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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)

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3 September 2010

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

Dear Sir

**FULL YEAR ACCOUNTS 2010**

Icon Energy Limited (*Icon* or *Company*) refers to its announcement of 22 June 2010 advising (amongst other things) that the Company has changed its financial year from 31 December to 30 June, effective from 1 January 2010.

Further to that announcement, the Company submits its Governance Report, Directors' Report and Year End Financial Statements as per the attached documents (*Statutory Reports*).

The Statutory Reports effectively cover the period from 1 January 2010 to 30 June 2010, given the change of balance date referred to above.

Yours faithfully

Wesley Glanville  
Company Secretary

## CORPORATE GOVERNANCE STATEMENT

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

### Board of Directors

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

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

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

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

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

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

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

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

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

### Board Composition

The principles applied to the composition of the Board are:

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

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

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

## CORPORATE GOVERNANCE (Continued)

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

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

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

### Independence of Non-Executive Directors

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

### Independent Professional Advice

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

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

### Board Committees

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

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

### Audit and Risk Management Committee

The committee's responsibilities are to:

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

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

External parties attend Committee meetings by invitation.

### Remuneration, Nominations and Succession Committee

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

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

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

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

## CORPORATE GOVERNANCE (Continued)

### Board Remuneration

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

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

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

### Board Diversity

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

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

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

### Ethical Standards

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

### Trading in the Company's Securities by Directors and Employees

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

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

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

### Principles of Conduct

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

### Identification of Significant Business Risk

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

### Disclosure

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

## CORPORATE GOVERNANCE (Continued)

### Shareholders

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

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

### ASX PRINCIPLES OF CORPORATE GOVERNANCE COUNCIL GUIDELINES

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

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

## CORPORATE GOVERNANCE (Continued)

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

## DIRECTORS' REPORT

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

### Directors

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

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

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

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

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

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

### Change of Financial Year-end

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

### Dividends Paid or Recommended

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

### Operating Results

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

## DIRECTORS' REPORT (continued)

### Review of Operations and Results

#### Review of Principal Operations

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

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

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

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

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

#### ATP 626P

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

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



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

### **PEL 218**

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

The block covers the South Australian side of the Nappameri Trough that is the source "kitchen" for oil. Three petroleum licenses lie within the block and are not part of Icon's interest. The Ballera to Moomba gas pipeline traverses the centre of the block.

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

### **ATP 794P**

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

### **ATP 849P**

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

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

### **ATP 594P**

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

### **ATP 855P**

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

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

EPG 49 is called NappaMerri 1 and is located underneath part of ATP 855P which is located on the eastern side of the QLD/SA border, a few kms south west of the town of Ballera and 50km east of Jackson. The drilling program for NappaMerri 1 will be strategically aligned with ATP 855P to allow for cost savings and efficiencies in the drilling and exploration phases. Icon Energy Limited will obtain new geological information in relation to the geothermal potential of NappaMerri 1 and NappaMerri 2 as part of a five year drilling program. As a geothermal exploration block, EPG 49 is not subject to Native Title claims. Icon has a 100% interest in this block.

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

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

## DIRECTORS' REPORT (continued)

### Financial Position

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

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

### Environmental Regulation

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

### Capital Raising

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

### Information on Directors

#### STEPHEN MICHAEL BARRY (CHAIRMAN)

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**Qualifications:** LLB University of Sydney

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

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

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

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

#### RAYMOND SWINBURN JAMES (MANAGING DIRECTOR)

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

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

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

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

#### KEITH HILLESS

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

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

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

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

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

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

## DIRECTORS' REPORT (continued)

### DEREK JAMES MURTAGH MURPHY

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**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

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

**Interest in Shares:** 100,000 ordinary shares (Note 6)

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

#### Information on Company Secretary

### RAYMOND PATRICK MCNAMARA

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**Qualifications:** B.Bus (QUT), MBA (UQ), Ph.D (UQ) CPA

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

**Director:** Since 27/04/2007; Resigned on 28/04/2010

### WESLEY GLANVILLE

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

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

**Appointed:** 11/08/2010

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT- AUDITED

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

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

#### Fixed Remuneration

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

#### Service Agreements

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

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

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

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

#### Non-executive Directors

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

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

#### Directors and Key Management Personnel Remuneration

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

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

## DIRECTORS' REPORT (continued)

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

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

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

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

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

### Directors' and Senior Managements' Interests

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

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

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

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

### Share Options

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

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

#### Options Held by Key Management Personnel

##### 2010

There were no options outstanding at 30 June 2010.

##### 2009

There were no options outstanding at 31 December 2009.

## DIRECTORS' REPORT (continued)

### MEETINGS OF DIRECTORS

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

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

A- Number of meetings attended.

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

### DIRECTORS AND AUDITORS INDEMNIFICATION

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

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

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

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

### Events After the Balance Date

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

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

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

### Likely Future Developments

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

### Proceedings on Behalf of the Company

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

### Non-audit Services

Taxation services \$40,800

## DIRECTORS' REPORT (continued)

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

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

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

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

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



S Barry  
Chairman  
2 September 2010



R S James  
Managing Director  
2 September 2010

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

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

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

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



**WHK HORWATH**



**VANESSA DE WAAL  
PRINCIPAL**

Brisbane, 2 September 2010

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



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

**Member Crowe Horwath International**

WHK Horwath Brisbane  
Level 16, WHK Horwath Centre 120 Edward Street  
Brisbane Queensland 4000 Australia  
GPO Box 736 Brisbane Queensland 4001 Australia  
Telephone +61 7 3233 3555 Facsimile +61 7 3210 6183  
Email [info.bri@whkhorwath.com.au](mailto:info.bri@whkhorwath.com.au)  
[www.whkhorwath.com.au](http://www.whkhorwath.com.au)  
A WHK Group firm



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

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

*Directors' Responsibility for the Financial Statements*

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

*Auditor's Responsibility*

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

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

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

*Independence*

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

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



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

**Member Crowe Horwath International**

WHK Horwath Brisbane  
Level 16, WHK Horwath Centre 120 Edward Street  
Brisbane Queensland 4000 Australia  
GPO Box 736 Brisbane Queensland 4001 Australia  
Telephone +61 7 3233 3555 Facsimile +61 7 3210 6183  
Email [info.bri@whkhorwath.com.au](mailto:info.bri@whkhorwath.com.au)  
[www.whkhorwath.com.au](http://www.whkhorwath.com.au)  
A WHK Group firm

*Opinion*

In our opinion:

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

**Report on the Remuneration Report**

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

*Opinion*

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



**WHK HORWATH**



**VANESSA DE WAAL  
PRINCIPAL**

Brisbane, 2 September 2010

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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)

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## DIRECTORS' DECLARATION

The Directors of the Company declare that:

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

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



S Barry  
Chairman  
2 September 2010

**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2010**

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

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

# STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2010

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

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

**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2010**

CONSOLIDATED ENTITY	Ordinary Share Capital \$	Foreign Exchange Reserve \$	Accumulated Losses \$	Total \$
<b>Balance at 1 January 2009</b>	<b>33,451,237</b>	<b>(2,003,679)</b>	<b>(20,556,812)</b>	<b>10,890,746</b>
Total comprehensive income for the year as reported in the 2009 financial statements:				
Loss for the year	-	-	(5,704,634)	(5,704,634)
Other comprehensive income	-	(234,832)	-	(234,832)
Correction of error	-	-	1,491,204	1,491,204
<b>Restated Total Comprehensive Income for the period</b>	<b>-</b>	<b>(234,832)</b>	<b>(4,213,430)</b>	<b>(4,448,262)</b>
<b>Transactions with owners in their capacity as owners:</b>				
Shares issued	31,911,936	-	-	31,911,936
Share issue costs	(823,723)	-	-	(823,723)
<b>Total transactions with owners</b>	<b>31,088,213</b>	<b>-</b>	<b>-</b>	<b>31,088,213</b>
<b>Balance at 31 December 2009 as restated - attributable to owners of parent entity</b>	<b>64,539,450</b>	<b>(2,238,511)</b>	<b>(24,770,242)</b>	<b>37,530,697</b>
<b>Balance 1 January 2010</b>	<b>64,539,450</b>	<b>(2,238,511)</b>	<b>(24,770,242)</b>	<b>37,530,697</b>
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>	<b>-</b>	<b>1,841</b>	<b>(3,588,341)</b>	<b>(3,586,500)</b>
<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>	<b>200,842</b>	<b>-</b>	<b>-</b>	<b>200,842</b>
<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>PARENT ENTITY</b>				
<b>Balance at 1 January 2009</b>	<b>33,451,237</b>	<b>-</b>	<b>(20,809,399)</b>	<b>12,641,838</b>
Total comprehensive income				
Loss for the year	-	-	(7,309,984)	(7,309,984)
<b>Total Comprehensive Income for the period</b>	<b>-</b>	<b>-</b>	<b>(7,309,984)</b>	<b>(7,309,984)</b>
<b>Transactions with owners in their capacity as owners:</b>				
Shares issued	31,911,936	-	-	31,911,936
Share issue costs	(823,723)	-	-	(823,723)
<b>Total transactions with owners</b>	<b>31,088,213</b>	<b>-</b>	<b>-</b>	<b>31,088,213</b>
<b>Balance at 31 December 2009</b>	<b>64,539,450</b>	<b>-</b>	<b>(28,119,383)</b>	<b>36,420,067</b>
<b>Balance 1 January 2010</b>	<b>64,539,450</b>	<b>-</b>	<b>(28,119,383)</b>	<b>36,420,067</b>
Total comprehensive income				
Loss for the period	-	-	(2,766,505)	(2,766,505)
<b>Total Comprehensive Income for the period</b>	<b>-</b>	<b>-</b>	<b>(2,766,505)</b>	<b>(2,766,505)</b>
<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>	<b>200,842</b>	<b>-</b>	<b>-</b>	<b>200,842</b>
<b>Balance at 30 June 2010</b>	<b>64,740,292</b>	<b>-</b>	<b>(30,885,888)</b>	<b>33,854,404</b>

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

**STATEMENTS OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2010**

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE SIX MONTHS ENDED 30 JUNE 2010

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### NOTE 1 - STATEMENT OF ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

#### (b) Changes in Accounting Policies

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

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

#### (c) Principles of Consolidation

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

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

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

#### (d) Income Tax

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

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

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

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE SIX MONTHS ENDED 30 JUNE 2010

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

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

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

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

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

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

#### Tax Consolidation

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

#### (e) Goods and Services Tax

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

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

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

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

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

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE SIX MONTHS ENDED 30 JUNE 2010

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

#### (g) Leases

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

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

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

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

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

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

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

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

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

#### (i) Investments

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

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

#### (j) Interests in Joint Ventures

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

#### (k) Trade Creditors

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

#### (l) Cash and Cash Equivalents

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE SIX MONTHS ENDED 30 JUNE 2010

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

**(m) Provision for Dividend**

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

**(n) Employee Benefits**

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

**(o) Revenue**

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

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

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

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

Royalty revenue is recognised as received.

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

**(p) Segment Reporting**

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

**(q) Comparative Figures**

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

**(r) Financial Instruments**

**Recognition**

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

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

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

**Loans and receivables**

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

**Held-to-maturity investments**

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

**Available-for-sale financial assets**

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

**Financial liabilities**

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE SIX MONTHS ENDED 30 JUNE 2010

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

#### **Fair value**

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

#### **Impairment**

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

#### **(s) Impairment of Assets**

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

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

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

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

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

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

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

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

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

##### **Group companies**

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

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

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

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

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

##### *Key estimates — Impairment*

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2010**

**NOTE 2 - REVENUE**

**OTHER INCOME**

	CONSOLIDATED ENTITY		PARENT ENTITY	
	6 months to 30 June 2010 \$	12 months to 31 December 2009 Restated \$	6 months to 30 June 2010 \$	12 months to 31 December 2009 \$
Administration fees	-	681,827	-	-
Equipment rental	-	171,722	-	-
Recovery of drilling supervision costs	-	637,655	-	-
Interest received:				
- Financial Institutions	194,495	549,464	190,667	465,139
Royalties Received	-	804	-	-
Other Income	-	43,880	-	1,239
	<b>194,495</b>	<b>2,085,352</b>	<b>190,667</b>	<b>466,378</b>
<b>TOTAL REVENUE</b>	<b>194,495</b>	<b>2,085,352</b>	<b>190,667</b>	<b>466,378</b>

**NOTE 3 - IMPAIRMENT OF NON-CURRENT ASSETS**

Impairment of exploration expenditure (Note 12)	-	780,097	-	-
Impairment of non-current receivables (Note 9)	-	-	-	2,775,595
	-	<b>780,097</b>	-	<b>2,775,595</b>

**NOTE 4 - PROFIT/(LOSS) BEFORE INCOME TAX**

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

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

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

Amounts set aside for provision for:

- Employee entitlements

Rental expense relating to operating leases

- Minimum lease payments

Foreign exchange losses

Superannuation Expense

	CONSOLIDATED ENTITY		PARENT ENTITY	
	6 months to 30 June 2010 \$	12 months to 31 December 2010 \$	6 months to 30 June 2010 \$	12 months to 31 December 2009 \$
	65,342	101,338	65,342	101,338
	40,800	90,090	40,800	90,090
	<b>106,142</b>	<b>191,428</b>	<b>106,142</b>	<b>191,428</b>
	63,000	14,448	28,000	(60,540)
	74,830	160,073	74,830	160,073
	(3,359)	15,951	(3,359)	15,951
	118,613	174,126	57,633	124,975

**NOTE 5 - INCOME TAX EXPENSE**

Profit/(Loss) before tax expense

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

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

Non Deductible Expenses

Permanent differences loan impairment

Other items

Deferred tax benefits not brought to account

Income Tax Attributable to Profit/(loss) before tax

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

### NOTE 5 - INCOME TAX EXPENSE (Continued)

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

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

### NOTE 6 - KEY MANAGEMENT PERSONNEL REMUNERATION

(a) Key management personnel compensation included

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

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

(b) **Options**

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

(c) **Shareholdings**

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

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>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE SIX MONTHS ENDED 30 JUNE 2010

### NOTE 6 - KEY MANAGEMENT PERSONNEL REMUNERATION (Continued)

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

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

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

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

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

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

CONSOLIDATED ENTITY		PARENT ENTITY	
30 June 2010	31 December 2009	30 June 2010	31 December 2009
\$	\$	\$	\$

#### NOTE 7 - CASH AND CASH EQUIVALENTS

Cash on hand	666	666	450	450
Cash at Bank	14,041,754	23,419,394	13,852,004	23,336,267
	<b>14,042,420</b>	<b>23,420,060</b>	<b>13,852,454</b>	<b>23,336,717</b>

#### Reconciliation of cash

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

Cash and cash equivalents	14,042,420	23,420,060	13,852,454	23,336,717
Balance as per Statement of Cash Flows	<b>14,042,420</b>	<b>23,420,060</b>	<b>13,852,454</b>	<b>23,336,717</b>

#### NOTE 8 - TRADE AND OTHER RECEIVABLES - CURRENT

Other receivables	230,822	719,951	169,431	700,799
	<b>230,822</b>	<b>719,951</b>	<b>169,431</b>	<b>700,799</b>

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

#### NOTE 9 - TRADE AND OTHER RECEIVABLES - NON-CURRENT

Amounts receivable from wholly owned subsidiaries:

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

### NOTE 10 - PROPERTY, PLANT, AND EQUIPMENT

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

#### 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 at cost \$	Building at cost \$	Fixture and Fittings at cost \$	Land at cost \$	Total \$
<b>Balance at 1 January 2009</b>	406,317	-	-	-	406,317
Additions	342,988	2,172,934	945,000	2,440,000	5,900,922
Depreciation	(123,815)	(3,721)	(6,267)	-	(133,803)
<b>Balance at 31 December 2009</b>	<u><b>625,490</b></u>	<u><b>2,169,213</b></u>	<u><b>938,733</b></u>	<u><b>2,440,000</b></u>	<u><b>6,173,436</b></u>
<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>	<u><b>745,059</b></u>	<u><b>2,142,098</b></u>	<u><b>904,725</b></u>	<u><b>2,440,000</b></u>	<u><b>6,231,882</b></u>

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

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

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE SIX MONTHS ENDED 30 JUNE 2010

### NOTE 11 - FINANCIAL ASSETS

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

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

	CONSOLIDATED ENTITY		PARENT ENTITY	
	30 June 2010	31 December 2009	30 June 2010	31 December 2009
	\$	\$	\$	\$
Shares in Unlisted Companies - at cost	-	-	976,426	976,426
Provision for diminution in value	-	-	(976,426)	(976,426)
	-	-	-	-
Mineral Interest in West Baton Rouge Parish, Louisiana, USA at fair value	572,500	572,500	572,500	572,500
	<b>572,500</b>	<b>572,500</b>	<b>572,500</b>	<b>572,500</b>

### NOTE 12 - OTHER NON-CURRENT ASSETS

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

Performance guarantee bonds

	CONSOLIDATED ENTITY		PARENT ENTITY	
	30 June 2010	31 December 2009 Restated	30 June 2010	31 December 2009
	\$	\$	\$	\$
Exploration and Evaluation Expenditure at cost	23,870,257	18,327,845	3,752,201	3,737,687
Less: Impairment	-	(780,097)	-	-
Less: Joint Venture Contribution Applied	(6,124,000)	(6,124,000)	-	-
	17,746,257	11,423,748	3,752,201	3,737,687
Performance guarantee bonds	197,520	169,870	42,072	18,072
	<b>17,943,777</b>	<b>11,593,618</b>	<b>3,794,273</b>	<b>3,755,759</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.

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

### NOTE 13 - TRADE AND OTHER PAYABLES

#### Current

Trade and sundry payables

	CONSOLIDATED ENTITY		PARENT ENTITY	
	30 June 2010	31 December 2009	30 June 2010	31 December 2009
	\$	\$	\$	\$
Trade and sundry payables	422,480	594,278	269,119	187,118
	<b>422,480</b>	<b>594,278</b>	<b>269,119</b>	<b>187,118</b>

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

### NOTE 14 - BORROWINGS

#### Secured

##### Current

Hire purchase liabilities

##### Non Current

Hire purchase liabilities

Bank loan liabilities

	CONSOLIDATED ENTITY		PARENT ENTITY	
	30 June 2010	31 December 2009	30 June 2010	31 December 2009
	\$	\$	\$	\$
Hire purchase liabilities	208,715	90,678	208,715	90,678
	<b>208,715</b>	<b>90,678</b>	<b>208,715</b>	<b>90,678</b>
Hire purchase liabilities	192,817	274,562	192,817	274,562
Bank loan liabilities	3,400,000	3,400,000	3,400,000	3,400,000
	<b>3,592,817</b>	<b>3,674,562</b>	<b>3,592,817</b>	<b>3,674,562</b>
	<b>3,801,532</b>	<b>3,765,240</b>	<b>3,801,532</b>	<b>3,765,240</b>

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

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

### NOTE 15 - PROVISIONS

#### Current

Employee entitlements

##### Non Current

Employee entitlements

Restoration provision

	CONSOLIDATED ENTITY		PARENT ENTITY	
	30 June 2010	31 December 2009	30 June 2010	31 December 2009
	\$	\$	\$	\$
Employee entitlements	444,230	385,230	339,230	314,230
	<b>444,230</b>	<b>385,230</b>	<b>339,230</b>	<b>314,230</b>
Employee entitlements	24,120	20,120	19,132	16,132
Restoration provision	184,000	184,000	-	-
	<b>208,120</b>	<b>204,120</b>	<b>19,132</b>	<b>16,132</b>
	<b>652,350</b>	<b>589,350</b>	<b>358,362</b>	<b>330,362</b>
Number of employees at year end	21	19	13	9

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE SIX MONTHS ENDED 30 JUNE 2010

### NOTE 16 - ISSUED CAPITAL

#### Share Capital

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

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

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

### NOTE 18 - EARNINGS PER SHARE

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE SIX MONTHS ENDED 30 JUNE 2010

### NOTE 19 - CASH FLOW INFORMATION

	CONSOLIDATED ENTITY		PARENT ENTITY	
	6 months to 30 June 2010 \$	12 months to 31 December 2009 \$	6 months to 30 June 2010 \$	12 months to 31 December 2009 \$
(a) Reconciliation of net cash used in operating activities to Profit/(loss) after income tax:				
Profit/(loss) after income tax	(3,588,341)	(4,213,430)	(2,766,505)	(7,309,984)
<b>Adjustment for non cash items</b>				
Depreciation and amortisation	164,031	133,803	156,815	119,772
Impairment of non-current assets	-	780,097	-	2,775,595
Currency Movements	1,841	(5,798)	-	-
Loss/(Gain) on sale of non-current assets	20,073	-	20,073	-
Share based payments	200,842	-	200,842	-
<b>Adjustment for changes in assets and liabilities</b>				
Other non-current assets*	(27,650)	(138,699)	(24,000)	13,896
Trade and other receivables	489,129	(666,993)	531,368	(666,449)
Trade and other payables	111,207	(140,169)	82,001	(7,086)
Employee provisions	63,000	14,448	28,000	(60,540)
Net cash used in operating activities	<b>(2,565,868)</b>	<b>(4,236,741)</b>	<b>(1,771,406)</b>	<b>(5,134,796)</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 totalling to \$78,674.

### NOTE 20 - CAPITAL AND LEASING COMMITMENTS

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

#### Work Programme Commitments

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

	CONSOLIDATED ENTITY	
	30 June 2010 \$	31 December 2009 \$
Exploration expenditure commitments - coal bed methane tenements		
• not later than 1 year	1,492,390	765,985
• later than one year but not later than five years	3,367,558	11,249,955
	<b>4,859,948</b>	<b>12,015,940</b>

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE SIX MONTHS ENDED 30 JUNE 2010

### NOTE 21 - JOINT VENTURES

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

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

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

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

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

### NOTE 22 - CONTROLLED ENTITIES

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE SIX MONTHS ENDED 30 JUNE 2010

### NOTE 23 - SEGMENT INFORMATION

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

#### INFORMATION ABOUT GEOGRAPHICAL AREAS

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

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

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

### NOTE 24 - FINANCIAL INSTRUMENTS

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

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

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

#### Significant accounting policies

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

#### Capital risk management

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE SIX MONTHS ENDED 30 JUNE 2010

### NOTE 24 - FINANCIAL INSTRUMENTS (CONTINUED)

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

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

#### Financial Risk Management

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

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

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

#### a Market Risk

##### Interest rate risk

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE SIX MONTHS ENDED 30 JUNE 2010

### NOTE 24 - FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

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

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

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE SIX MONTHS ENDED 30 JUNE 2010

### NOTE 24 - FINANCIAL RISK MANAGEMENT (CONTINUED)

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

#### Parent Entity

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

#### Price risk

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

#### Foreign currency risk

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

#### b. Credit risk

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

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

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

#### c. Liquidity risk

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

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

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE SIX MONTHS ENDED 30 JUNE 2010

### NOTE 24 - FINANCIAL RISK MANAGEMENT (CONTINUED)

The following are contractual maturities of financial liabilities:

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

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

#### Fair value estimation

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

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

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

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

#### NOTE 25 - SHARE BASED PAYMENTS

Share based payments made:

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

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

#### NOTE 26 - RELATED PARTY TRANSACTIONS

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE SIX MONTHS ENDED 30 JUNE 2010

### NOTE 27 - CORRECTION OF PRIOR PERIOD ERROR

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

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

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

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

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

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

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

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

### NOTE 28 - CONTINGENT LIABILITIES

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

### NOTE 29 - EVENTS AFTER BALANCE SHEET DATE

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

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

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

## ADDITIONAL SHAREHOLDER INFORMATION

### On-market buy-back

There is no current on-market buy-back.

### Distribution of Shareholdings

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

Range	Total Holders	Units	% of Issued Capital
1 - 1,000	337	69,066	0.02
1,001 - 5,000	1,124	3,680,442	0.84
5,001 - 10,000	1,164	10,099,771	2.30
10,001 - 100,000	2,972	113,353,376	25.83
100,001 - 9,999,999,999	652	311,642,348	71.01
<b>Rounding</b>			
<b>TOTAL</b>	<b>6,249</b>	<b>438,845,003</b>	<b>100.00</b>

### Unmarketable Parcels

Minimum \$ 500.00 parcel at \$ 0.25 per unit

Minimum Parcel Size	Holders	Units
2,000	528	354,929

### Voting Rights

All ordinary shares carry one vote per share without restriction.

### Twenty Largest Ordinary Shareholders

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

Name	Listed Ordinary Shares Number Held	Percentage
ANZ NOMINEES LIMITED <CASH INCOME A/C>	26,101,360	5.95
RAY JAMES	20,875,235	4.76
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	10,595,520	2.41
CITICORP NOMINEES PTY LIMITED	9,623,192	2.19
MRS DIANNE BETH BALDWIN	7,209,600	1.64
J P MORGAN NOMINEES AUSTRALIA LIMITED	5,241,798	1.19
PHILLIP SECURITIES PTE LTD <'D' A/C>	4,030,000	0.92
PHILLIP BROKERAGE PTE LTD <D A/C>	4,015,000	0.91
NATIONAL NOMINEES LIMITED	3,851,346	0.88
MR R.W. BALDWIN & MRS D. B. BALDWIN <WHISTLER SUPER FUND A/C>	3,500,000	0.80
LOCHIEL ENTERPRISES PTY LTD <CAMERON INVESTMENT ACCOUNT>	2,919,000	0.67
MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	2,870,447	0.65
MR CHRISTOPHER JOHN MARTIN	2,789,557	0.64
MR DANIEL JOSEPH RAYMOND O'SULLIVAN	2,733,530	0.62
HARSTEDT PTY LTD <OLSEN FAMILY A/C>	2,500,000	0.57
AMPLE SKILL LIMITED	2,400,000	0.55
BROWNWARD PTY LTD <BRIAN HAYWARD S/F A/C>	2,149,000	0.49
WILLIAM DOUGLAS GOODFELLOW	2,050,000	0.47
UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	2,038,660	0.46
MR TIMOTHY ALLEN KENNEDY + MRS GLENDA KAY KENNEDY <TA & GK KENNEDY S/	2,025,825	0.46
<b>TOTAL</b>	<b>119,519,070</b>	<b>27.23</b>

### Substantial Shareholders including the Holders of Relevant Interest

Name of Shareholder / Holder of Relevant Interest	Listed Ordinary Shares Number Held	Percentage
ANZ NOMINEES LIMITED <CASH INCOME A/C>	26,101,360	5.95
<b>TOTAL</b>	<b>26,101,360</b>	<b>5.95</b>