



Operational Highlights

- Significant activity within Neon's Californian asset base
- Completed drilling of Lombardi 19-27H development well at North San Ardo
- Paloma Deep rig en route to location
- Neon to be fully carried through three wells at Kettleman Middle Dome
- East San Ardo oil prospect spudded
- Deadman's Gulch prospect to spud during September

Overview

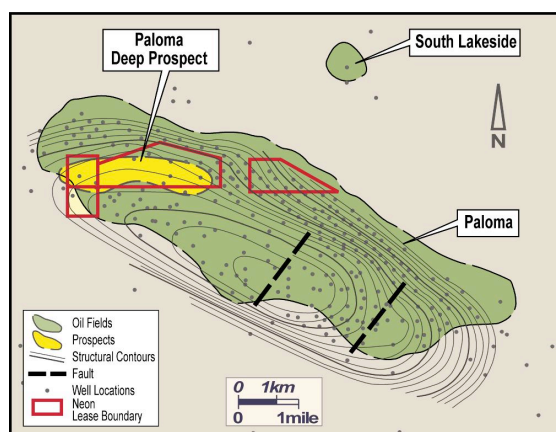
North San Ardo

The Company has completed drilling the Lombardi 19-27H development well at its 100% owned North San Ardo (NSA) oil field. The well has been designed to target reserves located within the northern lobe of the field, and is presently being completed for production. Neon expects to be able to announce an initial production rate within the next few days, after the well completion is finalised and the well has been brought onstream at a stabilised rate. The previous five new development wells have all been successes, and achieved rapid payback.

Paloma Deep

Drilling of the Paloma Deep exploration/appraisal well has been delayed due to the late release of the Nabors #710 rig from its previous location as a result of operational difficulties encountered by the previous Operator. The rig has now been released and is being moved to the Paloma location. Neon

will provide a further update after the well has spudded. The Paloma Deep prospect is targeting 300 MMBOE of cumulative, in-place, unrisks prospective resource, over seven target formations.

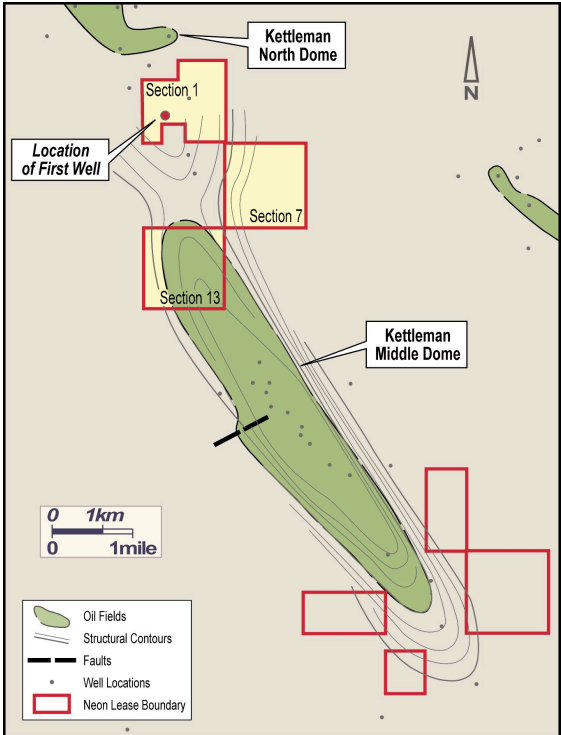


Paloma Deep Prospect Map

Kettleman Middle Dome

The Company has farmed out its 50% interest in three blocks located to the north of the Kettleman Middle Dome field in the

San Joaquin Basin. Neon, along with 50% partner and Operator INNEX Energy, have farmed out to New Gulf Energy LLC (NGE). Under the terms of the farmout, NGE will earn 50% in the leases in exchange for drilling and fully funding three wells. Each of the wells is expected to cost approximately \$3.5 million. The first well, designed to test the Monterey Formation in a southern extension of the Kettleman North Dome field, commenced drilling on 2nd September 2011. The well has a planned Total Depth of 7,630 feet.



Kettleman Middle Dome Farmout

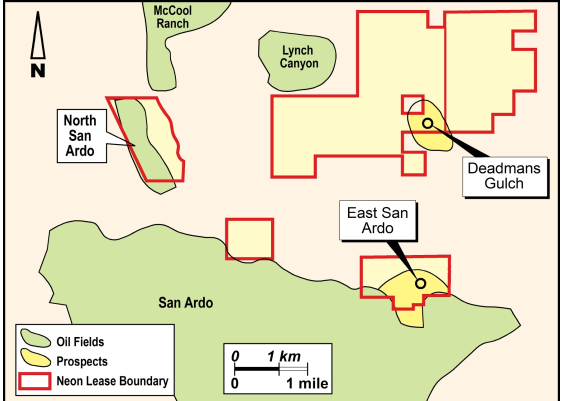
Salinas Basin Exploration

The Salinas Basin exploration drilling program has commenced, with wells

targeting the East San Ardo and Deadman’s Gulch prospects.

The 100% Neon operated East San Ardo well spudded on 10th September 2011. The well is designed to test a possible extension of the giant San Ardo heavy oil field and has an estimated mean prospective recoverable resource of 2.7 MMbbls*.

The Deadman’s Gulch well (Neon 50%) is operated by Trio Petroleum LLC and is designed to test a moderate risk prospect located some 6km east of Neon’s North San Ardo field. The well is due to spud during late September 2011, and has a mean prospective recoverable resource of 4 MMbbls*.



Salinas Basin Exploration Prospects Map

Further announcements regarding the progress of all operations will be made in due course.

* Prospective Resource estimates for the East San Ardo and Deadman’s Gulch prospects have been generated internally by Neon under the supervision of David Cliff, Exploration Manager, a qualified Petroleum Geologist with 30 years experience in the oil exploration industry. Mr Cliff is a member of the Petroleum Exploration Society of Australia and of the American Association of Petroleum Geologists, and is qualified in accordance with ASX listing rule 5.11.

Enquiries

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