



Icon Energy Limited

Quarterly Report Period ending 31 December 2011



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FOURTH QUARTERLY ACTIVITIES REPORT



Period ending 31 December 2011

Highlights

Operations

- On 1 December 2011, Icon Energy Limited (**Icon Energy** or **Company**) commenced drilling the oil and gas prospect well, North Maroon DW-1 (**North Maroon**). North Maroon was drilled to a depth of 2100 metres utilising the deviated drilling technique for the first time in ATP626P. Strong oil shows along with flowed formation water and some gas cut in the upper test confirmed a presence of good reservoir.
- In December 2011 Beach Energy Limited (**Beach**), Icon Energy and the other ATP855P joint venturers began reviewing and costing the Gallus 2D Seismic Survey (**Gallus Seismic**) for acquisition in ATP855P. The programme for ATP855P will commence with the Gallus Seismic, followed by the drilling of a horizontal pilot production well in May/June 2012.
- The PEP170 Operations Plan requires landholder compensation agreements to be negotiated and executed and a suitable drilling rig to be sourced and contracted, ahead of final approval by the Department of Primary Industries (**DPI**). The Company has been continuing its work on both matters.
- On 10 August 2011, the DPI offered to grant Icon Energy PEP172, subject to the Company completing an Indigenous Land Use Agreement (**ILUA**) with the traditional owners, the Gunaikurnai People. PEP172 is located to the north of PEP170 in the Gippsland Basin in Victoria. The Company has been undertaking work on an ILUA for presentation to the Gunaikurnai People.
- On 12 December 2011, the DPI offered to grant Icon Energy PEP 173 in the Gippsland Basin in Victoria. The grant of the permit is also subject to the negotiation of an ILUA Agreement with the Gunaikurnai People.
- The ATP849P Seismic Programme has been re-scheduled for the second quarter in 2012, subject to the finalisation of landholder negotiations and the availability of Terrex Seismic to carry out the 200 km 2D acquisition.

Corporate and commercialisation projects

Financial

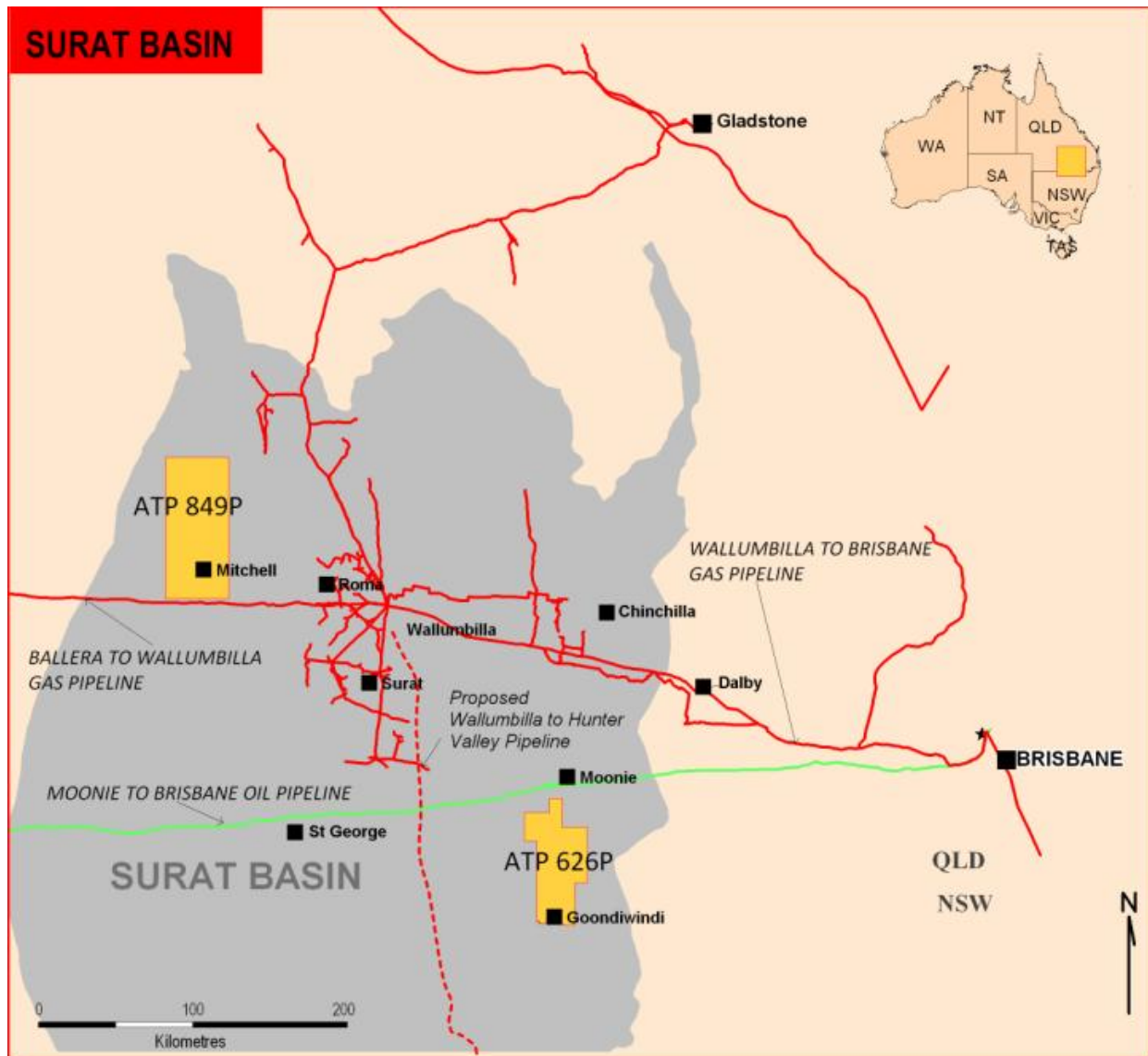
Icon Energy ended the 31 December quarter with a balance of \$14,049,000 and 469, 301, 394 shares on issue.

Subsequent Events

- Goondi Pty Ltd (a wholly owned subsidiary of Stanwell Corporation Ltd) and Icon Energy have begun the preliminary works for the drilling of two coal seam gas wells (Windom -1 and Eolus-1) in the northern portion of ATP 626P.
- Icon Energy representatives have visited landholders in PEP 170 requesting final approval of the locations of two wells Tiger-1 and Dragon-1.

Operations

Queensland – Surat Basin – Icon Energy acreage



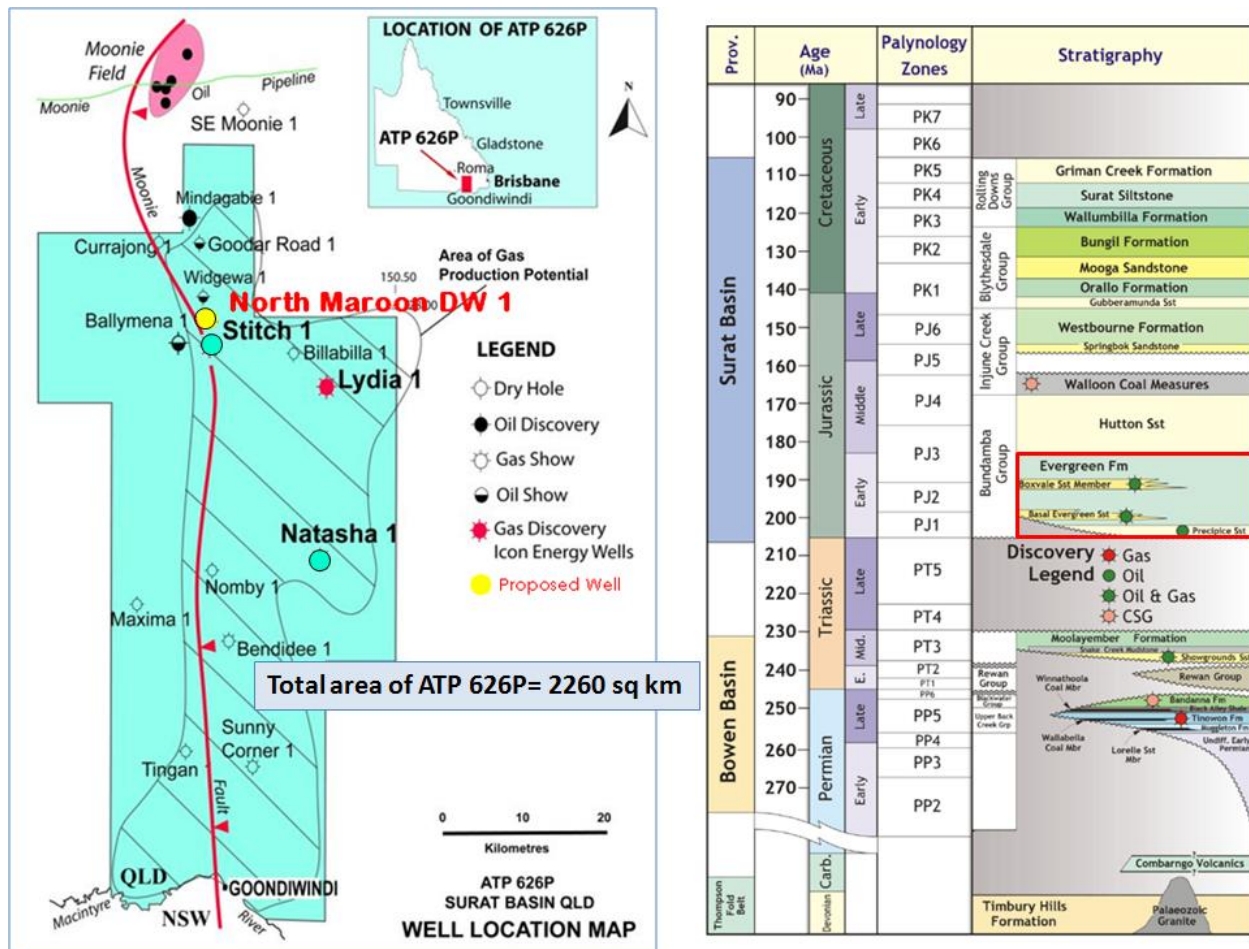
Queensland – Surat Basin - Petroleum Exploration – ATP626P

On 1 December 2011, Icon Energy spudded the North Maroon well with the objective to test the oil and gas potential of the Precipice Sandstone and the Evergreen Formation. The Precipice Sandstone is the producing reservoir in the Moonie Oilfield, which is located 35 kms to the north of North Maroon. Icon Energy held 100% interest in the well following Goondi's decision to not participate in this oil play.

North Maroon was drilled to a deviated depth of 2100 metres over a 21 day period. Drill stem tests over the intervals of 1835 to 1860 metres, in the Evergreen Formation and 1568 to 1593 metres indicated strong blue-white fluorescent cut shows being encountered in the Lower Hutton to upper Precipice Formations. Gas samples were also encountered and eleven gas samples were taken for analysis. Seven main coal seams in the Bungil Formations and the Walloon Coal Measures were penetrated during drilling and Icon Energy's Geophysicist and Geologist continue to analyse the results of these tests.

The deviated drilling technique was employed for the first time in ATP626P. The Moonie Fault has several splinter zones which control the original deposition of the Precipice sandstones. Therefore this sidetracking technique was beneficial, allowing for greater flexibility in the drilling of the well.

The map below delineates the North Maroon well and the Stratigraphy encountered during the drilling of the North Maroon well.

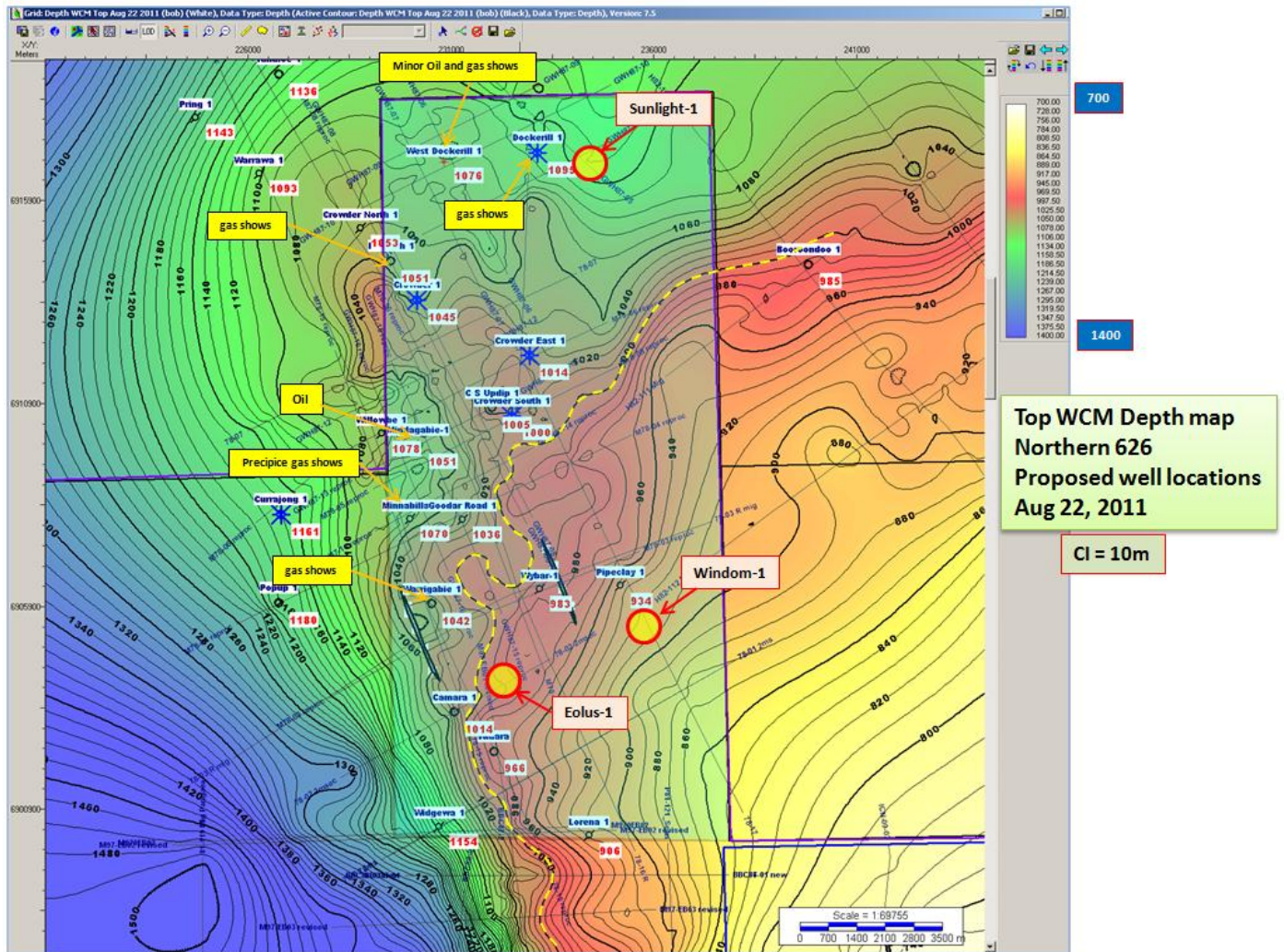


Overall, North Maroon revealed strong oil shows which flowed formation water on test with gas cut water in the upper test, which confirmed a presence of good reservoir. Further analysis and work is required to define an effective trap.

Goondi and Icon Energy will drill two (2) coal seam gas wells (Windom-1 and Eolus-1) in the northern portion of ATP626P. Technical joint venture planning is underway, while landowner negotiations are

also being undertaken in readiness for operations to commence, once a suitable drilling rig is located for the programme.

The following map shows the proposed locations of the Eolus-1 and Windom-1 coal seam gas wells, to be drilled in conjunction with Goondi.



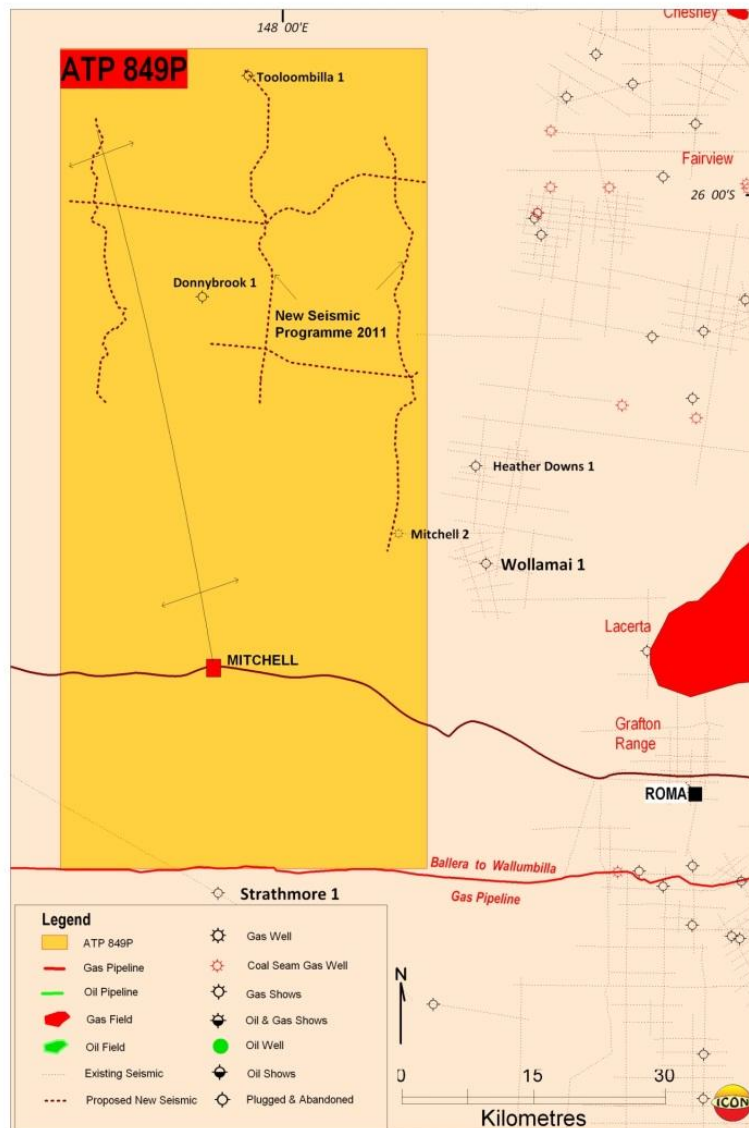
Queensland – Petroleum Exploration – ATP849P

The ATP849P joint venture consisting of Icon Energy and Adelaide Energy Ltd (**Adelaide Energy**), approved the seismic programme in ATP849P in August 2011. The 200 kilometre seismic programme has engaged twenty-one separate landholders and Icon Energy is currently in the process of reaching agreements with each landholder.

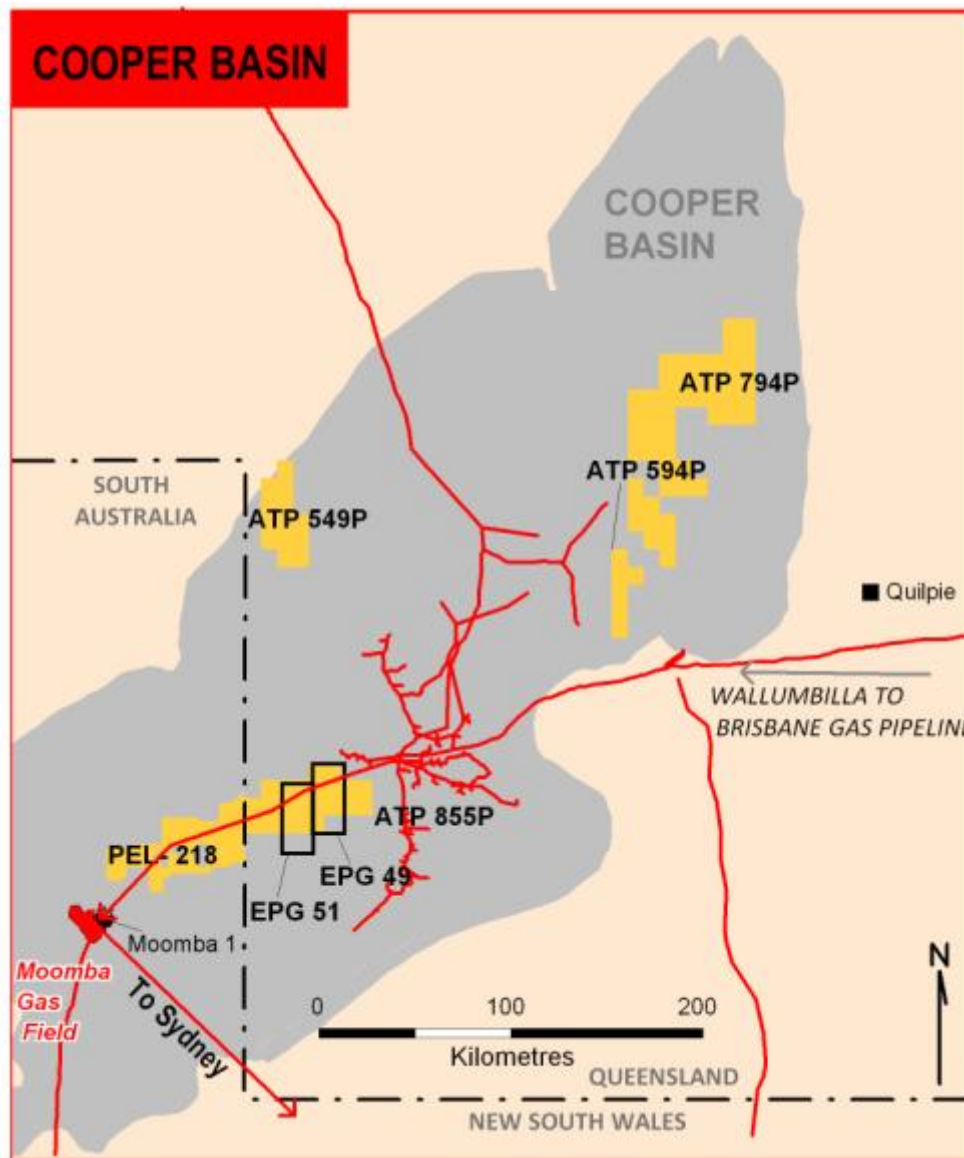
Environmental assessments and State Government approvals have been granted in relation to the seismic area. A Cultural Heritage Agreement is in place and the traditional owners will conduct cultural heritage clearances prior to the start of the programme.

The Seismic Programme will not commence until all landholder agreements have been reached. Meanwhile Icon Energy is working with Terrex Seismic to re-schedule the commencement of the programme.

The maps below delineates the location of the tenement and the new 2012 seismic programme.



Queensland - Cooper Basin– Icon Energy acreage



Queensland – Petroleum Exploration – ATP855P

ATP855P is situated in the highly prospective Nappamerri Trough in the Cooper Basin. The Independent United States Energy Information Administration’s World Shale Gas Resources Report (*EIA Report*) has 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.

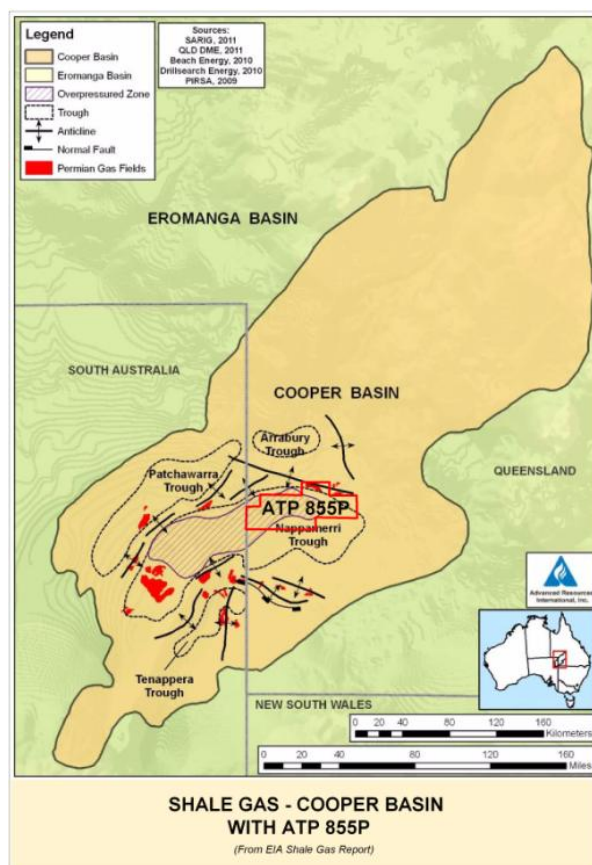
In the previous quarter Icon Energy announced that Beach, would be the agreed operator for ATP855P. Icon Energy sought to utilise Beach’s shale gas drilling expertise, following the successful drilling of Encouter-1 and Holdfast-1 by Beach in the adjacent PEL218 tenement, so as to proceed with shale gas exploration operations in ATP855P at the first available opportunity.

In accordance with the joint venture, Department of Employment, Economic Development and Innovation (**DEEDI**) approved the transfer from Icon Energy to Beach on 5 October 2011. ATP855P will be held as follows: Icon Energy 40%; Beach 40%; Deka Resources 10% and Well Traced 10%. Deka Resources and Well Traced are both wholly owned subsidiaries of Adelaide Energy, which itself is now controlled by Beach. The transfer of a 40% interest by Icon Energy to Beach is conditional on drilling a shale gas well to the base of the shale section and then selecting a horizontal lateral extension of the well for 1600 metres and completing the well ready for fracking.

Beach as the operator of ATP855P, has secured the Ensign #65 drilling rig to drill a horizontal pilot unconventional production well in ATP855P. Beach has stated that the Ensign #65 rig, a new 1,500 horsepower rig, will arrive in Australia from North America in April 2012 and will be ready to commence drilling in ATP855P by no later than June 2012.

In December 2011 the joint venture partners began reviewing the proposed Gallus 2D Seismic Survey in ATP855P which is expected to proceed the drilling in June 2012.

The map below depicts the location of ATP 855P in relation to the Nappamerri Trough.



Queensland - Cooper Basin - Petroleum Exploration - ATP 549P (West)

ATP549P (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. Australian Gasfields Ltd (**AGS**) holds the title to the whole of the ATP549P tenement.

Great Artesian Oil and Gas Pty Ltd (**GOAG**), a wholly owned subsidiary of Drillsearch Energy Ltd (**Drillsearch**) holds a 66.66% interest in the permit and has assumed Operatorship of ATP549P (West). GOAG [and Drillsearch] is in the process of formulating an operations plan to conduct 300 kms of 3D seismic and to drill one exploration well, subject to joint venture approval and agreement with AGS who holds the permit title in trust for the ATP549P(W) joint venture.

Queensland – Petroleum Exploration – ATP594P

ATP594P is located near the township of Quilpie. The tenement covers three separate areas consisting of a total area of 1,538 km². The area immediately adjacent to ATP594P is resource rich in oil and gas. The Bunya Thylungra, Sheoak and Vernon gas fields are located to the west of the tenement . There are several oil fields located to the south-east of the tenement, including the Kenmore and Tarbat oil fields.

Icon Energy has a 50% working interest in ATP 594P. The Australian Securities and Investments Commission (**ASIC**) holds the other 50% interest.

No operational activity has been undertaken in relation to this tenement in this quarter.

Queensland – Petroleum Exploration – ATP794P

ATP 794P is located north west of the town of Quilpie and is situated directly north of ATP594P.

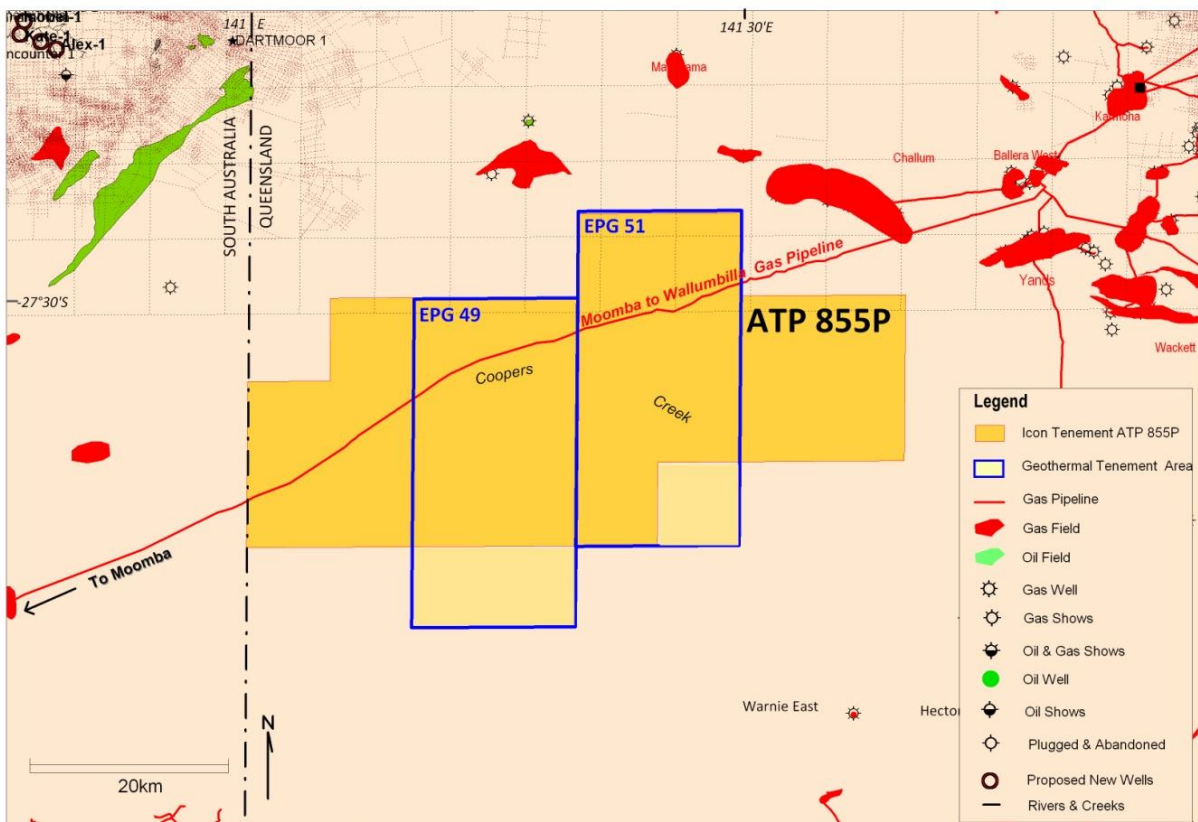
Icon Energy holds interests in the Brightspot, Springfield and Regleigh blocks in this tenement. However, the Company is not engaged in a programme for this block at present.

Queensland – Geothermal Exploration – EPG49 and EPG51

Icon Energy has 100% interest in EPG 49 and EPG 51. These geothermal permits lie beneath ATP 855P and adjacent to PEL 218.

No further activity has been undertaken in relation to these tenements during this quarter.

The location of EPG 49 and EPG 51 which underlie ATP 855P are delineated in the map below.



South Australia – Petroleum Exploration – PEL218

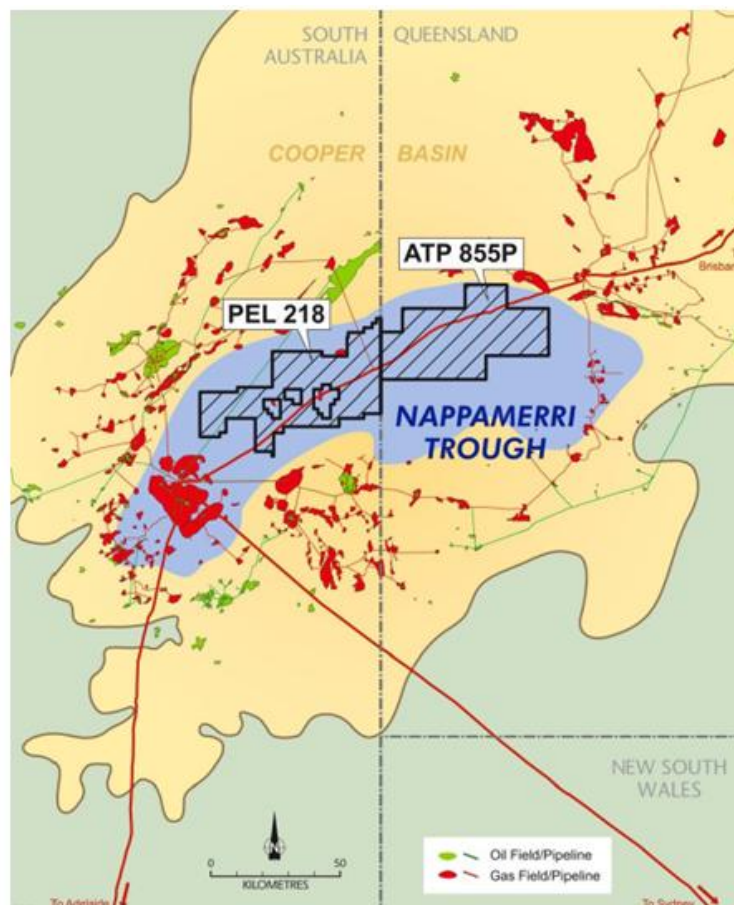
Just across the Queensland / South Australian border from ATP855P is the South Australian permit PEL218. Icon Energy holds a 33.33% interest in the shallow, Post-Permian, portion of PEL218 (**Post Permian Section**) and not in the deep Permian levels of PEL218.

Beach has agreed to support the appointment of Icon Energy as the Operator of coal seam gas exploration operations in the Post Permian Section.

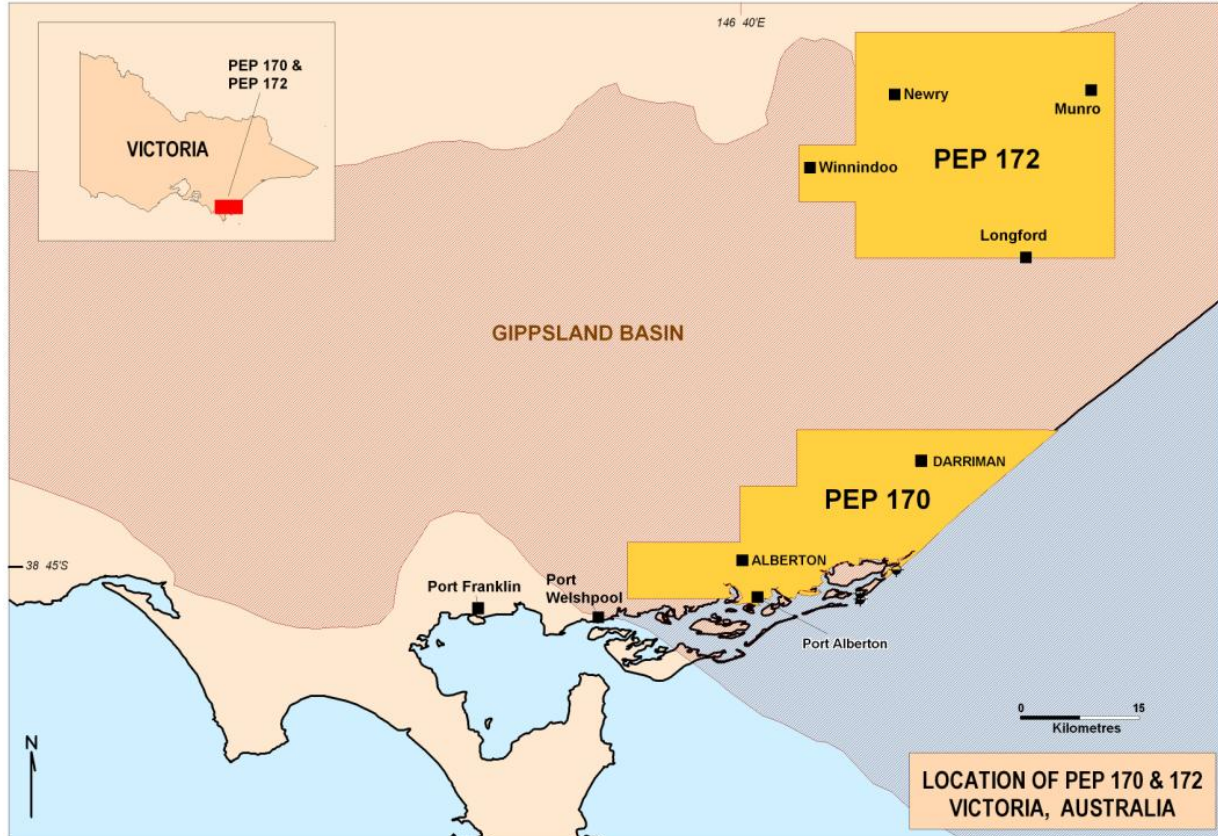
In early 2010, Beach completed drilling two deep shale wells - Encounter-1 and Holdfast-1 in PEL 218. A successful flow test was performed by Beach Energy at Holdfast-1 in PEL218. Beach Energy has a gas resource of 2 TCF booked for Holdfast-1 and Encounter-1 in PEL218.

No further activity has been undertaken in relation to the Post -Permian in this quarter.

The following map delineates the location of PEL218 and ATP 855P within the Nappamerri Trough.



Victoria – Gippsland Basin



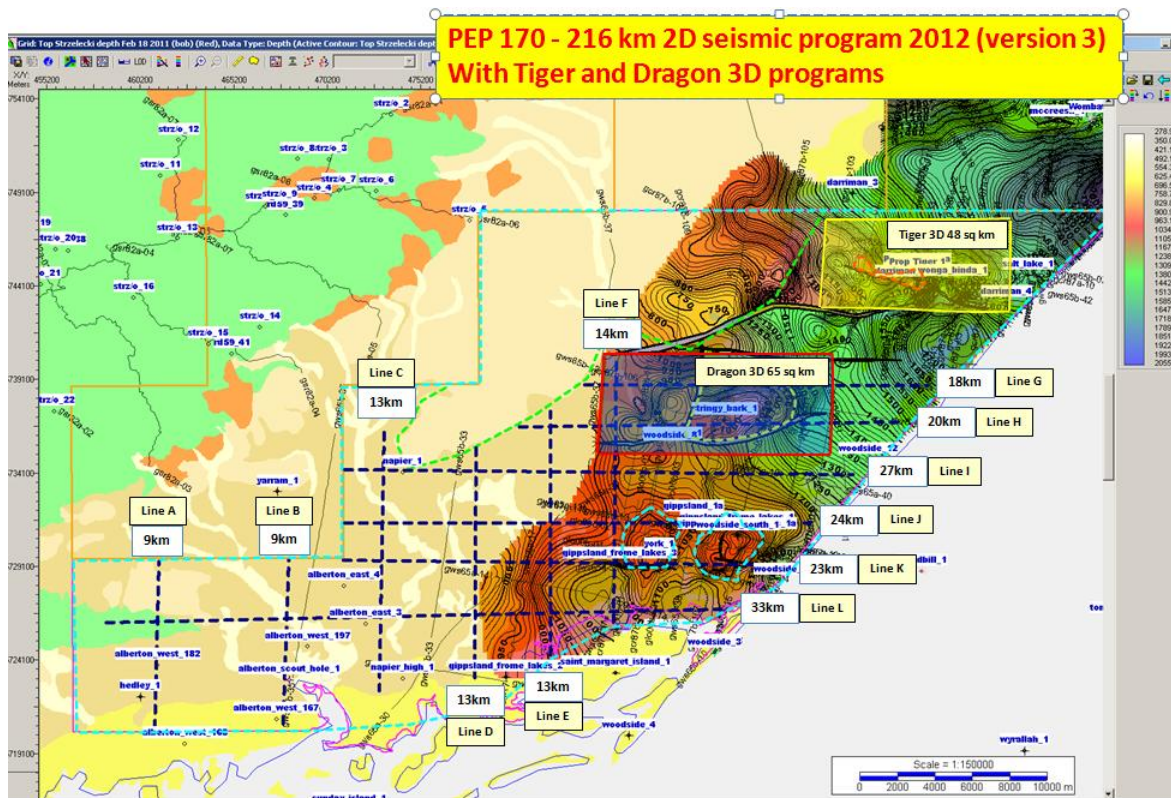
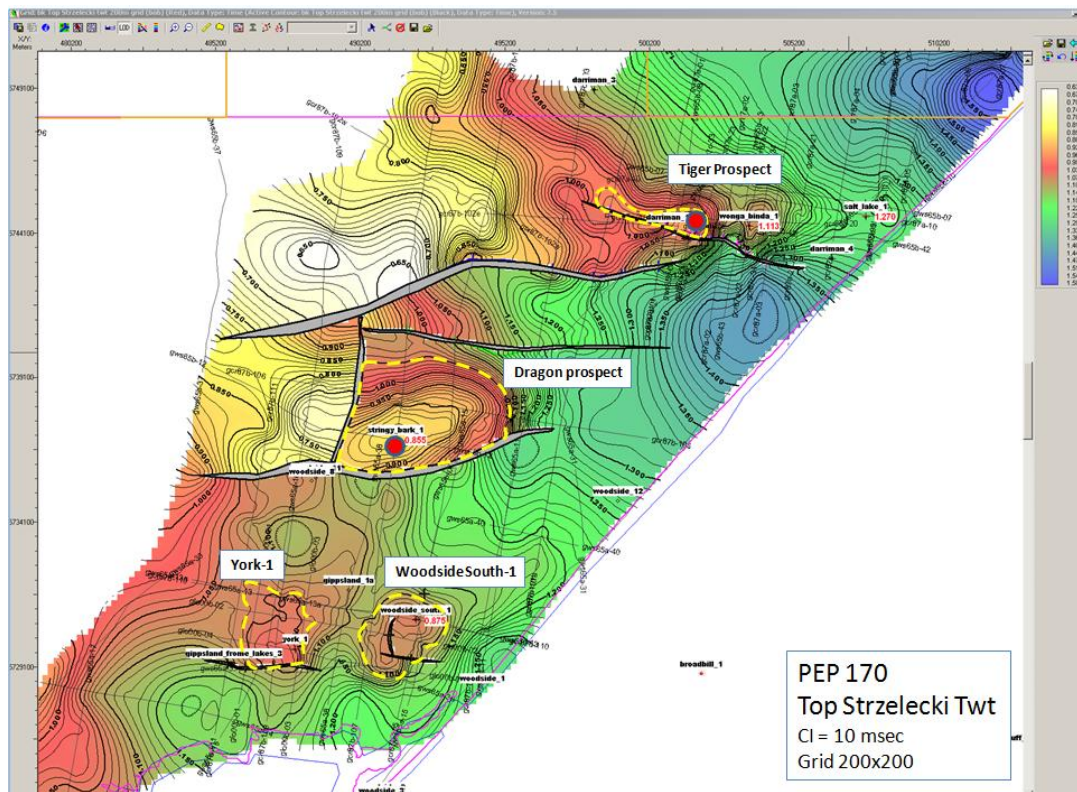
Victoria – Petroleum Exploration – PEP170

Icon Energy continues to address further information required in order to gain approval by the DPI for the PEP170 Operations Plan, as is required by the Petroleum Act 1998 (Vic).

Icon Energy has expanded the exploration programme in the Gippsland Basin and additional landholders have been contacted in relation to the proposed drilling of Tiger-1 and Dragon-1.

The Dragon and Tiger well prospects have the potential of addressing more than 1 TCF of in-place gas volume. Meanwhile a 200km 2D seismic programme and 3D seismic programme are being investigated for commencement in late 2012.

The maps below of PEP170 delineates the proposed well locations, Dragon-1 and Tiger-1 and the seismic programmes currently under development.



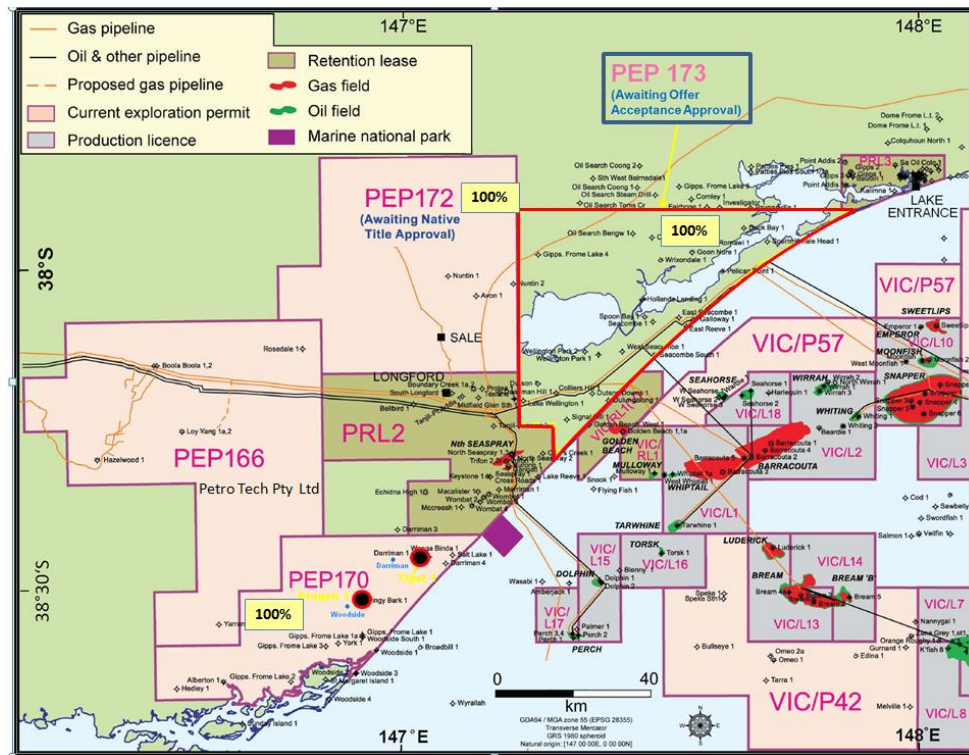
Victoria – Petroleum Exploration – PEP 172 & PEP 173

On 10 August 2011, the DPI offered to grant Icon Energy PEP 172, subject to the Company completing an Indigenous Land Use Agreement with the traditional owners, the Gunaikurnai People. PEP 172 is located to the north of PEP 170 in the Gippsland Basin in Victoria.

On 12 December 2011, the DPI offered to grant Icon Energy PEP 173 in the Gippsland Basin in Victoria. The grant of this permit is also subject to the negotiation of an Indigenous Land Use Agreement with the Gunaikurnai People.

Representatives from Icon Energy met with the Gunaikurnai Board and Aboriginal Affairs Victoria (AAV) in early 2011 and have agreed to negotiate an Indigenous Land Use Agreement.

The map below delineates the location of PEP 172 and PEP 173 in the Gippsland Basin.



Corporate and commercialisation projects

China LNG Project

Icon Energy has expanded its acreage in the Gippsland Basin in Victoria and continues to advance various programmes and commercial initiatives in the Company's key assets so as to secure the necessary reserves required to meet the LNG Sales Agreement.

Financial

Cash position

The Company ended the quarter with a cash position of \$14,049,000.

Shareholder base

At 31 December 2011 Icon Energy had 469,301,394 shares on issue. The number of shareholders as at 31 December 2011 was 6847.

Planned forward programme next quarter

- Drilling of two coal seam gas wells in the northern portion of ATP626P in April 2012 subject to securing a suitable drilling rig and landowner approval.
- Commencement of the Gallus 2D Seismic Survey in ATP855P.
- Approval by the Department of Primary Industries for PEP170 Operations Plan.
- Finalisation of landholder access in ATP849P to enable the 200km Seismic Programme to commence subject to the availability of Terrex Seismic.

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