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The Manager  
Company Announcements Office  
Australian Securities Exchange Limited  
20 Bridge Street  
Sydney, NSW, 2000

Dear Sir

**ICON ENERGY DRILLING PROGRAM IN ATP 626P AND UPDATE**

**HIGHLIGHTS**

1. Dewatering of Lydia Pilot wells rise to between 160 and 180 barrels per day.
2. Preparations nearly completed for five-well exploration of 100% Icon-owned
3. Icon's newly-appointed Chief Physicist Bob King oversees seismic
4. World-first Carbon-neutral Seismic Program now 85% complete
5. Lower direct costs if water tests continue as per current samples

**1. Dewatering of the Lydia Pilot rises to between 160 and 180 barrels per day**

Dewatering of the Lydia Pilot wells within the Stanwell farmin area continues, with water production increasing. It is currently in the range of 160 to 180 barrels per day. The water being recovered is quite gassy as expected from the close design of the wells.

Normal well design places wells at 750 metres to 1,000 metres. The Lydia pilot wells were spaced 200 metres apart to accelerate dewatering. This process is necessarily slow so that the well is not damaged in the process.

**2. Cultural heritage clearance completed and landowner compensation agreements near - for the five new wells in the 100% Icon-owned area of ATP 626P.**

As previously reported, Icon Energy Limited has signed a drilling contract with Major Drilling Pty Limited to complete five stratigraphic wells in the 100% Icon-owned area. This represents 87% of the ATP 626P tenement. A further two exploration wells are planned for 2010 bringing the total program for this area to 7 as advised on 20 August 2009.

The attached diagram shows the proposed wells plus those planned for 2010.

Before drilling can commence, Cultural Heritage clearance and compensation agreements with the landowners must be obtained.

The traditional owners, the Bigambul People, have completed Cultural Heritage clearance.

Compensation agreements with the landowners are currently being negotiated and should be completed within the next two weeks.

The five wells will range in depth from 730 metres to 1250 metres.

The objectives of the five wells in Icon Area are to:

- Delineate the coal thickness in the Walloon Coals;
- Obtain core samples to measure and confirm gas saturation;
- Obtain some preliminary information with respect to permeability; and
- Locate a pilot program for reserve development.

An additional four stratigraphic wells in the Lydia Pilot Area are an option under the rig contract. The locations of these wells have been cleared with the reserves certifier, Netherland, Sewell & Associates, Inc. These wells are designed to form part of additional pilot programs and latterly as part of the production grid for the supply of commercial gas. These four wells are also positioned to tie in with the seismic results.

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### **3. Icon appoints new Chief Physicist**

Icon's world-first, carbon neutral seismic operation has been supervised by our recently appointed new Chief Geophysicist, Mr Bob King. US-born Mr King will also be responsible for the interpretation of the survey.

The highly credentialed addition to the growing and talented Icon team has previously worked with Woodside Petroleum and Stuart Petroleum.

### **4. Seismic 85% completed.**

The Seismic operation within ATP 626P continues at a rate of approximately 10 kilometres per day. Terrex Seismic has completed 260 kilometres or 85% of the program.

Two (2) distinct seismic surveys are being recorded - 138 kms in the Lydia Pilot Area; and 167 kms within the Tara-Rois Seismic Survey of ATP 626P where Icon owns a 100% interest.

The aim of this program is to obtain data to increase knowledge to be used as follows:

- delineate the Lydia and Natasha gas saturated structures;
- evaluate 2P and 3P gas reserves and resources between wells;
- conduct seismic attribute analyses to better understand the stratigraphy of the coal sequences;

- to locate wells in the upcoming drilling program;
- to identify "sweet spots" for the location of pilot wells.

**5. Water tests could result in lower direct costs for Icon.**

The results of the independent laboratory test of the water from LP2; LP3 and LP4 wells are currently being compared with the requirements of the Petroleum Act and the EPA.

Water as a waste product from coal seam gas production (CSG) is an important and expensive issue for CSG producers.

If water from ATP 626P continues to exhibit the same properties as those from the current sample, Icon may not be faced with the expensive water treatment options (reverse osmosis) faced by other producers. This would place Icon at the lower direct cost end among CSG producers.

Yours sincerely



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