



ANNOUNCEMENT TO THE AUSTRALIAN SECURITIES EXCHANGE: 6th July 2010

OPERATIONS UPDATE

HIGHLIGHTS

- **Paris Valley progresses towards reserves certification**
- **Commencement of full-field cyclic steam operations at North San Ardo**
- **Second North San Ardo acceleration well scheduled for 3Q**
- **Petrovietnam waiver of right of pre-emption – Block 120 and 105 Farmouts**
- **Vietnam forward work program**

Paris Valley Appraisal (Neon 100%)

Further to completion of the North Paris Valley-1 ("NPV-1") appraisal well in December 2009, and subsequent analysis of wireline, core and recovered fluid data, Neon commenced testing operations during June. The aim of the flow-test is to evaluate oil flow rates and thus the commerciality of the field, with and without the assistance of steam enhancement. Following installation of specialised equipment to control sand production, a production test over two intervals within the Ansberry Sand (985' - 1005', and 870' - 897') commenced on 30th June. Once a stabilised flow rate without steam is established, steam injection will be used to calibrate the potential for enhanced production.

Neon has commissioned MHA Petroleum Consultants to provide an independent assessment of the contingent resource in the North Paris Valley compartment following evaluation of the testing results. Neon anticipates completion of the independent assessment in August.

The next phase of the Paris Valley appraisal project includes the drilling of a horizontal well in the Central compartment. The Central compartment had previously been determined to contain certifiable reserves of 9.1 mmbbls of recoverable oil based on 34 vertical well penetrations. Neon does not currently include these reserves within its portfolio. To date no horizontal wells have been drilled on Paris Valley, and it is anticipated that production rates from an extended horizontal section will be significantly greater than those achieved in the legacy vertical wells. Neon expects to commence its Central Paris Valley-1H ("CPV-1H") well during the latter half of 2010, subject to rig availability. A successful well at CPV-1H will enable MHA Petroleum Consultants to certify reserves in the Central compartment, with a view to allowing Neon to initiate a fast-track development project before the end of the year.

North San Ardo Cyclic Steaming Operations (Neon 100%)

After an extended steam-cycling trial on well 1-27, Neon has commenced a full field cyclic steam operation, during which nine wells will be injected with steam. Based on the initial trial it is expected that a significant increase in field-wide production will be achieved, particularly from the longer horizontal well sections. A 25 MMBTU fixed steam generator is onsite and injection operations commenced on the 5-27H well on 2nd July. For each well steam will be injected for approximately 18 to 20 days before shutting the well in for 5 days. Upon opening up the well post steaming operations, significantly higher rates of production are anticipated, such that the incremental production benefit exceeds production lost due to downtime on the well. Neon will report further on the North San Ardo steam-cycling programme as results become available.

North San Ardo Acceleration Well (Neon 100%)

Further to the successful completion of the Lombardi 17-27H production well in March 2010, which initially achieved a near doubling of field production, Neon has identified two additional locations for placement of development wells. The first of these is scheduled to be drilled during July 2010, and it is anticipated that this well combined with the steam-cycling operations will help to increase North San Ardo production throughout the latter half of 2010.

By the end of 2010 based on the operational plans above, average daily production from North San Ardo is expected to be in the region of 550 bopd, compared to 300 bopd at the end of 2009.

Vietnam Farmout of Blocks 120 and 105-110/04 (Neon 50%, post farmout)

On 18 June 2010 Neon received formal notice from Vietnam's state-owned oil company Petrovietnam that it will not exercise its pre-emptive right to the assignments contemplated by the respective Farmout Agreements between KrisEnergy and Neon. The first stage of the Vietnam governmental approval process is thus complete, and relevant documentation is now being submitted to the Vietnamese Ministry of Industry and Trade in order to gain final approval. This process is expected to take two to three months to complete, and Neon is confident that final approval will be granted.

Vietnam Forward Work Programme (Neon 50%)

The 3,828 kms of seismic data from the recent Block 120 and Block 105-110/04 campaign have been received and are being processed by Fugro Seismic Imaging. It is anticipated that the processing of the data will be completed by October 2010, followed by full prospect interpretation, ranking and risking by early 2011. Neon will then commission an independent assessment of potential oil and gas resources within both blocks to assist the Board in determining how best to further develop these projects.

Enquiries

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