



ICON ENERGY LIMITED

ACN 058 454 569

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ICON ENERGY LIMITED NEWSLETTER

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Managing Director's Latest Update



Ray James – Managing Director

Icon Energy's strategic focus is on coal seam gas production centering on reserves found in ATP 626P in the Surat Basin in Queensland.

Icon Energy has significant developments in Icon Energy coal seam gas reserves:

- Memorandum of Understanding signed with Babcock & Brown.
- Gas Supply Agreement
- Gas Pipeline to be constructed and paid for by the Gas purchaser.

with the Australia wide search to generate electric power stations with gas. A new gas pipeline from Wallumbilla (10 kms east of Roma) to the Hunter Valley is planned and will be located approximately 80 kms west of Icon Energy's ATP 626P.

Icon Energy has a 24 well drilling plan to bring ATP 626P gas to production. A Coal Bed Methane Gas Rig is currently being negotiated to begin drilling early in 2009. The capital funding for the program is currently underway. A share placement raising \$2.8 million was successfully completed. Further capital raising options are envisaged with Icon seeking to maintain its dominate holding in ATP 626P. Currently Icon has 100% working interest in ATP 626P.

Memorandum of Understanding Signed

Icon has signed a Memorandum of Understanding (MOU) with Babcock & Brown for the sale of coal seam methane gas from Icon's ATP 626P from the commencement of gas production.

The MOU provides Icon with a 100 km of pipeline directly from ATP 626P to transport the gas to a connection point for market.

Once the gas production reaches its first target level, the MOU foresees the supply of minimum of 10 PJ of gas to Babcock & Brown, per year, from 2012 for a period of fifteen years. Babcock & Brown also have an option to purchase additional volume of gas as produced.

Gas Supply Agreement

The price of the gas will be proposed with the upcoming finalisation of the Gas Supply Agreement. Timing and longevity of the Gas Supply Agreement will see the price escalating in accordance with volume and time.

Icon Energy expects that establishing the gas (2P reserves) will take up to twelve months. Establishing the production field will take a further two years.

ATP 626P resources are currently being updated but are conservatively estimated to be in the range of 0.9 -1.25 trillion cubic feet (TCF). The value of this prospective resource is at \$AUD3.00 per gigajoule of up to \$3.75 billion dollars (or \$12.00 per share before operating development).

Icon Energy's core business of coal bed methane gas, is extremely market friendly

Coal Bed Methane Expansion

Icon continues its focus on coal bed methane gas and was the successful tenderer for ATP 849P. This is underlain by the Walloon Coal Measures (the lucrative source found in ATP 626P) at depths of up to 300 meters. Much of the area is unexplored with only three wells in the permit. Icon holds an 80% working interest in ATP 849. Associated with Coal Bed Methane Gas development are large water disposal reserves. Presently waste water is

ponded for evaporation. Icon is seeking to develop a sustainable source of biodiesel derived from algae. The evaporation ponds may provide the ideal environment for this new initiative. High water quality in ATP 626P augers well for subsequent applications.

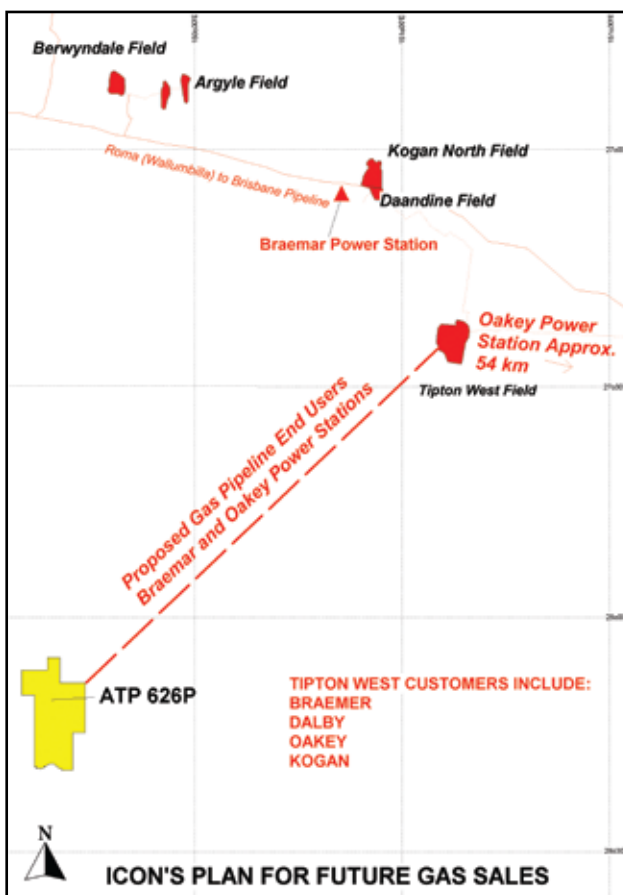
Opportunities for the Future

Icon Energy was the successful tenderer for geothermal permits NappaMerri 1 and NappaMerri 2, located underneath Icon Energy's ATP 855P.

Icon Energy's permits in south west Queensland are well placed in regard to petroleum potential and while exploration is proceeding in these permits they do not currently form a part of the producing assets of Icon.

In the long term growth of Icon, we aim to have a market capitalisation exceeding \$300 million within eighteen months. With CBM resources auguring lucrative productive potential, this aim should be readily achieved.

For those shareholders of Icon Energy, we thank you for your support and look forward to some very exciting prospects ahead.



Chairman's Address Summary Annual General Meeting



Stephen Barry – Acting Chairman

For the past five years, the company focused exclusively on the acquisition of high potential exploration blocks to provide a portfolio of permits that would enable Icon Energy to move into the next phase of development – that of a developer.

After last year's AGM, the board reviewed the strategic focus of the company and on the advice of the Managing Director, Ray James, the company decided to develop its highest probability permit, ATP 626P.

To undertake this development, Icon sold two exploration tenements to Santos Limited thus acquiring the capital needed to confirm our expectations with respect to ATP 626P.

This advice was not only correct, but timely.

The drilling of three wells in November/December 2007 confirmed the existence of the coal structures and led to an independent assessment of the indicated resource of between 0.9 and 1.25 trillion cubic feet of gas.

Our subsequent analysis of the coal suggests that this estimate is significantly under the actual resources. We are waiting on the availability of a suitable independent expert to verify our estimates.

We advise that we are at an advanced stage in negotiations for the sale of between 10 PJ and 50 PJ of gas and expect to sign a Memorandum of Understanding (MOU) within the next three weeks. That MOU will provide for a final Gas Sale Agreement to be completed by 30th August and no later than 30th October 2008.

The negotiations are at an advanced stage, with the delay in signing the Memorandum of Understanding having resulted from new developments in the gas market.

These developments are:

1. Queensland Gas Ltd partnership with British Gas to develop a liquid gas export facility at Gladstone.
2. British Gas attempted takeover of Origin Energy. Which, if they are successful, will result in a large portion of free gas reserves being quarantined from the Australian market.
3. Other gas field developers such as Arrow and Santos committing to their own LNG export facilities.

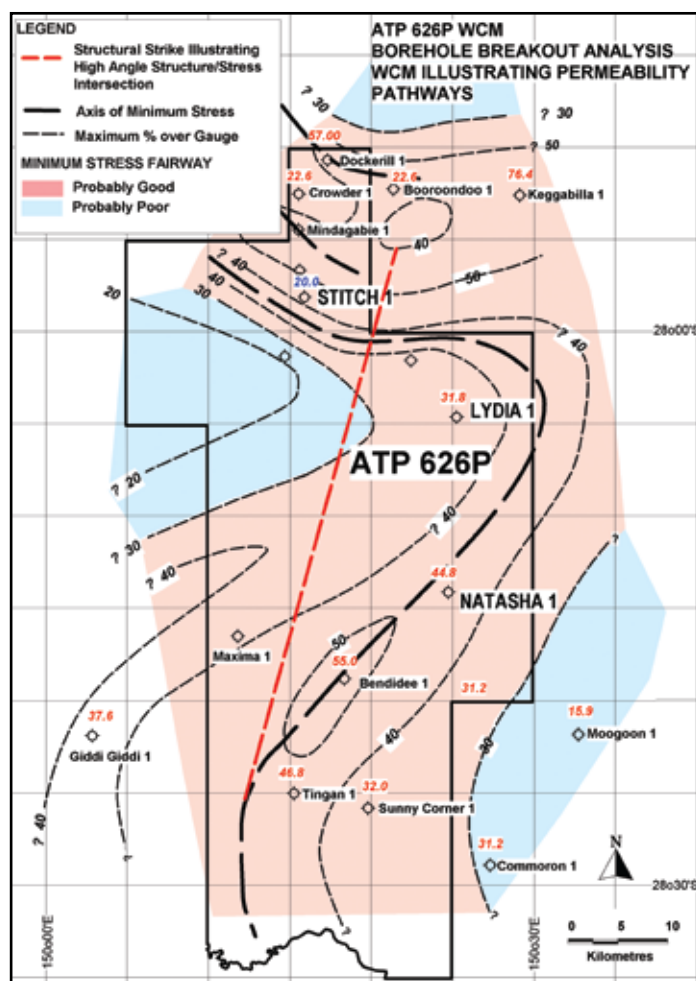
These developments in the coal seam gas markets over the past two weeks have strengthened Icon Energy's bargaining position and resulted in significant gains to the Icon shareholders.

The MOU negotiations include the following principles:

- The buyer has the right to purchase a minimum of 10 petajoules per year and a maximum of 50 petajoules per year;
- The buyer will provide for a gas pipeline from ATP 626P to an appropriate distribution point;
- Icon has the right to sell any gas above 50 petajoules at market prices and to use the pipeline at marginal costs for excess gas produced;
- Pipeline construction commences when Icon has independently certified 300 petajoules at the 2P level of reserves.

Icon's focus on a Gas Sale Agreement provides two benefits: such an Agreement provides long-term cash flow to Icon; because reserves reporting depends largely on the commerciality of the field, the Gas Sale Contract provides for that commerciality criterion.

Icon also has advanced negotiations for the funding of the development of the field. Developmental funding will cost approximately \$40 million and may involve a combination of equity and project funding. Finalisation of these negotiations should conclude within three months of the completion of the Gas Sale Agreement.



Drilling Program

Earlier in the year Icon announced that the Company would commence the dewatering of the three wells drilled on ATP 626P in 2007.

The work on these three wells was delayed because there were difficulties in sourcing equipment from the United States. The last of this equipment arrived approximately two weeks ago.

As both the Gas Sale Agreements were close to conclusion, Icon deemed it imprudent to commence work. Doing so would have been at a cost to our shareholders when such costs might be more appropriately borne by a farm partner.

The Capital Growth of Icon Energy Limited

In February this year Icon published its strategic objectives on its web site which stated:

The overall strategy of Icon Energy Limited over the next three to five years is to attain a market capitalisation of \$100,000,000 increasing to \$300,000,000 over the next ten years.

The board has revised the timing on those objectives believing that:

The company target market capitalisation is \$100,000,000 within the next three months, and \$300,000,000 within the next eighteen months.

The company is also pleased to announce that it is the preferred tenderer for two Geothermal Exploration Permits opened for tender earlier this year. This brings the total exploration permits to 14.

Icon Energy Geothermal Tenements

NappaMerri 1 & NappaMerri 2

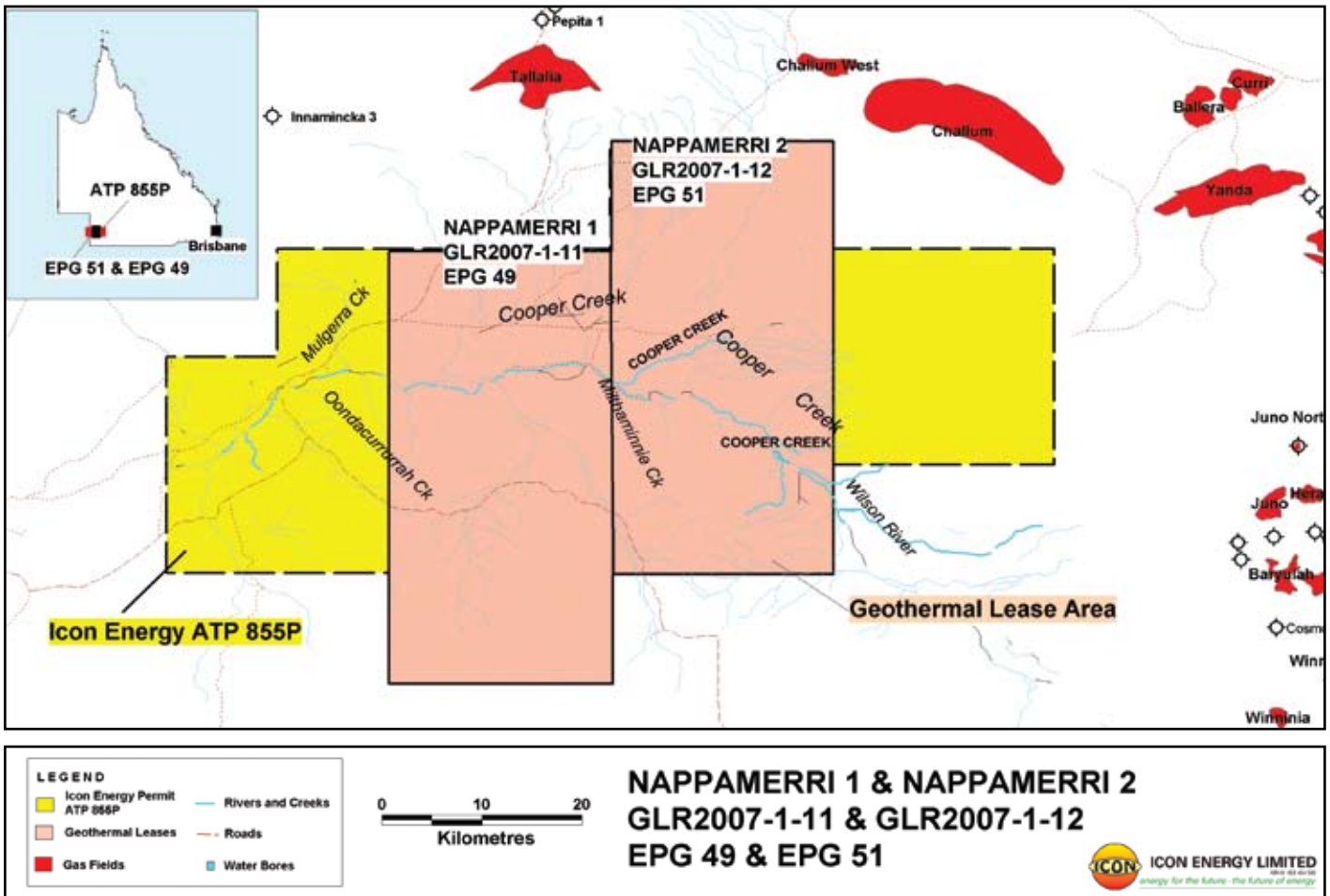
Icon Energy was advised on 29 May 2008 that Icon is the preferred tenderer for both NappaMerri 1 and NappaMerri 2.

NappaMerri 1 and NappaMerri 2 are located underneath ATP 855P which is located on the eastern side of the QLD/SA border, a few kms south west of the town of Ballera and 50km east of Jackson.

Geothermal, or "Hot Rocks" energy is produced from heat generated and captured from deep inside the earth. Deep Geothermal permits are a relatively new field and Queensland requires the observance of the Native Title process before the permit is granted.

Mr Wilson from the Queensland Department of Mines said geothermal had a bright future in Queensland. "It has the potential to produce more base-load energy than any other renewable energy source and it is also a much greener source of energy for power generation in Queensland," he said.

The drilling program for NappaMerri 1 and NappaMerri 2 will be strategically aligned with ATP 855P for cost savings and efficiencies in this phase. A five year work program has been devised involving geological and geophysical studies and techniques.



Recently Asked Questions by Shareholders

If you have a question you would like to ask please email us at info@iconenergy.com

Are your "prospective resources" for ATP 626P of 0.9-1.25tcf gas independently verified ?

The "prospective resources" were estimated by an Australian independent reserves certifier. Icon's Chief Geologist, Harry Duerden, has significantly advanced our earlier work. The initial resources are being revised to account for work done since the wells were drilled in 2007.

Why are your normal shareholders not allowed to participate in a share placement?

Exploration companies, like Icon Energy Limited, need to raise relatively small amounts of capital from time to time. The raising of capital from all shareholders equally requires a preparation of a prospectus and requires an extensive amount of time.

The Corporations Act (Cwth) does allow the placements to "Sophisticated Investors" and by definition, requires a certificate from the investor's accountant specifying that they have either earned in excess of \$250,000

per annum for each of the last two years or that they have net assets of at least \$2,000,000.

The only other way a shareholder can participate in a placement without the Company issuing a prospectus is for the Company to undertake a Share Purchase Plan (SPP). An SPP allows shareholders to purchase up to \$5,000 in shares. These shares are usually offered at a discount that can be no greater than 20% of the market price. While such an offering is one of the many financing options being considered by the Board at this time, no decision in relation to a SPP has been made.

Does Icon have sufficient funds to undertake the proposed development program?

Icon has several options available to raise funds for this program. We are carefully analyzing all the options and are well advanced in our discussions with several parties. Options include funds from a Farmin partner, capital raisings by a rights issue to shareholders or borrowings by the Company.



Recently Asked Questions by Shareholders continued...

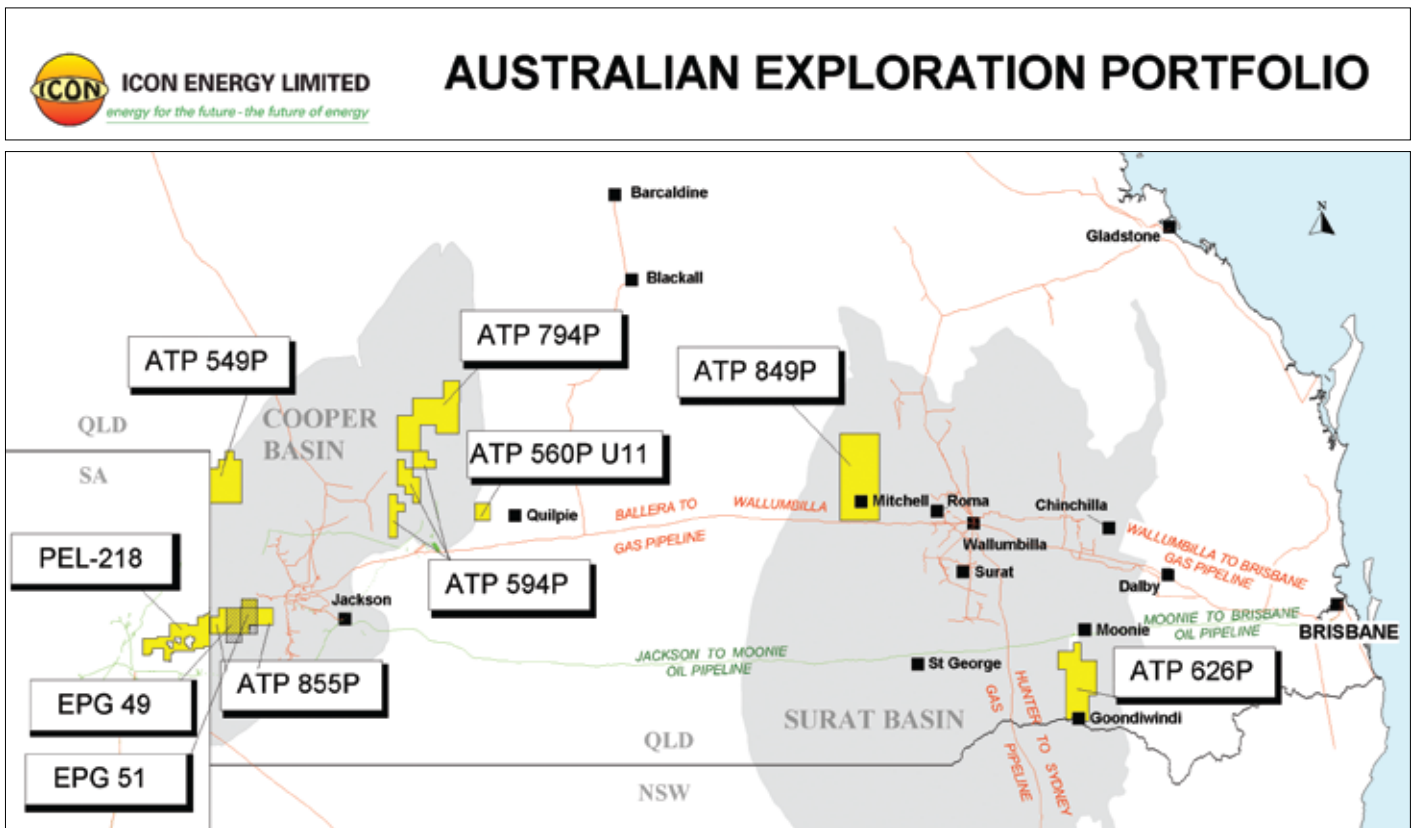
Is the sale of 150PJ, in effect a "prepayment" for the pipeline construction cost?

The short answer is that it is not a prepayment. The Gas Sale Agreement prices are commercial prices with regular adjustments to market. Icon is aware that with the proposed LNG plants to be built at Gladstone and the resultant world parity pricing for CSM gas prices are likely to rise. The Gas Sale Agreement will be negotiated so that pricing would allow for ongoing price rises. This pricing applies to the 150PJs and meets the commercial expectations and projections we established before entering into discussions on this MOU including the pipeline.

Other CSM producers have had difficulty with finding a reliable and flexible market. The proposed Gas Sale Agreement gives Icon access to the supply to two large established power stations.

What does Icon plan to do next ?

We are now in a position to advance our next objective which is to convert our indicated resource into proven reserves. One key aspect of that process was to prove we have a commercial contract for our resource which will be finalised with the Gas Sale Agreement.



Icon Energy Portfolio of Permits – Update

- ATP 849 is currently waiting for the Environmental Application to be finalized. A Cultural Heritage Management Plan is underway. A Native Title Claim is made by the Bidjega Traditional Owners.
- ATP 855, NappaMerri 1 and NappaMerri 2 will be subject to a Native Title agreement with the Wangkumurra People.
- PEL 218 Icon Energy is to record 100 kms of new seismic data later in 2008.



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