



ANNOUNCEMENT TO THE AUSTRALIAN SECURITIES EXCHANGE: 27th July 2010

RESERVES CONFIRMATION

Further to the information released in Neon Energy Limited's Operations Update of 6th July 2010, Neon Energy confirms that the Paris Valley Field in California (Neon 100% working interest) has been ascertained by MHA Petroleum Consultants, in a report with an effective date of 1 January 2009, to contain the following reserves:

| Reserve Category | Gross Oil '000 bbls |
|-----------------------------------|----------------------------|
| Proved Developed Non Producing | 900 |
| Proved Undeveloped | 900 |
| Total Proved (1P) | 1,800 |
| Probable (2P) | 7,330 |
| Total Proved Plus Probable | 9,130 |

The evaluation on which these reserves are based includes the economic redevelopment of the Central Paris Valley area using steam injection and horizontal drilling to enhance the recovery of the heavy oil in the same manner as Neon Energy currently employs at the nearby North San Ardo Field. The data received from the current testing of the North Paris Valley-1 well, coupled with production rates and other information received from the drilling of a horizontal well in the Central Paris Valley compartment (scheduled to be drilled later this year) will be incorporated into a revised MHA analysis. That result will be a key aspect to the final decision regarding commercial development of the field.

An attempt was made to develop Central Paris Valley in the 1970's, but despite having produced ca. 120,623 barrels of oil with flow rates of up to 141 bopd from individual wells, the field was shut down in 1979 due to the low oil price at that time.

The information in the MHA Petroleum Consultants' report was compiled by Leslie S O'Connor, President of MHA Petroleum Consultants, who is qualified in accordance with the ASX listing rule 5.11. Ms O'Connor, a practicing Petroleum Engineer and Geologist for 34 years, has given her consent to the release of the reserves contained in this report.

Enquiries

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