



Quarterly Highlights

Vietnam

- Payment by KrisEnergy of US\$1.86 million past costs associated with farmin
- Processing of recently acquired seismic data over Blocks 120 and 105 complete
- Interpretation of new seismic data supports high prospectivity of both blocks

California

- Definition of prospective resource at Paloma Deep exploration prospect
- Identification of farmin partner for Gujarral Hills exploration prospect
- Early success of cyclic steam injection at North San Ardo

Production, Revenue & Reserves

	Dec. 2010 Qtr	Sept. 2010 Qtr	Change
Production (bbls)	27,886	33,300	-16 %
Average Daily Production (bopd)	303	362	-16%
Revenues (US\$MM)	2.1	2.2	-4%
Average Sale Price per bbl (US\$)	79.16	66.07	+20%
Operating Cost per bbl (US\$)	25.76*	13.32	+93%
Cash on Hand at end Qtr (US\$MM)	2.4	2.1	+14%

*Operating costs were significantly higher than usual due to extraordinary costs associated with scheduled maintenance, without which the operating cost would have been US\$15.80 per bbl.

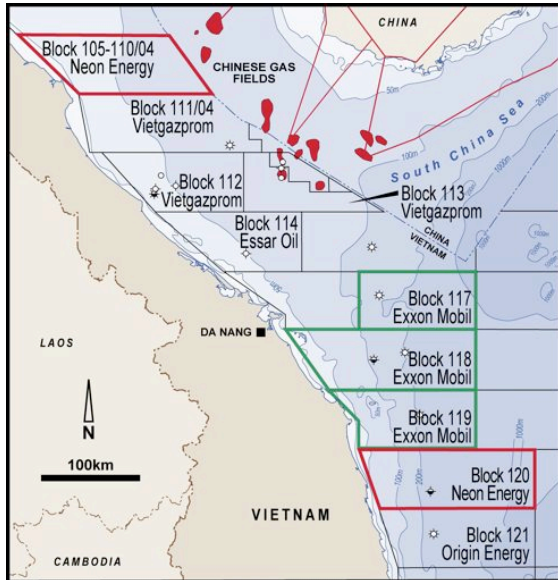
Six Month Outlook

- Continued drilling and production enhancement at North San Ardo oil field
- Announcement of prospective resource for Vietnam Blocks 120 and 105
- Farmout and drilling of Gujarral Hills exploration prospect, first quarter 2011
- Drilling of Central Paris Valley horizontal appraisal well
- Farmout campaign for Vietnam Blocks 120 and 105
- Drilling of Paloma Deep exploration prospect, expected July 2011
- Exploration drilling in close proximity to North San Ardo

Overview

Vietnam Exploration

Processing and interpretation of the new 2D seismic data is complete, with the data adding substantially to Neon's understanding of Block 120 and 105 prospectivity. In particular the data is of a high quality relative to the legacy data, allowing definition of stratigraphic features which were previously not identifiable.



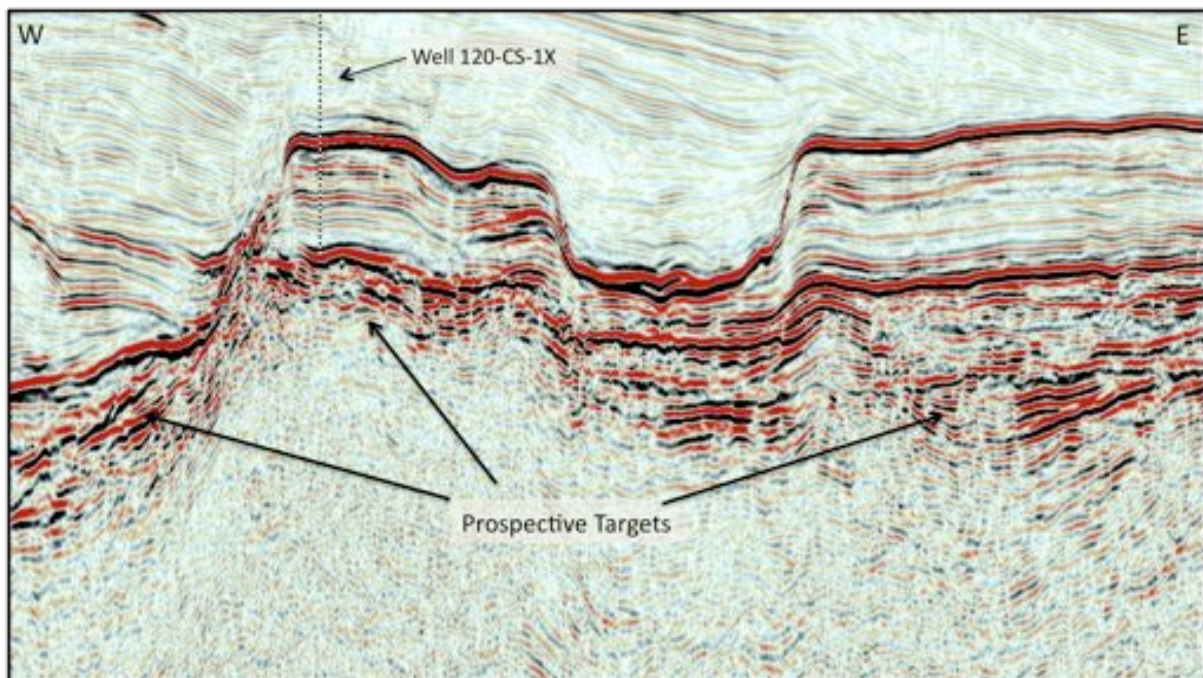
Neon and ExxonMobil Blocks, offshore Vietnam

Further detailed technical studies are being finalised in advance of the commissioning of a Competent Persons Report to validate the prospective

resource estimates on each block. Thereafter the company will determine its strategy for the assets as they mature to the drilling stage, including to what extent the Company will farm out an additional interest.

Drilling by ExxonMobil in the three exploration blocks immediately to the north of Block 120 is now believed to be due to commence late Q1 to early Q2, 2011, with drilling locations chosen solely with the benefit of the existing 2D seismic data. Information is not presently available as to the precise well location(s), however success by ExxonMobil in any of these wells will substantially enhance the prospectivity of block 120 due to the comparable geology.

Pending final approval by the Vietnamese authorities of the assignment to KrisEnergy under the terms of the Block 120 and 105 Farmout Agreements, KrisEnergy paid the balance of farmin costs in December 2010. Confirmation from the Vietnamese Ministry of Industry & Trade is expected within the next few weeks.



Example of new seismic data quality, Block 120

California Production

Production at the Company's 100% owned North San Ardo oil field decreased relative to the previous quarter, partly due to the natural decline of the field but also as a result of a scheduled maintenance shut-down. At the time of writing Neon is performing a re-drill of an existing production well (Lombardi 14-27) in order to relocate the bottom hole section in a more optimal reservoir location. This is expected to significantly increase the well's rate of production at a fraction of the cost of a new-drill well. Further drilling at North San Ardo is budgeted throughout 2011 in order to strengthen production levels during this period of improving oil price. Meanwhile the field's natural decline has been partially offset by the ongoing dedicated cyclic steam injection programme, which has delivered encouraging early results. To date three low producing wells have been subjected to cyclic steaming, resulting in a net average daily production increase of some 284% (65 bopd). As the programme continues Neon plans to cyclic steam more significant wells in order to yield more material increases in production.

Oil prices increased significantly during the quarter such that revenue from North San Ardo was only marginally lower than the previous quarter.

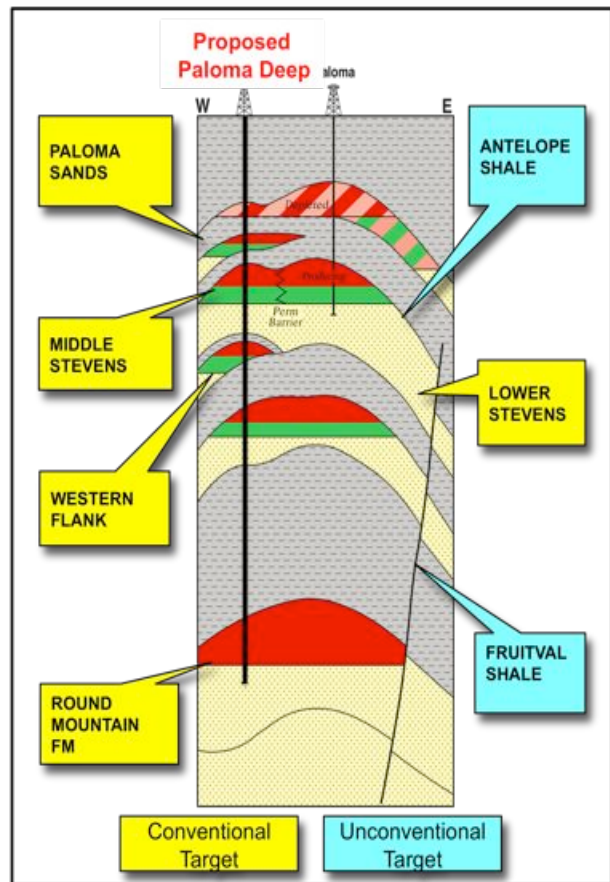
California Appraisal

Despite predictable operational difficulties encountered with steam injection at the vertical North Paris Valley-1 well, Neon remains optimistic about the potential for commerciality at its 100% owned Paris Valley oil field redevelopment project. The Company is proceeding with plans to drill one or more horizontal appraisal wells in the well defined Central Paris Valley field compartment, in order to prove commercial rates of oil production with the assistance of cyclic steam injection.

California Exploration

The Paloma Deep prospect has now matured to drill-ready status, and the Company plans to commence drilling during July 2011. The prospect provides

an opportunity to test up to seven prospective horizons (both conventional and unconventional) with a single vertical well, and offers a total prospective resource (unrisked) of some 300 MMboe.



Paloma Deep Prospect Schematic

Target formations include potential bypassed pay in the main reservoir of the Paloma field, and the Round Mountain formation - a target supported by seismic Direct Hydrocarbon Indicators ("DHIs").

Elsewhere in the San Joaquin Basin Neon is close to securing a farmin partner for the Gujarral Hills prospect, which has a mean prospective resource of 4 MMbbls (Neon 30%). Further announcements will be made during February 2011. Neon is also preparing for an exploration well in the 100% owned lease on the flank of the giant Buena Vista Field, the main target of which is the Monterey Shale. The Monterey formation has produced oil within the field but has not been exploited on the flank. To test this unconventional play Neon plan's to drill an 8,500 ft well, once farmin partners have been secured.

In the Salinas Basin Neon is evaluating three exploration leads in close proximity to the North San Ardo Field (within 5 km). These heavy oil prospects will be relatively

inexpensive to test (approx. US\$0.5 million each) and could in one case be tied back into existing production facilities at North San Ardo.

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