REVIEW OF OPERATIONS

Fracture Stimulation well head equipment

In the 2012-2013 financial year the Company focused its efforts on the ATP 855 exploration program while continuing its efforts in ATP 626 in the Surat Basin and developing its Gippsland Basin portfolio with the negotiation of an Indigenous Land Use Agreement covering PEP 170, PEP 172 and PEP 173.

The results of the 2012-2013 exploration program in the Cooper Basin are very encouraging and have confirmed that the basin-centred and shale gas potential within the Nappamerri Trough extends into ATP 855 in south west Queensland.

ATP 855 COOPER BASIN, QUEENSLAND

Icon Energy, in conjunction with joint venture partners Beach Energy (Operator) and Chevron Australia, have progressed an ongoing exploration program in ATP 855, with completion of the drilling of the Halifax-1 well and a further two wells, Hervey-1 and Keppel-1 during the financial year. In addition, a fracture stimulation program was carried out on Halifax-1, which was followed by an extended post-stimulation flow test. Data from the 423 km Gallus 2D seismic survey, which was completed in April 2012, was processed by the fourth quarter 2012 and subsequently interpreted to provide a more detailed structural picture of the sub-surface to assist with well placements in ATP 855.

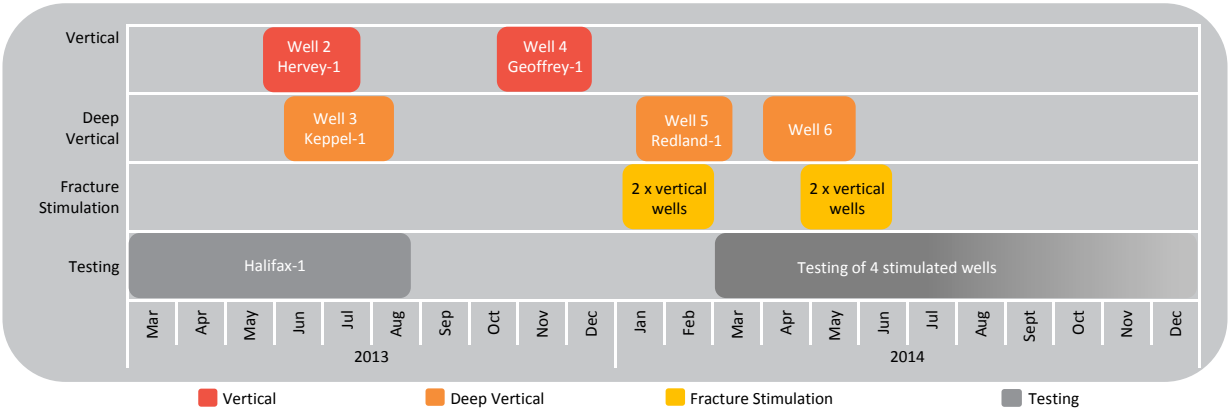
The Halifax-1 vertical exploration well was the first well to be drilled in ATP 855 (414,000 acres) as part of a drilling program designed to evaluate the continuation of the unconventional shale gas and basin-centred gas potential of the Nappamerri Trough within the Roseneath, Epsilon and Murteree (***REM***) and Patchawarra Formations. The well, located in the south west of the permit, was spudded on 4 August 2012 and reached a total depth of 4,267 metres in the Patchawarra Formation on 16 October 2012. A Drill Stem Test was conducted over a sandstone in the Callamurra Member immediately above the Toolachee Formation which revealed good gas shows on penetration. The test flowed gas to surface at a rate of 0.2 MMscf/d (unstimulated).

Gas shows over an interval in excess of 1,300 metres were encountered throughout the REM and Patchawarra Formations and cores were taken in the Epsilon and Patchawarra for further analysis. The well encountered very thick horizons with 460 metres of the REM section and 490 metres of the Patchawarra Formation at total depth. All these horizons appeared to be over-pressured throughout.

On 22 December 2012 the joint venture conducted a hydraulic stimulation program at Halifax-1. A total of 14 hydraulic stimulation stages were carried out across all the gas zones from 2,670 metres to 4,267 metres. This included one stage in each of the Toolachee and Daralingie Formations, two stages in each of the Roseneath and Epsilon Formations, one stage in the Murteree Formation and seven stages in the Patchawarra Formation.

In February 2013, Halifax-1 was initially flowed back at a comingled gas flow rate exceeding 2.0 MMscf/d on a 24/64" choke from all zones. A maximum peak gas flow rate was recorded for a short period at 4.5 MMscf/d, on a 48/64" choke and a maximum rate for a 24 hour period of 3.7 MMscf/d on a 96/64" choke.

On 11 February 2013 Halifax-1 was put on extended flow test for six months and on 18 February 2013 a Notice of Petroleum Discovery was lodged with the Department of Natural Resources and Mines (***DNRM***). Halifax-1 was flowing gas at a rate of 0.6 MMscf/d when the well was shut in on 25 August 2013 after flowing for 188 days in which time it produced a total of 243 MMscf of gas. The well is currently on long term pressure build-up.



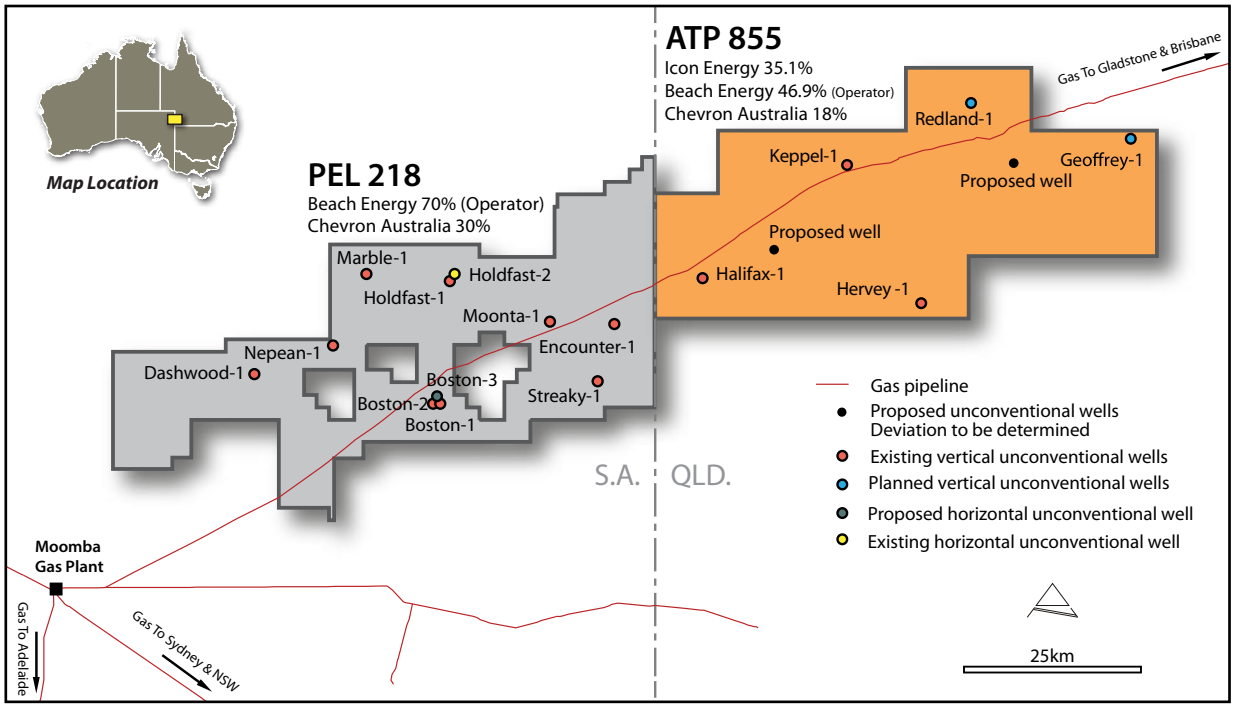
2013-2014 ATP 855 Exploration Timeline[1]

Beach Energy, in its capacity as Operator of the ATP 855 joint venture, recently engaged an experienced international petroleum resource evaluation consultant to undertake an assessment of the Contingent Resources estimated in the areas around the Halifax-1 well. The report prepared by the consultants in respect of the estimated Contingent Resources attributable to the Halifax-1 well has been disclosed by Beach Energy to Icon Energy, and the estimated Contingent Resources are as follows:

Gross Contingent Resources[2]		
1C (Bcf)	2C (Bcf)	3C (Bcf)
318	629	1,115

1 Future wells subject to JV and Regulatory approvals.

2 Contingent resources are those quantities of wet gas (produced gas minus carbon dioxide) that are potentially recoverable from known accumulations but which are not considered to be commercially recoverable due to the need for additional delineation drilling, further validation of deliverability and Original Hydrocarbon in Place (***OHIP***), and confirmation of prices and development costs. This is based on a statistical aggregation method using Monte Carlo simulation estimates for each formation.



Map showing the location of ATP 855 and the current well locations

The Contingent Resource estimate was evaluated in accordance with the Petroleum Resources Management System (***PRMS***) (March 2007).

The consultant utilised core, log and flow test data from the target intervals in the Halifax-1 well to determine whether a significant quantity of potentially moveable hydrocarbons had been penetrated, which is a key requirement for a discovery under PRMS. The results of this work showed that in the Halifax-1 well, the Roseneath, Epsilon, Murteree, Toolachee, Daralingie and Patchawarra intervals all passed the discovery test.

Exploration activity continued in ATP 855 with the spudding of two additional wells, Hervey-1 and Keppel-1, during the 2012–2013 financial year.

Hervey-1, a vertical exploration well located 30 km east of Halifax-1, spudded on 26 May 2013. The well reached a total depth of 4,269 metres on 16 July 2013 after encountering gas shows throughout the Permian section. The thickness of the Patchawarra Formation at total depth was greater than 800 metres. Evaluation of the results of Hervey-1 continues in preparation for a hydraulic stimulation program, which is anticipated to begin in early 2014, followed by an extended production test (subject to joint venture approval).

Keppel-1, a vertical exploration well located 25 km north east of Halifax-1, spudded on 3 June 2013. The map on the following page shows the Keppel-1 well located in the deepest section (***depocentre***) of ATP 855 and was scheduled to be drilled to a depth of approximately 4,890 metres. However, while Keppel-1 was drilling through the Permian target formations, it encountered strong gas influx from the over-pressured Epsilon Formation at a depth of 3,898 metres. The Operator, Beach Energy Limited, utilised best practice well control methodology to secure the well, which is currently suspended and available for re-entry. On 20 August 2013 the Operator lodged a Notice of Petroleum Discovery with the DNRM. The significant gas encountered in Keppel-1 confirms the continuation of the basin-centred gas play into ATP 855 in south west Queensland.

Exploration activity in ATP 855 will continue throughout the coming year with additional wells to be drilled, hydraulic stimulations to be carried out and flow testing of these over-pressured, gas-saturated tight sand and shale formations within the Permian section of the Nappamerri Trough.

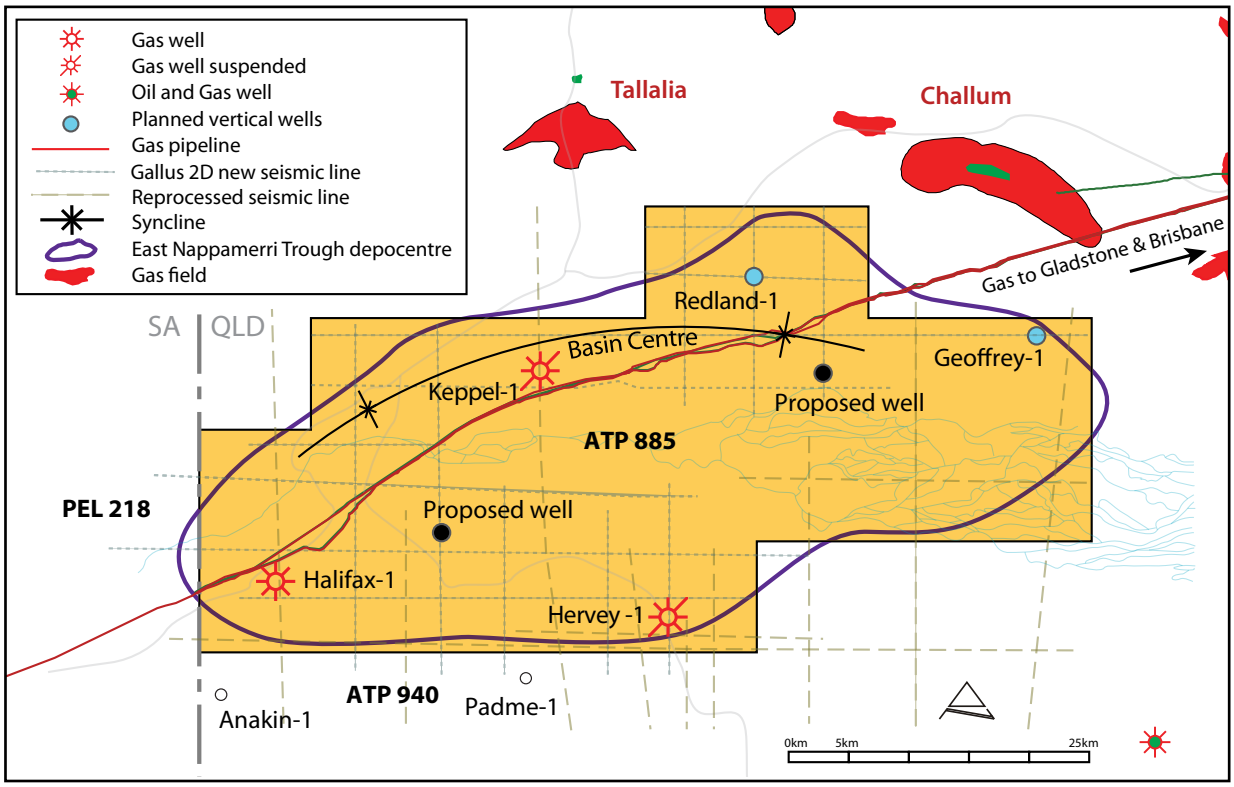
The fourth well to be drilled in the current exploration program will be Geoffrey-1, located 36 km north east of Hervey-1. The well is planned to reach a depth of approximately 4,266 metres subject to a joint venture approval, and will evaluate the basin-centred gas potential of the eastern side of the permit. The well is anticipated to spud in October 2013.

On 25 February 2013, Chevron Australia farmed into Beach Energy Limited's interest in PEL 218 and ATP 855. Initially, Icon Energy retained its 40% interest in ATP 855 and was granted a Put Option by Beach Energy, exercisable by Icon up to 30 June 2013, where Icon could require Beach to acquire a 4.9% interest in ATP 855 from Icon on payment by Beach Energy of US$18 million.

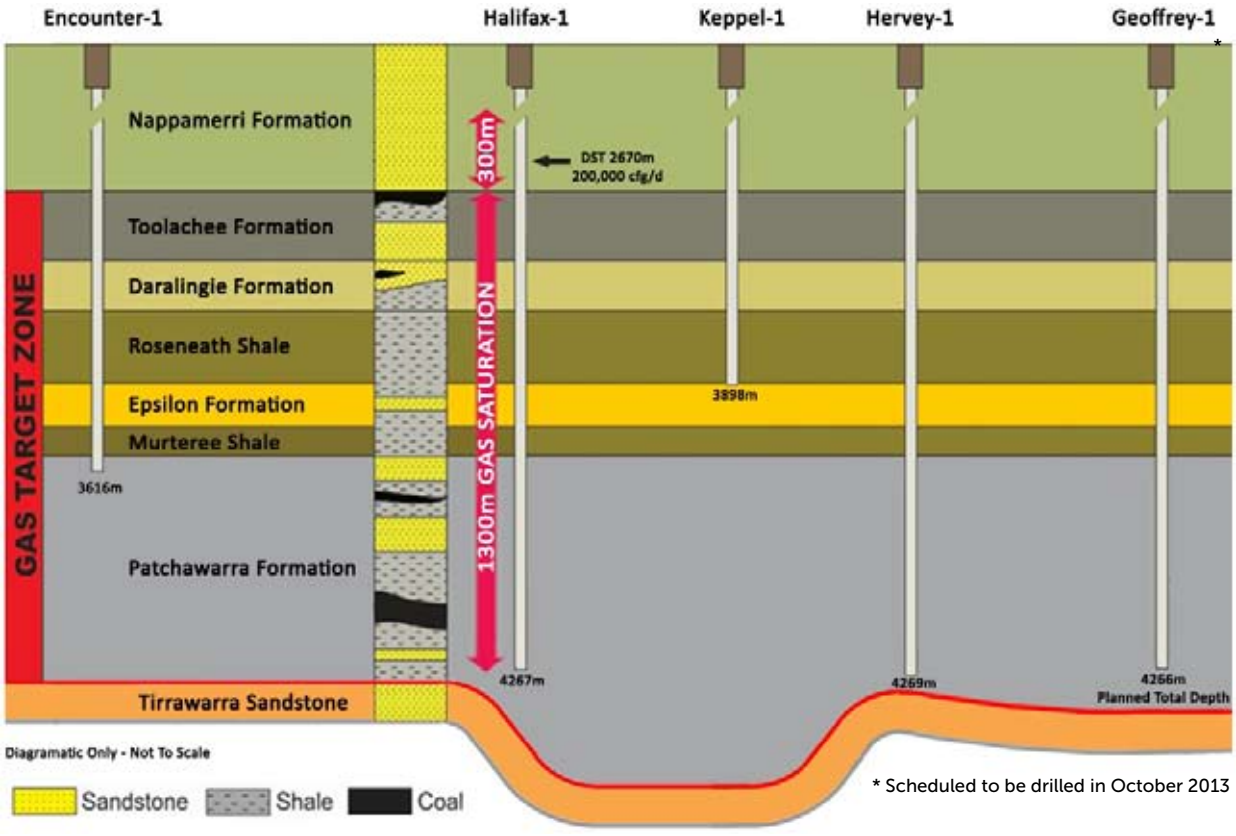
On 25 June 2013, Icon transferred a 4.9% interest in ATP 855 to Beach Energy on payment by Beach of US$18 million. As a consequence of the transfer Icon's interest in ATP 855 reduced from 40% to 35.1%. Interests in ATP 855 are

currently as follows: Icon Energy Limited 35.1%; Beach Energy Limited (Operator) 46.9% and Chevron Australia Exploration 1 Pty Ltd 18%.

The independent United States Energy Information Administration's World Shale Gas Resources Report (The 2011 EIA Report) on the "Initial Assessment of 14 Regions outside the United States" placed the shale gas resource potential in the Cooper Basin as a whole at 342 TCF of gas, with the recoverable equivalent at some 85 TCF.



Map showing ATP 855, the current and proposed wells and the east Nappamerri Trough depocentre, the deepest part of the sedimentary basin in Queensland



Cross section schematic showing the position of the wells relative to the formations penetrated within the Basin-Centred gas play

ATP 626 SURAT BASIN, QUEENSLAND

In October 2012, Icon Energy engaged AWT International (***AWT***) to undertake a Reservoir Feasibility Study to review the potential of both unconventional (Coal Seam Gas and Shale Gas) and conventional hydrocarbon prospectivity within ATP 626 in the Surat Basin in Queensland. The study incorporated the results and data from all exploration wells drilled within the tenement and in the immediate surrounding area, as well as the 2D seismic data and subsequent interpretation, which was conducted by Terrex in 2009.

Findings from the AWT study are being reviewed as part of a wider evaluation of ATP 626 in order to determine the best way forward for the future development of the tenement.

In accordance with best environmental safety practices, Icon Energy initiated a plug and abandonment (***P&A***) and rehabilitation program of old exploration wells in ATP 626 that would not be utilized in the future development of the permit. Initially, 13 wells were P&A'd; these were Lucy-1, Henry-1, Dominic-1, Jack-1, North Maroon-1, Windom-1 and Lydia-1, 5, 7, 10, 11, 12 and 13. The final rehabilitation work on these wells was completed in the fourth quarter 2012.

At the time of preparation of this report, a second phase of plug and abandonment and subsequent rehabilitation was in progress. This involves the P&A of nine wells, these are: Lydia Pilot-2, 3 and 4, Lydia-6, 8 and 9, Lorena-1, Natasha-1 and Tommy-1. Once the P&A program has been completed the well sites will be completely rehabilitated. One further well, Tingan-2, requires rehabilitation only. It is anticipated that the rehabilitation work will be completed by November 2013, after which the Lydia water storage pond will also be rehabilitated.

The remaining wells in the tenement will then be Eolus-1, Mindagabie-1 and Stitch-1. These will remain suspended until a forward program of work for ATP 626 has been established.

On 3 July 2013, Icon Energy acquired the legal and equity interest of Goondi Energy (***Goondi***), a wholly owned subsidiary of Stanwell Corporation Ltd, in ATP 626. Icon Energy now holds 100% of the interest in ATP 626. Goondi exercised its right to exit the joint venture and has entered into an agreement with Icon Energy, which provides for the transfer of all of Goondi's interests in the Joint Venture to Icon Energy.

Icon Energy is committed to the ongoing development of ATP 626 and is currently examining options for further development of the permit.

Rehabilitation Program underway in ATP 626

PEP 170 GIPPSLAND BASIN, VICTORIA

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 when used as a fuel in power generation.

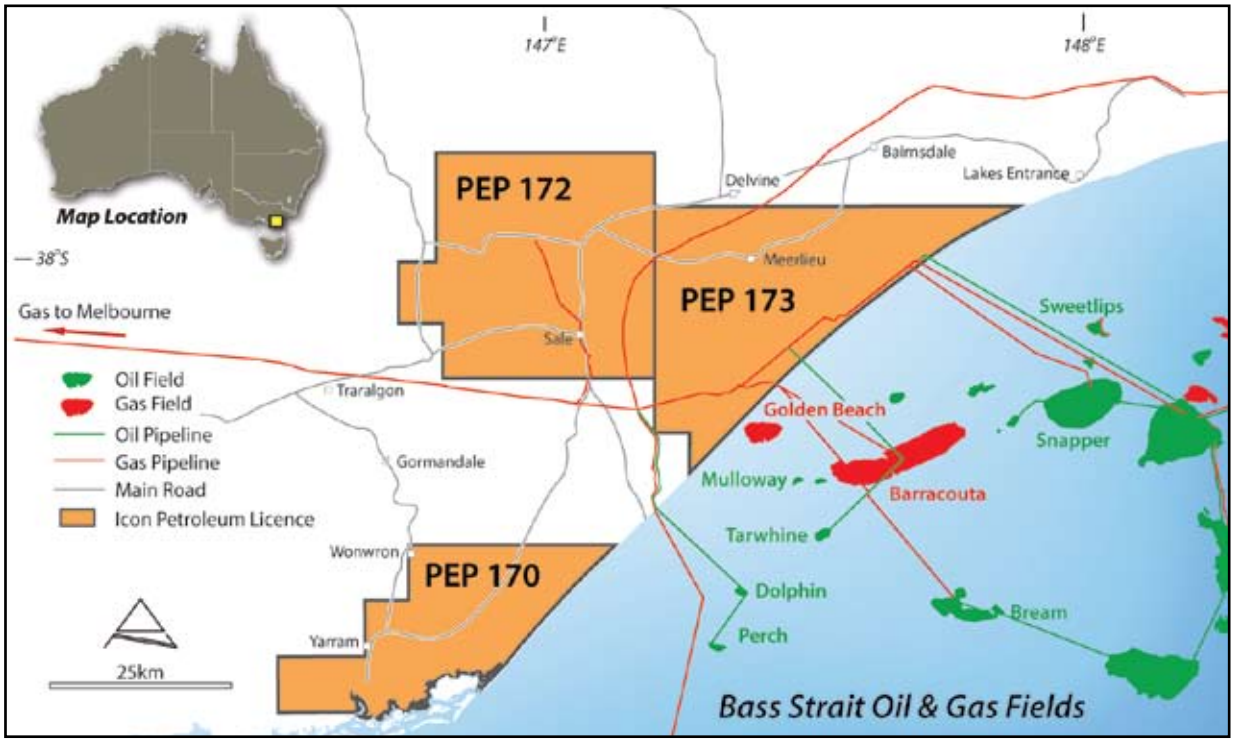
Icon Energy's planned drilling program for the Tiger West-1 and Dragon-1 gas prospects in PEP 170 are well advanced with landholders' approval in place, subject to final Department of State Development Business and Innovation (***DSDBI***) approval of the Drilling Operations Plan and Environmental Management Plan.

The two wells, Tiger West-1 and Dragon-1 in PEP 170, are expected to be drilled to approximately 2,200 metres with each well primarily targeting the Strzelecki Formation.

The planned Murray Seismic Program will consist of 46 lines totalling approximately 400 km and is well advanced in planning and awaiting final approval of the Seismic Operations Plan by the DSDBI. The seismic lines are predominantly positioned on sealed roads. However, a small number of the lines, totalling approximately 28 km, will cross freehold land and the landholders have agreed to grant Icon Energy access pending confirmation of the commencement date and the approval of the Seismic Environmental Management Plan.

To maximise the potential of PEP 170, Icon Energy elected to include all crown land in PEP 170, PEP 172 and PEP 173 in the Indigenous Land Use Agreement (***ILUA***) negotiated with the Gunaikurnai Land and Waters Aboriginal Corporation Registered Native Title Body Corporate. These negotiations were successfully completed in early August and recognised that the PEP 170 work program has been deferred by Icon Energy until the Moratorium on Hydraulic Stimulation has been lifted in Victoria.

PEP 170 covers 808 square km in the onshore Gippsland Basin in Victoria.



Map showing the location of PEP 170, PEP 172 and PEP 173 in the Gippsland Basin in Victoria

PEP 172 AND PEP 173 GIPPSLAND BASIN, VICTORIA

The Victorian DSDBI offered to grant Icon Energy PEP 172 in August 2011 and PEP 173 in December 2011, subject to satisfying the future act provisions of Part 2, Division 3 of the *Native Title Act* 1993 within two years.

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

In accordance with the conditions of grant for PEPs 172 and 173, Icon Energy was required to complete an ILUA with the Gunaikurnai Land and Waters Aboriginal Corporation Registered Native Title Body Corporate by mid-August 2013. The ILUA for PEPs 172, 173 and 170 was executed on 9 August 2013 and is now in the process of being registered with the National Native Title Tribunal, which is expected to take several months.

PEPs 172 and 173 cover an area of 1,312 square kms and 1,220 square kms respectively in the Gippsland Basin in Victoria and is prospective for natural gas.

Government Moratorium on Hydraulic Fracturing in Victoria

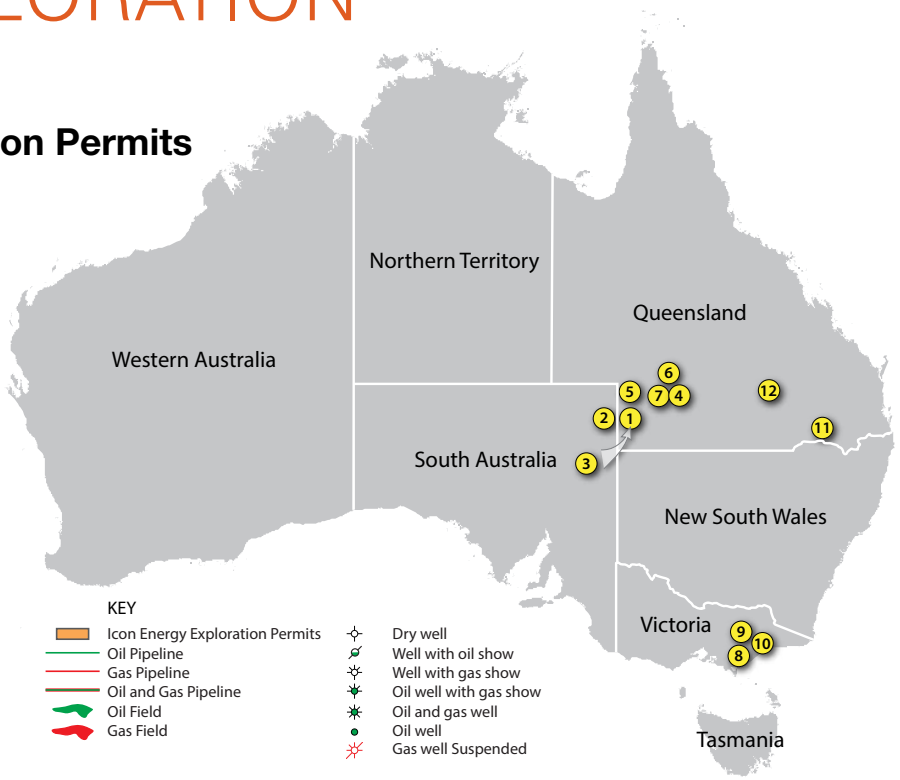
On 24 August 2012, the Victorian Government released an announcement entitled "Reforms to strengthen Victoria's Coal Seam Gas regulation and protect communities".

The Victorian Government reforms include a suspension on the use of hydraulic fracturing in coal seam and other unconventional gas exploration projects in Victoria and Icon Energy has deferred its exploration program in Victoria until the suspension has been lifted.

Management Review for PEP 170

EXPLORATION

Exploration Permits



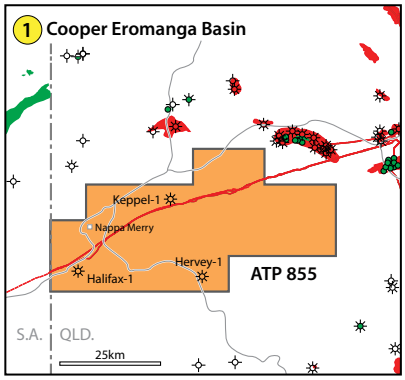
Icon Energy Limited Acreage Portfolio

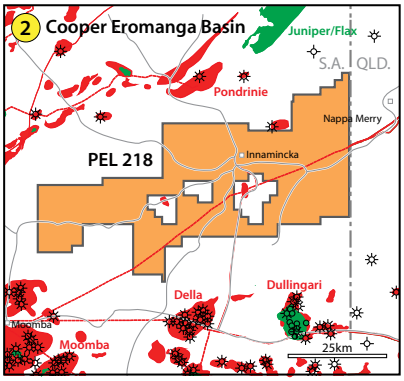
Ref	Basin / Area	Permit / Area	Tenement Area	Permit Interest	Operator	Prospect Type
1	Cooper Basin, Nappamerri Trough	ATP 855	1,674 sqkm	35.1%	Beach Energy	Shale Gas Coal Seam Gas Oil
2	Cooper Basin Nappamerri Trough	PEL 218*	1,602sqkm*	33.33%	Beach Energy	Shale Gas Coal Seam Gas Oil
3	Cooper Basin Nappamerri Trough	EPG 49	200 sqkm	100%	Icon Energy	Geothermal
3	Cooper Basin Nappamerri Trough	EPG 51	200 sqkm	100%	Icon Energy	Geothermal
4	Cooper Basin	ATP 560 UEleven	307 sqkm	50.5%	Icon Energy	Oil Gas
5	Eromanga Basin	ATP 549 West	3,681 sqkm	33.33%	Drillsearch	Natural Gas Oil
6	Eromanga Basin	ATP 794 Brightspot Block Regleigh Block Springfied Block	5,315 sqkm	75% 60% 60%	Icon Energy Icon Energy Icon Energy	Coal Seam Gas Shale gas Oil
7	Eromanga Basin	ATP 594	1,538 sqkm	50%	Icon Energy	Natural Gas Coal Seam Gas Oil
8	Gippsland Basin	PEP 170	808 sqkm	100%	Icon Energy	Natural Gas Oil
9	Gippsland Basin	PEP 172**	1,312 sqkm**	100%	Icon Energy	Natural Gas
10	Gippsland Basin	PEP 173**	1,220 sqkm**	100%	Icon Energy	Natural Gas
11	Surat Basin	ATP 626	2,224 sqkm	100%	Icon Energy	Coal Seam Gas Shale Gas Oil
12	Surat Basin	ATP 849	3,854 sqkm***	80%	Icon Energy	Coal Seam Gas

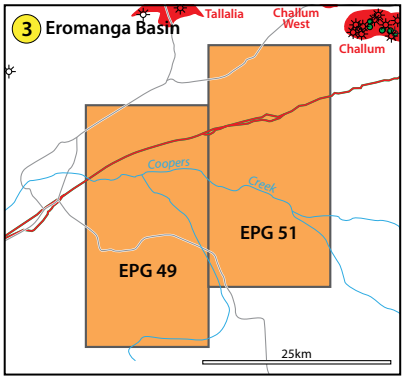
* Icon Energy's interest in the Post Permian section only.

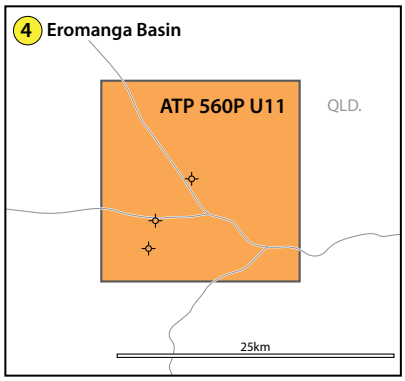
** Grant of permit subject to the registration of the executed Indigenous Land Use Agreement with the National Native Title Tribunal.

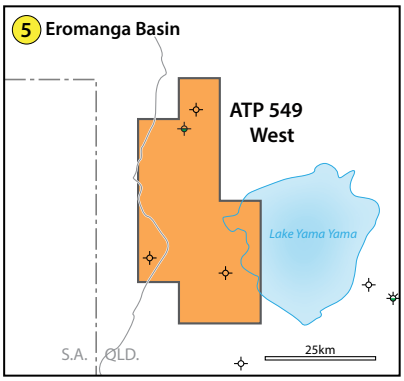
*** Voluntarily surrendered to Department Natural Resources and Mines on 31 August 2013 following geological review of Surat Basin data gathered by Icon from 2008 to 2013.

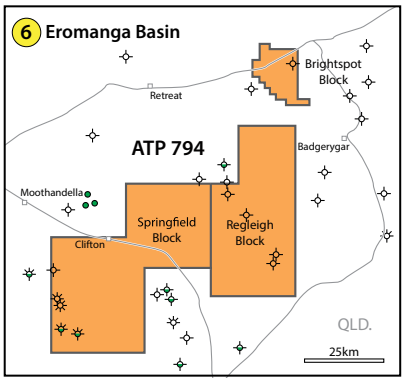

1 Cooper Eromanga Basin
Keppel-1
Nappa Merry
Hervey-1
Halifax-1
ATP 855
S.A.
QLD.
25km

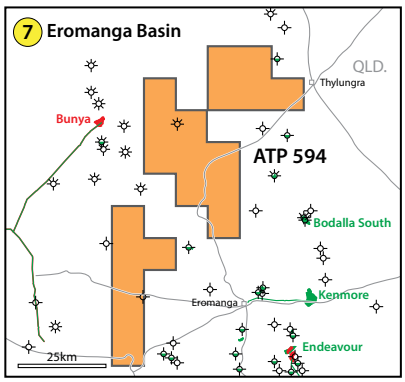

2 Cooper Eromanga Basin
Juniper/Flax
S.A.
QLD.
Pondrinie
Nappa Merry
Innamincka
PEL 218
Della
Dullingari
Moomba
25km

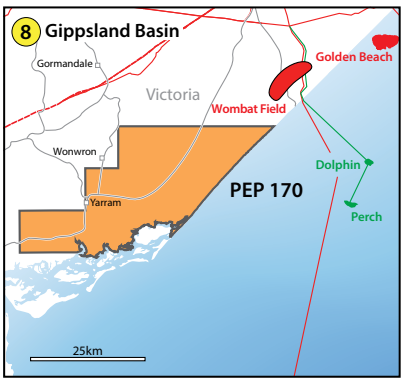

3 Eromanga Basin
Tallalia
Challum West
Challum
Coopers Creek
EPG 51
EPG 49
25km

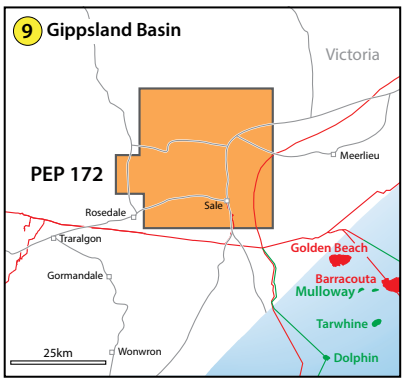

4 Eromanga Basin
ATP 560P U11
QLD.
25km

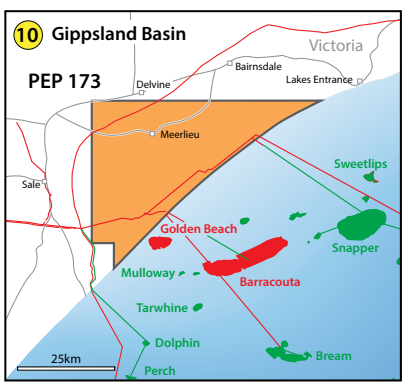

5 Eromanga Basin
ATP 549 West
Lake Yama Yama
S.A.
QLD.
25km

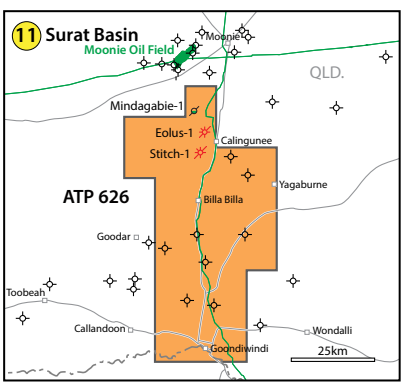

6 Eromanga Basin
Brightspot Block
Retreat
ATP 794
Badgerygar
Moothandella
Springfield Block
Regleigh Block
Clifton
QLD.
25km

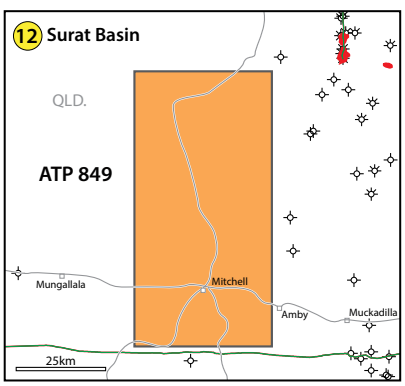

7 Eromanga Basin
QLD.
Thylungra
Bunya
ATP 594
Bodalla South
Eromanga
Kenmore
Endeavour
25km


8 Gippsland Basin
Gormandale
Golden Beach
Victoria
Wombat Field
Wonwron
Dolphin
PEP 170
Yarram
Perch
25km


9 Gippsland Basin
Victoria
PEP 172
Meerlieu
Rosedale
Sale
Traralgon
Golden Beach
Gormandale
Barracouta
Mulloway
Tarwhine
25km
Wonwron
Dolphin


10 Gippsland Basin
Victoria
PEP 173
Delvine
Bairnsdale
Lakes Entrance
Meerlieu
Sale
Sweetlips
Golden Beach
Snapper
Mulloway
Barracouta
Tarwhine
Dolphin
Bream
Perch
25km


11 Surat Basin
Moonie Oil Field
Moonie
QLD.
Mindagabie-1
Eolus-1
Stitch-1
Calingunee
ATP 626
Yagaburne
Billa Billa
Goodar
Toobeah
Callandoon
Wondalli
Goondiwindi
25km


12 Surat Basin
QLD.
ATP 849
Mungallala
Mitchell
Amby
Muckadilla
25km