

ICON ENERGY LIMITED and its Controlled Entities

# Icon Energy Limited

ABN 61 058 454 569

## INTERIM FINANCIAL REPORT

For the half-year ended  
31 December 2015

# Icon Energy Limited

ABN 61 058 454 569

## INTERIM FINANCIAL REPORT

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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 half-year ended 31 December 2015 and the Independent Auditor's Review Report thereon.

### Principal Activities

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

### Directors

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

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

### Dividends Paid or Recommended

The Directors recommend that no dividend be paid by the Company. No dividends have been declared or paid by the Company since the end of the previous financial year (30 June 2015: \$NIL).

### Review of Operations and Results

Icon has continued to evaluate its exploration tenements during the half-year ended 31 December 2015 with particular focus on ATP 855 and ATP 594.

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

ATP 594 is well positioned on the eastern flank of the Cooper Basin and is currently in Year 1 of the first 4 year period following its renewal in April 2015. ATP 594 is considered to be prospective for hydrocarbons following a recent technical evaluation by Energeco consultants. However, the permit is underexplored with limited seismic data and only three exploration wells.

The technical evaluation has helped to focus future exploration activity, beginning with 3D seismic acquisition. Preparations continue towards acquiring a 3D seismic survey in the permit to enable accurate structural definition of the sub-surface.

Landholder Conduct and Compensation Agreements are currently being finalised through the Landholders' legal representatives, in preparation for access to the land to carry out field operations. An expected start date for the 3D Seismic Survey is now likely to be in Q2 2016 subject to availability of a seismic crew.

Icon is the Operator of ATP 594 and has a 100% working interest in the tenement and is in discussion with a potential joint venture partner.

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

The Stage 1 program in ATP 855 achieved all the exploration and technical objectives that were set by the Joint Venture partners. This included flowing natural gas from five wells, achieving the highest flow rate of 4.5 MMscf/d from a shale gas well (Halifax-1) in the Cooper Basin.

The ATP 855 Joint Venture is currently reviewing the results of the Stage 1 program in order to prepare for the next phase of activity in the permit. This next phase of activity will be designed to further define the resource potential.

All wells drilled within ATP 855 to date, Halifax-1, Hervey-1, Keppel-1, Redland-1 Etty-1 and Geoffrey-1, have confirmed the continuation of the Basin-Centred Gas play in the Nappamerri Trough and identified a significant natural gas resource within the Permian Formations of the

Nappamerri Trough. Notices of Petroleum Discovery have been lodged with the Department of Natural Resources and Mines (**DNRM**) for all of the six wells drilled.

ATP 855 is currently in management status by the Operator and Beach Energy are seeking a new joint venture partner in ATP 855.

Well	Halifax-1	Keppel-1	Hervey-1	Etty-1	Redland-1	Geoffrey-1
TD	4,267m	3,898m	4,269m	3,807m	3,804m	4,125m
Gas Shows	Yes	Yes	Yes	Yes	Yes	Yes
Stimulation stages	14	0	5	4	3	5
Max. flow rate	4.5MMscf/d	Flowed gas to surface unstimulated	Flow rate of 0.6MMscf/d	Flow rate of >0.9MMscf/d primarily from a single stage	Flow rate of 0.1MMscf/d	1.1MMscf/d
2C Contingent resources <sup>1</sup> (gross)	<b>Halifax-1, Hervey-1, Etty-1, Redland-1 and Geoffrey-1 1,572 Bcf (2C)<sup>2</sup></b>					
Comments	Highest gas flow rate from unconventional shale gas and tight sands well in Cooper Basin	Flowed gas to surface unstimulated	Initial flow rate from 5 stages	Initial flow rate shows 93% of gas primarily from the Daralingie Formation	Mechanical issues prevented ongoing extended flow test	Flow rate heavily choked back at 12/64" with well head pressure of 3,058psi

*Map showing the location and discovery wells in ATP 855.*

### Queensland – Surat Basin - Petroleum Exploration – ATP 626

ATP 626 is currently in the last term with the Later Work Program covering the period from 1 January 2014 to 31 August 2017. The remaining wells in the tenement, Eolus-1, Mindagabie-1 and Stitch-1, are currently suspended.

<sup>1</sup> Contingent Resources are those quantities of wet gas (produced gas minus carbon dioxide) that are potentially recoverable from known accumulations but which are not considered to be commercially recoverable due to the need for additional delineation drilling, further validation of deliverability and original hydrocarbon in place (OHIP), and confirmation of prices and development costs. This is based on a statistical aggregation method using Monte Carlo simulation estimates for each formation.

<sup>2</sup> Icon Energy announced on 27 March 2015, that DeGolyer and MacNaughton, a well-respected and qualified international petroleum reserve and resource evaluation company, had estimated that, the 2C Recoverable Gross Contingent Resource has increased by 943 Bcf, from 629 Bcf to 1,572 Bcf (as at 31 December 2014).

**Victoria – Petroleum Exploration – PEP 170**

PEP 170 is still subject to the General Moratorium covering all drilling in onshore Victoria. Icon has suspended all field work until the Moratorium issue is resolved.

*Table showing all Icon Energy's tenements*

Basin / Area	Permit / Area	Tenement Area	Permit Interest	Operator	Prospect Type
<b>Cooper Basin, Nappamerri Trough</b>	ATP 855	1,674 km <sup>2</sup>	35.1%	Beach Energy	Shale Gas, Oil
<b>Cooper Basin Nappamerri Trough</b>	PRLs 33- 49*	1,602 km <sup>2</sup>	33.33%	Beach Energy	Oil
<b>Cooper - Eromanga Basin</b>	ATP 594	1,230 km <sup>2</sup>	100%	Icon Energy	Natural Gas, Oil
<b>Cooper - Eromanga Basin</b>	ATP 549 West	445 km <sup>2</sup>	33.33%	Drillsearch	Natural Gas, Oil
<b>Cooper - Eromanga Basin</b>	ATP 794				
	- Regleigh Block	674 km <sup>2</sup>	60%	Icon Energy	Oil
	- Springfield Block	1,505 km <sup>2</sup>	60%	Icon Energy	Oil
<b>Gippsland Basin</b>	PEP 170	808 km <sup>2</sup>	100%	Icon Energy	Natural Gas, Oil
<b>Gippsland Basin</b>	PEP 172**	1,312 km <sup>2</sup> **	100%	Icon Energy	Natural Gas
<b>Gippsland Basin</b>	PEP 173**	1,220 km <sup>2</sup> **	100%	Icon Energy	Natural Gas
<b>Surat Basin</b>	ATP 626P	741 km <sup>2</sup>	100%	Icon Energy	Shale Gas, Oil

\* Formerly PEL 218 (Post Permian Section) \*\* Permit to be granted

**Financial position**

The cash balance as at 31 December 2015 was \$15.68 million plus a \$3 million bank term deposit.

**Significant Changes in the State of Affairs**

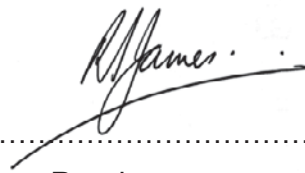
There were no significant changes in the state of affairs of the consolidated entity during the half-year ended 31 December 2015.

**Auditor's Declaration**

The lead Auditor's Independence Declaration under Section 307C of the *Corporations Act* 2001 is set out on page 8 for the half-year ended 31 December 2015.

This report is signed in accordance with a resolution of the Board of Directors.

Director



Ray James  
Managing Director

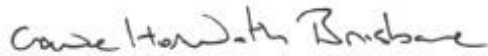
Dated this 23rd day of February 2016  
Broadbeach Waters, Queensland

## Auditor's Independence Declaration

As lead auditor for the review of Icon Energy Limited for the half year ended 31 December 2015, I declare that, to the best of my knowledge and belief, there have been:

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

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



**CROWE HORWATH BRISBANE**



**BRENDAN WORRALL**  
Partner

Signed at Brisbane, 23 February 2016



**CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
 AND OTHER COMPREHENSIVE INCOME**  
 for the half-year ended 31 December 2015

	Restated	
	Half-year ended 31 December 2015	31 December 2014
NOTE	\$	\$
Continuing operations		
Income from research and development claim	524,140	-
Interest received and other income	218,118	340,612
Administration expenses	(1,821,171)	(1,499,023)
Depreciation and amortisation expenses	(157,429)	(153,890)
Employee benefits and expenses	(697,932)	(1,831,269)
Occupancy expenses	(20,277)	(20,101)
Impairment of exploration expenditure	-	-
Loss on disposal of non-current assets	-	(9,657)
Finance costs	(10,702)	(15,926)
<b>Loss before income tax</b>	<b>(1,965,253)</b>	<b>(3,189,254)</b>
Income tax benefit	-	-
<b>Profit/(Loss) for the period</b>	<b>(1,965,253)</b>	<b>(3,189,254)</b>
<b>Other comprehensive income</b>		
Items that may be reclassified to profit and loss		
Exchange differences arising on translation of foreign operations, net of income tax	706	2,109
Other comprehensive income for the period	<b>706</b>	<b>2,109</b>
<b>Total comprehensive income/(loss) for the period</b>	<b>(1,964,547)</b>	<b>(3,187,146)</b>
Profit/(Loss) attributable to:		
Owners of the parent entity	(1,965,253)	(3,189,254)
Non-Controlling interests	-	-
<b>Profit/(Loss) for the period</b>	<b>(1,965,253)</b>	<b>(3,189,254)</b>
Total comprehensive income/(loss) attributable to:		
Owners of the parent entity	(1,964,547)	(3,187,146)
Non-controlling interests	-	-
<b>Total comprehensive income/(loss) for the period</b>	<b>(1,964,547)</b>	<b>(3,187,146)</b>
<b>Earnings/(Loss) per share</b>		
Basic earnings/(Loss) per share (cents per share)	(0.33)	(0.52)
Diluted earnings/(Loss) per share (cents per share)	(0.33)	(0.51)

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**as at 31 December 2015**

	NOTE	31 December 2015 \$	30 June 2015 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		15,686,590	8,748,520
Trade and other receivables		117,129	111,360
Term deposits		3,000,000	5,000,000
<b>TOTAL CURRENT ASSETS</b>		<b>18,803,719</b>	<b>13,859,880</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant, and equipment		5,066,593	5,129,843
Exploration and evaluation expenditure	5	34,573,841	42,267,462
Performance guarantee bonds		200,503	199,950
<b>TOTAL NON-CURRENT ASSETS</b>		<b>39,840,937</b>	<b>47,597,255</b>
<b>TOTAL ASSETS</b>		<b>58,644,656</b>	<b>61,457,135</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	6	113,990	776,665
Employee benefits		438,893	487,330
<b>TOTAL CURRENT LIABILITIES</b>		<b>552,883</b>	<b>1,263,995</b>
<b>NON-CURRENT LIABILITIES</b>			
Employee benefits		137,682	118,561
Provisions		1,510,401	1,499,699
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>1,648,083</b>	<b>1,618,260</b>
<b>TOTAL LIABILITIES</b>		<b>2,200,966</b>	<b>2,882,255</b>
<b>NET ASSETS</b>		<b>56,443,690</b>	<b>58,574,880</b>
<b>EQUITY</b>			
Issued capital	7	102,129,679	102,346,082
Reserves	8	(1,582,270)	(1,632,736)
Accumulated losses		(44,103,719)	(42,138,466)
<b>TOTAL EQUITY</b>		<b>56,443,690</b>	<b>58,574,880</b>

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**for the half-year ended 31 December 2015**

CONSOLIDATED ENTITY	Ordinary Share Capital	Share-Based Payments Reserve (Note 11)	Foreign Exchange Reserve (Note 11)	Accumulated Losses	Total
	\$	\$	\$	\$	\$
<b>Balance 1 July 2014</b>	102,724,971	877,588	(2,241,722)	(36,274,920)	65,085,917
Total comprehensive income:					
Profit for the period	-	-		(3,189,254)	(3,189,254)
Other Comprehensive Income	-		2,109	-	2,109
<b>Total Comprehensive Income/(loss) for the period</b>	-	-	2,109	(3,189,254)	(3,187,146)
<b>Transactions with owners in their capacity as owners:</b>					
Shares issued	-	-	-	-	-
Reserve transfer for performance rights vested	382,609	(412,041)	-		(29,432)
Share issue costs	-	-	-	-	-
Performance rights granted	-	567,461	-	-	567,461
<b>Total transactions with owners</b>	382,609	155,419	-	-	538,028
<b>Balance at 31 December 2014 - attributable to owners of parent entity</b>	<b>103,107,580</b>	<b>1,033,007</b>	<b>(2,239,613)</b>	<b>(39,464,174)</b>	<b>62,436,800</b>
<b>Balance 1 July 2015</b>	102,346,082	605,649	(2,238,385)	(42,138,466)	58,574,880
Total comprehensive income:					
Profit for the period	-	-		(1,965,253)	(1,965,253)
Other Comprehensive Income	-		706	-	706
<b>Total Comprehensive Income/(loss) for the period</b>	-	-	706	(1,965,253)	(1,964,548)
<b>Transactions with owners in their capacity as owners:</b>					
Shares issued	-	-	-	-	-
Share buyback	(216,403)				(216,403)
Reserve transfer for performance rights vested	-	-	-	-	-
Share issue costs	-	-	-	-	-
Increase in share based payments reserve	-	49,760	-	-	49,760
<b>Total transactions with owners</b>	(216,403)	49,760	-	-	(166,643)
<b>Balance at 31 December 2015 - attributable to owners of parent entity</b>	<b>102,129,679</b>	<b>655,409</b>	<b>(2,237,679)</b>	<b>(44,103,719)</b>	<b>56,443,690</b>

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**for the half-year ended 31 December 2015**

NOTE	Restated	
	Half-year ended	
	31 December 2015 \$	31 December 2014 \$
	Inflows (Outflows)	Inflows (Outflows)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
	57,489	7,957
	(2,707,115)	(3,952,031)
	211,103	566,504
2	524,140	4,897,215
	<b>(1,914,383)</b>	<b>1,519,645</b>
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>		
	2,000,000	(6,000,000)
	(29,887)	(92,796)
	(615,700)	(14,358,688)
	-	332,505
	7,714,444	13,971,362
	<b>9,068,856</b>	<b>(6,147,617)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
	(216,403)	-
	<b>(216,403)</b>	-
	6,938,070	(4,627,971)
	8,748,520	7,605,461
	<b>15,686,590</b>	<b>2,977,490</b>

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** for the half-year ended 31 December 2015

**NOTE 1 - STATEMENT OF ACCOUNTING POLICIES**

The half-year consolidated financial statements are general purpose financial statements prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standard AASB 134: *Interim Financial Reporting*, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

The half-year financial statements do not include full disclosures of the type normally included in annual financial statements.

It is recommended that these financial statements be read in conjunction with the annual financial report for the year ended 30 June 2015 and any public announcements made by Icon Energy Limited during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

The financial statements were authorised for issue by the directors on the 23 February 2016.

The accounting policies and methods of computation have been consistently applied and are consistent with those in the 30 June 2015 financial report, except for the following new accounting standards that have become effective for the current reporting period commencing 1 July 2015:

- (i) AASB 2014-1 *Amendments to Australian Accounting Standards [Part A – Annual Improvements 2010-2012 and 2011/2013 Cycles]*;
- (ii) AASB 2015-3 *Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality*.

These standards have introduced new disclosures for the interim report but did not affect the entity's accounting policies or any of the amounts recognised in the financial statements.

*Basis of preparation*

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

**NOTE 2 - SIGNIFICANT TRANSACTIONS**

	<b>31 December 2015</b>	<b>31 December 2014</b>
	<b>\$</b>	<b>\$</b>
Research and development claim allocated to income	524,140	-
Research and development claim applied against exploration expenditure	7,714,444	11,376,221
	<b>8,238,584</b>	<b>11,376,221</b>

**NOTE 3 - DIVIDENDS**

No dividends have been declared or paid since the end of the reporting period (2014: \$NIL).

**NOTE 4 - FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS**

The entity also has a number of financial instruments which are not measured at fair value in the statement of financial position. For these instruments, the fair values are not materially different to their carrying amounts.

Due to their short-term nature, the carrying amounts of the current receivables and current payables is assumed to approximate their fair value.

**NOTE 5 - EXPLORATION AND EVALUATION EXPENDITURE**

	<b>31 December 2015</b>	<b>30 June 2015</b>
	<b>\$</b>	<b>\$</b>
Exploration and Evaluation Expenditure at cost	42,267,462	34,657,934
Additions	20,823	18,985,749
Less: RDTI applied	(7,714,444)	(11,376,221)
	<b>34,573,841</b>	<b>42,267,462</b>

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** for the half-year ended 31 December 2015

**NOTE 6 - TRADE AND OTHER PAYABLES**

**CURRENT**

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

	31 December 2015 \$	30 June 2015 \$
	29,159	565,410
	84,831	211,255
	<b>113,990</b>	<b>776,665</b>

**NOTE 7 - ISSUED CAPITAL**

*Share Capital*

Issued shares of 602,324,481 fully paid, no par value ordinary shares, amounted to \$102,129,679 (30 June 2015: 607,026,150, amounted to \$102,346,082). During the half year, 4,701,669 fully paid ordinary shares were cancelled as part of the Company's on-market buy-back.

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

**NOTE 8 - RESERVES**

Share-based payments reserve \*  
 Foreign currency translation reserve \*\*  
**Total reserves**

	31 December 2015 \$	30 June 2015 \$
	655,408	605,649
	(2,237,679)	(2,238,385)
	<b>(1,582,270)</b>	<b>(1,632,736)</b>

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

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

**NOTE 9 - JOINT VENTURES**

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

Oil and Gas	Basin	Interest %	
		31 December 2015	30 June 2015
ATP 549P West	Cooper Eromanga	33.33%	33.33%
ATP 594P*	Cooper Eromanga	100.00%	100.00%
ATP 794P Regleigh & Springfield	Cooper Eromanga	60.00%	60.00%
ATP 626P	Surat	100.00%	100.00%
ATP 855P	Cooper	35.10%	35.10%
PRLs33-49**	Cooper	33.33%	33.33%
PEP170	Gippsland	100.00%	100.00%
PEP172***	Gippsland	100.00%	100.00%
PEP173***	Gippsland	100.00%	100.00%

\* In September 2014, the Department of Natural Resources and Mines transferred the outstanding 50% interest from former joint owner Triple J Resources to Icon Energy following the de-registration of Triple J Resources.

\*\* Formerly PEL 218 (Post Permian Section).

\*\*\* Permit to be granted

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** for the half-year ended 31 December 2015

**NOTE 10 - CONTROLLED ENTITIES**

	Country of incorporation	Date of incorporation	% Owned	
			31 December 2015	30 June 2015
<b>Parent entity:</b>				
Icon Energy Limited	Australia			
<b>Subsidiaries of Icon Energy Limited:</b>				
Jakabar Pty Ltd	Australia	18 December 1992	100	100
Icon Drilling Pty Ltd	Australia	18 November 1994	100	100
Icon Gas Productions Pty Ltd	Australia	16 December 2008	100	100
Icon Oil US (LLC)	USA	2 October 2000	100	100

**NOTE 11 - SEGMENT INFORMATION**

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

**INFORMATION ABOUT GEOGRAPHICAL AREAS**

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

	Australia		USA		CONSOLIDATED	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014	31 December 2015	31 December 2014
	\$	\$	\$	\$	\$	\$
<b>REVENUE</b>						
Income from research and development claim	524,140	-	-	-	524,140	-
Royalty income	7,008	7,957	-	-	7,008	7,957
Total segment revenues	531,148	7,957	-	-	531,148	7,957
Interest Received	211,103	332,655	-	-	211,103	332,655
Other Income	7	-	-	-	7	-
Total revenue	742,259	340,612	-	-	742,259	340,612

**RESULTS**

Segment net operating profit after tax	(1,963,906)	8,187,162	(1,347)	(195)	(1,965,253)	(3,189,254)
Interest expense	10,702	15,926	-	-	10,702	15,926
Impairment of Assets	-	-	-	-	-	-
Loss on disposal of non-current assets	-	(9,657)	-	-	-	(9,657)
Segment Assets	58,631,606	61,443,442*	13,050	13,693*	58,644,656	61,457,135*
Segment Liabilities	2,200,966	2,882,255*	-	-	2,200,966	2,882,255*

**OTHER**

Acquisition of non-current segment assets	29,887	92,796	-	-	29,887	92,796
Depreciation and amortisation	157,429	153,890	-	-	157,429	153,890

\* as at 30 June 2015

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** for the half-year ended 31 December 2015

**NOTE 12 - CONTINGENT LIABILITIES**

On 12 May 2015, Southern Fairway Investments Pty Ltd (formerly Babcock & Brown Australia Infrastructure Pty Ltd) ("B&B") and Ronald Baldwin submitted a Further Amended Statement of Claim and on 17 July 2015 the plaintiff's counsel acknowledged that there were still deficiencies in that pleading. Directions were made to allow for the submission of a further amendments to the Second Further Amended Statement of Claim.

On the 15 October 2015, Justice McMurdo found that losses for breach of the MOU with B & B should be struck out and the majority of the Further Amended Statement of Claim was struck out. This is the second strike out ruling awarded to the majority of Southern Fairway Investments Pty Ltd (formerly Babcock & Brown Australia Infrastructure Pty Ltd) and Ronald Baldwin matter, however his Honour allowed the plaintiffs the liberty to re-plead on two matters. This second judgment provided for a ruling on costs and on 18 February, Justice McMurdo awarded Icon Energy 100% of costs of the applications to be recovered from Southern Fairway Investments and Ronald Baldwin.

Icon gives no credence to the alleged estimate of loss given by Southern Fairway Investments Pty Ltd and Mr Baldwin. Icon has received a costs recovery of \$33,000 from the first strike out application in August 2015. Icon will undertake a recovery of costs for the portion of the second strike out judgement handed down in October 2015.

Mr Baldwin and Southern Fairway Investments are to file and serve any further amended statement of claim by 26 February 2016. It is estimated that the extent of the Company's exposure to this dispute will be limited to approximately \$200,000 to \$500,000 representing legal fees.

**NOTE 13 - EVENTS AFTER BALANCE SHEET DATE**

Since the end of the period, the Directors are not aware of any other matter or circumstance not otherwise dealt with in this report or the Financial Statements, that has significantly or may significantly affect the operations of the Consolidated Entity.

**NOTE 14 - CORRECTION OF PRIOR PERIOD ERROR**

During the year, \$11.38 million was reclassified for the period ending 31 December 2014 from the income tax benefit to exploration and evaluation expenditure. The research and development claim was incorrectly included in tax benefit instead of being offset against exploration and evaluation expenditure.

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

	Previously Reported 31 December 2014 \$	Adjustment \$	Restated 31 December 2014 \$
<b>Statement of profit or loss and other comprehensive income</b>			
Income tax benefit	11,376,221	(11,376,221)	-
<b>Net Profit/(Loss) for the year from continuing operations</b>	<b>8,186,967</b>	<b>(11,376,221)</b>	<b>(3,189,254)</b>
<b>Earnings per share</b>			
From continuing operations			
Basic earnings/(loss) per share (cents per share)	1.33	(1.85)	(0.52)
Diluted earnings/(loss) per share (cents per share)	1.31	(1.82)	(0.51)

There is no tax impact on the Statement of Financial Position as a result of the prior period error.



## DIRECTORS' DECLARATION

The Directors of the Company declare that:

- 1) The financial statements and notes set out on pages 9 to 16 are in accordance with the *Corporations Act 2001*, including:
  - a) complying with Accounting Standard *AASB 134 Interim Financial Reporting*; and
  - b) giving a true and fair view of the Consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date.
- 2) In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Raymond S James  
Managing Director

Signed at Broadbeach, 23 February 2016

## Independent Auditor's Review Report

To the Members of Icon Energy Limited

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Icon Energy Limited and its controlled entities, which comprises the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

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

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is if free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements *ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Icon Energy Limited and its controlled entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

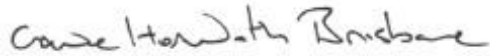
## Independence

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

## Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard *AASB 134 Interim Financial Reporting* and *Corporations Regulations 2001*.



**CROWE HORWATH BRISBANE**



**BRENDAN WORRALL**

Partner

Signed at Brisbane, 23 February 2016