

---

4 Miami Key  
PO Box 2004  
Broadbeach  
Queensland 4218 AUSTRALIA

Ph: 61+ 07 5554 7111  
Fax: 61+ 07 5554 7100  
Email: [info@iconenergy.com](mailto:info@iconenergy.com)  
Web: [www.iconenergy.com](http://www.iconenergy.com)

---

31 August 2011

The Manager  
Company Announcements Office  
Australian Securities Exchange Limited  
20 Bridge Street  
SYDNEY NSW 2000

Dear Sir

#### **FULL YEAR ACCOUNTS**

Icon Energy Limited submits its Financial Statements for the full year ended 30 June 2011 (**Statement**) which includes the Directors' Report, Independent Auditor's Review Report and declarations referred to in the Statement.

Yours faithfully

Ray James  
Managing Director  
Icon Energy Limited  
Telephone: (+617) 5554 7111  
Facsimile: (+617) 5554 7100  
Email: [info@iconenergy.com](mailto:info@iconenergy.com) or visit [www.iconenergy.com](http://www.iconenergy.com)

ICON ENERGY LIMITED and Controlled Entities

# Icon Energy Limited

ABN 61 058 454 569

## FULL YEAR ACCOUNTS

For the year ended  
30 June 2011

# Icon Energy Limited

ABN 61 058 454 569

## Full Year Accounts

### Table of Contents

Directors' Report	29
Lead Auditor's Independence Declaration	40
Independent Auditor's Review Report	41
Directors' Declaration	43
Consolidated Statement of Comprehensive Income	44
Consolidated Statement of Financial Position	45
Consolidated Statement of Changes in Equity	46
Consolidated Statement of Cash Flows	47
Notes to the Consolidated Financial Statements	48
Additional Shareholder Information	67

## DIRECTORS' REPORT

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") for the financial year ended 30 June 2011. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

### Directors

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

Name	Position	First appointed
Stephen Michael Barry	Non-Executive Chairman	Director since 05/01/1993
Derek James Murtagh Murphy	Non-Executive Director	Director since 20/03/2009
Keith Hillless AM	Non-Executive Director	Director since 03/04/2009
Howard Lu	Non-Executive Director	Director since 07/01/2011
Raymond Swinburn James	Managing Director	Director since 01/02/1993

### Principal Activities and Significant Changes in State of Affairs

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.

Significant changes in the state of affairs of the Group during the financial year ended 30 June 2011 are set out below:

- In August 2010, Stanwell Corporation Limited ("Stanwell") agreed to proceed with stage two of the Farmin for ATP 626P which involves up to a further \$30 million spend. Stanwell has now earned and been assigned a 50% working interest in the farmin area within ATP 626P, along with a 1% title interest in the whole of ATP 626P;
- Icon Energy successfully raised AUD\$5.9 million through Placement Agreements for the issue of 29,500,000 new securities at AUD\$0.20 per share in December 2010;
- There were changes to the composition of the Board with Mr Howard Lu's appointment on 7 January 2011;
- An LNG Sales Agreement for the sale of 40 million metric tonnes (2.3 trillion cubic feet) of LNG was signed with Shantou SinoEnergy on 29 March 2011; and
- Four exploratory wells were drilled in the ATP626P Lydia Block as of 30 June 2011.

### Dividends Paid or Recommended

The Directors recommend that no dividend be paid by the Company. No dividends have been declared or paid by the Company since the end of the previous financial year (30 June 2010: Nil).

### Operating Results

The loss of the consolidated entity after providing for income tax amounted to \$6,000,512 (30 June 2010: loss of \$3,588,341).

## DIRECTORS' REPORT (continued)

### Review of Operations and Results

#### Review of Principal Operations

The following is a list of active mining tenements held by Icon Energy and its subsidiaries at 30 June 2011.

		2011	2010
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	75.00%	75.00%
ATP 626P*	Surat	99.00%	100.00%
ATP 849P	Surat	80.00%	80.00%
ATP 855P**	Cooper Eromanga	40.00%	80.00%
PEL 218 Post Permian***	Cooper Eromanga	33.33%	33.33%
ATP 560 Ueleven	Cooper Eromanga	50.50%	50.50%
EPG 49	Cooper Eromanga	100.00%	100.00%
EPG 51	Cooper Eromanga	100.00%	100.00%
PEP 170	Gippsland	100.00%	-

\* On 16 August 2010 Stanwell agreed to proceed to Stage 2 of the Farmin Agreement covering Icon Energy's key coal seam gas tenement ATP 626P, committing up to a further \$30 million to exploration activities. Stanwell has now been assigned a 50% working interest in the farmin area within ATP 626P, along with a 1% title interest in the whole of ATP 626P.

\*\* On 24 March 2011 Beach Energy Limited ("Beach Energy") filed a claim in the Federal Court of Australia, against Icon Energy for an earlier proposed farmin to the tenement. The claim did not proceed to trial, and was settled by Icon Energy and Beach Energy on 15 July 2011. Under the terms of a Farmin Agreement executed on the same day, Icon Energy has now transferred a 40% interest in ATP855P to Beach Energy (subject to Ministerial approval). This agreement has been back dated to, and is therefore effective from 5 October 2010.

\*\*\* Subject to Ministerial approval to transfer a 40% interest in ATP855P from Icon Energy to Beach Energy.

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

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

#### ATP 626P

In the first half of 2011, Icon Energy drilled a further four exploration wells in ATP626P in the Surat Basin. The wells were funded by Stanwell under their Stage 2 investment phase. Stanwell's investment, executed through their wholly-owned subsidiary, Goondi Energy Pty Ltd, has enabled Stanwell to earn a 50% working interest in the farmin area of ATP626P.

Icon Energy is currently working on a detailed review of the results from the 22 coal seam gas exploration wells drilled in ATP626P since 2007. This work will identify the remaining prospective areas within the tenement.

By notice dated 30 June 2011, Icon Energy expanded the Joint Venture Area to the entire area comprising ATP626P. The expanded Joint Venture Area will be used to establish the Minimum Required Reserve under the Farmin Agreement.

#### PEL 218 Post Permian

Beach Energy has now agreed to effect the formal assignment of Icon Energy's Phase 2 Farmin Interest in the post Permian section of PEL218 upon Ministerial consent to the transfer of Beach Energy's 40% interest in ATP855P, following which Icon Energy will hold a 33.33% participating interest in the Post Permian Section of the tenement.

Beach Energy has also agreed to recommend Icon Energy to undertake the management of coal seam gas operations in the PEL 218 Post Permian joint venture. Upon its formal appointment, Icon Energy will be able to progress the nature, extent and operatorship of proposed further CSG operations in the Post Permian Section of PEL218.

Currently, an initial 4 core hole drilling programme is being considered to test the prospectivity and commerciality of the tenement.

## **DIRECTORS' REPORT (continued)**

### **ATP 794P**

Icon Energy has a 75% beneficial interest in Brightspot, and a 60% interest in Regleigh and Springfield. The tenement covers an area of 14,957 square kilometres and is located in the south-west Queensland portion of the Cooper/Eromanga Basin. Icon Energy is not engaged in a programme for this block at present. However, a seismic acquisition and drilling programme is proposed for future farmout development. The permit was granted for a 12 year term from 1 November 2005.

### **ATP 849P**

ATP 849P was granted on 1 September 2009. Icon Energy holds an 80% interest in this tenement which is located west of the Roma Township in the Surat Basin in Queensland. There is an environmental authority in place for this tenement. A cultural heritage agreement was reached between Icon and the Bidjara Traditional Owners in October 2009.

Icon Energy has gained the appropriate joint venture and State Government's approvals to conduct a 200km seismic program in ATP 849P during the latter half of 2011. Icon Energy estimates that the cost of the seismic acquisition and processing would be approximately \$1,500,000. These activities and costs, if approved, would be borne by the ATP 849P joint venturers in accordance with their respective participating interest shares.

### **ATP 594P**

Icon Energy has a 50% working interest in ATP 594P. The Australian Securities and Investments Commission ("ASIC") holds the other 50% interest in the permit as a result of the default of Triple J Resources Pty Ltd (Icon Energy's joint venture partner in the tenement). No work is planned for ATP 594P until ASIC/the joint venture partner addresses the default. Icon Energy is continuing to seek the transfer of Triple J Resources Pty Ltd's interest in the permit to the Company by ASIC.

### **ATP 855P**

ATP 855P was granted to Icon Energy by the Queensland Government on 5 October 2010. The tenement is located in the Queensland Nappamerri Trough and is a geological extension similar to that in the PEL 218 tenement.

Beach Energy and Icon Energy have resolved their dispute in relation to the prospective ATP855P tenement, and have agreed to work together under a Farmin Agreement executed on 15 July 2011.

Under the terms of the Farmin Agreement:

- a) The Federal Court proceedings between Beach Energy and Icon Energy were discontinued;
- b) Icon transferred a 40% interest in ATP 855P to Beach Energy (subject to Ministerial approval). This agreement has been back dated to, and is therefore effective from 5 October 2010;
- c) Beach Energy will drill a horizontal pilot unconventional well into one of the strata comprising the Roseneath, Epsilon and Murteree sequence, then case and suspend the well, suitable for fracture stimulation, which is expected to occur within 30 days of rig release from the well;
- d) Beach Energy will fund Icon Energy's share of the farmin operations at an estimated cost of \$16 million (gross), with the exception of a \$1.75 million contribution to be made by Icon Energy;
- e) the cost of fracture stimulation, completing and flow testing the well will be paid by the joint venture parties in proportion to their participating interest shares;
- f) Beach Energy will be recommended by Icon Energy to be the operator of the ATP855P permit;
- g) Icon Energy will be recommended by Beach Energy to undertake the management of coal seam gas operations in both ATP 855P and PEL 218 Post Permian joint ventures; and
- h) Beach Energy will effect the assignment of Icon Energy's Phase 2 Post Permian PEL 218 interest upon Ministerial consent to the transfer of a 40% interest to Beach Energy in ATP855P, giving Icon Energy a 33.333% interest in the PEL218 Post Permian Joint Venture.

The interests of the parties in ATP855P following the resolution of this dispute are Beach Energy 40%, Icon Energy 40%, Deka Resources Pty Ltd 10% and Well Traced Pty Ltd 10%. Both Deka Resources Pty Ltd and Well Traced Pty Ltd are wholly owned subsidiaries of Adelaide Energy Limited.

Beach Energy and Icon Energy are pleased with this agreement, and look forward to working closely together with each other and the other ATP855P participants to develop the exciting prospects offered in the emerging shale gas play in the Nappamerri Trough in southwest Queensland.

The (independent) US Energy Information Administration's (EIA's) World Shale Gas Resources Report (EIA Report) published on 5 April 2011 significantly raises the potential gas in place in the ATP855P tenement. The EIA Report's "Initial Assessment of 14 Regions Outside the United States" has placed the Shale Gas resource potential in the Cooper Basin as a whole at 342TCF (trillion cubic feet) of gas (Risky GIP), with the recoverable equivalent at some 85TCF.

### **EPG 49 and EPG 51**

EPG 49 and EPG 51 overlie the ATP 855P tenement, which is located on the eastern side of the Queensland/South Australia border. Icon Energy holds a 100% participating interest in both EPG 49 and EPG 51.

On 29 June 2011 Mining Minister Stirling Hinchcliffe announced that the Queensland Government would release 9 drilling grants worth \$1.17 million. The Queensland Government approved grants for 8 companies as part of the Round 6 Collaborative Drilling initiative. Icon Energy was one of the successful applicants. Icon Energy has accepted the offer and welcomes the support from the State of Queensland.

Icon Energy's planned geothermal drilling programme is designed to test a new proof of concept geothermal plant design which has the potential of significantly increasing thermal/electrical conversion efficiency and power output over current geothermal plant technology.

## **DIRECTORS' REPORT (continued)**

It is anticipated that The University of Queensland Geothermal Centre of Excellence ("Centre") will be requested to complete the simulation work on the new plant design over the coming months. The Company recently signed a Memorandum Of Understanding with the Centre as a prelude to this research and development work.

### **PEP 170**

Icon Energy was granted tenement PEP 170 in Victoria's Gippsland Basin in September 2010. Icon Energy holds a 100% participating interest in the PEP 170 tenement, which is situated south of the 'Wombat' discovery that was drilled in the past two years.

On 21 April 2011, Icon Energy submitted an Operation Plan for PEP170 to the Victorian Department of Primary Industries ("DPI") as required by the *Petroleum Act 1998 (Vic)*.

The Operation Plan:

- (a) identifies the risks that Icon Energy's proposed operation may post to the environment, to any member of the public, land or property in the vicinity of the proposed operation and to any petroleum, source of petroleum or reservoir that the proposed operation might affect;
- (b) specifies what Icon Energy will do to eliminate or minimize those risks;
- (c) specifies what Icon Energy will do to rehabilitate the land that will be affected by the proposed operation;
- (d) seeks permission to conduct drill stem testing operations; and
- (e) sets out any other matters required by the *Petroleum Act 1998 (Vic)*.

Icon Energy is waiting on approval from the DPI before it can commence operations in PEP170.

### **ATP 549P West**

ATP 549P West is located outside the boundaries of the Cooper Basin in Queensland, near the Queensland/South Australia border. The tenement covers an area of 3,854 km<sup>2</sup>. Icon Energy holds a 33.33% working interest in the west block of the tenement. The tenement is north of the Cook Oil Field. The Company's initial assessment is that the area is potentially prospective for oil and gas and is currently in the process of considering the forward programme and budget with its joint venture partners.

## **Projects**

### **China LNG Project**

Since signing the LNG Sales Agreement with Shantou Sino Energy on 29 March 2011, the Company has been continuing to advance business and strategic initiatives to secure the necessary reserves required to meet that contract.

In early August 2011, a Chinese delegation consisting of representatives from Shantou Sino Energy, China Guodian Corporation and the Chinese Government visited Icon Energy's offices to discuss and further progress the LNG Sales Agreement.

### **Domestic / Micro LNG Project**

After further analysis, the Company has decided not to pursue the Domestic / Micro LNG Project at this point in time. Should subsequent opportunities develop, then the Company may consider returning to this commercialisation project.

## **DIRECTORS' REPORT (continued)**

### **Financial Position**

The net loss after tax for the Company and its controlled entities for the financial year ended 30 June 2011 was \$6,000,512 (30 June 2010: \$3,588,341).

The Company has expanded its operations with an increase in the executive and operational staff to facilitate the development of ATP 626P. Executive staff are employed on a contractual basis. The outlook for 2011 sees the Company in a strong financial position. The cash and cash equivalents balance at 30 June 2011 was \$16,378,909 (30 June 2010: \$14,042,420).

### **Environmental Regulation**

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

### **Capital Raising**

In December 2010, Icon Energy raised additional capital through private placements. These placements successfully raised \$5,900,000 which is applied to funding Icon Energy's on-going administrative and operational expenses.

### **Information on Directors**

#### **STEPHEN MICHAEL BARRY (CHAIRMAN)**

---

**Qualifications:** LLB University of Sydney, FAICD

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

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

**Interest in Shares** 1,600,866 ordinary shares (Note 5)

**Director:** Since 05/01/1993

#### **RAYMOND SWINBURN JAMES (MANAGING DIRECTOR)**

---

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

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

**Interest in Shares** 21,143,925 ordinary shares (Note 5)

**Director:** Since 01/02/1993

#### **KEITH HILLESS**

---

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

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

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

**Interest in Shares** 24,000 ordinary shares (Note 5)

**Director:** Since 03/04/2009



## DIRECTORS' REPORT (continued)

### DEREK JAMES MURTAGH MURPHY

---

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

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

He was admitted as a Barrister of the Supreme Court of Queensland and the Federal and High Courts of Australia. Before practicing as a Barrister in Brisbane for some years, he was the Queensland partner of ABS White and Company, a Sydney based stock broking firm. During a career spanning 20 years in Hong Kong, he was a Crown Counsel; Deputy Commissioner for Securities and Commodities Trading, Managing Director of what is now HSBC Asset Management, and Group Vice President, Corporate Communications, of First Pacific Company Limited, a publicly listed conglomerate with interests in telecommunications, food, property and health care.

Derek is a Non-Executive Director of Hayco Manufacturing Limited, a large manufacturing Company in Hong Kong and China, and a Director of Mt Warning Pty Ltd, a corporate trustee company representing Japanese interests. He is Chairman of the Board of the Clean Jones Research Centre at Bond University and a Member of the Gold Coast Campus Advisory Committee 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.

**Special Duties:** Derek is a member of the Remuneration, Nominations and Succession Committee and of the Audit and Risk Management Committee.

**Interest in Shares** 100,000 ordinary shares (Note 5)

**Director:** Since 20/03/2009

### HOWARD LU

---

**Experience:** Mr Howard was appointed to the Board on 7 January 2011 as a non-executive Director of Icon Energy Limited. Mr Lu 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, Mr Lu expanded SZS's business in China and has established four factories in Suzhou, Shenzhen and Ningbo. Mr Lu has managed all SZS business operations in China since 2001 and now SZS has a market capital of approximately AUD 373,824,000.

Mr Lu has extensive business interests in China and elsewhere overseas. He is extremely well connected with Chinese energy and resources companies, including LNG importers. Mr Lu also maintains a residence in Brisbane, Queensland, and is an Australian citizen. Howard Lu is Icon Energy's third largest shareholder, holding 16,000,000 fully paid ordinary shares in the Company, as a result of a recent placement.

**Interest in Shares** 16,000,000 ordinary shares (Note 5)

**Director:** Since 07/01/2011

### Information on Company Secretary

#### WESLEY GLANVILLE

---

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

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

**Appointed:** 11/08/2010

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT- AUDITED

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

A performance evaluation of senior executives has taken place in the reporting period in accordance with the procedures set out in the Remuneration, Nominations and Succession Committee Charter.

Accordingly, the Board established the Icon Energy Limited Performance Rights Plan ("Plan"). Under the Plan, the Company will be able to grant appropriately structured short, medium and long-term incentives to employees (including Executive Directors) in addition to their fixed remuneration. The Plan was presented and approved by shareholders at the Annual General Meeting held on 22 April 2010. No rights have been issued during this year. Furthermore, no bonuses have been paid to employees except in the case of proven exceptional personal performance by an employee. No bonuses have been paid to Directors. There has also not been an increase in the amount of the Directors' Fees payable to non-executive Directors.

#### Remuneration Philosophy

Remuneration is to consist of:

- Total Remuneration (TR) = Fixed Remuneration (FR) + Short term Incentive (STI) + Long term Incentive (LTI)
- STI and LTI are the 'at-risk' portions of remuneration.
- STI is payable in a combination of cash (30%) and equity (70%) and reflects the achievement of a number of short term goals established on an annual basis, which includes the Group's financial performance and individual performance.
- LTI is delivered in an equity award(s) which may vest upon the satisfaction of performance conditions/key performance drivers which underpin long term sustainable growth for the Company.

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

The target total reward mix has been set following an independent review by CIQ – Career Intelligence of the Company's remuneration arrangements, which have been set by reference to the aspirational category of ASX listed entities with a market capitalisation of \$300 million+.

	Fixed	At-Risk	
	FR %	STI % of FR	LTI % of FR
Managing Director	100	50	50
Executive	100	40	40
Senior Management	100	30	20
Others	100	10	-

#### Fixed Remuneration

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

#### Service Agreements

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

A service agreement exists for the Managing Director (Mr Raymond James), the Chief Financial Officer (Dr Kevin Jih), the Chief Operating Officer (Mr Larry Brown) and the Exploration Manager (Mr Robert King). The General Counsel and Company Secretary (Mr Wesley Glanville) is paid for legal and company secretarial services as an independent contractor under the terms of a consultancy services agreement, the terms of which have been commercially negotiated and which are confidential and have been approved by the Board.

Mr James has a service agreement with the Company for a period of five years, effective from 1 January 2007 which sets out the duties and obligations of Mr James. Dr Jih has a service agreement with the Company for a period of five years, effective from 11 August 2010 which sets out the duties and obligations of Dr Jih.

Mr James' contract provides that the agreements may be terminated by either party providing up to six months notice. The Company may make a payment in lieu of notice of six months remuneration equal to the base amount prescribed in the service agreement. In addition, accrued statutory benefits and superannuation benefits are payable. Should the Company be taken over and the contract terminated within a six month period, an amount equal to two years base salary is payable. The contract is being currently reviewed.

## DIRECTORS' REPORT (continued)

Dr Jih's contract provides that the Company may terminate the agreement by providing twelve months' notice.

Mr Brown has a service agreement with the Company with no fixed term effective from 8 August 2008, but which provides that the Company may terminate the agreement by providing six months' notice.

Mr King has a service agreement with the Company with no fixed term effective from 7 September 2009, but which provides that the Company may terminate the agreement by providing one month's notice.

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

### Non-executive Directors

Non-executive Directors' base fees approved by the shareholders at the Annual General Meeting held on 29 November 2010 are not to exceed \$500,000 per annum unless further approval is obtained.

Non-executive Directors' base fees for the year ended 30 June 2011 were \$263,329 (6 months to 30 June 2010: \$114,675). A new non-executive director, Howard Lu, was appointed on 7 January 2011. Non-executive Directors do not receive incentive based remuneration. There are no provisions for any retirement benefits other than statutory requirements.

### Directors and Key Management Personnel Remuneration

Year ended 30 June 2011	Short Term			Other Benefits (iii) \$	Post- employe nt Super- annuation \$	Long-term Employee Benefits (iv) \$	Terminat ion benefits \$	Share- based Payment Shares and Units \$	Total \$	Portion of Remuneration Based on Performance %
	Salaries & Fees (i) \$	Cash Bonus (ii) \$	Non- monetary Benefits							
<b>Directors</b>										
Stephen Barry	89,675	-	-	-	8,071	-	-	-	97,746	-
Keith Hillless	32,500	-	-	-	43,800	-	-	-	76,300	-
Derek Murphy	70,000	-	-	-	6,300	-	-	-	76,300	-
Howard Lu (Appointed 7/01/2011)	33,654	-	-	-	3,029	-	-	-	36,683	-
Ray James	474,043	-	-	37,280	42,664	13,124	-	-	567,111	-
<b>Senior Management</b>										
Ray McNamara (Resigned 10/8/2010)	62,568	-	8,022	-	5,631	-	169,676	-	245,897	-
John Quayle (Resigned 23/12/2010)	155,480	21,651	-	10,000	48,595	-	135,688	-	371,414	6%
Kevin Jih (Appointed 11/08/2010)	298,440	20,000	10,859	-	28,054	507	-	-	357,860	6%
Larry Brown	270,732	21,250	26,369	-	25,979	616	-	-	344,946	6%
Robert King	207,450	15,343	30,818	-	47,812	271	-	-	301,694	5%
	<b>1,694,542</b>	<b>78,244</b>	<b>76,068</b>	<b>47,280</b>	<b>259,935</b>	<b>14,518</b>	<b>305,364</b>	<b>-</b>	<b>2,475,951</b>	

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

(ii) The cash bonuses paid out in December 2010 were for the period 1 July 2009 to 30 June 2010. The employee is bonus-eligible if he/she scores higher than a pre-determined level, and the size of the bonus paid depends on the percentage achieved on set goals and target performance levels within both corporate and individual perspective areas. The performance appraisals are reviewed by the head of department or manager and approved by the Board.

(iii) Other Benefits represent car allowance received during the year.

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

**DIRECTORS' REPORT (continued)**

6 months to 30 June 2010	Short Term				Post- employe nt	Long-term		Share- based Payment	Portion of Remuneration Based on Performance	
	Salaries & Fees (i)	Cash Bonus (ii)	Non- monetary Benefits	Other Benefits (iii)	Super- annuation	Employee Benefits (iv)	Terminat ion benefits	Shares and Units (v)	Total	%
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Directors</b>										
Stephen Barry	44,675	-	-	-	4,021	-	-	-	48,696	-
Keith Hillless	35,000	-	-	-	3,150	-	-	-	38,150	-
Derek Murphy	35,000	-	-	-	3,150	-	-	-	38,150	-
Ray James	228,243	-	15,532	12,720	20,542	6,562	-	-	283,599	-
<b>Senior Management</b>										
Ray McNamara (Resigned 10/8/2010)										
	218,062	-	4,393	-	19,489	950	-	-	242,894	-
John Quayle (Resigned 23/12/2010)										
	156,524	18000	-	15,000	15,539	783	-	56,105	261,951	21%
Larry Brown										
	125,841	15000	5,578	-	12,600	308	-	46,755	206,082	23%
Robert King										
	110,888	-	-	-	9,900	135	-	-	120,923	-
Kevin Jih (Appointed 11/08/2010)										
	100,538	9000	2,959	-	9,810	254	-	28,053	150,614	19%
	<b>1,054,771</b>	<b>42,000</b>	<b>28,462</b>	<b>27,720</b>	<b>98,201</b>	<b>8,992</b>	<b>-</b>	<b>130,913</b>	<b>1,391,059</b>	

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

(ii) The cash bonuses paid out in April 2010 were for 30 June 2009 financial year. Mr. James and Dr. McNamara did not receive any bonuses or pay increases since the last Annual General Meeting.

(iii) Other Benefits represent car allowance received during the year.

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

(v) Shares granted in June 2010 were the performance reward for June 2009 financial year which form part of the Company's "at risk" remuneration and are in line with the Company's current remuneration philosophy.

**Directors' and Senior Managements' Interests**

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

Directors	Ordinary shares No.	Options No.
SM Barry	1,600,866	-
RS James	21,143,925	-
DM Murphy	100,000	-
K Hillless	24,000	-
Howard Lu	16,000,000	-
<b>Senior Management</b>		
Kevin Jih (Chief Financial Officer)	133,585	-
Wesley Glanville (Company Secretary)	-	-
L Brown (Chief of Operations)	222,641	-
R King (Chief Geophysicist)	-	-

Movements in the Directors' shareholdings during the year are detailed in Note 5(c) to the accounts.

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

**Share Options**

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

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

**Options Held by Key Management Personnel**

**2011**

There were no options outstanding at 30 June 2011.

## DIRECTORS' REPORT (continued)

### 2010

There were no options outstanding at 30 June 2010.

### MEETINGS OF DIRECTORS

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

	Directors Meetings		Audit and Risk Management Committee Meetings		Remuneration Nominations, and Succession Committee Meetings	
	A	B	A	B	A	B
R S James	13	13	-	-	-	-
S M Barry	13	13	2	2	4	4
D Murphy	13	13	2	2	4	4
K Hillless	13	13	2	2	-	-
H Lu	6	6	-	-	-	-

A- Number of meetings attended.

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

### DIRECTORS AND AUDITORS INDEMNIFICATION

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

The Company has not paid any premiums in respect of any contract insuring the auditor against a liability incurred in the role as an auditor of the Company. In respect of non-audit services, Crowe Howarth, the Company's auditor, has the benefit of indemnity to the extent Crowe Howarth reasonably relies on information provided by the Company which is false, misleading or incomplete. No amount has been paid under this indemnity during the period ended 30 June 2011 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 \$30,728 (30 June 2010:\$14,652).

### Events After the Balance Date

On 15 July 2011, Icon Energy and Beach Energy resolved their dispute in relation to the prospective ATP855P tenement, and have agreed to work together under a Farmin Agreement. Under the terms of the agreement, the Federal Court proceedings will be discontinued. Icon Energy has now transferred a 40% interest in ATP855P to Beach Energy (subject to Ministerial approval). This agreement has been back dated to, and is therefore effective from 5 October 2010. Beach Energy will drill a horizontal pilot unconventional well into one of the strata comprising the Roseneath, Epsilon & Murteree sequence, then case and suspend the well, suitable for fracture stimulation, which is expected to occur within 30 days of rig release from the well. Beach Energy will fund Icon Energy's share of the farmin operations at an estimated cost of \$16 million (gross), with the exception of a \$1.75 million contribution to be made by Icon Energy. The cost of fracture stimulation, completing and flow testing the well will be paid by the Joint Venture parties in proportion to their Participating Interest shares. Beach Energy will be recommended by Icon Energy to be the operator of the ATP855P permit. Icon Energy will be recommended by Beach Energy to undertake the management of coal seam gas operations in both ATP855P and PEL218 Post Permian Joint Ventures and Beach Energy will effect the assignment of Icon Energy's Phase 2 Post Permian PEL218 interest upon Ministerial consent to the transfer of a 40% interest to Beach Energy in ATP855P, giving Icon Energy a 33.333% interest in the PEL218 Post Permian Joint Venture.

### Likely Future Developments

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

### Proceedings on Behalf of the Company

No person has applied 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' REPORT (continued)**

### **Non-audit Services**

Taxation services      \$59,118

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

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

### **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.

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

The lead auditor's independence declaration is set out on page 40 and forms part of the Directors' Report for the period ended 30 June 2011. 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.



S Barry  
Chairman  
31 August 2011



R S James  
Managing Director  
31 August 2011

## Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the directors of Icon Energy Ltd

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2011 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.

*Crowe Horwath Brisbane*

**Crowe Horwath Brisbane**

*Vanessa de Waal*

**Vanessa de Waal**  
**Partner**

Signed at Brisbane, 31 August 2011.

## Independent Auditor's Report

To the members of Icon Energy Limited

### Report on the Financial Report

We have audited the accompanying financial report of Icon Energy Limited, which comprises the consolidated statement of financial position as at 30 June 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year 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 is free from material misstatement, whether due to fraud or error.

In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *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 entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial 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*.



## **Auditor's Opinion**

### **Opinion**

In our opinion:

- (a) 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 2011 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 report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

### **Report on the Remuneration Report**

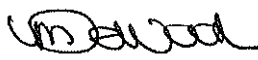
We have audited the Remuneration Report included on pages 35 to 37 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our 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 year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.



**Crowe Horwath Brisbane**



**Vanessa de Waal**  
**Partner**

Signed at Brisbane, 31 August 2011

---

4 Miami Key  
PO Box 2004  
Broadbeach Waters  
Queensland 4218 AUSTRALIA

Ph: 61+ 07 5554 7111  
Fax: 61+ 07 5554 7100  
Email: [info@iconenergy.com](mailto:info@iconenergy.com)  
Web: [www.iconenergy.com](http://www.iconenergy.com)

---

## DIRECTORS' DECLARATION

The Directors of the Company declare that:

- 1 The financial statements and notes, as set out on pages 44 to 66, are in accordance with the *Corporations Act 2001* and:
  - (a) comply with Accounting Standards; and
  - (b) give a true and fair view of the financial position as at 30 June 2011 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.



S Barry  
Chairman  
31 August 2011

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2011**

	NOTES	Year ended 30 June 2011 \$	6 months to 30 June 2010 \$
Revenue		-	-
Less: Cost of sales		-	-
Gross Profit/(Loss)		-	-
Other income	2	2,357,487	194,495
Administration expenses		(4,575,179)	(1,761,775)
Depreciation and amortisation expense		(344,416)	(164,031)
Employee benefits and expenses		(3,689,611)	(1,709,868)
Occupancy expenses		(416,670)	(86,135)
Profit/(Loss) on sale of non-current assets		(5,084)	(20,073)
Finance costs		(49,925)	(40,954)
<b>Profit/(Loss) before income tax</b>	3	<b>(6,723,398)</b>	<b>(3,588,341)</b>
Income tax benefit	4	<b>722,886</b>	-
<b>Profit/(Loss) for the period/year</b>		<b>(6,000,512)</b>	<b>(3,588,341)</b>
<b>Other comprehensive income</b>			
Exchange differences arising on translation of foreign operations		(6,362)	1,841
Other comprehensive income/(loss) for the period/year		(6,362)	1,841
<b>Total comprehensive income/(loss) for the period/year</b>		<b>(6,006,874)</b>	<b>(3,586,500)</b>
Profit/(Loss) for the period/year attributable to:			
Owners of the parent entity		(6,000,512)	(3,588,341)
Non-controlling interests		-	-
<b>Profit/(Loss) for the period/year</b>		<b>(6,000,512)</b>	<b>(3,588,341)</b>
Total comprehensive income/(loss) for the period/year attributable to:			
Owners of the parent entity		(6,006,874)	(3,586,500)
Non-controlling interests		-	-
<b>Total comprehensive income/(loss) for the period/year</b>		<b>(6,006,874)</b>	<b>(3,586,500)</b>
<b>Earnings per share</b>			
Basic earnings/(loss) per share (cents per share)	16	(1.32)	(0.82)
Diluted earnings/(loss) per share (cents per share)	16	(1.32)	(0.82)

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

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2011

	NOTES	30 June 2011 \$	30 June 2010 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	6	16,378,909	14,042,420
Trade and other receivables	7	210,886	230,822
Other financial assets	8	2,000,000	-
<b>TOTAL CURRENT ASSETS</b>		<b>18,589,795</b>	<b>14,273,242</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant, and equipment	9	6,028,366	6,231,882
Financial assets	8	572,500	572,500
Other non-current assets	10	15,251,019	17,943,777
<b>TOTAL NON-CURRENT ASSETS</b>		<b>21,851,885</b>	<b>24,748,159</b>
<b>TOTAL ASSETS</b>		<b>40,441,680</b>	<b>39,021,401</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	1,997,734	422,480
Short-term borrowings	12	151,373	208,715
Short-term provisions	13	636,175	444,230
<b>TOTAL CURRENT</b>		<b>2,785,282</b>	<b>1,075,425</b>
<b>NON-CURRENT LIABILITIES</b>			
Long-term borrowings	12	3,513,273	3,592,817
Long-term provisions	13	281,960	208,120
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>3,795,233</b>	<b>3,800,937</b>
<b>TOTAL LIABILITIES</b>		<b>6,580,515</b>	<b>4,876,362</b>
<b>NET ASSETS</b>		<b>33,861,165</b>	<b>34,145,039</b>
<b>EQUITY</b>			
Issued capital	14	70,463,292	64,740,292
Reserves	15	(2,243,032)	(2,236,670)
Accumulated losses		(34,359,094)	(28,358,583)
<b>TOTAL EQUITY</b>		<b>33,861,165</b>	<b>34,145,039</b>

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2011**

	Ordinary Share Capital \$	Foreign Exchange Reserve \$	Accumulated Losses \$	Total \$
<b>Balance 1 January 2010</b>	64,539,450	(2,238,511)	(24,770,242)	37,530,697
Total comprehensive income:				
Loss for the period	-	-	(3,588,341)	(3,588,341)
Other comprehensive income	-	1,841	-	1,841
<b>Total Comprehensive Income for the period</b>	-	1,841	(3,588,341)	(3,586,500)
<b>Transactions with owners in their capacity as owners:</b>				
Shares issued	200,842	-	-	200,842
Share issue costs	-	-	-	-
<b>Total transactions with owners</b>	200,842	-	-	200,842
<b>Balance at 30 June 2010 - attributable to owners of parent entity</b>	<b>64,740,292</b>	<b>(2,236,670)</b>	<b>(28,358,583)</b>	<b>34,145,039</b>
<b>Balance 1 July 2010</b>	64,740,292	(2,236,670)	(28,358,583)	34,145,039
Total comprehensive income:				
Loss for the year	-	-	(6,000,512)	(6,000,512)
Other comprehensive income	-	(6,362)	-	(6,362)
<b>Total Comprehensive Income for the year</b>	-	(6,362)	(6,000,512)	(6,006,874)
<b>Transactions with owners in their capacity as owners:</b>				
Shares issued	5,900,000	-	-	5,900,000
Share issue costs	(177,000)	-	-	(177,000)
<b>Total transactions with owners</b>	5,723,000	-	-	5,723,000
<b>Balance at 30 June 2011 - attributable to owners of parent entity</b>	<b>70,463,292</b>	<b>(2,243,032)</b>	<b>(34,359,095)</b>	<b>33,861,165</b>

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

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

	NOTES	Year ended	6 months to
		30 June	30 June
		2011	2010
		\$	\$
		Inflows	Inflows
		(Outflows)	(Outflows)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers		1,534,640	-
Cash payments to suppliers and employees		(7,597,131)	(2,719,409)
Interest received		814,256	194,495
Finance costs		(49,925)	(40,954)
Net Cash used in operating activities	17(a)	<b>(5,298,160)</b>	<b>(2,565,868)</b>
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>			
Investment in financial assets		(2,000,000)	-
Payments for property, plant & equipment		(183,708)	(188,875)
Payments for deferred mining and exploration		(3,096,871)	(6,605,513)
Proceeds from sale of non-current assets		117,500	25,000
Proceeds from joint venture contributions		7,291,389	-
Net Cash from/(used in) investment activities		<b>2,128,310</b>	<b>(6,769,388)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of share capital		5,900,000	-
Capital raising costs		(177,000)	-
Proceeds from borrowings raised		79,776	-
Repayment of borrowings		(296,437)	(42,384)
Net cash from/(used in) financing activities		<b>5,506,339</b>	<b>(42,384)</b>
Net increase/(decrease) in cash and cash equivalents held		<b>2,336,489</b>	<b>(9,377,640)</b>
Cash and cash equivalents at beginning of the financial year		<b>14,042,420</b>	<b>23,420,060</b>
Cash and cash equivalents at the end of the financial year	6	<b>16,378,909</b>	<b>14,042,420</b>

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

---

### 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 and financial liabilities for which the fair value basis of accounting is applied. All amounts are presented in Australian dollars, unless otherwise noted.

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 31 August 2011.

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

#### (a) Change of financial year-end

Pursuant to an order dated 18 June 2010, the Australian Securities and Investment Commission has granted Icon approval to change its financial year-end from 31 December to 30 June so as to align the balance dates of companies in the consolidated group to the year end for taxation purposes. The change is effective from 30 June 2010 and accordingly, these financial statements are for the 12 months ended 30 June 2011, with comparative information for the six months period ended 30 June 2010. The financial year end of all controlled entities has been changed to align with the change to the parent's year end.

#### (b) Changes in Accounting Policies

##### Standards and Interpretations adopted

No new and revised accounting standards have been adopted in these financial statements.

Following changes made to the *Corporations Act 2001* in June 2010, parent entity columns are no longer required in consolidated financial statements, instead financial information of the parent entity is disclosed by way of note in the annual financial statements. The key financial information of Icon Energy Limited as an individual parent entity is disclosed in the note 27.

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

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods. They are available for early adoption at 30 June 2011, 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 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*. AASB 2010-4 makes amendments to a number of pronouncements resulting from the IASB's 2008-2010 round of annual improvements. AASB 2010-4 applies to annual reporting periods beginning on or after 1 January 2011. The application of AASB 2010-4 will not have any material effect on amounts reported in the financial statements.
- AASB 9 *Financial Instruments* includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 is applicable to annual reporting periods beginning on or after 1 January 2013. The entity has not yet determined the potential effect of the standard.
- AASB 124 *Related Party Disclosures* simplifies and clarifies its intended meaning of the definition of a related party and provides partial exemption from the disclosure requirements for government-related entities. AASB 124 applies to annual reporting periods beginning on or after 1 January 2011. AASB 124 is a disclosure standard and will therefore have no impact on the entity's reported position and performance.

#### (c) Principles of Consolidation

A controlled entity is any entity controlled by Icon Energy Limited. Control exists where Icon Energy Limited has the power to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with Icon Energy Limited to achieve the objectives of Icon Energy Limited. A list of controlled entities is contained in Note 20 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

---

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

#### (d) Income Tax

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

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

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

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

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

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

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

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

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

#### Tax Consolidation

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

#### (e) Goods and Services Tax

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

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

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

---

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

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

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

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

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

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

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

#### (g) Leases

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

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

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

#### (h) Exploration, Evaluation and Development Expenditure

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

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

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

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

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

#### (i) Interests in Joint Ventures

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

#### (j) Trade Creditors

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

---

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

**(k) Cash and Cash Equivalents**

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

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

**(l) Provisions**

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

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.

**(m) Employee Benefits**

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

**(n) Revenue**

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

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

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

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

Royalty revenue is recognised as received.

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

**(o) 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.

**(p) Comparative Figures**

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

**(q) Financial Instruments**

**Recognition**

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

**Financial assets at fair value through profit and loss**

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

**Loans and receivables**

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

**Held-to-maturity investments**

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

---

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

#### **Available-for-sale financial assets**

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

#### **Financial liabilities**

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

#### **Fair value**

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

#### **Impairment**

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

#### **(r) 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, 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.

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

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

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

##### **Transactions and balances**

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

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

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

##### **Group companies**

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

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

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

#### **(t) Critical accounting estimates and judgments**

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

##### *Key estimates — Impairment*

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 2 - REVENUE

#### OTHER INCOME

	CONSOLIDATED ENTITY	
	Year ended 30 June 2011 \$	6 months to 30 June 2010 \$
Administration fees	1,119,256	-
Equipment rental	-	-
Recovery of drilling supervision costs	415,385	-
Interest received:		
- Financial Institutions	814,256	194,495
Other Income	8,590	-
<b>TOTAL REVENUE</b>	<b>2,357,487</b>	<b>194,495</b>

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

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

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

	CONSOLIDATED ENTITY	
	Year ended 30 June 2011 \$	6 months to 30 June 2010 \$
• Audit or review of financial report	85,550	65,342
• Taxation and consultancy fees	59,118	40,800
	<b>144,668</b>	<b>106,142</b>

Amounts set aside for provision for:

• Employee entitlements	32,000	63,000
-------------------------	--------	--------

Litigation settlement expense relating to the Beach Energy Limited dispute

	263,514	-
--	---------	---

Rental expense relating to operating leases

• Minimum lease payments	382,916	74,830
--------------------------	---------	--------

Foreign exchange (gains)/losses

	(10,443)	(3,359)
--	----------	---------

Superannuation Expense

	270,877	118,613
--	---------	---------

### NOTE 4 - INCOME TAX EXPENSE

Profit/(Loss) before tax expense

	CONSOLIDATED ENTITY	
	Year ended 30 June 2011 \$	6 months to 30 June 2010 \$
Profit/(Loss) before tax expense	(6,723,398)	(3,588,341)
Prima facie tax payable on Profit/(Loss) before income tax at 30% (2010: 30%)	(2,017,019)	(1,076,502)
Increase/(decrease) in income tax expense due to:		
Non Deductible Expenses	85,425	3,069
Permanent differences loan impairment	-	-
R&D Offset refund	722,886	-
Deferred tax benefits not brought to account	485,823	1,073,433
Income Tax Attributable to Profit/(loss) before tax	<b>(722,886)</b>	<b>-</b>

Prima facie tax payable on Profit/(Loss) before income tax at 30% (2010: 30%)

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

Non Deductible Expenses	85,425	3,069
Permanent differences loan impairment	-	-
R&D Offset refund	722,886	-
Deferred tax benefits not brought to account	485,823	1,073,433
Income Tax Attributable to Profit/(loss) before tax	<b>(722,886)</b>	<b>-</b>

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% (2010: 30%) for Australian companies and the effective tax rate of 6.47% for foreign controlled entities.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 4 - INCOME TAX EXPENSE (Continued)

	CONSOLIDATED ENTITY	
	Year ended 30 June 2011 \$	6 months to 30 June 2010 \$
<b>Tax losses</b>	<b>44,161,170</b>	<b>42,253,532</b>
Potential tax benefit	13,248,351	12,676,060
<b>Temporary differences</b>		
Other	1,107,615	1,370,829
Provisions	734,135	468,350
Potential tax benefit	552,525	551,754
Total deferred tax benefits not brought to account	<b>13,800,876</b>	<b>13,227,814</b>
<b>Deferred Tax Liabilities</b>		
Mining and exploration costs	14,794,686	17,562,259
Total deferred tax liabilities not brought to account	4,438,406	5,268,678
Total deferred tax assets not brought to account - net	<b>9,362,470</b>	<b>7,959,136</b>

### NOTE 5 - KEY MANAGEMENT PERSONNEL REMUNERATION

(a) Key management personnel compensation

• Short term employee benefits	1,896,134	1,152,953
• Other long term benefits	14,518	8,992
• Post employment benefits	259,935	98,201
• Termination benefits	-	-
• Equity compensation benefits	-	130,913
	<b>2,170,587</b>	<b>1,476,301</b>

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 2010 and there were no material contracts involving Directors' interests existing at year end.

(b) **Options**

There were no options held by Key Management Personnel during the period ended 30 June 2011 (30 June 2010: Nil).

(c) **Shareholdings**

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

2011	Employee Share Ownership			Options Exercised No	Sold No	Balance 30.06.2011 No
	Balance 1.07.2010 No	Plan No	Purchases No			
<b>Directors</b>						
Stephen Barry	1,600,866	-	-	-	-	1,600,866
Derek Murphy	100,000	-	-	-	-	100,000
Keith Hillless	24,000	-	-	-	-	24,000
Howard Lu (Appointed 7/01/2011)	-	-	16,000,000	-	-	16,000,000
Raymond James	21,143,925	-	-	-	-	21,143,925
<b>Senior Management</b>						
Raymond McNamara (Resigned 09/08/2010)	264,000	-	-	-	(117,000)	147,000
Kevin Jih (Appointed 11/08/2010)	133,585	-	-	-	-	133,585
Lawrence Brown	222,641	-	-	-	-	222,641
Robert King	-	-	-	-	-	-
John Quayle (Resigned 23/12/2010)	1,217,169	-	-	-	-	1,217,169
	<b>24,706,186</b>	<b>-</b>	<b>16,000,000</b>	<b>-</b>	<b>(117,000)</b>	<b>40,589,186</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

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

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

#### (d) Transactions with Directors and Director Related Entities

During the period ended 30 June 2010, Icon purchased a motor vehicle from a director related party, a person with which Raymond James is associated. The purchase was approved by the Company Secretary/Executive Director, Ray McNamara and was based on the estimated values of Carsales.com and Redbook that were between \$23,000 and \$25,000. Icon purchased the motor vehicle for \$22,000.

During the year, Icon Energy sold a motor vehicle to a director, Raymond James. The sale was approved by the board and was based on the estimated values of Carsales.com and Redbook that were between \$42,400 and \$47,600. Icon sold the motor vehicle for \$42,500.

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

### NOTE 6 - CASH AND CASH EQUIVALENTS

	CONSOLIDATED ENTITY	
	30 June 2011 \$	30 June 2010 \$
Cash on hand	666	666
Cash at Bank	16,378,243	14,041,754
	<b>16,378,909</b>	<b>14,042,420</b>
<b>Reconciliation of cash</b>		
Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to items in the Statement of Financial Position as follows:		
Cash and cash equivalents	16,378,909	14,042,420
Balance as per Statement of Cash Flows	<b>16,378,909</b>	<b>14,042,420</b>

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

Other receivables	210,886	230,822
	<b>210,886</b>	<b>230,822</b>

Other receivables are not past due and are not impaired at 30 June 2011. All amounts are expected to be received in less than 12 months.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 8 - FINANCIAL ASSETS

	CONSOLIDATED ENTITY	
	30 June 2011 \$	30 June 2010 \$
<b>Current</b>		
Investment - Term Deposit	2,000,000	-
	<b>2,000,000</b>	<b>-</b>
<b>Non Current</b>		
Available for sale financial asset:		
Mineral Interest in West Baton Rouge Parish, Louisiana, USA, at fair value	572,500	572,500
	<b>572,500</b>	<b>572,500</b>

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

	CONSOLIDATED ENTITY	
	30 June 2011 \$	30 June 2010 \$
Plant and Equipment - at cost	1,265,358	1,223,199
less: accumulated depreciation	(620,407)	(478,140)
	<b>644,951</b>	<b>745,059</b>
Building - at cost	2,172,934	2,172,934
less: accumulated depreciation	(84,054)	(30,836)
	<b>2,088,880</b>	<b>2,142,098</b>
Fixtures and Fittings - at cost	996,244	958,250
less: accumulated depreciation	(141,709)	(53,525)
	<b>854,535</b>	<b>904,725</b>
Land at cost	2,440,000	2,440,000
	<b>6,028,366</b>	<b>6,231,882</b>
Plant and Equipment - under lease	154,571	154,571
less: accumulated amortisation	(154,571)	(154,571)
	<b>-</b>	<b>-</b>
Total property, plant and equipment at written down value	<b>6,028,366</b>	<b>6,231,882</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 January 2010</b>	625,490	2,169,213	938,733	2,440,000	6,173,436
Additions	254,300	-	13,250	-	267,550
Disposals	(45,073)	-	-	-	(45,073)
Depreciation	(89,658)	(27,115)	(47,258)	-	(164,031)
<b>Balance at 30 June 2010</b>	<b>745,059</b>	<b>2,142,098</b>	<b>904,725</b>	<b>2,440,000</b>	<b>6,231,882</b>
<b>Balance at 1 July 2010</b>	745,059	2,142,098	904,725	2,440,000	6,231,882
Additions	225,490	-	37,994	-	263,484
Disposals	(122,584)	-	-	-	(122,584)
Depreciation	(203,014)	(53,218)	(88,184)	-	(344,416)
<b>Balance at 30 June 2011</b>	<b>644,951</b>	<b>2,088,880</b>	<b>854,535</b>	<b>2,440,000</b>	<b>6,028,366</b>

A charge exists over nine items of plant and equipment as part of a hire purchase finance arrangements. The written down value of these assets was \$259,895 as at 30 June 2011 (30 June 2010: \$360,942). A commercial property comprising land and buildings is subject to a registered security over the bank loan referred to in Note 12. The book value of the property was \$4,528,880 as at 30 June 2011 (30 June 2010: \$4,582,098).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 10 - OTHER NON-CURRENT ASSETS

	CONSOLIDATED ENTITY	
	30 June 2011	30 June 2010
	\$	\$
Exploration and Evaluation Expenditure at cost	28,445,671	23,870,257
Less: Impairment	-	-
Less: Joint Venture Contributions Applied	(13,415,389)	(6,124,000)
	15,030,282	17,746,257
Performance guarantee bonds	220,737	197,520
	<b>15,251,019</b>	<b>17,943,777</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.

### NOTE 11 - TRADE AND OTHER PAYABLES

#### Current

	CONSOLIDATED ENTITY	
	30 June 2011	30 June 2010
	\$	\$
Trade and sundry payables	1,997,734	422,480
	<b>1,997,734</b>	<b>422,480</b>

### NOTE 12 - BORROWINGS

#### Secured

##### Current

	CONSOLIDATED ENTITY	
	30 June 2011	30 June 2010
	\$	\$
Hire purchase liabilities	151,373	208,715
	<b>151,373</b>	<b>208,715</b>

##### Non Current

Hire purchase liabilities	113,273	192,817
Bank loan	3,400,000	3,400,000
	<b>3,513,273</b>	<b>3,592,817</b>
	<b>3,664,646</b>	<b>3,801,532</b>

The hire purchase liabilities are secured by motor vehicles with a written down value of \$259,895 as at 30 June 2011 (30 June 2010: \$360,942) and are subject to interest rates between 7.95% and 13.29% and are repayable in monthly instalments of \$10,440 including finance charges.

The bank loan is secured by commercial property with a written down value of \$4,528,880 as at 30 June 2011 (30 June 2010: \$4,582,098) and is subject to interest rate of 7.03%.

### NOTE 13 - PROVISIONS

#### Current

	CONSOLIDATED ENTITY	
	30 June 2011	30 June 2010
	\$	\$
Employee entitlements	481,231	444,230
Onerous lease*	154,944	-
	<b>636,175</b>	<b>444,230</b>

#### Non Current

Employee entitlements	19,120	24,120
Onerous lease*	78,840	-
Restoration provision	184,000	184,000
	<b>281,960</b>	<b>208,120</b>
	<b>918,135</b>	<b>652,350</b>

Number of employees at year end	22	21
---------------------------------	----	----

\* Onerous lease provision is recognised as no expected lease rental receipts and no tenants have yet been found for the premises in Robina. The estimated rental expenses are for approximately \$10,000 per month plus operating costs of approximately \$4,000 per month for the period up to the expiry of the head-lease (ie to 14 December 2012). The provision is included in the Statement of Financial Position for a total of \$233,784.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 14 - ISSUED CAPITAL

#### Share Capital

Issued share capital 469,301,394 (30 June 2010: 439,801,394) fully paid, no par value ordinary shares.

	30 JUNE 2011		30 JUNE 2010	
	Number of shares	\$	Number of shares	\$
<b>Fully Paid Shares</b>				
Balance at beginning of the year	439,801,394	64,740,292	438,845,003	64,539,450
Shares issued:				
• June 2010 - Shares issued under Employee Share Ownership Plan	-	-	956,391	200,842
• December 2010 - Shares issued for cash	29,500,000	5,900,000	-	-
• Capital Raising Costs	-	(177,000)	-	-
Balance at the end of the year	<b>469,301,394</b>	<b>70,463,292</b>	<b>439,801,394</b>	<b>64,740,292</b>

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

### NOTE 15 - FOREIGN CURRENCY TRANSLATION RESERVE

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

### NOTE 16 - EARNINGS PER SHARE

	CONSOLIDATED ENTITY	
	Year ended 30 June 2011	6 months to 30 June 2010
	\$	\$
(a) Reconciliation of Earnings to Net Profit/(Loss)		
Net Profit/(Loss) for the year	(6,000,512)	(3,588,341)
Earnings used in the calculation of basic EPS	(6,000,512)	(3,588,341)
Earnings used in the calculation of dilutive EPS	(6,000,512)	(3,588,341)
(b) Weighted average number of ordinary shares outstanding during the year used in the calculation of basic EPS.	455,199,746	438,951,269
Weighted average number of ordinary shares outstanding during the year used in the calculation of dilutive EPS.	455,199,746	438,951,269

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 17 - CASH FLOW INFORMATION

	CONSOLIDATED ENTITY	
	Year ended 30 June 2011 \$	6 months to 30 June 2010 \$
(a) Reconciliation of net cash used in operating		
Profit/(loss) after income tax	(6,000,512)	(3,588,341)
<b>Adjustment for non cash items</b>		
Depreciation and amortisation	344,416	164,031
Currency movements	(6,362)	1,841
Loss/(Gain) on sale of non-current assets	5,084	20,073
Share based payments	-	200,842
<b>Adjustment for changes in assets and liabilities</b>		
Other non-current assets*	(23,217)	(27,650)
Trade and other receivables	19,935	489,129
Trade and other payables**	96,712	111,207
Employee provisions	32,000	63,000
Lease provisions	233,784	-
Net cash used in operating activities	<b>(5,298,160)</b>	<b>(2,565,868)</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.

#### (b) Non-cash financing activities

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

Acquisition of motor vehicles by hire-purchase is \$ 79,776 (30 June 2010: \$78,674).

### NOTE 18 - CAPITAL AND LEASING COMMITMENTS

	CONSOLIDATED ENTITY	
	30 June 2011 \$	30 June 2010 \$
<b>Hire-Purchase Commitments</b>		
Hire- Purchase commitments payable:		
• not later than one year	162,947	232,667
• later than one year but not later than five years	115,781	200,511
Minimum hire-purchase payments	278,728	433,178
Less: future finance charges		
• not later than one year	(11,574)	(23,952)
• later than one year but not later than five years	(2,508)	(7,694)
Total Hire-Purchase Liabilities	<b>264,646</b>	<b>401,532</b>
<b>Present value of minimum lease and loan payments</b>		
• not more than one year	151,373	208,715
• later than one year but not later than five years	113,273	192,817
	<b>264,646</b>	<b>401,532</b>
Current borrowings (Note 12)	151,373	208,715
Non-current borrowings (Note 12)	113,273	192,817
	<b>264,646</b>	<b>401,532</b>

#### Work Programme Commitments

	CONSOLIDATED ENTITY	
	30 June 2011 \$	30 June 2010 \$
The total commitments for work programmes for ATP849P, ATP549, ATP855P* and PEP170 are as follows:		
Exploration expenditure commitments		
• not later than 1 year	6,128,316	1,492,390
• later than one year but not later than five years	22,187,140	3,367,558
	<b>28,315,456</b>	<b>4,859,948</b>

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

\* This is based on a 40% interest, for further details refer to note 19.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 19 - JOINT VENTURES

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

Oil and Gas	Basin	Interest %	Interest %
		30 June 2011	30 June 2010
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	75.00%	75.00%
ATP 626P*	Surat	99.00%	99.00%
ATP 849P	Surat	80.00%	80.00%
ATP 855P**	Cooper Eromanga	40.00%	80.00%
PEL 218 Post Permian***	Cooper Eromanga	33.33%	33.33%
ATP 560 Ueleven	Cooper Eromanga	50.50%	50.50%
EPG 49	Cooper Eromanga	100.00%	100.00%
EPG 51	Cooper Eromanga	100.00%	100.00%
PEP 170	Gippsland	100.00%	-

\* On 16 August 2010 Stanwell agreed to proceed to Stage 2 of the Farmin Agreement covering Icon Energy's key coal seam gas tenement ATP 626P, committing up to a further \$30 million to exploration activities. Stanwell has been assigned a 50% working interest in the farmin area within ATP 626P, along with a 1% title interest in the whole of ATP 626P.

\*\* On 24 March 2011 Beach Energy Limited ("Beach Energy") filed a claim in the Federal Court of Australia, against Icon Energy for an earlier proposed farmin to the tenement. The claim did not proceed to trial, and was settled by Icon Energy and Beach Energy on 15 July 2011. Under the terms of a Farmin Agreement executed on the same day, Icon Energy has now transferred a 40% interest in ATP855P to Beach Energy (subject to Ministerial approval). This agreement has been back dated to, and is therefore effective from 5 October 2010.

\*\*\* Subject to Ministerial approval to transfer a 40% interest in ATP855P from Icon Energy to Beach Energy.

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

	CONSOLIDATED ENTITY	
	30 June 2011	30 June 2010
	\$	\$
<b>NON CURRENT ASSETS</b>		
Exploration and evaluation expenditure at cost	21,258,907	3,618,278
Total Non Current Assets	<b>21,258,907</b>	<b>3,618,278</b>
Share of total assets in joint venture	<b>21,258,907</b>	<b>3,618,278</b>

Exploration and evaluation expenditure at cost for tenement ATP626P were included in the total assets above as of 30 June 2011 due to a joint venture agreement signed with Stanwell in August 2010.

### NOTE 20 - CONTROLLED ENTITIES

Parent entity:	Country of Incorporation	Date of Incorporation	% Owned	
			30 June 2011	30 June 2010
Icon Energy Limited	Australia			
<b>Subsidiaries of Icon Energy Limited:</b>				
Jakabar Pty Ltd	Australia	18 December 1992	100	100
Icon Drilling Pty Ltd	Australia	18 November 1994	100	100
Icon Gas Productions Pty Ltd	Australia	16 December 2008	100	100
Icon Domestic LNG Pty Ltd	Australia	19 July 2010	100	-
Icon Geothermal Pty Ltd	Australia	19 July 2010	100	-
Icon LNG (China) Pty Ltd	Australia	19 July 2010	100	-
Icon Cooper Pty Ltd	Australia	19 July 2010	100	-
Icon Oil US (LLC)	USA	5 January 1993	100	100

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 21 - 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 2011	6 months to 30 June 2010	30 June 2011	6 months to 30 June 2010	30 June 2011	6 months to 30 June 2010	
	\$	\$	\$	\$	\$	\$	
<b>REVENUE</b>							
External Sales	-	-	-	-	-	-	
Royalty sales	-	-	-	-	-	-	
Total segment revenues	-	-	-	-	-	-	
Interest Revenue	814,256	194,495	-	-	814,256	194,495	
Other Income	1,543,231	-	-	-	1,543,231	-	
Total revenue	2,357,487	194,495	-	-	2,357,487	194,495	
<b>RESULT</b>							
Segment net operating profit after tax	(5,987,581)	(3,585,264)	(12,931)	(3,077)	(6,000,512)	(3,588,341)	
Interest expense	49,925	40,954	-	-	49,925	40,954	
Impairment of Assets	-	-	-	-	-	-	
Loss on sale of non-current assets	(5,084)	(20,073)	-	-	(5,084)	(20,073)	
Segment Assets	40,424,570	38,982,842	17,110	38,559	40,441,680	39,021,401	
Segment Liabilities	6,580,515	4,876,362	-	-	6,580,515	4,876,362	
<b>OTHER</b>							
Acquisition of non-current segment assets	263,484	267,550	-	-	263,484	267,550	
Depreciation and amortisation of segment assets	344,416	164,031	-	-	344,416	164,031	

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

### NOTE 22 - FINANCIAL INSTRUMENTS

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.

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

The consolidated entity does not have any derivative instruments at 30 June 2011 (30 June 2010: 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, 12 and 14 respectively.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 22 - FINANCIAL INSTRUMENTS (CONTINUED)

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

The consolidated entity's overall strategy remains unchanged from 2010.

#### Financial Risk Management

The main risks the consolidated entity are exposed to through its financial assets and liabilities are interest rate risk, liquidity risk and credit 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.

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

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

#### a Market Risk

##### Interest rate risk

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

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

The 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 2011</b>						
<i>Financial assets</i>						
Cash and cash equivalents	4.97%	16,378,243	-	-	666	16,378,909
Investment	6.00%	-	2,000,000	-	-	2,000,000
Other receivables	-	-	-	-	210,886	210,886
<b>Total Financial Assets</b>		<b>16,378,243</b>	<b>2,000,000</b>	-	<b>211,552</b>	<b>18,589,795</b>
<i>Financial liabilities</i>						
Accounts payable	-	-	-	-	1,997,734	1,997,734
Hire purchase liabilities	9.66%	-	151,373	113,273	-	264,646
Bank loan	7.03%	3,400,000	-	-	-	3,400,000
<b>Total Financial Liabilities</b>		<b>3,400,000</b>	<b>151,373</b>	<b>113,273</b>	<b>1,997,734</b>	<b>5,662,380</b>
<b>30 June 2010</b>						
<i>Financial assets</i>						
Cash and cash equivalents	5.03%	14,041,754	-	-	666	14,042,420
Other receivables	-	-	-	-	230,822	230,822
<b>Total Financial Assets</b>		<b>14,041,754</b>	-	-	<b>231,488</b>	<b>14,273,242</b>
<i>Financial liabilities</i>						
Accounts payable	-	-	-	-	422,480	422,480
Hire purchase liabilities	9.94%	-	208,715	192,817	-	401,532
Bank Loan	6.26%	3,400,000	-	-	-	3,400,000
<b>Total Financial Liabilities</b>		<b>3,400,000</b>	<b>208,715</b>	<b>192,817</b>	<b>422,480</b>	<b>4,224,012</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 22 - FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 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 2011, 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 \$24,649 higher / \$24,525 lower (30 June 2010: \$16,662 / \$16,612), mainly as a result of the consolidated entity's exposure to interest rates on its variable rate cash and cash equivalents.

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

	Carrying 30/06/2011 \$	Carrying 30/06/2010 \$	-0.5% Profit \$	Equity \$	+0.5% Profit \$	Equity \$
<b>Financial assets</b>						
Cash and cash equivalents	16,378,909	14,042,420	(24,851)	(24,851)	24,976	24,976
Investment - Term Deposit	2,000,000	-	-	-	-	-
Other receivables	210,886	230,822	-	-	-	-
<b>Financial liabilities</b>						
Accounts payable	1,997,734	422,480	-	-	-	-
Hire purchase liabilities	264,646	401,532	-	-	-	-
Bank loan	3,400,000	3,400,000	326	326	(326)	(326)
Total increase / (decrease)			<b>(24,525)</b>	<b>(24,525)</b>	<b>24,649</b>	<b>24,649</b>

#### Price risk

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

#### Foreign currency risk

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

#### b. Credit risk

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

The 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.

#### 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### NOTE 22 - FINANCIAL RISK MANAGEMENT (CONTINUED)

The following are contractual maturities of financial liabilities:

	Carrying Amount	Contractual Cashflows	<1Year	1-5 Years
	\$	\$	\$	\$
<b>30 June 2011</b>				
Trade and other Payables	1,997,734	1,997,734	1,997,734	-
Hire purchase liabilities	264,646	278,728	162,947	115,781
Bank Loan	3,400,000	3,881,790	240,895	3,640,895
	<b>5,662,380</b>	<b>6,158,252</b>	<b>2,401,576</b>	<b>3,756,676</b>
<b>30 June 2010</b>				
Trade and other Payables	422,480	422,480	422,480	-
Hire purchase liabilities	401,532	433,178	232,667	200,511
Bank Loan	3,400,000	3,938,205	108,891	3,829,314
	<b>4,224,012</b>	<b>4,793,863</b>	<b>764,038</b>	<b>4,029,825</b>

The consolidated entity's liquidity risk relating to financial liabilities at 30 June 2011 is limited to the repayment of the hire-purchase commitments amounting to \$264,646 (30 June 2010: \$401,532), bank loan commitments amounting to \$3,400,000 (30 June 2010: \$3,400,000) and trade payables. Trade payables are short-term in nature. 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 Statements of Financial Position and accompanying explanatory notes at 30 June 2011, 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 23 - SHARE BASED PAYMENTS

Share based payments made:

	CONSOLIDATED ENTITY	
	30 June 2011	30 June 2010
	\$	\$
Shares issued at fair value	-	200,842
	-	<b>200,842</b>

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

### NOTE 24 - RELATED PARTY TRANSACTIONS

- Interests in subsidiaries are disclosed in note 20.
- Transactions with Directors and Director Related Entities are disclosed in note 5. All services provided by the director-related entities were at normal commercial terms and conditions.
- There were no other related party transactions during the period/year ended 30 June 2011 or 30 June 2010.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

---

### **NOTE 25 - CONTINGENT LIABILITIES**

#### **LEGAL ACTION BROUGHT AGAINST ICON OIL U.S., LLC**

A claim has been filed in the District Court for the Parish of West Baton Rouge, Louisiana against a number of Companies who have operated or owned mineral interests in the VFL Lease at Baton Rouge since 1931. ICON OIL U.S.,LLC was not named in this filing. On 28th September 2010 a cross claim was filed, adding ICON OIL U.S.,LLC as a Cross-Defendant in the claim. This claim is for alleged damage done to the land by drilling and production operations for oil and gas since 1931.

ICON OIL U.S.,LLC denies the allegations and believes them to be without merit and likely to be disallowed by the Supreme Court of Louisiana. The company is not in a position to make any assessment as to the financial impact, if any, on the financial report of Icon Energy Limited, as a result of the legal action.

#### **NOTE 26 - EVENTS AFTER BALANCE SHEET DATE**

On 15 July 2011, Icon Energy Limited and Beach Energy Limited have resolved their dispute in relation to the prospective ATP855P tenement, and have agreed to work together under a Farmin Agreement. Under the terms of the agreement, the Federal Court proceedings will be discontinued. Icon Energy has now transferred a 40% interest in ATP855P to Beach Energy (subject to Ministerial approval). This agreement has been back dated to, and is therefore effective from 5 October 2010. Beach Energy will drill a horizontal pilot unconventional well into one of the strata comprising the Roseneath, Epsilon & Murteree sequence, then case and suspend the well, suitable for fracture stimulation, which is expected to occur within 30 days of rig release from the well. Beach Energy will fund Icon Energy's share of the farmin operations at an estimated cost of \$16 million (gross), with the exception of a \$1.75 million contribution to be made by Icon Energy. The cost of fracture stimulation, completing and flow testing the well will be paid by the Joint Venture parties in proportion to their Participating Interest shares. Beach Energy will be recommended by Icon Energy to be the operator of the ATP855P permit. Icon Energy will be recommended by Beach Energy to undertake the management of coal seam gas operations in both ATP855P and PEL218 Post Permian Joint Ventures and Beach Energy will effect the assignment of Icon Energy's Phase 2 Post Permian PEL218 interest upon Ministerial consent to the transfer of a 40% interest to Beach Energy in ATP855P, giving Icon Energy a 33.333% interest in the PEL218 Post Permian Joint Venture.

The financial impact of the Beach Energy dispute until the time it was resolved is approximately \$428,000.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2011

#### NOTE 27 - 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 Group.

#### *Financial position*

	Year ended 30 June 2011 \$	6 months to 30 June 2010 \$
<b>Assets</b>		
Current assets	17,523,308	14,021,885
Non-current assets	21,142,755	24,261,532
<b>Total assets</b>	<b>38,666,063</b>	<b>38,283,417</b>
<b>Liabilities</b>		
Current liabilities	1,088,989	817,064
Non-current liabilities	3,602,245	3,611,949
<b>Total liabilities</b>	<b>4,691,234</b>	<b>4,429,013</b>
<b>Net Assets</b>	<b>33,974,829</b>	<b>33,854,404</b>
<b>Equity</b>		
Issued capital	70,463,292	64,740,292
Accumulated losses	(36,488,463)	(30,885,888)
<b>Total equity</b>	<b>33,974,829</b>	<b>33,854,404</b>

#### *Financial performance*

	Year ended 30 June 2011 \$	6 months to 30 June 2010 \$
Profit/(Loss) for the year	(5,602,574)	(2,766,505)
Other comprehensive income	-	-
<b>Total comprehensive income/(loss)</b>	<b>(5,602,574)</b>	<b>(2,766,505)</b>

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

	Year ended 30 June 2011 \$	6 months to 30 June 2010 \$
Carrying amount included in current liabilities	-	-

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

A claim was filed in the Federal Court of Australia, South Australian District, against Icon Energy Limited on 24 March 2011. The claim (SAD 48 of 2011) was brought by Beach Energy limited and related to a contractual dispute between Icon Energy Limited and Beach Energy Limited concerning the tenement ATP855P. The claim did not proceed to trial, and was settled by Icon Energy Limited and Beach Energy Limited on 15 July 2011.

#### *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 2011 or 30 June 2010.

**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 31 July 2011 was as follows:

Range	Total	Units	% of Issued
1 - 1,000	375	67,181	0.01
1,001 - 5,000	1,214	3,988,104	0.85
5,001 - 10,000	1,229	10,646,671	2.27
10,001 - 100,000	3,174	121,031,635	25.79
100,001 - 9,999,999,999	702	333,567,803	71.08
<b>Rounding</b>			
<b>TOTAL</b>	<b>6,694</b>	<b>469,301,394</b>	<b>100.00</b>

**Unmarketable Parcels**

Minimum \$ 500.00 parcel at \$ 0.165 per unit	3,031	992	1,405,505
---	-------	-----	-----------

**Voting Rights**

All ordinary shares carry one vote per share without restriction.

**Twenty Largest Ordinary Shareholders**

The names of the twenty largest holders as at 31 July 2011 were:

Name	Listed Ordinary Shares	
	Number Held	Percentage
MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	22,546,447	4.80
RAY JAMES	21,080,040	4.49
HOWARD LU	16,000,000	3.41
JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	15,306,722	3.26
TAIWAN FRUCTOSE CO LTD	9,000,000	1.92
MRS DIANNE BETH BALDWIN	6,809,600	1.45
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	6,451,290	1.37
CITICORP NOMINEES PTY LIMITED	5,890,888	1.26
MR CHIEN HUA LEE	4,500,000	0.96
MR CHRISTOPHER JOHN MARTIN	3,663,398	0.78
MR DANIEL JOSEPH RAYMOND O'SULLIVAN	2,733,530	0.58
LOCHIEL ENTERPRISES PTY LTD <CAMERON INVESTMENT ACCOUNT>	2,619,000	0.56
J P MORGAN NOMINEES AUSTRALIA LIMITED	2,416,290	0.51
BROWNWARD PTY LTD <BRIAN HAYWARD S/F A/C>	2,249,000	0.48
MR DAVID COVENEY	2,058,939	0.44
WILLIAM DOUGLAS GOODFELLOW	2,050,000	0.44
MR TIMOTHY ALLEN KENNEDY + MRS GLENDA KAY KENNEDY <TA & GK KENNEDY S/F NO2 A/C>	2,025,825	0.43
MR MIN-CHUNG WU + MS SHUN-I CHEN <MC & SI WU FAMILY A/C>	2,020,000	0.43
IAN PETHERBRIDGE RETIREMENT FUND PTY LTD <IAN PETHERBRIDGE R/F A/C>	2,000,000	0.43
REYNOLDS (NOMINEES) PTY LIMITED <REYNOLDS SUPER FUND A/C>	2,000,000	0.43
<b>TOTAL</b>	<b>133,420,969</b>	<b>28.43</b>

**Substantial Shareholders including the Holders of Relevant Interest**

Name of Shareholder / Holder of Relevant Interest	Listed Ordinary Shares	
	Number Held	Percentage
MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	22,546,447	4.80
JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	15,306,722	3.26
<b>TOTAL</b>	<b>37,853,169</b>	<b>8.06</b>