



**ICON ENERGY LIMITED**

ABN 61 058 454 569

*energy for the future - the future of energy*



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## ASX/Media Release

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### Icon Energy Signs LNG Sales Agreement with Shantou SinoEnergy

Icon Energy Limited (*Icon Energy, ASX:ICM*) today signed a binding LNG Sales Agreement (*LNG Supply Agreement*) with Shantou Sinogas Energy Co., Ltd (*Shantou SinoEnergy*) in Shantou City in Guangdong Province in China to supply 40,000,000 tonnes of LNG over 20 years, subject to certain conditions precedent (refer to Background Information below).

Shantou SinoEnergy has also advised that China Guodian Corporation has taken a direct interest in its LNG Receiving Terminal Project as a joint venture partner. Guodian is a Government owned corporation with an asset backing in excess of \$USD 90 billion and is one of China's largest electric power generators.

#### HIGHLIGHTS

- **40 million tonnes of LNG over 20 years**
- **China Guodian Corporation joins Shantou SinoEnergy in joint venture**
- **Shantou SinoEnergy to build a \$USD 727 million receiving terminal and regasification facility on Nan'ao Island near Shantou**
- **Price reviews every three years**
- **Commissioning Cargo and First Delivery by 30 June 2016**
- **Icon Energy negotiating to ship LNG on a Free On Board (FOB) basis**
- **Gas reserves need to be a minimum of 2 Trillion Cubic Feet (TCF) of Proven and Probable Reserves (2P) certification**
- **The gas contract price is linked to the price of Tapis crude oil in Singapore**
- **The agreement is an offtake agreement only**

The signing of the LNG Supply Agreement comes just twelve months after Icon Energy entered into a memorandum of understanding (**MOU**) with Shenzhen SinoGas back in April 2010.

Shantou SinoEnergy assumed all rights from Shenzhen SinoGas under the 8 April 2010 Memorandum of Understanding with Icon Energy and has since entered into a Framework Agreement with the South Branch of China Guodian Corporation in relation to the construction and operation of the Guodian Shantou Nan'ao Island LNG Terminal. The Nan'ao Island LNG Terminal is aimed at meeting the energy demands of a rapidly growing industrial and residential market, as well as the future construction of gas fired power stations to be operated by China Guodian Corporation in eastern Guangdong Province.

The agreement between Icon Energy and Shantou SinoEnergy was sealed at a formal signing ceremony at Shantou City, Guangdong Province, China, attended by Icon Energy Directors – Mr Ray James, Dr Keith Hillless, Mr Howard Lu and, Mr Derek Murphy at 11am in China (1pm Queensland time). Also attending were Icon Energy Chief Financial Officer Dr Kevin Jih.

Representing Shantou SinoEnergy were

Mr Wang Guoqin: Deputy Director of Shantou Development and Reform Bureau

Mr Lin Minghui: Section Chief of Shantou Development and Reform Bureau

Mr Ke Huaxiong: Deputy County Mayor of Shantou Nanao government

Mr Li Minghe: Office Director of Shantou Nanao government

Mr Fang Chunyang: Party Group Secretary & Vice General Manager of Guodian Company (Southern)

Mr Chen Dongqing: Vice General Manager of Guodian Company (Southern)

Mr Du Bo: Office Director of Guodian Company (Southern)

Mr Lin Jianhua: Managing Director of Shantou Sino Energy Co., Ltd

Mr Lin Zequn: Vice General Manager/Director of Shantou Sino Energy Co., Ltd

Mr Lu Zhonghai: Vice General Manager of Shantou Sino Energy Co., Ltd

Ms Cai Yanyun: Lawyer of Shantou Sino Energy Co., Ltd

Under the terms of the LNG Supply Agreement:

- Icon Energy has agreed to supply Shantou SinoEnergy 40 million tonnes of liquefied natural gas (**LNG**) over a 20 year period, commencing no later than June 2016.
- The price has been competitively set, having regard to the price of LNG supplied into China. Thereafter, the price will be reviewed every 3 years.
- Icon Energy is free to source feedstock gas from its own or third party tenements, subject to the gas and LNG meeting the international standard LNG specifications to be determined by accredited experts appointed by Icon Energy.

Icon Energy Managing Director, Ray James, said today's achievement of securing a significant LNG opportunity for the Company was the culmination of months of intense negotiations and numerous meetings in China and elsewhere, and sets a clear strategic driver for Icon Energy's operational focus to secure and develop gas reserves to meet its obligations under the contract.

The supply terms give Icon Energy flexibility to supplement its own resources with suitable contracted third party feedstock gas and which could serve to unlock stranded gas in Queensland and elsewhere.

“I envisage commencing discussions with identified and prospective co-venturers in the next couple of months, with a view to building Icon Energy’s gas bank”, Mr James said.

“Another critical term of the agreement with Shantou SinoEnergy is that Icon Energy is not locked into supplying LNG from a single nominated port. We have already considered Queensland and South Australian based options and are currently in the process of reviewing co-operative arrangements with one of the many Gladstone LNG projects for supply out of Queensland.

Icon Energy Managing Director Ray James said from China that the LNG Supply Agreement needs to be considered as a valuable commercial asset which Icon Energy has only been able to secure after months of negotiations both in China and Australia.

The agreement has been negotiated in parallel with our drilling development plans. Reserves cannot be certified unless a market exists for those reserves in accordance with international protocol.

“This is an exciting growth project for Icon Energy and comes at a time when the Company is just about to launch the most vigorous drilling programme in the Company’s history.

“We will commence drilling in the Surat Basin ATP626P tenement in mid-April this year. A Chinese delegation consisting of Shantou SinoEnergy and China Guodian Corporation staff and relevant Chinese government officers will visit our offices on the Gold Coast and our field operations in Queensland during May 2011”, Mr James said.

“Our strategy to pursue targeted commercialisation opportunities in parallel with our operations, rather than waiting to identify markets subsequent to drilling, has paid off”, Mr James said.

“Following our operations in the Surat Basin, where we have a contract to drill up to five wells, we will be looking to commence drilling in the Cooper-Eromanga Basin ATP855P tenement around June or July and thereafter in our Gippsland PEP170 tenement. The recent Queensland floods are still affecting operations in the Cooper-Eromanga Basin.

Icon Energy’s LNG Project has also taken on a significant dimension with the Chinese state owned China Guodian Corporation entering into a joint venture with Shantou SinoEnergy and agreeing with Shantou SinoEnergy to construct and operate the proposed LNG receiving terminal to be located on Nan’ao Island, Shantou.

“Shantou SinoEnergy and its joint venture partner, China Guodian Corporation, plan to construct an \$A727 million LNG receiving terminal capable of ultimately loading and off-loading and re-gassing up to 3 million metric tonnes per annum. The proposed receiving terminal would receive LNG supplied by Icon Energy and facilitate the distribution of gas to commercial and residential customers in the Shantou City area”, Mr James said.

Under the Framework Agreement, China Guodian Corporation also envisages constructing and operating gas fired power stations to meet growing industrial and residential energy needs in China.

Mr James said that he would elaborate on prospective feedstock, supply, development and tolling options as soon as discussions were at a more mature stage. Until each of these options had been explored in detail by the Board, it was also premature for Icon Energy to make any comments on funding and investment options, although Mr James indicated that he was already in discussion with preferred advisors with a view to securing project investment.

Mr James said that a more detailed briefing on the LNG Sales Agreement and various development, funding and investment options would be provided to the market in due course.

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## **BACKGROUND INFORMATION**

### **Icon Energy Limited**

Icon Energy Limited (***Icon Energy***) is a Queensland oil and gas company with its head office located at Broadbeach on the Gold Coast, Queensland, Australia. The Company's key acreage is located in the Surat Basin in Queensland, the Cooper-Eromanga Basin in Queensland and South Australia and in the Gippsland Basin in Victoria.

The Company has recently announced that it is embarking on a vigorous drilling programme targeting coal seam gas and shale gas, principally in the Surat and Cooper-Eromanga Basins, where Icon Energy currently holds an 80% interest in what it considers to be the highly prospective ATP855P tenement.

The Company has recently entered into a drilling contract with Atlas Drilling Co. Pty Ltd to drill up to five wells in the Surat Basin and is currently undertaking preliminary work in preparation for its drilling programme in the Cooper-Eromanga Basin.

### **Shantou SinoEnergy**

Shantou SinoEnergy is based in Shantou City, Guangdong Province in China. Shantou SinoEnergy was established to service the growing energy needs of the eastern part of Guangdong Province.

Shantou SinoEnergy plans to construct an \$A727 million LNG receiving terminal capable of ultimately loading and off-loading and re-gassing up to 3 million metric tonnes per annum. The proposed receiving terminal is to be located on Nan'ao Island near Shantou City, which would receive LNG supplied by Icon Energy and distributed to commercial and residential customers in the Shantou City area.

### **Conditions Precedent**

The LNG Sales Agreement includes the following conditions precedent:

- (a) In favour of Shantou SinoEnergy (as the Buyer of LNG);
- Buyer obtaining any necessary import approvals by 31 March 2013 from Chinese Government Authorities to allow the construction and operation of the Receiving Facilities and the purchase and import by it of LNG under the LNG Sales Agreement.
  - Buyer delivering to Seller by 31 December 2012 the written certification of a Rating Agency specifying for Buyer a credit rating of AAA (where the Rating Agency is S&P) or Aaa (where the Rating Agency is Moody's).
- (b) In favour of Icon Energy (as the Seller):
- Seller delivering to Buyer by 31 March 2013 a Reserves Certificate of at least 2.0 TCF of Proven and Probable Reserves (2P) of Natural Gas (which the Parties agree is a sufficient quantity of Natural Gas to enable Seller to comply with its LNG supply obligations to Buyer under the LNG Sales Agreement).

- Seller obtaining by 31 December 2012 all required authorisations (including for the development and operation of any feedstock fields and LNG facilities) on terms satisfactory to Seller in its sole discretion.

The conditions precedent are for the benefit of both parties and cannot be waived unilaterally.

### **Gas Source**

The LNG Sales Agreement does not provide for the dedication of specific fields. Rather, feedstock gas can be sourced from either: natural gas production fields owned or operated by Icon Energy, its subsidiaries or its joint venture partners; or from third parties under gas purchase agreements; or via new tenements acquired by Icon Energy (including by farmin); or under such other arrangements so as to facilitate the supply of LNG under the LNG Sales Agreement (in each case, as determined by Icon Energy). The Company is also at liberty to introduce joint venture parties to the LNG Sales Agreement, who will become co-sellers of LNG under the agreement.

### **LNG Specification**

The LNG Sales Agreement provides for a set LNG Specification, which is to be verified by an accredited LNG Expert.

### **Shantou City**

Shantou is located in southeast of Guangdong Province, China, adjacent to the South China Sea. It is known as "the gateway of east Nanling Mountains and the communication hub of Southeast China" because of its advantageous geographical location. The city covers an area of 2,064 square kilometres and has a population of 4.8 million people. It has jurisdiction over six districts---Longhu, Jinping, Haojiang, Chenghai, Chaoyang, Chaonan and Nan'ao County. The Shantou Economic Zone itself takes up 234 square kilometres of the area.