



ICON ENERGY LIMITED

ACTIVITIES REPORT

Quarter Ending 30 September 2010

Quarterly Activities Report

REPORT FOR THE QUARTER ENDING 30 SEPTEMBER 2010

HIGHLIGHTS OF THE QUARTER

- In August 2010, Stanwell Corporation Limited, through its wholly owned subsidiary Goondi Energy Pty Limited (**Stanwell**) elected to proceed to Stage 2 of the Farmin Agreement for ATP 626P.
- Stanwell has remitted the charges relating to earlier seismic works and the drilling of four core wells during the ATP 626P 2010 drilling programme.
- Icon Energy Limited (**Icon Energy**) bid for, and in September 2010 was granted, Petroleum Exploration Permit PEP 170 in Victoria's Gippsland Basin.
- Geothermal exploration interests EPG 49 and EPG 51 were granted to Icon Geothermal Pty Ltd (a wholly owned subsidiary of Icon Energy) by the Queensland Government in August 2010.
- The Environmental Authority for ATP 855P was granted by the Queensland Government to Icon Energy.
- Icon Energy continues to assess a number of potential LNG production opportunities. These are Domestic/Micro LNG for the domestic market and large scale LNG for the China import market.
- Icon Energy continues to work towards signing an LNG Sales and Purchase Agreement with Shenzhen Sino Industrial Development Co., Ltd (**Shenzhen SinoGas**) prior to the end of this calendar year.
- The cash position of Icon Energy as at 30 September 2010 was \$16,569,000.

EVENTS SUBSEQUENT TO 30 SEPTEMBER 2010

- ATP 855P was granted to Icon Energy by the Queensland Government in early October 2010.
- The ATP 626P Joint Venture approved the drilling of 4 new exploration wells in ATP 626P, which are to be operated by Icon Energy.
- Icon Energy announced that its next AGM will be held on Monday, 29 November 2010.

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QUARTERLY ACTIVITIES REPORT

REPORT FOR THE QUARTER ENDING 30 SEPTEMBER 2010

Tenements

Queensland – Petroleum Exploration - ATP 626P

On 16 August 2010 Stanwell elected to proceed to Stage 2 of the Farmin Agreement entered into between Stanwell and Jakabar Pty Ltd, a wholly owned subsidiary of Icon Energy.

The Stage 2 commitment by Stanwell means that up to a total of AUD\$36 million will be committed to establishing 340 PJ of 2P reserves in ATP 626P. Under Stage 2, Stanwell can make the funds available via approved budgets and cash calls as work proceeds.

Previous costs under Stage 1 of the Farmin Agreement have been paid by Stanwell and some early works conducted for and on behalf of the ATP 626P Joint Venture by Icon Energy have been recovered.

No drilling operations have occurred in ATP 626P during this quarter.

Landholders are currently being contacted in relation to the upcoming drilling programme in ATP 626P (see “Subsequent Events” below). The process to secure agreement with landholders, following proposed amendments to the *Petroleum and Gas (Production & Safety) Act 2004 (Qld)*, can now take up to 3 months.

Throughout September, de-watering continued on remaining producing well LP-3.

Queensland – Petroleum Exploration - ATP 849P

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 intends to conduct a 200km seismic program and drill two core holes in ATP 849P during 2010 and 2011. The two core holes will be located on the seismic lines to be shot, and will aid in calibrating the seismic data. The core holes are planned to be approximately 400 metres total depth and rudimentary data such as net coal thickness, gas content and saturations as well as preliminary permeability data should be attained to assess the economic development potential of ATP 849P.

Icon Energy estimates that the cost of the seismic acquisition and processing would be approximately \$1,500,000, and the cost of the two core wells would be approximately \$1,300,000. These activities and costs, if approved, would be borne by the ATP 849P joint venturers in accordance with their respective participating interest shares.

Should the core holes identify a potentially commercial discovery, then Icon Energy will consider proceeding with an appraisal programme comprising the drilling of a four well production pilot so as to better assess the economic potential development of ATP 849P.

Queensland – Petroleum Exploration - ATP 594P

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.

Queensland – Geothermal Exploration - EPG 49 and EPG 51

Effective from 1 August 2010, the Queensland Government granted 100% interest in each of geothermal exploration permit EPG 49 and EPG 51 to Icon Geothermal Pty Ltd, a wholly owned subsidiary of Icon Energy.

The area consists of NappaMerri 1 and NappaMerri 2 and the tenements are located beneath the aerial extent of ATP 855P which is located on the eastern side of the Queensland and South Australian border.

The drilling program for NappaMerri 1 and NappaMerri 2 will be strategically aligned with the drilling program in ATP 855P to allow for cost savings and efficiencies. It includes geological and geophysical studies, gravity surveys, seismic acquisition and the drilling of wells during the first five year periods of the permits.

Icon Energy will operate the new geothermal exploration permits for its wholly owned subsidiary, which will retain a 100% working interest in both permits during the initial evaluation stages.

The term of each exploration permit is 5 years, expiring on 31 July 2015.

Victoria – Petroleum Exploration - PEP 170

On 24 September 2010, the Victorian Department of Primary Industries granted Icon Energy gazettal block VIC/G-10(5) which, now awarded, is to be known as Petroleum Exploration Permit 170.

PEP 170 is located in Victoria's Gippsland Basin and includes the township of Darriman, in the north of the permit, and the township of Woodside, in the south. The permit is also proximate to Port Welshpool, which could potentially be used as a location for future export facilities.

The acreage has potential for both oil and gas and now forms part of Icon Energy's portfolio of prospective gas tenements.

Icon Energy holds 100% of the interest and, over the first three years of the permit, will be concentrating on undertaking comprehensive seismic and drilling operations to test the extent and prospectivity of the acreage.

South Australia – Petroleum Exploration - PEL 218

Icon Energy has the right to a 33.33% participating interest in the Post Permian section of the tenement. Negotiations are continuing with Beach Energy Ltd in relation to Icon Energy having the

conduct of CSG exploration operations in the tenement, as well as in ATP 855P (the interests in which remain subject to the negotiation and completion of various agreements).

Projects

Icon Energy is assessing several potential business and commercialisation initiatives, which include LNG production and sales opportunities through Domestic / Micro LNG (focused on the domestic market) and a large scale LNG sales and purchase agreement (focused on the China import market).

Domestic LNG

Icon Energy is in the process of assessing potential LNG production opportunities with respect to producing LNG for domestic consumption. Working with strategic partners, Icon Energy is examining the potential demand of domestic markets including the commercial, industrial and transport sectors, along with strategies for supply. Currently under consideration is a plan for the roll out of standalone plants producing up to 50 tonnes of LNG per day. The feasibility of a proposed Stage 1 opportunity is currently being evaluated by the Board.

China LNG

On 27 August 2010, Icon Energy agreed to grant Shenzhen SinoGas an extension until 31 December 2010 to sign the China LNG Sales and Purchase Agreement (**LNG SPA**), the key terms of which have been agreed by the two companies. This extension was granted by Icon Energy to allow Shenzhen SinoGas to obtain all necessary approvals for the LNG SPA.

Icon Energy is continuing to evaluate a number of prospective business and other opportunities, each of which is focused on securing the necessary gas supplies and reserves to supply the contracted quantities under the LNG SPA. The Company's plan is to source the necessary gas via its current tenements in South Australia and Queensland, gas swaps, arrangements with existing joint venture partners, new farmin agreements and the securing of additional tenements.

The existing Memorandum of Understanding between Icon Energy and Shenzhen SinoGas is for an exclusive gas supply deal for the delivery of 40 million tonnes of LNG to China over a 20 year period. The arrangement positions Icon Energy as the exclusive supplier of approximately 2.2 trillion cubic feet (TCF) over the 20 year life of the agreement.

Subsequent Events

Queensland – Petroleum Exploration - ATP 855P

On 5 October 2010, the Queensland State Government formally granted ATP 855P to Icon Energy, Deka Resources Pty Ltd and Well Traced Pty Ltd, with the following registered interests:

Icon Energy Limited	80%
Deka Resources Pty Ltd	10%
Well Traced Pty Ltd	10%

The tenement is located within the rich Nappamerri Trough on the Queensland and South Australian border and is adjacent to Icon Energy's interest in PEL 218 in South Australia.

Currently negotiations are occurring with Beach Energy regarding operatorship and terms for CSG explorations in this lease. Negotiations are continuing with Beach Energy Ltd in relation to Icon Energy having the conduct of CSG exploration operations in the tenement, as well as in PEL218. The participating interests in ATP 855P remain subject to the negotiation and completion of various agreements.

Queensland – Petroleum Exploration - ATP 626P

On 8 October 2010, the ATP 626P Joint Venture resolved to proceed with the following phases of investment during Stage 2:

Phase 1

Icon Energy (as operator, for and on behalf of its subsidiary and the joint venture) and Stanwell have determined that the costs to continue dewatering in the Lydia Pilot do not merit the continued expenditures and have mutually agreed to suspend the de-watering operations on the remaining production well LP-3, which was shut-in during the second week of October.

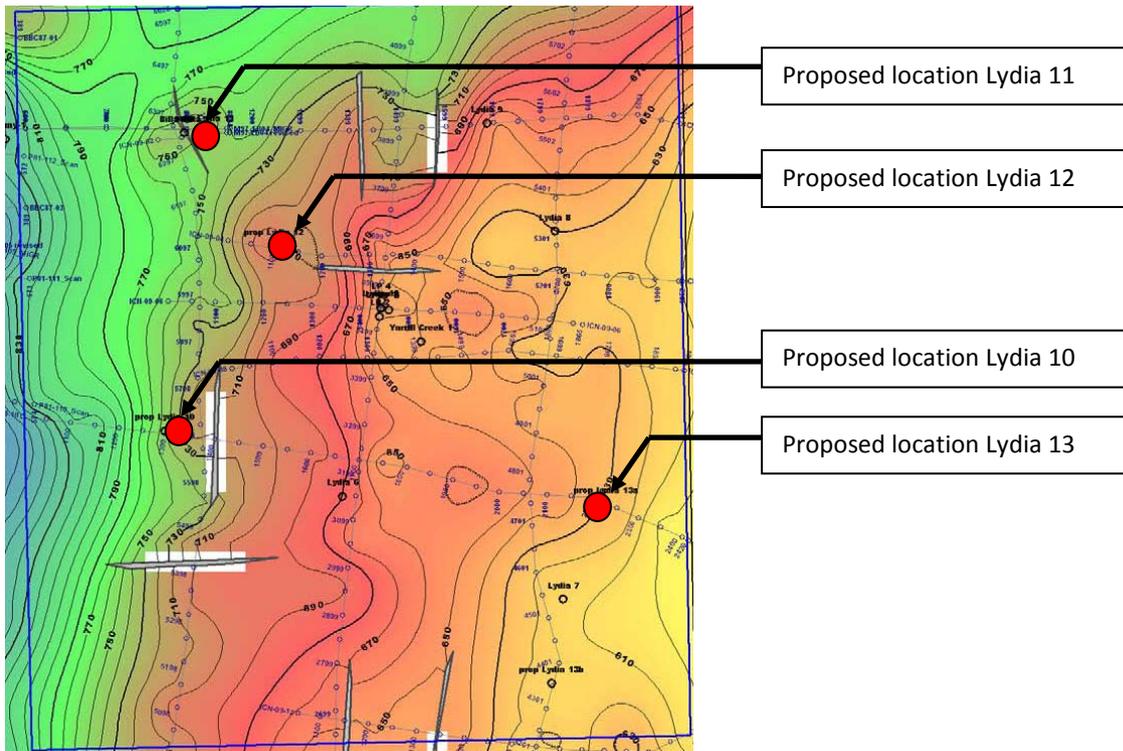
Surface equipment and gensets will be disconnected and moved to sheltered locations in Icon Energy's warehouse and reconditioned for future service on the additional pilot production wells as listed in Phase 2 below.

Four exploratory wells will be drilled, cored and drill stem tested in an attempt to locate a second favourable pilot production area. The drilling programme objectives are:

- retrieval of core samples to determine gas contents and saturations in the three major Walloon Coal Measures (**WCM**);
- determine net coal thickness in the WCM; and
- determine permeability in the WCM's.

Following the drilling and analysis of results from the exploratory wells to be drilled in this phase, a decision will be made in relation to the location and placement of a second pilot in the Lydia blocks.

The drilling locations of the proposed four exploratory wells are delineated on the map below:



Phase 2

One of the exploratory wells will be converted to production, and three additional production wells will be drilled and production equipment will be installed to complete a four well closed pattern. Two of the three wells to be drilled will be partially completed in the production pilot area to allow for measurement of the contribution of flow from either the bottom member of the WCM, or the middle and bottom members of the WCM. Pilot production wells will then be placed on production to determine inflow properties of the production wells and what each of the three primary members are contributing to flow.

After a period of preliminary de-watering of all four wells, and analysis of inflow properties, the two partially completed wells may be evaluated for hydraulic stimulation (**Hydraulic Fracturing**) depending on the results of the analysis. Should Hydraulic Fracturing be recommended for these two wells, the completions will be pulled, perforations will be added and both wells will be stimulated. Production equipment will be re-run in both wells and they will be placed back in service to continue to de-water and their performance analysed to understand the incremental costs and benefits post fracture stimulation.

In the event that Hydraulic Fracturing is implemented, additional provisions (as required) will be made for environmental monitoring of surrounding landholder water bores.

De-watering of the pilot may continue for a six-month period or longer to ascertain deliverability and achieve reserves certification.

Phase 3

This Phase will consist of the drilling of additional wells and the expansion of the existing second pilot, or the addition of a third pilot production area, to gain the maximum reserve certification from the addition of up to five production wells. Water handling facilities will be expanded to handle additional production and funds will be provided to add Hydraulic Fracturing to wells should it be required.

Annual General Meeting

Icon Energy's AGM will be held on Monday, 29 November 2010, at the Southport Yacht Club, MacArthur Parade, Main Beach, Gold Coast, Queensland commencing at 11.00am (Queensland time).

Funding

Icon Energy completed the third quarter of 2010 with a cash balance of \$16,569,000.

Yours faithfully,

Wesley Glanville
Company Secretary
Icon Energy Limited



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