



Quarterly Summary

- Acquisition of Block WA-503-P, offshore Western Australia
- Completion of Californian asset sale
- Significant reduction in corporate overheads

Six Month Outlook

- Anticipated resolution of drilling costs dispute (Vietnam)
- 3D seismic acquisition in WA-503-P

Southeast Asia Overview

Vietnam Exploration (Blocks 120 & 105): Further to completion of the Vietnamese offshore drilling program, Neon remains in negotiations with joint venture partners Eni and KrisEnergy in relation to the US\$22.1 million debt that Operator Eni claims is owed by the Company's wholly owned subsidiary Neon Energy (Song Hong) Pty Ltd.

California Overview

Sale of Californian Assets: In mid 2013 Neon Energy appointed Roth Capital Partners to consider various initiatives to realise value from the Company's Californian asset portfolio, within a broad mandate. As a result of the review process it was determined that the significant capital investment required to achieve a material return on investment from those assets would be more prudently deployed in capturing high potential exploration assets elsewhere in the world, consistent with the Company's stated strategy.

In April 2014 the Company executed a Purchase & Sale Agreement with a major Californian exploration and production company, for the sale of the Company's Californian assets with a purchase price of US\$26,950,000 and an effective date of 1 January 2014. The transaction subsequently completed and the net sale proceeds have been remitted to the Company. The buyer, a subsidiary of a publicly listed company, wishes to remain anonymous for commercial reasons.

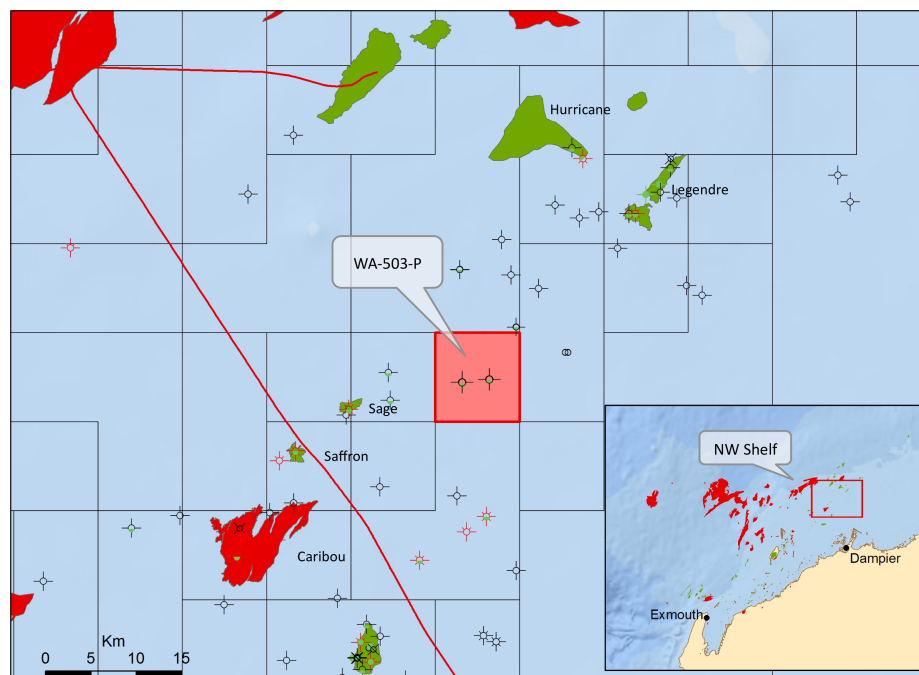
Australia Overview

Award of Block WA-503-P: In May 2014 the Company was awarded the WA-503-P offshore petroleum exploration permit, as Operator and 100% working interest holder, having successfully bid in the 2013 Australian Offshore Petroleum Exploration Acreage Gazettal.

Block WA-503-P is located offshore Western Australia within the Dampier Sub-basin, inboard of the giant Northwest Shelf gas field complex and on trend with numerous oil and gas discoveries, including the Legendre and Hurricane fields. Water depths within the block range from 50 metres to 70 metres, within the depth capability of jack up drilling rigs.

Neon Energy is confident that the application of new technology - in particular “Broadband” 3D seismic - will generate renewed exploration interest in the area. Two wells have been drilled within WA-503-P to date, confirming the presence of a working petroleum system within the block. The primary exploration focus in WA-503-P will be the hydrocarbon potential of Lower Cretaceous to Upper Jurassic basin margin fan deposits within the oil rich Legendre Trend, situated along the eastern flank of the Lewis Trough. The Legendre field produced over 40 MMbbls of oil from high quality reservoirs that yielded a superior oil recovery rate, of over 50%.

The Company has already identified four exploration leads based on existing 3D seismic data, the largest of which has potential for over 100 MMbbls oil in place within a series of stacked sandstone reservoirs.



The block is awarded with a six-year term. The initial three-year primary term includes a work commitment to acquire 80km² of “Broadband” 3D seismic data, with acquisition expected in early 2015. In addition Neon is required to complete various geological and geophysical studies. The secondary (optional) term would include a commitment to drill one exploration well.

Corporate

Throughout H1 2014 the Company has implemented a variety of cost cutting measures, including staff redundancies, closure of the Bakersfield office, and termination of non-essential corporate services. In addition management have agreed to a reduction in salary. Overall these measures have achieved a 64% reduction in corporate overheads, to some US\$2.5 million per annum.

A quarterly cashflow summary is provided as the attachment to this report.

Enquiries

Managing Director:	Ken Charsinsky
Chief Financial Officer:	Ben Newton
Telephone:	08 94811176
Website:	www.neonenergy.com

Quarterly Cashflow Summary

	June 2014 Qtr	March 2014 Qtr
Cash Inflows - US\$ '000		
Oil revenue ¹	1,332	2,246
Interest & Other	6	13
Asset sale ²	25,082	-
Total Cash Inflows	26,707	2,259
Cash Outflows - US\$ '000		
Exploration Expenditure	400	5,687
Development Expenditure	-	59
Operating Expenditure	590	1,277
Corporate & Overhead	971	1,682
Other	-	86
Total Cash Outflows	2,247	8,791
Cash Position - US\$ '000		
Cash at Beginning of period	3,169	9,707
Net increase / (decrease) in cash on hand	24,460	(6,532)
FX and working capital adjustments	(1,205)	(6)
Cash at End of Period ³	26,424	3,169

¹ Oil revenue includes only the portion of oil revenue to Neon's account pre the disposal of the North San Ardo.

² Asset sale includes the gross sales price less selling costs less post-sale reconciliation items.

³ Cash at End of Period includes cash at bank, short term deposits and other financial assets.