



ICON ENERGY LIMITED

ACTIVITIES REPORT

Quarter Ending 31 December 2010

Quarterly Activities Report

REPORT FOR THE QUARTER ENDING 31 DECEMBER 2010

HIGHLIGHTS OF THE QUARTER

- In October 2010, Icon Energy Limited (*Icon Energy* or *Company*) was formally awarded the strategic ATP855P tenement, located on the Queensland side of the very prospective Nappamerri Trough.
- On 29 November 2010, Icon Energy held its second AGM of the year, following the adoption of 30 June as the full year balance date of the Company.
- In December 2010, a promising geothermal play was identified in EPG49 and EPG51 (both of which overlie the strategic ATP855P tenement in the Nappamerri Trough) by geothermal consultant Hot Dry Rocks Pty Ltd.
- In December 2010, \$5.9 million additional funding was secured (through three separate strategic placements with Chinese investors) for the Company's ongoing operational programme.
- The China LNG Sales and Purchase Agreement was further progressed with Shantou SinoEnergy (formerly Shenzhen SinoGas), which advised that the LNG Terminal Project located in Shantou had secured significant support.
- The cash position of Icon Energy as at 31 December 2010 was \$19,773,000.

EVENTS SUBSEQUENT TO 31 DECEMBER 2010

- Mr Howard Lu was appointed as a Director of the Company effective immediately as of 7 January 2011.
- A further visit has been undertaken to China during January 2011 to meet with representatives of Shantou SinoEnergy and Mr Howard Lu in relation to the LNG GSA Project and various other corporate and commercial initiatives currently under consideration.
- Meetings have been held with additional prospective customers for the supply of gas and LNG, based upon the two key domestic and China LNG import projects.
- No Icon Energy Group interests or assets have been damaged by the recent floods in Queensland, northern New South Wales or Victoria, although the ability to access ATP626P has been restricted as a consequence of very wet conditions.

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QUARTERLY ACTIVITIES REPORT

REPORT FOR THE QUARTER ENDING 31 DECEMBER 2010

Tenements

Queensland – Petroleum Exploration – ATP 594P

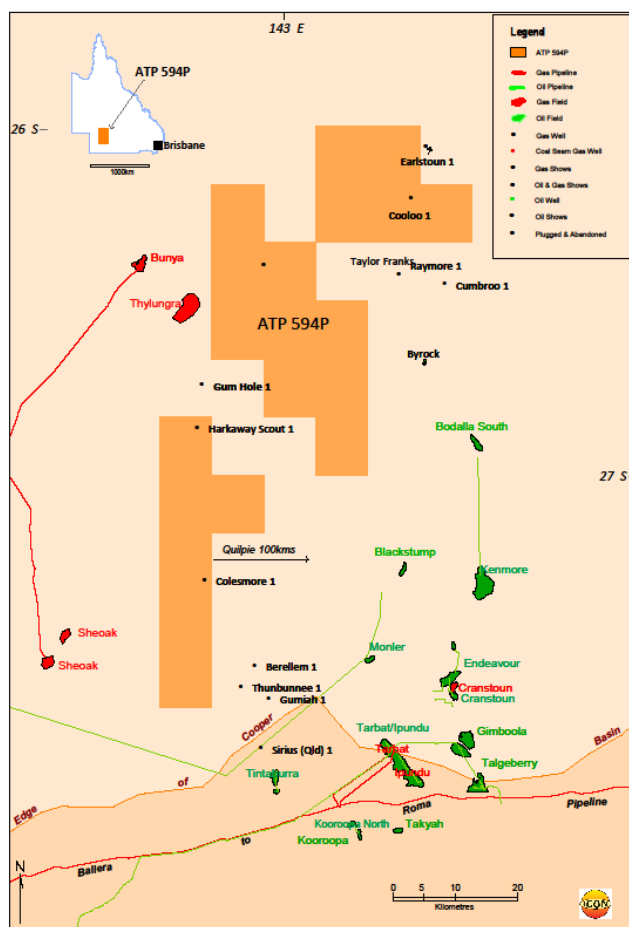
No activity has been undertaken in relation to this tenement during this quarter.

Icon Energy has a 50% participating interest in, and is the operator of, ATP594P.

The Australian Securities and Investment Commission (**ASIC**) holds the other 50% participating interest, as a result of the default by Triple J Resources Pty Ltd (**Triple J Resources**) (Icon Energy's joint venturer in the permit).

While the tenement is considered prospective for oil and gas, the Company cannot proceed with exploration until settlement with ASIC and native title arrangements are negotiated.

The following map delineates the location of the permit.



Queensland – Petroleum Exploration - ATP 626P

The well locations for four new exploration wells in the Lydia Block have been identified and agreed with Stanwell Corporation Limited (**Stanwell**). The drilling of these four new exploration wells will represent Stage 2 of the Company's joint venture with Stanwell.

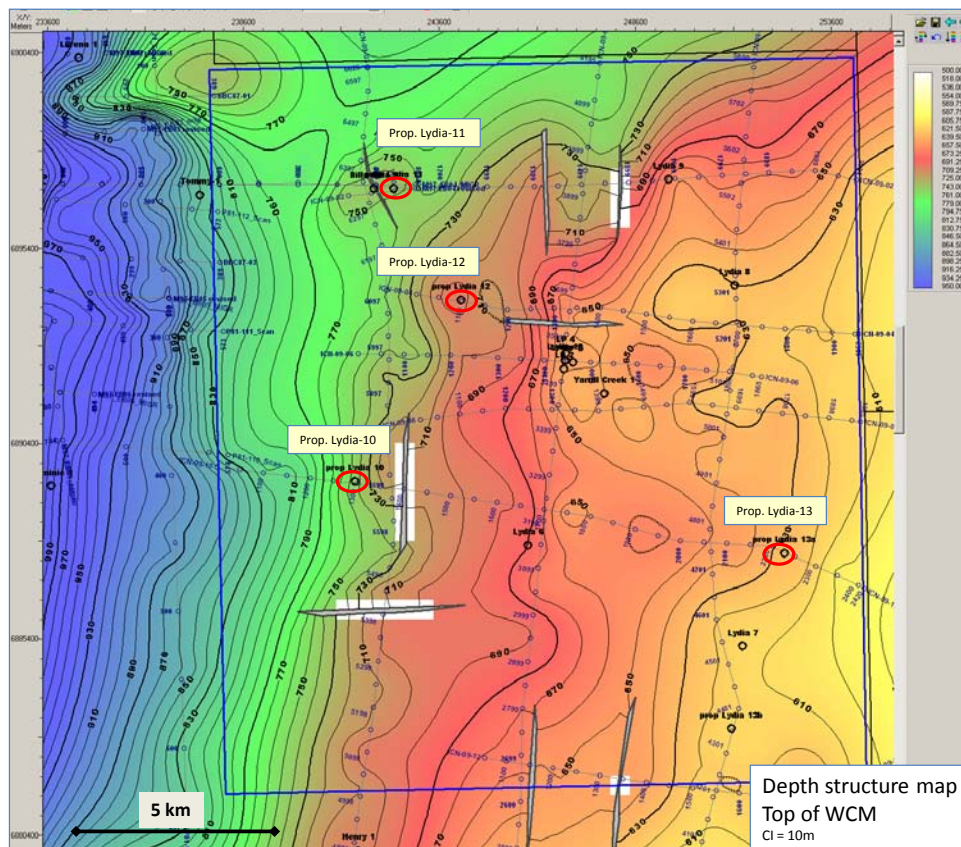
Under Stage 2, Stanwell has agreed to invest up to \$30 million to develop gas reserves from ATP626P.

The objectives of these four proposed wells are to:

1. identify net coal thickness;
2. determine gas content and saturations in the coal sections;
3. obtain estimates of permeability within the Walloon Coal Measures; and
4. analyse the data obtained and select a second pilot area for future development wells in the Lydia Block.

These four wells will be drilled with a new coring system which will allow the Walloon Coal Measures to be cored with an 8½ inch diameter hole. The benefit of a hole of this size is that any, or potentially all, of these wells can easily be converted into production wells.

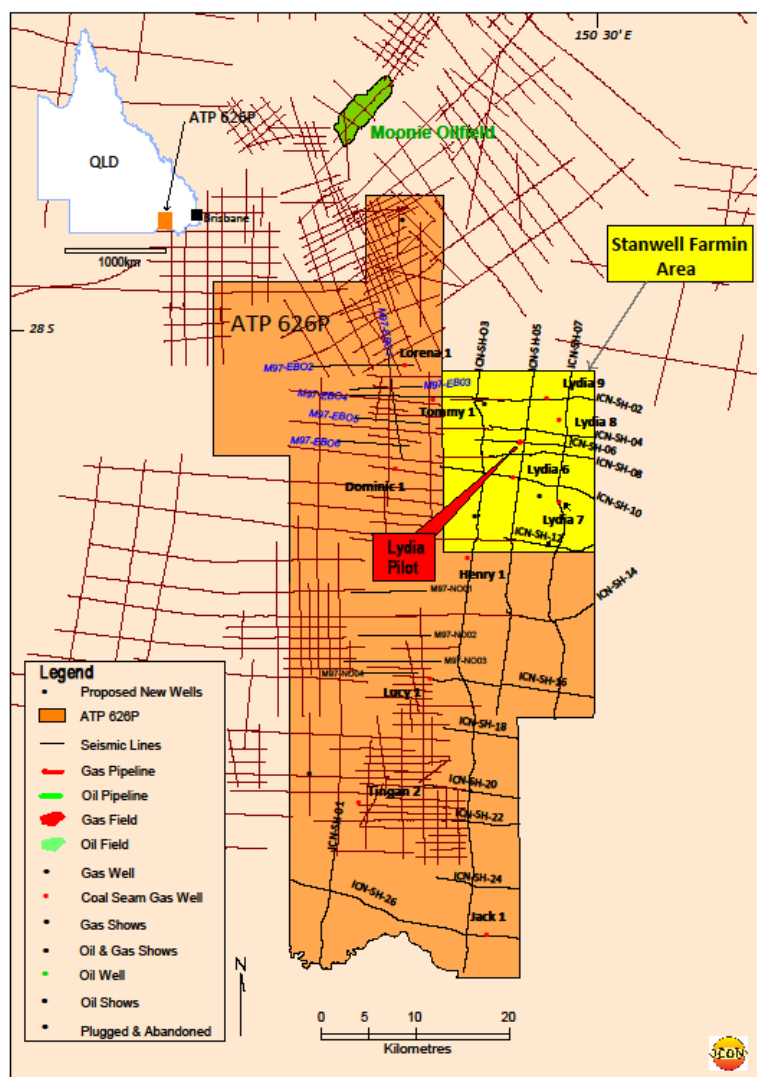
The approximate location of the four exploration wells is indicated in the map below:



The Company is continuing its discussions with landholders in the Lydia Block area, and hopes to have all compensation agreements with landholders executed by the end of February 2011. Once compensation agreements have been executed, work on access roads and sites will be commenced. The Company has also been in discussions with a drilling contractor, and an agreement with that contractor should be concluded within the first quarter of 2011.

Upon completion of the data obtained from the drilling of these four exploration wells, a second pilot area will be identified for development. As part of the Stage 2 Lydia Block development with Stanwell, the Company will then convert one of the four exploration wells into a pilot production well as well as drilling and completing three additional pilot wells.

The following map delineates the location of the permit.



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

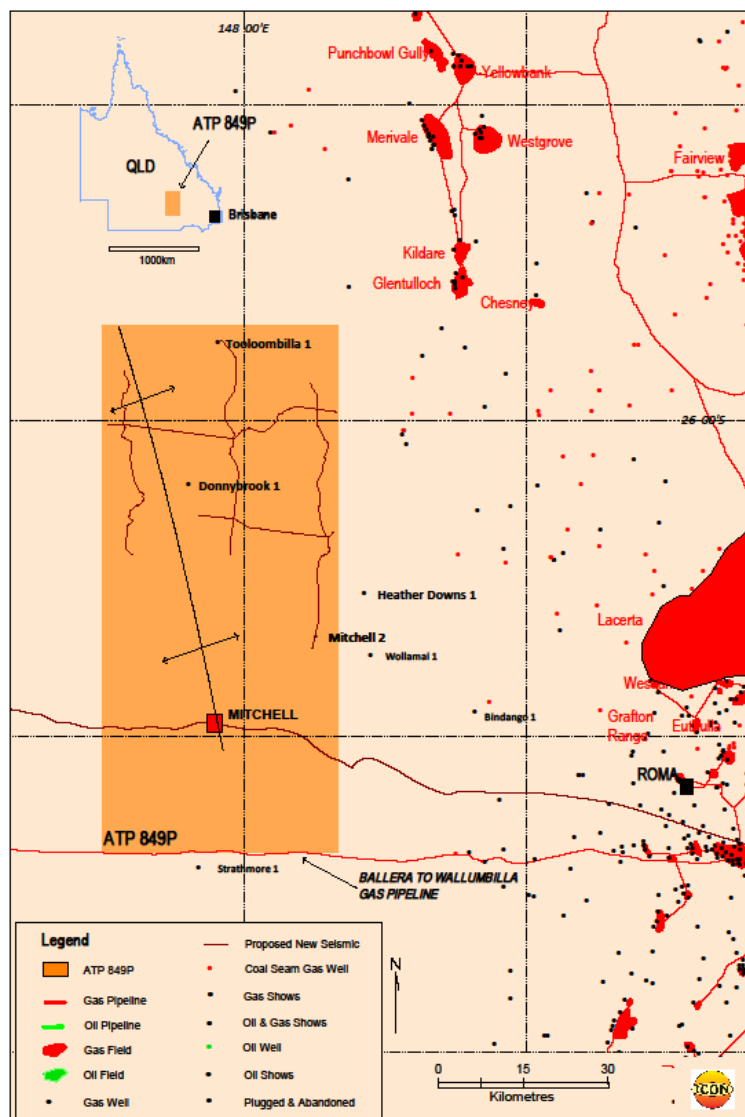
activities to be undertaken within the tenement. A Cultural Heritage Agreement was reached between Icon Energy and the Bidjara Traditional Owners in October 2009.

Icon Energy intends to conduct a 200km seismic program and drill two core holes in ATP 849P during 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 to better assess the economic potential development of ATP 849P.

The following map delineates the location of the permit.



Queensland – Petroleum Exploration – ATP 855P

On 5 October 2010, the Queensland State Government formally granted ATP855P to Icon Energy, Deka Resources Pty Ltd and Well Traced Pty Ltd, with the following 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 side of the Queensland and South Australian border and is adjacent in Icon Energy's interest in PEL218 in South Australia.

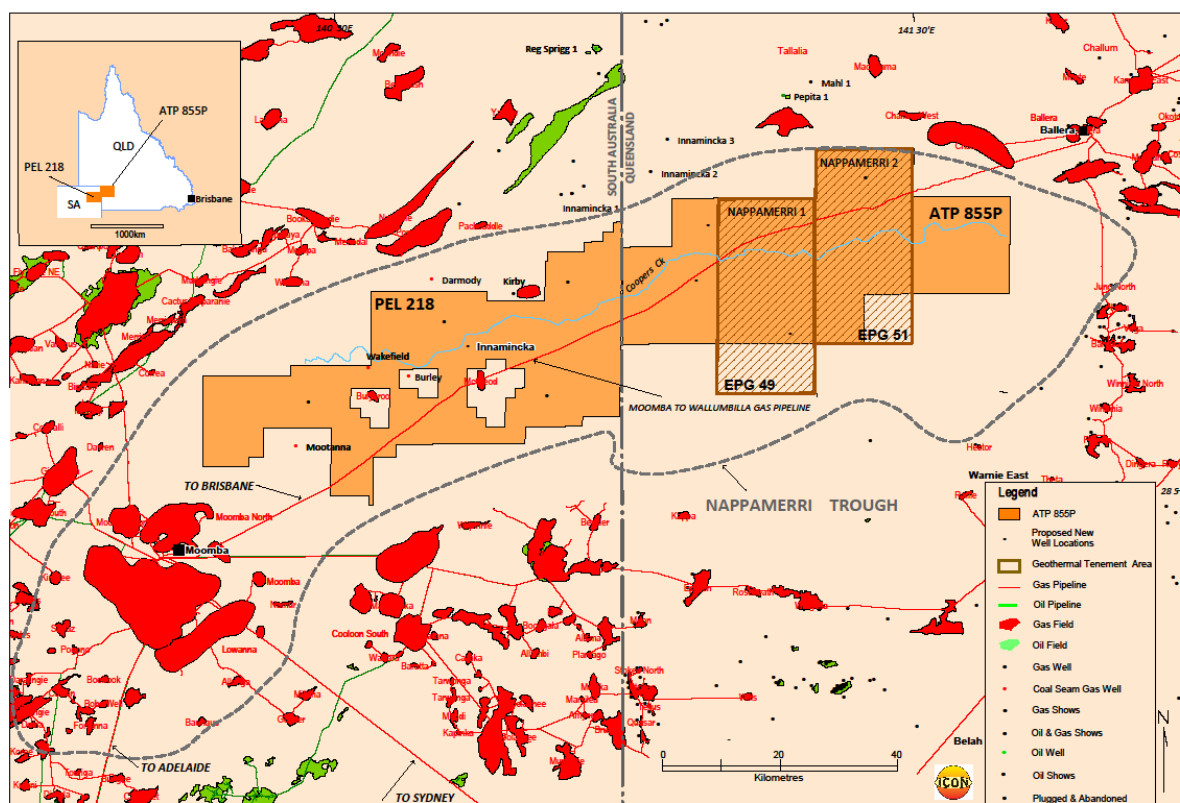
The grant of ATP855P has been pivotal to Icon Energy's gas strategy in the Cooper Eromanga Basin, where the industry estimates a possible 200 trillion cubic feet (**TCF**) of gas may be in place in the Nappamerri Trough alone.

Since October 2009, Icon Energy has been negotiating a potential farmin by Beach Energy Ltd (**Beach**) of up to a 40% participating interest in the tenement. As part of those negotiations, Icon Energy has been seeking to resolve various issues relating to the proposed farmin with Beach, including (amongst other things) operatorship and the nature, extent and conduct of coal seam gas (**CSG**) operations in the tenement, as well as in PEL218.

In the absence of reaching a resolution which is satisfactory to Icon Energy, the Company will for the time being:

- retain an 80% interest in the tenement and will not proceed with the proposed farmin;
- issue entry notices so that it and its joint venturers can conduct preliminary operations assessments at the first available opportunity; and
- prepare a detailed exploration drilling programme and budget to test the CSG and shale gas potential of the permit.

In considering the various issues relating to the tenement, the Company has identified that there is considerable benefit in not proceeding with the proposed farmin with Beach, particularly given the inability to formalise the farmin and operating terms and the need to be able to undertake unhindered geothermal operations in EPG 49 and EPG51.



Queensland – Geothermal Exploration - EPG 49 and EPG 51

While geothermal operations are not a core focus of the Company, Icon Energy identified during its pre-bid assessment of ATP855P that the underlying extent of that permit was also prospective for a significant geothermal system.

This initial preliminary evaluation led to the Company bidding for EPG49 and EPG51, so as to secure the opportunity to test the entire energy and hydrocarbon potential of the rich Nappamerri Trough, a sizeable portion of which is covered by ATP855P, EPG49 and EPG51.

The Company holds a 100% participating interest in both EPG49 and EPG51.

To assist with understanding the geothermal potential of both tenements, the Company engaged the services of Hot Dry Rocks Pty Ltd (**Hot Dry Rocks**), a leading authority on evaluating geothermal reservoirs.

The geothermal systems assessment (**GSA**) undertaken, and provided to the Company in December 2010, by Hot Dry Rocks, established the following key findings:

- The forecasted heat flow has a median value of 102mW/m².
- Preliminary temperature modelling suggests approximate depths to 125deg C and 150deg C in EPG49 and EPG51 are approximately 2230m and 2720metres.
- The risk of insufficient temperature being achieved in the permit areas is low.

- A geothermal preliminary estimation of stored reservoir heat could possibly be as much as 23000 PJⁱ.

With these key findings, Hot Dry Rocks has recommended that Icon Energy:

1. address the possible advection question in the shallow Eromanga sequence by measuring thermal conductivity of key units, and refining heat flow models for the Habanero 1/McLeod 1 wells;
2. address the temperature uncertainty by measuring all units for thermal conductivity, building a 3D geological model, and undertaking 3D heat flow inversion modelling;
3. address transmissivity uncertainty by collating all porosity/permeability data available for the full extent of the Hutton Sandstone, and refining seismic models of Hutton Sandstone depth and thickness;
4. collate all water chemistry data available for the full extent of the Hutton Sandstone; and
5. carry out numerical dynamic reservoir modelling to assess the viability of the Hutton Sandstone as an HSA reservoir.

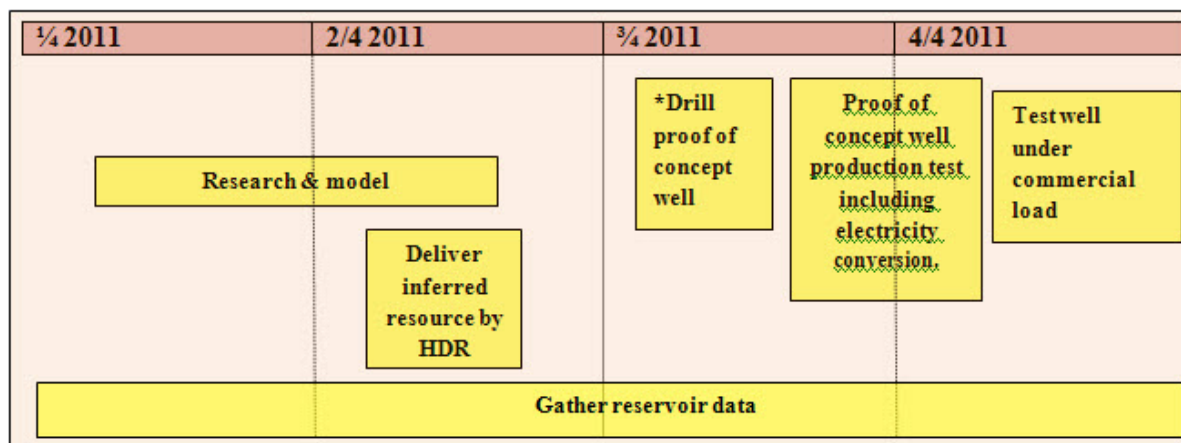
The Company is currently evaluating the GSA and recommendations of Hot Dry Rocks and has commenced various work relating to the recommendations.

At present, Icon Energy:

- Proposes to conduct a research programme to determine a more cost effective well design than is currently being used by industry.
- Proposes to undertake research studies including modelling of various well designs as soon as it has engaged key research groups. These research groups are currently being assembled and will include leading academics in the field of geothermal research.
- Is assembling additional data on the heat producing reservoirs. This will be obtained from recently drilled deep wells in other tenements and by conducting core analysis and petrophysical analysis.

The schedule of events are shown below in Fig-1 below.

Fig-1

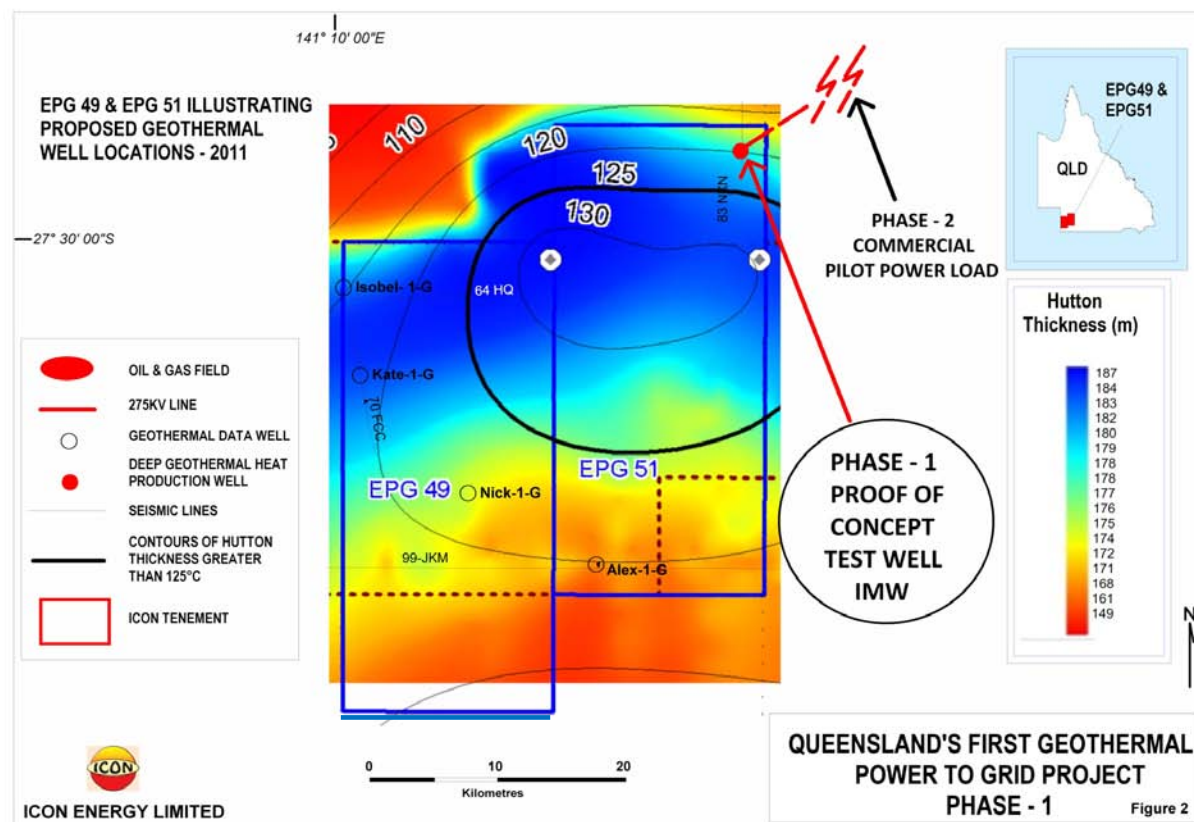


* Subject to finance and rig availability.

The provisional position of the concept well is shown in the attached map Fig-2.

Fig-2

The following map delineates the location of the permit.



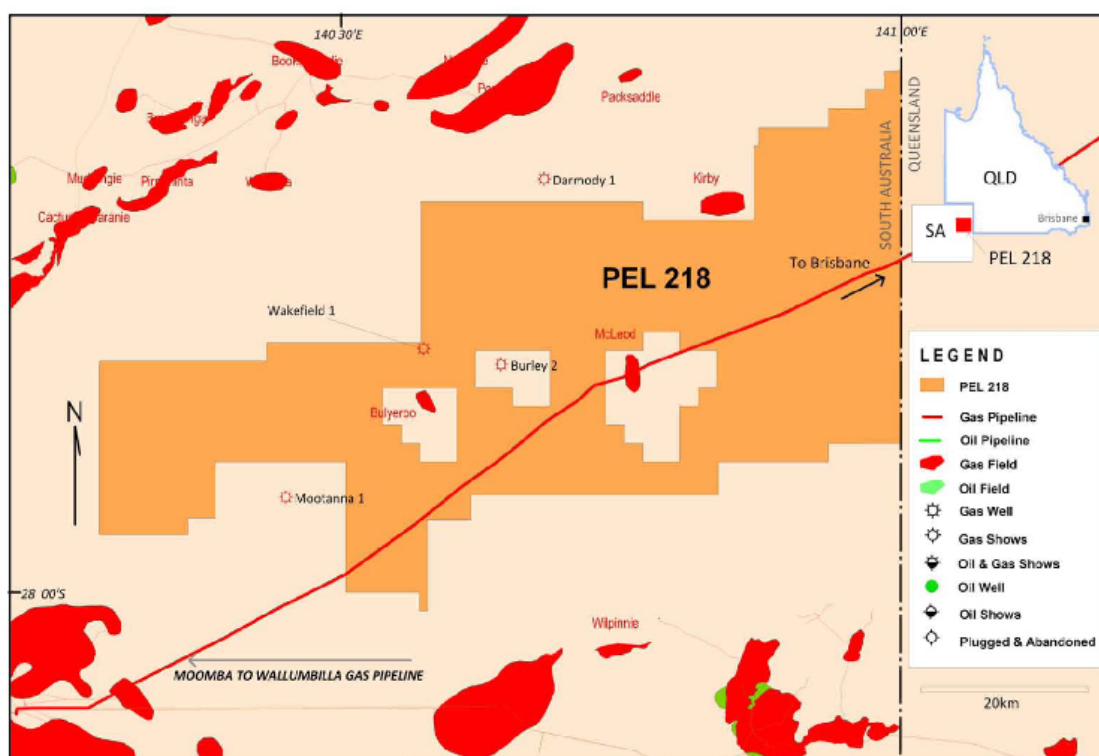
South Australia – Petroleum Exploration - PEL 218

Icon Energy has a right to a 33.33% participating interest in the Post Permian section of the tenement (**Post Permian Section**).

At present, Icon Energy is proceeding to formalise its tenement interest with Deka Resources Pty Ltd and Well Traced Pty Ltd (both of which are wholly owned subsidiaries of Adelaide Energy Ltd), following the drilling of the Wakefield-1 well. Subsequent to effecting the transfer of the balance of the participating interest in the tenement to the Company, the nature, extent and operatorship of proposed further CSG operations in the Post Permian Section PEL218 will be progressed.

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 - PEP 170

Icon Energy holds a 100% participating interest in the tenement, which was awarded to the Company in September 2010 following a competitive bidding process. PEP170 is situated south of the “Wombat” discovery that was drilled in the past two years.

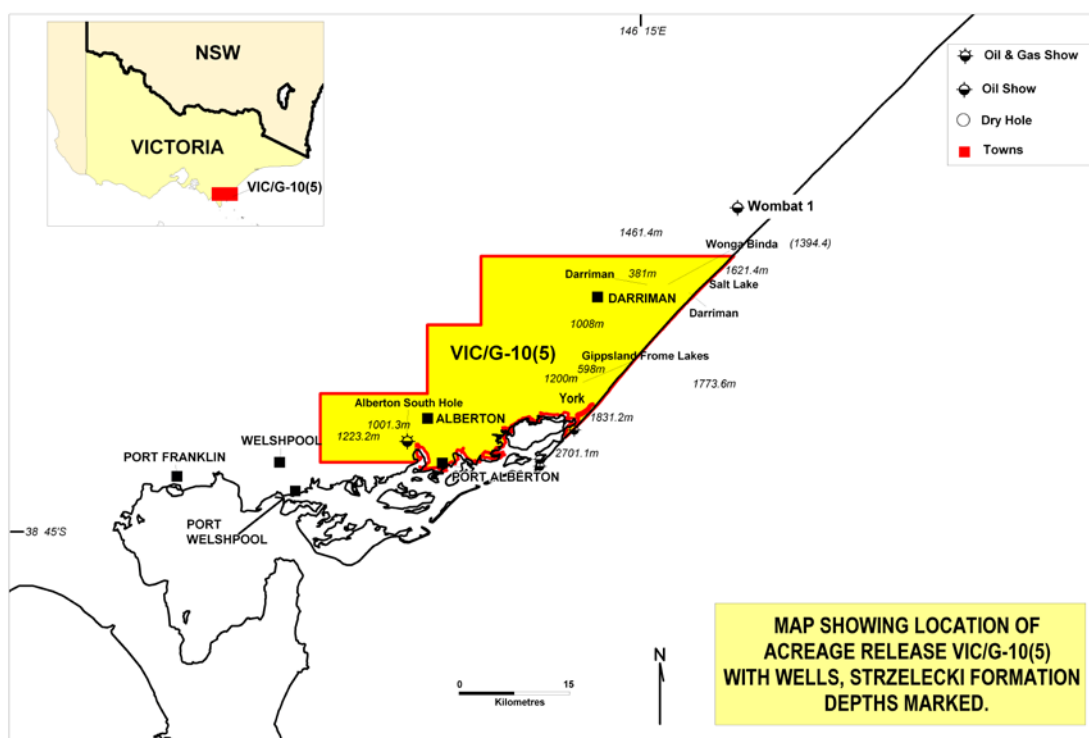
The acreage has potential for both oil and gas and now forms part of Icon Energy’s portfolio of prospective gas tenements.

The company is currently in the process of finalising its initial geological and geophysical desktop studies, based upon existing seismic data and well data, following which Icon Energy plans to drill the most favourable target.

The Company is also currently working through the various legislative requirements and permitting issues, and is drafting an operation plan as required by the Petroleum Act 1998 (Vic).

Further updates will be released by the Company as work continues through the first and second quarters of 2011.

The following map delineates the location of the permit.



To date, several significant anticlinal structures have been identified (from seismic data which has already been acquired from the Victorian government) which have exploration potential in the Strzelecki and Latrobe formations. An exploration well is planned to evaluate the hydrocarbon potential in the permit during the second or third quarter of 2011 subject to rig availability.

The objectives of the initial exploration well programme will be to:

1. determine presence of net thickness of sand packages and the presence of hydrocarbons in the Strzelecki and Latrobe formations;
2. obtain modern open hole logs to determine net thickness of sand packages;
3. obtain permeability information from Drill Stem Testing (*DST*);
4. obtain core samples from the Strzelecki formation to enable optimised fracture stimulation design;

5. obtain downhole fluid samples of any hydrocarbons encountered; and
6. suspend or plug and abandon the well subject to the evaluation of the data received during the drilling of the well.

A subsequent completion will follow pending the open hole evaluation of logs and engineering data obtained during the drilling of the well.

Corporate & commercialisation projects

The Company continues to assess several potential strategic, 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 LNG market).

Domestic / Micro LNG Project

Icon Energy is continuing to assess the potential for smaller scale LNG production and sales opportunities for domestic consumption.

Working with strategic partners, the Company is principally examining the potential demand of domestic markets including the commercial, industrial and transport sectors, along with strategies for production and supply.

To date, as part of the feasibility study being undertaken for a proposed Stage 1 opportunity, Icon Energy has identified two prospective supply sources and is currently evaluating various development concepts contemporaneously with undertaking a comprehensive market analysis to ascertain the commercial viability of an initial pilot project.

The long term vision, is that the Project will entail the roll out of standalone plants producing up to 50 tonnes of LNG per day, based on discrete supply sources located in close proximity to industrial, transport and other commercial markets.

China LNG Project

The Company's negotiations with Shantou SinoEnergy (formerly Shenzhen SinoGas) are at a mature stage, with an expectation that the LNG Sales and Purchase Agreement (**GSA**) would be executed as soon as Shantou SinoEnergy has secured all necessary joint venture and government sign-offs.

In late December 2010, Shantou SinoEnergy advised the Company that its LNG Terminal Project had taken an important step forward with the introduction of a new Chinese state-owned joint venture company to the Project. The new joint venture arrangement became necessary in order for the then project proponent, Shenzhen SinoGas, to obtain Central Government approval for an LNG import licence.

Under the existing Memorandum of Understanding (between Icon Energy and now Shantou SinoEnergy), the Company is proceeding to finalise negotiations for the GSA, under which the Company (through a wholly owned subsidiary) would have an exclusive 20-year gas sale contract to supply Shantou SinoEnergy with 40 million metric tonnes of LNG or 2.2 trillion cubic feet (TCF).

Shantou SinoEnergy has advised that it has considerable support for its Project in China and that it is now in the final stages of reaching a joint venture consensus with a Chinese state-owned public company for its proposed natural gas terminal on Nan'ao Island near Shantou City, which would receive LNG supplied by Icon Energy and distributed to commercial and residential customers in the Shantou city area.

Shantou SinoEnergy plans to construct a \$A727 million LNG receiving terminal capable of ultimately loading and off-loading and regassing up to 3 million metric tonnes per annum.

The Company has been through a number of reiterations of the GSA and believes it is now at a stage where it can effectively proceed to address what would have been conditions precedent to the initial deal, including the conduct of a full feasibility study and certification of the gas resource. The key commercial and other terms underpinning the GSA have been discussed at length and the Company is now focused on its drilling operations to determine the best development options for the gas supply, as well as a number of other 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 GSA.

The Company's principal plan remains to source the necessary gas via its current tenements in South Australia and Queensland, gas swaps, arrangements with existing joint venturers, new farmin agreements and the securing of additional tenements.

29 November 2010 AGM

On 29 November 2010, the Company held its second Annual General Meeting (**AGM**) for the year, following the change of the Company's annual balance date from 31 December to 30 June.

Five items of business were addressed at the AGM. In terms of the votes on the 4 separate resolutions (requiring votes to be taken), all resolutions, comprising:

- the adoption of the Remuneration Report;
- the re-election of Mr Stephen Michael Barry as a director of the Company;
- the approval of the non-executive directors' fees; and
- the adoption of the proportional takeover provision,

were comfortably passed.

Additional \$5.9 million placement funding

On 23 December 2010, Icon Energy announced that it had signed separate Placement Agreements with three Chinese investors, injecting an additional AUD\$5.9 million funds into the Company for its continuing operations and commercialisation initiatives.

The combined placements were for the issue of 29,500,000 new securities in Icon Energy at AUD\$0.20 per share, which was at a slight premium to the price at which the Company's shares had recently traded.

The placements are to assist the Company's key coal seam and shale gas operations onshore Queensland, South Australia and Victoria, as well as to (most importantly) assist Icon Energy's connections in China as the Company continues to progress its commercialisation negotiations with Shantou SinoEnergy (formerly Shenzhen SinoGas) and other parties.

Each investor has agreed to hold their shares for a minimum of twelve months, signalling each investor's unequivocal vote of confidence in Icon Energy's strategic focus and, further, providing the Company with additional certainty as it progresses its key commercialisation initiatives.

Subsequent events

Appointment of additional director

On 7 January 2011, the Company announced that it had appointed Mr Howard Lu as a non-executive director of the Company, effective immediately.

The Company sees Mr Lu's appointment as yet another significant step in the Company's strategy and commercialisation initiatives with China.

Mr Lu brings a wealth of business experience to the Icon Board, as well as significant connections to Chinese government and commercial entities all of which will assist the Company enormously as it continues to build its business relationships in China and elsewhere.

Mr Lu is extremely well connected with Chinese energy and resources companies, including LNG importers, and (prior to his appointment) has provided invaluable guidance to the Company in terms of undertaking business ventures in China.

Mr Lu's appointment is considered as a strategic initiative to aid with the successful conclusion of negotiations with Shantou SinoEnergy and the execution of the GSA once Shantou SinoEnergy has secured all necessary government and joint venture sign-offs.

Mr Lu's appointment broadens the Company's connections in China and with Chinese business houses and regulators and is yet another reason as to why the Company is optimistic about the GSA Project.

Mr Lu's appointment also followed the Company's initiative to secure placements from three separate Chinese investors.

China LNG Project

A further visit to China was undertaken during January 2011 to meet with representatives of Shantou SinoEnergy and Mr Howard Lu in relation to the LNG GSA Project and various other corporate and commercial initiatives currently under consideration.

The purpose of the visit was to cement commercial relations with the new Chinese entity, Shantou SinoEnergy, to progress discussions in relation to the GSA and to facilitate a more comprehensive understanding of what further approvals and sign-offs Shantou SinoEnergy needed to secure, as well as to identify any other matters pertinent to the GSA and LNG Terminal Projects.

Meetings with additional prospective customers

During January 2011, representatives of the Company met with additional prospective customers for the supply of gas and LNG.

The purpose of these meetings was to explore the other prospective commercial opportunities that have been introduced to Icon Energy for consideration.

Funding

Icon Energy completed the fourth quarter of 2010 with a cash balance of \$19,773,000.

Yours faithfully,

Wesley Glanville
Company Secretary
Icon Energy Limited



For further information please contact:

Ray James – Managing Director

Telephone: (+617) 5554 7111

Facsimile: (+617) 5554 7100

Email: info@iconenergy.com

Or visit www.iconenergy.com

ⁱ The information in this report that relates to exploration results, Geothermal Resources or Geothermal Reserves is based on information compiled by Graeme Beardsmore who appears on the register of practicing Geothermal professionals maintained by the Australian Geothermal Energy Group incorporated at the time of the publication of the report from which certain data of this report has been extracted.