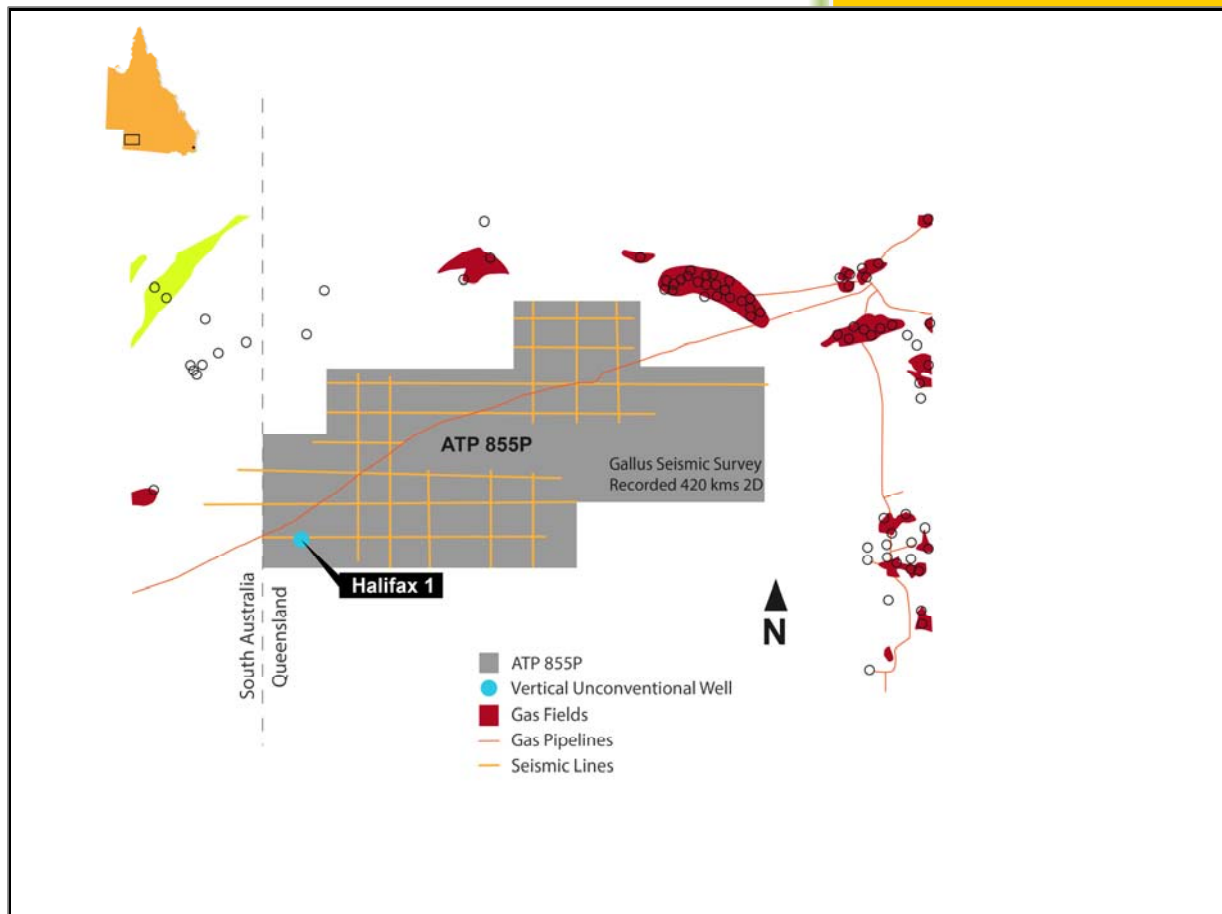




Quarterly Report
Period ending 30 September 2012



Location of Halifax 1 well and the Gallus Seismic Survey in ATP 855P in the Cooper Basin, Queensland

FIRST QUARTER ACTIVITIES REPORT



Period ending 30 September 2012

Highlights

Operations

- Icon Energy Limited (**Icon Energy** or **Company**) and Beach Energy Limited (**Beach**) have completed the drilling of the vertical unconventional gas well Halifax 1 in the Nappamerri Trough in the Cooper Basin. Halifax-1 reached a total depth of 4,267 metres on 16 October.
- Icon Energy has indicated that Halifax-1 has exceeded all expectations to date and is likely to deliver the largest gas saturated zone encountered to date in the Nappamerri Trough, in excess of 1,300 metres.
- A new discovery has been found in the Nappamerri Group (not included in 1300m+ and 0.2 MMscfd gas flow.)
- The Company and Goondi Energy (**Goondi**), a wholly owned subsidiary of Stanwell Corporation, have engaged AWT International (**AWT**) to undertake a Reservoir Feasibility Study to examine the best path forward to prove up reserves in ATP 626P in the Surat Basin in Queensland. The Feasibility Study will examine CSG and Shale gas opportunities in the tenement and is expected to be completed in mid-November 2012.
- Icon Energy, is reviewing the timing of the seismic program and natural gas exploration in Gippsland Victoria following the release of the Victorian Government's announcement entitled "Reforms to strengthen Victoria's Coal Seam Gas regulation and protect communities" on the 24 August 2012. The Company is currently evaluating the impact of the announcement including delays on its Victorian exploration projects. The Victorian Government Department of Primary Industry (**DPI**) has approved the Company's application for an extension of time to complete the work program in PEP 170.

Corporate and Commercialisation Projects

Financial

Icon Energy ended the June quarter with a cash balance of \$7,566,000 and 469,301,394 shares on issue.

Subsequent Events

- The Beach and Icon Energy Joint Venture will conduct fracture stimulation and flow testing of Halifax-1 in the Cooper Basin following the grant of necessary approvals from the Queensland Government Department of Environment and Heritage Protection. The stimulation and flow testing is expected to commence in Q4 2012.
- The Icon Energy and Goondi Joint Venture have engaged AWT to undertake a Feasibility Study with expected completion in mid-November 2012.

Operations

Queensland – Petroleum Exploration – Cooper Basin - ATP 855P

On 16 October 2012 Icon Energy advised that the Halifax-1 unconventional gas well (Beach Energy 60% and operator, Icon 40%) had reached total depth of 4,267 metres and that a detailed analysis of the wireline and LWD logs was ongoing.

On 18 October 2012, Icon Energy reported that it was encouraged by preliminary interpretation of log data which indicated the Permian target zone was likely to be gas saturated from the Toolachee Formation to the base of the Patchawarra Formation covering multiple intervals over a total target zone in excess of 1300 metres.

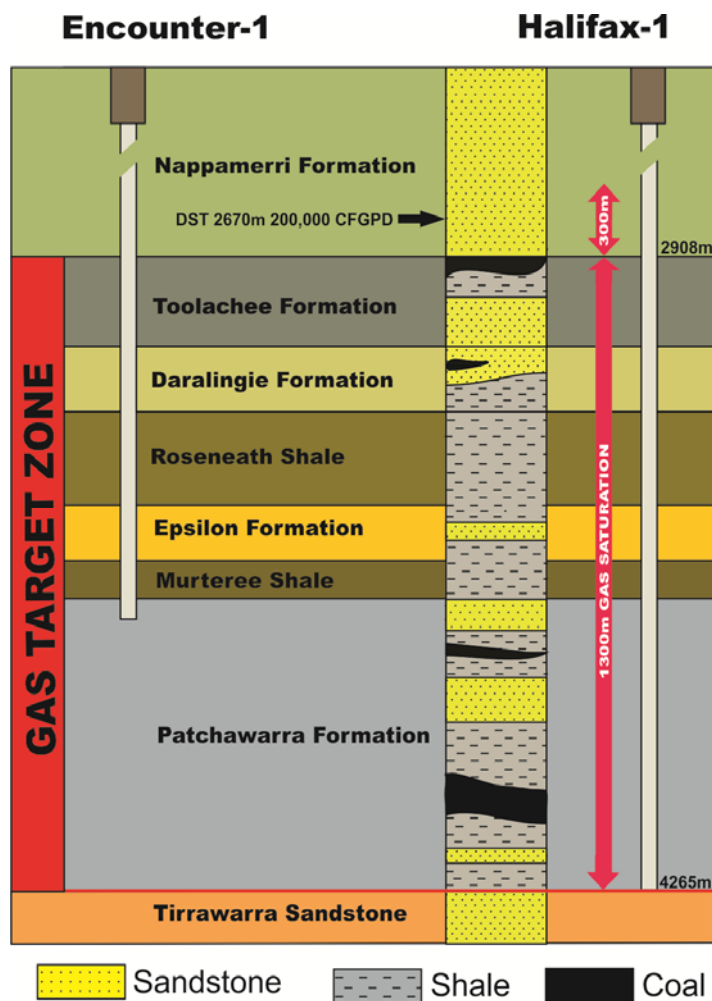
Halifax-1 has the thickest Roseneath Shale, Epsilon Formation and Murteree Shale (*REM*) section, at approximately 460 metres, when compared with other Nappamerri Trough wells drilled to date. The Patchawarra Formation is greater than 490 metres thick.



Ensign 916 Rig drilling Halifax-1 in ATP 855P in the Cooper Basin, Queensland.

Key findings from the Halifax-1 vertical exploration well:

- Halifax-1 is expected to have a gas saturated target zone from the Nappamerri Formation through the Patchawarra Formation and is suspected to be overpressured through to the REM and Patchawarra Formation (on page 4);
- In addition to the primary Permian targets in the well, earlier drill stem testing of a conventional gas bearing sand in the Triassic interval immediately above the Toolachee Formation, flowed gas at a constrained rate of 0.2 MMscfd;
- It is likely that the structural form of the shale and basin centered gas play in ATP 855P is contiguous with PEL 218; and
- It is expected that thicker gas zones will allow greater opportunity for an increase in resource estimates.



Next Steps for ATP 855P:

- Subject to the approval by Queensland Government (Department of Environment and Heritage Protection), it is anticipated that multi-stage hydraulic stimulation of the Halifax-1 well will take place in Q4 2012.
- Following fracture stimulation the well will be put on extended flow test for a period of several weeks.
- A resource estimate will be made after data from the flow test is gathered.
- The anticipated timing of completed log analysis and flow rate information is mid to late December 2012.
- The Gallus Seismic Survey data processing is expected to be completed in Q4 2012.
- Guidance on 2C contingent resource from Halifax-1, incorporating core analysis, expected to be available in Q1 2013.

Queensland – Surat Basin - Petroleum Exploration – ATP 626P

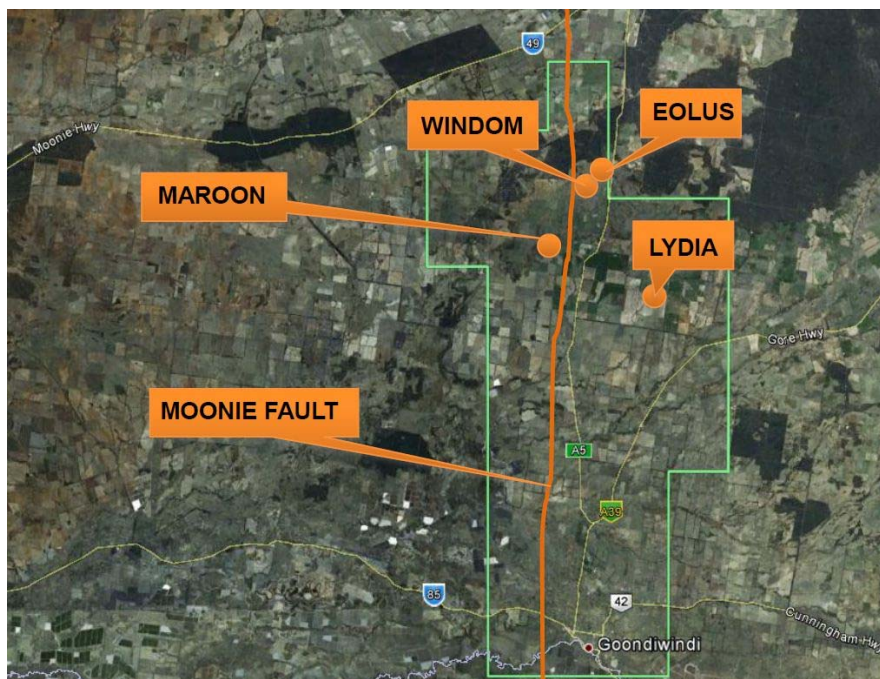
Icon Energy (the Operator) and Goondi Energy have completed the tender process for a Feasibility Study of the ATP 626P tenement, as agreed under the completion of the Stage Two Phase of the Farmin Agreement.

The Feasibility Study is being conducted by AWT International (**AWT**) and commenced on 5 October 2012. The object of the Study is to undertake a review of the gas potential of ATP 626P in the Surat Basin QLD and encompasses a review of both unconventional and conventional gas.

The Feasibility Study will examine:

- The results of the Eolus 1 well which was spudded on 21 May 2012 with the Ensign 960 Rig and reached a total depth of 1200 metres on 25 May 2012. The coal seam thickness was measured at 10.4 metres of net coal in the Walloon Coal Measures and the well was cased and suspended;
- The well completion reports, Drill Stem Tests (**DST**), Petrophysical data, core isotherm data and all previous data for all exploration wells drilled in the tenement and the immediate area; and
- The 2D seismic data and interpretation conducted by Terrex in the tenement in 2009.

The expected completion date for the Feasibility Study by AWT is mid-November 2012. The results of the Study will be analysed by the Goondi / Icon Energy joint venture partners to determine the best path forward for the future development of the tenement.



Map of ATP 626P in the Surat Basin, Queensland

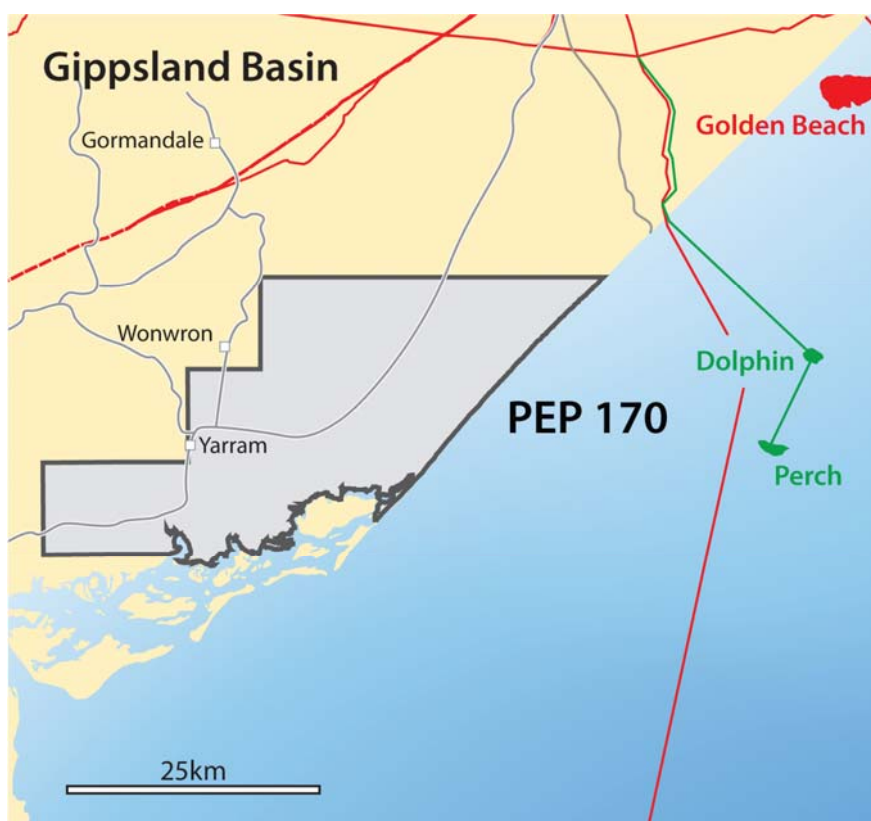
Rehabilitation of 13 exploration wells in ATP 626P

In accordance with best environmental practice, the Company has rehabilitated 13 wells that had previously been plugged and abandoned. The final rehabilitation work included the removal of well heads, the backfilling of cellars, topsoil reseeded and landholders' approval releases.

These 13 wells were previously plugged and abandoned based on well results indicating that they would not be utilized in the future development of the block.

Victoria – Gippsland Basin - Petroleum Exploration

Victoria – Petroleum Exploration – PEP 170



Map of PEP 170 in the Gippsland Basin, Victoria

On 24 August, the Victorian Government released an announcement entitled “Reforms to strengthen Victoria’s Coal Seam Gas regulation and protect communities”. These reforms will apply until a National Harmonised Framework for Coal Seam Gas (**CSG**) exploration has been agreed upon. The Company is

currently evaluating the impact of the announcement including delays on its Victorian exploration projects. The Victorian Department of Primary Industries (**DPI**) has since approved the Company's application for an extension of time to complete its work program in PEP 170.

Drilling Program

The onshore Gippsland region is prospective for petroleum and gas in the reservoirs of the Top Latrobe Formations and the Strzelecki Group. Demand for natural gas is expected to grow in the long-term because of its environmental benefits and lower greenhouse gas emissions.

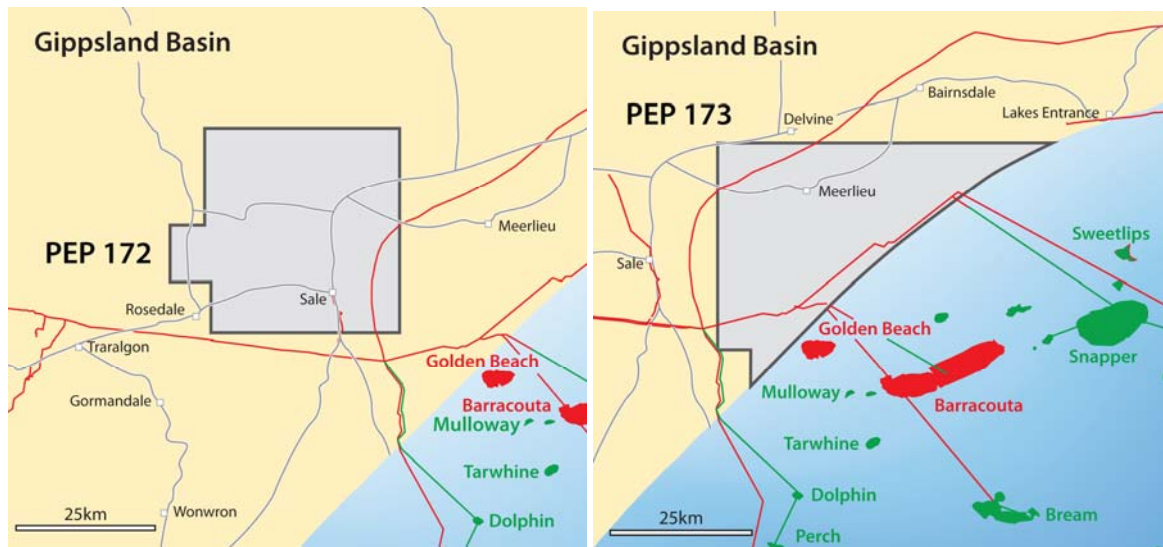
Icon Energy's drilling program for the Tiger West 1 and Dragon 1 natural gas prospects are well advanced with landholder approval in place, subject to final DPI approval of the Drilling Operations Plan (**Drilling OP**) and Environmental Management Plan (**Drilling EMP**).

Seismic Program

The Murray Seismic Program consists of 46 lines totalling approximately 400 km and is well advanced in planning and awaiting final approval of the Seismic Operations Plan (**Seismic OP**). The seismic lines are predominantly positioned on sealed roads. A minority of the lines, totalling approximately 28km, will cross freehold land and landholders have agreed to grant Icon Energy access pending confirmation of the commencement date and the approval of the Seismic Environmental Management Plan (**Seismic EMP**).

PEP 170 will not require the conclusion of an Indigenous Land Use Agreement (**ILUA**) prior to the commencement of the drilling program or the Murray Seismic Survey as work will be conducted on road reserves and freehold land.

Victoria – Petroleum Exploration – PEP 172 and PEP 173



Maps of PEP 172 and PEP 173 in the Gippsland Basin, Victoria

In August 2011, the Victorian DPI offered to grant Icon Energy PEP 172 subject to the negotiation of an Indigenous Land Use Agreement with the traditional owners, the Gunaikurnai People.

PEP 172 covers 1312 square km in the Gippsland Basin in Victoria.

In December 2011, the DPI offered to grant Icon Energy PEP 173 in the Gippsland Basin in Victoria also subject to the Company completing an ILUA with the traditional owners, the Gunaikurnai People.

PEP 173 covers 1220 square km in the Gippsland Basin in Victoria.

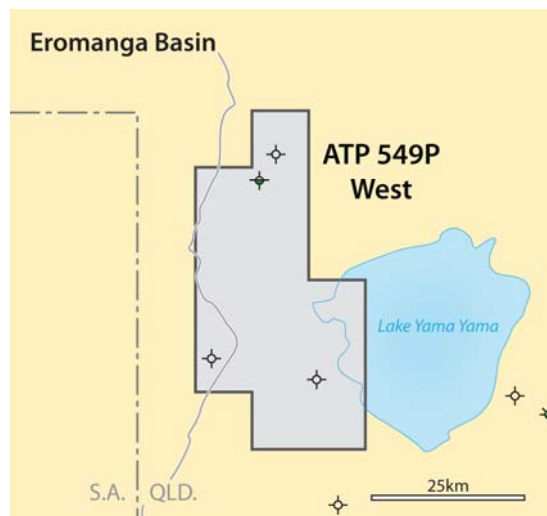
Subsequent to the end of the year, Icon Energy re-commenced engagement with the Gunaikurnai People to negotiate the completion of an ILUA covering the Company's three tenements in the Gippsland including PEP 170, PEP 172 and PEP 173.

In May 2012, a Section 29 Notice was published in national newspapers regarding small parcels of land in PEP 172 and PEP 173. The notification period closed in August with no registered native title claim over these parcels.

Icon Energy other tenements

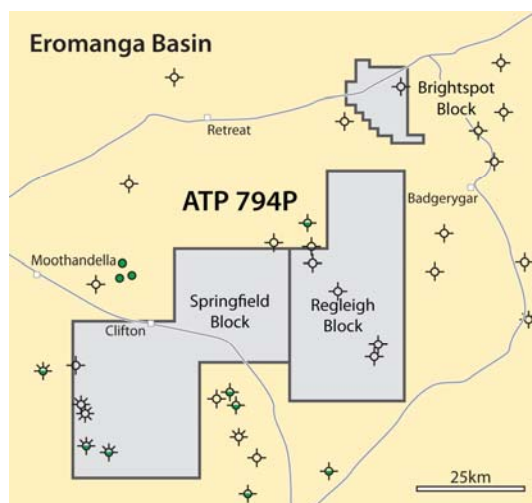
Queensland - Petroleum Exploration – Cooper Basin - Other tenements

ATP 549P West is located in the Cooper Basin in Queensland and lies to the north of the Cook Oil Field. Icon Energy holds a 33.33% working interest in the West block of the tenement. Great Artesian Oil and Gas Pty Ltd (**GOAG**), a wholly owned subsidiary of Drillsearch Energy Limited (**Drillsearch**) holds a 66.66% interest in the permit. GOAG is the Operator of ATP 549P (West). In August 2012, Drillsearch completed the Kaden 3D seismic survey acquisition across contiguous areas in ATP 339 and ATP 549W. Data from the acquisition is being processed by Drillsearch.



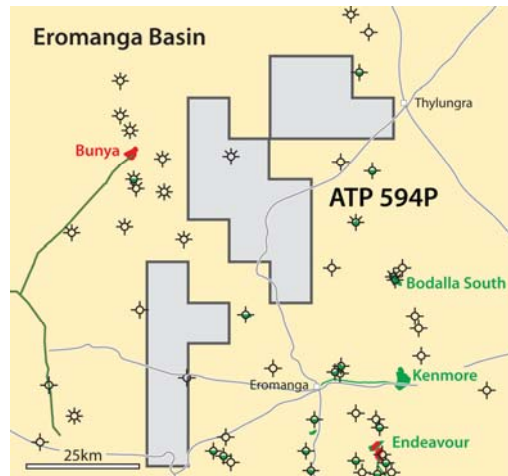
Map of ATP 549P in the Eromanga Basin, Queensland

ATP 794P is located north west of the town of Quilpie and is situated directly north of ATP 594P. Icon Energy holds interests in three blocks within the tenement, Brightspot, Springfield and Regleigh. Senex is the Operator of tenement ATP 794. No activity has been undertaken in relation to this tenement during the quarter.



Map of ATP 794P in the Eromanga Basin, Queensland

ATP 594P is located near the township of Quilpie. The tenement covers three separate areas consisting of a total area of 1,538 km². Icon Energy has a 50% working interest in ATP 594P and is the Operator. The Australian Securities and Investments Commission holds the other 50% interest. No operational activity is forecast for this tenement at present.

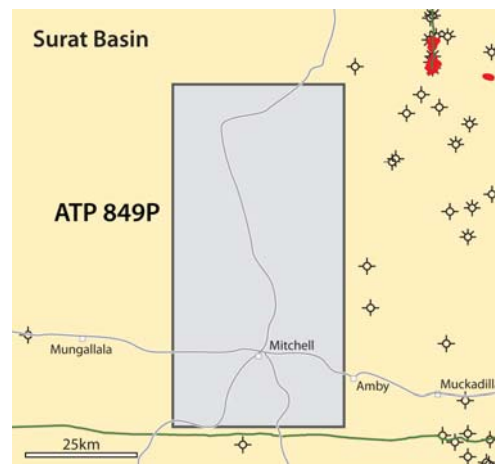


Map of ATP 594P in the Eromanga Basin, Queensland

Queensland - Petroleum Exploration – Surat Basin - Other tenement

ATP849P is located in the Surat Basin, to the west of Roma. The township of Mitchell is located in the southern region of the tenement. ATP849P covers an area of 3,854km² and is prospective for coal seam gas. The Lacerta Coal Seam Gas Field is located to the west of ATP849P.

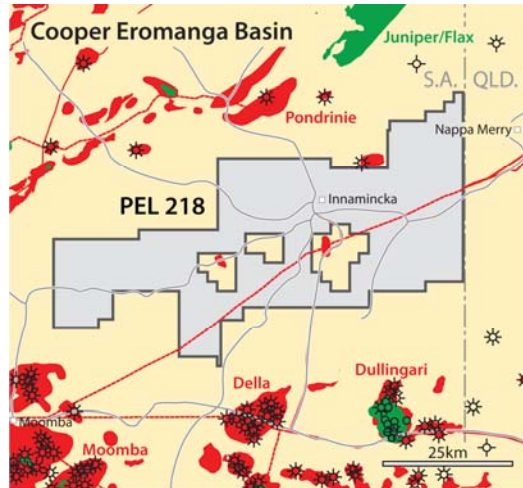
The ATP 849P joint venture consisting of Icon Energy and Adelaide Energy Limited (a wholly owned subsidiary of Beach Energy), have approved the 200 kilometre seismic program in ATP 849P. The seismic survey has been placed on hold, with the Company continuing to focus its Surat Basin operations in ATP 626P.



Map of ATP 849P in the Surat Basin, Queensland

South Australia – Petroleum Exploration – PEL 218

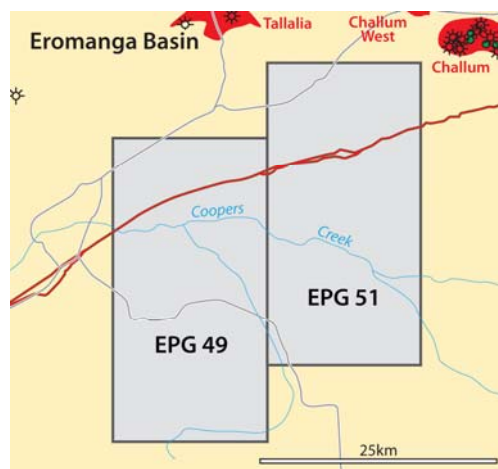
Just across the Queensland / South Australian border from ATP 855P is the South Australian permit **PEL 218**. Icon Energy holds a 33.33% interest in the shallow, Post-Permian, portion of PEL 218 (Post Permian Section) and Beach is the Operator for the deep Permian levels of PEL 218. No activity has been undertaken in relation to the Post Permian section in this quarter.



Map of PEL 218 in the Cooper Eromanga Basin, South Australia

Queensland – Geothermal Exploration – EPG 49 and EPG 51

Icon Energy has 100% interest in **EPG 49 and EPG 51** and is the Operator of these tenements. These geothermal permits lie beneath ATP 855P and adjacent to PEL 218. The Company is concentrating on the shale gas prospects and the geothermal project is targeted for development in the longer term. No activity has been undertaken in relation to these tenements during this quarter.



Map of EPG 49 and EPG 51 in the Cooper Eromanga Basin, Queensland

Financial

Cash position

The Company ended the quarter with a cash position of \$7,566,000.

Shareholder base

As at 30 September 2012 Icon Energy had 469,301,394 shares on issue and 7,395 shareholders.

Planned forward program next quarter

ATP 855P

- Beach and Icon Energy are scheduled to undertake fracture stimulation of Halifax-1 subject to the approval by Queensland Government Department of Environment and Heritage Protection.
- Following fracture stimulation in Q4 2012, flow testing will proceed for a period of several weeks.
- The Halifax-1 log analysis and flow rate information is expected to be completed in mid to late December 2012.
- Gallus Seismic Survey data is expected to be completed in Q4 2012.

ATP 626P

- The ATP 626P Feasibility Study is expected to be completed by AWT International in mid-November. The Goondi / Icon Energy joint venture partners will then review the study.

PEP 170

- Icon Energy will continue discussions with the Victorian DPI on the most practicable means to finalise the Operations and Environmental Management Plans for the Drilling and Seismic Programs.

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