

ICON ENERGY LIMITED

ACTIVITIES REPORT

Quarter Ending 30 September 2009

Quarterly Activities Report

REPORT FOR THE QUARTER ENDING 30 SEPTEMBER 2009

HIGHLIGHTS

- Leading Coal Seam Gas certifier Netherland, Sewell & Associates, Inc. (NSAI) establishes Icon's first contingent reserves in ATP 626P.
- Icon Energy Limited (Icon) completes Lydia Pilot wells and commences dewatering.
- Indications of significant build up of gas from dewatering the Lydia Pilot wells.
- Beach Petroleum Limited (Operator) completed the Wakefield No.1 well to a depth of 2380 metres in PEL 218 in the Eromanga Basin in South Australia. Icon Energy earned a 33% interest.
- The Queensland Minister for Mines and Energy granted ATP 849P to Icon, effective from 1 September 2009.
- New well program consisting of five core wells with a further optional four wells as part of stage 2 of the Lydia Pilot program.
- Icon appointed new Chief Geophysicist Robert King.
- Australia's first carbon-neutral seismic program.
- Cash position at 30 September 2009 is \$31,543,000

EVENTS SUBSEQUENT TO 30 SEPTEMBER 2009

- Icon joins the S&P/ASX 300 top listed companies in Australia.
- Beach Petroleum Limited (BPT) and Icon Energy Limited (Icon) have signed a farmin letter of agreement for Icon's ATP 855P tenement in a deal worth up to \$12.0m to Icon.
- Wakefield No. 1 makes a new CSG gas discovery. Well logs indicate a series of coal sections in the Winton Formation totalling 8.9 metres with gas shows up to 112 units of methane gas.
- Lydia Pilot water tests show good quality water that is potable and useable for livestock.

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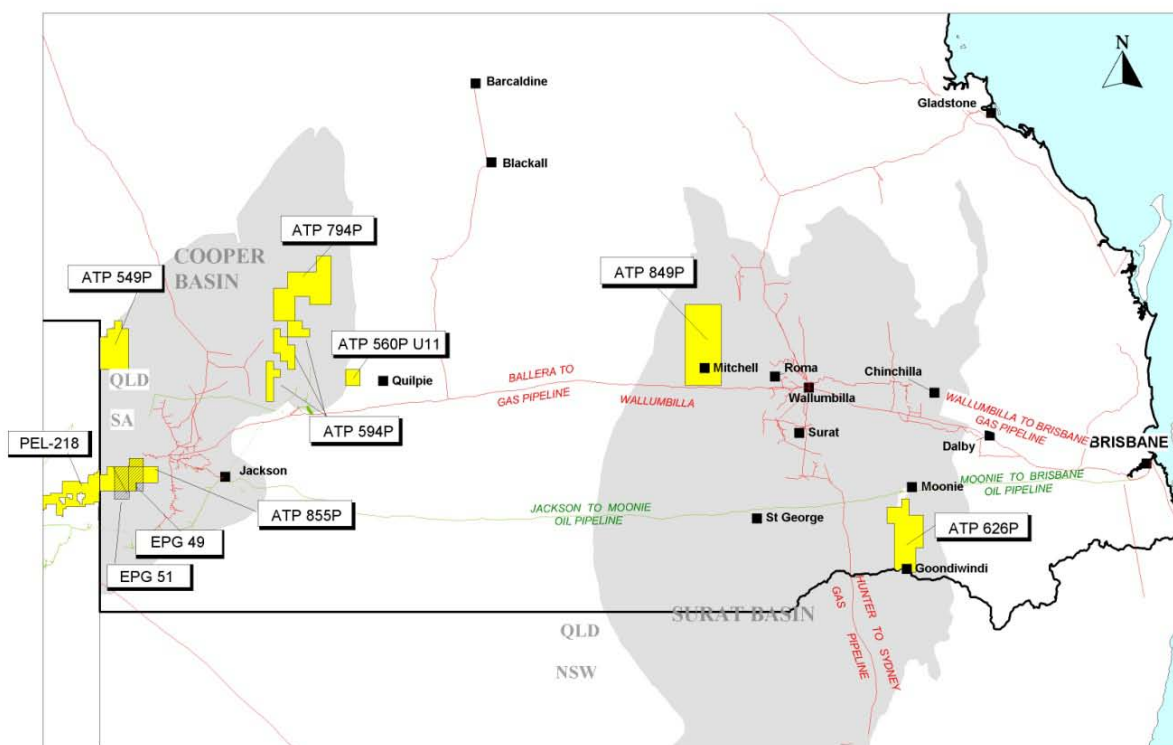
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Exploration Tenements - Australian

Icon's Australian tenements are a combination of Coal Seam Gas, non-conventional gas (Shale Gas) together with oil and conventional gas plays. Its Australian exploration tenements are located in the Cooper Basin and Surat Basin.

The diagram below shows the locations of Icon's tenements. ATP 626P is the Company's primary focus in Coal Seam Gas development with Coal Seam Gas potential in ATP 849P, PEL 218, and shale gas potential in ATP 855P.



AUSTRALIAN EXPLORATION PORTFOLIO

Icon has now earned its 33% interest in the Mesozoic section in PEL 218 located close to the Queensland border in the Cooper Basin.

Since the end of the quarter, Icon has also entered into a Farmin Agreement with Beach Petroleum Limited wherein Beach will carry Icon through 300km of new seismic acquisition and drill wells to the value of \$7,000,000.

Coal Seam Gas Exploration

Icon's efforts and resources were focused primarily on appraisal development of ATP 626P. In addition to the Lydia Pilot area, discussed below, the Company undertook a range of activities outside of the Lydia Pilot farmin area where Icon holds a 100% working interest.

In conjunction with this and other drilling efforts, an increase of the Gas Initially in Place resource was certified by Netherland, Sewell & Associates Inc (NSAI). The "Prospective Resource" category was certified to 6,116 PJ in 2009 up from the 2008 level of 5,440 PJ. In addition, contingent resources were also certified in ATP 626P. The table below shows the current GIIP estimates and our current contingent resource as 1150 PJ Best Estimate (2C) and 1773 PJ High Estimate (3C).

Gas Initially in Place (GIIP)	Contingent Resource	
	Best Estimate (2C)	High Estimate (3C)
6115 PJ	1150 PJ	1773 PJ

One of the strategic objectives set by the Company at its Annual General Meeting in 2008 was to move to our resource in place towards the 2P and 3P reserve classification. The diagram below shows our progress towards this objective.

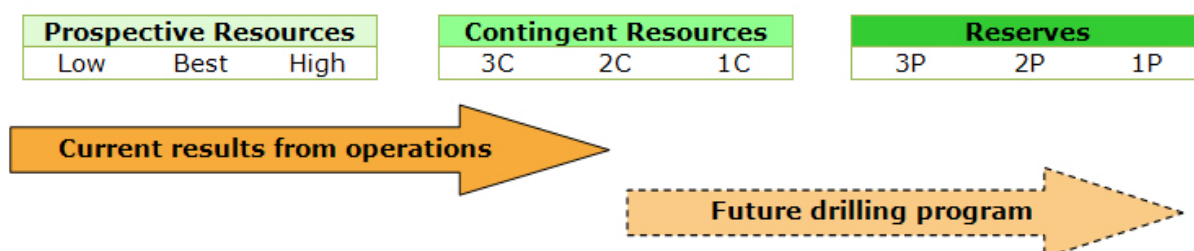


Figure 1: Icon's Strategic Operations Plan in relation to Certification Goals

The Lydia Pilot program has enabled Icon to move its resource estimates from the "Best Resource" category to the 2C "Contingent Resource" category.

Lydia Pilot - ATP 626P Farmin

Resources in ATP 626P continue to grow

Netherland, Sewell & Associates, Inc. (NSAI) estimated significant Coal Seam Gas resources within ATP 626P. Icon's contingent resource estimates within the Lydia Farmin area are shown in the table below. Over the upcoming quarter such early positive results provide Icon further confidence in delivering its targeted reserves.

	Resources
Gas Initially in Place (PJ)	773
2C Contingent Gas Resource (PJ)	357

The Company's contractual obligations require a certification of 340PJs of 2P reserves following the expenditure of a further \$30 million in the Lydia Pilot area. The plans for this expenditure currently involve drilling four stratigraphic wells in the Lydia Pilot area. The stratigraphic wells will provide additional information on the gas content of the coals and when combined with the results of the recently completed seismic program, should allow the optimal location for new production pilots.

Steady dewatering continues

The continued dewatering of the Lydia Pilot should eventually lead to reserves in the 2P and 3P category.

Dewatering is an ongoing activity in the Lydia Pilot program with water flows ranging between 160 and 180 barrels a day per well. Early build up of gas in all wells is evident, with gas pressure in the annulus slowly increasing. Normal well spacing may take between six to twelve months to produce commercial gas flows. With the Lydia wells spaced 200 metres apart, dewatering is accelerated when compared to normal well designs which are spaced at 750 metres to 1,000 metres between wells.

While this spacing decreases the time taken to get commercial gas to surface (traditionally six to twelve months), it also decreases the amount of reserves that can be certified from the production of gas.

A traditional 1,000 metre spacing might lead to 2P reserves as shown in figure 1.

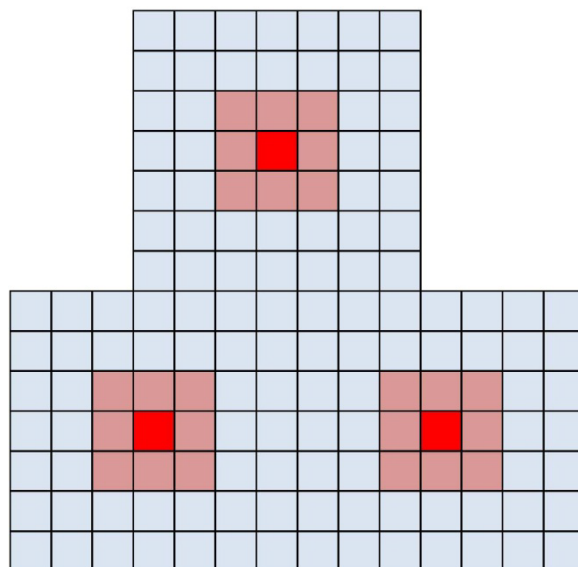


Figure 1:
Red = P1 Proven Developed 2P Pink = P1 Proven Undeveloped 2P

A relative comparison of the certifiable reserves from the Lydia Pilot spacing can be made by comparing Figure 1 with Figure 2 below. Figure 2 is the spacing used in the Lydia Pilot. The compressed spacing of the wells will result in quantum of reserves equating to an approximate 1.45 well equivalent relative to a 1,000 metre spacing. The early build up of gas following two months of dewatering is supportive of the Company's strategy of compressing the spacing between wells to accelerate gas to surface.

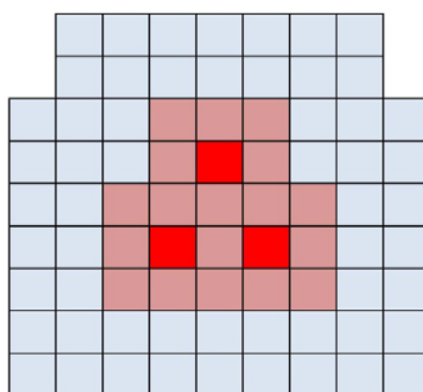


Figure 2: Lydia pilot
Red = P1 Proven Developed 2P Pink = P1 Proven Undeveloped 2P

The planned program outside the Lydia Pilot, together with an additional two production Pilots with the Lydia area should be sufficient to allow for the certification of in excess of 350 PJs of 2P reserves.

The diagram below shows the planned well program for the last quarter of this year and the first quarter of 2009, weather permitting. The Company has already contracted Majors Drilling Pty Ltd to undertake a five well program with an option for a further four wells. The first five wells will commence in the first week of November 2009.

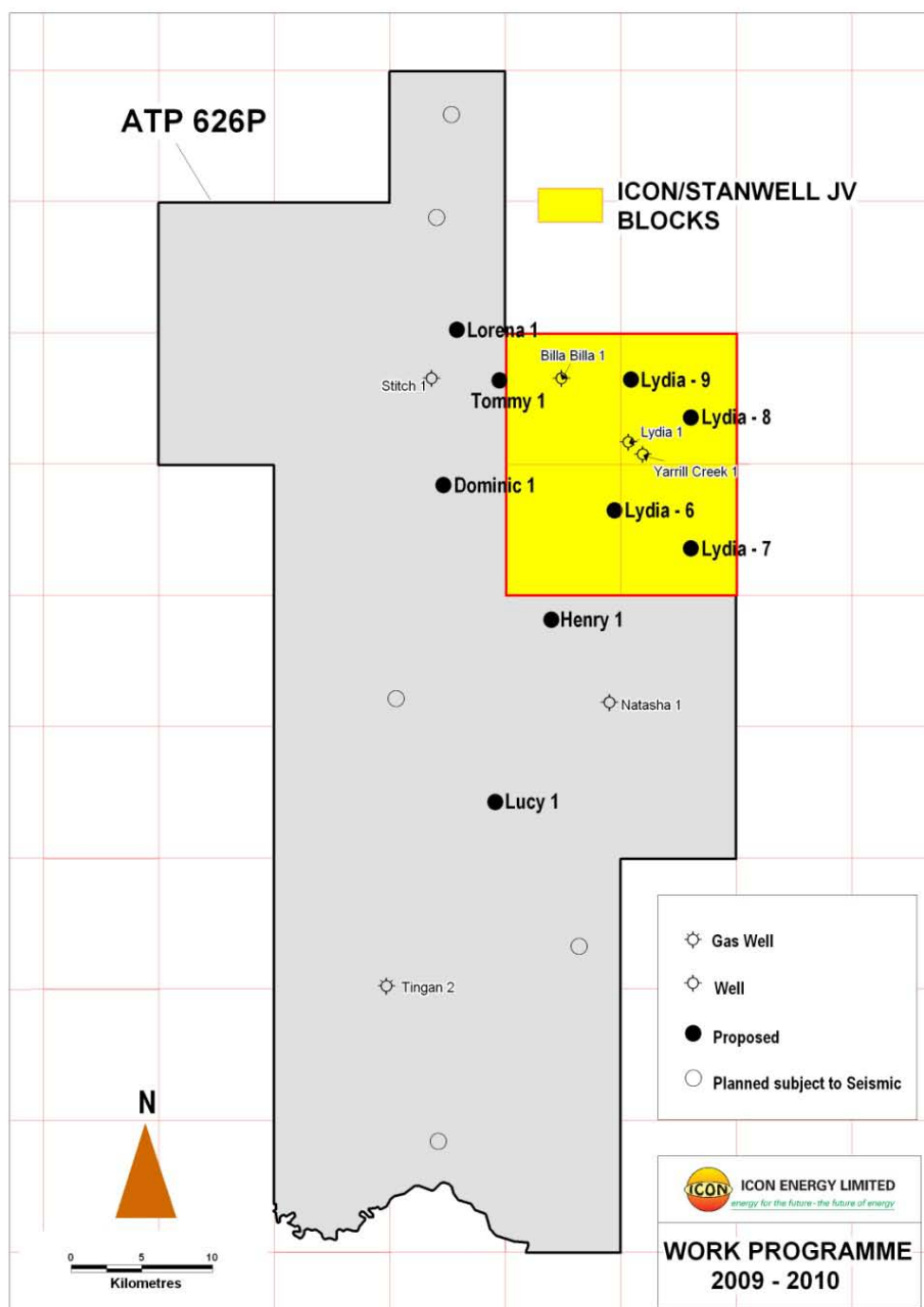


Figure 1: Tenement ATP 626P Drilling Program Works 2009-2010

Successful completion of carbon-neutral seismic

The world's first carbon-neutral seismic survey was completed in early October. This initiative is a major advancement in the Coal Seam Gas industry by assisting in the reduction of CO2 emissions. The survey produced 305 km of 2D seismic data which will delineate subsurface structures, enabling Icon to broaden its exploration efforts. Furthermore, the seismic acquired will provide invaluable information regarding further coal seams with CSG potential and target depths which will in turn improve potential success rates for the planned wells.



Figure 1: One of three Terrex "Eco-Vibe" trucks used in Icon's Seismic program October 2009

Icon's Interest in ATP 626P

Icon's working interest in ATP 626P is currently 100% and will reduce in the Lydia Pilot area when the first two stages of the Farmin Agreement are complete. At that time, Icon's interest will reduce to 50% in the Lydia area with 4 graticular blocks of the 30 graticular blocks making up ATP 626P. Icon retains 100% of the interest in ATP 626P outside the Lydia Pilot area.

OTHER TENEMENTS:

Petroleum Exploration License (PEL) 218

Icon farmed into this permit in October 2007 and earned a 33.3% working interest in the Mesozoic sedimentary section of the permit by funding 50% of 100 kilometers of new seismic data and participating in one oil exploration well drilled in October 2009.

The block covers the South Australian side of the Nappameri Trough that is the source “kitchen” for oil and gas 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. The Ballera to Moomba gas pipeline traverses the centre of the block.

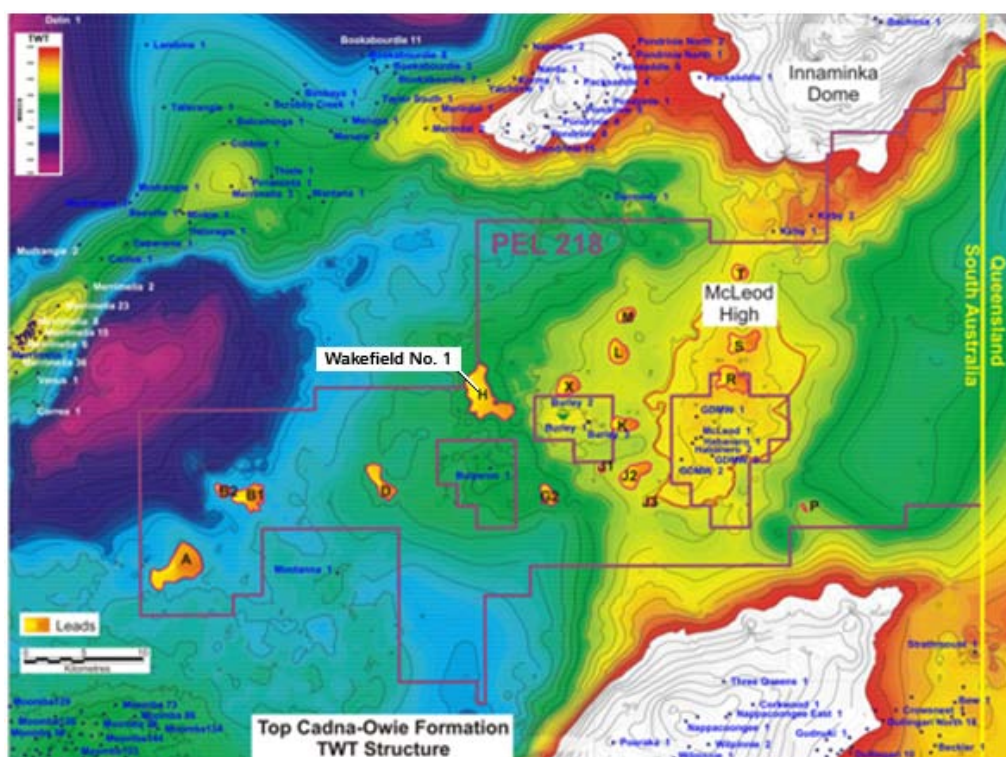


Figure 1: South Australian Tenement PEL 218

Wakefield No.1 was completed in early October. The well logs indicate a series of coal sections in the Winton formation totalling 8.9 metres with gas shows up to 112 units of methane gas. This thickness of coal with associated gas shows indicates that commercial potential exists for Coal Seam Gas (CSG) production in this area. The Coal Seams were penetrated between 820 and 957 metres. The lowermost coals between 906.9 and 956.8 metres have the best methane gas shows.



Figure 1: Ensign Rig drilling Wakefield No.1, October 2009

Icon's technical and commercial teams believe that the potential for a new Coal Seam Gas play in the Nappamerri Trough in PEL 218, and within its adjacent Queensland ATP 855P tenement, warranted further work. This will include core hole drilling to test the gas content and permeabilities. Crucially, the coal depths are within the commercial range allowed by Icon's gas certifiers, Netherland, Sewell & Associates, Inc. (NSAI) - the world leader in CSG certification.

Because the Moomba to Ballera gas pipeline traverses the central area of PEL 218 and ATP 855P, it increases the economic viability of any new gas resource.

These results were preliminary and much work remained to be done. Icon has commenced a geological study to determine the coal distribution as part of this process. Sidewall core samples have been recovered from Wakefield No.1 and sent to the laboratory in Brisbane for gas content absorption analysis.

In order to fully evaluate the gas resource, it will be necessary to examine the seismic and well data in the permits and drill new core holes to determine coal thickness, gas content and permeability. The Company is yet to schedule these activities as its resources are currently focused on the development of ATP 626P.

Icon has a working interest of 33.33% in the Mesozoic section of PEL 218.

Authority to Prospect ATP 855P

ATP 855P occupies a total area of 1674 sq kms.

Icon had a working interest of 80% in ATP 855P at the end of the September Quarter. This interest was farmed down to 40% interest in October 2009. Beach Petroleum Limited has farmed into ATP 855P for Icon's share of the work program estimated by Icon to be approximately \$8.5 million. Beach Petroleum Limited will also take a subscription of \$3.5 million in Icon shares.

The ATP 855P permit is yet to be granted by the Queensland Minister for Mines and Energy as Icon is still negotiating a Native Title Agreement with the registered Traditional Owners.

ATP 855P is located on the eastern side of the Queensland and South Australian border and is 50km west of Jackson. This permit lies next to PEL 218 and is traversed by the Moomba to Ballera Gas Pipeline.

Icon has an 80% working interest and is the Operator of ATP 855P.

The area is surrounded by existing oil and gas production units as indicated in the diagram below. This diagram also shows the geothermal permits, EPG 49 and EPG 51 overlaid on ATP 855P.

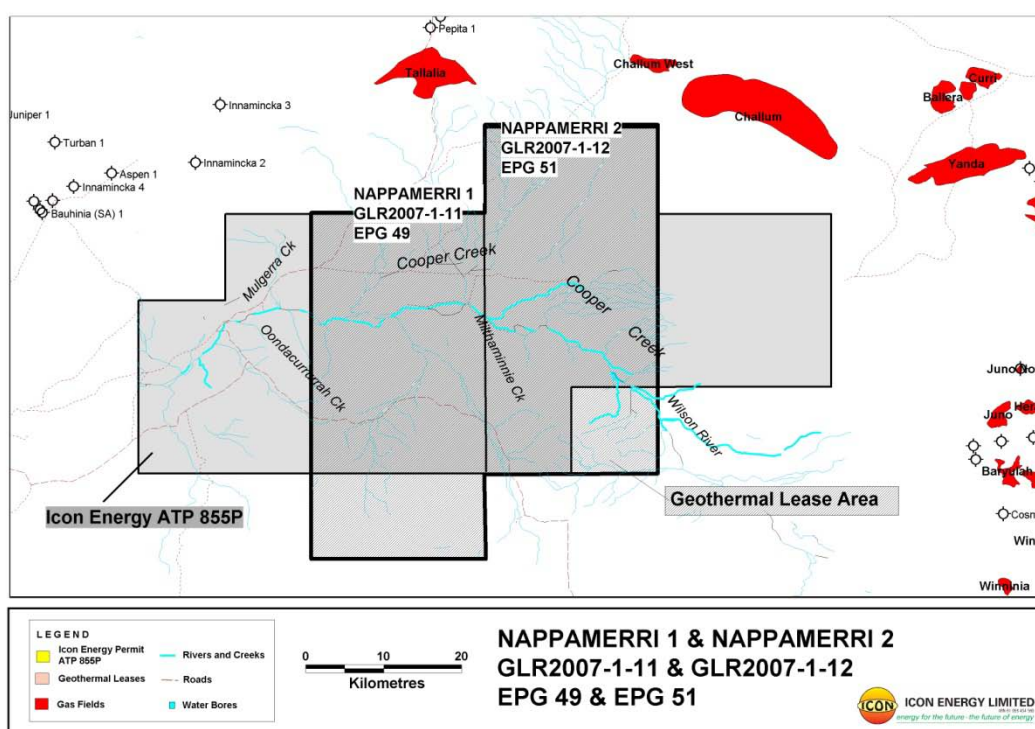


EPG 49 and EPG 51

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.

A five year work program has been devised involving geological and geophysical studies and techniques to obtain new information in regards to the permits' geothermal potential.

The Federal Government determined that Native Title legislation allowed Geothermal Development to proceed and did not require a Right to Negotiate to be processed.



Authority to Prospect ATP 849P

This tenement is located west of the Roma township in the Surat Basin, Queensland. The town of Mitchell is located in the southern region of the tenement.

ATP 849P covers an area of 3854 sq kms and is west of the Lacerta Coal Seam Gas field.

Icon's working interest is 80% and is the Operator of the block. The Permit is now granted to Icon and its joint venture partners. The area was awarded for twelve years with \$5.2 million obligatory expenditure in the first four years.

Drilling on tenements adjacent to ATP 849P suggest this block has potential for Coal Seam Gas. Until seismic and test drilling is undertaken, based on very limited control data, our initial expectations are for a non-certified estimate of approximately 500 petajoules of Gas Initially In Place.

Authority to Prospect ATP 594P

Located in the Cooper Basin in Queensland. It is approximately 99 kms west of the town of Quilpie. Tenement area ATP 594P covers 3 blocks consisting of a total area of 1,538 sq kms.

Icon Energy 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. Native Title Claim has been lodged by the Boonthamurra people and is awaiting a Federal Court hearing.

Authority to Prospect ATP 549P

ATP 549P is located on the border region of southwest Queensland and South Australia. It covers an area of 3,854 sq kms.

Icon has a 33.33% working interest and is the designated Operator.

The Exploration Permit has now been renewed until 13 April 2013. The tenement is currently held under a complicated trust title for Icon and its joint venture partners. Discussions are ongoing to have the tenement transferred into the names of the joint venture parties. Should this eventuate, then environmental applications will be lodged for ATP 549P West, including geological and drilling programs after the Government approves the separation of the west and east blocks. Right to Negotiate discussions will then be required to renew the Permit under the present legislation.

Authority to Prospect ATP 794P

This tenement is located north west of the town of Quilpie and lies directly north of ATP 594P. It occupies an area of approximately 5,315 sq kms.

Icon holds a 60% working interest and is the designated Operator.

The work program details 500 km of seismic data and the drilling of two wells. To date, 270 km of seismic data has been reprocessed and one exploration well has been drilled.

Funding

The Company finalized its Share Purchase Plan (SPP) on 6 July 2009 raising a net of approximately \$17.5m. The SPP allowed eligible shareholders to acquire, up to a maximum of \$15,000 worth of fully paid ordinary shares in the Company at \$0.30 per share. A total of 58,548,097 shares were issued under this plan. As at 30 September 2009, the cash balance was \$31.54 million.

This provides Icon with sufficient funds to complete its stratigraphic drilling program outside the Lydia Pilot area and to fund a separate Pilot in the 100% Icon owned area. The stratigraphic wells will provide additional gas content data of the coal and will assist in identifying the next Pilot area.



Figure 1: ATP 626P Drilling Operations July 2009

Planned Activities For Next Quarter

Drilling

A contract has been signed with Majors Drilling Pty Ltd to drill 5 stratigraphic holes in the area outside the Lydia Pilot area. The contract provides an option for an additional four stratigraphic holes which, subject to the appropriate landowner approvals and cultural heritage clearances, may be added to the program. The five stratigraphic holes will provide further data on the gas content of the coals outside the Lydia Pilot area. The drilling plan for the final quarter of 2010 includes the completion of these five wells, bringing the total wells drilled for the year to 11.

Dewatering Lydia Pilot

The Lydia Pilot program dewatering will continue for the purpose of establishing the commercial gas flows necessary for reserve certification.

As the water continues to be pumped out of the coal formations below ATP 626P, the methane-based CSG gas is allowed flow from the well head 'annulus'. At this point we are seeing an earlier than expected buildup of gas, particularly on the well Lydia Pilot well 4 (or "LP-4").



Figure 1: First Flaring of Gas to Surface at Lydia 2, October 2009

While Icon has already had significant amount of certified Gas Initially in Place (GIIP) by international, world leading certifier Netherland Sewell & Associates, Inc. (NSAI), commercial flows of gas are required for the establishment of certified “Proven & Probable Reserves” (2P Reserves). As such, this stage in the process represents a critical juncture. Naturally Icon is treating this stage with due care.

Drilling Lydia pilot

A further four stratigraphic wells are planned for the Lydia Pilot area subject to Board and joint venture party approval. Planning on these wells is already well advanced with cultural heritage clearance and landowner permitting currently being undertaken. The purpose of these wells is to compliment the seismic survey to provide for the optimal location of an additional two Lydia Pilots.

Seismic Analysis

The freshly acquired seismic data from the program completed for Icon Energy Limited (ICN) by Terrex Seismic earlier this month is set to be put into play almost immediately. The raw data has been sent to Fugro Seismic Imaging in Western Australia to fast-track the processing of the data from Icon’s forthcoming drilling target region. Once the new data has been processed and is ready for implementation, the processed image data will help Icon’s operations team target optimal drill sites for the pilot program in the Lydia Pilot area.

ATP 855P

Following the agreement with Beach Petroleum Limited to farm in to ATP 855P, Icon has arranged to meet with the traditional owners, the Wongkumarra People, for the Native Title agreement to be completed.

Yours faithfully,



Executive Director/Company Secretary
Icon Energy Limited





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