



ANNOUNCEMENT TO THE AUSTRALIAN SECURITIES EXCHANGE: 29th April 2010

COMPANY QUARTERLY REPORT FOR JANUARY TO MARCH 2010

HIGHLIGHTS

- Award of Block 105-110/04 Production Sharing Contract, offshore Vietnam
- Farmout of offshore Vietnam Block 120
- Seismic Vessel contracted to acquire Block 120 survey commencing late May 2010
- North San Ardo field production doubled to ca. 500 bopd
- Encouraging results from analysis of North Paris Valley appraisal well
- Post-acquisition strategic review completed
- Appointment of Exploration Manager, Chief Financial Officer and Company Secretary

PRODUCTION AND REVENUE SUMMARY

	March 2010 Qtr	December 2009 Qtr	Forecast June 2010 Qtr
Production (bbls)	21,869	25,594	45,500
Average Daily Production (bopd)	243	278	500
Revenues (\$US)	\$1.5M	\$1.6M	\$3.2M
Average Price per bbl (\$US)	\$67.82	\$64.19	\$71.05
Operating Cost per bbl (\$US)	\$12.20	\$13.94	\$6.45

SIX MONTH OUTLOOK

- Significant increase in net revenues through continued production improvements at North San Ardo (further drilling and ongoing remedial works)
- Farmout of Block 105/110-04, offshore Vietnam
- Fully carried seismic survey on Block 120, offshore Vietnam
- Seismic survey on Block 105, offshore Vietnam (pending approvals)
- Continued production improvements at North San Ardo through additional drilling plus ongoing remedial works
- Flow test North Paris Valley-1 well with steam injection to assist reserve definition
- Continued farmout effort on San Joaquin exploration portfolio
- Continued focus on New Venture activities

OVERVIEW

Following completion of the acquisition of Neon Energy (Australia) Pty Ltd, the subsequent name change to Neon Energy Limited ("**Neon**") and the capital raising of November 2009, the Company has emerged from a period of consolidation. This has included a review of the current asset and opportunity portfolio resulting in a clear strategy to maximise shareholder value. This will be achieved through a combination of near-term/low risk activity (primarily in California) and longer term high-impact reserves growth via a fully carried exploration effort (primarily in Southeast Asia). Recent drilling activity at Neon's 100% owned and operated North San Ardo field has helped to double field production to ca. 500 bopd, which at a time of strengthening oil prices has significantly increased the Company's net operating revenues. Meanwhile Neon has relocated to new office premises in West Perth and recruited additional experienced personnel. Neon is now exceptionally well positioned - both operationally and financially - to aggressively pursue its objectives.

In January Neon announced the signing of a second offshore Production Sharing Contract ("**PSC**") in Vietnam - Block 105-110/04 ("**Block 105**"). The Block 105 PSC was signed on 5 January 2010 as the culmination of over twelve months of direct negotiation with state oil company Petrovietnam. The award represents a significant milestone in the transformation of Neon from a California focused company to a diversified international exploration and production company.

In March Neon announced the farmout of offshore Vietnam Block 120 to KrisEnergy Ltd and Enovation Resources Ltd. The farmout entails the Farminees earning a 50% participating interest in the PSC in exchange for reimbursing Neon's past costs and fully funding the forthcoming 2D seismic acquisition and processing campaign (up to a cap of US\$3,000,000). The transaction, which remains subject to approval by the Vietnamese authorities, allows Neon to allocate funds to identified near-term and low risk expansion activities in California.

Neon is presently in advanced discussions with a third party to farm in to Block 105, and expects to announce an agreement in due course. This will enable the Company to fast track the seismic survey on Block 105 so that it is acquired immediately following Neon's Block 120 survey, in late June 2010. Neon has contracted Seabird Exploration to acquire both surveys commencing late May 2010, subject to final approval by Petrovietnam.

In California while production at the North San Ardo field was down compared to the last quarter, recent drilling and ongoing facility maintenance/upgrades has resulted in a doubling of field-wide production, to ca. 500 bopd. The outlook for production is promising, with the pending commencement of a dedicated cyclic steaming program in addition to potential for further drilling likely to result in a significant increase in production and revenue for the Company. There were no health, safety or environmental incidents reported during the quarter.

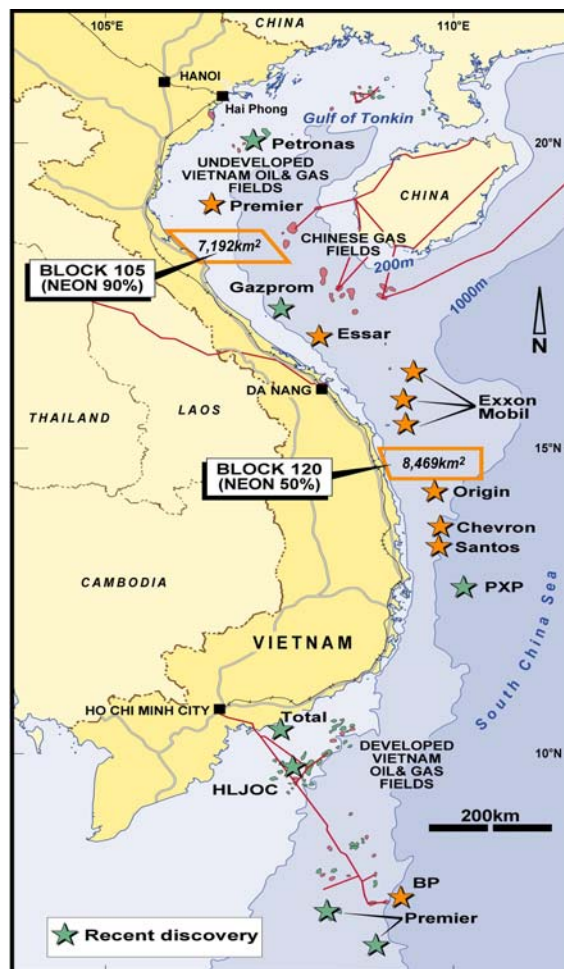
Neon has undertaken a detailed evaluation of the data acquired during drilling of the North Paris Valley appraisal well ("**NPV-1**"), which was completed in December 2009. The well encountered two oil bearing zones totaling approximately 6 metres of net hydrocarbon bearing sands over a 15 metre interval. Analysis of the recovered oil and conventional and sidewall cores has yielded sufficiently encouraging results to warrant further appraisal activity. In particular the oil viscosity was found to be lower than initially thought, indicating that the reservoir can produce at higher rates. Neon plans to pump test NPV-1 in the next quarter, with cyclic steaming in order to further evaluate the commerciality of the asset.

PROJECTS UPDATE

Block 105 offshore Vietnam (Neon 90%)

Neon was awarded exploration Block 105-110/4 (“**Block 105**”) in the Song Hong Basin offshore Vietnam on 5 January 2010. Neon is Operator of the block and holds a 90% working interest. Block 105 is located in the central Song Hong Basin and covers an area of some 7,192 km² in water depths of less than 50 metres. Although there are discoveries nearby within the same sedimentary basin, Block 105 has seen very little exploration activity. A widely spaced grid of 2D seismic data exists but there has been no exploration drilling to date on the block.

Premier Oil, MOECO and CNOOC hold participating interests in the acreage immediately to the north of the block, and the Chinese producing Dongfang and LeDong gas fields lie approximately 35 kms from the block’s eastern boundary. These fields are estimated to contain ultimate recoverable reserves of 1.5 Tcf and 0.9 Tcf respectively.



Since signing the PSC Neon has received all of the available seismic data within Block 105 from Petrovietnam. Early interpretation and mapping indicates the presence of a large number of leads and prospects, many of which are supported by seismic amplitude anomalies often associated with the presence of hydrocarbons. These early results endorse Neon’s decision to apply for the Block 105 PSC, and the Company remains confident that the block has the potential to host significant hydrocarbon reserves. The seismic survey planned for June/July 2010 is designed to delineate and de-risk two broad petroleum play fairways, with a view to high grading a multi-target prospect for drilling.

Block 120, offshore Vietnam (Neon 50%)

Recent activity in Block 120 has been focused on securing Seabird Exploration’s *Aquila Explorer* seismic vessel in order to acquire the 2,000 kms of work program commitment 2D seismic data. The vessel will be acquiring data over Origin Energy’s Block 121 (to the south of Block 120) before moving on to Block 120 in late May 2010. The survey location is focused primarily on the carbonate and syn-rift trend which was targeted by BHP Petroleum’s 1993 exploration well (which encountered a 6 metre oil column within a 32 metre zone of oil shows). As Block 120 is located within a proven petroleum system, the key objective of the survey is to identify potential hydrocarbon bearing clastic reservoirs within the syn-rift section beneath the carbonate leads. Successful imaging may result in Neon identifying an optimal location for exploration drilling that will test multiple targets across two separate petroleum plays.

North San Ardo Oil Field, California (Neon 100%)

Production at North San Ardo continued to meet expectations with limited production downtime occurring during the quarter as a result of scheduled mechanical upgrades or weather disruptions. Production for the March quarter was down by 14% however revenues were down by only 6% as a result of higher oil prices.

The processing facilities are now operating more efficiently and previous water disposal limitations have been addressed.

Month	Barrels*	Average BOPD	Sales Revenue (\$US)
January	7,824	252	\$524,552
February	7,041	251	\$463,985
March	7,004	226	\$494,600
Qtr Total	21,869	243	\$1,483,137

* Gross sales volumes (which are less than production volumes and have been corrected for temperature and BS&W).

A short term focus for Neon has been to increase production through drilling, introduction of cyclic steaming, and a continual improvement program for field management. After thorough evaluation of all the available technical information and utilisation of the latest seismic interpretation and visualization techniques, the Lombardi 17-27H well was completed as a producer on 21 March 2010. The well commenced production at a rate of 225 bopd, nearly doubling field-wide production.

The cyclic steam trial that was undertaken on an existing vertical production well, Lombardi 1-27, has provided valuable information and resulted in a sustained two to threefold increase in production from that well. As a result of this positive outcome Neon is in the process of commissioning a field cyclic steam generator that can be operated from the central pad where most of the field production is located. As horizontal wells are expected to react even more favourably to the introduction of heat to the reservoir, increased production is expected shortly after commencement of steam generation in early June 2010.

Overall operating costs remain steady and have been reduced as much as possible without compromising safety or the environment. Capital expenditure during the March quarter was minor.

Paris Valley Oil Field – (Neon 100%)

Further to the drilling of the NPV-1 appraisal well in December 2009, a detailed evaluation of the recovered oil and the reservoir properties has been ongoing. The next step will be a production test of NPV-1. After an initial “cold pumping” phase, steam will be introduced to the wellbore to stimulate production. As a consequence of that test a horizontal appraisal well may be drilled in the Central Paris Valley compartment, which is well defined by 34 wellbore penetrations. Neon expects to make a statement concerning reserves at Paris Valley around mid year.

San Joaquin Basin (California)

Neon’s core acreage in the Southern San Joaquin Basin remains under lease and farmout efforts are underway with a view to drilling one or more prospects in 2010. The technical team is completing an assessment of prior studies performed in order to validate the prospects and also apply high-end geophysical techniques in order to better understand the exploration risk. Neon presented a number of opportunities at the North American Prospect Expo (“NAPE”) conference held in Houston in early February, and is in discussions with a number of interested parties.

New Ventures

Further to recent staff appointments Neon’s Southeast Asia new ventures effort is now well underway, with Neon currently considering a number of opportunities. With the Company’s stated objective to acquire assets at the “grass roots” level with high initial participating interest, the mode of entry will generally be a license award either via direct negotiation with the host government, or via participation in a competitive licensing round. Typically such acquisitions can take 6 to 12 months from inception to complete, and therefore Neon is making significant efforts to progress a number of opportunities in order to add to the Company’s portfolio in late 2010 to early 2011.

In California Neon continues to search for low risk appraisal and development opportunities in order to grow the Company's reserves base in the medium term. A number of opportunities are presently the subject of ongoing negotiation with various third parties.

CORPORATE

Resignation of Director

Mr Dougal Ferguson resigned as Finance Director and Company Secretary effective 6th April 2010, in order to pursue other business and personal interests.

Appointment of CFO and Company Secretary

Further to the resignation of Mr Dougal Ferguson, Neon appointed Mr Ben Newton as Chief Financial Officer and Mr Gabriel Chiappini as Company Secretary.

Appointment of Exploration Manager

Mr. David Cliff was appointed Exploration Manager.

Enquiries

Managing Director:
Website:

Ken Charsinsky (Tel: 08 9481 1176)
www.neonenergy.com