



ANNUAL REPORT 2014  
**ICON ENERGY LIMITED**

## OUR BUSINESS

Icon Energy Limited is an eastern Australian oil and gas exploration company. The Company has a diverse portfolio of prime acreage in the Cooper/Eromanga, Surat and Gippsland Basins.

## MISSION STATEMENT

Icon Energy is committed to exploring, developing and producing leading energy solutions accomplished through sustainable practices and growth through innovation.

## VISION

Our vision is to become established as a world-class gas and oil producer with a firm commitment to safety, the community and the environment.

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## NOTICE OF ANNUAL GENERAL MEETING

Icon Energy Limited 2014 Annual General Meeting

Tuesday 25 November at 11am

**The Arts Centre Gold Coast, Lakeside Terrace, 135 Bundall Road, Surfers Paradise, QLD**

### Competent Persons Statement

The information on unconventional contingent and prospective resources in this annual report was reviewed by Mr Martin Berry who is a full time employee of Icon Energy Ltd and has consented to the inclusion of this information in the form and context in which it appears. Mr Berry is a Fellow of the Geological Society of London and a Member of the American Association of Petroleum Geologists.





The 2013/14 financial year was a good year for Icon Energy. The Company completed the year with a net profit after tax of \$1.578 million and a cash balance of \$19.6 million with no debt.

During the year the ATP 855 joint venture completed the drilling of five additional vertical wells in the Cooper Basin, compared to one in the previous year. Significant gas shows were recorded from each of the wells which proved the continuation of the basin centred gas play across ATP 855.

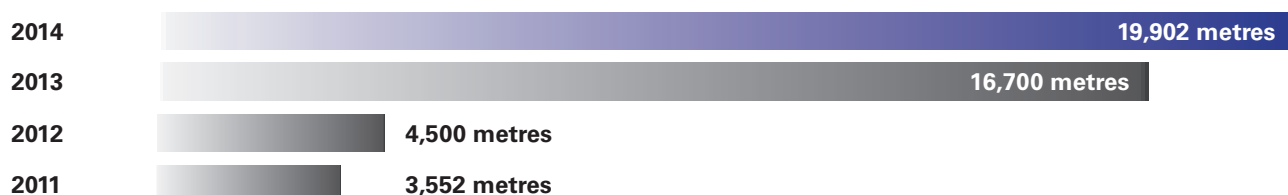
The drilling program enabled the certification of an estimated prospective gas resource across ATP 855 and an estimated contingent resource in the area around the Halifax-1 well.

Icon Energy is looking forward to the next stage of the ATP 855 Program with the stimulation and flow testing of the target formations in the wells which commenced in September 2014.

## ICON ENERGY MARKET CAPITALISATION AS AT 30 JUNE 2014



## ICON ENERGY METRES OF EXPLORATION WELLS DRILLED AS AT 30 JUNE 2014



## CHAIRMAN'S AND MANAGING DIRECTOR'S REVIEW



*Pictured (from left to right) Mr Ray James (Managing Director) and Mr Stephen Barry (Chairman and Non-executive Director)*

Dear shareholder,

The 2013/14 financial year was a successful one for Icon Energy with good progress being made in our core work programs. The ATP 855 joint venture, of which Icon holds a 35.1% interest, performed exceptionally well with the completion of the drilling of five vertical wells in the Cooper Basin during the year, compared to one in the previous year, satisfactorily completing the JV's work permit obligations. We were encouraged by the fact that all of the wells drilled showed significant gas shows and enabled the JV to book a maiden contingent resources booking around the Halifax-1 well in August 2013, and a recoverable prospective gas resources booking across ATP 855 in June, 2014.



## CHAIRMAN'S AND MANAGING DIRECTOR'S REVIEW

The 2014/15 year promises to be an equally important year for the Company with the commencement of a significant fracture stimulation and flow testing program covering four wells in September 2014.

### FINANCIAL RESULT

While market conditions continue to be challenging, the Company finished the year on a solid financial footing with a net profit after tax of \$1,577,590 and cash amounting to \$19.6 million.

During the year the Company secured the necessary capital to progress operations in the Cooper Basin through the raising of \$18.8 million. The capital raising was via a corporate placement to Hong Kong-based Company, HK Prosperous Technology Limited in December 2013. Our new shareholder is focused on the emerging energy demands in China over the coming decades. The placement of 80.3 million shares at 23.5 cents per share introduced an important and influential keystone shareholder to our register.

### OPERATIONAL STRATEGY

The Company's decision to focus its capital and resources on its assets in the Cooper Basin, reflects our primary strategic objective of establishing 2P reserves of gas. Your Board believes that Icon's investment in ATP 855 provides us with our best option to achieve this strategic objective. Work undertaken during 2013/14 has led to the certification of both contingent and prospective resources in ATP 855 and provided the Company, and its shareholders, with a potentially significant gas discovery in the Cooper Basin.

Recognising that capital and resources need to be focused on achieving 2P gas reserves, the Board made a decision during the year to divest the Company's interests in some non-core less prospective tenements including ATP 560 U-Eleven, ATP 849 and EPG's 49 and 51. At the same time Icon has consolidated its interests in ATP 594 in the Cooper Basin and ATP 626 in the Surat Basin where Icon now holds 100% interest in both tenements.

### OPERATION HIGHLIGHTS

#### Cooper Basin

##### ATP 855

Following an extensive fracture stimulation program in 2012/13 the Halifax-1 well was flow tested over the six months from February to August 2013 and was then shut in and put on long term pressure build-up. During the flow test period the well produced over 243 MMscf of gas.

On 26 August 2013, Icon announced that Beach Energy, in its capacity as Operator of the ATP 855 joint venture, engaged DeGolyer & MacNaughton, a leading international

reserves certifier to report on contingent resources in the area around the Halifax-1 well. The assessment reported the following Unconventional Gross Contingent Resources in the area around the Halifax-1 well in ATP 855:<sup>1</sup>

1C	2C	3C
318BCF	629BCF	1,115BCF

An additional five wells were drilled in ATP 855 prior to October 2014. The five wells Hervey-1, Keppel-1, Geoffrey-1, Redland-1 and Ety-1 were all completed during the financial year and the results confirmed the continuation of a basin-centred gas play in the Nappamerri Trough into southeast Queensland, with ATP 855 containing the deepest sections of the Trough. Notices of Petroleum Discovery were lodged with the Department of Natural Resources and Mines (**DNRM**) for the Halifax-1, Keppel-1, Redland-1 and Ety-1 wells.

On 19 June 2014, following the drilling of these new wells, Icon announced that DeGolyer & MacNaughton had issued a second report on the unconventional recoverable prospective resources in ATP 855. The findings of this independent report on the Unconventional Recoverable Prospective Raw Natural Gas Resources in ATP 855 show the following estimates:<sup>1</sup>

Low Estimate (P90)	Best Estimate (P50)	High Estimate (P10)
21.48TCF	28.49TCF	37.74TCF

The estimated quantities of petroleum that may potentially be recovered by the application of a future development project relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

<sup>1</sup> The following notes and statements are relevant to these contingent and prospective resources estimates:

- Icon's equity share of the abovementioned resources is 35.1%;
- The resource estimates were evaluated in accordance with the Petroleum Resources Management System (**PRMS**);
- Probabilistic estimates have been made for each target formation and these have been statistically aggregated;
- Icon confirms that it is not aware of any new information or data that materially affects the information included in the announcements released on 26 August 2013 and 19 June 2014 and that all the material assumptions and technical parameters underpinning the estimates in the announcements continue to apply and have not materially changed.

# CHAIRMAN'S AND MANAGING DIRECTOR'S REVIEW

Key target reservoirs have been identified in those wells for fracture stimulation and flow tests. These tests which commenced in September 2014 are initially aimed at gathering information on the gas contribution from the various formations and will not immediately test the whole well potential.

## Research and Development

The Company continued an extensive research and development program to further develop technologies and processes to extract the natural resources within ATP 855.

## ATP 594

Subsequent to the end of the financial year Icon acquired an additional 50% interest in ATP 594, a tenement located in the Cooper/Eromanga Basin that is prospective for low risk conventional oil and gas.

Icon plans to conduct a seismic and drilling program at the completion of the RTN negotiations with the Native Title applicants.

## Surat Basin

On 3 July 2013, the Company announced that Icon Energy had regained the 100% equity interest in ATP 626 following the transfer of Goondi Energy's interest.

Following a strategic review of ATP 626 and in accordance with the Queensland Government's mandatory relinquishment policy, Icon relinquished 20 sub-blocks or two-thirds of ATP 626 in the southern portion of the tenement in June 2014. After an extensive two stage program and comprehensive independent research, it was determined that the coal seam gas play in ATP 626 was sub-commercial. Icon is currently evaluating a new seismic and drilling program for conventional oil and gas in the retained portion of the ATP 626 area.

## Gippsland

In 2012 the Victorian Government declared a moratorium on fracture stimulation of unconventional gas wells in Victoria. As at the end of the reporting period the Victorian Government had not lifted the moratorium. Icon has deferred its work program in Victoria until the suspension has been lifted.

The Company looks forward to working closely with our Victorian stakeholders in the future development of these tenements to meet Victoria's gas supply needs.

## GOVERNANCE

The Board is responsible for the overall governance of the Company and works closely with management to ensure the right policies, practices and controls are in place to maintain a high standard of governance, safeguard the interests of shareholders and provide a platform for future growth. During the year these policies, procedures and systems were reviewed and revised to respond to changes in regulatory requirements and governance standards and practices. The Company continued to adopt and comply with Corporate Governance Principles and Recommendations released by the ASX Corporate Governance Council during the reporting period.

## HEALTH AND SAFETY IN THE WORKPLACE

We are pleased to report that during the year the Company maintained its excellent record for safe and environmentally responsible operations with no reportable incidents or accidents occurring during the year. Directors and management are focused on ensuring that the Company's personnel operate safely and with respect and integrity at all times.

Icon has made significant progress over the past financial year and it would not have been possible without the strong contribution from Directors and staff and the support of our shareholders. We thank you all for your loyalty and support during 2013/14 and look forward to establishing a significant gas resource through our research and development operations.



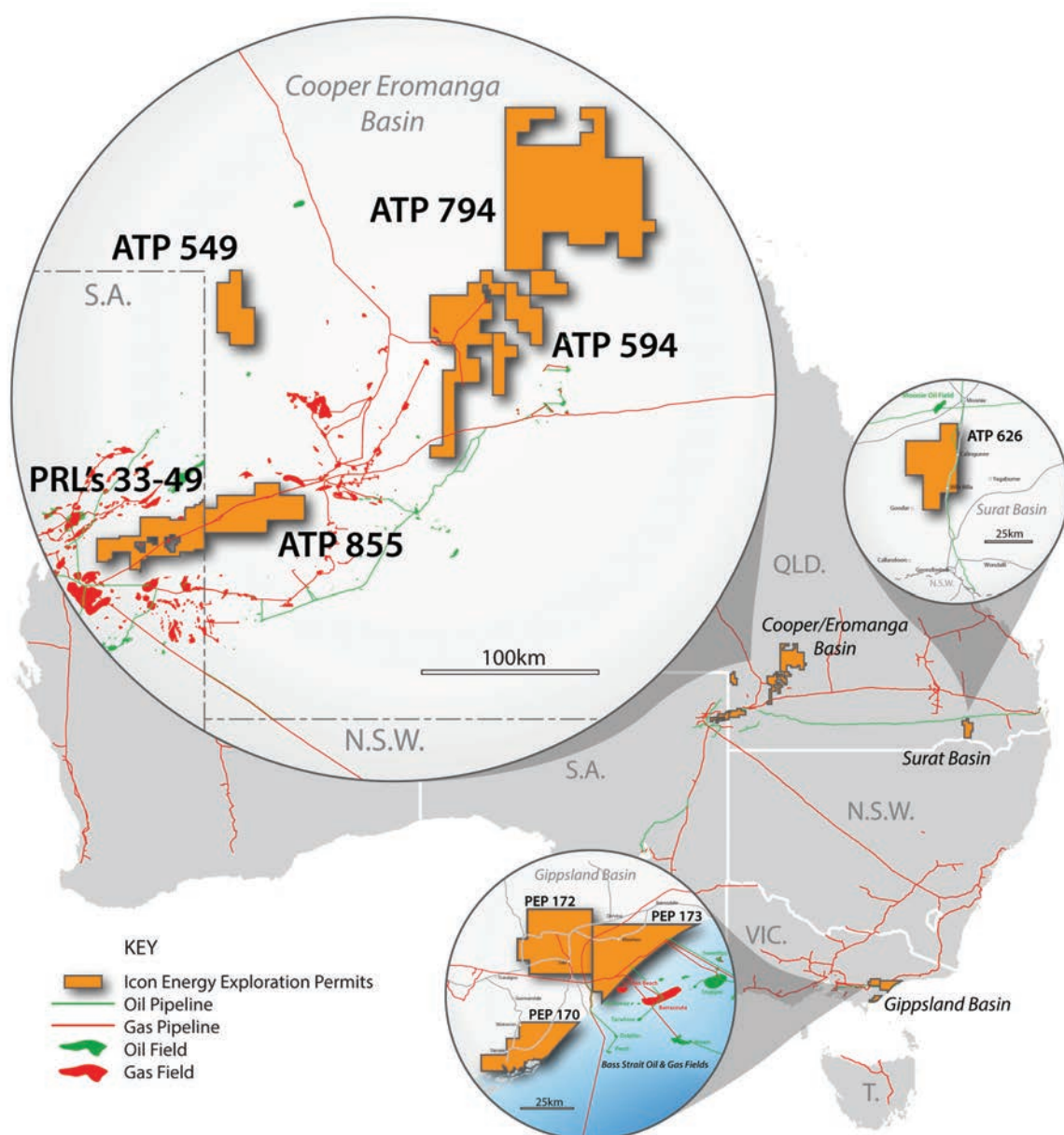
S M Barry  
Chairman



R S James  
Managing Director



## ICON ENERGY ACREAGE PORTFOLIO



## ICON ENERGY LIMITED ACREAGE PORTFOLIO

Basin / Area	Permit / Area	Tenement Area	Permit Interest	Operator	Prospect Type
<b>Cooper Basin, Nappamerri Trough</b>	ATP 855	1,674 sqkm	35.1%	Beach Energy	Shale Gas, CSG, Oil
<b>Cooper Basin Nappamerri Trough</b>	PRLs 33 - 49*	1,602 sqkm	33.33%	Beach Energy	Shale Gas, CSG, Oil
<b>Cooper - Eromanga Basin</b>	ATP 594	1,538 sqkm	100%	Icon Energy	Natural Gas, CSG, Oil
<b>Cooper - Eromanga Basin</b>	ATP 549	1,832 sqkm		Drillsearch	Natural Gas, Oil
	ATP 549 West	445 sqkm	33.33%	Drillsearch	
<b>Cooper - Eromanga Basin</b>	ATP 794	4,950 sqkm		Victoria Oil**	Shale Gas, Oil
	Regleigh Block	674 sqkm	60%	Icon Energy	
	Springfield Block	1,505 sqkm	60%	Icon Energy	
<b>Gippsland Basin</b>	PEP 170	808 sqkm	100%	Icon Energy	Natural Gas, Oil
<b>Gippsland Basin</b>	PEP 172***	1,312 sqkm**	100%	Icon Energy	Natural Gas
<b>Gippsland Basin</b>	PEP 173***	1,220 sqkm**	100%	Icon Energy	Natural Gas
<b>Surat Basin</b>	ATP 626	741 sqkm	100%	Icon Energy	Shale Gas, Oil

\* Formerly PEL 218

\*\* Wholly owned subsidiary of Senex

\*\*\* Permit to be granted



## REVIEW OF OPERATIONS



Our vision is to become established as a world-class gas and oil producer with a firm commitment to safety, the community and the environment.

*Coil Tubing Unit in action at Geoffrey-1 in ATP 855 in the Cooper Basin, Queensland*



This financial year has seen the highest expenditure on research and development and exploration in the Company's history, \$23.04 million with the majority of this expenditure in ATP 855. The Company is focussing its capital and human resources on developing technologies and processes to extract the natural resources from within ATP 855, the acreage that has the greatest potential to grow shareholder value and is an integral component of the research and development program.

During the financial year the Company concentrated the bulk of its efforts and resources on meeting the work program commitments in ATP 855 in the Cooper Basin. The results from the drilling campaign were encouraging and set the stage for completion of the stimulation and flow testing program which commenced in September 2014.

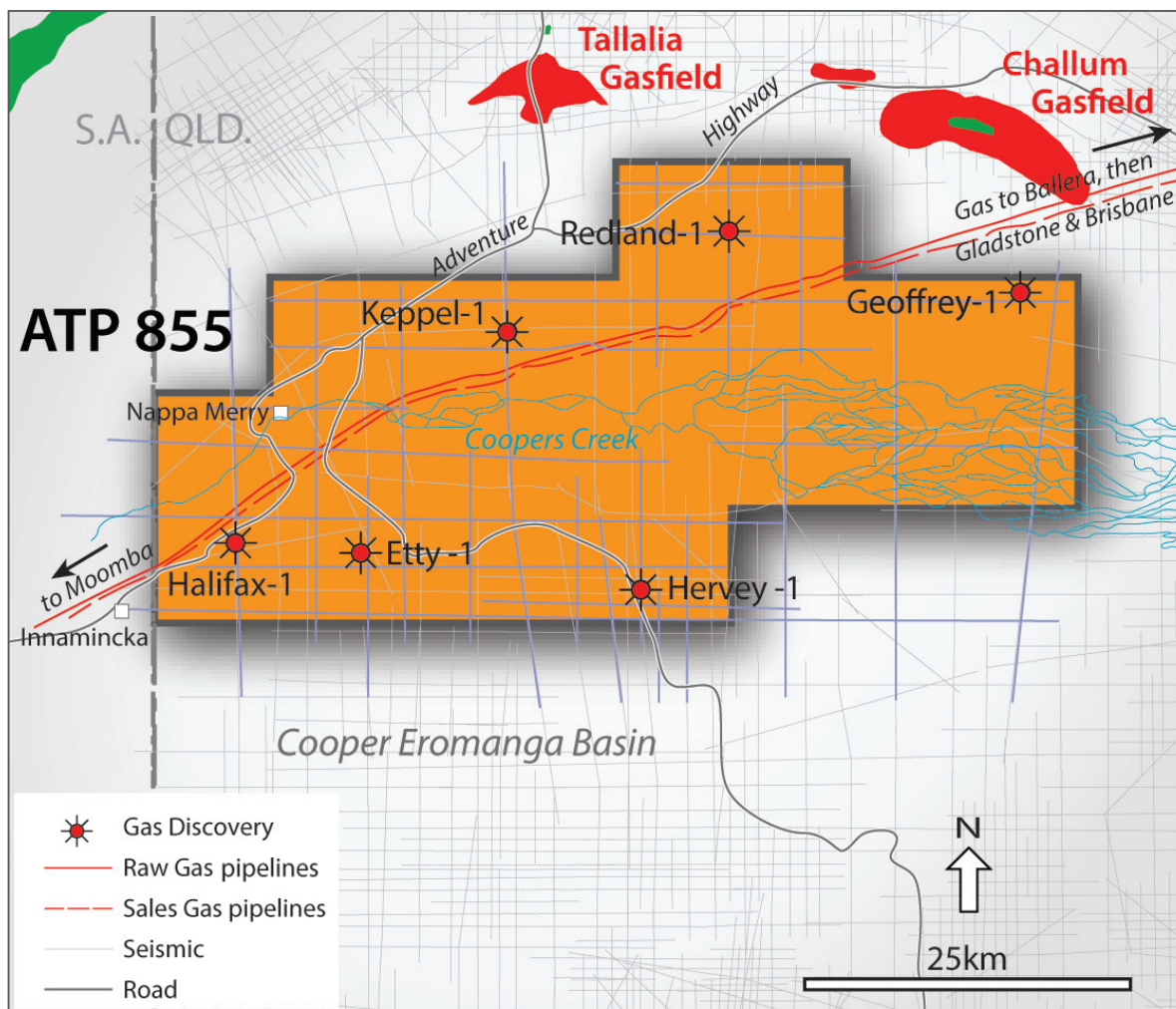
The Company took the opportunity during the year to rationalise its interest in other tenements. Following a strategic review of ATP 626, Icon relinquished 20 sub-blocks in the southern portion of the tenement, completed rehabilitation of former joint venture wells and lodged a later work program.

In keeping with its operational strategy to focus resources on ATP 855, the Company divested its interest in some non-core less prospective tenements during the year including ATP 560 U-Eleven, ATP 849 and EPG's 49 and 51. At the same time Icon consolidated its interests in ATP 594 in the Cooper Basin and ATP 626 in the Surat Basin where Icon now holds a 100% interest in these tenements.

Icon will consider its deferred work program in Victoria should the moratorium on fracture stimulation of unconventional gas wells be amended.

### ATP 855 COOPER BASIN, QUEENSLAND

Icon Energy holds 35.1% equity in ATP 855 covering 414,000 acres and is located on the Queensland and South Australia border. The current interests in ATP 855 are Beach Energy Limited (Operator) 46.9%, Chevron Australia 18% and Icon Energy 35.1%.



Map showing the location of ATP 855 and the current well locations in the Cooper Basin, Queensland

## REVIEW OF OPERATIONS

Icon Energy in conjunction with Beach Energy (**Operator**) and Chevron Australia has continued building on the excellent results achieved during the 2012- 2013 financial year where the Joint Venture (**JV**) drilled the Halifax-1 vertical well. The Halifax-1 well produced the highest flow rate of 4.2MMscf/d from a shale gas well and a Notice of Petroleum Discovery was lodged with the DNRM.

During the past 18 months the JV has drilled six wells, Halifax-1, Hervey-1, Keppel-1, Geoffrey-1, Redland-1 and Etty-1 and the ongoing drilling program, utilizing new and improved technologies and processes, is designed to evaluate the unconventional basin centred gas play within the Permian formations of the Nappamerri Trough in the Cooper Basin. These wells are critical for experimentation purposes in the research and development program.

During this drilling program, elevated gas shows have been encountered over intervals in excess of 1,300 metres throughout the Permian formations. The wells drilled so far have encountered very thick horizons with 460 metres of the Roseneath, Epsilon and Murteree Formations (**REM**) and 490 metres of the Patchawarra formation at total depth. All these horizons appear to be over-pressured throughout.

In July 2013 the JV recommenced its drilling program with two rigs actively engaged in the permit. Drilling of the

Keppel-1 and Hervey-1 vertical wells continued in July 2013 with encouraging results encountering gas shows across the entire Permian sections penetrated. Keppel-1, located 25km north-east of Halifax-1, is located in the deepest section of the Nappamerri Trough and was scheduled to be drilled to a depth of 4,890 metres. Keppel-1 experienced an influx of high pressure gas which required well control measures to be put in place to isolate the interval. As a result the well was plugged back and suspended, waiting on further assessment.

Hervey-1, located 30km east of Halifax-1, was drilled through the Patchawarra Formation to a total depth of 4,269 metres. Both wells confirmed the continuation of the basin centred gas play in the Permian formation across the southern portion of the Nappamerri Trough. Notices of Petroleum Discovery were lodged with DNRM for the Keppel-1 and Hervey-1 wells.

The Geoffrey-1 vertical well is located 36km to the north-east of Hervey-1 and was drilled to evaluate the shale and basin centred gas play in the Toolachee, Daralingie, REM and Patchawarra Formation intervals in the east of the Permit. The well was drilled in October 2013 to a depth of 4,125 metres and encountered excellent gas shows across the entire Permian section. The Geoffrey-1 well exhibited high over-pressuring at total depth.

HERVEY-1

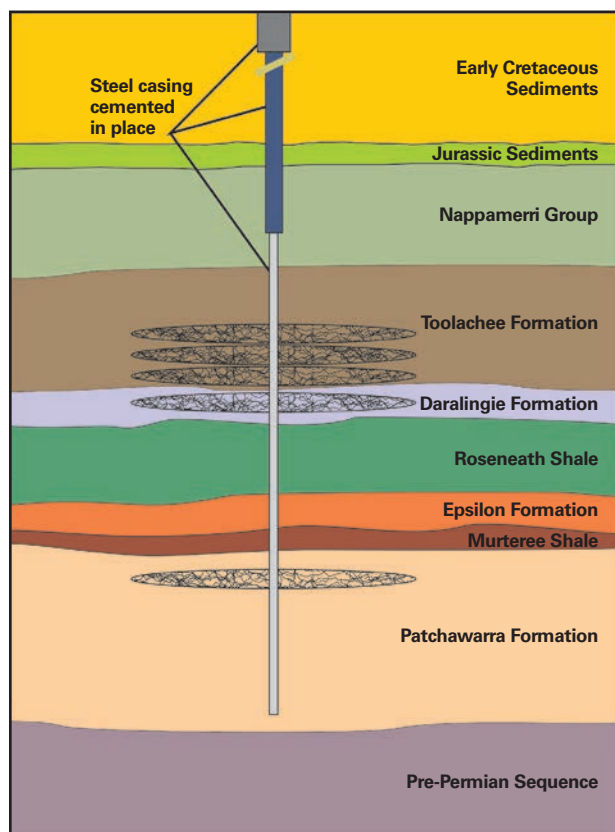


Diagram of Hervey-1 showing the target zones proposed for fracture stimulation and then flow testing.

GEOFFREY-1

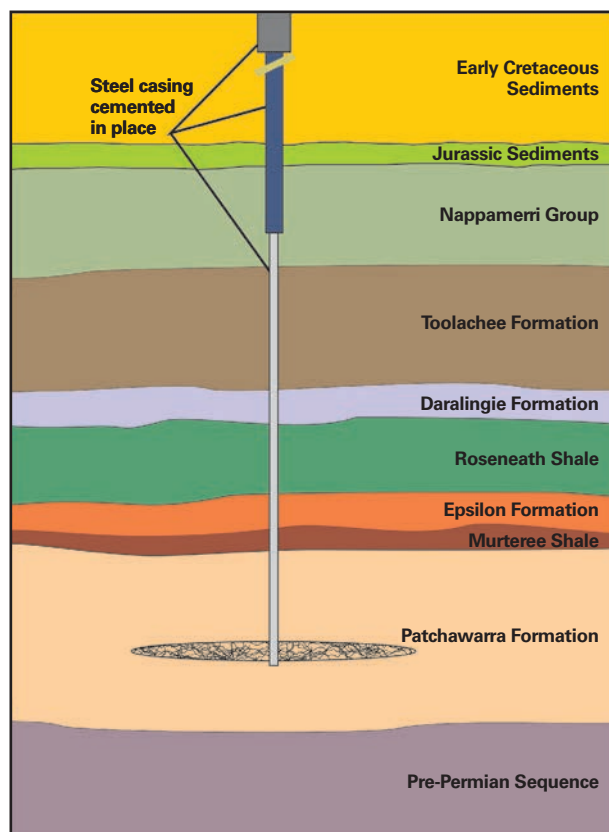


Diagram of Geoffrey-1 showing the target zones proposed for fracture stimulation and then flow testing.



## REVIEW OF OPERATIONS

In September 2014, a Coiled Tubing Unit (**CTU**) cleaned out the Geoffrey-1 well prior to perforating a single zone in the Lower Patchawarra and conducting an injectivity test. This activity is designed to determine whether the lowermost interval in this well will be stimulated prior to being tested. Following testing of the lowermost interval in Geoffrey-1 and, subject to JV approval, shallower formations will subsequently be stimulated and flow tested in order to evaluate the flow characteristics of those individual formations. This step by step process will lead to a better understanding of the overall gas deliverability from the well.

In December 2013 the Redland-1 vertical well, located 22km North-west of Geoffrey-1, was drilled to a depth of 3,804 metres to evaluate the shale and basin centred gas play in the Toolachee and Daralingie Formation intervals in the north of the permit. The Toolachee and Daralingie formations penetrated exhibited significant gas shows. A Notice of Petroleum Discovery was lodged with DNRm for Redland-1.

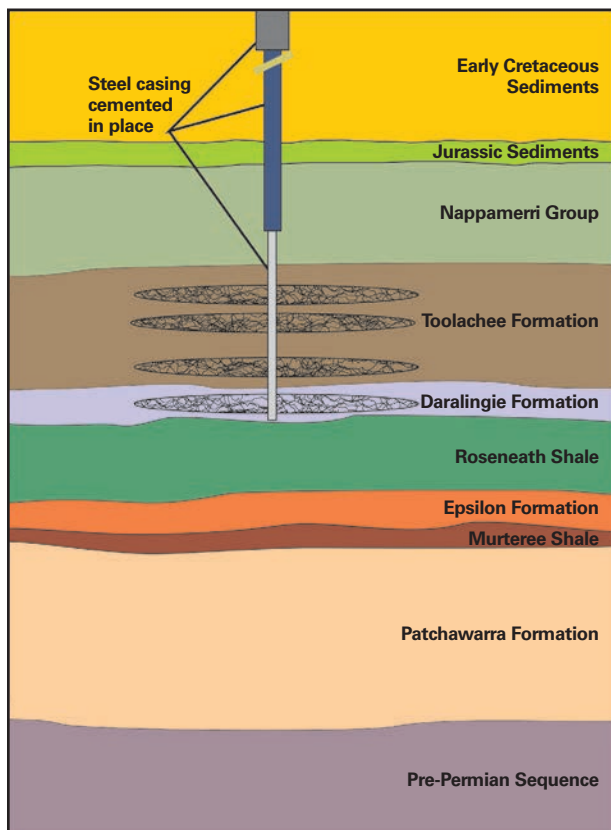
The Etty-1 vertical well, located 9km to the east of Halifax-1, was drilled in February 2014 to a depth of 3,807 metres to evaluate the basin centred gas potential of the Permian Formations from the top of the Toolachee to the top of the Patchawarra Formation. The well intersected gas throughout the Permian section therefore supporting the hypothesis of a basin centred gas play. A Notice of Petroleum Discovery was lodged with DNRm for Etty-1.



*Condor fracture stimulation spread on location at Hervey-1 in the Cooper Basin, Queensland*

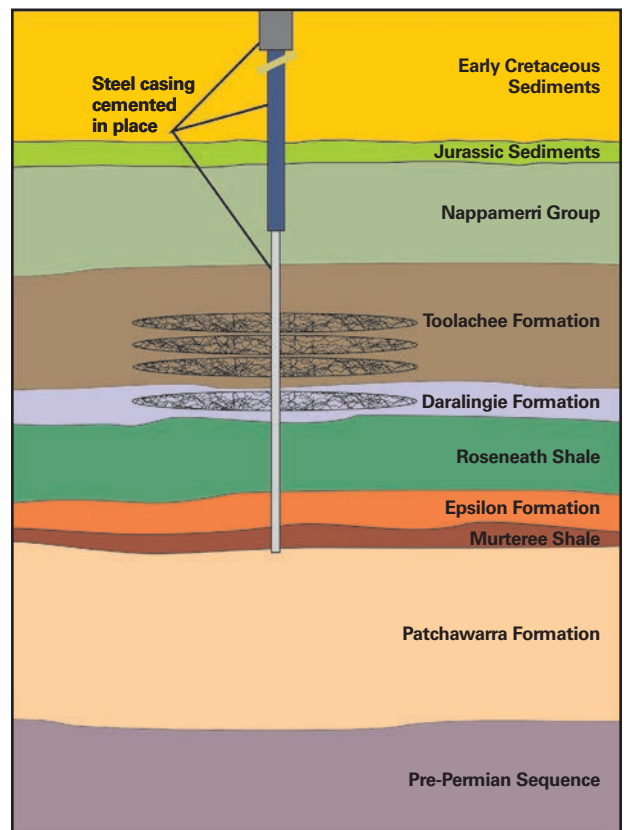
With the drilling of Etty-1, the sixth well in ATP 855, the JV has completed the mandatory work program that included the 423km Gallus 2D seismic survey which was completed in April 2012.

### REDLAND-1



*Diagram of Redland-1 showing the four zones in the Toolachee and Daralingie Formation proposed for fracture stimulation and then flow testing.*

### ETTY-1



*Diagram of Etty-1 showing the four zones in the Toolachee and Daralingie Formation proposed for fracture stimulation and then flow testing.*

## REVIEW OF OPERATIONS



### Summary of ATP 855 Drilling Results

Well	Halifax-1	Keppel-1	Redland-1	Hervey-1	Geoffrey-1	Etty-1
<b>TD</b>	4,267m	3,898m	3,804m	4,269m	4,125m	3,807m
<b>Gas Shows</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>
<b>Stimulation stages</b>	14	N/A	Hydraulic stimulation commenced in September 2014			
<b>Max. flow rate</b>	4.2MMscf/d	Flowed gas to surface unstimulated				
<b>1C Contingent resources (gross)*<sup>2</sup></b>	318BCF	TBA	TBA	TBA	TBA	TBA
<b>2C Contingent resources (gross)*<sup>2</sup></b>	629BCF	TBA	TBA	TBA	TBA	TBA
<b>3C Contingent resources (gross)*<sup>2</sup></b>	1,115BCF	TBA	TBA	TBA	TBA	TBA
<b>Comments</b>	Highest gas flow rate from unconventional shale gas well in the Cooper Basin	Flowed gas to surface unstimulated	Target interval gas saturated supported by mud gas readings	Target interval gas saturated supported by mud gas readings	Target interval gas saturated supported by mud gas readings	Target interval gas saturated supported by mud gas readings

\*Contingent resources are those quantities of wet gas (produced gas minus carbon dioxide) that are potentially recoverable from known accumulations but which are not considered to be commercially recoverable due to the need for additional delineation drilling, further validation of deliverability and Original Hydrocarbon in Place (OHIP), and confirmation of prices and development costs. This is based on a statistical aggregation method using Monte Carlo simulation estimates for each formation. Announced to the ASX on 26 August 2013

<sup>2</sup> The estimates of contingent resources must be read in conjunction with the explanatory and cautionary statements on page 5 of this Annual Report.



On 26 August 2013 Icon announced that Beach Energy, in its capacity as Operator of the ATP 855 JV, had engaged DeGolyer and MacNaughton (**D&M**), an experienced international petroleum resource evaluation consultant to prepare a report on the Contingent Resources estimated in the area around the Halifax-1 well. Findings from the report prepared by D&M in respect of the estimated Contingent Resources attributable to the Halifax-1 well are shown in the table on page 12.<sup>3</sup>

On 19 June 2014, Icon announced that D&M had provided a report on the Unconventional Recoverable Prospective Resources in ATP 855.<sup>3</sup>

The findings of this independent report show a best estimate (P50) of 28Tcf of Gross Unconventional Recoverable Prospective Raw Natural Gas Resources<sup>1</sup> (as of 15 June, 2014) in ATP 855, of which Icon Energy's interest is 10Tcf (35.1%). The report findings were evaluated in accordance with the Petroleum Resources Management System (PRMS - March 2007). The results are summarised as follows:

## ATP 855 – GROSS UNCONVENTIONAL PROSPECTIVE RAW NATURAL GAS RESOURCE

Gross Unconventional Prospective Raw Natural Gas (TCF)	Low Estimate (P90)	Best Estimate (P50)	High Estimate (P10)
Gross (TCF)	21.48	28.49	37.74
<b>Nett (Icon 35.1%)(TCF)</b>	<b>7.65</b>	<b>10.00</b>	<b>13.25</b>

To convert some of the Gross Unconventional Prospective Raw Natural Gas Resource to a Contingent Resource classification, will require the successful stimulation and flow testing of one or more of the Hervey-1, Redland-1, Etty-1 and Geoffrey-1 wells and certification of the well results by an independent consulting firm.

Icon is committed to working with its JV partners to fully evaluate this potentially outstanding basin-centered gas resource in ATP 855.

Icon Energy's main objective is to grow its 2C Contingent Resources and convert these Contingent Resources to 2P Reserves, with a target of 2.2TCF of 2P reserves.

The JV work program for the 2014/2015 financial year in ATP 855 focusses exclusively on the Hydraulic Stimulation and flow testing of the Hervey-1, Geoffrey-1, Redland-1 and Etty-1 wells.

The ATP 855 Joint Venture (Beach Energy operator) have contracted Condor Energy Services to undertake the hydraulic stimulation program.

Condor Energy Services is a major partner of the Australian oil & gas industry and while Condor itself is relatively new its people have extensive international experience combined with detailed local knowledge and with more than 100 years of combined operational experience in the international resource sector. The world-class team at Condor Energy Services possesses industry leading knowledge and expertise spanning the specialised oilfield services of: Well Cementing; Hydraulic Fracture Stimulation; Coiled Tubing Services; and Nitrogen Services.

The hydraulic stimulation and extended flow testing programme is targeting specific formations in the Geoffrey-1, Hervey-1, Redland-1 and Etty-1 wells. This is designed to better understand the gas production potential from the Permian Formations (Toolachee to Patchawarra Formations) in the tenement.

The JV is focussed primarily on the results it wants to achieve from the stimulation and testing programme and the programme is aimed at achieving acceptable gas flow rates and decline curves.

In moving this project forward, it is important for the JV to be able to understand the production potential of the formations within the tenement and then focus attention on the potential commercial viability of the tenement. Achieving acceptable gas flow and decline rates will be a major step forward in this outcome.

This is an exciting time for Icon Energy and our shareholders as we approach our largest stimulation and testing program in ATP 855 and we look forward to achieving the results that further de-risk our unconventional basin-centred gas asset in ATP 855.

<sup>3</sup> The estimates of contingent and prospective petroleum resources must be read in conjunction with the explanatory and cautionary statements on page 5 of this Annual Report including that the estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

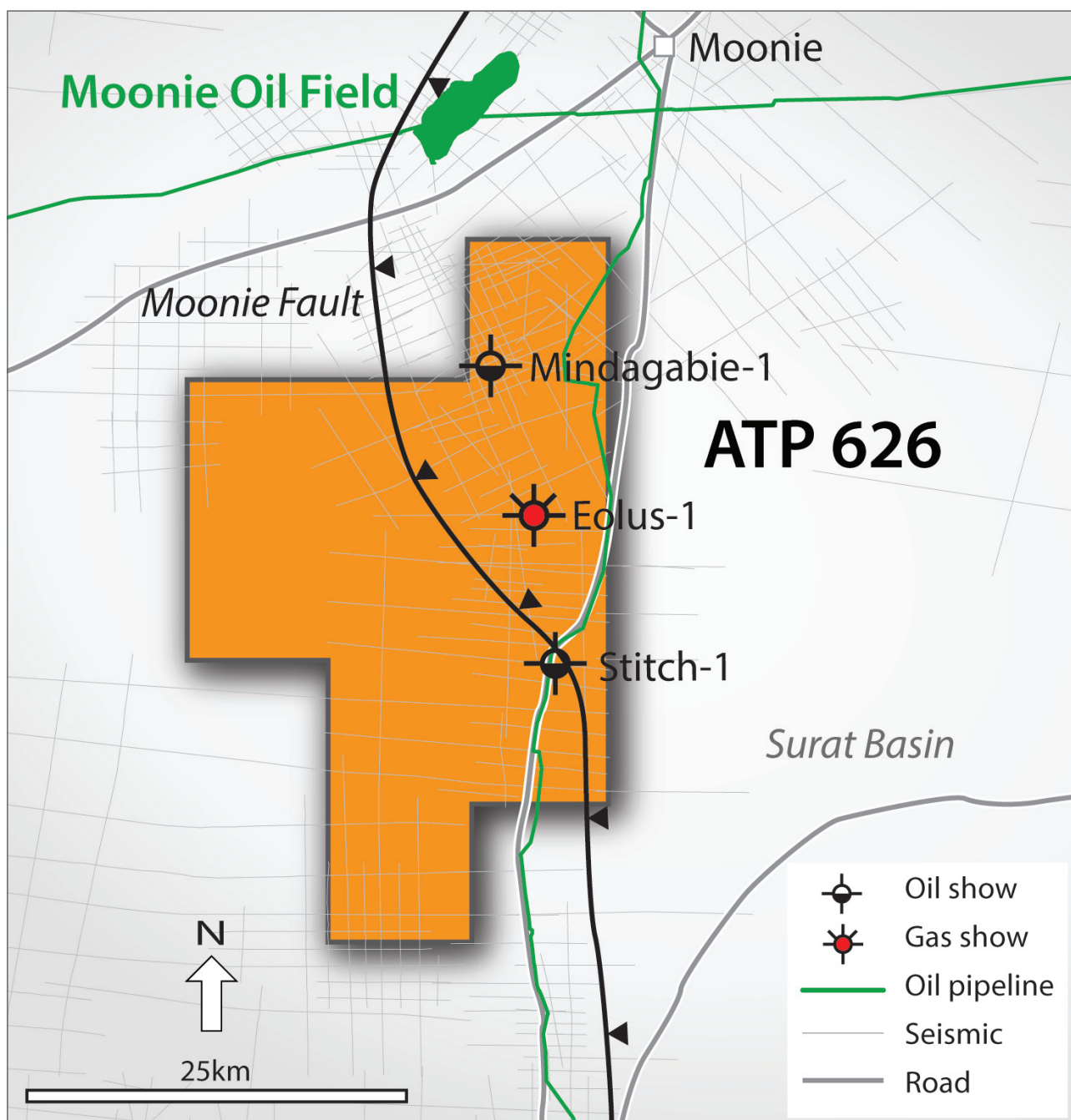
## REVIEW OF OPERATIONS

### ATP 626 SURAT BASIN, QUEENSLAND

On 3 July 2013, the Company announced that it had regained the 100% equity interest in ATP 626 following the acquisition of Goondi Energy's 1% legal interest and its 50% working interest.

During the year Icon initiated a rehabilitation program of old Joint Venture wells that will not be utilized in the future of the permit. The plugging, abandonment and rehabilitation of the former ATP 626 Joint Venture wells have now been completed. The remaining wells in the tenement Eolus-1, Mindagabie-1 and Stitch-1, are currently suspended.

Following a strategic review of ATP 626, Icon relinquished 20 sub-blocks or two-thirds of ATP 626 in the southern portion of the tenement (refer to map below) and lodged a Partial Relinquishment Report with DNRM on 27 June 2014. After an extensive two stage program and comprehensive independent research, the Company announced that the coal seam gas play had proved to be sub-commercial in ATP 626. Icon lodged a Later Work Program for ATP 626 with DNRM on 28 April 2014 in order to conduct a conventional work program in the retained blocks within ATP 626.



Map showing the retained area in ATP 626 in the Surat Basin, Queensland



## ATP 594 COOPER/EROMANGA BASIN, QUEENSLAND

ATP 594 is located approximately 140km to the west of the town of Quilpie in the Cooper-Eromanga Basin. The tenement covers three separate areas consisting of a total area of 1,538km<sup>2</sup>.

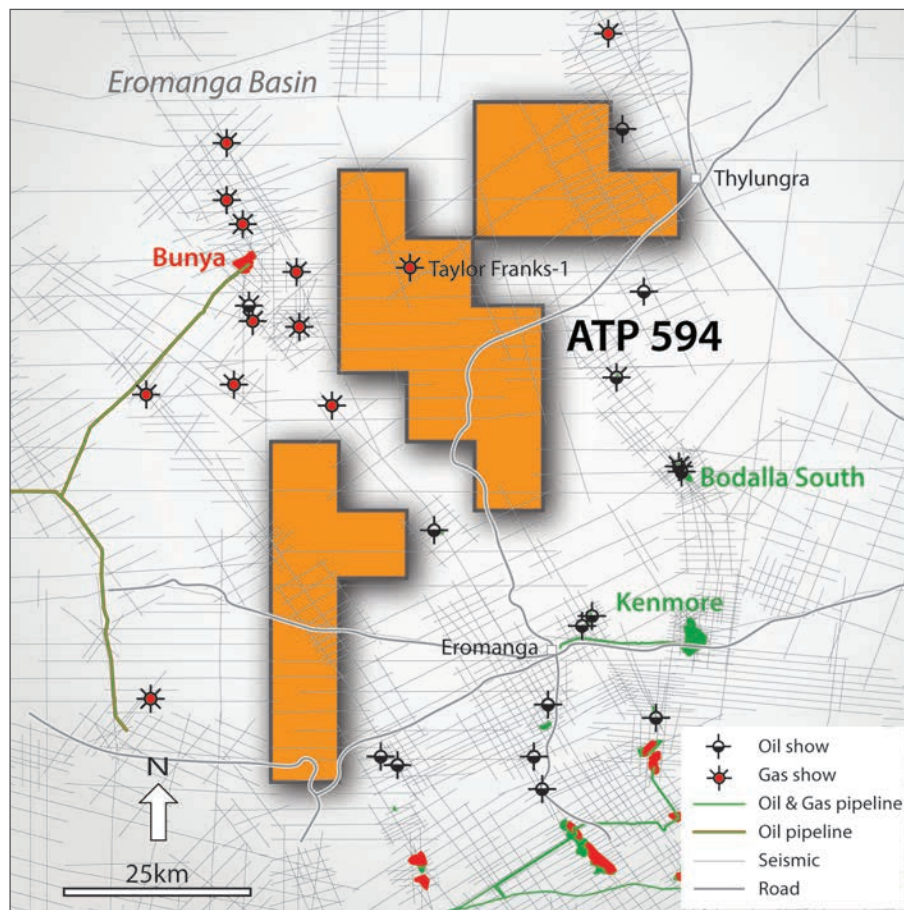
ATP 594 was suspended following the de-registration of joint owner Triple J Resources. In September 2014 DNRm transferred the outstanding 50% interest in the tenement to Icon Energy which will enable Icon Energy to work in the permit once the Company completes a Right to Negotiate Agreement (**RTN**) with the Boonthamurra Registered applicants.

The areas immediately adjacent to ATP 594, are resource rich in oil and gas. Several gas fields are located to the west of ATP 594 including the Bunya gas field. There are several oil fields located to the south-east of the tenement, including the Kenmore and Bodalla South oil fields.

Several wells have been drilled around the permit mainly targeting conventional oil and gas since 1980 with some hydrocarbon shows intersected. In March 1995, Icon Energy drilled the Taylor Franks-1 well to a total depth of 2643 metres and drill stem tests were conducted within the Permian section.

Icon is currently reviewing the available data, with a view to acquiring new seismic over the tenement in the future.

ATP 594's positioning on the eastern flank of the Cooper Basin is of particular interest to Icon and the Company plans to conduct a seismic and drilling program following the completion of RTN negotiations with the Native Title applicants.



Map showing ATP 594 in the Cooper-Eromanga Basin, Queensland

## RESEARCH AND DEVELOPMENT ACTIVITY

Icon Energy lodged a research and development (**R&D**) claim for the full year ended 30 June 2013 in April 2014 and a payment of \$7,492,356 was received in July 2014.

Icon Energy is currently in the process of preparing another R&D claim for the full year ended 30 June 2014. This claim will cover activities carried out in one project area; ATP 855 in the Nappamerri Trough, Cooper Basin in south west Queensland. The overall technical objective of this project is to develop new methods and techniques that enable gas to be extracted efficiently from the deep Nappamerri Trough. Deloitte's will be assisting Icon in the preparation and lodgement of this claim.

At Icon Energy, we believe that sustainability is about working safely, effectively and harmoniously with the community and the environment today, tomorrow and for generations to come.





## SUSTAINABILITY

At Icon Energy promoting safe, environmentally friendly and community supportive sustainable practices is paramount. How we make this happen is governed by our core principle; to work ethically and respectfully. We do this by:

- Operating with care and respect within our environment to ensure the biological systems remain diverse and capable of preserving the environment;
- Building relationships based on trust and open communication with all landowners;
- Respecting all cultures in the communities in which we operate, seeking to foster their prosperity, quality of life and their relationship with the land and waters;
- Responsibly and ethically developing our resources to work towards delivering our energy needs both domestically and internationally;
- Working innovatively and safely to ensure we continue to have no reportable safety or environmental incidents or accidents at any of our operational sites.

## COEXISTING WITH OUR ENVIRONMENT

Environmental planning and research is conducted at the outset of each and every Icon Energy project. From pre to post project, environmental management measures are systematically researched, employed, checked, maintained, reviewed and recorded.

In ATP 626, all activities including drilling, seismic and rehabilitation works were managed in accordance with the Company's Environmental Authority. Risk Assessments and onsite monitoring were completed at all stages of the activities. Finally, operational sites were rehabilitated to long-term safe, stable and non-polluting landforms that blend with the surrounding landscape.

There have been no recordable incidents, accidents or environmental issues during Icon's operations from 2009 to the completion of rehabilitation within the recently

relinquished area of ATP 626, or the remaining permit area of ATP 626.

## WORKING TO BENEFIT ALL COMMUNITIES AND CULTURES

Icon Energy's community engagement is focused on maintaining long-term, collaborative and trusting relationships amongst the communities in which we operate.

In ATP 626, Icon Energy is committed to upholding its strong relationship built over the past 7 years with the landholders in the region.

Icon Energy has Right to Negotiate, Cultural Heritage and Indigenous Land Use Agreements with traditional owners in Queensland, South Australia and Victoria. We endeavour to ensure that traditional owners of land are consulted and their needs considered prior to the conduct of any activities in areas in which we operate.

## OPERATING SAFELY

Icon Energy is committed to the safety of its staff, contractors and joint venture partners. Our safety strategies and culture are focused on maintaining an incident free work place. Icon works with its JV partners to raise safety awareness and promote a positive safety behaviour and safety leadership in the field.

As our operational activities increase throughout Australia, so does the number of aggregate hours our contractors and Icon staff work. Icon Energy has a strong focus on contractor management, contractor pre-qualification process and training which has contributed to no safety incidents being recorded in the 2011 to 2014 financial years.

Icon Energy would like to thank all of its contractors, associates and employees, for their contribution in maintaining our excellent safety record.

# CORPORATE GOVERNANCE STATEMENT



*Pictured Non-executive Directors (from left to right) Dr Keith Hillless, Mr Derek Murphy, Mr Howard Lu and Mr Stephen Barry*

## ROLE OF THE BOARD

The Board of Directors of Icon Energy 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 the Managing Director and monitoring his performance;
- Maximising shareholder value by setting objectives and goals;



- Approving policies and reviewing systems of risk management and internal control, codes of conduct and legal compliance;
- Reviewing and ensuring the appropriate 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 objectives. The Managing Director has the right to make decisions and take 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 monitors the decisions and actions of the Managing Director to ensure that progress is being made towards the corporate objectives, within the authority it has delegated. The Board also oversees the performance of the Company through its Board Committees.

The Managing Director is required to report on progress being made by the Company to the Board and key stakeholders. The Board and its Committees determine the nature and form of information required from the Managing Director, employees or external parties, 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.

## ROLE OF MANAGEMENT

Through the Managing Director, the Board has delegated the following key functions to senior executives:

- The recommendation of Icon Energy's business, operational and corporate strategy to the Board for approval and following their approval, implementation;
- The day to day responsibility for complying with all laws and regulations relevant to Icon Energy's operations and business activities;
- The achievement of the corporate objectives set by the Board;
- The development and implementation of the Company's policies and procedures (including risk management and internal control processes); and
- The engagement of suitable staff and contractors so as to effectively discharge the Company's obligations and various strategic, operational and business objectives.

## 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 four non-executive Directors and two executive Directors. It is expected that as the Company's activities expand with the development of its conventional and unconventional gas and other interests, then the number of independent Directors may increase;
- 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, skills and sufficient time as determined by the Board. The Remuneration, Nominations and Succession Committee reviews the composition of the Board on a regular basis and conducts a skills gap analysis as part of the exercise to ensure the Board has the right balance of requisite skills and experience;

# CORPORATE GOVERNANCE STATEMENT

- No Director, except the Managing Director, shall hold office for a period in excess of three years, or past the third Annual General Meeting following the Director's appointment, whichever is the longer, without submitting themselves 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 be eligible for re-election;
- In accordance with the Constitution of the Company the Board should comprise of at least three Directors.

A copy of the Company's Board Charter and the Role of Management can be found in the Corporate Governance Section of the Company's website.

## 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 Securities Exchange's (**ASX**) Corporate Governance Council's Corporate Governance Principles and Recommendations (**ASX Principles**). The Board has determined that Messrs Stephen Barry, Derek Murphy, Howard Lu and Dr Keith Hilless AM meet the definition of an "independent director" as set out in the ASX Principles.

## 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 Committees of the Board have been formed to consider and make recommendations to the Board on important areas of decision making. These Committees are the Audit and Risk Management Committee and the Remuneration, Nominations and Succession Committee. Additional committees may be formed if the Board sees a need for them.

Membership of the two standing committees is as follows:

### **Audit and Risk Management Committee**

Keith Hilless AM (Chairman) (Non Executive Director)  
Stephen Barry (Non Executive Director)  
Derek Murphy (Non Executive Director)

### **Remuneration, Nominations and Succession Committee**

Stephen Barry (Chairman) (Non Executive Director)  
Derek Murphy (Non Executive Director)

## BOARD AND COMMITTEE MEMBERS AND MEETINGS

The current Icon Energy Board of Directors consists of four independent Directors and two Executive Directors, the Managing Director and the Chief Financial Officer. The Audit and Risk Management Committee comprises three independent non-executive Directors with at least one member having experience and expertise in financial matters. The Chairman of the Audit and Risk Committee is Dr Keith Hilless AM an independent non-executive Director. The Remuneration, Nominations and Succession Committee consists of two independent non-executive Directors due to the small size of the Company. The Company Chairman is also the Chairman of the Remuneration, Nominations and Succession Committee.

Details of the number of Board and Committee meetings held during the reporting period and their attendees are set out in the Directors' Report. In addition, details of the qualifications and experience of each Board and Committee member are set out in the Directors' Report. The period of office held by each Director is also set out in the Directors' Report.

## AUDIT AND RISK MANAGEMENT COMMITTEE

The purpose of the Committee is to assist the Board in its oversight of:

- The effectiveness of the systems of financial risk management, governance and internal control;
- The integrity of the Group's financial reporting;
- The integrity of the external audit process, including appointment, performance and independence of the external auditor; and
- Identification of potential risks and the review of the Company's risk management system.

The Committee's role is to report to the Board and provide appropriate advice and recommendations on matters relevant to its Charter in order to facilitate decision making by the Board.

The Audit and Risk Management Committee has in place a formal charter which defines the Committee's function, composition, mode of operation, authority and responsibilities. The Managing Director, Chief Financial Officer and External Auditor are invited to attend Committee meetings, at the discretion of the Committee.

The Committee conducted an annual review of the key identified risks for the Company in the 2013/14 period. The charter of the Audit and Risk Management Committee can be found in the Corporate Governance section on the Company's website.



## REMUNERATION, NOMINATIONS AND SUCCESSION COMMITTEE

While larger companies may allocate the responsibilities for remuneration, nominations and succession to separate committees, the Board has determined that a company of Icon Energy's size is better served by having one Committee with responsibility for all of these functions. The Committee is required to meet at least once a year and in fact met nine times in the reporting year.

The Remuneration, Nominations and Succession Committee reviews and makes recommendations to the Board on the following matters:

- The appointment and performance of the Managing Director;
- The remuneration structure for the Managing Director and other senior employees of the Company;
- The Company's recruitment, retention and termination policies and procedures for senior management;
- Staff and executive incentive schemes;
- Board performance assessment and skills analysis;
- Board and management succession planning; and
- Staff superannuation arrangements.

The charter of the Remuneration, Nomination and Succession Committee can be found in the Corporate Governance Section on the Company's website.

## BOARD AND SENIOR EXECUTIVE REMUNERATION

Remuneration levels and terms of employment for Executive Directors and Senior Executives are formalised in individual Director Service Agreements.

Details of the structure of and amounts paid to non-executive Directors, executive Directors and other senior executives are contained in the Remuneration Report which forms part of the Directors' Report. The Remuneration Report also describes the nature of the relationship between the performance of Icon Energy and remuneration paid to senior executives.

The Remuneration, Nomination and Succession Committee reviews the Company's remuneration strategy and framework on an annual basis. At the 2010 AGM, the framework and rules for the Company's Performance Rights Plan were approved by shareholders. The Plan framework and rules will be resubmitted to shareholders for renewal of approval at the 2014 AGM.

## PERFORMANCE EVALUATION

A formal performance evaluation of the Board, each Committee of the Board, the Chairman and individual Directors was undertaken during the reporting period and findings were discussed at the May 2014 Board meeting and Remuneration, Nominations and Succession Committee meeting. As part of that review, the Board reviewed its composition and skills set to ensure it has the necessary skills to pursue the Company's strategic objectives. In May 2014, the Board and each of the Board Committees reviewed their performance against criteria set down in the Board and Committee Charters.

The Managing Director and senior executives participate in annual performance reviews. Performance is measured against key performance indicators relevant to the Company's strategic, operational and business objectives and to each of the Managing Director's and senior executive's specific roles.

A performance evaluation for the Managing Director and senior executives was undertaken for the current reporting period in accordance with the process set by the Remuneration, Nomination and Succession Committee and as approved by the Board.

A summary of the performance evaluation process can be viewed in the corporate governance section of the Company's website.

## DIVERSITY

A key goal of the Board and Management is to contribute positively to the success of the Company by promoting a high performance culture that draws on the diverse and relevant experience, skills, expertise, perspectives and the unique personal attributes of its board members and employees. As an employer we are committed to managing diversity by reflecting our company values of respect, integrity, honesty and personal commitment in maintaining and valuing the differences a diverse workforce brings.

The Company applies its Diversity Policy to all Icon Energy Limited Directors and employees, including contractors and consultants acting on the Company's behalf. The policy covers and includes the recruitment and selection process, terms and conditions of employment including pay, promotion, work assignment, and training as well as any other aspect of employment.

Key principles of the policy include:

- We treat all employees, prospective employees, partners, contractors, consultants and suppliers fairly and equally;
- We promote a corporate culture that values diversity and tolerates differences;

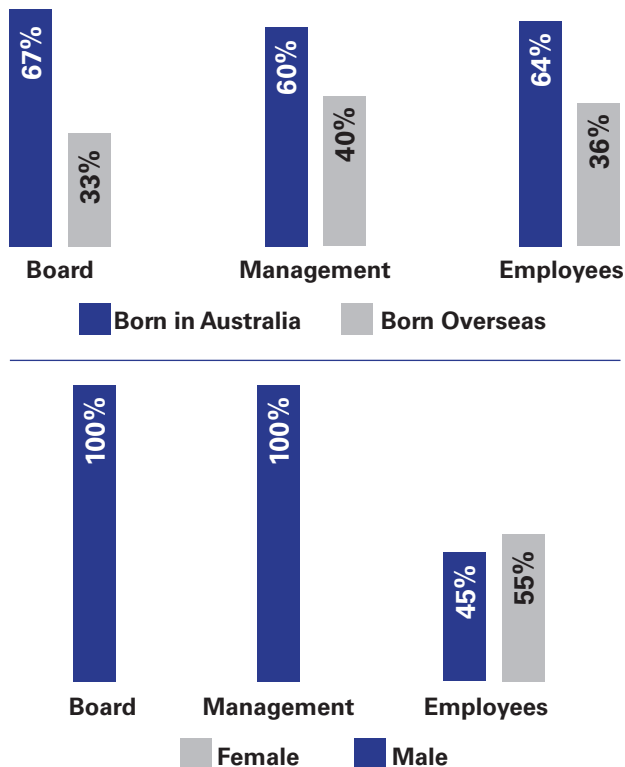
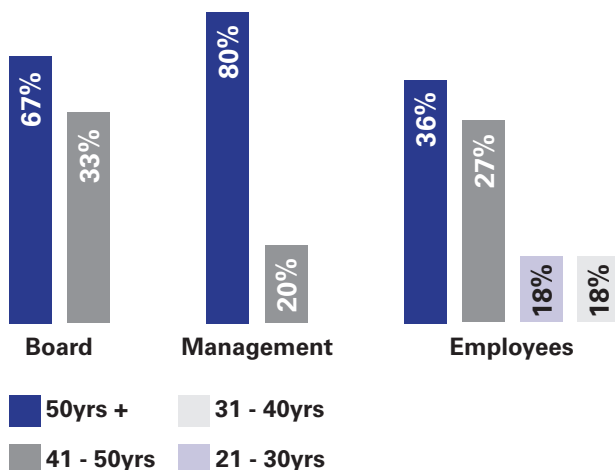
# CORPORATE GOVERNANCE STATEMENT

- We recruit employees and directors impartially from a diverse field of suitably qualified candidates;
- Our recruitment process is designed to ensure that the best people are chosen for the right positions; and
- We provide learning and development strategies and opportunities to develop skills and experience of employees for career advancement.

Details of the policy are set out under the Corporate Governance section on the Company's website.

The Diversity Policy includes a commitment to establishing measurable objectives for gender diversity each year. The 2013/14 objectives were measured as follows:

2013/14 objectives	Results
To support and promote the Company's diversity policy, including, where reasonably practicable, identification of additional suitably qualified external female candidates	In place
To ensure that candidate lists for permanent employee positions are recognisably diverse by age, sex or ethnicity	In place
To ensure that in the interview process for each executive position there is, where reasonably practicable, at least one appropriately qualified female candidate	In place
To consider diversity when reviewing board succession plans with the aim to improve gender representation and diversity	In place
To increase the representation of women in senior management roles;	To be achieved
To ensure the voluntary turnover in female employees is no greater than organisation turnover levels	Achieved



## 2014/15 OBJECTIVES

- To support and promote the Company's diversity policy, including, where reasonably practicable, identification of additional suitably qualified external female candidates;
- To ensure that candidate lists for permanent employee positions are recognisably diverse by age, sex or ethnicity;
- To ensure that in the interview process for each executive position there is, where reasonably practicable, at least one appropriately qualified female candidate;
- To consider diversity when reviewing board succession plans with the aim to improve gender representation and diversity;
- To increase the representation of women in senior management roles;
- To ensure the voluntary turnover in female employees is no greater than organisation turnover levels.

## ETHICAL STANDARDS

The aim of the Company is to ensure that all Directors, managers and employees act with integrity and promote ethical and responsible behaviour which will enhance the reputation and performance of the Group.

The Company has an approved Code of Conduct and Ethics and a Share Trading Policy.

A copy of these Policies can be found in the Corporate Governance Section on the Company's website.



## CODE OF CONDUCT AND ETHICS

The standard of behaviour required of Icon Energy's Directors and employees, as well as of contractors engaged to perform work on behalf of the Company requires:

- Them to act in the best interest of the Company and create value for the Company's shareholders and stakeholders;
- Them to act honestly and with integrity and fairness in all dealings with each other and third parties;
- Compliance with all laws and regulations which govern the group and its operations;
- Avoidance or management of conflicts of interest.

The Company has a process in place for Directors, employees and third parties to report potential breaches of the Code of Conduct and Ethics.

## PRINCIPLES OF CONDUCT

Further general principles of conduct under the Company's Code of Conduct and Ethics, include:

- Ethical and responsible business practices;
- Sustainable development considerations and principles integrated into Company decision making;
- 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;
- Health, safety, environmental and community risk management strategies that are based on sound science, transparency and effective communication;
- 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;
- Contribute to the conservation of biodiversity and protection of the environment through responsible management of our operations and their impacts;
- Foster economic and social development of the communities in which we operate;
- Respect and protect human rights and dignity at our operations and deal fairly with employees and others;
- Open and effective engagement and reporting with our communities;
- Directors and Executives of the Company shall notify the Chairman or Managing Director before trading in the Company's shares and shall not trade in the shares other than in accordance with the Company's Share Trading Policy.

## 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 Share Trading Policy provides for specified periods (known as "Trading Windows") in which share trading is permitted and blackout periods when trading is not permitted.

All Icon Energy personnel not in possession of unpublished price-sensitive information may buy, sell or otherwise deal in Icon Energy's securities during Trading Windows which occur in the three week period commencing after:

- The announcement of the half yearly financial results;
- The announcement of the annual financial results;
- The holding of Icon Energy's annual general meeting;
- The Company issues a prospectus or a cleansing statement; or
- As the Board otherwise determines.

Under the Policy Directors and Employees who wish to trade in the Company's securities must seek prior clearance in writing from the Chairman (in the case of Directors), the Managing Director (for the Chairman or Secretary) or the Secretary (for other employees). The provisions of the *Corporations Act 2001* and the Listing Rules of the ASX require advice to the ASX of any transactions by the Directors in the securities of the Company.

## IDENTIFICATION OF SIGNIFICANT BUSINESS RISK

The Board receives comprehensive monthly management reports which enables Directors to identify emerging risk factors and monitor management's response to these risks.

## MANAGEMENT OF ENTERPRISE AND OPERATIONAL RISK

The Board has the responsibility for setting the Company's risk management policy.

The Managing Director, in conjunction with senior executives, is responsible for the development, implementation and management of Icon Energy's risk management and internal control framework.

The Managing Director reports to the Board on the management of these functions, including as to the manner in which the Group's material operational and business risks are being effectively managed.

In the 2013/2014 financial year, the Company's Audit and Risk Management Committee conducted a review of the Company's risk management framework and register of key

# CORPORATE GOVERNANCE STATEMENT

risks. The Committee will review changes to key risks on a quarterly basis in the future.

All Company policies and procedures were reviewed and updated where appropriate during the financial year.

Under its charter, the Audit and Risk Management Committee is responsible for:

- Monitoring the establishment and implementation by management of the Company's risk management system;
- Monitoring the effectiveness of the systems of financial risk management, governance and internal control;
- Endorsing a risk management policy which describes the manner in which both risk and the opportunity are identified, assessed, monitored and managed, including how:
  - o Significant decisions affecting and changes to, the business are subject to risk assessment;
  - o Any operational incidents are to be analysed in order to learn from them and successes reviewed in order to repeat them;
  - o All acquisitions and divestments of assets are subject to assessment and management;
  - o Risks and associated control systems are regularly reviewed; and
  - o Performance against risk management plans is monitored and reported upon to the Board.

The Managing Director regularly reports to the Board on the effectiveness of the Company's management of material operational and business risks.

The Board has also received assurance from the Managing Director, Chief Financial Officer and Legal Counsel 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
- The system is operating effectively in all material aspects in relation to financial reporting risks.

The Company's Enterprise-wide Risk Management Policy and Crisis Management and Business Continuity Policy which encapsulate the Company's management of material business risks can be found in the Corporate Governance section of the Company's website.

## CONTINUOUS DISCLOSURE

The Board has in place a Disclosure and Communications Policy that defines the legal and regulatory obligations, materiality guidelines and reporting process, and is designed to ensure compliance with the continuous and

periodic disclosure obligations under the *Corporations Act 2001* and ASX Listing Rules. Responsibility for meeting ASX disclosure requirements and accountability for compliance rests primarily with the Company Secretary.

The Company conducts regular briefings with all staff to ensure they understand the Company's continuous disclosure obligations, and their role in fulfilling them. The Board reviews continuous disclosure matters, if any, at each Board meeting. Copies of Icon Energy Limited's releases to the ASX, investor presentations and Annual Reports are available on the Company's website.

## SHAREHOLDER COMMUNICATION

The Disclosure and Communications Policy sets out the manner in which Icon Energy promotes communication with shareholders and other key stakeholders. The Board of Directors ensures that shareholders are fully informed as to any significant Group developments which are generally communicated through:

- Continuous disclosure to the ASX;
- Annual reports to shareholders;
- Half-yearly financial reports lodged with the ASX;
- Quarterly reports;
- Notices of shareholder meetings and explanatory notes.

Copies of the above documents are published on the Company's website: [www.iconenergy.com](http://www.iconenergy.com).

Shareholders are encouraged to contact the Company's office if they have any questions on the Company's affairs and participate in the Annual General Meeting by attending and asking questions of the Company's Directors.

A copy of the Disclosure and Communications Policy can be found in the Corporate Governance Section of the Company's website.

## ASX CORPORATE GOVERNANCE COUNCIL PRINCIPLES AND RECOMMENDATIONS

The ASX Corporate Governance Council has recognised that its corporate governance principles and recommendations do not represent a "one size fits all" solution. Icon Energy has considered and, where appropriate, applied the ASX Corporate Governance Recommendations. The following table shows that Icon Energy has adopted all of the ASX Corporate Governance Recommendations with the exception of Recommendation 8.2 which recommends that Remuneration Committees comprise at least three members. The Board of Directors has formed the view that it is more practical for a Company the size of Icon Energy to have a Committee of at least two independent Directors rather than three Directors.



# CORPORATE GOVERNANCE STATEMENT

ASX Corporate Governance Principles and Recommendations		Page Reference	Adopt
<b>Principle 1: Lay solid foundations for management and oversight</b>			
1.1	Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	p 19	✓
1.2	Companies should disclose the process for evaluating the performance of senior executives.	p 21	✓
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1.	p 19-21	✓
<b>Principle 2: Structure the Board to add value</b>			
2.1	A majority of the Board should be independent Directors.	p 20	✓
2.2	The chair should be an independent Director.	p 19	✓
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	p 19-20	✓
2.4	The Board should establish a nomination committee.	p 20-21	✓
2.5	Companies should disclose the process for evaluating the performance of the Board, its committees and individual Directors.	p 21	✓
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2.	p 19-21	✓
<b>Principle 3: Promote ethical and responsible decision-making</b>			
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.	p 22-23	✓
3.1.2	the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders.	p 22-23	✓
3.1.3	the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	p 22-23	✓
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 both the objectives and progress in achieving them.	p 22	✓
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.	p 22	✓
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.	p 22	✓
3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.	p 22	✓
<b>Principle 4: Safeguard integrity in financial reporting</b>			
4.1	The Board should establish an audit committee.	p 20-21	✓
4.2	The audit committee should be structured so that it consists of:		
	- only non-executive Directors	p 20-21	✓
	- a majority of independent Directors	p 20-21	✓
	- an independent chair, who is not chair of the Board	p 20-21	✓
	- at least three members.	p 20-21	✓
4.3	The audit committee should have a formal charter.	p 20-21	✓
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	p 20-21	✓
<b>Principle 5: Make timely and balanced disclosure</b>			
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.	p 24	✓
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	p 24	✓
<b>Principle 6: Respect the rights of shareholders</b>			
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.	p 24	✓
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	p 24	✓
<b>Principle 7: Recognise and manage risk</b>			
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	p 23-24	✓
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.	p 23-24	✓
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.	p 24	✓
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	p 23-24	✓
<b>Principle 8: Remunerate fairly and responsibly</b>			
8.1	The Board should establish a remuneration committee.	p 20-21	✓
8.2	The remuneration committee should be structured so that it:		
	- consists of a majority of independent directors;	p 20-21	✓
	- is chaired by an independent director;	p 20-21	✓
	- has at least three members.	p 20 & 24	X
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	p 21	✓
8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8.	p 21	✓

## BOARD OF DIRECTORS



### DR KEVIN JIH

#### CHIEF FINANCIAL OFFICER AND EXECUTIVE DIRECTOR

##### Qualifications:

BA, MBA, MAcc, PhD(Bond), CPA, FAIM, FAICD

##### Experience:

Dr Kevin Jih joined Icon Energy as Deputy Chief Financial Officer in November 2008 and was promoted to Chief Financial Officer in July 2010 and elected a Director of Icon Energy and its subsidiaries in November 2011. He graduated with a Master of Business Administration in 1994 and a Master of Accounting both from Bond University. In 2008 he was awarded a Doctor of Philosophy in Accounting from Bond University. Kevin is a Certified Practising Accountant and has wide experience in the private and public sectors specialising in management accounting, financial accounting, human resource management and corporate governance.

Kevin has held numerous key positions as the Finance and HR Manager, Faculty of Humanities and Social Sciences, Bond University, Australia; Vice President of Tai-Chern Enterprise Co Ltd, Vice President of HongYang Lease Finance Co Ltd, Taipei, Managing Consultant of MYC Group Co Ltd, Hong Kong and Business Consultant of Hualien Commercial Bank, Taipei. He is a Fellow of the Australian Institute of Management and the Australian Institute of Company Directors, as well as a member of CPA Australia.

**Director Since:** 30 November 2011

### DR KEITH HILLESS AM

#### NON-EXECUTIVE DIRECTOR

##### Qualifications:

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

##### Experience:

Dr Keith Hilless was appointed to the Board on 3 April 2009 as a Non-Executive Director of Icon Energy Limited. Keith is the Chairman of the Board's Audit and Risk Management Committee. Keith 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 corporate experience, Keith 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, and is a Fellow of the Institution of Engineers Australia, The Australian Institute of Management and the Australian Institute of Company Directors.

**Director Since:** 3 April 2009

### MR DEREK MURPHY

#### NON-EXECUTIVE DIRECTOR

##### Qualifications:

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

##### Experience:

Mr Derek Murphy was appointed to the Board on 20 March 2009 as a Non-Executive Director of Icon Energy Limited. Derek is a member of the Board's Remuneration, Nominations and Succession Committee and a member of its Audit and Risk Management Committee. 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.

Derek is a Non-Executive Director of Hayco Manufacturing Limited, a large manufacturing Company in Hong Kong and China. He is Chairman of the Clem Jones Research Centre for Stem Cell and Tissue Regenerative Therapies at Bond University, and a Member of the Gold Coast Advisory Council at Griffith University. 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 March 2009





### MR RAYMOND JAMES MANAGING DIRECTOR

#### Qualifications:

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

#### Experience:

Mr Ray James has been the Managing Director of Icon Energy Limited and its subsidiaries since 1993. Ray has over 40 years experience in the petroleum industry in Australia, USA, Indonesia, South East Asia, Middle East and Russia. He worked with Chevron in Perth and 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.

Ray was a Director of Australian Petroleum Production & Exploration Association Ltd (APPEA) from 1999-2007 and Vice Chairman of APPEA from 2003-2005.

Ray is a Fellow of the Australian Institute of Management. He is a Fellow of the Australian Institute of Company Directors and Vice Chairman of the Gold Coast Committee. Ray is a member of the Advisory Council of the Griffiths School of Business and Board member of the Gold Coast Waterways Authority.

**Director Since:** 1 February 1993

### MR STEPHEN BARRY NON-EXECUTIVE CHAIRMAN

#### Qualifications:

LLB University of Sydney, FAICD

#### Experience:

Mr Stephen Barry has been a Director of Icon Energy Limited since 1993 and was appointed as the Chairman of the Board on 18 December 2008. He is also a member of the Board's Audit and Risk Management Committee. He is a member and Chairman of the Board's Remuneration Nominations and Succession Committee.

Stephen 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. Stephen has held no other Australian listed company directorships during the past three financial years.

**Director Since:** 5 January 1993

### MR HOWARD LU NON-EXECUTIVE DIRECTOR

#### Experience:

Mr Howard Lu was appointed to the Board on 7 January 2011 as a Non-Executive Director of Icon Energy Limited. Howard is currently the Executive Chairman of a number of Chinese based companies, including Shin Zu Shing Precision Electronic (Suzhou) Co., Ltd, Ningbo Chang Shing Precision Electronic Co. Ltd and Zhi Qun Precision Electronic (Suzhou) Co. Ltd and the Vice Chairman of Qingyuan China Datang Real Estate Development Co., Ltd. He has previously also been the Senior Executive of Shin Zu Shing Co., Ltd.

As Senior Executive of Shin Zu Shing Co., Ltd (SZS) manufacturer of precision wire and planar springs for medical apparatus, mechanical equipment and electronic products, Howard expanded SZS's business in China and has established four factories in Suzhou, Shenzhen and Ningbo. He has managed all SZS business operations in China since 2002 and now SZS has a market capital of approximately AUD 373,824,000.

Howard has extensive business interests in China and elsewhere overseas. He is extremely well connected with Chinese energy and resources companies, including LNG importers. He also maintains a residence in Brisbane, Queensland, and is an Australian citizen. Howard Lu is Icon Energy's third largest shareholder, holding 16,068,181 fully paid ordinary shares in the Company.

**Director Since:** 7 January 2011





### MR ROSS MALLET

#### LEGAL COUNSEL AND COMPANY SECRETARY

**Qualifications:**

JD, BBus, GDLP, FGIA, FCIS, FCPA, MAICD

**Experience:**

Mr Ross Mallett joined Icon Energy Limited as Legal Counsel and Company Secretary on 13 March 2012. Ross has acted as a Company Secretary and Governance Advisor for a number of small, medium and large listed companies, mainly in the resources sector, for over 30 years. He has significant experience in corporate governance and compliance and advising on corporate and commercial transactions.

Most recently Ross was Principal of Governance Solutions Pty Ltd, a corporate governance consultancy business. Prior to that Ross held a number of senior corporate governance roles including Company Secretary of Elders Limited and Deputy Company Secretary of BHP Billiton Ltd, WMC Limited and Rio Tinto Ltd.

Ross is a Fellow and former Director and National President of the Governance Institute of Australia, a Fellow of the Institute of Chartered Secretary Administrators (UK), a Fellow of CPA Australia and a member of the Australian Institute of Company Directors.

### MR RAYMOND JAMES

#### MANAGING DIRECTOR

**Qualifications:**

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

**Experience:**

Mr Ray James has been the Managing Director of Icon Energy Limited and its subsidiaries since 1993. He is also the President of Icon Oil US LLC a position held since 1999. Ray has over 40 years experience in the petroleum industry in Australia, USA, Indonesia, South East Asia, Middle East and Russia. He worked with Chevron in Perth and 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.

Ray was a Director of Australian Petroleum Production & Exploration Association Ltd (APPEA) from 1999-2007 and Vice Chairman of APPEA from 2003-2005.

Ray is a Fellow of the Australian Institute of Management. He is a Fellow of the Australian Institute of Company Directors and Vice Chairman of the Gold Coast Committee. Ray is a member of the Advisory Council of the Griffiths School of Business and Board member of the Gold Coast Waterways Authority.





## MR MARTIN BERRY

### EXPLORATION MANAGER

#### Qualifications:

BSc Hons (Geology) University of London, FGS, AAPG

#### Experience:

Mr Martin Berry joined Icon Energy Limited as Exploration Manager in August 2013. Martin has over 30 years' experience in the Petroleum Industry in Australia, North America, Europe and the Middle East. Martin graduated from the University of London in 1975 and began working in the British and Norwegian sectors of the North Sea. In 1983, Martin moved to Australia and worked as a Senior Geologist for Magellan Petroleum and as Consultant Geologist for numerous active exploration companies. Most recently, Martin was employed as Chief Geologist for Celtique Energie Holdings Limited, in London, working on exploration projects in the United Kingdom, France, Switzerland, Germany, Poland, Italy and Romania. Martin has a broad range of technical experience, having worked on exploration and development projects in a variety of sedimentary basins, gaining extensive experience in the evaluation and exploitation of clastic and carbonate reservoirs, CSG, fractured reservoirs and unconventional resource plays. He also has considerable experience in field operations and drilling, including under-balanced drilling technologies. Martin is a Fellow of the Geological Society of London and a member of the American Association of Petroleum Geologists.

## DR KEVIN JIH

### CHIEF FINANCIAL OFFICER AND EXECUTIVE DIRECTOR

#### Qualifications:

BA, MBA, MAcc, PhD(Bond), CPA, FAIM, FAICD

#### Experience:

Dr Kevin Jih joined Icon Energy as Deputy Chief Financial Officer in November 2008 and was promoted to Chief Financial Officer in July 2010 and elected a Director of Icon Energy and its subsidiaries in November 2011. He graduated with a Master of Business Administration in 1994 and a Master of Accounting both from Bond University. In 2008 he was awarded a Doctor of Philosophy in Accounting from Bond University. Kevin is a Certified Practising Accountant and has wide experience in the private and public sectors specialising in management accounting, financial accounting, human resource management and corporate governance.

Kevin has held numerous key positions as the Finance and HR Manager, Faculty of Humanities and Social Sciences, Bond University, Australia; Vice President of Tai-Chern Enterprise Co Ltd, Vice President of Hong Yang Lease Finance Co Ltd, Taipei, Managing Consultant of MYC Group Co Ltd, Hong Kong and Business Consultant of Hualien Commercial Bank, Taipei. He is a Fellow of the Australian Institute of Management and the Australian Institute of Company Directors, as well as a member of CPA Australia.

## MR RICHARD HOLLIDAY

### COMMERCIAL MANAGER

#### Experience:

Mr Richard Holliday joined Icon Energy Limited as Commercial Manager in 2011. Richard has held Executive positions with the Queensland Government, Gold Coast City Council, Queensland Rail and was the Chief Executive Officer, Surfers Paradise Alliance.

Prior to joining Icon Energy as Commercial Manager, Richard was the Manager Media and Communications for Santos QLD where he was heavily involved in the early days of Coal Seam Gas (CSG) working on the Santos GLNG project. Richard was instrumental in developing Santos' strategic marketing and advertising campaign focusing on delivering a "social licence to operate" and the coexistence of agribusiness and the CSG industry.

Working with Ministers across state and federal boundaries and Government legislators and regulators to deliver workable policy outcomes is an area that Richard excels in, having been involved in many of the CSG policy outcomes that underpin the industry today.

Richard understands the impact of Government legislation and regulations and the commercial outcomes on the CSG/LNG industry.





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The Directors of Icon Energy Limited (**Icon Energy** or **Company**) present their report together with the financial statements of the Company and its controlled entities ("the Group" or "the Consolidated Entity") for the financial year ended 30 June 2014. In order to comply with the provisions of the *Corporations Act 2001*, the Directors of Icon Energy report as follows:

## 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 year.

## DIRECTORS

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

Name	Position	First Appointed
Stephen Michael Barry	Non-executive Chairman	Director since 05/01/1993
Raymond Swinburn James	Managing Director	Director since 01/02/1993
Dr Kevin Jih	Chief Financial Officer & Executive Director	Director since 30/11/2011
Dr Keith Hilless AM	Non-executive Director	Director since 03/04/2009
Howard Lu	Non-executive Director	Director since 07/01/2011
Derek James Murtagh Murphy	Non-executive Director	Director since 20/03/2009

Details of the qualifications and experience, other directorships of listed entities and special responsibilities of Directors are set out in the Board of Directors' section of this Annual Report.

Refer to table 10 of Remuneration Report for Directors' interests in shares and performance rights .

## REVIEW OF OPERATIONS AND RESULTS

A review of operations of the consolidated entity during the financial year and the results of those operations is included in the Review of Operations section of this Annual Report.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

### Cooper Basin Queensland

- The Halifax-1 vertical exploration well, which has been on extended comingled flow test from all stimulated formations, was finally shut in at midday on 25 August 2013, after a flow period of 188 days. During the extended flow test the well produced a cumulative total of 243 MMscf of gas and a Notice of Petroleum Discovery was lodged with the Department of Natural Resources and Mines (**DNRM**).
- The Hervey-1 vertical exploration well reached a total of 4,269 metres on 11 July 2013 and encountered encouraging gas shows through the Permian section.
- The Keppel-1 vertical exploration well located 25 kilometres north east of Halifax-1 was spudded on 3 June 2013. Keppel-1 was drilled to a depth of 3,898 metres before drilling was suspended due to elevated gas in the drilling mud and well control methodology was used to secure and suspend the well.

## DIRECTOR'S REPORT

- On 26 August 2013 Icon announced that Beach Energy, in its capacity as Operator of the ATP 855 joint venture, had engaged DeGolyer & MacNaughton, a leading United States based independent consulting firm focused on the petroleum industry, to undertake a report on Contingent Resources in the area around the Halifax-1 well. The assessment reported 318 BCF of 1C, 629 BCF of 2C and 1.115 TCF of 3C gross contingent resource in accordance with the Petroleum Resources Management System.<sup>1</sup>
- The Geoffrey-1 vertical well, which is located 36 kilometres north-east of Hervey-1, spudded on 14 October 2013. On 9 December 2013 the Geoffrey-1 well reached a total depth of 4,125 metres in the Patchawarra formation and the results have been very encouraging with good gas shows throughout the Permian section.
- The Redland-1 vertical well, which is located 22 kilometres north-west of Geoffrey-1, was spudded on 15 December 2013. On 23 January 2014 Redland-1 reached its target depth of 3,804 metres. Redland-1 recorded significant gas shows in the Toolachee and Daralingie Formations.
- The vertical exploration well, ETTY-1, which is located 8.6 kilometres east of Halifax-1, was spudded on 9 February 2014. ETTY-1 reached a total depth of 3,807 metres on 23 March 2014 and encountered gas shows throughout the Permian section.
- Notices of Petroleum Discovery have been lodged with the DNRM for the Halifax-1, Keppel-1, Redland-1 and ETTY-1 wells.
- A new contract for fracture stimulation and completion of four wells in ATP 855 was awarded to Condor Energy Services Limited, a newly established Australian company with new equipment from North America. Condor personnel have experience both in the Cooper Basin and internationally.
- On 19 June 2014 Icon announced that DeGolyer & MacNaughton had provided a report on the Unconventional Prospective Resources in ATP 855. The findings of this independent report show a best estimate (P50) of 28Tcf of Gross Unconventional Prospective Raw Natural Gas Resources (as of 15 June, 2014) in ATP 855. The Unconventional Prospective Resources Estimates prepared by DeGolyer and MacNaughton were evaluated in accordance with the Petroleum Resources Management System.<sup>1</sup>
- ATP 560 U Eleven block was relinquished on 31 October 2013, under the relinquishment requirements of the work program.
- ATP 794 Brightspot block was relinquished on 31 October 2013, under the relinquishment requirements of the work program. Icon Energy remains the operator of the Regleigh and Springfield blocks in ATP 794.
- Icon Energy's geothermal tenements EPG 49 and 51 were voluntarily surrendered during the year with approval being granted for the surrender on 23 May 2014.

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<sup>1</sup> Icon confirms that it is not aware of any new information or data that materially affects the information included in the announcements released on 23 August 2013 and 19 June 2014 and that all the material assumptions and technical parameters underpinning the estimates in the announcements continue to apply and have not materially changed.

The estimates of contingent and prospective petroleum resources must be read in conjunction with the explanatory and cautionary statements on page 5 of this Annual Report including that the estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.



## Surat Basin Queensland

- ATP 849 in the Surat Basin was voluntarily surrendered to DNRM on 31 August 2013 following a geological review of Surat Basin data gathered by Icon Energy from 2008 to 2013. The ATP 849 End of Tenure Report was lodged with DNRM on 27 February 2014.
- The plug, abandonment and rehabilitation program covering the former ATP 626 Joint Venture wells was completed by 30 June 2014.
- Following a strategic review of ATP 626 and in accordance with the Queensland Government's mandatory relinquishment policy, Icon relinquished 20 sub-blocks or two-thirds of ATP 626 in the southern portion of the tenement and lodged the Partial Relinquishment Report with DNRM on 27 June 2014. After an extensive two stage program and comprehensive independent research, the Company announced that the coal seam gas play has proved to be uncommercial in ATP 626.
- Icon Energy lodged a Later Work Program for ATP 626 with DNRM on 28 April 2014 in order to conduct conventional exploration in the retained blocks within ATP 626.

## Gippsland Basin Victoria

- In accordance with the conditions of grant for PEPs 172 and 173, Icon Energy was required to complete an Indigenous Land Use Agreement with the Gunaikurnai Land and Waters Aboriginal Corporation Registered Native Title Body Corporate (**ILUA**) prior to the 19 August 2013. The ILUA which covers PEPs 172, 173 and 170 was executed on 9 August 2013 and registered on 1 November 2013 by the National Native Title Tribunal.
- Icon Energy wrote to the Department of Environment and Primary Industries (**DEPI**) requesting, an extension and or suspension of the permit conditions until the moratorium on all on-shore gas exploration is lifted in Victoria.

## Corporate

- On 2 December 2013, Icon Energy successfully raised \$18.88 million through a share placement to Hong Kong-based Company, HK Prosperous Technology Limited (**HK Prosperous**) at a price of 23.5 cents.
- Icon and Shantou SinoEnergy Co Ltd, of the Peoples' Republic of China, have agreed to extend the completion date for conditions precedent in the GSA to 30 June 2015. The Shantou SinoEnergy Gas Sale Agreement is for a total of 40 million tonnes of LNG, (2Mtpa) for 20 years.

## Research and Development Activity

Icon Energy lodged a Research and Development (**R&D**) claim for the full year ended 30 June 2013 in April 2014 and a payment of \$7,492,356 was received in July 2014.

Icon Energy is currently in the process of preparing another R&D claim for the full year ended 30 June 2014. This claim will cover activities carried out in one project area; ATP 855 in the Nappamerri Trough, Cooper Basin in south west Queensland. The overall technical objective of this project is to develop new methods and techniques that enable gas to be extracted efficiently from the deep Nappamerri Trough. Deloitte's will be assisting Icon in the preparation and lodgement of this claim.

# DIRECTOR'S REPORT

## EVENTS AFTER THE BALANCE DATE

Other than the above transactions there has not arisen in the interval between 30 June 2014 and the date of this report, any item, transaction or event of a material or unusual nature likely in the opinion of the Directors, to affect substantially the operations or state of affairs of the consolidated entity in subsequent financial years unless otherwise noted in the Annual Report.

## CORPORATE STRATEGIES AND FUTURE DEVELOPMENTS

Reference to corporate strategies and future development is included in the Chairman's and Managing Director's Report. Other than matters included in this Report or elsewhere in the Annual Report, likely developments in the operations of the consolidated entity and expected results of those operations have not been disclosed as the Directors believe that the inclusion would most likely result in unreasonable prejudice to the Company (in accordance with Section 299A(3) of the *Corporations Act 2001*).

## FINANCIAL POSITION

The net profit after tax for the Company and its controlled entities for the financial year ended 30 June 2014 was \$1,577,590 (30 June 2013: net profit after tax of \$3,720,392). Further information on the Company's financial position is included in the Chairman's and Managing Director's Report.

## DIVIDENDS

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 2013: Nil).

## REMUNERATION REPORT

The Remuneration Report for the financial period which forms part of the Director's Report can be found on page 37 of this Annual Report.

## COMPANY SECRETARY

The Company Secretary is Ross Mallett. He was appointed Legal Counsel and Company Secretary on 13 March 2012. Details of Mr Mallett's qualifications and experience are set out in the Operational Management section of this Annual Report.

## MEETINGS OF DIRECTORS

During the financial period, twenty-two meetings of Directors (including committees) were held. Attendances at these meetings by each Director were as follows:

	Directors Meetings		Audit and Risk Management Committee Meetings		Remuneration Nominations and Succession Committee Meetings	
	Held	Attended	Held	Attended	Held	Attended
R S James	9	9	-	-	-	-
S M Barry	9	9	4	4	9	9
D Murphy	9	9	4	4	9	9
K Hilless	9	9	4	4	-	-
H Lu	9	9	-	-	-	-
K Jih	9	9	-	-	-	-

### 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. Further information on the Company's environmental performance can be found in the Sustainability section of this Annual Report.

The Directors are not aware of any environmental breaches nor has the Company been notified of any breaches by any Government Agency during the financial period.

### PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to 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.

### 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, Crowe Horwath, the Company's auditor, has the benefit of indemnity to the extent Crowe Horwath 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 2014 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 year was \$24,479.61 (30 June 2013: \$25,135.54).

### NON-AUDIT SERVICES

The auditors did not perform any non-audit services during the year (2013: none)

There are no officers of the Company who are former audit partners of Crowe Horwath.

### Assurance of Section 295A Declaration

The Board of Directors has received assurance from the Managing Director and the Chief Financial Officer that the declaration provided in accordance with Section 295A of the *Corporations Act 2001* 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.



## DIRECTOR'S REPORT

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

The lead auditor's independence declaration is set out on page 49 and forms part of the Directors' Report for the period ended 30 June 2014. Crowe 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 of Icon Energy Limited.



S M Barry  
Chairman  
26 August 2014



R S James  
Managing Director  
26 August 2014

## KEY POINTS

- Remuneration framework structured to reward executives for achievement of goals that add shareholder value
- Short and long term incentives only vest on achievement of corporate and individual performance goals
- Long term incentives will not vest unless the share price at least doubles and Icon's share price growth performs well when benchmarked against other energy companies
- Company achieves after tax profit result of \$1,577,590

The Directors of Icon Energy Limited present this Remuneration Report for the consolidated entity for the year ended 30 June 2014. The information provided in this report has been audited as required by the *Corporations Act 2001 (Cth)* and forms part of the Directors' Report. This Remuneration Report sets out remuneration information for Icon Energy's Key Management Personnel (**KMPs**) including the following persons who were non-executive directors and senior executives during the financial year:

**Table 1:** Icon Energy's Key Management Personnel

Name	Position Held
<b>Non-Executive Directors</b>	
Stephen Barry	Chairman
Keith Hillless	Director
Howard Lu	Director
Derek Murphy	Director
<b>Executive &amp; Senior Managers</b>	
Ray James	Managing Director
Kevin Jih	Chief Financial Officer & Executive Director
Ross Mallett	Company Secretary & Legal Counsel
Martin Berry (i)	Exploration Manager
Richard Holliday	Commercial Manager

(i) Appointed 1 August 2013

James Carr resigned as Operations Manager on 21 June 2013

## 1. REMUNERATION FRAMEWORK

The Company's Remuneration framework is designed to ensure that:

- Executive and Senior Managers receive competitive and reasonable market based levels of base remuneration;
- Employees and Executive and Senior Managers who perform well have the opportunity to be rewarded through an annual short term incentive plan;
- Long term incentives are aligned to the achievement of strategic objectives and creation of value for shareholders.

# REMUNERATION REPORT - AUDITED

## 2. ROLE OF THE REMUNERATION, NOMINATIONS AND SUCCESSION COMMITTEE

The Remuneration, Nominations and Succession Committee is responsible for making recommendations to the Board on remuneration policies. The Committee, where necessary, obtains independent advice on the remuneration packages offered to potential employees. The Company's broad remuneration policy ensures that each remuneration package is properly aligned to 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.

The Remuneration, Nominations and Succession Committee Charter sets out the Board's policy for the nomination and appointment of directors and the process for the evaluation of the performance of senior executives. The performance of the Managing Director is evaluated by the Committee on an annual basis in July in accordance with the procedures set out in the Committee's Charter. The Corporate Governance Statement provides further information on the role of the Committee. The Committee also reviews and approves the outcomes for the Managing Director's direct reports on the recommendation of the Managing Director and reviews incentive programs and employment terms offered to the wider group.

## 3. METHODOLOGY USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

### **Non-Executive Directors**

Fees paid to Non-Executive Directors reflect the demands made on, and responsibilities of, such directors. Non-Executive Directors' fees are reviewed by the Board on an annual basis. The maximum total amount available for payment of all Non-Executive Director fees is \$500,000 per annum which was approved by shareholders at the 2010 Annual General Meeting. The total amount of fees actually paid to Non-Executive Directors during the financial year was \$352,922. During the year the Board, with Committee members abstaining, approved the payment of additional fees to Directors serving on Board Committees to recognise their significant contribution to the Company. An additional \$7,500 per annum per Committee is paid to Committee members and \$8,500 per annum per Committee for the Chairmen of the Committees. Non-Executive Directors do not receive performance based remuneration.

### **Executive Managers and Senior Management**

Executive and Senior Managers are remunerated through a combination of:

- Fixed Remuneration (FR);
- Short-term Incentive (STI) – an annual cash and/or equity based incentive awarded at the discretion of the Board on achievement of specified company and individual performance goals;
- Long-term Incentive (LTI) – equity grants which may be granted on an annual basis, at the discretion of the Board, and have the potential to vest following achievement of specified Company objectives measured over a 3 year period

STI and LTI represent the 'at-risk' portions of remuneration.

Consistent with market practice, the proportion of remuneration attributable to each component of the Icon Energy Remuneration Policy is dependent on the level of seniority of the employee. The Managing Director has the highest level of 'at-risk' remuneration reflecting the greater level of responsibility of this role. Table 2 sets out the relative proportion of at-risk remuneration for senior executives and managers.

Generally, the LTI will only be available to the executive directors and senior executives; whereas STI may be made available to employees throughout the Company.

**Table 2:** Relative Proportions of Remuneration Packages

Position	Fixed	At Risk	
	FR%	STI%	LTI%
Managing Director	50	25	25
Executive Managers	56	22	22
Senior Managers	67	20	13
Other Employees	91	9	-



The Icon Energy Limited Performance Rights Plan ("Plan") was presented and approved by shareholders at the Annual General Meeting held on 22 April 2010, under which the Company is able to grant appropriately structured short and long-term incentives to employees (including Executive Directors) in addition to their fixed remuneration. The structure of the STI and LTI plans and achievement of predefined STI and LTI targets is reviewed by the Board, and modified where appropriate, on an annual basis. In accordance with ASX listing rule 7.2 Exception 9 the Plan is being resubmitted to shareholders for approval at the 2014 AGM. This is because Listing Rule 7.1 prohibits Icon from issuing or agreeing to issue new securities amounting to more than 15% of Icon's Issued Capital during a 12 month period, without shareholder approval unless exception 9 of listing rule 7.2 applies. Exception 9 excludes securities issued under an employee incentive plan where shareholders have approved the issue of the securities under the Plan within the previous 3 years. As it has been over 3 years since shareholder approval was last obtained the Company is seeking a renewal of approval of the Icon Performance Rights Plan by shareholders at the 2014 AGM so that securities issued under the Plan will not be included in the 15% limit referred to above.

## 4. 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. Senior executives were restricted to CPI increases over the financial year.

## 5. SHORT-TERM INCENTIVES

During the year the Company issued Short-term Incentive (STI) plan awards under the 2013-14 STI Plan. Set out below are some of the key features of the Company's 2013-14 STI Plan.

**Table 3: Short Term Incentives**

<b>What is the STI?</b>	STI is an annual cash (30%) and equity (70%) based incentive awarded at the discretion of the Board on achievement of specified company and individual performance goals established on an annual basis between management and their direct reports, which includes the Group's financial performance and individual performance.
<b>How does STI contribute to Company Performance?</b>	The STI rewards Company executives and staff for meeting or exceeding corporate and individual performance goals. The STI aligns the interests of Company executives with shareholders by incentivising executives to meet Company goals that add value to the Company and contributes to share price growth.
<b>What is the value of STI that can be earned?</b>	The STI that can be earned is based on a percentage of the executive's Fixed Remuneration (FR) ranging from 50% of FR for the Managing Director to 10% of FR for employees (refer to table 2 for further details).
<b>What are the performance conditions?</b>	Performance conditions are set by the Board and reflect the financial and operational goals of Icon Energy and individual performance objectives over a 12 month period. Corporate key performance indicators include a focus on the following areas: <ul style="list-style-type: none"> <li>• Exploration success;</li> <li>• Funding of Icon activities;</li> <li>• Health, Safety &amp; Environment performance targets;</li> <li>• Growth in the Company's market capitalisation;</li> <li>• Sourcing, evaluation and execution of new opportunities.</li> </ul>
<b>Performance Period, Grant Date &amp; Issue Price</b>	Performance Rights issued under the 2013-14 STI were granted with effect from 4 March 2014. Performance Rights were granted at no cost to the participants. The Performance Period is between 1 July 2013 and 30 June 2014.
<b>How is performance assessed?</b>	Following the conclusion of the Performance Period (30 June 2014) the Board made an assessment as to the extent to which the STI corporate performance conditions have been met and the number of Performance Rights that will vest. Financial and operational performance is assessed against targets set at the start of the year. The performance of the Managing Director (MD) is assessed by the Board through the Remuneration, Nomination and Succession Committee and the performance of individual executives (other than the MD) is reviewed by the Committee based on the recommendation of the MD following executive performance appraisals.

# REMUNERATION REPORT - AUDITED

## When do the STI benefits vest?

The STI benefits will vest effective 30 June 2014 following the assessment of performance carried out by the Board after the end of the financial period. In the case of the cash component the benefit will be paid to employees following the assessment process. Where the Performance Rights vest, they may be exercised by the executive at any time up to the 'STI Last Exercise Date', which is 30 June 2016 for the 2013-14 STI grant. Any unexercised Performance Rights will lapse following the STI Last Exercise Date.

## STI Performance Right Expiry/Lapse

STI Performance Rights lapse if vesting does not occur on testing of the performance conditions. Where Performance Rights vest they may be exercised at any time up to the STI Last Exercise Date being 30 June 2016. Any Performance Rights not exercised by the STI Last Exercise Date will lapse. The Expiry Date for 2013-14 STI Performance Rights is 30 June 2016.

## What happens on exercise of rights?

When an executive exercises a Performance Right following vesting they will be issued with one ordinary share for every Performance Right exercised. No exercise price is paid on vesting as Performance Rights are issued at no cost.

### Special Short Term Incentive

During the year the Company completed a capital raising of \$18 million at an issue price of 23.5 cents. In recognition of their roles in securing the placement the Board on the recommendation of the Remuneration Committee approved a special cash performance bonus of \$125,000 to each of the Managing Director and the Chief Financial Officer.

## 6. LONG-TERM INCENTIVES

The only Long-term Incentive (LTI) plan awards issued or in operation during the year were the 2012-13 LTIs and 2013-14 LTIs. Set out below are some of the key features of the Company's 2013-14 LTI plan.

**Table 4:** Long Term Incentives

### What is the LTI?

Long-term incentives are delivered to executives in the form of equity awards (Performance Rights) which may vest as Icon shares upon the satisfaction of performance conditions/key performance drivers which underpin long term sustainable growth for the Company.

### How does LTI contribute to Company Performance?

The LTI provides an incentive to Company executives to achieve Company goals that add value to the Company and contribute to long term shareholder wealth. The LTI benefits only pass to executives following a sustained increase in the share price and the level of benefits paid to executives is dependent on the relative performance of the Company when benchmarked against other listed energy companies incentivising executives to outperform.

### What is the value of LTI that can be earned?

The LTI that can be earned is based on a percentage of the executive's Fixed Remuneration (FR) ranging from 50% of FR for the Managing Director to 19% of FR for senior managers (refer to table 2 for further details)

### What are the performance conditions?

In order for Performance Rights under the LTI to vest the following two sets of performance criteria must be met:

- (1) The average daily Icon Energy share price must achieve and maintain a level of at least 45 cents per share for at least 30 consecutive days over the 3 years commencing 1 July 2013; and
- (2) The growth of the Icon Energy share price relative to the share price of a comparator group of Australian oil and gas exploration and production companies and other companies appearing in the S&P/ASX 300 Energy list as determined by the Board (expressed as a percentile ranking) over the 3 years commencing 1 July 2013 must achieve the 40th percentile in order for rights to begin vesting

**Why were these performance conditions chosen?**

Performance conditions based on growth in Icon's share price were chosen because share price growth is directly linked to growth in shareholder value. The performance conditions ensure that senior executives will only benefit if, and to the extent that, there is a significant sustained increase in the Company's share price over a three year period. No LTI benefits will vest unless Icon's share price growth performs well when benchmarked against other energy companies and the share price achieves a minimum threshold level (45 cents)

**Performance Period, Grant Date & Issue Price**

Performance Rights issued under the 2013-14 LTI were granted with effect from 4 March 2014. Performance Rights were granted at no cost to the participants. The Performance Period is between 1 July 2013 to 30 June 2016.

**How is performance assessed?**

Following the conclusion of the Performance Period (30 June 2016) the Board will make an assessment as to the extent to which the LTI performance conditions have been met and the number of Performance Rights that will vest based on meeting the above conditions and the following table:

<b>Movement in Share Price as Relative Percentile Ranking Against Comparator Group</b>	<b>Percentage of performance rights to vest</b>
Below 40th percentile	0%
40th percentile	40%
Between 40th and 75th percentile	Pro-rata
75th percentile or above	100%

**LTI Performance Right Expiry/Lapse**

LTI Performance Rights lapse if vesting does not occur on testing of the performance conditions. Where Performance Rights vest they may be exercised at any time up to the LTI Last Exercise Date being 30 June 2018. Any Rights not exercised by the LTI Last Exercise Date will lapse on that date.  
The Expiry Date for 2013 LTI Performance Rights is 30 June 2018.

**What happens on exercise of rights?**

When an executive exercises a Performance Right following vesting they will be issued with one ordinary share for every Performance Right exercised. No exercise price is paid on vesting as Performance Rights are issued at no cost.

Allotment of STI and LTI Performance Rights to Executive Directors is subject to approval by shareholders. The 2013-14 STI and LTI allotments were approved by shareholders at the 2013 Annual General Meeting in accordance with ASX Listing Rule 10.14.



## REMUNERATION REPORT - AUDITED

**Table 5:** Details of STI Performance Rights on Issue

Name	Date of Grant	Rights on issue at 30 June 2013 (number)	Issued at grant date (number)	Fair Value at Grant Date \$ (i)	Exercise Price \$	Exercised during the year (number)	Vested during the year (number)	Lapsed during the year (number)	Rights on issue at 30 June 2014 (number)	Date Rights First Vest & Can Be Exercised
Ray James	14-Mar-14	-	1,260,217	176,430	-	-	976,668	283,549	976,668	30-Jun-14
	14-Dec-12	754,881	834,860	192,018	-	754,881	-	-	-	30-Jun-13
Kevin Jih	14-Mar-14	-	728,823	102,035	-	-	564,838	163,985	564,838	30-Jun-14
	14-Dec-12	436,571	482,826	111,050	-	436,571	-	-	-	30-Jun-13
Ross Mallett	14-Mar-14	-	597,483	83,648	-	-	433,175	164,308	433,175	30-Jun-14
	14-Dec-12	334,742	395,817	91,038	-	334,742	-	-	-	30-Jun-13
Martin Berry	14-Mar-14	-	395,221	55,331	-	-	296,416	98,805	296,416	30-Jun-14
	14-Dec-12	-	-	-	-	-	-	-	-	30-Jun-13
Richard Holliday	14-Mar-14	-	408,346	57,168	-	-	296,051	112,295	296,051	30-Jun-14
	14-Dec-12	228,777	270,518	62,219	-	228,777	-	-	-	30-Jun-13
<b>Total</b>	<b>14-Mar-14</b>	<b>-</b>	<b>3,390,090</b>	<b>474,612</b>	<b>-</b>	<b>-</b>	<b>2,567,148</b>	<b>822,941</b>	<b>2,567,148</b>	<b>-</b>
	<b>14-Dec-12</b>	<b>1,754,971</b>	<b>1,984,021</b>	<b>456,325</b>	<b>-</b>	<b>1,754,971</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Table 6:** Details of LTI Performance Rights on Issue

Name	Date of Grant	Rights on issue at 30 June 2013 (number)	Issued at grant date (number)	Fair Value at Grant Date \$ (i)	Exercise Price \$	Exercised during the year (number)	Vested during the year (number)	Lapsed during the year (number)	Rights on issue at 30 June 2014 (number)	Date Rights First Vest & Can Be Exercised
Ray James	14-Mar-14	-	1,800,310	147,625	-	-	-	-	1,800,310	30-Jun-16
	14-Dec-12	1,192,658	-	226,605	-	-	-	-	1,192,658	30-Jun-15
Kevin Jih	14-Mar-14	-	1,041,175	85,376	-	-	-	-	1,041,175	30-Jun-16
	14-Dec-12	689,751	-	131,053	-	-	-	-	689,751	30-Jun-15
Ross Mallett	14-Mar-14	-	853,547	69,991	-	-	-	-	853,547	30-Jun-16
	14-Dec-12	565,452	-	107,436	-	-	-	-	565,452	30-Jun-15
Martin Berry	14-Mar-14	-	410,604	33,670	-	-	-	-	410,604	30-Jun-16
	14-Dec-12	-	-	-	-	-	-	-	-	-
Richard Holliday	14-Mar-14	-	388,901	31,890	-	-	-	-	388,901	30-Jun-16
	14-Dec-12	257,636	-	48,951	-	-	-	-	257,636	30-Jun-15
<b>Total</b>	<b>14-Mar-14</b>	<b>-</b>	<b>4,494,537</b>	<b>368,552</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,494,537</b>	<b>-</b>
	<b>14-Dec-12</b>	<b>2,705,497</b>	<b>-</b>	<b>514,045</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,705,497</b>	<b>-</b>

### NOTES ON 2013 STI and LTI Performance Rights:

(i) The aggregate fair value of rights granted with effect from 4 March 2014 (at the date of their grant) was \$474,612 of which \$359,401 was expensed in the 2013/14 financial year, with the remainder lapsing. In accordance with the requirements of the Australian Accounting Standards, remuneration includes the fair value of equity compensation granted or outstanding during the year. The fair value of equity instruments granted during the reporting period is determined as at the grant date and is progressively allocated over the vesting period. The amount included as remuneration is not related to or indicative of the benefit (if any) that individuals may ultimately realise should the rights vest. The value of the rights as at the grant date has been determined in accordance with AASB 2 Share Based

Payments. The calculations are performed using various approved rights valuation methodologies. See Note 16 to the Financial Report.

- (ii) At 30 June 2014, the total fair value of the LTI rights granted during the year was \$368,552 of which \$122,851 was expensed in the 2013/14 financial year, with the remainder to be expensed in the subsequent two years.
- (iii) No exercise price is paid on exercise of the rights.
- (iv) Fair value of each right granted on 14.12.12 is \$0.23 for STIs and \$0.19 for LTIs and for rights granted on 4.03.14 \$0.082 for STIs and \$0.149 for LTIs.
- (v) Share rights holders do not have any rights to participate in any issues of shares or other interests in the Company or any other entity.

## 7. RELATIONSHIP BETWEEN REMUNERATION POLICY AND PERFORMANCE

Icon Energy's remuneration policy seeks to encourage an alignment between the performance of the Company, increase in shareholder wealth and remuneration of its executive KMPs. It does this by including short-term and long-term 'at risk' incentives that only vest when executives achieve pre-determined key corporate performance objectives. The long-term incentive plan in particular links vesting of LTI plan rights to achievement of long-term Company objectives such as growth in share price and market capitalisation and exploration performance which contributes to an increase in long-term shareholder wealth.

Icon's remuneration policy encourages and rewards good performance and an alignment to shareholder wealth by:

- Attracting, incentivising and retaining high calibre senior executives focused on achieving Company objectives;
- Packaging the remuneration with a mix of fixed, short term and long term incentives. This motivates executives to focus on and achieve a combination of short and long term objectives that leads to sustainable growth in shareholder wealth, in the form of share price growth.

The following table shows the Company's Profit/Loss (after tax) for the last four years as well as the share price and market capitalisation over those years.

**Table 7:** Company's Profit/Loss (after tax)

	30 June 2011	30 June 2012	30 June 2013	30 June 2014
Closing Share Price	0.14	0.18	0.145	0.14
Number of Shares	469,301,394	469,301,394	533,391,210	615,774,351
Market Cap	\$65,702,195	\$84,474,251	\$77,341,725	\$86,208,409
Profit (Loss) after tax	(\$6,000,512)	(\$4,618,666)	\$3,720,392	\$1,577,590

During the year the Company achieved a number of positive milestones. These included:

- The Company maintained its excellent safety record with no Lost Time Injuries experienced during the year;
- The ATP855 joint venture, of which Icon has a 35.1% interest, completed the drilling of 5 additional wells as part of its exploration program in the Cooper Basin fulfilling its work program commitments. All wells recorded significant gas shows and confirmed the continuation of the basin centred gas play across the tenement;
- During the year the Company secured the necessary capital to progress its exploration campaign in the Cooper Basin. The Company raised \$18.8 million via a corporate placement in December of 80.3 million shares at 23.5 cents per share.

The Company issued a total of 3,390,089 Performance Rights to senior executives under the Company's 2013/14 Short-term (STI) incentive plan and 4,494,537 Performance Rights to senior executives under the 2013/14 Longterm (LTI) incentive plan effective 4 March 2014. The benefits available under these plans will only vest to the extent that the Company and its executives can achieve rigorous performance objectives that will add shareholder value.

# REMUNERATION REPORT - AUDITED

## Short Term Incentive

In July 2014 the Remuneration Committee assessed the extent to which Executive and Senior Managers and staff had achieved corporate and individual objectives during the year to 30 June 2014. Based on that assessment the Committee determined that on average 70% of STI performance rights issued on 4 March 2014 would vest. On average 30% of STI did not vest due to not all vesting conditions being met.

## Long Term Incentive

In July 2016 the Remuneration Committee will assess the extent to which Executive and Senior Managers have achieved corporate objectives during the 3 years to 30 June 2016. 2012 LTI incentives will not vest unless the share price exceeds 45 cents for a continuous period of at least 30 days (40 cents for 2012 rights) and the Company's share price growth performs well when benchmarked against that of other energy companies.

## 8. SERVICE AGREEMENTS

The Company has a policy that service agreements with Executive and Senior Managers are limited in term and include termination clauses of between one and twelve months.

Service agreements are in place for the Managing Director (Mr Raymond James), the Chief Financial Officer (Dr Kevin Jih), the Legal Counsel & Company Secretary (Mr Ross Mallett), the Exploration Manager (Mr Martin Berry) and Commercial Manager (Mr Richard Holliday).

The service agreements with the Company run for a period of five years, from the date of engagement or renewal and set out the duties and obligations of the respective senior executives.

The contracts provide that the agreements may be terminated by either party providing up to twelve months' notice as shown in the table below. The Company may make a payment in lieu of notice equal to the base amount prescribed in the service agreement for a specified period. In addition, accrued statutory benefits and superannuation benefits are payable. Should the Company be taken over and the contract terminated, an amount equal to one year's base salary is payable.

**Table 8:** Service Agreements with Executive and Senior Managers

Name of Executive	Date of Contract	Termination by Icon (without cause)	Termination by employee	Termination Payments (where terminated by Company)	STI & LTI Entitlements
R James	1 January 12	12 months	6 months	Payment in lieu of notice based on FR Discretion of Board to pay portion of STI & LTI	STI: May earn up to 50% of FR LTI: May earn up to 50% of FR
K Jih	11 August 10	12 months	6 months	Payment in lieu of notice based on FR Discretion of Board to pay portion of STI & LTI	STI: May earn up to 40% of FR LTI: May earn up to 40% of FR
R Mallett	13 March 12	6 months	6 months	Payment in lieu of notice based on FR Discretion of Board to pay portion of STI & LTI	STI: May earn up to 40% of FR LTI: May earn up to 40% of FR
M Berry	1 August 13	2 months	2 months	Payment in lieu of notice based on FR Discretion of Board to pay portion of STI & LTI	STI: May earn up to 30% of FR LTI: May earn up to 20% of FR
R Holliday	1 July 12	2 months	2 months	Payment in lieu of notice based on FR Discretion of Board to pay portion of STI & LTI	STI: May earn up to 30% of FR LTI: May earn up to 20% of FR



## 9. REMUNERATION OF EACH MEMBER OF KEY MANAGEMENT PERSONNEL AND DIRECTORS FOR THE CONSOLIDATED ENTITY

**Table 9:** Directors and Key Management Personnel Remuneration

	Year ended	Salaries & Fees (i)	Short Term Cash Bonus	Non-monetary Benefits	Other Benefits (ii)	Post employment Superannuation	Long-term Employee Benefits (iii)	Termination Benefits	Share-based Payment Shares and Units (iv)	Total	Portion of Remuneration Based on Performance
		\$	\$		\$	\$	\$	\$	\$	\$	%
<b>Non-executive Directors</b>											
Stephen Barry	2014	99,333	-	-	-	9,188	-	-	-	108,521	-
	2013	90,000	-	-	-	8,100	-	-	-	98,100	-
Keith Hilless	2014	33,358	-	-	-	48,534	-	-	-	81,892	-
	2013	26,300	-	-	-	50,000	-	-	-	76,300	-
Derek Murphy	2014	78,750	-	-	-	7,284	-	-	-	86,034	-
	2013	70,000	-	-	-	6,300	-	-	-	76,300	-
Howard Lu	2014	70,000	-	-	-	6,475	-	-	-	76,475	-
	2013	70,000	-	-	-	6,300	-	-	-	76,300	-
<b>Executive and Senior Managers</b>											
Ray James	2014	491,264	182,016	-	45,000	63,537	14,057	-	261,477	1,057,351	25%
	2013	483,223	71,174	-	101,569	47,648	13,524	-	249,158	966,296	26%
Kevin Jih	2014	356,097	161,651	28,715	23,333	48,184	6,227	-	151,220	775,427	20%
	2013	347,923	41,162	17,962	31,457	33,723	3,653	-	144,095	619,975	23%
Ross Mallett	2014	293,973	27,032	-	-	29,820	1,943	-	119,787	472,555	25%
	2013	287,439	31,561	-	-	25,670	352	-	112,803	457,825	25%
Martin Berry (v)	2014	254,413	18,827	-	-	23,254	405	-	52,721	349,620	15%
	2013	-	-	-	-	-	-	-	-	-	-
Richard Holliday	2014	267,269	18,579	-	-	26,509	770	-	68,394	381,521	18%
	2013	256,033	21,570	-	-	22,980	333	-	68,936	369,852	19%
James Carr (v)	2013	290,026	-	-	-	25,670	367	-	-	316,063	-
<b>Total</b>		<b>2014</b>	<b>1,944,457</b>	<b>408,105</b>	<b>28,715</b>	<b>68,333</b>	<b>262,785</b>	<b>23,402</b>	<b>-</b>	<b>653,599</b>	<b>3,389,396</b>
		<b>2013</b>	<b>1,920,944</b>	<b>165,467</b>	<b>17,962</b>	<b>133,026</b>	<b>226,391</b>	<b>18,229</b>	<b>-</b>	<b>547,992</b>	<b>3,057,011</b>

(i) Salaries & Fees include annual leave paid during the year.

(ii) Other Benefits represent car allowance received during the year for Ray James of \$45,000 (30 June 2013: \$45,000). Mr James and Dr Jih received a payout of accrued annual leave amounting to \$56,569 and \$31,457 during the year ended 30 June 2013. Dr Jih also received \$23,333 for 2014 car allowance.

(iii) Long-term employee benefits represent only the long service leave accrued during the year.

(iv) Share-based payments include both short term and long term incentives. Incentives will only vest if certain performance conditions are met. For details of performance conditions please see Table 3 and 4 on page 39 and 40.

(v) M Berry was appointed effective 1 August 2013. J Carr resigned effective 21 June 2013.

# REMUNERATION REPORT - AUDITED

## 10. DIRECTORS' AND SENIOR MANAGERMENTS' INTERESTS IN SHARES AND OPTIONS

As at 30 June 2014, the interests of the directors and senior management or entities associated with them in shares of Icon Energy Limited are:

**Table 10:** Directors' and Executive and Senior Manager's Interests

### Shareholdings

The movement during the year 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:

2014	Balance 1.07.2013	Employee Performance Rights Plan	Purchases	Options Exercised	Sold/ Other**	Balance 30.06.2014
	No	No	No	No	No	No
<b>Directors</b>						
Stephen Barry*	1,623,593	-	-	-	-	1,623,593
Derek Murphy*	288,181	-	-	-	-	288,181
Keith Hillless	46,727	-	-	-	-	46,727
Howard Lu	16,068,181	-	-	-	-	16,068,181
Raymond James*	21,345,517	780,975	250,000	-	-	22,376,492
Kevin Jih*	201,766	436,571	150,000	-	-	788,337
<b>Senior Management</b>						
Ross Mallett*	593,872	334,742	-	-	-	928,614
Richard Holliday*	907,517	228,777	213,856	-	-	1,350,150
Martin Berry (Appointed 01/08/2013)	-	-	-	-	-	-
	<b>41,075,354</b>	<b>1,781,065</b>	<b>613,856</b>	<b>-</b>	<b>-</b>	<b>43,470,275</b>

2013	Balance 1.07.2012	Employee Performance Rights Plan	Purchases	Options Exercised	Sold/ Other**	Balance 30.06.2013
	No	No	No	No	No	No
<b>Directors</b>						
Stephen Barry*	1,600,866	-	22,727	-	-	1,623,593
Derek Murphy*	150,000	-	138,181	-	-	288,181
Keith Hillless	24,000	-	22,727	-	-	46,727
Howard Lu	16,000,000	-	68,181	-	-	16,068,181
Raymond James*	21,277,336	-	68,181	-	-	21,345,517
Kevin Jih*	133,585	-	68,181	-	-	201,766
<b>Senior Management</b>						
Ross Mallett*	-	-	593,872	-	-	593,872
Richard Holliday*	623,760	-	283,757	-	-	907,517
James Carr (Resigned 21/06/2013)	-	-	-	-	-	-
	<b>39,809,547</b>	<b>-</b>	<b>1,265,807</b>	<b>-</b>	<b>-</b>	<b>41,075,354</b>

\* These KMP's shareholdings include indirect shareholdings held by their spouse and/or related corporations.

\*\* Sold/Other shares include shares removed as a result of no longer being a KMP.

## 11. EMPLOYEE PERFORMANCE RIGHTS

During the financial year the following movements in rights to acquire fully paid shares occurred:

On 4 March 2014, Icon issued 2,064,748 unlisted performance rights to employees under the 2013 performance rights plan short term incentive (STI) offer. The STI performance rights vest effective 30 June 2014 subject to the achievement of corporate and individual performance goals.

On 4 March 2014, Icon also issued a further 4,494,537 unlisted performance rights to senior executives under the 2013 performance rights plan long term incentive (LTI) offer. The LTI performance rights vest effective 30 June 2016 subject to the achievement of corporate performance hurdles. These rights, which expire on 30 June 2018, are exercisable for no consideration and are not exercisable before 30 June 2016.

**Table 11:** Employee Performance Rights

Employee Performance Rights	Balance at beginning of financial year	Issued during the financial year	Exercised during the financial year	Expired/Lapsed during the year and not exercised	Balance at end of financial year
2012 STI unlisted rights Issued 14 December 2012 (Refer Note 16)	2,064,748	-	2,064,748	-	-
2013 STI unlisted rights Issued 4 March 2014 (Refer Note 16)	-	3,883,186	-	940,034	2,943,152
2012 LTI unlisted rights Issued 14 December 2012 (Refer Note 16)	2,705,497	-	-	-	2,705,497
2013 LTI unlisted rights Issued 4 March 2014 (Refer Note 16)	-	4,494,537	-	-	4,494,537
<b>Total</b>	<b>4,770,245</b>	<b>8,364,893</b>	<b>2,064,748</b>	<b>940,034</b>	<b>10,143,186</b>



# REMUNERATION REPORT - AUDITED

## 12. SHARE OPTIONS

### Options Granted to Directors and Key Management Personnel of the Company

There have been no options granted over unissued shares or interests of any controlled entity within the Group during or since the end of the reporting period.

### Options Held by Key Management Personnel

There were no options outstanding at 30 June 2014 or as at 30 June 2013.

## 13. CHANGES TO LTI PERFORMANCE RIGHTS PLAN COMMENCING 2014/15

In 2014 the Board's Remuneration, Nominations and Succession Committee reviewed the Company's LTI Performance Rights Plan and recommended the following change to the Plan which was approved by the Board commencing with the 2014/15 LTI offer:

In order for Performance Rights under the LTI to vest at least one of the following two sets of performance criteria must be satisfied:

### (1) Absolute share price hurdle

The average daily Icon Energy share price must achieve and maintain a level of at least 45 cents per share for at least 30 consecutive days over the 3 years commencing 1 July 2014, in which event all LTI rights for the 2014-15 year will vest:

### (2) Relative Share Price Growth hurdle

The growth of the Icon Energy share price relative to the share price of a comparator group of Australian oil and gas exploration companies as determined by the Board (expressed as a percentile ranking) over the three years commencing 1 July 2014 must achieve the 40th percentile in order for rights to begin vesting. Performance rights will vest in accordance with the following schedule:

Movement in Share Price as Relative Percentile Ranking Against Comparator Group	Percentage of performance rights to vest
Below 40th percentile	0%
40th percentile	40%
Between 40th and 75th percentile	Pro-rata
75th percentile or above	100%

This concludes the remuneration report, which has been audited.



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## Auditor's Independence Declaration

As auditor of Icon Energy Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

- i. no contraventions of the auditor independence requirements as set out in 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 year.

A handwritten signature in dark ink that reads "Crowe Horwath Brisbane".

**CROWE HORWATH BRISBANE**

A handwritten signature in dark ink that reads "B. Worrall".

**BRENDAN WORRALL**

Partner

Signed at Brisbane, 26 August 2014

*Crowe Horwath Brisbane is a member of Crowe Horwath International, a Swiss Verein. Each member of Crowe Horwath is a separate and independent legal entity. Liability limited by a scheme approved under Professional Standards Legislation other than for the acts or omissions of financial services licensees.*

# INDEPENDENT AUDITOR'S REPORT



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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 report of Icon Energy Limited, which comprises the consolidated statements of financial position as at 30 June 2014, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the year 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 year's end or from time to time during the financial year.

### Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with the Accounting Standard AASB101 *Presentation of Financial Statements* that the financial statements comply with International Financial Reporting Standards.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial report 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 report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view 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 company'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 report.

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*.

*Crowe Horwath Brisbane is a member of Crowe Horwath International, a Swiss Verein. Each member of Crowe Horwath is a separate and independent legal entity. Liability limited by a scheme approved under Professional Standards Legislation other than for the acts or omissions of financial services licensees.*



## Opinion

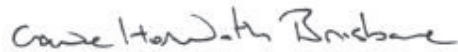
- a) In our opinion the financial report of Icon Energy Limited is in accordance with the *Corporations Act 2001*, including:
- i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
  - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- b) The consolidated financial statements and notes also comply with the International Financial Reporting Standards as disclosed in Note 1.

## Report on Remuneration Report

We have audited the Remuneration Report included in pages 37 to 48 of the directors' report for the year ended 30 June 2014. 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 year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.



**CROWE HORWATH BRISBANE**



**BRENDAN WORRALL**

Partner

Signed at Brisbane, 26 August 2014



## DIRECTORS' DECLARATION

The Directors of the Company declare that:

- 1) The financial statements and notes, as set out on pages 53 to 83, are in accordance with the *Corporations Act 2001* and other mandatory professional reporting requirements and:
  - a) comply with Accounting Standards; and
  - b) give a true and fair view of the financial position as at 30 June 2014 and of the performance for the year ended on that date of the 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.

A handwritten signature in blue ink, appearing to read "Stephen Barry".

**Stephen Barry**

Chairman

26 August 2014

# CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

## FOR THE YEAR ENDED 30 JUNE 2014

	NOTES	30 June 2014 \$	30 June 2013 \$
Continuing operations			
Revenue		-	-
Less: Cost of sales		-	-
Gross Profit/(Loss)		-	-
Other income	2a	1,074,094	590,724
Administration expenses		(3,541,466)	(3,284,173)
Depreciation and amortisation expense		(305,232)	(259,419)
Employee benefits and expenses		(3,138,198)	(2,939,212)
Occupancy expenses		(40,005)	(37,856)
Profit/(Loss) on sale of property, plant and equipment	2b	(33,753)	17,982,143
Impairment expense	2c	(92,097)	(11,297,963)
Reversal of excess provision	15	217,778	-
Finance costs		(55,889)	(53,533)
<b>Profit/(Loss) before income tax</b>	<b>3</b>	<b>(5,914,766)</b>	<b>700,711</b>
Income tax benefit	4	7,492,356	3,019,681
<b>Net Profit/(Loss) for the year from continuing operations</b>		<b>1,577,590</b>	<b>3,720,392</b>
<b>Other comprehensive income</b>			
<i>Items that will be reclassified to profit and loss</i>			
Exchange differences arising on translation of foreign operations		(257)	880
Other comprehensive income/(loss) for the year, net of tax		(257)	880
<b>Total comprehensive income/(loss) for the year</b>		<b>1,577,333</b>	<b>3,721,272</b>
Net Profit/(Loss) for the year attributable to:			
Owners of the parent entity		1,577,590	3,720,392
Non-controlling interests		-	-
<b>Net Profit/(Loss) for the year</b>		<b>1,577,590</b>	<b>3,720,392</b>
Total comprehensive income/(loss) for the year attributable to:			
Owners of the parent entity		1,577,333	3,721,272
Non-controlling interests		-	-
<b>Total comprehensive income/(loss) for the year</b>		<b>1,577,333</b>	<b>3,721,272</b>
<b>Earnings per share</b>			
From continuing operations			
Basic earnings/(loss) per share (cents per share)	19	0.27	0.73
Diluted earnings/(loss) per share (cents per share)	19	0.27	0.73

*The accompanying notes form part of these financial statements.*



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## AS AT 30 JUNE 2014

	NOTES	30 June 2014 \$	Restated 30 June 2013 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	6	7,605,461	21,840,575
Trade and other receivables	7	9,080,045	1,645,387
Financial assets	8	12,000,000	11,362,339
<b>TOTAL CURRENT ASSETS</b>		<b>28,685,506</b>	<b>34,848,301</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant, and equipment	9	5,234,606	5,490,764
Financial assets	8	1	1
Exploration and evaluation expenditure	10	37,253,075	12,576,227
Performance guarantee bonds	11	198,877	218,011
<b>TOTAL NON-CURRENT ASSETS</b>		<b>42,686,559</b>	<b>18,285,003</b>
<b>TOTAL ASSETS</b>		<b>71,372,065</b>	<b>53,133,304</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	1,471,170	465,733
Employee benefits	13	533,387	415,862
Borrowings	14	-	3,429,500
<b>TOTAL CURRENT LIABILITIES</b>		<b>2,004,557</b>	<b>4,311,096</b>
<b>NON-CURRENT LIABILITIES</b>			
Employee benefits	13	116,340	58,396
Provisions	15	1,570,110	1,773,973
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>1,686,450</b>	<b>1,832,369</b>
<b>TOTAL LIABILITIES</b>		<b>3,691,007</b>	<b>6,143,465</b>
<b>NET ASSETS</b>		<b>67,681,058</b>	<b>46,989,840</b>
<b>EQUITY</b>			
Issued capital	16	102,724,971	83,842,452
Reserves	18	(1,364,134)	(1,595,243)
Accumulated losses		(33,679,779)	(35,257,369)
<b>TOTAL EQUITY</b>		<b>67,681,058</b>	<b>46,989,840</b>

The accompanying notes form part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 30 JUNE 2014

	Ordinary Share Capital (Note 16) \$	Share-Based Payments Reserve (Note 17, 18) \$	Foreign Exchange Reserve (Note 18) \$	Accumulated Losses \$	Total \$
<b>Balance 1 July 2012</b>	70,463,292	-	(2,242,345)	(38,977,761)	29,243,186
Total comprehensive income:					
Loss for the year	-	-		3,720,392	3,720,392
Other comprehensive income	-		880	-	880
<b>Total Comprehensive Income for the year</b>	-	-	880	3,720,392	3,721,272
<b>Transactions with owners in their capacity as owners:</b>					
Shares issued	14,099,760	-	-	-	14,099,760
Share issue costs	(720,600)	-	-	-	(720,600)
Increase in share based payments reserve	-	646,222	-	-	646,222
<b>Total transactions with owners</b>	13,379,160	646,222	-	-	14,025,382
<b>Balance at 30 June 2013 - attributable to owners of parent entity</b>	<b>83,842,452</b>	<b>646,222</b>	<b>(2,241,465)</b>	<b>(35,257,369)</b>	<b>46,989,840</b>
<b>Balance 1 July 2013</b>	83,842,452	646,222	(2,241,465)	(35,257,369)	46,989,840
Total comprehensive income:					
Loss for the year	-	-	-	1,577,590	1,577,590
Other comprehensive income	-		(257)	-	(257)
<b>Total Comprehensive Income for the year</b>	-	-	(257)	1,577,590	1,577,333
<b>Transactions with owners in their capacity as owners:</b>					
Shares issued	18,874,823	-	-	-	18,874,823
Reserve transfer for performance rights vested	474,892	(474,874)	-	-	18
Share issue costs	(467,196)	-	-	-	(467,196)
Increase in share based payments reserve	-	706,240	-	-	706,240
<b>Total transactions with owners</b>	18,882,519	231,366	-	-	19,113,885
<b>Balance at 30 June 2014 - attributable to owners of parent entity</b>	<b>102,724,971</b>	<b>877,588</b>	<b>(2,241,722)</b>	<b>(33,679,779)</b>	<b>67,681,058</b>

*The accompanying notes form part of these financial statements.*

# CONSOLIDATED STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED 30 JUNE 2014

### NOTES

	30 June 2014	30 June 2013
	\$	\$
	Inflows (Outflows)	Inflows (Outflows)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers	29,881	89,977
Cash payments to suppliers and employees	(5,540,996)	(4,658,758)
Interest received	755,471	380,746
Finance costs	(26,337)	(53,533)
Income tax benefit	-	3,019,681
Net Cash used in operating activities	<b>(4,781,981)</b>	<b>(1,221,887)</b>
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>		
Investment in financial assets	(637,662)	(11,362,338)
Payments for property, plant & equipment	(17,673)	(19,586)
Payments for deferred exploration and evaluation expenditure	(23,040,099)	(6,439,791)
Prepayments for deferred exploration and evaluation expenditure	(1,197,920)	(1,212,868)
Proceeds from sale of property, plant and equipment	38,500	18,850,636
Proceeds from joint venture contributions	423,594	540,289
Net Cash from/(used in) investment activities	<b>(24,431,260)</b>	<b>356,342</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of share capital	18,874,823	14,099,760
Capital raising costs	(467,196)	(720,600)
Repayment of borrowings	(3,429,500)	(83,773)
Net cash from/(used in) financing activities	<b>14,978,127</b>	<b>13,295,387</b>
Net increase/(decrease) in cash and cash equivalents held	<b>(14,235,114)</b>	<b>12,429,842</b>
Cash and cash equivalents at beginning of the financial year	<b>21,840,575</b>	<b>9,410,733</b>
Cash and cash equivalents at the end of the financial year	<b>7,605,461</b>	<b>21,840,575</b>

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The accompanying notes form part of these financial statements.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2014

### 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 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 for which the fair value basis of accounting is applied. All amounts are presented in Australian dollars, unless otherwise noted. This is also the functional currency of the parent.

The financial statements of Icon Energy Limited and its controlled entities comply with all International Financial Reporting Standards (IFRS) in their entirety.

The financial report was authorised for issue by the Board of Directors on 26 August 2014.

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) Changes in Accounting Policies

##### Standards and Interpretations adopted

The new and revised accounting standards that are mandatory for the first time for the year ended 30 June 2014.

##### Standards and Interpretations affecting presentation and disclosure

- *AASB 10 Consolidated Financial Statements* changes the guidance on control and consolidation in *AASB 127 Consolidated and Separate Financial Statements*. *AASB 10* introduces a single definition of control that applies to all entities. The entity has reviewed its investments in other entities to assess whether the conclusion to consolidate is different under *AASB 10* than under *AASB 127*. No differences were found and therefore no changes are required to the amounts within the consolidated financial statements as a result of the adoption of *AASB 10*. This standard is applicable to annual reporting periods beginning on or after 1 January 2013.
- *AASB 11 Joint Arrangements* deals with the classification of joint arrangements with two or more parties having joint control. This standard also deals with the joint arrangements where parties do not share joint control. *AASB 11* replaces *AASB 131 Interests in Joint Ventures*. With the adoption of this Accounting Standard investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The option to proportionately consolidate has been eliminated. This standard is effective from 1 January 2013.  
  
The management of the entity reviewed and assessed the classification of the entity's investments in joint arrangements in accordance with the requirements of *AASB 11*. Comparative amounts for 2013 have been restated retrospectively to reflect the change in accounting policy for the entity. As a result, the entity now recognises its direct right to the jointly held assets, liabilities, revenues and expenses and has incorporated them in the financial statements under appropriate headings.
- *AASB 12 Disclosure of Interest in Other Entities* is a disclosure standard and therefore will not affect any of the amounts recognised in the financial statements. This standard is applicable to the entities with interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. It is effective from 1 January 2013.
- *AASB 13 Fair Value Measurement* and *AASB 2001-8 Amendments to Australian Accounting Standards* arising from *AASB 13*. It is effective from 1 January 2013 and explains how to measure fair value and aims to enhance fair value disclosures. The adoption of this standard did not affect any of the amounts recognised in the financial statements.
- *AASB 119 'Employee Benefits' (2011)* and *AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'*. The amendments to *AASB 119* revise the definitions of short term and long term employee benefits taking into consideration when the benefit is expected to be settled rather than when it is due to be settled. This classification only affects the measurement of the obligation and does not affect the current/non-current classification of the liability in the Statement of Financial Position. Therefore, the adoption of the revised *AASB 119* does not have any material impact on the financial statements. It is effective from 1 January 2013.
- *AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities*. The application of these amendments did not affect any amounts recognised in the financial statement as the entity does not have any offsetting arrangements in place. It is effective from 1 January 2013.
- *AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle*. The Annual Improvements to AASBs 2009-2011 have made a number of amendments to AASBs. The amendments that are relevant to the entity are the amendments to *AASB 101* regarding when a statement of financial position as at the beginning of the preceding period (third statement of financial position) and the related notes are required to be presented. It is effective from 1 January 2013.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2014

### NOTE 1 - STATEMENT OF ACCOUNTING POLICIES (Continued)

- *AASB 2012-10 'Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments'*. This standard makes amendment to AASB 10 and various Australian Accounting Standards to revise the transition guidance on the initial application of those Standards. This standard also clarifies the circumstances in which adjustments to an entity's previous accounting for its involvement with other entities are required and the timing of such adjustments. The adoption of this amending standard does not have any material impact on the financial statements. It is effective from 1 January 2013.
- *AASB Interpretation 20 Stripping Costs and AASB 2011-12 Amendments to Australian Accounting Standards arising from Interpretation 20*. The interpretation explains how to account for waste removal (stripping) costs in the production phase of a mine. The interpretation did not affect any amounts recognised in the consolidated financial statements as the entity is in exploration phase. It is effective from 1 January 2013.

#### Standards and Interpretations issued but not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 reporting periods. They are available for early adoption at 30 June 2014, 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 2017. The entity has not yet determined the potential effect of the standard.
- *AASB 1031 Materiality* (2013) is an interim Standard that cross-references to other Standards and the Framework for the Preparation and Presentation of Financial Statements (as identified in AASB 1048 *Interpretation of Standards*) 1 (Framework) that contain guidance on materiality. Once all the references to AASB 1031 have been removed from Standards, this Standard (AASB 1031) will be withdrawn. This Standard is applicable to annual reporting periods beginning on or after 1 January 2014. The entity has not yet determined the potential effect of the standard.
- *AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities* (Amendments to AASB 132). This Standard adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement. This Standard applies to annual reporting periods beginning on or after 1 January 2014.
- *AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets*. This Standard amends the disclosure requirements in AASB 136 and applies to annual reporting periods beginning on or after 1 January 2014.

#### (b) Principles of Consolidation

A controlled entity is any entity controlled by Icon Energy Limited. Control exists where Icon Energy Limited is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. 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.

#### (c) Income Tax

The income tax expense/(benefit) for the year comprises current income tax expense/(income) and deferred tax expense/(income).

Current income tax expense/(benefit) charged or credited to the profit or loss is the tax payable/(receivable) on taxable income calculated using applicable income tax rates enacted, or substantively enacted, as at the 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/(benefit) 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/(benefit) 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.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2014

### NOTE 1 - STATEMENT OF ACCOUNTING POLICIES (Continued)

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 ("Head entity") 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.

#### (d) 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 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 consolidated 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.

#### (e) Property, Plant, and Equipment

Property, plant and equipment are brought to account at cost 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 property, plant and equipment 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 property, plant and equipment 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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2014

### NOTE 1 - STATEMENT OF ACCOUNTING POLICIES (Continued)

#### (f) Leases

Leases of plant and equipment, under which the entity 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.

#### (g) 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. The capitalised costs relating to site restoration are amortised over the life of the petroleum asset.

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.

#### (h) Interests in Joint Arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures. The classification of joint arrangements is determined based on the contractual rights and obligations of parties to the joint arrangements rather than the legal structure of joint arrangement. The entity has only joint operations.

##### Joint Operations

The consolidated entity has interests in joint arrangements that are joint operations. As a joint operator, the consolidated entity recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These are included in the respective items of the consolidated statement of financial position and consolidated statement of comprehensive income.

The entity accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the AASBs applicable to the particular assets, liabilities, revenues and expenses.

#### (i) Trade Creditors

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

#### (j) Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of 90 days 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 consolidated 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 YEAR ENDED 30 JUNE 2014

### NOTE 1 - STATEMENT OF ACCOUNTING POLICIES (Continued)

#### (k) Provisions

Other provisions for make good obligations are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

##### *Restoration provision*

The entity recognises a restoration provision to meet all future obligations for the restoration of petroleum assets when the petroleum assets are abandoned. 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. The liability for restoration is discounted to present value and capitalised as part of the exploration expenditure of an area of interest and revised at the end of each reporting period through the profit and loss. The capitalised costs are amortised over the life of the petroleum asset. The periodic unwinding of the discount is recognised in the consolidated statement of profit or loss and other comprehensive income as part of finance costs.

Changes in the estimates of restoration costs are dealt with prospectively by recognising an adjustment to the restoration liability and a corresponding adjustment to the asset to which it relates. If any reduction in the restoration liability exceeds the carrying amount of that asset, any excess is recognised in the consolidated statement of profit or loss and other comprehensive income.

#### (l) Employee Benefits

Employee benefits 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.

Liabilities for unpaid wages and salaries are recognised in trade and other payables.

Current entitlements to annual leave accrued for services up to the reporting date are recognised in employee benefits and are measured at the amounts expected to be paid.

A liability for long service leave is recognised in employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Long service leave liability covers all conditional and unconditional entitlements. The long service leave expense accrued at the time of liability recognition.

A liability for annual leave and long service leave is recognised within the current employee benefits if the settlement within 12 months of the reporting date cannot be deferred.

##### *Share based payments*

Share based payment benefits are provided to employees through the Icon's Employee Performance Rights Plan. Information relating to this scheme is set out in Note 16. The fair value of performance rights granted under the Icon's Employee Performance Rights Plan is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the rights granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions.

Non-market vesting conditions are included in assumptions about the number of rights that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of rights that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

#### (m) 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 and royalty revenue is recognised as earned.

Revenue from rendering of service is determined with reference to the stage of completion of the transaction. The method for determining stage of completion is cost over total estimated cost. Where this can't be determined, service revenue is recognised in line with expenses incurred.

All revenue is stated net of the amount of GST.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2014

### NOTE 1 - STATEMENT OF ACCOUNTING POLICIES (Continued)

(n) **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.

(o) **Comparative Figures**

Where required by Accounting Standards, comparative figures have been adjusted to conform with changes in presentation for the current financial year. Refer to note 29 for more information on correction of prior period error.

(p) **Financial Instruments**

**Recognition**

Financial instruments are initially measured at fair value at settlement date, 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 or 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 classified 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 consolidated statement of comprehensive income in the period in which they arise. Assets in this category are classified as current assets if they are expected to be settled within 12 months; otherwise they are classified as non-current.

**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. Loans and receivables are classified as current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. The entity classifies cash and cash equivalents, trade and other receivables and performance guarantees as loans and receivables.

**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. These assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which would be classified as current assets. The entity classifies term deposits as held-to-maturity investments.

**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 or loss. These assets are classified as non-current assets unless the investment matures or management intends to dispose of investment within 12 months of the end of the reporting period. The entity classifies financial assets as available-for-sale financial assets.

**Financial liabilities**

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation. The entity classifies trade and other payables and borrowings as financial liabilities.

**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.

**Amortised cost**

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2014

### NOTE 1 - STATEMENT OF ACCOUNTING POLICIES (Continued)

#### **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.

#### **(q) Impairment of Assets**

At each reporting date, the directors review the carrying values of its tangible and intangible assets which include exploration, evaluation and development expenditures and property, plant and equipment, 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.

#### **(r) Foreign Currency Transactions and Balances**

##### **Functional and presentation currency**

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**

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 consolidated statement of financial position and are recognised as other comprehensive income.

#### **(s) 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.

The resulting accounting estimates may not equal the related actual results. The estimates, assumptions and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

##### **Impairment**

The directors assess impairment at each reporting date by evaluating conditions specific to the entity that may lead to impairment of assets including exploration and evaluation expenditure. Where an impairment trigger exists, the recoverable amount of the asset is determined. Any excess of asset's carrying value over recoverable amount is expensed and included in profit and loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2014

### NOTE 1 - STATEMENT OF ACCOUNTING POLICIES (Continued)

#### *Employee benefits - long service leave*

The liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account. Estimation in determining the probability of the employee becoming entitled to long service leave based on history (Note 13).

#### *Employee benefits - annual leave*

Estimation is required for determining the expectation of amount of leave that employees will take within the next 12 months based on past history (Note 13).

#### *Share based payments*

In fair value of each share option granted in the Short Term Incentive Plan and Long Term Incentive plan was calculated by applying the Black Scholes model. The model requires inputs where estimation is required for expected volatility in line with the company's share trading history.

#### *Mineral interest valuation*

The mineral interest in West Baton Rouge Parish, Louisiana (Note 8) is carried at impaired value. Judgement is used when determining impairment in relation to future production.

#### *Exploration and evaluation expenditure*

The application of entity's policy for exploration and evaluation discussed in Note 1(g) requires management to make certain estimates and assumptions as to future events and circumstances. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised exploration and evaluation expenditure, a judgement is made that the capitalised expenditure is unlikely to be recovered, the relevant capitalised amount will be impaired through the consolidated statement of profit and loss and other comprehensive income.

#### *Restoration provision*

The consolidated entity assesses its future liabilities in relation to the restoration costs which include the removal of facilities, abandonment of wells and restoration of affected areas. The estimate of future restoration costs is done at the time of installation of the assets. In most instances, removal of assets occurs many years into the future. Therefore, management is required to make judgments regarding the removal date, future environmental legislation, the extent of restoration activities and future removal technologies. Refer to note 15 for key assumptions

#### *Useful life of property, plant and equipment*

In preparation of the financial statements, estimates and assumptions have been made by the management regarding the estimated useful lives of property, plant and equipment. The management estimates that the useful life of these assets, being the period of time during which the assets can be utilised without any significant modifications, repairs or replacements, is between 2 and 5 years. However, the actual useful life may be shorter or longer than 2-5 years.

### NOTE 2 - REVENUE

#### 2a. OTHER INCOME

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

#### TOTAL OTHER INCOME

#### 2b. PROFIT/(LOSS) ON SALE OF PROPERTY, PLANT AND EQUIPMENT

Proceeds on disposal of property, plant and equipment assets  
Written down value of property, plant and equipment assets sold

#### 2c. IMPAIRMENT EXPENSE

Exploration impairment expense  
Impairment of investment - US Mineral Interest  
Impairment property, plant & equipment

CONSOLIDATED ENTITY	
30 June 2014	30 June 2013
\$	\$
-	31,173
-	-
1,045,484	380,746
25,643	57,488
2,967	121,317
<b>1,074,094</b>	<b>590,724</b>
38,500	18,850,636
(72,253)	(868,494)
<b>(33,753)</b>	<b>17,982,143</b>
92,097	10,723,548
-	572,499
-	1,915
<b>92,097</b>	<b>11,297,963</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2014

### NOTE 3 - PROFIT/(LOSS) BEFORE INCOME TAX

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

Amounts expensed for the parent entity auditor:

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

Amounts set aside for:

- Employee entitlements

Litigation settlement relating to the Lake Oil NL dispute

Foreign exchange (gains)/losses

Superannuation Expense

### NOTE 4 - INCOME TAX EXPENSE

Profit/(Loss) before tax expense

Prima facie tax payable on profit/(loss) before income tax  
at 30% (2013: 30%)

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

Non deductible expenses

Research and development offset refund

Under/(over) provision in prior year

Deferred tax benefits not brought to account

Income Tax Attributable to Profit/(loss) before tax

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% (2013: 30%) for Australian companies.

### Tax losses

Potential tax benefit

### Temporary differences

Other

Provisions

Potential tax benefit

Total deferred tax benefits not brought to account

### Deferred Tax Liabilities

Mining and exploration costs

Total deferred tax liabilities not brought to account

Total deferred tax assets not brought to account - net

### NOTE 5 - KEY MANAGEMENT PERSONNEL REMUNERATION

(a) Key management personnel compensation

- Short term employee benefits

- Long term benefits

- Post employment benefits

- Share-based payments

Apart from the details disclosed in this note, no Director has entered into a material contract with the Company or consolidated entity since 1 July 2013 and there were no material contracts involving Directors' interests existing at year end.

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the entity's key management personnel (KMP) for the year ended 30 June 2014.

(b) Performance rights provided as remuneration

Details of performance rights granted as remuneration, together with their terms and conditions, can be found in the remuneration report.

CONSOLIDATED ENTITY	
30 June 2014	30 June 2013
\$	\$
79,390	49,615
-	600
<b>79,390</b>	<b>50,215</b>

CONSOLIDATED ENTITY	
30 June 2014	30 June 2013
\$	\$
(5,914,766)	700,711
(1,774,430)	210,213
214,031	255,525
(7,492,356)	(3,019,681)
291,876	-
1,268,523	(465,738)
<b>(7,492,356)</b>	<b>(3,019,681)</b>

CONSOLIDATED ENTITY	
30 June 2014	30 June 2013
\$	\$
<b>66,134,598</b>	<b>38,852,013</b>
19,840,379	11,655,604
947,397	956,797
2,219,838	836,588
950,171	538,016
<b>20,790,551</b>	<b>12,193,620</b>
37,253,075	12,801,047
11,175,923	3,840,314
<b>9,614,628</b>	<b>8,353,306</b>

2,449,610	2,237,399
23,402	18,229
262,785	226,391
653,599	574,992
<b>3,389,396</b>	<b>3,057,011</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2014

### NOTE 5 - KEY MANAGEMENT PERSONNEL REMUNERATION (Continued)

#### Performance rights holdings

The numbers of performance rights granted under the executive short-term and long-term incentive scheme that were held during the financial year by each director of Icon and other key management personnel of the group are set out in the remuneration report contained in the directors' report.

There were no options held by Key Management Personnel during the period ended 30 June 2014 (30 June 2013: Nil).

#### (c) 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.

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

CONSOLIDATED ENTITY	
30 June 2014	30 June 2013
\$	\$
-	3,744

### NOTE 6 - CASH AND CASH EQUIVALENTS

Cash on hand  
Cash at Bank

CONSOLIDATED ENTITY	
30 June 2014	30 June 2013
\$	\$
128	305
7,605,332	21,840,269
<b>7,605,461</b>	<b>21,840,575</b>

e

Cash at the end of the financial year as shown in the consolidated statement of cash flows is reconciled to items in the consolidated statement of financial position as follows:

Cash and cash equivalents

Balance as per consolidated statement of cash flows

7,605,461	21,840,575
<b>7,605,461</b>	<b>21,840,575</b>

### NOTE 7 - TRADE AND OTHER RECEIVABLES - CURRENT

Prepayments for deferred exploration and evaluation expenditure  
Research and development offset refund  
Other receivables

	Restated
1,197,920	1,212,868
7,492,356	-
389,768	432,519
<b>9,080,045</b>	<b>1,645,387</b>

Trade and other receivables are not past due and are not impaired at 30 June 2014. All amounts are expected to be received in less than 12 months.

In 2013, prepayments for deferred exploration and evaluation expenditure of \$1.2m were reclassified from the exploration and evaluation expenditure (Note 10).

### NOTE 8 - FINANCIAL ASSETS

#### Current

Held to maturity financial assets:

Term deposit - investment

Term deposit - security for the bank loan

Note

14

CONSOLIDATED ENTITY	
30 June 2014	30 June 2013
\$	\$
12,000,000	11,000,000
-	362,339
<b>12,000,000</b>	<b>11,362,339</b>

#### Non Current

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

Less: Impairment

1	572,500
-	(572,499)
<b>1</b>	<b>1</b>

Mineral interest classified as held for sale during the reporting period was measured at fair value. The fair value was determined using the inputs that are not based on observable market data. This is level 3 measurement as per the fair value hierarchy.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2014

### NOTE 9 - PROPERTY, PLANT, AND EQUIPMENT

	CONSOLIDATED ENTITY	
	30 June 2014	30 June 2013
	\$	\$
Plant and Equipment - at cost	1,014,626	1,163,450
less: accumulated depreciation	(797,648)	(801,618)
	216,978	361,832
Building - at cost	2,172,934	2,172,934
less: accumulated depreciation	(236,836)	(187,192)
	1,936,098	1,985,742
Fixtures and Fittings - at cost	1,004,328	1,000,862
less: accumulated depreciation	(362,798)	(297,671)
	641,530	703,191
Land at cost	2,440,000	2,440,000
	<b>5,234,606</b>	<b>5,490,764</b>
Plant and Equipment - under lease	154,571	154,571
less: accumulated amortisation	(154,571)	(154,571)
Total property, plant and equipment at written down value	<b>5,234,606</b>	<b>5,490,764</b>

#### 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:

Consolidated Entity	Plant & Equipment	Building	Fixture and Fittings	Land	Total
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2012</b>	498,161	2,036,658	774,240	2,440,000	5,749,058
Additions	17,336	-	2,250	-	19,586
Disposals	(18,461)	-	-	-	(18,461)
Depreciation	(135,204)	(50,916)	(73,299)	-	(259,419)
<b>Balance at 30 June 2013</b>	<b>361,832</b>	<b>1,985,742</b>	<b>703,191</b>	<b>2,440,000</b>	<b>5,490,764</b>
<b>Balance at 1 July 2013</b>	361,832	1,985,742	703,191	2,440,000	5,490,765
Additions	14,207	-	3,466	-	17,673
Disposals	(72,253)	-	-	-	(72,253)
Depreciation	(86,808)	(49,644)	(65,127)	-	(201,579)
<b>Balance at 30 June 2014</b>	<b>216,978</b>	<b>1,936,098</b>	<b>641,530</b>	<b>2,440,000</b>	<b>5,234,606</b>

In 2013, a charge existed over four items of plant and equipment as part of a hire purchase finance arrangements. The written down value of these assets was \$40,323 as at 30 June 2013. A commercial property comprising land and buildings is subject to a registered security over the bank loan referred to in Note 14. The book value of the property was \$4,425,742 as at 30 June 2013.

No charge existed over any items of plant and equipment during the year ended 30 June 2014. The hire-purchase liability was paid out and closed on 8 October 2013. The bank loan facility was paid out and closed on 6 December 2013.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2014

### NOTE 10 - EXPLORATION AND EVALUATION EXPENDITURE

CONSOLIDATED ENTITY	
30 June 2014	30 June 2013
\$	\$
<b>37,253,075</b>	<b>12,576,227</b>

Exploration and Evaluation Expenditure at cost

#### Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out

#### Consolidated entity

	Note	Restated	
		Exploration and evaluation	Total
<b>Balance at 1 July 2012</b>		18,260,046	18,260,046
Additions	*	23,072,104	23,072,104
Less: Impairment	2c	(10,723,548)	(10,723,548)
Less: Joint venture contributions applied		(17,179,815)	(17,179,815)
Sale of interest in ATP 855		(852,559)	(852,559)
<b>Balance at 30 June 2013</b>		<b>12,576,227</b>	<b>12,576,227</b>
<b>Balance at 1 July 2013</b>		12,576,227	12,576,227
Additions		25,192,539	25,192,539
Less: Impairment	2c	(92,097)	(92,097)
Less: Joint venture contributions applied		(423,594)	(423,594)
<b>Balance at 30 June 2014</b>		<b>37,253,075</b>	<b>37,253,075</b>

In 2014, exploration and evaluation expenditure immediately expensed in the consolidated statement of profit or loss and other comprehensive income amounted to \$225,302 and consisted of amortisation costs of restoration asset, unwinding of discounting on the restoration provision and impairment of exploration and evaluation expenditure. In 2013, exploration and evaluation expenditure immediately expensed in the consolidated statement of profit or loss and other comprehensive income amounted to \$10,723,548 and consisted only of impairment of exploration and evaluation expenditure.

Liabilities arising from exploration and evaluation activities amounted to \$52,063 and formed part of trade and other payables (Note 12) (30 June 2013: \$7,212)

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, commercial exploitation or alternatively sale of respective areas of interest 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 2013, based on an independent feasibility study, it was recommended that all coal seam gas (CSG) wells in the ATP 626 area be plugged and abandoned. Therefore, twenty-one wells were plugged and abandoned in ATP 626.

\* In 2013, an amount of \$1.2m in the additions line was reclassified from the exploration and evaluation expenditure to prepayments for deferred exploration and evaluation expenditure (Note 7).

### NOTE 11 - OTHER NON-CURRENT ASSETS

CONSOLIDATED ENTITY	
30 June 2014	30 June 2013
\$	\$
198,877	218,011
<b>198,877</b>	<b>218,011</b>

Performance guarantee bonds

### NOTE 12 - TRADE AND OTHER PAYABLES

CONSOLIDATED ENTITY	
30 June 2014	30 June 2013
\$	\$
46,151	-
1,425,019	465,733
<b>1,471,170</b>	<b>465,733</b>

#### Current

Payables and accruals to a joint operations partner  
Trade and sundry payables

Payables and accruals to a joint operations partner represent expenses are non-interest bearing.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2014

### NOTE 13 - EMPLOYEE BENEFITS

#### Current

Annual Leave

Long service leave

#### Non Current

Long service leave

CONSOLIDATED ENTITY	
30 June 2014	30 June 2013
\$	\$
297,502	202,439
235,885	213,423
<b>533,387</b>	<b>415,862</b>
116,340	58,396
<b>116,340</b>	<b>58,396</b>
<b>649,726</b>	<b>474,258</b>
298,697	232,883
15	15

The following amounts reflect leave that is not expected to be taken within the next 12 months:

Employee benefits obligation expected to be settled after 12 months

Number of employees at year end

Current employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the consolidated entity does not have an unconditional right to defer settlement. However, based on past experience, the consolidated entity does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

#### Long service leave

Liabilities for long service leave form part of employee entitlements. These liabilities expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

The liability long service leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

### NOTE 14 - BORROWINGS

#### Secured

#### Current

Hire purchase liabilities

Bank loan

CONSOLIDATED ENTITY	
30 June 2014	30 June 2013
\$	\$
-	29,500
-	3,400,000
<b>-</b>	<b>3,429,500</b>

In 2013, the hire purchase liabilities were secured by motor vehicle with a written down value of \$40,323 and were subject to interest rate of 8.14% and were repayable in monthly instalments of \$2,028 including finance charges. The hire-purchase liability was paid out and closed on 8 October 2013.

During the year ended 30 June 2013, the bank loan was secured by commercial property with a written down value of \$4,425,742 and was subject to interest rate of 4.80%. The bank loan facility was paid out and closed on 6 December 2013.

### NOTE 15 - PROVISIONS

#### Non Current

Restoration provision

CONSOLIDATED ENTITY	
30 June 2014	30 June 2013
\$	\$
1,570,110	1,773,973
<b>1,570,110</b>	<b>1,773,973</b>

#### Restoration provision

Restoration provision represents the present value of estimated costs for future restoration of land explored by the consolidated entity at the end of the exploration activity.

The restoration provision recognised for each tenement is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs are recognised in the balance sheet by adjusting both the restoration and rehabilitation asset and provision. Such changes trigger a change in future depreciation and financial charges.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2014

### NOTE 15 - PROVISIONS (Continued)

#### *Movements in carrying amounts*

Movements in the carrying amounts for each class of provision between the beginning and the end of the current financial year:

Consolidated Entity	CONSOLIDATED ENTITY	
	30 June 2014	30 June 2013
	\$	\$
<b>Balance at beginning of the year</b>	<b>1,773,973</b>	<b>184,000</b>
Additional provision recognised	613,720	1,589,973
Reduction due to change in estimate	(61,211)	-
Reversal of provision	(217,778)	-
Charged/(credited) to profit or loss:		
- unwinding of discount	29,552	-
Amounts used during the year	(568,146)	-
<b>Balance at end of the year</b>	<b>1,570,110</b>	<b>1,773,973</b>

### NOTE 16 - ISSUED CAPITAL

#### *Authorised and Issued Share Capital*

Issued share capital 533,391,210 (30 June 2013: 533,391,210) fully paid, no par value ordinary shares.

	30 JUNE 2014		30 JUNE 2013	
	Number of shares	\$	Number of shares	\$
<b>Fully Paid Shares</b>				
Balance at beginning of the year	533,391,210	83,842,452	469,301,394	70,463,292
Shares issued:				
• November 2012 - Shares issued for cash	-	-	45,454,546	10,000,000
• December 2012 - Shares issued for cash	-	-	18,635,270	4,099,760
• December 2013 - Shares issued for cash	80,318,393	18,874,823	-	-
• August 2013 - Shares issued under Employee Share Ownership Plan	2,064,748	474,892	-	-
• Capital Raising Costs	-	(467,196)	-	(720,600)
<b>Balance at the end of the year</b>	<b>615,774,351</b>	<b>102,724,971</b>	<b>533,391,210</b>	<b>83,842,452</b>

The holders of ordinary shares are entitled to receive dividends as declared 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 - SHARE BASED PAYMENTS

Performance rights issued under STI and LTI performance plan (approved at the AGM) are recognised on the date the service are provided from each key management personnel.

Refer to Note 5 Key Management Personnel remuneration and the remuneration report.

The establishment of the Icon's Performance Rights Plan was approved by shareholders at the 2010 AGM and the allotments were approved by shareholders at the 2013 AGM.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2014

### NOTE 17 - SHARE BASED PAYMENTS (Continued)

Under the plan, participants are granted rights which only vest if certain performance standards are met. Participation in the plan is at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

The amount of rights that will vest depends on the extent the performance criteria are met and are granted under the plan for no consideration. Rights granted under the plan carry no dividend or voting rights. When exercisable, each right is convertible into one ordinary share.

The exercise price is nil.

Set out below is a summary of performance rights granted under the plan:

#### 2014

##### Short-term Incentives

Grant date	Expiry date	Balance at start of the year	Granted during the year	Exercised during the year	Lapsed during the year	Balance at the end of the year	Vested and exercisable at the end of the year
		No	No	No	No	No	No
1 July 2012							
	30 June 2015	2,064,748	-	(2,064,748)	-	-	-
1 July 2013							
	30 June 2016	-	3,883,186	-	(940,034)	2,943,152	2,943,152
<b>Total:</b>		<b>2,064,748</b>	<b>3,883,186</b>	<b>(2,064,748)</b>	<b>(940,034)</b>	<b>2,943,152</b>	<b>2,943,152</b>

##### Long-term incentives

Grant date	Expiry date	Balance at start of the year	Granted during the year	Exercised during the year	Lapsed during the year	Balance at the end of the year	Vested and exercisable at the end of the year
		No	No	No	No	No	No
29 November 2012							
	30 June 2017	2,705,497	-	-	-	2,705,497	-
25 November 2013							
	30 June 2018	-	4,494,537	-	-	4,494,537	-
<b>Total:</b>		<b>2,705,497</b>	<b>4,494,537</b>	<b>-</b>	<b>-</b>	<b>7,200,034</b>	<b>-</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2014

### NOTE 17 - SHARE BASED PAYMENTS (Continued)

2013

#### Short-term Incentives

Grant date	Expiry date	Balance at start of the year	Granted during the year	Exercised during the year	Lapsed during the year	Balance at the end of the year	Vested and exercisable at the end of the year
		No	No	No	No	No	No
1 July 2012							
	30 June 2015	-	2,334,735	-	(269,987)	2,064,748	2,064,748
<b>Total:</b>		-	<b>2,334,735</b>	-	<b>(269,987)</b>	<b>2,064,748</b>	<b>2,064,748</b>

#### Long-term incentives

Grant date	Expiry date	Balance at start of the year	Granted during the year	Exercised during the year	Lapsed during the year	Balance at the end of the year	Vested and exercisable at the end of the year
		No	No	No	No	No	No
29 November 2012							
	30 June 2017	-	2,705,497	-	-	2,705,497	-
<b>Total:</b>		-	<b>2,705,497</b>	-	-	<b>2,705,497</b>	-

#### Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the year as part of employee benefit expense were as follows:

	30 June 2014	30 June 2013
	\$	\$
Rights issued under Performance Rights Plan - STI	412,041	474,874
Rights issued under Performance Rights Plan - LTI	294,199	171,348
	<b>706,240</b>	<b>646,222</b>

#### Share Based Payments Reserve

	30 June 2014	30 June 2013
	\$	\$
Opening Balance	646,222	-
Reserve transfer for performance rights vested	(474,874)	-
Fair value of shares/rights granted	706,240	646,222
<b>Closing balance</b>	<b>877,588</b>	<b>646,222</b>

#### Performance Rights on Issue

During the financial year ended 30 June 2014, the STI and LTI performance rights were granted at nil consideration in accordance with the approval of shareholders at the 2010 AGM. The fair value of these rights has been calculated using the Black-Scholes Option Pricing Model for STI and EOS5 Model for LTI. The assessed fair value at grant date of performance rights granted during the year ended 30 June 2014 was 14.9 cents per right for STI and 8.2 cents per right for LTI.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2014

### NOTE 17 - SHARE BASED PAYMENTS (Continued)

The model inputs for the year included:

#### 30 June 2014

	STI Granted 1 July 2013	LTI Granted 25 November 2013
Exercise price	Nil	Nil
Expiry date	30 June 2016	30 June 2018
Total fair value at grant date	\$ 543,646	\$ 368,552
Number of rights granted	3,883,186	4,494,537
Share price at grant date	\$0.140	\$0.082
The expected price volatility	50%	50%
Risk free interest rate	2.69%	2.69%
Dividend yield	0.00%	0.00%

During the financial year ended 30 June 2013, the STI and LTI performance rights were granted at nil consideration in accordance with the approval of shareholders at the 2010 AGM. The fair value of these rights has been calculated using the Black-Scholes Option Pricing Model for STI and EOS5 Model for LTI. The assessed fair value at grant date of performance rights granted during the year ended 30 June 2013 was 23 cents per right for STI and 19 cents per right for LTI.

#### 30 June 2013

	STI Granted 1 July 2012	LTI Granted 29 November 2012
Exercise price	Nil	Nil
Expiry date	30 June 2015	30 June 2017
Total fair value at grant date	\$ 536,989	\$ 514,044
Number of rights granted	2,334,735	2,705,496
Share price at grant date	\$0.230	\$0.190
The expected price volatility	50%	50%
Risk free interest rate	2.69%	2.69%
Dividend yield	0.00%	0.00%

The expected price volatility is based on the historic volatility (based on the remaining life of the rights), adjusted for any expected changes to future volatility due to publicly available information.

A summary of services and performance criteria to be met before beneficial interests vest to individuals is provided in the Remuneration Report.

### NOTE 18 - RESERVES

	Note	30 June 2014 \$	30 June 2013 \$
Share based payments reserve *	17	877,588	646,222
Foreign currency translation reserve **		(2,241,722)	(2,241,465)
<b>Total reserves</b>		<b>(1,364,134)</b>	<b>(1,595,243)</b>

\* Share based payments reserve is used to recognise the fair value of shares and rights issued to employees of the company.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2014

### NOTE 19 - EARNINGS PER SHARE

		<b>CONSOLIDATED ENTITY</b>	
		<b>30 June 2014</b>	<b>30 June 2013</b>
		<b>\$</b>	<b>\$</b>
(a)	Reconciliation of Earnings to Net Profit/(Loss)		
	Net Profit/(Loss) for the year	1,577,590	3,720,392
	Earnings used in the calculation of basic EPS	1,577,590	3,720,392
	Earnings used in the calculation of diluted EPS	1,577,590	3,720,392
(b)	Weighted average number of ordinary shares outstanding during the year used in the calculation of basic EPS.	581,541,523	508,461,425
	Adjustment for calculation of diluted earnings per share	5,672,484	2,600,721
	Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted EPS.	587,214,008	511,062,145
	Basic earnings/(loss) per share (cents per share)	0.27	0.73
	Diluted earnings/(loss) per share (cents per share)	0.27	0.73

### NOTE 20 - CASH FLOW INFORMATION

		<b>CONSOLIDATED ENTITY</b>	
		<b>30 June 2014</b>	<b>30 June 2013</b>
		<b>\$</b>	<b>\$</b>
	Reconciliation of net cash used in operating activities to Profit/(loss) after income tax:		
	Profit/(loss) after income tax	1,577,590	3,720,392
	<b>Add/(less) non-cash items:</b>		
	Depreciation and amortisation	305,232	259,419
	Loss/(Gain) on sale of property, plant and equipment assets	33,753	(17,982,143)
	Impairment of property, plant and equipment assets	92,097	11,297,963
	Movement in share based payments reserve	706,002	646,222
	<b>Adjustment for changes in assets and liabilities</b>		
	Performance guarantee bonds*	19,135	-
	Trade and other receivables	(7,781,098)	(152,416)
	Trade and other payables**	293,702	(640,280)
	Employee provisions	175,469	38,983
	Lease provisions	-	-
	Restoration provision	(203,863)	1,589,973
	Net cash used in operating activities	<b>(4,781,981)</b>	<b>(1,221,887)</b>

\* 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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2014

### NOTE 21 - CAPITAL AND LEASING COMMITMENTS

#### Hire-Purchase Commitments

Hire- Purchase commitments payable:

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

Minimum hire-purchase payments

Less: future finance charges

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

Total Hire-Purchase Liabilities

#### Present value of minimum lease and loan payments

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

Current borrowings

Non-current borrowings

NOTES

CONSOLIDATED ENTITY	
30 June 2014	30 June 2013
\$	\$
-	29,555
-	-
-	29,555
-	(55)
-	-
-	29,500
-	3,429,500
-	-
-	3,429,500
-	-
-	3,429,500
-	-
-	3,429,500

No charge existed over any items of plant and equipment during the year ended 30 June 2014. The bank loan facility was paid out and closed on 6 December 2013.

#### Work Programme Commitments

The total commitments for work programmes for ATP849P, ATP549, ATP855P and PEP170 are as follows:

Exploration expenditure commitments

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

CONSOLIDATED ENTITY	
30 June 2014	30 June 2013
\$	\$
3,494,774	6,454,225
35,830,485	8,997,800
39,325,259	15,452,025

If any of the above expenditures are not met then the Department of Mines and Energy (QLD) / the Department of Primary Industries (VIC) will require the permit to be forfeited without liability.

The entity's share of the above commitments that relate to its interests in joint operations are \$9,358,079 (30 June 2013: \$2,318,691).

### NOTE 22 - JOINT ARRANGEMENTS AND MINING TENEMENTS HELD

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

Oil and Gas	Basin	Interest % 30 June 2014	Interest % 30 June 2013
ATP 549P West	Cooper Eromanga	33.33%	33.33%
ATP 594P	Cooper Eromanga	50.00%	50.00%
ATP 794P Regleigh & Springfield	Cooper Eromanga	60.00%	60.00%
ATP 794P Brightspot *	Cooper Eromanga	0.00%	75.00%
ATP 626P **	Surat	100.00%	99.00%
ATP 849P ***	Surat	0.00%	80.00%
ATP 855P	Cooper Eromanga	35.10%	35.10%
PEL 218 Post Permian	Cooper Eromanga	33.33%	33.33%
ATP 560 Ueleven	Cooper Eromanga	0.00%	50.50%
EPG 49 ****	Cooper Eromanga	0.00%	100.00%
EPG 51 ****	Cooper Eromanga	0.00%	100.00%
PEP 170 *****	Gippsland	100.00%	100.00%
PEP 172 *****	Gippsland	100.00%	100.00%
PEP 173 *****	Gippsland	100.00%	100.00%

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2014

### NOTE 22 - JOINT ARRANGEMENTS AND MINING TENEMENTS HELD (Continued)

\* Relinquished on 31 October 2013, under the relinquishment requirement of the work program.

\*\* Goondi Energy's 1% legal interest was transferred to Icon in July 2013.

\*\*\* Voluntarily surrendered to DNRM on 31 August 2013.

\*\*\*\* Voluntarily surrendered to DNRM in February 2014.

\*\*\*\* Icon requested to extend the year one permit date to 2015 on 2 June 2014.

\*\*\*\*\* Icon requested to defer grant approved by DSDBI on 23 October 2013.

Interests in joint operations are accounted for by including the group's portion of assets, liabilities, revenue and expenses. Information relating to joint ventures that are material to the consolidated entity are set out below:

	NOTE	Restated	
		CONSOLIDATED ENTITY 30 June 2014	30 June 2013
CURRENT ASSETS		\$	\$
Prepayments for deferred exploration and evaluation	7	1,197,920	1,212,868
Total current assets		<b>1,197,920</b>	<b>1,212,868</b>

In 2014, an amount of \$1.2m was reclassified for the 2013 financial year from the exploration and evaluation expenditure to prepayments for deferred exploration and evaluation expenditure (Note 7).

### NON CURRENT ASSETS

Exploration and evaluation expenditure at cost	33,396,617	10,822,386
Total non current assets	<b>33,396,617</b>	<b>10,822,386</b>
Share of total assets in joint arrangements***	<b>34,594,537</b>	<b>12,035,254</b>

\*\*\* Icon Energy Limited acquired Goondi Energy Pty Ltd's equity interest in ATP 626. Goondi exercised its right to exit the joint venture on 2 July 2013. After the transfer Icon Energy holds 100% in ATP 626. The transfer of interest is subject to government approval.

	NOTE	CONSOLIDATED ENTITY	
		30 June 2014	30 June 2013
CURRENT LIABILITIES		\$	\$
Joint arrangements liabilities	12	46,151	-
Total joint arrangements liabilities		<b>46,151</b>	-

### NON CURRENT LIABILITIES

Restoration provision	1,196,835	644,325
Total joint arrangements liabilities	<b>1,196,835</b>	<b>644,325</b>
Share of total liabilities in joint arrangements	<b>1,242,986</b>	<b>644,325</b>

### EXPENSES

		CONSOLIDATED ENTITY	
		30 June 2014	30 June 2013
EXPENSES		\$	\$
Exploration and evaluation related expenses		225,302	10,723,548
Share of total expenses related to joint arrangements*		<b>225,302</b>	<b>10,723,548</b>

Expenses include impairment of exploration and evaluation joint arrangement assets of \$92,097 (30 June 2013: \$10,723,548).

### NOTE 23 - CONTROLLED ENTITIES

NOTE 19 – CONTROLLED ENTITIES

	Country of Incorporation	Date of Incorporation	% Owned	
			30 June 2014	30 June 2013
<b>Parent entity:</b>				
Icon Energy Limited	Australia			
<b>Subsidiaries of Icon Energy Limited:</b>				
Jakabar Pty Ltd	Australia	18 Dec 1992	100	100
Icon Drilling Pty Ltd	Australia	18 Nov 1994	100	100
Icon Gas Productions Pty Ltd	Australia	16 Dec 2008	100	100
Icon Oil US (LLC)	USA	5 Jan 1993	100	100

During the year ended 30 June 2014, the consolidated entity deregistered four subsidiaries: Icon Domestic LNG Pty Ltd, Icon Geothermal Pty Ltd, Icon LNG (China) Pty Ltd and Icon Cooper Pty Ltd.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2014

### NOTE 24 - 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 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. Information by geographical areas are as follows:

	Australia		USA		Consolidated Entity	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013	30 June 2014	30 June 2013
	\$	\$	\$	\$	\$	\$
<b>REVENUE</b>						
External Sales	-	-	-	-	-	-
Royalty income	25,643	57,488	-	-	25,643	57,488
Total segment revenues	25,643	57,488	-	-	25,643	57,488
Interest Revenue	1,045,484	380,746	-	-	1,045,484	380,746
Other Income	2,968	152,491	-	-	2,968	152,491
Total revenue	1,074,094	590,724	-	-	1,074,094	590,724
<b>RESULT</b>						
Segment net operating profit after tax	1,578,367	3,721,116	(777)	(724)	1,577,590	3,720,392
Interest expense	55,889	53,533	-	-	55,889	53,533
Impairment of Assets	92,097	11,297,963	-	-	92,097	11,297,963
Gain/(loss) on sale of non-current assets	(33,753)	17,982,143	-	-	(33,753)	17,982,143
Segment Assets	71,357,633	53,117,457	14,432	15,847	71,372,065	53,133,304
Segment Liabilities	3,691,007	6,143,083	-	381	3,691,007	6,143,464
<b>OTHER</b>						
Acquisition of non-current segment assets	17,673	19,586	-	-	17,673	19,586
Depreciation and amortisation of segment assets	305,232	259,419	-	-	305,232	259,419

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2014

### NOTE 25 - FINANCIAL INSTRUMENTS

Financial instruments comprise of the following:

NOTE

CONSOLIDATED ENTITY	
30 June 2014	30 June 2013
\$	\$

#### Financial Assets

Cash and cash equivalents

6 7,605,461 21,840,575

Loans and receivables:

- Trade and other receivables

7 9,080,045 1,645,387

Held to maturity financial assets:

- Term deposit

8 12,000,000 11,362,339

Available for sale financial assets:

- Mineral interest in West Baton

8 1 1

#### Financial Liabilities

Held at amortised cost

- Trade and other payables

12 (1,471,170) (465,733)

- Borrowings

14 - 3,429,500

The carrying values of loans and receivables, held to maturity financial assets and held at amortised cost financial liabilities approximate their fair value.

The 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. No financial assets are pledged as collateral for liabilities.

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

The consolidated entity does not have any derivative instruments at 30 June 2014 (30 June 2013: 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 consolidated entity manages its 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 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 6, 14 and 16 respectively.

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 consolidated entity's overall strategy remains unchanged from 2013.

#### Financial Risk Management

The main risks the consolidated entity is exposed through its financial assets and liabilities are market risk, credit risk and liquidity risk.

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

The 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 consolidated entity, by way of various measures detailed below.

#### Interest rate risk

The consolidated entity's interest rate risk arises mainly from the term deposits and cash and cash equivalents. The entity is no longer exposed to the interest rate risk arising from the bank loan as the borrowing was settled in December 2013.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2014

### NOTE 25 - FINANCIAL RISK MANAGEMENT (CONTINUED)

The consolidated entity does not use long-term debt to finance its exploration activities. 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 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		
			\$	\$	\$	\$	\$
<b>30 June 2014 NOTES</b>							
<b>Financial assets</b>							
Cash and cash equivalents	6	2.26%	7,605,332	-	-	129	7,605,461
Term deposits	8	3.77%	12,000,000	-	-	-	12,000,000
Other receivables	7		-	-	-	9,080,045	9,080,045
<b>Total Financial Assets</b>			<b>19,605,332</b>	<b>-</b>	<b>-</b>	<b>9,080,173</b>	<b>28,685,505</b>
<b>Financial liabilities</b>							
Trade and sundry payables	12		-	-	-	1,471,170	1,471,170
<b>Total Financial Liabilities</b>			<b>-</b>	<b>-</b>	<b>-</b>	<b>1,471,170</b>	<b>1,471,170</b>
<b>30 June 2013 NOTES</b>							
<b>Financial assets</b>							
Cash and cash equivalents	6	1.46%	21,840,269	-	-	306	21,840,575
Term deposits	8	4.24%	11,362,339	-	-	-	11,362,339
Other receivables	7		-	-	-	432,519	432,519
<b>Total Financial Assets</b>			<b>33,202,607</b>	<b>-</b>	<b>-</b>	<b>432,825</b>	<b>33,635,432</b>
<b>Financial liabilities</b>							
Trade and sundry payables	12		-	-	-	465,733	465,733
Hire purchase liabilities	14	8.14%	-	29,500	-	-	29,500
Bank Loan	14	4.80%	3,400,000	-	-	-	3,400,000
<b>Total Financial Liabilities</b>			<b>3,400,000</b>	<b>29,500</b>	<b>-</b>	<b>465,733</b>	<b>3,895,233</b>

#### Cash flow sensitivity analysis for variable rate instruments

The sensitivity analyses have been determined based on the exposure of the 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 2014, 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 \$111,312 higher/\$112,113 lower (30 June 2013: \$30,155 higher/\$30,696 lower), mainly as a result of the consolidated entity's exposure to interest rates on its variable rate cash and cash equivalents.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2014

### NOTE 25 - FINANCIAL RISK MANAGEMENT (CONTINUED)

		Carrying amount 30/06/2014 \$	Carrying amount 30/06/2013 \$	30 June 2014 +0.5% / -0.5%		30 June 2013 +0.5% / -0.5%	
				Profit \$	Equity \$	Profit \$	Equity \$
<b>Financial assets</b>	NOTES						
Cash and cash equivalents	6	7,605,461	21,840,575	69,312/ (70,113)	69,312/ (70,113)	12,935/ (13,476)	12,935/ (13,476)
Investment - Term Deposit		12,000,000	11,362,339	42,000/ (42,000)	42,000/ (42,000)	17,965/ (17,965)	17,965/ (17,965)
Other receivables	7	9,080,045	432,519	-	-	-	-
<b>Financial liabilities</b>							
Trade and sundry payables	12	1,425,019	465,733	-	-	-	-
Hire purchase liabilities	14	-	29,500	-	-	(140)/ 140	(140)/ 140
Bank loan	14	-	3,400,000	-	-	(605)/ 605	(605)/ 605
Total increase / (decrease)				<b>111,312/ (112,113)</b>	<b>111,312/ (112,113)</b>	<b>30,155/ (30,696)</b>	<b>30,155/ (30,696)</b>

#### Price risk

The consolidated entity is not exposed to any material price risk.

#### Foreign currency risk

The consolidated entity had exposure to foreign currency risk on sale that was denominated in a currency other than the respective functional currency of the consolidated entity which is the Australian dollar.

In respect of monetary assets denominated in foreign currency, the consolidated entity's policy is to ensure that its exposure is kept to an acceptable level by selling foreign currency at spot rates when necessary to address short-term imbalances.

At 30 June 2014, if the US dollar had increased/decreased by 10% against the Australian dollar with all other variables held constant, post-tax profit for the year for the consolidated entity would have been \$4,714 higher/\$3,973 lower (30 June 2013: \$915,086 higher/\$915,086 lower), mainly as a result of foreign exchange gains/losses on translation of US dollar denominated financial instruments as detailed in the table below. The US dollar account balance is included within cash and cash equivalents in Note 6.

	Carrying amount 30/06/2014 US\$	Carrying amount 30/06/2013 US\$	30 June 2014 +10%/-10%		30 June 2013 +10%/-10%	
			Profit AU\$	Equity AU\$	Profit AU\$	Equity AU\$
<b>Financial assets</b>						
US dollar account	56,134	9,150,860	4,714/ (3,973)	4,714/ (3,973)	915,086/ (915,086)	915,086/ (915,086)
Total increase / (decrease)			<b>4,714/ (3,973)</b>	<b>4,714/ (3,973)</b>	<b>915,086/ (915,086)</b>	<b>915,086/ (915,086)</b>

#### b. Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the 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

The consolidated entity does 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 consolidated entity's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Credit quality of financial assets neither past due or impaired.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2014

### NOTE 25 - FINANCIAL RISK MANAGEMENT (CONTINUED)

#### c. Liquidity risk

Liquidity risk arises from the financial liabilities of the consolidated entity and its subsequent ability to meet its 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 consolidated entity's short, medium and long-term funding and liquidity requirements.

The consolidated entity manages 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.

The following are contractual maturities of financial liabilities:

		Carrying Amount \$	Contractual Cashflows \$	<1Year \$	1-5 Years \$
<b>30 June 2014</b>	NOTES				
Trade payables	12	1,471,170	1,471,170	1,471,170	-
		<b>1,471,170</b>	<b>1,471,170</b>	<b>1,471,170</b>	-
<b>30 June 2013</b>					
Trade payables	12	465,733	465,733	465,733	-
Hire purchase liabilities	14	29,500	29,555	29,555	-
Bank Loan	14	3,400,000	3,966,765	234,524	3,732,242
		<b>3,895,233</b>	<b>4,462,054</b>	<b>729,812</b>	<b>3,732,242</b>

The consolidated entity's liquidity risk relating to financial liabilities at 30 June 2014 is limited to the repayment of the trade payables. Trade payables are short-term in nature. The bank loan facility was paid out and closed on 6 December 2013. The consolidated entity does not finance exploration activities through debt.

#### Fair value estimation

The carrying values less provision for impairment of financial assets and financial liabilities of the consolidated entity, as stated in the Statement of Financial Position and accompanying explanatory notes at 30 June 2014, 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.

### NOTE 26 - RELATED PARTY TRANSACTIONS

- Interests in subsidiaries are disclosed in note 23.
- Transactions with Directors and Director Related Entities are disclosed in note 5.
- There were no other related party transactions during the year ended 30 June 2014 or 30 June 2013.

### NOTE 27 - CONTINGENT LIABILITIES

Icon Energy Ltd and Jakabar Pty Ltd are currently in dispute with Southern Fairway Investments Pty Ltd (formerly Babcock & Brown Australia Infrastructure Pty Ltd) ("B&B") and Ronald Baldwin where B&B and Mr Baldwin are claiming damages arising from an alleged breach of a memorandum of understanding entered into by the parties in June 2008 in the vicinity of \$221.75 million and an agency agreement entered into by Icon with Mr Baldwin in May 2008 in the vicinity of \$52.4 million. Icon gives no credence to the alleged estimate of loss given by B&B and Mr Baldwin. Proceedings were commenced in the Queensland Supreme Court by claim filed by B&B and Mr Baldwin on 16 April 2014. It is estimated that the extent of the Company's exposure to this dispute will be limited to approximately \$260,000 representing legal fees yet to be paid.

### NOTE 28 - EVENTS AFTER BALANCE DATE

Icon Energy lodged a Research and Development (R&D) claim for the full year ended 30 June 2013 in April 2014 and a payment of \$7,492,356 was received in July 2014.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2014

### NOTE 29 - CORRECTION OF PRIOR PERIOD ERROR

During the year, \$1.2M was reclassified for the 2013 financial year from the Exploration and Evaluation Expenditure (Note 10) to prepayments for deferred exploration and evaluation expenditure included in Trade and other receivables (Note 7). The prepayment was incorrectly included in exploration expenditure instead of trade and other receivables.

The abovementioned misstatements in the previous year's consolidated financial statements represents a prior period accounting error which must be accounted for retrospectively. Consequently, the Group shall adjust all comparative amounts presented in the current period's financial statements affected by the accounting errors as follows:

	Previously Reported 30 June 2013	Adjustment	Restated 30 June 2013
	\$	\$	\$
<b>Statement of financial position</b>			
<b>Current assets</b>			
Trade and other receivables	432,519	1,212,868	1,645,387
<b>Total current assets</b>	<b>33,635,433</b>	<b>1,212,868</b>	<b>34,848,301</b>
<b>Non-current assets</b>			
Exploration and evaluation expenditure	13,789,095	(1,212,868)	12,576,227
<b>Total non-current assets</b>	<b>19,497,871</b>	<b>(1,212,868)</b>	<b>18,285,003</b>
<b>Total assets</b>	<b>53,133,304</b>	<b>-</b>	<b>53,133,304</b>
<b>Net assets</b>	<b>46,989,840</b>	<b>-</b>	<b>46,989,840</b>

There above adjustment had no impact on the Statement of profit or loss and other comprehensive income or retained earnings. As such it is just a reclassification.

### NOTE 30 - PARENT ENTITY INFORMATION

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. Refer to Note 1 for a summary of the significant accounting policies relating to the consolidated entity.

#### Financial position

	30 June 2014	30 June 2013
	\$	\$
<b>Assets</b>		
Current assets	28,435,146	32,995,219
Non-current assets	43,642,698	26,849,205
<b>Total assets</b>	<b>72,077,845</b>	<b>59,844,424</b>
<b>Liabilities</b>		
Current liabilities	1,949,875	4,261,951
Non-current liabilities	94,010	46,990
<b>Total liabilities</b>	<b>2,043,886</b>	<b>4,308,941</b>
<b>Net Assets</b>	<b>70,033,959</b>	<b>55,535,483</b>
<b>Equity</b>		
Issued capital	102,724,970	83,842,451
Reserves	877,588	646,222
Accumulated losses	(33,568,599)	(28,953,190)
<b>Total equity</b>	<b>70,033,959</b>	<b>55,535,483</b>

#### Financial performance

	30 June 2014	30 June 2013
	\$	\$
Profit/(Loss) for the year	(4,615,409)	13,268,134
Other comprehensive income	-	-
<b>Total comprehensive income/(loss)</b>	<b>(4,615,409)</b>	<b>13,268,134</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2014

### NOTE 30 - PARENT ENTITY INFORMATION (Continued)

#### ***Guarantees entered into by the parent entity in relation to the debts of its subsidiaries***

Carrying amount included in current liabilities

30 June 2014	30 June 2013
\$	\$
-	-

#### ***Contingent liabilities of the parent entity***

There are no contingent assets or liabilities at the date of this report that require disclosure.

#### ***Contractual commitments for the acquisition of property, plant and equipment by the parent entity***

The parent entity did not have any contractual commitments for the acquisition of property, plant or equipment as at 30 June 2014 or 30 June 2013.

## 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 2014 was as follows:

Range	Total Holders	Units	% of Issued Capital
1 - 1,000	401	64,469	0.01
1,001 - 5,000	1,452	4,684,166	0.79
5,001 - 10,000	1,211	10,370,710	1.68
10,001 - 100,000	3,206	118,512,929	19.25
Over 100,001	762	481,962,077	78.27
<b>TOTAL</b>	<b>7,032</b>	<b>615,774,351</b>	<b>100.00</b>

Unmarketable Parcels as at 24 September 2014	Minimum Parcel size	Holders	Units
Minimum \$500.00 parcel	2,942	970	1,253,326

### Voting Rights

All ordinary shares carry one vote per share without restriction.



# ICON ENERGY'S TOP 20 LARGEST ORDINARY SHAREHOLDERS

## TWENTY LARGEST ORDINARY SHAREHOLDERS

For the names of the twenty largest holders as at 24 September 2014:

Rank	Name	Shares Held	% of Issued Capital
1	HK PROSPEROUS TECHNOLOGY LIMITED	80,318,393	13.04
2	CITICORP NOMINEES PTY LIMITED	50,259,787	8.16
3	RAY JAMES	22,216,987	3.61
4	HOWARD LU	16,068,181	2.61
5	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	9,284,913	1.51
6	TAIWAN FRUCTOSE CO LTD	9,000,000	1.46
7	MRS DIANNE BETH BALDWIN	8,509,600	1.38
8	J P MORGAN NOMINEES AUSTRALIA LIMITED	7,246,692	1.18
9	MR TIMOTHY ALLEN KENNEDY + MRS GLENDA KAY KENNEDY	5,025,825	0.82
10	CABLEX INDUSTRIES PTY LTD	4,991,332	0.81
11	SAMBOR NOMINEES PTY LTD	4,522,256	0.73
12	MR CHIEN HUA LEE	4,500,000	0.73
13	ALPHA GEM PTY LTD	4,304,581	0.70
14	MR CHRISTOPHER JOHN MARTIN	4,012,056	0.65
15	MOROHI PTY LTD	3,620,058	0.59
16	LINK ORANGE PTY LTD	3,393,181	0.55
17	JOHN E GILL TRADING PTY LTD	3,192,538	0.52
18	ZONEX CAPITAL PTY LTD	3,077,829	0.50
19	WILLIAM DOUGLAS GOODFELLOW	2,750,000	0.45
20	IAN PETHERBRIDGE RETIREMENT FUND PTY LTD	2,750,000	0.45
<b>Totals: Top 20 holders of FULLY PAID ORDINARY SHARES</b>		<b>249,044,209</b>	<b>40.44</b>
<b>Total Remaining Holders Balance</b>		<b>366,730,142</b>	<b>59.56</b>

## SUBSTANTIAL HOLDERS

Rank	Name	Shares Held	% of Issued Capital
1	HK PROSPEROUS TECHNOLOGY LIMITED	80,318,393	13.04
2	MR CHING-TANG LI (HOLDING THROUGH CITICORP NOMINEES PTY LIMITED)	38,347,341	6.23
<b>Totals: Substantial holders of FULLY PAID ORDINARY</b>		<b>118,665,734</b>	<b>19.27</b>





*Pictured (from left to right) Ms Wendy Tong (Intern Accountant), Mr Martin Berry (Exploration Manager) and Ms Jill Partridge (Executive Assistant) at Icon Energy*





## ICON ENERGY LIMITED

ABN 61 058 454 569

## DIRECTORS

Stephen Barry (Chairman)  
 Raymond James (Managing Director)  
 Kevin Jih (Executive Director)  
 Derek Murphy (Non-Executive Director)  
 Keith Hillless (Non-Executive Director)  
 Howard Lu (Non-Executive Director)

## COMPANY SECRETARY

Ross Mallett

## CHIEF FINANCIAL OFFICER

Kevin Jih

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**Email:** [info@iconenergy.com](mailto:info@iconenergy.com)

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Coil Tubing Unit in action at Geoffrey-1 in ATP 855 in the Cooper Basin, Queensland