

ICON ENERGY LIMITED and its Controlled Entities

Icon Energy Limited

ABN 61 058 454 569

INTERIM FINANCIAL REPORT

For the half-year ended
31 December 2018

Icon Energy Limited

ABN 61 058 454 569

INTERIM FINANCIAL REPORT

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Directors' Report

The Directors of Icon Energy Limited ("*Icon Energy*" or "*the Company*") present their report together with the financial statements of the Company and its controlled entities ("*the Group*" or "*the Consolidated Entity*") for the half-year ended 31 December 2018 and the Independent Auditor's Review Report thereon.

Principal Activities

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

Directors

The Directors of the Company who held office during or since the end of the half-year 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
Dr Keith Hilles AM	Non-executive Director	Director since 03/04/2009
Howard Lu	Non-executive Director	Director since 07/01/2011
Raymond Swinburn James	Managing Director	Director since 01/02/1993
Dr Kevin Jih	Chief Financial Officer, Company Secretary & Executive Director	Director since 30/11/2011

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 (30 June 2018: \$NIL).

Results

The loss of the Group for the half-year after providing for income tax amounted to \$1,876,101 (31 December 2017 - loss of \$2,292,691).

The cash balance as at 31 December 2018 was \$ 10,275,031 million (30 June 2018: \$12,266,962).

Review of Operations

Icon has continued to evaluate its exploration tenements during the half-year ended 31 December 2018 with particular focus on ATP 594 and ATP 855.

Queensland – Cooper/Eromanga Basin - Petroleum Exploration – ATP 594

ATP 594 is located on the eastern flank of the Cooper-Eromanga Basin, approximately 140 km west of Quilpie. The tenement is well positioned on the eastern flank of the Cooper Basin and is considered to be prospective for both oil and gas. The areas immediately adjacent to ATP 594 are resource rich with the Kenmore and Bodalla South oil fields in close proximity.

Following the acquisition of 3D seismic in 2017, Icon has identified several prospects and leads within the northern block of ATP 594, which has confirmed the prospectivity within the permit. Icon continues to engage in discussions with potential partners interested in farming into ATP 594 to continue the exploration of the permit.

Exploration expenditure commitments due within one year of \$6,850,000 were disclosed in the 30 June 2018 financial statements. Of this amount, \$6,450,000 relates to ATP 594 which due for renewal in April 2019; however, an application for extension to April 2021 was lodged on 11 February 2019 which will extend the commitment period by 2 years.

Icon is the Operator of ATP 594 and has a 100% working interest in the tenement.

Queensland – Petroleum Exploration – Cooper Basin – ATP 855

Icon has 100% interest in and is Operator of ATP 855 located in the Nappamerri Trough, Cooper Basin, which contains a very large, unconventional, basin-centred gas resource. The permit is covered by eight (8) Potential Commercial Areas (*PCAs*), which are for a period of 15 years and are designed to enable Icon to retain the entire interest in, and ultimately develop, the gas discovery.

Icon is currently preparing for the next stage of activity in ATP 855 to conduct further exploration, evaluation and appraisal of the gas resource with the express purpose of demonstrating commerciality.

This next stage requires significant additional finance and/or a joint venture partner to enable this work to take place. Icon is continuing discussions with several companies that have expressed a strong interest in participating in the future appraisal and development of the gas resource within ATP 855. Icon will immediately issue an announcement should any agreements be reached.

Icon continues to monitor the discovery wells drilled within the permit, which currently remain suspended and in a stable condition.

Icon has a 100% interest in ATP 855.

Victoria – Petroleum Exploration – Gippsland Basin - PEP 170, 172 and 173

PEP 170 (granted), and PEP 172 and 173 (grants pending), remain subject to a moratorium on onshore exploration and a ban on unconventional drilling activity.

The Victorian Government advised Icon that the *Resources Legislation Amendment (Fracking Ban) Act 2017* came into effect on 16 March 2017.

The Act bans hydraulic fracturing under the *Petroleum Act 1990* and imposes a moratorium on conventional petroleum exploration and petroleum production in the onshore areas of Victoria until 30 June 2020.

An application for suspension and extension of PEP 170 was submitted to the Department of Economic Development, Jobs, Transport and Resources (*DEDJT&R*) on 9 October 2018 and Icon expect to receive approval for this in due course.

The Earth Resources Regulation intends to vary the permit conditions of PEP 170 to reflect the approved suspension and extension and will consider Icon's proposed revised work program submitted in December 2017.

Icon has continued to keep the tenement in good standing by paying all necessary statutory fees, however the carrying value of this project was fully impaired at 30 June 2018 due to the inherent uncertainty of the recoupment of capitalised expenditure costs associated with the project.

Icon is the Operator of PEP 170 and currently has 100% working interest in the tenement.

Icon Energy Tenements

Permit / Area	Tenement Area	Permit Interest	Operator	Prospect Type
Cooper - Eromanga Basin, Eastern Flank				
ATP 594	1,230 km ²	100%	Icon Energy	Oil
Cooper - Eromanga Basin, Nappamerri Trough				
ATP 855	1,679 km ²	100%	Icon Energy	Shale Gas, Basin Centred Gas
PRLs 33 - 49*	1,601 km ²	33.33%	Beach Energy	Oil
Gippsland Basin				
PEP 170	804 km ²	100%	Icon Energy	Oil Gas
PEP 172**	1,312 km ²	100%	Icon Energy	Gas
PEP 173**	1,220 km ²	100%	Icon Energy	Gas

* Formerly PEL 218 (Post Permian Section)

** Permit to be granted

Table showing all Icon Energy's tenements

Subsequent Events

No matters or circumstances have arisen since the end of the reporting period, which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Auditor's Declaration

The lead Auditor's Independence Declaration under Section 307C of the *Corporations Act 2001* is set out on page 8 for the half-year ended 31 December 2018 and forms part of the Directors' Report for the half-year ended 31 December 2018.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s 306(3) of the *Corporations Act 2001*.

A handwritten signature in black ink, appearing to read 'R S James', with a long horizontal flourish extending to the right.

R S James
Managing Director

19 February 2019
Broadbeach Waters, Queensland

**Lead Auditor's 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, in relation to the review for the half-year ended 31 December 2018, there have been:

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


Crowe Horwath Brisbane


Logan Meehan
Partner

Signed at Brisbane, 19 February 2019

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS
 AND OTHER COMPREHENSIVE INCOME**
 for the half-year ended 31 December 2018

	NOTES	Half-year ended	
		31 December 2018	31 December 2017
		\$	\$
Continuing operations			
Interest received and other income		122,338	88,806
Administration expenses		(962,544)	(1,522,315)
Depreciation and amortisation expenses		(11,229)	(115,946)
Employee benefits and expenses		(532,785)	(683,572)
Occupancy expenses		(342,599)	(24,553)
Loss on sale of current assets	4	(114,046)	-
Finance costs		(35,236)	(35,111)
Loss before income tax		(1,876,101)	(2,292,691)
Income tax benefit		-	-
Loss for the period		(1,876,101)	(2,292,691)
Other comprehensive income			
<i>Items that may subsequently be reclassified to profit or loss</i>			
Exchange differences arising on translation of foreign operations, net of income tax		297	(148)
Total other comprehensive income for the period		297	(148)
Total comprehensive loss for the period		(1,875,804)	(2,292,839)
Loss per share			
Basic and diluted loss per share (cents per share)		(0.31)	(0.38)

The accompanying notes form part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
as at 31 December 2018

	NOTE	31 December 2018 \$	30 June 2018 \$
CURRENT ASSETS			
Cash and cash equivalents		10,275,031	12,266,962
Trade and other receivables		60,542	42,068
Inventories		2,822,245	2,969,365
TOTAL CURRENT ASSETS		13,157,818	15,278,395
NON-CURRENT ASSETS			
Property, plant, and equipment		86,654	89,874
Exploration and evaluation expenditure	5	33,033,611	32,861,255
Performance guarantee bonds		904,129	904,129
TOTAL NON-CURRENT ASSETS		34,024,394	33,855,258
TOTAL ASSETS		47,182,212	49,133,653
CURRENT LIABILITIES			
Trade and other payables		110,130	151,510
Employee benefits		554,380	591,969
TOTAL CURRENT LIABILITIES		664,510	743,479
NON-CURRENT LIABILITIES			
Employee benefits		45,668	77,572
Provisions		5,344,103	5,308,867
TOTAL NON-CURRENT LIABILITIES		5,389,771	5,386,439
TOTAL LIABILITIES		6,054,281	6,129,918
NET ASSETS		41,127,931	43,003,735
EQUITY			
Issued capital	6	101,984,750	101,984,750
Reserves		604	307
Accumulated losses		(60,857,423)	(58,981,322)
TOTAL EQUITY		41,127,931	43,003,735

The accompanying notes form part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
for the half-year ended 31 December 2018

CONSOLIDATED ENTITY	Ordinary Share Capital	Foreign Exchange Reserve	Accumulated Losses	Total
	\$	\$	\$	\$
Balance 1 July 2017	101,984,750	427	(54,944,131)	47,041,046
Total comprehensive income:				
Loss for the period	-	-	(2,292,691)	(2,292,691)
Other comprehensive loss	-	(148)	-	(148)
Total comprehensive loss for the period	-	(148)	(2,292,691)	(2,292,839)
Balance at 31 December 2017	101,984,750	279	(57,236,822)	44,748,207
Balance 1 July 2018	101,984,750	307	(58,981,322)	43,003,735
Total comprehensive income:				
Loss for the period	-	-	(1,876,101)	(1,876,101)
Other Comprehensive Income	-	297	-	297
Total comprehensive loss for the period	-	297	(1,876,101)	(1,875,804)
Balance at 31 December 2018	101,984,750	604	(60,857,423)	41,127,931

The accompanying notes form part of these condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
for the half-year ended 31 December 2018

	Half-year ended	
	31 December 2018	31 December 2017
	\$	\$
	Inflows (Outflows)	Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	35,450	1,800
Cash payments to suppliers and employees	(1,962,914)	(2,365,402)
Interest received	113,388	69,867
Net cash used in operating activities	(1,814,076)	(2,293,735)
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Payments for property, plant & equipment	(9,281)	(1,175)
Payments for evaluation and exploration expenditure	(168,871)	(228,381)
Net cash used in investment activities	(178,152)	(229,556)
Net decrease in cash and cash equivalents held	(1,992,228)	(2,523,291)
Cash and cash equivalents at beginning of the financial period	12,266,962	9,659,397
Effect of movements in exchange rates on cash held	297	(148)
Cash and cash equivalents at the end of the financial period	10,275,031	7,135,958

The accompanying notes form part of these condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the half-year ended 31 December 2018

NOTE 1 - STATEMENT OF ACCOUNTING POLICIES

Icon Energy Ltd (the 'Company') is a company domiciled in Australia. The condensed consolidated interim financial statements of the Company as at and for the half-year ended 31 December 2018 comprise the Company and its controlled entities (together referred to as 'the Group').

The Group is a for-profit entity and is primarily involved in the acquisition, exploration and development of oil and gas assets in Australia.

The consolidated annual financial report of the Group as at and for the year ended 30 June 2018 is available upon request from the Company's registered office at 4 Miami Key, Broadbeach Waters, Gold Coast, QLD, 4218 or at www.iconenergy.com.

The half-year condensed consolidated interim financial statements are general purpose financial statements prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*.

The condensed consolidated interim financial statements do not include full disclosures of the type normally included in annual financial statements.

It is recommended that these financial statements be read in conjunction with the annual financial report for the year ended 30 June 2018 and any public announcements made by Icon Energy Limited during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001* and the ASX Listing Rules.

The condensed consolidated interim financial statements were authorised for issue by the directors on the 19 February 2019.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

The Group has initially adopted *AASB 15 Revenue from Contracts with Customers* and *AASB 9 Financial Instruments* from 1 July 2018. The adoption of these standards did not have a material effect on the Group's financial statements.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Basis of preparation

The half-year financial statements have been prepared on an accruals basis and are based on historical costs. All amounts are presented in Australian dollars, unless otherwise noted.

NOTE 2 - ESTIMATES

The preparation of the condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the accounting policies of the Group and the key sources of estimation uncertainty were the same as those that applied in the consolidated annual financial report for the year ended 30 June 2018.

NOTE 3 - RELATED PARTY TRANSACTIONS

Transactions with Directors and Director Related Entities

Legal fees paid in the ordinary course of business to CKB Associates Lawyers, a firm which Mr. S Barry has a controlling interest.

CONSOLIDATED ENTITY	
31 December 2018	31 December 2017
\$	\$
935	-

There were no amounts outstanding as at 31 December 2018 (31 December 2017: Nil)

NOTE 4 - LOSS FROM OPERATING ACTIVITIES

Loss from operating activities before income tax includes:

Loss on sale of current assets

Proceeds on disposal of current assets	33,650	-
Written down value of current assets sold	(147,696)	-
Net loss on sale of current assets	(114,046)	-

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
 for the half-year ended 31 December 2018

NOTE 5 - EXPLORATION AND EVALUATION EXPENDITURE

	31 December	30 June
	2018	2018
	\$	\$
Exploration and Evaluation Expenditure at cost	32,861,255	33,056,664
Additions	172,356	459,724
Less: Impairment (PEP 170, PEP 172 and PEP 173)	-	(655,133)
	33,033,611	32,861,255

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.

During the half-year ended 31 December 2018 the Group assessed its exploration and evaluation expenditure assets for impairment and recorded no impairment.

Exploration expenditure commitments due within one year of \$6,850,000 were disclosed in the 30 June 2018 financial statements. Of this amount, \$6,450,000 relates to ATP 594 which due for renewal in April 2019; however, an application for extension to April 2021 was lodged on 11 February 2019 which will extend the commitment period by 2 years.

NOTE 6 - ISSUED CAPITAL

Share Capital

Issued shares of 597,556,938 fully paid, no par value ordinary shares, amounted to \$101,984,750 (30 June 2018: 597,556,938, amounted to \$101,984,750).

All shares are ordinary shares and have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of members.

NOTE 7 - CONTINGENT LIABILITIES

Mr Baldwin and Southern Fairway Investments issued proceedings against Icon in the Supreme Court of Queensland. Icon previously disclosed a contingent liability in its notes to its financial statements. The claims were heard over five days in the Supreme Court of Queensland. On Friday, 12 October 2018 Justice Bond delivered judgment in the matter and dismissed the plaintiff's claims. The plaintiffs were ordered to pay Icon's legal costs. Icon does not have any contingent liability to either plaintiff.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
 for the half-year ended 31 December 2018

NOTE 8 - OPERATING SEGMENTS

The consolidated entity operates in one operating segment being 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 review internal management reports on at least a monthly basis.

INFORMATION ABOUT GEOGRAPHICAL AREAS

In presenting the information on the basis of geographical areas, the Australian geographical area includes all corporate head office expenses on the basis that activities in Australia are still in an exploration phase and all resources within the corporate head office are applied to these exploration activities.

	Australia		USA		CONSOLIDATED	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	\$	\$	\$	\$	\$	\$
REVENUE						
Interest Received	120,538	87,006	-	-	120,538	87,006
Other Income	1,800	1,800	-	-	1,800	1,800
Total revenue	122,338	88,806	-	-	122,338	88,806
RESULTS						
Segment net operating loss after tax	(1,876,101)	(2,292,665)	-	(26)	(1,876,101)	(2,292,691)
Interest expense	35,236	-	-	-	35,236	-
Loss on sale of current assets	(114,046)	-	-	-	(114,046)	-
Segment Assets	47,170,680	50,929,346	11,532	10,485	47,182,212	50,939,831
Segment Liabilities	6,054,281	6,191,624	-	-	6,054,281	6,191,624
OTHER						
Acquisition of non-current segment assets	9,281	1,175	-	-	9,281	1,175
Depreciation and amortisation	11,229	115,946	-	-	11,229	115,946
* as at 30 June 2018						

NOTE 9 - EVENTS AFTER BALANCE SHEET DATE

There were no significant events after the balance sheet date.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

- 1) The financial statements and notes set out on pages 9 to 15 are in accordance with the *Corporations Act 2001*, including:
 - a) complying with Accounting Standard *AASB 134 Interim Financial Reporting*; and
 - b) giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the half-year ended on that date.
- 2) In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

A handwritten signature in black ink, appearing to read "R James", with a long horizontal flourish extending to the right.

Raymond S James
Managing Director

Signed at Broadbeach, 19 February 2019

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Icon Energy Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



CROWE HORWATH BRISBANE



Logan Meehan

Partner

Dated at Brisbane this 19th day of February 2019