



**ICON ENERGY LIMITED ACTIVITIES REPORT**  
Quarterly to 31 March 2009





## Quarterly Report

### REPORT FOR THE QUARTER ENDING 31 DECEMBER 2008

#### HIGHLIGHTS

- \$8.2 million cash at 31 March 2009.
- Gas Sale contract for 225PJ of gas over 15 years signed with Stanwell Corporation.
- Joint Venture Agreement signed with Stanwell Corporation.
- Site preparation and equipment purchases in place for the commencement of the Lydia Pilot Project. Drilling commenced 2 April 2009
- Safety inspection organised for rig prior to commencement of drilling the Lydia Pilot.
- Design and costing of containment ponds for dewatering of the Lydia Pilot.

#### EVENTS SUBSEQUENT to 31 MARCH 2009

- Lydia Pilot LP4 has been completed to a depth of 819 metres with the running of production tubing and sucker rods together with the bottom hole pump assembly, sensor unit telemetry bundles and tubing string in preparation for dewatering and gas build up testing.
- Spudding of Lydia Pilot LP-3
- LP-4 showed gas over the Walloon Coal Measures with gas readings ranging from 40 to 75 units against an expected background gas reading of 2 to 9 units (400 to 1800 ppm). This together with a well head pressure of 40 pounds per square inch shows the coals are saturated with gas.
- Drilling encountered a total of 12 well developed coals, which correlates well with the coals found in Lydia No.1.

For further information, contact Ray James, Managing Director, or Ray McNamara, Company Secretary. Telephone +61 7 5562 0077 or email [info@iconenergy.com](mailto:info@iconenergy.com)

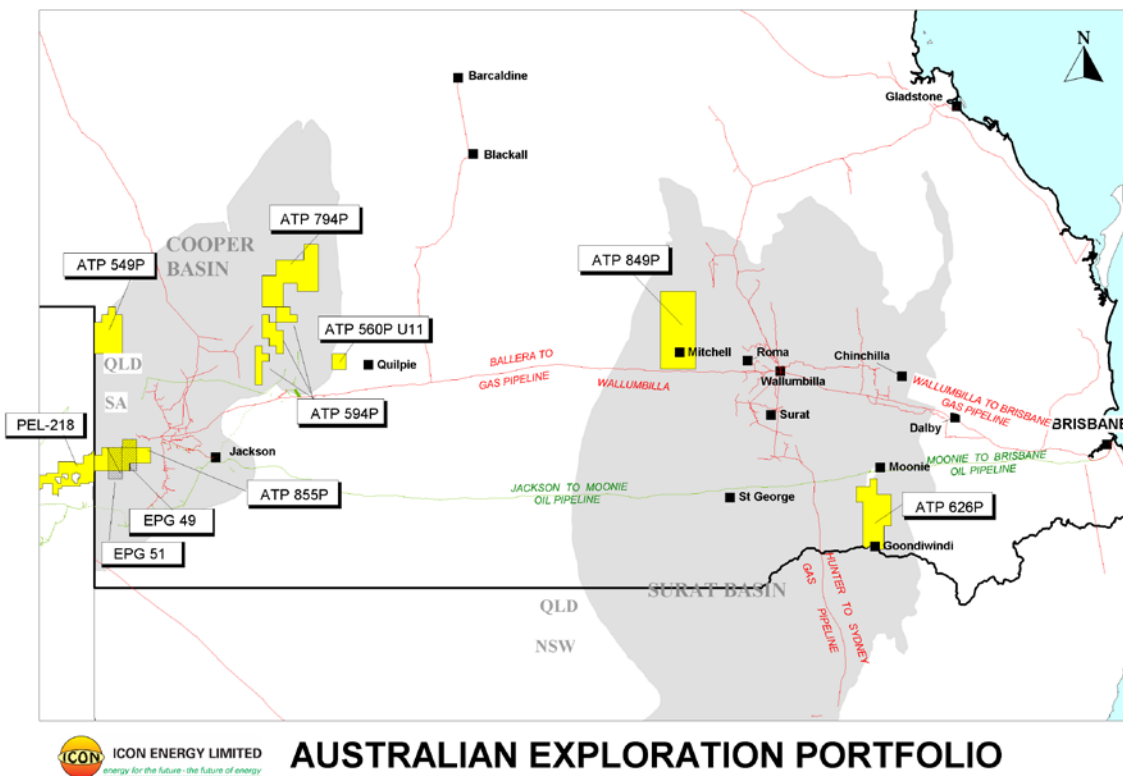
Electronic copies and more information are available on Icon's website [www.iconenergy.com](http://www.iconenergy.com). Icon's website and the ASX are the only sources of official information concerning the company

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# Exploration Tenements

Australian



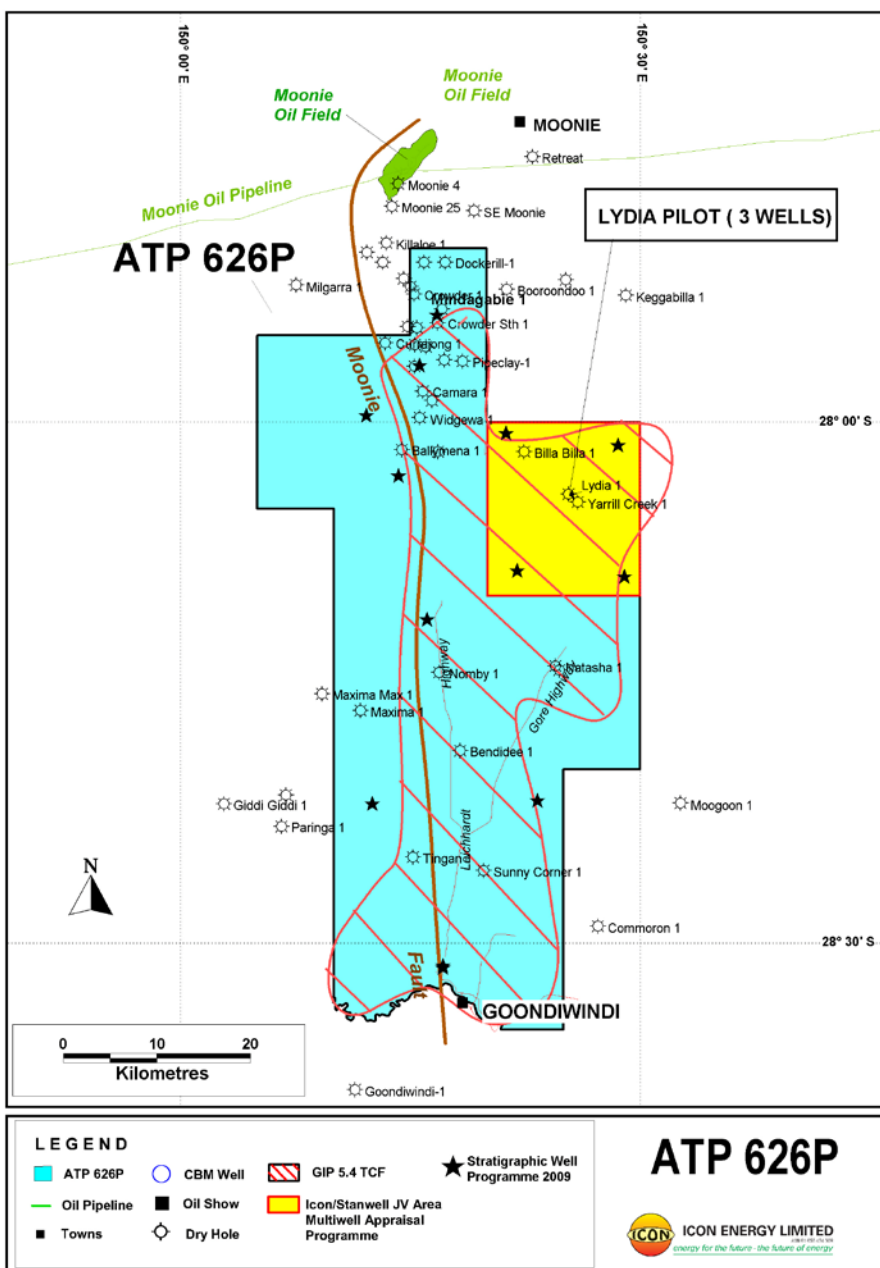
## COAL SEAM GAS EXPLORATION

### Lydia Pilot - ATP 626P Farmin

Icon Energy signed a Gas Sale Agreement and Joint Operating Agreement with Stanwell Corporation, a corporation owned by the Queensland Government. Stanwell Corporation made the initial Stage 1 payment of \$6 million under the Farmin Agreement.

These agreements allow for commercialisation of the coal seam gas resources in Icon's ATP 626P in the Surat Basin. These agreements fulfil the key conditions of the farm-in arrangement, announced on the 24th December 2008. Under that agreement, Stanwell will commit to an initial

Stage One \$6 million pilot production program within four of the 30 blocks within ATP 626P.



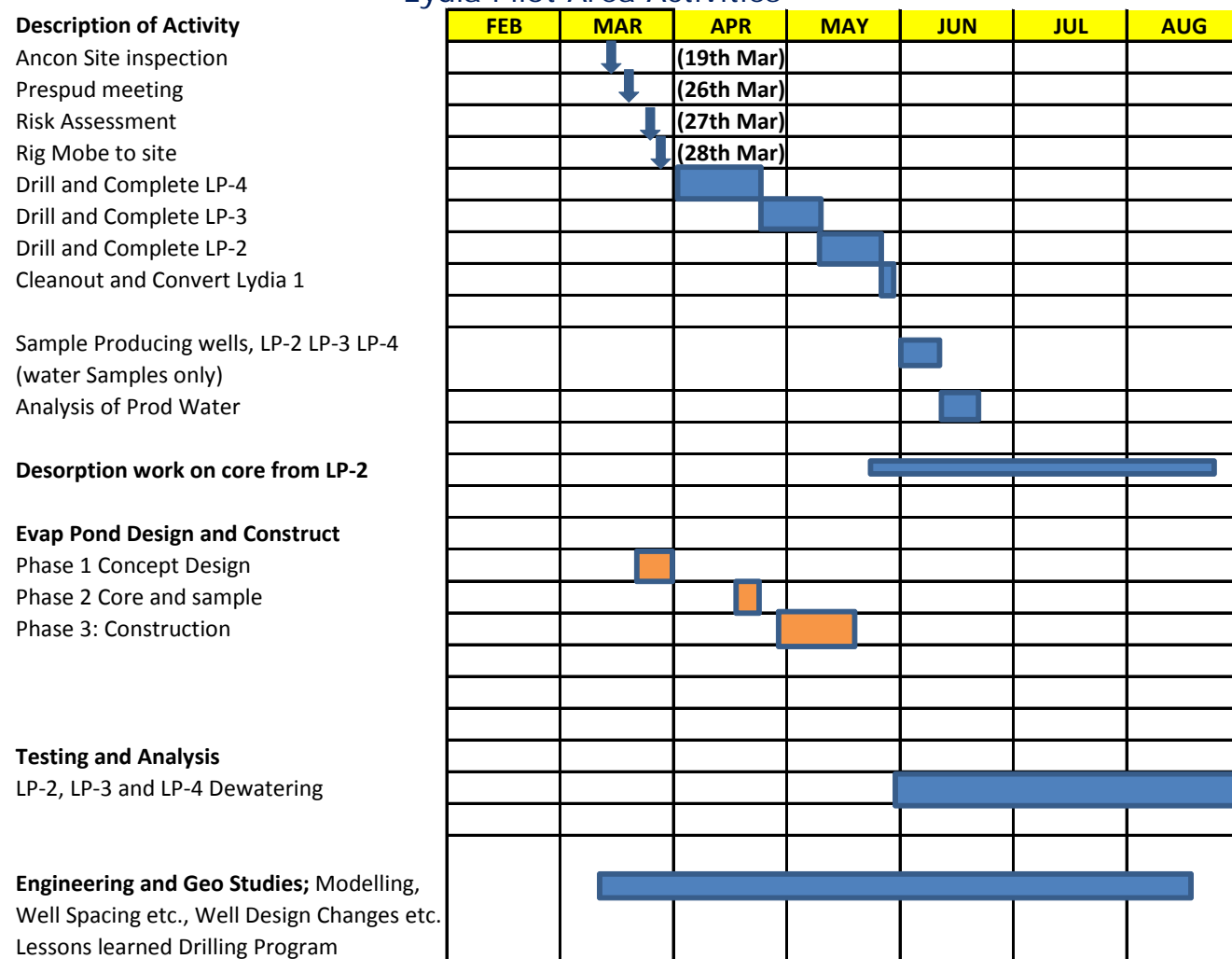
Subject to the information received and successful results of that work, Stanwell can elect to spend a further \$30 million in Stage Two to secure a minimum proven and probable (2P) reserve of 340 PJ. Stanwell will then earn a 50% interest in the four blocks known as the Lydia Pilot on full payment of the \$30 million.

On successful completion of Stage 2, Icon and Stanwell can elect to proceed to the commercial development of the field and the construction of a pipeline from ATP 626P to a suitable connection point on the Roma to Brisbane pipeline.

## Drilling – Lydia Pilot

The updated Lydia pilot program appears below:

Lydia Pilot Area Activities



Risk assessment, site preparation, and a well simulation exercise were completed in preparation for the arrival of the Ancon No.1 rig. Site preparation for LP-3 and LP-2 were also completed during the quarter. All casing and equipment were delivered to the well sites.

The Safety Manual and Operations Plan for ANCON Rig 1 was completed and Icon conducted a full day meeting with the personnel in charge of the operations at the rig site. The purpose of the meeting was to conduct a pre-drill on paper and then make a full risk assessment of the safety issues associated with the individual rig operations. At this meeting safety issues were prioritised and flagged for attention where the risks were high. One of the highest risks associated with the operations is everyday transportation of equipment and personnel.

Water Samples as baseline samples were collected for all landowners' properties around the Lydia Pilot. These samples will be used as a baseline analysis for testing water quality from the Lydia Pilot.

### **Subsequent Events**

Rig Mobilisation to Icon Energy's site occurred on Thursday 2<sup>nd</sup> of April with spudding of the Lydia Pilot (LP-4) well commencing on Saturday 4<sup>th</sup> April. Lydia Pilot LP4 reached a total depth of 819 metres. It shows excellent gas saturations over the Walloon Coal Measures with gas readings ranging from 40 to 75 units ( 8,000 to 15,000 parts per million). When normal drilling occurs, gas readings of 2 to 9 units (400 to 1800 ppm) are encountered.

The shows consisted of natural gas (methane) and were sharply co-incident with the coal breaks in the well. This indicates that the coals contain abundant gas and are saturated. The completed well is showing a well head pressure of 40 pounds per square inch, again suggesting that the coals are saturated with gas.

LP-1 exposed a total of 12 well developed coals, which correlated well with the coals found in Lydia No.1.

LP-3 and LP-2 should be drilled according to the above schedule. Lydia No. 1 (LP-1) will be completed as a monitor well.

LP-1 will have three transducers designed to monitor the individual pressures in the each of three major Walloon coal beds. The reductions in pressure that we will observe in the monitor well will correspond to water being removed from each group of coal measures. As water production will give an indication of permeability for each major lobe we can then estimate in a gross sense, the pressure declines that we will observe as we dewater the Walloon Coal measures. This phase consists of the slow reduction in well head pressure on one well only to gauge the effects on well pressure in the other wells. The water drawdown process must be managed carefully to prevent the coals from caving or sluffing in the hole.

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 water transferred to a holding pond.

### **Natasha-1**

Natasha No 1 was drilled in November 2007 as a twin of Thompson No. 1 drilled in 1962 where 32 metres of coal was penetrated. Natasha No. 1 coal correlated with the coal seams reported in the original Thompson well. Because Lydia No. 1 showed greater thickness in its coal, the Lydia locations was chosen as the site where the highest returns were likely for limited resources available. As Natasha No. 1 will not be part of the initial Lydia Pilot Project, site restoration was required. Restoration involved filling in cutting pits, flare pits and the Turkey's nest.

### **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 approximately 90% of ATP 626P on a per block basis.



## **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.

Seven structures/leads have been identified for drilling and there is a large structure in the western side of the block where there is potential to find up to twenty million barrels of oil recoverable.

The block covers the South Australian side of the Nappameri Trough that is the source “kitchen” for oil that is producing 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

### **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. ATP 549P will be sent to the Minister for grant 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.
- The Walloon Coal Measures are present throughout much of the block but the distribution and quality is largely unknown. Further work is needed by drilling and seismic evaluation to determine the real potential and distribution of the coals.

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

- Located in the Cooper Basin in Queensland.
- ATP 594P is approximately 99 kms west of the town of Quilpie and west of ATP 560P.
- Tenement area ATP 594P covers 3 separate areas with 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, pending 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 by the Wongkumarra traditional owners.
- The area is surrounded by existing oil and gas production units

## **EPG 49 and EPG 51**

- Icon Energy's geothermal area consists of NappaMerri 1 and NappaMerri 2. They are located underneath ATP 855P on the eastern side of the Queensland and South Australian border.
- The exploration program for NappaMerri 1 and NappaMerri 2 will be strategically aligned with ATP 855P to allow for common work to be

done and then allocated separately to the exploration titles as appropriate.

- A five year work program has been devised involving geological and geophysical studies and techniques to obtain new information in regards to the permit's geothermal potential.
- The Federal Government has advised that geothermal exploration is not subject to Native Title negotiations. This does not apply to Cultural Heritage which is administered under the Cultural Heritage Act.

### **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 if the Joint Venture partners decide to seek a replacement tenure to separate the permit from the eastern block where the Joint Venture has no interest.

### **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.

## Board Appointments

Icon's Board of Directors was expanded with the appointment of two experienced and qualified Non-Executive Directors - Mr Derek Murphy and Dr Keith Hilless. Both bring to the Board an impeccable history of honesty and integrity coupled with senior management and corporate regulation and governance experience.

Mr Murphy, a former barrister and stock broker, has significant corporate experience including the Chairmanship of The Southport School on the Gold Coast. His distinguished career to date has included 20 years international experience in Hong Kong as a Crown Counsel, Deputy Commissioner for Securities and Commodities Trading, Managing Director of what is now HSBC Asset Management, one of the largest fund-management companies in Asia and Group Vice President, Corporate Communications of First Pacific Company Limited. Mr Murphy has significant experience in corporate governance, legal and compliance matters, and communication and investor relations. He is a Fellow of the Australian Institute of Management, a Fellow of the Australian Institute of Company Directors and the Hong Kong Institute of Directors and he is a Senior Fellow of the Financial Services Institute of Australasia. In 2004, Mr Murphy was named "Non-executive Director of the Year, Private Company" by the Hong Kong Institute of Directors.

Dr Keith Hilless was Deputy Chancellor of Queensland University of Technology and Chairman of the Queensland Government owned ZeroGen, which specialises in commercial 'clean coal' technology. He is also a past Chairman of Ergon Energy Corporation Limited with \$6 billion in network assets, revenues of \$3.1 billion and over 4,000 staff. Dr Hilless was Electricity Commissioner of the Queensland Electricity Commission (QEC) for a time, and CEO of the Queensland Transmission and Supply Corporation (QTSC), responsible for high voltage supply throughout Queensland and for forecasting changes in electricity demand and expanding Queensland's electricity network. In addition to his impressive corporate pedigree, Dr Hilless is a Doctor of the University QUT, Member in the General Division -

Order of Australia, a Fellow of both the Institution of Engineers Australia and The Australian Institute of Management and a Member of the Australian Institute of Company Directors.

The Board of Icon is delighted to have been able to attract these high profile corporate leaders who bring special and valuable skills to Icon.

## **ICON'S PLANNED ACTIVITIES FOR THE NEXT QUARTER**

- Finalise the Drilling three wells for the Lydia Pilot
- Complete Lydia No. 1 as a pressure monitoring well.
- Construction of storage ponds for dewatering.
- Evaluation of the core, water and gas flow measurements.
- Obtain Stanwell's final approval to proceed with Stage 2 of the Farmin program to establish the required reserves of 340PJ of 2P reserves under the Gas Sales Agreement (GSA).

Yours faithfully,



Executive Director/Company Secretary  
Icon Energy Limited



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