NEON
ENERGY LIMITED

ANNOUNCEMENT TO THE AUSTRALIAN SECURITIES EXCHANGE: 28 August 2013

Neon Energy Half-Year Results

Neon Energy Limited (ASX: NEN) today announced its results for the six month period ended 30 June 2013 (1H13).

Commenting on the 1H13 results, Neon Energy's Managing Director, Ken Charsinsky said the Company is in an exciting stage of its growth, with a strong balance sheet and a high-impact exploration programme in progress at its offshore Vietnam blocks 105 and 120.

"We have been busy over the past six months executing our growth strategy. Pleasingly we have achieved significant milestones at both our offshore Vietnam projects and at our onshore Californian producing sites."

"In Vietnam we have completed analysis of the 3D seismic data acquired mid 2012, and confirmed the prospectivity of both offshore blocks. We have begun drilling the Cua Lo-1 exploration well in Block 105 and will commence drilling in Block 120 by mid September."

"Meanwhile production rates from our North San Ardo oil field have improved late in the reporting period, and continue to improve on the back of a sustained cyclic steaming programme. The period also saw completion of the Glau 2D seismic acquisition programme, which we are currently analysing with a view to identifying drillable prospects over the coming weeks."

Key Financials

($A unless stated)	1H13	1H12	Change
Production (bbls)	41,024	69,025	-40.6%
Average sale price (US$/bbl)	$101	$104	-2.9%
Oil Revenue	$4,016,446	$6,928,867	-42.0%
Cash Lifting cost (US$/bbl)	53.66	22.24	+141.3%
Gross (loss) / profit	($93,406)	$2,906,659	-103.2%
Corporate and Administration	$3,153,293	$3,493,203	-9.7%
Consolidated profit / (loss)	($2,581,900)	($2,561,608)	-0.8%

Operational Highlights

- Vietnam 3D seismic programme confirms prospectivity of Block 105 and Block 120
- Identification of *Ca Ngu* prospect in Block 120
- Drilling commenced at Block 105 and rig preparing to drill in Block 120
- Recent improvement in production rates at North San Ardo oil field
- Completion of Glau 2D seismic acquisition programme

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Project Overview

Vietnam Block 105 (Neon 25%)

The *Cua Lo-1* exploration well was spudded on 11 August 2013, and drilling operations are currently in progress. Operations are expected to take approximately 45 days, plus additional time required for production and testing if warranted. *Cua Lo-1* is being drilled in a water depth of 76 metres to a planned Total Depth of 2,826 metres.

Vietnam Block 120 (Neon 25%)

The new 3D seismic data available for this block has advanced Neon Energy's understanding of the potential reservoir and hydrocarbon distribution within Block 120. It has also revealed an additional prospect, *Ca Ngu.* Prospect selection is being finalised and the *Block 120* exploration well is expected to spud in mid September. The Company will provide an update on the selected prospect shortly.

Indonesia Tanjung Aru (Neon 42%)

From the existing 3D seismic volume available within the block, a number of exploration leads are evident, which will be augmented by a new 3D seismic programme to be undertaken in the fourth quarter 2013. This programme will delineate prospects for drilling in an optional second three-year term. This optional term has an associated work commitment of a single exploration well, and will be entered into subject to the additional 3D seismic data providing favourable results.

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

Over 1H13, average oil production at the North San Ardo oil field was approximately 225 bopd (1H12: 381 bopd) with 40,743 barrels of oil sold (1H12: 69,025) at an average price of USD$101 per barrel (1H12: USD$104/bbl).

Development activity over 1H13 has remained focused on completion of a significant facilities upgrade and continuation of the cyclic steaming programme, which has recently yielded encouraging results. Cyclic steaming has contributed to a steady increase in daily production rates since June 2013. While production for 1H13 was down relative to the preceding period, the Company anticipates that this upward trend in daily production will continue.

California: Glau Exploration Lease (Neon 100%)

The Glau lease which was acquired by Neon Energy in October 2012, is only lightly explored with just a single stratigraphic test well drilled and limited seismic coverage. Hence, Neon has completed acquisition of a 2D seismic survey, designed to delineate targets for drilling. Interpretation of the seismic data is in progress, and subject to valid prospects being delineated the company expects to commence exploration drilling in the permit during the fourth quarter of 2013. Exploration success at Glau will provide short-term incremental reserves and revenue.

California: Paloma Project (Neon 100%)

During the period Neon further explored opportunities with third parties with a view to forming a joint venture that incorporates the necessary funding and unconventional gas expertise to further appraise the Paloma oil and gas discoveries made by the company during 2012. Further to a cash call default by partner Solimar Energy (SGY) and a subsequent agreement, Neon now holds a 100% working interest in all Paloma leases.

California: Paris Valley Oil Field (Neon 100%)

The Company continues to work diligently to clear the various remaining permitting hurdles so that operations can commence.

Outlook

Commenting on the Company's outlook, Mr Charsinsky said that the company is well positioned as it carries out its exciting initial drilling phase in Vietnam, while progressing its various exploration, appraisal and production assets elsewhere.

"We are working with farmin partner Eni to explore our Vietnam acreage. With the recent nearby Dongfang 13-2 gas discovery representing a close analogue to Cua Lo, and the Block 120 prospect selection process almost complete, we are very excited about the substantial near-term potential of our Vietnam blocks."

"The continuation of the North San Ardo enhancement programme is expected to optimise oil recovery over the coming year and maximise the asset value by delivering sustainable production upside."

"Let's not forget the potential of our Indonesian prospect, with a new 3D seismic programme to be completed in the second half of this year. This signifies an expansion of our exploration efforts in Southeast Asia on a highly prospective block."

"This is an exciting time for Neon Energy" said Mr Charsinsky.

Enquiries:

Managing Director:	Ken Charsinsky
Chief Financial Officer:	Ben Newton
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ABN 49 002 796 974

Consolidated Financial Report

For the half-year ended 30 June 2013

Incorporating Appendix 4D

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Appendix 4D

1. Reporting Period

The current reporting period is the 6 months ended 30 June 2013 and the previous corresponding period is for the 6 months ended 30 June 2012.

2. Results for Announcement to the Market.

	30 June 2013	30 June 2012	**% Change**
	$	$	
2.1 Revenue from ordinary activities.	**4,016,446**	**6,928,867**	**Decreased 42%**
2.2 Profit (loss) from ordinary activities after tax attributable to members.	**(2,581,900)**	**(2,561,608)**	**Decreased 1%**
2.3 Net profit (loss) for the period attributable to members.	**5,404,178**	**(2,680,935)**	**Increased 302%**
2.4 Amount per security and franked amount per security of interim dividend.	No interim dividends have been paid or provided for during the period		
2.5 Record date for determining entitlements to the dividends and payment date.	Not applicable		
2.6 Brief explanation of any of the figures in 2.1 to 2.4 necessary to enable the figures to be understood.	See Directors Report – Financial Report for the Half-Year Ended 30 June 2013.		

3. Net Tangible Assets Per Security

	30 June 2013	31 December 2012
	Cents	Cents
Net tangible assets* per ordinary share	**9.3**	9.6

* Net tangible assets = net assets excluding deferred tax assets and liabilities and capitalised exploration expenditure

4. Gain or Loss of Control Over Entities
Not applicable.

5. Details of Dividend and Distribution Payments
No dividends or distributions have been paid or provided for during the period.

6. Dividend Reinvestment Plans
There are no dividend or distribution reinvestment plans in operation.

7. Associates and Joint Venture Entities
Not applicable.

8. Foreign Entities
Not applicable.

9. Audit Dispute or Qualification
None.

CORPORATE DIRECTORY

Directors
Alan Stein – Non-Executive Chairman
Kenneth Charsinsky - Managing Director
John Lander – Non-Executive Director

Company Secretary
Gabriel Chiappini

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Auditors
Ernst & Young

Bankers
Westpac Banking Corporation Limited

Stock Exchange Listing
Neon Energy Limited is listed on the Australian Securities Exchange (Symbol: NEN).

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DIRECTORS' REPORT

The Board of Directors of Neon Energy Limited present their report on the consolidated entity of Neon Energy Limited ("the Company" or "Neon") and the entities it controlled during the half-year ended 30 June 2013 ("Consolidated Entity" or "Group").

DIRECTORS

The names of the Directors of Neon Energy Limited in office during or since the end of the half-year until the date of this report were:

Alan Stein (Non-Executive Chairman)
Kenneth Charsinsky (Managing Director)
John Lander (Non-Executive Director)

Unless otherwise indicated, all Directors held their position as a director throughout the entire half-year and up to the date of this report.

FINANCIAL RESULTS

The Group recorded a loss for the half-year ended 30 June 2013 of $2,581,900 compared to a loss of $2,561,608 for the half-year ended 30 June 2012.

Operations at North San Ardo were impacted during the half year by reduced production as a result of the natural decline in field performance as well as extended periods of shutdown for facility upgrades. As a result, revenues for the period of $4.02m were down 42% compared to the corresponding 6 month period (30 June 2012: $6.93m). There was also an increase in operating costs for the 6 months as the company took the opportunity to complete a number of maintenance activities during the facility upgrade.

Corporate and administration expenses for the 6 months were down 10% to $3.15m (30 June 2012: $3.49m).

With the focus on increasing production rates at the North San Ardo ("**NSA**") oil field through further field enhancements it is expected that production volumes and consequently revenues will increase in the second half of the financial year.

The Company's closing cash balance of $20,517,610 is sufficient to meet all obligations and with further improvements in production the Company expects to fund organic growth from Neon's extensive asset portfolio in Vietnam and California as well as other new venture opportunities in South East Asia.

SHARE CAPITAL

At 30 June 2013 the Company's share capital consisted of 549,937,848 ordinary shares. A balance of 8,400,000 unlisted options and 7,238,165 performance rights were outstanding.

During the half-year ended 30 June 2013, the Company issued 93,757 ordinary shares pursuant to an award made under the employee share plan and approved at a meeting of shareholders on 12th April 2013. During the half-year the Company also issued 1,363,142 performance rights under the performance rights plan and approved at the same meeting.

FORWARD STRATEGY AND OUTLOOK

The key areas for growth of the Company are as follows:

- Drilling of the Company's first offshore exploration wells in Vietnam
- Prospect delineation at Tanjung Aru, offshore Indonesia, via 3D seismic
- Maximising production levels at the 100% owned North San Ardo oil field
- Near-field exploration in the Glau permit, onshore California
- Realising value in the Paloma project, onshore California
- Expansion in Southeast Asia and beyond

Directors' report

The Company is well funded to progress its current programme of exploration activity, and in the current oil price environment Neon's oil production from North San Ardo is expected to fund the majority of the Company's corporate overheads. Neon Energy has maintained its nil debt position and remains committed to prudently funding its activity through cash flow wherever possible.

PROJECTS

Southeast Asia

<u>Vietnam Block 105-110/04 PSC – (Neon 25%)</u>

Having farmed out a 25% interest to Eni S.p.A., an 800km^2 3D seismic survey was completed in mid-2012. The 3D programme was designed to delineate a specific well location for the *Cua Lo* gas prospect, located on the eastern side of the block in approx. 80 metres of water. The resulting high quality 3D seismic dataset resulted in an improved understanding of the potential reservoir and hydrocarbon distribution, and led to the identification of additional potential Miocene/Pliocene pay zones. All potential pay zones are supported by Direct Hydrocarbon Indicators (DHIs); seismic attributes often associated with the presence of hydrocarbons.

The *Cua Lo-1* exploration well was spudded on 11 August 2013, and drilling operations are in progress at the time of writing. Pursuant to the terms of the farmout agreement with Eni, Neon will be carried through the drilling of the well up to a gross cost cap of US$25 million. Any costs in excess of the cost cap will be borne by the parties as per their respective working interests.

<u>Vietnam Block 120 PSC – (Neon 25%)</u>

A 500km^2 3D seismic programme, completed in mid-2012, was designed to delineate prospects in the vicinity of the 120-CS-1X well, drilled by BHP in 1993. That well encountered 32 metres of oil shows and a 6 metre oil column within Miocene reef carbonates, confirming the presence of a working petroleum system.

The 3D seismic data has advanced the joint venture's understanding of the potential reservoir and hydrocarbon distribution within Block 120 and revealed an additional prospect, *Ca Ngu*.

<u>Indonesia Tanjung Aru PSC – (Neon 42%)</u>

The Tanjung Aru block covers some 4,200 km^2 offshore Kalimantan, in water depths ranging from 20 metres to over 1,000 metres. The block is located in a relatively underexplored area of the Kutei Basin, one of Indonesia's most prolific hydrocarbon provinces with more than 12 Billion barrels of oil equivalent discovered to date. The Joint Venture has identified the potential for multiple hydrocarbon plays in both shallow water and deep water. Two gas discoveries are situated within the block, both drilled by Amerada Hess in 2002.

The leads that are evident from the existing 3D seismic volume within the block will be augmented by a new 3D seismic programme to be undertaken in the fourth quarter 2013. The 3D programme is designed to delineate prospects for drilling in an optional second three-year term. This optional term has an associated work commitment of a single exploration well, and will be entered into subject to the additional 3D seismic data providing favourable results.

California

<u>North San Ardo Oil Field – (Neon 100%)</u>

For the half-year ended 30 June 2013, oil production at the North San Ardo (NSA) oil field was approximately 225 bopd (HY 30 June 12: 381 bopd) with 40,743 barrels of oil sold (HY 30 June 12: 69,025) at an average price of USD$101 per barrel (HY 30 June 12: USD$104/bbl).

Development activity for the half-year has remained focused on completion of a significant facilities upgrade and continuation of the cyclic steaming programme, which is beginning to yield encouraging results. While production for the half-year was down relative to the preceding period, cyclic steaming has contributed to a steady increase in daily production rates since June 2013, and the Company anticipates that this trend will continue.

Directors' Report

Glau Exploration Lease – (Neon 100%)

The Glau Lease was acquired by Neon Energy in October 2012 and is located directly north of Neon's NSA producing asset. However the lease is only lightly explored, with just a single stratigraphic test well drilled and limited seismic coverage. The well confirmed the presence of moveable oil within the reservoir interval that produces at NSA, and the available seismic data suggests that the NSA field may extend in to the lease. This provides an excellent opportunity for Neon to add incremental production by drilling low cost wells similar to those drilled in the Lombardi Lease, where initial production rates of up to 1,000 barrels of oil per day were achieved from individual wells.

Neon has completed acquisition of a 2D seismic survey, designed to delineate targets for drilling. Interpretation of the seismic data is in progress at the time of writing, and subject to valid prospects being delineated the Company expects to commence exploration drilling in the permit during the fourth quarter 2013. Exploration success at Glau will provide the Company with short-term incremental reserves and revenue.

Paloma Project – (Neon 100%)

During the period Neon Energy continued discussions with interested third parties with a view to forming a joint venture that incorporates the necessary funding and expertise to further appraise the Paloma oil and gas discoveries made by the Company during 2012. Meanwhile the Company issued a Notice of Non Consent to partner Solimar Energy (SGY) as a result of Solimar defaulting on a cash call relating to the project. The Notice of Non Consent had the effect of reducing Solimar's working interest in the Western Leases to 10.6% and Neon assuming Solimar's entire interest in the three Paloma wells drilled to date, plus a 240 acre area surrounding those wells.

Subsequent to the end of the period, Neon reached agreement with Solimar to assume all of Solimar's remaining interests in the Paloma project for nil payment. As such the Company's interest in both the Western and Eastern leases is now 100%, putting Neon in a good position for forming a new joint venture to take the project forward.

Paris Valley Oil Field – (Neon 100%)

The Paris Valley appraisal and pilot production programme has continued to be delayed during the period, due to the ongoing permitting process. The Company is working diligently to clear the various permitting hurdles, so that appraisal drilling can commence as a precursor to a pilot production programme. Central Paris Valley has proved plus probable (2P) reserves estimated at 9.1 MMbbls of recoverable oil [1].

SUBSEQUENT EVENTS

As announced to the ASX on August 12, subsequent to the end of the period the Cua Lo-1 exploration well, located in Block 105-110/04 ("Block 105") offshore Vietnam was spudded on 11 August 2013.

Further to a cash call default by partner Solimar Energy (SGY) and a subsequent agreement dated 15 August 2013, Neon now holds a 100% working interest in all Paloma leases.

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our Auditors, Ernst & Young, to provide the directors of Neon Energy Limited with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on page 7.

This report is made in accordance with a resolution of the Directors.

Kenneth Charsinsky
Managing Director
Perth, 28th August, 2013

[1] Central Paris Valley reserves are stated as determined in an MHA Petroleum Consultants report effective 1st January 2009, by Leslie S O'Connor, President. Ms O'Connor is qualified in accordance with ASX listing rule 5.11, and has given her consent to the release of the prospective resources estimates contained in this report.

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Auditor's Independence Declaration to the Directors of Neon Energy Limited

In relation to our review of the financial report of Neon Energy Limited for the half-year ended 30 June 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

D S Lewsen
Partner
28 August 2013

DL:DR:NEON:031

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Neon Energy Limited, I state that:

In the opinion of the directors:

(a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the financial position as at 30 June 2013 and the performance for the half-year ended on that date of the consolidated entity; and

   (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

KENNETH CHARSINSKY
Managing Director

Perth, 28th August, 2013

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Independent review report to members of Neon Energy Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Neon Energy Limited, which comprises the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Neon Energy Limited and the entities it controlled during the period, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Neon Energy Limited is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

Ernst & Young

D S Lewsen
Partner
Perth
28 August 2013

DL:DR:NEON:032

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 30 JUNE 2013

	Note	30 June 2013 $	30 June 2012 $
Revenue	3	**4,016,446**	6,928,867
Operating expenses		**(2,537,561)**	(1,658,060)
Royalty payments		**(868,321)**	(1,522,648)
Depreciation and amortisation expense		**(703,970)**	(841,500)
Cost of sales		**(4,109,852)**	(4,022,208)
Gross (Loss) / Profit		**(93,406)**	2,906,659
Other revenue / income		**327,637**	192,954
Corporate and administration expenses		**(3,153,293)**	(3,493,203)
Finance costs		**(19,818)**	(37,358)
Impairment of exploration and evaluation assets		**(1,599)**	(12,701)
Insurance Proceeds		**-**	219,260
Net Gain on foreign exchange		**358,579**	(42,734)
Net Loss on sale of investment		**-**	(11,019)
Profit / (Loss) before income tax expense		**(2,581,900)**	(278,142)
Income tax expense		**-**	(2,283,466)
Profit / (Loss) for the period		**(2,581,900)**	(2,561,608)
Other comprehensive income			
Items reclassified subsequently to Profit or Loss:			
Exchange differences on translation of foreign operations		**7,986,078**	(119,327)
Total comprehensive income for the period attributable to members of the parent entity		**5,404,178**	(2,680,935)
Basic profit / (loss) per share for the period (cents per share)		**(0.47)**	(0.59)
Diluted profit / (loss) per share for the period (cents per share)		**(0.47)**	(0.59)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

	Note	30 June 2013 $	31 December 2012 $
ASSETS			
Current assets			
Cash and cash equivalents	4	**20,517,610**	20,649,993
Trade and other receivables		**2,337,594**	8,489,123
Inventories		**124,024**	85,322
Total current assets		**22,979,228**	29,224,438
Non-current assets			
Property, plant and equipment		**150,228**	181,252
Exploration and evaluation assets	5	**49,478,078**	41,734,784
Oil and gas properties	6	**33,792,891**	29,718,057
Total non-current assets		**83,421,197**	71,634,093
Total assets		**106,400,425**	100,858,531
LIABILITIES			
Current liabilities			
Trade and other payables		**2,624,227**	2,603,376
Provisions		**488,751**	604,847
Total current liabilities		**3,112,978**	3,208,223
Non-current liabilities			
Deferred tax liabilities		**4,395,581**	4,133,013
Provisions		**2,701,155**	3,066,321
Total non-current liabilities		**7,096,736**	7,199,334
Total liabilities		**10,209,714**	10,407,557
Net assets		**96,190,711**	90,450,974
EQUITY			
Contributed equity		**170,951,258**	170,951,258
Reserves		**5,041,077**	(3,280,560)
Accumulated losses		**(79,801,624)**	(77,219,724)
Total equity		**96,190,711**	90,450,974

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 30 JUNE 2013

	Contributed Equity $	*Retained Earnings $*	*Option & Rights Premium Reserve $*	*Foreign Currency Translation Reserve $*	*Total Equity $*
Balance at 1 January 2013	**170,951,258**	**(77,219,724)**	**4,042,948**	**(7,323,508)**	**90,450,974**
Profit / (Loss) for the period	-	(2,581,900)	-	-	(2,581,900)
Other comprehensive income	-	-	-	7,986,078	7,986,078
Total comprehensive income for the half year	**-**	**(2,581,900)**	**-**	**7,986,078**	**5,404,178**
Rights Granted			296,692	-	296,692
Options Granted	-	-	38,867	-	38,867
Balance at 30 June 2013	**170,951,258**	**(79,801,624)**	**4,378,507**	**662,570**	**96,190,711**
Balance at 1 July 2012	**139,260,816**	**(74,389,403)**	**3,782,399**	**(6,498,627)**	**62,155,185**
Loss for the period	-	(2,830,321)	-	-	(2,830,321)
Other comprehensive income	-	-	-	(824,881)	(824,881)
Total comprehensive income for the half year	**-**	**(2,830,321)**	**-**	**(824,881)**	**(3,655,202)**
Shares Issued	33,417,031	-	-	-	33,417,031
Share Issue Expenses	(1,726,589)	-	-	-	(1,726,589)
Rights Granted	-	-	207,839	-	207,839
Options Granted	-	-	52,710	-	52,710
Balance at 31 December 2012	**170,951,258**	**(77,219,724)**	**4,042,948**	**(7,323,508)**	**90,450,974**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 30 JUNE 2013

	Note	30 June 2013 $	30 June 2012 $
Cash flows from operating activities			
Receipts from customers		**3,887,763**	7,131,832
Payments to suppliers and employees		**(7,106,597)**	(9,870,889)
Interest received		**327,637**	162,528
Finance costs paid		**(19,818)**	(37,358)
Net cash flows from/(used in) from operating activities		**(2,911,015)**	(2,613,887)
Cash flows from investing activities			
Development expenditure		**(1,912,958)**	(3,965,040)
Exploration and evaluation expenditure		**(2,513,199)**	(1,874,285)
Purchase of property, plant and equipment		**(19,401)**	(107,376)
Proceeds from recovery of exploration and evaluation expenditure upon finalisation of ENI S.p.A farm-out		**6,556,804**	-
Proceeds from the sale of investments		**-**	51,507
Net cash flows from/(used in) investing activities		**2,111,246**	(5,895,194)
Cash flows from financing activities			
Proceeds from issue of shares		**-**	594,569
Net cash flows from/(used in) financing activities		**-**	594,569
Net increase / (decrease) in cash and cash equivalents		**(799,769)**	(7,914,512)
Net foreign exchange differences		**667,386**	(41,315)
Cash and cash equivalents at the beginning of the period		**20,649,993**	19,494,537
Cash and cash equivalents at the end of the financial period	**4**	**20,517,610**	11,538,710

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 JUNE 2013

Note 1. Corporate information

The financial report of Neon Energy Limited (the Company) for the half-year ended 30 June 2013 was authorised for issue in accordance with a resolution of the directors on 28 August, 2013.

Neon Energy Limited is a company incorporated and domiciled in Australia and limited by shares which are publicly traded on the Australian Securities Exchange.

Note 2. Summary of Significant Accounting Policies

Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2013 have been prepared in accordance with AASB 134 *Interim Financial Reporting.*

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2012.

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the period ended 31 December 2012.

Several new standards and amendments apply for the first time in 2013. However they do not impact the annual consolidated financial statements of the Group or the interim condensed consolidated financial statements of the Group.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

The Group has not yet early adopted any standard, interpretation or amendment that has been issued, but not yet effective.

Note 3. Revenue

	30 June 2013 $	30 June 2012 $
Revenue		
Oil Sales	**4,016,446**	6,928,867
Total revenue	**4,016,446**	6,928,867

Note 4. Cash and cash equivalents

	30 June 2013 $	31 Dec 2012 $
For the purpose of the half-year cash flow statement, cash and cash equivalents are comprised of the following:		
Cash at bank and in hand		
Short-term deposits	**16,201,793**	16,345,691
	4,315,817	4,304,302
	20,517,610	20,649,993

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 JUNE 2013

Note 5. Exploration and Evaluation Assets

	30 June 2013 $	31 Dec 2012 $
Opening Balance	**41,734,785**	33,868,453
Foreign exchange differences	**4,029,287**	(439,902)
Sale of exploration and evaluation assets	**-**	(59,038)
Current period expenditure	**3,950,534**	8,716,814
Rehabilitation discount and inflation rate adjustment	**(208,001)**	-
Impairment of exploration and evaluation assets	**(1,599)**	(324,615)
Depreciation of geoscience database	**(26,928)**	(26,928)
	49,478,078	41,734,784

Note 6. Oil & Gas Properties

	Plant and Equipment $	**Development $**	**Total $**
Opening Balance	6,219,472	23,498,585	**29,718,057**
Foreign exchange differences	700,398	2,965,695	**3,666,093**
Additions	594,512	1,208,968	**1,803,480**
Rehabilitation discount and inflation rate adjustment	-	(690,769)	**(690,769)**
Amortisation	-	(429,772)	**(429,772)**
Depreciation	(274,198)	-	**(274,198)**
Total oil and gas properties at 30 June 2013	7,240,184	26,552,707	**33,792,891**
Opening Balance	6,622,090	22,891,749	**29,513,839**
Foreign exchange differences	(131,691)	(422,840)	**(554,531)**
Additions	3,271	1,507,454	**1,510,725**
Amortisation	-	(477,778)	**(477,778)**
Depreciation	(274,198)	-	**(274,198)**
Total oil and gas properties at 31 Dec 2012	6,219,472	23,498,585	**29,718,057**

Note 7. Dividends Paid and Proposed

No dividend has been paid or proposed during the half year.

Note 8. Segment Reporting

The group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the country of origin, being the United States of America (USA) and South East Asia. Discrete financial information about each of these operating businesses is reported to the executive management team.

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2013

Accounting policies and inter-segment transactions

The accounting policies used by the group in reporting segments internally are the same as those contained in note 2 to the accounts and in the prior period.

Major customers

The Group has one customer to which it provides all of the oil and gas produced being Phillips 66 Company. Sales to Phillips 66 Company of $4,016,446 (Jun 2012: $6,928,867) made up 100% (June 2012:100%) of the Group’s oil sales.

In the event that a segment has taxable income in the country of operation, a tax expense is charged to that segment. All other tax expenses (if any) are unallocated.

The following items and associated assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Net gains/losses on available for sale investments
- Foreign exchange gains/losses
- Finance income/costs
- Head office corporate, administration and business development cost

The following table presents revenue and profit information for reportable segments.

	Segment Revenue		Segment Result	
	30 June 2013 $	**30 June 2012 $**	**30 June 2013 $**	**30 June 2012 $**
Business Segments				
United States of America	4,016,446	6,928,867	(852,419)	2,080,402
South East Asia	-	-	(38,827)	(163,031)
Unallocated being made up of the following items;				
Finance Revenue	327,637	192,954	327,637	169,949
Admin & Corporate	-	-	(2,325,928)	(4,536,848)
Depreciation	-	-	(50,942)	(69,347)
Foreign Exchange Gain / (Loss)	-	-	358,579	(42,733)
Consolidated	**4,344,083**	**7,121,821**	**(2,581,900)**	**(2,561,608)**

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 JUNE 2013

	Segment Assets	
	30 June 2013 $	31 Dec 2012 $
Business Segments		
United States of America	69,005,105	58,363,044
South East Asia	23,220,132	21,032,988
Unallocated being made up of the following items;		
Cash	12,362,342	19,760,738
Receivables	1,026,830	864,969
Other Non-Current Assets	786,016	836,792
Consolidated	**106,400,425**	**100,858,531**

Note 9. Share Based Payments

There were no grants of share based payments made during the 6 month period to 30 June 2013.

For the six month period ended 30 June 2013, the Group has recognised $335,560 (30 June 2012: $292,364) of share-based payment transactions expense in the Statement of Comprehensive Income relating to grants made in previous periods.

Note 10. Contributed Equity

At 30 June 2013 the Company's share capital consisted of 549,937,848 ordinary shares. A balance of 8,400,000 unlisted options and 7,238,165 performance rights were outstanding.

During the half-year ended 30 June 2013, the Company issued 93,757 ordinary shares pursuant to an award made under the employee share plan and approved at a meeting of shareholders on 12th April 2013. During the half-year the Company also issued 1,363,142 performance rights under the performance rights plan and approved at the same meeting.

Note 11. Commitments and Contingencies

There have been no changes in the Group's capital commitments since 31 December 2012.

Note 12. Events after Balance Date

As announced to the ASX on August 12, subsequent to the end of the period the Cua Lo-1 exploration well, located in Block 105-110/04 ("Block 105") offshore Vietnam was spudded on 11 August 2013.

Further to a cash call default by partner Solimar Energy (SGY) and a subsequent agreement, Neon now holds a 100% working interest in all Paloma leases.