



ANNOUNCEMENT TO THE AUSTRALIAN SECURITIES EXCHANGE: 21 December 2012

Paloma Deep Testing Update

Neon Energy Limited (ASX: NEN) is pleased to provide the following update on ongoing production testing at the Company's Paloma Deep oil and gas discovery.

Testing of the Lower Stevens "B" sand in the Paloma Deep-2 vertical appraisal well has recommenced following installation of production tubing, and the addition of further perforations. The planned installation of a pumping unit was postponed in order to assess the potential for the reservoir to flow hydrocarbons unassisted. After a few days of intermittent testing, including swabbing, the well has recovered over 40 barrels of 34°API gravity oil.

Neon is currently installing a downhole jet pump and start-up is expected to commence shortly for an extended flow period with the aim of achieving a stabilised rate.

While the testing programme has not yet achieved a comparable result to the maximum unassisted flow achieved in the Paloma Deep-1 well, the next stages will determine whether commercial flow of hydrocarbons are sustainable.

Neon holds an 85% working interest in the three Paloma wells, with partner Solimar Energy (ASX: SGY) holding the remaining 15%.

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