



# ICON ENERGY LIMITED

**ACTIVITIES REPORT**  
**Quarter Ending 30 June 2009**



# Quarterly Activities Report

## REPORT FOR THE QUARTER ENDING 30 JUNE 2009

### HIGHLIGHTS

- All three Pilot Wells (LP2, LP-3 and LP-4) were completed and the drilling rigs released. All pumping equipment was installed and performance tested. Permeability tests were also completed prior to placing the wells on full flow to monitor water and gas production.
- The LP-2, LP-3, and LP-4 laboratory results on the core desorption and absorption and the permeability draw down tests analysis confirmed the coals to be fully gas saturated. This conclusion aligned with production gas to surface on initial dewatering tests and initial saturated gas coals.
- The appointment of Mr Derek Murphy and Dr Hilless as Non Executive Independent Directors of the Company.
- Lydia Pilot LP-2, LP-3 and LP-4 wells all produced gas flows to surface.
- In excess of \$17.8 million cash at 30 June 2009 as a result of Share Placement and a further \$17.5 million received on July 7 as a result of a Share Purchase Plan.



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Electronic copies and more information are available on Icon's website [www.iconenergy.com](http://www.iconenergy.com). Icon's website and the ASX are the only sources of official information concerning the company

## EVENTS SUBSEQUENT to 30 JUNE 2009

- Icon Energy commenced field preparations ahead of a new 300kms seismic programme in ATP 626P. This is expected to contribute to additional proven gas reserves between the wells in ATP 626P.
- Storage Pond completed for dewatering of the Lydia Pilot.
- A stratigraphic drilling program of up to twelve (12) wells will commence in ATP 626P consisting of four wells in the Lydia pilot and eight wells in the remainder of ATP 626P. Should Stanwell elect to move to Stage 2 of the farmin, an additional \$30 million will be dedicated to the Lydia project.
- An additional monitor well commissioned for the Lydia Pilot.
- The first stratigraphic well, Tingen 2, contracted for drilling in the Southern part of ATP 626P.



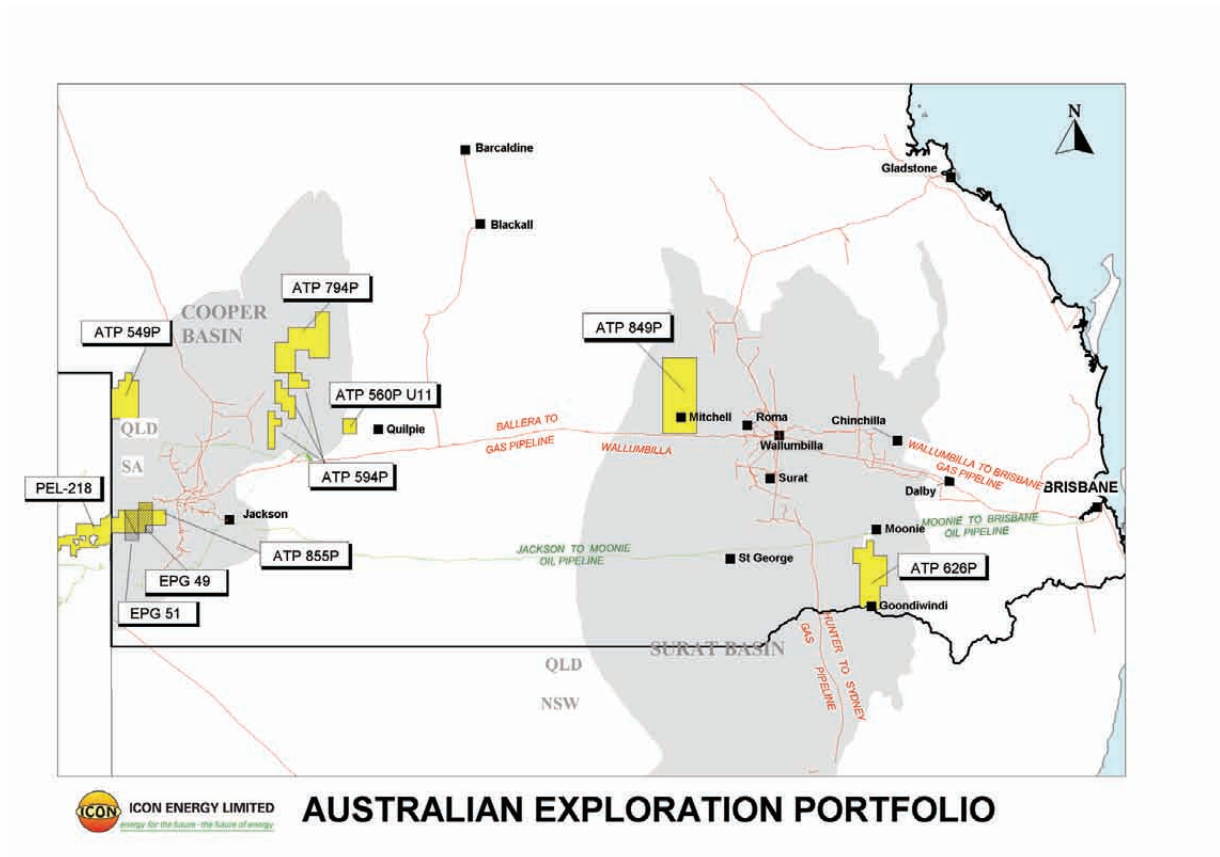
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# Exploration Tenements - Australian

The following diagram presents the Australian exploration tenements for Icon Energy. These tenements are located in the Cooper Basin and the Surat Basin. ATP 626P represents the Company's primary focus in coal seam gas development but other tenements, including ATP 855P and PEL 218 represent good prospects for conventional oil and gas exploration.



In addition, by obtaining two geothermal permits (EPG49 and EPG51) that overlap the conventional exploration permit of ATP 855P, the company is able to maximize its return from exploration.

## COAL SEAM GAS EXPLORATION:

### Lydia Pilot - ATP 626P Farmin

Icon Energy drilled and completed three wells, know as the Lydia Pilot, under Stage 1 of the Stanwell Farmin Agreement. Icon received an initial payment of \$6 million to cover these expenditures. The wells were located approximately 200 metres from Lydia No. 1 which was drilled in November 2007. The spacing of the wells was designed to give a quick gas response relative to a more conventional spacing.

Below is a south-facing-aerial photograph of the Lydia Pilot together with a schematic representation of the Lydia Pilot relative to the ATP 626P tenement.

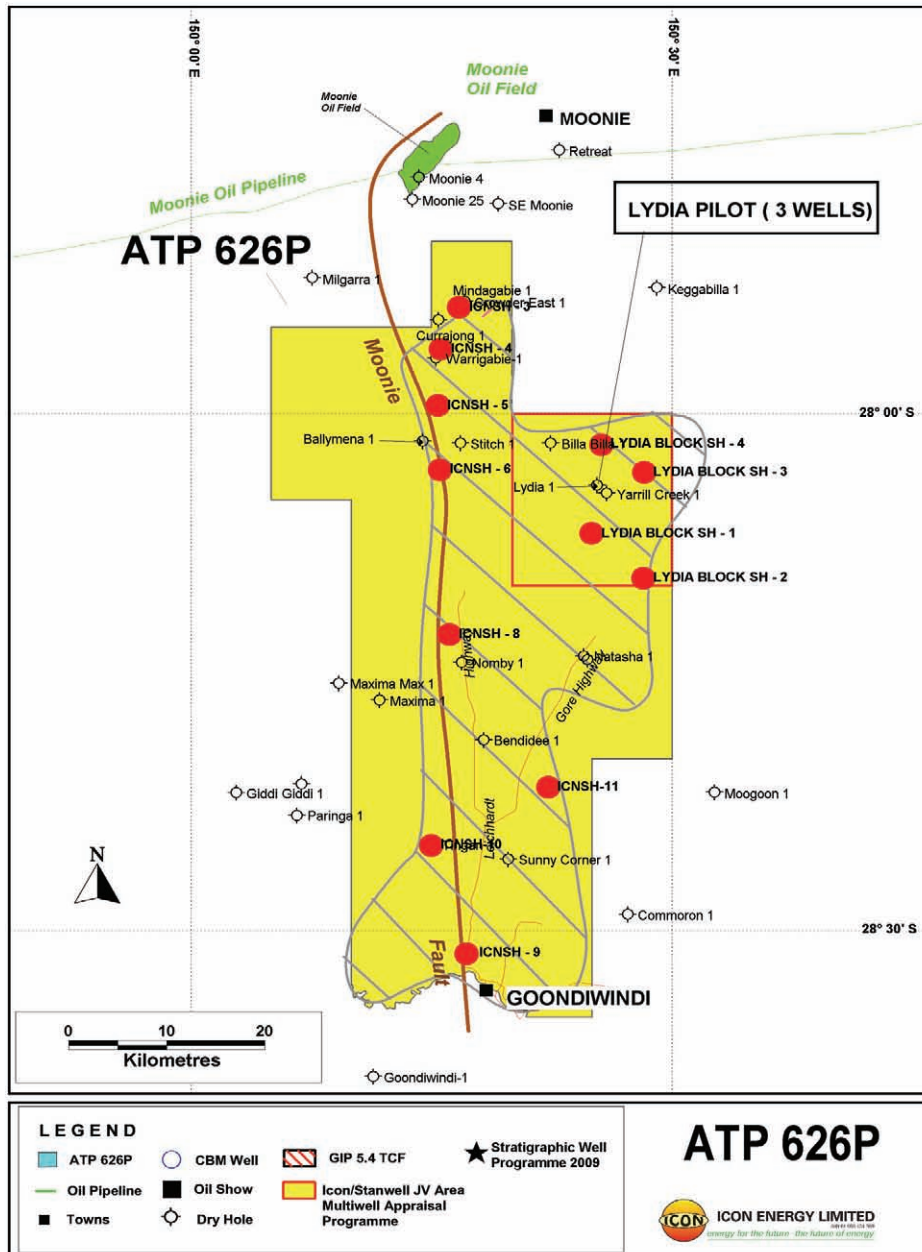


The primary purpose for undertaking this pilot program was to determine whether the field contained commercial gas. To assess this, the following information was needed:

- The extent to which the coals are saturated and thus able to yield commercial quantities of gas;

- The permeability of the coal seams which is an indication of their capacity to flow gas.

The diagram below shows the diagrammatic representation of ATP 626P with the Lydia Pilot together with a proposed stratigraphic well program, designated as red circles on the map, for the Stanwell Farmin area (shown within the red border) and the remainder of the tenement.



All three Lydia Pilot wells were drilled and completed successfully with the running of production tubing and sucker rods as preparation for dewatering. The bottom hole depth of these wells was 810 metres with the top of the Walloon coals starting at 650 metres. The picture below shows the completed well in preparation for dewatering.



The drilling of LP-2 included the coring of the Walloon Coals for desorption and absorption testing in the laboratory. Cores samples were sent to the ACS laboratory in Brisbane for desorption and absorption analysis.

The laboratory results on the core desorption and absorption and the permeability draw down tests analyses confirm the coals to be fully gas saturated. This conclusion aligns with production gas to surface on initial dewatering tests.

The photograph below shows the gas flow to the surface following a test dewatering which consisted of a drawdown of wellhead pressure of approximately 100 metres. This earlier

than expected response to dewatering supports the proposition that the coals have good permeability.



Completion of the dewatering program required the completion of a storage pond. Work on the water storage pond was hampered by adverse weather conditions however pond has now been completed and the liners have been installed. The photograph below shows the finished pond with the liner installed. The finished pond should accommodate up to 25,000 cubic metres of water.



Drilling has commenced on a second exploration and monitor well. When this is complete, Lydia No. 2, Lydia No. 3 and Lydia No. 4 will be placed on pump to remove the water from the well bores to determine gas flow rates. De-watering and de-pressurising the coals allows for the coals to begin to release methane which is trapped within the coal matrix and also present in the cleat structures of the coals. The cleats or tiny fissures in the coals allow for permeability of the coals and fluid movement of both water and gas from the coal matrix into the well bore with gas separation as the water transfers to a holding pond.

Gas flow rates do not usually reach commercial rates for some time and the buildup of production gas will be reported on a regular basis. The process of dewatering the wells is necessarily slow because if the drawdown of water pressure is too rapid, it may damage the well due to sluffing.

## **Icon's Interest in ATP 626P**

Icon's working interest in ATP 626P is currently 100% and will reduce when the first two stages of the farmin agreement are complete. At that time, Icon's interest will reduce to 50% of ATP 626P over the Lydia area of 4 graticular blocks. Icon retains 100% of the interest in ATP 626P outside the Lydia area.

## **Subsequent Events**

The seismic program has now been scouted and positioned in the field. Total recordable length has been measured at 305 kms. Details of the contractor and commencement date of recording will be announced when the Contract is signed.

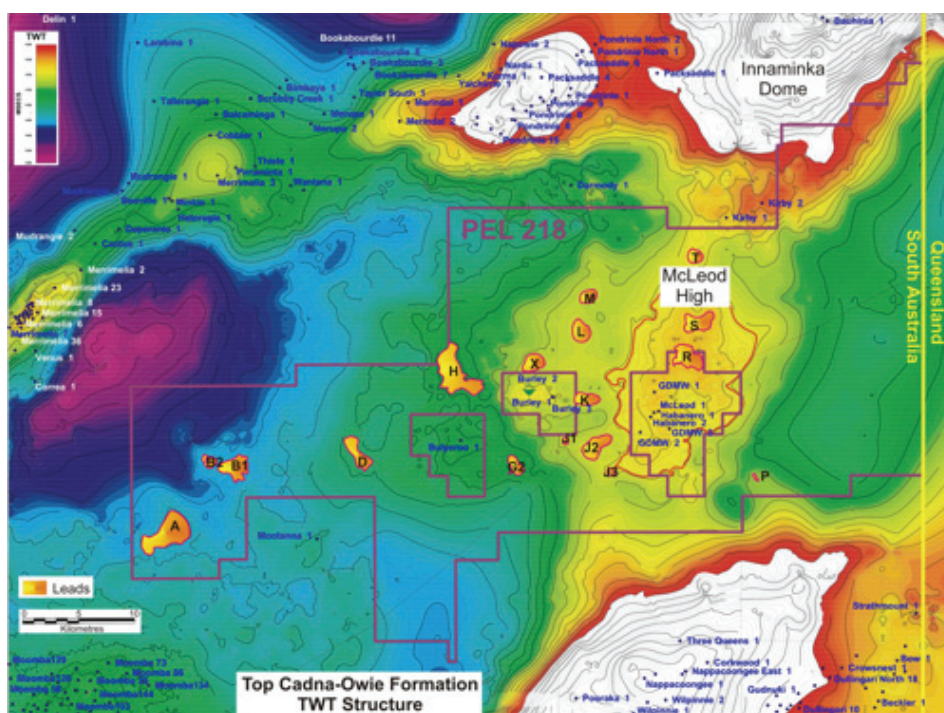
The seismic data will be used to assess :

- the well locations for the drilling program;
- reserve estimates between the wells;
- conduct structural analyses of the coal seams;
- make attribute and inversion analyses over the Walloon Coal intervals.

## OTHER TENEMENTS:

# Petroleum Exploration License (PEL) 218

Icon farmed into this permit in October 2007 to earn a 33.3% working interest in the Mesozoic sedimentary section of the permit by funding 50% of 100 kilometers of new seismic data and participating in one oil exploration well planned for July 2009. The block covers the South Australian side of the Nappameri Trough that is the source “kitchen” for oil that is produced in the fields North and South of the block. Three petroleum licenses lie within the block and are not part of Icon's interest. The Ballera to Moomba gas pipeline traverses the centre of the block.



Oil generated from Jurassic source rocks in the Nappamerri Trough has migrated onto the Trough margins and has been trapped in fields to the north, west and south of the Trough. The partners in PEL 218 are targeting oil which has migrated eastwards up into the McLeod High. Longer distance migration of oil has been established by the ring of Jurassic oil pools surrounding PEL 218, the partners are targeting oil in close proximity to the source where the migration pathways are much shorter lessening the risk of charge.

Seven structures/leads have been identified for drilling and there is a large structure in the western side of the block where there is a potential recoverable reserve of between 2 and 14 MMbo. The most promising have been detailed by the 210 km 2D Wakefield Seismic Survey. Wakefield is shown as target H in the above contour map.

The Wakefield Seismic Survey has been completed and will be interpreted. It is proposed to drill one well specifically to test for Jurassic oil, probably in the fourth quarter of this year.

## **Authority to Prospect ATP 849P**

- Located west of Roma Township in the Surat Basin in Queensland.
- The town of Mitchell is located in the southern region of the tenement.
- ATP 849P covers an area of 3854 sq kms and is west of the Lacerta Coal Seam Gas field.
- Icon's working interest is 80% and is the operator of the block. The permit will be granted to Icon and its joint venture partners as soon as the Environmental Authority is issued.
- The area will be awarded for twelve years with \$5.2 million obligatory expenditure in the first four years.
- Drilling on tenements adjacent to ATP 849P suggest this block has potential for Coal Seam Gas. Until seismic and test drilling is undertaken, based on very limited control data, our expectations are for a non-certified estimate of approximately 500 petajoules of gas initially in place.

## **Authority to Prospect ATP 594P**

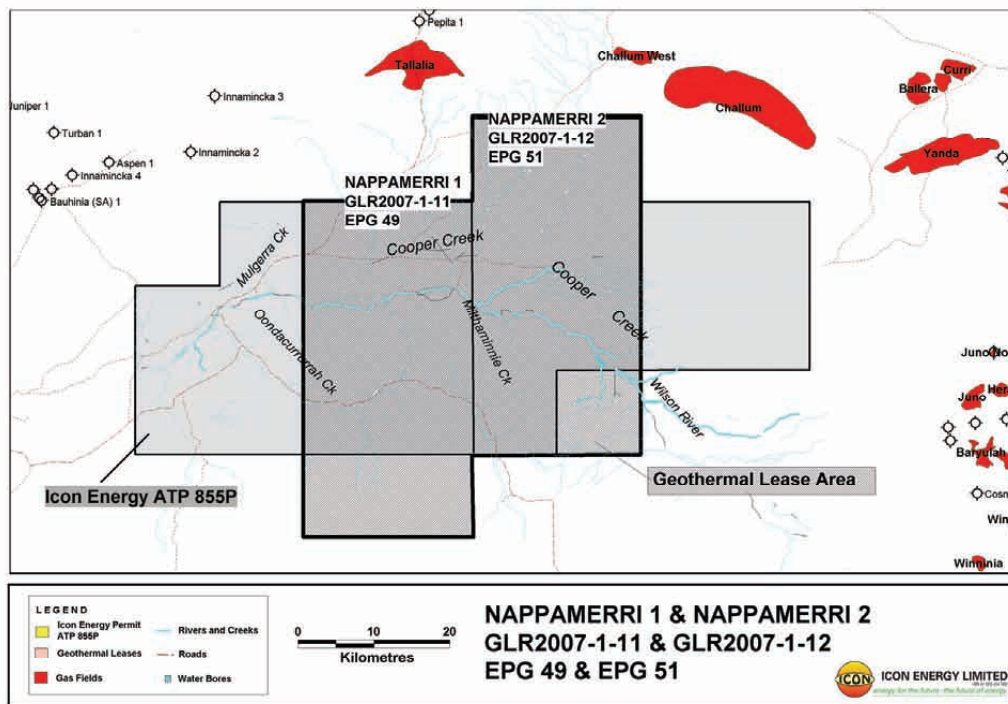
- Located in the Cooper Basin in Queensland.
- ATP 594P is approximately 99 kms west of the town of Quilpie.
- Tenement area ATP 594P covers 3 blocks consisting of a total area of 1538 sq kms.
- Icon Energy has a 50% working interest in the permit and is the Operator.
- ASIC holds a 50% interest in the permit as a result of the default of the joint venture partner.
- Native Title Claim has been lodged by the Boonthamurra people and is awaiting a Federal Court hearing.

## **Authority to Prospect (ATP) 855P**

- ATP 855P is located on the eastern side of the Queensland and South Australian border and is 50km west of Jackson. This permit lies next to PEL 218 and is traversed by the Moomba to Ballera Gas Pipeline.
- ATP 855P occupies a total area of 1674 sq kms.
- Icon has an 80% working interest and is the Operator of ATP 855P.
- This block is subject to a Native Title claim with the Wongkumarra traditional owners. Negotiations began early April 2009 with the Wongkumarra traditional owners as a "Right To Negotiate" (RTN) process.
- The area is surrounded by existing oil and gas production units as indicated in the diagram below. This diagram also shows the geothermal permits, EPG 49 and EPG 51 overlaid on ATP 855.

## EPG 49 and EPG 51

- Icon Energy's geothermal area consists of NappaMerri 1 and NappaMerri 2. They are located underneath 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 ATP 855P to allow for cost savings and efficiencies in this phase.
- A five year work program has been devised involving geological and geophysical studies and techniques to obtain new information in regards to the permits geothermal potential.
- The Federal Government determined that Native Title legislation to enable Geothermal Development to proceed without a Right to Negotiate process.



## **Authority to Prospect ATP 549P**

- Located on the border region of southwest Queensland and South Australia.
- ATP 549P covers an area of 3854 sq kms.
- Icon has a 33.33% working interest and is the designated Operator.
- Right to Negotiate discussions will be required to renew the permit under a new ATP. The exploration permit has a renewal date of 30 April 2009 for the second term.
- Environmental Applications will be lodged for ATP 549P West including geological and drilling programs after the Government approves the separation of the west and east blocks which are currently held under a complicated trust title.

## **Authority to Prospect ATP 794P**

- Located North West of the town of Quilpie and lies directly north of ATP 594P.
- ATP 794P is approximately 5315 sq kms in area.
- Icon holds a 60% working interest and is the designated Operator.
- The Work Program details 500 km of seismic data and the drilling of two wells. To date 270 km of seismic data has been reprocessed and one exploration well has been drilled.
- Discussions are progressing for a farmin by a major oil and gas entity.

## Funding

The Company has undertaken two capital raisings during the second quarter. The first was a placement to institutional and sophisticated investors. The second was a Share Purchase Plan that was finalised in early July 2009. As per our announcement of 5th June 2009 the Company placed 46,000,000 fully paid ordinary shares at \$0.30 per share ("Placement"). Net capital raised through this offer was \$13m.

The Share Purchase Plan raised a net of approximately \$17.5m through the issue of 58,548,097 shares at 30c per share. As at 30th June 2009, the cash balance of \$17.8 million excludes funds from the SPP which were received on 6th July 2009.



## Planned Activities For Next Quarter

- Drilling of an additional monitor well in the Lydia Pilot.
- Drilling of eight (8) stratigraphic wells outside the Lydia area including Tingen No. 2 which will provide core samples.
- Completion of storage ponds for dewatering.
- Evaluation of the core, water and gas flow measurements.
- Evaluate the seismic data from a 305 KM seismic survey.
- Plan Stage 2 of the Stanwell Farmin to bring gas in place to a certifiable resource at 2P and 3P levels.

Yours faithfully,



Executive Director/Company Secretary  
Icon Energy Limited



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