

## AWARD OF EXPLORATION BLOCK 105-110/04, OFFSHORE VIETNAM

Neon Energy Limited (“**Neon**”) is pleased to announce the award of exploration Block 105-110/4 (“**Block 105**”) in the Song Hong Basin offshore Vietnam, through its wholly owned subsidiary Neon Energy (Song Hong) Pty Ltd. The Production Sharing Contract between Neon’s operating subsidiary and Petrovietnam, on behalf of the Government, was signed on 5<sup>th</sup> January 2010 in Hanoi. Neon will act as Operator of the block and will hold a participating interest of 90%.



Figure 1: Block 105-110/04 and Block 120 Location Map

Block 105-110/04 is located in the central Song Hong Basin and covers an area of some 7,192 km<sup>2</sup> in water depths ranging from 20 to 50 metres. Although there are discoveries nearby within the same sedimentary basin, Block 105 has seen very little exploration activity. A sparse grid of 2D seismic data was previously acquired but there has been no exploration drilling to date.

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

Neon made a direct application to the Government for the award of Block 105 following a review of regional data held within the Company’s proprietary geoscience database. The data currently available over the block demonstrates the presence of a very thick sedimentary basin which has proven to be capable of generating hydrocarbons within the region. A variety of trapping styles are

present including analogues of the Chinese gas fields to the east. The basin clearly has the potential to host commercially significant gas reserves however Neon believes there may also be an interesting oil play in the western portion of the block. Several of the prospective features identified by Neon on the existing seismic data appear to have anomalous seismic attribute characteristics, which might be indicative of the presence of hydrocarbons. These anomalous seismic characteristics, commonly referred to as Direct Hydrocarbon Indicators (or “DHI’s”) are now routinely used to identify and high-grade exploration prospects. Neon will reprocess existing seismic data and acquire new 2D seismic using acquisition and processing parameters specifically designed to highlight potential DHI’s.

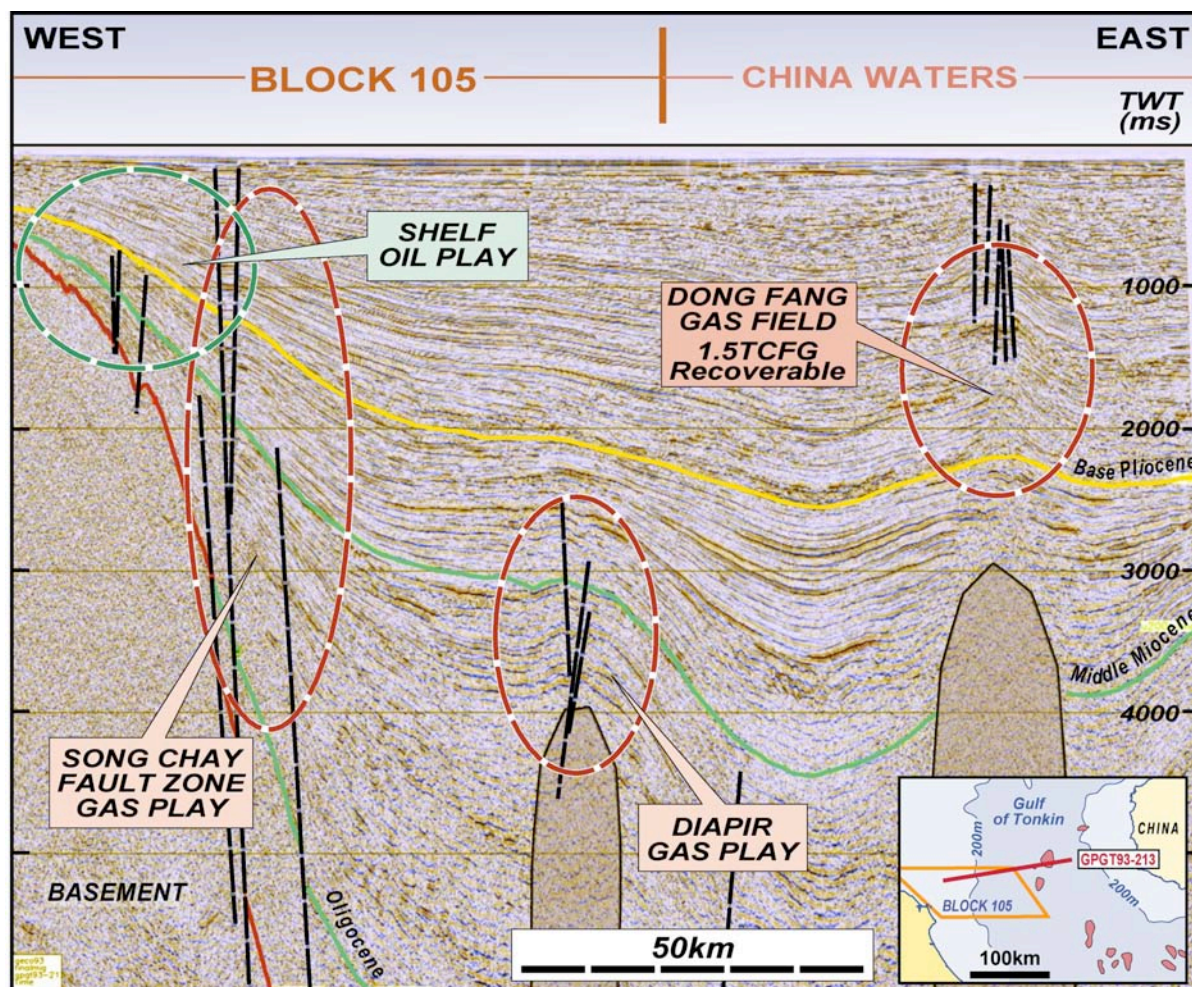


Figure 2: Example seismic section showing Dong Fang gas field to the east

The Block 105 Production Sharing Contract has an initial term of 4 years during which time Neon is obliged to acquire 2D seismic data and drill at least one exploration well. Neon will seek the appropriate approvals to conduct seismic operations within blocks 105 and 120 during 2010.

Participants in Block 105-110/04 are:

|  |            |
|--|------------|
| <b>Neon Energy (Song Hong) Pty Ltd</b> | <b>90%</b> |
| Enovation Resources Ltd                | 10%        |

Neon Managing Director, Ken Charsinsky commented: *"I am delighted that we have been able to expand our exploration portfolio in Vietnam through the award of Block 105 at a time when competition for Vietnamese acreage is increasing. There have been several recent acreage awards including three blocks to ExxonMobil immediately to the north of Neon's Block 120 PSC in the Quang Nai Graben. Neon is now well established in Vietnam with substantial acreage positions in two major prospective sedimentary basins. The Company will therefore enjoy operational synergies while spreading exploration risk across two different petroleum systems."*

*The acquisition of Block 105 is consistent with our strategy of building a portfolio of high value oil and gas interests throughout Southeast Asia, which compliments Neon's production and development activities in California. Following our recent successful appraisal drilling at Paris Valley in California, this addition to our portfolio gives the Company an excellent start to 2010 and we look forward to a very exciting year. We also look forward to working with Enovation Resources and to continuing our close association with Petrovietnam."*

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