

ICON ENERGY LIMITED and its Controlled Entities

# Icon Energy Limited

ABN 61 058 454 569

## INTERIM FINANCIAL REPORT

For the half-year ended  
31 December 2019

# Icon Energy Limited

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## INTERIM FINANCIAL REPORT

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## Directors' Report

The Directors of Icon Energy Limited ("*Icon Energy*" or "*the Company*") present their report together with the financial statements of the Company and its controlled entities ("*the Group*" or "*the Consolidated Entity*") for the half-year ended 31 December 2019 and the Independent Auditor's Review Report thereon.

### Principal Activities

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

### Directors

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

Name	Position	First Appointed
Stephen Michael Barry	Non-executive Chairman	Director since 05/01/1993
Derek James Murtagh Murphy	Non-executive Director	Director since 20/03/2009 Retired 31/08/2019
Dr Keith Hilleas AM	Non-executive Director	Director since 03/04/2009
Howard Lu	Non-executive Director	Director since 07/01/2011
Raymond Swinburn James	Non-executive Director	Director since 01/02/1993
Dr Kevin Jih	Chief Financial Officer, Company Secretary & Executive Director	Director since 30/11/2011 Retired 31/08/2019

Following Doctor Jih's retirement, Natalia Fraser was appointed as a Company Secretary.

### Dividends Paid or Recommended

The Directors recommend that no dividend be paid by the Company. No dividends have been declared or paid by the Company since the end of the previous financial year (30 June 2019: \$NIL).

### Results

The loss of the Group for the half-year after providing for income tax amounted to \$1,784,853 (31 December 2018 - loss of \$1,876,101).

The cash balance as at 31 December 2019 was \$6,970,776 million (30 June 2019: \$8,834,705).

### **Review of Operations**

Icon has continued to evaluate its exploration tenements during the half-year ended 31 December 2019 with particular focus on ATP 594 and ATP 855.

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

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

Following the acquisition of 3D seismic in 2017, Icon has identified several prospects and leads within the northern block of ATP 594, which has confirmed the prospectivity within the permit.

Icon continues to seek an interested joint venture<sup>r</sup> to farm into ATP 594 to continue the exploration of the permit.

Icon is planning to drill a well on the best defined prospect in ATP 594 sometime in the last quarter of 2020 or early 2021 subject to funding. This well, to be called “Berella No 1” will be drilled in the northern block on the tenement.

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

#### **Queensland – Petroleum Exploration – Cooper Basin – ATP 855**

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

Icon reported previously that the discussions with prospective Joint Ventures have not been successful. It was decided to rehabilitate the existing six wells drilled in ATP 855 as soon as possible to improve the prospects of obtaining funding as this would present a clean slate to potential farminees.

Icon has signed a contract to carry out this work in the second quarter of the 2020 calendar year with the estimated cost less than the provision reported in the 2019 Annual Report.

After the completion of the rehabilitation works a new campaign to farmout the tenement will be launched with a new drilling program and marketing campaign. Icon will immediately issue an announcement should any agreements be reached.

The next stage of activity in ATP 855 would be to conduct further exploration, evaluation and appraisal of the gas resource with the express purpose of demonstrating commerciality.

Icon has a 100% interest in ATP 855.

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

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

The Victorian Government advised Icon that the *Resources Legislation Amendment (Fracking Ban) Act 2017* came into effect on 16 March 2017. The Act bans hydraulic fracturing under the *Petroleum Act 1990* and imposes a moratorium on conventional petroleum exploration and petroleum production in the onshore areas of Victoria until 30 June 2020.

Icon has continued to extend the PEP 170 permit for the time being, paying all necessary fees, to keep the permit in good standing.

The Earth Resources Regulation intends to vary the permit conditions of PEP 170 to reflect the approved suspension and extension and will consider Icon's proposed revised work program submitted in December 2017. The Moratorium affecting onshore petroleum drilling will expire in June 2020 which if lifted would return a valuable asset to Icon for exploration. In July 2019 the Victorian Government approved the drilling of an onshore well which is programmed to directionally drill offshore intersecting targets under the sea. This may indicate

a potential change of thinking within Government foreshadowing the lifting of the moratorium on onshore exploration next year.

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

**South Australia – Petroleum Exploration – Cooper/Eromanga Basin – PRL’s 35, 37, 38, 41, 43, 44, 45, 49**

PRLs 35, 37, 38, 41, 43, 44, 45, 49 (ex PEL 218) have been reduced in size by 50% under the SA relinquishment clauses of the retention Leases but still covers a total area of 857 km<sup>2</sup>. Icon only has an interest of 33% in post-Permian section of the tenement and the area drilled by Wakefield No 1 has been retained as a promising oil area.

**Icon Energy Tenements**

Permit / Area	Tenement Area	Permit Interest	Operator	Prospect Type
<b>Cooper - Eromanga Basin, Eastern Flank</b>				
<b>ATP 594</b>	1,230 km <sup>2</sup>	100%	Icon Energy	Oil
<b>Cooper - Eromanga Basin, Nappamerri Trough</b>				
<b>ATP 855</b>	1,679 km <sup>2</sup>	100%	Icon Energy	Shale Gas, Basin Centred Gas
<b>PRLs*</b>	857 km <sup>2</sup>	33.33%	Beach Energy	Oil
<b>Gippsland Basin</b>				
<b>PEP 170</b>	804 km <sup>2</sup>	100%	Icon Energy	Oil Gas
<b>PEP 172**</b>	1,312 km <sup>2</sup>	100%	Icon Energy	Gas
<b>PEP 173**</b>	1,220 km <sup>2</sup>	100%	Icon Energy	Gas

\* PRLs 35, 37, 38, 41, 43, 44, 45, 48 and 49 South Australia. Formerly PEL 218 (Post Permian Section)

\*\* Permit to be granted

*Table showing all Icon Energy's tenements*

**Subsequent Events**

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

**Auditor's Declaration**

The lead Auditor's Independence Declaration under Section 307C of the *Corporations Act 2001* is set out on page 8 for the half-year ended 31 December 2019 and forms part of the Directors' Report for the half-year ended 31 December 2019.

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



R S James  
Director

18 February 2020  
Broadbeach Waters, Queensland

## Lead Auditor's Independence Declaration

Under Section 307C of the *Corporations Act 2001* to the Directors of Icon Energy Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2019, there have been:

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



**Crowe Brisbane**



**Logan Meehan**  
Partner

Dated: 18 February 2020  
Brisbane

*Liability limited by a scheme approved under Professional Standards Legislation.*

*The title 'Partner' conveys that the person is a senior member within their respective division and is among the group of persons who hold an equity interest (shareholder) in its parent entity, Findex Group Limited. The only professional service offering which is conducted by a partnership is the Crowe Australasia external audit division. All other professional services offered by Findex Group Limited are conducted by a privately owned organisation and/or its subsidiaries.*

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**CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS  
 AND OTHER COMPREHENSIVE INCOME**  
 for the half-year ended 31 December 2019

	NOTES	31 December 2019	31 December 2018
		\$	\$
<b>Continuing operations</b>			
Interest received and other income		96,882	122,338
Administration expenses		(807,782)	(962,544)
Depreciation expenses	6	(256,571)	(11,229)
Employee benefits and expenses	4a	(593,481)	(532,785)
Occupancy expenses		(90,478)	(342,599)
Tenement expense		(149,535)	
Profit/(Loss) on sale of current assets	4b	20,999	(114,046)
Profit on sale of property, plant & equipment	4c	21,653	-
Impairment expense		(1,223)	-
Finance costs	6	(25,317)	-
Restoration provision decrease	7	-	(35,236)
<b>Loss before income tax</b>		<b>(1,784,853)</b>	<b>(1,876,101)</b>
Income tax benefit		-	-
<b>Loss for the period</b>		<b>(1,784,853)</b>	<b>(1,876,101)</b>
<b>Other comprehensive income</b>			
<i>Items that may subsequently be reclassified to profit or loss</i>			
Exchange differences arising on translation of foreign operations, net of income tax		-	297
Total other comprehensive income for the period		-	297
<b>Total comprehensive loss for the period</b>		<b>(1,784,853)</b>	<b>(1,875,804)</b>
<b>Loss per share</b>			
Basic and diluted loss per share (cents per share)		(0.30)	(0.31)

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

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION**  
**as at 31 December 2019**

	NOTE	31 December 2019 \$	30 June 2019 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		6,970,776	8,834,705
Trade and other receivables		180,319	16,855
Inventories		162,330	516,820
<b>TOTAL CURRENT ASSETS</b>		<b>7,313,425</b>	<b>9,368,380</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant, and equipment		40,857	72,334
Exploration and evaluation expenditure	5	4,694,568	7,561,157
Performance guarantee bonds		904,129	904,129
Right-of-use asset	6	620,716	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>6,260,270</b>	<b>8,537,620</b>
<b>TOTAL ASSETS</b>		<b>13,573,695</b>	<b>17,906,000</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		344,488	140,791
Employee benefits		53,598	527,952
Provisions	7	2,684,656	5,557,429
Lease liabilities	6	500,695	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>3,583,437</b>	<b>6,226,172</b>
<b>NON-CURRENT LIABILITIES</b>			
Employee benefits		-	35,420
Lease liabilities	6	130,703	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>130,703</b>	<b>35,420</b>
<b>TOTAL LIABILITIES</b>		<b>3,714,140</b>	<b>6,261,592</b>
<b>NET ASSETS</b>		<b>9,859,555</b>	<b>11,644,408</b>
<b>EQUITY</b>			
Issued capital	8	101,984,750	101,984,750
Accumulated losses		(92,125,195)	(90,340,342)
<b>TOTAL EQUITY</b>		<b>9,859,555</b>	<b>11,644,408</b>

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

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY**  
**for the half-year ended 31 December 2019**

CONSOLIDATED ENTITY	NOTE	Ordinary Share Capital	Foreign Exchange Reserve	Accumulated Losses	Total
		\$	\$	\$	\$
<b>Balance 1 July 2018</b>		101,984,750	307	(58,981,322)	43,003,735
Total comprehensive income:					
Loss for the period		-	-	(1,876,101)	(1,876,101)
Other comprehensive loss		-	603	-	603
<b>Total comprehensive loss for the period</b>		-	603	(1,876,101)	(1,875,498)
<b>Balance at 31 December 2018</b>		<b>101,984,750</b>	<b>910</b>	<b>(60,857,423)</b>	<b>41,128,237</b>
<b>Balance 1 July 2019</b>		<b>101,984,750</b>	-	<b>(90,340,342)</b>	<b>11,644,408</b>
Total comprehensive income:					
Profit for the period		-	-	<b>(1,784,853)</b>	<b>(1,784,853)</b>
Other Comprehensive Income		-	-	-	-
<b>Total comprehensive profit for the period</b>		-	-	<b>(1,784,853)</b>	<b>(1,784,853)</b>
<b>Balance at 31 December 2019</b>		<b>101,984,750</b>	-	<b>(92,125,195)</b>	<b>9,859,555</b>

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

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS**  
**for the half-year ended 31 December 2019**

	NOTE	Half-year ended	
		31 December 2019	31 December 2018
		\$	\$
		Inflows (Outflows)	Inflows (Outflows)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers		283,768	35,450
Cash payments to suppliers and employees		(1,812,221)	(1,962,914)
Interest received		65,156	113,388
Net cash used in operating activities		<u>(1,463,297)</u>	<u>(1,814,076)</u>
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>			
Payments for property, plant & equipment		(754)	(9,281)
Payments for evaluation and exploration expenditure		(161,957)	(168,871)
Proceeds from sale of property, plant and equipment		25,000	-
Net cash used in investment activities		<u>(137,711)</u>	<u>(178,152)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payments of lease liability	6	<u>(262,921)</u>	-
Net cash used in financing activities		<u>(262,921)</u>	-
Net decrease in cash and cash equivalents held		(1,863,929)	(1,992,228)
Cash and cash equivalents at beginning of the financial period		8,834,705	12,266,962
Effect of movements in exchange rates on cash held		-	297
<b>Cash and cash equivalents at the end of the financial period</b>		<u><b>6,970,776</b></u>	<u><b>10,275,031</b></u>

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS for the half-year ended 31 December 2019

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### NOTE 1 - STATEMENT OF ACCOUNTING POLICIES

Icon Energy Ltd (the 'Company') is a company domiciled in Australia. The condensed consolidated interim financial statements of the Company as at and for the half-year ended 31 December 2019 comprise the Company and its controlled entities (together referred to as 'the Group').

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

The consolidated annual financial report of the Group as at and for the year ended 30 June 2019 is available upon request from the Company's registered office at 4 Miami Key, Broadbeach Waters, Gold Coast, QLD, 4218 or at [www.iconenergy.com](http://www.iconenergy.com).

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

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

It is recommended that these financial statements be read in conjunction with the annual financial report for the year ended 30 June 2019 and any public announcements made by Icon Energy Limited during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001* and the ASX Listing Rules.

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

#### *Going Concern*

The consolidated financial statements have been prepared on a going concern basis which contemplates the realisation of assets and settlement of liabilities in the ordinary course of business.

The Group has cash of \$6,970,776 at 31 December 2019 and used \$1,863,929 of cash in operations, including payments for exploration and evaluation, for the half year ended 31 December 2019.

At 31 December 2019, the Group also has a restoration commitment which is estimated to cost less than the original provision of \$5,557,429 reported as at 30 June 2019. At 31 December 2019, the provision is recorded at \$2,684,656. The Group has signed a contract to carry out this work in the second quarter of the 2020 calendar year. The budgeted cost estimates will free up the balance of the provision in the accounts to meet the Group's administration expenses for the immediate future. The on-going operation of the Group beyond the 2019-2020 financial year is therefore dependent upon successfully conducting the rehabilitation work in ATP 855 in line with the revised budget.

Furthermore, as at 31 December 2019 the Group has not secured a joint venturer for ATP 594 or ATP 855, raised additional funding for the work or negotiated with the DNRME for a further extension of time or negotiated a partial relinquishment offset against work programs which have been completed.

These conditions give rise to a material uncertainty that may cast significant doubt upon the Group's ability to continue as a going concern.

The ongoing operation of the Group is therefore dependent upon the Group raising additional funding from shareholders, joint venture partners or other parties.

The directors have prepared cash flow projections that support the ability of the Group to continue as a going concern. These cash flow projections assume the Group obtains sufficient additional funding from joint venture partners or other parties, complete the rehabilitation work within the amount of the recorded provision and are also able to reduce administrative expenditures significantly.

In the event that the Group does not obtain additional funding and/or reduce expenditure in-line with available funding, it may not be able to continue its operations as a going concern and therefore may not be able to realise its assets and extinguish its liabilities in the ordinary course of operations and at the amounts stated in the condensed consolidated interim financial statements.

The condensed consolidated interim financial statements were authorised for issue by the directors on the 18 February 2020.

#### *New, revised or amending Accounting Standards and Interpretations adopted*

The Group has initially adopted AASB 16 Leases from 1 July 2019. In accordance with the transition provisions in AASB 16 the new rules have been adopted retrospectively with the cumulative effect of initially applying the new standard on 1 July 2019. Comparatives for the 2019 financial year have not been restated and continue to be reported under AASB 117. The new policy is described in note 6 and the impact of the change in note 12.

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

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
 for the half-year ended 31 December 2019

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

*Basis of preparation*

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

**(a) Leases**

As explained above, the Group has changed its accounting policy for leases. The new policy is described in note 6 and the impact of the change in note 12.

Until 30 June 2019, leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership were classified as finance leases. Other leases were classified as operating leases.

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

A sale and leaseback transaction is one where the Group sells an asset and immediately reacquires the use of the asset by entering into a lease with the buyer.

For sale and finance leasebacks, any profit from the sale was deferred and amortised over the lease term. For sale and operating leasebacks, generally the assets were sold at fair value, and accordingly the profit or loss from the sale was recognised immediately in profit or loss.

**NOTE 2 - ESTIMATES**

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

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the accounting policies of the Group and the key sources of estimation uncertainty were the same as those that applied in the consolidated annual financial report for the year ended 30 June 2019.

**NOTE 3 - RELATED PARTY TRANSACTIONS**

**Transactions with Directors and Director Related Entities**

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

<b>CONSOLIDATED ENTITY</b>	
31 December 2019	31 December 2018
\$	\$
<b>12,192</b>	<b>935</b>

There were no amounts outstanding as at 31 December 2019 (31 December 2018: Nil)

**NOTE 4 - LOSS FROM OPERATING ACTIVITIES**

Loss from operating activities before income tax includes:

**a. Employee benefits and expenses**

During the period, an amount of \$379,111 was paid as redundancies to employees, out of that an amount of \$233,473 was paid to Dr Jih.

**b. Profit/(Loss) on sale of current assets**

Proceeds on disposal of inventories	375,490	33,650
Written down value of inventories sold	<b>(344,305)</b>	<b>(147,696)</b>
Net loss on sale of inventories	<b>31,185</b>	<b>(114,046)</b>

**c. Profit on sale of property, plant & equipment**

Proceeds on disposal of property, plant and equipment	45,600	-
Written down value of property, plant and equipment	<b>(23,947)</b>	-
	<b>21,653</b>	-

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
 for the half-year ended 31 December 2019

**NOTE 5 - EXPLORATION AND EVALUATION EXPENDITURE**

	31 December 2019 \$	30 June 2019 \$
Exploration and Evaluation Expenditure at cost	7,561,157	32,861,255
Additions	7,406	609,696
Less: impairment	(1,223)	(25,909,794)
Less: decrease in the restoration asset	(2,872,773)	-
	<b>4,694,568</b>	<b>7,561,157</b>

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

During the half-year ended 31 December 2019 the Group assessed its exploration and evaluation expenditure assets for impairment and recorded impairment of \$1,223.

The restoration provision was reviewed at the end of 30 June 2019 and reduced at 31 December 2019 due to a plan to do this work which was estimated to cost less than the restoration provision as at 30 June 2019. Therefore, the corresponding asset was reduced by \$2,872,773 as well.

Despite the extension of the term of ATP 594 for a further two years during the year ended 30 June 2019, the Group decided not to budget for exploration of this tenement in 2020. As a result, this exploration asset has been fully impaired as at 30 June 2019, in order to comply with AASB 6 *Exploration for and Evaluation of Mineral Resources*.

In addition, as at 30 June 2019, to comply with AASB 6, exploration expenditure for ATP 855 was impaired to the value of \$5.9m. The value was prepared by an independent valuer on the basis of farm-in promotion factor taking into consideration that the Group is currently in the process of attempting to farm down ATP 855.

The impairment does not affect the potential prospectivity of the tenements themselves and does not affect the existing resource certification. The Group continues to seek funding and/or joint venturers to continue work on the tenements.

**NOTE 6 - LEASES**

This note provides information for leases where the group is a lessee.

*The consolidated interim statement of financial position shows the following amounts relating to leases:*

	31 December 2019 \$	30 June 2019 \$
<b>Right-of-use assets</b>		
Building	620,716	-
	<b>620,716</b>	-
<b>Lease liabilities</b>		
Current	500,695	-
Non-current	130,703	-
	<b>631,398</b>	-

In the previous period, the group did not recognise lease assets and lease liabilities under AASB 117 *Leases*. For adjustments recognised on adoption of AASB 16 on 1 July 2019, please refer to note 12.

*The consolidated interim statement of profit or loss shows the following amounts relating to leases:*

**Depreciation charge of right-of-use assets (included in depreciation expenses)**

Building	248,286	-
	<b>248,286</b>	-

Interest expense (included in finance cost)	25,317	-
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The total cash outflow for leases was \$262,921 as at 31 December 2019.

The group leases its head office building. The lease contract is for 3 years from the start of the contract in March 2018 with an extension option. The lease liability has been calculated assuming the lease will not be extended after the end of the 3 year period. The lease payments are adjusted every year, based on the change in the consumer price index in the preceding year.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
 for the half-year ended 31 December 2019

**NOTE 6 - LEASES (Continued)**

Until 30 June 2019, leases of property, plant and equipment where the company, as lessee, has substantially all the risks and rewards of ownership were classified as finance leases. Other leases were classified as operating leases. From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the lessee's incremental borrowing rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short term leases and leases of low value assets are recognised in profit and loss on a straight-line basis with a lease term of 12 months or less.

**NOTE 7 - PROVISIONS**

*Restoration provision*

Restoration provision represents the present value of estimated costs for future restoration of land explored by the Group 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.

Management bases its judgements, estimates and assumptions on historical and on other various factors including expectations of future events, management believes to be reasonable under the circumstances.

*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:

<b>Consolidated Entity</b>	<b>CONSOLIDATED ENTITY</b>	
	<b>31 December 2019</b>	<b>30 June 2019</b>
<b>Current</b>	<b>\$</b>	<b>\$</b>
<b>Balance at beginning of the year</b>	<b>5,557,429</b>	<b>5,308,867</b>
Charged to profit or loss:		-
- unwinding of discount	-	76,615
Increase/(decrease) in the restoration	<b>(2,872,773)</b>	<b>171,947</b>
<b>Balance at end of the year</b>	<b>2,684,656</b>	<b>5,557,429</b>

The restoration provision was reviewed at the end of 30 June 2019 and it was decided by the Board that the restoration works of the well sites be carried out in the year before 30 June 2020 whereas the initial plan was to perform this work in 20 years.

The Group has designed a plan to do this work which is estimated to cost less than the restoration provision as at 30 June 2019. The Group has signed a contract to carry out this work in the second quarter of the 2020 calendar year.

After the restoration work is completed, the restoration provision will not be required and will be reduced to nil.



**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
 for the half-year ended 31 December 2019

**NOTE 8 - ISSUED CAPITAL**

*Share Capital*

Issued shares of 597,556,938 fully paid, no par value ordinary shares, amounted to \$101,984,750 (30 June 2019: 597,556,938, amounted to \$101,984,750).

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

**NOTE 9 - CONTINGENT LIABILITIES**

There were no contingent liabilities as at 31 December 2019 (30 June 2019: nil)

**NOTE 10 - OPERATING SEGMENTS**

The consolidated entity operates in one operating segment being the oil exploration and petroleum sector, predominantly within Queensland. The majority of its exploration activities are conducted in the Cooper/Eromanga and Surat Basins in Australia. Icon's Board of Directors review internal management reports on at least a monthly basis.

**INFORMATION ABOUT GEOGRAPHICAL AREAS**

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

	Australia		USA		CONSOLIDATED	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018
	\$	\$	\$	\$	\$	\$
<b>REVENUE</b>						
Interest Received	71,235	120,538	-	-	71,235	120,538
Other Income	25,647	1,800	-	-	25,647	1,800
Total revenue	96,882	122,338	-	-	96,882	122,338
<b>RESULTS</b>						
Segment net operating loss after tax	(1,784,853)	(1,876,101)	-	-	(1,784,853)	(1,876,101)
Interest expense	25,317	35,236	-	-	25,317	35,236
Profit/(Loss) on sale of current assets	20,999	(114,046)	-	-	20,999	(114,046)
Segment Assets	13,573,695	47,170,680	-	11,532	13,573,695	47,182,212
Segment Liabilities	3,714,140	6,054,281	-	-	3,714,140	6,054,281
<b>OTHER</b>						
Acquisition of non-current segment assets	754	9,281	-	-	754	9,281
Depreciation and amortisation	256,571	11,229	-	-	256,571	11,229

\* as at 30 June 2019

**NOTE 11 - EVENTS AFTER BALANCE SHEET DATE**

Subsequent to the end of reporting period, the Group surrendered its current lease contract and is in the process of signing a new one. There were no other significant events after the balance sheet date.

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
for the half-year ended 31 December 2019

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**NOTE 12 - CHANGES IN ACCOUNTING POLICIES**

This note explains the impact of the adoption of *AASB 16 Leases* on the Group's financial statement.

As indicated in note 1 above, the Group has adopted *AASB 16 Leases* retrospectively from 1 July 2019, but has not restated comparatives for the 31 December 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on 1 July 2019. The new accounting policies are disclosed in note 6.

On adoption of *AASB 16*, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of *AASB 117 Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of 30 June 2019. The lending rate applied to the lease liabilities was 6.97%.

In applying *AASB 16* for the first time, the group has used the following practical expedients permitted by the standard:

- accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

	<b>1 July 2019 \$</b>
<b>Operating lease commitments disclosed as at 30 June 2019</b>	<b>889,654</b>
Discounted using the Group's incremental borrowing rate of 6.97%	<b>825,182</b>
<b>Lease liability recognised as at 1 July 2019</b>	<b>825,182</b>
Of which are:	
Current lease liabilities	439,784
Non-current lease liabilities	385,398
	<b>825,182</b>

The associated rights-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 30 June 2019.

The change in accounting policy affected the following items in the statement of financial position on 1 July 2019:

- right-of-use assets – increase by \$869,002
- lease liabilities – increase by \$825,182
- there was no impact on retained earnings

## DIRECTORS' DECLARATION

The Directors of the Company declare that:

- 1) The financial statements and notes set out on pages 9 to 18 are in accordance with the *Corporations Act 2001*, including:
  - a) complying with Accounting Standard *AASB 134 Interim Financial Reporting*; and
  - b) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date.
- 2) In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

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

Raymond S James  
Director

Signed at Broadbeach, 18 February 2020

## Independent Auditor's Review Report

### To the Members of Icon Energy Limited

We have reviewed the accompanying half-year financial report of Icon Energy Limited (the Company), which comprises the condensed consolidated interim statement of financial position as at 31 December 2019, the condensed consolidated interim statement of profit or loss and other comprehensive income, condensed consolidated interim statement of changes in equity and condensed consolidated interim statement of cash flows for the half-year ended on that date, notes 1 to 12 comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Group comprising the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

### **Directors' Responsibility for the Half-Year Financial Report**

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Icon Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Independence**

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

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

*Liability limited by a scheme approved under Professional Standards Legislation.*

*The title 'Partner' conveys that the person is a senior member within their respective division and is among the group of persons who hold an equity interest (shareholder) in its parent entity, Findex Group Limited. The only professional service offering which is conducted by a partnership is the Crowe Australasia external audit division. All other professional services offered by Findex Group Limited are conducted by a privately owned organisation and/or its subsidiaries.*

*Findex (Aust) Pty Ltd, trading as Crowe Australasia is a member of Crowe Global, a Swiss Verein. Each member firm of Crowe Global is a separate and independent legal entity. Findex (Aust) Pty Ltd and its affiliates are not responsible or liable for any acts or omissions of Crowe Global or any other member of Crowe Global. Crowe Global does not render any professional services and does not have an ownership or partnership interest in Findex (Aust) Pty Ltd. Services are provided by Crowe Brisbane, an affiliate of Findex (Aust) Pty Ltd.*

### **Material Uncertainty Regarding Continuation as a Going Concern**

Without modifying our conclusion, we draw attention to note 1, "Going Concern", in the interim financial report. The conditions disclosed in note 1, including the need to raise additional funding from joint venture partners or other parties, indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and, therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the interim financial report.

### **Conclusion**

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

- (a) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



**Crowe Brisbane**



**Logan Meehan**  
Partner

Dated: 20<sup>th</sup> day of February 2020  
Brisbane