

# Icon: Breaking New Ground

News Extra: Icon's 2010 features two AGM's due to change of reporting year from year-end 31 December, to year ending 30 June; AGM No. 2 will be held on 29 November 2010



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## ICON MAKES PLANS FOR CHINA GAS SALES

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## Icon's China Gas Deal

Icon Energy entered into a Memorandum of Understanding with China's Shenzhen Sino Industrial Development Corporation (Shenzhen SinoGas) on 8 April 2010 for the sale of 40 million tonnes (2.2 trillion cubic feet or "TCF") of gas. Queries from shareholders have made it clear that the deal is still not well understood, so we've tried to answer some of the questions being asked.

### How can Icon supply the Contract?

Firstly, the deal is for a specific quantity of LNG. The gas can be sourced by Icon from any field. In terms of Icon's operations, the Company is seeking to sure up sufficient reserves to underpin foundation developments.

### How does Icon plan to source its own gas?

Icon has exploration assets with tenements in the Surat, Bowen and Cooper-Eromanga basins in Queensland and South Australia, and has just won the tender for a new tenement in Victoria. To develop these assets in ATP 855P alone, Icon plans eight wells to move a prospective resource to contingent reserve status. A further 50 wells could be required to develop the asset to "2P" reserve status.

### Where is the gas going to be processed?

One development opportunity is for an LNG terminal to be located at Port Bonython in South Australia. Icon has already met with South Australian Premier, Mike Rann who is very supportive of potential LNG plants in SA. Icon has essentially been assured of Government support if the project is to be located in the State.



SIGNING CEREMONY



CONSTRUCTION OF BRIDGE TO RECEIVING TERMINAL

## **Icon's China Gas Deal**

### **Who is "SinoGas"? - A Profile**

Shenzhen SinoGas is a private energy investor and developer in China. In synopsis, Shenzhen SinoGas has:

Plans to build a 4.4 billion yuan (\$A727 million) LNG receiving terminal to supply the gas to Guangdong Province;

Already invested approximately 2.7 billion yuan in more than 50 cities;

Demand for LNG forecast initially at 1.2 million tonnes per annum which is projected to exceed 3 million tonnes before 2020;

A significant industrial user market in China; and

Enjoys the public support of 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).

Both Shenzhen SinoGas and the Guangdong Provincial Government are keen to see the arrangement succeed as it is considered fundamentally necessary to meet the rapidly expanding energy needs of the region.

This deal represents an excellent opportunity for Icon Energy. The next focus is for the final Gas Supply Agreement to be executed by 31 December 2010 as requested by our Chinese partner, which understandably enough, the Company and shareholders alike are looking forward to fairly eagerly.





## **Two new tenements sure up Icon's plans to supply China**

**Icon's plans to supply China under its landmark gas supply MOU arrangement with Shenzhen SinoGas have received a boost with the news of two new tenements having been awarded to the Company.**

**In its ASX/Media Release of 8 October 2010, Icon Managing Director, Ray James described the formal grant of ATP 855P as an "historic milestone" for the company. He further said that the award "places Icon into a significant shale gas play".**

**Industry estimates for the Nappamerri Trough indicate a potential of up to 200 TCF of gas in place. The grant is regarded as pivotal to the company's gas strategy in the Cooper Eromanga Basin.**

**"This is the one we've been waiting for", Mr James told the Gold Coast Bulletin last month. He said that the award would be used to underwrite the Chinese memorandum of understanding.**

**Ministerial approval of the Right to Negotiate (RTN) Deed for ATP 855P was granted on 7 May 2010 by the Honourable Stephen Robertson. The deal saw 50,000 shares granted to traditional owners and both parties were pleased with the agreement.**

**Icon also won the tender for PEP 170 tenement in Victoria's Gippsland region last month. The block is well known by Icon team members who are now planning to explore and develop the block. The grant further expands Icon's exploration asset base.**

**Icon is also currently assessing several potential LNG production opportunities, projects for which these new acquisitions could be very welcome indeed. These are Domestic/Micro LNG for the domestic market and large scale LNG for the China import market. We will of course continue to advise the market and our shareholders of any developments as and when they transpire.**



## **Stanwell commits \$30m to Icon Joint Venture**

**While all eyes were on Canberra awaiting the outcome of the Federal Election, Icon and partner Stanwell Corporation released some major news. News which, let's face it, passed virtually unnoticed with all the hubbub going on in the capital. But it's major news nonetheless: the Queensland Government-owned power generator agreed to proceed to Stage 2 of the Farmin Agreement regarding Icon Energy's coal seam gas tenement ATP 626P, committing a further \$30 million.**

**Ministerial consent for the commitment to Stage 2 of the Farmin Agreement has been granted and the Commitment Notice is unconditional and not subject to any further consent.**

**The decision means a total of \$36 million will be committed to establishing reserves in ATP 626P, located north of Goondiwindi in the Surat Basin.**

**Icon Managing Director, Ray James said that Icon Energy would commence a new drilling program as soon as a drilling rig and well completion equipment were assembled along with the necessary entry and landholder agreements.**

**"It's a great win for both Icon and Stanwell", Mr James said. "Both parties are very happy with the deal and are equally committed to developing the joint venture so it can and will reap the rewards the opportunity affords us".**

**Stanwell Corporation, subject to reserves being confirmed, will buy up to 225 petajoules of gas over a 15-year period under a Gas Sale Agreement.**

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News Extra:  
China Gas Sale Agreement rescheduled  
to be executed by 31 December 2010  
per request from China



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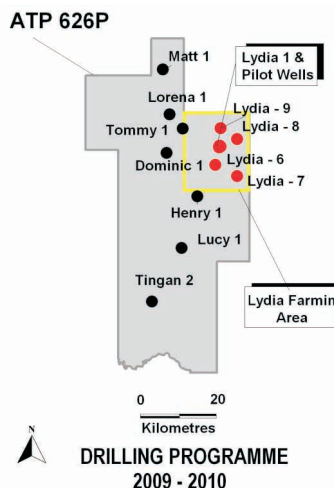
## Icon & Stanwell's Extensive Drilling Program to Target Reserves

Stage 1 of Icon's most extensive exploration drilling program to date has come to a close. Now plans are underway for Stage 2 of operations to be conducted with joint venturer Stanwell Corporation.

In the 2009-10 Stage 1 drilling program, 12 wells were drilled across ATP 626P. All found coal and a large amount of data was collected including coal thicknesses, drilling logs, drill stem tests, core samples and adsorption/ desorption testing data, all of which has been collated and reviewed.

The data was also shared with farmin partner, the Queensland Government owned Stanwell Corporation, who then agreed to commit another \$30 million to Stage 2. The express goal of the joint venture is to acquire certified reserves.

The Stage 1 data has enabled the team to gain the most comprehensive picture yet as to the coal reservoir within the tenement. Moving forwards we are better equipped than ever to target drill sites for new pilots for the purpose of reserve certification, a process which is already underway.



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News Extra: 2009-2010 stage 1 drilling program concludes with stage 2 now underway



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## The 3 R's: Reserves Reserves Reserves

Icon's ATP 626P tenement's certified "Gas Initially In Place" (GIIP) estimate stands at 6,115 petajoules (PJ). It's a lot of gas. The \$36 million deal with Stanwell is for up to 225PJ over 15 years. With that yardstick you get to appreciate that the 6,115PJ GIIP estimate is actually huge and it makes ATP 626P such a valuable asset. But why have "Reserve Certification" as the goal with such a huge GIIP figure already certified? What does it actually mean for our shareholders to get reserves certified?

The answer is that it is key to increasing shareholder value. Which is of course intrinsically linked to the share price, and the share price in turn is intrinsically linked with the value of a company's assets. Having a lot of gas estimated in the ground is great, but knowing for a certainty that it can be piped out of the ground and sold means much more. A huge potential asset is good, sure, but it will never be more valuable than having a huge saleable asset.

So it's vital not only to find gas, but be able to get it out of the ground and sell it. The more likely that is, the more valuable the gas is as an asset. The more valuable the asset, the greater the share price. The greater the share price, the greater the shareholder return on their money invested.

Quite a lot of Icon's GIIP figure has been certified as a "Contingent Resource" at 1,150PJ (2C) Certified Best Estimate, with a Certified High Estimate of 1,773PJ (or 3C).

But we need the gas to be commercial to get "1P & 2P Reserves", the highest level of certification. Getting commercial contracts is part science, part business. We actually have a contract for 225PJ already in place, so we just need commercial levels of production to complete the equation.

Equipped with a more complete picture of the gas-holding coal in our key tenement after the current program, Icon will select locations for a second set of pilot production wells which is planned to go into operation this year to back up the Lydia Pilot. The combined production data will then go off to the certifiers and then all going to plan, certified reserves will follow in due course.

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News Extra: Maggie Taylor of Bungunya Primary School wins "Mind Your Manners" game competition in Goondiwindi. \$500 prize plus \$500 for her school - congratulations!



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## A Day in the Life of a CSG Explorer

It's a standard question to ask what Icon does. Obviously our business is oil and gas exploration, with a focus on Coal Seam Gas, or "CSG" for Queensland and Australia's energy needs. But what do we do, day to day, in practice? Well from an operational point of view, in another nutshell summary this month, Icon's Chief of Operations Larry Brown explains.

"Well, it's a small question with a big answer", Mr Brown said. "But this is about as concise an answer as you can get."

"Step 1 - Seismic: we use seismic imaging technology (=making a soundwave into the ground then registering an echo image of the reflections, much like sonar) to identify subsurface layers where gas-bearing coal is most likely to be found. By mapping and drilling we hope to identify areas of interest which may have enhanced permeability.

"Step 2 - Coring: we take "core" samples from the wells to look for coal qualities, thickness and gas content.

"Step 3 - Drilling: we drill at these sweet-spots to confirm that there's coal, recording or logging what we penetrate as we drill.

"Step 4 - Adsorption/Desorption: Next we analyse samples for good coal "reservoir" qualities, that it will contain and deliver gas. Among other tests, gas adsorption & "desorption" tests coal for the ability to absorb and also release gas from a sample over time".

*continued...*

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News Extra:  
Ex-Santos Company Secretary &  
Managing Counsel joins the  
Icon Team



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**"Step 5 - DST's & Injection Tests:** We test that the gas will flow through the coals or its "permeability" (often indicated by cleating & fracturing) via "drill stem tests" and injection testing. We test both the pressure from the hole up the drill stem, and by pressurizing the hole then releasing we qualitatively test the rebound flow-back effect.

**"Step 6 -Dewatering:** to extract the gas, we need to pump water out from the coal and the gas is naturally released and flows up and out.

**"Step 7 - Gas Sales:** Negotiate a contract to sell the gas.

**"Step 8 - Supply Gas:** Finally we construct pipeline to market, or a power station to convert it to electricity and then sell it, or convert it to Liquefied Natural Gas (LNG) prior to sale".

**A Day in  
the Life  
of a CSG  
Explorer**  
(continued)

**"Bear in mind that this is a very simplified summary any shareholder might use to get a handle on what's involved", Mr Brown said. "There's considerably more to the process and the steps and order varies in practice, but it's a fairly good overview of Coal Seam Gas exploration through to production".**

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