazardous to the environment. If it is responsible for environmental damage, the Merged Group may incur substantial costs for environmental rehabilitation, damage control and losses by third parties resulting from its operations.

The Merged Group will be subject to relevant environmental laws and regulations in connection with its operations, and intends to conduct its activities in an environmentally responsible manner. However, the Merged Group could be subject to liability due to risks inherent in its activities, such as accidental spills, leakages or other unforeseen circumstances.

7.5.12 Health, safety and hazardous materials

Health and safety regulation affects the Merged Group's activities. Oil and gas exploration, development and production are potentially hazardous activities. If any injuries or accidents occur, this could have adverse financial implications for the Merged Group including legal claims and potential delays or stoppages.

7.5.13 Insurance

Insurance against all risks associated with oil and gas and exploration and development is not always available and if available the associated costs may be high. Neon and MEO currently have insurance in place which they believe is appropriate to their needs, having regard to what is available on economic terms in the insurance market. However, there is no guarantee that such insurance will be sufficient in all circumstances.

7.5.14 Uninsurable risks

The Merged Group may become subject to liability for accidents, pollution and other hazards against which it cannot insure, or which it may elect not to insure against because of premium costs or for other reasons, or in amounts which exceed policy limits. The occurrence of an event that is not fully covered, or covered at all, by insurance, could have a material adverse effect on its financial condition and results of operations.

7.5.15 Wars, terrorism, and natural disasters

Events may occur within or outside Australia that could adversely impact the market for oil and gas, the operations of the Merged Group or any of their suppliers, service providers and customers, including war, acts of terrorism, civil disturbance, political intervention and natural activities such as earthquakes, floods, fire and poor weather.

7.6 LEGAL RISKS AND REGULATORY RISKS

7.6.1 Permits and tenure

All licences and permits in which the Merged Group has interests are subject to renewal conditions or are yet to be granted, which will be at the discretion of relevant Ministries in each country. The maintenance of licences and permits, obtaining renewals, or getting licences and permits granted, often depends on the Merged Group being successful in obtaining required statutory approvals for proposed activities. There is no assurance that such approvals will be granted as a matter of course and there is no assurance that new conditions will not be imposed in connection with such grant or renewal.

7.6.2 Disputes and litigation

There are no material ongoing disputes or litigation known to the parties as at the date of this Scheme Booklet, but the Merged Group may be involved in disputes and possible litigation in the course of its future operations. There is a risk that any material or costly dispute or litigation in the future could adversely affect the value of the assets or future financial performance of the Merged Group.

7.6.3 Industrial action

MEO and Neon are each reliant on skilled and productive employees and contractors to maintain their development and exploration activities. MEO has taken deliberate steps to be thorough in selecting individuals with such characteristics to be its employees. However, any industrial action by the Merged Group's employees or its contractors' employees has the potential to disrupt development and exploration activities and may adversely affect the Merged Group's financial performance or financial position.

7.6.4 Compensation

The Merged Group may incur costs and liabilities resulting from claims for damages to property or injury to persons arising from the Merged Group's operations. The Merged Group must compensate employees for work-related injuries. If the Merged Group does not make adequate provisions or is otherwise not adequately insured for its workers' compensation liabilities and is pursued for such sanctions, costs and liabilities, the Merged Group's business, financial condition and results of operations could be adversely affected.

7.6.5 Contractual arrangements

MEO and Neon have entered into various contracts and agreements which are important to the future of their businesses.

Any failure by counterparties to perform under those contracts and agreements may have a material adverse effect on the Merged Group and there can be no assurance that it would be successful in enforcing any of its contractual rights through legal action.

7.6.6 Tax risk

The Merged Group will be subject to taxation and other imposts in Australia and other jurisdictions in which the Merged Group has activities and investment interests. Future changes in taxation laws in those countries, including changes in the interpretation or application of existing laws by the courts or applicable revenue authorities in those jurisdictions may affect the taxation treatment of the Merged Group's business activities thereby potentially impacting on the Merged Group's financial condition. In addition to the normal level of income tax imposed on companies in all industries, companies in the petroleum sector are usually required to pay government royalties and indirect taxes and other levies. The profitability of companies in this industry can be adversely affected by changes in government taxation and royalty policies or in the interpretation or application of such policies.

7.6.7 Climate change

The potential impact from climate change, both physical and as a result of new related legislation and regulation, may have an adverse impact on the Merged Group's operations or financial performance. Increased regulation of greenhouse gas emissions could adversely affect the Merged Group's costs of operations. Regulatory change by governments in response to greenhouse gas emissions may represent increased costs to the Merged Group impacting profitability. Increasing regulation of greenhouse gas emissions, including the progressive introduction of a carbon tax in any jurisdiction in which the Merged Group operates, is likely to raise energy costs and costs of production over the next decade. Regulation of greenhouse gas emissions in the jurisdictions of the Merged Group's customers could also have an adverse effect on the cost of the Merged Group's production.

7.7 OTHER RISKS

Additional risks and uncertainties not currently known to MEO or Neon may also have a material adverse effect on the Merged Group's business and the information set out above does not purport to be, nor should it be construed as representing, an exhaustive list of the risks affecting MEO, Neon or, if the Scheme is implemented, the Merged Group.

Section 8

Australian taxation considerations

8.1 INTRODUCTION

The following is a general guide regarding the Australian income tax, stamp duty and GST (collectively, for the purposes of this, **Tax**) implications for MEO Shareholders who participate in the Scheme and subsequently hold and/or dispose of Neon Shares.

Please note, the Tax comments set out below are general and limited in nature and are based on a number of assumptions. For example, this Section assumes the Scheme occurs as planned, and that MEO Shares were acquired post 21 September 1999 and are held on capital account. In addition, this Section does not address the Tax implications applicable to MEO Shareholders who are engaged in a business of trading or investment, those who acquired their MEO Shares for the purpose of resale at a profit or those which are banks, insurance companies, Tax exempt organisations, superannuation funds or persons who acquired their shares in respect of their employment with, or provision of services for, MEO (or an associated company), who may be subject to special or different Tax consequences particular to their circumstances. Lastly, this Section does not address the Tax implications for holders of MEO Options or MEO Performance Rights.

MEO Shareholders who are not resident in Australia for income tax purposes (**Non-Residents**) should also take into account the Tax implications of the Scheme under the tax law of their country of residence, as well as under Australian Tax law. Further, the Tax comments set out below in relation to Non-Residents do not apply to MEO Shareholders who have used their MEO Shares or will use their New Neon Shares at any time in carrying on business through an Australian permanent establishment. If the shares are so held, independent advice should be sought.

The Tax comments set out below are based on the Tax laws of Australia as in effect at the date of this Scheme Booklet, including any regulations made under those laws (collectively the **Tax Laws**), but are not intended to be an authoritative or complete statement of the Tax Laws applicable to the particular circumstances of every MEO Shareholder. Reliance should not be placed on this Section and MEO Shareholders should instead seek professional Tax advice taking into account their own particular facts and circumstances.

8.2 AUSTRALIAN TAX RESIDENT MEO SHAREHOLDERS

8.2.1 CGT on disposal of MEO Shares

The disposal of MEO Shares to Neon will give rise to a capital gains tax (**CGT**) event for MEO Shareholders at the time of disposal.

MEO Shareholders will derive a capital gain on the disposal of their MEO Shares to the extent the market value of New Neon Shares received exceeds the CGT cost base of their MEO Shares. Conversely, MEO Shareholders will incur a capital loss on the disposal of their MEO Shares to the extent the CGT reduced cost base of their MEO Shares exceeds the market value of New Neon Shares received.

The CGT cost base of a MEO Share will generally include the consideration paid to acquire the MEO Share plus any incidental costs such as brokerage fees and stamp duty.

Subject to the CGT reductions and exemptions discussed below, capital gains and losses of a taxpayer in a year of income are aggregated to determine whether the taxpayer has a net capital gain or loss for that period. Any net capital gain, after applying carried forward capital losses, is subject to income tax at the taxpayer's marginal rate.

Capital losses may be offset, subject to meeting certain conditions, against capital gains realised in the same year of income. A net capital loss for an income year can only be carried forward, subject to meeting certain conditions, to offset capital gains in future income years.

8.2.2 CGT rollover relief on disposal of MEO Shares applies

MEO Shareholders who make a capital gain on the disposal of their MEO Shares may be eligible to apply CGT rollover relief (i.e. scrip-for-scrip rollover relief) to the extent that the capital gain made on the disposal of an MEO Share is attributable to the receipt of New Neon Shares.

If a MEO Shareholder is eligible and chooses to apply CGT rollover relief, the capital gain derived from the disposal of their MEO Shares is disregarded. Furthermore, the CGT history (including CGT cost base and acquisitions dates) of their MEO Shares will transfer to their New Neon Shares.

Generally, a choice to adopt CGT rollover relief must be made before lodgement of the MEO Shareholder's income tax return for the income year in which the CGT event occurs. No formal election notice to choose CGT rollover relief is generally required to be lodged with the Australian Taxation Office. The MEO Shareholder's income tax return should, however, be prepared in a manner consistent with electing CGT rollover relief.

8.2.3 CGT rollover relief on disposal of MEO Shares not applicable or not chosen

If a MEO Shareholder is unable to obtain CGT rollover relief or does not choose for CGT rollover relief to apply, the capital gain derived from the disposal of their MEO Shares is not disregarded and is therefore assessable subject to the recoupment of any current and/or prior year capital losses, and the application of any applicable CGT discounts.

Furthermore, the New Neon Shares will be taken to have been acquired on the Implementation Date for an amount equal to the market value of the MEO Shares exchanged on the Implementation Date. This will be relevant for any future application of CGT to the New Neon Shares.

8.2.4 CGT discount

MEO Shareholders that are individuals, trusts or complying superannuation funds may be entitled to reduce the amount of any capital gain on the disposal of their MEO Shares if they have held their shares for at least 12 months (excluding the date of acquisition or day of disposal) before the disposal of the MEO Shares on the CGT event date. The CGT discount is applied after available capital losses have been offset to reduce the capital gain.

The discount rate for individuals and trusts is 50%. The discount rate for complying superannuation funds is 33 $\frac{1}{3}$ %.

The CGT discount is not available to MEO Shareholders that are companies (or MEO Shareholders treated like companies for income tax purposes).

8.2.5 Dividend distributions on New Neon Shares

Generally, dividends paid by Neon will be included in the assessable income of Australian tax residents who hold Neon Shares.

The assessable income of such shareholders will generally include any franking credit attached to a dividend paid to them in addition to the amount of the dividend. Where the franking credit is included in the shareholder's assessable income, the shareholder will generally be entitled to a corresponding tax offset against tax payable by the shareholder.

To be eligible for the franking credit and tax offset, a shareholder must satisfy the 'holding period rules', whereby the Neon Shares must be held at risk for at least 45 days around the first dividend date.

A shareholder will not be taken to have held Neon Shares at risk where the shareholder holds 'positions' (such as options or other hedging arrangements) which materially diminish the risks of loss or opportunities for gain in respect of those Neon Shares.

In addition, a shareholder must not be obliged to make a 'related payment' in respect of any dividend, unless they hold the shares at risk for the required holding period around all dividend dates.

The holding period rules will not apply to the shareholder who is an individual whose tax offset entitlement (for all franked distributions received in the income year) does not exceed \$5,000 for the income year in which the franked dividend is received.

Where a shareholder is an individual or a complying superannuation entity that shareholder will generally be entitled to a refund to the extent that the franking credit attached to that shareholder's dividends exceeds that shareholder's income tax liability for the income year.

Franked dividends distributed to shareholders that are companies will generally also give rise to a franking credit in the franking account of such shareholders, where those shareholders satisfy the rules outlined above for claiming a tax offset.

A shareholder that is a company will generally be entitled to claim a carry forward loss calculated by reference to any excess of the franking credit attached to the shareholder's dividends over the shareholder's tax liability for the income year. Shareholders in Neon that are companies should seek specific advice regarding the tax consequences of dividends received in respect of Neon Shares and the calculation of carry forward losses arising from excess tax offsets.

8.2.6 CGT on future disposal of New Neon Shares

The disposal of New Neon Shares received pursuant to the Scheme will trigger the application of CGT on any capital gain or loss that arises.

Shareholders will derive a capital gain on the disposal of their New Neon Shares to the extent the capital proceeds received for the disposal of New Neon Shares exceeds their CGT cost base. Conversely, shareholders will incur a capital loss on the disposal of their New Neon Shares to the extent the CGT reduced cost base of their New Neon Shares exceeds the capital proceeds received for the disposal of those New Neon Shares received.

In the absence of any CGT relief, any capital gain derived from the disposal of the New Neon Shares is assessable in Australia subject to the recoupment of any current and/or prior year capital losses, and the application of any applicable CGT discounts (refer to the comments in Section 8.2.4 (*CGT discount*)).

8.3 NON-RESIDENTS

8.3.1 CGT on disposal of MEO Shares

If the MEO Shares are not considered to be Taxable Australian Property (TAP) when disposed, Non-Residents should not be subject to CGT in relation to any gains or losses arising from the disposal of their MEO Shares under the Scheme.

In broad terms, MEO Shares may be TAP if a MEO Shareholder, together with its associates, holds 10% or more of the shares in MEO at the time of disposal or throughout a 12-month period during the two years before the disposal, and the majority of MEO's underlying assets (by market value) consist of real property situated in Australia.

8.3.2 Dividend distributions on New Neon Shares

Australian withholding tax of 30% is generally applied to the gross amount of dividends paid to Non-Residents (subject to any reduction contained in an applicable double tax agreement). However, such tax may be reduced to nil on the franked portion of any dividend.

Non-Residents should seek their own advice on the income tax implications of the dividend payments to their personal circumstances.

8.3.3 CGT on future disposal of New Neon Shares

Non-Residents should not be subject to CGT in relation to any gains (or losses) from the future disposal of Neon Shares unless the New Neon Shares are TAP or effectively connected with a permanent establishment which the Non-Resident has in Australia.

8.4 GST

MEO Shareholders will not be liable for GST on the disposal of their MEO Shares to Neon or their receipt of New Neon Shares under the Scheme.

However, there may be some restrictions imposed upon MEO Shareholders in respect of their ability to recover the GST cost of their transaction costs.

8.5 STAMP DUTY

MEO Shareholders will not be liable for stamp duty on the disposal of their MEO Shares to Neon or their receipt of New Neon Shares.

Section 9

Detailed information about the Scheme

This Section provides an overview of the Conditions to the Scheme, the Scheme Meeting, and other steps required to implement the Scheme.

9.1 CONDITIONS TO THE SCHEME

Set out below is a summary of the Conditions that remain outstanding. The Conditions are set out in full in clause 3.1 of the Merger Implementation Agreement, a copy of which was released to ASX on 5 November 2014.

Condition Precedent	Summary
Regulatory approvals	Before 8.00pm on the Business Day before the Second Court Hearing, ASIC and ASX issue or provide all consents and approvals, and all other acts, necessary, or which MEO and Neon agree are desirable to implement the Scheme and such consents approvals or other acts (as the case may be) have not been withdrawn, suspended or revoked.
Court approval	The Court approves the Scheme in accordance with section 411(4)(b) of the Corporations Act.
Shareholder approval	The Resolution being passed by the Requisite Majorities.
No restraints	As at 11.00am on the day of the Second Court Hearing there must not be any temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or Government Agency or other material legal restraint or prohibition preventing the Scheme.
No Material Adverse Change	There must not be a MEO Material Adverse Change or Neon Material Adverse Change between the date of the Merger Implementation Agreement and 11.00am on the day of the Second Court Hearing.
No Regulated Event	There must not be a MEO Prescribed Occurrence or Neon Prescribed Occurrence between the date of the Merger Implementation Agreement and 11.00am on the day of the Second Court Hearing.
No Prescribed Occurrence	There must not be a MEO Regulated Event or Neon Regulated Event between the date of the Merger Implementation Agreement and 11.00am on the day of the Second Court Hearing.
New Neon Shares	Before 11.00am on the day of the Second Court Hearing, ASX must approve the quotation of the New Neon Shares on ASX.
Representations and warranties	The representations and warranties given by MEO and Neon under the Merger Implementation Agreement are true and correct as at 11.00am on the day of the Second Court Hearing.
Neon Performance Rights	<ul style="list-style-type: none"> i. Before 8.00pm on the Business Day before the Second Court Hearing, each holder of Neon Performance Rights agreeing to the cancellation of all of their Neon Performance Rights (subject to the Scheme becoming Effective) for nil consideration; and ii. no Neon Performance Right vests in the holder of such right between the date of the Merger Implementation Agreement and 8.00pm on the Business Day before the Second Court Hearing.

9.2 INFORMATION ON EVOWORLD

Evoworld Corporation Pty Ltd ACN 601 545 742 (Evoworld) is a privately held company incorporated as a special purpose vehicle for making an off-market proportional takeover offer for Neon.

Evoworld continues to be Neon's largest shareholder, holding 19.99% of outstanding Neon Shares.

Prior to announcement of the Scheme, Neon received an unsolicited proportional off-market takeover offer from Evoworld. Neon convened a general meeting of shareholders to vote on whether to approve the proportional takeover offer pursuant to applicable provisions in its constitution. Evoworld also requisitioned a general meeting of shareholders to consider resolutions to replace the existing Neon Directors with nominees of Evoworld.

The general meetings were held on 12 November 2014 and Neon Shareholders voted against the resolutions to approve Evoworld's proportional takeover offer and to replace the Neon Directors with appointees of Evoworld.

Evoworld's off-market proportional takeover offer has been automatically withdrawn.

On 13 November 2014, Neon announced to ASX that it had received a letter from Evoworld, giving notice under section 203D of the Corporations Act.

Attached to a letter to the Neon Company Secretary dated 12 December 2014, Evoworld provided a notice of meeting which purported to call a general meeting of Neon Shareholders on 14 January 2015 to consider six resolutions seeking to appoint Messrs Timothy Kestell, Peter Pynes and Ross Williams as Neon Directors and remove Messrs Lander, Charsinsky and Stein. The notice makes statements questioning the phrase "merger of equals" and suggests MEO's assets should be revalued given the falling oil price (please see Attachment B (*Independent Expert's Report and Technical Expert's Report*)). The notice provides no statement as to the intentions of the proposed directors concerning the Scheme; however it does propose starting an on market buyback of Neon Shares to underpin the Neon Share Price. If this proposed buyback of Neon Shares occurred before 11:00am on the day of the Second Court Hearing without MEO's consent, it would constitute a Neon Prescribed Occurrence and breach the Merger Implementation Agreement, which would entitle MEO (but not require MEO) to terminate the Merger Implementation Agreement.

Evoworld has also commenced proceedings in the Supreme Court of Western Australia against Neon seeking orders in relation to the validity of voting at the requisitioned meeting on 12 November 2014.

On 18 December 2014 Neon announced that although defects in the notice of meeting provided by Evoworld may mean that it is invalid, the Board of Neon has determined that, in the circumstances, it is in the best interests of Neon that it exercises its power to postpone the meeting called by Evoworld until the later of:

- the determination or resolution of the Evoworld proceedings in the Supreme Court of Western Australia against Neon;
- Evoworld providing timely corrective disclosure that the Neon Board considers adequately addresses its concerns; and
- the determination of the Supreme Court of Victoria at the Second Court Hearing in relation to the proposed merger with MEO.

Neon is continuing to consider the defects in the notice and what action to take in order to appropriately protect the interests of Neon and its shareholders.

While there is no way of knowing with certainty what orders the Supreme Court of Western Australia will make, if any, in response to the Evoworld writ, and MEO and Neon make no comment on the likelihood or otherwise of any particular outcome, it is possible that orders could be made which:

- result in a change in the composition of the Neon Board (see below concerning MEO's intentions in relation to proceeding with the Merger Implementation Agreement in those circumstances); or
- impact the purported satisfaction of the Condition in clause 3.1(o)(2) of the Merger Implementation Agreement relating to the outcome of the requisitioned meeting, and so, pursuant to the Merger Implementation Agreement, Neon and MEO may need to discuss whether to waive that Condition. Evoworld's present position is that if a Neon Board is controlled by Evoworld, it is unlikely to agree to a waiver.

Neon intends to defend the proceedings and will keep the market informed of all material developments in relation to the conduct of the proceedings.

Neither the Merger Implementation Agreement nor the Scheme are conditional on the outcome of the resolutions that Evoworld has purported to convene for 14 January 2015.

Neon is obliged to comply with the Merger Implementation Agreement and the Deed Poll. MEO expects that Neon will honour all of its obligations under the Merger Implementation Agreement and expressly reserves its rights to take such action as it considers appropriate in this regard, given the surrounding circumstances at the time. In particular, if, following any general meeting called by Evoworld, any Neon Director makes a public statement indicating that they do not support the Scheme, Neon must pay MEO the Reimbursement Fee and MEO may (but would not be required to) terminate the Merger Implementation Agreement. As at the date of this Scheme Booklet, MEO does not intend to exercise any right to terminate the Merger Implementation Agreement in those circumstances, but it expressly reserves all of its rights in relation to any such termination right (including to terminate the Merger Implementation Agreement) if one arises.

There are a number risks associated with Evoworld's shareholding including Evoworld seeking to utilise this shareholding to propose another transaction to gain control of Neon or the Merged Group, or remove the Merged Group's directors and replace with Evoworld appointees.

Neon announced on 18 December 2014 that it had received an unsolicited, indicative and non-binding approach from Evoworld that may lead to a Superior Proposal to the merger with MEO.

The Board of Neon is currently investigating the approach. However, it remains incomplete and non-binding and there is no certainty that a formal offer will be made or that a binding transaction will result, either at all or on terms that the Neon Board considers a Superior Proposal to the merger with MEO. Neon will continue to keep shareholders informed of all material developments. Under clause 13.1(b)(3) of the Merger Implementation Agreement if the Neon Board or a majority of the Neon Board has recommended a Superior Proposal to Neon Shareholders, and Neon has paid the Reimbursement Fee to MEO, Neon may terminate the Merger Implementation Agreement by written notice to MEO at any time before 11.00am on the day of the Second Court Hearing.

Alternatively, there is a risk that Evoworld seeks to divest its shareholding, which may adversely impact the price of Neon Shares, including any New Neon Shares that MEO Shareholders receive as Scheme Consideration.

If the Scheme is implemented, Evoworld's pro-forma shareholding in the Merged Group will reduce to approximately 10%. At this stage, Evoworld has not announced its intentions in relation to its shareholding in Neon in that scenario.

9.3 IMPLEMENTING THE SCHEME

9.3.1 Preliminary steps

MEO and Neon entered into the Merger Implementation Agreement on 5 November 2014 pursuant to which, among other things, MEO agreed to propose the Scheme.

Pursuant to the Deed Poll, Neon has agreed, subject to the Scheme becoming Effective, to provide the Scheme Consideration to which each MEO Shareholder is entitled.

A copy of the Scheme of Arrangement is set out in Attachment D (*Scheme of Arrangement*).

A copy of the executed Deed Poll is set out in Attachment E (*Deed Poll*).

9.3.2 Scheme Meeting

The Court has ordered that the Scheme Meeting be held at 10.30am on Monday, 2 February 2015 at The Institute of Chartered Accountants, Level 3, 600 Bourke Street, Melbourne, 3000, for the purposes of approving the Resolution. The Notice of Meeting for MEO Shareholders which sets out the Resolution is included in Attachment A (*Notice of Meeting*).

Each MEO Shareholder who is registered as a Holder of MEO Shares at 8.00pm on Saturday, 31 January 2015 is entitled to attend and vote at the Scheme Meeting, either in person or by proxy or attorney or in the case of a body corporate, by its corporate representative appointed in accordance with section 250D of the Corporations Act.

Instructions on how to attend and vote at the Scheme Meeting in person, or to appoint a proxy to attend and vote on your behalf, are set out on page 13 of this Scheme Booklet.

The Resolution must be approved by the Requisite Majorities, being:

- i. a majority in number (more than 50%) of MEO Shareholders present and voting at the Scheme Meeting (whether in person, by proxy, by attorney or, in the case of corporate MEO Shareholders, by a corporate representative); and
- ii. at least 75% of the total number of votes cast on the Resolution at the Scheme Meeting.

9.3.3 Second Court hearing

In the event that:

- i. the Resolution is approved by the Requisite Majorities of MEO Shareholders at the Scheme Meeting; and
- ii. all Conditions have been satisfied or remain capable of being satisfied, or waived (if applicable),

MEO will apply to the Court for orders approving the Scheme.

9.3.4 Effective Date

If the Court makes orders approving the Scheme, MEO will lodge with ASIC an office copy of the Court orders given under section 411(4)(b) of the Corporations Act approving the Scheme. It is anticipated that this will occur on the Business Day immediately following the Second Court Hearing.

Once the Scheme becomes Effective, Neon will issue the Scheme Consideration and MEO will take the necessary steps for Neon to become the holder of all MEO Shares.

9.4 DETERMINATION OF PERSONS ENTITLED TO SCHEME CONSIDERATION

9.4.1 Record Date

MEO Shareholders (other than Ineligible Overseas Shareholders) will be entitled to receive the Scheme Consideration under the Scheme if they are registered as holders of MEO Shares on the Record Date. The Record Date is expected to be Friday, 13 February 2015.

9.4.2 Dealings on or prior to the Record Date

For the purpose of establishing the persons who are MEO Shareholders, dealings in MEO Shares will only be recognised if:

- i. in the case of dealings of the type to be effected by CHESS, the transferee is registered in the MEO Share Register as a holder of the relevant MEO Shares as at the Record Date; and
- ii. in all other cases, registrable transfers or transmission applications are received at the place where the MEO Share Register is maintained by 7.00pm on the Record Date (in which case, MEO must register such transfers or transmission applications before 8.00pm (Melbourne time) on the Record Date).

MEO will not accept for registration nor recognise for the purpose of establishing the persons who are MEO Shareholders any transmission application or transfer in respect of Scheme Shares received after such times or received prior to these times and not in registrable form.

9.4.3 Dealings after the Record Date

For the purposes of determining entitlements to Scheme Consideration, MEO will, until the Scheme Consideration has been paid to MEO Shareholders and the name and address of Neon has been entered in the MEO Share Register as the holder of all the MEO Shares, maintain the MEO Share Register in accordance with the terms of the Scheme, and the MEO Share Register in this form will solely determine entitlements to the Scheme Consideration.

From 8.00pm (Melbourne time) on the Record Date, each entry currently on the MEO Share Register will cease to be of any effect other than as evidence of entitlement to the Scheme Consideration in respect of the MEO Shares relating to that entry.

Any share certificates or statements of holding in respect of MEO Shares shall, from the Record Date, cease to have any effect as documents of evidence of title in respect of such MEO Shares.

9.5 SUSPENSION OF TRADING IN MEO SHARES

MEO will apply to ASX for suspension of trading of MEO Shares on ASX after the close of trading on ASX on the Effective Date. It is expected that the suspension will commence on the first Business Day after the day on which MEO notifies ASX of the Scheme becoming Effective.

9.6 TRANSFER AND REGISTRATION OF SCHEME SHARES

If the Scheme becomes Effective, on the Implementation Date:

- i. all Scheme Shares held by MEO Shareholders will be transferred to Neon without any further action required by MEO Shareholders;
- ii. MEO will enter the name of Neon into the MEO Share Register in respect of the Scheme Shares; and
- iii. MEO will then become a subsidiary of Neon.

9.7 ISSUE OF NEW NEON SHARES

If the Scheme becomes Effective, on the Implementation Date the New Neon Shares to which MEO Shareholders are entitled under the Scheme will be issued to MEO Shareholders (other than Ineligible Overseas Shareholders).

It is expected that:

- i. all MEO Shareholders who receive New Neon Shares will have their names entered on the Neon Share Register on or before the Implementation Date;
- ii. holding statements for MEO Shareholders' entitlements to Neon Shares will be dispatched to MEO Shareholders by no later than five Business Days after the Implementation Date. Those holding statements will be sent by prepaid post to the MEO Shareholders' addresses in the MEO Share Register as at close of business on the Record Date; and
- iii. New Neon Shares are expected to commence trading on ASX initially on a deferred settlement basis from Monday, 9 February 2015 and thereafter on a normal settlement basis from Monday, 23 February 2015.

Each holder of New Neon Shares is responsible for confirming their holding before selling their New Neon Shares on a deferred settlement basis. Any sale of New Neon Shares before receipt of a holding statement is at the risk of the holder of those securities. To the extent permitted by law, MEO, Neon, the MEO Share Registry and the Neon Share Registry disclaim all liability, whether in negligence or otherwise, to persons who sell their New Neon Shares before receiving their holding statement, whether on the basis of a confirmation of allocation provided by MEO, Neon, the MEO Share Registry or the Neon Share Registry, a broker or otherwise.

A summary of the rights attaching to Neon Shares is set out in Section 10.1 (*Rights and liabilities attaching to New Neon Shares*).

No securities will be issued on the basis of this Scheme Booklet after the date which is 13 months after the date of this Scheme Booklet.

9.8 TERMINATION OF QUOTATION OF MEO SHARES ON ASX

After the Implementation Date, MEO will apply for termination of the official quotation of MEO Shares, and have itself removed from the official list of ASX.

9.9 MERGER IMPLEMENTATION AGREEMENT

MEO and Neon entered into a Merger Implementation Agreement on Wednesday, 5 November 2014. A copy of the Merger Implementation Agreement was released to ASX on 5 November 2014.

The Merger Implementation Agreement sets out the obligations of MEO and Neon in relation to the Scheme.

On 2 December 2014, the parties agreed to amend the Merger Implementation Agreement to:

- i. correct typographical errors in clauses 12.8(a) and 12.8(b) to refer to the correct party name;
- ii. amend the definition of “Ineligible Foreign Shareholder” in clause 1.1 to include both a MEO Shareholder whose address is shown in the MEO Share Register on the Record Date to be outside Australia and its external territories or New Zealand as well as a MEO Shareholder who is known by MEO to be, or is known by MEO to be holding MEO Shares of behalf of, a citizen or resident of a jurisdiction other than residents of Australia and its external territories or New Zealand;
- iii. make corresponding amendments to the definition of “Ineligible Foreign Shareholder” in the Scheme which forms Attachment 1 to the Merger Implementation Agreement (and as set out in Attachment D (*Scheme of Arrangement*)); and
- iv. include a new clause 4.4, which provides that where a MEO Shareholder is determined to be an “Ineligible Foreign Shareholder”, the number of New Neon Shares to which that MEO Shareholder would otherwise be entitled, will be allotted to the Sale Agent who will then procure the sale of those New Neon Shares on ASX and remit the Cash Proceeds, through MEO, to those Ineligible Overseas Shareholders.

Further details relating to Overseas MEO Shareholders and the sale process in relation to Ineligible Overseas Shareholders is set out in Sections 1.10 (*Overseas MEO Shareholders*) and 1.11 (*Sale process for Ineligible Overseas Shareholders*).

The Merger Implementation Agreement is otherwise unchanged and remains in full force and effect.

This Section sets out a summary of the key terms and conditions of the Merger Implementation Agreement that are not otherwise addressed in this Scheme Booklet.

9.9.1 Termination rights

Termination rights are set out in clause 13 of the Merger Implementation Agreement. In summary, each of MEO and Neon may terminate the Merger Implementation Agreement if:

- i. the Scheme has not become Effective by 5 May 2015;
- ii. a Condition is not satisfied or (if applicable) waived in accordance with the agreement;
- iii. an event occurs which would or does prevent a Condition from being satisfied and that Condition is not waived (if capable of being waived);
- iv. either party commits a material breach of the agreement (including a breach of a representation or warranty under the Merger Implementation Agreement) which is not remedied within five Business Days by the non-breaching party giving written notice to the breaching party;
- v. a court or another Government Agency takes any action permanently restraining or otherwise prohibiting or preventing the Scheme; and
- vi. there is a material adverse change, prescribed event or regulated event in relation to the other party.

In addition, subject to the terms of the Merger Implementation Agreement:

- i. Neon will have a termination right in the event that a MEO Director publicly changes, withdraws or modifies his support or recommendation of the Scheme or endorses a Competing Proposal; and
- ii. MEO will have a termination right in the event that a Neon Director makes a public statement indicating that they do not support the Scheme or endorse a Competing Proposal.

9.9.2 Exclusivity

Under the Merger Implementation Agreement, both MEO and Neon are subject to exclusivity obligations including no-shop and no-talk rights in respect of Competing Proposals. These provisions are set out in clause 11 of the Merger Implementation Agreement. In summary, from the date of the Merger Implementation Agreement until the earlier of termination of the Merger Implementation Agreement and 5 May 2015 (or such other date agreed by the parties) (**Exclusivity Period**), MEO and Neon must not:

- i. directly or indirectly, solicit, invite, encourage or initiate any inquiry, expression of interest, offer, proposal or discussion by any person in relation to, or which would reasonably be expected to encourage or lead to a Competing Proposal or communicate to any person any of the above matters; and
- ii. subject to fiduciary carve-outs:
 - a. directly or indirectly participate in or continue any discussions or negotiations in relation to, or which may reasonably be expected to lead to a Competing Proposal;
 - b. disclose any non-public information about themselves to a third party with a view to obtaining or which may reasonably be expected to lead to receipt of a Competing Proposal; or
 - c. communicate to any person any intention to do any of the above matters.

9.9.3 Reimbursement Fee

Clause 12 of the Merger Implementation Agreement sets out the circumstances in which a Reimbursement Fee may become payable from MEO to Neon, or from Neon to MEO.

MEO must pay Neon a Reimbursement Fee of \$400,000 if:

- i. any MEO Director withdraws, adversely revises or adversely qualifies their support of the Scheme or their recommendation that MEO Shareholders vote in favour of the Scheme (other than where the Independent Expert concludes the Scheme is not in the best interests of MEO Shareholders);
- ii. any MEO Director recommends that MEO Shareholders accept or vote in favour of, or otherwise support or endorse a Competing Proposal that is announced;
- iii. a Competing Proposal of any kind is announced by a third party and completes within six months of the date of the announcement; and
- iv. Neon terminates the Merger Implementation Agreement due to a material breach by MEO of the Merger Implementation Agreement.

Neon must pay MEO a Reimbursement Fee of \$400,000 if:

- i. any Neon Director recommends that Neon Shareholders accept or vote in favour of, or otherwise support or endorse a Competing Proposal that is announced;
- ii. any Neon Director makes a public statement indicating that they do not support the Scheme or endorsing a Competing Proposal;
- iii. a Competing Proposal of any kind is announced by a third party and completes within six months of the date of the announcement; and
- iv. MEO terminates the Merger Implementation Agreement due to a material breach by Neon of the Merger Implementation Agreement.

9.9.4 End date

Unless the Conditions are satisfied or waived by 5 May 2015 (being the **End Date** defined in the Merger Implementation Agreement), either party may terminate the transaction without any liability to the other party.

The parties may agree to extend the End Date.

Section 10

Additional information

This Section sets out additional information required to be disclosed to MEO Shareholders pursuant to the Corporations Act and Corporations Regulations, together with other information that may be of interest to MEO Shareholders.

MEO is not aware of any information about MEO that is material to a decision by a MEO Shareholder on how to vote in relation to the Scheme and which:

- i. has not been made available to the Independent Expert for the purposes of preparing the Independent Expert's Report;
- ii. is not set out or referred to in this Scheme Booklet; or
- iii. has not otherwise been made available publicly by MEO.

10.1 RIGHTS AND LIABILITIES ATTACHING TO NEW NEON SHARES

The New Neon Shares issued as Scheme Consideration will be fully paid ordinary shares in the capital of Neon and will rank equally with existing Neon Shares. Set out below is a summary of the rights and liabilities that will attach to New Neon Shares.

The summary below is not, and should not be considered or relied on as an exhaustive list or definitive statement of the rights and liabilities that will attach to the New Neon Shares issued as Scheme Consideration. These rights and liabilities will be governed by Neon's constitution, statutory and common law requirements and the Listing Rules. The interaction between these rules and requirements can be complex and dependent on the particular circumstances at issue.

Rights/liabilities	Explanation
Issue of further shares	Subject to Neon's constitution, the Directors of Neon may issue further Neon Shares and decide to whom, on what terms and subject to what rights and restrictions those further shares are issued.
Variation of class rights	The rights attached to New Neon Shares issued as Scheme Consideration may be varied with the written consent of the holders of 75% of the Neon Shares or by special resolution passed at a separate meeting of Neon Shareholders.
Dividends	The Directors of Neon may pay any interim and final dividend that, in their judgement, the financial position of the Company justifies, and may decide the method of payment (which may include electronic transfer or cheque). Holders of New Neon Shares issued as Scheme Consideration will be entitled to the same dividend per share as each other Neon Shareholder (subject to any rights or restrictions attached to their shares).
Transferring shares	Subject to Neon's constitution, holders of New Neon Shares issued as Scheme Consideration may transfer any of their shares by a proper ASTC transfer (as defined in the Corporations Regulations) or by a written transfer in any usual form or any other form approved by the Directors of Neon.
Selling non-marketable parcels	If a holder of New Neon Shares issued as Scheme Consideration at any point holds less than a marketable parcel (as defined in the Listing Rules) of Neon Shares, the Directors of Neon may send that shareholder a notice that Neon intends to sell their shares. If no response is received from the shareholder by the time specified in the notice (at least six weeks after the notice is sent), Neon may sell the shares and remit the proceeds to the shareholder in accordance with Neon's constitution.
Voting rights	Subject to Neon's constitution, each holder of New Neon Shares issued as Scheme Consideration will, at a general meeting, be entitled to one vote on a show of hands and, on a poll, one vote for each share they hold as at the record time for the meeting.
Notices	The New Neon Shares issued as Scheme Consideration will entitle the holder to be given notice of general meetings and all other notices, financial statements and other documents required to be sent to Neon Shareholders under Neon's constitution, the Corporations Act or the Listing Rules.
Winding up	Subject to Neon's constitution and the Corporations Act, if Neon is wound up and the property of the Company available for distribution among the members is more than sufficient to pay all the debts and liabilities of the Company and the costs, charges and expenses of the winding up, holders of New Neon Shares issued as Scheme Consideration will be entitled to receive that part of the excess property that is proportionate to the number of shares held by them relative to the total number of Neon Shares.

10.2 INTERESTS OF MEO DIRECTORS IN MEO SECURITIES

The following table shows the Relevant Interest of each MEO Director in MEO Shares, MEO Options and MEO Performance Rights as at the date of this Scheme Booklet.

Director	Number of MEO Shares	Number of MEO Options	Number of MEO Performance Rights
Gregory Short	1,392,444	900,000	nil
Jürgen Hendrich	2,086,000*	3,000,000	350,000
Stephen Hopley	950,000**	900,000	nil
Michael Sweeney	1,031,130***	900,000	nil

Notes:

* Held indirectly by Mr Jurgen Rhyon and Ms Debra Jean Rhyon ATF Starburst Super Fund A/C, an Associate of Mr Hendrich.

** Held indirectly by Mr Stephen Wade Hopley and Ms Yvonne Elizabeth Allen ATF Hopley Pension Fund A/C, an Associate of Mr Hopley.

*** Held indirectly by Seaward Terrace Pty Ltd ATF the Linda Crescent A/C, an Associate of Mr Sweeney.

No MEO Director acquired or disposed of a Relevant Interest in any MEO Shares in the four month period ending on the date immediately before the date of this Scheme Booklet.

10.3 INTERESTS OF MEO AND MEO DIRECTORS IN NEON MARKETABLE SECURITIES

As at the date of this Scheme Booklet:

- i. MEO has a Relevant Interest in 8,504,641 Neon Shares and does not have any Relevant Interest in any other marketable securities of Neon; and
- ii. the MEO Directors do not have a Relevant Interest in any Neon Shares or any other marketable securities of Neon.

MEO Directors who are MEO Shareholders will be entitled to receive New Neon Shares in accordance with the terms of the Scheme.

Other than as set out above, no MEO Director acquired or disposed of a Relevant Interest in any Neon Shares in the four month period ending on the date immediately before the date of this Scheme Booklet.

10.4 INTERESTS HELD BY MEO DIRECTORS IN CONTRACTS OF NEON

No MEO Director has an interest in any contract entered into by Neon.

10.5 OTHER INTERESTS OF MEO DIRECTORS

No MEO Director has any other interest, whether as a director, member, creditor of MEO or otherwise, which is material to the Scheme, other than in their capacity as a holder of MEO Shares, MEO Options and MEO Performance Rights or as set out in this Scheme Booklet.

10.6 MEO SUBSTANTIAL SHAREHOLDERS

There is no person who, to the knowledge of the MEO Directors or officers, beneficially owned, directly or indirectly, or exercised control or direction, directly or indirectly, over MEO Shares carrying more than 5% of the voting rights attached to all of the MEO Shares as at 17 December 2014, being the last practicable date prior to the finalisation of this Scheme Booklet to identify such information.

10.7 TOP 20 MEO SHAREHOLDERS

The top 20 MEO Shareholders in the MEO Share Register held approximately 23.2% of all issued MEO Shares as at 17 December 2014, being the last practicable date prior to the finalisation of this Scheme Booklet to identify such information, as set out in the following table:

Rank	Name	17 Dec 2014	%IC
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	30,356,123	4.04
2	SELECT INVESTMENTS SUPER PTY LTD	16,400,000	2.19
3	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD	14,192,704	1.89
4	RAYDALE HOLDINGS PTY LTD	13,083,183	1.74
5	CITICORP NOMINEES PTY LIMITED	13,001,292	1.73
6	MR MARK JEFFREY HANRAHAN	10,325,000	1.38
7	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	9,604,015	1.28
8	MRS CATHY ANN BENDER	9,000,154	1.20
9	J P MORGAN NOMINEES AUSTRALIA LIMITED	8,630,977	1.15
10	MR PAUL KENNETH FRY	6,744,923	0.90
11	MRS MELANIE MAREE HERPEN	6,610,260	0.88
12	TETS PTY LTD	5,500,000	0.73
13	MR JUN SHAN WU	5,000,000	0.67
14	MRS VIRGINIA WARNECKE	4,857,682	0.65
15	MR MAXWELL THOMAS QUIRK	4,640,000	0.62
16	ALRENE PTY LTD	4,241,538	0.57
17	MR DAVID COGHILL	3,230,000	0.43
18	MR CRAIG WILLIAM GARRAWAY	3,200,000	0.43
19	STATEWIDE CEILINGS P/L	3,000,000	0.40
20	BOULDEN HOLDINGS PTY LTD	2,765,000	0.37
	Total	174,382,851	23.24
	Balance of register	576,105,536	76.76
	Grand total	750,488,387	100.00

10.8 INTERESTS OF NEON DIRECTORS IN NEON SECURITIES

The following table shows the Relevant Interest of each Neon Director in Neon Shares, Neon Options and Neon Performance Rights as at the date of this Scheme Booklet.

Director/executive officer	Number of Neon Shares	Number of Neon Options	Number of Neon Performance Rights
Ken Charsinsky	2,488,005*	nil	12,831,032
John Lander	5,247,713**	nil	nil
Alan Stein	9,041,320***	nil	nil

Notes:

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

** 200,000 Neon Shares held by Vectis Petroleum Limited, of which Mr John Lander is Director and beneficial owner.

*** 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.

10.9 INTERESTS OF NEON AND NEON DIRECTORS IN MEO SECURITIES

As at the date of this Scheme Booklet:

- i. Neon does not hold a Relevant Interest in any MEO Shares or any other marketable securities of MEO other than to the extent any such interest arises pursuant to the cancellation deeds described in Section 10.12 (*Consideration to be provided to MEO Option Holders and MEO Performance Rights Holders*) and Neon's Voting Power in MEO is nil; and
- ii. no Neon Director holds a Relevant Interest in any MEO Shares or any other marketable securities of MEO.

Except as disclosed in this Scheme Booklet, during the four months before the date of this Scheme Booklet:

- iii. neither Neon nor any associate of Neon has provided, or agreed to provide:
 - a. consideration for MEO Shares under any purchase or agreement; or
 - b. benefit to another person, where the benefit was likely to induce the other person, or an associate of the other person, to vote in favour of the Scheme or dispose of MEO Shares, which benefit is not offered to all MEO Shareholders under the Scheme; and
- iv. no Neon Director has had any dealing in any marketable securities of Neon or MEO.

10.10 NEON SUBSTANTIAL SHAREHOLDERS

The single substantial holder of Neon Shares as at 18 December 2014, being the Business Day before the date of this Scheme Booklet is set out below:

Name	Number of Neon Shares	Percentage of issued Neon Shares
Evoworld Corporation Pty Ltd	110,552,266	19.99%

10.11 WARRANTY BY MEO SHAREHOLDERS ABOUT THEIR MEO SHARES

Under clause 8.2(b) of the Scheme of Arrangement, all MEO Shareholders, including those who vote against the Scheme and those who do not vote, will be deemed to have warranted to Neon that their MEO Shares are fully paid and not subject to any of the encumbrances specified in that clause. Clause 8.2(b) of the Scheme is set out in Attachment D (*Scheme of Arrangement*).

10.12 CONSIDERATION TO BE PROVIDED TO MEO OPTION HOLDERS AND MEO PERFORMANCE RIGHTS HOLDERS

As set out in Section 1.8 (*MEO Options and MEO Performance Rights*), MEO and Neon have entered into cancellation deeds in respect of the MEO Options and MEO Performance Rights on issue.

The cancellation of MEO Options and MEO Performance Rights is subject to the Scheme becoming Effective. A portion of the MEO Options will be cancelled for consideration and the cancellation of these options is therefore also subject to ASX granting a waiver from Listing Rule 6.23.2. This ASX waiver has since been granted (see Section 10.23 (*ASX Waiver*), which details the granting of this waiver for further details). If the Scheme becomes Effective:

- i. the MEO Performance Rights Holder will receive nil consideration for the cancellation of their MEO Performance Rights; and
- ii. the MEO Option Holders will receive the following cash amounts for the cancellation of their MEO Options:

Date	Exercise Price	Number	Consideration per Option	Total consideration
4 October 2015	\$0.50	1,500,000	\$0.0000	\$0.0000
27 October 2015	\$0.50	2,700,000	\$0.0000	\$0.0000
1 July 2016	\$0.50	3,000,000	\$0.0000	\$0.0000
1 July 2016	\$0.50	500,000	\$0.0003	\$150.00
3 October 2016	\$0.50	1,200,000	\$0.0006	\$720.00
1 December 2016	\$0.50	4,330,000	\$0.0007	\$3,031.00
3 April 2017	\$0.50	1,500,000	\$0.0012	\$1,800.00
Total		14,730,000		\$5,701.00

10.13 AGREEMENTS OR ARRANGEMENTS CONNECTED WITH OR CONDITIONAL ON THE SCHEME

Except as disclosed elsewhere in this Scheme Booklet and, in particular as set out in Section 1.8 (*MEO Options and MEO Performance Rights*) regarding the cancellation deeds entered into by certain MEO Directors and executive officers who hold MEO Options and MEO Performance Rights, there are no agreements or arrangements made between any MEO Director and another person in connection with, or conditional on, the outcome of the Scheme other than in their capacity as a MEO Shareholder.

10.14 EMPLOYMENT OF PETER STICKLAND

On 12 December 2014, MEO announced the appointment of Mr Peter Stickland as the Chief Executive Officer of MEO with effect from 19 December 2014. Mr Stickland has been the Exploration Manager of MEO since June 2013. For further information in respect of this appointment, please refer to MEO's announcement made to ASX on 12 December 2014.

Mr Stickland is proposed to be Chief Executive Officer of the Merged Group. The material terms of his employment arrangements with the Merged Group will be released on ASX when they have been finalised.

10.15 BENEFITS TO MEO OFFICERS IN CONNECTION WITH RETIREMENT FROM OFFICE

Except as disclosed elsewhere in this Scheme Booklet, no MEO Director, secretary or executive officer is entitled to any payment or benefit resulting from or in connection with their retirement as a Director, secretary or executive officer of MEO.

In addition to the appointment of Mr Peter Stickland as Chief Executive Officer of the Merged Group, it is intended that should the Scheme be implemented, Mr Stephen Hopley, a Non-Executive Director of MEO, will join the Board of the Merged Group as a Non-Executive Director, and Mr Michael Sweeney, a Non-Executive Director of MEO, will join the board of the Merged Group as a Non-Executive Director.

10.16 DIRECTOR INSURANCE AND INDEMNITY ARRANGEMENTS

Pursuant to deeds with respect to terms of appointment as a director entered into by MEO with each of the MEO Directors, MEO has agreed (among other things) to:

- i. indemnify the MEO Directors, to the maximum extent permitted by the law, for all liabilities and legal expenses incurred by a MEO Director acting as a director of MEO (or a Related Body Corporate of MEO);
- ii. maintain personal directors' and officers' liability insurance cover for an amount of \$50 million for any one claim and in the aggregate; and
- iii. maintain MEO company records (including board papers and correspondence between MEO and third parties) for a period of seven years and to allow MEO Directors full and free access to those records at all reasonable times.

The scope of this indemnity includes liabilities incurred by the MEO Director in connection with the Scheme and the MEO Director's involvement in the process that resulted in the Scheme, and legal costs reasonably incurred in defending an action for any such liability.

The terms of MEO's director and officer insurance policy provide that the insurer will provide run-off insurance to each MEO Director for a period of seven years in the event MEO is subject to a merger transaction, subject to additional terms, conditions, and premium as the insurer may require.

Similarly, Neon has entered into deeds to indemnify the Neon Directors against all liabilities incurred as directors or officers (other than liabilities which arise out of conduct that was not in good faith). Neon maintains an insurance policy in respect of directors and officers against certain liability incurred in that capacity.

10.17 DISCLOSURE OF PAYMENTS AND BENEFITS TO MEO DIRECTORS AND EXECUTIVE OFFICERS

Except as disclosed elsewhere in this Scheme Booklet, no MEO Director, secretary or executive officer of MEO (or any Related Bodies Corporate) has agreed to receive, or is entitled to receive, any payment or benefit from Neon which is conditional on, or is related to, the Scheme.

10.18 DISCLOSURE OF INTERESTS

Except as disclosed below or elsewhere in this Scheme Booklet, no:

- i. MEO Director;
- ii. Neon Director;
- iii. person named in this Scheme Booklet as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Scheme Booklet; or
- iv. promoter of the Merged Group,

(together, “Interested Persons”) holds, or held at any time during the two years before the date of this Scheme Booklet any interests in:

- v. the formation or promotion of the Merged Group;
- vi. property acquired or proposed to be acquired by Neon in connection with the formation or promotion of the Merged Group or the offer of New Neon Shares under the Scheme; or
- vii. the offer of New Neon Shares under the Scheme.

10.19 DISCLOSURE OF FEES AND OTHER BENEFITS

Except as disclosed elsewhere in this Scheme Booklet, neither Neon nor MEO has paid or agreed to pay any fees, or provided or agreed to provide any benefit to:

- i. a proposed Director of Neon to induce them to become or qualify as a Director of Neon; or
- ii. any Interested Person for services provided by that person in connection with:
 - a. the formation or promotion of the Merged Group; or
 - b. the offer of New Neon Shares under the Scheme.

Except as disclosed elsewhere in this Scheme Booklet, during the four months before the date of this Scheme Booklet, neither Neon nor any of its associates gave, or offered to give, or agreed to give, a benefit to another person which was likely to induce the other person, or an associate of the other person, to vote in favour of the Scheme or dispose of MEO Shares and which is not offered to all MEO Shareholders under the Scheme.

10.20 CREDITORS OF MEO

The Scheme, if implemented, will not affect the interests of Creditors of MEO. No new liability will be incurred by MEO other than the costs incurred in the implementation of the Scheme.

MEO has paid and is paying all its creditors within normal terms of trade. It is solvent and trading in an ordinary commercial manner.

10.21 RIGHT TO INSPECT REGISTERS

A MEO Shareholder has the right to inspect the MEO Share Register, which contains the name and address of each MEO Shareholder and certain other prescribed details relating to MEO Shares without charge. A MEO Shareholder also has the right to request a copy of the MEO Share Register, upon payment of a fee (if any) up to a prescribed amount.

10.22 SUSPENSION OF TRADING OF MEO SHARES

If the Court approves the Scheme, MEO Shares are expected to be suspended from trade on ASX on close of business on the Effective Date.

10.23 ASX WAIVER

MEO has been granted a waiver from ASX Listing Rule 6.23.2, to permit the cancellation of some MEO Options for consideration (in the manner described in Section 10.12 (*Consideration to be provided to MEO Option Holders and MEO Performance Rights Holders*)) without the requirement for MEO to seek the approval of MEO Shareholders.

The ASX waiver is conditional on the following:

- i. MEO's Shareholders approving by the Requisite Majorities and a court of competent jurisdiction approving the Scheme and as a result of which all the Scheme Shares will be acquired by Neon; and
- ii. full details of the cancellation of the MEO Options are set out to ASX's satisfaction in the Scheme Booklet.

MEO Performance Rights, along with the MEO Options that are being cancelled without consideration, are not the subject of the ASX waiver. An ASX waiver is not required for MEO Performance Rights and MEO Options that are to be cancelled without consideration.

10.24 NO RESTRICTIONS IN MEO CONSTITUTION

There are no restrictions on the right to transfer MEO Shares in MEO's constitution.

10.25 NO UNACCEPTABLE CIRCUMSTANCES

The MEO Directors do not believe that the Scheme involves any circumstances in relation to the affairs of any member of MEO that could reasonably be characterised as constituting "unacceptable circumstances" for the purposes of section 657A of the Corporations Act.

10.26 MEO SHAREHOLDERS IN NEW ZEALAND

This Scheme Booklet is not a New Zealand prospectus or an investment statement and has not been registered, filed with or approved by any New Zealand regulatory authority under or in accordance with the Securities Act 1978 (or any other relevant New Zealand law). The offer of New Neon Shares under the Scheme is being made to existing MEO Shareholders in reliance upon the Securities Act (Overseas Companies) Exemption Notice 2013 (New Zealand) and accordingly this Scheme Booklet may not contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

10.27 ROLES OF ADVISERS AND EXPERTS

The persons named in this Scheme Booklet as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Scheme Booklet are:

Name	Role
Gilbert + Tobin	Legal Adviser to MEO
UBS AG	Financial Adviser to MEO
EY	Auditor to MEO
EY	Auditor to Neon
Link Market Services Limited	MEO Share Registry
Computershare Investor Services Pty Ltd	Neon Share Registry
KPMG Corporate Finance	Independent Expert
AWT International	Technical Expert
EY	Investigating Accountant
Canaccord Genuity (Australia) Limited	Sale Agent

10.28 CONSENTS

KPMG Corporate Finance consents to the inclusion of the Independent Expert's Report at Attachment B (*Independent Expert's Report and Technical Expert's Report*) in the form and context in which it appears and to all references to the Independent Expert's Report in the Scheme Booklet in the form and context in which such references are included.

AWT International consents and has not withdrawn its consent to the inclusion of the Technical Report at Attachment B (*Independent Expert's Report and Technical Expert's Report*) to this Scheme Booklet in the form and context in which the Technical Report appears.

EY has given, and not withdrawn prior to the lodgement of this Scheme Booklet with ASIC, its written consent to be named in this Scheme Booklet as Investigating Accountant to the Company in the form and context it is so named and has not withdrawn its consent to the inclusion in this Scheme Booklet of its Independent Limited Assurance Report in the form and context in which it is included. EY takes no responsibility for any part of this Scheme Booklet other than any reference to its name and the Independent Limited Assurance Report.

EY has also given, and not withdrawn prior to the lodgement of Scheme Booklet with ASIC, its consent to be named in this Scheme Booklet as Auditor of MEO and the inclusion in the Scheme Booklet of references to the audit reports with respect to the financial statements of MEO as at 30 June 2014 and 30 June 2013 in the form and context it is so named. EY takes no responsibility for any part of this Scheme Booklet other than any reference to its name and the Independent Limited Assurance Report.

EY has also given, and not withdrawn prior to the lodgement of Scheme Booklet with ASIC, its consent to be named in this Scheme Booklet as Auditor of Neon and the inclusion in the Scheme Booklet of references to the audit report with respect to the financial statements of Neon for the year ended 31 December 2013 and review statement with respect to the financial statements of Neon for the first half year ended 30 June 2014 in the form and context it is so named. EY takes no responsibility for any part of this Scheme Booklet other than any reference to its name and the Independent Limited Assurance Report.

Neon has given and has not withdrawn its consent to be named in this Scheme Booklet and to the inclusion of the Neon Information and Joint Information in the form and context in which that information is included.

Each person named in Section 10.27 (*Roles of advisers and experts*) has given, and before the time of registration of this Scheme Booklet, has not withdrawn, their consent to being named in this Scheme Booklet in the capacity indicated next to their name. Gilbert + Tobin also consents to the inclusion of Section 8 (*Australian taxation considerations*) relating to the Australian taxation considerations on the Scheme for MEO Shareholders.

10.29 DISCLAIMERS OF RESPONSIBILITY

Each person named in Section 10.27 (*Roles of advisers and experts*) as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Scheme Booklet:

- i. has not authorised or caused the issue of this Scheme Booklet;
- ii. does not make, or purport to make, any statement in this Scheme Booklet or any statement on which a statement in this Scheme Booklet is based, other than a statement included in this Scheme Booklet with the written consent of that person as stated in Section 10.28 (*Consents*); and
- iii. to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Scheme Booklet, other than a reference to its name and any statement or report that has been included in this Scheme Booklet with the consent of that person.

10.30 FEES

The cost of the transaction expected to be payable by MEO is currently estimated to be approximately \$2.2 million (including GST). This includes financial advisory, legal, accounting, independent expert, tax and administrative fees, Scheme Booklet design and printing, marketing, MEO Share Registry and other expenses. The amount does not include transaction costs that may be incurred by Neon.

A breakdown of the estimated transaction costs is as follows (all costs exclude GST):

- i. the fee for professional services paid or payable to the Independent Expert which has provided the Independent Expert's Report is approximately \$77,000;
- ii. the fee for professional services paid or payable to the Independent Technical Expert which has provided the Independent Technical Expert's Report is approximately \$65,000;
- iii. the fee for professional services paid or payable to the Investigating Accountant which has provided the Investigating Accountant's Report is approximately \$60,000;

- iv. the fee for legal services paid or payable to MEO's legal adviser, Gilbert + Tobin and to counsel, is approximately \$425,000;
- v. the fee for financial advisory services paid or payable to UBS AG, Australia Branch is approximately \$1,250,000 (subject to payment of an incentive fee);
- vi. the fees for other professional services paid or payable to other service providers are approximately \$20,000;
- vii. the fees and costs paid or payable to ASIC, ASX, and Link Market Services are approximately \$25,000; and
- viii. the fee for printing services and mailing costs paid or payable to Rifle Media and Link Market Services is approximately \$90,000.

In relation to the fee for financial advisory services paid or payable to UBS AG, it is noted that:

- i. if the Scheme does not proceed, UBS AG will not be entitled to any fee for its services in relation to the Scheme; and
- ii. if the Scheme is implemented and completes, UBS AG will be entitled to the base fee of \$1,250,000 plus an incentive fee which will be determined by reference to the price at which MEO Shares close on the day prior to the date of the Scheme Meeting as set out below:

MEO Share price	Incentive fee
Less than 3.4 cents	Nil
3.5 cents – 3.9 cents	\$250,000
4.0 cents – 4.4 cents	\$500,000
Greater than 4.5 cents	\$750,000

10.31 DOCUMENTS AVAILABLE

An electronic version of this Scheme Booklet including the Independent Expert's Report is available for viewing and downloading at MEO's website at www.meoaustralia.com.au.

10.32 SUPPLEMENTARY INFORMATION

MEO will issue a supplementary document to this Scheme Booklet if it becomes aware of any of the following between the date of lodgement of this Scheme Booklet for registration by ASIC and the date of the Scheme Meeting:

- i. a material statement in this Scheme Booklet is false or misleading;
- ii. a material omission from this Scheme Booklet;
- iii. a significant change affecting a matter included in this Scheme Booklet; or
- iv. a significant new matter arising which would have been required to be included in this Scheme Booklet if it had arisen before the date of lodgement of this Scheme Booklet for registration by ASIC.

The form which the supplementary document may take will depend on the nature and timing of the new or changed circumstances.

10.33 OTHER INFORMATION

Otherwise than as contained or referred to in this Scheme Booklet, including the Independent Expert's Report and the information contained in the Attachments, there is no other information that is material to the making of a decision by a MEO Shareholder whether or not to vote in favour of the Resolution to approve the Scheme, being information that is known to any MEO Director and which has not previously been disclosed to MEO Shareholders.

10.34 LODGEMENT

This Scheme Booklet was lodged with ASIC on Tuesday 2 December 2014, in accordance with section 411(2)(b) of the Corporations Act.

Section 11

Glossary

The following terms used in this Scheme Booklet have the meanings given to them below, unless the context otherwise requires.

Term	Meaning
1C	Denotes low estimate scenario of contingent resources.
2C	Denotes best estimate scenario of contingent resources.
3C	Denotes high estimate scenario of contingent resources.
ASIC	the Australian Securities and Investments Commission.
Associate	has the meaning given to it in sections 10 to 17 of the Corporations Act.
ASX	ASX Limited ACN 008 624 691 or, as the context requires, the financial market conducted by it.
Attachment	an attachment to this Scheme Booklet.
ATO	the Australian Taxation Office.
AvO	Amplitude versus Offset.
Boe	barrels of oil equivalent
Bopd	barrels of oil per day.
Bscf	billions of standard cubic feet.
Business Day	a weekday on which Australian banks are open for business in Australia.
Cash Proceeds	as it relates to Ineligible Overseas Shareholders, the proceeds of the sale of Neon Shares after deduction of any applicable brokerage and other selling costs, taxes and charges.
CGT	Australian capital gains tax.
CHESS	the clearing house electronic sub-register system of share transfers operated by ASX Settlement and Transfer Corporation Pty Ltd ACN 008 504 532.
Company or MEO	MEO Australia Limited ABN 43 066 447 952.
Competing Proposal	either a MEO Competing Proposal or an Neon Competing Proposal, as the context requires.
Condition	a condition precedent to the Scheme, as further described in Section 9.1 (<i>Conditions to the Scheme</i>).
Contingent Resources	those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development oil and gas projects, but which are not currently considered to be commercially recoverable due to one or more contingencies.
Control	has the meaning given to it in section 50AA of the Corporations Act.
Corporations Act	the <i>Corporations Act 2001</i> (Cth).
Corporations Regulations	the <i>Corporation Regulations 2001</i> (Cth).
Court	the Supreme Court of Victoria or any other court of competent jurisdiction under the Corporations Act agreed to in writing by Neon and MEO.
Deed Poll	the deed poll entered into by Neon for the benefit of MEO Shareholders in which Neon acknowledges and confirms its obligations under the Merger Implementation Agreement and the Scheme, as set out in Attachment E (<i>Deed Poll</i>).
DST	drill stem test.
E&P	exploration and production.
Effective	when used in relation to the Scheme, the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) in relation to the Scheme, but in any event at no time before an office copy of the order of the Court is lodged with ASIC.

Term	Meaning
Effective Date	the date that the Scheme becomes Effective. The Effective Date is expected to be on or about Friday, 6 February 2015.
End Date	5 May 2015, subject to any extension to that date as agreed between MEO and Neon in accordance with the Merger Implementation Agreement.
Evoworld	Evoworld Corporation Pty Ltd ACN 601 545 742.
Excluded Neon Shareholders	Neon and any Associate of Neon that is a MEO Shareholder.
EY	Ernst & Young
FEED	Front End Engineering and Design.
FLNG	Floating LNG.
GST	<ul style="list-style-type: none"> a. the same as in the GST Law; b. any other goods and services tax, or any tax applying to the performance of any obligations under this agreement in a similar way; and c. any additional tax, penalty tax, fine, interest or other charge under a law for such a tax.
GST Law	the same as 'GST law' in the <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth).
Implementation Date	the date the Scheme is to be implemented according to its terms, expected to be on or about Friday, 20 February 2015.
Independent Expert	KPMG Corporate Finance.
Independent Expert's Report	the report prepared by the Independent Expert, as set out in Attachment B (<i>Independent Expert's Report and Technical Expert's Report</i>).
Ineligible Overseas Shareholders	an Overseas MEO Shareholder, unless Neon determines that it is lawful and not unduly onerous or impracticable to issue that Overseas MEO Shareholder with New Neon Shares when the Scheme becomes Effective.
Investigating Accountant	Ernst & Young.
Independent Limited Assurance Report	the report prepared by the Investigating Accountant, as set out in Attachment C (<i>Independent Limited Assurance Report</i>).
Joint Information	<p>the information in this Scheme Booklet jointly prepared by MEO and Neon (and for which MEO and Neon share responsibility), being the information contained in Section 6 (<i>Profile of the Merged Group</i>) and any information jointly attributable to MEO and Neon in any of the following Sections:</p> <ul style="list-style-type: none"> a. <i>Letter from the Chairman of MEO</i>; b. Section 1.3 (<i>Information on Evoworld</i>); c. Section 2.2.2 (<i>The transaction creates an attractive new E&P company positioned for growth</i>); d. Section 2.2.4 (<i>The Merged Group will realise substantial cost synergies</i>); e. Section 3 (<i>Frequently asked questions</i>); f. Section 7.1.5 (<i>Risks associated with Evoworld's shareholding in Neon</i>); g. Section 7.4.3 (<i>Exchange rate risk</i>); h. Section 7.4.5 (<i>Equity dilution</i>); i. Section 7.5.13 (<i>Insurance</i>); j. Section 7.6.1 (<i>Permits and tenure</i>); k. Section 7.6.5 (<i>Contractual arrangements</i>); l. Section 7.7 (<i>Other risks</i>); m. Section 9.2 (<i>Information on Evoworld</i>); and n. Section 11.
KPMG Corporate Finance	KPMG Financial Advisory Services (Australia) Pty Ltd.

Term	Meaning
Link Market Services	Link Market Services Limited ACN (ACN 083 214 537).
Listing Rules	the official listing rules of ASX.
LNG	Liquefied natural gas.
MEO Board	the board of directors of MEO.
MEO Competing Proposal	any proposal, agreement, arrangement or transaction, which, if entered into or completed, would result in: <ul style="list-style-type: none"> a. a third party (either alone or together with any Associate) directly or indirectly acquiring a Relevant Interest in, or having a right to acquire, a legal, beneficial or economic interest in, or control of, 20% or more of the MEO Shares or of the share capital or any material Subsidiary of MEO; b. a third party (either alone or together with any Associate) acquiring Control of MEO or of any material Subsidiary of MEO; c. a third party (either alone or together with any Associate) directly or indirectly acquiring or becoming the holder of, or otherwise acquiring or having a right to acquire, a legal, beneficial or economic interest in, or control of, a substantial part of MEO's business or assets or the business or assets of the MEO; d. a third party (either alone or together with any Associate) otherwise directly or indirectly acquiring or merging with MEO or with a material Subsidiary of MEO; or e. MEO being required to abandon, or otherwise fail to proceed with the Transaction, whether by way of takeover bid, members' or creditors' scheme of arrangement, shareholder approve acquisition, capital reduction, buy back, sale or purchase of shares, other securities or assets, assignment of assets and liabilities, incorporated or unincorporated joint venture, dual-listed company or other synthetic merger, deed of company arrangement, any debt of equity arrangement or other transaction or arrangement.
MEO Directors	the directors of MEO.
MEO Group	MEO and each of its Subsidiaries
MEO Option	an option to acquire a MEO Share.
MEO Option Holder	a holder of a MEO Option.
MEO Performance Right	a performance right issued under the MEO Long Term Incentive Plan.
MEO Performance Rights Holder	the holder of MEO Performance Rights.
MEO Share	a fully paid issued ordinary share in the share capital of MEO.
MEO Share Price	the price of MEO Shares as listed on ASX at the relevant time.
MEO Share Register	the register of MEO Shareholders maintained by MEO in accordance with section 168(1) of the Corporations Act.
MEO Share Registry	Link Market Services Limited ACN 083 214 537.
MEO Shareholder	a person registered on the MEO Share Register as a holder of a MEO Share (or, if two or more persons are registered on the MEO Share Register as holders of the same MEO Shares, those persons together).
Merged Group	Neon and each of its subsidiaries following the Implementation Date.
Merger Implementation Agreement	the merger implementation agreement between MEO and Neon dated 5 November 2014 (as amended by parties on 2 December 2014).
MMboe	Millions of barrels of oil equivalent.
MMscfd	Millions of standard cubic feet per day.
MMstb	Millions of stock tank barrels.
Mosman	Mosman Oil and Gas Limited ABN 90 150 287 111.

Term	Meaning
Mosman Proposal	has the meaning given to that term in Section 1.2 (<i>Mosman Proposal</i>).
Mtpa	Millions of tons per annum.
Neon	Neon Energy Limited ABN 49 002 796 974.
Neon Board	the board of directors of Neon.
Neon Competing Proposal	<p>any proposal, agreement, arrangement or transaction, which, if entered into or completed, would result in:</p> <ol style="list-style-type: none"> a. a third party (either alone or together with any Associate) directly or indirectly acquiring a Relevant Interest in, or having a right to acquire, a legal, beneficial or economic interest in, or control of, 20% or more of the Neon Shares or of the share capital or any material subsidiary of Neon; b. a third party (either alone or together with any Associate) acquiring Control of Neon or of any material subsidiary of Neon; c. a third party (either alone or together with any Associate) directly or indirectly acquiring or becoming the holder of, or otherwise acquiring or having a right to acquire, a legal, beneficial or economic interest in, or control of, a substantial part of Neon's business or assets or the business or assets of the Neon Group; d. a third party (either alone or together with any Associate) otherwise directly or indirectly acquiring or merging with Neon or with a material subsidiary of Neon; or e. Neon being required to abandon, or otherwise fail to proceed with the Transaction, <p>whether by way of takeover bid, members' or creditors' scheme of arrangement, shareholder approved acquisition, capital reduction, buy back, sale or purchase of shares, other securities or assets, assignment of assets and liabilities, incorporated or unincorporated joint venture, dual-listed company or other synthetic merger, deed of company arrangement, any debt or equity arrangement or other transaction or arrangement.</p>
Neon Directors	the directors of Neon.
Neon Group	Neon and each of its subsidiaries.
Neon Information	<p>the information in this Scheme Booklet provided by Neon, being the letter from the Chairman of Neon and the information in Section 5 (<i>Profile of Neon</i>) and any information attributable to Neon in the following Sections:</p> <ol style="list-style-type: none"> a. Important Notices; b. Section 1.3 (<i>Information on Evoworld</i>); c. Section 1.7 (<i>Scheme Consideration</i>); d. Section 1.11 (<i>Sale process for Ineligible Foreign Holders</i>); e. Section 3 (<i>Frequently asked questions</i>); f. Section 7.1.5 (<i>Risks associated with Evoworld's shareholding in Neon</i>); g. Section 9.2 (<i>Information on Evoworld</i>); h. Section 9.7 (<i>Issue of New Neon Shares</i>); i. Section 10 (<i>Additional information</i>); and j. Section 11 (<i>Glossary</i>).
Neon Prescribed Event	has the meaning given in the Merger Implementation Agreement.
Neon Share	a fully paid ordinary share in Neon.
Neon Share Price	the price of Neon Shares as listed on the ASX at the relevant time.
Neon Share Register	the register of Neon Shareholders maintained by or on behalf of Neon in accordance with section 168(1) of the Corporations Act.
Neon Share Registry	Computershare Investor Services Pty Ltd ACN 078 279 277.

Term	Meaning
Neon Shareholders	a person registered on the Neon Share Register as a holder of a Neon Share (or, if two or more persons are registered on the Neon Share Register as holders of the same Neon Shares, those persons together).
New Neon Shares	Neon Shares to be issued under the Scheme as Scheme Consideration.
Notice of Meeting	the notice convening the Scheme Meeting as set out in Attachment A (<i>Notice of Meeting</i>).
Overseas MEO Shareholder	an MEO Shareholder: <ul style="list-style-type: none"> a. who is known by MEO to be (or is known by MEO to be holding MEO Shares on behalf of) a citizen or resident of a jurisdiction other than Australia and its external territories or New Zealand; or b. who is recorded in the MEO Share Registry on the Record Date as having an address outside Australia and its external territories or New Zealand.
Prospective Resources	those quantities of petroleum which are estimated, as of a given date, to be potentially recoverable, from undiscovered accumulations.
Proxy Form	the proxy form prepared in respect of the Scheme Meeting enclosed with this Scheme Booklet.
PSC	production sharing contract.
Record Date	the date for determining MEO Shareholders' entitlements to the Scheme Consideration, expected to be on or about Friday, 13 February 2015.
Reimbursement Fee	a liquidated amount of \$A400,000 that may be payable by either by MEO to Neon or by Neon to MEO in certain circumstances where the Scheme is not implemented, as set out in clause 12 of the Merger Implementation Agreement summarised in Section 9.9.3 (<i>Reimbursement Fee</i>).
Related Body Corporate	has the same meaning given to that term in section 9 of the Corporations Act.
Relevant Interest	has the meaning given to that term in sections 608 and 609 of the Corporations Act.
Requisite Majorities	the majority vote of MEO Shareholders, which must include at least: <ul style="list-style-type: none"> a. a majority in number (more than 50%) of MEO Shareholders (other than Excluded Neon Shareholders) present and voting at the Scheme Meeting (whether in person, by proxy, by attorney or, in the case of corporate MEO Shareholders, by corporate representative), unless the Court orders otherwise; and b. at least 75% of the total number of votes cast on the Resolution at the Scheme Meeting.
Resolution	a resolution of MEO Shareholders (other than Excluded Neon Shareholders) to approve the Scheme, the form of which is set out in the Notice of Meeting.
Sale Agent	Canaccord Genuity (Australia) Limited ABN 19 075 071 466 AFSL 234 666.
Scheme Booklet	this scheme booklet in relation to the Scheme.
Scheme Consideration	0.7369 New Neon Shares for each MEO Share held by an MEO Shareholder (other than an Ineligible Overseas Shareholder) on the Record Date.
Scheme Meeting or Share Scheme Meeting	the meeting of MEO Shareholders (other than Excluded Neon Shareholders) ordered by the Court to be convened pursuant to section 411(1) of the Corporations Act in relation to the Scheme, and includes any adjustment or adjournment of that meeting.
Scheme or Scheme of Arrangement	the scheme of arrangement pursuant to Part 5.1 of the Corporations Act proposed between MEO and MEO Shareholders (other than Excluded Neon Shareholders) as set out in Attachment D (<i>Scheme of Arrangement</i>).
Scheme Share	a MEO Share on issue at the Record Date.
Second Court Hearing	the hearing of the application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme.
Section	a section of this Scheme Booklet.
Subsidiaries	as defined under section 9 of the Corporations Act.

Term	Meaning
Superior Proposal	<p>a. in relation to a Competing Proposal received by Neon, a bona fide Competing Proposal of the kind referred in paragraphs ii, iii or iv of the definition of a Neon Competing Proposal, which the Neon Board, acting in good faith, determines:</p> <p>i. is reasonably capable of being valued and completed in a timely fashion, taking into account all aspects of the Competing Proposal; and</p> <p>ii. would, if completed substantially in accordance with its terms, be more favourable to Neon Shareholders than the Scheme, taking into account all terms and conditions of the Competing Proposal;</p> <p>b. in relation to a Competing Proposal received by MEO, a bona fide Competing Proposal of the kind referred to in paragraphs ii, iii or iv of the definition of MEO Competing Proposal, which the MEO Directors, acting in good faith, determine:</p> <p>i. is reasonably capable of being valued and completed in a timely fashion, taking into account all aspects of the Competing Proposal; and</p> <p>ii. would, if completed substantially in accordance with its terms, be more favourable to MEO Shareholders than the Scheme, taking into account all terms and conditions of the Competing Proposal.</p>
Tax Law	the <i>Income Tax Assessment Act 1997</i> (Cth) and the <i>Income Tax Assessment Act 1936</i> (Cth).
Tcf	Trillions of cubic feet.
Transaction	the acquisition by Neon of all MEO Shares on issue through implementation of the Scheme in accordance with the terms of the Merger Implementation Agreement.
Technical Expert	AWT International.
Technical Expert's Report	the report prepared by the Technical Expert, as set out in Attachment B (<i>Independent Expert's Report and Technical Expert's Report</i>).
United States or US	the United States of America.
Voting Power	as defined under section 610 of the Corporations Act.
VWAP	the volume weighted average price.
WI	Working Interest.

Attachment A

Notice of Meeting

MEO Australia Limited ACN 066 447 952

Notice is hereby given that by an order of the Court made on 19 December 2014 pursuant to section 411(1) of the Corporations Act 2001 (Cth) (**Corporations Act**) a meeting of the holders of ordinary shares in MEO Australia Limited ACN 066 447 952 (**MEO**) will be held at 10.30am on Monday, 2 February 2015 at The Institute of Chartered Accountants, Level 3, 600 Bourke Street, Melbourne, 3000.

The Supreme Court of Victoria (**Court**) has also directed that Gregory Short act as Chairman of the meeting or failing him Michael John Francis Sweeney, and has directed the Chairman to report the result of the meeting to the Court if the resolution is approved.

Business of the meeting –Resolution

To consider, and if thought fit, to pass the following resolution in accordance with section 411(4)(a)(ii) of the Corporations Act:

“That, pursuant to and in accordance with section 411 of the Corporations Act, the Scheme, the terms of which are contained in and more particularly described in the Scheme Booklet (of which this Notice of Scheme Meeting forms part) is approved (with or without modification as approved by the Court).”

By Order of the Court

Colin Naylor
Company Secretary
19 December 2014

Explanatory notes

To enable you to make an informed decision on the Resolution, further information on the Scheme is set out in the Scheme Booklet, of which this Notice of Scheme Meeting forms part. Terms used in this Notice of Scheme Meeting have the same meaning as set out in the Glossary in Section 11.

These notes should be read in conjunction with the Notice of Scheme Meeting.

Requisite Majorities

In accordance with section 411(4)(a)(ii) of the Corporations Act, the Resolution must be approved by:

- a majority in number of the holders of MEO Shares present and voting (either in person, by proxy or attorney or in the case of a corporate holder, by duly appointed corporate representative) at the Scheme Meeting; and
- at least 75% of the votes cast on the Resolution.

Entitlement to vote

For the purposes of the Scheme Meeting, MEO Shares will be taken to be held by the persons who are registered as members of MEO as of 8.00pm AEDT (Melbourne time) on 31 January 2015. Accordingly, transfers registered after this time will be disregarded in determining entitlements to vote at the Scheme Meeting.

Voting at the meeting

You may vote in person at the meeting or appoint a proxy or attorney to attend and vote for you.

- (a) Jointly held securities

If MEO Shares are jointly held, either one of the joint shareholders is entitled to vote. If more than one joint shareholder votes in respect of jointly held shares, only the vote of the shareholder whose name appears first in the register will be counted.

(b) Corporate shareholders

To vote at the Scheme Meeting (other than by proxy or attorney), a corporation that is an MEO Shareholder must appoint a person to act as its representative. The appointment must comply with section 250D of the Corporations Act.

The representative must bring to the Scheme Meeting evidence of his or her appointment including any authority under which it is signed.

(c) Voting by proxy

A MEO Shareholder entitled to attend and vote at the Scheme Meeting is also entitled to vote by proxy. The proxy form is enclosed with the Scheme Booklet. You may appoint not more than two proxies to attend and act for you at the Scheme Meeting. A proxy need not be a holder of MEO Shares. If two proxies are appointed, each proxy may be appointed to represent a specified number or proportion of your votes. If no such number or proportion is specified, each proxy may exercise half your votes.

If the MEO Shareholder specifies a choice with respect to any matter to be acted upon, the MEO Shares will be voted accordingly. If you do not instruct your proxy on how to vote, your proxy may vote as he or she sees fit at the Scheme Meeting, provided that if a choice is not specified, the MEO Shares represented by a proxy given to the Chairman of the Scheme Meeting are intended to be voted in favour of the Resolution.

Please refer to the enclosed proxy form for instructions on completion and lodgement. Please note that proxy forms must be received at the registered office of MEO or the Registry whose details are listed below no less than 48 hours prior to the commencement of the Scheme Meeting.

(d) Voting by attorney

Powers of attorney (in original or certified copy) must be received by the Registry, or at the registered office, of MEO no less than 48 hours prior to the commencement of the Scheme Meeting.

An attorney will be admitted to the Scheme Meeting and given a voting card upon providing at the point of entry to the Scheme Meeting written evidence of their appointment, of their name and address and the identity of their appointer.

The sending of a power of attorney will not preclude a MEO Shareholder from attending in person and voting at the Scheme Meeting if the MEO Shareholder is entitled to attend and vote.

Lodgement of proxies and queries

Proxy forms, powers of attorney and authorities should be sent to MEO at the address specified on the enclosed reply paid envelope or to the address specified below:

Address: C/- Link Market Services Limited
Locked Bag A14
Sydney South, NSW 1235

Facsimile: (+612) 9287 0309

Online: www.linkmarketservices.com.au

Login to the website using the details as shown on the proxy form and follow the prompts to lodge your vote. To use the online proxy voting facility, MEO Shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the proxy form).

Holders of MEO Shares should contact the MEO Share Registry at the above address or on +61 1300 554 474 Monday to Friday between 8.30am and 8.00pm (Melbourne time) (except for Christmas Eve and New Years' Eve, during which the MEO Share Registry will be available between 8.30am and 5.30pm (Melbourne Time) only) with any queries regarding the number of MEO Shares held, how to vote and lodgement of proxy forms.

Court approval

If the Scheme Resolution is approved at the Scheme Meeting by the Requisite Majorities, the implementation of the Scheme (with or without modification) will be subject, among other things, to the subsequent approval of the Court.



MEO AUSTRALIA LIMITED

ACN 066 447 952

MEOAustralia
energy for the future

LODGE YOUR VOTE



ONLINE

www.linkmarketservices.com.au



By mail:
MEO Australia Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia



By fax: +61 2 9287 0309



All enquiries to: Telephone: +61 1800 990 363 (free call within Australia)



X9999999999

PROXY FORM

I/We being a member(s) of MEO Australia Limited and entitled to attend and vote hereby appoint:

STEP 1

APPOINT A PROXY

the Chairman of the Scheme Meeting
(mark box)

OR if you are NOT appointing the Chairman of the Scheme Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Scheme Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Scheme Meeting of the Company to be held at **10:30am on Monday, 2 February 2015 at The Institute of Chartered Accountants, Level 3, 600 Bourke Street, Melbourne (the Scheme Meeting)** and at any postponement or adjournment of the Scheme Meeting.

The Chairman of the Scheme Meeting intends to vote undirected proxies in favour of each item of business.

Proxies will only be valid and accepted by the Company if they are signed and received no later than 10:30am on Saturday, 31 January 2015.

Please read the voting instructions overleaf before marking any boxes with an

STEP 2

VOTING DIRECTIONS

Resolution 1

To consider, and if thought fit, to pass the following resolution in accordance with section 411(4)(a)(ii) of the Corporations Act:

For Against Abstain*

“That, pursuant to and in accordance with section 411 of the Corporations Act, the Scheme, the terms of which are contained in and more particularly described in the Scheme Booklet (of which this Notice of Scheme Meeting forms part) is approved (with or without modification as approved by the Court).”



* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

STEP 3

SIGNATURE OF SHAREHOLDERS - THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Sole Director and Sole Company Secretary

Joint Shareholder 2 (Individual)

Director/Company Secretary (Delete one)

Joint Shareholder 3 (Individual)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the Corporations Act 2001 (Cth).

MEO PRX501A



HOW TO COMPLETE THIS PROXY FORM

Your Name and Address

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

Appointment of Proxy

If you wish to appoint the Chairman of the Scheme Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Scheme Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

Default to Chairman of the Scheme Meeting

Any directed proxies that are not voted on a poll at the Scheme Meeting will default to the Chairman of the Scheme Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Scheme Meeting will be voted as set out in this Proxy Form.

Votes on Items of Business - Proxy Appointment

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the Scheme Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- (b) return both forms together.

Signing Instructions

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either shareholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

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

Corporate Representatives

If a representative of the corporation is to attend the Scheme Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

Lodgement of a Proxy Form

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **10:30am on Saturday, 31 January 2015**, being not later than 48 hours before the commencement of the Scheme Meeting. Any Proxy Form received after that time will not be valid for the scheduled Scheme Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



ONLINE > www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).



by mail:
MEO Australia Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



by fax:
+61 2 9287 0309



by hand:
delivering it to Link Market Services Limited, 1A Homebush Bay Drive, Rhodes NSW 2138 or Level 12, 680 George Street, Sydney NSW 2000.

If you would like to attend and vote at the Scheme Meeting, please bring this form with you.
This will assist in registering your attendance.

Attachment B

Independent Expert's Report and Technical Expert's Report



KPMG Corporate Finance

A division of KPMG Financial Advisory Services
(Australia) Pty Ltd
Australian Financial Services Licence No. 246901
147 Collins Street
Melbourne Vic 3000

GPO Box 2291U
Melbourne Vic 3001
Australia

ABN: 43 007 363 215
Telephone: +61 3 9288 5555
Facsimile: +61 8 9288 6666
DX: 30824 Melbourne
www.kpmg.com.au

The Directors
MEO Australia Limited
Level 20, 500 Collins Street
Melbourne Vic 3000

16 December 2014

Dear Directors

PART ONE –INDEPENDENT EXPERT’S REPORT

1 Introduction

On 5 November 2014, MEO Australia Limited (MEO) and Neon Energy Limited (Neon) jointly announced that MEO had entered into a Merger Implementation Agreement (MIA) with Neon, under which MEO and Neon have agreed to an all scrip ‘merger of equals’ to be effected by way of a Scheme of Arrangement (the Scheme).

Under the Scheme, MEO shareholders will receive 0.7369 new Neon ordinary shares for each MEO ordinary share held. Implementation of the Scheme will result in MEO and Neon shareholders each holding an approximate 50% interest (the Merger Ratio) of the merged entity (the Merged Group).

We also note that preceding the announcement of the Scheme, Neon announced on 10 September 2014 that the company had received an all cash unsolicited, proportional off-market takeover offer from Evoworld Corporation Pty Ltd (Evoworld) to acquire 30% of the ordinary shares in Neon at a price of 3.5 cents per share¹. On 12 November 2014, Neon convened Extraordinary General Meetings at which Neon shareholders rejected Evoworld’s offer and also rejected Evoworld’s proposed changes to Neon’s Board. Since those meetings, Evoworld has commenced proceedings in the Supreme Court of Western Australia seeking orders in relation to the validity of voting at the meetings.

Following the Extraordinary General Meeting, Neon received a notice from Evoworld on 13 November 2014 advising Neon of its intentions to request a meeting of Neon shareholders to remove the existing Neon Directors at some future point in time. On 16 December 2014, Neon announced it had received a

¹ All amounts in this report are denominated in Australian dollars (\$, cents or AUD) unless specifically stated otherwise.



notice from Evoworld purporting to call a general meeting of Neon for 14 January 2015 to remove the existing Neon Directors and appoint its nominees to the Neon Board.

On 11 December 2014, MEO received an unsolicited notice of intention from Mosman Oil and Gas Limited (Mosman) to make an off-market scrip takeover offer to acquire 100% of MEO's issued capital (the Mosman Proposal). In terms of the Mosman Proposal MEO shareholders will receive one Alternative Investment Market listed Mosman share for every 20 MEO shares in issue. Mosman indicated that it anticipates dispatch of a Bidder's Statement in relation to the Mosman Proposal in February 2015, which will contain full details of the Mosman Proposal.

MEO is an Australian oil and gas exploration company listed on the Official List of ASX Limited (ASX). As at 15 December 2014, MEO had a market capitalisation of approximately \$15.0 million. MEO's principal assets comprise cash and exploration, appraisal and development stage petroleum assets located in Australia and New Zealand. MEO is headquartered in Melbourne, Australia.

Neon is an Australian oil and gas exploration company listed on the Official List of ASX. As at 15 December 2014, Neon had a market capitalisation of approximately \$19.9 million. Neon's principal assets comprise cash and its 100% interest in the WA-503-P exploration permit located in the North West Shelf region offshore of Western Australia. Neon is headquartered in Perth, Australia.

The Directors of MEO (the Directors) have requested KPMG Financial Advisory Services (Australia) Pty Ltd (of which KPMG Corporate Finance is a division) (KPMG Corporate Finance) prepare an Independent Expert's Report (IER) to the MEO shareholders not associated with Neon (the non-associated shareholders) in relation to the Scheme. The purpose of the IER is to set out whether or not, in our opinion, the Scheme is in the best interests of the non-associated shareholders as a whole.

The specific terms of the resolutions to be approved by non-associated shareholders in relation to the Scheme are set out in the Scheme Booklet to which this report is attached. This report should be considered in conjunction with and not independently of the information set out in the Scheme Booklet.

KPMG Corporate Finance's Financial Services Guide is contained in Part Two of this report.

2 Summary of the Scheme

In terms of the Scheme, MEO shareholders will receive 0.7369 new Neon shares for each MEO share held. The completion of the Scheme is subject to the satisfaction of a number of conditions set out in the MIA including:

- receipt of regulatory and court approvals
- non-associated shareholders' approval of the Scheme
- no material adverse change, prescribing occurrence or regulated event in respect of MEO or Neon
- all performance rights issued by Neon are cancelled for nil consideration and no such right vests prior to cancellation



- Neon shareholders rejecting the Evoworld takeover offer at the Neon Extraordinary General Meeting convened for 12 November 2014. We note, on 12 November 2014, Neon shareholders rejected the Evoworld takeover offer.

Ineligible foreign securityholders will not receive securities in the Merged Group under the Scheme, but rather their holdings in MEO will be transferred to a sale nominee who will sell securities in the Merged Group they would otherwise be entitled to receive under the Scheme and remit the sales proceeds to them. Details as to ineligible foreign securityholders are set out in Section 1 of the Scheme Booklet.

The MIA also includes clauses for both MEO and Neon relating to mutual break fees, no shop and no talk provisions and various other standard provisions relevant to the Scheme, such as termination rights and the obligations of each company in the lead up to implementation. The full terms of the MIA can be obtained from the ASX announcements made by MEO and Neon on 5 November 2014.

Further details in relation to the Scheme, are set out in the Scheme Booklet to which this report is attached.

3 Scope of Report

3.1 Purpose

There is no statutory requirement for the preparation of this IER. However, the Directors have requested KPMG Corporate Finance prepare this report to provide an assessment as to whether the Scheme is in the best interests of non-associated shareholders as a whole. KPMG Corporate Finance has only been engaged to provide an opinion on the Scheme and therefore do not express an opinion on whether the Mosman Proposal is fair and reasonable to MEO shareholders.

In undertaking this work, we have referred to guidance by the Australian Securities and Investments Commission (ASIC) under Regulatory Guide 111 "Content of expert reports" (RG 111).

This report has been prepared for inclusion in the Scheme Booklet to the non-associated shareholders. The purpose of the meeting will be to seek approval of non-associated shareholders in relation to the Scheme.

3.2 Basis of assessment

RG 111 indicates the principles and matters which it expects a person preparing an expert report for inclusion in an explanatory statement to consider in determining whether the scheme of arrangement is in "the best interests of the members". Generally speaking, if an expert concludes that a transaction is fair and reasonable then the expert would conclude that the scheme will be in the best interests of the members.

We have also given regard to RG 111.29 which states that "*the expert may need to assess whether a scrip takeover is in effect a merger of entities of equivalent value when control of the merged entity will be shared equally between the 'bidder' and the 'target'. In this case, the expert may be justified in using an equivalent approach to valuing the securities of the 'bidder' and the 'target'.*"

RG 111 therefore distinguishes between control transactions and other transactions and provides guidance on the analysis to be undertaken in each scenario. In order to be compliant with the guidance provided by RG 111 the expert should determine whether the transaction is controlling in nature or a true merger of equals.

4 Summary of opinion

In our opinion, in the absence of a superior proposal, the Proposal is fair and reasonable and, therefore is in the best interests of the MEO non-associated shareholders.

In arriving at this opinion we have:

- formed the view that the Scheme should be assessed as a merger of equals
- assessed whether the Scheme is fair on the basis of the underlying value of both MEO and Neon and the terms of the Scheme
- assessed the reasonableness of the Scheme by considering the advantages, disadvantages, alternatives and consequences of not approving the Scheme.

As we have analysed the fairness of the Scheme on the basis that the merger represents a merger of equals, we have valued MEO and Neon on a consistent basis (i.e. both entities have been valued on a controlling basis). Having analysed the Scheme on this basis, we have derived assessed values for MEO and Neon as set out in Section 4.2.

This analysis indicates that the Merger Ratio falls within our range of calculated merger ratios based on our assessed values for MEO and Neon and the merger ratio implied by the sharemarket prices of these companies. Accordingly, we consider the Scheme to be fair.

In arriving at our assessed values for each of MEO and Neon we have placed reliance on the report prepared by AWT International Pty Ltd (AWT), the independent petroleum industry specialists engaged by MEO, and instructed by us, to assess the market value of the petroleum assets held by MEO and Neon. A copy of AWT's report is attached at Appendix 3.

It should be noted that the value of early stage exploration petroleum assets such as those held by MEO and Neon are highly subjective and uncertain and involves subjective assessments based on professional judgements made by AWT.

Whilst we consider our range of assessed market values for MEO and Neon to be reasonable at the date of this report, we note that, depending on non-associated shareholders' views as to the prospects of the exploration permits held by MEO, it is conceivable that some non-associated shareholders could potentially form a view that the value of MEO more appropriately lies at or toward the high end of our range of assessed market values and the value of Neon to be at or toward the low end of our assessed range. In these circumstances non-associated shareholders may conclude the Scheme is not fair. These non-associated shareholders would then need to consider whether, despite not being fair, there are sufficient other factors to support the Scheme.

Other principal considerations for non-associated shareholders other than those related solely to value are whether the benefits of the access to Neon's cash assets, the continued (albeit diluted) non-associated shareholders' interests in MEO's existing assets and a pro-rata interest in Neon's assets (which comprise principally cash) and the opportunity to participate in any synergies realised by the Merged Group outweighs the uncertainty as to the final consideration to be received by MEO shareholders and the transaction and implementation costs that will be incurred.

The principal matters that KPMG Corporate Finance has taken into consideration in forming its opinion that the Scheme is in the best interest of shareholders is set out in the remainder of this section.

4.1 Assessment as to whether the Scheme is a merger of equals

In forming our view as to whether the Scheme is fair or not fair, it is first necessary to consider whether the transaction should be considered a 'merger of equals' as opposed to a 'control transaction', as this determines the approach to the basis of value when considering the relative values of MEO and Neon in relation to the Merger Ratio. We have identified the factors within the Scheme that either support a merger of equals or instead imply a control transaction. The factors we consider relevant are:

- the Board of each of MEO and Neon both structured the Scheme as a merger of equals
- existing MEO and Neon securityholders will collectively hold approximate 50% interests in the Merged Group
- the relative size of each business
- no securityholder will be in a position to control or have significance influence over the Merged Group, with no securityholder expected to hold greater than 10% of the Merged Group. We note Evoworld will hold just under 10% of the Merged Group
- the Board of Directors of the Merged Group will comprise two current Board representatives from each of MEO and Neon (four Directors total). Mr Alan Stein, the current Chairman of Neon is nominated to be the Chairman of the Merged Group
- the current Exploration Manager of MEO will be appointed Chief Executive Officer of the Merged Group.

Having regard to the above factors, we are of the view that the Scheme is a merger of equals rather than a control transaction. As such, we have assessed the values of MEO and Neon on a consistent basis (i.e. both entities have been valued on a controlling basis).

4.2 Fairness

Guidance provided by RG 111, indicates the Scheme should be considered fair to the MEO non-associated shareholders if the Merger Ratio is equal to or greater than the contribution to the Merged Group by MEO.

The Merger Ratio determines what proportion of Merged Group will be owned by MEO shareholders and Neon shareholders following the implementation of the Scheme. Under the Merger Ratio:



- MEO shareholders will hold 50.0% of the Merged Group
- Neon shareholders will hold 50.0% of the Merged Group.

The following tables summarise our valuation ranges for each company on a standalone basis. The assessed values for MEO and Neon are set out in detail in Sections 11 and 12 of this Report. The valuation ranges (High and Low) result from the valuation of the underlying assets for each company having regard to the market value of exploration permits and other assets and liabilities.

Table 1: Assessed market values

	Low	High
	\$m	\$m
MEO	21.3	28.0
Neon	22.8	23.9
Total	44.1	51.8
MEO (%)	48.3%	54.0%
Neon (%)	51.7%	46.0%

Source: KPMG Corporate Finance Analysis

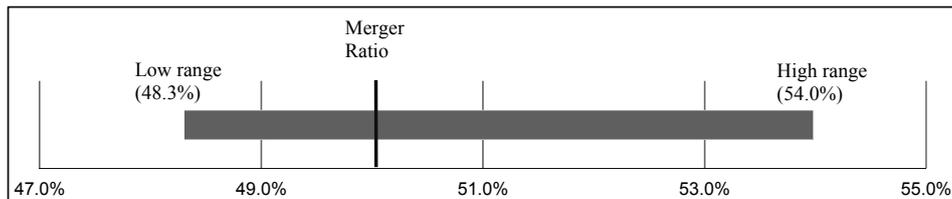
We would highlight to readers that the range of values for the petroleum assets reflects the level of uncertainty surrounding various key assumptions, in particular the petroleum assets comprise early stage exploration assets yet to achieve reserve status. The valuation of assets of this nature is particularly uncertain and sensitive to the subjective assessments made by AWT. It should be noted that the current Neon portfolio of assets is mainly comprised of cash and is less risky when compared to the current MEO portfolio of assets which mainly comprises exploration assets, the latter's value ultimately being dependent upon commodity prices and exploration success.

Whilst AWT considers its assumptions to be reasonable based on information available at the date of this report, individual shareholders may have different views in relation to the prospects of the petroleum assets, and it is therefore quite conceivable that individual shareholders could form a different view as to the merits of the Scheme.

The assessed market values for MEO and Neon were calculated to determine whether the Merger Ratio falls within a reasonable range and does not represent KPMG Corporate Finance's views as to the likely market capitalisation for these companies either individually or after the merger.

The comparison between the relative percentages of the assessed values of MEO and Neon compared to the Merger Ratio is illustrated below.

Figure 1: Assessment of the Merger Ratio



Source: KPMG Corporate Finance Analysis

As the Merger Ratio offered under the Scheme falls within the range implied by our assessed value range for MEO and Neon, we consider the Scheme to be fair to the non-associated shareholders.

Recent traded share prices

We note that during the week prior to the announcement of the Scheme, the value implied for MEO’s shares using the Neon traded share price and the Merger Ratio represented a slight premium to MEO’s traded share price. We consider the premium or discount over an extended prior period to have limited relevance given MEO’s and Neon’s share price have exhibited significant volatility over the past 12 months. In this regard we note the traded share price of MEO and Neon over the 12 months prior to the announcement of the Scheme is likely to reflect:

- the limited liquidity of MEO’s shares
- the recent material decline in oil prices to the extent this impacts exploration asset values
- the results of various exploration and development expenditure by each of MEO and Neon
- the recent sale by Neon of its significant petroleum assets
- the settlement of claims against Neon in relation to past permit obligations
- the granting of new permits to each of MEO and Neon.

We also note that our range of assessed fair values for each of MEO and Neon represent the full underlying value for each company inclusive of a premium for control. In comparison, trading in MEO and Neon shares, and also the Merged Group’s shares if the Scheme completes, will be for portfolio interests and therefore are unlikely to include any premium for control, unless the relevant entity is considered by the market to be a takeover target.

4.3 Reasonableness

In accordance with RG111, a transaction is considered to be reasonable if it is fair. However, notwithstanding the regulatory guidance that suggests that the Scheme is reasonable because it is fair, we have also considered a range of other factors non-associated shareholders may also wish to take into account in considering the Scheme.

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4.3.1 Advantages

Completion of the Scheme will provide additional funding for the continued exploration and development of MEO's petroleum asset portfolio

Neon's assets principally comprise cash assets and, as such, following completion of the Scheme the Merged Group will have cash assets significantly greater than MEO's current cash balance on a standalone basis.

The values of MEO's portfolio of exploration assets are dependent upon, amongst other things, MEO's ability to meet ongoing exploration expenditure commitments, including expenditure in the short term in excess of MEO's current cash reserves.

In the absence of the Scheme, MEO is expected to need to secure additional funding from alternative sources to meet its ongoing commitments and exploration of its asset portfolio. Any alternative equity or debt capital raising is not assured and, to the extent it comprised an equity raising, may be offered on less favourable terms than those offered under the Scheme.

The MEO Directors consider it unlikely that MEO could access an equivalent level of funding through capital markets and that any funding available would likely need to be raised at a substantial discount to the prevailing MEO share price.

Eligible MEO shareholders will retain an interest in the assets of MEO, albeit that interest will be diluted

Whilst we consider the value attributed to MEO to be reasonable at the date of this report, the fair value of MEO may increase, or conversely it may decline in value, in the future depending upon the success of initiatives and exploration plays in place.

In the event the Scheme is successfully implemented, eligible MEO shareholders will continue to hold an approximate 50.0% interest in MEO's asset portfolio and will acquire a similar interest in Neon's assets.

Eligible MEO shareholders may participate in any synergies realised by the Merged Group

MEO has announced a target reduction in the combined annual corporate overheads of MEO and Neon following implementation of the Scheme through rationalisation of the combined corporate structure of the Merged Group, including reductions in staff numbers and consolidating to a single office. While the final quantum and timing of any cost savings and synergies achievable are unknown at this time, we note eligible MEO shareholders will share pro rata in the benefit of any cost savings and synergies realised by the Merged Group.

4.3.2 Disadvantages

The Scheme does not provide certainty as to the value of consideration received

As the consideration offered under the Scheme does not include a cash alternative, in the event the Scheme is implemented eligible MEO shareholders will receive new ordinary shares in the Merged Group. Accordingly, the final value received by MEO shareholders for their MEO shares will be dependent upon the trading price for a Neon share at the time each eligible MEO shareholder decides to

realise their investment. The final value of the consideration to be received by MEO shareholders is therefore uncertain and unable to be ascertained at this time.

Accordingly, MEO shareholders will need to consider, inter alia, movements in the Neon share price subsequent to the date of this report and also form a view as to the future prospects of the Merged Group in deciding whether to approve the Scheme.

Transaction and implementation costs will be incurred

MEO management has estimated total transaction and implementation costs incurred by MEO and Neon in relation to the Scheme will be approximately \$3.4 million, including GST, of which approximately \$0.8 million, including GST, will have been paid, or committed, by MEO prior to the date the MEO shareholders meet to vote on the Scheme.

Transaction and implementation costs associated with the Scheme incurred by MEO and Neon primarily relate to financial advisory, legal, accounting, independent expert, tax and administrative fees, Scheme Booklet design and printing, share registry and other expenses.

Ineligible foreign shareholders and involuntary disposal impact

Restrictions in certain foreign countries may make it impractical or unlawful to offer or receive securities in those countries, therefore some MEO shareholders, including the custodian of the MEO American Depository Receipts, will be ineligible foreign shareholders. Neon will not be obliged to issue new Neon shares to ineligible foreign shareholders. In the event the Scheme is implemented, the Neon shares to which the ineligible foreign shareholders would otherwise have been entitled to will be issued to a nominee and realised, with the net proceeds of such sales distributed to the relevant ineligible foreign shareholders, notwithstanding that those ineligible foreign shareholders may have desired to retain an interest in the Merged Group. Share trading in the Merged Group shares may be impacted by the trading activity of the nominee appointed to realise the shares that would otherwise have been issued to the ineligible foreign shareholders.

4.3.3 Other considerations

Implications if the Scheme is not implemented

If the Scheme is not implemented, among other things:

- MEO will continue to be listed on ASX and pursue the development of its asset portfolio
- the Directors of MEO anticipate that the business of MEO will, in the foreseeable future, continue to be conducted in the manner in which it is presently conducted and continue to operate in line with the MEO Board's previously stated objectives
- the expected advantages, disadvantages and other matters arising from the Scheme set out in this section will not occur
- MEO's share price may fall slightly reflecting the withdrawal of the implied small premium being paid by Neon based on the recent trading prices of both companies immediately prior to the announcement of the Scheme



- MEO is expected to need to secure additional funding from alternative sources to meet its ongoing commitments and exploration of its asset portfolio
- MEO will have incurred costs estimated to be in the order of \$0.8 million in planning and seeking to implement the Scheme without receiving any benefits from the Scheme.

MEO's Directors recommendations and intentions

MEO's Directors unanimously recommend the Scheme to MEO shareholders, in the absence of a superior proposal. Each MEO Director intends to vote in favour of the Scheme in relation to MEO shares held or controlled by them, in the absence of a superior proposal.

The prospects of a takeover premium being received by the non-associated shareholders is unlikely to be diminished

Given, based on the current shareholder profiles of MEO and Neon, the share register of the Merged Group will remain relatively open following implementation of the Scheme, with no shareholder holding greater than 10.0%, we do not consider the prospects of the expanded Merged Group receiving a takeover offer in the future to be diminished relative to MEO's current prospects. Should an offer emerge in the future for the Merged Group, MEO shareholders would be entitled to participate in any takeover premium paid in relation to any shares in the Merged Group they hold at that time.

Taxation

In the event the Scheme is implemented, eligible MEO shareholders will receive 0.7369 new Neon shares for each MEO share currently held. MEO shareholders are strongly encouraged to read the outline of the taxation implications of approving the Scheme prepared by MEO, which is included in the Scheme Booklet at section 8 and, if in any doubt, should seek their own independent taxation advice regarding the taxation consequences of the Scheme.

Uncertainty relating to Evoworld's shareholding in Neon

Neon received an unsolicited proportional off-market takeover offer from Evoworld prior to the announcement of the Scheme. Subsequently, Neon shareholders voted against the resolutions to approve Evoworld's proportional takeover offer and the Evoworld offer has automatically been withdrawn. Evoworld currently holds 19.99 percent of the issued Neon shares.

On 16 December 2014, Neon announced it had received notice from Evoworld purporting to call a general meeting of Neon for 14 January 2015 to remove the existing Neon Directors and appoint its nominees to the Neon Board. Evoworld previously indicated that it does not currently intend to oppose any resolutions regarding the Scheme. As at the date of preparation of this report Evoworld has not provided any further details of the proposed general meeting.

Further, Evoworld has not announced its intentions in relation to its shareholding in Neon or that of the Merged Group.

For further information and risks associated with Evoworld's shareholding in Neon please refer to section 1 of the Scheme Booklet.

Uncertainty relating to the Mosman Proposal

MEO received an unsolicited notice of intention to make an off-market scrip takeover offer from Mosman on 11 December 2014. The final terms of any offer to be made by Mosman will not be known until the transaction documents are sent to MEO shareholders, which Mosman has indicated is expected to be in February 2015. Based on the intended terms announced by Mosman we note:

- the Mosman Proposal represents an implied value of approximately \$0.0165 per MEO share², representing a discount of approximately 13% to the last traded price of MEO's shares of \$0.019 on 10 December 2014
- the Mosman Proposal is intended to be conditional upon, amongst other things, approval of Mosman's shareholders, 90% minimum acceptance from MEO's shareholders and the Scheme being rejected by MEO's shareholders

For further information and risks associated with the Mosman Proposal please refer to section 1 of the Scheme Booklet.

Transition risk

There is a potential that various shareholders in the Merged Group will seek to realise their portfolio holdings in the period immediately following implementation of the Scheme. In these circumstances, until the shareholder base of the Merged Group is rebalanced, a risk exists of greater volatility in the Neon share price, at least in the short-term post the implementation of the Scheme, than may otherwise have been the case, all other things being equal. As noted previously the nominee appointed to realise Neon shares on behalf of ineligible foreign MEO shareholders is likely to be a seller of Neon shares during this period.

Impact on MEO's accumulated tax losses

MEO has not received any advice in relation to the impact of the Scheme on MEO's accumulated tax losses. We note that the ability of the Merged Group to utilise part or all of MEO's existing accumulated tax losses will be dependent upon a number of factors, including the consideration of the 'continuity of ownership' and 'same business' tests and the future generation of otherwise taxable income.

5 Other matters

In forming our opinion, we have considered the interests of non-associated shareholders as a whole. This advice therefore does not consider the financial situation, objectives or needs of individual non-associated shareholders. It is not practical or possible to assess the implications of the Scheme on individual non-associated shareholders as their financial circumstances are not known.

The decision of non-associated shareholders as to whether or not to approve the Scheme is a matter for individuals based on, amongst other things, their risk profile, liquidity preference, investment strategy and

² Calculated based on Mosman's last traded share price of 0.175 British Pounds (GBP) as at 10 December 2014, an AUD:GBP exchange rate of 0.5296 and the intended 1-for-20 scrip ratio.

tax position. Individual non-associated shareholders should therefore consider the appropriateness of our opinion to their specific circumstances before acting on it. As an individual's decision to vote for or against the Scheme may be influenced by his or her particular circumstances, we recommend that individual non-associated shareholders including residents of foreign jurisdictions seek their own independent professional advice.

Our opinion is based solely on information available as at the date of this report as set out in Appendix 2 of the report. We note that we have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion. We refer readers to the limitations and reliance on information section as set out in Section 6 of our report.

Our report has also been prepared in accordance with the relevant provisions of the Corporations Act 2001 (cth) as amended (the Act) and other applicable Australian regulatory requirements. This report has been prepared solely for the purpose of assisting non-associated shareholders in considering the Scheme. We do not assume any responsibility or liability to any other party as a result of reliance on this report for any other purpose.

Neither the whole nor any part of this report or its attachments or any reference thereto may be included in or attached to any document, other than the Scheme Booklet to be distributed to non-associated shareholders in relation to the Scheme, without the prior written consent of KPMG Corporate Finance as to the form and context in which it appears. KPMG Corporate Finance consents to the inclusion of this report in the form and context in which it appears in the Scheme Booklet.

The above opinion should be considered in conjunction with and not independently of the information set out in the remainder of this report, including the appendices.

Yours faithfully



Danie van Aswegen
Authorised Representative



Jason Hughes
Authorised Representative



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6 Basis of preparation

6.1 Limitations and reliance on information

In preparing this report and arriving at our opinion, we have considered the information detailed in Appendix 2 of this report. In forming our opinion, we have relied upon the truth, accuracy and completeness of any information provided or made available to us without independently verifying it. Nothing in this report should be taken to imply that KPMG Corporate Finance has in any way carried out an audit of the books of account or other records of MEO or Neon for the purposes of this report.

Further, we note that an important part of the information base used in forming our opinion is comprised of the opinions and judgements of management. In addition, we have also had discussions with MEO's and Neon's management in relation to the nature of the business operations, specific risks and opportunities, historical results and prospects for the foreseeable future of MEO and Neon respectively. This type of information has been evaluated through analysis, enquiry and review to the extent practical. However, such information is often not capable of external verification or validation.

MEO and Neon have been responsible for ensuring that information provided by them or their representatives is not false or misleading or incomplete. Complete information is deemed to be information which at the time of completing this report should have been made available to KPMG Corporate Finance and would have reasonably been expected to have been made available to KPMG Corporate Finance to enable us to form our opinion.

We have no reason to believe that any material facts have been withheld from us but do not warrant that our inquiries have revealed all of the matters which an audit or extensive examination might disclose. The statements and opinions included in this report are given in good faith, and in the belief that such statements and opinions are not false or misleading.

The information provided to KPMG Corporate Finance included forecasts/projections and other statements and assumptions about future matters (forward-looking financial information) prepared by or on behalf of the management of MEO and Neon. Whilst KPMG Corporate Finance has relied upon this forward-looking financial information in preparing this report, MEO and Neon remain responsible for all aspects of this forward-looking financial information. The forecasts and projections as supplied to us are based upon assumptions about events and circumstances which have not yet transpired. We have not tested individual assumptions or attempted to substantiate the veracity or integrity of such assumptions in relation to any forward-looking financial information, however we have made sufficient enquiries to satisfy ourselves that such information has been prepared on a reasonable basis.

Notwithstanding the above, KPMG Corporate Finance cannot provide any assurance that the forward-looking financial information will be representative of the results which will actually be achieved during the forecast period. Any variations in the forward looking financial information may affect our valuation and opinion.

It is not the role of the independent expert to undertake the commercial and legal due diligence that a company and its advisers may undertake. The Directors of MEO, together with MEO's legal advisers, are responsible for conducting due diligence in relation to the Scheme. KPMG Corporate Finance provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process, which is outside

our control and beyond the scope of this report. We have assumed that the due diligence process has been and is being conducted in an adequate and appropriate manner.

The opinion of KPMG Corporate Finance is based on prevailing market, economic and other conditions at the date of this report. Conditions can change over relatively short periods of time. Any subsequent changes in these conditions could impact upon our opinion. We note that we have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion.

6.2 Disclosure of information

In preparing this report, KPMG Corporate Finance has had access to all financial information considered necessary in order to provide the required opinion. Due to commercial sensitivity we have limited the level of disclosure in relation to certain key business arrangements however we have disclosed a summary of material information which we relied on in forming our view.

6.3 Reliance on Technical Expert

ASIC Regulatory Guides envisage the use by an independent expert of specialists when valuing specific assets. To assist KPMG Corporate Finance in the valuation of the of MEO and Neon's petroleum assets, AWT was engaged by MEO, and instructed by us, to prepare an independent technical report providing a valuation of MEO and Neon's petroleum assets. A copy of AWT's report, is attached to this report as Appendix 3.

AWT's report was prepared in accordance with the requirements of the Code for Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports, 2005 edition (the ValMin Code).

ASIC Regulatory Guides recommend the fees payable to the technical specialist be paid in the first instance by the independent expert and claimed back from the party commissioning the independent expert. KPMG Corporate Finance's preferred basis for appointment of independent technical specialists is that the client commissions, and pays the fees directly to, the technical specialist, whilst KPMG Corporate Finance defines the scope of work for the technical specialist. We do not consider that the independence of the technical specialist is impaired by this arrangement.

We have satisfied ourselves as to AWT's qualifications and independence from MEO and Neon and have placed reliance on its report.

The valuation methodologies adopted by AWT for MEO and Neon's petroleum assets are outlined in the AWT's report, which attached as Appendix 3 and include a combination, as appropriate, of:

- farm in promotes from comparable transactions
- work program

Due to the various uncertainties inherent in the valuation process, AWT has determined a range of values within which it considers the value of each of the relevant oil and gas exploration assets to lie. The values ascribed by AWT to the exploration assets have been adopted in our report.

7 Industry overview

The Merged Group's asset portfolio will comprise interests in oil and gas exploration, appraisal and development assets located in Australia and New Zealand, with the majority of permits located in Australia.

To provide a context for assessing the future prospects of the Merged Group, we have set out below an overview of the recent and expected trends in the Australian exploration and production oil and gas market.

Australia is one of the major suppliers of energy commodities, both globally and locally stemming from the exploitation of its abundant oil and gas resources. Australia's primary oil and gas products include crude oil (i.e. light crude oils such as condensate), liquefied petroleum gas (LPG) and natural gas. IBISWorld Pty Ltd (IBISWorld) states that since the mid-2000s strong global demand for Liquefied Natural Gas (LNG), particularly from the Asia Pacific region has transformed Australia's key petroleum focus from oil related products to natural gas products such as LNG.

As a result, various LNG export-orientated projects are currently under construction in Australia, which in turn has attracted great interest and investment from large foreign energy players such as Chevron Corporation, ExxonMobil Corporation and Royal Dutch Shell plc. The U.S. Energy Information Administration (US EIA) notes that in 2013 Australia was the world's third largest LNG exporter, sending approximately 70% of its total energy production (excluding energy imports) to overseas markets.

The Australian oil and gas industry is impacted by global trends such as fluctuating oil and gas prices, exchange rate movements and annual production volumes.

Australian oil industry

According to the Bureau of Resources and Energy Economics (BREE), oil remained the primary source of energy for Australia in financial year (FY) 2013, accounting for approximately 38% of total energy sources. However, over the same period, oil production declined by 12%, with the decline attributed to insufficient new capacity unable to offset the continuous decline in ageing oil fields.

The proportion of 'heavy' crude oil in Australia's total oil stream has declined over the past decade and has gradually been replaced by condensates and liquids associated with natural gas production. Consequently, a significant proportion of Australia's oil production is of 'lighter' grade crudes that are suitable for the manufacture of automotive gasoline. According to IBISWorld, Australia exports light grade crude oil that is surplus to requirements and imports heavier grade crudes and other refinery inputs.

Demand drivers

IBISWorld suggests, over the past 5 years, a larger proportion of Australia's oil and condensate output has been destined for overseas markets. Correspondingly, over this time Australian refineries have declined in competitiveness, boosting growth in crude exports and increasing importation of refined fuel products. BREE forecasts crude oil and condensate export volumes will continue to increase in FY2015.

Supply drivers

Australia's consumption of petroleum and other liquids exceeds domestic production. According to the Economist Intelligence Unit Limited (EIU), Australia produces 60% of its total oil consumption with the balance provided by imports. IBISWorld notes that over the five years to FY2015 Australia's crude oil and condensate output has generally trended downwards as a result of ageing fields and that the fall in output has only partially been offset by output from new wells.

According to IBISWorld the decline in oil reserves is likely to continue over the medium to long term. The higher costs associated with extracting oil from deeper and more complex fields will also impact the supply of oil.

Australian gas industry

Natural gas accounts for approximately 21% of Australia's energy demand according to the US EIA. Although there has been a steady rise in the domestic consumption of natural gas over the last decade, the domestic market is still constrained. According to the US EIA, the repeal of the carbon tax and emission trading scheme in July 2014 by the Australian Government could dampen natural gas demand growth, particularly in the power sector, as companies favour lower-cost coal fired power.

Australia has become a leading LNG exporter in the Asia Pacific region over the past decade and is expected to continue to expand as new LNG capacity comes online. At a State level, Western Australia has the largest production basin of natural gas in the country. Additional producing States include Victoria, Queensland, New South Wales and Northern Territory.

Demand drivers

Gas is used to provide energy for electricity generation for industrial, commercial and residential purposes. The US EIA reports that in 2013, approximately 41% of Australia's demand for natural gas was attributed to strong growth from gas-fired electricity generators, with the industrial sector absorbing approximately 30%. BREE suggests the growth in industrial gas use in recent years has been attributed to strong demand from the non-ferrous metals sector.

EIU forecasts growth in domestic demand for gas to average approximately 4.3% per annum between 2014 and 2020. Internationally, demand from Japan, Australia's largest export market (which accounted for approximately 80% of Australian LNG exports in 2013), has strengthened as the country continues to substitute nuclear energy for gas-powered electricity plants. The catalyst for Australia's focus on LNG production can be attributed to a surge in import demand by trading partners Japan, China and South Korea.

Supply drivers

Australia produces natural gas surplus to its domestic consumption requirements with the residual gas output relayed to the export market. According to BREE, LNG export growth was in the order of 13% per annum over the past decade.

IBISWorld notes that a large proportion of Australia's current natural gas production stems from reserves located in Western Australia. Specifically, the North-West Shelf LNG project, operated by Woodside Petroleum Ltd, holds some of Australia's most prolific and mature gas fields. According to the US EIA,

Australia currently has circa \$190.0 billion worth of LNG projects under construction, including Chevron's Gorgon and Wheatstone projects and Shell's Prelude project with each project posed to exploit Western Australia's offshore conventional gas reserves. The coal bed methane gas projects under construction in Queensland include Australia Pacific LNG, Gladstone LNG and Queensland Curtis LNG. Several of the aforementioned projects are expected to start production in FY2015 and FY2016.

Australian oil and gas exploration market

In recent years, strengthening global demand for oil and gas has supported commodity prices at levels sufficient to provide incentives for exploration initiatives. However, over the past 4 months the oil price has declined significantly and is currently trading at its lowest point in the past 3 years. This recent trend may negatively impact investment in oil and gas exploration assets and asset values.

According to IBISWorld, recent key trends and developments in the Australian oil and gas exploration industry include:

- exploration targeting gas rather than oil. This trend has been driven by various demand and supply factors including the mature-to-declining life cycle phase of oil extraction in Australia, growing international demand for natural gas and adoption of new technologies incentivising unconventional gas extraction such as coal seam methane and shale gas
- exploration costs are ultimately increasing as the most accessible oil fields have been developed and exploited, leading to exploration in more remote areas with reduced access to vital infrastructure
- interest in onshore petroleum exploration is growing. In FY2014, offshore exploration expenditure is forecast to account for circa 70% of total expenditure in comparison to 78% in FY2010 driven by onshore exploration activity for reserves previously considered unviable, such as onshore exploration for coal seam gas
- heavy regulation, in the form of royalties and windfall taxes, continues to burden the Australian petroleum exploration industry.

8 Profile of MEO

8.1 Company overview

MEO is an Australian oil and gas exploration and development company listed on the Official List of ASX. MEO's principal assets comprise a portfolio of exploration, appraisal and development stage opportunities on the North West Shelf, the Ashmore Cartier and the Timor Sea regions in Australia and onshore New Zealand.

MEO's oil and gas exploration tenements are summarised in the table below.

Table 2: MEO's Australian and international petroleum interests

Permit	Location	MEO interest %
Australian operations		
WA-360-P	Carnarvon Basin, Western Australia	62.5
WA-361-P	Carnarvon Basin, Western Australia	50.0
WA-454-P	Bonaparte Basin, Northern Territory/Western Australia	50.0
WA-488-P	Bonaparte Basin, Northern Territory/Western Australia	100.0
NT/P-68	Bonaparte Basin, Northern Territory/Western Australia	50.0
AC/P50, AC/P51 and AC/P53	Vulcan Sub-Basin Basin, Northern Territory	100.0
Tassie Shoal Projects	Timor Sea, Northern Territory	100.0
International operations		
PEP 51153	Onshore Taranaki, New Zealand	30.0

Source: MEO ASX Company Announcements

8.2 MEO's petroleum interests

WA-360-P

Exploration permit WA-360-P is located offshore Western Australia in the Carnarvon Basin and is a joint venture between MEO (62.5% - operator) and Cue Energy Resources Ltd (37.5%). In 2012, WA-360-P was renewed and 3D seismic data was acquired. MEO is currently conducting technical reviews.

WA-361-P

Exploration permit WA-361-P is located offshore Western Australia in the Carnarvon Basin and is a joint venture between MEO (50.0% - operator), Mineralogy Pty Ltd (35.0%) and Cue Energy Resources Ltd (15.0%). In 2011, WA-361-P was renewed and 3D seismic data was acquired. MEO is currently conducting technical reviews.



WA-454-P

Exploration permit WA-454-P is located in the Bonaparte Gulf, offshore northern Australia and is a joint venture between MEO (50.0%) and Origin Energy Limited (50.0% - operator). The permit contains the Marina-1 gas discovery and the 3D defined, drill ready Breakwater prospect due to be drilled in FY2016.

WA-488-P

Exploration permit WA-488-P is located in the Petrel Sub-Basin, within the Bonaparte Gulf between the producing Blacktip gas field and the undeveloped Turtle and Barnett oil discoveries. MEO has identified the Beehive prospect within the permit. The permit encompasses 4,074 square kilometres and was granted to MEO in 2013 for an initial six year term.

NT/P-68

Exploration permit NT/P-68 is located approximately 300 kilometres northwest of Darwin in the Timor Sea and contains two gas discoveries, Blackwood and Heron. MEO has a working interest of 50.0% in the Blackwood gas discovery (the other 50.0% is held by Eni Australia Limited) and 100.0% working interest in the Heron gas discovery, both located within NT/P-68.

AC/P50, AC/P51 and AC/P53

Exploration permits AC/P50, AC/P51 and AC/P53 are located in the Vulcan Sub-Basin off the north-west coast of Australia. At present, MEO holds 100.0% equity in each permit and is seeking farm-in partners to assist in funding any future commitments.

PEP 51153

In April 2014, MEO executed a binding farm-in agreement with KEA Petroleum plc to earn a 30.0% interest in the Puka oil discovery onshore New Zealand (PEP 51153). MEO earned its 30.0% interest by funding \$4.0 million New Zealand (NZ) dollars of the NZ\$5.0 million of the Phase 1 work program completed in October 2014. MEO can elect to increase its interest in the license to 50.0% by funding a further NZ\$7.5 million of the Phase 2 work program. Currently, the discovery wells, Puka-1 and Puka-2 are producing approximately 100 barrels of oil per day.

Tassie Shoal Projects

The Tassie Shoal Projects consist of early stage methanol and liquefied natural gas (LNG) projects approximately 275 kilometres northwest of Darwin. MEO has secured environmental approvals however development is dependent upon the development of the surrounding offshore gas fields.

On 7 August 2014, MEO announced an initiative to realise value from its Tassie Shoal Projects and that it had appointed UBS as financial advisor for this initiative.

Further information in relation to each of the above assets is set out in AWT's report attached as Appendix 3 to this report and the Scheme Booklet.

8.3 Historical financial performance

MEO's historical audited consolidated financial performance for the years ended 30 June 2012, 30 June 2013 and 30 June 2014 are summarised below.

Table 3: MEO's historical consolidated financial performance

	Audited 30 Jun 12 \$000	Audited 30 Jun 13 \$000	Audited 30 Jun 14 \$000
Interest income	3,312	1,005	293
Gain on disposal of financial assets	159	-	-
Total revenue	3,471	1,005	293
Net administration costs	(8,873)	(7,698)	(6,499)
Exploration expenditure written-off	(17)	(60,443)	(129,444)
Tassie Shoal Project expenditure	(1,091)	(278)	-
Share of losses of an associate	(315)	-	(29)
Gain on disposal of associate	-	-	216
Impairment on available-for-sale assets	-	-	(216)
Foreign exchange gains/(loss)	1,354	435	(77)
Loss before income tax	(5,471)	(66,979)	(135,755)
Income tax expense	(226)	(231)	(155)
Loss for the year	(5,698)	(67,210)	(135,910)
Exchange differences on translation of foreign operations	351	1,684	255
Net fair value gains on available-for-sale financial assets reclassified at profit and loss	(52)	-	-
Income tax on items of other comprehensive income	16	-	-
Total comprehensive loss for the year	(5,383)	(65,527)	(135,656)
<i>Weighted average ordinary shares on issue – 000</i>	<i>539,913</i>	<i>596,979</i>	<i>643,469</i>
<i>Basic and diluted ordinary loss per share (cents per share)^{1,2}</i>	<i>(1.06)</i>	<i>(11.26)</i>	<i>(21.12)</i>
<i>Notes:</i>			
<i>1 Basic loss per share is calculated by dividing net loss attributable to the members of the parent entity by the weighted average number of ordinary shares outstanding during the year.</i>			
<i>2 Diluted loss per share is calculated by dividing net loss for the year attributable to members of the parent entity by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential options into ordinary share.</i>			
<i>3. Amounts may not add exactly due to rounding.</i>			

Source: MEO 2013 and 2014 Annual Report

MEO's historical financial performance is consistent with an oil and gas exploration and development company not yet in production.

8.4 Historical financial position

MEO's historical audited consolidated financial position as at 30 June 2012, 30 June 2013 and 30 June 2014 are summarised below.

Table 4: MEO's historical consolidated financial position

	Audited 30 Jun 12 \$000	Audited 30 Jun 13 \$000	Audited 30 Jun 14 \$000
Cash and cash equivalents	55,331	16,603	15,990
Other receivables	1,249	303	411
Total current assets	56,580	16,906	16,401
Property, plant and equipment	1,470	1,137	803
Intangible assets	748	508	274
Exploration and evaluation costs	150,329	143,119	11,331
Total non-current assets	152,547	144,764	12,408
Total assets	209,127	161,669	28,808
Trade and other payables	3,128	1,351	1,529
Provisions	177	225	241
Total current liabilities	3,305	1,576	1,770
Provisions	200	283	310
Total non-current liabilities	200	283	310
Total liabilities	3,505	1,859	2,080
Net assets	205,622	159,811	26,728
Shares on issue at 30 June – 000s	539,913	627,265	750,488
Net asset backing per share – cents	0.38	0.25	0.04
Gearing -% ¹	0.00%	0.00%	0.00%
Current ratio – times ²	17.12	10.73	9.27
<i>Notes:</i>			
1. Gearing represents total loans and borrowings divided by net assets.			
2. Current ratio represents current assets divided by current liabilities.			
3. Amounts may not add exactly due to rounding.			

Source: MEO 2013 and 2014 Annual Report, KPMG Corporate Finance Analysis

In relation to MEO's historical consolidated financial positions above we note that:

- the decline in exploration and evaluation costs/assets in FY2014 is primarily due to the write-off of approximately \$113 million relating to the Heron and Blackwood areas of interest in NT/P-68 following unsuccessful drilling results at Blackwood-2 and the write-off of approximately \$3 million attributable to the withdrawal of MEO from the Gulf of Thailand Concession G2/48 in January 2014 and write-off of approximately \$13 million associated with the Seruway PSC in Indonesia
- the decline in exploration and evaluation costs in FY2013 of approximately \$60 million primarily relates to the Gurame dry hole result in the Seruway PSC and the Sainampueng-1 well in the Gulf of Thailand permit G2/48.

8.5 Statement of cash flows

MEO's historical audited consolidated cash flows for the years ended 30 June 2012, 30 June 2013 and 30 June 2014 are summarised below.

Table 5: MEO's historical consolidated cash flow statement

	Audited 30 Jun 12 \$000	Audited 30 Jun 13 \$000	Audited 30 Jun 14 \$000
Payments to suppliers and employees	(8,353)	(7,479)	(5,968)
Cost recovery from joint venture partners	423	168	79
Interest received	4,178	1,271	312
Net cash (used in) operating activities	(3,752)	(6,040)	(5,577)
Expenditure on plant and equipment	(1,309)	(123)	(8)
Expenditure on intangible assets	(680)	(36)	(24)
Investment in associate	(315)	-	(29)
Expenditure on exploration tenements	(30,475)	(51,806)	(2,775)
Purchase of available-for-sale financial assets	(621)	-	-
Proceeds from 50% farm in to WA-454-P	-	-	5,600
Proceeds from sale of financial assets	875	-	-
Net cash (used in) from investing activities	(32,524)	(51,965)	2,764
Proceeds from share issues	-	19,307	2,464
Transaction costs on issue of shares	-	(465)	(187)
Net cash provided by financing activities	-	18,842	2,277
Net increase /(decrease) in cash held	(36,276)	(39,163)	(536)
Cash at beginning of period	90,254	55,331	16,603
Net foreign exchange differences	1,354	435	(77)
Cash at end of the period	55,331	16,603	15,990

Source: MEO 2013 and 2014 Annual Report

Taxation

As at 30 June 2014, MEO had carry forward tax losses of approximately \$152.0 million in unused gross tax losses for which no deferred tax asset has been recognised.

MEO and its 100% owned Australian resident subsidiaries formed a tax consolidation group with effect from 1 July 2004. MEO is the head entity of the tax consolidated group.

Dividends and franking credits

MEO has not historically paid dividends and MEO management have advised that the company does not have any franking credits available to it.

Hedging

MEO management have advised that the company does not currently engage in hedging.

8.6 Share capital and ownership

As at 28 November 2014, MEO had approximately 750.5 million ordinary shares on issue as summarised in the table below.

Table 6: Equity ownership breakdown

Shareholder	Number of shares held 000s	% of issued shares
HSBC Custody Nominees (Australia) Limited-GSCO ECA	35,303	4.70
Select Investments Super Pty Ltd	15,400	2.05
ABN AMRO Clearing Sydney Nominees Pty Ltd	14,198	1.89
Raydale Holdings Pty Ltd	13,083	1.74
Citicorp Nominees Pty Limited	12,731	1.70
Mr Mark Jeffrey Hanrahan	10,325	1.38
HSBC Custody Nominees (Australia) Limited	9,604	1.28
Mrs Cathy Ann Bender	9,000	1.20
JP Morgan Nominees Australia Limited	7,879	1.05
Mr Paul Kenneth Fry	6,745	0.90
Total number of shares held by the top 10 shareholders	134,268	17.89
Other shareholders	616,220	82.11
Total number of shares on issue	750,488	100.00

Source: MEO management

8.7 Options

At the date of this report, there were options over approximately 14.73 million unissued ordinary shares of MEO on issue as summarised in the following table.

Table 7: Options on issue

Grant date	Date of expiry	Exercise Price \$	Number under Option millions
2011	4 Oct 2015	0.50	1.50
2011	27 Oct 2015	0.50	2.70
2011	1 Jul 2016	0.50	3.50
2011	3 Oct 2016	0.50	1.20
2011	1 Dec 2016	0.50	4.33
2012	3 Apr 2017	0.50	1.50
Total			14.73

Source: MEO management

All options expire on the earlier of their expiry date or termination of the employee's employment. The ability to exercise the options is conditional upon meeting relevant time-based vesting conditions.

8.8 Share performance rights

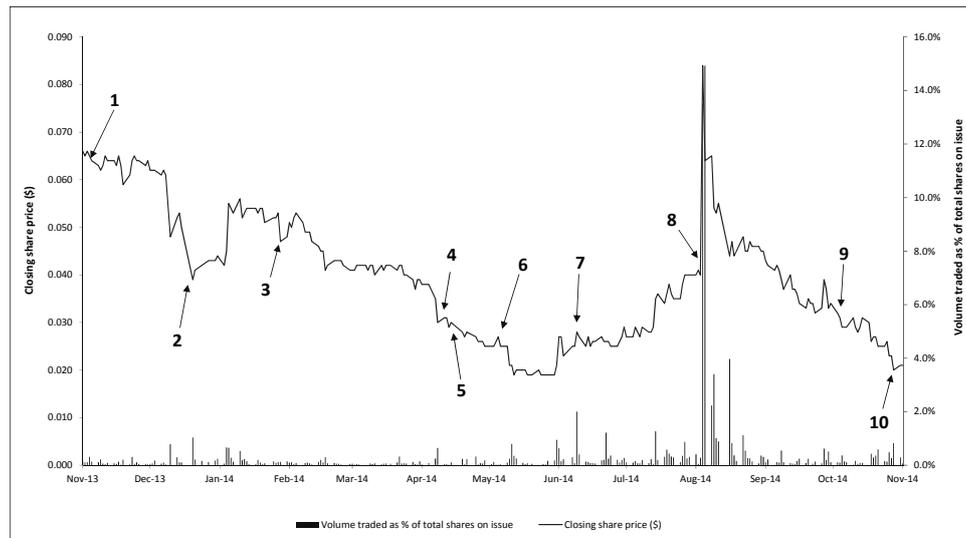
In FY2013, 1.05 million share performance rights were granted to Managing Director and Chief Executive Officer, Mr Jürgen Hendrich. Shares are issued under the performance rights to Mr Jürgen Hendrich in the event that share price conditions are achieved in FY2013, FY2014 and FY2015. In FY2013 and FY2014 the share price conditions were not achieved and therefore 700,000 share performance rights lapsed.

The remaining 350,000 share performance rights on issue will be deemed achieved if the MEO VWAP remains at or above \$1.50 in FY2015 for 30 continuous days.

8.9 Share price and volume trading history

The chart below depicts MEO’s daily closing price on ASX over the 12 month period to 4 November 2014, being the last trade day to MEO shares being placed in a trading halt pending announcement of the Scheme, along with the daily volume of shares traded on ASX as a percentage of total issued share capital over the period.

Figure 2: MEO daily closing price and volume of shares traded on ASX



Source: Capital IQ, KPMG Corporate Finance Analysis and ASX Announcements

As illustrated in the figure above, MEO’s closing share price exhibited considerable volatility over the period. The share price generally trended downward to the end of May 2014, closing in the range of \$0.019 to \$0.066 over this period. On 7 August 2014, MEO’s share price jumped approximately 110.0%, with a turnover of approximately 101.0 million shares, closing at a near 12-month high of \$0.084 following the announcement of an initiative to realise value in the Tassie Shoal Projects. MEO’s share price trended downward over the remainder of the period closing at \$0.021 on 4 November 2014.

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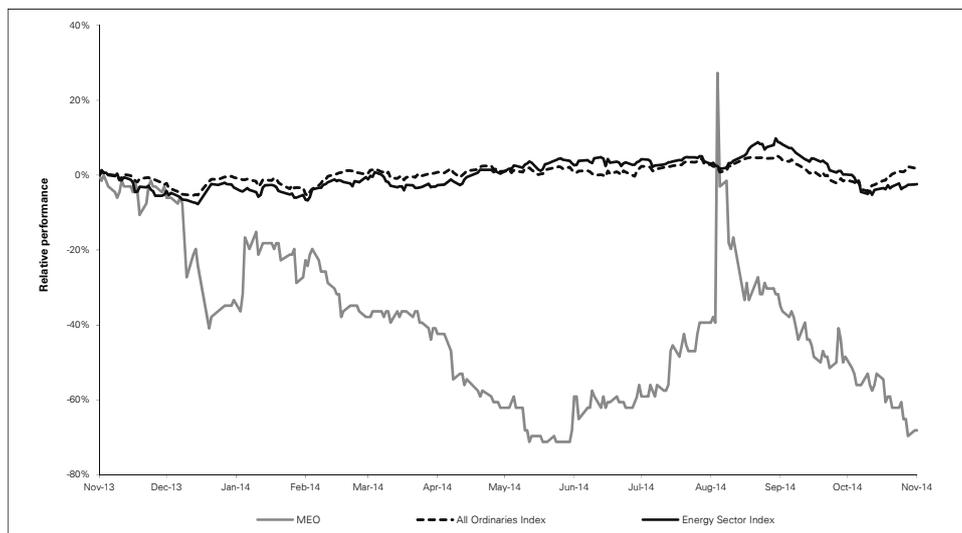
Other than normal half year and full year financial reporting and quarterly activities reporting, significant announcements by MEO in the 12 months to 4 November 2014 that may have had an impact on its share price include:

1. 7 November 2013 – Blackwood-2 progress report update
2. 17 December 2013 – Announcement to extend second Heron well notice deadline to a date five months after the completion of Blackwood-2
3. 21 January 2014 – Approval of work program application for exploration permit WA-361-P in the Carnarvon Basin by the National Offshore Petroleum Titles Administrator
4. 7 April 2014 – Execution of farm-in agreement with Kea Petroleum to onshore New Zealand exploration permit PEP 51153
5. 10 April 2014 – Launch of partially underwritten Share Purchase Plan to existing eligible shareholders
6. 6 May 2014 – Signed Strategic Co-operation Framework Agreement with Shenzhen based Hongfu Equity Investment Fund
7. 25 June 2014 – Option grant to Apache Northwest Pty Ltd to acquire a 70% interest in AC/P50 and AC/P51 exploration permits expiring 30 September 2014
8. 7 August 2014 – Announcement of initiative to realize value in MEO's Tassie Shoal Projects
9. 1 October 2014 – Apache Northwest Pty Ltd elects not to exercise its option to acquire a 70% interest in AC/P50 and AC/P51 exploration permits
10. 3 November 2014 – Announcement of the departure of Managing Director, Mr Jürgen Hendrich, on 31 January 2015

Further details in relation to all announcements made by MEO to ASX can be obtained from either MEO's website or ASX's website at www.asx.com.au.

As illustrated in the figure below, MEO's share price largely underperformed relative to the ASX's All Ordinaries and Energy Sector Indices over the period.

Figure 3: MEO's performance relative to the All Ordinaries and Energy Sector Indices



Source: Capital IQ and KPMG Corporate Finance Analysis

Trading liquidity on ASX

The table below presents analysis in relation to the volume of trade in MEO's shares on ASX over various periods of time in the 12 month period to 4 November 2014, being the last trade day on ASX prior to MEO shares being placed in a trading halt pending announcement of the Scheme.

Table 8: Trading liquidity in MEO shares on ASX pre-trading halt pending the Scheme

Period up to and including 4 November 2014	Share price low \$	Share price high \$	VWAP \$	Cumulative volume million	As a % of total issued shares
1 day	0.021	0.021	0.021	0.5	0.1
1 week	0.019	0.025	0.022	14.5	1.9
1 month	0.019	0.034	0.026	38.8	5.2
3 months	0.019	0.089	0.060	403.6	53.8
6 months	0.019	0.089	0.052	535.9	71.5
12 months	0.019	0.089	0.052	634.2	87.2

Source: Capital IQ and KPMG Corporate Finance Analysis

MEO shares have, prima facie, exhibited limited liquidity over the 12 month period to 4 November 2014, with approximately 87% of total shares on issue traded, at an average daily volume of 2.58 million shares and daily value of approximately \$134,000. We note over this period MEO shares were traded on 246 out of 253 available trade days on ASX. In recent times the liquidity of MEO shares has increased, with

approximately 54% of total shares on issue traded over the three month period to 4 November 2014, representing an average daily trade volume of 6.31 million shares and value of approximately \$379,000. We note between the two day period 7 August to 8 August 2014, MEO experienced significant daily turnover with approximately 28% of total shares on issue being traded over the two days. We note MEO's liquidity over the 12 month period to 4 November 2014 would decrease to 59% if the trading on 7 August 2014 and 8 August 2014 was excluded, at an average daily volume of 1.71 million shares and a daily value of approximately \$68,000.

An analysis of the volume of trading in MEO's shares in the period from 5 November 2014 to 15 December 2014 inclusive is set out below.

Table 9: Trading liquidity in MEO shares on ASX post-announcement of the Scheme

Period from 5 November 2014 to 15 December 2014	Share price low \$	Share price high \$	VWAP \$	Cumulative volume million	As a % of total issued shares
41 days	0.016	0.033	0.021	55.2	7.4

Source: Capital IQ and KPMG Corporate Finance Analysis

9 Profile of Neon

9.1 Company overview

Neon is an Australian oil and gas exploration company which listed its shares on the Official List of ASX in 1990. In 2014, Neon disposed of interest in petroleum assets, including its interest in Californian oil operations for \$26.95 million United States (US) dollars. Separately, Neon was also deemed under the respective contracts, to have withdrawn from certain exploration permits, namely its Block 120 and Block 105 and Indonesian Tanjung Aru PSC working interests after failure to pay cash calls in relation to these permits.

As at the date of this report, other than cash, Neon's principal asset comprises its interest in exploration permit WA-503-P.

9.2 Exploration permit WA-503-P

Neon holds a 100% interest in exploration permit WA-503-P located offshore Western Australia within the Dampier Sub-Basin. Neon was awarded the exploration permit in May 2014 with a six year term and plans to conduct an 80 square kilometre 3D seismic program as well as various geological and geophysical studies in early 2015.

Further information in relation to Neon's interest in WA-503-P is set out in AWT's report attached as Appendix 3 to this report.

9.3 Historical financial performance

Neon's historical audited consolidated financial performance for the six months ended 31 December 2012, 12 months ended 31 December 2013 and its independently reviewed consolidated financial performance for the six months ended 30 June 2014 are summarised below.

Table 10: Neon's historical consolidated financial performance

	Audited 31 Dec 12 6 months \$000	Audited 31 Dec 13 12 months \$000	Reviewed 30 Jun 14 6 months \$000
Total revenue	4,088	9,707	-
Operating expenses	(1,573)	(5,064)	-
Royalty payments	(859)	(2,001)	-
Depreciation and amortisation expense	(752)	(1,586)	-
Cost of sales	(3,185)	(8,651)	-
Gross profit	903	1,056	-
Other income	-	898	37
Impairment of exploration and evaluation assets	(325)	(79,912)	-
Impairment of oil and gas properties	-	(6,738)	-
Net loss on sale of assets	-	(4)	-
Plug and abandon costs	-	(3,117)	-
Corporate and administration expenses	(3,455)	(6,493)	(2,647)
Finance costs	(75)	(59)	(4)
Net loss on foreign exchange	-	-	(498)
Loss before income tax	(2,952)	(94,368)	(3,113)
Income tax benefit	122	4,485	-
Profit after tax for the period from discontinued operations	-	-	15,621
Profit/(loss) for the period	(2,830)	(89,883)	12,509
Foreign currency translation gain/(loss)	(825)	10,766	(3,442)
Total comprehensive profit/(loss) for the year	(3,655)	(79,117)	9,066
<i>Weighted average ordinary shares on issue – 000</i>	<i>489,746</i>	<i>551,339</i>	<i>553,496</i>
<i>Basic and diluted ordinary profit/(loss) per share (cents per share)</i>	<i>(0.58)</i>	<i>(16.30)</i>	<i>2.26</i>
<i>Notes:</i>			
<i>1. Amounts may not add exactly due to rounding.</i>			

Source: Neon 2013 Annual Report and Neon 2014 Half Year Report

9.4 Historical financial position

Neon's historical audited consolidated financial position as at 31 December 2012, 31 December 2013 and independently reviewed consolidated financial position as at 30 June 2014 are summarised below.

Table 11: Neon's historical consolidated financial position

	Audited 31 Dec 12 \$000	Audited 31 Dec 13 \$000	Reviewed 30 Jun 14 \$000
Cash and cash equivalents	20,650	9,700	23,330
Other financial assets	-	1,148	5,393
Trade and other receivables	8,489	1,458	948
Inventories	85	118	-
Total current assets	29,224	12,424	29,671
Property, plant and equipment	181	149	52
Oil and gas properties	29,718	27,358	-
Exploration and evaluation assets	41,735	4,765	100
Total non-current assets	71,634	32,273	152
Total assets	100,859	44,697	29,823
Trade and other payables	2,603	26,937	1,372
Provisions	605	2,590	6,244
Total current liabilities	3,208	29,527	7,616
Deferred tax liability	4,133	-	-
Provisions	3,066	2,529	-
Total liabilities	10,408	32,057	7,616
Net assets	90,451	12,640	22,207
Shares on issue – 000s	549,844	552,944	553,038
Net asset backing per share – cents	0.16	0.02	0.04
Gearing -%	0.00%	0.00%	0.00%
Current ratio – times	9.11	0.42	3.90

Notes:
1. Amounts may not add exactly due to rounding.

Source: Neon 2013 Annual Report and 2014 Half Year Report, KPMG Corporate Finance Analysis

In relation to Neon's consolidated financial position above we note:

- other financial assets as at 30 June 2014 relates to cash of US\$4.04 million held in escrow in relation to the sale of the Californian asset, which is expected to be released in May 2015
- current provisions as at 30 June 2014 principally relate to Neon's liability in relation to its previous interest in Vietnamese exploration permits which was settled in August 2014.



9.5 Statement of cash flows

Neon's historical audited consolidated cash flows for the six months ended 31 December 2012, 12 months ended 31 December 2013 and independently reviewed consolidated cash flows for the six months ended 30 June 2014 are summarised below.

Table 12: Neon's historical consolidated cash flow statement

	Audited 31 Dec 12 6 months \$000	Audited 31 Dec 13 12 months \$000	Reviewed 30 Jun 14 6 months \$000
Receipts from customers	4,133	8,917	3,976
Payments to suppliers and employees	(6,024)	(12,201)	(5,172)
Interest received	147	472	49
Finance costs paid	(0)	(29)	(4)
Net cash (used in) operating activities	(1,744)	(2,842)	(1,151)
Development expenditure	(895)	(2,690)	(76)
Exploration and evaluation expenditure	(20,025)	(12,210)	(7,686)
Proceeds from sale of interest in exploration and evaluation assets	58	6,557	-
Investments in short term deposits	-	(1,148)	-
Proceeds from the sale of property, plant and equipment	80	-	22,677
Purchase of property, plant and equipment	-	(44)	-
Net cash (used in) from investing activities	(20,782)	(9,535)	14,915
Proceeds from share issues	33,222	620	-
Transaction costs on issue of shares	(1,532)	-	-
Net cash provided by financing activities	31,690	620	-
Net increase /(decrease) in cash held	9,164	(11,756)	13,764
Cash at beginning of period	11,539	20,650	9,700
Net foreign exchange differences	(53)	807	(134)
Cash at end of the period	20,650	9,700	23,330

Source: Neon 2013 Annual Report and 2014 Half Year Report, KPMG Corporate Finance Analysis

Taxation

As at 30 September 2014 Neon had carry forward tax losses of approximately \$55.0 million in unused gross tax losses for which no deferred tax asset has been recognised. Neon and its 100% owned Australian resident subsidiaries formed a tax consolidated group with effect from 28 October 2009.

Dividends and franking credits

Neon has not historically paid dividends and Neon management have advised that the company does not have any franking credits available to it.

Hedging

Neon management have advised that the company does not currently engage in hedging.

9.6 Share capital and ownership

As at 14 November 2014, Neon had approximately 553.0 million ordinary shares on issue as summarised in the table below.

Table 13: Equity ownership breakdown

Shareholder	Number of shares held 000s	% of issued shares
Evoworld Corporation Pty Ltd	110,552	19.99
HSBC Custody Nominees (Australia) Limited	14,266	2.58
JP Morgan Nominees Australia Limited	10,571	1.91
Arredo Pty Ltd	9,000	1.63
Citicorp Nominees Pty Ltd	8,620	1.56
Haroma Pty Ltd	7,541	1.36
Fil Resources Ltd	4,949	0.89
Hawkes Bay Nominees Ltd & Mr Terry Coffey	4,900	0.89
Athol Steele Pty Ltd	4,746	0.86
Font SF Pty Ltd	4,400	0.80
Total number of shares held by the top 10 shareholders	179,544	32.47
Other shareholders	373,493	67.53
Total number of shares on issue	553,038	100.00

Source: Neon's management

On 5 September 2014, Neon received a Substantial Shareholder notice setting out that Evoworld and associated parties held approximately 10.01% of Neon's issued share capital. Neon has subsequently received several Change in Substantial Shareholder notices as a result of additional purchases of Neon shares by Evoworld, with a final notice setting out Evoworld held 19.99% of issued share capital as at 25 September 2014.

9.7 Options

At the date of this report, there were unlisted options over approximately 2.0 million unissued ordinary shares of Neon on issue as summarised in the following table.

Table 14: Options on issue

Grant date	Date of expiry	Exercise Price \$	Number under Option 000s
4 Sep 2013	4 Sep 2016	0.60	1,000
4 Sep 2013	4 Sep 2016	1.00	1,000

Source: Neon's management

9.8 Share performance rights

As at the date of this report, there were approximately 36.8 million share performance rights on issue as summarised in the table below.

Table 15: Share performance rights on issue

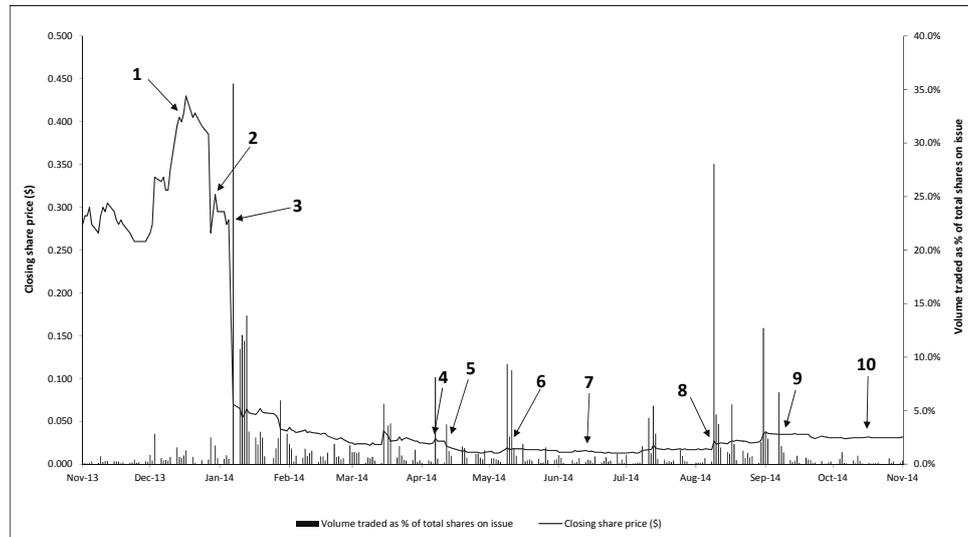
Class	Vesting Dates	Number under Option 000s
Long-term incentive plan	30 Jun 2015	2,695
Medium-term incentive plan	1 Mar 2015 / 1 Dec 2015	34,079
Total		36,774

Source: Neon's management

9.9 Share price and volume trading history

The chart below depicts Neon's daily closing price on ASX over the 12 month period to 4 November 2014, being the last trade day prior to Neon shares being placed in a trading halt pending announcement of the Scheme, along with the daily volume of shares traded on ASX as a percentage of total issued share capital over the period.

Figure 4: Neon daily closing price and volume of shares traded on ASX



Source: Capital IQ, KPMG Corporate Finance Analysis and ASX Announcements

As illustrated in the figure above, Neon's closing share price displayed considerable volatility over the period ending December 2013. The share price closed in the range of \$0.260 to \$0.430 over this period. On 10 January 2014, Neon's share price fell significantly with the announcement of test results at Cua



Lo-1, closing at \$0.070, approximately 75% lower than the previous day's close. Over the remainder of the period, Neon's share price traded between \$0.013 and \$0.070.

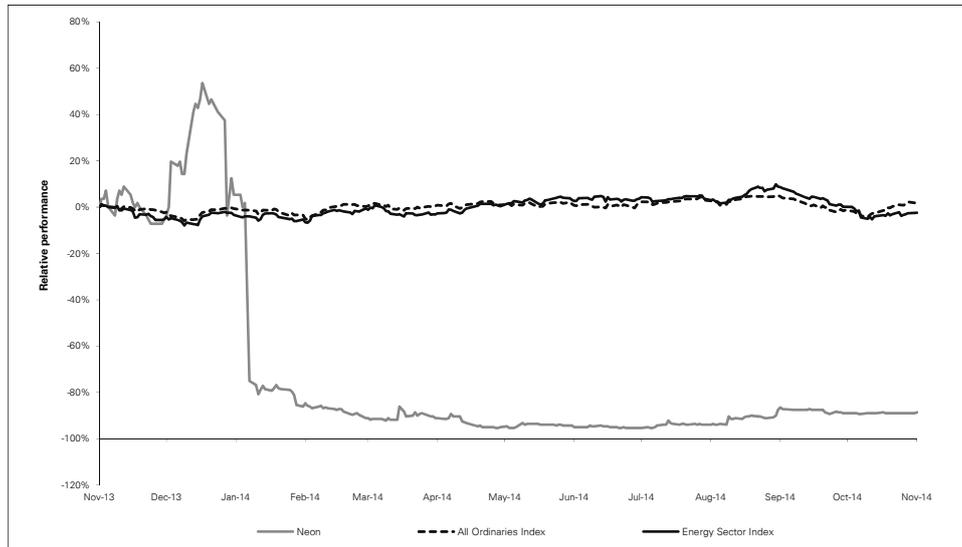
Other than normal half year and full year financial reporting and quarterly activities reporting, significant announcements by Neon in the 12 months to 4 November 2014 that may have had an impact on its share price include:

1. 6 December 2013 – Announcement of a potential significant gas discovery from the offshore Vietnamese Cua Lo-1 exploration well
2. 31 December 2013 – Drilling and evaluation update of the offshore Vietnamese Ca Ngu-1 exploration well
3. 10 January 2014 – Cua Lo-1 exploration well production testing results announced outlining development of a reservoir to be unlikely
4. 10 April 2014 – Neon completes sale of Californian assets for US\$26.95 million
5. 15 April 2014 – Notices of Withdrawal issued to Neon in relation to its Vietnamese interests by operator Eni Vietnam B.V
6. 14 May 2014 – Award of Block WA-503-P offshore petroleum exploration permit
7. 19 June 2014 – Deed of Assignment executed to effect a transfer of Neon's 42% working interest in the Tanjung Aru PSC located in Indonesia
8. 12 August 2014 – Settlement reached between Neon and joint venture partners regarding a dispute in respect of its previous Vietnamese interests
9. 10 September 2014 – Announcement of unsolicited proportional takeover bid from Evoworld
10. 16 October 2014 – Announcement of receipt of Evoworld's Bidder's Statement and Neon's Board of Director's unanimous recommendation to reject Evoworld's proportional takeover bid

Further details in relation to all announcements made by Neon to ASX can be obtained from either Neon's website or ASX's website at www.asx.com.au.

As illustrated in the figure below, Neon's share price has underperformed relative to the ASX's All Ordinaries and Energy Sector Indices for the 12 months to 4 November 2014.

Figure 5: Neon’s performance relative to the All Ordinaries and Energy Sector Indices



Source: Capital IQ and KPMG Corporate Finance Analysis

Trading liquidity on ASX

The table below presents analysis in relation to the volume of trade in Neon’s shares on ASX over various periods of time in the 12 month period to 4 November 2014, being the last trade day on ASX prior to Neon shares being placed in a trading halt pending announcement of the Scheme.

Table 16: Trading liquidity in Neon shares on ASX pre-trading halt pending the Scheme

Period up to and including 4 November 2014	Share price low \$	Share price high \$	VWAP \$	Cumulative volume million	As a % of total issued shares
1 day	0.032	0.033	0.032	1.9	0.3
1 week	0.030	0.033	0.031	7.7	1.4
1 month	0.030	0.033	0.031	30.2	5.5
3 months	0.017	0.042	0.031	515.8	93.3
6 months	0.013	0.042	0.026	857.7	155.1
12 months	0.013	0.430	0.059	1,985.7	359.1

Source: Capital IQ and KPMG Corporate Finance Analysis

Neon shares have, prima facie, exhibited reasonable liquidity over the 12 month period to 4 November 2014, with approximately 359% of total shares on issue traded, at an average daily volume of 7.97 million shares and average daily value of approximately \$470,000. We note over this period Neon shares were traded on 249 out of 253 available trade days on ASX. In recent times, Neon has exhibited

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limited liquidity, with only approximately 5% of total shares on issue traded over the one month period to 4 November 2014, representing an average daily trade volume of 1.37 million shares and average daily value of approximately \$42,000.

An analysis of the volume of trading in Neon's shares in the period from 5 November 2014 to 15 December 2014 inclusive is set out below.

Table 17: Trading liquidity in Neon shares on ASX post-announcement of the Scheme

Period from 5 November 2014 to 15 December 2014	Share price low \$	Share price high \$	VWAP \$	Cumulative volume million	As a % of total issued shares
41 days	0.030	0.037	0.034	59.2	10.7

Source: Capital IQ and KPMG Corporate Finance Analysis

10 Profile of the Merged Group

10.1 MEO and Neon shareholders' interest

As at the Announcement Date, MEO and Neon had approximately 750.5 million and 553.0 million shares on issue respectively. Following the completion of the Scheme, MEO and Neon shareholders will hold an equivalent number of shares in the Merged Group, based on the Merger Ratio defined in the MIA. The table below summarises the ownership structure should the Scheme be completed.

Table 18: Shareholder ownership pre and post the Scheme

Shareholder	Pre-Merger issued shares		Post-Merger issued shares	
	MEO million	Neon million	Merged Group million	%
Existing MEO shareholders	750.5		553.0	50%
Existing Neon shareholders		553.0	553.0	50%
Total	750.5	553.0	1,106.0	100%

Source: Capital IQ, ASX Company Announcements and KPMG Corporate Finance Analysis

10.2 Petroleum interests of the Merged Group

Completion of the Scheme will provide the Merged Group with a portfolio of exploration petroleum assets.

A summary of the notional Merged Group’s asset portfolio is illustrated below.

Figure 6: Summary of petroleum interests of the Merged Group



Source: ASX Company Announcements

Further information on each petroleum asset is detailed in Section 8 and 9 of this report, in AWT’s report attached as Appendix 3 and in the Scheme Booklet.

10.3 Board of Directors and management

The proposed composition of the Merged Group’s Board of Directors is set out below.

Table 19: Board of directors

Mr Alan Stein – Chairman Mr Ken Charsinsky – Non-Executive Director Mr Stephen Hopley – Non-Executive Director Mr Michael Sweeney – Non-Executive Director

Source: ASX Company Announcements

If the Scheme is implemented, the Board of Directors of the Merged Group will comprise four directors, of whom:

- two are currently directors of Neon:
 - Mr Alan Stein – current Chairman of Neon
 - Mr Ken Charsinsky – current Managing Director of Neon
- two are currently directors of MEO:
 - Mr Stephen Hopley – current Non-Executive Director of MEO

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- Mr Michael Sweeney – current Non-Executive Director of MEO

Further, Peter Stickland, the Chief Executive Officer of MEO will be appointed Chief Executive Officer of the Merged Group.

10.4 Proforma financial position

The proforma balance sheet for the Merged Group is set out in Section 6 of the Scheme Booklet.

10.5 Transaction costs

MEO management has estimated total transaction and implementation costs incurred by MEO and Neon in relation to the Scheme will be approximately \$3.4 million, including GST, of which approximately \$0.8 million, including GST, will have been paid, or committed, by MEO prior to the date the MEO shareholders meet to vote on the Scheme.

Transaction and implementation costs associated with the Scheme incurred by MEO and Neon primarily relate to financial advisory, legal, accounting, independent expert, tax and administrative fees, Scheme Booklet design and printing, share registry and other expenses.

10.6 Potential cost savings and synergies available to the Merged Group

MEO has announced a target reduction in the combined annual corporate overheads of MEO and Neon following implementation of the Scheme through rationalisation of the combined corporate structure of the Merged Group, including reductions in staff numbers and consolidating to a single office.

11 Valuation of MEO

11.1 Valuation methodology

Given the assessment of the Scheme as a merger of equals and in accordance with RG 111.28, KPMG Corporate Finance has used an equivalent and consistent approach in valuing each of MEO and Neon.

The principal assets of MEO, other than cash, comprise its interests in early stage exploration petroleum assets as set out in Section 8 of this report. The values of such assets depend upon, amongst other factors, the outcome of exploration programmes that are inherently unpredictable.

In determining the value of MEO, KPMG Corporate Finance has applied a market value approach whereby each of MEO's assets and liabilities are individually valued at their respective market value.

ASIC Regulatory Guides envisage the use by an independent expert of specialists when valuing specific assets. To assist KPMG Corporate Finance in the valuation of MEO's interests in the petroleum assets, AWT was engaged by MEO, and instructed by us, to prepare an independent technical expert report. Due to the various uncertainties in the valuation process and the early stage nature of the assets, AWT has determined a range of values within which it considers the value of each relevant oil and gas asset to lie. The values ascribed by AWT to the exploration assets have been adopted in our report. A copy of AWT's report is attached to this report as Appendix 3.

11.2 Valuation summary

We have assessed the market value of MEO as a whole, to lie in the range of approximately \$21.3 million to \$28.0 million.

The market value of MEO was determined by aggregating the estimated market value of MEO's interests in petroleum assets, ascribed by AWT, and the estimated market values of other assets and liabilities. The value of MEO's assets and liabilities have been assessed on the basis of market value, that is, the value that should be agreed in a hypothetical transaction between a knowledgeable, willing, but not anxious buyer and a knowledgeable, willing, but not anxious seller, acting at arm's length.

Our range of market values does not include any potential strategic or operational synergies that may be unique to individual investors. Accordingly, our range of values has been prepared independent of the specific circumstances of any potential bidder.

Set out below is a summary of the range of market values at which MEO's shares have been assessed.

Table 20: Summary of assessed market value of MEO

	Assessed values	
	Low \$m	High \$m
Petroleum assets	10.7	17.4
Add: Cash and cash equivalents	10.7	10.7
Less: Other net liabilities	(0.1)	(0.1)
Total equity value	21.3	28.0
Number of ordinary shares (millions)	750.5	750.5
Value per share (\$)	0.028	0.037

Note: Amounts may not add exactly due to rounding.

Source: AWT's Report, MEO 2014 Annual Report, KPMG Corporate Finance Analysis

We have assessed the market value of MEO as a whole, to lie in the range of approximately \$21.3 million to \$28.0 million. This equates to a range of between \$0.028 and \$0.037 per MEO share.

Our range of assessed fair values for a MEO share of between \$0.028 and \$0.037 compares to a closing price for a MEO share on the last trading day prior to the announcement of the Scheme of \$0.021, and the closing price for a MEO share on the last trading day prior to the date of this report of \$0.020.

The difference between the traded price for a MEO share and our range of assessed values may reflect amongst other factors:

- the traded share price reflects a minority interest in MEO whilst the values above reflect a 100% control value
- the market's assessment may differ to AWT's in relation to assumptions regarding the current market value of exploration projects
- KPMG Corporate Finance's and AWT's access to additional detailed information not normally available to the market in relation to MEO.

In forming our view as to value, we have relied upon the technical valuation of MEO's petroleum asset portfolio prepared by AWT.

Valuation of MEO's interests in the petroleum assets

AWT has valued MEO's interests in the petroleum assets to be in the range of \$10.7 million to \$17.4 million, as summarised in the table below.

Table 21: Summary of AWT's assessed values of MEO's interests in the petroleum assets

Assessed values	Low \$m	High \$m
WA-360-P	0.7	1.7
WA-361-P	0.1	0.3
WA-454-P	9.2	13.8
WA-488-P	0.1	0.3
NT/P-68	0.1	0.3
AC/P50	0.1	0.3
AC/P51	0.1	0.3
AC/P53	0.1	0.3
PEP 51153	0.2	0.3
Total	10.7	17.4

Source: AWT's report

In assessing these values, AWT considered methods for valuing oil and gas exploration assets such as farm in promotes and work programs as appropriate.

Further details in relation to each of these assets and the valuation methodology adopted are set out in AWT's report which is included at Appendix 3.

We also note that MEO has advised that it has no material contracts which contain a change in control provision which would be triggered by the implementation of the Scheme and have a material adverse effect on its operations.

Other assets

Net assets not valued as part of MEO's petroleum assets comprise cash and sundry other assets and liabilities. Except as specifically noted below, having regard to their nature and quantum, these assets and liabilities have been incorporated in our valuation at net book value as at 30 June 2014.

Cash

We have adjusted MEO's cash holding as at 30 June 2014 to reflect MEO's estimated cash used in operations of the business, adjusted for movements in working capital balances, for the 4 months ended 31 October 2014. Accordingly, we have adopted an estimated cash balance for MEO as at 31 October 2014 of \$10.7 million for the purpose of this report.



Tax losses

At 30 June 2014, MEO had estimated unused gross tax losses of \$152.0 million. Given the early nature of its petroleum assets at this point in time MEO expects no foreseeable Australian taxable profits or capital gains against which MEO's current accumulated Australian tax losses could be absorbed. As such, we have not ascribed a value to MEO's Australian tax losses for the purposes of our valuation.

Tassie Shoal Projects

AWT has valued MEO's interest in the Tassie Shoal Projects at nil. We have adopted AWT's values for the Tassie Shoal Projects for the purpose of our report. Further details are set out in AWT's report which is attached at Appendix 3.

MEO options and performance rights

We understand option cancellation deeds and performance right cancellation deeds have been entered into with the holders of MEO's options and performance rights. Under these deeds, the instruments will be cancelled in the event the Scheme is implemented in exchange for a nominal amount as set out in Section 10 of the Scheme Booklet. Accordingly, we have not adjusted our values for MEO to reflect the MEO options and performance rights on issue.

Other liabilities/assets

Other liabilities include trade receivables, trade payables, provisions, intangible assets and property, plant and equipment assets. We have adjusted MEO's 30 June 2014 net book value for these assets to reflect estimated movements for the 4 months to 31 October 2014. Accordingly, we have adopted a net book value of MEO's other net assets and liabilities as at 31 October 2014 of \$0.1 million net liability for the purpose of this report.

12 Valuation of Neon

12.1 Valuation methodology

In determining the value of Neon, KPMG Corporate Finance has applied a market value approach whereby each of Neon's assets are individually valued at their respective market value.

In addition to significant cash assets, Neon's principal asset to be valued comprises its interest in petroleum permit WA-503-P.

To assist KPMG Corporate Finance in the valuation of Neon's interest in petroleum permit WA-503-P, AWT was engaged by MEO, and instructed by us, to determine a range of values within which it considers the value of this oil and gas exploration asset to lie. The values ascribed by AWT to the exploration asset have been adopted in our report. A copy of AWT's report is attached to this report as Appendix 3.

12.2 Valuation summary

We have assessed the market value of Neon as a whole, to lie in the range of approximately \$22.8 million to \$23.9 million.

The market value of Neon was determined by aggregating the estimated market value of Neon's petroleum interest, ascribed by AWT, and the estimate market values of other assets and liabilities. The value of Neon's assets and liabilities have been assessed on the basis of market value.

Our range of market values does not include any potential strategic or operational synergies that may be unique to individual investors. Accordingly, our range of values has been prepared independent of the specific circumstances of any potential bidder.

Valuation of Neon's market value

Set out below is a summary of the range of market values at which Neon's shares have been assessed.

Table 22: Summary of assessed market value of Neon

	Assessed values	
	Low \$m	High \$m
Petroleum asset	0.7	1.8
Add: Cash and cash equivalents	19.0	19.0
Other financial assets	5.7	5.7
Less: Other net liabilities	(2.7)	(2.7)
Total equity value	22.8	23.9
Number of ordinary shares (millions)	553.0	553.0
Value per share (\$)	0.041	0.043

Note: Amounts may not add exactly due to rounding.

Source: AWT's Report, Neon's management, KPMG Corporate Finance Analysis

We have assessed the market value of Neon as a whole, to lie in the range of approximately \$22.8 million to \$23.9 million. This equates to between \$0.041 and \$0.043 per Neon share.

Our range of assessed fair values for a Neon share of between \$0.041 and \$0.043 compares to a closing price for a Neon share on the last trading day prior to the announcement of the Scheme of \$0.032, and the closing price for a Neon share on the last trading day prior to the date of this report of \$0.036.

The difference between the traded price for a Neon share and our range of assessed values may reflect amongst other factors:

- the traded share price reflects a minority interest in Neon whilst the values above reflect a 100% control value
- the market's assessed may differ to AWT's in relation to assumptions regarding the current market value of exploration projects

- KPMG Corporate Finance’s and AWT’s access to additional detailed information not normally available to the market in relation to Neon.

Valuation of Neon’s petroleum interest

AWT has valued Neon’s petroleum interest to be in the range of \$0.7 million to \$1.8 million, as summarised in the table below.

Table 23: Summary of AWT’s assessed values of Neon’s petroleum interest

Assessed values	Low \$m	High \$m
WA-503-P	0.7	1.8

Source: AWT’s report

In assessing these values, AWT has adopted the work program method. Further details in relation to each of these assets and the valuation methodology adopted are set out in AWT’s report which is included at Appendix 3.

Other assets

Net assets not valued as part of Neon’s petroleum assets comprise cash and sundry other assets and liabilities. Except as specifically noted below, having regard to their nature and quantum, these assets and liabilities have been incorporated in our valuation at net book value as at 30 June 2014.

Cash

We have adjusted Neon cash holdings as at 30 June 2014 to reflect:

- an decrease in cash in respect of Neon’s estimated cash consumed, adjusted for movements in working capital balances, during the 4 months ended 31 October 2014
- a reduction in cash in respect of the settlement in relation to the Vietnamese permits announced by Neon on 12 August 2014.

Accordingly, we have adopted an estimated cash balance for Neon as at 31 October 2014 of \$19.0 million for the purpose of this report.

Financial assets

Neon’s financial assets comprise cash of USD4.0 million held in escrow in relation to the sale of the Californian asset, which Neon expects will be released in full in May 2015 and an additional \$1.0 million of short term deposits. We have adopted the current spot AUD:USD exchange rate, where applicable, in assessing Australian dollar equivalent values for these amounts and, accordingly, have adopted a total value of approximately \$5.7 million for financial assets for the purpose of this report.

Provisions

Provisions as at 30 June 2014 principally relate to Neon’s liability in relation to its previous interest in Vietnamese exploration permits. We note the liability was settled by Neon during August 2014 and is adjusted for in the cash balance above.

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Neon performance rights

Under the terms of the Scheme, Neon's performance rights on issue will be cancelled prior to the implementation of the Scheme. We have not adjusted our assessed values for Neon in relation to Neon's performance rights on issue for the purpose of this report.

Neon options

Neon has approximately 2.0 million options on issue as set out in Section 9 of this report. These options were significantly 'out of the money' at the date of this report. We have considered a wide range of valuation scenarios and assumptions for the Neon options on issue using the Black Scholes option pricing methodology and consider it very unlikely for these options, in aggregate, to have material value. Accordingly, we have not adjusted our assessed values for Neon in relation to the Neon options on issue for the purpose of this report.

Other liabilities/assets

Other liabilities include trade receivables, trade payables, provisions and property, plant and equipment assets. We have adjusted Neon's 30 June 2014 net book value for these assets to reflect estimated movements for the 4 months to 31 October 2014. Accordingly, we have adopted a net book value of Neon's other net assets and liabilities as at 31 October 2014 of \$2.7 million net liability for the purpose of this report.



Appendix 1 – KPMG Corporate Finance disclosures

Qualifications

The individuals responsible for preparing this report on behalf of KPMG Corporate Finance are Danie van Aswegen, Jason Hughes and Ben Della-Bosca. Each has a significant number of years of experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as preparation of expert reports.

Danie van Aswegen is an Authorised Representative of KPMG Corporate Finance and a Partner in the KPMG Partnership. Danie is a Member of the Institute of Chartered Accountants in Australia and a member of the CFA Institute and holds an Honours degree in Commerce. Danie has significant experience in the provision of corporate financial advice, including specific advice on valuations and the preparation of expert reports.

Jason Hughes is an Authorised Representative of KPMG Corporate Finance and a Partner in the KPMG Partnership. Jason is a Fellow of the Institute of Chartered Accountants in Australia, a Senior Fellow of the Financial Services Institute of Australasia, a member of the Australasian Institute of Company Directors and holds a Bachelor of Commerce and a Graduate Diploma in Applied Finance. Jason has extensive experience in the preparation of independent expert reports and corporate valuations.

Ben Della-Bosca is an Authorised Representative of KPMG Corporate Finance. Ben is an Associate of the Institute of Chartered Accountants in Australia, a Fellow of the Financial Services Institute of Australasia and holds a Masters of Applied Finance, a Bachelor of Commerce and a Graduate Diploma in Applied Finance. Ben has significant experience in the provision of corporate financial advice, including specific advice on valuations and the preparation of expert reports.

Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than KPMG Corporate Finance's opinion as to whether the Scheme is in the best interests of the non-associated shareholders. KPMG Corporate Finance expressly disclaims any liability to any MEO shareholder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

Other than this report, neither KPMG Corporate Finance nor the KPMG Partnership has been involved in the preparation of the Scheme Booklet or any other document prepared in respect of the Scheme. Accordingly, we take no responsibility for the content of the Scheme Booklet as a whole or other documents prepared in respect of the Scheme.

We note that the forward-looking financial information prepared by MEO does not include estimates as to the potential impact of any future changes in taxation legislation in Australia or any other jurisdiction. Future taxation changes are unable to be reliably determined at this time.

Our report makes reference to "KPMG Corporate Finance Analysis". This indicates only that we have (where specified) undertaken certain analytical activities on the underlying data to arrive at the information presented.



Independence

In addition to the disclosures in our Financial Services Guide, it is relevant to a consideration of our independence that, during the course of this engagement, KPMG Corporate Finance provided draft copies of this report to management of MEO for comment as to factual accuracy, as opposed to opinions which are the responsibility of KPMG Corporate Finance alone. Changes made to this report as a result of those reviews have not altered the opinions of KPMG Corporate Finance as stated in this report.

Consent

KPMG Corporate Finance consents to the inclusion of this report in the form and context in which it is included with the Scheme Booklet to be issued to the shareholders of MEO. Neither the whole nor the any part of this report nor any reference thereto may be included in any other document without the prior written consent of KPMG Corporate Finance as to the form and context in which it appears.

Professional standards

Our report has been prepared in accordance with professional standard APES 225 "Valuation Services" issued by the Accounting Professional & Ethical Standards Board. KPMG Corporate Finance and the individuals responsible for preparing this report have acted independently.



Appendix 2 – Sources of information

In preparing this report we have been provided with and considered the following sources of information:

Publicly available information:

- various ASX company announcements including inter alia, annual and half year financial statements and quarterly and monthly activity reports
- various press and media articles
- various reports published by IBISWorld, BREE, the EIU, Oxford Economics, US EIA
- financial information from S&P Capital IQ, Bloomberg and Thomson Reuters (Professional) Australia Limited
- various company websites and investor presentations
- MEO Annual Report 2013 and 2014
- Neon Annual Report 2013 and Half-Year Report 2014
- MIA dated 5 November 2014

Non-public information:

- MEO management accounts for the period ended October 2014
- Neon management accounts for the period ended October 2014
- the Scheme Booklet
- AWT's independent technical specialist report
- MEO top 20 shareholders at 28 November 2014
- Neon top 20 shareholders at 14 November 2014
- Neon option holders and share performance rights information

In addition, we have had discussions with senior management of MEO and Neon.



*MEO Australia Limited
Independent Expert Report
16 December 2014*

Appendix 3 – AWT International Pty Ltd – Independent Technical Specialist Report

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PART TWO – FINANCIAL SERVICES GUIDE

Dated 16 December 2014

What is a Financial Services Guide (FSG)?

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by KPMG Financial Advisory Services (Australia) Pty Ltd ABN 43 007 363 215, Australian Financial Services Licence Number 246901 (of which KPMG Corporate Finance is a division) (**KPMG Corporate Finance**) and Danie van Aswegen and Jason Hughes as authorised representatives of KPMG Corporate Finance (**Authorised Representatives**), Authorised Representative numbers 405337 and 404183 respectively.

This FSG includes information about:

- KPMG Corporate Finance and its Authorised Representatives and how they can be contacted
- the services KPMG Corporate Finance and its Authorised Representatives are authorised to provide
- how KPMG Corporate Finance and its Authorised Representatives are paid
- any relevant associations or relationships of KPMG Corporate Finance and its Authorised Representatives
- how complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and the compensation arrangements that KPMG Corporate Finance has in place.

The distribution of this FSG by the Authorised Representatives has been authorised by KPMG Corporate Finance. This FSG forms part of an Independent Expert's Report (Report) which has been prepared for inclusion in a disclosure document or, if you are offered a financial product for issue or sale, a Product Disclosure Statement (PDS). The purpose of the disclosure document or PDS is to help you make an informed decision in relation to a financial product. The contents of the disclosure document or PDS, as relevant, will include details such as the risks, benefits and costs of acquiring the particular financial product.

Financial services that KPMG Corporate Finance and the Authorised Representative are authorised to provide

KPMG Corporate Finance holds an Australian Financial Services Licence, which authorises it to provide, amongst other services, financial product advice for the following classes of financial products:

- deposit and non-cash payment products;
- derivatives;
- foreign exchange contracts;
- government debentures, stocks or bonds;
- interests in managed investment schemes including investor directed portfolio services;
- securities;
- superannuation;
- carbon units;
- Australian carbon credit units; and
- eligible international emissions units,

to retail and wholesale clients. We provide financial product advice when engaged to prepare a report in relation to a transaction relating to one of these types of financial products. The Authorised Representative is authorised by KPMG Corporate Finance to provide financial product advice on KPMG Corporate Finance's behalf.

KPMG Corporate Finance and the Authorised Representative's responsibility to you

KPMG Corporate Finance has been engaged by MEO Australia Limited (the Client) to provide general financial product advice in the form of a Report to be included in the Scheme Booklet (Document) prepared by the Client in relation to proposed

merger with Neon Energy Limited (Counterparty) (the Transaction).

You have not engaged KPMG Corporate Finance or the Authorised Representative directly but have received a copy of the Report because you have been provided with a copy of the Document. Neither KPMG Corporate Finance nor the Authorised Representative are acting for any person other than the Client.

KPMG Corporate Finance and the Authorised Representative are responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

General Advice

As KPMG Corporate Finance has been engaged by the Client, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.

You should also consider the other parts of the Document before making any decision in relation to the Transaction.

Fees KPMG Corporate Finance may receive and remuneration or other benefits received by our representatives

KPMG Corporate Finance charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay KPMG Corporate Finance \$75,000 for preparing the Report. KPMG Corporate



Finance and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of the Report. KPMG Corporate Finance officers and representatives (including the Authorised Representative) receive a salary or a partnership distribution from KPMG's Australian professional advisory and accounting practice (the KPMG Partnership). KPMG Corporate Finance's representatives (including the Authorised Representative) are eligible for bonuses based on overall productivity. Bonuses and other remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the Report. Further details may be provided on request.

Referrals

Neither KPMG Corporate Finance nor the Authorised Representative pay commissions or provide any other benefits to any person for referring customers to them in connection with a Report.

Associations and relationships

Through a variety of corporate and trust structures KPMG Corporate Finance is controlled by and operates as part of the KPMG Partnership. KPMG Corporate Finance's directors and Authorised Representatives may be partners in the KPMG Partnership. The Authorised Representatives are partners in the KPMG Partnership. The financial product advice in the Report is provided by KPMG Corporate Finance and the Authorised Representatives and not by the KPMG Partnership. From time to time KPMG Corporate Finance, the KPMG Partnership and related entities (KPMG entities) may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses. KPMG entities provided, and continue to provide, a range of tax services to the Client for which professional fees received. Over the past two years professional fees of approximately \$300,000 have been received from the Client. None of those services have related to the transaction or alternatives to the transaction. KPMG entities have not provided any services to the Counterparty over the past 2 years. No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, the Client or has other material financial interests in the Transaction.

Complaints resolution

Internal complaints resolution process

If you have a complaint, please let either KPMG Corporate Finance or the Authorised Representatives know. Formal complaints should be sent in writing to The Complaints Officer, KPMG, PO Box H67, Australia Square, Sydney NSW 1213. If

you have difficulty in putting your complaint in writing, please telephone the Complaints Officer on 02 9335 7000 and they will assist you in documenting your complaint.

Written complaints are recorded, acknowledged within 5 days and investigated. As soon as practical, and not more than 45 days after receiving the written complaint, the response to your complaint will be advised in writing.

External complaints resolution process

If KPMG Corporate Finance or the Authorised Representatives cannot resolve your complaint to your satisfaction within 45 days, you can refer the matter to the Financial Ombudsman Service (FOS). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website

www.fos.org.au or by contacting them directly at:

Address: Financial Ombudsman Service Limited, GPO
Box 3, Melbourne Victoria 3001

Telephone: 1300 78 08 08

Facsimile: (03) 9613 6399 Email: info@fos.org.au

The Australian Securities and Investments Commission also has a freecall infoline on 1300 300 630 which you may use to obtain information about your rights.

Compensation arrangements

KPMG Corporate Finance has professional indemnity insurance cover as required by the Corporations Act 2001(Cth).

Contact Details

You may contact KPMG Corporate Finance or the Authorised Representative using the contact details:

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16 December 2014

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Dear Mr Zammit and Mr van Aswegen,

Valuation of the Oil and Gas Assets of MEO Australia Ltd and Neon Energy Ltd

1.0 INTRODUCTION

In correspondence dated 8 November 2014, and after further discussions, KPMG Financial Advisory Services (Australia) Pty Ltd (KPMG) and MEO Australia Limited (MEO) requested that AWT International (AWT) prepare a Valuation Report of MEO's and Neon Energy Limited's (Neon) petroleum exploration assets in Australasia.

KPMG has requested that AWT address the following issues:

- a) Determine a value for the exploration and production permits for both companies. These assets include WA-360-P, WA-361-P, WA-454-P, WA-488-P, WA-503-P, AC/P50, AC/P51, AC/P53, NT/P68 and PEP 51153 (NZ);
- b) Address the issue of whether value can be ascribed at this time to any of the new blocks in Cuba, Australia and elsewhere which are currently under application; and
- c) Determine the value of the Tassie Shoals project.

2.0 SUMMARY

AWT's technical market valuation of MEO's exploration acreage is between **A\$10.68 million** and **A\$17.38 million** with the preferred value being **A\$14.03 million** as determined on 25 November 2014.

AWT's technical market valuation of Neon's exploration acreage is between **A\$0.72 million** and **A\$1.79 million** with the preferred value being **A\$1.25 million** as determined on 25 November 2014.

The valuation does not include any other assets or liabilities that MEO or Neon may or may not have. Valuation methodologies are outlined in Section 4.

Table 1 : MEO Estimated Exploration Acreage Valuation

Permit	Basin	MEO Interest (%)	Valuation Method	MEO Exploration Value (A\$M)*	
				Low	High
AC/P50	Browse	100.0	Work Program	0.10	0.25
AC/P51	Browse	100.0	Work Program	0.10	0.25
AC/P53	Browse	100.0	Work Program	0.10	0.25
WA-454-P	Bonaparte	50.0	Farmin	9.20	13.80
WA-488-P	Bonaparte	100.0	Work Program	0.10	0.25
NT/P68	Bonaparte	50.0	Work Program	0.10	0.25
WA-360-P	Carnarvon	62.5	Work Program	0.66	1.66
WA-361-P	Carnarvon	50.0	Work Program	0.10	0.25
PEP 51153	Taranaki	30.0	Revenue + Work Program	0.22	0.42
TOTAL				10.68	17.38
Preferred Value				14.03	

Figures are subject to rounding

* \$Am = millions of Australian dollars

Table 2 : Neon Estimated Exploration Acreage Valuation

Permit	Basin	Neon Interest (%)	Valuation Method	Neon Exploration Value (A\$M)*	
				Low	High
WA-503-P	Carnarvon	100	Work Program	0.72	1.79
TOTAL				0.72	1.79
Preferred Value				1.25	

Figures are subject to rounding

* \$Am = millions of Australian dollars.

3.0 TECHNICAL MARKET VALUE

The fair market value of a mineral or petroleum asset or security is the amount of money (or cash equivalent of some other consideration) determined by the Expert in accordance with the provisions of the VALMIN Code for which the mineral or petroleum asset or security should change hands on the Valuation Date in an open and unrestricted market between a willing buyer and a willing seller in an “arms-length” transaction, prudently and without compulsion (Valmin, 2005, part of D43. Also, see section 7). A number of valuation methods were investigated. AWT prefers to use farm-in deals and sales to gauge value in exploration permits and only departs from this method on occasions where a better value can be determined by another method, or in the absence of relevant and recent farm-ins and sales.

MEO and Neon have built portfolios of exploration assets (and some oil production from New Zealand for MEO) clustered near production, proven petroleum systems, pipelines, and markets. There are ten permits in all, nine in which MEO has interests and one in which Neon has an interest.

4.0 VALUATION METHODS

The principles conveyed in the Valmin Code, Revised Edition April 2005 (Valmin, 2005), and in the Australian Securities and Investment Commission (ASIC) Regulatory Guide 111 and 112

have been applied by AWT. Reserve and Resource concepts follow the definitions as laid down by the Society of Petroleum Engineers (SPE) Inc. Petroleum Resources Management System PRMS) (SPE PRMS, 2011).

There are several methods that can be used to estimate the fair market value of exploration and production assets. These include and are not limited to the methods described below, which are:

- Production and reserve information leading to cash flow analysis – present value (NPV);
- Production estimates and cash flow analysis (NPV) based on current prospects (undrilled) and incorporating expected chances of success (COS) – expected monetary value (EMV);
- Recent farm-in Actual Costs (value of work to be undertaken) and premiums or promotes (amounts above the Actual Cost of the work) paid in the permit or similar nearby permits; and
- Estimated Actual Cost of committed work programs (deal between permit holder and the governing authority) and operator budgets.

As a rule of thumb, an attempt is made to maintain a range between high and low side estimates of no more than 2.5 times for a portfolio. Wider ranges can be justified where uncertainty is high. AWT has generally used a range of 2.5.

4.1 NPV

For an oil or gas field, a value can be determined from the proven (1P), proven plus probable (2P) and proven plus probable plus possible (3P) reserve. Calculation of the net present value (NPV) can be made on the best-estimate reserve. Various combinations of reserve categories may be made to obtain the best estimate, such as:

- 2P by itself; OR
- 1P plus 50% of the 2P; OR
- $(0.9 \times \text{proved } (P1 \text{ or } 1P) + 0.5 \times \text{probable } (P2) + 0.1 \times \text{possible } (P3))$; OR
- others.

The NPV is equivalent to the value of the project and possibly the permit. An NPV calculation based on only the 1P reserve can constitute a low-side value.

4.2 EMV

It is possible to value an exploration permit by firstly selecting the prospect (not a lead) most likely to be drilled in the near future. By calculating the NPV on the mean potential reserve case, and the COS for discovery on an economic reserve, the expected monetary value (EMV) can be determined. The mean reserve is often estimated as $0.3 \times P90 + 0.4 \times P50 + 0.3 \times P10$ (Swanson's Mean), or more accurately calculated using a Monte-Carlo simulator.

EMV is calculated as:

$(NPV \times COS) - [\text{exploration Actual Cost (eg: dry well)} \times (1 - COS)]$

The EMV is equivalent to the value of the prospect and may be used to value the permit.

4.3 Farm-in/Work Program/Sale of Interest

A reliable value of an exploration permit may be estimated based on farm-in/farm-out or purchase transactions within the permit or in adjacent permits with comparable geological prospectivity and operating constraints. This is achieved by comparing the acreage with similar acreage and the farm-in/farm-out deals that have been consummated, or are in progress in various permits.

4.4 Full Value and Premium within Farm-in Deals

The farminee (purchaser) agrees to fund a significant exploration program, which is often agreed to be a particular dollar value or, sometimes, capped at a particular dollar value. This work usually takes the form of either drilling and/or seismic, in return for the farmor (seller) transferring a significant equity to the farminee. Where the farminee pays the normal exploration Actual Costs of the work being done for the interest being acquired and then also covers some or all of the Actual Costs of the farmor, this extra Actual Cost is called a premium (or promote).

A value for the permit can be considered based on the actual cost of the premium. In estimating the worth of a permit using the farm-in method, AWT usually calculates the premium value which may be set as high or low depending on market conditions and other circumstances. At other times the premium may be calculated and that set as the middle value with a range being determined as a 20-25% increase for the high value and a 20-25% decrease for a low value. The full Actual Cost of the farm-in is not often used. Any combinations may be employed

4.5 Committed Work Programs

In cases where a permit has a committed work program, one that cannot usually be varied, a third method can be considered where the value of the permit is the Actual Cost required to retain it and explore for hydrocarbons. This is similar to the total Actual Cost of a farm-in. The government can be considered to have farmed out the permit, so this is treated in a similar way to method (1), above.

5.0 ACREAGE ASSET REVIEW AND VALUATION

5.1 VULCAN SUB-BASIN -- AC/P50, AC/P51, AC/P53

The permits AC/P50, P51 and P53 are located off the North West coast of Western Australia and within the Vulcan Sub-Basin (Figure 1). In this area, the Late Jurassic oil prone source rock presence is demonstrated and oil discoveries have been made nearby at the Montara and Talbot oil fields.

5.1.1 Geological Setting

The Vulcan Sub-Basin is a northeast oriented Mesozoic extensional depocentre in the northern part of the Browse Basin and is comprised of a complex series of horsts, grabens and terraces. It is a proven Jurassic hydrocarbon province containing depleted oil fields, a producing oil field, and oil and gas discoveries that are being considered for development. Upper Jurassic delta/submarine fan and Upper Cretaceous submarine fan sandstones are proven exploration targets. Structural traps are sealed by Upper Jurassic to Lower Cretaceous claystones.

Source rocks in the Vulcan Sub-Basin include the oil-prone, transgressive marine shales of the Jurassic Oxfordian Lower Vulcan formation and the more gas-prone, non-marine shales of the Early-Mid Jurassic Plover formation.

5.1.2 AC/P50

(a) Permit Interest

In November 2010 MEO executed an agreement with Silver Wave Energy to acquire a 100% interest in AC/P50 and AC/P51 for a fee of US\$270,000.

In May 2011 Red Rock Energy executed an Option Deed for AC/P50 with the option to acquire a 5% participating interest in the permit.

In May 2012 the permits were transferred by MEO to its wholly owned subsidiary Vulcan Exploration Pty Ltd (Vulcan).

In June 2014 MEO announced that it had granted Apache Northwest Pty Ltd (Apache) an option until 30 September 2014 to acquire a 70% interest in AC/P50 at the time of permit renewal in April 2015. On exercise of the option Apache would have carried MEO's share of all costs up to and including the first well to be drilled in the permit. Well costs including testing were to be subject to a cap. Apache elected not to exercise this option. MEO continues to hold a 100% interest in AC/P50.

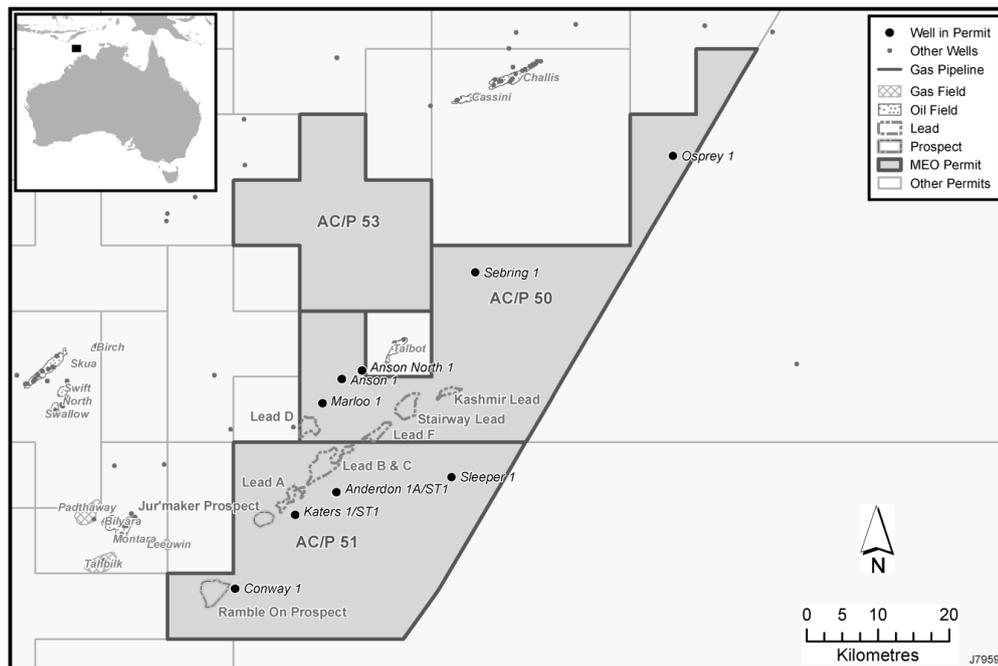


Figure 1 : Location Map Browse Basin Permits

The permit expires on 20 April 2015. MEO have stated that they intend to reapply and retain the permit only if they can agree a work program with NOPTA which contains no field work in the primary term. Based on previous guidance to the company from the National Offshore Petroleum Titles Office (NOPTA) the government regulator, this may be difficult to achieve. In this case MEO would relinquish the permit.

Five wells have been drilled within the permit in previous exploration phases, namely: Anson-1, Anson North-1, Marloo-1, Osprey-1 and Sebring-1. All wells were plugged and abandoned (P&A).

(b) Permit Commitments

The work program for the permit is detailed in Table 3. The primary term is the first 3 years and the secondary term is years 4 to 6. The tables include a status summary of the activities as of 7 October 2014.

The Year 6 work program (original) was amended to replace an exploration well with geotechnical studies. These studies will focus on improving the local stratigraphic understanding of the Upper Jurassic to Cretaceous succession and quantitative interpretation of the seismic volume with emphasis on:

1. Identifying trapping configurations within the Upper Jurassic- Cretaceous succession
2. Looking for direct hydrocarbon indicators in this interval which may improve the geologic risk associated with such features.

Table 3: AC/P50 Work Commitments

Year	Start Date	End Date	Minimum Work requirement	Indicative Expenditure (A\$)	Status
1	21 April 2009	20 April 2010	1,000 km 2D Seismic Reprocessing 250 km ² 3D Seismic Reprocessing	1,500,000	Complete
2	21 April 2010	20 April 2011	Geotechnical Studies	1,500,000	Complete
3	21 April 2011	20 April 2012	Acquire 200 km ² New 3D Seismic	7,500,000	Complete
4	21 April 2012	20 April 2013	Geotechnical Studies	1,500,000	Complete
5	21 April 2013	20 April 2014	Geotechnical Studies	1,500,000	Complete
6	21 April 2014	20 April 2015	Geotechnical Studies	150,000	In Progress

(c) Farmin Deals

There are no farmin deals in the permit that can assist with the estimation of market value.

(d) Leads and Prospects

Source rocks are interpreted to have expelled hydrocarbons along the western margin of AC/P51. As such, only a limited area of the permit has access to mature source rock. Further there is a risk that traps that can access source areas will be gas charged and will not be oil-only discoveries. The presence of gas affects the commerciality of the prospects and reduces economic viability. The leads which have been mapped by MEO are seen to have a low COS.

Table 4 outlines the leads and prospects in the permit.

Table 4: Summary of Leads and Prospects for AC/P50

Name	Permit	Maturity	Type
Lead D	AC/P50	Lead	Late Triassic low side closure
Lead E	AC/P50	Lead	Middle Triassic low side closure
Stairway	AC/P50	Lead	Middle Triassic low side closure
Kashmir	AC/P50	Lead	Middle Triassic low side closure

(e) Valuation

AWT has valued AC/P50 using the committed work programs method. AWT notes that the current term of the permit expires in April 2015 and that MEO has said that they will not renew the permit unless they can negotiate and agree to a work commitment which has no field work



in the primary term (ie the first three years). MEO notes that after discussions with NOPTA that this will be difficult to achieve. If MEO does not achieve this, they will relinquish the permit. MEO is expected by AWT to spend approximately \$250,000 in a bid to renew the permit.

AWT estimates that the value for AC/P50 lies between \$0.10 million and \$0.25 million with a preferred value of \$0.18 million.

5.1.3 AC/P51

(a) Permit Interest

In November 2010 MEO executed an agreement with Silver Wave Energy to acquire a 100% interest in AC/P50 and AC/P51 for a fee of US\$270,000.

Red Rock Energy executed an Option Deed for AC/P51 (27 May 2011) with the option to acquire a 5% participating interest in the permit.

In May 2012 the permits were transferred by MEO to its wholly owned subsidiary Vulcan.

In June 2014 MEO announced that it had granted Apache an option until 30 September 2014 to acquire a 70% interest in AC/P51 at the time of permit renewal in April 2015. On exercise of the option Apache would have carried MEO's share of all costs up to and including the first well to be drilled in the permit. Well costs including testing were to be subject to a cap. Apache elected not to exercise this option. MEO continues to hold a 100% interest in AC/P51.

The permit expires on 20 April 2015. MEO have stated that they intend to reapply and retain the permit only if they can agree with a work program with NOPTA which contains no field work in primary term. Based on previous guidance to the company from NOPTA, this may be difficult to achieve. In this case MEO would relinquish the permit.

Four wells have been drilled within the permit in previous exploration phases, namely: Anderdon-1, 1A, Conway-1, Katers-1 and Sleeper-1. All wells were P&A.

(b) Permit Commitments

The work program for the permit is detailed in Table 5. The primary term is the first 3 years and the secondary term is years 4 to 6. The tables include a status summary of the activities as of 7 October 2014.

The year 6 work program (original) was amended to replace an exploration well with geotechnical studies. These studies will focus on improving the local stratigraphic understanding of the Upper Jurassic to Cretaceous succession and quantitative interpretation of the seismic volume with emphasis on:

1. Identifying trapping configurations within the Upper Jurassic- Cretaceous succession
2. Looking for direct hydrocarbon indicators in this interval which may improve the geologic risk associated with such features.

(a) Farmin Deals

There are no farmin deals in the permit that can assist with market value.

(b) Prospects and Leads

There are two prospects and three leads identified in the permit. Their locations are shown in Figure 1 and shown in Table 6.

Ramble On is a 3-way closure identified on the downthrown side of the eastern boundary fault of the Anderdon horst. The play requires cross fault seal with the Mt Goodwin Formation shales. This play type has not been proven so far in the Vulcan Sub-basin.

Table 5: AC/P51 Work Commitments

Year	Start Date	End Date	Activity	Indicative Expenditure (A\$)	Status
1	21 April 2009	20 April 2010	918 km ² 2D Seismic Reprocessing 291 km ² 3D Seismic Reprocessing	2,200,000	Complete
2	21 April 2010	20 April 2011	Geotechnical Studies	1,500,000	Complete
3	21 April 2011	20 April 2012	Acquire 276 km ² New 3D Seismic	3,000,000	Complete
4	21 April 2012	20 April 2013	Geotechnical Studies	1,500,000	Complete
5	21 April 2013	20 April 2014	174 km ² Survey Data Processing	100,000	Complete
6	21 April 2014	20 April 2015	Geotechnical Studies	150,000	In Progress

Table 6 : AC/P51 Prospects and Leads

Name	Permit	Maturity	Type
Ramble On	AC/P51	Prospect	Late Triassic low side closure
Jur'maker	AC/P51	Prospect	Late Triassic low side closure
Lead A	AC/P51	Lead	Late Triassic low side closure
Lead B & C	AC/P51	Lead	Late Triassic low side closure

Jur'maker is a small 3-way closure with a small crestal 4-way closure identified to the north east of Ramble On, also on the downthrown side of the Anderdon horst fault and juxtaposed against the Mt Goodwin shale section.

(c) Valuation

AWT has valued AC/P51 using the committed work programs method. AWT notes that the current term of the permit expires in April 2015 and that MEO has said that they will not renew the permit unless they can negotiate and agree to a work commitment which has no field work in the primary term (ie the first three years). The prospects which have been mapped by MEO are seen to have a low COS. MEO notes that after discussions with NOPTA that this will be difficult to achieve. If MEO do not achieve this, they will relinquish the permit. MEO is expected to spend approximately \$250,000 in a bid to renew the permit.

AWT estimates that the value for AC/P51 lies between \$0.10 million and \$0.25 million with a preferred value of \$0.18 million.

5.1.4 AC/P53

(a) Permit Interest

In July 2011 MEO was awarded the exploration permit AC/P53. Application for the permit had been made through the gazettal process. MEO holds a 100% interest in the permit. No wells have been drilled in the permit.

(b) Permit Commitments

The work program for the permit is detailed in Table 7. The primary term is the first 3 years and the secondary term is years 4 to 6. The tables include a status summary of the activities as of 7 October 2014.

Table 7: AC/P53 Work Commitments

Year	Start Date	End Date	Activity	Indicative Expenditure (A\$)	Status
1	07 July 2011	06 July 2012	Geotechnical Studies and 825 km ² 3D Seismic Reprocessing	300,000	Complete
2	07 July 2012	06 July 2013	150 km Long-offset 2D Seismic Survey	300,000	Complete
3	07 July 2013	06 July 2014	Geotechnical Studies	250,000	Complete
4	07 July 2014	06 July 2015	Geotechnical Studies	250,000	In Progress
5	07 July 2015	06 July 2016	1 Exploration Well	25,000,000	
6	07 July 2016	06 July 2017	Geotechnical Studies	250,000	

(c) Farmin Deals

There are no farmin deals in the permit that can assist with a market valuation.

(d) Prospects and Leads

There are no prospects or leads identified by MEO to date in the permit.

(e) Valuation

AWT has valued AC/P53 using the committed work programs method. AWT notes that the current term of the permit expires in April 2017. However, MEO will need to commit to the government by July 2015, to drill a well. As there are no prospects to drill or leads to follow up mapped at this time in the permit, there is a reasonable prospect of MEO relinquishing the permit before that time. AWT estimates that MEO will spend \$250,000 this permit year in exploring the permit.

AWT estimates that the value for AC/P53 lies between \$0.10 million and \$0.25 million with a preferred value of \$0.18 million.

5.2 PETREL SUB-Basin

Exploration permits WA-454-P and WA-488-P are located in the offshore Petrel Sub-Basin in Northern Australia (Figure 2).

5.2.1 Geological Setting

The Petrel Sub-Basin in the southern Bonaparte Basin was formed during Paleozoic northeast–southwest extension and contains a thick succession of Paleozoic and Mesozoic sediments. The Permian petroleum systems have charged numerous gas accumulations.

There is an oil and gas-prone early Carboniferous petroleum system, with Bonaparte Formation (Langfield Group) source rocks, in the inboard part of the sub-basin. Gas fields include Petrel, Tern, Blacktip and Frigate. Oil fields include Turtle and Barnett.

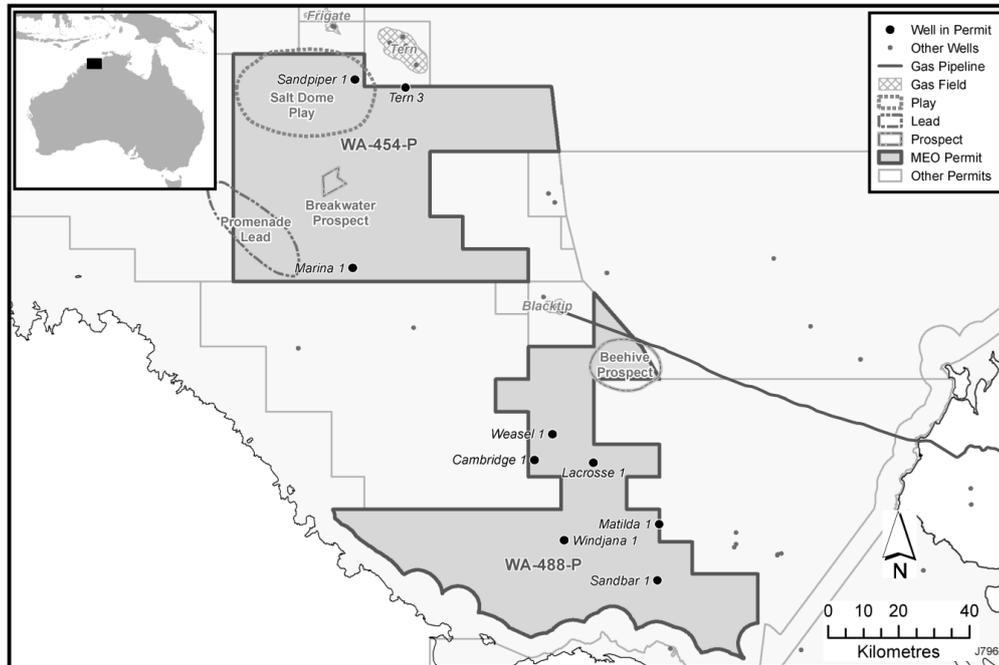


Figure 2 : Location Map Petrel Sub-Basin

5.2.2 WA-454-P

(a) Permit Interest

A 100% interest in WA-454-P was originally awarded to MEO in June 2011 and later transferred to Drysdale Offshore Exploration Pty Ltd (Drysdale), a wholly owned subsidiary, in May 2012. Following a farmout to Origin Energy Limited (see 5.2.2.3 for details) MEO currently has a 50% interest.

There are three existing wells in WA-454-P, namely: Marina-1, Sandpiper-1 and Tern-3.

(b) Permit Commitments

The work program for WA-454-P is outlined in Table 8. The Breakwater-1 well is currently being designed and planned for drilling in the second half of 2015.

(c) Farmin Deals

MEO farmed out 50% of WA-454-P to Origin Energy as reported to the market on 22 July 2013. Origin Energy has assumed operatorship of the permit. As part of the farm out Origin Energy paid MEO A\$5.6 million in back costs (80% of the total back costs of \$7 million) and will fund 80% of the proposed Breakwater-1 well for a 50% interest in the permit. Thus the promote contained within the farmin is 30% of the total spend by Origin. This well will satisfy the Year 5 work obligation. The plugged and abandoned cost of the well is capped at A\$35 million, with an agreed adjustment mechanism depending on the prevailing USD exchange rate at the time of drilling. AWT has used 0.85 as the USD exchange rate for the estimation of the well cost and promote. MEO will fund 20% of the well cost up the cap, and thereafter 50%

of any costs in excess of the cap. MEO has indicated it is seeking an additional farminee to defray this cost.

(d) Leads and Prospects

MEO acquired and processed the Floyd 3D seismic survey (WA-454-P) in early 2012 which delineated the Breakwater Prospect and further delineated the Marina gas discovery.

The leads and prospects for the permit are outlined in Table 9 and shown on Figure 2.

Marina is a gas discovery in a faulted anticline within the Permian Treachery and Kuriyippi Sandstones. It exhibited very good gas shows while drilling with high liquids compositions. A small amount of oil and gas was recovered from this interval by wireline testing. The sands were not production tested, and the well was P&A.

Deeper prospective horizons within the same structural closure were untested by Marina-1. These target intervals were intersected in Lesueur-1 (25 km SE) well and found to include excellent quality reservoirs.

Table 8 : WA-454-P Work Commitments

Year	Start Date	End Date	Activity	Indicative Expenditure (A\$)	Status
1	09 June 2011	08 June 2012	Acquire 583 km ² New 3D Seismic	6,000,000	Complete
2	09 June 2012	08 June 2013	150 km ² New 3D Seismic Survey Geotechnical Studies	200,000	Complete
3	09 June 2013	08 June 2014	3D Seismic Interpretation Geotechnical Studies	200,000	Complete
4	09 June 2014	08 June 2015	Geotechnical Studies	250,000	In Progress
5	09 June 2015	08 June 2016	1 Exploration Well	20,000,000	
6	09 June 2016	08 June 2017	Geotechnical Studies	250,000	

Table 9 : Summary of Leads and Prospects

Name	Permit	Maturity	Comment
Breakwater – East and West	WA-454-P	Prospect	Large structure mapped on 3D seismic
Marina – Deep	WA-454-P	Prospect	Structural closure located under the Marina-1 discovery. Undrilled to date.
Promenade	WA-454-P	Lead	Large stratigraphic trap.

The Breakwater prospect is a large, four way dip structure with Early Permian Treachery and Kuriyippi Sandstone reservoir objectives. The trap is interpreted to be underlain by a salt swell structure and is analogous to the nearby Blacktip gas field. It is presently proposed to drill this structure in late 2015.

The Promenade lead is a stratigraphic trap concept in Petrel Sub-Basin. It is a basin margin stratigraphic trap, mapped using amplitude anomalies from the seismic data.

(e) Valuation

AWT has valued WA-454-P using the existing farmin deal with Origin. The details of the farmin are discussed at 5.2.2.3. In assessing the implied value of the permit, the total value of the promote contained within this farmin has been used as the high side estimate of value. As the estimation is based on market information (the Origin farmin), AWT is of the opinion that a range of 2.5 from the high side estimate to the low side is inappropriate. A range of 1.5 has been used.

AWT estimates that the value for WA-454-P lies between \$9.20 million and \$13.80 million with a preferred value of \$11.50 million.

5.2.3 WA-488-P

(a) Permit Interest

WA-488-P was granted to MEO in May 2013. MEO took a 100% interest in the permit and still holds that interest.

There are six existing wells in WA-488-P, namely: Cambridge-1, Lacrosse-1, Matilda-1, Sandbar-1, Weasel-1, and Windjana-1.

(b) Permit Commitments

The work program for WA-488-P is outlined in Table 10. The work commitments to date have all been satisfied.

Table 10: WA-488-P Work Commitments

Year	Start Date	End Date	Activity	Indicative Expenditure (A\$)	Status
1	22 May 2013	21 May 2014	400 km 2D Seismic Reprocessing	150,000	Complete
2	22 May 2014	21 May 2015	Geotechnical Studies	200,000	In Progress
3	22 May 2015	21 May 2016	1 Exploration Well	20,000,000	
4	22 May 2016	21 May 2017	Acquire 400 km ² New 3D Seismic	5,000,000	
5	22 May 2017	21 May 2018	Geotechnical Studies	200,000	
6	22 May 2018	21 May 2019	1 Exploration Well	20,000,000	

MEO is attempting to farm down its interest ahead of entering the well commitment year. If that cannot be achieved, then it is likely the permit will be surrendered.

(c) Farmin Deals

There are no farmin deals to date in WA-488-P. There is a nearby farmin by Origin to WA-454-P. However, this is not considered directly relevant to this permit, as it is pursuing a play concept in a different geological setting.

(d) Prospects and leads

The Beehive prospect is a large structural play with Ordovician sands sealed by Carboniferous shales. In addition, there is an interpreted Carboniferous aged reefal buildup mapped at the top of the structure.

(e) Valuation

AWT has valued WA-488-P using the work program method. The current term of the permit expires in May 2019. There is a commitment to be made to drill a well by July 2015. MEO is attempting to farmout the well cost. The studies and farmout process are expected to cost \$250,000.

AWT estimates that the value for WA-488-P lies between \$0.10 million and \$0.25 million with a preferred value of \$0.18 million.

5.3 Northern Bonaparte Basin

Permit NT/P68 is situated within the north-eastern Bonaparte Basin, Australia, approximately 200 kilometres north-west of Darwin (Figure 3). A number of oil and gas discoveries have been made in the area. These include the Laminaria and Elang oil fields, the Bayu-Undan gas/condensate field and the Evans Shoal gas field.

5.3.1 Geological Setting

The Bonaparte Basin is a large sedimentary basin, located predominantly offshore. It covers an area of approximately 270,000km² of Australia's northwest continental margin. The basin contains up to 15km of Phanerozoic, marine and fluvial rocks, as well as marine carbonates.

The Bonaparte Basin is bounded to the northwest by the Timor Trough, where water depths exceed 3000m. In the northeast, beyond the limits of the Darwin Shelf, the basin adjoins the Arafura and Money Shoal basins. To the southwest, the basin is contiguous with the Browse Basin. Structurally, the Bonaparte Basin is complex and comprises a number of Palaeozoic and Mesozoic sub-basins and platform areas.

5.3.2 NT/68P

(a) Permit Interests

The permit was first awarded to MEO in February 2004. MEO currently has a 50% participating interest in NT/P68 which is operated by Eni Australia Ltd (Eni). In October 2014, Eni elected not to drill an additional well on the Heron structure and to withdraw from the Heron area of NT/P68. Consequently, MEO will regain a 100% participating interest in the Heron area, subject to commercial and regulatory processes.

In the Blackwood area of NT/P68, Eni has elected not to increase its participating interest and has advised that it intends to retain a 50% participating interest. The parties are considering a process to negotiate certain amendments to the Blackwood area agreements to define the basis of the joint venture's future activities on Blackwood.

It is likely that MEO will exit from the Blackwood area of the permit, while retaining its 100% interest in the Heron block. The permit expires in April 2015. MEO is considering whether to negotiate a renewal of the permit with minimum commitments or to apply for a Retention Lease over the Heron discovery.

There are six wells in the permit, namely: Blackwood-1, Blackwood-2, Heron-1, Heron-2, Heron South-1 and Wonarah-1.

(b) Permit Commitments

The work program for NT/P68 is outlined in Table 11.

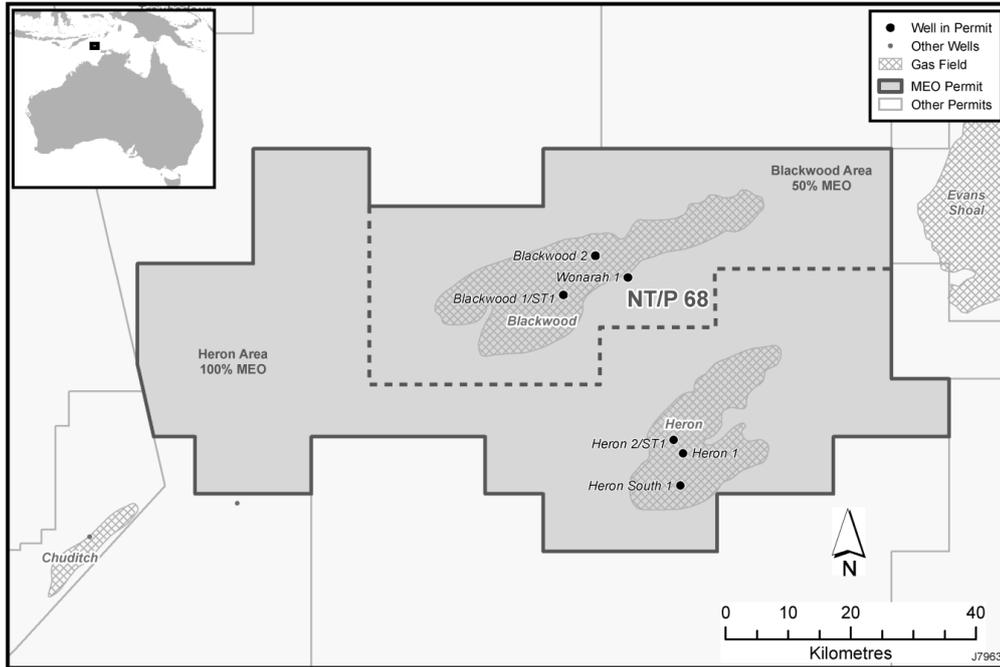


Figure 3 : Location Map Northern Bonaparte Basin

Table 11: Work Commitments

Year	Start Date	End Date	Activity	Indicative Expenditure (A\$)	Status
1	27 April 2010	26 April 2011	Geotechnical Studies	200,000	Complete
2	27 April 2011	26 April 2012	Acquire 150 km ² New 3D Seismic Geotechnical Studies	2,000,000	Complete
3	27 April 2012	26 April 2013	Seismic Interpretation	250,000	Complete
4	27 April 2013	26 April 2014	1 Exploration Well	20,000,000	Complete
5	27 April 2014	26 April 2015	Geotechnical Studies	200,000	In Progress

(c) Farmin Deals

In 2011 MEO executed an agreement for Eni Australia (Eni) to earn 50% in Heron gas discovery by funding two wells. Following the drilling of the first well (Heron South-1) Eni has advised in 2014 its intention to withdraw from the Heron area of NT/P68.

Also in 2011 Eni were granted the option to earn a 50% interest in the Blackwood area by funding a minimum of 500 km² of 3D seismic and one well (Blackwood-2). Subsequently, Eni has advised in 2014 its intention not to acquire an additional 25% in consideration of a full carry of MEO to the Final Investment Decision (FID) and is seeking to retain its interest at 50%.

(d) Heron and Blackwood Gas Field

The Heron Field is located in the eastern part of permit NT/P68 (Figure 3). Heron-1 was drilled in 1972 by Arco Australia Limited. Several gas shows were recorded while drilling the Upper Cretaceous and Jurassic sections. No zones were tested due to technical problems. Heron-2 (and ST1) was drilled by MEO in 2008 and flowed gas at 6mmscf/d. Heron South-1 drilled by Eni in 2012 and encountered gas shows at two levels. All three wells were plugged and abandoned.

The Blackwood Field is in the northern part of the Malita Graben (Figure 3). The structure was penetrated by Wonarah-1 (1998 Shell) which did not reach the main reservoir and was P&A as a dry hole, while Blackwood-1 ST1 (2008 MEO) penetrated the Jurassic target and was plugged and abandoned as a gas discovery. Blackwood-2 was drilled by the operator Eni in January 2014. The well encountered gas shows and a single zone was tested. No measurable gas flow was recorded at surface and the well was plugged and abandoned.

(e) Valuation

AWT has valued NT/P68 using the committed work programs method. MEO have indicated that they have reached an agreement with Eni such that MEO will exit the Blackwood block of the permit due to technical and commercial reasons, and so the valuation ascribed to this block is zero. The Heron block of NT/P68 expires on 26 April 2015. MEO is considering whether to negotiate a renewal of the permit with minimum commitments or to apply for a retention lease over the Heron discovery. It is likely that the Heron area will be retained by one of these means. The studies and reapplication process are expected to cost \$250,000.

AWT estimates that the value for NT/P68 lies between \$0.10 million and \$0.25 million with a preferred value of \$0.18 million.

5.4 Carnarvon Basin

WA-360-P and WA-361-P are located in the Dampier Sub-Basin of the Northern Carnarvon Basin, between the Brigadier Trend and Victoria Syncline (Figure 4).

5.4.1 Geological Setting

The Carnarvon Basin is an epicratonic, faulted and folded Phanerozoic basin which encompasses over 1000km of the west and northwest coast of Western Australia, from Geraldton to north of Port Headland.

The Northern Carnarvon Basin encompasses the Exmouth Plateau, Wombat Plateau (on the northern part of the Exmouth Plateau), Investigator Sub-Basin, Rankin Platform, Exmouth Sub-Basin, Barrow Sub-Basin, Dampier Sub-Basin, Beagle Sub-Basin, Enderby Terrace, Peedamullah Shelf and the Lambert Shelf.

The main depocentres contain up to 15 km of sedimentary infill. There are many significant gas and oil fields across the basin. Most of these are in production, with pipelines taking the hydrocarbon to processing plants onshore WA. Almost all the hydrocarbon resources are reservoirised within the Upper Triassic, Jurassic and Lower Cretaceous sandstones beneath the regional Early Cretaceous seal.

5.4.2 WA-360-P

(a) Permit Interests

Upon renewal of WA-360-P in January 2012 for its second term, MEO increased its interest from 60% to 62.5%.

The Eastbrook-1 well was previously drilled in the permit. MEO farmed out the drilling of Artemis-1 in late 2010 to Petrobras who funded the drilling of the well.

(b) Permit Commitments

The work program for the permit is shown in Table 12. The original work program for WA-360-P had an exploration well planned for Year 4 which has subsequently been replaced with Geotechnical studies.

Table 12: WA-360-P Work Commitments

Year	Start Date	End Date	Activity	Indicative Expenditure (A\$)	Status
1	06 March 2012	05 March 2013	Purchase on-Permit Foxhound 3D (363 km ²)	3,000,000	Complete
2	06 March 2013	05 March 2014	648 km ² 3D Seismic Reprocessing (full permit coverage)	400,000	Complete
3	06 March 2014	05 March 2015	Geotechnical Studies	250,000	In Progress
4	06 March 2015	05 March 2016	Geotechnical Studies	250,000	
5	06 March 2016	05 March 2017	1 Exploration Well	30,000,000	

(c) Farmin Deals

There are no existing farmin deals in WA-360-P.

(d) Lead

The Maxwell lead proposes stacked Dingo, Eliassen and Calypso reservoirs mapped above the Wheatstone Gas Field gas water contact (GWC). Depth conversion is the key to the lead which is impacted by significant time distortion under the significant changes to the slope of the seafloor. It is a combined structural-stratigraphic trap with no mapped independent structural closure.

(e) Valuation

AWT has valued WA-360-P using the actual and committed work programs method. AWT notes that the current term of the permit expires in March 2017. There is a well to be drilled in the permit by March 2017. MEO may elect to exit the permit before being committed to the drilling of this well. This is a likely scenario, given the lack of a compelling mapped prospect at this time.

AWT estimates that the value for WA-360-P lies between \$0.66 million and \$1.66 million with a preferred value of \$1.16 million.

5.4.3 WA-361-P

(a) Permit Interest
MEO holds a 50% interest in WA-361-P.

The Zeus-1 well was previously drilled in the permit.

(b) Permit Commitments

The work program for the permit is shown in Table 13. The original work program for WA-361-P had an exploration well planned for Year 4 which has subsequently been replaced with geotechnical studies.

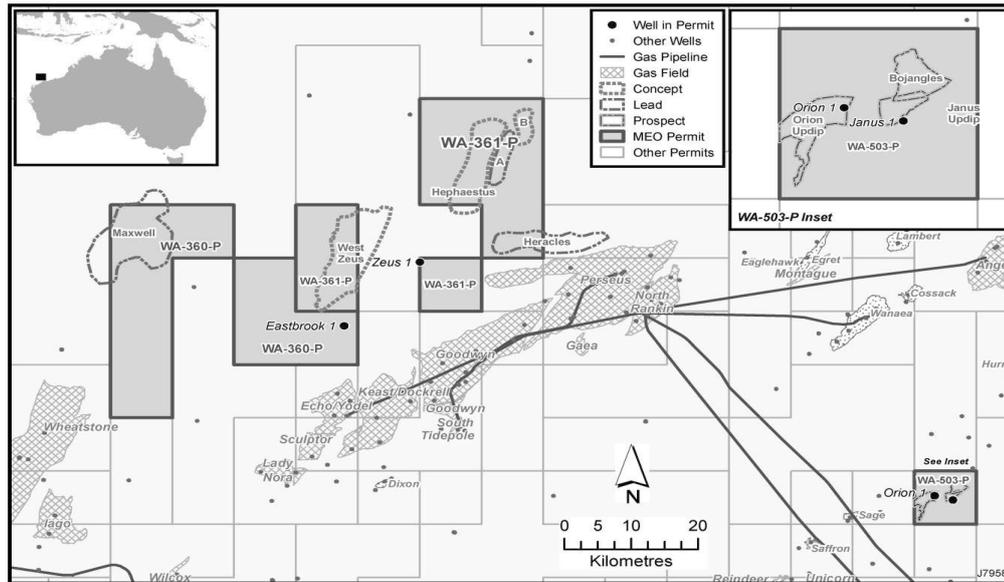


Figure 4 : Location Map Carnarvon Basin

Table 13: WA-361-P Work Commitments

Year	Start Date	End Date	Activity	Indicative Expenditure (A\$)	Status
1	31 January 2011	30 January 2012	Geotechnical Studies	200,000	Complete
2	31 January 2012	30 January 2013	150 km ² New 3D Seismic Geotechnical Studies	2,000,000	Complete
3	31 January 2013	30 January 2014	3D Seismic Interpretation Geotechnical Studies	250,000	Complete
4	31 January 2014	30 January 2015	Geotechnical Studies	200,000	In Progress
5	31 January 2015	30 January 2016	Geotechnical Studies	200,000	

(c) Farmin Deals

There are no existing farmin deals on this permit.

(d) Concepts and Leads

During permit Year 2, 323 km² of the Zeus 3D multi-client survey was acquired from Fugro Multi-Client Services Pty Ltd. The survey was reprocessed by CGGVeritas Services (Australia) Pty Ltd, and then merged with the Rosie 3D seismic survey in-house. This merged survey was used heavily in the interpretation and assessment of the prospectivity within the WA-361-P permit.

The leads and prospects are shown on Figure 4.

The two leads, Lead A and Heracles, are covered by 3D seismic, but have significant technical risks which need to be addressed prior to consideration as drilling candidates. The three concepts identified within the permit, Hephaestus, Concept B and West Zeus need further technical work before being matured.

At present, none are considered ready for drilling.

(e) Valuation

AWT has valued WA-361-P using the committed work programs method, using the estimated costs to be expended on the permit. AWT notes that the current term of the permit expires in January 2016. No well is committed for the remainder of the permit term. AWT expects that MEO will expend \$250,000 in each of the next two years on studies and reapplication.

AWT estimates that the value for WA-361-P lies between \$0.10 million and \$0.25 million with a preferred value of \$0.18 million.

5.5 Taranaki Basin (New Zealand)

PEP 51153 is located on the eastern margin of the Taranaki Basin, onshore New Zealand (Figure 5).

5.5.1 Geological Setting

Taranaki Basin is a large sedimentary basin located along the western side of New Zealand. This basin contains all of the country's present petroleum production. The basin first formed as the late-Cretaceous Taranaki Rift, and the first widespread sediments are syn-rift deposits associated with this continental rifting.

5.5.2 PEP 51153

(a) Permit Interests

In April 2014 MEO executed a staged (2 stages) farm-in agreement with Kea Petroleum. MEO currently holds a 30% interest in the permit. Kea is the operator.

Eight wells have been drilled in the permit, namely: Douglas-1, Huinga-1 (1A, 1B + 1B/ST1), Oru-1, Puka-1, Puka-2, Puka-3, Wingrove-1 and Wingrove-2.

(b) Permit Commitments

The work program for PEP51153 is shown in Table 14.

(c) Farmin Deals

MEO farmed into the permit in April 2014. In Phase 1, MEO earned a 30% interest by funding NZ\$4 million of a NZ\$5 million program to:

- Undertake work overs on Puka-1 and Puka-2 to enhance production
- Test two intervals in suspended Douglas-1 exploration well to confirm fluid content
- Drill new well (Puka-3) from existing pad allowing tie-in to production facilities

Table 14: PEP 51153 Work Commitments

Year	Start Date	End Date	Activity	Status
6	23 September 2013	22 September 2014	Geotechnical Studies	Complete
7	23 September 2014	22 September 2015	Acquire a 7 km 2D line	In Progress
8	23 September 2015	22 September 2016	1 Exploration Well	

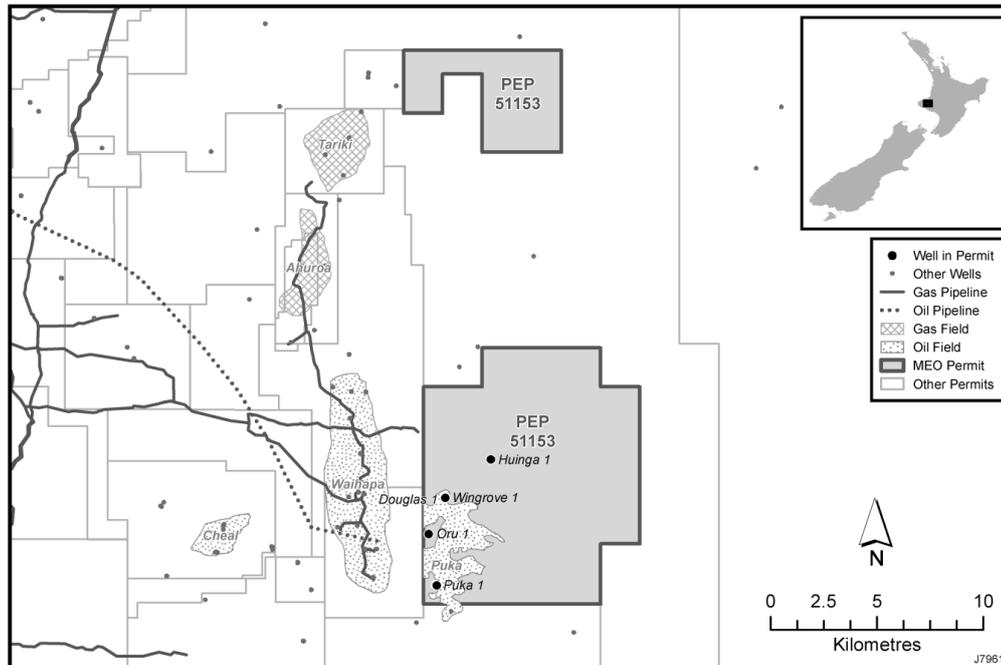


Figure 5 : Location Map Taranaki Basin

In Phase 2, MEO has the option to earn an additional 20% interest by funding NZ\$7.5 million of a NZ\$9 million program designed to progress the Puka field towards full development. Objectives include:

- Further appraising Puka oil accumulation to quantify resource size
- Apply horizontal drilling technology to quantify any uplift in productivity/recovery
- Building a new central well pad to host future central processing facility

The farmin is currently in Phase 1. Given the poor results of the drilling at Puka-3, it is unlikely that MEO will take up the option to enter Phase 2 of the farmin.

(d) Puka Oil Field and Prospects

The Puka oil field was discovered in 2012. The oil is reseroired in the sandstones of the mid Miocene Mt Messenger Formation. The play is a basin floor fan/channel complex with Puka-1 and 2 intersecting oil pay (8m & 5m net pay) on edge of this feature. Cumulative production to date is in excess of 69,000 bbl with some water.

The Puka Oil Field represents a moderate sized oil opportunity with current minor production in a benign fiscal regime.

The Puka Field reserve is still being assessed by the operator at the time of writing. Puka-3 was drilled in mid-2014. While a thicker section of Mount Messenger sandstone was intersected, they were predominately water bearing with an interpreted oil water contact (OWC) intersected substantially shallower than expected near the top of the sand section. The result has downgraded the Mount Messenger play.

Puka-1 and Puka-2 are producing oil under a long term production test from this formation at a net rate of 100 barrels of oil per day (bopd), or 30 bopd net to MEO.

The Shannon Prospect is Tikorangi Limestone target analogous to the adjacent Waihapa Tikorangi Oil Field where in excess of 23 MMbbl has been recovered. The Shannon Prospect has closure mapped at the Tikorangi Limestone level updip of Douglas with a closure of approximately 6.3 km².

Douglas-1 was drilled in 2012 as a deviated Tikorangi Exploration Well. The well intersected 145m of fractured Tikorangi Limestone with wet gas shows through the base of the top seal and upper 15m of limestone. Attempts to test the well were unsuccessful due to technical issues.

Waihapa-1 was drilled in 1985 to evaluate the Eocene Kapuni Group gas potential. Four DST's over a 137m fractured limestone interval produced oil at rates up to 3100 bopd. Completed as a Tikorangi producer, the cumulative oil production was 4.9 MMbbl before shut in in 1994. Initial production was 2400 bopd with 2.6 MMscf, and increased later to 4000 bopd.

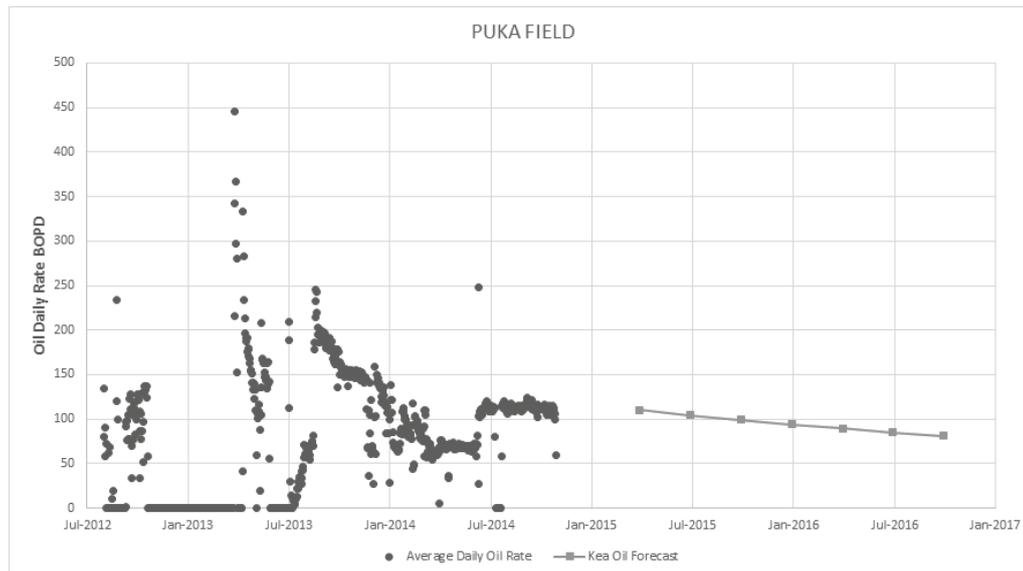


Figure 6 : Puka Field Production Profile

The forecast utilises a harmonic decline curve which endeavours to match a mathematic equation to production decline. The fundamental assumption is that the production environment does not change. Figure 7 shows the historical oil, gas and water production profile. Since June, 2014, the production has been stable though water rates are slowly increasing. Puka-1 is the dominant producer. Puka-1 well head pressure decline is moderate

and, with the choke setting at 24/64", there is the ability for the operator to manage the decline. Operating costs and oil price are factors which dominate the remaining resource estimate (Table 15).

Table 15: Puka Oilfield Expected Cashflow - Assumptions

Assumptions		
Brent Oil Price	US\$/bbl	82
Net oil price	US\$/bbl	76.8
BBL/ Cost - Shipping etc	NZ\$/bbl	9
Exchange rate	NZD:USD	0.78
NZ Ad Valorem royalty		5%
Field opex	NZ\$/month	190,000
G&A	NZ\$/month	32,500
Current production rate	bopd	110
Production decline rate	per quarter	5%

Based on Kea's economic model, the project goes cashflow negative in June, 2016 quarter (Table 16). This implies a remaining oil resource of 52 Mbbls from 1 January, 2015. Based on the available information, AWT believes that this estimate is reasonable.

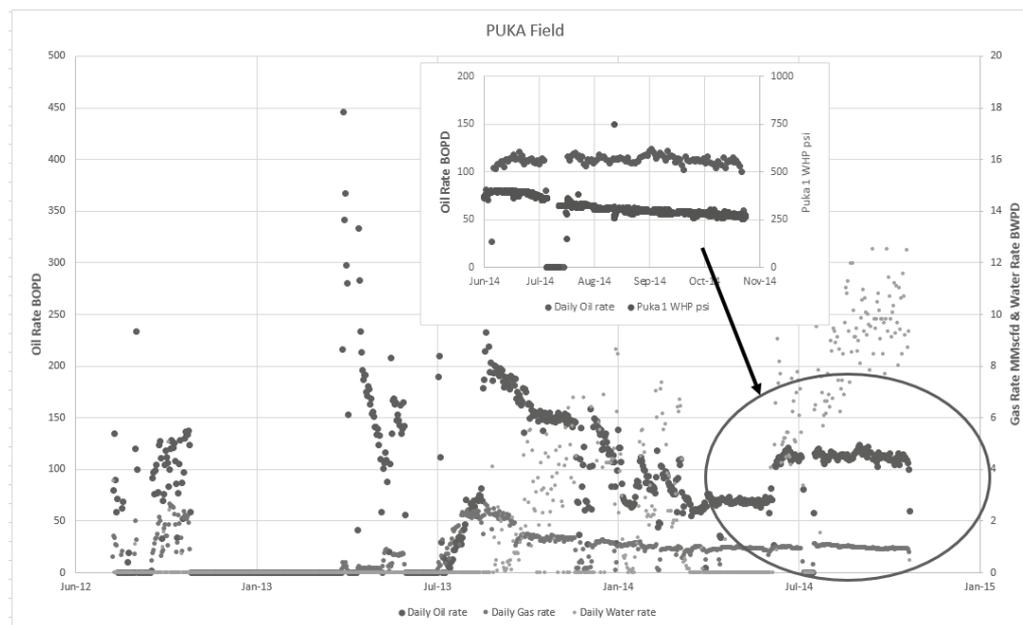


Figure 7 : Puka Fluid Production and Pressure Plot

Table 16: Puka Oilfield Cashflow by Kea Petroleum

CASH FLOW	Quarter Ending	Mar 2015	Jun 2015	Sep 2015	Dec 2015	Mar 2016	Jun 2016
Total Project							
Production	bopd	110	105	99	94	90	85
Cum Production	bbl	9,900	19,305	28,240	36,728	44,791	52,452
Revenue	NZ\$	988,308	938,892	891,948	847,350	804,983	764,734
Field Opex	NZ\$	-667,500	-667,500	-667,500	-667,500	-667,500	-667,500
Shipping costs	NZ\$	-89,100	-84,645	-80,413	-76,392	-72,573	-68,944
NZ Ad Valorem Royalty	NZ\$	- 4,960	-42,712	-40,577	-38,548	- 36,621	- 34,789
Total Operating Revenue	NZ\$	186,747	144,035	103,458	64,910	28,290	-6,500
MEO Operating Revenue	NZ\$	56,024	43,210	31,037	19,473	8,487	-1,950
MEO Cumulative Operating Revenue	NZ\$	56,024	99,234	120,271	139,744	148,331	

(e) Valuation

AWT has valued PEP 51153 using the expected work program costs for the current permit year in addition to the expected oil revenue from the Puka oil Field between now and when it is expected to go cashflow negative in June 2016. AWT has used 0.90 as the \$NZ to A\$ exchange rate. AWT has not used the farmin to estimate value as the farmin is essentially complete and the interest has been earned. MEO's net share of the oil revenue is estimated at \$NZ150,000. To get a high and low side estimate, AWT has increased and decreased the oil revenue estimate by 20%. MEO's share of the project budget for this year is \$NZ270,000 to complete the farmin plus 30% of the remaining work program.

AWT estimates that the value for PEP 51153 lies between \$0.22 million and \$0.42 million with a preferred value of \$0.32 million.

5.6 Tassie shoals project

MEO's Tassie Shoals Project is a plan to use the high CO₂ gasfields in the northern Bonaparte Basin as feedstock to manufacture methanol, which requires carbon dioxide in the gas stream. There is a number of discovered high CO₂ gasfields in the area, including Evans Shoal, Barossa, Caldita, Blackwood and Heron. Tassie Shoal is an area of shallow water near these stranded resources (Figure 8) on which MEO has suggested a methanol plant could be constructed.

MEO received environmental approval for a plant in 2002. This approval is valid until 2052. The project has been granted Major Project Facilitation status and this was renewed in 2012.

However, MEO has an interest only in Heron and Blackwood fields, and is very likely to relinquish its interest in Blackwood in the next few months. There are no immediate plans to seek investment for or construct the plant as forward plans are subject to gas supply negotiations. AWT considers it likely that, if the owners of the major gas resources in the area decided to build a methanol plant, they would consider whether do their own research and permitting either alone or as a consortium of potential major producers, and not use the MEO concepts or approvals. Any attempt by regional producers to build a similar concept methanol plant offshore in the region will require a suitable shallow water location to be identified,

environmental studies to be completed and an environmental permit obtained. The benefit of such an approach when there is an approval in place would have to be considered by the producers at the time. This also would be unlikely to occur for many years. AWT considers that the Tassie Shoals project has no value at this time.

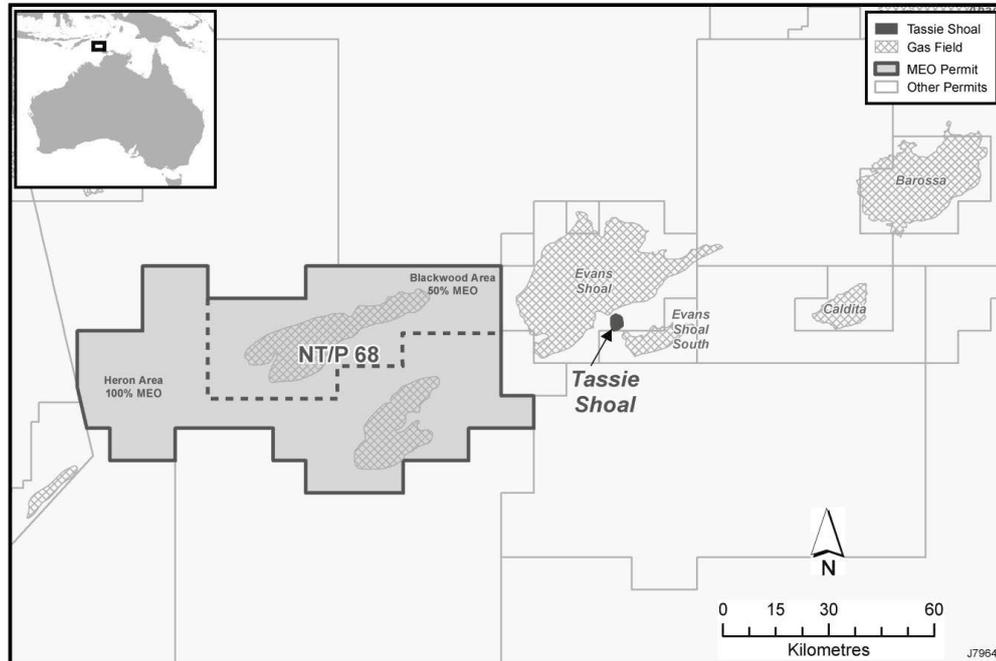


Figure 8 : Location Map Tassie Shoal Project

5.7 Applications

MEO has a number of applications for new permits in Australia and elsewhere. None of these applications has been awarded yet, and thus no asset value can be ascribed to them. However, MEO has written to the Cuban authorities to inform them that the MEO Board has agreed to sign the proposed PSC on the terms agreed to in their meetings in Cuba in October 2014. There is one minor outstanding issue on the Accounting Standards which needs to be addressed, and this awaits translation before being finalized. The Cuban authorities now need to seek the necessary Cuban Government regulatory approvals for the approval of the PSC.

5.8 WA-503-P (Neon Energy limited)

WA-503-P is located in the Dampier Sub-Basin of the Carnarvon Basin in the vicinity of the Legendre and Sage oil fields (Figure 4).

5.8.1 Geological Setting

The Dampier Sub-basin contains Paleozoic to Cenozoic sedimentary successions, with maximum thicknesses of 10–20 km. The region offers proven petroleum systems of Late Triassic, Middle-Late Jurassic and Lower Cretaceous age. Both oil and gas accumulations exist within these Sub-basins, which offer a range of play types to be targeted. Gas is sourced from Triassic to Middle Jurassic fluvio-deltaic rocks of the Mungaroo and Brigadier formations, Murat Siltstone, and Athol and Legendre formations. Oil is sourced from the Upper Jurassic Dingo Claystone. Structural plays include tilted fault blocks and rollovers, anticlines and drapes, and horsts. Stratigraphic plays include pinch-outs, unconformity traps and transgressive sandstone packages at the base of the Locker Shale.

5.8.2 WA-503-P

(a) Permit Interests

Neon was granted the permit WA-503-P in May 2014 for an initial period of 6 years (Figure 4). They hold a 100% interest in the permit.

(b) Permit Commitments

The work program for WA-503-P is shown in Table 17.

Table17: WA-503-P Work Commitments

Year	Start Date	End Date	Activity	Indicative 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 and Petrophysical Studies	200,000

(c) Farmin Deals

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 attached.

(d) Prospects and Leads

There is one prospect and two leads in this permit identified 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 are present in the nearby wells at Janus-1 and Orion-1.

The Astaire lead has potential reservoirs at two levels, Calypso sands and Legendre sands. The Horst block is on the upthrown side of the Rosemary Fault. Critical risk is fault seal and charge. Reservoir has been proven by Janus-1 and Orion-1.

The prospectivity of WA-503-P will be delineated by the forthcoming 3D seismic survey.

(e) Valuation

AWT has 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 notes that Neon is in the first year of a six year term.

AWT estimates that the value for WA-503-P lies between \$0.72 million and \$1.79 million with a preferred value of \$1.25 million.

6.0 STATEMENTS

6.1 Limitations

AWT has primarily relied on data supplied by MEO and Neon. These reports and information were compiled and written by various industry and government bodies as well as consultants. The material was reviewed for its quality, accuracy and validity and was considered to be acceptable. It is believed that the information received is reliable and there is no reason to believe that any material facts have been withheld. However, the level of review of the information provided to us does not amount to an audit, verification or due diligence, save to the extent necessary to satisfy ourselves that it is reasonable for us to rely on that information, and no warranty can be given that this review has analysed all of the matters which a more extensive examination might reveal. AWT has not been required to check the status of MEO's or Neon's interests in the permits. No warranty can be given that this review has analysed all of the matters, which an extensive examination might reveal.

This report or any reference thereto, may not be included in any other document or distributed for any other purpose without the prior written consent of AWT to the purpose of such distribution and to the form and context in which the report or reference appears.

The opinions and statements in this report are made in good faith and in the belief that such opinions and statements are not misleading.

6.2 Declaration

6.2.1 Independence

This report is our genuine opinion and the product of our professional judgment. AWT has not had and, at the date of this report, does not have any relationship with MEO or Neon or its subsidiary companies that could be regarded as capable of affecting AWT's ability to provide an unbiased opinion in relation to this report. In particular, neither the authors of this report, or any director or senior employee of AWT involved in preparing the report has a substantial interest in, or is a substantial creditor of, or has any material financial interest in the transaction.

6.2.2 Fees and other **benefits**

A fee of \$65,000 ex GST will be received for the preparation of this letter as part of the valuation of MEO's and Neon's exploration assets. Payment of the fee is not contingent on any matter. AWT will receive no other benefit for the preparation of the report. The author of this report has no pecuniary or other interest which could be regarded as capable of affecting his ability to provide an unbiased opinion in relation to this report.

6.2.3 Changes in facts or circumstances

Advance copies of this report were provided to the Directors of MEO and minor changes were made as a consequence. There have been no material changes made to the report. The author confirms that there has been no material change of circumstances, or of available information that AWT is aware of since this report was compiled, and AWT is not aware of any significant matters arising from this evaluation that are not covered by this report, which might be of a material nature.

6.2.4 Currency of Report

This report has been prepared based on information available up to and including 25 November 2014.

6.2.5 Consent for use

AWT has given and not withdrawn its written consent to the inclusion of this report in the Independent Expert's Report by KPMG to be provided to MEO shareholders in relation to a potential merger by MEO and Neon in the form and context in which this report appears.

7.0 QUALIFICATIONS OF THE AUTHORS

7.1 Douglas Barrenger

Doug Barrenger received a BSc degree (geology) from the Australian National University and a Graduate Diploma in Computing Science from the Queensland University of Technology. He has more than 35 years of experience in the petroleum industry and has undertaken all facets of geological work, from wellsite and operations geology to prospect evaluation, risk analysis, reserve assessment, basin analysis, portfolio valuation and project management for both operated permits and new-venture roles and for development and exploration projects. He has worked on all Australian petroleum basins, including coal seam gas, and has overseas experience in SE Asia and Italy as an employee and as a consultant and has written numerous Independent Expert Reports and acreage Valuations. Doug is a founding partner of MBA Petroleum Consultants, which merged with AWT in 2009. He was the General Manager Exploration at Exoma Energy through 2012, and is currently consulting through his company, Fluid Energy Consultants.

Doug is a member of the Petroleum Exploration Society of Australia (PESA), the Society of Petroleum Engineer (SPE) and a thirty five-year, Active Member of the American Association of Petroleum Geologists (number 330431).

7.2 Wal Muir

Wal Muir has a B.Sc. (Hons) degree from the University of New South Wales (1978) with a double major in Geology, a major in Pure Mathematics and Honours in Geophysics. He has a Master of Business Administration (1989) from the University of Queensland. Mr Muir has more than 35 years of experience in the petroleum exploration and production industry, both within Australia and overseas.

Wal is a member of the Australian Society of Exploration Geophysicists, Queensland Petroleum Exploration and is a Distinguished Member of the Petroleum Exploration Society of Australia (PESA). He has filled all the executive positions at PESA Queensland, and was Federal President of PESA from 1997 until 1999. Mr Muir was an Adjunct Professor in Biogeosciences at the Queensland University of Technology from 2009 to 2013.

An experienced and motivated petroleum professional, Mr Muir specialises in the accurate evaluation of the value and risks associated with exploration and production acreage. He has specific skills in seismic interpretation, risk analysis, play and prospect evaluation and team leadership. Prior to founding his own consulting group in 2001, Wal was the New Ventures and Exploration Manager for Petroz NL. He has worked on all Australian petroleum basins, and extensively in basins overseas including SE Asia, the North Sea, Italy, Falklands, US and East Africa.



Yours sincerely,

A handwritten signature in black ink, appearing to read 'Wal Muir'.

Wal Muir

Principal Geophysicist

A handwritten signature in black ink, appearing to read 'D. Barringer'.

Doug Barringer

Principal Geologist



Attachment C

Independent Limited Assurance Report



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18 December 2014

The Board of Directors
MEO Australia Limited
Level 20
500 Collins Street
MELBOURNE VIC 3000

Dear Directors

INDEPENDENT LIMITED ASSURANCE REPORT ON HISTORICAL FINANCIAL INFORMATION AND PRO FORMA HISTORICAL FINANCIAL INFORMATION

1. Introduction

We have been engaged by MEO Australia Limited (“MEO”) to report on the historical financial information and pro forma historical financial information for inclusion in the MEO Scheme of Arrangement (“Scheme Booklet”) to be dated on or about 18 December 2014, and to be issued by MEO, in respect of the proposed implementation of a Scheme of Arrangement between MEO and MEO Shareholders (“the Proposed Transaction”), which if implemented, will result in the transfer of all the issued ordinary shares of MEO to Neon Energy Limited (“Neon”, collectively the “Merged Group”).

Expressions and terms defined in the Scheme Booklet have the same meaning in this report.

2. Scope

Historical Financial Information

You have requested Ernst & Young to review the historical consolidated statement of financial position of MEO as at 30 June 2014 as set out in Section 6.8 of the Scheme Booklet. (Hereafter ‘the Historical Financial Information’)

The Historical Financial Information has been extracted from the financial report of MEO for the year ended 30 June 2014 which has been audited by Ernst & Young, in accordance with Australian Auditing Standards. Ernst & Young issued an unqualified audit opinion on this financial report.

The Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards, which are consistent with International Financial Reporting Standards.

Pro Forma Historical Financial Information

You have requested Ernst & Young to review the pro forma historical consolidated statement of financial position of the Merged Group as at 30 June 2014 as set out in Section 6.8 of the Scheme Booklet. (Hereafter the ‘Pro Forma Historical Financial Information’)

(Hereafter the Historical Financial Information and Pro Forma Historical Financial Information is collectively referred to as ‘Financial Information’)

The Pro Forma Historical Financial Information has been derived from the Historical Financial Information of MEO and adjusted for the effects of pro forma adjustments described in Section 6.8.4 of the Scheme Booklet.

The Pro Forma Historical Financial Information has been prepared in a manner consistent with the recognition and measurement principles contained in Australian Accounting Standards, which are

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consistent with International Financial Reporting Standards, other than it includes pro forma adjustments as described in Section 6.8.4 of the Scheme Booklet, that reflect the impact of events or transactions as if they occurred on or before 30 June 2014.

Due to its nature, the Pro Forma Historical Financial Information does not represent the Company's actual or prospective financial position.

The Financial Information is presented in the Scheme Booklet in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

3. Directors' Responsibility

The directors of MEO are responsible for the preparation and presentation of the Historical Financial Information and Pro Forma Historical Financial Information, including the basis of preparation and the selection and determination of pro forma adjustments made to the Historical Financial Information and included in the Pro Forma Historical Financial Information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of Historical Financial Information and Pro Forma Historical Financial Information that are free from material misstatement, whether due to fraud or error.

4. Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Historical Financial Information and Pro Forma Historical Financial Information based on the procedures performed and the evidence we have obtained.

We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

Our limited assurance procedures consisted of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other limited assurance procedures. A limited assurance engagement is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or limited assurance reports on any financial information used as a source of the Financial Information.

5. Conclusions

Historical Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Historical Financial Information comprising the historical consolidated statement of financial position of MEO as at 30 June 2014 as set out in Section 6.8 of the Scheme Booklet is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 6.8 of the Scheme Booklet.

Pro Forma Historical Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information comprising the pro forma historical consolidated statement of financial position of the Merged Group as at 30 June 2014 as set out in Section 6.8 of the Scheme Booklet is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 6.8 of the Scheme Booklet.

6. Restriction on Use

Without modifying our conclusions, we draw attention to Section 6.8.3 of the Scheme Booklet, which describes the purpose of the Financial Information. As a result, the Financial Information may not be suitable for use for another purpose.

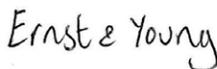
7. Consent

Ernst & Young has consented to the inclusion of this limited assurance report in the Scheme Booklet in the form and context in which it is included.

8. Independence or Disclosure of Interest

Ernst & Young does not have any interests in the outcome of this Proposed Transaction other than in the preparation of this report for which normal professional fees will be received.

Yours faithfully



Ernst & Young

Attachment D

Scheme of Arrangement



HERBERT
SMITH
FREEHILLS

Scheme of arrangement

MEO Australia Limited

Scheme Shareholders

QV.1 Building 250 St Georges Terrace Perth WA 6000 Australia
GPO Box U1942 Perth WA 6845 Australia

T +61 8 9211 7777 F +61 8 9211 7878
herbertsmithfreehills.com DX 104 Perth

Scheme of arrangement

This scheme of arrangement is made under section 411 of the *Corporations Act 2001* (Cth)

Between the parties

MEO	MEO Australia Limited ABN 43 066 447 952 of Level 23, 500 Collins Street, Melbourne, Victoria 3000
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The Scheme Shareholders

1 Definitions, interpretation and scheme components

1.1 Definitions

Schedule 1 contains definitions used in this Scheme.

1.2 Interpretation

Schedule 1 contains interpretation rules for this Scheme.

1.3 Scheme components

This Scheme includes any schedule to it.

2 Preliminary matters

- (a) MEO is a public company limited by shares, registered in Victoria, Australia, and has been admitted to the official list of the ASX. MEO Shares are quoted for trading on the ASX.
- (b) As at 5 November 2014:
 - (1) 750,488,387 MEO Shares were on issue and officially quoted on ASX;
 - (2) 15,930,000 MEO Options were on issue and were not quoted on any stock exchange; and
 - (3) 350,000 MEO Performance Rights were on issue and were not quoted on any stock exchange.

- (c) Neon is a public company limited by shares, registered in New South Wales, Australia, and admitted to the official list of the ASX.
- (d) If this Scheme becomes Effective:
 - (1) Neon must provide or procure the provision of the Scheme Consideration to the Scheme Shareholders in accordance with the terms of this Scheme and the Deed Poll; and
 - (2) all the Scheme Shares, and all the rights and entitlements attaching to them as at the Implementation Date, must be transferred to Neon and MEO will enter the name of Neon in the Share Register in respect of the Scheme Shares.
- (e) MEO and Neon have agreed, by executing the Implementation Deed, to implement this Scheme.
- (f) This Scheme attributes actions to Neon but does not itself impose an obligation on it to perform those actions. Neon has agreed, by executing the Deed Poll, to perform the actions attributed to it under this Scheme, including the provision or procuring the provision of the Scheme Consideration to the Scheme Shareholders.

3 Conditions

3.1 Conditions precedent

This Scheme is conditional on and will have no force or effect until, the satisfaction of each of the following conditions precedent:

- (a) all the conditions in clause 3.1 of the Implementation Deed (other than the condition in the Implementation Deed relating to Court approval of this Scheme) having been satisfied or waived in accordance with the terms of the Implementation Deed by 8.00am on the Second Court Date;
- (b) neither the Implementation Deed nor the Deed Poll having been terminated in accordance with their terms before 8.00am on the Second Court Date;
- (c) approval of this Scheme by the Court under paragraph 411(4)(b) of the Corporations Act, including with any alterations made or required by the Court under subsection 411(6) of the Corporations Act and agreed to by Neon and MEO;
- (d) such other conditions made or required by the Court under subsection 411(6) of the Corporations Act in relation to this Scheme and agreed to by Neon and MEO having been satisfied; and
- (e) the orders of the Court made under paragraph 411(4)(b) (and, if applicable, subsection 411(6)) of the Corporations Act approving this Scheme coming into effect, pursuant to subsection 411(10) of the Corporations Act on or before the End Date (or any later date Neon and MEO agree in writing).

3.2 Certificate

- (a) Neon and MEO will provide to the Court on the Second Court Date a certificate, or such other evidence as the Court requests, confirming (in respect of matters within their knowledge) whether or not all of the conditions precedent in clauses 3.1(a) and 3.1(b) have been satisfied or waived.

- (b) The certificates referred to in clause 3.2(a) constitute conclusive evidence of the matters referred to in them.

4 Implementation of this Scheme

4.1 Lodgement of Court orders with ASIC

MEO must lodge with ASIC, in accordance with subsection 411(10) of the Corporations Act, an office copy of the Court order approving this Scheme as soon as possible and in any event by 5.00pm on the first Business Day after the day on which it receives an office copy of that Court order.

4.2 Transfer of Scheme Shares

On the Implementation Date:

- (a) subject to the provision of the Scheme Consideration in the manner contemplated by clause 5, the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares as at the Implementation Date, must be transferred to Neon, without the need for any further act by any Scheme Shareholder (other than acts performed by MEO as attorney and agent for Scheme Shareholders under clause 8.5), by:
- (1) MEO delivering to Neon a duly completed Scheme Transfer duly executed by it (as transferor) on behalf of the Scheme Shareholders; and
 - (2) Neon duly executing the Scheme Transfer (as transferee), attending to the stamping of the Scheme Transfer (if required) and delivering it to MEO for registration; and
- (b) immediately following receipt of the Scheme Transfer in accordance with clause 4.2(a)(2), MEO must enter, or procure the entry of, the name of Neon in the Share Register in respect of all the Scheme Shares transferred to Neon in accordance with this Scheme.

5 Scheme Consideration

5.1 Provision of Scheme Consideration

Neon must, subject to clauses 5.2, 5.3, 5.4 and 5.6:

- (a) on or before the Implementation Date, issue the Scheme Consideration to the Scheme Shareholders and procure that the name and address of each Scheme Shareholder is entered in the Neon Register in respect of those New Neon Shares issued to them; and
- (b) procure that on or before the date that is five Business Days after the Implementation Date, a share certificate or holding statement (or equivalent document) is sent to the Registered Address of each Scheme Shareholder representing the number of New Neon Shares issued to the Scheme Shareholder pursuant to this Scheme.

5.2 Joint holders

In the case of Scheme Shares held in joint names:

- (a) the New Neon Shares to be issued under this Scheme must be issued to and registered in the names of the joint holders;
- (b) any cheque required to be sent under this Scheme will be made payable to the joint holders and sent to either, at the sole discretion of MEO, the holder whose name appears first in the MEO Share Register as at the Scheme Record Date or to the joint holders; and
- (c) any other document required to be sent under this Scheme, will be forwarded to either, at the sole discretion of MEO, the holder whose name appears first in the Share Register as at the Scheme Record Date or to the joint holders.

5.3 Ineligible Foreign Shareholders

- (a) Neon will be under no obligation to issue any New Neon Shares under this Scheme to any Ineligible Foreign Shareholder and instead:
 - (1) subject to clauses 5.4 and 5.6, Neon must, on or before the Implementation Date, issue the New Neon Shares which would otherwise be required to be issued (had they been Scheme Shareholders who are not Ineligible Foreign Shareholders) to the Ineligible Foreign Shareholders under this Scheme to the Sale Agent;
 - (2) Neon must procure that as soon as reasonably practicable on or after the Implementation Date, the Sale Agent, in consultation with Neon, sells or procures the sale of all the New Neon Shares issued to the Sale Agent and remits to MEO the proceeds of the sale (after deduction of any applicable brokerage, stamp duty, currency conversion costs and other costs, taxes and charges) (**Proceeds**);
 - (3) promptly after receiving the Proceeds in respect of the sale of all of the New Neon Shares referred to in clause 5.3(a)(1), MEO must pay, or procure the payment, to each Ineligible Foreign Shareholder, of the amount 'A' calculated in accordance with the following formula and rounded down to the nearest cent:
$$A = (B \div C) \times D$$
where
B = the number of New Neon Shares that would otherwise have been issued to that Ineligible Foreign Shareholder had it not been an Ineligible Foreign Shareholder and which are issued to the Sale Agent;
C = the total number of New Neon Shares which would otherwise have been issued to all Ineligible Foreign Shareholders (had they been Scheme Shareholders who are not Ineligible Foreign Shareholders) and which are issued to the Sale Agent; and
D = the Proceeds (as defined in clause 5.3(a)(2)).
- (b) None of Neon, MEO or the Sale Agent gives any assurance as to the price that will be achieved for the sale of New Neon Shares described in clause 5.3(a).
- (c) MEO must make payments to Ineligible Foreign Shareholders under clause 5.3(a) by either (in the absolute discretion of MEO):

- (1) where an Ineligible Foreign Shareholder has, before the Scheme Record Date, made a valid election in accordance with the requirements of the MEO Registry to receive dividend payments from MEO by electronic funds transfer to a bank account nominated by the Ineligible Foreign Shareholder, paying, or procuring the payment of, the relevant amount in Australian currency to that account by electronic funds transfer; or
 - (2) whether or not the Ineligible Foreign Shareholder has made an election referred to in clause 5.3(c)(1), dispatching, or procuring the dispatch of, a cheque for the relevant amount in Australian currency to the Ineligible Foreign Shareholder by prepaid post to their Registered Address (as at the Scheme Record Date), such cheque being drawn in the name of the Ineligible Foreign Shareholder (or in the case of joint holders, in accordance with clause 5.2).
- (d) If MEO receives professional advice that any withholding or other tax is required by law to be withheld from a payment to an Ineligible Foreign Shareholder, MEO is entitled to withhold the relevant amount before making the payment to the Ineligible Foreign Shareholder and payment of the reduced amount shall be taken to be full payment for the purposes of this Scheme, including clause 5.3(a)(3). MEO must pay any amount so withheld to the relevant taxation authorities within the time permitted by law, and, if requested in writing by the relevant Ineligible Foreign Shareholder, must provide a receipt or other appropriate evidence of such payment (or procure the provision of such receipt or such evidence) to the relevant Ineligible Foreign Shareholder.
- (e) Each Ineligible Foreign Shareholder appoints MEO as its agent to receive on its behalf any financial services guide or other notices (including any updates of those documents) that the Sale Agent is required to provide to Ineligible Foreign Shareholders under the Corporations Act.
- (f) Payment of the amount calculated in accordance with clause 5.3(a) to an Ineligible Foreign Shareholder in accordance with this clause 5.3 satisfies in full the Ineligible Foreign Shareholder's right to Scheme Consideration.

5.4 Fractional entitlements and splitting

- (a) Where the calculation of the number of New Neon Shares to be issued to a particular Scheme Shareholder would result in the Scheme Shareholder becoming entitled to a fraction of a New Neon Share, the fractional entitlement will be rounded down to the nearest whole number of New Neon Shares.
- (b) If Neon and MEO are of the opinion, formed reasonably, that two or more Scheme Shareholders, each of which holds a holding of MEO Shares which results in a fractional entitlement to New Neon Shares have, before the Scheme Record Date, been party to a shareholding splitting or division in an attempt to obtain an advantage by reference to the rounding provided for in the calculation of each Scheme Shareholder's entitlement to the Scheme Consideration, then, if Neon and MEO agree (acting reasonably), Neon and MEO may give notice to those Scheme Shareholders:
- (1) setting out the names and Registered Addresses of all of them;
 - (2) stating that opinion; and
 - (3) attributing to one of them specifically identified in the notice the MEO Shares held by all of them,

and, after the notice has been so given, the Scheme Shareholder specifically identified in the notice shall, for the purposes of this Scheme, be taken to hold all those MEO Shares and each of the other Scheme Shareholders whose names are set out in the notice shall, for the purposes of this Scheme, be taken to hold no MEO Shares.

5.5 Unclaimed monies

- (a) MEO may cancel a cheque issued under this clause 5 if the cheque:
 - (1) is returned to MEO; or
 - (2) has not been presented for payment within six months after the date on which the cheque was sent.
- (b) During the period of 12 months commencing on the Implementation Date, on request in writing from a Scheme Shareholder to MEO (or the MEO Registry) MEO must reissue a cheque that was previously cancelled under this clause 5.5.
- (c) The *Unclaimed Money Act 2008* (VIC) will apply in relation to any Scheme Consideration which becomes 'unclaimed money' (as defined in section 3 of the *Unclaimed Money Act 2008* (VIC)).

5.6 Orders of a court or Government Agency

If written notice is given to MEO (or the MEO Registry) of an order or direction made by a court of competent jurisdiction or by another Government Agency that:

- (a) requires consideration to be provided to a third party (either through payment of a sum or the issuance of a security) in respect of Scheme Shares held by a particular Scheme Shareholder, which would otherwise be payable or required to be issued to that Scheme Shareholder by MEO in accordance with this clause 5, then MEO shall be entitled to procure that provision of that consideration is made in accordance with that order or direction; or
- (b) prevents MEO from providing consideration to any particular Scheme Shareholder in accordance with this clause 5, or the payment or issuance of such consideration is otherwise prohibited by applicable law, then MEO shall be entitled to (as applicable):
 - (1) retain an amount, in Australian dollars, equal to the number of Scheme Shares held by that Scheme Shareholder multiplied by the Scheme Consideration; or
 - (2) direct Neon not to issue, or to issue to a trustee or nominee, such number of New Neon Shares as that Scheme Shareholder would otherwise be entitled to under this Scheme,

until such time as provision of the consideration in accordance with this this Scheme is permitted by that order or direction or otherwise by law.

5.7 Status of New Neon Shares

Subject to this Scheme becoming Effective, Neon must:

- (a) issue the New Neon Shares required to be issued by it under this Scheme on terms such that each such New Neon Share will rank equally in all respects with each existing Neon Share;

- (b) ensure that each such New Neon Share is duly and validly issued in accordance with all applicable laws and Neon's constitution, fully paid and free from any mortgage, charge, lien, encumbrance or other security interest (except for any lien arising under Neon's constitution); and
- (c) use all reasonable endeavours to ensure that such New Neon Shares are, from the Business Day following the date this Scheme becomes Effective (or such later date as ASX requires), quoted for trading on the ASX initially on a deferred settlement basis and thereafter on an ordinary settlement basis.

6 Dealings in MEO Shares

6.1 Determination of Scheme Shareholders

To establish the identity of the Scheme Shareholders, dealings in MEO Shares or other alterations to the Share Register will only be recognised if:

- (a) in the case of dealings of the type to be effected using CHESSE, the transferee is registered in the Share Register as the holder of the relevant MEO Shares on or before the Scheme Record Date; and
- (b) in all other cases, registrable transfer or transmission applications in respect of those dealings, or valid requests in respect of other alterations, are received on or before the Scheme Record Date at the place where the Share Register is kept,

and MEO must not accept for registration, nor recognise for any purpose (except a transfer to Neon pursuant to this Scheme and any subsequent transfer by Neon or its successors in title), any transfer or transmission application or other request received after the Scheme Record Date, or received prior to the Scheme Record Date but not in registrable or actionable form.

6.2 Share Register

- (a) MEO must register registrable transmission applications or transfers of the Scheme Shares in accordance with clause 6.1(b) before the Scheme Record Date provided that, for the avoidance of doubt, nothing in this Scheme requires MEO to register a transmission application or transfer that would result in a MEO Shareholder holding a parcel of MEO Shares that is less than a 'marketable parcel' (for the purposes of this clause 6.2(a) 'marketable parcel' has the meaning given in the Operating Rules).
- (b) If this Scheme becomes Effective, a holder of Scheme Shares (and any person claiming through that holder) must not dispose of, or purport or agree to dispose of, any Scheme Shares or any interest in them on or after the Scheme Record Date otherwise than pursuant to this Scheme, and any attempt to do so will have no effect and MEO shall be entitled to disregard any such disposal.
- (c) For the purpose of determining entitlements to the Scheme Consideration, MEO must maintain the Share Register in accordance with the provisions of this clause 6.2 until the Scheme Consideration has been paid to the Scheme Shareholders. The Share Register in this form will solely determine entitlements to the Scheme Consideration.
- (d) All statements of holding for MEO Shares (other than statements of holding in favour of Neon or any Excluded Shareholder) will cease to have effect after the Scheme Record Date as documents of title in respect of those shares and, as

from that date, each entry current at that date on the Share Register (other than entries on the Share Register in respect of Neon or any Excluded Shareholder) will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of the MEO Shares relating to that entry.

- (e) As soon as possible on or after the Scheme Record Date, and in any event within one Business Day after the Scheme Record Date, MEO will ensure that details of the names, Registered Addresses and holdings of MEO Shares for each Scheme Shareholder as shown in the Share Register are available to Neon in the form Neon reasonably requires.

7 Quotation of MEO Shares

- (a) MEO must apply to ASX to suspend trading on the ASX in MEO Shares with effect from the close of trading on the Effective Date.
- (b) On a date after the Implementation Date to be determined by Neon, MEO must apply:
- (1) for termination of the official quotation of MEO Shares on the ASX; and
 - (2) to have itself removed from the official list of the ASX.

8 General Scheme provisions

8.1 Consent to amendments to this Scheme

If the Court proposes to approve this Scheme subject to any alterations or conditions:

- (a) MEO may by its counsel consent on behalf of all persons concerned to those alterations or conditions to which Neon has consented; and
- (b) each Scheme Shareholder agrees to any such alterations or conditions which counsel for MEO has consented to.

8.2 Scheme Shareholders' agreements and warranties

- (a) Each Scheme Shareholder:
- (1) agrees to the transfer of their MEO Shares together with all rights and entitlements attaching to those MEO Shares in accordance with this Scheme;
 - (2) agrees to the variation, cancellation or modification of the rights attached to their MEO Shares constituted by or resulting from this Scheme;
 - (3) agrees to become a member of Neon and to be bound by the terms of the constitution of Neon; and
 - (4) acknowledges that this Scheme binds MEO and all Scheme Shareholders (including those who do not attend the Scheme Meeting or those who do not vote, or vote against this Scheme, at the Scheme Meeting).

- (b) Each Scheme Shareholder is taken to have warranted to MEO and Neon on the Implementation Date, and appointed and authorised MEO as its attorney and agent to warrant to Neon on the Implementation Date, that all their MEO Shares (including any rights and entitlements attaching to those MEO Shares) which are transferred under this Scheme will, at the date of transfer, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind, and that they have full power and capacity to transfer their MEO Shares to Neon together with all rights and entitlements attaching to those MEO Shares. MEO undertakes that it will provide such warranty to Neon as agent and attorney of each Scheme Shareholder.

8.3 Title to and rights in Scheme Shares

- (a) To the extent permitted by law, the Scheme Shares (including all rights and entitlements attaching to the Scheme Shares) transferred under this Scheme to Neon will, at the time of transfer of them to Neon, vest in Neon free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise and free from any restrictions on transfer of any kind.
- (b) Immediately upon the provision of the Scheme Consideration to each Scheme Shareholder in the manner contemplated by this Scheme, Neon will be beneficially entitled to the Scheme Shares to be transferred to it under this Scheme pending registration by MEO of Neon in the Share Register as the holder of the Scheme Shares.

8.4 Appointment of sole proxy

Immediately upon the provision of the Scheme Consideration to each Scheme Shareholder in the manner contemplated this Scheme, and until MEO registers Neon as the holder of all Scheme Shares in the Share Register, each Scheme Shareholder:

- (a) is deemed to have appointed Neon as attorney and agent (and directed Neon in each such capacity) to appoint any director, officer, secretary or agent nominated by Neon as its sole proxy and, where applicable or appropriate, corporate representative to attend meetings of MEO Shareholders, exercise the votes attaching to the Scheme Shares registered in their name and sign any resolution of MEO Shareholders;
- (b) must not attend or vote at any meetings of MEO Shareholders or sign any resolutions of MEO Shareholders, whether in person, by proxy or by corporate representative (other than pursuant to clause 8.4(a));
- (c) must take all other actions in the capacity of a registered holder of Scheme Shares as Neon reasonably directs; and
- (d) acknowledges and agrees that in exercising the powers referred to in clause 8.4(a), Neon and any director, officer, secretary or agent nominated by Neon under clause 8.4(a) may act in the best interests of Neon as the intended registered holder of the Scheme Shares.

8.5 Authority given to MEO

Each Scheme Shareholder, without the need for any further act:



- (a) on the Effective Date, irrevocably appoints MEO and each of its directors, officers and secretaries (jointly and each of them severally) as its attorney and agent for the purpose of enforcing the Deed Poll against Neon, and MEO undertakes in favour of each Scheme Shareholder that it will enforce the Deed Poll against Neon on behalf of and as agent and attorney for each Scheme Shareholder; and
- (b) on the Implementation Date, irrevocably appoints MEO and each of its directors, officers and secretaries (jointly and each of them severally) as its attorney and agent for the purpose of executing any document or any other act necessary, desirable or expedient to give effect to this Scheme and the transactions contemplated by it, including (without limitation) executing the Scheme Transfer,

and MEO accepts each such appointment. MEO as attorney and agent of each Scheme Shareholder, may sub-delegate its functions, authorities or powers under this clause 8.5 to all or any of its directors, officers, secretaries or employees (jointly, severally or jointly and severally).

8.6 Instructions and elections

If not prohibited by law (and including where permitted or facilitated by relief granted by a Government Agency), all instructions, notifications or elections by a Scheme Shareholder to MEO which are binding or deemed to be binding as between the Scheme Shareholder and MEO and which relate to MEO or MEO Shares, including instructions, notifications or elections relating to:

- (a) whether dividends are to be paid by cheque or into a specific bank account;
- (b) payments of dividends on MEO Shares; and
- (c) notices or other communications from MEO (including by email),

will be deemed from the Implementation Date (except to the extent determined otherwise by Neon in its sole discretion), by reason of this Scheme, to be made by the Scheme Shareholder to Neon and to be a binding instruction, notification or election to, and accepted by, Neon in respect of the New Neon Shares issued to that Scheme Shareholder until that instruction, notification or election is revoked or amended by that Scheme Shareholder in writing addressed to Neon at its registry.

8.7 Binding effect of Scheme

This Scheme binds MEO and all of the Scheme Shareholders (including those who did not attend the Scheme Meeting to vote on this Scheme, did not vote at the Scheme Meeting, or voted against this Scheme at the Scheme Meeting) and, to the extent of any inconsistency, overrides the constitution of MEO.

9 General

9.1 Stamp duty

Neon will:

- (a) pay all stamp duty and any related fines and penalties in respect of this Scheme and the Deed Poll, the performance of the Deed Poll and each transaction effected by or made under this Scheme and the Deed Poll; and

- (b) indemnify each Scheme Shareholder against any liability arising from any failure to comply with clause 9.1(a).

9.2 Consent

Each of the Scheme Shareholders consents to MEO doing all things necessary or incidental to the implementation of this Scheme, whether on behalf of the Scheme Shareholders, MEO or otherwise.

9.3 Notices

- (a) If a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to MEO, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at MEO's registered office or at the office of the MEO Registry.
- (b) The accidental omission to give notice of the Scheme Meeting or the non-receipt of such notice by a MEO Shareholder will not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

9.4 Governing law

- (a) This Scheme is governed by the laws in force in Western Australia.
- (b) The parties irrevocably submit to the non-exclusive jurisdiction of courts exercising jurisdiction in Western Australia and courts of appeal from them in respect of any proceedings arising out of or in connection with this Scheme. The parties irrevocably waive any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.

9.5 Further action

MEO must do all things and execute all documents necessary to give full effect to this Scheme and the transactions contemplated by it.

9.6 No liability when acting in good faith

Each Scheme Shareholder agrees that neither MEO, Neon or any of their respective Related Bodies Corporate nor any director, officer, secretary, contractor or employee of any of those companies or any of their respective Related Bodies Corporate shall be liable for anything done or omitted to be done in the performance of this Scheme or the Deed Poll in good faith.

Schedule 1

Definitions and interpretation

1 Definitions

The meanings of the terms used in this Scheme are set out below.

Term	Meaning
ASIC	the Australian Securities and Investments Commission.
ASX	ASX Limited (ABN 98 008 624 691) and, where the context requires, the financial market that it operates.
Business Day	a day that is not a Saturday, Sunday or public holiday or bank holiday in Perth and Melbourne, Australia.
CHESS	the Clearing House Electronic Subregister System operated by ASX Settlement Pty Ltd (ACN 008 504 532) and ASX Clear Pty Limited (ACN 001 314 503).
Corporations Act	the <i>Corporations Act 2001</i> (Cth).
Corporations Regulations	the <i>Corporations Regulations 2001</i> (Cth).
Court	such court of competent jurisdiction under the Corporations Act agreed to in writing by Neon and MEO.
Deed Poll	the deed poll substantially in the form of Attachment 1 under which Neon covenants in favour of the Scheme Shareholders to perform the obligations attributed to it under this Scheme.
Effective	when used in relation to this Scheme, the coming into effect, under subsection 411(10) of the Corporations Act, of the order of the Court made under paragraph 411(4)(b) of the Corporations Act in relation to this Scheme.

Term	Meaning
Effective Date	the date on which this Scheme becomes Effective.
End Date	the date that is 6 months after the date of the Implementation Deed, or such other date as agreed in writing by the parties.
Excluded Shareholder	any MEO Shareholder who is a member of the Neon Group or any MEO Shareholder who holds any MEO Shares on behalf of, or for the benefit of, any member of the Neon Group and does not hold MEO Shares on behalf of, or for the benefit of, any other person.
Government Agency	any foreign or Australian government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity, or any minister of the Crown in right of the Commonwealth of Australia or any state, or any other federal, state, provincial, local or other government, whether foreign or Australian.
Implementation Date	the fifth Business Day after the Scheme Record Date, or such other date after the Scheme Record Date as the parties agree in writing.
Implementation Deed	the merger implementation deed dated 5 November 2014 between MEO and Neon relating to the implementation of this Scheme.
Ineligible Foreign Shareholder	<p>a Scheme Shareholder:</p> <p>(a) whose address shown in the MEO Share Register on the Scheme Record Date is a place outside Australia and its external territories or New Zealand; <u>or</u>,</p> <p>(b) <u>who is known by MEO to be, or is known by MEO to be holding MEO Shares on behalf of, a citizen or resident of a jurisdiction other than residents of Australia and its external territories or New Zealand.</u></p> <p>unless Neon determines that it is lawful and not unduly onerous or impracticable to issue that Scheme Shareholder with New Neon Shares when this Scheme becomes Effective.</p>
Listing Rules	the official listing rules of ASX.
Marketable Parcel	a parcel of New Neon Shares having a value of not less than \$500 based on the closing price of fully paid ordinary shares of Neon on the ASX as at the Scheme Record Date.

Term	Meaning
MEO Option	an option granted by MEO to acquire one unissued MEO Share, including options granted under MEO's Long Term Incentive Plan adopted by MEO on 13 September 2011.
MEO Performance Right	a right granted by MEO to acquire one unissued MEO Share for nil consideration.
MEO Registry	Link Market Services Limited (ABN 54 083 214 537).
MEO Share	a fully paid ordinary share in the capital of MEO.
MEO Shareholder	each person who is registered as the holder of an MEO Share in the Share Register.
Neon	Neon Energy Limited (ABN 49 002 796 974) of Ground Floor, 88 Colin Street, West Perth, Western Australia 6005.
Neon Group	Neon and each of its Subsidiaries and a reference to a 'Neon Group Member' or 'a member of the Neon Group' is to Neon or any of its Subsidiaries.
Neon Register	the register of shareholders maintained by Neon or its agent.
New Neon Share	a fully paid ordinary share in Neon to be issued to Scheme Shareholders under this Scheme.
Operating Rules	the official operating rules of ASX.
Registered Address	in relation to a MEO Shareholder, the address shown in the Share Register as at the Scheme Record Date.
Related Bodies Corporate	the meaning set out in section 50 of the Corporations Act.
Sale Agent	a person appointed by appointed Neon to sell the New Neon Shares that are to be issued under clause 5.3(a)(1) of this Scheme.

Term	Meaning
Scheme	this scheme of arrangement under Part 5.1 of the Corporations Act between MEO and the Scheme Shareholders subject to any alterations or conditions made or required by the Court under subsection 411(6) of the Corporations Act and agreed to by Neon and MEO.
Scheme Consideration	the consideration to be provided by Neon to each Scheme Shareholder for the transfer of each Scheme Share, being for each MEO Share held by a Scheme Shareholder as at the Scheme Record Date, an amount of 0.7369 New Neon Shares, subject to the terms of this Scheme.
Scheme Meeting	the meeting of the MEO Shareholders (other than Excluded Shareholders) ordered by the Court to be convened under subsection 411(1) of the Corporations Act to consider and vote on this Scheme and includes any meeting convened following any adjournment or postponement of that meeting.
Scheme Record Date	5.00pm on the fifth Business Day after the Effective Date or such other time and date as the parties agree in writing.
Scheme Shareholder	a holder of MEO Shares recorded in the Share Register as at the Scheme Record Date.
Scheme Shares	all MEO Shares held by the Scheme Shareholders as at the Scheme Record Date (other than an Excluded Shareholder).
Scheme Transfer	a duly completed and executed proper instrument of transfer in respect of the Scheme Shares for the purposes of section 1071B of the Corporations Act, in favour of Neon as transferee, which may be a master transfer of all or part of the Scheme Shares.
Second Court Date	the first day on which an application made to the Court for an order under paragraph 411(4)(b) of the Corporations Act approving this Scheme is heard or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard.
Share Register	the register of members of MEO maintained in accordance with the Corporations Act.



2 Interpretation

In this Scheme:

- (a) headings and bold type are for convenience only and do not affect the interpretation of this Scheme;
- (b) the singular includes the plural and the plural includes the singular;
- (c) words of any gender include all genders;
- (d) other parts of speech and grammatical forms of a word or phrase defined in this Scheme have a corresponding meaning;
- (e) a reference to a person includes any company, partnership, joint venture, association, corporation or other body corporate and any Government Agency as well as an individual;
- (f) a reference to a clause, party, part, schedule, attachment or exhibit is a reference to a clause or part of, and a party, schedule, attachment or exhibit to, this Scheme;
- (g) a reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or reenactments of any of them;
- (h) a reference to a document (including this Scheme) includes all amendments or supplements to, or replacements or novations of, that document;
- (i) a reference to '\$', 'A\$' or 'dollar' is to Australian currency unless denominated otherwise;
- (j) a reference to any time is, unless otherwise indicated, a reference to that time in Perth, Australia;
- (k) a term defined in or for the purposes of the Corporations Act has the same meaning when used in this Scheme;
- (l) a reference to a party to a document includes that party's successors and permitted assignees;
- (m) no provision of this Scheme will be construed adversely to a party because that party was responsible for the preparation of this Scheme or that provision;
- (n) any agreement, representation, warranty or indemnity by two or more parties (including where two or more persons are included in the same defined term) binds them jointly and severally;
- (o) any agreement, representation, warranty or indemnity in favour of two or more parties (including where two or more persons are included in the same defined term) is for the benefit of them jointly and severally; and
- (p) a reference to a body, other than a party to this Scheme (including an institute, association or authority), whether statutory or not:
 - (1) which ceases to exist; or
 - (2) whose powers or functions are transferred to another body,is a reference to the body which replaces it or which substantially succeeds to its powers or functions.



3 Interpretation of inclusive expressions

Specifying anything in this Scheme after the words 'include' or 'for example' or similar expressions does not limit what else is included.

4 Business Day

Where the day on or by which any thing is to be done is not a Business Day, that thing must be done on or by the next Business Day.



HERBERT
SMITH
FREEHILLS

Attachment 1

Deed Poll

[Attached]



HERBERT
SMITH
FREEHILLS

Deed

Scheme deed poll

Neon Energy Limited

QV.1 Building 250 St Georges Terrace Perth WA 6000 Australia
GPO Box U1942 Perth WA 6845 Australia

T +61 8 9211 7777 F +61 8 9211 7878
herbertsmithfreehills.com DX 104 Perth



Scheme deed poll

Date ► **2 December 2014**

This deed poll is made

By **Neon Energy Limited**
ABN 49 002 796 974 of Ground Floor, 88 Colin Street, West Perth,
Western Australia 6005
(Neon)

In favour of each person registered as a holder of fully paid ordinary shares in
MEO Australia Limited (**MEO**) in the MEO Share Register as at the
Scheme Record Date (other than the Excluded Shareholders).

Recitals

- 1 MEO and Neon have entered into the Implementation Deed.
- 2 Under the Implementation Deed, Neon agreed to make this deed poll in favour of the Scheme Shareholders.
- 3 Neon is making this deed poll for the purpose of covenanting in favour of the Scheme Shareholders to perform its obligations under the Implementation Deed and the Scheme.

This deed poll provides as follows:

1 Definitions and interpretation

1.1 Definitions

(a) The meanings of the terms used in this deed poll are set out below.

Term	Meaning
First Court Date	the first day on which an application made to the Court for an order under subsection 411(1) of the Corporations Act convening the Scheme Meeting is heard or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard.
Implementation Deed	the merger implementation deed entered into between MEO and



Term	Meaning
	Neon dated 5 November 2014.
Scheme	the scheme of arrangement under Part 5.1 of the Corporations Act between MEO and the Scheme Shareholders, the form of which is set out in Attachment 1, subject to any alterations or conditions made or required by the Court under subsection 411(6) of the Corporations Act and agreed to by Neon and MEO.
(b)	Unless the context otherwise requires, terms defined in the Scheme have the same meaning when used in this deed poll.

1.2 Interpretation

Sections 2, 3 and 4 of Schedule 1 of the Scheme apply to the interpretation of this deed poll, except that references to 'this Scheme' are to be read as references to 'this deed poll'.

1.3 Nature of deed poll

Neon acknowledges that:

- (a) this deed poll may be relied on and enforced by any Scheme Shareholder in accordance with its terms even though the Scheme Shareholders are not party to it; and
- (b) under the Scheme, each Scheme Shareholder irrevocably appoints MEO and each of its directors, officers and secretaries (jointly and each of them severally) as its agent and attorney to enforce this deed poll against Neon.

2 Conditions to obligations

2.1 Conditions

The obligations of Neon under this deed poll are subject to the Scheme becoming Effective.

2.2 Termination

The obligations of Neon under this deed poll to the Scheme Shareholders will automatically terminate and the terms of this deed poll will be of no force or effect if:

- (a) the Implementation Deed is terminated in accordance with its terms; or
- (b) the Scheme is not Effective on or before the End Date,

unless Neon and MEO otherwise agree in writing.



2.3 Consequences of termination

If this deed poll terminates under clause 2.2, in addition and without prejudice to any other rights, powers or remedies available to it:

- (a) Neon is released from its obligations to further perform this deed poll; and
- (b) each Scheme Shareholder retains the rights they have against Neon in respect of any breach of this deed poll which occurred before it was terminated.

3 Scheme obligations

3.1 Undertaking to issue Scheme Consideration

Subject to clause 2, Neon undertakes in favour of each Scheme Shareholder to:

- (a) provide, or procure the provision of, the Scheme Consideration to each Scheme Shareholder in accordance with the terms of the Scheme; and
- (b) undertake all other actions attributed to it under the Scheme, subject to and in accordance with the provisions of the Scheme.

3.2 Shares to rank equally

Neon covenants in favour of each Scheme Shareholder that the New Neon Shares which are issued to each Scheme Shareholder in accordance with the Scheme will:

- (a) rank equally with all existing Neon Shares; and
- (b) be issued fully paid and free from any mortgage, charge, lien, encumbrance or other security interest (except for any lien arising under the constitution of Neon).

4 Warranties

Neon represents and warrants in favour of each Scheme Shareholder, in respect of itself, that:

- (a) it is a corporation validly existing under the laws of its place of registration;
- (b) it has the corporate power to enter into and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;
- (c) it has taken all necessary corporate action to authorise its entry into this deed poll and has taken or will take all necessary corporate action to authorise the performance of this deed poll and to carry out the transactions contemplated by this deed poll;
- (d) this deed poll is valid and binding on it and enforceable against it in accordance with its terms; and
- (e) this deed poll does not conflict with, or result in the breach of or default under, any provision of its constitution, or any writ, order or injunction, judgment, law, rule or regulation to which it is a party or subject or by which it is bound.



5 Continuing obligations

This deed poll is irrevocable and, subject to clause 2, remains in full force and effect until:

- (a) Neon has fully performed its obligations under this deed poll; or
- (b) the earlier termination of this deed poll under clause 2.

6 Notices

6.1 Form of Notice

A notice or other communication in respect of this deed poll (**Notice**) must be:

- (a) in writing and in English and signed by or on behalf of the sending party; and
- (b) addressed to Neon in accordance with the details set out below (or any alternative details nominated by Neon by Notice).

Attention	Managing Director
------------------	-------------------

Address	Ground Floor 88 Colin Street West Perth WA 6005
----------------	---

Fax no	+ 61 8 9481 7720
---------------	------------------

Email address	admin@neonenergy.com
----------------------	----------------------

6.2 How Notice must be given and when Notice is received

- (a) A Notice must be given by one of the methods set out in the table below.
- (b) A Notice is regarded as given and received at the time set out in the table below.

However, if this means the Notice would be regarded as given and received outside the period between 9.00am and 5.00pm (addressee's time) on a Business Day (**business hours period**), then the Notice will instead be regarded as given and received at the start of the following business hours period.

Method of giving Notice	When Notice is regarded as given and received
--------------------------------	--

By hand to the nominated address	When delivered to the nominated address
----------------------------------	---

By pre-paid post to the nominated	At 9.00am (addressee's time) on the second Business
-----------------------------------	---



Method of giving Notice	When Notice is regarded as given and received
address	Day after the date of posting
By fax to the nominated fax number	<p>At the time indicated by the sending party's transmission equipment as the time that the fax was sent in its entirety.</p> <p>However, if the recipient party informs the sending party within 4 hours after that time that the fax transmission was illegible or incomplete, then the Notice will not be regarded as given or received. When calculating this 4 hour period, only time within a business hours period is to be included.</p>
By email to the nominated email address	When the email (including any attachment) comes to the attention of the recipient party or a person acting on its behalf.

6.3 Notice must not be given by electronic communication

A Notice must not be given by electronic means of communication (other than fax and email as permitted in clause 6.2).

7 General

7.1 Stamp duty

Neon:

- (a) will pay all stamp duty and any related fines and penalties in respect of the Scheme and this deed poll, the performance of this deed poll and each transaction effected by or made under the Scheme and this deed poll; and
- (b) indemnify each Scheme Shareholder against any liability arising from failure to comply with clause 7.1(a).

7.2 Governing law and jurisdiction

- (a) This deed poll is governed by the law in force in Western Australia.
- (b) Neon irrevocably submits to the non-exclusive jurisdiction of courts exercising jurisdiction in Western Australia and courts of appeal from them in respect of any proceedings arising out of or in connection with this deed poll. Neon irrevocably waives any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.



7.3 Waiver

- (a) Neon may not rely on the words or conduct of any Scheme Shareholder as a waiver of any right unless the waiver is in writing and signed by the Scheme Shareholder granting the waiver.
- (b) No Scheme Shareholder may rely on words or conduct of Neon as a waiver of any right unless the waiver is in writing and signed by Neon.
- (c) The meanings of the terms used in this clause 7.3 are set out below.

Term	Meaning
conduct	includes delay in the exercise of a right.
right	any right arising under or in connection with this deed poll and includes the right to rely on this clause.
waiver	includes an election between rights and remedies, and conduct which might otherwise give rise to an estoppel.

7.4 Variation

A provision of this deed poll may not be varied unless:

- (a) if before the First Court Date, the variation is agreed to by MEO; or
- (b) if on or after the First Court Date, the variation is agreed to by MEO and the Court indicates that the variation would not of itself preclude approval of the Scheme,

in which event Neon will enter into a further deed poll in favour of the Scheme Shareholders giving effect to the variation.

7.5 Cumulative rights

The rights, powers and remedies of Neon and the Scheme Shareholders under this deed poll are cumulative and do not exclude any other rights, powers or remedies provided by law independently of this deed poll.

7.6 Assignment

- (a) The rights created by this deed poll are personal to Neon and each Scheme Shareholder and must not be dealt with at law or in equity without the prior written consent of Neon.
- (b) Any purported dealing in contravention of clause 7.6(a) is invalid.

7.7 Further action

Neon must, at its own expense, do all things and execute all documents necessary to give full effect to this deed poll and the transactions contemplated by it.



HERBERT
SMITH
FREEHILLS

Attachment 1

Scheme

[Attached]



HERBERT
SMITH
FREEHILLS

Signing page

Executed as a deed poll

Signed sealed and delivered by

Neon Energy Limited

by

sign here ▶

Company Secretary/Director

print name

GABRIEL CHIAPPINI

sign here ▶

Director

print name

KENNETH CHARINSKY

Attachment E

Deed Poll



HERBERT
SMITH
FREEHILLS

Deed

Scheme deed poll

Neon Energy Limited

QV.1 Building 250 St Georges Terrace Perth WA 6000 Australia
GPO Box U1942 Perth WA 6845 Australia

T +61 8 9211 7777 F +61 8 9211 7878
herbertsmithfreehills.com DX 104 Perth



Scheme deed poll

Date ► **2 December 2014**

This deed poll is made

By **Neon Energy Limited**
ABN 49 002 796 974 of Ground Floor, 88 Colin Street, West Perth,
Western Australia 6005
(Neon)

In favour of each person registered as a holder of fully paid ordinary shares in
MEO Australia Limited (**MEO**) in the MEO Share Register as at the
Scheme Record Date (other than the Excluded Shareholders).

Recitals

- 1 MEO and Neon have entered into the Implementation Deed.
- 2 Under the Implementation Deed, Neon agreed to make this deed poll in favour of the Scheme Shareholders.
- 3 Neon is making this deed poll for the purpose of covenanting in favour of the Scheme Shareholders to perform its obligations under the Implementation Deed and the Scheme.

This deed poll provides as follows:

1 Definitions and interpretation

1.1 Definitions

(a) The meanings of the terms used in this deed poll are set out below.

Term	Meaning
First Court Date	the first day on which an application made to the Court for an order under subsection 411(1) of the Corporations Act convening the Scheme Meeting is heard or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard.

Implementation Deed	the merger implementation deed entered into between MEO and
----------------------------	---



Term	Meaning
	Neon dated 5 November 2014.
Scheme	the scheme of arrangement under Part 5.1 of the Corporations Act between MEO and the Scheme Shareholders, the form of which is set out in Attachment 1, subject to any alterations or conditions made or required by the Court under subsection 411(6) of the Corporations Act and agreed to by Neon and MEO.
(b)	Unless the context otherwise requires, terms defined in the Scheme have the same meaning when used in this deed poll.

1.2 Interpretation

Sections 2, 3 and 4 of Schedule 1 of the Scheme apply to the interpretation of this deed poll, except that references to 'this Scheme' are to be read as references to 'this deed poll'.

1.3 Nature of deed poll

Neon acknowledges that:

- (a) this deed poll may be relied on and enforced by any Scheme Shareholder in accordance with its terms even though the Scheme Shareholders are not party to it; and
- (b) under the Scheme, each Scheme Shareholder irrevocably appoints MEO and each of its directors, officers and secretaries (jointly and each of them severally) as its agent and attorney to enforce this deed poll against Neon.

2 Conditions to obligations

2.1 Conditions

The obligations of Neon under this deed poll are subject to the Scheme becoming Effective.

2.2 Termination

The obligations of Neon under this deed poll to the Scheme Shareholders will automatically terminate and the terms of this deed poll will be of no force or effect if:

- (a) the Implementation Deed is terminated in accordance with its terms; or
- (b) the Scheme is not Effective on or before the End Date,

unless Neon and MEO otherwise agree in writing.



2.3 Consequences of termination

If this deed poll terminates under clause 2.2, in addition and without prejudice to any other rights, powers or remedies available to it:

- (a) Neon is released from its obligations to further perform this deed poll; and
- (b) each Scheme Shareholder retains the rights they have against Neon in respect of any breach of this deed poll which occurred before it was terminated.

3 Scheme obligations

3.1 Undertaking to issue Scheme Consideration

Subject to clause 2, Neon undertakes in favour of each Scheme Shareholder to:

- (a) provide, or procure the provision of, the Scheme Consideration to each Scheme Shareholder in accordance with the terms of the Scheme; and
- (b) undertake all other actions attributed to it under the Scheme, subject to and in accordance with the provisions of the Scheme.

3.2 Shares to rank equally

Neon covenants in favour of each Scheme Shareholder that the New Neon Shares which are issued to each Scheme Shareholder in accordance with the Scheme will:

- (a) rank equally with all existing Neon Shares; and
- (b) be issued fully paid and free from any mortgage, charge, lien, encumbrance or other security interest (except for any lien arising under the constitution of Neon).

4 Warranties

Neon represents and warrants in favour of each Scheme Shareholder, in respect of itself, that:

- (a) it is a corporation validly existing under the laws of its place of registration;
- (b) it has the corporate power to enter into and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;
- (c) it has taken all necessary corporate action to authorise its entry into this deed poll and has taken or will take all necessary corporate action to authorise the performance of this deed poll and to carry out the transactions contemplated by this deed poll;
- (d) this deed poll is valid and binding on it and enforceable against it in accordance with its terms; and
- (e) this deed poll does not conflict with, or result in the breach of or default under, any provision of its constitution, or any writ, order or injunction, judgment, law, rule or regulation to which it is a party or subject or by which it is bound.



5 Continuing obligations

This deed poll is irrevocable and, subject to clause 2, remains in full force and effect until:

- (a) Neon has fully performed its obligations under this deed poll; or
- (b) the earlier termination of this deed poll under clause 2.

6 Notices

6.1 Form of Notice

A notice or other communication in respect of this deed poll (**Notice**) must be:

- (a) in writing and in English and signed by or on behalf of the sending party; and
- (b) addressed to Neon in accordance with the details set out below (or any alternative details nominated by Neon by Notice).

Attention	Managing Director
<hr/>	
Address	Ground Floor 88 Colin Street West Perth WA 6005
<hr/>	
Fax no	+ 61 8 9481 7720
<hr/>	
Email address	admin@neonenergy.com
<hr/>	

6.2 How Notice must be given and when Notice is received

- (a) A Notice must be given by one of the methods set out in the table below.
- (b) A Notice is regarded as given and received at the time set out in the table below.

However, if this means the Notice would be regarded as given and received outside the period between 9.00am and 5.00pm (addressee's time) on a Business Day (**business hours period**), then the Notice will instead be regarded as given and received at the start of the following business hours period.

Method of giving Notice	When Notice is regarded as given and received
<hr/>	
By hand to the nominated address	When delivered to the nominated address
<hr/>	
By pre-paid post to the nominated	At 9.00am (addressee's time) on the second Business
<hr/>	



Method of giving Notice	When Notice is regarded as given and received
address	Day after the date of posting
By fax to the nominated fax number	<p>At the time indicated by the sending party's transmission equipment as the time that the fax was sent in its entirety.</p> <p>However, if the recipient party informs the sending party within 4 hours after that time that the fax transmission was illegible or incomplete, then the Notice will not be regarded as given or received. When calculating this 4 hour period, only time within a business hours period is to be included.</p>
By email to the nominated email address	When the email (including any attachment) comes to the attention of the recipient party or a person acting on its behalf.

6.3 Notice must not be given by electronic communication

A Notice must not be given by electronic means of communication (other than fax and email as permitted in clause 6.2).

7 General

7.1 Stamp duty

Neon:

- (a) will pay all stamp duty and any related fines and penalties in respect of the Scheme and this deed poll, the performance of this deed poll and each transaction effected by or made under the Scheme and this deed poll; and
- (b) indemnify each Scheme Shareholder against any liability arising from failure to comply with clause 7.1(a).

7.2 Governing law and jurisdiction

- (a) This deed poll is governed by the law in force in Western Australia.
- (b) Neon irrevocably submits to the non-exclusive jurisdiction of courts exercising jurisdiction in Western Australia and courts of appeal from them in respect of any proceedings arising out of or in connection with this deed poll. Neon irrevocably waives any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.



7.3 Waiver

- (a) Neon may not rely on the words or conduct of any Scheme Shareholder as a waiver of any right unless the waiver is in writing and signed by the Scheme Shareholder granting the waiver.
- (b) No Scheme Shareholder may rely on words or conduct of Neon as a waiver of any right unless the waiver is in writing and signed by Neon.
- (c) The meanings of the terms used in this clause 7.3 are set out below.

Term	Meaning
conduct	includes delay in the exercise of a right.
right	any right arising under or in connection with this deed poll and includes the right to rely on this clause.
waiver	includes an election between rights and remedies, and conduct which might otherwise give rise to an estoppel.

7.4 Variation

A provision of this deed poll may not be varied unless:

- (a) if before the First Court Date, the variation is agreed to by MEO; or
- (b) if on or after the First Court Date, the variation is agreed to by MEO and the Court indicates that the variation would not of itself preclude approval of the Scheme,

in which event Neon will enter into a further deed poll in favour of the Scheme Shareholders giving effect to the variation.

7.5 Cumulative rights

The rights, powers and remedies of Neon and the Scheme Shareholders under this deed poll are cumulative and do not exclude any other rights, powers or remedies provided by law independently of this deed poll.

7.6 Assignment

- (a) The rights created by this deed poll are personal to Neon and each Scheme Shareholder and must not be dealt with at law or in equity without the prior written consent of Neon.
- (b) Any purported dealing in contravention of clause 7.6(a) is invalid.

7.7 Further action

Neon must, at its own expense, do all things and execute all documents necessary to give full effect to this deed poll and the transactions contemplated by it.



HERBERT
SMITH
FREEHILLS

Attachment 1

Scheme

[Attached]



HERBERT
SMITH
FREEHILLS

Scheme of arrangement

MEO Australia Limited

Scheme Shareholders

QV.1 Building 250 St Georges Terrace Perth WA 6000 Australia
GPO Box U1942 Perth WA 6845 Australia

T +61 8 9211 7777 F +61 8 9211 7878
herbertsmithfreehills.com DX 104 Perth



Scheme of arrangement

This scheme of arrangement is made under section 411 of the *Corporations Act 2001* (Cth)

Between the parties

MEO

MEO Australia Limited

ABN 43 066 447 952 of Level 23, 500 Collins Street, Melbourne,
Victoria 3000

The Scheme Shareholders

1 Definitions, interpretation and scheme components

1.1 Definitions

Schedule 1 contains definitions used in this Scheme.

1.2 Interpretation

Schedule 1 contains interpretation rules for this Scheme.

1.3 Scheme components

This Scheme includes any schedule to it.

2 Preliminary matters

- (a) MEO is a public company limited by shares, registered in Victoria, Australia, and has been admitted to the official list of the ASX. MEO Shares are quoted for trading on the ASX.
- (b) As at 5 November 2014:
 - (1) 750,488,387 MEO Shares were on issue and officially quoted on ASX;
 - (2) 15,930,000 MEO Options were on issue and were not quoted on any stock exchange; and
 - (3) 350,000 MEO Performance Rights were on issue and were not quoted on any stock exchange.

- (c) Neon is a public company limited by shares, registered in New South Wales, Australia, and admitted to the official list of the ASX.
- (d) If this Scheme becomes Effective:
 - (1) Neon must provide or procure the provision of the Scheme Consideration to the Scheme Shareholders in accordance with the terms of this Scheme and the Deed Poll; and
 - (2) all the Scheme Shares, and all the rights and entitlements attaching to them as at the Implementation Date, must be transferred to Neon and MEO will enter the name of Neon in the Share Register in respect of the Scheme Shares.
- (e) MEO and Neon have agreed, by executing the Implementation Deed, to implement this Scheme.
- (f) This Scheme attributes actions to Neon but does not itself impose an obligation on it to perform those actions. Neon has agreed, by executing the Deed Poll, to perform the actions attributed to it under this Scheme, including the provision or procuring the provision of the Scheme Consideration to the Scheme Shareholders.

3 Conditions

3.1 Conditions precedent

This Scheme is conditional on and will have no force or effect until, the satisfaction of each of the following conditions precedent:

- (a) all the conditions in clause 3.1 of the Implementation Deed (other than the condition in the Implementation Deed relating to Court approval of this Scheme) having been satisfied or waived in accordance with the terms of the Implementation Deed by 8.00am on the Second Court Date;
- (b) neither the Implementation Deed nor the Deed Poll having been terminated in accordance with their terms before 8.00am on the Second Court Date;
- (c) approval of this Scheme by the Court under paragraph 411(4)(b) of the Corporations Act, including with any alterations made or required by the Court under subsection 411(6) of the Corporations Act and agreed to by Neon and MEO;
- (d) such other conditions made or required by the Court under subsection 411(6) of the Corporations Act in relation to this Scheme and agreed to by Neon and MEO having been satisfied; and
- (e) the orders of the Court made under paragraph 411(4)(b) (and, if applicable, subsection 411(6)) of the Corporations Act approving this Scheme coming into effect, pursuant to subsection 411(10) of the Corporations Act on or before the End Date (or any later date Neon and MEO agree in writing).

3.2 Certificate

- (a) Neon and MEO will provide to the Court on the Second Court Date a certificate, or such other evidence as the Court requests, confirming (in respect of matters within their knowledge) whether or not all of the conditions precedent in clauses 3.1(a) and 3.1(b) have been satisfied or waived.

- (b) The certificates referred to in clause 3.2(a) constitute conclusive evidence of the matters referred to in them.

4 Implementation of this Scheme

4.1 Lodgement of Court orders with ASIC

MEO must lodge with ASIC, in accordance with subsection 411(10) of the Corporations Act, an office copy of the Court order approving this Scheme as soon as possible and in any event by 5.00pm on the first Business Day after the day on which it receives an office copy of that Court order.

4.2 Transfer of Scheme Shares

On the Implementation Date:

- (a) subject to the provision of the Scheme Consideration in the manner contemplated by clause 5, the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares as at the Implementation Date, must be transferred to Neon, without the need for any further act by any Scheme Shareholder (other than acts performed by MEO as attorney and agent for Scheme Shareholders under clause 8.5), by:
- (1) MEO delivering to Neon a duly completed Scheme Transfer duly executed by it (as transferor) on behalf of the Scheme Shareholders; and
 - (2) Neon duly executing the Scheme Transfer (as transferee), attending to the stamping of the Scheme Transfer (if required) and delivering it to MEO for registration; and
- (b) immediately following receipt of the Scheme Transfer in accordance with clause 4.2(a)(2), MEO must enter, or procure the entry of, the name of Neon in the Share Register in respect of all the Scheme Shares transferred to Neon in accordance with this Scheme.

5 Scheme Consideration

5.1 Provision of Scheme Consideration

Neon must, subject to clauses 5.2, 5.3, 5.4 and 5.6:

- (a) on or before the Implementation Date, issue the Scheme Consideration to the Scheme Shareholders and procure that the name and address of each Scheme Shareholder is entered in the Neon Register in respect of those New Neon Shares issued to them; and
- (b) procure that on or before the date that is five Business Days after the Implementation Date, a share certificate or holding statement (or equivalent document) is sent to the Registered Address of each Scheme Shareholder representing the number of New Neon Shares issued to the Scheme Shareholder pursuant to this Scheme.

5.2 Joint holders

In the case of Scheme Shares held in joint names:

- (a) the New Neon Shares to be issued under this Scheme must be issued to and registered in the names of the joint holders;
- (b) any cheque required to be sent under this Scheme will be made payable to the joint holders and sent to either, at the sole discretion of MEO, the holder whose name appears first in the MEO Share Register as at the Scheme Record Date or to the joint holders; and
- (c) any other document required to be sent under this Scheme, will be forwarded to either, at the sole discretion of MEO, the holder whose name appears first in the Share Register as at the Scheme Record Date or to the joint holders.

5.3 Ineligible Foreign Shareholders

- (a) Neon will be under no obligation to issue any New Neon Shares under this Scheme to any Ineligible Foreign Shareholder and instead:
 - (1) subject to clauses 5.4 and 5.6, Neon must, on or before the Implementation Date, issue the New Neon Shares which would otherwise be required to be issued (had they been Scheme Shareholders who are not Ineligible Foreign Shareholders) to the Ineligible Foreign Shareholders under this Scheme to the Sale Agent;
 - (2) Neon must procure that as soon as reasonably practicable on or after the Implementation Date, the Sale Agent, in consultation with Neon, sells or procures the sale of all the New Neon Shares issued to the Sale Agent and remits to MEO the proceeds of the sale (after deduction of any applicable brokerage, stamp duty, currency conversion costs and other costs, taxes and charges) (**Proceeds**);
 - (3) promptly after receiving the Proceeds in respect of the sale of all of the New Neon Shares referred to in clause 5.3(a)(1), MEO must pay, or procure the payment, to each Ineligible Foreign Shareholder, of the amount 'A' calculated in accordance with the following formula and rounded down to the nearest cent:
$$A = (B \div C) \times D$$
where
B = the number of New Neon Shares that would otherwise have been issued to that Ineligible Foreign Shareholder had it not been an Ineligible Foreign Shareholder and which are issued to the Sale Agent;
C = the total number of New Neon Shares which would otherwise have been issued to all Ineligible Foreign Shareholders (had they been Scheme Shareholders who are not Ineligible Foreign Shareholders) and which are issued to the Sale Agent; and
D = the Proceeds (as defined in clause 5.3(a)(2)).
- (b) None of Neon, MEO or the Sale Agent gives any assurance as to the price that will be achieved for the sale of New Neon Shares described in clause 5.3(a).
- (c) MEO must make payments to Ineligible Foreign Shareholders under clause 5.3(a) by either (in the absolute discretion of MEO):

- (1) where an Ineligible Foreign Shareholder has, before the Scheme Record Date, made a valid election in accordance with the requirements of the MEO Registry to receive dividend payments from MEO by electronic funds transfer to a bank account nominated by the Ineligible Foreign Shareholder, paying, or procuring the payment of, the relevant amount in Australian currency to that account by electronic funds transfer; or
 - (2) whether or not the Ineligible Foreign Shareholder has made an election referred to in clause 5.3(c)(1), dispatching, or procuring the dispatch of, a cheque for the relevant amount in Australian currency to the Ineligible Foreign Shareholder by prepaid post to their Registered Address (as at the Scheme Record Date), such cheque being drawn in the name of the Ineligible Foreign Shareholder (or in the case of joint holders, in accordance with clause 5.2).
- (d) If MEO receives professional advice that any withholding or other tax is required by law to be withheld from a payment to an Ineligible Foreign Shareholder, MEO is entitled to withhold the relevant amount before making the payment to the Ineligible Foreign Shareholder and payment of the reduced amount shall be taken to be full payment for the purposes of this Scheme, including clause 5.3(a)(3)). MEO must pay any amount so withheld to the relevant taxation authorities within the time permitted by law, and, if requested in writing by the relevant Ineligible Foreign Shareholder, must provide a receipt or other appropriate evidence of such payment (or procure the provision of such receipt or such evidence) to the relevant Ineligible Foreign Shareholder.
- (e) Each Ineligible Foreign Shareholder appoints MEO as its agent to receive on its behalf any financial services guide or other notices (including any updates of those documents) that the Sale Agent is required to provide to Ineligible Foreign Shareholders under the Corporations Act.
- (f) Payment of the amount calculated in accordance with clause 5.3(a) to an Ineligible Foreign Shareholder in accordance with this clause 5.3 satisfies in full the Ineligible Foreign Shareholder's right to Scheme Consideration.

5.4 Fractional entitlements and splitting

- (a) Where the calculation of the number of New Neon Shares to be issued to a particular Scheme Shareholder would result in the Scheme Shareholder becoming entitled to a fraction of a New Neon Share, the fractional entitlement will be rounded down to the nearest whole number of New Neon Shares.
- (b) If Neon and MEO are of the opinion, formed reasonably, that two or more Scheme Shareholders, each of which holds a holding of MEO Shares which results in a fractional entitlement to New Neon Shares have, before the Scheme Record Date, been party to a shareholding splitting or division in an attempt to obtain an advantage by reference to the rounding provided for in the calculation of each Scheme Shareholder's entitlement to the Scheme Consideration, then, if Neon and MEO agree (acting reasonably), Neon and MEO may give notice to those Scheme Shareholders:
 - (1) setting out the names and Registered Addresses of all of them;
 - (2) stating that opinion; and
 - (3) attributing to one of them specifically identified in the notice the MEO Shares held by all of them,

and, after the notice has been so given, the Scheme Shareholder specifically identified in the notice shall, for the purposes of this Scheme, be taken to hold all those MEO Shares and each of the other Scheme Shareholders whose names are set out in the notice shall, for the purposes of this Scheme, be taken to hold no MEO Shares.

5.5 Unclaimed monies

- (a) MEO may cancel a cheque issued under this clause 5 if the cheque:
 - (1) is returned to MEO; or
 - (2) has not been presented for payment within six months after the date on which the cheque was sent.
- (b) During the period of 12 months commencing on the Implementation Date, on request in writing from a Scheme Shareholder to MEO (or the MEO Registry) MEO must reissue a cheque that was previously cancelled under this clause 5.5.
- (c) The *Unclaimed Money Act 2008* (VIC) will apply in relation to any Scheme Consideration which becomes 'unclaimed money' (as defined in section 3 of the *Unclaimed Money Act 2008* (VIC)).

5.6 Orders of a court or Government Agency

If written notice is given to MEO (or the MEO Registry) of an order or direction made by a court of competent jurisdiction or by another Government Agency that:

- (a) requires consideration to be provided to a third party (either through payment of a sum or the issuance of a security) in respect of Scheme Shares held by a particular Scheme Shareholder, which would otherwise be payable or required to be issued to that Scheme Shareholder by MEO in accordance with this clause 5, then MEO shall be entitled to procure that provision of that consideration is made in accordance with that order or direction; or
- (b) prevents MEO from providing consideration to any particular Scheme Shareholder in accordance with this clause 5, or the payment or issuance of such consideration is otherwise prohibited by applicable law, then MEO shall be entitled to (as applicable):
 - (1) retain an amount, in Australian dollars, equal to the number of Scheme Shares held by that Scheme Shareholder multiplied by the Scheme Consideration; or
 - (2) direct Neon not to issue, or to issue to a trustee or nominee, such number of New Neon Shares as that Scheme Shareholder would otherwise be entitled to under this Scheme,until such time as provision of the consideration in accordance with this this Scheme is permitted by that order or direction or otherwise by law.

5.7 Status of New Neon Shares

Subject to this Scheme becoming Effective, Neon must:

- (a) issue the New Neon Shares required to be issued by it under this Scheme on terms such that each such New Neon Share will rank equally in all respects with each existing Neon Share;

- (b) ensure that each such New Neon Share is duly and validly issued in accordance with all applicable laws and Neon's constitution, fully paid and free from any mortgage, charge, lien, encumbrance or other security interest (except for any lien arising under Neon's constitution); and
- (c) use all reasonable endeavours to ensure that such New Neon Shares are, from the Business Day following the date this Scheme becomes Effective (or such later date as ASX requires), quoted for trading on the ASX initially on a deferred settlement basis and thereafter on an ordinary settlement basis.

6 Dealings in MEO Shares

6.1 Determination of Scheme Shareholders

To establish the identity of the Scheme Shareholders, dealings in MEO Shares or other alterations to the Share Register will only be recognised if:

- (a) in the case of dealings of the type to be effected using CHESSE, the transferee is registered in the Share Register as the holder of the relevant MEO Shares on or before the Scheme Record Date; and
- (b) in all other cases, registrable transfer or transmission applications in respect of those dealings, or valid requests in respect of other alterations, are received on or before the Scheme Record Date at the place where the Share Register is kept,

and MEO must not accept for registration, nor recognise for any purpose (except a transfer to Neon pursuant to this Scheme and any subsequent transfer by Neon or its successors in title), any transfer or transmission application or other request received after the Scheme Record Date, or received prior to the Scheme Record Date but not in registrable or actionable form.

6.2 Share Register

- (a) MEO must register registrable transmission applications or transfers of the Scheme Shares in accordance with clause 6.1(b) before the Scheme Record Date provided that, for the avoidance of doubt, nothing in this Scheme requires MEO to register a transmission application or transfer that would result in a MEO Shareholder holding a parcel of MEO Shares that is less than a 'marketable parcel' (for the purposes of this clause 6.2(a) 'marketable parcel' has the meaning given in the Operating Rules).
- (b) If this Scheme becomes Effective, a holder of Scheme Shares (and any person claiming through that holder) must not dispose of, or purport or agree to dispose of, any Scheme Shares or any interest in them on or after the Scheme Record Date otherwise than pursuant to this Scheme, and any attempt to do so will have no effect and MEO shall be entitled to disregard any such disposal.
- (c) For the purpose of determining entitlements to the Scheme Consideration, MEO must maintain the Share Register in accordance with the provisions of this clause 6.2 until the Scheme Consideration has been paid to the Scheme Shareholders. The Share Register in this form will solely determine entitlements to the Scheme Consideration.
- (d) All statements of holding for MEO Shares (other than statements of holding in favour of Neon or any Excluded Shareholder) will cease to have effect after the Scheme Record Date as documents of title in respect of those shares and, as

from that date, each entry current at that date on the Share Register (other than entries on the Share Register in respect of Neon or any Excluded Shareholder) will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of the MEO Shares relating to that entry.

- (e) As soon as possible on or after the Scheme Record Date, and in any event within one Business Day after the Scheme Record Date, MEO will ensure that details of the names, Registered Addresses and holdings of MEO Shares for each Scheme Shareholder as shown in the Share Register are available to Neon in the form Neon reasonably requires.

7 Quotation of MEO Shares

- (a) MEO must apply to ASX to suspend trading on the ASX in MEO Shares with effect from the close of trading on the Effective Date.
- (b) On a date after the Implementation Date to be determined by Neon, MEO must apply:
- (1) for termination of the official quotation of MEO Shares on the ASX; and
 - (2) to have itself removed from the official list of the ASX.

8 General Scheme provisions

8.1 Consent to amendments to this Scheme

If the Court proposes to approve this Scheme subject to any alterations or conditions:

- (a) MEO may by its counsel consent on behalf of all persons concerned to those alterations or conditions to which Neon has consented; and
- (b) each Scheme Shareholder agrees to any such alterations or conditions which counsel for MEO has consented to.

8.2 Scheme Shareholders' agreements and warranties

- (a) Each Scheme Shareholder:
- (1) agrees to the transfer of their MEO Shares together with all rights and entitlements attaching to those MEO Shares in accordance with this Scheme;
 - (2) agrees to the variation, cancellation or modification of the rights attached to their MEO Shares constituted by or resulting from this Scheme;
 - (3) agrees to become a member of Neon and to be bound by the terms of the constitution of Neon; and
 - (4) acknowledges that this Scheme binds MEO and all Scheme Shareholders (including those who do not attend the Scheme Meeting or those who do not vote, or vote against this Scheme, at the Scheme Meeting).

- (b) Each Scheme Shareholder is taken to have warranted to MEO and Neon on the Implementation Date, and appointed and authorised MEO as its attorney and agent to warrant to Neon on the Implementation Date, that all their MEO Shares (including any rights and entitlements attaching to those MEO Shares) which are transferred under this Scheme will, at the date of transfer, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind, and that they have full power and capacity to transfer their MEO Shares to Neon together with all rights and entitlements attaching to those MEO Shares. MEO undertakes that it will provide such warranty to Neon as agent and attorney of each Scheme Shareholder.

8.3 Title to and rights in Scheme Shares

- (a) To the extent permitted by law, the Scheme Shares (including all rights and entitlements attaching to the Scheme Shares) transferred under this Scheme to Neon will, at the time of transfer of them to Neon, vest in Neon free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise and free from any restrictions on transfer of any kind.
- (b) Immediately upon the provision of the Scheme Consideration to each Scheme Shareholder in the manner contemplated by this Scheme, Neon will be beneficially entitled to the Scheme Shares to be transferred to it under this Scheme pending registration by MEO of Neon in the Share Register as the holder of the Scheme Shares.

8.4 Appointment of sole proxy

Immediately upon the provision of the Scheme Consideration to each Scheme Shareholder in the manner contemplated this Scheme, and until MEO registers Neon as the holder of all Scheme Shares in the Share Register, each Scheme Shareholder:

- (a) is deemed to have appointed Neon as attorney and agent (and directed Neon in each such capacity) to appoint any director, officer, secretary or agent nominated by Neon as its sole proxy and, where applicable or appropriate, corporate representative to attend meetings of MEO Shareholders, exercise the votes attaching to the Scheme Shares registered in their name and sign any resolution of MEO Shareholders;
- (b) must not attend or vote at any meetings of MEO Shareholders or sign any resolutions of MEO Shareholders, whether in person, by proxy or by corporate representative (other than pursuant to clause 8.4(a));
- (c) must take all other actions in the capacity of a registered holder of Scheme Shares as Neon reasonably directs; and
- (d) acknowledges and agrees that in exercising the powers referred to in clause 8.4(a), Neon and any director, officer, secretary or agent nominated by Neon under clause 8.4(a) may act in the best interests of Neon as the intended registered holder of the Scheme Shares.

8.5 Authority given to MEO

Each Scheme Shareholder, without the need for any further act:

- (a) on the Effective Date, irrevocably appoints MEO and each of its directors, officers and secretaries (jointly and each of them severally) as its attorney and agent for the purpose of enforcing the Deed Poll against Neon, and MEO undertakes in favour of each Scheme Shareholder that it will enforce the Deed Poll against Neon on behalf of and as agent and attorney for each Scheme Shareholder; and
- (b) on the Implementation Date, irrevocably appoints MEO and each of its directors, officers and secretaries (jointly and each of them severally) as its attorney and agent for the purpose of executing any document or any other act necessary, desirable or expedient to give effect to this Scheme and the transactions contemplated by it, including (without limitation) executing the Scheme Transfer,

and MEO accepts each such appointment. MEO as attorney and agent of each Scheme Shareholder, may sub-delegate its functions, authorities or powers under this clause 8.5 to all or any of its directors, officers, secretaries or employees (jointly, severally or jointly and severally).

8.6 Instructions and elections

If not prohibited by law (and including where permitted or facilitated by relief granted by a Government Agency), all instructions, notifications or elections by a Scheme Shareholder to MEO which are binding or deemed to be binding as between the Scheme Shareholder and MEO and which relate to MEO or MEO Shares, including instructions, notifications or elections relating to:

- (a) whether dividends are to be paid by cheque or into a specific bank account;
- (b) payments of dividends on MEO Shares; and
- (c) notices or other communications from MEO (including by email),

will be deemed from the Implementation Date (except to the extent determined otherwise by Neon in its sole discretion), by reason of this Scheme, to be made by the Scheme Shareholder to Neon and to be a binding instruction, notification or election to, and accepted by, Neon in respect of the New Neon Shares issued to that Scheme Shareholder until that instruction, notification or election is revoked or amended by that Scheme Shareholder in writing addressed to Neon at its registry.

8.7 Binding effect of Scheme

This Scheme binds MEO and all of the Scheme Shareholders (including those who did not attend the Scheme Meeting to vote on this Scheme, did not vote at the Scheme Meeting, or voted against this Scheme at the Scheme Meeting) and, to the extent of any inconsistency, overrides the constitution of MEO.

9 General

9.1 Stamp duty

Neon will:

- (a) pay all stamp duty and any related fines and penalties in respect of this Scheme and the Deed Poll, the performance of the Deed Poll and each transaction effected by or made under this Scheme and the Deed Poll; and

- (b) indemnify each Scheme Shareholder against any liability arising from any failure to comply with clause 9.1(a).

9.2 Consent

Each of the Scheme Shareholders consents to MEO doing all things necessary or incidental to the implementation of this Scheme, whether on behalf of the Scheme Shareholders, MEO or otherwise.

9.3 Notices

- (a) If a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to MEO, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at MEO's registered office or at the office of the MEO Registry.
- (b) The accidental omission to give notice of the Scheme Meeting or the non-receipt of such notice by a MEO Shareholder will not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

9.4 Governing law

- (a) This Scheme is governed by the laws in force in Western Australia.
- (b) The parties irrevocably submit to the non-exclusive jurisdiction of courts exercising jurisdiction in Western Australia and courts of appeal from them in respect of any proceedings arising out of or in connection with this Scheme. The parties irrevocably waive any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.

9.5 Further action

MEO must do all things and execute all documents necessary to give full effect to this Scheme and the transactions contemplated by it.

9.6 No liability when acting in good faith

Each Scheme Shareholder agrees that neither MEO, Neon or any of their respective Related Bodies Corporate nor any director, officer, secretary, contractor or employee of any of those companies or any of their respective Related Bodies Corporate shall be liable for anything done or omitted to be done in the performance of this Scheme or the Deed Poll in good faith.

Schedule 1

Definitions and interpretation

1 Definitions

The meanings of the terms used in this Scheme are set out below.

Term	Meaning
ASIC	the Australian Securities and Investments Commission.
ASX	ASX Limited (ABN 98 008 624 691) and, where the context requires, the financial market that it operates.
Business Day	a day that is not a Saturday, Sunday or public holiday or bank holiday in Perth and Melbourne, Australia.
CHESS	the Clearing House Electronic Subregister System operated by ASX Settlement Pty Ltd (ACN 008 504 532) and ASX Clear Pty Limited (ACN 001 314 503).
Corporations Act	the <i>Corporations Act 2001</i> (Cth).
Corporations Regulations	the <i>Corporations Regulations 2001</i> (Cth).
Court	such court of competent jurisdiction under the Corporations Act agreed to in writing by Neon and MEO.
Deed Poll	the deed poll substantially in the form of Attachment 1 under which Neon covenants in favour of the Scheme Shareholders to perform the obligations attributed to it under this Scheme.
Effective	when used in relation to this Scheme, the coming into effect, under subsection 411(10) of the Corporations Act, of the order of the Court made under paragraph 411(4)(b) of the Corporations Act in relation to this Scheme.

Term	Meaning
Effective Date	the date on which this Scheme becomes Effective.
End Date	the date that is 6 months after the date of the Implementation Deed, or such other date as agreed in writing by the parties.
Excluded Shareholder	any MEO Shareholder who is a member of the Neon Group or any MEO Shareholder who holds any MEO Shares on behalf of, or for the benefit of, any member of the Neon Group and does not hold MEO Shares on behalf of, or for the benefit of, any other person.
Government Agency	any foreign or Australian government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity, or any minister of the Crown in right of the Commonwealth of Australia or any state, or any other federal, state, provincial, local or other government, whether foreign or Australian.
Implementation Date	the fifth Business Day after the Scheme Record Date, or such other date after the Scheme Record Date as the parties agree in writing.
Implementation Deed	the merger implementation deed dated 5 November 2014 between MEO and Neon relating to the implementation of this Scheme.
Ineligible Foreign Shareholder	<p>a Scheme Shareholder:</p> <p>(a) whose address shown in the MEO Share Register on the Scheme Record Date is a place outside Australia and its external territories or New Zealand; <u>or</u></p> <p>(b) <u>who is known by MEO to be, or is known by MEO to be holding MEO Shares on behalf of, a citizen or resident of a jurisdiction other than residents of Australia and its external territories or New Zealand.</u></p> <p>unless Neon determines that it is lawful and not unduly onerous or impracticable to issue that Scheme Shareholder with New Neon Shares when this Scheme becomes Effective.</p>
Listing Rules	the official listing rules of ASX.
Marketable Parcel	a parcel of New Neon Shares having a value of not less than \$500 based on the closing price of fully paid ordinary shares of Neon on the ASX as at the Scheme Record Date.

Term	Meaning
MEO Option	an option granted by MEO to acquire one unissued MEO Share, including options granted under MEO's Long Term Incentive Plan adopted by MEO on 13 September 2011.
MEO Performance Right	a right granted by MEO to acquire one unissued MEO Share for nil consideration.
MEO Registry	Link Market Services Limited (ABN 54 083 214 537).
MEO Share	a fully paid ordinary share in the capital of MEO.
MEO Shareholder	each person who is registered as the holder of an MEO Share in the Share Register.
Neon	Neon Energy Limited (ABN 49 002 796 974) of Ground Floor, 88 Colin Street, West Perth, Western Australia 6005.
Neon Group	Neon and each of its Subsidiaries and a reference to a 'Neon Group Member' or 'a member of the Neon Group' is to Neon or any of its Subsidiaries.
Neon Register	the register of shareholders maintained by Neon or its agent.
New Neon Share	a fully paid ordinary share in Neon to be issued to Scheme Shareholders under this Scheme.
Operating Rules	the official operating rules of ASX.
Registered Address	in relation to a MEO Shareholder, the address shown in the Share Register as at the Scheme Record Date.
Related Bodies Corporate	the meaning set out in section 50 of the Corporations Act.
Sale Agent	a person appointed by appointed Neon to sell the New Neon Shares that are to be issued under clause 5.3(a)(1) of this Scheme.

Term	Meaning
Scheme	this scheme of arrangement under Part 5.1 of the Corporations Act between MEO and the Scheme Shareholders subject to any alterations or conditions made or required by the Court under subsection 411(6) of the Corporations Act and agreed to by Neon and MEO.
Scheme Consideration	the consideration to be provided by Neon to each Scheme Shareholder for the transfer of each Scheme Share, being for each MEO Share held by a Scheme Shareholder as at the Scheme Record Date, an amount of 0.7369 New Neon Shares, subject to the terms of this Scheme.
Scheme Meeting	the meeting of the MEO Shareholders (other than Excluded Shareholders) ordered by the Court to be convened under subsection 411(1) of the Corporations Act to consider and vote on this Scheme and includes any meeting convened following any adjournment or postponement of that meeting.
Scheme Record Date	5.00pm on the fifth Business Day after the Effective Date or such other time and date as the parties agree in writing.
Scheme Shareholder	a holder of MEO Shares recorded in the Share Register as at the Scheme Record Date.
Scheme Shares	all MEO Shares held by the Scheme Shareholders as at the Scheme Record Date (other than an Excluded Shareholder).
Scheme Transfer	a duly completed and executed proper instrument of transfer in respect of the Scheme Shares for the purposes of section 1071B of the Corporations Act, in favour of Neon as transferee, which may be a master transfer of all or part of the Scheme Shares.
Second Court Date	the first day on which an application made to the Court for an order under paragraph 411(4)(b) of the Corporations Act approving this Scheme is heard or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard.
Share Register	the register of members of MEO maintained in accordance with the Corporations Act.

2 Interpretation

In this Scheme:

- (a) headings and bold type are for convenience only and do not affect the interpretation of this Scheme;
- (b) the singular includes the plural and the plural includes the singular;
- (c) words of any gender include all genders;
- (d) other parts of speech and grammatical forms of a word or phrase defined in this Scheme have a corresponding meaning;
- (e) a reference to a person includes any company, partnership, joint venture, association, corporation or other body corporate and any Government Agency as well as an individual;
- (f) a reference to a clause, party, part, schedule, attachment or exhibit is a reference to a clause or part of, and a party, schedule, attachment or exhibit to, this Scheme;
- (g) a reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or reenactments of any of them;
- (h) a reference to a document (including this Scheme) includes all amendments or supplements to, or replacements or novations of, that document;
- (i) a reference to '\$', 'A\$' or 'dollar' is to Australian currency unless denominated otherwise;
- (j) a reference to any time is, unless otherwise indicated, a reference to that time in Perth, Australia;
- (k) a term defined in or for the purposes of the Corporations Act has the same meaning when used in this Scheme;
- (l) a reference to a party to a document includes that party's successors and permitted assignees;
- (m) no provision of this Scheme will be construed adversely to a party because that party was responsible for the preparation of this Scheme or that provision;
- (n) any agreement, representation, warranty or indemnity by two or more parties (including where two or more persons are included in the same defined term) binds them jointly and severally;
- (o) any agreement, representation, warranty or indemnity in favour of two or more parties (including where two or more persons are included in the same defined term) is for the benefit of them jointly and severally; and
- (p) a reference to a body, other than a party to this Scheme (including an institute, association or authority), whether statutory or not:
 - (1) which ceases to exist; or
 - (2) whose powers or functions are transferred to another body,is a reference to the body which replaces it or which substantially succeeds to its powers or functions.



3 Interpretation of inclusive expressions

Specifying anything in this Scheme after the words 'include' or 'for example' or similar expressions does not limit what else is included.

4 Business Day

Where the day on or by which any thing is to be done is not a Business Day, that thing must be done on or by the next Business Day.



HERBERT
SMITH
FREEHILLS

Attachment 1

Deed Poll

[Attached]



HERBERT
SMITH
FREEHILLS

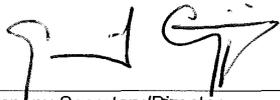
Signing page

Executed as a deed poll

Signed sealed and delivered by

Neon Energy Limited

by

sign here ► 
Company Secretary/Director

print name GABRIEL CHIAPPINI

sign here ► 
Director

print name KENNETH CHARINSKY

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Corporate Directory

MEO Australia Limited ACN 066 447 952

Directors

Gregory A Short (Chairman)

Stephen Hopley (Non-Executive Director)

Jürgen Hendrich (Executive Director Special Projects)

Michael Sweeney (Non-Executive Director)

Company Secretary

Colin H Naylor

Registered office

Level 20, 500 Collins Street
Melbourne, Vic 3000

Securities exchange listing

MEO Australia Limited is listed on ASX

ASX code: MEO

Share Registrar

Link Market Services
Level 1, 333 Collins Street
Melbourne, Vic 3000

MEO Shareholder Information Line

1800 990 363 (within Australia)

+61 1800 990 363 (outside Australia)

Monday to Friday, 8.30am to 5.30pm (Melbourne time)

Financial adviser

UBS AG, Australia Branch
Chifley Tower, 2 Chifley Square
Sydney, NSW 2000

Australian legal adviser

Gilbert + Tobin
Level 37, 2 Park Street
Sydney, NSW 2000

Independent Expert

KPMG Financial Advisory Services (Australia) Pty Ltd
147 Collins St
Melbourne, Vic 3000

Technical Expert

AWT International
Level 10, 300 Ann Street
Brisbane, Qld 4001

Investigating Accountant

Ernst & Young
8 Exhibition Street
Melbourne, Vic 3000

