



ANNOUNCEMENT TO THE AUSTRALIAN SECURITIES EXCHANGE: 27 August 2010

NEON 100% OWNED AND OPERATED NORTH SAN ARDO WELL SUCCESSFULLY COMPLETED AND PRODUCING AT 230 BOPD

HIGHLIGHTS

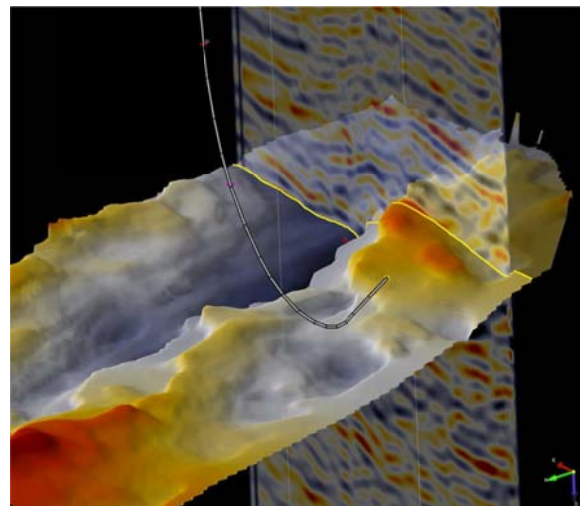
- Neon has successfully drilled and tied into production the Lombardi 15-27H horizontal development well in its 100% owned and operated North San Ardo oil field in California
- Initial production rate measurements from 15-27H are averaging 230 barrels of oil per day (BOPD)
- Field production increased 95% as a result of the new well.
- 3D visualisation technology was used to position the well in the optimal location
- Drilling result endorses company strategy to allocate capital to near term expansion activities
- The company is planning an additional horizontal development well on the northern lobe of the field in the near future

Neon Energy Limited (**Neon**, ASX: NEN) is pleased to announce the successful completion of drilling operations on the Lombardi 15-27H well at the North San Ardo oil field in California, with the well currently producing oil at a rate of 230 bopd.

The well was drilled into the southern lobe of the Lombardi oil sand reservoir, where two of the most productive wells in the field are located. The well was successfully drilled horizontally to a measured depth of 4301 feet (1311 metres) into a thick section of the Lombardi reservoir, and encountered excellent oil shows throughout a 1320 foot (402 metre) horizontal pay interval. A slotted liner was placed over that section in order to produce oil from the interval.



Location map North San Ardo,
Salinas Basin, California



3D Visualization of NSA #15 Well Path

The well was tied back to existing production facilities on the central pad and began production only 14 days after commencement of drilling operations. Although initial production rates can and commonly do experience a natural decline curve that is often steep, the Lombardi 15-27H is anticipated to be one of the better performing wells in the field due to its crestal location on the south lobe.

Additional enhancement to the field production is expected from the recently installed dedicated cyclic steaming unit which was commissioned in late July. While it is too early to measure the benefit of the steam thus far, a field trial late last year in a vertical well showed a production increase of two and a half times compared to the original rate. Each well on the field's central pad will be sequentially steamed and results will be announced when they become available.

Neon's Managing Director, Ken Charsinsky commented: *"This second successful development well chosen with the advantage of 3D seismic data and visualization software, endorses the decision to invest in our field at a time when drilling continues to be relatively inexpensive and oil prices remain high. We have identified additional locations that can be drilled, and we anticipate that new drilling, coupled with the dedicated cyclic steam generator commissioned in July 2010 will materially augment our production rates in the near term".*

Neon Energy Limited is an oil and gas exploration and production company that focuses on selected countries in Southeast Asia and the U.S. The Company's strategy is to acquire material equity interests in high quality prospective acreage by utilising our exclusive geoscience database, the latest exploration technologies and our experienced technical personnel.

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