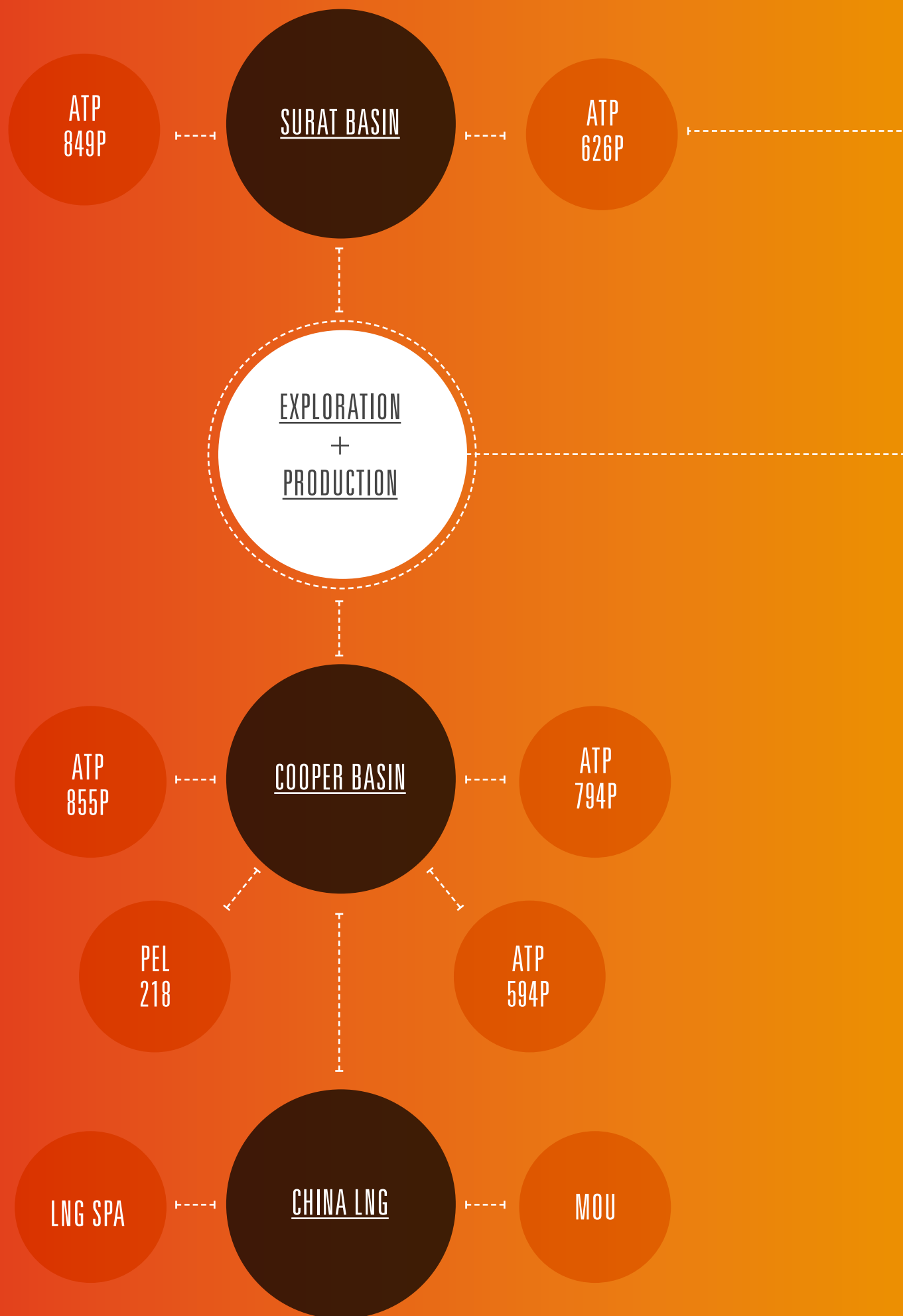
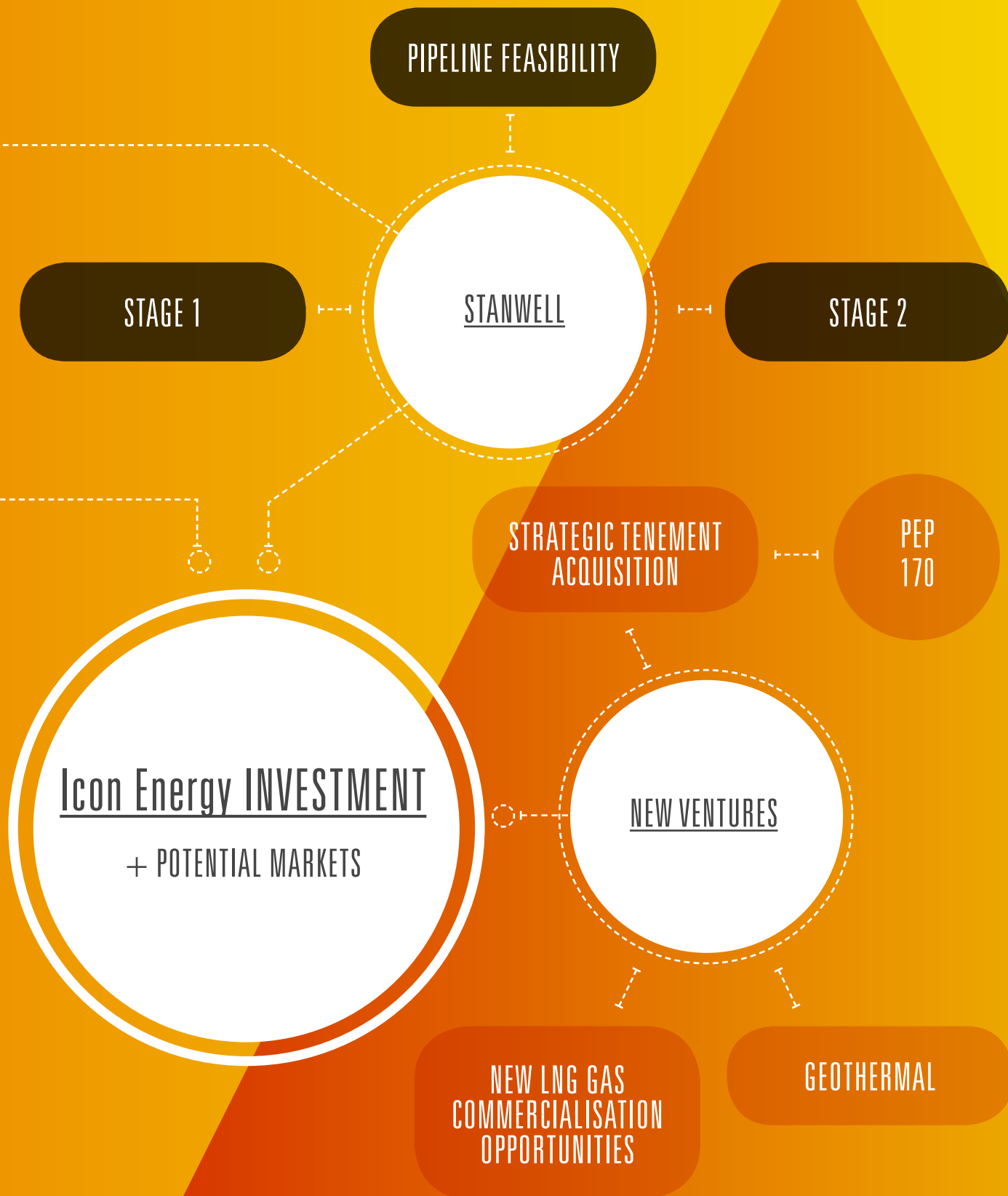


LAYING THE FOUNDATIONS



ICON ENERGY LIMITED
ANNUAL REPORT 2010





OUR BUSINESS STRATEGY

MAXIMISING OPPORTUNITIES FOR GROWTH

OUR STANWELL CORPORATION PROJECT

Queensland Government-owned power generator Stanwell Corporation Limited ("Stanwell") is Icon Energy Limited and subsidiaries ("Icon Energy") joint venture partner in key coal seam gas tenement ATP626P, in the Surat Basin in Queensland.

The Icon Energy and Stanwell Farmin Agreement is to buy up to 225 petajoules of gas over a 15 year period under a Gas Sale Agreement.

Stanwell has already invested \$6 million into the 2009-2010 Drilling Program, which marked the completion of Stage 1 of the Project.

The 2009-2010 Drilling Program results have been compiled. Well completion results, 305 km of seismic acquisition and a pipeline ground route survey have been completed. Stage 2 of the Project, the 2010-2011 Drilling Program will commence following landowner negotiations and cultural heritage clearances.

Under Stage 2, Icon Energy and Stanwell will continue to develop the tenement to the required 340PJ of 2P reserves while assessing the feasibility point to market. The proposed route enables Stanwell and Icon Energy to join ATP626P to the main Roma to Brisbane gas pipeline.

Stanwell has now been assigned a 50% working interest in the farmin area covering four (the Lydia Area) of the 30 blocks within ATP626P, along with a 1% title interest in the whole of ATP626P.

The 2010-2011 Drilling Program is due to commence at the end of 2010, with Stanwell committing up to a further \$30 million to the Project.



Image: ATP626P Icon Energy & Stanwell Corporation members site inspection.



CHINA LNG PROJECT



Icon Energy and Shenzhen Sino Industrial Development Co. Ltd (Shenzhen Sinogas), a subsidiary of China's SinoGas Group, have agreed to the key terms in a Memorandum of Understanding for an exclusive gas supply deal for the delivery of 40 million tonnes of liquefied natural gas (LNG) over a 20 year period.

Icon Energy plans to meet the contractual requirements via its current tenements in South Australia and Queensland, gas swaps, arrangements with existing joint venture partners, new farmin agreements and the securing of additional tenements.

Following a request by Shenzhen Sinogas for additional time to secure its necessary approvals, negotiations to conclude the detailed terms of the LNG Sales and Purchase Agreement for execution by 31 December 2010 are being progressed. The export value ranges from A\$23 to A\$32 billion depending on the Singapore Tapis Crude Price.

The agreement positions Icon Energy as the exclusive supplier of approximately 2.2 trillion cubic feet (TCF) over the 20 year life of the agreement.

Image: Is a stock photo for illustrative purposes only. This does not form part of Icon Energy's or Shenzhen Sinogas' assets.





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Image: ATP626P Gas flare from Lydia Pilot 2 well.

CHAIRMAN'S REPORT



This Annual Report comes seven months after our Annual General Meeting (AGM) in April 2010. This additional AGM in the same year of 2010 comes about because of a need to change Icon Energy's financial reporting date from 31 December to 30 June in each year to bring our accounting date into line with our tax reporting date. This change was approved by the Australian Securities & Investment Commission on 22 June 2010.

There has been a shift from paper to electronic media of companies reporting to their shareholders. All shareholders must however receive in the post the notice of meeting containing the resolutions which must be put to the AGM. With over 7000 shareholders now owning Icon Energy shares we need an efficient and effective way of keeping in touch. This year we have decided to send a hard copy of the Annual Report to all shareholders as electronic reporting is not as effective in keeping shareholders up-to-date with Icon Energy's activities. To elect to receive security holder communications electronically, please visit www.investorcentre.com/au and follow the prompts or call Computershare Investor Services on 1300 555 159.

By sending every shareholder a copy of the Annual Report we have the most effective means of giving every shareholder a summary of the status of the company along with the mandatory financial statements.

In September 2010 Icon Energy slipped off the S&P ASX 300 list, a position attained and kept for twelve months. This resulted in index selling by those investors and institutions which only trade the indexes, and this index selling is likely to have depressed the share price over several weeks in September. We hope that the finish of this index selling will remove that downward pressure on Icon Energy's share price. When Icon Energy re enters the S&P ASX 300 then those investors and institutions which only trade in the indexed market would presumably buy Icon Energy shares.

Icon Energy's vision is to become a much larger oil and gas corporation and production company with a special emphasis on developing gas reserves. This vision is in line with the most eco friendly fuel source at the present time.

Icon Energy's primary objective is to develop certified gas reserves to a proven 1P and 2P level from Coal Seam Gas and Unconventional Gas. At present, Icon Energy has a certified gas resource of 6,115 PJ Gas Initially In Place (GIIP) and of this Netherland, Sewell & Associates, Inc. have certified 1,775PJ (3C) and 1,115 PJ (2C). In order to attain the certification of gas reserves it is essential to demonstrate that Icon Energy's resource is in fact commercial. As a consequence it is necessary to locate gas markets for Icon Energy's gas and to be able to develop the infrastructure needed to process and transport this gas to the market, which includes distant and diverse markets.

Icon Energy is taking a number of steps to prove that its gas is commercial. Firstly, Icon Energy has entered into a joint venture with Stanwell to provide gas for power generation. Stanwell is wholly owned by the Queensland Government and is a significant generator, supplier and trader of electric power in Queensland. Stanwell has elected to proceed with stage 2 by committing a further \$30 million to the development of gas in ATP626P. This new drilling program is expected to commence in late 2010/early 2011 with further core holes and production pilots. Icon Energy has committed under various agreements with Stanwell for the joint ventures to deliver 225PJ of gas over a 15 year contract period with a value to Icon Energy exceeding \$0.5 billion.

Secondly, the MOU signed with Shenzhen Sinogas in April 2010 was due to be converted to a binding but conditional LNG Sales and Purchase Agreement (LNG SPA) by 31 August 2010. In September Shenzhen Sinogas requested an extension of time until 31 December 2010 to allow more time to obtain its import license through the National Research Development Corporation. One condition precedent in the LNG SPA is that Icon Energy is required to prove the required certified reserves in the Australian tenements of 3300PJ of 2P reserves. These reserves will underwrite the contract to sell 40 million tonnes of gas to China (2.2TCF) over 20 years for a value exceeding \$25 billion.

Thirdly, Icon Energy is assessing potential LNG production opportunities including Micro/Domestic LNG for the domestic market and large scale LNG for the China import market. The Micro/Domestic LNG development concept has provided Icon Energy with an added incentive to maintain a geographically diverse acreage portfolio.

Icon Energy continues to seek to acquire promising exploration opportunities outside of Queensland such as the Victorian permit to be known as PEP170 in the Gippsland Basin.

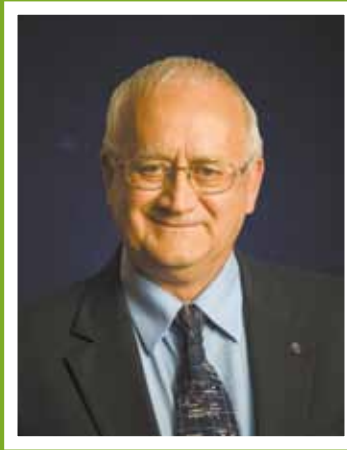
Icon Energy does have two geothermal permits, however this energy source remains far off any commercial development possibilities at the present time. Geothermal energy source evaluation is a bi-product of our normal drilling operations and it made sense to hold a licence coincident over our regular exploration permits such as ATP855P.

Icon Energy is undergoing rapid development in its program. The future is bright for Icon Energy and its joint venture partners as we participate in Australia's gas development opportunities. We look forward to positive news in 2010 and 2011.

A handwritten signature of Stephen Barry in black ink, enclosed within a rectangular box.

Stephen Barry
Chairman

MANAGING DIRECTORS REPORT



In April 2010 Icon Energy shareholders met at an Annual General Meeting (AGM). Seven months later we are holding another AGM of shareholders. The reason for this extra meeting in 2010 is to bring Icon Energy's reporting year into line with the requirements of the Australian Tax Office (ATO). Icon Energy will now close and audit the company financial information on 30 June each year. This means that the AGM will be held in October/November in future years. This decision will bring two sets of accounts into one, resulting in considerable savings from not having to prepare accounts for shareholders and the ATO separately.

Icon Energy has achieved several milestones outlined in its strategic objectives. The primary objective of monetising coal seam gas assets is on track through the election of Stanwell to proceed to Stage 2, committing a further \$30 million to ATP626P. In addition the Memorandum of Understanding (MOU) signed with Shenzhen Sinogas is moving towards a LNG Sales and Purchase Agreement (LNG SPA) which is now expected to be signed by 31 December 2010.

This LNG SPA is subject to a number of conditions precedent which includes the certification of the gas reserves to supply 40 million tons of LNG over 20 years and the obtaining of an import license to China. Icon Energy's responsibility under the LNG SPA is to conduct a drilling program to certify 2P reserves of approximately 3.3TCF or 3300PJs. The coal seam and deep shale gas resource has been identified and our efforts are directed at upgrading this resource from prospective, to contingent, to certified reserves. To mitigate the risks of obtaining these reserves Icon Energy has acquired new acreage with potential to develop these reserves.

Icon Energy's Cooper Basin tenement, ATP855P was awarded to Icon Energy after completing a 3 year Right to Negotiate (RTN) process with the Wongkumara Traditional Owners. Icon Energy was very pleased with the terms of the RTN Agreement and the amicable working relationship between Icon Energy and the Wongkumara Traditional Owners. In October 2009, Beach Energy Limited ("Beach") offered to farmin to ATP855P by earning a 40% working interest and by committing to \$8.5 million in operational expenditure. The farmin was pending the award of the permit and remains subject to completing the negotiation and execution of formal Farmin and operating agreements, as well as completing a placement valued at \$3.5 million. ATP855P is prospective for gas in shallow Cretaceous coals as well as deep shale gas plays.

Icon Energy farmed into PEL218 in the Cooper Basin in South Australia. Icon Energy is earning a working interest of 33.33% in the Post Permian strata, which is the sedimentary section where the coal seam gas play exists.

Icon Energy's key Cooper Basin tenements, PEL218 and ATP855P occupy over 3000km² of the Nappamerri Trough where the shale gas is one of the most prospective in Australia.

Icon Energy has been successful in tendering for a new exploration block in Victoria with the award of PEP170 in the onshore Gippsland Basin. This permit is prospective for oil and deeper tight gas with the potential to satisfy export contracts of gas to Asia. The primary advantage of the hydrocarbon plays in this permit are the proximity to major port infrastructure and potential to find commercial gas production, with the right development options, in a relatively short time frame. Icon Energy will continue to seek new Coal Seam Gas and Unconventional Gas acreage and it's currently working on several new areas in Australia.

On 4 December 2009, Icon Energy moved to a new office building at Broadbeach on the Gold Coast in Queensland. Icon Energy had outgrown its former office in Robina Town Centre and had been under pressure to move to a location which met Icon Energy's expanding needs. Icon Energy now has 25 employees and is growing. The office was fully fitted out as a single purpose building and Icon Energy was able to move to the new premises over one weekend. This avoided most of the fitout costs associated with moving into any new office space, whether rented or purchased. The building was purchased at auction through a mortgagee sale for half the original construction cost when built three and a half years ago and it is expected that the value of the asset will not diminish with time. The net result of this acquisition will save considerable money in rent over the coming years, which allows for more money to be invested in drilling.

Icon Energy's key exploration focus for 2009-2010, the Lydia Pilot Area in ATP626P held considerable promise with good coal thickness averaging 13 metres and full gas saturation. Early water production rose sharply over the first 90 days and then levelled off at a maximum of 200 barrels of water per day for the best well. It has been determined that the maximum gas flow rate would only reach 100,000 cubic feet of gas due to the low permeability which is in the range requiring stimulation to reach commercial rates in excess of 200,000 cubic feet of gas per day. A new drilling program in Joint Venture with Stanwell will shortly be underway and the objective of this program is to find the best location for a new pilot. The new wells will be engineered to enable stimulation if necessary.

Icon Energy has made good progress in the upstream area of its business and put considerable effort into its midstream and downstream opportunities. The one essential ingredient for successful unconventional gas is to have a market. Without a market

the investment in drilling to prove up reserves cannot be justified. As a consequence Icon Energy has adopted the model whereby non binding or conditional agreements for the sale of gas develops in conjunction with exploration.

The big contracts for gas in Australia are for exports to Asia. The effort to reach the reserves required for export projects in Gladstone for example, has dwarfed the much smaller domestic market opportunities.

The Company is working with strategic partners to develop a Micro/Domestic LNG concept scaled to and centred around identified market opportunities, which include the commercial, industrial and transport sectors. With a target of focusing on the commercial opportunities, the aim is to contract with customers proximate to suitable gas sources in regional Australia as well as urban industrial areas. The development concept under consideration is for a roll out of stand alone plants producing up to 50 tonnes of LNG per day. Currently the Company is undertaking an evaluation of a proposed Stage 1 opportunity.

Icon Energy has a strong focus on the domestic market and is working with Stanwell to develop gas fired power generation. The ATP626P 2011 Drilling program, is in the final stages of preparation and will commence as soon as permit entries can be obtained from the landowners. This process can now take up to three months under the new legislation brought in by the Queensland Government on 1 October 2010.

Icon Energy continues its focus on exploration while laying the foundations to lead the Company towards commercialisation and production. I would like to thank you, our shareholders for your support and we look forward to a successful year ahead.



Ray James
Managing Director

**THE PRIMARY OBJECTIVE OF
MONETISING COAL SEAM GAS
ASSETS IS ON TRACK THROUGH THE
ELECTION OF STANWELL TO PROCEED
TO STAGE 2, COMMITTING UP TO A
FURTHER \$30 MILLION TO ATP626P.**

BOARD OF DIRECTORS



Stephen Barry
Chairman

Qualifications:

LLB University of Sydney.
MAICD

Experience:

Stephen has been a Director of Icon Energy since 1993. He has been a key player in the development of the strategic direction of the company. As a practicing solicitor he has extensive experience in joint venture and farmin agreements together with a wealth of knowledge on commercial law and corporate litigation. He was appointed as the Chairman of the Board on 18 December 2008. He is a member and Chairman of the Board's Remuneration Nominations and Successions Committee. He is also a member of the Board's Audit and Risk Management Committee. He has held no other Australian listed company directorships during the past three financial years.

Director Since: 05/01/1993



Ray James
Managing Director

Qualifications:

BSc (Physics, Maths, Geology)
University of NSW. FAICD FAIM

Experience:

Ray is the founding Managing Director of Icon Energy and its subsidiaries since 1993. Ray has 40 years experience in the petroleum industry in Australia, USA, Indonesia, South East Asia, Middle East and Russia. He worked with Chevron Perth and Chevron Houston from 1969-74 and with Gulf Oil from 1974-80. He was the Managing Director of Australian Hydrocarbons from 1980-81 and the Managing Director of Omega Oil from 1987- 91. He was a Director of Australian Petroleum Production & Exploration Association (APPEA) from 1999-2007 and Vice Chairman of APPEA from 2003-2005. He is a Fellow of the Australian Institute of Management of Company Directors and serves as a member of the Gold Coast Committee. He is a Fellow of the Australian Institute of Management.

Director Since: 01/02/1993



Keith Hilless
Non-Executive Director

Qualifications:

AM, BE (Elec) Qld, DUniv QUT, FIE
Aust, FAIM, MAICD

Experience:

Keith was appointed to the Board on 3 April 2009 as a Non-Executive Director of Icon Energy Limited. Keith retired as Chairman of the Queensland Government owned ZeroGen, which specialises in commercial 'clean coal' technology on 30 June 2010. Dr Hilless is also a past Chairman of Ergon Energy Corporation Limited with \$6 billion in network assets, revenues of \$3.1 billion and over 4,000 staff. Dr Hilless was Electricity Commissioner of the Queensland Electricity Commission (QEC) for a time, CEO of the Queensland Transmission and Supply Corporation (QTSC), responsible for high voltage supply throughout Queensland and for forecasting changes in electricity demand and expanding Queensland's electricity network.

In addition to his impressive corporate pedigree, Dr Hilless is a Doctor of the University QUT, He was also Deputy Chancellor of Queensland University of Technology for a time, is a Member in the General Division - Order of Australia, a Fellow of both the Institution of Engineers Australia and The Australian Institute of Management and a Member of the Australian Institute of Company Directors.

Director Since: 03/04/2009



Derek Murphy
Non-Executive Director

Qualifications:

BA, LLB (UQ), LLM (Lond), FAIM,
FAICD, FHKIoD, SF Fin

Experience:

Derek was appointed to the Board on 20 March 2009 as a Non-Executive Director of Icon Energy Limited. He is a Fellow of the Australian Institute of Management, a Fellow of the Australian Institute of Company Directors, a Fellow of the Hong Kong Institute of Directors and a Senior Fellow of the Financial Services Institute of Australasia.

He was admitted as a Barrister of the Supreme Court of Queensland and the Federal and High Courts of Australia. Before practicing as a Barrister in Brisbane for some years, he was the Queensland partner of ABS White and Company, a Sydney based stock broking firm.

During a career spanning 20 years in Hong Kong, he was a Crown Counsel; Deputy Commissioner for Securities and Commodities Trading, Managing Director of what is now HSBC Asset Management, and Group Vice President, Corporate Communications, of First Pacific Company Limited, a publicly listed conglomerate with interests in telecommunications, food, property and health care.

Derek is a Non-Executive Director of Hayco Manufacturing Limited, a large manufacturing company in Hong Kong and China, and a Director of Mt Warning Pty Ltd, a corporate trustee company representing Japanese interests. He retired as Chairman of the School Council of The Southport School (TSS) at the end of 2009 after 12 years on Council.

Director Since: 20/03/2009

SENIOR LEADERS



Wesley Glanville

General Counsel & Company Secretary

Qualifications:
LLB, BA, GDLP, MAICD, CSA (Affiliate)

Experience:

Wesley joined Icon Energy as General Counsel and Company Secretary in August 2010. Wesley was a former Managing Counsel and Company Secretary of Santos Ltd. He has in excess of 20 years experience advising major listed and unlisted companies, both as an external professional advisor and as a senior executive and has worked on some of the largest projects in Australia, as well as significant projects overseas, including the world-class Bayu-Undan condensate and LNG projects located in the Timor Sea and Darwin. Wesley's industry experience covers a broad spectrum of both onshore and offshore exploration, development, production and commercialisation projects and has involved him working on numerous major oil and gas developments, sales, marketing, distribution and transportation arrangements, domestic and international exploration campaigns and various other operational, strategic and business initiatives. Wesley also has extensive corporate experience.



Kevin Jih

Chief Financial Officer

Qualifications:
BA, MBA, MAcc, PhD (Bond), CPA

Experience:

Kevin joined Icon Energy as Deputy Chief Financial Officer in November 2008 and was promoted to Chief Financial Officer in July 2010. Dr Jih is a Certified Practising Accountant and has wide experience in the private and public sectors specialising in management accounting, financial accounting and corporate governance. Kevin has held numerous key positions as the Faculty Manager of Finance and HR, Faculty of Humanities and Social Sciences at Bond University, Australia; Vice President of Hong Yang Lease Finance Co Ltd in Taipei and Business Consultant of Hualien Business Bank in Taiwan.



Larry Brown

Chief Operating Officer

Qualifications:
BSc Petroleum Engineering

Experience:

Larry joined Icon Energy as Chief Operating Officer in June 2008. He has 30 years experience with Chevron, Chevron Oil Field Research and Chevron Overseas Petroleum; InterOil Cairns, Australia; Oil Search Ltd, Sydney; Westside Corporation, Brisbane. His work assignments have been in the USA (Gulf of Mexico to California); Kazakhstan; Australia; Papua New Guinea; and Nigeria. His experience has spanned operations, production, reservoir engineering, production engineering, research and development, drilling, including workovers and completions, contract administration, budgeting and planning.

In Chevron he was recognized by receipt of the President's Award for Excellence while in Research and Development and his Petroleum Engineering Group was also recognised for achievement by receipt of the Managing Director's Award while assigned to Chevron's Nigerian Production Operations.

EXPLORATION REVIEW

Icon Energy Exploration Drilling 2009-2010

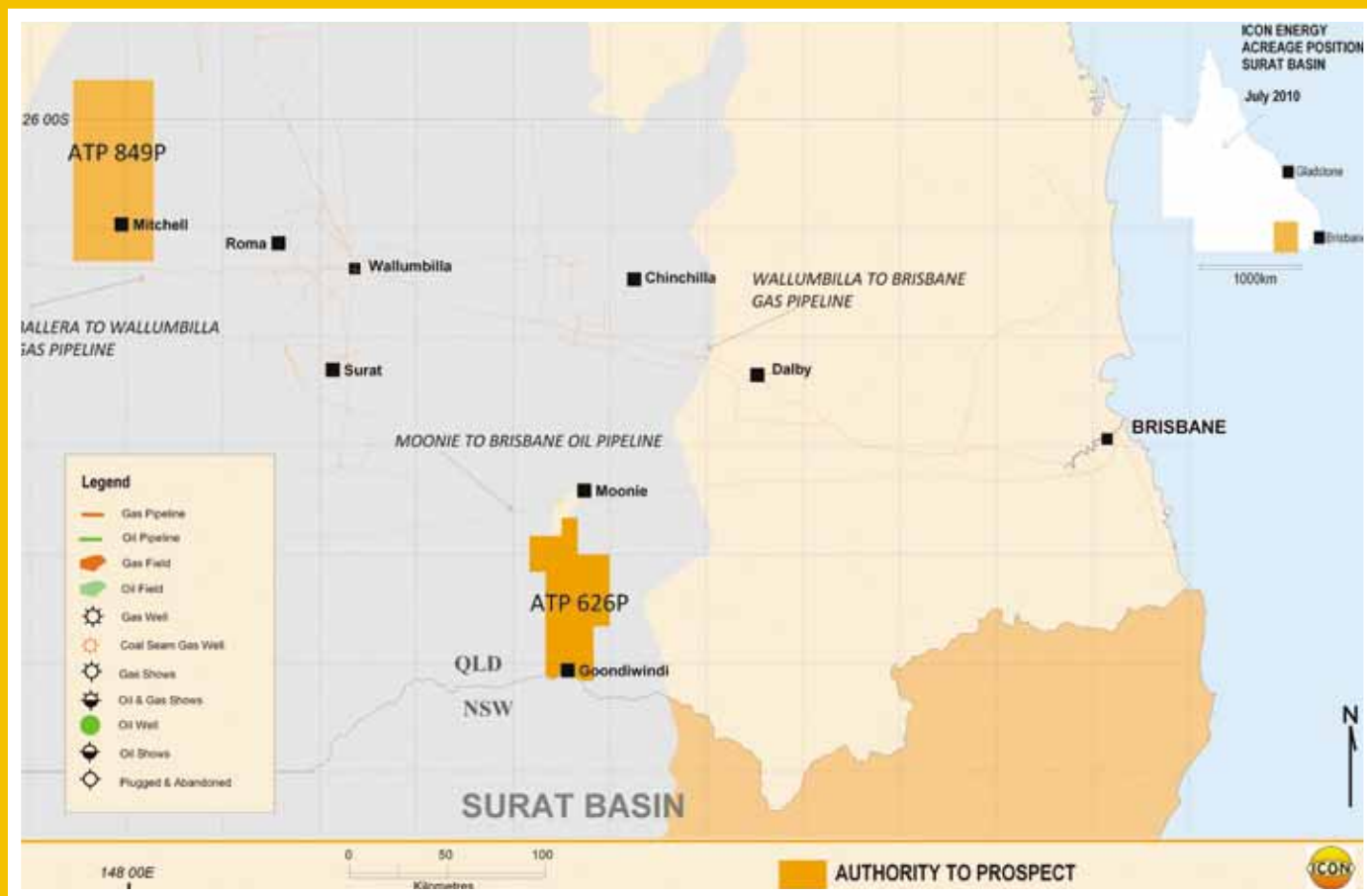
Tenure *	Well Name	Type	Spud date	Total Depth	Location	LP-2 CORE #2
SURAT BASIN						
ATP626P	Tommy 1	Exploration	4-Nov-09	1064.55m	Sample 717.0 - 718.0m	BOX #2
	Lorena 1	Exploration	24-Nov-09	1110m		
	Henry 1	Exploration	9-Jan-10	1065m		
	Dominic 1	Exploration	20-Jan-10	1326m		
	Jack 1	Exploration	30-Apr-09	700.2m		
	Lucy 1	Exploration	16-Mar-10	895.2m		
	Tingan 2	Exploration	7-Aug-10	350m		
ATP626P Stanwell Lydia Pilot	Lydia 5	Exploration	29-Jul-09	896.8m		
	Lydia 6	Exploration	10-Feb-10	852m		
	Lydia 7	Exploration	2-Apr-10	667.9m		
	Lydia 8	Exploration	20-Jan-10	840m		
	Lydia 9	Exploration	13-Mar-10	840m		
COOPER BASIN						
PEL218	Wakefield 1	Exploration	Sep-09			

*ATP- Authority to Prospect
 PEL- Petroleum Exploration Licence



SURAT BASIN

Icon Energy ACREAGE POSITION — SURAT BASIN



ATP626P

Icon Energy's key coal seam gas tenement ATP626P is located north of Goondiwindi in the Surat Basin. Queensland Government-owned power generator Stanwell is Icon Energy's joint venture partner in the Lydia Block within the tenement.

Icon Energy has completed the 2009-2010 Drilling Program ahead of schedule.

Seven wells, including Lorena 1 and Tommy 1, identifying promising technical attributes, were located outside the Stanwell Area.

The results from the tests conducted on all 12 wells, including coal thickness, core gas desorption testing and DSTs (drill stem tests) are

currently being compiled to enable Icon Energy's technical team to pinpoint the best permeability and reservoir qualities in ATP626P.

All 305km of seismic data compiled by Terrex Seismic has been processed and coupled with the results from the 2009-2010 Drilling Program, to provide a thorough picture of ATP626P. This complete seismic picture is integral in developing the detail needed to embark on Stage 2, in the 2010-2011 Drilling Program.

Image: ATP626P Drilling Dominic 1.



SURAT BASIN

The twelve well program in synopsis

Icon Energy announced the farmin deal with Queensland Government-owned power generator Stanwell in December 2008, with Stage 1 of the agreement comprising the \$6 million Lydia Pilot Program.

The key goal of the 2009-2010 twelve well program was to fulfil Icon Energy's obligations under Stage 1 of the farmin with Stanwell, and to evaluate gas potential outside the farmin area.

Stage 1, consisting of the 2009-2010 Drilling Program, required an exploration program to examine the CSG potential of the four graticular blocks in the Lydia Farmin block, which represents the joint venture area (refer to map on page 13.)

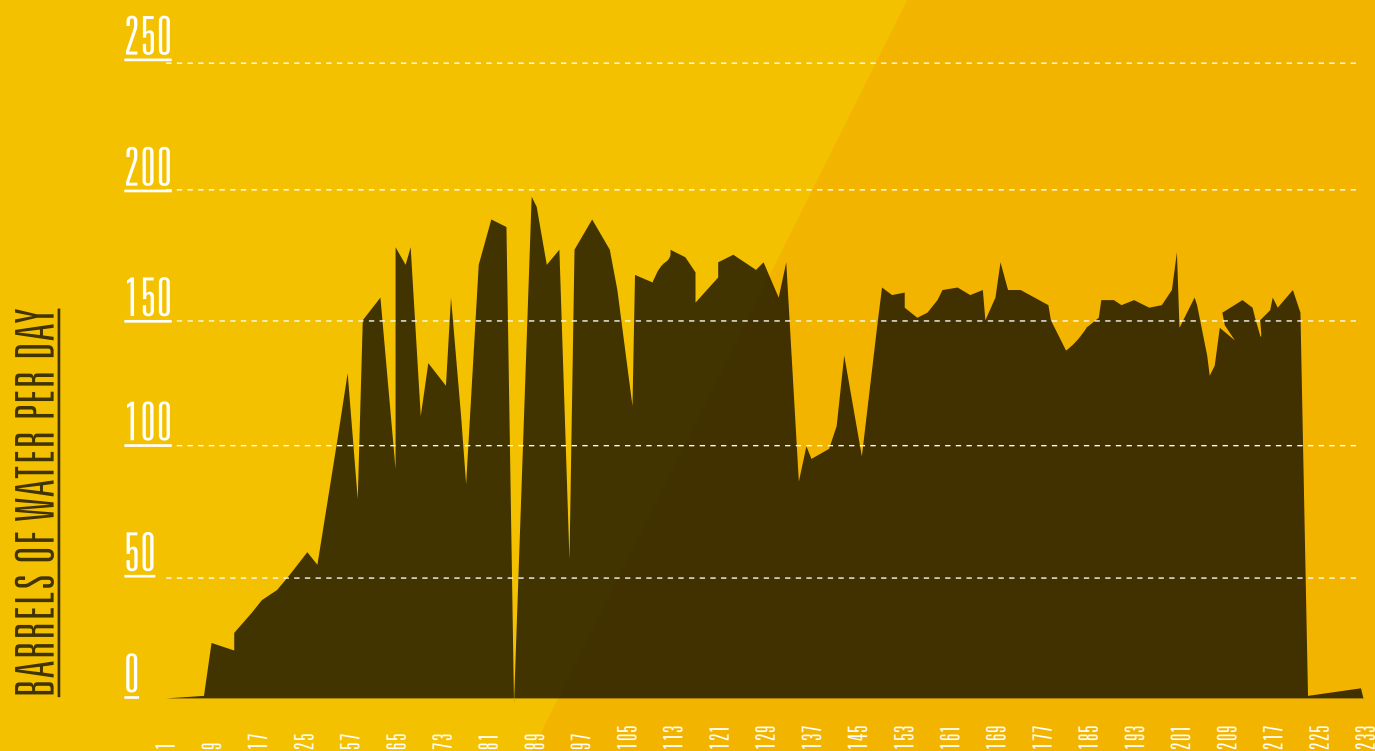
Four of the twelve wells drilled during the program were within the farmin area. These wells augmented the existing pilot production wells in the block. The coals are 100% saturated and the gas composition has been measured in the laboratory at 98% methane with a calorific value of 1 gigajoule per 1,000 cubic feet.

In synopsis, the results of the completed seismic and the completed Drilling Programs have together:

- (a) **Confirmed with a high degree of consistency the presence of coal throughout the tenement;**
- (b) **Measured the gas content within the coal across the block;**
- (c) **Enabled Icon Energy's geophysicists to produce a comprehensive mapping of the subsurface formations within the tenement; and**
- (d) **Established a number of "sweet spots" which are being considered as high potential sites for the forthcoming pilot production wells.**

These findings were compiled in the First Stage Final Report upon the completion of the First Stage Work Program for Stanwell's review.

LP-2 PRODUCTION DATA WATER RATE



PRODUCING DAYS

The 2010/2011 Drilling Program

Icon Energy has commenced the Pre Program work and will shortly be consulting with the local landowners where the 2010-2011 Drilling Program wells are situated.

Once the landowner and cultural heritage requirements have been settled, a rig can be mobilised and the first 4 wells to be drilled in the 2010-2011 Drilling Program will commence.

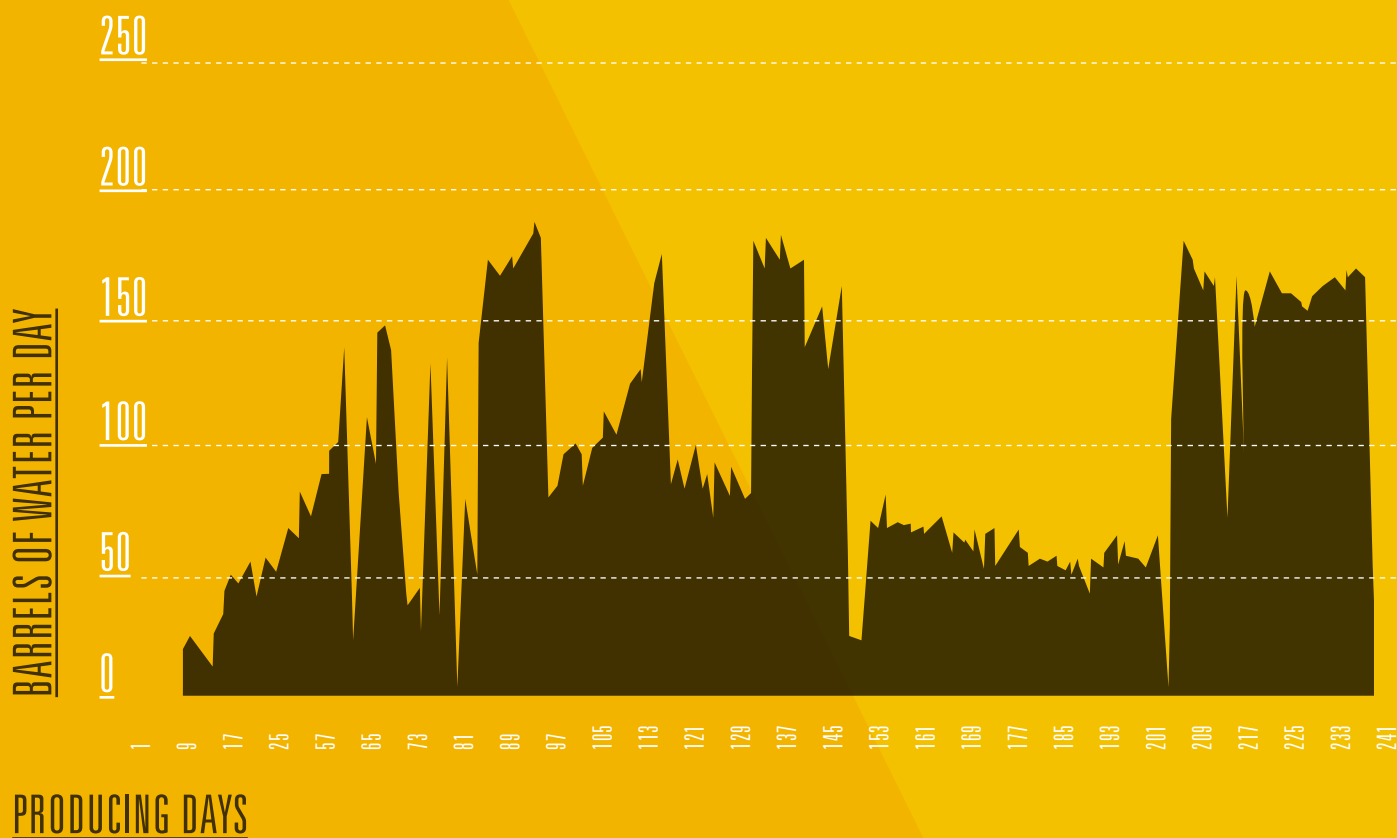
The costs of the next 4 core wells have been costed and reserved for the commencement of the 2010-2011 Drilling Program.

The Lydia Pilot has been on production for fifteen months. The Lydia Pilot will be closed as the wells have not been engineered for stimulation which would be required.



Image: ATP626P: On location Terrex seismic in operation.

LP-4 WATER PRODUCTION



SURAT BASIN

Reserve Certification for ATP626P

Icon Energy is continuing to gather information for reserves certification within ATP626P.

Netherland, Sewell & Associates, Inc. has previously confirmed total resource estimate of 6.1 TCF or 6100 PJ within the permit. Of this figure, contingent resource estimates of 1115PJ (2C) and 1775PJ (3C) have been calculated. To move these resource estimates to proven reserves of 2P and 3P Icon Energy must demonstrate commercial flow rates of fluids. Therefore Icon Energy must find the sweet spots within this coal basin.

As Managing Director, Ray James reported, "All Icon Energy wells drilled in ATP626P to date contain coal, and coal thickness distribution across the permit area has been mapped using the drilling and seismic information collected, collated and analysed to date".

This process continues and the point of certification is clear. "Once all information obtained has reached the critical point for reserve certification, our Certifiers will be asked to report," he said.



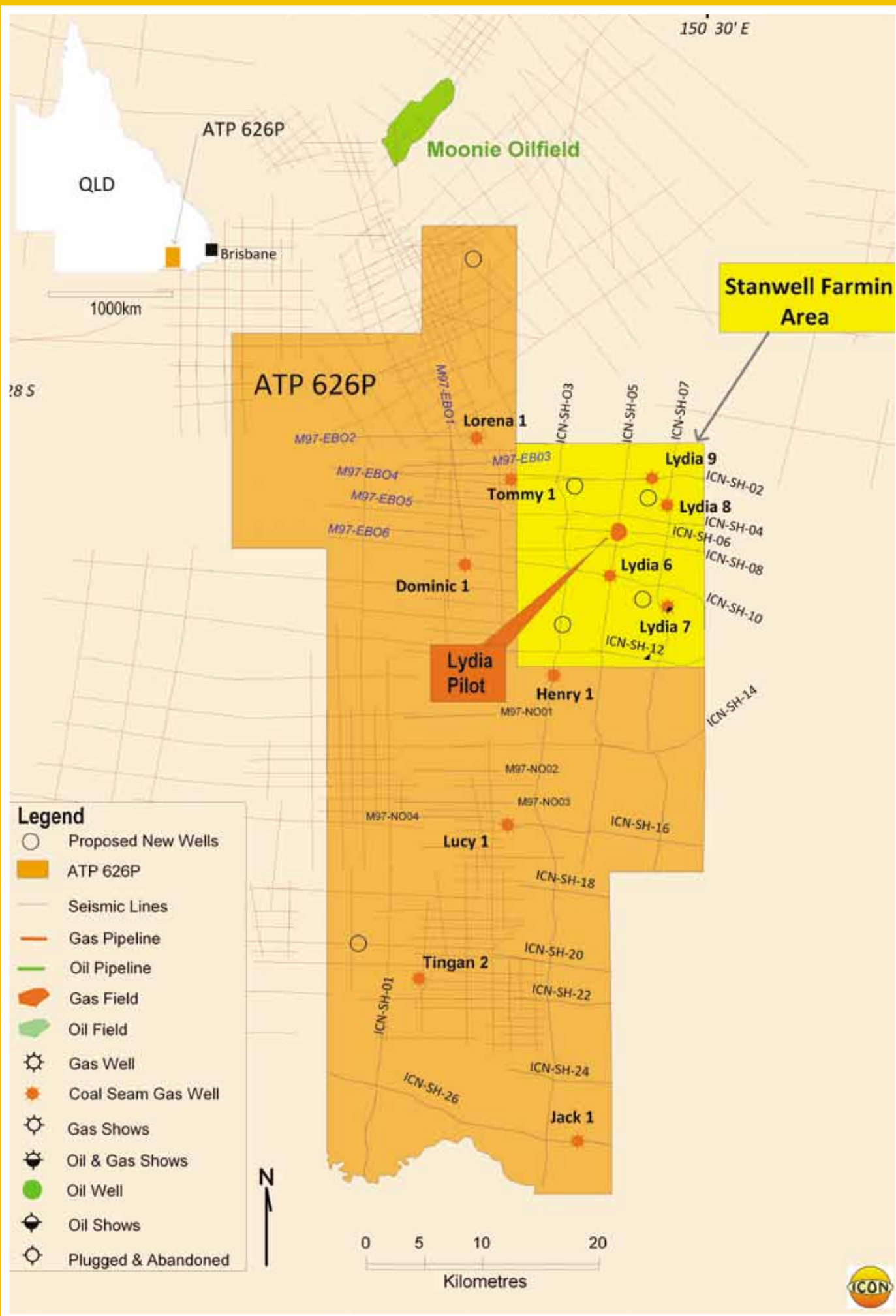
ABOVE

ATP626P Dominic 1 sample analysis

RIGHT

ATP626P On location: Drilling Dominic 1



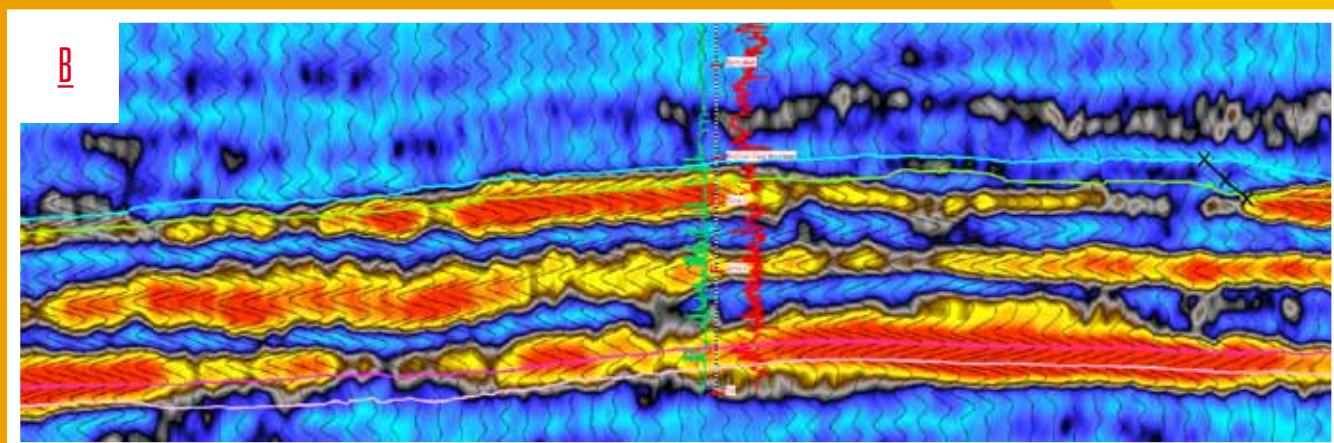
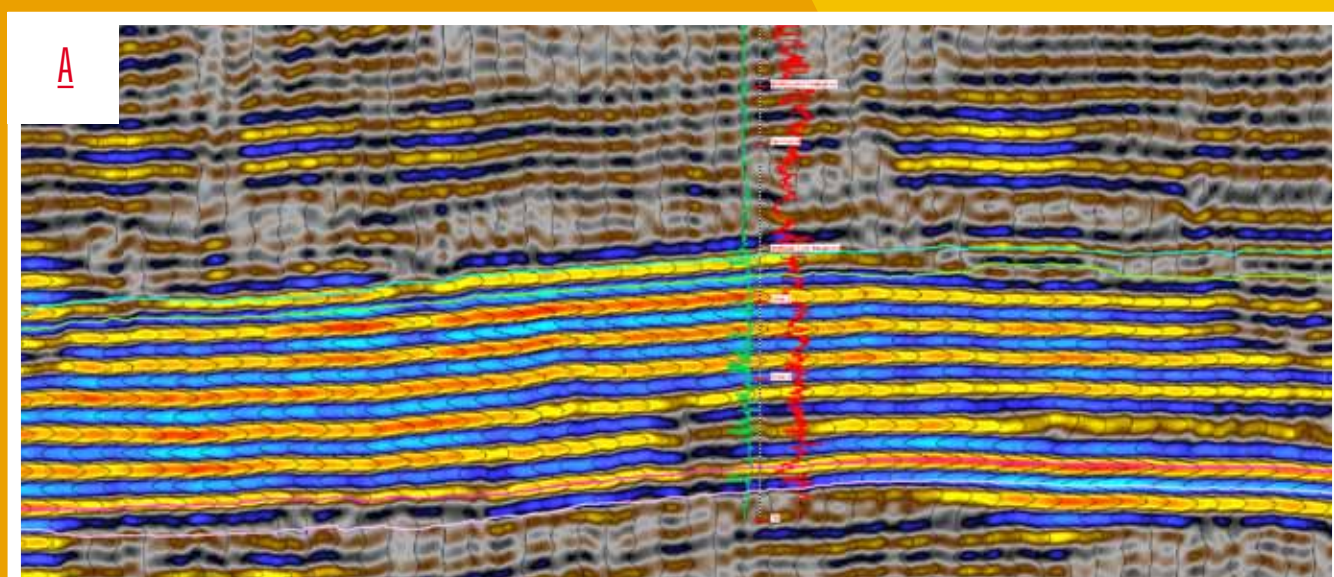


SURAT BASIN

ATP626P Seismic Interpretation

The high frequency seismic programme conducted in the permit in 2009 has proven to be much more informative than anticipated. Numerous seismic attributes have been identified by our Chief

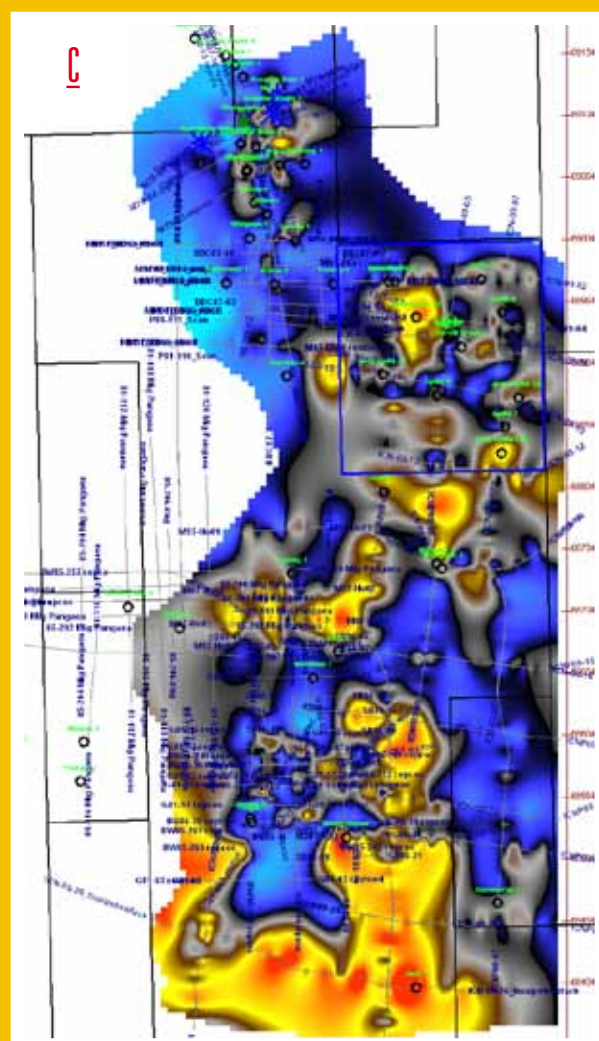
Geophysicist, Bob King. The attributes need to be calibrated by drilling to determine their usefulness in identifying “sweet spots” for further drilling. An example of seismic attributes analyses is shown below:



A
Seismic line
demonstrating
good data quality
of the Walloon
Coal measures

B
Seismic
attribute display
demonstrating
amplitude
variability
of the Walloon
Coal measures

C
Amplitude
Map Walloon
Coal measures
ATP626P



SURAT BASIN

ATP849P

Location

ATP849P is located in the Surat Basin, west of Roma. The town of Mitchell is located in the southern region of the tenement. This block covers an area of 3854km² or approximately 1 million acres.

This permit has good coal seam gas prospects with drilling on adjacent blocks suggesting the area contains a prospective CSG reservoir. The Lacerta Coal Seam Gas Field is located to the west of ATP849P.

Background and Development Brief

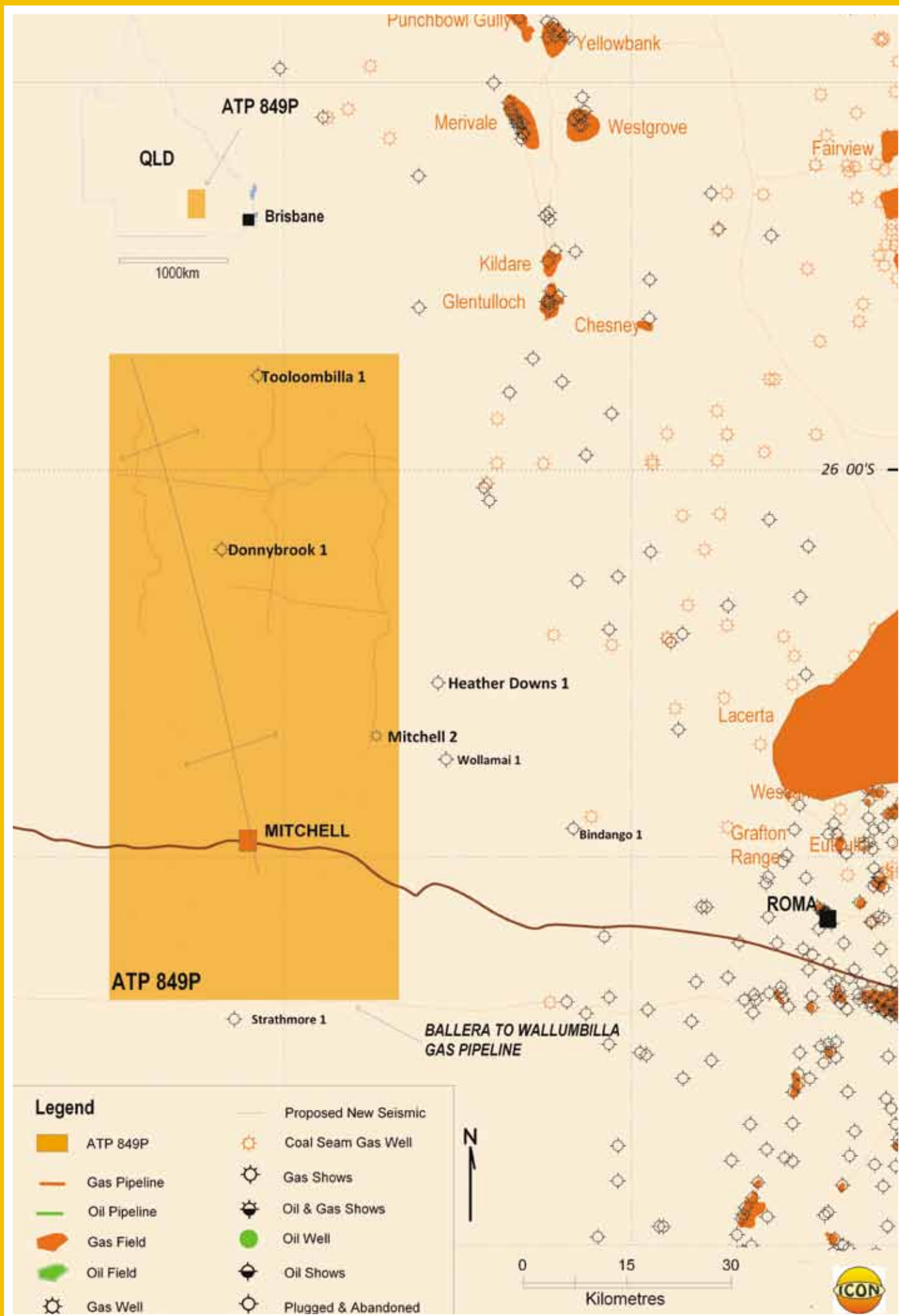
In September 2009 Icon Energy and its joint venture partners were nominated as the preferred tenderers for ATP849P. Icon Energy's working interest is 80% and is the Operator of the block.

Environmental and Cultural Heritage requirements have been completed. On 17 June 2009, the Environmental Protection Agency granted Icon Energy with an Environmental Authority for the block. In October 2009, Icon Energy commenced negotiations with the Bidjara Traditional owners and reached an agreement for the Cultural Heritage Management of the permit.

ATP849P was formally granted by the Department of Mines and Energy on 1 September 2009.

Exploration Summary

A 200km seismic program has been proposed for ATP849P for 2011.



COOPER BASIN

PEL218

Location

PEL218 is located in the Cooper Basin in South Australia and is approximately 20kms north east of the town of Moomba. This tenement occupies an area of 394,953 acres or 1602km² and lies next to ATP855P on the eastern side. The block covers the South Australian side of the Nappameri Trough, the source “kitchen” for oil that is produced in the fields north and south of the block.

Background and Development Brief

Icon Energy farmed into this permit in October 2007 to earn a 33.33% working interest in the Post Permian or shallow section. Icon Energy funded 50% of 100 kilometres of new seismic data and the drilling of the Wakefield 1 well in 2009.

Exploration Summary

Icon Energy and our joint venture partners have completed both available seismic interpretation and well data from the completion of Wakefield 1. Up to four well locations have been proposed and are subject to assessment by Icon Energy’s joint venture partners.

ATP855P

Location

ATP855P is located in the Cooper Basin on the eastern side of the Queensland and South Australian border. The towns of Innamincka, Noccundra and Tibooburra are situated nearby. The tenement occupies a total area of 1674km² and the Cooper Creek runs through the block.

Icon Energy’s permit PEL218 lies adjacent to ATP855P and both permits share part of the NappaMerri trough. The Moomba to Ballera Gas Pipeline traverses the block and the area is surrounded by existing oil and gas production units.

Background and Development Brief

In October 2007, Icon Energy and its joint venture partners were nominated as the preferred tenderers for ATP855P. The Native Title Process was commenced with the Wongkumara Traditional Owners.

On 7 May 2009, Icon Energy and the Wongkumara People finalised negotiations and signed Right to Negotiate and Cultural Heritage Agreements. The process was formally granted on 4 August 2010, with the signing of the Section 31 Deed by the Minister for Natural Resources, Mines and Energy, the Honourable Stephen Robertson.

On 8 July 2010, the Environmental Authority was granted, thus finalising all the requirements for the issue of the tenement. Icon Energy holds an 80% working interest in ATP855P.

Icon Energy’s joint venture partners are currently Deka Resources and Well Traced which are 100% subsidiaries of Adelaide Energy.

In October 2009, Beach offered to farm in to ATP855P by earning a 40% working interest and by committing to \$8.5 million in operational expenditure. The farm in was pending the award of the permit and remains subject to completing the negotiation and execution of formal Farm in and operating agreements, as well as completing a placement valued at \$3.5 million.

Seismic reprocessing over ATP855P is currently being carried out by Icon Energy’s Chief Geophysicist. Further seismic acquisition and processing will be required and an exploration Drilling Program is currently being compiled.

Exploration Summary

ATP855P was granted on 5 October 2010 by the Department of Mines, Energy and Natural Resources. Icon Energy will now commence cultural heritage and landowner negotiations prior to the commencement of the Drilling Program in 2011.

Four well locations have been proposed for the upcoming program followed by some seismic acquisition, which are also subject to approval by Icon Energy’s joint venture partners.

COOPER BASIN

ATP594P

ATP594P is located in the Cooper Basin in Queensland near the township of Quilpie. The tenement covers three separate areas consisting of a total area of 1,538km².

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 ATP594P. There are several oil fields located to the south-east of the tenement, including the Kenmore and Tarbat oil fields.

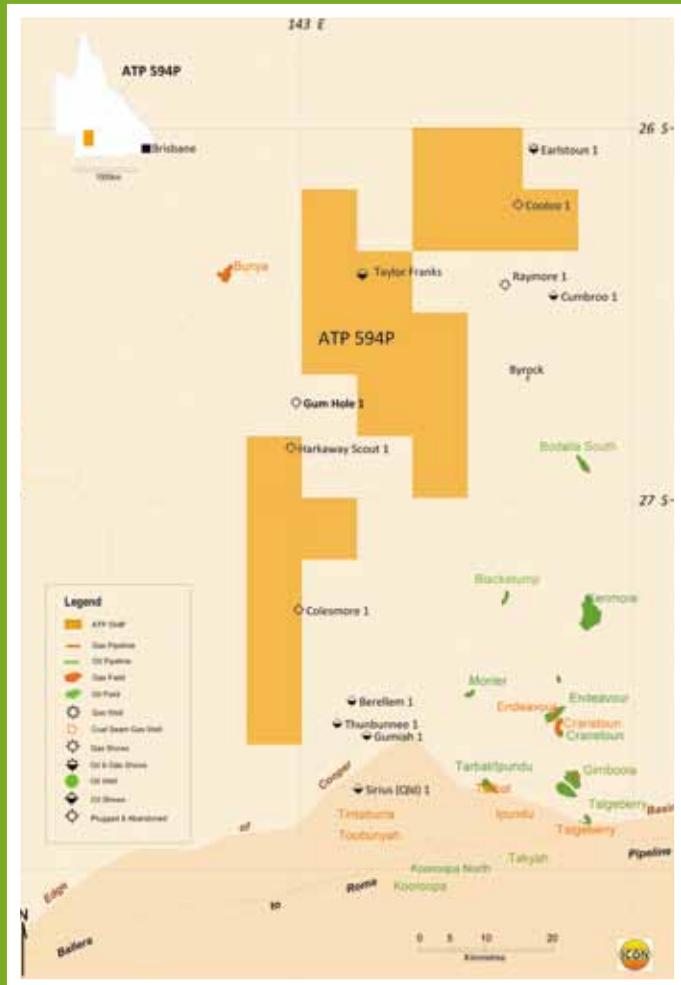
Background and Development Brief

Icon Energy has a 50% working interest in the permit. ASIC holds the other 50% interest in the permit as a result of the default of Icon Energy's previous joint venture partner.

Once the default of the joint venture partner is resolved, Icon Energy will commence negotiations with the Boonthamurra Traditional Owners.

Exploration Summary

No work is planned for ATP594P until the joint venture partner / ASIC addresses the default.



ATP794P

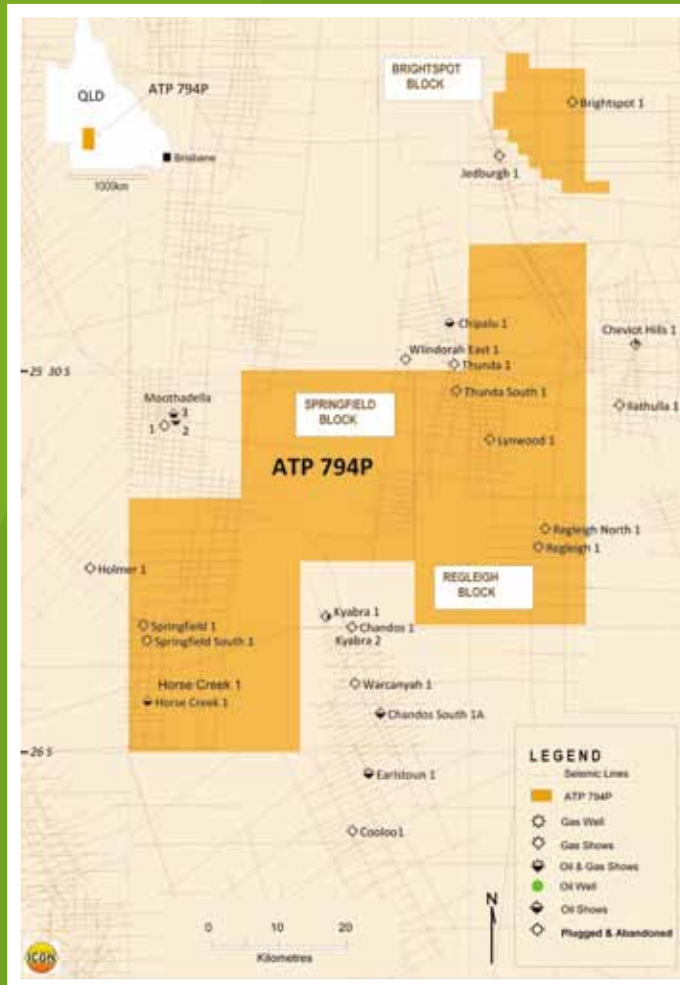
ATP794P is located north west of the town of Quilpie and lies directly north of ATP594P.

Background and Development Brief

Icon Energy holds a 60% working interest in ATP794P. Springfield East No 1 well was drilled by Icon Energy in 1998. The drilling of this well confirmed a gas flow to surface. However, this gas flow is not commercial at this point in time.

Exploration Summary

Icon Energy is not engaged in a program for this block at present. However, a seismic acquisition and drilling program is proposed for future farmout development



ATP549P (West)

Location

ATP549P is located just inside the boundaries of the Cooper Basin in Queensland, near the Queensland and South Australian border. The tenement covers an area of 3,854km².

Background and Development Brief

Icon Energy also holds a 33.33% working interest in the West block of the tenement. ATP549P West is north of the Cook Oil Field and the area is prospective for oil and gas.

There is some seismic data over the tenement particularly in the region of the oil and gas show wells of Katta 1, Wyerie 1, Nulla Nulla 1 and Mackillop 1.

Exploration Summary

Icon Energy is working towards obtaining a replacement tenure for this block.

Geothermal EPG49 & EPG51

Location

EPG49 and EPG51 or NappaMerri 1 and NappaMerri 2 are located beneath ATP855P in the Cooper Basin. Both EPG49 and EPG51 share part of the NappaMerri Trough, which comprises a total area of ~ 10,000km² (~ 3,800 sq miles).

Background and Development Brief

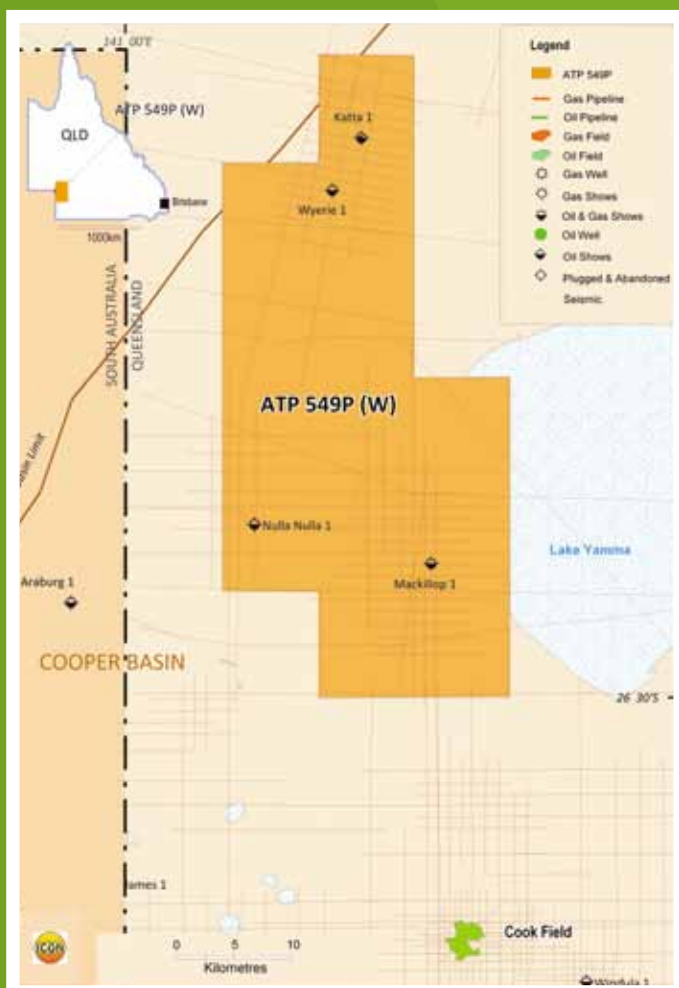
EPG49 and EPG51 were granted to Icon Energy by the Minister for Natural Resources, Mines and Energy and took effect from 1 August 2010. Icon Energy is the Operator for the geothermal permits and has 100% working interests in both areas.

A Cultural Heritage Agreement was negotiated with the Wongkumara Traditional owners and was finalised for EPG49 and EPG51 on 7 May 2010.

Exploration Summary

The drilling program for NappaMerri 1 and NappaMerri 2 will be aligned with future drilling programs for ATP855P to allow for cost savings and efficiencies in the exploration.

The drilling program will be designed to target porous and permeable reservoirs within the older Pre Permian sedimentary section where temperatures approach 250C°. If such reservoirs are discovered with good production flows of water to the surface, then injection wells will not be required if long term testing confirms water flow. At depths of 4000-5000 metres, water is expected to be in liquid form and once the critical point is crossed on the way to the surface steam production would be assured.



NEW VENTURES

The New Ventures Department at Icon Energy Limited identifies and selectively pursues high quality new venture opportunities that could lead to 1P and 2P reserves of oil and gas as the first step to provide cash flow.

NEW LNG OPPORTUNITIES

Icon Energy is assessing several potential LNG production opportunities. These are Domestic/Micro LNG for the domestic market and large scale LNG for the China import market.

STRATEGIC TENEMENT ACQUISITION

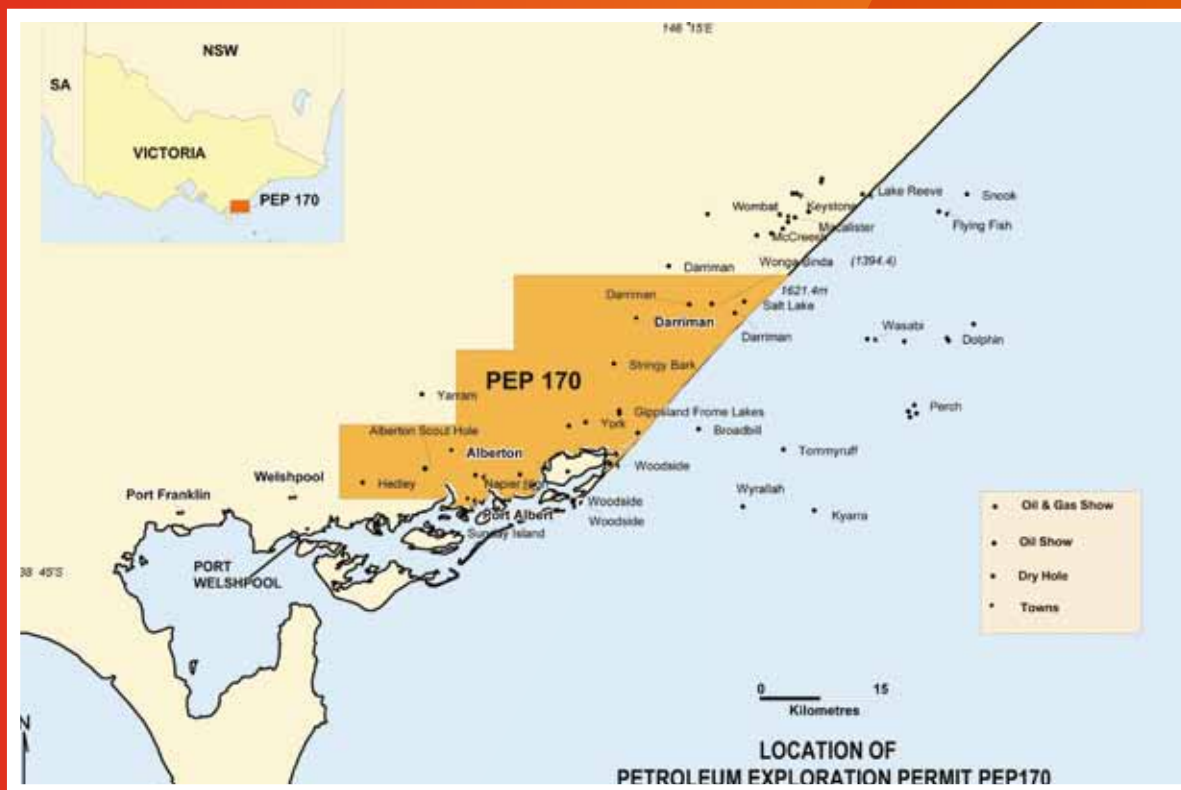
Icon Energy is continually evaluating prospective tenements and new tenement applications which meet the Icon Energy portfolio and commercialisation strategy to provide long-term value to the Company and its stakeholders.

On 24 September 2010 Icon Energy announced that it was the successful tenderer for Petroleum Exploration Permit 170 ('PEP170') in the Gippsland Basin. Icon Energy has committed to a five year exploration and evaluation program.

PEP170 is located in the onshore oil and gas rich Gippsland Basin. Icon Energy has assessed that the tenement is highly prospective for tight gas, which could be produced commercially with the right development options. It is also prospective for oil in the shallow La Trobe Group, which is the oil reservoir found in the offshore producing fields in the Gippsland Basin.

Icon Energy's focus on coal seam gas and other unconventional gas sources for supply into the domestic and export markets makes the addition of PEP170 a valuable resource. Icon Energy holds 100% of the interest. Over the first three years of the permit, Icon Energy will be concentrating on undertaking comprehensive seismic and drilling operations to test the extent of the prospectivity of the acreage. The tenement which is proximate to Port Welshpool, is attractive as it could potentially be used as a location for future LNG export facilities.

The permit will provide a valuable addition to Icon Energy's exploration acreage and has been earmarked as one of the numerous tenements that may assist to meet Icon Energy's export gas requirements to China.



GEOTHERMAL PROJECTS

Electricity demand continues to expand worldwide and currently geothermal energy occupies only a small part of the overall energy grid. However, geothermal development relies on existing technologies and engineering processes such as drilling and hydraulic fracturing techniques proven and used by the oil and gas industry.

Icon Energy is strategically developing its geothermal projects to utilise government policy and future energy needs in perspective.

EPG49 and EPG51 were awarded to Icon Energy on 1 August 2010. Icon Energy is currently engaging its first renewable energy project in conjunction with its operations in underlying tenement ATP855P.

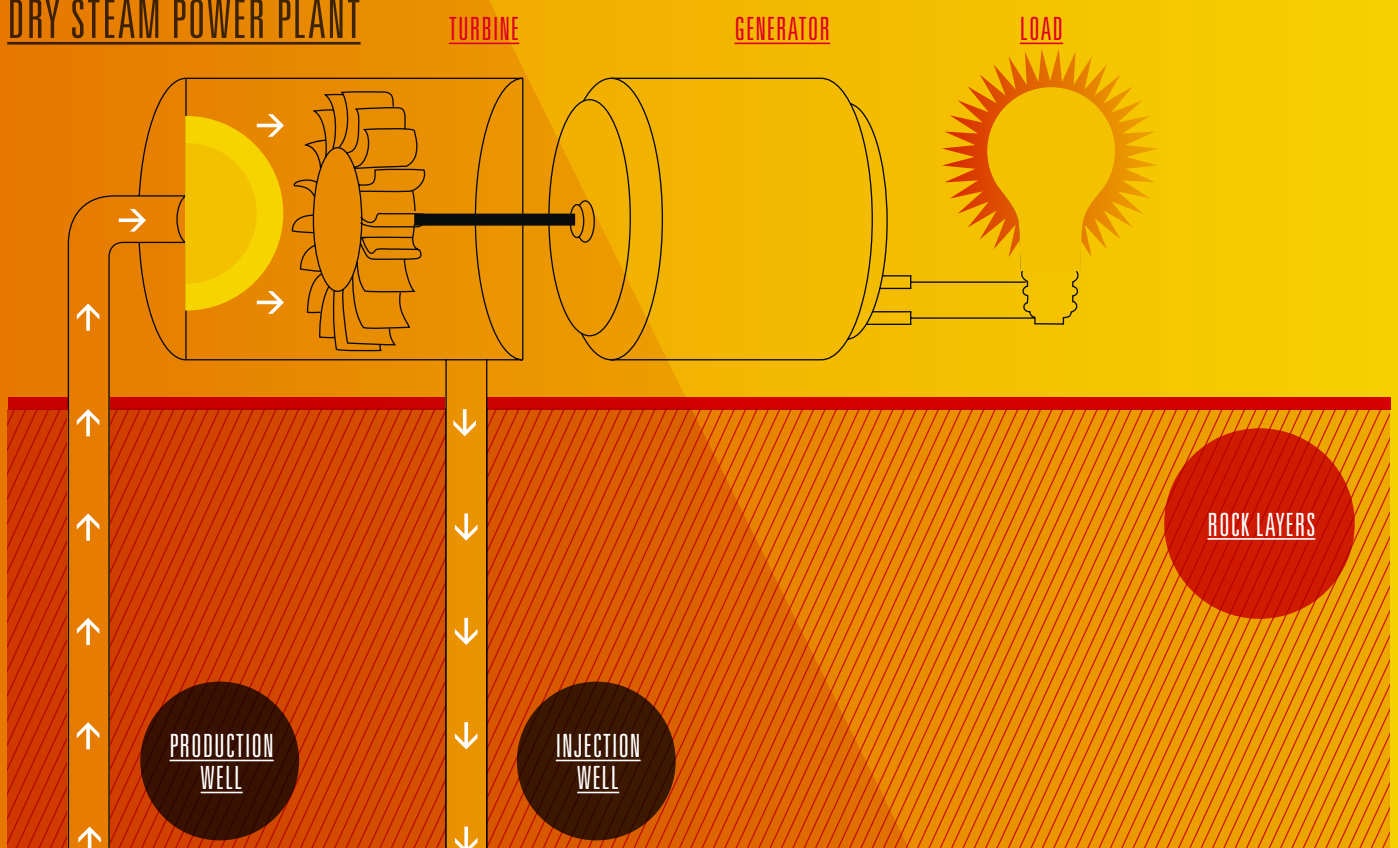
Icon Energy plans to undertake this project in two steps, namely, (1) the Geothermal System Assessment and (2) Inferred Resource and Certification to be implemented in two stages, respectively.

Negotiations with Hot Dry Rocks Pty Ltd as our geothermal project consultant are progressing.

Icon Energy's geothermal permits are located in some of the highest known crustal heat flows and therefore, from a geological perspective, are an ideally positioned geothermal resource. Icon Energy's geothermal strategy aligns its development process with technological and infrastructure requirements to bring this renewable source of energy to market at a commercially viable point.

The nature of Icon Energy's work in coal seam gas and geothermal energy qualifies for government grants and subsidies. Applications have been completed and will be reported in the accounts when received.

DRY STEAM POWER PLANT



CORPORATE GOVERNANCE STATEMENT

This statement outlines the main Corporate Governance practices that were in place during the financial year.

Board of Directors

The mission of Icon Energy Limited is to be a safe, world class gas and oil producer using techniques and processes that minimize green house gas emissions, with a minimum of long-term environmental damage and with a share price that will continue to grow. In pursuing the company's mission, the Board is committed to the highest standards of governance and it strives to foster a culture that values and rewards commendable ethical standards, personal integrity and initiative, and a respect for all stakeholders.

The Directors' Report sets out the names of the Directors of the Company in office at the date of this statement, their experience and special duties.

The Board of Directors of Icon Energy Limited is responsible for the overall corporate governance of the group and oversees the Company's business and management for the benefit of shareholders and sets out to achieve this objective by establishing:

- corporate governance and ethical standards;
- appointing and, where appropriate, removing of the Chief Executive Officer and monitoring his performance;
- maximising shareholder value by setting objectives and goals;
- reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct, and legal compliance;
- ensuring appropriate persons form the composition of the Board;
- approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures;
- approving and monitoring financial and other reporting.

The Board has specifically reserved for its decision the following matters:

- the appointment of the Managing Director;
- approval of the structure of the direct reports to the Managing Director;
- approval of the overall strategy;
- approval of annual budgets of the business;
- delegation of authority;
- formal determinations that are required by Icon Energy's constitutional documents, by statute or by other external regulation.

The Board maintains the right to make changes to the matters reserved for its decision, subject to the limitations imposed by the constitutional documents and the law.

In particular, the Board has given authority to the Managing Director to achieve the Corporate Mission. The Managing Director has the right to make decisions and actions which, in the Managing Director's judgment, are reasonable and are within the authority given by the Board. The Managing Director continues to be responsible to the Board for the delegated authority, and for the performance of the business. The Board oversees the decisions and actions of the Managing Director to ensure that the progress of the business is being made towards the Corporate Objective, within the authority it has delegated. The Board also oversees the performance of the Company through its Committees.

The Managing Director is required to communicate the matters in regards to the progress being made by the Company. The Board and its Committees decide on the information required from the Managing Director and any employee or external party, including the external auditor. Openness and trust are encouraged between individual members of the Board and the Managing Director and other employees. This allows Directors to achieve a better understanding of the business.

Board Composition

The principles applied to the composition of the Board are:

The Board should comprise Directors who have a broad cross section of experience in the petroleum exploration/production industry both in Australia and overseas or should have financial and general management and/or business development experience. Their expertise should encompass the establishment of management strategy and monitoring achievement of these strategies.

Wherever possible, the Chairman of the Board should be a non-executive Director. The Chairman has the casting vote in all Board decisions.

The Board should comprise a majority of non-executive Directors. Currently the Board comprises three non-executive Directors and one executive Director. It is expected that as the Company's activities expand with the development of its coal seam gas and other interests, then the number of independent Directors will increase.

CORPORATE GOVERNANCE (Continued)

If a Board vacancy exists or where the Board considers that an additional Director is required, that appointment would be made from persons who possess the appropriate expertise and skills determined by the Board.

No Director, except the Managing Director, shall hold office for a period in excess of three years, or until the third Annual General Meeting following the Director's appointment, whichever is the longer, without submitting himself for re-election. At every Annual General Meeting one third of the Directors, or if their number is not a multiple of three, then the number nearest to but not exceeding one third shall retire from office and are eligible for re-election.

In accordance with the Constitution of the Company the Board should comprise of at least three Directors.

Independence of Non-Executive Directors

The Board considers an Independent Director to be a non-executive Director who meets the criteria for independence included in the Australian Stock Exchange Best Practice Recommendations. Mr. Stephen Barry, Dr Keith Hilless and Mr Derek Murphy meet the definition of an "independent director" as stated in the ASX governance guidelines.

Independent Professional Advice

The Directors are entitled to seek independent professional advice at the Company's expense if required in the performance of their duties.

The Directors are entitled to direct access to employees and company advisers as may be required.

Board Committees

Two sub-committees of the Board have been formed to consider and make recommendations to the Board in important areas of decision making. Further sub-committees will be formed when the Board finds a need for them. These subcommittees are the Audit and Risk Management Committee and the Remuneration, Nominations and Succession Committee.

Audit and Risk Management Committee	Remuneration, Nominations and Succession Committee
Keith Hilless (Chairman) Stephen Michael Barry (Non Executive Director) Derek Murphy (Non Executive Director)	Stephen Michael Barry (Non Executive Chairman) Derek Murphy (Non Executive Director)

Audit and Risk Management Committee

The committee's responsibilities are to:

- oversee the existence and maintenance of internal controls and accounting systems;
- oversee the financial reporting processes;
- nominate external auditors; and
- review the existing audit arrangements.

The audit and risk management committee has in place a formal charter which defines the Audit and Risk Management Committee's function, composition, mode of operation, authority and responsibilities.

External parties attend Committee meetings by invitation.

Remuneration, Nominations and Succession Committee

While larger companies may allocate the responsibilities of this committee to other more focused committees, the combined functions better serve a company of Icon's size. The committee meets annually to review the remuneration level for the Managing Director and other senior employees of the Company. It also considers and recommends the appropriate level of Directors' fees (subject to shareholder approval), and that each non-executive Director's appointment is consistent with the Company's Constitution and the Corporations Act 2001.

The Remuneration, Nomination and Succession Committee also reviews and recommends to the Board the following:

- the Company's recruitment, retention and termination policies and procedures for senior management;
- staff and executive incentive schemes; and
- superannuation arrangements.

The existing Icon Board of Directors consists of three independent directors and the Managing Director. To make the remuneration, nominations and succession committee at least three independent members would involve all non-executive Board Members being part of the committee. This would undermine the efficiency of the committee. Accordingly, the Remuneration, Nominations and Succession Committee is restricted to two independent non-executive directors.

CORPORATE GOVERNANCE (Continued)

Board Remuneration

Remuneration and terms of employment for Executive Directors and Senior Executives is formalised in service agreements.

Remuneration of non-executive Directors is currently not to exceed a maximum of \$250,000, which was approved by shareholders in 1997.

Details of Directors' remuneration are contained in the Director's Report.

Board Diversity

The board diversity is restrained by the cap of directors' fees which is currently not to exceed a maximum of \$250,000. The resolution to increase the directors' fees was not approved by the shareholders at the April 2010 Annual General Meeting. Therefore the Board considers it is inappropriate to establish a policy concerning gender diversity at this stage.

The aim of the Company is to attract employees (including Directors) with the appropriate mix of skills, experience and expertise. All other things being equal the Board will give a priority to diversity.

Currently there are no women in senior executive positions or on the Board employed by the Company. The total proportion of women is 35% of the total number of employees of the Company.

Ethical Standards

The aim of the Company is to ensure that all Directors, managers and employees act in a manner of integrity and ethical standards so as to ensure a high standard of corporate governance to enhance the reputation and performance of the group. The company has an approved Code of Conduct, Ethics, and Share Trading.

Trading in the Company's Securities by Directors and Employees

The Board has a formal policy regarding trading in the securities of the Company by Directors and employees. The Company's Code of Conduct, Ethics and Share Trading provides for windows in which share trading is permitted. All Icon personnel, not in possession of material non-public information, may buy, sell or otherwise deal in Icon's securities only in the three week period commencing the day after:

- i. the announcement of an Appendix 5B or 4C;
- ii. the announcement of the half yearly financial results;
- iii. the announcement of the annual financial results;
- iv. the holding of the Icon's Annual General meeting;
- v. After a cleansing statement or
- vi. as the Board determines (collectively known as "Trading Windows").

The provisions of the Corporations Act 2001 and the Listing Rules of the Australian Stock Exchange Limited require advice to the ASX of any transactions by the Directors in the securities of the Company.

Principles of Conduct

- 1 Ethical and responsible business practices.
- 2 Sustainable development considerations/principles integrated into Company decision making.
- 3 Foster economic growth and business development, generate government revenue, provide commercial returns to the industry and contribute to the wealth generated by Australia's natural resource base.
- 4 Health, safety, environmental and community risk management strategies that are based on sound science, transparency and effective communication.
- 5 Continuously seek opportunities to improve health, safety and environmental performance in addressing risks posed by our operations to employees, contractors, the public and the environment.
- 6 Contribute to the conservation of biodiversity and protection of the environment through responsible management of our operations and their impacts.
- 7 Foster economic and social development of the communities in which we operate.
- 8 Respect and protect human rights and dignity at our operations and deal fairly with employees and others.
- 9 Open and effective engagement and reporting with our communities.
- 10 The Directors and Executives of the Company shall notify the Chairman before trading in the Company shares and shall not trade in the shares other than in accordance with the Company's Code of Conduct Ethics and Share Trading.

Identification of Significant Business Risk

The Board meets at least every three months and receives monthly comprehensive management and financial reports which enables it to identify emerging risk factors and allows the Board to monitor the management's response as to how it intends to deal with these risks.

Disclosure

The Board has in place policies and procedures to ensure that the obligations of Directors, officers and employees of the Company to comply with the ASX Listing Rules and to ensure the disclosure of such material that may have an effect on the price or value of the Company's securities are met.

CORPORATE GOVERNANCE (Continued)

Shareholders

The Board of Directors ensures that shareholders are fully informed as to any developments of the group which are communicated by:

- annual reports to shareholders;
- half-yearly accounts lodged with the ASX;
- quarterly reports;
- continuous disclosure to the Australian Stock Exchange;
- notices of shareholder meetings and explanatory notes;
- complete information on all documents are on the Company's web-site: www.iconenergy.com;
- Shareholders are encouraged to contact the Company's officers and participate in the Annual General Meeting by asking questions as to the performance of the Company; and
- regular newsletters.

ASX PRINCIPLES OF CORPORATE GOVERNANCE COUNCIL GUIDELINES

The ASX Corporate Governance Council has recognised that its principles and recommendations do not contain a "one size fits all" solution and Icon Energy Limited is of the opinion that where appropriate, the ASX principles and recommendations have been applied. The following table indicates the areas where Icon Energy Limited complies with the "Good Governance Guidelines".

ASX Corporate Governance Principles and Recommendations		Reference	Comply
Principle 1 :	Lay solid foundations for management and oversight		
1.1	Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	Page 24	√
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Page 24-25	√
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1.	Page 24-25	√
Principle 2:	Structure the Board to add value		
2.1	A majority of the Board should be independent Directors.	Page 24-25	√
2.2	The chair should be an independent Director.	Page 24	√
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	Page 24	√
2.4	The Board should establish a nomination committee.	Page 25	√
2.5	Companies should disclose the process for evaluating the performance of the Board, its committees and individual Directors.	Page 24-25	√
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2.	Page 24-25	√
Principle 3:	Promote ethical and responsible decision-making		
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to:		
3.1.1	the practices necessary to maintain confidence in the Company's integrity.	Page 26	√
3.1.2	the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders	Page 26	√
3.1.3	the responsibility and accountability of individuals for reporting and investigating reports of unethical practices	Page 26	√
3.2	Companies should establish a policy concerning diversity and disclose the policy or summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually	Page 26	X
3.3	Companies should disclose in each annual report the measurable objectives for achieving these set by the Board in accordance with the diversity policy and progress towards achieving them.	Page 26	X
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.	Page 26	√
3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.	Page 26	√

CORPORATE GOVERNANCE (Continued)

Principle 4: Safeguard integrity in financial reporting			
4.1	The Board should establish an audit committee.	Page 25	√
4.2	The audit committee should be structured so that it consists of:	Page 25	√
	- only non-executive Directors		√
	- a majority of independent Directors		√
	- an independent chair, who is not chair of the Board		√
	- at least three members.		√
4.3	The audit committee should have a formal charter.	Page 25	√
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	Page 25	√
Principle 5: Make timely and balanced disclosure			
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Page 26	√
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	Page 26	√
Principle 6: Respect the rights of shareholders			
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Page 26	√
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	Page 26	√
Principle 7: Recognise and manage risk			
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Page 24-26	√
7.2	The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	Page 24-26	√
7.3	The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Page 24-26	√
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	Page 24-26	√
Principle 8: Remunerate fairly and responsibly			
8.1	The Board should establish a remuneration committee.	Page 25	√
8.2	The remuneration committee should be structured so that it:	Page 25	√
	- consists of a majority of independent directors;	Page 25	√
	- is chaired by an independent director;	Page 25	√
	- has at least three members.	Page 25	X
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Page 26	√
8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8.	Page 26	√

DIRECTORS' REPORT

The Directors of Icon Energy Limited ("the Company") present their report together with the financial statements on the Company and its controlled entities ("the Group") for the 6 months ended 30 June 2010.

Directors

The Directors of the Company who held office during or since the end of the period are set out below:

Name	Position	First appointed
Stephen Michael Barry	Non-Executive Chairman	Director since 05/01/1993
Derek James Murtagh Murphy	Non-Executive Director	Director since 20/03/2009
Keith Hilless	Non-Executive Director	Director since 03/04/2009
Raymond Swinburn James	Managing Director	Director since 01/02/1993
Raymond Patrick McNamara	Finance Director/Company Secretary	Director since 27/04/2007, Resigned: 22/04/2010; Company secretary since 03/05/2007, Resigned: 10/08/2010

Principal Activities and Significant Changes in State of Affairs

The principal activities of Icon Energy Limited during the period included the exploration, appraisal and development of oil and gas properties. There were no significant changes in the nature of these activities during the period.

Significant changes in the state of affairs of the Group during the 6 month period ended 30 June 2010 are set out below:

- There were changes to the composition of the Board with Dr Ray McNamara choosing not to stand for re-election at the April 2010 Annual General Meeting;
- A Memorandum of Understanding for the sale of 40 million metric tonnes (2.3 trillion cubic feet) of LNG was negotiated with Shenzhen Sino Industrial Development Corporation;
- Four stratigraphic wells were drilled as part of a six well program outside the Lydia Pilot Area as of 30 June 2010;
- On 17 June 2010 Stanwell was provided with the completed First Stage Final Report;
- Icon's Board of Directors authorised a feasibility study for a Micro (or Domestic) LNG Plant. This feasibility study, which was preliminary in nature, has now been completed by Clean Energy Fuels Australia. Icon's Board of Directors has approved the movement towards a second stage feasibility study for this project to identify the number of offtake customers that would utilise the proposed Domestic LNG Plant.

Change of Financial Year-end

The Company and its controlled entities have been granted relief from the Australian Securities and Investment Commission to change their financial year-end from 31 December to 30 June so as to align with the Company's taxation reporting requirements. The change is effective from 1 January 2010 and accordingly the financial statements are prepared for the six months ended 30 June 2010, with comparative information for the 12 months ended 31 December 2009.

Dividends Paid or Recommended

The Directors recommend that no dividend be paid by the Company. No dividends have been declared or paid by the Company since the end of the previous financial year (31 December 2009: Nil).

Operating Results

The loss of the consolidated entity after providing for income tax amounted to \$3,588,341 (31 December 2009: loss of \$4,213,430).

DIRECTORS' REPORT (continued)

Review of Operations and Results

Review of Principal Operations

The following is a list of active mining tenements held by Icon Energy Limited and its subsidiaries.

		2010	2009
ATP 549P	Cooper Eromanga	33.33%	33.33%
ATP 594P	Cooper Eromanga	50.00%	50.00%
ATP 794P	Cooper Eromanga Regleigh & Springfield areas	60.00%	60.00%
ATP 794P	Cooper Eromanga Brightspot area	75.00%	75.00%
ATP 626P*	Surat	99.00%	100.00%
ATP 849P	Surat	80.00%	80.00%
ATP 855P	Cooper Eromanga	80.00%	80.00%
PEL 218	Cooper Eromanga	33.30%	33.30%
ATP 560	Cooper Eromanga	50.50%	50.50%
EPG 49	Cooper Eromanga	100.00%	100.00%
EPG 51	Cooper Eromanga	100.00%	100.00%

* On 16 August 2010 Stanwell Corporation has agreed to proceed to Stage 2 of the Farmin Agreement covering Icon Energy's key coal seam gas tenement ATP 626P, committing a further \$30 million. Stanwell Corporation has now been assigned 50% working interest in the farmin area covering four of 30 blocks within ATP 626P, along with a 1% title interest in the whole of ATP 626P. Stage Two involves a 20 well program to prove 2P and 3P reserves.

The Company continues to focus its Australian operations in accordance with the mission and strategic objectives of the Company. The strategic objectives are:

- Having successful exploration and appraisal activities to provide a solid foundation for future growth through achieving substantial coal seam gas reserves to meet the Australian and global demand for clean, efficient energy;
- Undertake pilot studies to move gas reserves from "Prospective" to the "3P" and "2P" categories as a priority;
- To obtain farm-in partners with the capital and capabilities to bring the company's reserves through to full-scale gas and oil production;
- Develop the business case for each tenement to bring proven reserves into commercial production;
- To undertake exploration and development activities that have the highest probability of success in both gas and oil plays;
- To provide employees with a working environment that incentivises employees and encourages innovation and initiative so that employees become self motivated in achieving the company's objectives;
- Achieve responsible development where the environment is returned to its original/natural setting post exploration and development.

ATP 626P

ATP 626P is Icon's primary focus in Coal Seam Gas (CSG) development. It is located in the Surat Basin in Queensland. The Gas Initially In Place (GIIP) estimate for ATP 626P is 6,115 PJ. At the end of 2008, Icon announced a farmin agreement with Stanwell Corporation. In early 2009, Icon announced a subsequent joint venture agreement and a gas sale agreement for 225 petajoules of gas over a fifteen year period. Initial funds needed to develop the ATP 626P resource and determine 2P and 3P reserves are provided by the farmin agreement with Stanwell Corporation Limited. The total value of the farmin is \$36 million dollars for the first two stages of a three stage program. For Stage 1, known as the Lydia Pilot the company drilled three wells. In addition, dewatering and coring activities will continue and test the commerciality of the gas resources. Stage 2 is a \$30 million program to drill up to 20 wells to provide certifiable reserves. Stage 3 is the commercial development of the field.

On 17 June 2010 Stanwell was provided with the completed First Stage Final Report. On 16 August 2010 Stanwell Corporation has agreed to proceed to Stage 2 of the Farmin Agreement covering Icon Energy's key coal seam gas tenement ATP 626P, committing a further \$30 million. Stanwell Corporation's Commitment Notice is unconditional and not subject to any further consent. Under the Stage 2 agreement, Stanwell Corporation can make the funds available via approved budgets and cash calls as work proceeds. Previous costs under Stage 1 have already been paid and some early works conducted by Icon Energy will be recovered under Stage 2. Stanwell Corporation is now assigned a 50% working interest in the farmin area covering four of 30 blocks within ATP 626P, along with a 1% title interest in the whole of ATP 626P.

DIRECTORS' REPORT (continued)

PEL 218

Icon farmed into this permit in October 2007. The Company earned a 33.3% working interest in the Mesozoic sedimentary section only after completion of a single well (Wakefield No.1) drilled in August 2009.

The block covers the South Australian side of the Nappameri Trough that is the source "kitchen" for oil. 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.

A potential new CSG discovery has been realised after analysis of drilling results from Wakefield No.1. Further work is still in progress, with planned core hole drilling to investigate gas content and permeabilities with sidewall core samples under laboratory analysis.

ATP 794P

This block is held by Victoria Petroleum Limited. Icon has a 75% beneficial interest in Brightspot, and a 60% interest in Regleigh and Springfield. ATP 794P covers an area of 14,957 square kilometres and is located in the Southwest Queensland portion of the Cooper/Eromanga Basin. The permit was granted for a 12 year term from 1 November 2005. Significant Jurassic oil potential has been interpreted to be present in ATP 794P based on the oil shows in the numerous wells drilled in the permit and the extensive seismic data grid.

ATP 849P

This permit was granted to Icon and its joint venture partners on 1 September 2009. It is located west of Roma Township in the Surat Basin in Queensland. Until seismic and test drilling is undertaken, expectations based on very limited control data are for a non-certified estimate of approximately 500 petajoules of GIIP. The area is awarded for twelve years with \$5.2 million obligatory expenditure in the first four years. Icon's working interest is 80% and, Icon is the operator of the block. There is EA in place for petroleum activities on the tenement and no RTN is required for this block.

Icon intends to conduct a 200km seismic program and drill two core holes in ATP 849 during 2010 and 2011. Icon estimates that the cost of the seismic acquisition and processing would be approximately \$1,500,000 and the cost of the two core wells would be approximately \$1,300,000. These activities and costs, if approved, would be shared with Icon's joint venture partner for ATP 849.

ATP 594P

The block is located in the Cooper Basin in Queensland, approximately 99 kms west of the town of Quilpie. Icon is the operator of ATP 594P. Icon's interest is 50%. The exploration program is currently under review due to the negotiations to transfer the remaining 50% to Icon. The permit is subject to an overriding royalty (ORR) on the 50% partner's (Triple J Pty Ltd) share. Farmout negotiations can be started after the ORR is converted to a working interest. The Triple J Pty Ltd interest is currently held by ASIC due to deregistration of Triple J Pty Ltd. Icon is currently negotiating with ASIC regarding the transfer of this interest. Until ASIC transfers the interest, Icon cannot commence the Native Title process.

ATP 855P

Negotiations were completed with the Wangkumarra traditional owners. Subject to the completion of a farmin agreement with Beach Energy Limited, Icon's 80% interest in this tenement will reduce to a 40% interest. The farmin partners seek to target the potential deep shale gas deposits found in ATP 855P. This block is located in the Queensland part of the NappaMerri trough and is geologically associated with PEL 218. The area is prospective for a coal seam gas reservoir in the Walloon Coal Measures (WCM). These coals are found at shallow depths (up to 400m) over most of this very large permit. Icon's interest in this permit is currently 80%.

EPG 49 and EPG 51

EPG 49 is called NappaMerri 1 and is located underneath part of 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. The drilling program for NappaMerri 1 will be strategically aligned with ATP 855P to allow for cost savings and efficiencies in the drilling and exploration phases. Icon Energy Limited will obtain new geological information in relation to the geothermal potential of NappaMerri 1 and NappaMerri 2 as part of a five year drilling program. As a geothermal exploration block, EPG 49 is not subject to Native Title claims. Icon has a 100% interest in this block.

EPG 51, NappaMerri 2, is adjacent to NappaMerri 1 and is also located underneath part of ATP 855P on the eastern side of the QLD/SA border. The drilling program for NappaMerri 2 will also be strategically aligned with ATP 855P and EPG 49. As with EPG 49, NappaMerri 2 is not subject to Native Title negotiations. Icon has a 100% interest in this block. In 2009, ministerial determination was made that no RTN was required for geothermal blocks.

The Queensland Minister for Mines and Energy has granted geothermal exploration permits EPG 49 and EPG 51 effective from 1 August 2010. The Minister has approved initial work programs for both EPG 49 and 51 including geological and geophysical studies, gravity surveys, seismic acquisition and the drilling of wells during the first five years of the permit. The term of the exploration geothermal permits is five years until 31 July 2015.

DIRECTORS' REPORT (continued)

Financial Position

The net loss after tax for the Company and its controlled entities for the period ended 30 June 2010 was \$3,588,341 (31 December 2009: \$4,213,430).

The Company has expanded its operations with an increase in the executive and operational staff to facilitate the development of ATP 626P. Executive staff are employed on a contractual basis. The outlook for 2011 sees the Company in a strong financial position. The cash and cash equivalents balance at 30 June 2010 was \$14,042,420 (31 December 2009: \$23,420,060).

Environmental Regulation

The consolidated entity's operations are subject to various environmental regulations. The Company has a policy of at least complying, but in most cases exceeding environmental performance obligations. The Directors are not aware of any environmental breaches nor have we been notified of any breaches by any Government Agency during the financial period.

Capital Raising

There were no capital raisings during the reporting period ended 30 June 2010.

Information on Directors

STEPHEN MICHAEL BARRY (CHAIRMAN)

Qualifications: LLB University of Sydney

Experience: Stephen has been a Director of Icon Energy Limited since 1993. He has been a key player in the development of the strategic direction of the company. As a practicing solicitor he has extensive experience in joint venture and farmin agreements together with a wealth of knowledge on commercial law and corporate litigation. He was appointed as the Chairman of the Board on 18th December 2008. He has held no other Australian listed company directorships during the past three financial years.

Special Duties: Stephen is the Chairman of the Board of Directors as well as of the Remuneration, Nominations and Successions Committee and a member of the Audit and Risk Management Committee.

Interest in Shares: 1,600,866 ordinary shares (Note 6)

Director: Since 05/01/1993

RAYMOND SWINBURN JAMES (MANAGING DIRECTOR)

Qualifications: BSc (Physics Geology) University of NSW, FAICD, FAIM

Experience: Ray James has 40 years experience in the petroleum industry in Australia, USA, Indonesia, South East Asia, Middle East and Russia. He worked with Chevron Perth and Chevron Houston from 1969-74 and with Gulf Oil from 1974-80. He was the Managing Director of Australian Hydrocarbons from 1980-81 and the Managing Director of Omega Oil from 1987- 91. He was a Director of Australian Petroleum Production & Exploration Association (APPEA) from 1999-2007 and Vice Chairman of APPEA from 2003-2005. He has been the Managing Director of Icon Energy Limited and its subsidiaries since 1993. He is a Fellow of the Australian Institute of Management and the Australian Institute of Company Directors and serves as a member of the Gold Coast Committee.

Interest in Shares: 21,143,925 ordinary shares (Note 6)

Director: Since 01/02/1993

KEITH HILLESS

Qualifications: AM, BE (Elec) Qld, DUniv QUT, FIE Aust, FAIM, MAICD

Experience: Keith retired as Chairman of the Queensland Government owned ZeroGen, which specialises in commercial 'clean coal' technology on 30 June, 2010. Dr Hilless is also a past Chairman of Ergon Energy Corporation Limited with \$6 billion in network assets, revenues of \$3.1 billion and over 4,000 staff. Dr Hilless was Electricity Commissioner of the Queensland Electricity Commission (QEC) for a time, CEO of the Queensland Transmission and Supply Corporation (QTSC), responsible for high voltage supply throughout Queensland and for forecasting changes in electricity demand and expanding Queensland's electricity network. In addition to his impressive corporate pedigree, Dr Hilless is a Doctor of the University QUT, he was also Deputy Chancellor of Queensland University of Technology for a time, he is a Member in the General Division - Order of Australia, a Fellow of both the Institution of Engineers Australia and The Australian Institute of Management and a Member of the Australian Institute of Company Directors.

Special Duties: Keith is the Chairman of the the Board's Audit & Risk Management Committee.

Interest in Shares: 24,000 ordinary shares (Note 6)

Director: Since 03/04/2009

DIRECTORS' REPORT (continued)

DEREK JAMES MURTAGH MURPHY

- Qualifications:** BA, LLB (UQ), LLM (Lond), FAIM, FAICD, FHKIoD, SF Fin
- Experience:** Derek was appointed to the Board on 20 March 2009 as a non-executive Director of Icon Energy Limited. He is a Fellow of the Australian Institute of Management, a Fellow of the Australian Institute of Company Directors, a Fellow of the Hong Kong Institute of Directors and a Senior Fellow of the Financial Services Institute of Australasia.
- He was admitted as a Barrister of the Supreme Court of Queensland and the Federal and High Courts of Australia. Before practicing as a Barrister in Brisbane for some years, he was the Queensland partner of ABS White and Company, a Sydney based stock broking firm. During a career spanning 20 years in Hong Kong, he was a Crown Counsel; Deputy Commissioner for Securities and Commodities Trading, Managing Director of what is now HSBC Asset Management, and Group Vice President, Corporate Communications, of First Pacific Company Limited, a publicly listed conglomerate with interests in telecommunications, food, property and health care.
- Derek is a Non-Executive Director of Hayco Manufacturing Limited, a large manufacturing Company in Hong Kong and China, and a Director of Mt Warning Pty Ltd, a corporate trustee company representing Japanese interests. He retired as Chairman of the School Council of The Southport School (TSS) at the end of 2009 after 12 years on Council.
- Special Duties:** Derek is a member of the Remuneration, Nominations and Successions Committee and Audit and Risk Management Committee.
- Interest in Shares:** 100,000 ordinary shares (Note 6)
- Director:** Since 20/03/2009

Information on Company Secretary

RAYMOND PATRICK MCNAMARA

- Qualifications:** B.Bus (QUT), MBA (UQ), Ph.D (UQ) CPA
- Experience:** Dr. Ray McNamara has more than twenty years of experience in the private and public sectors specialising in financial accounting, corporate control systems and security appraisal and valuation. He is currently an Associate Professor of Accounting at Bond University. Dr. McNamara is also on the Board of not-for-profit organisations and a number of private companies.
- Icon Energy Limited combines the financial and Company secretarial functions into one role. Dr. McNamara had responsibility for all Company Secretarial matters. He was also the Chief Financial Officer being responsible for the strategic financial focus of the Company, the compliance, financial and management reporting functions, together with reporting to our joint venture partners. He resigned as Company Secretary and Chief Financial Officer on 10 August 2010.
- Director:** Since 27/04/2007; Resigned on 28/04/2010

WESLEY GLANVILLE

- Qualifications:** LLB, BA, GDLP, MAICD, CSA (Affiliate)
- Experience:** Wesley is a former Managing Counsel and Company Secretary of Santos Ltd. He has in excess of 20 years experience advising major listed and unlisted companies, both as an external professional advisor and as a senior executive and has worked on some of the largest projects in Australia, as well as significant projects overseas, including the world-class Bayu-Undan condensate and LNG projects located in the Timor Sea and Darwin. Wesley's industry experience covers a broad spectrum of both onshore and offshore exploration, development, production and commercialisation projects and has involved his working on numerous major oil and gas developments, sales, marketing, distribution and transportation arrangements, domestic and international exploration campaigns and various other operational, strategic and business initiatives. Wesley also has extensive corporate experience.
- Appointed:** 11/08/2010

DIRECTORS' REPORT (continued)

REMUNERATION REPORT- AUDITED

The Remuneration, Nominations and Successions Committee is responsible for remuneration policies recommended to the Board. The remuneration committee, where necessary, obtains independent advice on the remuneration packages offered to potential employees. The Company's broad remuneration policy is to ensure each remuneration package properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality. The Company has structured an executive remuneration framework that is competitive and complementary to the reward strategy of the organisation.

Accordingly, the Board established the Icon Energy Limited Performance Rights Plan ("Plan"). Under the Plan, the Company will be able to grant appropriately structured short, medium and long-term incentives to employees in addition to their fixed remuneration. The Plan was presented and approved by shareholders at the Annual General Meeting in April 2010.

Fixed Remuneration

Fixed remuneration consists of the base remuneration calculated on a total cost basis and including FBT charges on employee benefits, as well as contributions to superannuation funds. Remuneration levels are reviewed annually.

Service Agreements

The Company has a policy that service agreements with senior executives are limited in term and include termination clauses of between one and six months.

A service agreement exists for the Managing Director Mr. Ray James, the Company Secretary Mr. Wesley Glanville, Chief Financial Officer Dr. Kevin Jih, and for the Director of Business Development, Mr. John Quayle.

Mr. James has a service agreement with the Company for a period of five years, effective from 1 January 2007 which sets out the duties and obligations of Mr. James. The contract provides that the agreements may be terminated by either party providing up to six months notice. The Company may make a payment in lieu of notice of six months remuneration equal to the base amount prescribed in the service agreement. In addition, accrued statutory benefits and superannuation benefits are payable. Should the Company be taken over and the contract terminated within a six month period, an amount equal to two years base salary is payable. The contract is being currently reviewed.

Mr. James, Dr. Jih, Mr. Brown and Mr. Quayle have no entitlement to termination payments in the event of removal for misconduct.

Non-executive Directors

Non-executive Directors' base fees approved by the shareholders on 30 May 1997 are not to exceed \$250,000 per annum unless further approval is obtained.

Non-executive Directors' base fees for the 6 month period ended 30 June 2010 were \$114,675 (31 December 2009: \$208,254). Non-executive Directors do not receive incentive based remuneration. There are no provisions for any retirement benefits other than statutory requirements.

Directors and Key Management Personnel Remuneration

6 months to 30 June 2010	Short Term			Long Term Bonus & Other Benefits		Portion of Remuneration Based on Performance	
	Salaries & Fees (i) \$	Other Benefits (ii) \$	Total \$	Super- annuation \$	Total \$	Total \$	%
Directors							
Stephen Barry	44,675	-	44,675	4,021	-	48,696	-
Keith Hillless	35,000	-	35,000	3,150	-	38,150	-
Derek Murphy	35,000	-	35,000	3,150	-	38,150	-
Ray James	264,125	28,252	292,377	20,542	-	312,919	-
Senior Management							
Ray McNamara (Resigned 10/8/2010)	212,767	4,393	217,160	16,893	-	234,053	-
John Quayle	195,612	15,000	210,612	15,539	56,105	282,256	20%
Larry Brown	158,292	5,578	163,870	12,600	46,755	223,225	21%
Robert King	124,266	-	124,266	9,900	-	134,166	-
Kevin Jih (Appointed 11/08/2010)	123,864	2,959	126,823	9,810	28,053	164,686	17%
	1,193,601	56,182	1,249,783	95,605	130,913	1,476,301	

(i) Salaries & Fees include annual, personal and long service leave accrued during the year. Mr. James and Dr. McNamara did not receive any bonuses or pay increases since the last Annual General Meeting.

DIRECTORS' REPORT (continued)

(ii) Bonus and Other Benefits include non-monetary benefits to employees. Included in the amount of \$28,252 is an amount representing non-monetary benefits and car allowance received by Mr. James. Dr. McNamara received non-monetary benefits only. Mr. Quayle received an amount of \$15,000 representing non-monetary benefits and car allowance. Mr. Brown received a non-monetary benefit only. Mr. Jih received non-monetary benefits only.

(iii) Long-term Bonus and Other benefits represent only share-based payments to employees.

12 months to 31 December 2009	Short Term			Long Term		Portion of Remuneration Based on Performance %
	Salaries & Fees (i) \$	Bonus & Other Benefits (ii) \$	Total \$	Super- annuation \$	Bonus & Other Benefits \$	Total \$
Directors						
Stephen Barry	99,674	-	99,674	8,971	-	108,645
Keith Hilless	54,091	-	54,091	4,725	-	58,816
Derek Murphy	54,489	-	54,489	4,904	-	59,393
Ray James	525,036	29,107	554,143	56,998	-	611,141
Ray McNamara	401,510	8,662	410,172	33,824	-	443,996
Senior Management						
John Quayle	350,599	25,000	375,599	27,721	-	403,320
Larry Brown	309,042	5,730	314,772	22,500	-	337,272
Robert King	72,037	-	72,037	5,764	-	77,801
	1,866,478	68,499	1,934,977	165,407	-	2,100,384

(i) Salaries & Fees include annual, personal and long service leave accrued during the year. Mr. James and Dr. McNamara did not receive any bonuses or pay increases since the last Annual General Meeting.

(ii) Bonus and Other Benefits include non-monetary benefits to employees. Included in the amount of \$29,107 is an amount representing non-monetary benefits and car allowance received by Mr. James. Dr. McNamara received non-monetary benefits only. Mr. Quayle received car allowance and no other non-monetary benefits. Mr. Brown received non-monetary benefit only.

Directors' and Senior Managements' Interests

As at the date of this report, the interests of the directors or entities associated with them in shares and options of Icon Energy Limited are:

Directors	Ordinary shares No.	Options No.
SM Barry	1,600,866	-
RS James	21,143,925	-
DM Murphy	100,000	-
K Hilless	24,000	-
Senior Management		
J Quayle (Business Development Manager)	1,217,169	-
L Brown (Chief of Operations)	222,641	-
R King (Chief Geophysicist)	-	-
Kevin Jih (Chief Financial Officer)	133,585	-

Movements in the Directors shareholdings during the year are detailed in Note 6(c) to the accounts.

No options were exercised by Directors or Senior Management during the year.

Share Options

Options Granted to Directors and Key Management Personnel of the Company

No options were issued or granted to Directors and Key Management Personnel of the Company during the year.

Options Held by Key Management Personnel

2010

There were no options outstanding at 30 June 2010.

2009

There were no options outstanding at 31 December 2009.

DIRECTORS' REPORT (continued)

MEETINGS OF DIRECTORS

During the financial period, eleven meetings of Directors (including committees) were held. Attendances at these meetings by each director was as follows:

	Directors Meetings		Audit and Risk Management Committee Meetings		Remuneration Nominations, and Successions Committee Meetings	
	A	B	A	B	A	B
R S James	7	7	-	-	-	-
S M Barry	7	7	1	1	2	2
R P McNamara	6	6	-	-	-	-
D Murphy	5	7	1	1	2	2
K Hilless	6	7	1	1	-	-

A- Number of meetings attended.

B- Reflects the number of meetings held during the time the director held office during the year.

DIRECTORS AND AUDITORS INDEMNIFICATION

The Directors and Company Secretary are indemnified by the Company against any liability incurred in their capacity as an officer of the Company or a related body corporate to the maximum extent permitted by law. The Company has not paid any premiums in respect of any contract insuring the Directors of the Company against a liability for legal costs.

The Company has not paid any premiums in respect of any contract insuring the auditor against a liability incurred in the role as an auditor of the Company. In respect of non-audit services, WHK Howarth, the Company's auditor, has the benefit of indemnity to the extent WHK Howarth reasonably relies on information provided by the Company which is false, misleading or incomplete. No amount has been paid under this indemnity during the period ended 30 June 2010 or to the date of this Report.

Details of the nature of the liabilities covered in respect of Directors' and Officers' insurance policies are not disclosed as such disclosure is prohibited under the terms of the contracts.

The total premium expense for the period was \$14,652.

Events After the Balance Date

On 11 August 2010 Mr. Glanville was appointed Company Secretary upon resignation of Mr. McNamara. On the same date Mr. Jih was appointed as a Chief Financial Officer.

On 16 August 2010 Stanwell Corporation has agreed to proceed to Stage 2 of the Farmin Agreement covering Icon Energy's key coal seam gas tenement ATP 626P, committing a further \$30 million. Stanwell Corporation's Commitment Notice is unconditional and not subject to any further consent. Under the Stage 2 agreement, Stanwell Corporation can make the funds available via approved budgets and cash calls as work proceeds. Previous costs under Stage 1 have already been paid and some early works conducted by Icon Energy will be recovered under Stage 2. Stanwell Corporation is now assigned a 50% working interest in the farmin area covering four of 30 blocks within ATP 626P, along with a 1% title interest in the whole of ATP 626P.

On 27 August 2010 Icon granted GSA extension to Shenzhen SinoGas to 31 December 2010 so as to enable Shenzhen SinoGas to obtain all necessary approvals.

Likely Future Developments

Likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the consolidated entity.

Proceedings on Behalf of the Company

No person has applied for leave of the Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

Non-audit Services

Taxation services \$40,800

DIRECTORS' REPORT (continued)

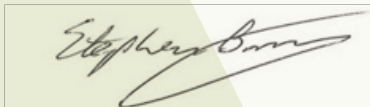
The Board of Directors has considered the position and, in accordance with advice received from the Audit and Risk Management Committee, is satisfied that the provision of non-audit services is compatible with the general standard on independence imposed for auditors by the Corporations Act 2001. The directors are satisfied that the provision of non-audit services by the auditors, as set out above, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit and Risk Committee to ensure they do not impact the impartiality and objectivity of the auditor;
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 37 and forms part of the Directors' Report for the period ended 30 June 2010. WHK Horwath continues in office in accordance with Section 327 of the Corporations Act 2001.

Signed in accordance with a resolution of the Board of Directors.



S Barry
Chairman
2 September 2010



R S James
Managing Director
2 September 2010

**Auditors Independence Declaration under Section 307C of the Corporations Act 2001
To the Directors of Icon Energy Limited**

I declare that, to the best of my knowledge and belief, during the period ended 30 June 2010 there have been:

- (i) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit;
and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Icon Energy Limited and the entities it controlled during the period.



WHK HORWATH



**VANESSA DE WAAL
PRINCIPAL**

Brisbane, 2 September 2010

Liability limited by a scheme approved under the professional standards legislation other than for acts or omissions of financial services licensees.



WHK Pty Ltd trading as WHK Horwath Brisbane is a member of Crowe Horwath International Association, a Swiss Verein.

Member Crowe Horwath International

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INDEPENDENT AUDITOR'S REPORT
To the members of Icon Energy Limited**Report on the Financial Statements**

We have audited the accompanying financial statements of Icon Energy Limited, which comprises the statements of financial position as at 30 June 2010, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the period then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the period's end or from time to time during the financial period.

Directors' Responsibility for the Financial Statements

The directors of the company are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial statements and notes comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Liability limited by a scheme approved under the professional standards legislation other than for acts or omissions of financial services licensees.



WHK Pty Ltd trading as WHK Horwath Brisbane is a member of Crowe Horwath International Association, a Swiss Verein.

Member Crowe Horwath International

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A WHK Group firm

Opinion

In our opinion:

- a) the financial statements of Icon Energy Limited. is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial positions as at 30 June 2010 and of their performance for the period ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- b) the financial statements also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 34 to 35 of the directors' report for the period ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Icon Energy Limited for the period ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.



WHK HORWATH



VANESSA DE WAAL
PRINCIPAL

Brisbane, 2 September 2010

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Broadbeach Waters
Queensland 4218 AUSTRALIA

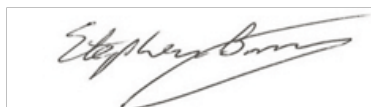
Ph: 61+ 07 5554 7111
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Web: www.iconenergy.com

DIRECTORS' DECLARATION

The Directors of the Company declare that:

- 1 The financial statements and notes, as set out on pages 42 to 64, are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards; and
 - (b) give a true and fair view of the financial position as at 30 June 2010 and of the performance for the period ended on that date of the Company and consolidated entity;
- 2 The Managing Director and Chief Financial Officer have each declared that:
 - (a) the financial records of the Company for the financial period have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - (b) the financial statements and notes for the financial period comply with the Accounting Standards; and
 - (c) the financial statements and notes for the financial period give a true and fair view.
- 3 In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they come due and payable;
- 4 The attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 1 to the financial statements.

Signed in accordance with a resolution of the Board of Directors.



S Barry
Chairman
2 September 2010

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	NOTE	CONSOLIDATED ENTITY		PARENT ENTITY	
		6 months to 30 June 2010 \$	12 months to 31 December 2009 Restated* \$	6 months to 30 June 2010 \$	12 months to 31 December 2009 \$
Revenue		-	-	-	-
Less: Cost of sales		-	-	-	-
Gross Profit/(Loss)		-	-	-	-
Other income	2	194,495	2,085,352	190,667	466,378
Administration expenses		(1,761,775)	(3,165,339)	(1,752,188)	(3,152,697)
Depreciation and amortisation expense		(164,031)	(133,803)	(156,815)	(119,772)
Employee benefits and expenses		(1,709,868)	(1,991,227)	(901,007)	(1,499,995)
Occupancy expenses		(86,135)	(160,073)	(86,135)	(160,073)
Impairment of non-current assets	3	-	(780,097)	-	(2,775,595)
Loss on sale of non-current assets		(20,073)	-	(20,073)	-
Finance costs		(40,954)	(68,243)	(40,954)	(68,230)
Profit/(Loss) before income tax	4	(3,588,341)	(4,213,430)	(2,766,505)	(7,309,984)
Income tax expense	5	-	-	-	-
Profit/(Loss) for the period/year		(3,588,341)	(4,213,430)	(2,766,505)	(7,309,984)
Other comprehensive income					
Exchange differences arising on translation of foreign operations		1,841	(234,832)	-	-
Other comprehensive income/(loss) for the period/year		1,841	(234,832)	-	-
Total comprehensive income/(loss) for the period/year		(3,586,499)	(4,448,262)	(2,766,505)	(7,309,984)
Profit/(Loss) attributable to:					
Owners of the parent entity		(3,588,341)	(4,213,430)	(2,766,505)	(7,309,984)
Non-controlling interests		-	-	-	-
Profit/(Loss) for the period/year		(3,588,341)	(4,213,430)	(2,766,505)	(7,309,984)
Total comprehensive income/(loss) attributable to:					
Owners of the parent entity		(3,586,499)	(4,448,262)	(2,766,505)	(7,309,984)
Non-controlling interests		-	-	-	-
Total comprehensive income/(loss) for the period/year		(3,586,499)	(4,448,262)	(2,766,505)	(7,309,984)
Earnings per share					
Basic earnings/(loss) per share (cents per share)	18	(0.82)	(1.08)		
Diluted earnings/(loss) per share (cents per share)	18	(0.82)	(1.08)		

* See note 27 for details regarding the re-statement
The accompanying notes form part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2010

	NOTE	CONSOLIDATED ENTITY		PARENT ENTITY	
		30 June 2010 \$	December 2009 Restated* \$	30 June 2010 \$	31 December 2009 \$
CURRENT ASSETS					
Cash and cash equivalents	7	14,042,420	23,420,060	13,852,454	23,336,717
Trade and other receivables	8	230,822	719,951	169,431	700,799
TOTAL CURRENT ASSETS		14,273,242	24,140,011	14,021,885	24,037,516
NON-CURRENT ASSETS					
Trade and other receivables	9	-	-	13,724,843	6,232,758
Property, plant, and equipment	10	6,231,882	6,173,436	6,169,916	6,104,254
Financial assets	11	572,500	572,500	572,500	572,500
Other non-current assets	12	17,943,777	11,593,618	3,794,273	3,755,759
TOTAL NON-CURRENT ASSETS		24,748,159	18,339,554	24,261,532	16,665,271
TOTAL ASSETS		39,021,401	42,479,565	38,283,417	40,702,787
CURRENT LIABILITIES					
Trade and other payables	13	422,480	594,278	269,119	187,118
Short-term borrowings	14	208,715	90,678	208,715	90,678
Short-term provisions	15	444,230	385,230	339,230	314,230
TOTAL CURRENT		1,075,425	1,070,186	817,064	592,026
NON-CURRENT LIABILITIES					
Long-term borrowings	14	3,592,817	3,674,562	3,592,817	3,674,562
Long-term provisions	15	208,120	204,120	19,132	16,132
TOTAL NON-CURRENT LIABILITIES		3,800,937	3,878,682	3,611,949	3,690,694
TOTAL LIABILITIES		4,876,362	4,948,868	4,429,013	4,282,720
NET ASSETS		34,145,039	37,530,697	33,854,404	36,420,067
EQUITY					
Issued capital	16	64,740,292	64,539,450	64,740,292	64,539,450
Reserves	17	(2,236,670)	(2,238,511)	-	-
Accumulated losses		(28,358,583)	(24,770,242)	(30,885,888)	(28,119,383)
TOTAL EQUITY		34,145,039	37,530,697	33,854,404	36,420,067

* See note 27 for details regarding the re-statement
The accompanying notes form part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2010

CONSOLIDATED ENTITY

	Ordinary Share Capital \$	Foreign Exchange Reserve \$	Accumulated Losses \$	Total \$
Balance at 1 January 2009	33,451,237	(2,003,679)	(20,556,812)	10,890,746
Total comprehensive income for the year as reported in the 2009 financial statements:				
Loss for the year	-	-	(5,704,634)	(5,704,634)
Other comprehensive income	-	(234,832)	-	(234,832)
Correction of error	-	-	1,491,204	1,491,204
Restated Total Comprehensive Income for the period	-	(234,832)	(4,213,430)	(4,448,262)
Transactions with owners in their capacity as owners:				
Shares issued	31,911,936	-	-	31,911,936
Share issue costs	(823,723)	-	-	(823,723)
Total transactions with owners	31,088,213	-	-	31,088,213
Balance at 31 December 2009 as restated - attributable to owners of parent entity	64,539,450	(2,238,511)	(24,770,242)	37,530,697
Balance 1 January 2010	64,539,450	(2,238,511)	(24,770,242)	37,530,697
Total comprehensive income:				
Loss for the period	-	-	(3,588,341)	(3,588,341)
Other Comprehensive Income	-	1,841	-	1,841
Total Comprehensive Income for the period	-	1,841	(3,588,341)	(3,586,500)
Transactions with owners in their capacity as owners:				
Shares issued	200,842	-	-	200,842
Share issue costs	-	-	-	-
Total transactions with owners	200,842	-	-	200,842
Balance at 30 June 2010 - attributable to owners of parent entity	64,740,292	(2,236,670)	(28,358,583)	34,145,039

PARENT ENTITY

Balance at 1 January 2009	33,451,237	-	(20,809,399)	12,641,838
Total comprehensive income				
Loss for the year	-	-	(7,309,984)	(7,309,984)
Total Comprehensive Income for the period	-	-	(7,309,984)	(7,309,984)
Transactions with owners in their capacity as owners:				
Shares issued	31,911,936	-	-	31,911,936
Share issue costs	(823,723)	-	-	(823,723)
Total transactions with owners	31,088,213	-	-	31,088,213
Balance at 31 December 2009	64,539,450	-	(28,119,383)	36,420,067
Balance 1 January 2010	64,539,450	-	(28,119,383)	36,420,067
Total comprehensive income				
Loss for the period	-	-	(2,766,505)	(2,766,505)
Total Comprehensive Income for the period	-	-	(2,766,505)	(2,766,505)
Transactions with owners in their capacity as owners:				
Shares issued	200,842	-	-	200,842
Share issue costs	-	-	-	-
Total transactions with owners	200,842	-	-	200,842
Balance at 30 June 2010	64,740,292	-	(30,885,888)	33,854,404

The accompanying notes form part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	NOTE	CONSOLIDATED ENTITY		PARENT ENTITY	
		6 months to 30 June 2010 \$	31 December 2009 Restated* \$	6 months to 30 June 2010 \$	12 months to 31 December 2009 \$
		Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers		-	804	-	1,239
Cash payments to suppliers and employees		(2,719,409)	(6,209,970)	(1,921,120)	(5,532,944)
Interest received		194,495	549,464	190,668	465,139
Finance costs		(40,954)	(68,243)	(40,954)	(68,230)
Net Cash used in operating activities	19(a)	(2,565,868)	(5,727,945)	(1,771,406)	(5,134,796)
CASH FLOWS FROM INVESTMENT ACTIVITIES					
Payments for property, plant & equipment		(188,875)	(5,704,142)	(188,875)	(5,699,847)
Payments for deferred mining and exploration		(6,605,513)	(9,458,158)	(14,513)	(1,223,985)
Proceeds from sale of non-current assets		25,000	-	25,000	-
Loans advanced to related parties		-	-	(7,492,085)	(2,722,564)
Proceeds from joint venture contributions		-	6,124,000	-	-
Payments for financial assets		-	(20,000)	-	(20,000)
Net Cash provided by/(used in) investment activities		(6,769,388)	(9,058,300)	(7,670,473)	(9,666,396)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of share capital		-	31,364,436	-	31,364,436
Capital raising costs		-	(823,723)	-	(823,723)
Proceeds from borrowings raised		-	3,586,452	-	3,586,452
Repayment of borrowings		(42,384)	(294,233)	(42,384)	(294,233)
Net cash from/(used in) finance activities		(42,384)	33,832,932	(42,384)	33,832,932
Net increase/(decrease) in cash and cash equivalents		(9,377,640)	19,046,687	(9,484,263)	19,031,740
Cash and cash equivalents at beginning of the financial period		23,420,060	4,373,373	23,336,717	4,304,977
Cash and cash equivalents at the end of the financial period	7	14,042,420	23,420,060	13,852,454	23,336,717

* See note 27 for details regarding the re-statement
The accompanying notes form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2010

NOTE 1 - STATEMENT OF ACCOUNTING POLICIES

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial statements cover Icon Energy Limited as an individual parent entity and Icon Energy Limited and controlled entities as a consolidated entity. Icon Energy Limited is a listed public company, incorporated and domiciled in Australia.

The financial statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets and financial assets and financial liabilities for which the fair value basis of accounting is applied.

The financial statements of Icon Energy Limited and its controlled entities and Icon Energy Limited as an individual parent entity comply with all Australian equivalents to International Financial Reporting Standards (IFRS) in their entirety, which ensures that the financial statements comply with International Financial Reporting Standards.

The financial report was authorised for issue by the Board of Directors on 2 September 2010.

The following is a summary of the material accounting policies adopted by the consolidated entity in the preparation of the financial statements. The accounting policies have been consistently applied unless otherwise stated.

(a) Change of financial year-end

Pursuant to an order dated 18 June 2010, the Australian Securities and Investment Commission has granted Icon approval to change its financial year-end from 31 December to 30 June so as to align the balance dates of companies in the consolidated entity to the year end for taxation purposes. The change is effective from 30 June 2010 and accordingly, these financial statements are for the six month period ended 30 June 2010, with comparative information for the 12 months ended 31 December 2009. The financial year end of all controlled entities has been changed to align with the change to the parent's year end.

(b) Changes in Accounting Policies

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. They are available for early adoption at 30 June 2010, but have not been applied in preparing this financial report. The consolidated entity's assessment of the impact of these new standards and interpretations is set out below:

- AASB 9 *Financial Instruments* includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 is applicable to annual reporting periods beginning on or after 1 January 2013. The entity has not yet determined the potential effect of the standard.
- AASB 124 *Related Party Disclosures* (Revised December 2009) simplifies and clarifies its intended meaning of the definition of a related party and provides partial exemption from the disclosure requirements for government-related entities. AASB 124 applies to annual reporting periods beginning on or after 1 January 2011. AASB 124 is a disclosure standard and will therefore have no impact on the entity's reported position and performance.

(c) Principles of Consolidation

A controlled entity is any entity controlled by Icon Energy Limited. Control exists where Icon Energy Limited has the power to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with Icon Energy Limited to achieve the objectives of Icon Energy Limited. A list of controlled entities is contained in Note 22 to the accounts. All controlled entities have a June financial year end.

All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation.

Where controlled entities have entered or left the consolidated entity during the year, their operating results have been included from the date control was obtained or until the date control ceased.

(d) Income Tax

The income tax expense/(revenue) for the period comprises current income tax expense/(income) and deferred tax expense/(income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantively enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the period as well as unused tax losses.

Current and deferred income tax expense/(income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2010

NOTE 1 - STATEMENT OF ACCOUNTING POLICIES (Continued)

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Tax Consolidation

Icon Energy Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under tax consolidation legislation. Each entity in the Group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'stand-alone taxpayer' approach to allocation. Current tax liabilities/(assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity. The Group notified the Tax Office that it had formed an income tax consolidated group to apply from 1 July 2008.

(e) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred by a purchaser that is not recoverable from the taxation authority. Under these circumstances, the GST is recognised as part of the cost of acquisition of an asset or as part of an item of expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(f) Property, Plant, and Equipment

Property, plant and equipment are brought to account at cost or at independent valuation, less, where applicable, any accumulated depreciation or amortisation. The carrying amount of property, plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal.

The depreciable amount of all fixed assets including capitalised leased assets, but excluding freehold land, are depreciated over their useful lives using the diminishing method commencing from the time the asset is held ready for use. Leasehold improvements are amortised over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. Depreciation rates and methods are reviewed annually and, if necessary, adjustments are made.

The depreciation rates used for each class of depreciable asset are:

Class of Asset	Depreciation Rate
Plant and Equipment	20 – 40%
Buildings	2.50%
Fixtures and Fittings	3 - 20%

The gain or loss on disposal of all fixed assets, including re-valued assets, is determined as the difference between the carrying amount of the asset at the time of disposal and the proceeds of disposal, and is included in operating profit before income tax in the year of disposal. Any realised revaluation increment relating to the disposed asset, which is included in the asset revaluation reserve, is transferred to retained earnings at the time of disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2010

NOTE 1 - STATEMENT OF ACCOUNTING POLICIES (Continued)

(g) Leases

Leases of plant and equipment, under which the Company or its controlled entities assume substantially all the risks and benefits of ownership, but not the legal ownership, are classified as finance leases. Other leases are classified as operating leases.

Finance leases are capitalised. A lease asset and a lease liability equal to the present value of the minimum lease payments is recorded at the inception of the lease. Contingent rentals are written off as an expense of the accounting period in which they are incurred. Capitalised leased assets are amortised on a straight line basis over the term of the relevant lease, or where it is likely the consolidated entity will obtain ownership of the asset, the life of the asset. Lease liabilities are reduced by repayments of principal. The interest component of the lease payments is charged to statement of comprehensive income.

Lease payments for operating leases, where substantially all risks and benefits remain with the lessor, are charged as an expense on a straight-line basis over the lease term.

(h) Exploration, Evaluation and Development Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of an area or sale of the respective area of interest or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit/(loss) in the year in which the decision to abandon the area is made.

When commercial production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves. Any costs of site restoration are provided for during the relevant production stages and included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly, the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(i) Investments

Investments in subsidiaries held by Icon Energy Limited are accounted for at cost in the separate financial statements of the parent entity, less any impairment charges. The carrying amount of investments is reviewed annually by directors to ensure it is not in excess of the recoverable amount of these investments.

Dividends are brought to account in the statement of comprehensive income when received.

(j) Interests in Joint Ventures

The consolidated entity has interests in joint ventures that are jointly controlled operations. The consolidated entity's share of the assets, liabilities, revenue and expenses of joint venture operations are included in the respective items of the consolidated Statements of Financial Position and Statements of Comprehensive Income.

(k) Trade Creditors

A liability is recorded for the goods and services received prior to balance date, whether invoiced to the company or not. Trade creditors are normally settled within 30 days.

(l) Cash and Cash Equivalents

Cash and cash equivalents in the Statements of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

For the purpose of the Statements of Cash Flows, cash and cash equivalents include cash and cash equivalents as above, net of outstanding bank overdrafts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2010

NOTE 1 - STATEMENT OF ACCOUNTING POLICIES (Continued)

(m) Provision for Dividend

A provision is made for dividends payable when dividends are declared by the company.

(n) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(o) Revenue

Revenue is recognised and measured at the fair value of consideration received or receivable.

Revenue from sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from rendering of a service is recognised upon the delivery of the service to the customers.

Royalty revenue is recognised as received.

All revenue is stated net of the amount of goods and services tax (GST).

(p) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Managing Director.

(q) Comparative Figures

Where required by Accounting Standards, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

(r) Financial Instruments

Recognition

Financial instruments are initially measured at fair value, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the statement of comprehensive income in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired.

Held-to-maturity investments

These investments have fixed or determinable payments and fixed maturities, and it is the group's intention to hold these investments to maturity. Any held-to-maturity investments held by the group are stated at amortised cost using the effective interest rate method. Gains or losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity until the investment is derecognised or determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit and loss.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2010

NOTE 1 - STATEMENT OF ACCOUNTING POLICIES (Continued)

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models. The net fair value of financial assets and liabilities approximates their carrying value.

Impairment

At each reporting date, the consolidated entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in profit or loss.

(s) Impairment of Assets

At each reporting date, the directors review the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed and included in profit or loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(t) Foreign Currency Transactions and Balances

Functional and presentation

The functional currency of each of the controlled entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in profit or loss.

Group companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the Statement of Financial Position and are recognised in the Statement of Comprehensive Income.

(u) Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Key estimates — Impairment

The directors assess impairment at each reporting date by evaluating conditions specific to the entity that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2010

NOTE 2 - REVENUE

OTHER INCOME

Administration fees
Equipment rental
Recovery of drilling supervision costs
Interest received:
- Financial Institutions
Royalties Received
Other Income

CONSOLIDATED ENTITY		PARENT ENTITY	
6 months to 30 June 2010	12 months to 31 December 2009 Restated	6 months to 30 June 2010	12 months to 31 December 2009
\$	\$	\$	\$
-	681,827	-	-
-	171,722	-	-
-	637,655	-	-
194,495	549,464	190,667	465,139
-	804	-	-
-	43,880	-	1,239
194,495	2,085,352	190,667	466,378
194,495	2,085,352	190,667	466,378

TOTAL REVENUE

NOTE 3 - IMPAIRMENT OF NON-CURRENT ASSETS

Impairment of exploration expenditure (Note 12)
Impairment of non-current receivables (Note 9)

-	780,097	-	-
-	-	-	2,775,595
-	780,097	-	2,775,595

NOTE 4 - PROFIT/(LOSS) BEFORE INCOME TAX

Profit/(Loss) before income tax has been determined after:

Amounts received or due and receivable by the parent entity auditor:

- Audit or review of financial report
- Taxation and consultancy fees

CONSOLIDATED ENTITY		PARENT ENTITY	
6 months to 30 June 2010	12 months to 31 December 2010	6 months to 30 June 2010	12 months to 31 December 2009
\$	\$	\$	\$
65,342	101,338	65,342	101,338
40,800	90,090	40,800	90,090
106,142	191,428	106,142	191,428

Amounts set aside for provision for:

- Employee entitlements

Rental expense relating to operating leases
• Minimum lease payments

Foreign exchange losses

Superannuation Expense

63,000	14,448	28,000	(60,540)
74,830	160,073	74,830	160,073
(3,359)	15,951	(3,359)	15,951
118,613	174,126	57,633	124,975

NOTE 5 - INCOME TAX EXPENSE

Profit/(Loss) before tax expense

Prima facie tax payable on Profit/(Loss) before income tax at 30% (2009: 30%)

Increase/(decrease) in income tax expense due to:

Non Deductible Expenses
Permanent differences loan impairment
Other items
Deferred tax benefits not brought to account
Income Tax Attributable to Profit/(loss) before tax

CONSOLIDATED ENTITY		PARENT ENTITY	
6 months to 30 June 2010	31 December 2009 Restated	6 months to 30 June 2010	12 months to 31 December 2009
\$	\$	\$	\$
(3,588,341)	(4,213,430)	(2,766,505)	(7,309,984)
(1,076,502)	(1,264,029)	(829,952)	(2,192,995)
3,069	5,361	-	5,361
-	-	-	832,678
-	(45,230)	-	(45,230)
1,073,433	1,303,898	829,952	1,400,186
-	-	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2010

NOTE 5 - INCOME TAX EXPENSE (Continued)

Deferred Tax Assets not brought to account, the benefits of which will only be realised if the conditions for deductibility of tax losses set out in Note 1 occur based on corporate tax rate of 30% (2009: 30%) for Australian companies and the effective tax rate of 6.47% for foreign controlled entities:

	CONSOLIDATED ENTITY		PARENT ENTITY	
	6 months to 30 June 2010 \$	12 months to 31 December 2009 Restated \$	6 months to 30 June 2010 \$	12 months to 31 December 2009 \$
Tax losses	42,253,532	31,846,164	42,253,532	33,337,368
Potential tax benefit	12,676,060	9,553,849	12,676,060	10,001,210
Temporary differences				
Other	1,370,829	878,085	1,370,829	878,085
Provisions	468,350	405,350	358,362	330,361
Potential tax benefit	551,754	385,031	518,757	362,534
Total deferred tax benefits not brought to account	13,227,814	9,938,880	13,194,817	10,363,744
Deferred Tax Liabilities				
Mining and Exploration costs	17,562,259	11,426,851	17,545,816	4,310,251
Total Deferred tax liabilities not brought to account	5,268,678	3,428,055	5,263,745	1,293,075
Total deferred tax assets not brought to account	7,959,136	6,510,825	7,931,072	9,070,669

NOTE 6 - KEY MANAGEMENT PERSONNEL REMUNERATION

(a) Key management personnel compensation included

• Short term employee benefits	1,249,783	1,934,977	961,647	1,548,168
• Other long term benefits	-	-	-	-
• Post employment benefits	95,605	165,407	73,105	137,143
• Termination benefits	-	-	-	-
• Equity compensation benefits	130,913	-	84,158	-
	1,476,301	2,100,384	1,118,910	1,685,311

Apart from the details disclosed in this note, no Director has entered into a material contract with the Company or consolidated entity since 31 December 2009 and there were no material contracts involving Directors' interests existing at year end.

(b) Options

There were no options held by Key Management Personnel during the period ended 30 June 2010 (31 December 2009: Nil).

(c) Shareholdings

The movement during the period in the number of ordinary shares in Icon Energy Limited held directly, indirectly or beneficially, by each Key Management Personnel, including their related parties, is as follows:

	Balance 1.1.2010 No	Employee Share Ownership Plan No	Purchases No	Options Exercised No	Sold No	Balance 30.06.2010 No
2010						
Directors						
Stephen Barry	1,600,866	-	-	-	-	1,600,866
Derek Murphy	60,000	-	40,000	-	-	100,000
Keith Hilless	-	-	24,000	-	-	24,000
Raymond James	20,875,235	-	268,690	-	-	21,143,925
Raymond McNamara - (Resigned 22 April 2010)	264,000	-	-	-	-	264,000
Senior Management						
John Quayle	1,050,000	267,169	-	-	(100,000)	1,217,169
Lawrence Brown	-	222,641	-	-	-	222,641
Robert King	-	-	-	-	-	-
Kevin Jih (Appointed 11/08/2010)	-	133,585	-	-	-	133,585
	23,850,101	623,395	332,690	-	(100,000)	24,706,186

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2010

NOTE 6 - KEY MANAGEMENT PERSONNEL REMUNERATION (Continued)

2009	Balance 1.1.2009 No	Employee Share Ownership Plan No	Purchases No	Options Exercised No	Sold No	Balance 31.12.2009 No
Directors						
Stephen Barry	1,567,566	-	33,300	-	-	1,600,866
Derek Murphy	-	-	60,000	-	-	60,000
Keith Hilless	-	-	-	-	-	-
Raymond James	23,775,235	-	100,000	-	(3,000,000)	20,875,235
Raymond McNamara	164,000	-	100,000	-	-	264,000
Senior Management						
John Quayle	900,000	-	150,000	-	-	1,050,000
Lawrence Brown	-	-	-	-	-	-
Robert King- Appointed 07/09/09	-	-	-	-	-	-
	26,406,801	-	443,300	-	(3,000,000)	23,850,101

CONSOLIDATED ENTITY		PARENT ENTITY	
6 months to 30 June 2010	12 Months to 31 December 2009	6 months to 30 June 2010	12 Months to 31 December 2009
\$	\$	\$	\$

(d) Transactions with Directors and Director Related Entities

Legal fees paid in the ordinary course of business to CKB Partners, a firm with which Mr. S Barry is associated.

-	244	-	244
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During the period, Icon purchased a motor vehicle from a director related party, a person with which Ray James is associated. The purchase was approved by the Company Secretary/Executive Director, Ray McNamara and was based on the estimated values of Carsales.com and Redbook that were between \$23,000.00 and \$25,000.00. Icon purchased the motor vehicle for \$22,000.00.

All services provided by the director-related entities were at normal commercial terms and conditions.

CONSOLIDATED ENTITY		PARENT ENTITY	
30 June 2010	31 December 2009	30 June 2010	31 December 2009
\$	\$	\$	\$
666	666	450	450
14,041,754	23,419,394	13,852,004	23,336,267
14,042,420	23,420,060	13,852,454	23,336,717

NOTE 7 - CASH AND CASH EQUIVALENTS

Cash on hand
Cash at Bank

Reconciliation of cash

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to items in the Statement of Financial Position as follows:

Cash and cash equivalents

Balance as per Statement of Cash Flows

14,042,420	23,420,060	13,852,454	23,336,717
14,042,420	23,420,060	13,852,454	23,336,717

NOTE 8 - TRADE AND OTHER RECEIVABLES - CURRENT

Other receivables

230,822	719,951	169,431	700,799
230,822	719,951	169,431	700,799

Other receivables are not past due and are not impaired at 30 June 2010. All amounts are expected to be received in less than 12 months.

NOTE 9 - TRADE AND OTHER RECEIVABLES - NON-CURRENT

Amounts receivable from wholly owned subsidiaries:

- Icon Drilling Pty Ltd
- Jakabar Pty Ltd
- Icon Oil US (LLC)

CONSOLIDATED ENTITY		PARENT ENTITY	
30 June 2010	31 December 2009	30 June 2010	31 December 2009
\$	\$	\$	\$
-	-	13,714,674	6,226,021
-	-	8,014	6,737
-	-	2,155	2,775,595
-	-	13,724,843	9,008,353
-	-	-	(2,775,595)
-	-	13,724,843	6,232,758

Less: Impairment

The loans to controlled entities are unsecured, interest free and payable on demand, but with limited recourse.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2010

NOTE 10 - PROPERTY, PLANT, AND EQUIPMENT

	CONSOLIDATED ENTITY		PARENT ENTITY	
	30 June 2010 \$	31 December 2009 \$	30 June 2010 \$	31 December 2009 \$
Plant and Equipment - at cost	1,223,199	1,013,972	1,139,754	930,529
less: accumulated depreciation	(478,140)	(388,482)	(456,661)	(374,220)
	745,059	625,490	683,093	556,309
Building - at cost	2,172,934	2,172,934	2,172,934	2,172,934
less: accumulated depreciation	(30,836)	(3,721)	(30,836)	(3,721)
	2,142,098	2,169,213	2,142,098	2,169,213
Fixtures and Fittings - at cost	958,250	945,000	958,250	945,000
less: accumulated depreciation	(53,525)	(6,267)	(53,525)	(6,267)
	904,725	938,733	904,725	938,733
Land at cost	2,440,000	2,440,000	2,440,000	2,440,000
	6,231,882	6,173,436	6,169,916	6,104,255
Plant and Equipment - under lease	154,571	154,571	154,571	154,571
less: accumulated amortisation	(154,571)	(154,571)	(154,571)	(154,571)
	-	-	-	-
Total property, plant and equipment at written down value	6,231,882	6,173,436	6,169,916	6,104,255

Movements in carrying amounts

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Plant & Equipment at cost \$	Building at cost \$	Fixture and Fittings at cost \$	Land at cost \$	Total \$
Consolidated Entity					
Balance at 1 January 2009	406,317	-	-	-	406,317
Additions	342,988	2,172,934	945,000	2,440,000	5,900,922
Depreciation	(123,815)	(3,721)	(6,267)	-	(133,803)
Balance at 31 December 2009	625,490	2,169,213	938,733	2,440,000	6,173,436
Balance at 1 January 2010	625,490	2,169,213	938,733	2,440,000	6,173,436
Additions	254,300	-	13,250	-	267,550
Disposals	(45,073)	-	-	-	(45,073)
Depreciation	(89,658)	(27,115)	(47,258)	-	(164,031)
Balance at 30 June 2010	745,059	2,142,098	904,725	2,440,000	6,231,882

A charge exists over nine items of plant and equipment as part of a hire purchase finance arrangements. The written down value of these assets was \$360,942 as at 30 June 2010 (31 December 2009: \$382,064). A commercial property is secured over a bank loan. The book value of the property was \$4,582,098 as at 30 June 2010 (31 December 2009: \$4,609,213).

	Plant & Equipment at cost \$	Building at cost \$	Fixture and Fittings at cost \$	Land at cost \$	Total \$
Parent Entity					
Balance at 1 January 2009	327,398	-	-	-	327,398
Additions	338,694	2,172,934	945,000	2,440,000	5,896,628
Depreciation	(109,784)	(3,721)	(6,267)	-	(119,772)
Balance at 31 December 2009	556,308	2,169,213	938,733	2,440,000	6,104,254
Balance at 1 January 2010	556,308	2,169,213	938,733	2,440,000	6,104,254
Additions	254,300	-	13,250	-	267,550
Disposals	(45,073)	-	-	-	(45,073)
Depreciation	(82,442)	(27,115)	(47,258)	-	(156,815)
Balance at 30 June 2010	683,093	2,142,098	904,725	2,440,000	6,169,916

A charge exists over nine items of plant and equipment as part of a hire purchase finance arrangements. The written down value of these assets was \$360,942 as at 30 June 2010 (31 December 2009: \$382,064). A commercial property is secured over a bank loan. The book value of the property was \$4,582,098 as at 30 June 2010 (31 December 2009: \$4,609,213).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2010

NOTE 11 - FINANCIAL ASSETS

Shares in Unlisted Companies - at cost
Provision for diminution in value

Mineral Interest in West Baton Rouge Parish, Louisiana, USA
at fair value

CONSOLIDATED ENTITY		PARENT ENTITY	
30 June 2010	31 December 2009	30 June 2010	31 December 2009
\$	\$	\$	\$
-	-	976,426	976,426
-	-	(976,426)	(976,426)
-	-	-	-
572,500	572,500	572,500	572,500
572,500	572,500	572,500	572,500

NOTE 12 - OTHER NON-CURRENT ASSETS

Exploration and Evaluation Expenditure at cost
Less: Impairment
Less: Joint Venture Contribution Applied

Performance guarantee bonds

CONSOLIDATED ENTITY		PARENT ENTITY	
30 June 2010	31 December 2009 Restated	30 June 2010	31 December 2009
\$	\$	\$	\$
23,870,257	18,327,845	3,752,201	3,737,687
-	(780,097)	-	-
(6,124,000)	(6,124,000)	-	-
17,746,257	11,423,748	3,752,201	3,737,687
197,520	169,870	42,072	18,072
17,943,777	11,593,618	3,794,273	3,755,759

Exploration and evaluation expenditure incurred is carried forward for each area of interest. This expenditure is only carried forward if it is expected to be recovered through the successful development of the area or where the activities in the area of interest have not reached a stage which permits a reasonable assessment of economically recoverable reserves and operations in the area of interest are continuing. In assessing the recoverability of exploration and evaluation expenditure in the financial report, the directors have considered the impacts of relationships with joint venture operators, future funding arrangements and planned future expenditure in relation to mining leases held.

In 2009, the entity suspended US operations due to problems with the operator. Because of the uncertainty surrounding the US operations, the entity has written off the carrying costs of the US investment.

NOTE 13 - TRADE AND OTHER PAYABLES

Current

Trade and sundry payables

CONSOLIDATED ENTITY		PARENT ENTITY	
30 June 2010	31 December 2009	30 June 2010	31 December 2009
\$	\$	\$	\$
422,480	594,278	269,119	187,118
422,480	594,278	269,119	187,118

* Non-current trade and other payables represent amounts payable to wholly owned subsidiary Icon Drilling Pty Ltd. The loan from controlled entity is unsecured, interest free and payable on demand.

NOTE 14 - BORROWINGS

Secured

Current

Hire purchase liabilities

Non Current

Hire purchase liabilities

Bank loan liabilities

CONSOLIDATED ENTITY		PARENT ENTITY	
30 June 2010	31 December 2009	30 June 2010	31 December 2009
\$	\$	\$	\$
208,715	90,678	208,715	90,678
208,715	90,678	208,715	90,678
192,817	274,562	192,817	274,562
3,400,000	3,400,000	3,400,000	3,400,000
3,592,817	3,674,562	3,592,817	3,674,562
3,801,532	3,765,240	3,801,532	3,765,240

The hire purchase liabilities are secured by motor vehicles with a written down value of \$360,942 as at 30 June 2010 (31 December 2009: \$382,064) and are subject to interest rates between 7.95% and 13.29% and are repayable in monthly instalments of \$12,789.75 including finance charges.

The bank loan is secured by commercial property with a written down value of \$4,582,098 as at 30 June 2010 (31 December 2009: \$4,609,213) and is subject to interest rate of 6.26%.

NOTE 15 - PROVISIONS

Current

Employee entitlements

Non Current

Employee entitlements

Restoration provision

CONSOLIDATED ENTITY		PARENT ENTITY	
30 June 2010	31 December 2009	30 June 2010	31 December 2009
\$	\$	\$	\$
444,230	385,230	339,230	314,230
444,230	385,230	339,230	314,230
24,120	20,120	19,132	16,132
184,000	184,000	-	-
208,120	204,120	19,132	16,132
652,350	589,350	358,362	330,362
21	19	13	9

Number of employees at year end

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2010

NOTE 16 - ISSUED CAPITAL

Share Capital

Issued share capital 439,801,394 (31 December 2009: 438,845,003) fully paid, no par value ordinary shares.

	30 JUNE 2010		31 DECEMBER 2009	
	Number of shares	\$	Number of shares	\$
Fully Paid Shares				
Balance at beginning of the year	438,845,003	64,539,450	332,796,906	33,451,237
Shares issued:				
• May 2009 - Shares issued for tenements	-	-	1,500,000	547,500
• June 2009 - Shares issued for cash	-	-	46,000,000	13,800,000
• July 2009 - Shares issued for cash	-	-	58,548,097	17,564,436
• June 2010 - Shares issued under Employee Share Ownership Plan	956,391	200,842	-	-
• Capital Raising Costs	-	-	-	(823,723)
Balance at the end of the year	439,801,394	64,740,292	438,845,003	64,539,450

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up the company, all shareholders participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

NOTE 17 - FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

NOTE 18 - EARNINGS PER SHARE

		CONSOLIDATED ENTITY	
		6 months to 30 June 2010	12 months to 31 December 2009 Restated
		\$	\$
(a)	Reconciliation of Earnings to Net Profit/(Loss)		
	Net Profit/(Loss) for the year	(3,588,341)	(4,213,430)
	Earnings used in the calculation of basic EPS	(3,588,341)	(4,213,430)
	Earnings used in the calculation of dilutive EPS	(3,588,341)	(4,213,430)
(b)	Weighted average number of ordinary shares outstanding during the year used in the calculation of basic EPS.	438,951,269	388,751,868
	Weighted average number of ordinary shares outstanding during the year used in the calculation of dilutive EPS.	438,951,269	388,751,868

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2010

NOTE 19 - CASH FLOW INFORMATION

	CONSOLIDATED ENTITY		PARENT ENTITY	
	6 months to 30 June 2010	12 months to 31 December 2009	6 months to 30 June 2010	12 months to 31 December 2009
	\$	\$	\$	\$
(a) Reconciliation of net cash used in operating activities to Profit/(loss) after income tax:				
Profit/(loss) after income tax	(3,588,341)	(4,213,430)	(2,766,505)	(7,309,984)
Adjustment for non cash items				
Depreciation and amortisation	164,031	133,803	156,815	119,772
Impairment of non-current assets	-	780,097	-	2,775,595
Currency Movements	1,841	(5,798)	-	-
Loss/(Gain) on sale of non-current assets	20,073	-	20,073	-
Share based payments	200,842	-	200,842	-
Adjustment for changes in assets and liabilities				
Other non-current assets*	(27,650)	(138,699)	(24,000)	13,896
Trade and other receivables	489,129	(666,993)	531,368	(666,449)
Trade and other payables	111,207	(140,169)	82,001	(7,086)
Employee provisions	63,000	14,448	28,000	(60,540)
Net cash used in operating activities	(2,565,868)	(4,236,741)	(1,771,406)	(5,134,796)

* Other non-current assets amount is exclusive of deferred exploration expenditure movement.

** Trade and other payables amount is exclusive of the movement in payables attributable to deferred exploration expenditure, which has been incorporated into Cash Flows from Investment Activities.

(b) Non-cash financing activities

During the year the effects of the following transactions have not been included in this statement of cash flows with the exception of any repayments made:

- acquisition of motor vehicles by hire-purchase totalling to \$78,674.

NOTE 20 - CAPITAL AND LEASING COMMITMENTS

	CONSOLIDATED ENTITY		PARENT ENTITY	
	30 June 2010	31 December 2009	30 June 2010	31 December 2009
	\$	\$	\$	\$
Hire-Purchase Commitments				
Hire- Purchase commitments payable:				
• not later than one year	232,667	128,791	232,667	128,791
• later than one year but not later than five years	200,511	295,097	200,511	295,097
Minimum hire-purchase payments	433,178	423,888	433,178	423,888
Less: future finance charges				
• not later than one year	(23,952)	(38,113)	(23,952)	(38,113)
• later than one year but not later than five years	(7,694)	(20,535)	(7,694)	(20,535)
Total Hire-Purchase Liabilities	401,532	365,240	401,532	365,240
Present value of minimum lease and loan payments				
• not more than one year	208,715	90,678	208,715	90,678
• later than one year but not later than five years	192,817	274,562	192,817	274,562
	401,532	365,240	401,532	365,240
Current borrowings (Note 14)	208,715	90,678	208,715	90,678
Non-current borrowings (Note 14)	192,817	274,562	192,817	274,562
	401,532	365,240	401,532	365,240

Work Programme Commitments

The total commitments for work programmes for ATP849P and 549 are as follows:

Exploration expenditure commitments - coal bed methane tenements

- not later than 1 year
- later than one year but not later than five years

CONSOLIDATED ENTITY	
30 June 2010	31 December 2009
\$	\$
1,492,390	765,985
3,367,558	11,249,955
4,859,948	12,015,940

If any of the above expenditures are not met then the Department of Mines will require the permit to be forfeited without liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2010

NOTE 21 - JOINT VENTURES

The following is a list of active mining tenements held by Icon Energy and its subsidiaries.

Oil and Gas	Basin	Interest %	
		30 June 2010	31 December 2009
ATP 549P	Cooper Eromanga	33.33%	33.33%
ATP 594P	Cooper Eromanga	50.00%	50.00%
ATP 794 P	Eromanga Regleigh & Springfield Areas	60.00%	60.00%
ATP 794 P	Eromanga Brightspot area	75.00%	75.00%
ATP 626P*	Surat	99.00%	100.00%
ATP 849P	Surat	80.00%	80.00%
ATP 855P	Cooper Eromanga	80.00%	80.00%
PEL 218	Cooper Eromanga	33.30%	33.30%
ATP 560	Cooper Eromanga	50.50%	50.50%
EPG 49	Cooper Eromanga	100.00%	100.00%
EPG 51	Cooper Eromanga	100.00%	100.00%

* On 16 August 2010 Stanwell Corporation has agreed to proceed to Stage 2 of the Farmin Agreement covering Icon Energy's key coal seam gas tenement ATP 626P, committing a further \$30 million. Stanwell Corporation is now assigned 50% working interest in the farmin area covering four of 30 blocks within ATP 626P, along with a 1% title interest in the whole of ATP 626P. Stage Two involves a 20 well program to prove 2P and 3P reserves.

The consolidated entity's interest in assets employed in the above joint ventures are included in the Statement of Financial Position under the following classifications:

	CONSOLIDATED ENTITY		PARENT ENTITY	
	30 June 2010	31 December 2009	30 June 2010	31 December 2009
	\$	\$	\$	\$
NON CURRENT ASSETS				
Exploration and evaluation expenditure at cost	3,618,278	2,469,092	3,618,278	2,469,092
Total Non Current Assets	3,618,278	2,469,092	3,618,278	2,469,092
Share of total assets in joint venture	3,618,278	2,469,092	3,618,278	2,469,092

NOTE 22 - CONTROLLED ENTITIES

Parent entity:	Country of Incorporation	% Owned	
		30 June 2010	31 December 2009
Icon Energy Limited	Australia		
Subsidiaries of Icon Energy Limited:			
Jakabar Pty Ltd	Australia	100	100
Icon Drilling Pty Ltd	Australia	100	100
Icon Gas Productions Pty Ltd	Australia	100	100
Icon Oil US (LLC)	USA	100	100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2010

NOTE 23 - SEGMENT INFORMATION

The consolidated entity operates in the oil exploration and petroleum sector, predominantly within Queensland. The majority of its exploration activities are conducted in the Cooper/Eromanga and Surat Basins in Australia. Icon's Board of Directors reviews internal management reports on at least a monthly basis. Information by geographical areas are as follows:

INFORMATION ABOUT GEOGRAPHICAL AREAS

In presenting the information on the basis of geographical areas, the Australian geographical areas include a majority of corporate head office expenses on the basis that all resources within the corporate head office are applied to these exploration activities.

	Australia 12 months to 31 December 30 June 2010 \$		USA 12 months to 31 December 30 June 2010 \$		Consolidated Entity 31 December 2009 30 June 2010 \$	
		Restated \$		2009 \$		Restated \$
REVENUE						
External Sales	-	1,491,204	-	-	-	1,491,204
Royalty sales	-	-	-	804	-	804
Total segment revenues	-	1,491,204	-	804	-	1,492,008
Interest Revenue	194,495	549,464	-	-	194,495	549,464
Other Income	-	1,239	-	42,641	-	43,880
Total revenue	194,495	2,041,907	-	43,445	194,495	2,085,352
RESULT						
Segment net operating profit after tax	(3,585,264)	(3,543,464)	(3,077)	(739,966)	(3,588,341)	(4,283,430)
Interest expense	40,954	68,243	-	-	40,954	68,243
Impairment of Assets	-	-	-	780,097	-	780,097
Loss on sale of non-current assets	(20,073)	-	-	-	(20,073)	-
Segment Assets	38,982,842	42,441,927	38,559	37,638	39,021,402	42,479,565
Segment Liabilities	4,876,362	4,948,868	-	-	4,876,362	4,948,868
OTHER						
Acquisition of non-current segment assets	267,550	5,900,922	-	-	267,550	5,900,922
Depreciation and amortisation of segment assets	164,031	133,803	-	-	164,031	133,803

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Managing Director.

NOTE 24 - FINANCIAL INSTRUMENTS

The parent and consolidated entity's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable and payable, loans to and from subsidiaries, bank loans and hire-purchase liabilities.

The main purpose of non-derivative financial instruments is to raise finance for the parent and consolidated entity operations.

The parent and consolidated entity do not have any derivative instruments at 30 June 2010 (31 December 2009: Nil).

Significant accounting policies

Details of significant accounting policies and methods adopted, including the criteria for recognition, the basis for measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

Capital risk management

The parent and consolidated entity manages their capital to ensure that it will be able to continue as a going concern and provide optimal return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the parent and consolidated entity consists of cash and cash equivalents, hire-purchase liabilities, bank loans and equity comprising issued capital, net of reserves and accumulated losses as disclosed in notes 7, 14 and 16 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2010

NOTE 24 - FINANCIAL INSTRUMENTS (CONTINUED)

The board of directors review the capital structure on a regular basis. As a part of the review the board considers the cost of capital and the risks associated with each class of capital.

The parent and consolidated entity's overall strategy remains unchanged from 2009.

Financial Risk Management

The main risks the parent and consolidated entity are exposed to through its financial assets and liabilities are interest rate risk, liquidity risk and credit risk. The parent and consolidated entity's risk management program focuses on the unpredictability of the financial markets and seeks to minimise the potential adverse effects of the financial performance of the parent and consolidated entity, by way of various measures detailed below.

The board of directors analyse currency and interest rate exposure and evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

Risk management is carried out by the board of directors, the audit and risk management committee, and key management personnel.

a Market Risk

Interest rate risk

The parent and consolidated entity's interest rate risk arises mainly from the bank loan as funds are borrowed at a variable interest rate. The bank loan was used to finance the purchase of commercial property.

The company does not use long-term debt to finance its exploration activities. Long-term fixed interest debt is used to finance vehicles only. The company has a policy that when production operations commence in Australia, the interest rate risk will be managed with a mixture of fixed and floating rate debt.

The parent and consolidated entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on those financial assets and financial liabilities, is as follows:

Consolidated Entity

	Weighted Average Interest Rate %	Floating Interest \$	Fixed Interest Rate Maturing		Non interest bearing \$	Total \$
			Within 1 year \$	1 to 5 years \$		
30 June 2010						
<i>Financial assets</i>						
Cash and cash equivalents	5.03%	14,041,754	-	-	666	14,042,420
Other receivables		-	-	-	230,822	230,822
Total Financial Assets		14,041,754	-	-	231,488	14,273,242
<i>Financial liabilities</i>						
Accounts payable		-	-	-	422,480	422,480
Financial Leases	9.94%	-	208,715	192,817	-	401,532
Bank loan	6.26%	3,400,000	-	-	-	3,400,000
Total Financial Liabilities		3,400,000	208,715	192,817	422,480	4,224,012
31 December 2009						
<i>Financial assets</i>						
Cash and cash equivalents	2.89%	23,419,394	-	-	666	23,420,060
Other receivables		-	-	-	719,951	719,951
Total Financial Assets		23,419,394	-	-	720,617	24,140,011
<i>Financial liabilities</i>						
Accounts payable		-	-	-	594,278	594,278
Financial Leases	10.49%	-	90,678	274,562	-	365,240
Bank Loan	6.01%	3,400,000	-	-	-	3,400,000
Total Financial Liabilities		3,400,000	90,678	274,562	594,278	4,359,518

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2010

NOTE 24 - FINANCIAL RISK MANAGEMENT (CONTINUED)

Parent Entity	Fixed Interest Rate Maturing					
	Weighted Average Interest Rate %	Floating Interest \$	Within 1 year \$	1 to 5 years \$	Non interest bearing \$	Total \$
30 June 2010						
<i>Financial assets</i>						
Cash and cash equivalents	5.10%	13,852,004	-	-	450	13,852,454
Other receivables - subsidiary		-	-	-	13,724,843	13,724,843
Other receivables		-	-	-	169,431	169,431
Total Financial Assets		13,852,004	-	-	13,894,724	27,746,728
<i>Financial liabilities</i>						
Accounts payable		-	-	-	269,119	269,119
Finance Leases	9.94%	-	208,715	192,817	-	401,532
Bank loan	6.26%	3,400,000	-	-	-	3,400,000
Total Financial Liabilities		3,400,000	208,715	192,817	269,119	4,070,651
31 December 2009						
<i>Financial assets</i>						
Cash and cash equivalents	2.90%	23,336,267	-	-	450	23,336,717
Other receivables - subsidiary		-	-	-	6,232,758	6,232,758
Other receivables		-	-	-	700,799	700,799
Total Financial Assets		23,336,267	-	-	6,934,007	30,270,274
<i>Financial liabilities</i>						
Accounts payable		-	-	-	187,118	187,118
Finance Leases	10.49%	-	90,678	274,562	-	365,240
Bank Loan	6.01%	3,400,000	-	-	-	3,400,000
Total Financial Liabilities		3,400,000	90,678	274,562	187,118	3,952,358

Cash flow sensitivity analysis for variable rate instruments

The sensitivity analyses have been determined based on the exposure of the parent and consolidated entity to variable interest rates for non-derivative financial instruments at the reporting date at the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 0.5% increase or decrease is used when reporting interest rates internally to the board of directors and represents management's assessment of the possible change in interest rates.

At 30 June 2010, if the interest rates had increased / decreased by 0.5% from the period-end rates with all other variables held constant, post-tax profit for the year for the consolidated entity would have been \$17,920 higher / \$17,870 lower (31 December 2009:\$56,480/ \$56,321), mainly as a result of the consolidated entity's exposure to interest rates on its variable rate cash and cash equivalents.

At 30 June 2010, if the interest rates had increased / decreased by 0.5% from the period-end rates with all other variables held constant, post-tax profit for the year for the parent entity would have been \$17,920 higher / \$17,870 lower (31 December 2009:\$56,480/ \$56,321), mainly as a result of the parent entity's exposure to interest rates on its variable rate cash and cash equivalents.

There has been no change to the consolidated entity's or parent entity's exposure to interest rate risk or the manner in which it manages and measures the risk from the prior year.

The following table summarises the sensitivity of the consolidated entity's financial assets and financial liabilities to variable interest rate risk.

Consolidated Entity	Carrying amount 30/06/2010 \$	Carrying amount 31/12/2009 \$	-0.5% Profit \$	+0.5% Equity \$	-0.5% Profit \$	+0.5% Equity \$
30 June 2010						
<i>Financial assets</i>						
Cash and cash equivalents	14,042,420	23,420,060	(17,870)	(17,870)	17,920	17,920
Other receivables	230,822	719,951	-	-	-	-
<i>Financial liabilities</i>						
Accounts payable	422,480	594,278	-	-	-	-
Finance Leases	401,532	365,240	-	-	-	-
Bank loan	3,400,000	3,400,000	1,258	1,258	(1,258)	(1,258)
Total increase / (decrease)			(16,612)	(16,612)	16,662	16,662

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2010

NOTE 24 - FINANCIAL RISK MANAGEMENT (CONTINUED)

The following table summarises the sensitivity of the parent entity's financial assets and financial liabilities to interest rate risk.

Parent Entity

	Carrying amount 30/06/2010 \$	Carrying amount 31/12/2009 \$	-0.5% Profit \$	Equity \$	+0.5% Profit \$	Equity \$
30 June 2010						
Financial assets						
Cash and cash equivalents	13,852,454	23,336,717	(17,870)	(17,870)	17,920	17,920
Other receivables - subsidiary	13,724,843	6,232,758	-	-	-	-
Other receivables	169,431	700,799	-	-	-	-
Financial liabilities						
Accounts payable	269,119	187,118	-	-	-	-
Finance Leases	401,532	365,240	-	-	-	-
Bank loan	3,400,000	3,400,000	1,258	1,258	(1,258)	(1,258)
Total increase / (decrease)			(16,612)	(16,612)	16,662	16,662

Price risk

The parent and consolidated entity are not exposed to any material price risk.

Foreign currency risk

The parent and consolidated entity do not have any significant exposures to foreign currency risk at the reporting date.

b. Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the parent or consolidated entity. The consolidated entity enters into legally binding contracts and management monitors the progress of these contracts in accordance with contract values, as a means of mitigating the risk from financial loss.

The parent and consolidated entity do not have any significant credit risk exposure to any single counterparty of any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the parent and consolidated entity's maximum exposure to credit risk without taking account of the value of any collateral obtained.

c. Liquidity risk

Liquidity risk arises from the financial liabilities of the consolidated entity and parent entity and their subsequent ability to meet their obligations to repay their financial liabilities as and when they fall due.

Ultimate responsibility for liquidity risk rests with the board of directors, who have an appropriate liquidity risk management framework for the management of the parent and consolidated entity's short, medium and long-term funding and liquidity requirements.

The parent and consolidated entity manage liquidity risk by monitoring forecast and actual cash flows, matching the maturity profiles of the financial assets and liabilities and entering into contracts in accordance with an approved Authority for Expenditure.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2010

NOTE 24 - FINANCIAL RISK MANAGEMENT (CONTINUED)

The following are contractual maturities of financial liabilities:

Consolidated Entity		Carrying Amount	Contractual CF	<1 Year	1-5 Years
30 June 2010		\$	\$	\$	\$
Trade and other Payables		422,480	422,480	422,480	-
Borrowings		401,532	433,178	232,667	200,511
Bank Loan		3,400,000	3,938,205	108,891	3,829,314
		4,224,012	4,793,863	764,038	4,029,825
31 December 2009					
Trade and other Payables		594,278	594,278	594,278	-
Borrowings		365,240	423,888	128,791	295,097
Bank Loan		3,400,000	4,021,770	209,340	3,812,430
		4,359,518	5,039,936	932,409	4,107,527
Parent Entity		Carrying Amount	Contractual CF	<1 Year	1-5 Years
30 June 2010		\$	\$	\$	\$
Trade and other Payables		269,119	269,119	269,119	-
Borrowings		401,532	433,178	232,667	200,511
Bank Loan		3,400,000	3,938,205	108,891	3,829,314
		4,070,651	4,640,502	610,677	4,029,825
31 December 2009					
Trade and other Payables		187,118	187,118	187,118	-
Borrowings		365,240	423,888	128,791	295,097
Bank Loan		3,400,000	4,021,770	209,340	3,812,430
		3,952,358	4,632,776	525,249	4,107,527

The parent and consolidated entity's liquidity risk relating to financial liabilities at 30 June 2010 is limited to the repayment of the hire-purchase commitments amounting to \$401,532 (31 December 2009: \$365,240), bank loan commitments amounting to \$3,400,000 (31 December 2009: \$3,400,000) and trade payables. Trade payables are short-term in nature. The parent and consolidated entity do not finance exploration activities through debt.

Fair value estimation

The carrying values less provision for impairment of financial assets and financial liabilities of the parent and consolidated entity, as stated in the Statements of Financial Position and accompanying explanatory notes at 30 June 2010, are a reasonable approximation of their fair values due to the short-term nature of the instruments.

No financial assets and financial liabilities are traded in active markets.

In the parent entity, financial instruments that are not traded in an active market are stated at cost in accordance with AASB 139: Financial Instruments: Measurement and Recognition.

These instruments represent the parent entity's investment in subsidiaries, as referred to in Note 11 which have been fully impaired.

NOTE 25 - SHARE BASED PAYMENTS

Share based payments made:

	CONSOLIDATED ENTITY		PARENT ENTITY	
	30 June 2010	31 December 2009	30 June 2010	31 December 2009
	\$	\$	\$	\$
Shares issued at fair value	200,842	547,500	200,842	547,500
	200,842	547,500	200,842	547,500

In 2010, share based payments were made to employees under an Employee Share Ownership Plan. The issue was based on the closing share price of 21 cents, by reference to the ASX at the date of issue.

In 2009, the fair value of shares issued as share based payments was 36.5 cents based on the closing share price by reference to the ASX at the date of issue.

NOTE 26 - RELATED PARTY TRANSACTIONS

- Interests in subsidiaries are disclosed in note 22.
- Amounts receivable from wholly owned subsidiaries are disclosed in note 9. The loans to controlled entities are unsecured, interest free and payable on demand.
- Transactions with Directors and Director Related Entities are disclosed in note 6. All services provided by the director-related entities were at normal commercial terms and conditions.
- There were no other related party transactions during the period/year ended 30 June 2010 or 31 December 2009.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2010

NOTE 27 - CORRECTION OF PRIOR PERIOD ERROR

During 2009, Icon Energy entered in to a farm-in agreement with Stanwell Corporation Limited in relation to exploration activities on ATP626. At this point the parties also entered into a Joint Venture Operating Agreement, appointing Icon Gas Pty Ltd, a wholly owned subsidiary of Icon Energy, as the joint venture operator.

In accordance with the Joint Venture Operating Agreement, Icon Gas is entitled to a 15% administration fee on all direct charges incurred during the exploration activities of ATP626. Under the agreement Icon Gas and related entities are also entitled to full reimbursement of direct expenses incurred during the exploration of ATP626.

Revenue generated by Icon Gas during the year ended 31 December 2009 as a result of the joint venture operator administration fees and direct expenses recovered was not recognised in the Statement of Comprehensive Income for the year ended 31 December 2009.

The comparative results in these financial statements have been amended to correctly account for the revenue as follows:

Financials Statement Line Affected:

	CONSOLIDATED ENTITY 31 December 2009		
	Restated \$	Previous \$	Movement \$
Other Income	2,085,352	594,148	1,491,204
Profit/(Loss) for the period	(4,213,430)	(5,704,634)	1,491,204
Exploration and evaluation expenditure	11,593,618	10,102,414	1,491,204
Total Assets	42,479,565	40,988,361	1,491,204
Accumulated Losses	(24,770,242)	(26,261,446)	1,491,204
Total Equity	37,530,697	36,039,493	1,491,204
Basic EPS per share	(1.08)	(1.47)	
Diluted EPS per share	(1.08)	(1.47)	

The disclosure in the tax note (Note 5) has been restated for the effect of the above. However, there is no tax impact on the statement of Comprehensive Income or the Statement of Financial Position as a result of the prior period error.

Under the requirements of AASB 101: Presentation of Financial Statements, paragraph 10(f), the Statement of Financial Position at the start of the comparative period should be presented when there is a prior period error. The abovementioned adjustments had no impact on the Statement of Financial Position at 1 January 2009, and it has therefore not been presented in the financial statements at 30 June 2010.

The abovementioned adjustments did not result in any changes to the parent entity financial statements.

NOTE 28 - CONTINGENT LIABILITIES

There were no material contingent liabilities as at 30 June 2010.

NOTE 29 - EVENTS AFTER BALANCE SHEET DATE

On 11 August 2010 Mr. Glanville was appointed Company Secretary upon resignation of Mr. McNamara. On the same date Mr. Jih was appointed as the Chief Financial Officer.

On 16 August 2010 Stanwell Corporation agreed to proceed to Stage 2 of the Farmin Agreement covering Icon Energy's key coal seam gas tenement ATP 626P, committing a further \$30 million. Stanwell Corporation's Commitment Notice is unconditional and not subject to any further consent. Under the Stage 2 agreement, Stanwell Corporation can make the funds available via approved budgets and cash calls as work proceeds. Previous costs under Stage 1 have already been paid and some early works conducted by Icon Energy will be recovered under Stage 2. Stanwell Corporation is now assigned a 50% working interest in the farmin area covering four of 30 blocks within ATP 626P, along with a 1% title interest in the whole of ATP 626P.

On 27 August 2010 Icon granted GSA extension to Shenzhen SinoGas to 31 December 2010 so as to enable Shenzhen SinoGas to obtain all necessary approvals.

ADDITIONAL SHAREHOLDER INFORMATION

On-market buy-back

There is no current on-market buy-back.

Distribution of Shareholdings

The distribution of ordinary shareholders ranked according to size at 24 September 2010 was as follows:

Range	Total Holders	Units	% of Issued Capital
1 - 1,000	342	67,241	0.02
1,001 - 5,000	1,327	4,338,522	0.99
5,001 - 10,000	1,346	11,622,116	2.64
10,001 - 100,000	3,387	128,142,446	29.14
100,001 - 9,999,999,999	740	295,631,069	67.22
Rounding			
TOTAL	7,142	439,801,394	100.00

Unmarketable Parcels

Minimum \$ 500.00 parcel at \$ 0.17 per unit

Minimum Parcel Size	Holders	Units
2,942	899	1,166,580

Voting Rights

All ordinary shares carry one vote per share without restriction.

Twenty Largest Ordinary Shareholders

The names of the twenty largest holders as at 24 September 2010 were:

Name	Listed Ordinary Shares Number Held	Percentage
ANZ NOMINEES LIMITED <CASH INCOME A/C>	16,271,340	3.70
RAY JAMES	16,075,235	3.66
MRS DIANNE BETH BALDWIN	6,809,600	1.55
CITICORP NOMINEES PTY LIMITED	5,983,827	1.36
HSBC CUSTODY NOMINEES(AUSTRALIA) LIMITED	5,792,736	1.32
MR CHRISTOPHER JOHN MARTIN	4,002,452	0.92
R S JAMES & ASSOCIATES PTY LTD <R & S JAMES & ASSOCIATES A/C>	3,750,000	0.85
PHILLIP SECURITIES PTE LTD <'D' A/C>	3,580,000	0.81
MR RONALD WILLIAM BALDWIN & MRS DIANNE BETH BALDWIN <WHISTLER SUPER FUND A/C>	3,500,000	0.80
MR DANIEL JOSEPH RAYMOND O'SULLIVAN	2,733,530	0.62
J P MORGAN NOMINEES AUSTRALIA LIMITED	2,655,047	0.60
LOCHIEL ENTERPRISES PTY LTD <CAMERON INVESTMENT ACCOUNT>	2,619,000	0.60
BROWNWARD PTY LTD <BRIAN HAYWARD S/F A/C>	2,249,000	0.51
HARSTEDT PTY LTD <OLSEN FAMILY A/C>	2,065,000	0.47
WILLIAM DOUGLAS GOODFELLOW	2,050,000	0.47
MR TIMOTHY ALLEN KENNEDY & MRS GLENDA KAY KENNEDY <TA & GK KENNEDY S/F NO2 A/C>	2,025,825	0.46
REYNOLDS (NOMINEES) PTY LIMITED <REYNOLDS SUPER FUND A/C>	2,000,000	0.45
MR GARY ANDREW BRUCE & MRS WENDY LEIGH BRUCE	1,930,000	0.44
AIREDALE RESOURCES PTY LTD <PYECROFT SUPER FUND A/C>	1,800,000	0.41
MR TERENCE JOSEPH SHARP & MR RONALD WILLIAM SHARP <TERRY SHARP SUPER FUND A/C>	1,654,184	0.38
TOTAL	89,546,776	20.36

Substantial Shareholders including the Holders of Relevant Interest

Name of Shareholder / Holder of Relevant Interest	Listed Ordinary Shares Number Held	Percentage
ANZ NOMINEES LIMITED <CASH INCOME A/C>	16,271,340	3.70
TOTAL	16,271,340	3.70

OIL PRICES

Oil prices have seen extreme highs and lows in the last three years. In July 2008 oil prices rose to a record of \$US147.27, then fell to \$US77.70 per barrel in October and bottomed out at \$US33.87 a barrel in December 2008. By August 2009, prices returned to \$US70 a barrel. Today oil prices fluctuate in the \$US70-80 mark, with spikes caused by political instability, seasonal demand and economies recovering slowly from the global financial crisis.

The future oil prices are expected to steadily rise over several years and could test the previous high, which equates to the level of alternate oil prices required for new alternative oil sources to be economic.

Oil prices will be controlled by the decline of cheap conventional crude oil supplies, marked by “peak oil”. Whether we have reached “peak oil”, as several sources conclude, or whether it will be several years until we reach “peak”, is a matter currently debated. Current sources identify the existence of major oil fields with cheap conventional crude oil, and the fact that these fields contain adequate reservoirs to supply all global demand for many years.

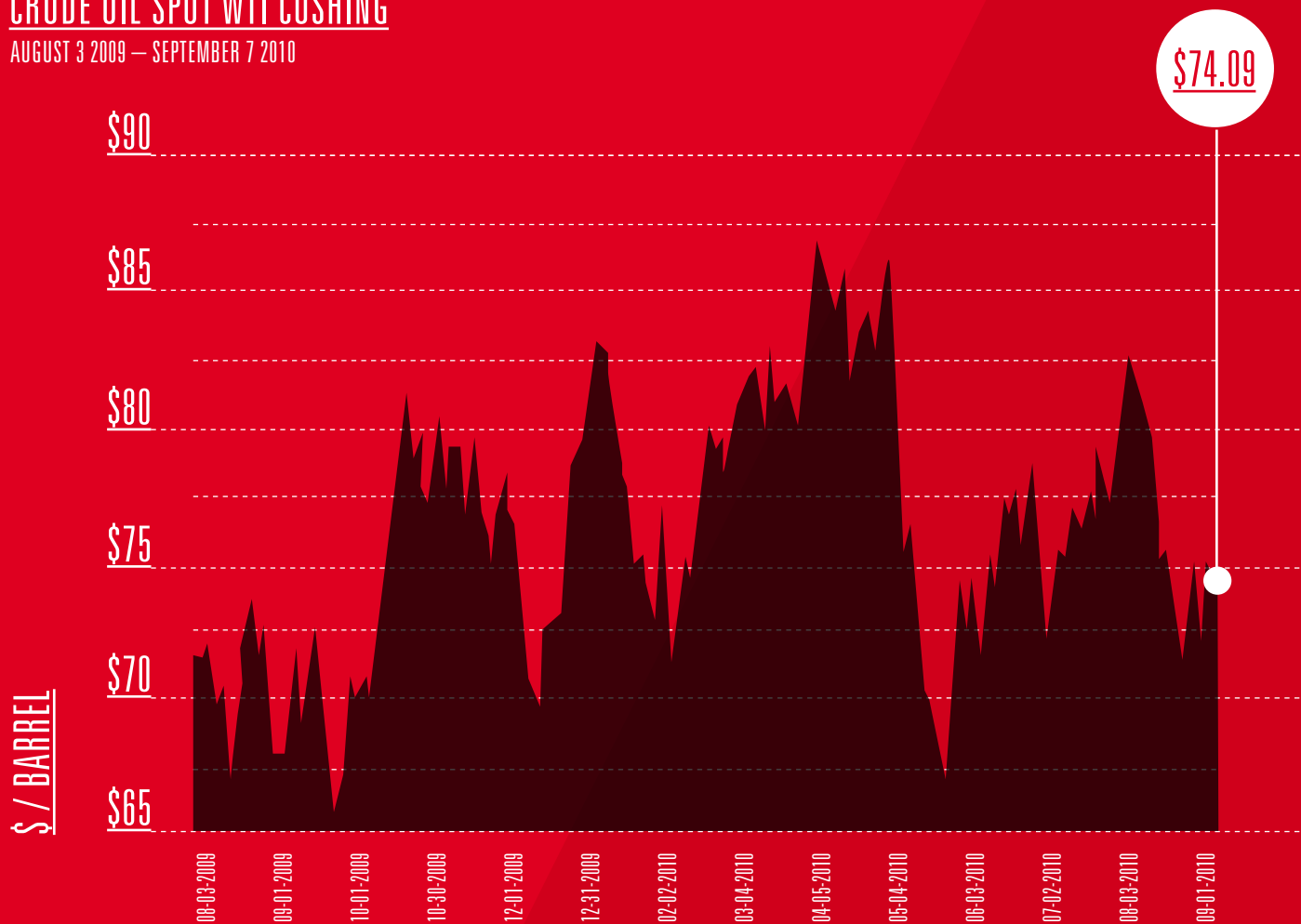
Future shortages and high prices will lead the development of oil sources with higher production costs, including oil shale, deep water sites, tar sands and secondary recovery from depleted fields. However, when production costs become uneconomic, these sources will decline.

In a post “peak oil” market, where demand outweighs supply, the swing from what the market will bear can be extreme. In summary, the supply curve will be much steeper than in past years, with shifts in demand (however created) will cause relatively larger swings in market price.

Australian crude oil prices are based on world parity prices and vary from day to day against different baskets. Prices at the pump have risen, however, a strong Australian dollar has stabilised petrol prices at home.

CRUDE OIL SPOT WTI CUSHING

AUGUST 3 2009 — SEPTEMBER 7 2010



GAS PRICES

Gas prices are much lower in Australia than in the United States and Europe where gas prices tend to follow oil price trends. This has not been the case in Australia where domestic prices have reflected local supply and demand fundamentals. While Australia has limited reserves of crude oil, it is relatively well stocked with gas resources.

Australia's natural gas industry has shown strong growth over the last few decades and this is projected to continue. Domestic use of natural gas continues to increase as does exports of LNG.

There is no benchmark or spot prices published for gas and most contractual prices remain confidentially contained in 10 to 15 year contracts. Domestically, there are considerable differences in retail gas prices for each of the states. The highest prices are held in Queensland.

However, there is a considerable difference in prices in the domestic market compared to the wholesale market and to gas sold to industrial and large commercial customers. The wholesale and industrial/commercial customers are billed in gigajoule units as compared to megajoule units for the domestic customer.

While still cheap by international standards wholesale and retail gas prices in Australia have generally trended upwards in the last few years, as seen specifically in Western Australia.

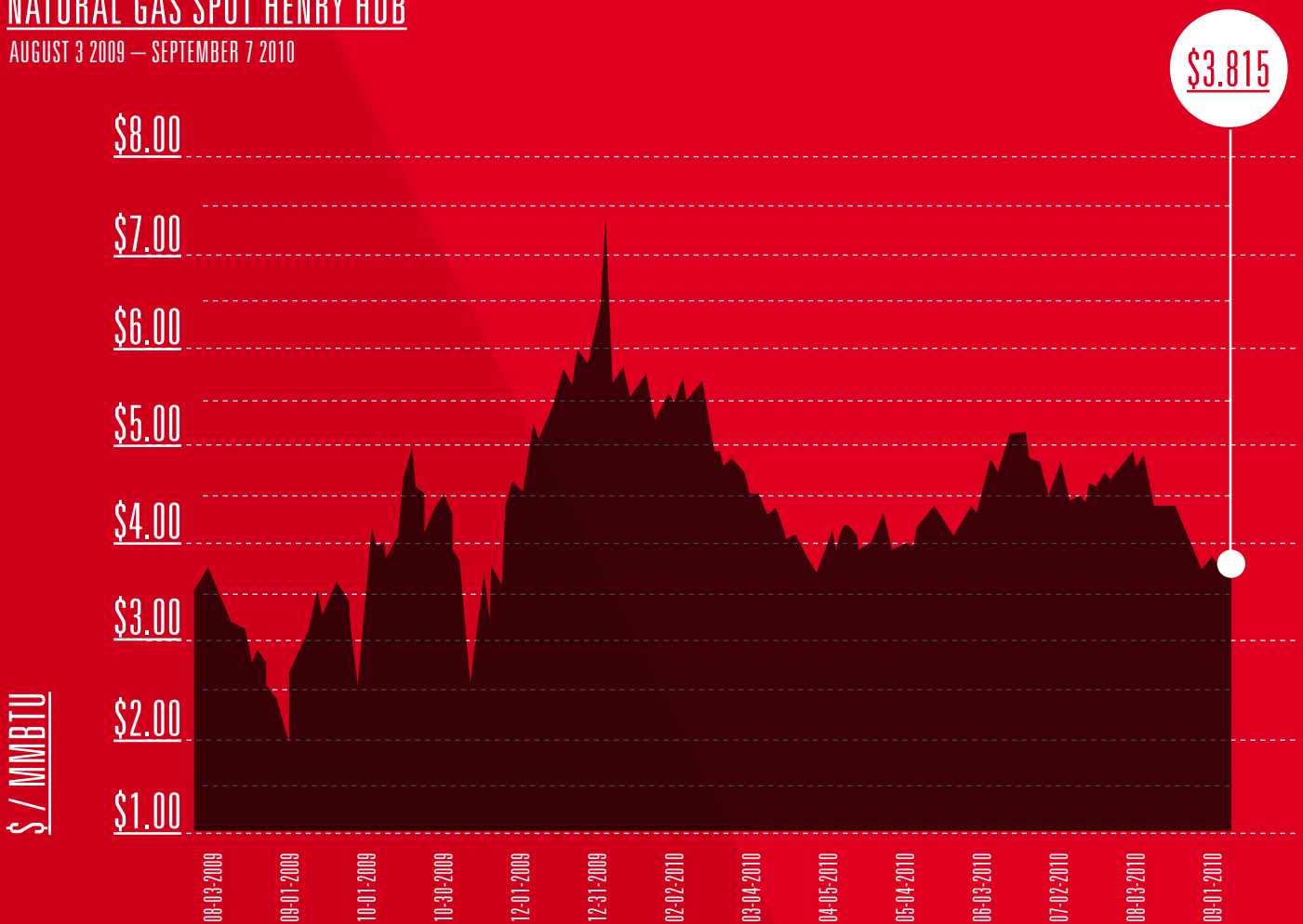
Additionally, exports are expected from a number of ventures including the Gladstone Project in Queensland which is based on CSG as feedstock. There is a degree of uncertainty as to the timing of these projects and as to eventual capacity of the plants, as is characteristic of new project ventures.

Overall better prices presently being received for LNG exports are eventually expected to impact on the domestic market leading to further gas price increases.

The Memorandum of Understanding (MOU) signed between Icon Energy and Shenzhen Sinogas in April 2010 have flagged gas prices under a LNG Sales and Purchase Agreement (LNG SPA) to be linked to Singapore Tapis Crude crude prices using a standard secure pricing formula.

NATURAL GAS SPOT HENRY HUB

AUGUST 3 2009 — SEPTEMBER 7 2010



ENVIRONMENT, COMMUNITY & CULTURAL HERITAGE

ENVIRONMENT

Icon Energy is committed to minimising the impact of our environmental footprint in all of our activities and undertakings. We aim to achieve responsible development where the environment is returned to its natural setting post exploration and development. Our activities will also conform to all statutory requirements.

Our business activities are planned and conducted to minimise adverse effects on the natural environment and social surroundings for the benefit of current and future generations.

Icon Energy will achieve our commitment through 10 key ways:

- 1 COMPLIANCE WITH ALL RELEVANT LAWS AND REGULATIONS, ICON ENERGY POLICY STANDARDS AND BY APPLYING RESPONSIBLE STANDARDS WHERE LAWS DO NOT EXIST
- 2 MINIMISING POLLUTION AND THE CUMULATIVE ENVIRONMENTAL IMPACT OF OUR ACTIVITIES AT A LOCAL, REGIONAL AND GLOBAL LEVEL
- 3 SUPPORTING RESEARCH TO IMPROVE OUR UNDERSTANDING OF THE ENVIRONMENT AND THEREBY USING SOUND SCIENCE AS THE BASIS FOR ALL OF OUR ENVIRONMENTAL DECISIONS
- 4 OPEN AND TRANSPARENT REPORTING ON OUR ENVIRONMENTAL PERFORMANCE
- 5 LEARNING FROM OUR PERFORMANCE TO CONTINUOUSLY IMPROVE OUR PROCESSES, WORK PRACTICES AND BEHAVIOURS AND SHARING OUR LESSONS LEARNED WITH OTHERS
- 6 COMMUNITY CONSULTATION AND ENGAGEMENT
- 7 AWARENESS AND ACCOUNTABILITY FOR OUR INDIVIDUAL CONTRIBUTION TO ENVIRONMENTAL PERFORMANCE
- 8 ENVIRONMENTAL PERFORMANCE MEASURES INCORPORATED INTO APPRAISALS OF EMPLOYEES AND CONTRACTORS
- 9 REQUIRING THAT COMPANIES PROVIDING CONTRACT SERVICES TO ICON ENERGY MANAGE THEIR ENVIRONMENTAL PERFORMANCE IN LINE WITH ICON ENERGY'S POLICIES
- 10 LEADERSHIP AND STEWARDSHIP OF EFFECTIVE AND SUSTAINABLE ENVIRONMENTAL PERFORMANCE

Community Health, Safety and Environmental (HSE) impacts will be identified and managed to ensure protection of any nearby communities from any potential operational related impacts. The intent of our safety and environmental planning is to assist Icon Energy's operations, maintenance personnel and contractors working on site to clearly understand the required environmental and occupational health and safety management practices and their responsibilities.

COMMUNITY

Icon Energy has a strong commitment to social responsibility in the communities in which we operate. Our Company ensures that good relationships are not only built but maintained with landholders. Icon Energy has an onsite specialist who lives on a property within ATP626P, where Icon Energy is conducting its key exploration for the Stanwell joint venture.

Our onsite specialist conducts weekly checks on all wells, working closely with the landholders to ensure that the land, water and exploration work is to the benefit of all the community.

Icon Energy has supported the Goondiwindi Community through its recent initiative-introducing and sponsoring the Mind Your Manners board game and competition which was run amongst the following thirteen local schools including:

- 1 **BOGGABILLA CENTRAL SCHOOL**
- 2 **BUNGUNYA STATE SCHOOL**
- 3 **GOONDIWINDI STATE HIGH SCHOOL**
- 4 **GOONDIWINDI STATE PRIMARY SCHOOL**
- 5 **INGLEWOOD STATE SCHOOL**
- 6 **KINDON STATE SCHOOL**
- 7 **KIOMA STATE SCHOOL**
- 8 **LUNDAVRA STATE SCHOOL**
- 9 **ST MARIA GORETTI PRIMARY SCHOOL (INGLEWOOD)**
- 10 **ST MARY'S PARISH SCHOOL**
- 11 **TALWOOD STATE SCHOOL**
- 12 **TEXAS STATE SCHOOL**
- 13 **YELARBON STATE SCHOOL**

Icon Energy has also sponsored the refurbishment of the Billa Billa Sports Club.

Icon Energy's commitment is to ensure that our people and the communities in which they operate are maintained and managed to the benefit of all people today and in the future.

CULTURAL HERITAGE

Icon Energy has positive working relationships in the Surat Basin with the Bigambul and Bidjara Traditional Owners.

In the Cooper Basin, Icon Energy has developed a prosperous working relationship with the Wongkumara Traditional Owners.

The Wongkumara Right to Negotiate ("RTN") Agreement was an innovative historical milestone. Under the RTN the Wongkumara Traditional Owners will receive Icon Energy shares as part of the signing agreement. Hope Ebsworth, a Wongkumara applicant, expressed his support for the initiative stating (the shares) give us something for our future. It strengthens our relationship (with Icon Energy) as we have a share in the Company."

Icon Energy is committed to ensuring positive outcomes are achieved for Traditional Owners.

CORPORATE DIRECTORY

DIRECTORS

Stephen Barry (Chairman)
Raymond James (Managing Director)
Derek Murphy (Non-Executive Director)
Keith Hilless (Non-Executive Director)

COMPANY SECRETARY

Wesley Glanville (replacing Ray McNamara who resigned on 11 August 2010)

REGISTERED OFFICE

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Brisbane Queensland 4000

Hynes Lawyers
21 McLachlan Street
Fortitude Valley
Brisbane Queensland 4006

COMPANY ICON
LEASE NAME _____
WELL NO. LP 2 RGE _____
SEC _____ TWP _____
DEPTH FROM 500 TO 510
HUBCO "GOLDEN MAGIC MARK" TAG

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