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Stanwell Corporation commits \$30 million to Stage 2 of farmin agreement for Icon's ATP 626P

Queensland Government-owned power generator Stanwell Corporation has agreed to proceed to Stage 2 of the Farmin Agreement covering Icon Energy's key coal seam gas tenement ATP 626P, committing a further \$30 million.

Stanwell Corporation has sought and obtained Ministerial consent for its commitment to Stage 2 of the Farmin Agreement. Stanwell Corporation's Commitment Notice is unconditional and not subject to any further consent.

The Stage 2 commitment by Stanwell Corporation means that a total of \$36 million will be committed to establishing 340 PJ of 2P reserves in ATP 626P, located north of Goondiwindi in the Surat Basin.

Icon Energy announced the farmin deal with Stanwell Corporation in December 2008, with Stage 1 of the agreement comprising the \$6 million Lydia pilot program.

Under the Stage 2 agreement, Stanwell Corporation can make the funds available via approved budgets and cash calls as work proceeds. Previous costs under Stage 1 have already been paid and some early works conducted by Icon Energy will be recovered under Stage 2.

Stanwell Corporation, subject to reserves being confirmed, will buy up to 225 petajoules of gas over a 15-year period under a Gas Sale Agreement.

Icon Energy Managing Director, Mr Ray James said this morning that Stanwell Corporation would now be assigned an immediate 50% working interest in the farmin area covering four of 30 blocks within ATP 626P, along with a 1% title interest in the whole of ATP 626P.

He said that upon reaching a target of 340PJ of 2P reserves, an application would be made to the Queensland Government for Petroleum Licences over the areas covered by that reserve of coal seam gas.

“This reserve could be established within the current four block farmin area however Stanwell Corporation also has the right to extend the farmin area until the required reserves are found and are certified by leading international reserve certifier, Netherland, Sewell & Associates, Inc. (NSAI).

“Once the Petroleum Licences have been issued, the title interest of 1% will be cancelled and Icon Energy will have the right to deal with the balance of the permit with 100% title and working interest,” he said.

Mr James said that Icon Energy would commence a new drilling program as soon as a drilling rig and well completion equipment were assembled.

“We will also launch the well permitting process immediately due to the long lead times required under the regulations governing compensation agreements with landowners,” he said.

Icon Energy has drilled nine coreholes within the permit to date and a further four coreholes will be required in the Farmin area before selecting a new pilot for dewatering.

A pipeline route has been surveyed to connect the farmin area to the main Roma to Brisbane gas pipeline.

This pipeline will allow Stanwell Corporation and Icon Energy to sell gas to the market outside of power generation planned by Stanwell Corporation.

Details of gas sales by Icon Energy and Stanwell Corporation will be announced when the gas reserves are certified.

NSAI has previously certified a resource of 1115 PJ of 2C and 1775 PJ of 3C within ATP 626P with an estimated gas in place of 6115 PJ (GIIP).

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