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30 April 2010

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

Dear Sir

OPERATIONS REPORT TO QUARTER ENDING 31 MARCH 2010

Icon Energy Limited submits its Quarterly Operations Report for the quarter ending 31 March 2010 as per the attached documents.

Yours faithfully



Ray McNamara
Company Secretary
Icon Energy Limited
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Icon is an Australian ASX listed petroleum and gas explorer. Its production and exploration assets are located in the Cooper/Eromanga Basins in South Australia and the Surat Basin in Queensland.

QUARTERLY ACTIVITIES REPORT

REPORT FOR THE QUARTER ENDING 31 MARCH 2010

HIGHLIGHTS OF THE QUARTER

- Icon Energy negotiates a Memorandum Of Understanding for the sale of 40 million tonnes (2.3 trillion cubic feet) to Shenzhen Sino Industrial development Corporation.
- Icon drilled four new stratigraphic wells, Henry No. 1, Domonic No. 1, Lorena No. 1, and Lucy No.1 as part of a six well program outside the Lydia Pilot Area.
- In conjunction with our joint venture partner, Queensland State Government-owned Stanwell Corporation, Icon decided to drill four additional wells within the Lydia Pilot farmin area.
- Cash position as at 31 March 2010 is \$18,290,000.
- Dewatering of the Lydia Pilot Area continues.

EVENTS SUBSEQUENT to 31 MARCH 2010

- Icon completed the final stratigraphic well Jack No. 1 in the South East corner of ATP 626P. Core samples have been taken to the laboratory for testing. Initial inspection showed gas bleeding form the core.
- The Board authorised a feasibility study into the establishment of a Micro LNG plant. The study is expected to be completed by the end of the second quarter of 2010.
- Plans are currently being drafted for a seismic study of ATP 626P.

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QUARTERLY ACTIVITIES REPORT

REPORT FOR THE QUARTER ENDING 31 MARCH 2010

Icon's Signs 40 Million Tonne China Gas Undertaking

On 8 April 2010 Icon Energy Limited (Icon) signed and Memorandum of Understanding (MOU) with China's Shenzhen Sino Industrial Development Co. Ltd (Shenzhen SinoGas). The MOU anticipates that a Gas Sale Agreement (GSA) will be entered into between Icon and Shenzhen SinoGas by 31 August 2010 (or such other date as may be deemed necessary by the parties) for the supply of 40,000,000 metric tonnes of LNG. This equates to approximately 2.2 trillion cubic feet (TCF) of LNG (see calculator <http://www.santos.com/conversion-calculator.aspx>)

In the MOU Icon and Shenzhen SinoGas agreed that, if entered into, the GSA would contain the following terms:

- a) The supply of gas would not commence until 2014, ie Icon would have four years to source the gas;
- b) The supply of gas would be over a twenty year period, ie Icon will not need to source the full 2.2 TCF immediately, rather it may be for up to 66.5 PJ per year, again commencing in 2014. To have a four year buffer in the supply line, Icon would need to have 266PJ of 2P reserves by 2013.
- c) Icon can source its gas from outside its own supply. Specifically, the MOU states "*Icon presently has gas resources and will need to undertake a drilling program to get these resources certified as certified reserves. Icon may contract to buy gas from other parties, enter into Farmin Agreements or Joint Ventures to supply the gas under the GSA. Icon also shall be free to introduce Joint Venture partners to the GSA who will become co-sellers of gas under the GSA*".
- d) Icon is to be Shenzhen SinoGas' exclusive supplier of its gas from Australia.
- e) Pricing is to be based on the Singapore Tapis Crude Oil price.

The MOU is contractual in nature, however it is the norm for such documents to be used in the early stages of complex contract arrangements in major deals where there are some terms still to be negotiated.

Shenzhen SinoGas – A Profile of Our New Partner

Shenzhen SinoGas is Chinese Corporation for city gas investment, construction, and operations. It manages two joint ventures, Sinogas Holdings Pty. Ltd. (Singapore, British Virgin) and Shenzhen Investment and Development Co., Ltd.

The registered capital of the Shenzhen SinoGas was increased to 196.4 million yuan (A\$ 32.7 million) in April 2008. The registered office is in Shenzhen City, Guangdong Province, China.

Icon have been informed that Shenzhen SinoGas have:

- Committed approximately 4.4 billion yuan (\$A727 million) to the first stage of an LNG receiving terminal project to supply the gas to Guangdong Province;
- Construction of the LNG receiving terminal is already underway;
- Already invested approximately 2.7 billion yuan in more than 50 cities;
- A market consisting of some 15 million consumers, with its demand for LNG forecast initially at 1.2 million tonnes per annum and which is projected to exceed 3 million tonnes before 2020;
- More than 30 subsidiaries in China; and
- Government support from the regional Governors of Guangdong Province and the City of Shantou (the latter having committed to infrastructure required by the project including the construction of a bridge already underway).

All indications from Shenzhen SinoGas are that the Guangdong Provincial Government is in full support of the deal, and are keen to see the arrangement advance as it is considered fundamentally necessary to meet the rapidly expanding energy needs of the region.

Export Value of Proposed GSA - \$A23 billion to \$A32 billion

The value of the gas supply agreement when concluded will be subject to the contract price and exchange rates at the time of delivery.

The MOU's key terms which have been agreed to at this stage include that the quantity of gas to be supplied is 40 million tonnes (or approximately 1.85 MMCF) of gas. The price was calculated, using the language of the MOU, "based on a direct linkage to the Singapore Tapas Crude Oil price"; the price under the deal is a derivative of the price of oil.

In the gas pricing model utilised to calculate the value of the deal, the LNG price range was calculated at \$12.41/GJ (which included a discount) or \$17.24 (with no discount). These prices were applied to the 40 million tonnes of gas to be supplied to produce a range from approximately \$A23 billion (with discount) to \$A32 billion (without discount) for an estimated price of oil of US\$80/barrel and a forecasted exchange rate for the Australian dollar of at US80 cents).

The gas supply does not commence until 2014

Under the terms of the GSA currently being developed:

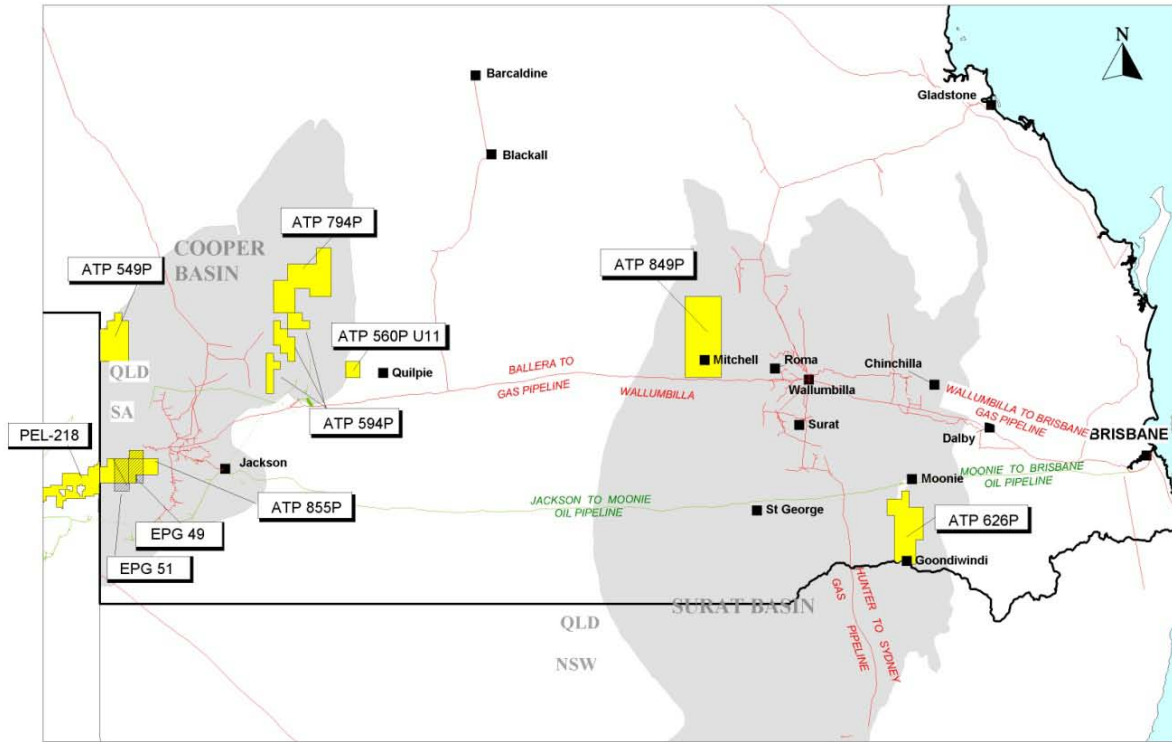
- (a) The supply of gas would not commence until 2014. That gives Icon four years to identify the best source options for the gas;
- (b) The supply of gas would be over a twenty year period, ie Icon will not need to source the full 2.2 TCF immediately. Only the substantially less maximum of 66.5 PJ per year would need to be sourced to supply the gas under the deal, and again, it would not even be required until 2014.

To have a four year buffer in the supply line, Icon would only need to have 266 PJ of 2P reserves by 2013. This may vary extensively if Icon chooses a LNG Liquefaction option that consists only of Icon's sale gas;

Icon currently has certified contingent resources of 1,115PJs 2C and 1,775PJs of 3C currently and has a budgeted drilling plan of \$30 million for 2011. Icon's reserve certification process has already commenced.

Icon's Tenementas as a Possible Source of Gas

The MOU between Icon and Shenzhen SinoGas is for up to 2.2 TCF of gas. Icon's exploration tenements are located in the Cooper Basin and the Surat Basin. The diagram below shows the relative locations of these tenements. ATP 626P is the Company's primary focus in Coal Seam Gas (CSG) development.



AUSTRALIAN EXPLORATION PORTFOLIO

AUTHORITY TO PROSPECT ATP 626P

Icon has 6,115 PJ (approximately 6 TCF) of gas initially in place (GIIP) independently certified by one of the world's leading reserves certifiers, Netherland, Sewell & Associates Inc. (NSAI). That said, Icon is not suggesting that these are gas reserves that are already in place to supply Shenzhen SinoGas.

While the certified gas resource Icon does have in place is not currently earmarked for China, it is worth noting that Icon does have a significant gas resource at its disposal in ATP 626P. This resource could be utilised to supply China if so required, amongst other alternative sources under consideration.

Potential Sources of Gas

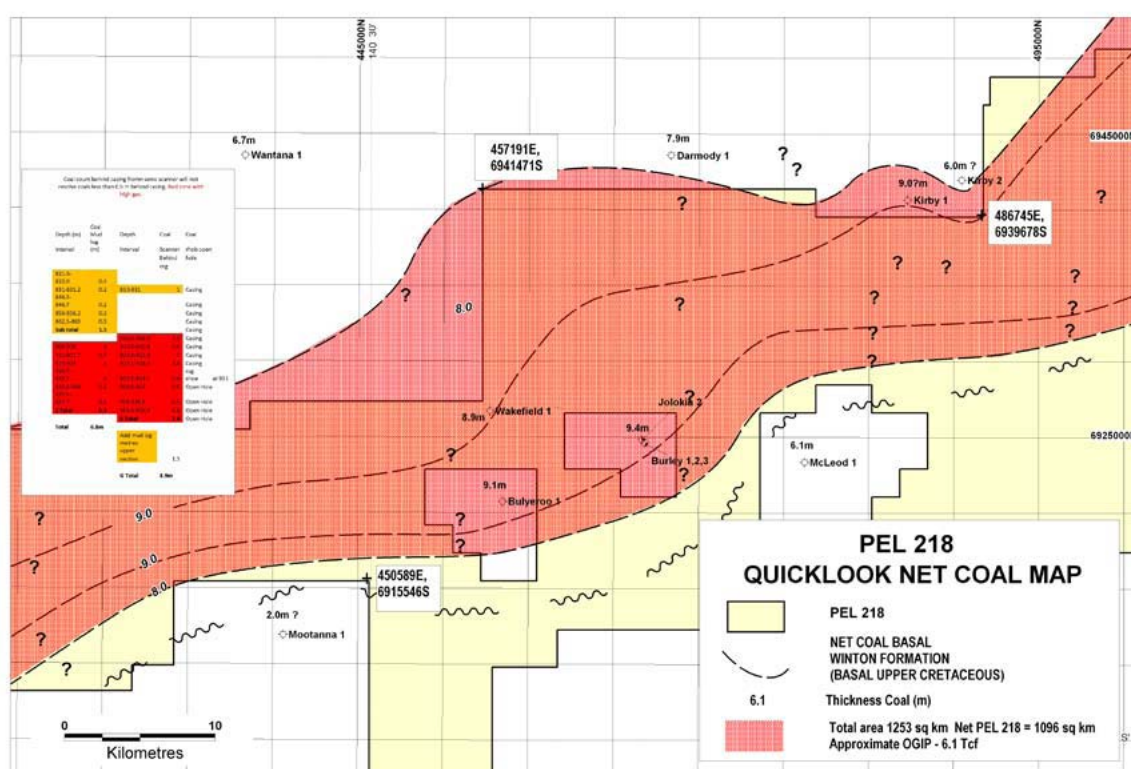
In order to meet its gas supply requirements under a GSA with Shenzhen SinoGas, Icon is likely to source gas from its current tenements in Queensland - ATP 855P and ATP 849P in Queensland and PEL 218 in South Australia. The ATP 626P tenement in Queensland is likely to be used as a back-up resource.

Icon is also considering alternative sources including arrangements with existing joint venture partners, and the acquisition of new tenements and farmin agreements.

PETROLEUM EXPLORATION LICENSE PEL 218

Icon farmed into this permit in October 2007 to earn a 33.3% working interest in Mesozoic sedimentary section. Icon earned its interest by funding 50% of 100 kilometres of new seismic data, and by participating in one oil exploration well in September/October 2009. The block covers the South Australian side of the Nappameri Trough, 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.

A potential new Coal Seam Gas discovery has been realised after analysis of drilling results from Wakefield No.1. A map of the coal present in PEL 218 is given below:



Icon and its farmin partners see potential for a new Coal Seam Gas play in the Nappameri Trough - which has prospective methane gas shows between the lowermost coals of 906.9 and 956.8 metres. The thickness of coal, totalling 8.9 metres within the Winton Formation, with associated gas shows of 112 units of methane gas, indicates commercial potential for CSG production in the area.

Further work is still in progress, with planned core hole drilling to investigate gas content and permeabilities with sidewell core samples under laboratory analysis. The location of

the find presents itself where the Moomba and Ballera gas pipeline traverses the central area of PEL 218 which invariably increases the economic viability of any new gas resource.

A drilling budget of \$3.5m has been received by the JV operator. Given the work done, Icon has reasonable grounds for believing the gas can be produced when and where needed.

AUTHORITY TO PROSPECT ATP 855P

Icon has interests in ATP 855P and PEL 218 which cover a substantial part of the Nappamerri Trough. While we have not received certified estimates of the gas in those tenements at this stage, one of our joint venture partners estimates the gas in place for the “shale gas” prospects of the Nappamerri Trough to be between 20TCF and 200 TCF. Their analysis shows extensive and thick shale packages with properties similar to the best US shale plays.

Subject to the completion of a farmin agreement with Beach Energy Limited, Icon’s 80% interest in ATP 855P will reduce to a 40% interest. The location of ATP 855P and PEL 218 in the map below show their dominant position in the Nappamerri Trough.



Figure 1

Icon has agreed to a farmin with Beach Energy Limited (Beach) in which Beach will acquire up to 40% working interest in ATP 855P. Prior to the completion of this agreement, Icon held an 80% working interest in the tenement. The farmin partners seek to target the potential deep shale gas deposits found in ATP 855P.

In the first stage of the farmin, a 25% interest in ATP 855P will be acquired by Beach by contributing 80% of the cost of seismic reprocessing and the acquisition of an additional 300 kms of 2D seismic. Beach has a further option to earn 15% by contributing to Icon’s

participating interest share of the drilling costs of up to \$7 million. As part of the agreement, Beach receives a placement in Icon's shares to the value of \$3.5 million.

In summary:

- ATP 855P is located on the eastern side of the Queensland and South Australian border and is 50km west of Jackson;
- The 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 in ATP 855P which may reduce to 40% should Beach exercise its option under the agreement;
- This block is subject to a native title claim with the Wongkumara traditional owners. Negotiations began early 2009 with the traditional owners as a "Right To Negotiate" (RTN) process and is progressing well; and
- The area is surrounded by existing oil and gas production units.

AUTHORITY TO PROSPECT ATP 849P

- ATP 849P is located west of Roma Township in the Surat Basin in Queensland and the town of Mitchell is located in the southern region of the tenement.
- ATP 849P covers an area of 3854 sq kms west of the Lacerta Coal Seam Gas field.
- Icon's working interest is 80% and is the Operator of the block.
- Drilling on tenements adjacent to ATP 849P suggest this block has potential for Coal Seam Gas.
- Until seismic and test drilling is undertaken, expectations based on very limited control data are for a non-certified estimate of approximately 500 petajoules of Gas Initially In Place (GIIP).

AUTHORITY TO PROSPECT ATP 594P

- ATP 594P is located in the Cooper Basin in Queensland, approximately 99 kms west of the town of Quilpie.
- The tenement area covers 3 blocks consisting of a total area of 1538 sq kms.
- Icon 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.

- A native title claim has been lodged by the Boonthamurra people and is awaiting a Federal Court hearing.

Processing the Gas

There are six potential LNG licences for the Gladstone area. To the best of Icon's knowledge, three of the six do not yet have gas suppliers or a market. Icon may develop a strategic alliance with one or more of those parties to get the gas processed at the lowest price.

There is also an opportunity for an LNG terminal in Adelaide. On 23 April 2010 Icon had a meeting with the Premier of South Australia, The Honourable Mike Rann, to discuss South Australia's support for an Adelaide LNG terminal.

COAL SEAM GAS EXPLORATION:

Lydia Pilot - ATP 626P Farmin

Drilling Strategy for Reserves Certification

Icon's ongoing drilling program is designed to follow its strategy of realising 2P and 3P reserves. This strategy incorporates a four step process which involves:

1. Continuing drilling programs in both the non-Lydia Pilot Area and within the Lydia Pilot Area;
2. Continuing to de-water the three Lydia Pilot Area wells;
3. Carrying out further well data analysis and revising the reservoir model;
4. Analysis of approximately 305 kilometres of seismic that was shot in the October quarter.

Further Drilling Operations

Major Drilling Pty Limited is contracted for a drilling program which involves completing five stratigraphic wells in the 100% Icon-owned area. This area represents 87% of the ATP 626P tenement.

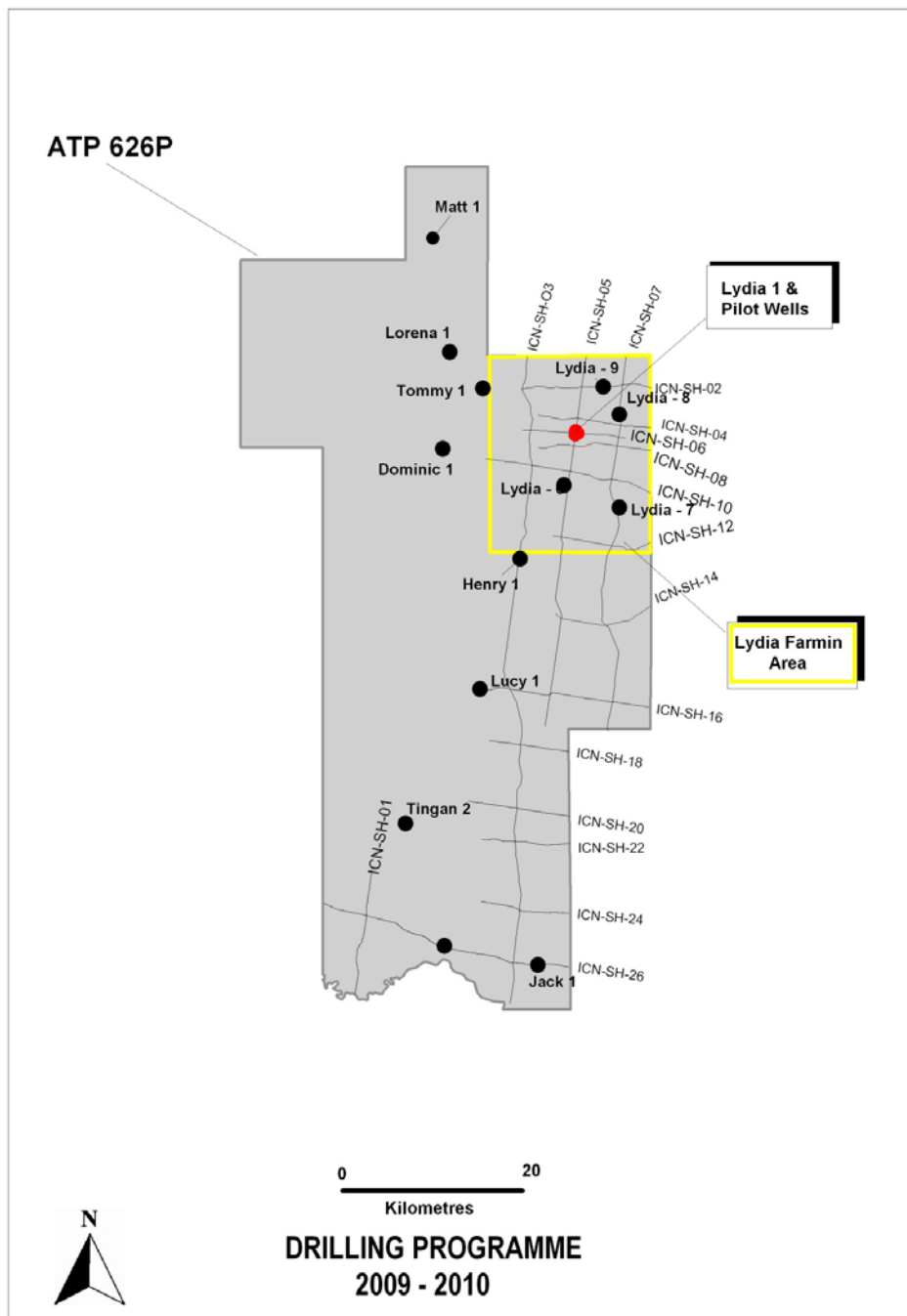
ATP 626P has a number of older wells drilled in it and these were used to generate the original reservoir maps for the determination of the 2C certified resource. These old wells provided no information on the permeability of the coals, which has now been included as an objective of the current ongoing program.

The overall objectives of the current drilling program in ATP 626P are:

- to identify the net coal thickness;
- to obtain enough core information to confirm original Gas Initially In Place (GIIP);
- to determine, by the use of Drill Stem Tests (DST's) and sophisticated logs, possible areas of improved permeability of the coals; and
- to integrate the results obtained with the seismic from ATP 626P to map potential "sweet spots" in permeability which may be suitable for additional pilot wells.

ATP 626P Drilling Operations

Icon's drilling program is shown in the map below. In the first Quarter of 2010 Icon drilled four new stratigraphic wells, Henry No. 1, Domonic No. 1, Lorena No. 1, and Lucy No.1 as part of a six well program outside the Lydia Pilot Area. Icon also, in conjunction with its joint venture partner, Queensland State Government-owned Stanwell Corporation, decided to drill four additional wells within the Lydia Pilot farmin area.



Lydia No 8.

The indications from Lydia No. 8 are of both strong pressure and good permeability, which bodes very well for production.

The well was drilled to a total depth of 841 metres, penetrating a coal sequence of 13.0 metres, which is similar in thickness to the original Lydia Pilot.

Logs and drill stem tests were conducted over the interval of 781 to 807 metres. Well head pressures of 225 psi were recorded and a water flow rate of 935 barrels of water per day were estimated. The levels of pressure encountered augers well for water and gas production as it indicates good permeability in the region. Indeed the flow rate from the Taroom coals indicates excellent permeability well within the commercial range.

Fractures where developed, are open and are permeable, important production properties of coals for CSG production.

The Lydia No. 8 site is one of a number currently being considered for locations for the newly planned pilot production wells Icon will drill this year.

Lydia No. 6

Lydia No. 6 commenced drilling on 10 February 2010 and successfully reached its target depth of 850 metres.

The well penetrated good, well developed coals. Three drill stem tests were run on this well to test permeability.

Injection tests were also run in order to record more comprehensive data representative of the reservoir beyond the immediate wellbore environment.

Lydia No. 9.

Lydia No. 9 commenced drilling on 18 March 2010. Injection tests were run over the Upper Walloon Coal Measures, which were intersected at 655 metres. The test interval included two coals in the Upper Walloon section which has already recorded associated ditch gas.

A drill stem test was run over the interval 654 to 685 metres and resulted in a strong blow which was diverted to the flare line during the test.

The Lydia No. 9 well reached its TD (target depth) of 850.6 metres on 26 March 2010. An interval thickness of twelve metres of net coal was encountered during the drilling of this well.

The last of the four injection and fall off tests for the well were completed on Sunday 28 March 2010. All four tests confirmed permeability within the coals at this location. Lydia No. 9 was relocated from its original site to capitalise on the recently collated and analysed seismic data from the region.

The data from the well has enabled Icon to cross-validate the seismic program data which has increased the overall accuracy of the mapping of the subsurface formations within ATP 626P. Moreover, in the case of Lydia No. 9 the site was able to be re-targeted to produce results equal if not superior to any well drilled by Icon to date.

Henry No 1.

Henry No. 1 enabled the static reservoir model to be updated in terms of coal thickness, permeability and other reservoir parameters.

Henry No. 1 reached a total depth of 1,065 metre on 7 January 2010. The top of the Walloon Coal measures was encountered at 697 metres.

8.6 metres of net coal were penetrated, 3.1 metres more than predicted and two drill stem tests were successfully conducted over the coal interval.

Dominic No. 1.

'Dominic 1' intersected a gross section of 173 metres of Walloon Coal Measures. Net coal was 10.9 metres, being some 3.6 metres more than prognosis.

Three Drill Stem Tests (DSTs) were run on the well.

The analysis of data from the Dominic No. 1 well indicates good permeabilities over the interval from 940 to 1,100 metres.

The coals exhibit very good qualities for production flow rates of water and gas production.

Of particular interest, the open permeable fractured zones in vicinity of this well were discovered at nearly twice the depth of the Lydia Pilot wells. If this fracture pattern can be extended in future wells, then the resource base can be increased beyond 6,115PJ. Additional drilling is needed for confirmation and reassessment.

Lucy No. 1.

Lucy No. 1 is located in the southern portion of ATP 626P. This stratigraphic well was designed to appraise the Walloon Coal measures for gas content and reservoir properties by a combination of coring, core analysis, testing and logging.

Lucy No 1 reached its target depth of 895.2 metres and drill stem tests were run over the Walloon Coal Measures. Good visible permeability was observed in several coals. A full set of logs were recorded on the well. The section penetrated has recorded good quality coals with evidence of a range of fractures, indicative of superior permeability that forecast for coals in the vicinity. Provisional data indicates a thickness of approximately ten metres.

Three drill stem tests were run including injection tests for the permeability potential of the coals over the middle WCMs with results within expected parameters. Lucy No. 1 has been particularly successful in providing further data towards building the permeability model in ATP 626P.

Lydia Pilot - Dewatering Continues

Dewatering has continued throughout most of the quarter in the Lydia Pilot Wells, On March 22nd LP-2 lost telemetry with the downhole sensor and equipment failure has occurred, the well has been shut in to prevent damage of the downhole pump. Dewatering continued through March on LP-4 and LP-3 with rates declining and casing pressures slowly increasing on both wells.

Well LP-3 has been on continuous pumping since earlier mechanical problems necessitated workover and new telemetry and pump was installed. Water rates are from the well are exhibiting a normal decline with a slow and steady increase in gas pressures on the Annulus.

LP-4 is exhibiting periodic plugging and surging problems during the quarter and but has remained on production through the quarter.

Data from the Lydia Pilot Production has been sent to our reserve certifiers for analysis and will provide a baseline for extrapolation of production potential outside of the Lydia Block.

Pipeline Study run by Stanwell Corporation

Icon Energy has accepted a proposal from Stanwell Corporation to participate in a ground route and feasibility inspection for a new pipeline to link the Lydia joint venture area to market.

The partners have agreed that groundwork for the pipeline needs to commence so that, should Stanwell commit to stage two of the farm-in agreement with Icon Energy, the partners will be positioned to move forward in a timely manner.

New Pilot Production Wells Planned for ATP 626P

In this first Quarter of 2010 the Board of Directors of Icon Energy announced four new production wells for ATP626P.

These four wells will be drilled in the Lydia Farmin area in accordance with plans made in conjunction with Stanwell Corporation, Icon Energy's farmin partner in the Lydia Farmin section of ATP 626P.

ATP 626P Seismic Program

Plans are currently being drafted for a seismic study of ATP 626P.

OTHER TENEMENTS:

EPG 49 and EPG 51

- Icon has received initial interests from potential farmin partners in these tenements.
- Icon'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.
- The Federal Government has legislated for Geothermal Development to proceed without a "Right to Negotiate" process.

Icon Energy Limited is an Australian S&P/ASX 300 Company

Icon became a S&P/ASX 300 listed company in Australia when Standard & Poors updated its ASX 300 listing for the October Quarter. This tremendous achievement is based on the aggregate market capitalisation and liquidity of the stock for the preceding six months of 2009. Icon's S&P/ASX 300 status is indicative of its gathering strength and momentum in the Coal Seam Gas sector. Furthermore, Icon's stock now has more appeal to institutional investment from corporate investors and managed funds who usually only invest in S&P/ASX 300 companies.

Subsequent Events

The MOU with Shenzhen SinoGas has been signed.

Icon's Board of Directors authorized a feasibility study for a Micro LNG Plant. This feasibility study should be completed by the end of the next Quarter.

The final stratigraphic well, Jack No. 1, has reached its target depth.

Funding

Icon completed the first quarter of 2010 with a cash balance of \$18,249,000. This provides Icon with sufficient funds to complete its stratigraphic drilling program, which consists of one well (Jack No. 1), outside the Lydia Pilot Area and to fund a separate pilot in the 100% Icon owned area of ATP 626P.

Yours faithfully,



Ray McNamara
Company Secretary
Icon Energy Limited



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