



ACTIVITIES REPORT

Quarter Ending 30 June 2011



ICON ENERGY LIMITED

ABN 61 058 454 569

QUARTERLY ACTIVITIES REPORT

Period ending 30 June 2011



Highlights

Operations

- On 29 June 2011 Icon Energy Limited (**Icon Energy** or the **Company**) received approval of a geothermal drilling grant from the Queensland Government.
- The Company concluded its recent 4 well drilling programme in the Lydia Block in ATP626P.
- The Company commenced obtaining the required joint venture and governmental approvals to conduct a seismic survey in ATP849P.
- On 21 April 2011, Icon Energy submitted its Operation Plan to the Victorian Department of Primary Industries for tenement PEP170 in the Gippsland Basin.
- Icon Energy expanded the Stanwell Corporation Limited (**Stanwell**) Lydia Block Joint Venture Area to the entire tenement area comprising ATP626P.

Corporate and commercialisation projects

- Icon Energy continues to advance business and strategic initiatives to secure the necessary reserves to meet the LNG Sales Agreement signed with Shantou Sino Energy Co. Ltd (**Shantou Sino Energy**) on 29 March 2011.

Financial

- Icon Energy ended the 30 June quarter with a balance of \$18,379,000 and 469,301,394 shares on issue.

Subsequent Events

- Icon Energy and Beach Energy Limited (**Beach Energy**) resolved their dispute in relation to ATP855P and PEL218.
- A Chinese delegation consisting of representatives from Shantou Sino Energy, China Guodian Corporation and the Chinese Government will visit Icon Energy's offices in early August.

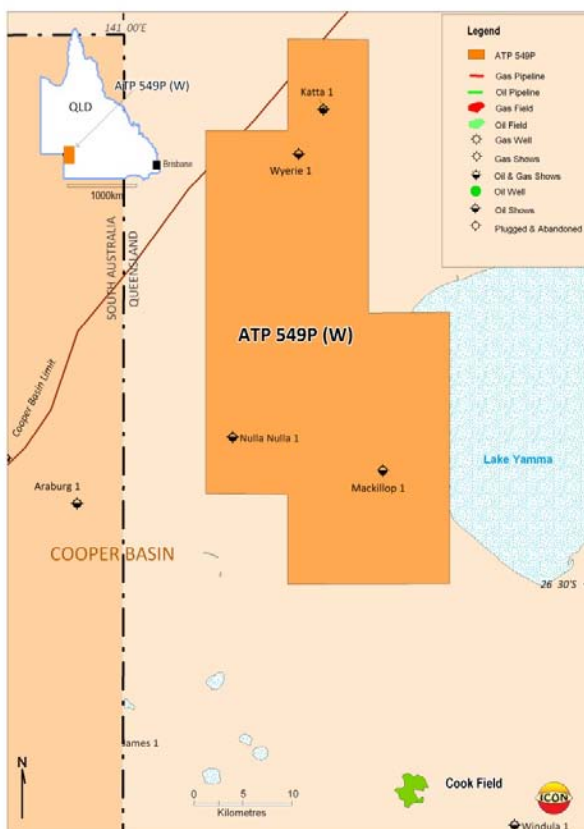
Operations

Queensland – Petroleum Exploration – ATP549P (West)

ATP549P (West) is located just inside the boundaries of the Cooper Basin in Queensland, near the Queensland and South Australian border. Icon Energy holds a 33.33% working interest in the West block of the tenement.

No operational activity has been undertaken in relation to this tenement during this quarter. The Company has, however, been involved in discussions with one of its joint venture partners in relation to further activity going forward.

The following map delineates the location of the permit.

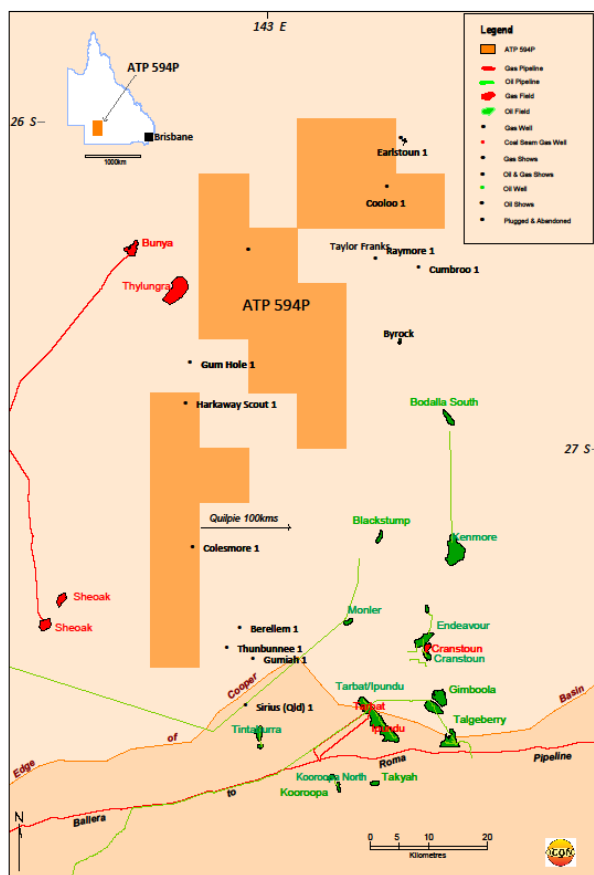


Queensland – Petroleum Exploration – ATP594P

No further work has been undertaken on this tenement since the Company's activities report for the quarter ending 31 March 2011.

Icon Energy has a 50% working interest in ATP 594P. The Australian Securities and Investments Commission (**ASIC**) hold the other 50% interest in the permit as a result of the default by Icon Energy's joint venture partner. No work is planned for ATP 594P until ASIC / the joint venture partner addresses the default.

The following map delineates the location of the permit.



Queensland – Petroleum Exploration – ATP626P

Between 15 April and 21 June 2011, Icon Energy drilled four further exploration wells in ATP626P in the Surat Basin. The wells were funded by Stanwell under their Stage 2 investment phase. Stanwell's investment, executed through their wholly-owned subsidiary, Goondi Energy Pty Ltd, has enabled Stanwell to earn a 50% interest in the Lydia area – a four graticular block subset of ATP626P.

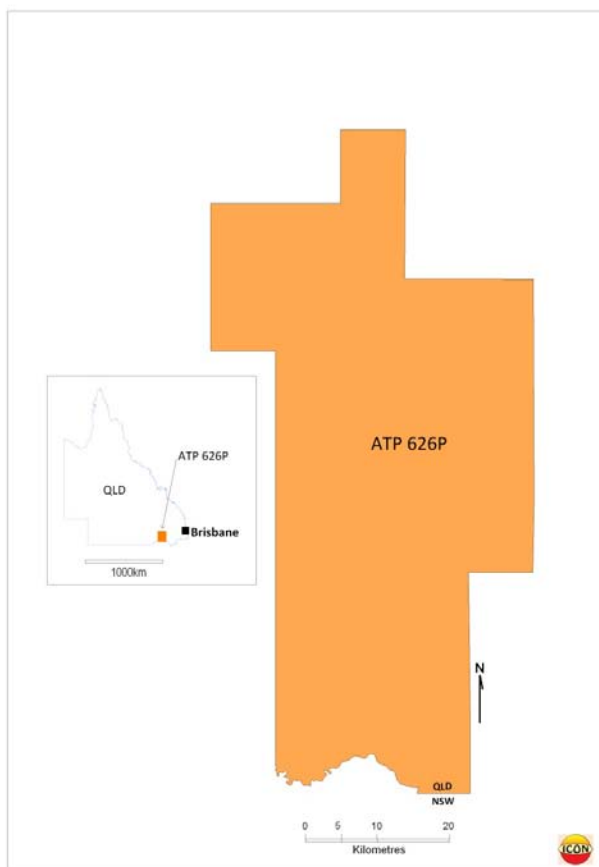
Overall, the coal seam gas reservoirs intersected by the four wells (Lydia 10, 11, 12, 13) exhibited low net coal thicknesses and poor permeabilities. As a consequence, all four wells were plugged and abandoned. Drill site rehabilitation work commenced immediately, with the sites expected to be returned ready for landowner use by the end of September 2011.

Icon Energy is currently working on a detailed review of the results from the 22 coal seam gas exploration wells drilled in ATP626P since 2007. This work will identify the remaining prospective areas

within the tenement. Should this review prove positive, a new drilling programme will be commissioned, commencing in or around October 2011.

By notice dated 30 June 2011, Icon Energy expanded the Joint Venture Area to the entire area comprising ATP626P. The expanded Joint Venture Area will be used to establish the Minimum Required Reserve under the Farmin Agreement.

The following map delineates the location of the permit.

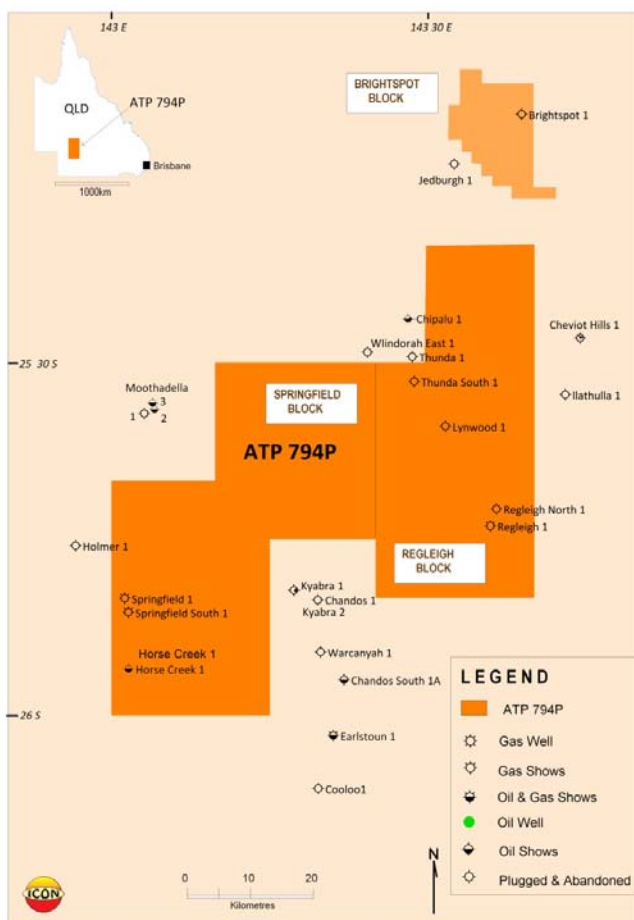


Queensland – Petroleum Exploration – ATP794P

ATP794P is located north west of the town of Quilpie and lies directly north of ATP594P.

Icon Energy holds interests in the Brightspot, Springfield and Regleigh blocks in this tenement. However, Icon Energy is not engaged in a program for this block at present.

The following map delineates the location of the permit.



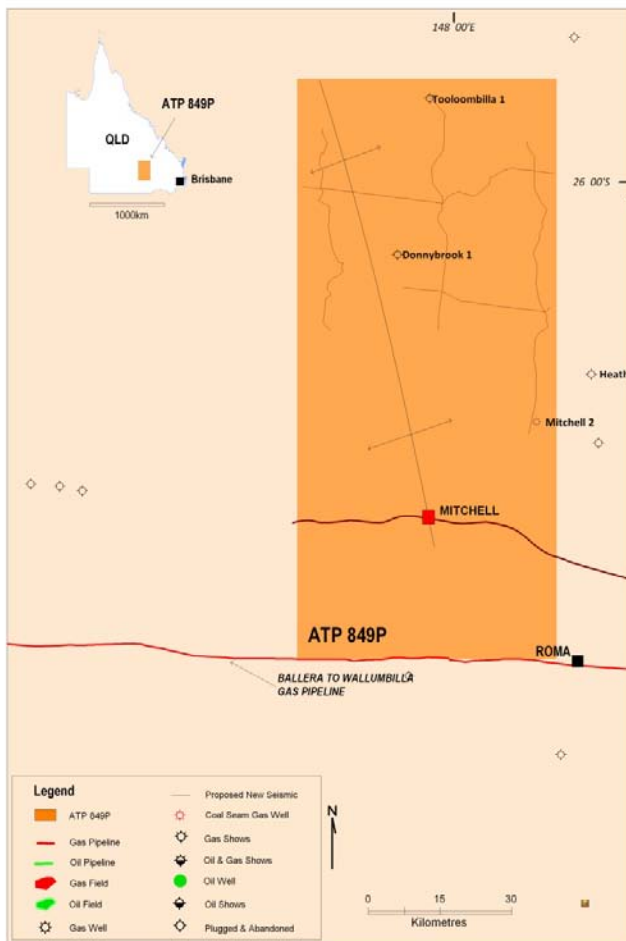
Queensland – Petroleum Exploration – ATP849P

Icon Energy holds an 80% interest in ATP 849P. There is an environmental authority in place for petroleum activities on this tenement, and the land is “exclusive” of native title, meaning that the “right to negotiate” procedures in the Native Title Act 1993 (Cth) do not apply to any exploration activities to be undertaken within the tenement. A Cultural Heritage Agreement was reached between Icon Energy and the Bidjara Traditional Owners in October 2009.

Icon Energy is in the process of gaining the appropriate approvals to conduct a 200km seismic program in ATP 849P during 2011.

Icon Energy estimates that the cost of the seismic acquisition and processing would be approximately \$1,500,000. These activities and costs, if approved, would be borne by the ATP 849P joint venturers in accordance with their respective participating interest shares.

The following map delineates the location of the permit.



Queensland – Petroleum Exploration – ATP855P

Beach Energy and Icon Energy have resolved their dispute in relation to the prospective ATP855P tenement, and have agreed to work together under a Farmin Agreement executed on 15 July 2011.

Under the terms of the Farmin Agreement:

- The Federal Court proceedings between Beach Energy and Icon Energy were discontinued;
- Icon transferred a 40% interest in ATP 855P to Beach Energy (subject to Ministerial approval);
- Beach Energy will drill a horizontal pilot unconventional well into one of the strata comprising the Roseneath, Epsilon and Murteree sequence, then case and suspend the well, suitable for fracture stimulation, which is expected to occur within 30 days of rig release from the well;
- Beach Energy will fund Icon Energy's share of the farmin operations at an estimated cost of \$16 million (gross), with the exception of a \$1.75 million contribution to be made by Icon Energy;
- the cost of fracture stimulation, completing and flow testing the well will be paid by the joint venture parties in proportion to their participating interest shares;
- Beach Energy will be recommended by Icon Energy to be the operator of the ATP855P permit;

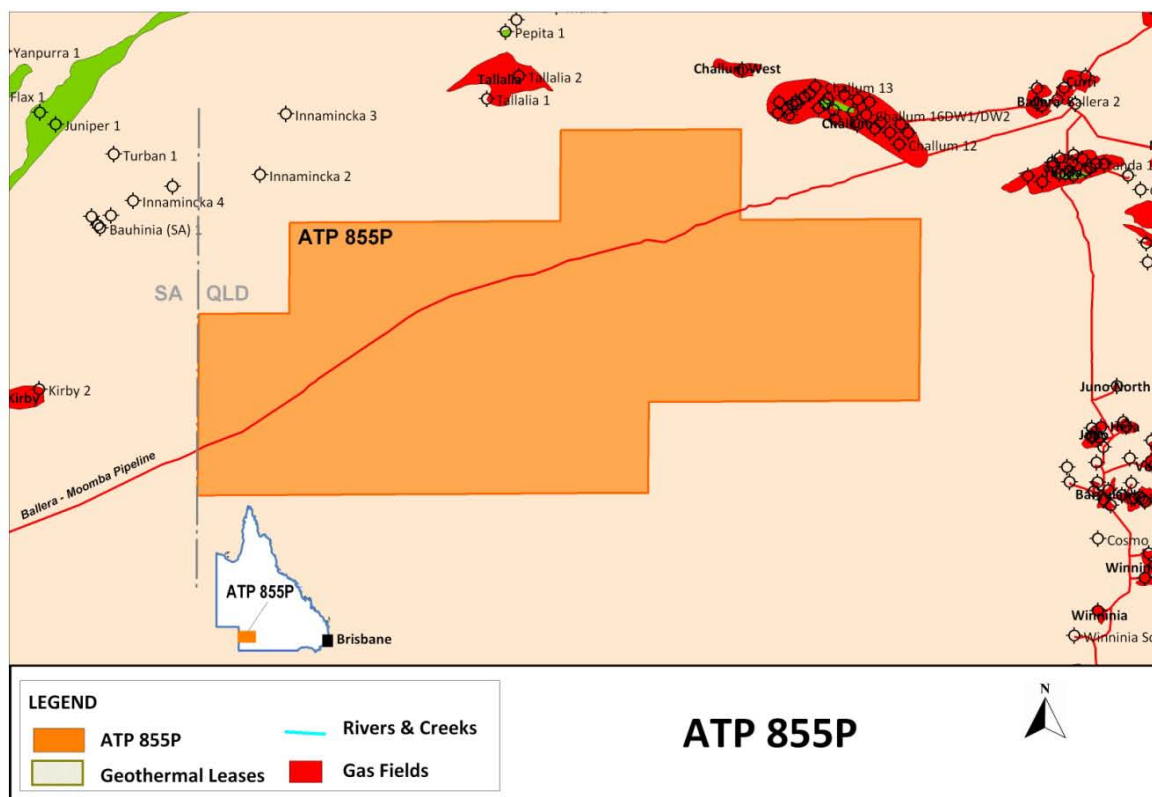
- g) Icon Energy will be recommended by Beach Energy to undertake the management of coal seam gas operations in both ATP 855P and PEL 218 post Permian joint ventures; and
- h) Beach Energy will effect the assignment of Icon Energy's Phase 2 Post Permian PEL 218 interest upon Ministerial consent to the transfer of a 40% interest to Beach Energy in ATP855P, giving Icon Energy a 33.333% interest in the PEL218 Post Permian Joint Venture.

The interests of the parties in ATP855P following the resolution of this dispute are Beach Energy 40%, Icon Energy 40%, Deka Resources Pty Ltd 10% and Well Traced Pty Ltd 10%. Both Deka Resources Pty Ltd and Well Traced Pty Ltd are wholly owned subsidiaries of Adelaide Energy Limited.

Beach Energy and Icon Energy are pleased with this agreement, and look forward to working closely together with each other and the other ATP855P participants to develop the exciting prospects offered in the emerging shale gas play in the Nappamerri Trough in southwest Queensland.

The (independent) US Energy Information Administration's (**EIA's**) World Shale Gas Resources Report (**EIA Report**) published on 5 April 2011 significantly raises the potential gas in place in the ATP855P tenement. The EIA Report's "Initial Assessment of 14 Regions Outside the United States" has placed the Shale Gas resource potential in the Cooper Basin as a whole at 342TCF (trillion cubic feet) of gas (Risky GIP), with the recoverable equivalent at some 85TCF.

The following map delineates the location of the permit.



Queensland – Geothermal Exploration – EPG49 and EPG51

On 29 June 2011 Mining Minister Stirling Hinchcliffe announced that the Queensland Government would release 9 drilling grants worth \$1.17 million.

The Queensland Government approved grants for 8 companies as part of the Round 6 Collaborative Drilling initiative. Icon Energy was one of the successful applicants.

Icon Energy has accepted the offer and welcomes the support from the State of Queensland.

Icon Energy's planned geothermal drilling programme is designed to test a new proof of concept geothermal plant design which has the potential of significantly increasing thermal/electrical conversion efficiency and power output over current geothermal plant technology.

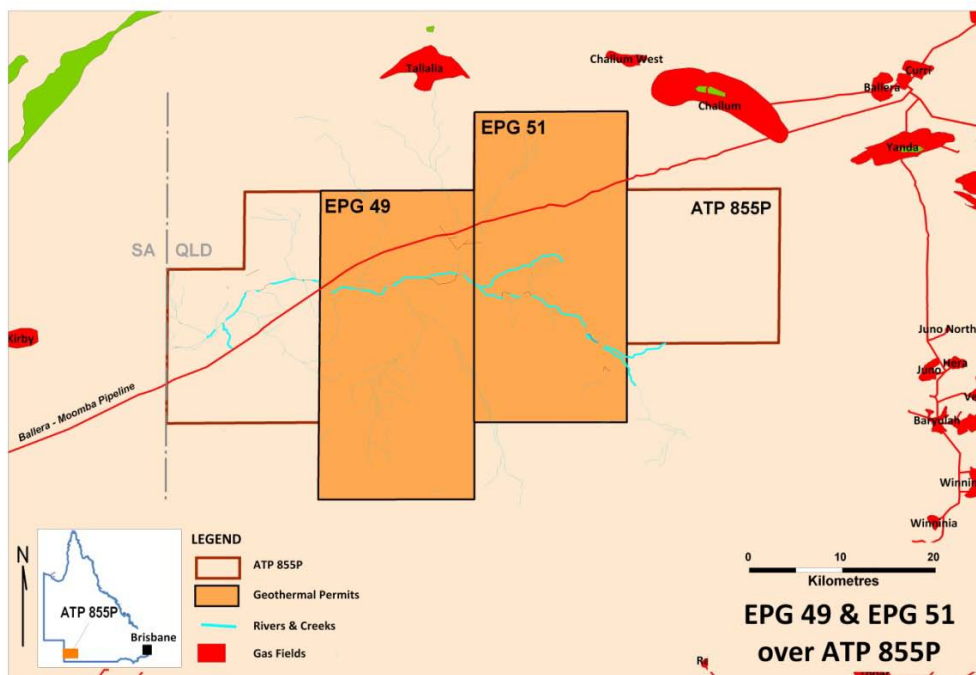
Research in to a new cost effective geothermal plant design continues.

Preliminary economic analysis indicates that the new design will be similar on a \$/MW basis to wind power.

It is anticipated that The University of Queensland Geothermal Centre of Excellence (**Centre**) will be requested to complete the simulation work on the new plant design over the coming months.

The Company recently signed a Memorandum Of Understanding with the Centre as a prelude to this research and development work.

The following map delineates the location of the permit.



South Australia – Petroleum Exploration – PEL218

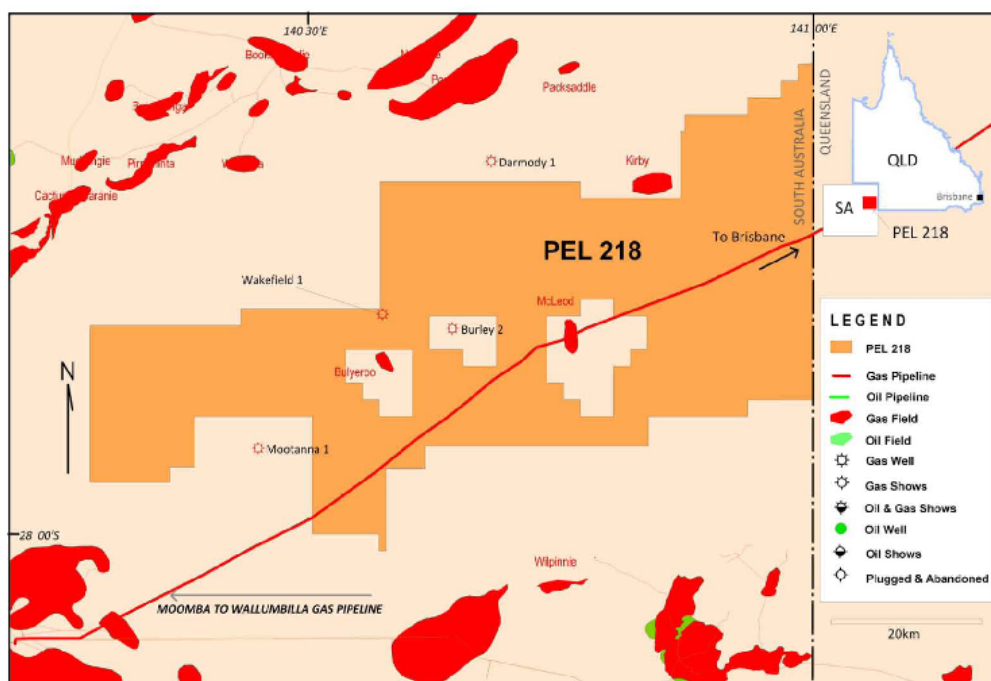
Beach Energy has now agreed to effect the formal assignment of Icon Energy's Phase 2 Farmin Interest in the post Permian section of PEL218 upon Ministerial consent to the transfer of Beach Energy's 40% interest in ATP855P, following which Icon Energy will hold a 33.33% participating interest in the Post Permian Section of the tenement.

Beach Energy has also agreed to recommend Icon Energy to undertake the management of coal seam gas operations in the PEL 218 post Permian joint venture.

Upon its formal appointment, Icon Energy will be able to progress the nature, extent and operatorship of proposed further CSG operations in the Post Permian Section of PEL218.

Currently, an initial 4 core hole drilling programme is being considered to test the prospectivity, and commerciality, of the tenement.

The following map delineates the location of the Post Permian Section of PEL218.



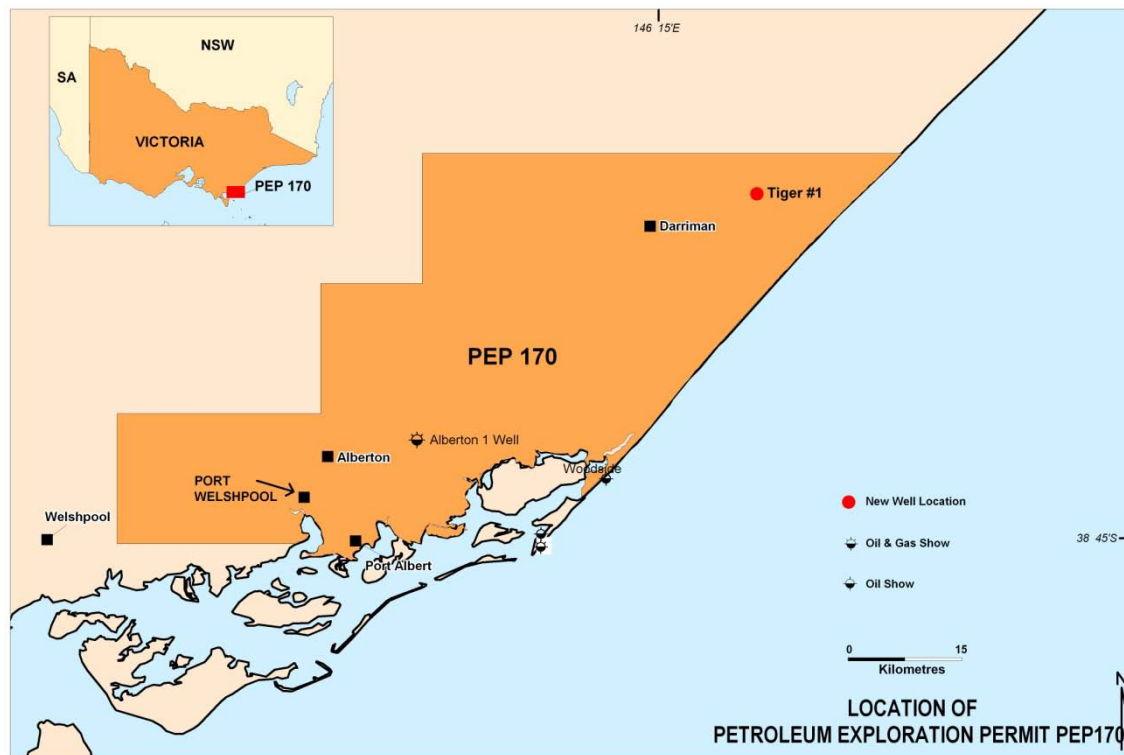
Victoria – Petroleum Exploration – PEP170

On 21 April 2011, Icon Energy submitted an Operation Plan for PEP170 to the Victorian Department of Primary Industries (**DPI**) as required by the *Petroleum Act 1998* (Vic).

The Operation Plan:

- (a) identifies the risks that Icon Energy's proposed operation may post to the environment, to any member of the public, land or property in the vicinity of the proposed operation and to any petroleum, source of petroleum or reservoir that the proposed operation might affect;
- (b) specifies what Icon Energy will do to eliminate or minimize those risks;
- (c) specifies what Icon Energy will do to rehabilitate the land that will be affected by the proposed operation;
- (d) seeks permission to conduct drill stem testing operations; and
- (e) sets out any other matters required by the *Petroleum Act 1998* (Vic).

Icon Energy is waiting on approval from the DPI before it can commence operations in PEP170.



Corporate and commercialisation projects

China LNG Project

Since signing the LNG Sales Agreement with Shantou Sino Energy on 29 March 2011, the Company has been continuing to advance business and strategic initiatives to secure the necessary reserves required to meet that contract.

In early August 2011, a Chinese delegation consisting of representatives from Shantou Sino Energy, China Guodian Corporation and the Chinese Government will visit Icon Energy's offices to discuss and further progress the LNG Sales Agreement.

Domestic / Micro LNG Project

After further analysis, the Company has decided not to pursue the Domestic / Micro LNG Project at this point in time. Should subsequent opportunities develop, then the Company may consider returning to this commercialisation project.

Financial

Cash position

The Company ended the quarter with a cash position of \$18,379,000.

Shareholder base

At 30 June 2011, Icon Energy had 469,301,394 shares on issue. The number of shareholders as at 30 June 2011 was 6,716.

Planned forward program next quarter

- Commencement of seismic survey in the Surat Basin in tenement ATP849P.
- Rehabilitation and well plug and abandonment work to be conducted in tenement ATP626P.
- Following the receipt of approval by the Victorian DPI of our Operation Plan, further progressing operations in the Gippsland Basin in tenement in PEP170.

For further information contact:

Ray James
Managing Director
Icon Energy Limited
T: +61 5554 7111