
NEON ENERGY LIMITED

ACN 002 796 974

NOTICE OF ANNUAL GENERAL MEETING

TIME: 9.30am (WST)

DATE: 25 November 2011

PLACE: Theatrette
QV1
250 St Georges Terrace
Perth WA 6000

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (+61 8) 9481 1176.

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IMPORTANT INFORMATION

TIME AND PLACE OF MEETING

Notice is given that the annual general meeting of the Shareholders to which this Notice of Meeting relates will be held at 9.30am (WST) on 25 November 2011 at:

Theatrette
QV1
250 St Georges Terrace
Perth, WA 6000

YOUR VOTE IS IMPORTANT

The business of the Annual General Meeting affects your shareholding and your vote is important.

VOTING ELIGIBILITY

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Annual General Meeting are those who are registered Shareholders at Company at 7.00pm (Sydney time) on 23 November 2011.

VOTING IN PERSON

To vote in person, attend the Annual General Meeting at the time, date and place set out above.

VOTING BY PROXY

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

New sections 250BB and 250BC of the Corporations Act came into effect on 1 August 2011 and apply to voting by proxy on or after that date. Shareholders and their proxies should be aware of these changes to the Corporations Act, as they will apply to this Annual General Meeting. Broadly, the changes mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and

- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Further details on these changes is set out below.

Proxy vote if appointment specifies way to vote

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does:**

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed); and
- if the proxy has 2 or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands; and
- if the proxy is the chair of the meeting at which the resolution is voted on – the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- if the proxy is not the chair – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

Transfer of non-chair proxy to chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
 - the proxy is not recorded as attending the meeting;
 - the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

BUSINESS OF THE MEETING

Notice is given that the Annual General Meeting of Shareholders will be held at 9.30am (WST) on 25 November 2011 at Theatrette, QV1, 250 St Georges Terrace, Perth, Western Australia.

The Explanatory Statement provides additional information on matters to be considered at the Annual General Meeting. The Explanatory Statement and the Proxy Form are part of this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Annual General Meeting are those who are registered Shareholders of the Company at 7.00pm (Sydney time) on 23 November 2011.

Terms and abbreviations used in this Notice of Meeting are defined in the Glossary.

AGENDA

ORDINARY BUSINESS

Financial Statements and Reports

To receive and consider the annual financial report of the Company for the financial year ended 30 June 2011 together with the declaration of the directors, the directors' report, the remuneration report and the auditor's report.

1. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **non-binding resolution**:

“That, for the purpose of Section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Company's annual financial report for the financial year ended 30 June 2011.”

Note: the vote on this Resolution is advisory only and does not bind the Directors or the Company.

Voting Prohibition Statement:

A vote on this Resolution must not be cast (in any capacity) by or on behalf of any of the following persons:

- (a) *a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or*
- (b) *a Closely Related Party of such a member.*

However, a person described above may vote on this Resolution if:

- (c) *the person does so as a proxy appointed by writing that specifies how the proxy is to vote on the Resolution; and*
- (d) *the vote is not cast on behalf of a person described in sub-paragraphs (a) or (b) above.*

2. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – DR ALAN STEIN

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purpose of clause 6.3 of the Constitution and for all other purposes, Dr Alan Stein, a Director, retires by rotation, and being eligible, is re-elected as a Director.

3. RESOLUTION 3 – ADOPTION OF EMPLOYEE SHARE PLAN

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purpose of ASX Listing Rule 7.2 (Exception 9) and for all other purposes, approval is given to adopt the Company's Employee Share Plan and to issue securities under that plan on the terms and conditions summarised in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by the Directors of the Company (except those who are ineligible to participate in any employee incentive scheme in relation to the Company) and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (c) the proxy is the Chair of the Meeting; and
- (d) the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

4. RESOLUTION 4 – ADOPTION OF PERFORMANCE RIGHTS PLAN

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of Listing Rule 7.2 (Exception 9) and for all other purposes, approval is given for the Company to:

- (a) *establish and maintain the Performance Rights Plan on the terms and conditions summarised in the accompanying Explanatory Memorandum; and*
- (b) *grant Performance Rights from time to time under the Plan."*

Voting Exclusion: The Company will disregard any votes cast on this resolution by a Director (except one who is ineligible to participate in any employee incentive scheme in relation to the Company) and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (c) the proxy is the Chair of the Meeting; and
- (d) the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

5. RESOLUTION 5 – APPROVE ISSUE OF PLAN SHARES TO MR KEN CHARINSKY

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, subject to the passing of Resolution 3, pursuant to the rules of the Company's Share Plan and in accordance with Section 208 of the Corporations Act, ASX Listing Rule 10.14 and for all other purposes, approval is given for the Directors to allot and issue 244,248 Plan Shares to Mr Ken Charinsky (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr Ken Charinsky, his nominee or any Director of the Company (except one who is ineligible to participate in the Employee Share Plan in relation to the Company) and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (c) the proxy is the Chair of the Meeting; and
- (d) the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

6. RESOLUTION 6 – ISSUE OF PERFORMANCE RIGHTS TO MR KEN CHARINSKY

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

“That, subject to the passing of Resolution 4, for the purposes of Section 208 of the Corporations Act, ASX Listing Rule 10.14, with Section 208 of the Corporations Act and for all other purposes, approval is given for the Directors to allot and issue 899,743 Performance Rights to Mr Ken Charinsky (or his nominee) under the Performance Rights Plan on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr Ken Charsinsky, his nominee or any Director of the Company (except one who is ineligible to participate in the Performance Rights Plan in relation to the Company) and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (c) the proxy is the Chair of the Meeting; and
- (d) the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

7. RESOLUTION 7 – RATIFICATION OF PRIOR ISSUE OF OPTIONS TO MR DON NELSON

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the allotment and issue of 2,200,000 Options to Mr Don Nelson on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (c) the proxy is the Chair of the Meeting; and
- (d) the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

8. RESOLUTION 8 – NON-EXECUTIVE DIRECTORS’ REMUNERATION

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of clause 6.5(a) of the Constitution, ASX Listing Rule 10.17 and all other purposes, the Company approves the maximum aggregate amount that may be paid to Non-Executive Directors as remuneration for their services in each financial year be set at \$350,000 which

may be divided among those Directors in the manner determined by the Board of the Company from time to time."

Voting Exclusion: The Company will disregard any votes cast on this resolution by a Director of the Company and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (iii) a member of the Key Management Personnel; or
 - (iv) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (c) the proxy is the Chair of the Meeting; and
- (d) the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

DATED: 17 OCTOBER 2011

BY ORDER OF THE BOARD

**MR GABRIEL CHIAPPINI
COMPANY SECRETARY**

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the Annual General Meeting to be held at 9.30am (WST) on 25 November 2011 at Theatrette, QV1, 250 St Georges Terrace, Perth, Western Australia.

The purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

1. FINANCIAL STATEMENTS AND REPORTS

In accordance with the Constitution, the business of the Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2011 together with the declaration of the directors, the directors' report, the remuneration report and the auditor's report.

The Company will not provide a hard copy of the Company's annual financial report to Shareholders unless specifically requested to do so. The Company's annual financial report is available on its website at www.neonenergy.com.

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

2.1 General

The Corporations Act requires that at a listed company's annual general meeting, a resolution that the remuneration report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the Directors or the Company.

Under recent changes to the Corporations Act which came into effect on 1 July 2011, if at least 25% of the votes cast on Resolution 1 are voted against adoption of the Remuneration Report at the Annual General Meeting, and then again at the Company's 2012 annual general meeting, the Company will be required to put to Shareholders a resolution proposing the calling of an extraordinary general meeting to consider the appointment of directors of the Company (**Spill Resolution**).

If more than 50% of Shareholders vote in favour of the Spill Resolution, the Company must convene the extraordinary general meeting (**Spill Meeting**) within 90 days of the Company's 2012 annual general meeting. All of the Directors who were in office when the Company's 2012 Directors' report was approved, other than the managing director of the Company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting. Following the Spill Meeting those persons whose election or re-election as Directors is approved will be the Directors of the Company.

The remuneration report sets out the Company's remuneration arrangements for the Directors and senior management of the Company. The remuneration report is part of the Directors' report contained in the annual financial report of the Company for the financial year ending 30 June 2011.

A reasonable opportunity will be provided for discussion of the remuneration report at the Annual General Meeting.

2.2 Proxy Restrictions

Pursuant to the Corporations Act, if you elect to appoint the Chair, or another member of Key Management Personnel whose remuneration details are included in the Remuneration Report or any Closely Related Party of that member as your proxy to vote on this Resolution 1, you must direct the proxy how they are to vote. Where you do not direct the Chair, or another member of Key Management Personnel whose remuneration details are included in the Remuneration Report or Closely Related Party of that member on how to vote on this Resolution 1, the proxy is prevented by the Corporations Act from exercising your vote and your vote will not be counted in relation to this Resolution 1.

3. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – DR ALAN STEIN

Clause 6.3 of the Constitution requires that at the Company's annual general meeting in every year, one-third of the Directors for the time being, or, if their number is not a multiple of 3, then the number nearest one-third (rounded upwards in case of doubt), shall retire from office, provided always that no Director (except a Managing Director) shall hold office for a period in excess of 3 years, or until the third annual general meeting following his or her appointment, whichever is the longer, without submitting himself or herself for re-election.

The Directors to retire at an annual general meeting are those who have been longest in office since their last election, but, as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by drawing lots.

A Director who retires by rotation under clause 6.3 of the Constitution is eligible for re-election.

The Company currently has 3 Directors and accordingly 1 must retire.

Dr Alan Stein was appointed to the Company's Board on 27 October 2009 as a Non Executive Director and was appointed Chairman on 29 November 2009.

Dr Stein is a geologist with over 20 years experience in the oil and gas industry. He was a founder of the AIM listed African exploration company Fusion Oil and Gas plc (Fusion) which made several discoveries offshore Mauritania. Following the sale of Fusion in 2003 Dr Stein was one of the founders of Ophir Energy plc (Ophir), where he currently serves as an Executive Director. Ophir has interests across nine different jurisdictions in Africa and has made discoveries offshore Equatorial Guinea and Tanzania. Ophir is listed on the London Stock Exchange (LSE:OPHR) where it is a constituent of the FTSE 250 index with a market capitalisation in excess of \$1 billion.

Dr Alan Stein, the Director longest in office since his last election, retires by rotation and seeks re-election.

4. RESOLUTION 3 – ADOPTION OF EMPLOYEE SHARE PLAN

4.1 Background

As part of its review of appropriate remuneration for management and key personnel, the Board considers that it is appropriate to adopt an employee share plan (**Share Plan**). The objective of the Share Plan is to provide the Company with a remuneration mechanism to motivate and reward the performance of

management and key personnel and align their interests with the interests of Shareholders.

The Share Plan forms part of the Company's Short Term Incentive Plan as outlined in the Remuneration Report of the Annual Accounts. The Share Plan may be offered at the discretion of the Board, linked to the Company and individual performance. Please refer to the Remuneration Report for further details.

4.2 Requirement for Shareholder Approval

Resolution 3 seeks Shareholder approval under exception 9(b) of ASX Listing Rule 7.2 to allow the issue of Shares under the Share Plan (**Plan Shares**) as an exception to ASX Listing Rule 7.1.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

Exception 9(b) of ASX Listing Rule 7.2 provides that a company may make an issue of securities under an employee incentive scheme (such as the Share Plan) if, within three years before the date of issue, holders of ordinary securities in the company have approved the issue of securities under the scheme as an exception to ASX Listing Rule 7.1.

If Resolution 3 is passed, the Company will have the ability to issue Plan Shares to eligible participants under the Share Plan over a period of three years without impacting on the Company's 15% placement capacity under ASX Listing Rule 7.1.

4.3 Information required by the ASX Listing Rules

The following information is provided to satisfy the requirements of the ASX Listing Rules:

- (a) no Plan Shares have been allotted under the Share Plan as at the date of this Notice, however the Company during the month of October sent out Share Plan offer letters to 19 employees for a total of 1,173,329 shares under the Share Plan; and
- (b) the main terms of the Share Plan are summarised in Schedule 1 and a full copy of the Share Plan is available for inspection at the Company's registered office until the date of the Annual General Meeting.

5. RESOLUTIONS 4 – ADOPTION OF A PERFORMANCE RIGHTS PLAN

5.1 General

Resolution 4 seeks the approval of shareholders for the adoption of a performance rights plan (**PRP**) and authorisation to issue securities pursuant to the PRP.

The main objective of the PRP is to provide the Company with a remuneration mechanism, through the issue of securities in the capital of the Company, to motivate and reward the performance of employees in achieving specified performance milestones within a specified performance period. The board will ensure that the performance milestones attached to the securities issued pursuant to the PRP are aligned with the successful growth of the Company's business activities.

The PRP forms part of the Company's Long Term Incentive Plan as outlined in the Remuneration Report of the Annual Accounts. The PRP may be offered annually at the discretion of the Board. Conversion of performance rights into Shares is linked to the Company's Share performance as measured against a peer group of ASX companies over a three year period. Please refer to the Remuneration Report for further details.

The employees of the Company have been, and will continue to be, instrumental in the growth of the Company. The Directors consider that the PRP is an appropriate method to:

- (a) reward employees for their past performance;
- (b) provide long term incentives for participation in the Company's future growth;
- (c) motivate employees and generate loyalty from senior employees; and
- (d) assist to retain the services of valuable employees.

5.2 Terms of the PRP

A summary of the PRP is set out in Schedule 2.

No Performance Rights have been allotted under the PRP as at the date of this Notice, however the Company during the month of October sent out PRP offer letters to 8 employees for a total of 2,870,475 performance rights under the PRP

6. RESOLUTIONS 5 – ISSUE OF PLAN SHARES TO MR KEN CHARINSKY

6.1 General

The Company has agreed, subject to the passing of Resolution 3, to allot and issue a total of 244,248 Plan Shares under the Company's Share Plan to Mr Ken Charsinsky on the terms and conditions set out below.

The Plan Shares are to be issued pursuant to the Share Plan to be approved by Shareholders in Resolution 3 of this Explanatory Statement.

Mr Charsinsky will be issued 244,248 Plan Shares as part of Mr Charsinsky's award under his Short Term Incentive Plan as Managing Director.

The performance conditions are based on performance relative to financial targets, increases in oil and gas reserves and production levels and factors including the funding of the Company's activities, opportunities, production and operations, health safety and environmental targets, external relationships, governance and staff morale. During the 2011 financial year, the Company's share price, financial, safety and production levels were either met or exceeded the measurement indicators.

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in Sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in Sections 210 to 216 of the Corporations Act.

In addition, ASX Listing Rule 10.14 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities under an employee incentive scheme to a director of the entity, an associate of the director, or a person whose relationship with the entity, director or associate of the director is, in ASX's opinion, such that approval should be obtained.

The grant of Plan Shares to Mr Charsinsky requires the Company to obtain Shareholder approval in accordance with Chapter 2E of the Corporations Act and ASX Listing Rule 10.14, because the grant of Plan Shares constitutes giving a financial benefit and as a Director, Mr Charsinsky, is related party of the Company.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Plan Shares as approval is being obtained under ASX Listing Rule 10.14 and Exception 9(b) of ASX Listing Rule 7.2. The issue of Plan Shares to Mr Charsinsky will not be included in the 15% calculation for the purposes of ASX Listing Rule 7.1.

It is the view of the Directors that the exceptions set out in Sections 210 to 216 of the Corporations Act do not apply in the current circumstances. Accordingly, Shareholder approval is sought for the issue of Plan Shares to Mr Charsinsky.

6.2 Shareholder Approval (Chapter 2E of the Corporations Act and Listing Rule 10.15)

Pursuant to and in accordance with the requirements of Sections 217 to 227 of the Corporations Act and ASX Listing Rule 10.15, the following information is provided in relation to the proposed issue of the Plan Shares:

- (a) the related party is Mr Ken Charsinsky and he is a related party by virtue of being a Director;
- (b) the maximum number of Plan Shares (being the nature of the financial benefit being provided) to be granted to the Mr Charsinsky is 244,248 Plan Shares.
- (c) the Plan Shares will be granted to Mr Charsinsky no later than 1 year after the date of the Annual General Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the Plan Shares will be issued on one date;
- (d) the Plan Shares will be issued for nil cash consideration, accordingly no funds will be raised;
- (e) the Plan Shares will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (f) the deemed issue price of the Plan Shares is \$0.335 per Share. The value of the Plan Shares is \$81,823.08;
- (g) any person who is in the full-time or part-time employment of, or is a director of, the Company or any subsidiary (if any) is entitled to participate in the Company's Share Plan;
- (h) no employees have received Plan Shares. This is the first time the Company is seeking a Share Plan for approval:

- (i) in accordance with Listing Rule 10.14, subject to meeting Short Term Incentive performance criteria and targets, all Company employees are entitled to participate in the Share Plan;
- (j) no loan will be provided in respect of the issue of the Plan Shares as they are being issued to Mr Charsinsky in consideration for services provided to the Company;
- (k) the relevant interests of Mr Charsinsky in securities of the Company is set out below:

Related Party	Shares	Options ¹
Mr Ken Charsinsky	400,000	3,050,000

¹ 450,000 Options exercisable at \$0.20 on or before 31 August 2012, 1,300,000 exercisable at \$0.20 on or before 6 November 2012, 1,300,000 exercisable at \$0.40 on or before 6 November 2012.

- (l) the remuneration and emoluments from the Company to Mr Charsinsky for both the two previous financial years are set out below:

Related Party	2011 Financial Year	2010 Financial Year (ii)
Mr Ken Charsinsky		
Salary	\$284,862	\$160,723
Short Term Cash Payment	\$131,823	-
Superannuation	\$25,638	\$14,105
Share Plan (non cash)	\$81,823 ⁽ⁱ⁾	-
Options vesting (non cash)	\$59,911	\$68,084

(i) The \$81,823 for share plan is the subject of this Resolution and is subject to Shareholder approval. The Shares have not been allotted and Mr Charsinsky has not yet received this benefit, the Share Plan value was accrued in the 2011 Annual Accounts.

(ii) Mr Charsinsky appointed on 27 October 2009

- (m) if the Plan Shares issued to Mr Charsinsky will increase the number of Shares on issue from 431,716,189 to 431,960,437 (assuming that no other options are exercised, no convertible notes are converted and no other Shares issued) with the effect that the shareholding of existing Shareholders would be diluted as follows:

Related Party	Issued Shares as at the date of this Notice of Meeting	Plan Shares to be issued	Dilutionary Effect upon issue of Plan Shares
Mr Ken Charsinsky	431,716,189	244,248	0.06%

- (n) the trading history of the Shares on ASX in the 12 months before the date of this Notice of Annual General Meeting is set out below:

	Price (\$)	Date
Highest	0.47	19/05/2011
Lowest	0.12	16/12/2010
Last	0.315	10/10/2011

- (o) the primary purpose of the issue of the Plan Shares to Mr Charsinsky is to provide cost effective consideration to Mr Charsinsky for his commitment and contribution to the Company in his role as Managing Director. The Board does not consider that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Plan Shares upon the terms proposed.
- (p) Mr Ken Charsinsky declines to make a recommendation to Shareholders in relation to Resolution 5 due to his material personal interest in the outcome of the Resolution.
- (q) Mr Alan Stein recommends that Shareholders vote in favour of Resolution 5 on the basis that the Plan Shares provide effective consideration to Mr Charsinsky for his ongoing commitment and contribution to the Company as the Managing Director of the Company, the Plan Shares are an appropriate form of incentive to maximise returns to Shareholders and the terms of the proposed issue of Shares to Mr Charsinsky are reasonable to the Company.
- (r) Mr John Lander recommends that Shareholders vote in favour of Resolution 5 on the basis that the Plan Shares provide effective consideration to Mr Charsinsky for his ongoing commitment and contribution to the Company as the Managing Director of the Company, the Plan Shares are an appropriate form of incentive to maximise returns to Shareholders and the terms of the proposed issue of Shares to Mr Charsinsky are reasonable to the Company.
- (s) The Board (other than Mr Charsinsky) are not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution.

7. RESOLUTION 6 – ISSUE OF PERFORMANCE RIGHTS TO MR KEN CHARINSKY

7.1 General

The Company has agreed, subject to the passing of Resolution 4, to allot and issue a total of 899,743 performance rights (**Performance Rights**) to Mr Ken Charsinsky (or his nominee) pursuant to the Company's Performance Rights Plan (**PRP**) and on the terms and conditions set out below.

7.2 Related Party Transaction

The Performance Rights are to be issued to Mr Charsinsky (or his nominee) to provide further incentive to perform and secure the ongoing commitment of Mr Charsinsky to the continued growth of the Company.

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in Sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in Sections 210 to 216 of the Corporations Act.

The issue of Performance Rights to an eligible participant under the PRP requires the Company to obtain Shareholder approval because this constitutes giving a financial benefit and Mr Charsinsky is a related party of the Company by virtue of being a Director.

7.3 ASX Listing Rule 10.14

ASX Listing Rule 10.14 provides that a company must not permit any of the following persons to acquire securities under an employee incentive scheme without the approval of holders of ordinary securities of the acquisition:

- (a) a director of the company;
- (b) an associate of a director; or
- (c) a person whose relationship with the company or a person referred to in (a) or (b) above is, in ASX's opinion, such that approval should be obtained.

If Resolution 6 is passed, Performance Rights will be issued to Mr Charsinsky, a Director of the Company. Therefore, the Company requires Shareholder approval to issue the Performance Rights to Mr Charsinsky (or his nominee).

It is the view of the Directors that the exceptions set out in Sections 210 to 216 of the Corporations Act and ASX Listing Rule 10.12 do not apply in the current circumstances. Accordingly, Shareholder approval is sought for the grant of Performance Rights to Mr Charsinsky.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Performance Rights as approval is being obtained under ASX Listing Rule 10.14 and Exception 9(b) of ASX Listing Rule 7.2. The issue of Performance Rights to Mr Charsinsky will not be included in the 15% calculation for the purposes of ASX Listing Rule 7.1.

7.4 Technical information required by Chapter 2E of the Corporations Act and Listing Rules 10.15.

Pursuant to and in accordance with the requirements of Sections 217 to 227 of the Corporations Act and ASX Listing Rule 10.15, the following information is provided in relation to the proposed grant of Performance Rights:

- (a) the related party is Mr Ken Charsinsky and he is a related party by virtue of being a Director of the Company;
- (b) the maximum number of Performance Rights (being the nature of the financial benefit being provided) to be granted to Mr Charsinsky is 899,743 Performance Rights;
- (c) the Performance Rights will be issued for nil cash consideration and no consideration will be payable upon the vesting of the Performance Rights on the achievement of the specified performance criteria;

- (d) no other Performance Rights have previously been issued to any persons referred to in ASX Listing Rule 10.14;
- (e) any person who is a full time or part time employee (including a director or company secretary of the Company who holds salaried employment with the Company on a full or part time basis) of the Company, who is determined by the Board to be eligible to receive grants of Performance Rights under the PRP. As at the date of this Notice of Annual General Meeting, Mr Ken Charsinsky is eligible to participate in the Plan;
- (f) the Performance Rights will vest three years after grant. The number of Performance Rights that will vest will be dependent upon the Company's total shareholder return (**TSR**) over the course of the three year period from the date the Performance Rights are granted being at or above the 50th percentile when compared with the TSR of competitor companies as determined by the Board over the course of the same three year period (**Vesting Condition**). Mr Charsinsky will receive Performance Rights upon the following basis:
- (i) 0 – 50th percentile – no Performance Rights will vest;
 - (ii) 50 – 75th percentile – 674,807 Performance Rights will vest; and
 - (iii) 75th + percentile - 899,743 Performance Rights will vest.
- The Performance Rights will otherwise be issued on the terms and conditions of the PRP as set out in Schedule 2;
- (g) no loan has or will be provided to Mr Charsinsky in relation to the issue of the Performance Rights;
- (h) the Performance Rights will be issued to Mr Charsinsky no later than 12 months after the date of the Annual General Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the Performance Rights will be issued on one date;
- (i) in determining the number of Performance Rights to be issued to Mr Charsinsky, consideration was given to the relevant experience and role of Mr Charsinsky, his overall remuneration terms, and the terms of share packages granted to directors of similar companies;
- (j) the value of the Performance Rights, being the financial benefit being given to Mr Charsinsky, and the pricing methodology is set out in Schedule 3;
- (n) Mr Charsinsky has a relevant interest at the date of this Notice of Meeting in 400,000 Shares and 3,050,000 Options as noted in clause 6.2(k) above;
- (t) the remuneration and emoluments from the Company to Mr Charsinsky for both the two previous financial years are set out below:

Related Party	2011 Financial Year	2010 Financial Year⁽ⁱⁱ⁾
Mr Ken Charsinsky		
Salary	\$284,862	\$160,723
Short Term Cash Payment	\$131,823	-

Superannuation	\$25,638	\$14,105
Share Plan (non cash)	\$81,823 ⁽ⁱ⁾	-
Options vesting (non cash)	\$59,911	\$68,084

(i) The \$81,823 for share plan is the subject of Resolution 5 and is subject to Shareholder approval. The shares have not been allotted and Mr Charsinsky has not yet received this benefit, the Share Plan value was accrued in the 2011 Annual Accounts.

(ii) Mr Charsinsky appointed on 27 October 2009.

- (o) if the Vesting Condition is fully satisfied, a total of 899,743 Shares would be allotted and issued. This will increase the number of Shares on issue from 431,716,189 to 432,615,932 (assuming that no Options are exercised and no other Shares issued) with the effect that the shareholding of existing Shareholders would be diluted by an aggregate of 0.2%;
- (p) if the Vesting Condition is met, then the Performance Rights will vest to Mr Charsinsky. Accordingly, there may be a perceived cost to the Company as the Performance Rights have been issued for nil consideration;
- (q) the trading history of the Shares on ASX in the 12 months before the date of this Notice is set out below:

	Price (\$)	Date
Highest	0.47	19/05/2011
Lowest	0.12	16/12/2010
Last	0.315	10/10/2011

- (r) the primary purpose of the issue of Performance Rights to Mr Charsinsky is to provide a performance linked incentive component in the remuneration package for Mr Charsinsky to motivate and reward the performance of Mr Charsinsky in achieving specified vesting conditions within a specified period. The Board considers this issue to be a cost effective remuneration practice and reasonable given the vesting conditions will align the interests of Mr Charsinsky with those of Shareholders. The Board does not consider that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Performance Rights upon the terms proposed.

7.5 Directors' Recommendation

- (a) Mr Charsinsky declines to make a recommendation to Shareholders in relation to Resolution 6 due to his material personal interest in the outcome of the Resolution.
- (u) Mr Alan Stein recommends that Shareholders vote in favour of Resolution 6 on the basis that the Performance Rights align the interests of Mr Charsinsky with those of Shareholders and are a reasonable and appropriate method to provide cost effective remuneration as the non-cash form of this benefit will allow the Company to spend a greater proportion of its cash reserves on its operations than it would if alternative cash forms of remuneration were given to Mr Charsinsky. The Performance Rights are an appropriate

form of incentive to maximise returns to Shareholders and the terms of the proposed issue of Performance Rights to Mr Charsinsky are reasonable to the Company.

- (v) Mr John Lander recommends that Shareholders vote in favour of Resolution 6 on the basis that the Performance Rights align the interests of Mr Charsinsky with those of Shareholders and are a reasonable and appropriate method to provide cost effective remuneration as the non-cash form of this benefit will allow the Company to spend a greater proportion of its cash reserves on its operations than it would if alternative cash forms of remuneration were given to Mr Charsinsky. The Performance Rights are an appropriate form of incentive to maximise returns to Shareholders and the terms of the proposed issue of Performance Rights to Mr Charsinsky are reasonable to the Company.
- (b) In forming their recommendations, each Director considered the experience of Mr Charsinsky, the current market price of Shares, the current market practices when determining the number of Performance Rights to be granted as well as the exercise price and, vesting conditions of those Performance rights.
- (w) The Board (other than Mr Charsinsky) are not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution.

8. RESOLUTION 7 – RATIFICATION OF PRIOR ISSUE OF EMPLOYEE OPTIONS TO MR DON NELSON

8.1 General

On 19 May 2011, the Company issued 2,200,000 Options in consideration for services provided as an employee by Mr Don Nelson.

Resolution 7 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of those Options (**Ratification**).

A summary of ASX Listing Rules 7.1 is set out in Section 4.2 above.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1 (and provided that the previous issue did not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

8.2 Technical information required by ASX Listing Rule 7.4

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the Ratification:

- (c) 2,200,000 Options were allotted;
- (d) the Options were issued for nil cash consideration in satisfaction of services provided as an employee by Mr Don Nelson;

- (e) the Options will be issued on the terms and conditions set out in Schedule 4;
- (f) the Options were allotted and issued to Mr Don Nelson, who is not a related party of the Company; and
- (g) no funds were raised from this issue as the Options were issued in consideration for services provided as an employee by Mr Don Nelson.

9. RESOLUTION 8 – NON-EXECUTIVE DIRECTORS' REMUNERATION

Clause 6.5(a) of the Constitution requires that the maximum aggregate remuneration that may be paid to non-executive directors of the Company be set by the Company in a general meeting.

Resolution 8 seeks Shareholder approval to set the maximum aggregate remuneration that may be paid to Non-Executive Directors at \$350,000 per annum. This aggregate amount has been determined after reviewing similar companies listed on ASX and the Directors believe that this level of remuneration is in line with corporate remuneration of similar companies.

The Company currently has 2 Non-Executive Directors, being Dr Alan Stein and Mr John Lander. For each of the past 2 years, the Non-Executive Directors of the Company have received total annual remuneration as follows:

Director	2010 (\$)	2011 (\$)
Dr Alan Stein	33,333	50,000
Mr John Lander	30,474	49,217 ⁽ⁱ⁾

- (i) \$9,217 of Mr John Lander's 2011 remuneration is non cash and represents the expense in the Profit & Loss account of options vesting from a previous allotment

GLOSSARY

\$ means Australian dollars.

Annual General Meeting or **Meeting** means the meeting convened by the Notice.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited.

ASX Listing Rules means the Listing Rules of ASX.

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Closely Related Party of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the *Corporations Regulations 2001 (Cth)*.

Company means Neon Energy Limited (ACN 002 796 974).

Constitution means the Company's constitution.

Corporations Act means the Corporations Act 2001 (Cth).

Directors means the current directors of the Company.

Explanatory Statement means the explanatory statement accompanying the Notice.

Key Management Personnel has the same meaning as in the accounting standards and broadly includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company.

Notice or **Notice of Meeting** or **Notice of Annual General Meeting** means this notice of annual general meeting including the Explanatory Statement and the Proxy Form.

Option means an option to acquire a Share with the terms and conditions set out in Schedule 4.

Optionholder means a holder of an Option.

Proxy Form means the proxy form accompanying the Notice.

Remuneration Report means the remuneration report set out in the Director's report section of the Company's annual financial report for the year ended 30 June 2011.

Resolutions means the resolutions set out in the Notice of Meeting, or any one of them, as the context requires.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

WST means Western Standard Time as observed in Perth, Western Australia.

SCHEDULE 1 – SUMMARY OF SHARE PLAN

(a) **Eligibility**

The Board may invite full or part time employees and directors of the Company or an associated body corporate of the Company to participate in the Share Plan (**Eligible Employee**).

Eligible Employees do not possess any right to participate in the Share Plan, as participation is solely determined by the Board.

(b) **Offer of Plan Shares**

The Company may (acting through the Board) from time to time, in its absolute discretion, make an Offer to issue Plan Shares to any Eligible Employee (including an Eligible Employee who has previously received an offer) upon such terms as the Board may determine..

(c) **Number of Plan Shares**

The number of Plan Shares to be offered to an Eligible Employee will be determined by the Board in its discretion and in accordance with the rules of the Share Plan and applicable law.

(d) **Issue Price of Plan Shares**

The Issue Price of the Plan Shares offered under an offer shall be determined by the Board in its absolute discretion, which may be a nominal or nil amount.

(e) **Limited Number of Plan Shares**

The Company will take reasonable steps to ensure that the number of Plan Shares offered by the Company under this Share Plan when aggregated with:

- (ii) the number of Plan Shares issued during the previous 5 years under the Share Plan (or any other employee share plan extended only to Eligible Employees); and
- (iii) the number of Plan Shares that would be issued if each outstanding offer for Plan Shares (including options to acquire unissued Shares) under any employee incentive scheme of the Company were to be exercised or accepted,

does not exceed 5% of the total number of Shares on issue at the time of an offer (but disregarding any offer of Shares or option to acquire Shares that can be disregarded in accordance with the Class Order 03/184).

(f) **Restrictions**

Participant may not sell, transfer, assign, mortgage, charge or otherwise encumber a Plan Share until the end of any applicable restriction period.

SCHEDULE 2 – SUMMARY OF PERFORMANCE RIGHTS PLAN

The Company has established an employee performance rights plan (**PRP**).

The full terms of the PRP may be inspected at the registered office of the Company during normal business hours. A summary of the terms of the PRP is set out below.

- (a) Subject to any necessary approvals from the Company's shareholders or as required by law or by the Listing Rules, the Board may, from time to time, at its absolute discretion and only where any Director and full time or part time employee of the Company, who is determined by the Board to be eligible to participate in the PRP (**Eligible Participants**), grant Performance Rights to Eligible Participants with effect from the date determined by the Board, upon the terms set out in the PRP and upon such additional terms and vesting conditions as the Board determines.
- (b) Each Performance Right will vest as an entitlement to one fully paid ordinary share in the capital of the Company (**Share**) provided that certain performance milestones are met. If the performance milestones are not met, the Performance Rights will lapse and the Eligible Participant will have no entitlement to any Shares.
- (c) The Company shall notify the Eligible Participant when the relevant vesting requirements have been satisfied and the Eligible Participant may then exercise their right to accept the vesting of the Performance Rights and be issued the Shares, following which the Company will issue the Shares and deliver notification of the Shareholding to the Eligible Participant.
- (d) Subject to the Company being listed on the ASX, the Company will, within 7 days of the date of the Shares being issued, make application to ASX for quotation of the Shares.
- (e) Shares resulting from the vesting of the Performance Rights shall, from the date of issue, rank pari passu with all other Shares on issue.
- (f) Performance Rights shall not be quoted on ASX.
- (g) Performance Rights shall not be transferred or assigned by an Eligible Participant except with the prior written consent of the Directors of the Company.
- (h) Subject to any right an Eligible Participant may have as a holder of shares, holders of Performance Rights may only participate in new issues of securities to holders of shares if the vesting requirements have been satisfied and the relevant Shares have been issued prior to the record date for determining entitlements to the issue. The Company shall give notice to holders of Performance Rights (as required under the ASX Listing Rules) of any new issues of securities prior to the record date for determining entitlements to the issue.
- (i) If Shares are issued pro rata to the Company's shareholders generally by way of bonus issue (other than an issue in lieu of dividends or by way of dividend reinvestment) involving capitalisation of reserves or distributable profits, the number of Shares over which each Performance Right is exercisable may be increased by the number of Shares which the participant would have received if the Performance Right had been exercised before the record date for the bonus issue.
- (j) In the event of any reorganisation (including consolidation, subdivision, reduction or return) of the issued capital of the Company, all rights of a participant are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reorganisation.

- (k) Unless the Eligible Participant agrees otherwise, all of a Eligible Participant's unvested Performance Rights vest automatically:
- (i) if a takeover bid is made, the takeover bid is declared unconditional and the bidder has acquired a relevant interest in more than 50% of the Company's shares; or
 - (ii) on the date of despatch of a notice of meeting to consider a scheme of arrangement between the Company and its creditors or members or any class thereof pursuant to section 411 of the Corporations Act seeking approval for a proposed compromise or arrangement for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies; or
 - (iii) on the date upon which a person or a group of associated persons becomes entitled, subsequent to the date of grant of the Performance Rights, to sufficient Shares to give it or them the ability, in general meeting, to replace all or allow a majority of the Board in circumstances where such ability was not already held by a person associated with such person or group of associated persons.
- (l) The holder of Performance Rights does not have any entitlement to vote at a general meeting of Shareholders.

SCHEDULE 3 – VALUATION OF PERFORMANCE RIGHTS

The value of the Performance Rights is based on the number of Performance Rights issued multiplied by the prevailing Share price at the date of issue of the Performance Rights multiplied by the probability that the Vesting Conditions are achieved. The Board has determined that the probability of achieving the Vesting Conditions is 100% for the Performance Rights. The values of the variables required to value the Performance Rights are therefore:

- (a) Number issued - as set out in paragraph 7.1 above.
- (b) Prevailing Share price - as the Share price at the date of issue of the Performance Rights is unknown, using 30 day volume weighted Share price for the period ending 30 June 2011 as a guide is the most accurate measure, being \$0.389 per Share. The value of the Company's Shares at the date of this Notice of Meeting was \$0.31.
- (c) Probability factor – 100%.

Using the above variables, internal management has calculated a value of \$0.389 for each Performance Right as follows:

Director	Number	Value
Mr Ken Charsinsky	899,743	\$350,000

SCHEDULE 4 – TERMS AND CONDITIONS OF EMPLOYEE OPTION PLAN

The Company has established an employee share option plan (**Option Plan**).

The full terms of the Option Plan may be inspected at the registered office of the Company during normal business hours. A summary of the terms of the Option Plan is set out below.

(a) **Eligibility**

The Board may invite full or part time employees and directors of the Company or an Associated Body Corporate of the Company to participate in the Option Plan (**Eligible Employee**).

Eligible Employees do not possess any right to participate in the Option Plan, as participation is solely determined by the Board.

(b) **Offer of Options**

The Option Plan will be administered by the Board which may, in its absolute discretion, offer Options to any Eligible Employee from time to time as determined by the Board and, in exercising that discretion, may have regard to some or all of the following considerations:

- (i) the Eligible Employee's length of service with the Company;
- (ii) the contribution made by the Eligible Employee to the Company;
- (iii) the potential contribution of the Eligible Employee to the Company; or
- (iv) any other matter the Board considers relevant.

(c) **Number of Options**

The number of Options to be offered to an Eligible Employee will be determined by the Board in its discretion and in accordance with the rules of the Option Plan and applicable law.

(d) **Conversion**

Each Option is exercisable into one Share in the Company ranking equally in all respect with the existing issued Shares in the Company.

(e) **Consideration**

Options issued under the Option Plan will be issued for no consideration.

(f) **Exercise price**

The exercise price for Options offered under the Option Plan will be determined by the Board.

(g) **Exercise conditions**

The Board may impose conditions, including performance-related conditions, on the right of a participant to exercise Options granted under the Option Plan.

(h) **Exercise of Options**

A participant in the Option Plan will be entitled to exercise their Options in respect of which the exercise conditions have been met provided the Options have not lapsed and the exercise of the Options will not result in the Company contravening ASIC Class Order 03/184. A holder may exercise Options by delivering an exercise notice to the Company Secretary along with the Options certificate, and paying the applicable exercise price of the Options multiplied by the number of Options proposed to be exercised.

Within ten Business Days of receipt of the required items, the Company will, subject to the ASX Listing Rules, issue to the participant the relevant number of Shares.

(i) **Cessation of employment**

If the participant in the Option Plan ceases to be an employee or director of, or render services to, the Company or an Associated Body Corporate for any reason (other than by death, permanent disability or permanent retirement from the workforce) prior to the lapse of the Options, and the exercise conditions attaching to the Options have been met, the participant will be entitled to exercise their Options in accordance with the Option Plan for a period of up to 28 days after the date of the cessation event.

(j) **Death, permanent disability or retirement**

If the participant in the Option Plan dies, becomes permanently disabled or permanently retires from the workforce as an employee or director of the Company prior to the lapse of the Options, the participant, or the participant's legal personal representative, will be entitled to exercise their Options in accordance with the Option Plan rules for the period commencing on the date of the cessation event and ending on the first to occur of the date of lapsing of the Options and the date which is six months after the date of the cessation event.

(k) **Lapse of Options**

Option Options held by a participant in the Option Plan will lapse immediately if:

- (i) the Options have not been exercised by the date which is two years after the date of issue, or such other date as the Board determines in its discretion at the time of issue of the Options;
- (ii) the exercise conditions attaching to the Option Plan Conditions are unable to be met; or
- (iii) the holder ceases to be an employee or director of the Company or an Associated Body Corporate and the deadline set out in paragraph (i) or (j) has passed.

(l) **Participation in Rights Issues and Bonus Issues**

The Options granted under the Option Plan do not give the holder any right to participate in new issues unless Shares are allotted pursuant to the exercise of the relevant Options prior to the record date for determining entitlements to such issue.

If there is a bonus issue to holders of Options, the number of Shares that the holder may be issued upon exercise of the Options may be increased by the number of Shares that the holder would have received if the Options had been exercised prior

to the record date of the bonus issue. This will not apply to options issued pro-rata on the terms as options already on issue.

(m) **Reorganisation**

The terms upon which the Options will be granted will not prevent the Options being reorganised as required by the ASX Listing Rules on the reorganisation of the capital of the Company.

(n) **Limitation on offers**

If the Company makes an offer under the Option Plan where:

- (i) the total number of Shares to be received on exercise of Options the subject of that offer exceeds the limit set out in ASIC Class Order 03/184; or
- (ii) the Offer does not otherwise comply with the terms and conditions set out in ASIC Class Order 03/184, the Company must comply with Chapter 6D of the Corporations Act at the time of that offer.

(o) **Takeover bid, Option Plan or Change in Control**

Unless the holder agrees otherwise, all of a holder's unvested Options vest automatically:

- (i) if a takeover bid is made, the takeover bid is declared unconditional and the bidder has acquired a relevant interest in more than 50% of the Company's shares; or
- (ii) on the date the court approves a compromise or Option Plan of arrangement in connection with the Company or its amalgamation with any other company or companies pursuant to section 411 of the Corporations Act; or
- (iii) on the date upon which a person or a group of associated persons becomes entitled, subsequent to the date of grant of the Option(s), to sufficient Shares to give it or them the ability, in general meeting, to replace all or allow a majority of the Board in circumstances where such ability was not already held by a person associated with such person or group of associated persons.

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Lodge your vote:



By Mail:

Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

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

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

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(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

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

Proxy Form

For your vote to be effective it must be received by 9.30am (WST) Wednesday 23 November 2011

How to Vote on Items of Business

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

Appointment of Proxy

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

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

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

A proxy need not be a securityholder of the Company.

Signing Instructions

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

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

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

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

Attending the Meeting

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

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

Turn over to complete the form →



View the Annual Report:

www.neonenergy.com

View your securityholder information, 24 hours a day, 7 days a week

www.investorcentre.com

Your secure access information is: **SRN/HIN: I999999999**



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

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

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



I 9999999999

I ND

Proxy Form

Please mark to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf XX

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

the Chairman of the Meeting **OR**

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

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of Neon Energy Limited to be held at Theatre, QV1, 250 St Georges Terrace, Perth, Western Australia on Friday 25 November 2011 at 9.30am (WST) and at any adjournment of that meeting. The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business other than in respect of Item 1, where the company has determined that the Chairman is unable to do so. If the Chairman of the Meeting is your proxy (or becomes your proxy by default), you authorise the Chairman to exercise your proxy on **Items 3 - 8** even though the items are connected directly or indirectly with the remuneration of a member of key management personnel. For **Items 3 - 8**, this authority is also subject to you marking the box in the section below.

Important for Items 3 - 8: If the Chairman of the Meeting is your proxy and you have not directed the Chairman how to vote on **Items 3 - 8** below, please mark the box in this section. If you do not mark this box and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on **Items 3 - 8** and your votes will not be counted in computing the required majority if a poll is called on these items. The Chairman of the Meeting intends to vote undirected proxies in favour of **Items 3 - 8** of business.

I/We acknowledge that the Chairman of the Meeting may exercise my proxy even if the Chairman has an interest in the outcome of these items and that votes cast by the Chairman, other than as proxy holder, would be disregarded because of that interest.

STEP 2 Items of Business **PLEASE NOTE:** If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

ORDINARY BUSINESS	For	Against	Abstain
Item 1 Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 2 Re-election of Director - Dr Alan Stein	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 3 Adoption of Employee Share Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 4 Adoption of Performance Rights Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 5 Approve Issue of Plan Shares to Mr Ken Charsinsky	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 6 Issue of Performance Rights to Mr Ken Charsinsky	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 7 Ratification of Prior Issue of Options to Mr Don Nelson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 8 Non-executive Directors' Remuneration	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote all available proxies in favour of each item of business.

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

Individual or Securityholder 1	Securityholder 2	Securityholder 3
<input style="width: 100%; height: 100%;" type="text"/>	<input style="width: 100%; height: 100%;" type="text"/>	<input style="width: 100%; height: 100%;" type="text"/>
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

Contact Name _____ Contact Daytime Telephone _____ Date ____/____/____

