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28 August 2012

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

Dear Sir

FULL YEAR ACCOUNTS

Icon Energy Limited submits its Financial Statements and Reports for the full year ended 30 June 2012 which includes the Directors' Report, Independent Auditor's Review Report and declarations referred to in the Financial Statements.

Yours faithfully

Ross Mallett

Company Secretary

Icon Energy Limited

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Email: info@iconenergy.com or visit www.iconenergy.com

ICON ENERGY LIMITED and Controlled Entities

Icon Energy Limited

ABN 61 058 454 569

FULL YEAR ACCOUNTS

For the year ended
30 June 2012

Icon Energy Limited

ABN 61 058 454 569

Full Year Accounts

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DIRECTORS' REPORT

The Directors of Icon Energy Limited ("Icon Energy" or "Company") present their report together with the financial statements of the Company and its controlled entities ("the Group" or "the Consolidated Entity") for the financial year ended 30 June 2012. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Principal Activities

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

Directors

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

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

Details of the qualifications and experience, other directorships of listed entities and special responsibilities of Directors are set out on page 24 and 25 of this Annual Report.

Review of Operations and Results

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

Significant Changes in State of Affairs

Significant changes in the state of affairs of the Group during the financial year ended 30 June 2012 are set out below:

- Icon Energy and Beach Energy completed a 425 kilometre Gallus 2D seismic acquisition program within Queensland Permit ATP855P in the Cooper Basin in April 2012;
- As part of the Victorian exploration program Icon Energy lodged Operations Plans and Environmental Management Plans with the Department of Primary Industries (DPI) in Victoria covering the drilling of two wells, Tiger West 1 and Dragon 1 and the completion of a 400km seismic acquisition survey in Gippsland basin tenement PEP 170;
- Three exploratory wells were drilled in the ATP626P tenement as at 30 June 2012. The Eolus 1 well showed encouraging results and has been cased and suspended until further well studies are completed.

Events After the Balance Date

Icon Energy and Beach Energy executed a revised Farmin Agreement for ATP 855P on 13 July 2012 under which Beach Energy and Icon Energy agreed to drill a vertical well for Halifax 1 in early August 2012 in place of the planned horizontal well. On 4 August 2012 the Halifax 1 well was spudded in ATP855P.

Other than the above transactions there has not arisen in the interval between 30 June 2012 and the date of this report, any item, transaction or event of a material or unusual nature likely in the opinion of the Directors, to affect substantially the operations or state of affairs of the consolidated entity in subsequent financial years unless otherwise noted in the Annual Report.

Future Developments

Other than matters included in this Report or elsewhere in the Annual Report, likely developments in the operations of the consolidated entity and expected results of those operations have not been disclosed as Directors believe that the inclusion would most likely result in unreasonable prejudice to the Company.

Financial Position

The net loss after tax for the Company and its controlled entities for the financial year ended 30 June 2012 was \$4,618,666 (30 June 2011: \$6,000,512).

Dividends Paid or Recommended

The Directors recommend that no dividend be paid by the Company. No dividends have been declared or paid by the Company since the end of the previous financial year (30 June 2011: Nil).

DIRECTORS' REPORT (continued)

Company Secretary

The Company Secretary is Ross Mallett. He was appointed Legal Counsel and Company Secretary on 13 March 2012 following the resignation of Mr Wesley Glanville on 3 March 2012. Dr Kevin Jih was appointed interim Company Secretary on 3rd March and resigned as Company Secretary on 13 March 2012. Details of Mr Mallett's qualifications and experience are set out on page 27 of this Annual Report.

MEETINGS OF DIRECTORS

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

	Directors Meetings		Audit and Risk Management Committee Meetings		Remuneration Nominations, and Succession Committee Meetings	
	A	B	A	B	A	B
R S James	10	10	-	-	-	-
S M Barry	10	10	2	2	5	5
D Murphy	10	10	2	2	5	5
K Hilless	10	10	2	2	-	-
H Lu	9	10	-	-	-	-
K Jih	6	6	-	-	-	-

A- Number of meetings attended.

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

Environmental Regulation

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

Proceedings on Behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

Directors and Auditors Indemnification

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

The Company has not paid any premiums in respect of any contract insuring the auditor against a liability incurred in the role as an auditor of the Company. In respect of non-audit services, Crowe Howarth, the Company's auditor, has the benefit of indemnity to the extent Crowe Howarth reasonably relies on information provided by the Company which is false, misleading or incomplete. No amount has been paid under this indemnity during the period ended 30 June 2012 or to the date of this Report.

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

The total premium expense for the year was \$ 28,693 (30 June 2011:\$30,728).

Non-audit Services

Taxation services \$9,200

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

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

Assurance of Section 295A Declaration

The Board of Directors has received assurance from the Managing Director and the Chief Financial Officer that the declaration provided in accordance with Section 295A of the Corporations Act 2001 is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

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

The lead auditor's independence declaration is set out on page 37 and forms part of the Directors' Report for the period ended 30 June 2012. Crowe Horwath continues in office in accordance with Section 327 of the Corporations Act 2001.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT - AUDITED

Key Points

- * No bonuses paid to executives and employees for performance for the 2012 financial year
- * Executive and employee salary increases for year restricted to CPI increases (except CFO)
- * Non-executive Directors have not had a fee increase since 2009

The Directors of Icon Energy Limited present this Remuneration Report for the consolidated entity for the year ended 30 June 2012. The information provided in this report has been audited as required by the Corporations Act 2001 (Cth) and forms part of the Directors' Report. This remuneration report sets out remuneration information for Icon Energy's Key Management Personnel (KMPs) including the following persons who were non-executive directors and senior executives during the financial year:

Name	Position held	
Non-executive Directors		
Stephen Barry	Chairman	
Keith Hillless	Director	
Howard Lu	Director	
Derek Murphy	Director	
Senior Executives		
Ray James	Managing Director	
Kevin Jih	Executive Director & Chief Financial Officer	(appointed Executive Director 30 November 2011)
Ross Mallett	Legal Counsel & Company Secretary	(appointed 13 March 2012)
James Carr	Operations Manager	(appointed 3 January 2012)
Former Senior Executives		
Larry Brown	Chief Operating Officer	(resigned 13 September 2011)
Robert King	Exploration Manager	(resigned 11 April 2012)

Remuneration Policy

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

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

Role of the Remuneration, Nominations and Succession Committee

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

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

Methodology Used to Determine the Nature and Amount of Remuneration

Non-executive Directors

Fees paid to non-executive directors reflect the demands made on, and responsibilities of, the directors. Non-executive Directors' fees are reviewed by the Board on an annual basis. The maximum total amount available for payment of all non-executive Director fees is \$500,000 per annum which was approved by shareholders at the 2010 Annual General Meeting. The total amount of fees actually paid to Non-executive Directors during the financial year was \$327,000.

Non-executive Directors each received fees amounting to \$76,300 (including superannuation) for the year ended 30 June 2012. The Chairman received fees amounting to \$98,100 (including superannuation) in recognition of the additional workload required of that position. There has been no increase in Non-executive Director fees since 2009. The Directors do not receive additional fees for work on Board Committees. Non-executive Directors do not receive incentive based remuneration and there is no provision for retirement benefits other than statutory requirements.

DIRECTORS' REPORT (continued)

Senior Executives

Senior Executives are remunerated through a combination of:

- Fixed Remuneration (FR);
- Short-term Incentive (STI);
- Long-term Incentive (LTI).

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

Consistent with market practice, the proportion of remuneration attributable to each component of the Icon Energy Remuneration Policy is dependent on the level of seniority of the employee. Generally, the LTI will only be available to the senior executives; whereas STI may be made available to employees throughout the Company.

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

In 2010 the Board established the Icon Energy Limited Performance Rights Plan ("Plan") under which the Company is able to grant appropriately structured short and long-term incentives to employees (including Executive Directors) in addition to their fixed remuneration. The Plan was presented and approved by shareholders at the Annual General Meeting held on 22 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. Senior executives were restricted to CPI increases over the last year. In July 2011 the CFO was awarded a \$20,000 increase in fixed remuneration plus CPI and a packaged motor vehicle to better align his remuneration with market rates.

Short-term Incentives

Short-term incentives are payable in a combination of cash (30%) and equity (70%) and reflect the achievement of a number of short term goals established on an annual basis between management and their direct reports, which includes the Group's financial performance and individual performance. No STI bonuses were paid to senior executives, employees or directors during the reporting period.

Long-term Incentives

Long-term incentives are delivered in equity award(s) which may vest upon the satisfaction of performance conditions/key performance drivers which underpin long term sustainable growth for the Company. No rights have been issued to date under the LTI Plan.

A set of Group and individual Key Performance Indicators (KPIs) was set for all employees in the reporting period to 30 June 2012. Group KPIs included a focus on the following areas:

- Exploration success;
- Health, Safety & Environment performance targets;
- Growth in the Company's market capitalisation;
- New project development.

Relationship Between Remuneration Policy and Performance

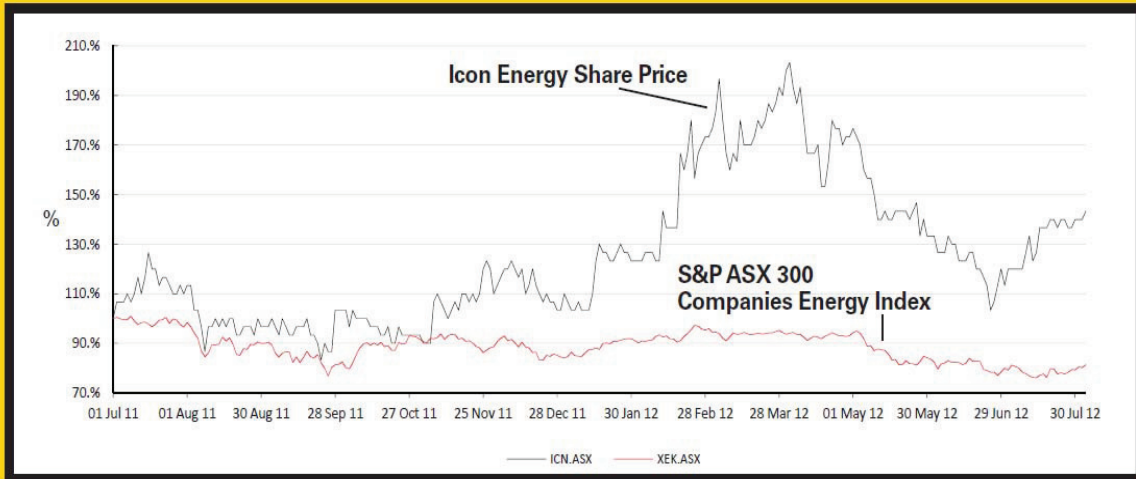
Icon Energy's remuneration policy seeks to encourage an alignment between the performance of the Company and remuneration of its executive KMPs. It does this by including short-term and long-term 'at risk' incentives that only vest when executives achieve pre-determined key corporate performance objectives.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

The following table shows the Company's Profit/Loss (after tax) for the last four years as well as the share price and market capitalisation over those years. The graph below the table shows the relative growth of the Company's share price against the S&P ASX 300 Energy Index during the financial year. Icon's share price outperformed the index during the financial year.

	31 December 2008	31 December 2009	30 June 2010 (6 months)	30 June 2011	30 June 2012
Closing Share Price	0.20	0.40	0.17	0.14	0.18
Number of Shares	332,796,906	438,845,003	439,801,394	469,301,394	469,301,394
Market Cap	\$ 66,559,381	\$ 175,538,001	\$ 74,766,237	\$ 65,702,195	\$ 84,474,251
Profit/(Loss) after tax	(6,138,016)	(4,213,430)	(3,588,341)	(6,000,512)	(4,618,666)

DIRECTORS' REPORT (continued)

RELATIVE PERFORMANCE (01 Jul 11 - 02 Aug 12) >>>



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

- The Icon Energy share price significantly outperformed the S&P ASX300 Energy Index during the year;
- The Company maintained its excellent safety record with no Lost Time Injuries experienced during the year;
- Good progress was made in the development of exploration projects in both Victoria and Queensland.

Icon Energy did not pay any bonuses to Company executives and employees in respect of performance during the financial year ended 30 June 2012. Due to the limited exploration success and the adverse impact of economic conditions on the Company during the reporting period the Board determined that it was not appropriate for the Company to award Short-term (STI) or Long-term (LTI) incentives to executives and employees in respect of the 2011/12 financial year.

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 twelve months.

Service agreements are in place for the Managing Director (Mr Raymond James), the Chief Financial Officer (Dr Kevin Jih), the Legal Counsel & Company Secretary (Mr Ross Mallett) and the Operations Manager (Mr James Carr).

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

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

None of the Senior Executives has an entitlement to termination payments in the event of removal for misconduct other than accrued statutory entitlements.

Name of Executive	Date of Contract	Termination by Icon (without cause)	Termination by Employee	Termination Payments (where termination by company)	STI & LTI Entitlements
R James	1-Jan-12	12 months	6 months	Payment in lieu of notice based on FR Discretion of Board to pay portion of STI & LTI	STI: May earn up to 50% of FR LTI: May earn up to 50% of FR
K Jih	11-Aug-10	12 months	6 months	Payment in lieu of notice based on FR Discretion of Board to pay portion of STI & LTI	STI: May earn up to 40% of FR LTI: May earn up to 40% of FR
R Mallett	13-Mar-12	6 months	6 months	Payment in lieu of notice based on FR Discretion of Board to pay portion of STI & LTI	STI: May earn up to 40% of FR LTI: May earn up to 40% of FR
J Carr	3-Jan-12	2 months	2 months	Payment in lieu of notice based on FR Discretion of Board to pay portion of STI & LTI	STI: May earn up to 30% of FR LTI: May earn up to 20% of FR

DIRECTORS' REPORT (continued)

Directors and Key Management Personnel Remuneration

Year ended 30 June 2012	Short Term				Post-employment		Termination benefits	Share- based Payment Shares and Units	Total	Portion of Remuneration Based on Performance
	Salaries & Director Fees (i)	Cash Bonus (ii)	Non- monetary Benefits	Other Benefits (iii)	Super- annuation	Long-term Employee Benefits (iv)				
	\$	\$		\$	\$	\$	\$	\$	\$	%
Directors										
Stephen Barry	90,000	-	-	-	8,100	-	-	-	98,100	-
Keith Hillless	20,000	-	-	-	56,300	-	-	-	76,300	-
Derek Murphy	70,000	-	-	-	6,300	-	-	-	76,300	-
Howard Lu	70,000	-	-	-	6,300	-	-	-	76,300	-
Ray James	477,285	-	-	40,000	42,498	10,476	-	-	570,259	-
Kevin Jih (Appointed 30/11/2011)(i)	338,173	-	17,987	69,459	36,081	3,473	-	-	465,173	-
Senior Management										
Ross Mallett (Appointed 13/3/2012)	79,692	-	-	-	7,172	111	-	-	86,975	-
James Carr (Appointed 03/01/2012)	134,840	-	6,168	-	12,051	174	-	-	153,233	-
Larry Brown (Resigned 13/09/2011)	84,452	-	5,517	-	25,979	-	187,584	-	303,532	-
Robert King (Resigned 11/04/2012)	183,117	5,000	30,818	-	50,039	-	-	-	268,974	2%
	1,547,559	5,000	60,490	109,459	250,820	14,234	187,584	-	2,175,146	

(i) Salaries & Fees include annual leave paid during the year. The company's CFO, Dr Jih was appointed to the Board as an Executive Director on 30/11/2011. Dr Jih received a salary increase of \$20,000 plus CPI effective 1 July 2011.

(ii) The cash bonuses paid out in December 2011 were for the period 1 July 2010 to 30 June 2011. The employee is bonus-eligible if he/she scores higher than a pre-determined level, and the size of the bonus paid depends on the percentage achieved on set goals and target performance levels within both corporate and individual perspective areas. The performance appraisals are reviewed by the head of department or manager and approved by the Board.

(iii) Other Benefits represent car allowance received during the year for Ray James of \$40,000. Dr Jih received a payout of accrued annual leave amounting to \$69,459 during the year.

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

DIRECTORS' REPORT (continued)

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

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

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

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

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

Directors' and Senior Managements' Interests

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

Directors	Ordinary shares No.	Options No.
SM Barry	1,600,866	-
RS James	21,143,925	-
DJM Murphy	100,000	-
K Hillless	24,000	-
Howard Lu	16,000,000	-
Kevin Jih	133,585	-
Senior Management		
Ross Mallett (Company Secretary)	-	-
James Carr (Operations Manager)	-	-

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

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

Share Options

Options Granted to Directors and Key Management Personnel of the Company

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

DIRECTORS' REPORT (continued)

Options Held by Key Management Personnel

There were no options outstanding at 30 June 2012 or as at 30 June 2011.

Questions Raised on the 2011 Remuneration Report at the 2011 AGM

As the Company received a 'no' vote of 25% or more on the resolution to adopt the 2011 Remuneration Report at its 2011 AGM it is required to include in its 2012 Remuneration Report an explanation of the action that the Board proposes to take in response to comments or questions raised at that meeting.

At the 2011 Annual General Meeting (AGM) only one question was raised in relation to the Company's 2011 Remuneration Report. A shareholder enquired why the total amount of remuneration paid to KMPs for the year ending 30 June 2011 was significantly higher than the amount shown for the 2010 financial period. The Chairman responded at the meeting that the figures quoted for 2010 were for a period of 6 months, due to the change in the financial year end, while the figures for 2011 were for a full financial year. The Chairman noted at the time that in real terms the total remuneration paid to KMPs for 2011 was significantly less than that paid for 2010.

The Board considers that no further action is required in response to the question raised at the meeting.

Signed in accordance with a resolution of the Board of Directors of Icon Energy Limited.



S Barry
Chairman
28 August 2012




R S James
Managing Director
28 August 2012

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2012 there have been:

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


Crowe Horwath Brisbane



Vanessa de Waal
Partner

Signed at Brisbane, 28 August 2012

Independent Auditor's Report

To the members of Icon Energy Limited

Report on the financial statements

We have audited the accompanying financial report of Icon Energy Limited, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year end or from time to time during the financial year.

Directors' responsibility for the financial statements

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard *AASB 101 Presentation of Financial Statements* that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

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

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

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

Independence

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

Opinion

- a) In our opinion the financial report of Icon Energy Limited is in accordance with the *Corporations Act 2001*, including:
- i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b) The consolidated financial statements and notes also comply with the *International Financial Reporting Standards* as disclosed in Note 1.

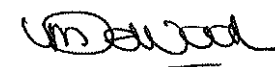
Report on Remuneration Report

We have audited the Remuneration Report included in pages 31 to 36 of the Directors' Report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Icon Energy Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.


Crowe Horwath Brisbane



Vanessa de Waal
Partner

Signed at Brisbane, 28 August 2012.

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Email: info@iconenergy.com
Web: www.iconenergy.com

DIRECTORS' DECLARATION

The Directors of the Company declare that:

- 1 The financial statements and notes, as set out on pages 37 to 58, 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 2012 and of the performance for the year ended on that date of the consolidated entity;
- 2 The Managing Director and Chief Financial Officer have each declared that:
 - (a) the financial records of the Company for the financial period have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
 - (b) the financial statements and notes for the financial period comply with the Accounting Standards; and
 - (c) the financial statements and notes for the financial period give a true and fair view.
- 3 In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they come due and payable;
- 4 The attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 1 to the financial statements.

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



Stephen Barry
Chairman
28 August 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012

	NOTES	30 June 2012 \$	30 June 2011 \$
Revenue		-	-
Less: Cost of sales		-	-
Gross Profit/(Loss)		-	-
Other income	2	1,329,823	2,357,487
Administration expenses		(3,528,842)	(4,575,179)
Depreciation and amortisation expense		(314,988)	(344,416)
Employee benefits and expenses		(2,707,052)	(3,689,611)
Occupancy expenses		4,722	(416,670)
Profit/(Loss) on sale of non-current assets		(69,425)	(5,084)
Finance costs		(48,997)	(49,925)
Profit/(Loss) before income tax	3	(5,334,761)	(6,723,398)
Income tax benefit	4	716,095	722,886
Profit/(Loss) for the year		(4,618,666)	(6,000,512)
Other comprehensive income			
Exchange differences arising on translation of foreign operations		687	(6,362)
Other comprehensive income/(loss) for the year		687	(6,362)
Total comprehensive income/(loss) for the year		(4,617,979)	(6,006,874)
Profit/(Loss) for the year attributable to:			
Owners of the parent entity		(4,618,666)	(6,000,512)
Non-controlling interests		-	-
Profit/(Loss) for the year		(4,618,666)	(6,000,512)
Total comprehensive income/(loss) for the year attributable to:			
Owners of the parent entity		(4,617,979)	(6,006,874)
Non-controlling interests		-	-
Total comprehensive income/(loss) for the year		(4,617,979)	(6,006,874)
Earnings per share			
Basic earnings/(loss) per share (cents per share)	17	(0.98)	(1.32)
Diluted earnings/(loss) per share (cents per share)	17	(0.98)	(1.32)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012

	NOTES	30 June 2012 \$	30 June 2011 \$
CURRENT ASSETS			
Cash and cash equivalents	6	9,410,733	16,378,909
Trade and other receivables	7	280,104	210,886
Other financial assets	8	-	2,000,000
TOTAL CURRENT ASSETS		9,690,837	18,589,795
NON-CURRENT ASSETS			
Property, plant, and equipment	9	5,749,059	6,028,366
Financial assets	8	572,500	572,500
Exploration and Evaluation Expenditure	10	18,260,046	15,030,282
Other non-current assets	11	218,011	220,737
TOTAL NON-CURRENT ASSETS		24,799,616	21,851,885
TOTAL ASSETS		34,490,453	40,441,680
CURRENT LIABILITIES			
Trade and other payables	12	1,114,718	1,997,734
Short-term borrowings	13	83,773	151,373
Short-term provisions	14	405,636	636,175
TOTAL CURRENT LIABILITIES		1,604,126	2,785,282
NON-CURRENT LIABILITIES			
Long-term borrowings	13	3,429,501	3,513,273
Long-term provisions	14	213,639	281,960
TOTAL NON-CURRENT LIABILITIES		3,643,139	3,795,233
TOTAL LIABILITIES		5,247,265	6,580,515
NET ASSETS		29,243,186	33,861,165
EQUITY			
Issued capital	15	70,463,292	70,463,292
Reserves	16	(2,242,345)	(2,243,032)
Accumulated losses		(38,977,761)	(34,359,095)
TOTAL EQUITY		29,243,186	33,861,165

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012

	Ordinary Share Capital \$	Foreign Exchange Reserve \$	Accumulated Losses \$	Total \$
Balance 1 July 2010	64,740,292	(2,236,670)	(28,358,583)	34,145,039
Total comprehensive income:				
Loss for the year	-	-	(6,000,512)	(6,000,512)
Other comprehensive income	-	(6,362)	-	(6,362)
Total Comprehensive Income for the year	-	(6,362)	(6,000,512)	(6,006,874)
Transactions with owners in their capacity as owners:				
Shares issued	5,900,000	-	-	5,900,000
Share issue costs	(177,000)	-	-	(177,000)
Total transactions with owners	5,723,000	-	-	5,723,000
Balance at 30 June 2011 - attributable to owners of parent entity	70,463,292	(2,243,032)	(34,359,095)	33,861,165
Balance 1 July 2011	70,463,292	(2,243,032)	(34,359,095)	33,861,165
Total comprehensive income:				
Loss for the year	-	-	(4,618,666)	(4,618,666)
Other comprehensive income	-	687	-	687
Total Comprehensive Income for the year	-	687	(4,618,666)	(4,617,979)
Transactions with owners in their capacity as owners:				
Shares issued	-	-	-	-
Share issue costs	-	-	-	-
Total transactions with owners	-	-	-	-
Balance at 30 June 2012 - attributable to owners of parent entity	70,463,292	(2,242,345)	(38,977,761)	29,243,186

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2012

	NOTES	30 June 2012		30 June 2011	
		\$	\$	\$	\$
		Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers		1,468,706	1,534,640		
Cash payments to suppliers and employees		(8,206,997)	(7,597,131)		
Interest received		546,242	814,256		
Finance costs		(48,997)	(49,925)		
Net Cash used in operating activities	18	(6,241,045)	(5,298,160)		
CASH FLOWS FROM INVESTMENT ACTIVITIES					
Investment in financial assets		2,000,000	(2,000,000)		
Payments for property, plant & equipment		(67,625)	(183,708)		
Payments for deferred exploration and evaluation expenditure		(6,294,604)	(3,096,871)		
Proceeds from sale of non-current assets		22,045	117,500		
Proceeds from joint venture contributions		3,764,426	7,291,389		
Net Cash from/(used in) investment activities		(575,758)	2,128,310		
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of share capital		-	5,900,000		
Capital raising costs		-	(177,000)		
Proceeds from borrowings raised		-	79,776		
Repayment of borrowings		(151,372)	(296,437)		
Net cash from/(used in) financing activities		(151,372)	5,506,339		
Net increase/(decrease) in cash and cash equivalents held		(6,968,176)	2,336,489		
Cash and cash equivalents at beginning of the financial year		16,378,909	14,042,420		
Cash and cash equivalents at the end of the financial year	6	9,410,733	16,378,909		

The accompanying notes form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1 - STATEMENT OF ACCOUNTING POLICIES

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

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

The financial statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets and financial assets and financial liabilities for which the fair value basis of accounting is applied. All amounts are presented in Australian dollars, unless otherwise noted.

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

The financial report was authorised for issue by the Board of Directors on 28 August 2012.

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

(a) Changes in Accounting Policies

Standards and Interpretations adopted

The new and revised accounting standards that are mandatory for the first time for the year ended 30 June 2012 had no impact on the entity's reported position and performance in the current or prior period.

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

Standards and Interpretations issued but not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2012 reporting periods. They are available for early adoption at 30 June 2012, 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 10 Consolidated Financial Statements* changes the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements. AASB 10 introduces a single definition of control that applies to all entities. This standard 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 11 Joint Arrangements* deals with the classification of joint arrangements with two or more parties having joint control. This standard also deals with the joint arrangements where parties do not share joint control. AASB 11 replaces *AASB 131 Interests in Joint Ventures*. Under AASB 11 joint ventures are accounted for using equity method. This standard is effective from 1 January 2013. The entity has not yet determined the potential effect of the standard.
- *AASB 12 Disclosure of Interest in Other Entities* is a disclosure standard and therefore will not affect any of the amounts recognised in the financial statements. This standard is applicable to the entities with interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities.
- *AASB 13 Fair Value Measurement* and *AASB 2001-8 Amendments to Australian Accounting Standards* arising from AASB 13. It is effective from 1 January 2013 and explains how to measure fair value and aims to enhance fair value disclosures. The entity has not yet determined the potential effect of the standard.
- *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.

(b) 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 21 to the accounts. All controlled entities have a June financial year end.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1 - STATEMENT OF ACCOUNTING POLICIES (Continued)

(c) Income Tax

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

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

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

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

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

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

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

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

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

Tax Consolidation

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

(d) Goods and Services Tax

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1 - STATEMENT OF ACCOUNTING POLICIES (Continued)

(e) 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.

(f) 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.

(g) Exploration, Evaluation and Development Expenditure

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

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

When commercial production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves. Any costs of site restoration are provided for during the relevant production stages and included in the costs of that stage. 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.

(h) 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.

(i) Trade Creditors

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1 - STATEMENT OF ACCOUNTING POLICIES (Continued)

(j) Cash and Cash Equivalents

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

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

(k) Provisions

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

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

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

(l) 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.

(m) Revenue

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

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

Interest 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).

(n) Segment Reporting

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

(o) Comparative Figures

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

(p) Financial Instruments

Recognition

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

Financial assets at fair value through profit and loss

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

Loans and receivables

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

Held-to-maturity investments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1 - STATEMENT OF ACCOUNTING POLICIES (Continued)

Available-for-sale financial assets

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

Financial liabilities

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

Fair value

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

Impairment

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

(q) Impairment of Assets

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

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

(r) Foreign Currency Transactions and Balances

Functional and presentation

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

Transactions and balances

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

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

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

Group

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

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

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

(s) Critical accounting estimates and judgments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1 - STATEMENT OF ACCOUNTING POLICIES (Continued)

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 including exploration and evaluation expenditure. Where an impairment trigger exists, the recoverable amount of the asset is determined.

Long service leave provision

The liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Mineral interest valuation

The mineral interest in West Baton Rouge Parish, Louisiana (refer to note 8) is carried at fair value. Estimates are used when determining fair value in relation to future production.

NOTE 2 - REVENUE

OTHER INCOME

	CONSOLIDATED ENTITY	
	30 June 2012	30 June 2011
	\$	\$
Administration fees	564,664	1,119,256
Recovery of drilling supervision costs	120,463	415,385
Interest received:		
- Financial Institutions	546,242	814,256
Royalties	76,510	-
Other Income	21,943	8,590
TOTAL REVENUE	1,329,823	2,357,487

NOTE 3 - PROFIT/(LOSS) BEFORE INCOME TAX

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

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

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

Amounts set aside for provision for:

- Employee entitlements

Litigation settlement expense relating to the Beach Energy Limited dispute

Rental expense relating to operating leases

- Minimum lease payments

Foreign exchange (gains)/losses

Superannuation Expense

NOTE 4 - INCOME TAX EXPENSE

Profit/(Loss) before tax expense

Prima facie tax payable on Profit/(Loss) before income tax at 30% (2011: 30%)

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

Non Deductible Expenses

Permanent differences loan impairment

R&D Offset refund

Deferred tax benefits not brought to account

Income Tax Attributable to Profit/(loss) before tax

	CONSOLIDATED ENTITY	
	30 June 2012	30 June 2011
	\$	\$
	60,886	85,550
	9,200	59,118
	70,086	144,668
	(65,076)	32,000
	-	263,514
	-	382,916
	(22,677)	(10,443)
	225,878	270,877
	(5,334,761)	(6,723,398)
	(1,600,428)	(2,017,019)
	4,004	85,425
	-	-
	716,095	722,886
	164,235	485,823
	(716,095)	(722,886)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 4 - 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% (2011: 30%) for Australian companies and the effective tax rate of 6.47% for foreign controlled entities.

	CONSOLIDATED ENTITY	
	30 June 2012	30 June 2011
	\$	\$
Tax losses	46,290,436	44,161,170
Potential tax benefit	13,887,131	13,248,351
Temporary differences		
Other	747,148	1,107,615
Provisions	435,275	734,135
Potential tax benefit	354,727	552,525
Total deferred tax benefits not brought to account	14,241,858	13,800,876
Deferred Tax Liabilities		
Mining and exploration costs	18,076,046	14,794,686
Total deferred tax liabilities not brought to account	5,422,814	4,438,406
Total deferred tax assets not brought to account - net	8,819,044	9,362,470

NOTE 5 - KEY MANAGEMENT PERSONNEL REMUNERATION

(a) Key management personnel compensation		
• Short term employee benefits	1,722,508	1,896,134
• Long term benefits	14,234	14,518
• Post employment benefits	250,820	259,935
• Termination benefits*	187,584	305,364
	2,175,146	2,475,951

Apart from the details disclosed in this note, no Director has entered into a material contract with the Company or consolidated entity since 1 July 2011 and there were no material contracts involving Directors' interests existing at year end.

*Termination benefits were reported only within the Remuneration report during the period ended 30 June 2012.

(b) Options	
There were no options held by Key Management Personnel during the period ended 30 June 2012 (30 June 2011: Nil).	

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

2012	Employee Share Ownership					Balance 30.06.2012 No
	Balance 1.07.2011 No	Plan No	Purchases No	Options Exercised No	Sold/Other* No	
Directors						
Stephen Barry	1,600,866	-	-	-	-	1,600,866
Derek Murphy	100,000	-	-	-	-	100,000
Keith Hillless	24,000	-	-	-	-	24,000
Howard Lu	16,000,000	-	-	-	-	16,000,000
Raymond James	21,143,925	-	-	-	-	21,143,925
Kevin Jih (Appointed 30/11/2011)	133,585					133,585
Senior Management						
Ross Mallett (Appointed 13/3/2012)	-	-	-	-	-	-
James Carr (Appointed 03/01/2012)	-					-
Lawrence Brown (Resigned 13/09/2011)	222,641	-	-	-	(222,641)	-
Robert King (Resigned 11/04/2012)	-	-	-	-	-	-
	39,225,017	-	-	-	(222,641)	39,002,376

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

NOTE 5 - KEY MANAGEMENT PERSONNEL REMUNERATION (Continued)

2011	Balance	Employee	Purchases	Options	Sold/Other*	Balance
	1.07.2010	Share				Ownership
	No	Plan	No	No	No	No
Directors						
Stephen Barry	1,600,866	-	-	-	-	1,600,866
Derek Murphy	100,000	-	-	-	-	100,000
Keith Hillless	24,000	-	-	-	-	24,000
Howard Lu (Appointed 7/01/2011)	-	-	16,000,000	-	-	16,000,000
Raymond James	21,143,925	-	-	-	-	21,143,925
Senior Management						
Raymond McNamara (Resigned 09/08/2010)	264,000	-	-	-	(264,000)	-
Kevin Jih (Appointed 11/08/2010)	133,585	-	-	-	-	133,585
Lawrence Brown	222,641	-	-	-	-	222,641
Robert King	-	-	-	-	-	-
John Quayle (Resigned 23/12/2010)	1,217,169	-	-	-	(1,217,169)	-
	24,706,186	-	16,000,000	-	(1,481,169)	39,225,017

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

(d) Transactions with Directors and Director Related Entities

There were no transactions with Directors and Directors' Related Parties during the year.

NOTE 6 - CASH AND CASH EQUIVALENTS

	CONSOLIDATED ENTITY	
	30 June 2012	30 June 2011
	\$	\$
Cash on hand	706	666
Cash at Bank	9,410,026	16,378,243
	9,410,733	16,378,909

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	9,410,733	16,378,909
Balance as per Statement of Cash Flows	9,410,733	16,378,909

NOTE 7 - TRADE AND OTHER RECEIVABLES - CURRENT

Other receivables	280,104	210,886
	280,104	210,886

Other receivables are not past due and are not impaired at 30 June 2012. All amounts are expected to be received in less than 12 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 8 - FINANCIAL ASSETS

	CONSOLIDATED ENTITY	
	30 June 2012	30 June 2011
	\$	\$
Current		
Investment - Term Deposit	-	2,000,000
	-	2,000,000
Non Current		
Available for sale financial asset:		
Mineral Interest in West Baton Rouge Parish, Louisiana, USA, at fair value	572,500	572,500
	572,500	572,500

NOTE 9 - PROPERTY, PLANT, AND EQUIPMENT

	CONSOLIDATED ENTITY	
	30 June 2012	30 June 2011
	\$	\$
Plant and Equipment - at cost	1,264,142	1,265,358
less: accumulated depreciation	(765,981)	(620,407)
	498,161	644,951
Building - at cost	2,172,934	2,172,934
less: accumulated depreciation	(136,276)	(84,054)
	2,036,658	2,088,880
Fixtures and Fittings - at cost	998,612	996,244
less: accumulated depreciation	(224,372)	(141,709)
	774,240	854,535
Land at cost	2,440,000	2,440,000
	5,749,059	6,028,366
Plant and Equipment - under lease	154,571	154,571
less: accumulated amortisation	(154,571)	(154,571)
	-	-
Total property, plant and equipment at written down value	5,749,059	6,028,366

Movements in carrying amounts

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

Consolidated Entity	Plant & Equipment	Building	Fixture and Fittings	Land	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2010	745,059	2,142,098	904,725	2,440,000	6,231,882
Additions	225,490	-	37,994	-	263,484
Disposals	(122,584)	-	-	-	(122,584)
Depreciation	(203,014)	(53,218)	(88,184)	-	(344,416)
Balance at 30 June 2011	644,951	2,088,880	854,535	2,440,000	6,028,366
Balance at 1 July 2011	644,951	2,088,880	854,535	2,440,000	6,028,366
Additions	65,257	-	2,368	-	67,625
Disposals	(31,944)	-	-	-	(31,944)
Depreciation	(180,103)	(52,222)	(82,663)	-	(314,988)
Balance at 30 June 2012	498,161	2,036,658	774,240	2,440,000	5,749,059

A charge exists over four items of plant and equipment as part of a hire purchase finance arrangements. The written down value of these assets was \$124,302 as at 30 June 2012 (30 June 2011: \$160,390). A commercial property comprising land and buildings is subject to a registered security over the bank loan referred to in Note 13. The book value of the property was \$4,476,658 as at 30 June 2012 (30 June 2011: \$4,528,880).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 10 - EXPLORATION AND EVALUATION EXPENDITURE

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

CONSOLIDATED ENTITY	
30 June 2012	30 June 2011
\$	\$
35,439,861	28,445,671
-	-
(17,179,815)	(13,415,389)
18,260,046	15,030,282

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

NOTE 11 - OTHER NON-CURRENT ASSETS

Performance guarantee bonds

CONSOLIDATED ENTITY	
30 June 2012	30 June 2011
\$	\$
218,011	220,737
218,011	220,737

NOTE 12 - TRADE AND OTHER PAYABLES

Current

Trade and sundry payables

CONSOLIDATED ENTITY	
30 June 2012	30 June 2011
\$	\$
1,114,718	1,997,734
1,114,718	1,997,734

NOTE 13 - BORROWINGS

Secured

Current

Hire purchase liabilities

CONSOLIDATED ENTITY	
30 June 2012	30 June 2011
\$	\$
83,773	151,373
83,773	151,373
Non Current	
Hire purchase liabilities	29,501
Bank loan	3,400,000
3,429,501	3,513,273
3,513,274	3,664,646

The hire purchase liabilities are secured by motor vehicles with a written down value of \$124,302 as at 30 June 2012 (30 June 2011: \$160,390) and are subject to interest rates between 7.95% and 13.29% and are repayable in monthly instalments of \$5,817 including finance charges.

The bank loan is secured by commercial property with a written down value of \$4,476,658 as at 30 June 2012 (30 June 2011: \$4,528,880) and is subject to interest rate of 5.96%. The existing loan term was extended to 2015.

NOTE 14 - PROVISIONS

Current

Employee entitlements

Onerous lease*

CONSOLIDATED ENTITY	
30 June 2012	30 June 2011
\$	\$
405,636	481,231
-	154,944
405,636	636,175

Non Current

Employee entitlements

Onerous lease*

Restoration provision

29,639	19,120
-	78,840
184,000	184,000
213,639	281,960
619,275	918,135

Number of employees at year end

15	22
----	----

*No onerous lease provision is recognised as of 30 June 2012 due to the surrender of the lease in April 2012.

In 2011 the onerous lease provision was recognised as no expected lease rental receipts and no tenants had yet been found for the premises in Robina. The estimated rental expenses are for approximately \$10,000 per month plus operating costs of approximately \$4,000 per month for the period up to the expiry of the head-lease (ie to 14 December 2012). The provision was included in the Statement of Financial Position for a total of \$233,784.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 15 - ISSUED CAPITAL

Share Capital

Issued share capital 469,301,394 (30 June 2011: 469,301,394) fully paid, no par value ordinary shares.

	30 JUNE 2012		30 JUNE 2011	
	Number of shares	\$	Number of shares	\$
Fully Paid Shares				
Balance at beginning of the year	469,301,394	70,463,292	439,801,394	64,740,292
Shares issued:				
• December 2010 - Shares issued for cash	-	-	29,500,000	5,900,000
• Capital Raising Costs	-	-	-	(177,000)
Balance at the end of the year	469,301,394	70,463,292	469,301,394	70,463,292

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 16 - FOREIGN CURRENCY TRANSLATION RESERVE

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

NOTE 17 - EARNINGS PER SHARE

	CONSOLIDATED ENTITY	
	30 June 2012	30 June 2011
	\$	\$
(a) Reconciliation of Earnings to Net Profit/(Loss)		
Net Profit/(Loss) for the year	(4,618,666)	(6,000,512)
Earnings used in the calculation of basic EPS	(4,618,666)	(6,000,512)
Earnings used in the calculation of dilutive EPS	(4,618,666)	(6,000,512)
(b) Weighted average number of ordinary shares outstanding during the year used in the calculation of basic EPS.	469,301,394	455,199,746
Weighted average number of ordinary shares outstanding during the year used in the calculation of dilutive EPS.	469,301,394	455,199,746

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 18 - CASH FLOW INFORMATION

	CONSOLIDATED ENTITY	
	30 June 2012	30 June 2011
	\$	\$
Reconciliation of net cash used in operating		
Profit/(loss) after income tax	(4,618,666)	(6,000,512)
Adjustment for non cash items		
Depreciation and amortisation	314,988	344,416
Currency movements	687	(6,362)
Loss/(Gain) on sale of non-current assets	9,898	5,084
Adjustment for changes in assets and liabilities		
Other non-current assets*	2,726	(23,217)
Trade and other receivables	(69,218)	19,935
Trade and other payables**	(1,582,601)	96,712
Employee provisions	(65,076)	32,000
Lease provisions	(233,784)	233,784
Net cash used in operating activities	(6,241,045)	(5,298,160)

* 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.

NOTE 19 - CAPITAL AND LEASING COMMITMENTS

	CONSOLIDATED ENTITY	
	30 June 2012	30 June 2011
	\$	\$
Hire-Purchase Commitments		
Hire- Purchase commitments payable:		
• not later than one year	86,226	162,947
• later than one year but not later than five years	29,555	115,781
Minimum hire-purchase payments	115,781	278,728
Less: future finance charges		
• not later than one year	(2,453)	(11,574)
• later than one year but not later than five years	(55)	(2,508)
Total Hire-Purchase Liabilities	113,274	264,646
Present value of minimum lease and loan payments		
• not more than one year	83,773	151,373
• later than one year but not later than five years	29,501	113,273
	113,274	264,646
Current borrowings (Note 13)	83,773	151,373
Non-current borrowings (Note 13)	29,501	113,273
	113,274	264,646

Work Programme Commitments

	CONSOLIDATED ENTITY	
	30 June 2012	30 June 2011
	\$	\$
The total commitments for work programmes for ATP849P, ATP549, ATP855P* and PEP170 are as follows:		
Exploration expenditure commitments		
• not later than 1 year	6,512,983	6,128,316
• later than one year but not later than five years	15,674,158	22,187,140
	22,187,141	28,315,456

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

* This is based on a 40% interest, for further details refer to note 20.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 20 - 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 2012	30 June 2011
ATP 549P West	Cooper Eromanga	33.33%	33.33%
ATP 594P	Cooper Eromanga	50.00%	50.00%
ATP 794P Regleigh & Springfield	Cooper Eromanga		
		60.00%	60.00%
ATP 794P Brightspot	Cooper Eromanga	75.00%	75.00%
ATP 626P*	Surat	99.00%	99.00%
ATP 849P	Surat	80.00%	80.00%
ATP 855P**	Cooper Eromanga	40.00%	40.00%
PEL 218 Post	Cooper Eromanga	33.33%	33.33%
ATP 560 Ueleven	Cooper Eromanga	50.50%	50.50%
EPG 49	Cooper Eromanga	100.00%	100.00%
EPG 51	Cooper Eromanga	100.00%	100.00%
PEP 170	Gippsland	100.00%	100.00%

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

**Subject to completion of Beach Energy Ltd farmin arrangements.

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

	CONSOLIDATED ENTITY	
	30 June 2012	30 June 2011
	\$	\$
NON CURRENT ASSETS		
Exploration and evaluation expenditure at cost	14,205,548	21,258,907
Total Non Current Assets	14,205,548	21,258,907
Share of total assets in joint venture	14,205,548	21,258,907

NOTE 21 - CONTROLLED ENTITIES

	Country of Incorporation	Date of Incorporation	% Owned	
			30 June 2012	30 June 2011
Parent entity:				
Icon Energy Limited	Australia			
Subsidiaries of Icon Energy Limited:				
Jakabar Pty Ltd	Australia	18 December 1992	100	100
Icon Drilling Pty Ltd	Australia	18 November 1994	100	100
Icon Gas Productions Pty Ltd	Australia	16 December 2008	100	100
Icon Domestic LNG Pty Ltd	Australia	19 July 2010	100	100
Icon Geothermal Pty Ltd	Australia	19 July 2010	100	100
Icon LNG (China) Pty Ltd	Australia	19 July 2010	100	100
Icon Cooper Pty Ltd	Australia	19 July 2010	100	100
Icon Oil US (LLC)	USA	5 January 1993	100	100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 22 - SEGMENT INFORMATION

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

INFORMATION ABOUT GEOGRAPHICAL AREAS

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

	Australia		USA		Consolidated Entity	
	30 June 2012	30 June 2011	30 June 2012	30 June 2011	30 June 2012	30 June 2011
	\$	\$	\$	\$	\$	\$
REVENUE						
External Sales	-	-	-	-	-	-
Royalty income	76,510	-	-	-	76,510	-
Total segment revenues	76,510	-	-	-	76,510	-
Interest Revenue	546,242	814,256	-	-	546,242	814,256
Other Income	707,071	1,543,231	-	-	707,071	1,543,231
Total revenue	1,329,823	2,357,487	-	-	1,329,823	2,357,487
RESULT						
Segment net operating profit after tax	(4,616,180)	(5,987,581)	(2,486)	(12,931)	(4,618,666)	(6,000,512)
Interest expense	48,997	49,925	-	-	48,997	49,925
Impairment of Assets	-	-	-	-	-	-
Loss on sale of non-current assets	(69,425)	(5,084)	-	-	(69,425)	(5,084)
Segment Assets	34,474,532	40,424,570	15,920	17,110	34,490,453	40,441,680
Segment Liabilities	5,247,265	6,580,515	-	-	5,247,265	6,580,515
OTHER						
Acquisition of non-current segment assets	67,625	263,484	-	-	67,625	263,484
Depreciation and amortisation of segment assets	314,988	344,416	-	-	314,988	344,416

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 23 - FINANCIAL INSTRUMENTS

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

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

The consolidated entity does not have any derivative instruments at 30 June 2012 (30 June 2011: Nil).

Significant accounting policies

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

Capital risk management

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

The capital structure of the consolidated entity consists of cash and cash equivalents, hire-purchase liabilities, bank loans and equity comprising issued capital, net of reserves and accumulated losses as disclosed in notes 6, 13 and 15 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 23 - FINANCIAL INSTRUMENTS (CONTINUED)

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

The consolidated entity's overall strategy remains unchanged from 2011.

Financial Risk Management

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

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

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

a Market Risk

Interest rate risk

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

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

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

Consolidated Entity	Weighted Average Interest Rate %	Floating Interest \$	Fixed Interest Rate Maturing		Non interest bearing \$	Total \$
			Within 1 year \$	1 to 5 years \$		
30 June 2012						
<i>Financial assets</i>						
Cash and cash equivalents	3.07%	9,410,026	-	-	707	9,410,733
Other receivables		-	-	-	280,104	280,104
Total Financial Assets		9,410,026	-	-	280,811	9,690,837
<i>Financial liabilities</i>						
Accounts payable		-	-	-	1,114,718	1,114,718
Hire purchase liabilities	9.36%	-	83,773	29,501	-	113,274
Bank loan	5.96%	3,400,000	-	-	-	3,400,000
Total Financial Liabilities		3,400,000	83,773	29,501	1,114,718	4,627,992
30 June 2011						
<i>assets</i>						
Cash and cash equivalents	4.97%	16,378,243	-	-	666	16,378,909
Investment	6.00%	-	2,000,000	-	-	2,000,000
Other receivables		-	-	-	210,886	210,886
Total Financial Assets		16,378,243	2,000,000	-	211,552	18,589,795
<i>Financial liabilities</i>						
Accounts payable		-	-	-	1,997,734	1,997,734
Hire purchase liabilities	9.66%	-	151,373	113,273	-	264,646
Bank Loan	7.03%	3,400,000	-	-	-	3,400,000
Total Financial Liabilities		3,400,000	151,373	113,273	1,997,734	5,662,380

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

NOTE 23 - FINANCIAL RISK MANAGEMENT (CONTINUED)

Cash flow sensitivity analysis for variable rate instruments

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

At 30 June 2012, 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 \$30,346 higher / \$29,258 lower (30 June 2011: \$24,649 / \$24,525), mainly as a result of the consolidated entity's exposure to interest rates on its variable rate cash and cash equivalents.

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

	Carrying 30/06/2012 \$	Carrying 30/06/2011 \$	-0.5% Profit \$	-0.5% Equity \$	+0.5% Profit \$	+0.5% Equity \$
Financial assets						
Cash and cash equivalents	9,410,733	16,378,909	(29,770)	(29,770)	30,859	30,859
Investment - Term Deposit	-	2,000,000	-	-	-	-
Other receivables	280,104	210,886	-	-	-	-
Financial liabilities						
Accounts payable	1,114,718	1,997,734	-	-	-	-
Hire purchase liabilities	113,274	264,646	-	-	-	-
Bank loan	3,400,000	3,400,000	512	512	(512)	(512)
Total increase / (decrease)			(29,258)	(29,258)	30,346	30,346

Price risk

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

Foreign currency risk

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

b. Credit risk

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

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

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

c. Liquidity risk

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 23 - FINANCIAL RISK MANAGEMENT (CONTINUED)

The following are contractual maturities of financial liabilities:

	Carrying Amount	Contractual Cashflows	<1Year	1-5 Years
	\$	\$	\$	\$
30 June 2012				
Trade and other Payables	1,114,718	1,114,718	1,114,718	-
Hire purchase liabilities	113,274	115,781	86,226	29,555
Bank Loan	3,400,000	4,201,289	234,524	3,966,765
	4,627,992	5,431,788	1,435,468	3,996,320
30 June 2011				
Trade and other Payables	1,997,734	1,997,734	1,997,734	-
Hire purchase liabilities	264,646	278,728	162,947	115,781
Bank Loan	3,400,000	3,881,790	240,895	3,640,895
	5,662,380	6,158,252	2,401,576	3,756,676

The consolidated entity's liquidity risk relating to financial liabilities at 30 June 2012 is limited to the repayment of the hire-purchase commitments amounting to \$113,273 (30 June 2011: \$264,646), bank loan commitments amounting to \$3,400,000 (30 June 2011: \$3,400,000) and trade payables. Trade payables are short-term in nature. The consolidated entity does not finance exploration activities through debt.

Fair value estimation

The carrying values less provision for impairment of financial assets and financial liabilities of the consolidated entity, as stated in the Statement of Financial Position and accompanying explanatory notes at 30 June 2012, are a reasonable approximation of their fair values due to the short-term nature of the instruments.

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

NOTE 24 - RELATED PARTY TRANSACTIONS

- Interests in subsidiaries are disclosed in note 21.
- Transactions with Directors and Director Related Entities are disclosed in note 5.
- There were no other related party transactions during the period/year ended 30 June 2012 or 30 June 2011.

NOTE 25 - CONTINGENT LIABILITIES

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

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

Icon Energy is currently in dispute with Lakes Oil NL over an application made by the Company for exploration permit PEP170 in 2010. No claim has been made against the Company for payment to date and it is estimated that the extent of the Company's exposure to the dispute will be limited to approximately \$200,000 representing legal fees yet to be paid.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 26 - EVENTS AFTER BALANCE DATE

Icon Energy and Beach Energy executed a revised Farmin Agreement for ATP 855P on 13 July 2012 under which Beach Energy and Icon Energy agreed to drill a vertical well for Halifax 1 in early August 2012 in place of the planned horizontal well. On 4 August 2012 the Halifax 1 well was spudded in ATP 855P.

Other than the above transactions there has not arisen in the interval between 30 June 2012 and the date of this report, any item, transaction or event of a material or unusual nature likely in the opinion of the Directors, to affect substantially the operations or state of affairs of the consolidated entity in subsequent financial years unless otherwise noted in the Annual Report.

NOTE 27 - PARENT ENTITY INFORMATION

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

Financial position

	30 June 2012	30 June 2011
	\$	\$
Assets		
Current assets	8,168,221	17,523,308
Non-current assets	24,373,930	21,142,755
Total assets	32,542,151	38,666,063
Liabilities		
Current liabilities	845,426	1,088,989
Non-current liabilities	3,454,757	3,602,245
Total liabilities	4,300,183	4,691,234
Net Assets	28,241,968	33,974,829
Equity		
Issued capital	70,463,292	70,463,292
Accumulated losses	(42,221,324)	(36,488,463)
Total equity	28,241,968	33,974,829

Financial performance

	30 June 2012	30 June 2011
	\$	\$
Profit/(Loss) for the year	(5,732,861)	(5,602,574)
Other comprehensive income	-	-
Total comprehensive income/(loss)	(5,732,861)	(5,602,574)

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

	30 June 2012	30 June 2011
	\$	\$
Carrying amount included in current liabilities	-	-

Contingent liabilities of the parent entity

Icon Energy is currently in dispute with Lakes Oil NL over an application made by the Company for exploration permit PEP170 in 2010. No claim has been made against the Company for payment to date and it is estimated that the extent of the Company's exposure to the dispute will be limited to approximately \$200,000 representing legal fees yet to be paid.

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

The parent entity did not have any contractual commitments for the acquisition of property, plant or equipment as at 30 June 2012 or 30 June 2011.

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 21 August 2012 was as follows:

Range	Total Holders	Units	% of Issued
1 - 1,000	394	64,411	0.01
1,001 - 5,000	1,488	5,005,581	1.07
5,001 - 10,000	1,382	11,926,007	2.54
10,001 - 100,000	3,464	126,714,484	27.00
100,001 - 9,999,999,999	675	325,590,911	69.38
TOTAL	7,403	469,301,394	100.00

Unmarketable	Minimum Parcel size	Holders	Units
Minimum \$ 500.00 parcel at \$ 0.21 per unit	2,381	803	803,429

Voting Rights

All ordinary shares carry one vote per share without restriction.

Twenty Largest Ordinary Shareholders

For the names of the twenty largest holders as at 21 August 2012:

Rank	Name	Units	% of Units
1	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	28,423,517	6.06
2	RAY JAMES	21,143,925	4.51
3	HOWARD LU	16,000,000	3.41
4	TAIWAN FRUCTOSE CO LTD	9,000,000	1.92
5	MRS DIANNE BETH BALDWIN	6,809,600	1.45
6	MR TIMOTHY ALLEN KENNEDY + MRS GLENDA KAY KENNEDY <TA & GK KENNEDY S/F NO2 A/C>	5,025,825	1.07
7	JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	4,887,658	1.04
8	MR CHIEN HUA LEE	4,500,000	0.96
9	MR CHRISTOPHER JOHN MARTIN	4,400,000	0.94
10	J P MORGAN NOMINEES AUSTRALIA LIMITED	3,798,687	0.81
11	CITICORP NOMINEES PTY LIMITED	3,387,323	0.72
12	BOND STREET CUSTODIANS LIMITED <MACQ CAPITAL EVENTS FUND>	3,000,000	0.64
13	MR DANIEL JOSEPH RAYMOND O'SULLIVAN	2,733,530	0.58
14	LOCHIEL ENTERPRISES PTY LTD <CAMERON INVESTMENT ACCOUNT>	2,619,000	0.56
15	LINK ORANGE PTY LTD	2,326,430	0.50
16	BROWNWARD PTY LTD <BRIAN HAYWARD S/F A/C>	2,249,000	0.48
17	WILLIAM DOUGLAS GOODFELLOW	2,050,000	0.44
18	MR MIN-CHUNG WU + MS SHUN-I CHEN <MC & SI WU FAMILY A/C>	2,020,000	0.43
19	IAN PETHERBRIDGE RETIREMENT FUND PTY LTD <IAN PETHERBRIDGE R/F A/C>	2,000,000	0.43
20	REYNOLDS (NOMINEES) PTY LIMITED <REYNOLDS SUPER FUND A/C>	2,000,000	0.43
Totals: Top 20 holders of FULLY PAID ORDINARY SHARES (TOTAL)		128,374,495	27.35
Total Remaining Holders Balance		340,926,899	72.65