

ANNUAL REPORT 2011
ICON ENERGY
LIMITED



ICON ENERGY IS CONCENTRATING ITS EFFORTS ON OBTAINING 2P RESERVES TO SATISFY ITS SALE AGREEMENTS:

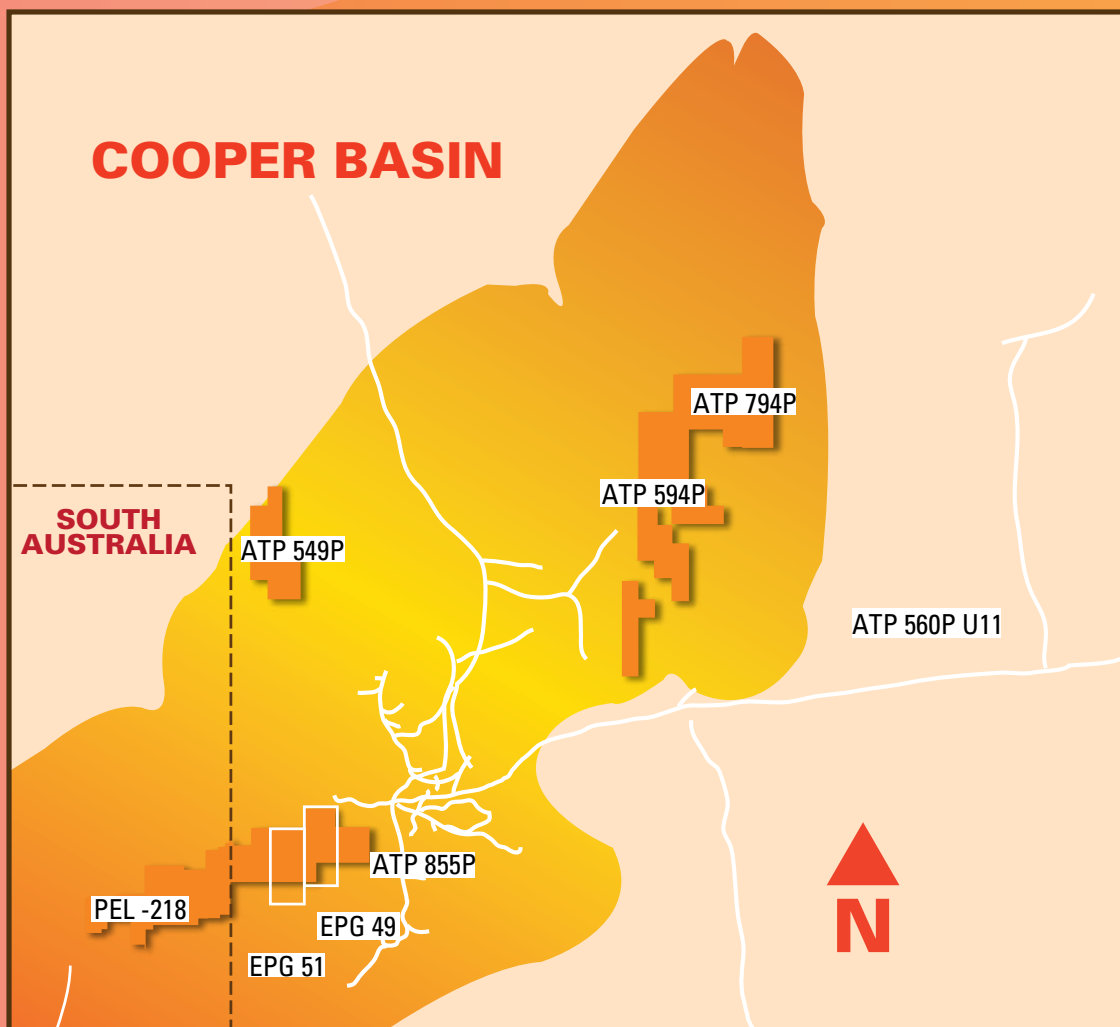
(a) Gas Supply Agreement signed with Stanwell in August 2010 requiring 337.5 PJ of 2P reserves

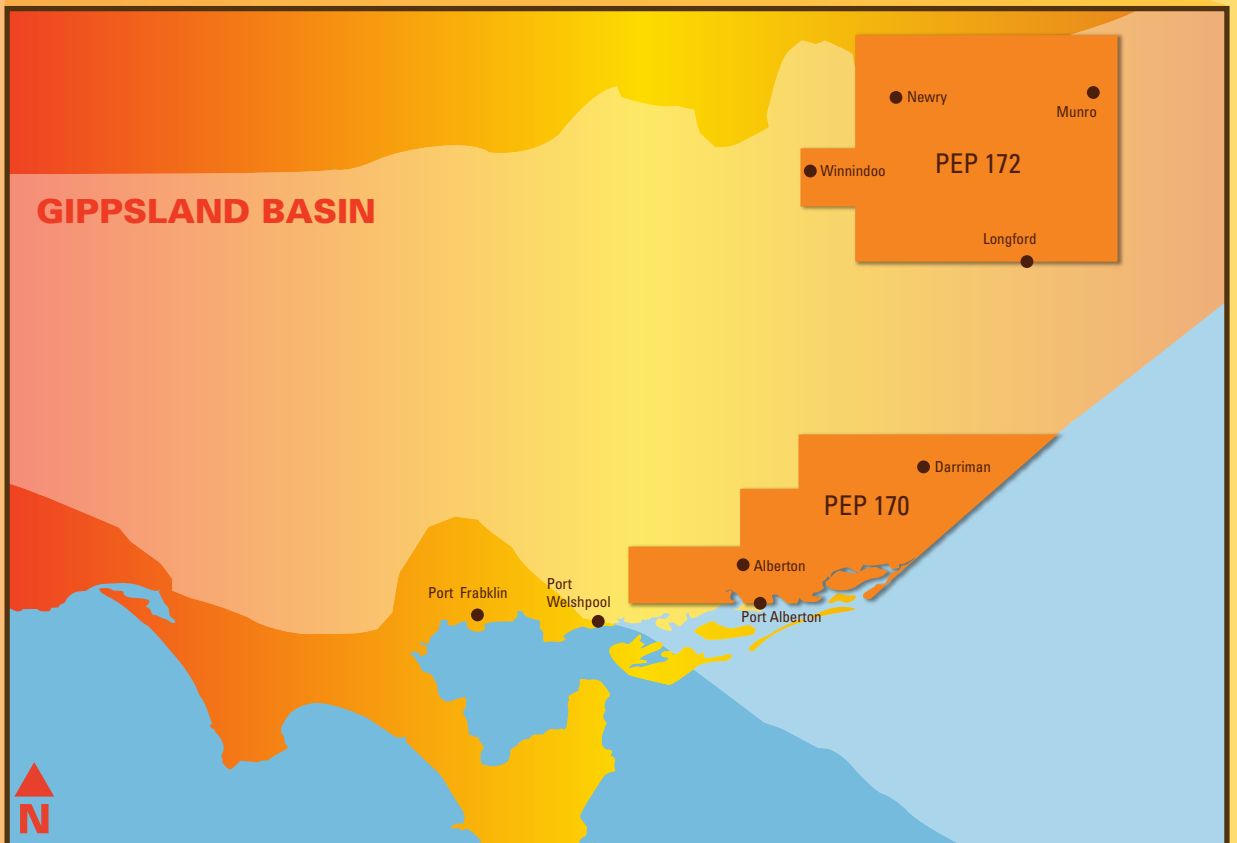
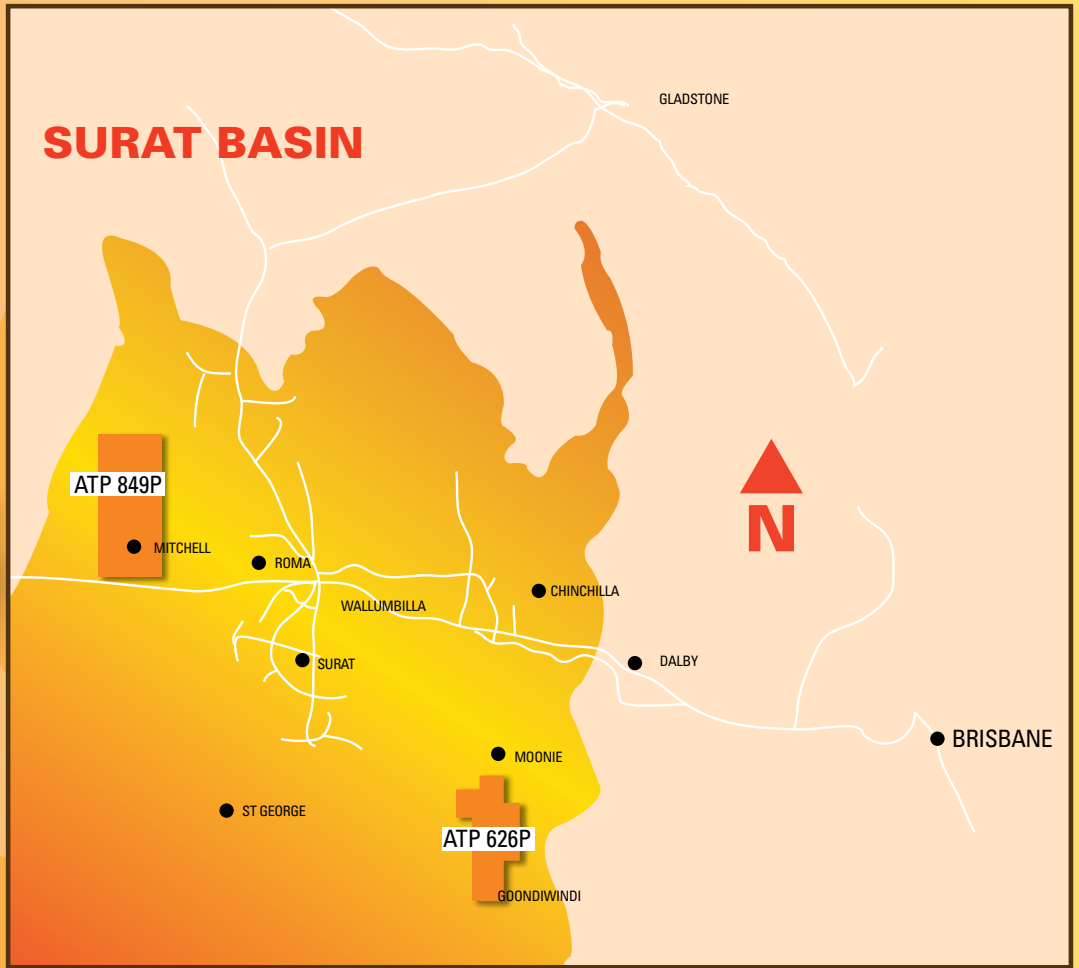
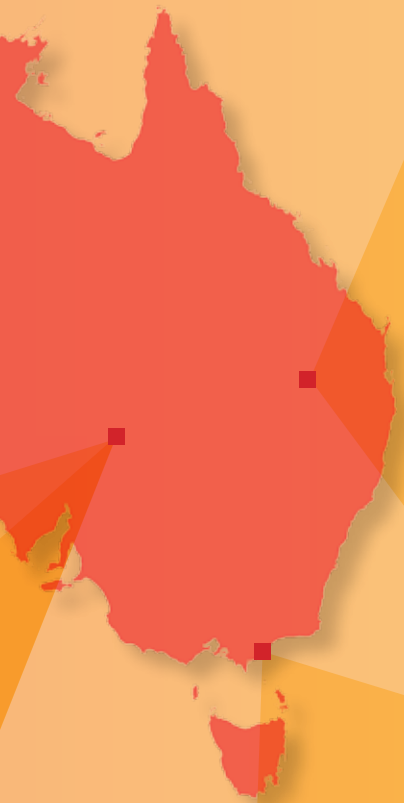
The Gas Supply Agreement signed with Stanwell in August 2010 is contingent on Stanwell making a development commitment in ATP626P. This development commitment will (at Stanwell's discretion) be made once a minimum required reserve of 337.5 PJ of 2P reserves in ATP626P is certified.

(b) LNG Sales Agreement signed with Shantou SinoEnergy in March 2011 requiring 2,121 PJ of 2P reserves

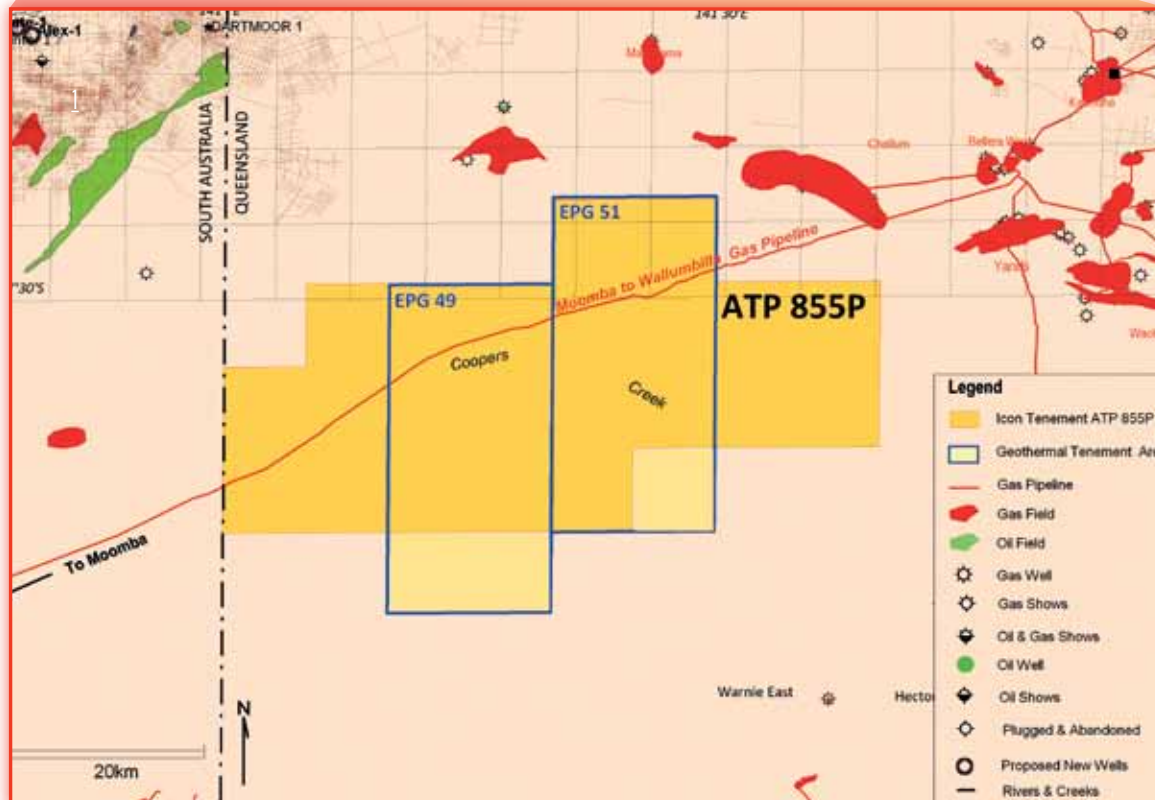
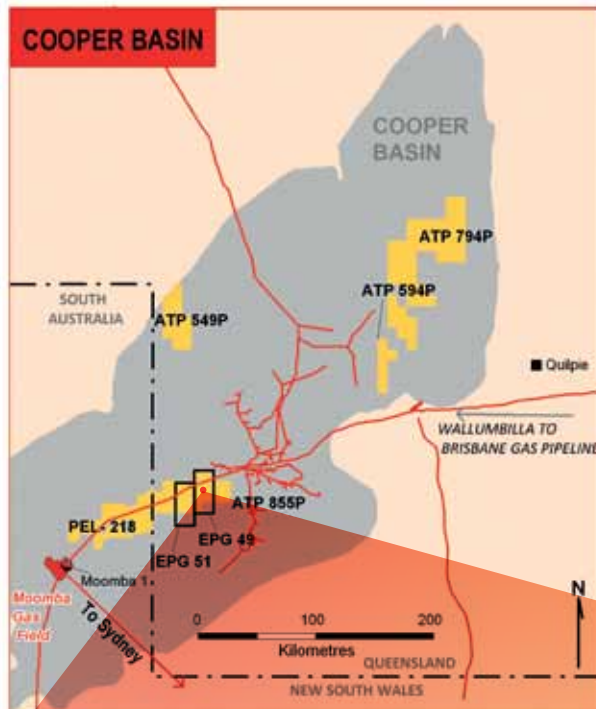
The LNG Sales Agreement signed with Shantou SinoEnergy in March 2011 states that Icon Energy will supply 40,000,000 tonnes of LNG to Shantou SinoEnergy over 20 years. It is a condition of the LNG Sales Agreement that, by March 2013, Icon Energy delivers to Shantou SinoEnergy a reserves certificate of at least 2 TCF of 2P reserves of natural gas, which converts to 2,121 PJ of 2P reserves. These 2P reserves can be sourced by Icon Energy from its own or third party tenements, subject to the gas and LNG meeting the international standard LNG specifications determined by accredited experts appointed by Icon Energy.

Icon Energy will now focus its strategic objectives on vigorous exploration of its tenements in the Surat-Bowen Basin, the Cooper-Eromanga Basin and the Gippsland Basin, with a view to obtaining 2P reserves to satisfy both sale agreements.





COOPER BASIN — CORE PROJECT ATP 855P



BEACH ENERGY & ICON ENERGY REACH FARMIN AGREEMENT

The Federal Court proceedings between Icon Energy and Beach Energy in relation to ATP855PP were settled on 15 July 2011.

On that same date, Icon Energy signed a Farmin Agreement with Beach Energy in relation to ATP855P.

Under the terms of the Farmin Agreement:

- (a) Icon Energy transferred a 40% interest in ATP855P to Beach Energy (subject to DEEDI approval);
- (b) Beach Energy will drill a horizontal pilot unconventional well into one of the strata comprising the Roseneath, Epsilon and Murteree sequence, then case and suspend the well, suitable for fracture stimulation (which is expected to occur within 30 days of rig release from the well);
- (c) Beach Energy will fund Icon Energy's share of the farmin operations at an estimated cost of \$16 million (gross), with the exception of a \$1.75 million contribution to be made by Icon Energy;
- (d) The cost of fracture stimulation, completing and flow testing the well will be paid by the joint venture parties in proportion to their participating interest shares;
- (e) Beach Energy will be recommended by Icon Energy to be the operator of ATP855P; and
- (f) Icon Energy will be recommended by Beach Energy to undertake the management of coal seam gas operations in ATP855P.

Pending DEEDI approval of the transfer from Icon Energy to Beach Energy, ATP855P will be held as follows: Icon Energy 40%; Beach Energy 40%; Deka Resources 10% and Well Traced 10%. Deka Resources and Well Traced are both wholly owned subsidiaries of Adelaide Energy.

ATP 855P ICON ENERGY / BEACH ENERGY JOINT VENTURE

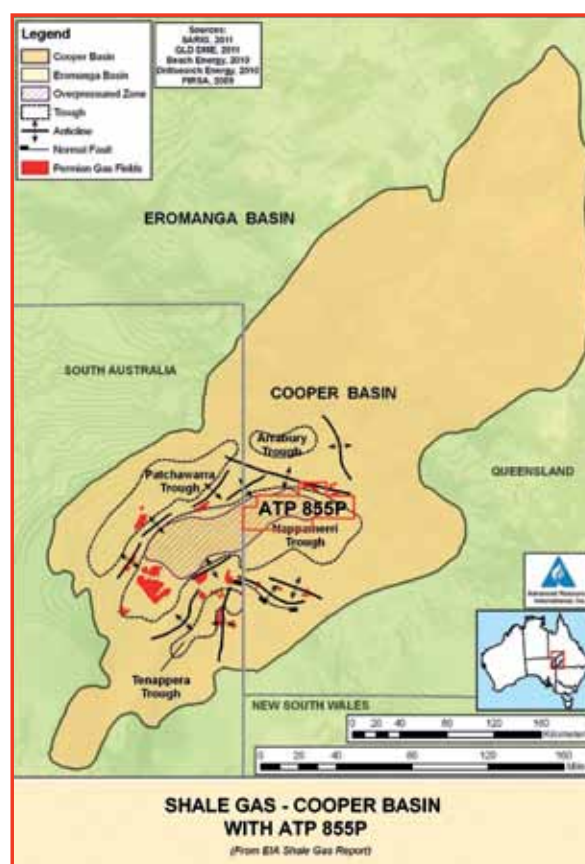
Icon Energy took a strategic decision to harness Beach Energy's established expertise in shale gas exploration and drilling in the Nappamerri Trough so as to expedite operations in ATP855P, in which Icon Energy is to largely be carried, except for a small staged contribution of AUD\$1.75 million. Beach Energy also has experience in horizontal drilling and fracking. Both Icon Energy and Beach Energy are looking forward to a successful joint venture in ATP855P.

PROSPECTIVE RESOURCE

ATP855P is highly prospective area for oil, coal seam gas and for deep shale gas.

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

Using the EIA's assessment, Icon Energy's internal estimates conservatively place the potential recoverable amount from ATP855P at some 20 TCF.



Assuming the EIA Report is corroborated through drilling operations (expected to commence in ATP855 in June 2012), it is anticipated that the potential of ATP855 alone will be more than sufficient to satisfy the LNG Sales Agreement that Icon Energy signed with Shantou SinoEnergy in March 2011.

Just across the Queensland/South Australian border from ATP855P is South Australian permit PEL 218. Icon Energy holds an interest in the shallow, post-Permian, portion of PEL218 and not in the deep Permian levels of PEL218.

Beach Energy, as operator of the deep Permian levels of PEL218, has recently reported a serious shale gas play in the tenement.

In late 2010 and early 2011, Beach Energy drilled two deep shale wells in PEL218 - Encounter-1 and Holdfast-1. Beach Energy drilled these two wells off-structure to test the basin centred gas potential in PEL218.

Both wells have indicated that there is a thick shale section through PEL218, averaging 240m in depth.

This shale section has been extensively cored by Beach Energy and it is understood that technical evaluation of these cores is continuing.

Beach has reported that gas desorption from shale suggests that almost 100 TCF GIP exists in the PEL218 shales. The sands are also gas bearing indicating that there may be a basin centred gas play in addition to the shale play, potentially adding a further 200 TCF GIP to PEL218.

A successful flow test was performed by Beach Energy at Holdfast-1 in PEL218. Holdfast-1 was also fracture stimulated in June 2011 and flow tested in July 2011. Beach Energy has indicated that the Encounter-1 well will be stimulated and flow tested in late 2011.

The Holdfast-1 well flowed up to 2 MMscfd, and Beach Energy has a gas resource of 2 TCF booked for 100km² around Holdfast-1 and Encounter-1 in PEL218. Beach Energy has stated that the potential GIP exceeds 200 TCF in the sands across PEL218.

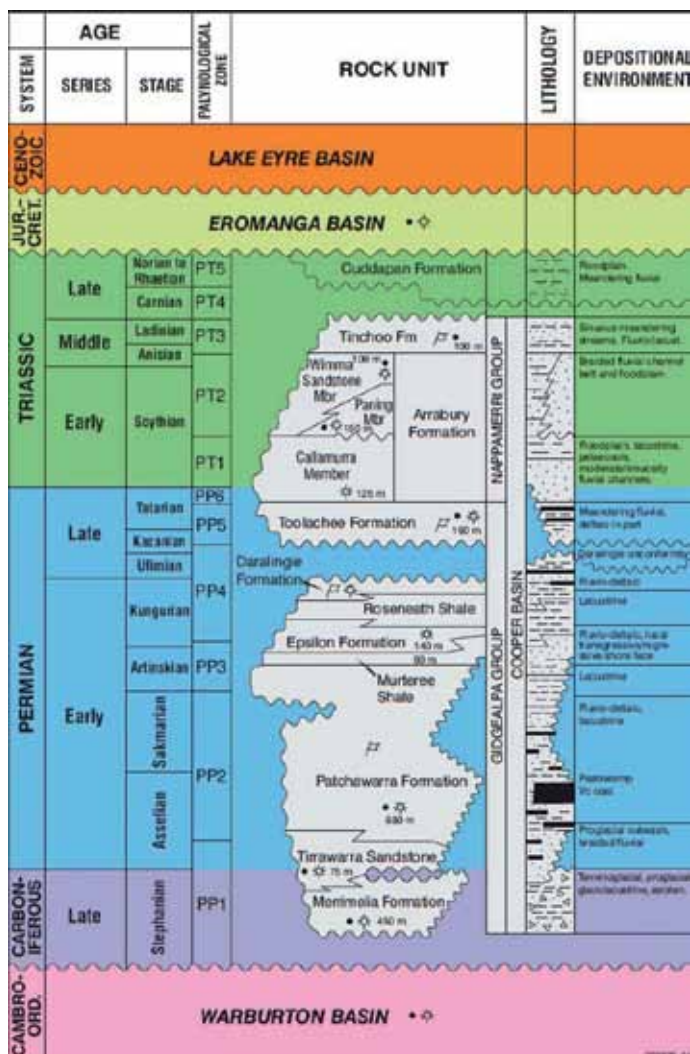


Figure Above: Stratigraphy of the Cooper Basin, showing Permian-Age Shale Targets (Roseneth, Epsilon, Murteree)

EIA REPORT ON SHALE GAS IN THE NAPPAMERRI TROUGH

Source: U.S Energy Information Administration ("EIA"). "World Shale Gas Resources: An Initial Assessment of 14 Regions Outside the United States" April 2011. Independent Statistics & Analysis. US Department of Energy Washington, DC 20585.

The Nappamerri Trough is large (15,000 km²), deep (>10,000 feet), thermally mature, and overpressured, appears to be the most prospective portion of the Cooper basin for gas shale development.

The top Permian horizon reaches maximum depths of over 4,000 meters in the center of the Nappamerri Trough and over 3,000 meters in the Patchawarra Trough. Prospective Permian shales occur at depths of 3,000 to 4,000 meters. Nearly the entire extent of the two troughs appears to be depth-prospective for shale development. Furthermore, relatively little faulting occurs within these troughs.

The stratigraphy of the Cooper Basin is shown in the Shale Gas Cooper Basin with ATP855P Map on the previous page.

Conventional and tight sandstone oil & gas reservoirs are found in the Patchawarra and Toolachee formations, interbedded with coal deposits. These were sourced by two organic-rich

complexes: the Late Carboniferous to Late Permian Gidgealpa Group and the Late Permian to Middle Triassic Nappamerri Group, both of which were deposited in non-marine settings. Of the two source rock groups, the Gidgealpa Group appears the more prospective. Most of the gas generated by the Nappamerri Group likely came from its multiple, thin, discontinuous coal seams.

The Cooper Basin also has been Australia's most active area for gas shale leasing and testing. Santos, Beach Energy, Icon, Adelaide Energy and DrillSearch Energy have active shale evaluation programs, though only Beach is known to have drilled a test well. Starting in October 2010 Beach drilled and completed a vertical shale test well in the eastern Nappamerri Trough, thought to be Australia's first dedicated shale test wells. Encounter-1 and Holdfast penetrated 350 meters of REM shales and was drilled to a total depth of 3,612 m, the well penetrated 393 m of REM shale formation with continuous gas shows. The company is analysing five REM cores for gas content and mechanical properties. Beach has conducted a stimulation program in Holdfast-1 and flowed gas at 1.8MMCFPD. Beach has announced gas in place of 1 TCF in Holdfast-1 and 1 TCF in place in Encounter-1."

ATP 855P ICON ENERGY / BEACH ENERGY DRILLING PROGRAMME

In August 2011, Beach Energy, as operator of ATP855P, secured the Ensign #65 drilling rig to drill a horizontal pilot unconventional production well in ATP855P.

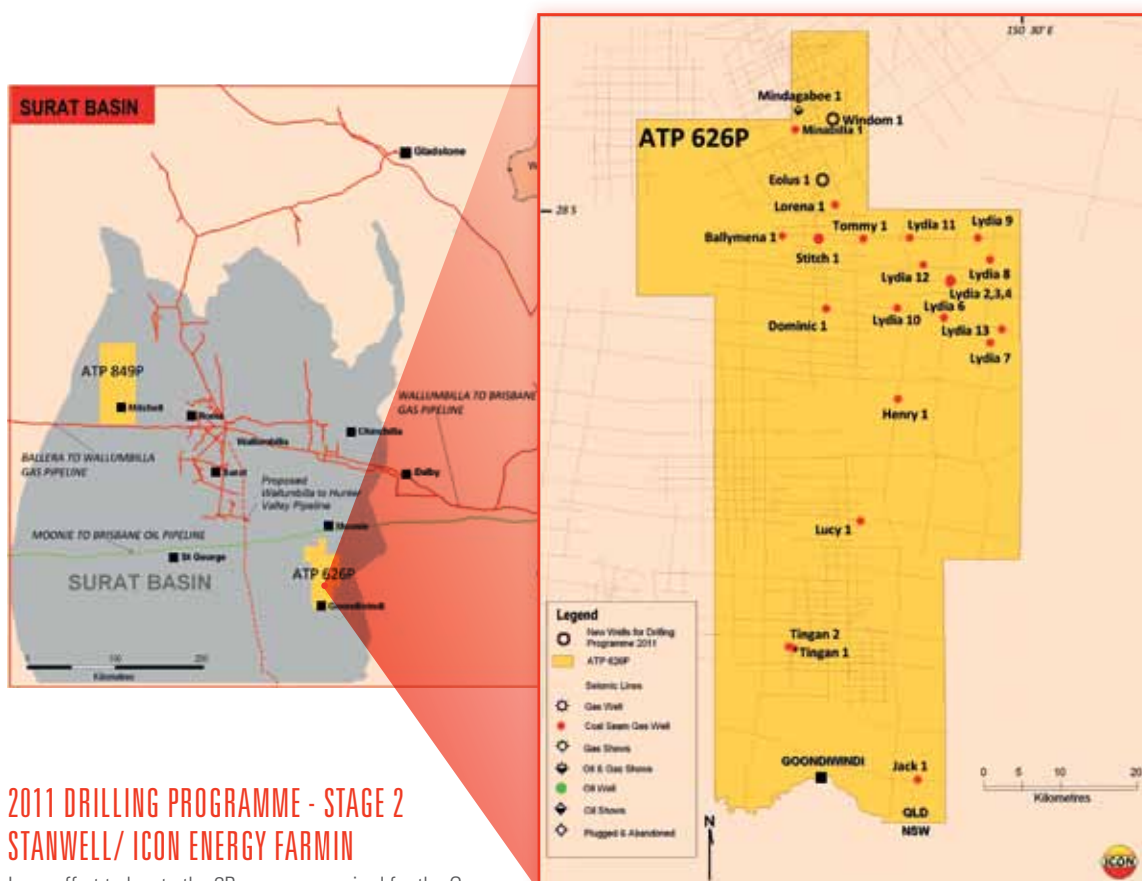
Beach Energy has stated that the Ensign #65 rig will arrive in Australia from North America in April 2012 and will be ready to commence drilling in ATP855P by no later than June 2012.

The Ensign #65 rig:

1. is a new build 1,500 horsepower rig out of Canada and the United States of America;
2. encompasses the latest proven technology being used for drilling horizontal wells in the Haynesville shale province in the United States of America; and
3. will be built to meet Australian standards and conditions and has the capability to drill 1,500 metre laterals from a depth of 4,000 metres.



SURAT BASIN — CORE PROJECT ATP 626P



2011 DRILLING PROGRAMME - STAGE 2 STANWELL/ ICON ENERGY FARMIN

In an effort to locate the 2P reserves required for the Gas Supply Agreement signed with Stanwell in August 2010, in the 2010 / 2011 financial year Icon Energy and Stanwell participated in a drilling program in ATP626P. Between 15 April and 21 June 2011, Icon Energy drilled four exploration wells in the tenement (Lydia 10, 11, 12 and 13). The four wells will be funded by Stanwell under their Stage 2 farmin investment phase. The exploratory wells targeted the Walloon Coal Measures, where gas saturation in the permit remains to be fully tested.

The Atlas Drilling Rig #2 was used for the four well drilling program. The following is a synopsis of the four well programme by well:

Well	Total	Depth	Well type
Lydia 10	10	912 metres	Exploration Well
Lydia 11	11	912 metres	Exploration Well
Lydia 12	12	903 metres	Exploration Well
Lydia 13	13	825 metres	Exploration Well

The wells were drilled with a new coring system which allowed the Walloon Coal Measures to be cored with an 8 ½ inch diameter hole. Overall, the coal seam gas reservoirs intersected by the four wells exhibited low net coal thickness and poor permeabilities. As a result of the above qualities, the joint venture elected to plug and abandon all four wells.

The drilling programme suggested that the future focus of the tenement will be targeted outside the Lydia Block to identify more permeable sections and to explore for areas of higher permeability and greater net coal thickness in the Walloon Coal Measures. The area to the Northwest of the Lydia Block is currently deemed to have higher effective coals and may possess enhanced permeability due to the deep faulting and the existence of a nose structure observed from the seismic data.

STANWELL / ICON ENERGY JOINT VENTURE EXPANSION

In June 2011, Icon Energy expanded the Lydia farmin area to the entire area comprising ATP626P to establish the minimum required reserves under its farmin agreement with Stanwell (refer to ATP 626P Map on the previous page).

FORWARD OUTLOOK

Icon Energy is currently working on a detailed review of the results from the 22 coal seam gas exploration wells drilled in ATP626P since 2007. As a result of the 2011 Drilling Programme results, two additional well targets will be selected as CSG exploration wells with the objective of determining net coal thickness in both the WCM cretaceous coals. These wells will be drilled in the last quarter of this year to the first quarter of 2012. In its evaluation of the tenement and the available seismic data Icon Energy has also identified a deeper oil objective in the Precipice and Evergreen Sands.

Seismic Data indicates the presence of a closure of an elongated structure with a trap against the Moonie fault. The objective sands are present and appear to be clean and potentially productive in down dip locations in other wells drilled earlier. Should the deeper oil test be successful, additional drilling in another similar structure to the north and west along the north south trending Moonie Fault may be possible. A working petroleum system is active in the area as evidenced by the Moonie Oil field to the North, and oil recovered in a small stratigraphically isolated reservoir in the Mindagabbie-1 well located in the northern section of the permit.

POTENTIAL OIL PLAY

Icon Energy has also identified two possible locations where potential oil plays exist and is currently undertaking extensive studies into its prospectivity. Internal analysis has estimated the two locations to have a recoverable volume of 7.3 million barrels of oil (using a 15% recovery factor). Both locations have a good WCM flexure over the Goondiwindi-Moonie fault and access into the Precipice sandstones.

2011 STANWELL/ ICON ENERGY DRILLING PROGRAMME

On 6 September 2011 the ATP626P joint venture proposed the drilling of a further two wells in ATP626P. The wells will be located in the northern area of the permit and will be targeting the Walloon Coal Measures. The joint venture has scheduled the drilling to occur in late November 2011 following the completion of permitting works and the securing of a drilling rig.

Icon Energy has commenced pre programme work by undertaking consultation with landholders, organising cultural heritage requirements and planning site preparations.

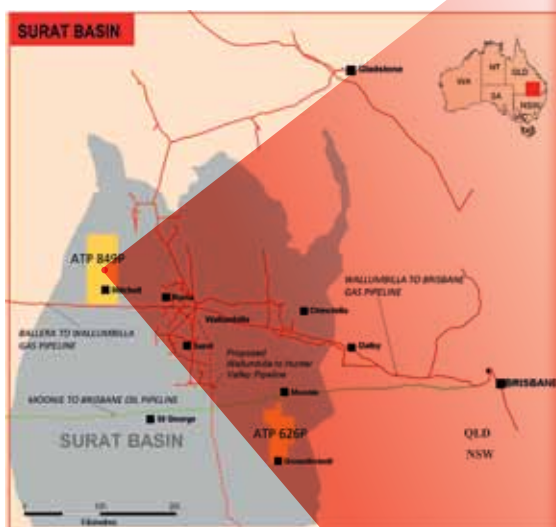
PROPOSED WELLS

The two well targets selected for CSG exploration in 2011 by the Stanwell and Icon Energy Drilling Programme are: Eolus-1 and Windom-1. The wells were selected on the basis of their prospectivity with a focus on net coal thickness and a shallow depth compared to alternate locations. The locations were also selected on the basis of results from the Lorena-1 well which penetrated a net coal thickness of 11.45 metres which contained good to highly fractured coals with visible open cleats in the deeper regions of the well. These characteristics provide robust potential for both the recovery of gas and production potential.



On location ATP626P Lydia 12 Freeing rods operation.

SURAT BASIN — CORE PROJECT ATP 849P



2011 SEISMIC PROGRAMME

In August 2011, the ATP849P joint venture (Icon Energy and Adelaide Energy) approved the commencement of a seismic program in ATP849P.

The seismic program is currently scheduled for the last quarter in 2011, and will be conducted by environmental leaders in seismic exploration, Terrex Seismic.

Icon Energy has previously utilised the seismic acquisition services of Terrex Seismic in Icon Energy's permit ATP626P in the Surat Basin. As previously performed in ATP626P, Terrex Seismic will perform a carbon neutral seismic survey in ATP849P, using non-intrusive envirobe technology.

The seismic program in ATP849P will cover approximately 200 kilometres and will cross 33 land titles owned by 21 separate landholders.

PROSPECTIVE RESOURCE

ATP849P is prospective for coal seam gas. To date very limited drilling has occurred in ATP849P. However drilling on adjacent blocks suggests that the area contains a prospective coal seam gas reservoir.

2012 DRILLING PROGRAMME

The results of the 2011 Seismic Programme will enable the ATP849P joint venture to identify the most promising well locations in ATP849P.

The work program for ATP849P specifies that, in the first four year period of the permit (i.e. prior to 31 August 2013), the following authorised activities must to be carried out in ATP849P with an estimated expenditure of \$5,200,000:

- geological and geophysical studies;
- 200km of 2D seismic acquisition;
- drill 12 wells; and
- water feasibility study.

Following the interpretation of the results of the 2011 seismic program in ATP849P, the ATP849P joint venture parties will meet to agree the 2012 drilling program for ATP849P.

COMMUNITY ENGAGEMENT

In the lead up to the commencement of the 2011 seismic program in ATP849P, Icon Energy has engaged in extensive consultation with members of the local community.

This consultation has involved correspondence with applicable landholders, the local government, the State government (in relation to forestry areas) and relevant cultural heritage parties.

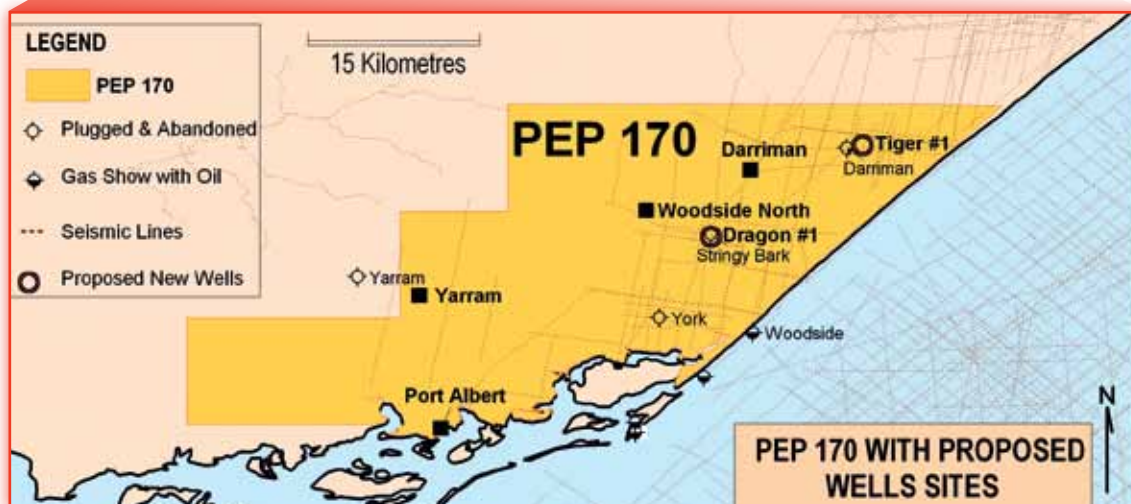
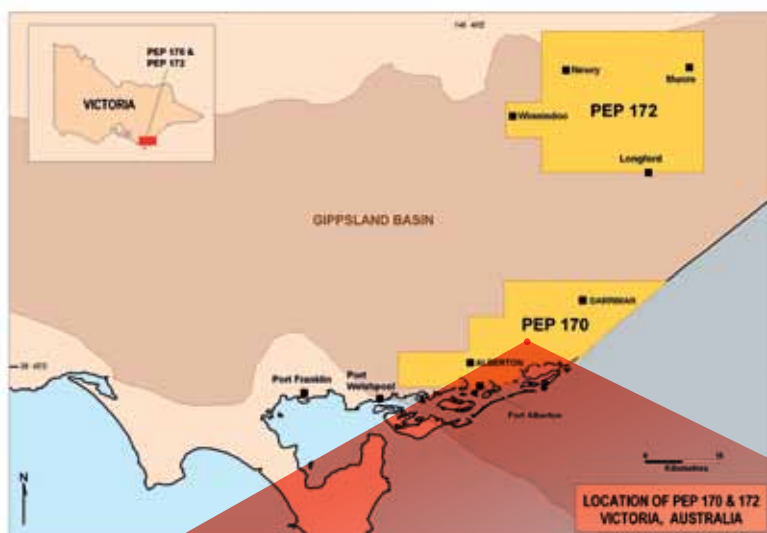
Icon Energy has also engaged a land services consultant to conduct reconnaissance, scouting, permitting and logistics activities for the seismic program in ATP849P. This preparatory work commenced at the start of September 2011.

Statutory notices of entry for the 21 landholders have been lodged with DEEDI, and are in the process of being served on landholders by Icon Energy's land services consultant.

A Cultural Heritage Agreement was entered into between the ATP849P joint venture parties and the Bidjara People in December 2009. The Bidjara People will be consulted with, and will attend at site, in order to provide cultural heritage clearances for all land affected by the 2011 seismic programme.



GIPPSLAND BASIN — CORE PROJECT PEP 170



PEP170 PROJECT DEVELOPMENT

In September 2010, following a competitive bidding process, the Victorian DPI granted Icon Energy a new petroleum exploration permit. PEP170 is located to the south of Lakes Oil's 2009 "Wombat" discovery, in the onshore section of the oil and gas rich Gippsland Basin.

From geological and geophysical desktop studies, as well as existing seismic and well data obtained through the Victorian DPI, Icon Energy has determined the existence

of several anticline structures in the tenement. Intervals of primary interest that Icon Energy has within this tenement consist of the Latrobe Group (non-coal) sandstones, and the Strzelecki Group.

In compliance with the Petroleum Act 1998 (Vic), Icon Energy submitted its Operation Plan for PEP170 to the Victorian DPI in April 2011.

Icon Energy engaged Coffey International to assist in the preparation of the Operation Plan, which addressed environmental, anthropological and safety issues along with details of the wells proposed and compensation agreements required. A drilling rig has been identified but is waiting Operation Plan approval before going to contract.

Icon Energy has been in contact with the landholders and stakeholders in the local area. Various stakeholders have included the local council and the local fire authority.

Icon Energy has been in contact with the landholders and stakeholders in the local area. Representatives of Icon Energy met with the Gunaikurnai traditional owners and have agreed to enter into an Indigenous Land Use Agreement (ILUA). Negotiations will commence shortly to settle the terms for an ILUA, in order to manage any petroleum activities carried out in the area.

Icon Energy has recently been in consultation with the Victorian DPI in order to fine-tune certain aspects of the Operations Plan so that operations in PEP170 can commence as soon as possible in 2012.

Icon Energy intends to drill its first exploration well, Tiger-1 in PEP 170 in 2012. The Tiger-1 well will consist of a test of a structural closure from pre-existing seismic and well log data. Icon Energy plans on drilling this first exploratory well to a total depth of approximately 2,200 meters.

PEP170 PROSPECTIVE RESOURCE

Members of the technical staff at Icon Energy have assessed PEP170 and are of the opinion that it is highly prospective for tight gas, which could be produced commercially with the right development options. PEP170 is also prospective for oil in the shallow La Trobe Group, which is the oil reservoir found in the offshore producing fields in the Gippsland Basin.



PEP172 — NEW ACQUISITION

In August 2011, following a competitive bidding process, the Victorian DPI informed Icon Energy that it is the preferred tenderer for a second tenement in Victoria's Gippsland Basin, PEP172.

This tenement is located to the north of PEP 170.

PEP172 PROJECT DEVELOPMENT

Icon Energy has elected to retain all crown land contained in the area of PEP172 and to complete the future act provisions of Part 2, Division 3 of the NT Act by entering into an indigenous land use agreement with the relevant native title parties within 2 years.

Once an indigenous land use agreement has been reached in accordance with the future act provisions of the NT Act, and Icon Energy has met all legislative requirements of the Petroleum Act 1998 (Vic), the Victorian DPI will consider whether to grant Icon Energy with the exploration permit.

Once PEP172 is granted by the Victorian DPI to Icon Energy, Icon Energy has committed to expend \$1.25 million in the first year of the PEP172 permit. This expenditure will relate to 200 kilometres of 2D seismic acquisition and reprocessing.

PROSPECTIVE RESOURCE

The Company's main focus will be the Strzelecki Group. Multiple intra-Strzelecki reservoirs will also be explored, and the Company considers that stratigraphic plays are important targets.

Icon Energy's shallower objective will be the Oligocene Greensand unit of the Lakes Entrance Formation. The Company considers that the thick Lakes Entrance tight Marls provide the adequate seal as evidenced by the Lakes Entrance oil field. The second target is the Intra-Latrobe section. The sandstones of the Middle and Lower Latrobe Group will also be addressed.

Well locations will be identified incorporating the aforementioned techniques. All wells will be designed such that later stimulation can be applied. The Company's focus will be upon discovering gas fields and new oil fields and developing appropriate completion techniques to bring the fields into commercial production as soon as possible.

ICON ENERGY'S ADVANTAGEOUS LOCATION IN THE GIPPSLAND BASIN

Both the PEP170 and PEP172 permits are located near to one of Australia's major oil and gas processing plants, Exxon Mobil's Longford plant. Crude oil and gas are transported via pipeline from offshore facilities in the Gippsland Basin to the Longford Crude Stabilisation Plant where they are separated into wet gas, LPG and stabilised crude oil.

The stabilised crude oil is piped to Long Island Point on Westernport Bay where it is either shipped interstate or internationally or piped to the refineries in Altona or Geelong.

Once Icon Energy extracts the resources from PEP170 and PEP172, there are various ports in the Gippsland area that maybe be utilised to transport its resources.

The Port of Corner Inlet and Port Albert, which is located less than 70km south of PEP170, is the largest water area of the Gippsland Ports. The Port encompasses the waters adjacent to Wilson's Promontory in the vicinity of Rabbit Island through to McLoughlins Beach at the western end of Ninety Mile Beach. The Port can be accessed by several entrances, with the main channel being into Corner Inlet. The Port waters also include Barry Beach, Port Welshpool, Port Albert and Port Franklin.

The Port is easily reached by road and is adjacent to many towns of South Gippsland including Foster, Port Franklin, Welshpool, Port Welshpool and Port Albert.

The Port caters for a wide range of users, which include larger commercial vessels using ExxonMobil's Barry Beach Marine Terminal and Port Welshpool for the support of ExxonMobil's oil and gas facilities and Origin Energy's gas facility in Bass Strait. The Port also acts as a pickup and delivery base for several small cargo vessels that operate between Tasmania and the Gippsland region, utilising the roll-on/roll-off facility. Fuel is available by appointment with the local fuel distributors at Port Welshpool and Port Albert.



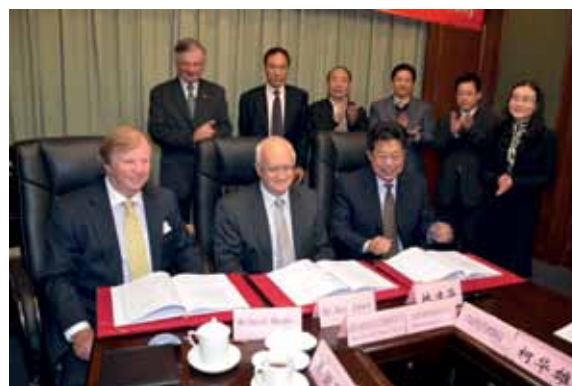
COMMERCIALISATION

CHINA LNG

CHINA LNG PROJECT

Since signing the LNG Sales Agreement with Shantou Sino Energy on 29 March 2011, the Company is continuing to advance business and strategic initiatives to secure the necessary reserves required to meet that contract. The LNG Sales Agreement between Icon Energy and Shantou SinoEnergy agreed that Icon Energy will supply 40 million tonnes of LNG to Shantou Sino Energy over 20 years.

Sino Gas GSA signing



GUODIAN CORPORATION AND THE SHANTOU SINO ENERGY / ICON ENERGY LNG SALES AGREEMENT

While the LNG Sales Agreement is with Shantou SinoEnergy, China Guodian Corporation has taken a direct interest in its LNG Receiving Terminal Project as a joint venture partner.

Guodian is a Government owned corporation with an asset backing in excess of \$USD 90 billion and is one of China's largest electric power generators. Guodian's interest represents support from a major electric power generation company operating in China with the backing of the Chinese Government.





*Chinese Delegation
Site Visit - Aug 2011*

SHANTOU SINO ENERGY, CHINESE REGIONAL GOVERNMENT OFFICIALS AND GUODIAN SOUTH CORPORATION DELEGATION VISIT TO ICON ENERGY

In early August 2011, Icon Energy Limited welcomed a Chinese Delegation led by Mr Zhang Zulin Director of Energy Bureau, Development and Reform Commission Guangdong Province and consisting of representatives from Shantou SinoEnergy Co. Ltd (Shantou SinoEnergy), Guodian South Corporation (Guodian) and the City of Shantou Nan'ao to Icon Energy's offices to discuss and further progress the LNG Sales Agreement.

The goodwill between the various parties involved on both the Chinese and Australian ends of the arrangement was clearly apparent during the Delegation's time here in Australia. Presentations were delivered in Mandarin, while others were translated, such as the speech delivered by Gold Coast Mayor, Ron Clarke MBE. All parties remain fully committed to the realisation of the LNG Sales Agreement.

The Icon Energy operational team working with Shantou Sino Energy, viewed the visit as building the commercial relationship while also providing an exchange of information. Both sides are committed to progressing the required steps towards satisfying the LNG Sales Agreement.

Icon Energy continues its strategic and operational planning for the supply of the LNG with our major export customer, which in turn is charged with securing the energy needs of a rapidly growing residential and industrial market within Guangdong Province in Southern China.

*Chinese Delegation
Head Office Visit - Aug 2011*



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CHAIRMAN'S ADDRESS



Icon is poised to be a real growth company with unconventional gas resources heading Icon's asset list.

Getting these resources proven and into commercial production is the challenge for Icon

as it is a small market cap company. Securing funding by equity investors in Icon's securities and with joint venture partners in the most promising areas is necessary to develop these resources. It is also necessary to monetize gas assets by way of Gas Sales Contracts.

Stanwell Corporation has approved a new drilling program consisting of two wells to be located in the northern panhandle of ATP 626P, together with an additional testing program on the Lydia pilot. Details of this program will be released when the rig is ready to mobilize to the tenement, which (at the time of going to press) is expected to be in the last quarter of 2011.

A highlight of the year was the signing of the LNG Sales Agreement with Shantou SinoEnergy Co. Ltd in Shantou City in China. This Agreement is for the supply of 40 million tonnes of LNG over twenty years, with emerging opportunities having the potential to enable Icon to more than double this contract over the same period. The current global demand for LNG created this opportunity for Icon and is expected to create future opportunities for the Company.

Operationally, it is now Icon's key focus to prove the necessary 2.5TCF of reserves to supply both the China and Stanwell Contracts.

There is no shortage of gas reserves in the world and Contracts to supply gas will become limited. The building of the relationships around these Contracts will therefore ensure the commercial success of Icon, while other companies might be left with unmarketable gas reserves. Supply under Icon's Chinese Contract does not begin before 2016 and remains subject to various conditions precedent, all of which must be met before an FID decision is made.

Importantly, Icon also settled a dispute with Beach Energy in July this year and has subsequently farmed out a 40% interest in

ATP 855P to Beach. The agreement reached with Beach brings several advantages to Icon. Not only will Icon be carried through most of the first well, Beach has undertaken to use its new drilling rig to drill the first deep horizontal well in ATP 855P when it arrives in Australia around April 2012.

In moving towards commercialisation of the Company's assets, it is necessary to deal with the problems surrounding Coal Seam Gas (CSG) drilling and dewatering. The community has become concerned with the new technology and scale of the activity surrounding CSG and there is a degree of misinformation circulating in some sections of the general public. Within Icon Energy's operating areas we have made enormous efforts to engage the stakeholders, particularly the farmers on whose land we work. It is pleasing to report that our relationships are excellent and we have worked hard to allay any fears about our involvement on their land.

In addition, we have an excellent relationship with the Bigambal People in meeting the requirements of the Company's Cultural Heritage Agreement in our operations in ATP 626P.

Icon's interest in geothermal energy has progressed. The Company is in the process of making applications for funding and considering collaborative partners in line with discussions held with the Federal Government.

Elsewhere, plans are advancing to start drilling in PEP 170 in Victoria's Gippsland Basin. Icon has prepared and submitted the Operations Plan and the Environmental Management Plan to the Department of Primary Industries (DPI) and is proceeding to negotiate with the traditional owners and landowners ahead of commencing the program. So far two prospects have been identified for drilling.

This year has been a year of consolidation in a very difficult economic market where funds need to be utilised prudently.

I would like to thank the management and staff of Icon Energy for the position Icon has reached on a number of fronts which have set the Company up for a great future in the gas business.

Your sincerely

A handwritten signature in blue ink, which appears to read "Stephen Burns". The signature is fluid and cursive, written over a thin horizontal line.

Chairman



MANAGING DIRECTOR'S ADDRESS

CHINA LNG SALES AGREEMENT

On 29 March 2011, the Company signed a landmark LNG Sales Agreement with Shantou SinoEnergy in Shantou City, Guangdong Province, China. The signing of the agreement was a significant achievement for the Company and paves the way for the commercialisation of expected gas reserves out of ATP855P, where Icon Energy holds a strategic 40% participating interest in a promising shale gas resource expected to be drilled in the second half of 2012.

The strategy of securing the commercialisation opportunity ahead of operations in ATP855P means the Company's resources can be focussed to a critical commercial objective – one that will potentially, and ultimately, lead to a significant revenue stream.

Unlike other companies which seek to source commercial opportunities after undertaking costly operations, Icon Energy's purpose has been to tailor its efforts to a known outcome.

WHY SHALE GAS?

The shale gas potential of ATP855P is simply far too significant to ignore.

Reports to date have indicated that there is potentially 200+ trillion cubic feet (TCF) of gas in the Nappamerri Trough, with a large portion recoverable from ATP855P alone.

The Company, of course, needs to undertake expansive exploration operations, which are scheduled to commence in the second half of 2012 but, as a 40% tenement holder, Icon Energy's LNG China contract requires 2P reserves of 2TCF to be proven.

Successful operations in ATP855P will then lay the foundation stone for the Company's future operations.

THE DEVELOPMENT FOCUS

Icon is currently involved in discussions with an engineering group to examine options for gas processing for conversion to LNG through Gladstone or Port Bonython in South Australia.

THE COMMENCEMENT OF EXPLORATION OPERATIONS IN ATP855PP

Following resolution of the Company's dispute with Beach Energy Ltd (Beach) in July, in the second half of 2012, the potential for ATP855P to supply the China LNG Sales Agreement (as well as other gas sales arrangements currently in place and otherwise being pursued by Icon Energy), will be tested with the drilling of a horizontal pilot production well into one of the strata comprising the Roseneath, Epsilon & Murteree shale sequence. On the advice of Netherland Sewell & Associates Inc, this will facilitate the ability to certify the necessary reserves under the LNG Sales Agreement.

MOVING FORWARD WITH BEACH ENERGY

Icon Energy has identified a strategic advantage in coming to an acceptable arrangement with Beach, namely Beach's experience in drilling the shale sequence in the Nappamerri Trough through its operations in PEL218 just over the border in South Australia.

This was achieved with the execution of a Farmin Agreement between the companies on 15 July 2011, which provided for the drilling of the first well to be expedited to the first available rig slot.

The agreement with Beach enables Icon Energy to deploy its operational staff to the conduct of other operations in the Surat Basin in Queensland, as well as in the Gippsland Basin in Victoria where the Company holds two tenements – PEP170 and is the preferred tenderer for PEP172.

ICON ENERGY'S JOINT VENTURE WITH STANWELL CORPORATION LTD

Another key area of focus remains in ATP626P in the Surat Basin, where consideration is being given to further testing of the coal seam potential of the tenement - through innovative drilling techniques (including the horizontal drilling of thinner coal seams) – and exploring prospective leads outside of the Lydia Block.

Both Icon Energy and Stanwell Corporation Ltd are committed to undertaking a further assessment of the tenement and expect to commence further drilling operations in late 2011.

To date, the Company has extended the joint venture area to the entire tenement to facilitate this further collaborative exploration initiative.

OPERATIONS ELSEWHERE IN THE SURAT AND GIPPSLAND BASINS

Other key focus areas for the company are in ATP849P located near the town of Mitchell, (in the Surat Basin), as well as in PEP170 and PEP 172 (located respectively to the south and north of the Wombat discovery in the Gippsland Basin).

ATP849P is considered prospective for coal seam gas exploration and further 2D seismic is planned for acquisition in the first half of 2012.

In terms of the Gippsland Basin, two promising prospects (targeting tight sands) have already been identified from re-interpreted seismic data. An Operations Plan has already been prepared and submitted to the Victorian Department of Primary Industries with an Indigenous Land Use Agreement and a Landowner's Compensation Agreement are to be undertaken ahead of drilling operations, which are expected to commence in mid 2012.

Otherwise, PEP172 was only recently offered to the Company as preferred tenderer on 10 August 2011. Work has since commenced to determine the best seismic programme to implement so as to test the resource potential of the tenement.

LOOKING AHEAD

Icon Energy remains committed to working with strategic partners to optimise its exploration focus within the Cooper-Eromanga, Surat and Gippsland Basins, so as to source the necessary reserves to meet the commercialisation opportunities which have already been realised by the Company.

I would like to thank you, the shareholders, for your continuing support of the Company, as well as its executive and staff, during what has been an extended period of volatility.

I would also like to thank our former Chief Operating Officer Larry Brown for his contribution to the Company over the last three years.

The Board of Directors and I are committed to the various forward programmes identified above, with the aim of realising what is expected to be a promising suite of future initiatives for the Company.



Ray James
Managing Director

BOARD OF DIRECTORS



STEPHEN BARRY

Chairman and Non-Executive Director

Qualifications:

LLB University of Sydney, FAICD

Experience:

Stephen has been a Director of Icon Energy Limited since 1993. He has been a key player in the development of the strategic direction of the company. As a practicing solicitor he has extensive experience in joint venture and farmin agreements together with a wealth of knowledge on commercial law and corporate litigation. He was appointed as the Chairman of the Board on 18 December 2008.

He is a member and Chairman of the Board's Remuneration Nominations and Succession Committee. He is also a member of the Board's Audit and Risk Management Committee. He has held no other Australian listed company directorships during the past three financial years.

Director Since: 05/01/1993



RAYMOND JAMES

Managing Director

Qualifications:

BSc (Physics, Maths, Geology) University of NSW, FAICD FAIM

Experience:

Ray is the Managing Director of Icon Energy, the Company he founded in 1993 and floated on the ASX in 1997. He worked with Chevron Perth and Chevron Houston from 1969-74 and with Gulf Oil from 1974-80. He was the Managing Director of Australian Hydrocarbons from 1980-81 and the Managing Director of Omega Oil from 1987-91.

Ray is the Director of the Advisory Board of the Energy & Geoscience Institute (EGI) at the University of Utah in the USA and on the Griffith Business School Advisory Board at Griffith University.

He is a Fellow of the Australian Institute of Company Directors and serves as a member of the Gold Coast Committee. He is a Fellow of the Australian Institute of Management.

Director Since: 01/02/1993



KEITH HILLESS

Non-Executive Director

Qualifications:

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

Experience:

Keith was appointed to the Board on 3 April 2009 as a Non-Executive Director of Icon Energy Limited. Dr Hilless is the Chairman of the Board's Audit and Risk Management Committee. Keith retired as Chairman of the Queensland Government owned ZeroGen, which specialises in commercial 'clean coal' technology on 30 June 2010. Dr Hilless is also a past Chairman of Ergon Energy Corporation Limited with \$6 billion in network assets, revenues of \$3.1 billion and over 4,000 staff. Dr Hilless was Electricity Commissioner of the Queensland Electricity Commission (QEC) for a time, CEO of the Queensland Transmission and Supply Corporation (QTSC), responsible for high voltage supply throughout Queensland and for forecasting changes in electricity demand and expanding Queensland's electricity network.

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

Director Since: 03/04/2009



MR HOWARD LU

Non-Executive Director

Mr Howard Lu was appointed to the Board on 7 January 2011 as a Non-Executive Director of Icon Energy Limited. Mr Lu is currently the Executive Chairman of a number of Chinese based companies, including Shin Zu Shing Precision Electronic (Suzhou) Co. Ltd, Ningbo Chang Shing Precision Electronic Co. Ltd and Zhi Qun Precision Electronic (Suzhou) Co. Ltd and the Vice Chairman of Qingyuan China Datang Real Estate Development Co. Ltd. He has previously also been the Senior Executive of Shin Zu Shing Co. Ltd.

As Senior Executive of Shin Zu Shing Co.,Ltd (SZS) manufacturer of precision wire and planar springs for medical apparatus, mechanical equipment and electronic products, Mr Lu expanded SZS's business in China and has established four factories in Suzhou, Shenzhen and Ningbo. Mr Lu has managed all SZS business operations in China since 2002 and now SZS has a market capital of approximately AUD 373,824,000.

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

Director Since: 07/01/2011



DEREK MURPHY

Non-Executive Director

Qualifications:

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

Experience:

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

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

Derek is a Non-Executive Director of Hayco Manufacturing Limited, a large manufacturing Company in Hong Kong and China. He is Chairman of the Clem Jones Research Centre for Stem Cell and Tissue Regenerative Therapies at Bond University, and a Member of the Gold Coast Advisory Council at Griffith University.. He retired as Chairman of the School Council of The Southport School (TSS) at the end of 2009 after 12 years on Council.

Director Since: 20/03/2009

OPERATIONAL MANAGEMENT

KEVIN JIH

Chief Financial Officer

Qualifications:

BA, MBA, MAcc, PhD (Bond), CPA

Experience:

Dr. Kevin Jih joined Icon Energy as Deputy Chief Financial Officer in November 2008 and was promoted to Chief Financial Officer in July 2010. Kevin is a Certified Practising Accountant and has wide experience in the private and public sectors specialising in management accounting, financial accounting and corporate governance.

Kevin has held numerous key positions as the Faculty Manager of Finance and HR, Faculty of Humanities and Social Sciences at Bond University, Australia; Vice President of Hong Yang Lease Finance Co Ltd in Taipei and Business Consultant of Hualien Business Bank in Taiwan.

ROBERT KING

Exploration Manager

Qualifications:

BSc Geology

Experience

Robert joined Icon Energy as Chief Geophysicist in September 2009 and promoted to Exploration Manager in 2011. Robert has 28 years petroleum industry experience with Sohio/BP, Unocal Corporation, Woodside Energy, New Zealand Oil and Gas and Santos. His work assignments have been mainly focused in the U.S. (Gulf of Mexico, Houston), Australia and Wellington, New Zealand, and has worked as a geophysicist in numerous basins of varying complexity around the world.

He possesses a strong and diverse background in seismic acquisition, processing and interpretation geophysics and has a proven track record as an oil and gas finder in the Gulf of Mexico and Australia. His primary areas of interest have focused on prospect generation/ maturation as well as field development. Robert is a member of AAPG and SEG.

RAYMOND JAMES

Managing Director



ROBERT JOHNSON

Acting Operations Manager

Qualifications:

BSc Physics, MSc Petroleum Reservoir Engineering

Experience:

Robert joined Icon Energy in 2010 as Reservoir Engineering Manager. His 35 years experience in the petroleum industry spans operations, reservoir & production engineering, research & development and economic analysis.

He started his career in field operational roles for Woodside, Burmah - in Perth, thereafter moving to field development and production management responsibilities with BP. His experience also covers new technology development with The Petroleum Science and Technology Institute, Scotland and CSIRO/Curtin University in Australia.

Robert is a member of the Society of Petroleum Engineers.

WESLEY GLANVILLE

General Counsel & Company Secretary

Qualifications:

LLB, BA, GDLP, MAICD, CSA (Affiliate)

Experience:

Wesley joined Icon Energy as General Counsel and Company Secretary in August 2010. He is a former Managing Counsel and Company Secretary of Santos Ltd. He has in excess of 20 years experience advising major listed and unlisted companies, both as an external professional advisor and as a senior executive. He has worked on some of the largest projects in Australia, as well as significant projects overseas, including the world-class Bayu-Undan condensate and LNG projects located in the Timor Sea and Darwin. Wesley's industry experience covers a broad spectrum of both onshore and offshore exploration, development, production and commercialisation projects. He has worked on numerous major oil and gas developments, sales, marketing, distribution and transportation arrangements, domestic and international exploration campaigns and various other operational, strategic and business initiatives. Wesley also has extensive corporate experience.



CORPORATE GOVERNANCE STATEMENT

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

BOARD OF DIRECTORS

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

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

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

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

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

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

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

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

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

BOARD COMPOSITION

The principles applied to the composition of the Board are:

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

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

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

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

Through the Managing Director, the Board has delegated the following key functions to senior executives:

- the recommendation of Icon Energy's business, operational and corporate strategy to the Board for approval and following their approval, implementation;
- the day to day responsibility for complying with all laws and regulations relevant to Icon Energy's operations and business activities;
- the achievement of the corporate objectives set by the Board;
- the development and implementation of the Company's policies and procedures (including risk management and internal control processes); and
- the engagement of suitable staff and contractors so as to effectively discharge the Company's obligations and various strategic, operational and business objectives.

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

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

A copy of the Company's Board Charter and the Role of Management can be found in the Corporate Governance Section on the Company's website.

INDEPENDENCE OF NON-EXECUTIVE DIRECTORS

The Board considers an Independent Director to be a non-executive Director who meets the criteria for independence included in the Australian Securities Exchange's (**ASX**) Corporate Governance Principles and Recommendations (**ASX Principles**). Messrs Stephen Barry, Derek Murphy, Howard Lu and Dr Keith Hillless meet the definition of an "independent director" as stated in the ASX Principles.

INDEPENDENT PROFESSIONAL ADVICE

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

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

BOARD COMMITTEES

Two Committees of the Board have been formed to consider and make recommendations to the Board in important areas of decision making. Further Committees will be formed when the Board finds a need for them. These Committees are the Audit and Risk Management Committee and the Remuneration, Nominations and Succession Committee, the membership of which is comprised as follows:

Audit and Risk Management Committee

Keith Hillless (Chairman)
(Non Executive Director)

Stephen Michael Barry
(Non Executive Director)

Derek Murphy
(Non Executive Director)

Remuneration, Nominations and Succession Committee

Stephen Michael Barry (Chairman)
(Non Executive Director)

Derek Murphy
(Non Executive Director)

BOARD AND COMMITTEE MEMBERS AND MEETINGS

Details of the number of Board and Committee meetings held and their attendees are set out in the Directors' Report. In addition, details of the qualifications of each Board and Committee member are set out in the Directors' Report. The period of office held by each Director is also set out in the Directors' Report.

AUDIT AND RISK MANAGEMENT COMMITTEE

The committee's responsibilities are to:

- oversee the effectiveness of the systems of financial risk management, governance and controls;
- oversee the existence and maintenance of internal controls and accounting systems;

- oversee the financial reporting processes;
- nominate external auditors; and
- review the existing audit arrangements.

The Audit and Risk Management Committee has in place a formal charter which defines the Audit and Risk Management Committee's function, composition, mode of operation, authority and responsibilities. External parties attend Committee meetings by invitation.

The charter of the Audit and Risk Management Committee can be found in the Corporate Governance section on the Company's website.

REMUNERATION, NOMINATIONS AND SUCCESSION COMMITTEE

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

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

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

The current Icon Energy Board of Directors consists of four independent Directors and the Managing Director. The Audit and Risk Management Committee comprises three independent non-executive Directors with at least one member having experience and skills with financial matters. The Remuneration, Nominations and Succession Committee is restricted to two independent non-executive Directors due to the small size of the Company's Board. However, after the appointment of an additional non-executive Director, a new member is available to the Committee and subject to the Board's approval.

The charter of the Remuneration, Nominations and Succession Committee can be found in the Corporate Governance Section on the Company's website.

BOARD REMUNERATION

Remuneration and terms of employment for Executive Directors and Senior Executives is formalised in Service Agreements.

Remuneration of non-executive Directors is currently not to exceed a maximum of \$500,000, which was approved by shareholders at the 28 November 2010 Annual General Meeting.

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

PERFORMANCE EVALUATION

A formal performance evaluation of the Board, each Committee of the Board and individual Directors was not undertaken during the reporting period, although the Board did undertake a review of its composition. Following that review, the Board resolved to appoint Mr Howard Lu as a Director on 7 January 2011, so as to enable the Board to align its skills set with the strategic objectives being pursued by the Company.

The Managing Director and senior executives participate in annual performance reviews. Performance is measured against key performance indicators relevant to the Company's strategic, operational and business objectives and to each of the Managing Director's and senior executive's specific role.

A performance evaluation for the Managing Director and senior executives was undertaken for the current reporting period in accordance with the process set by the Remuneration, Nomination and Succession Committee and as approved by the Board.

A summary of the performance evaluation process can be viewed in the corporate governance section of the Company's website.

BOARD DIVERSITY

Upon shareholders' approval to increase the maximum aggregate amount payable to non-executive Directors in the November 2010 AGM, a new non-executive Director, Mr Howard Lu, was appointed on 7 January 2011.

The appointment of Mr Lu has enhanced the Board's diversity in many ways, particular from a cultural and international perspective.

The Company recognises the benefit of diversity and respects and values the competitive advantage of diversity. The aim of the Company is to attract employees (including Directors) with the appropriate mix of skills, experience and expertise. All other things being equal, the Board will give a priority to diversity. The Company's official diversity policy is currently under development.

Currently there are no women in senior executive positions or on the Board employed by the Company. The total proportion of women is 33% of the total number of employees of the Company.

CODE OF CONDUCT AND ETHICS

The standard of behaviour required of Icon Energy's Directors and employees, as well as of contractors engaged to perform work on behalf of the Company include:

- compliance with all laws and regulations which govern the group and its operations;
- avoidance and/or management of conflicts of interest;
- to contribute to the well being of the Company's shareholders; and
- to act honestly and with integrity and fairness in all dealings with each other and third parties.

ETHICAL STANDARDS

The aim of the Company is to ensure that all Directors, managers and employees act in a manner of integrity and ethical standards so as to ensure a high standard of corporate governance to enhance the reputation and performance of the group. The Company has an approved Code of Conduct and Ethics and a Share Trading Policy. A copy of these Policies can be found in the Corporate Governance Section on the Company's website.

CODE OF CONDUCT AND ETHICS

The standard of behaviour required of Icon Energy's Directors and employees, as well as of contractors engaged to perform work on behalf of the Company include:

- compliance with all laws and regulations which govern the group and its operations;
- avoidance and/or management of conflicts of interest;
- to contribute to the well being of the Company's shareholders; and
- to act honestly and with integrity and fairness in all dealings with each other and third parties.

TRADING IN THE COMPANY'S SECURITIES BY DIRECTORS AND EMPLOYEES

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

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

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

PRINCIPLES OF CONDUCT

Further general principles of conduct under the Company's Code of Conduct and Ethics, include:

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

IDENTIFICATION OF SIGNIFICANT BUSINESS RISK

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

MANAGEMENT OF ENTERPRISE AND OPERATIONAL RISK

The Board has the overall responsibility for overseeing the Company's risk management framework and maintaining the Company's risks, including material business risks.

The Managing Director, in conjunction with senior executives, is required to develop, implement and manage Icon Energy's

risk management and internal control framework. The Managing Director reports to the Board on the management of these functions, including as to whether the group's material and operational and business risks are being effectively managed and the Board has reviewed such reports from the Managing Director.

Under its charter, the Audit and Risk Management Committee is responsible for:

- (a) Overseeing the establishment and implementation by management of the Company's risk management system.
- (b) Endorsing a risk management policy which describes the manner in which both risk and the opportunity are identified, assessed, monitored and managed, including how:
 1. significant decisions effecting and changes to, the business are subject to risk assessment.
 2. operations incidents are to be analysed in order to learn from them and successes reviewed in order to repeat them;
 3. all acquisitions and divestments of assets are subject to assessment and management;
 4. risks and associated control systems are regularly reviewed; and
 5. performance against risk management plans are monitored and reported upon to the Board.

The Company's risk management system is further underpinned by corporate risk management policies and procedures which are designed to ensure:

- Significant decisions affecting and changes to, the business are subject to risk assessment;
- Operational incidents be analysed in order to learn from them and successes reviewed in order to repeat them;
- All acquisitions and divestments of assets be subject to risk assessment and management;
- Risks and associated control systems be regularly reviewed;
- Risk management plans be maintained and regularly reviewed; and
- Performance against risk management plans be monitored and reported upon to the Board.

The Managing Director has regularly reported to the Board as to the effectiveness of the management of the Company's material operational and business risks.

The Board has also received assurance from the Managing Director and the Chief Financial Officer that:

- The declaration provided in accordance with section 259A of the Corporations Act is founded on a sound system of risk management and internal control; and
- The system is operating effectively in all material aspects in relation to financial reporting risks.

A summary of the Company's policies on risk oversight and management of material business risks can be found in the Corporate Governance section of the Company's website.

DISCLOSURE

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

The Company's Disclosure and Communications Policy sets out the requirements and processes put in place by Icon Energy to ensure that its obligation to disclose relevant information is met and to ensure accountability at senior executive level for that compliance. A copy of the policy can be found in the Corporate Governance Section on the Company's website.

SHAREHOLDERS

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

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

The Company's Disclosure and Communications Policy sets out the manner in which Icon Energy promotes communication with shareholders in the Corporate Governance Section and other key stakeholders. A copy of the Policy can be found in the Corporate Governance Section on the Company's website.

ASX PRINCIPLES OF CORPORATE GOVERNANCE COUNCIL GUIDELINES

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

ASX Corporate Governance Principles and Recommendations		Reference	Comply
Principle 1: Lay solid foundations for management and oversight			
1.1	Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	Pages 23 and 24	✓
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Page 25 and Remuneration Report	✓
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1.	Page 23-25	✓
Principle 2: Structure the Board to add value			
2.1	A majority of the Board should be independent Directors.	Page 24	✓
2.2	The chair should be an independent Director.	Page 24	✓
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	Pages 24 and 25	✓
2.4	The Board should establish a nomination committee.	Pages 24 and 25	✓
2.5	Companies should disclose the process for evaluating the performance of the Board, its committees and individual Directors.	Page 25	✓
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2.	Page 25	✓
Principle 3: Promote ethical and responsible decision-making			
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> 3.1.1 the practices necessary to maintain confidence in the Company's integrity. 3.1.2 the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders. 3.1.3 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. 	Pages 25-26 Pages 25-26 Pages 25-26	✓ ✓ ✓
3.2	Companies should establish a policy concerning diversity and disclose the policy or summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.	Page 25	X
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.	Page 25	X
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.	Page 25	✓
3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.	Page 25	✓
Principle 4: Safeguard integrity in financial reporting			
4.1	The Board should establish an audit committee.	Page 24	✓
4.2	The audit committee should be structured so that it consists of: <ul style="list-style-type: none"> - only non-executive Directors - a majority of independent Directors - an independent chair, who is not chair of the Board - at least three members. 	Page 24	✓ ✓ ✓ ✓
4.3	The audit committee should have a formal charter.	Page 25	✓
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	Pages 24-25	✓
Principle 5: Make timely and balanced disclosure			
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Page 27	✓
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5	Page 27	✓
Principle 6: Respect the rights of shareholders			
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Page 27	✓
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	Page 27	✓
Principle 7: Recognise and manage risk			
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Pages 26-27	✓
7.2	The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	Page 26	✓
7.3	The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Page 27	✓
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	Pages 26-27	✓
Principle 8: Remunerate fairly and responsibly			
8.1	The Board should establish a remuneration committee.	Page 24	✓
8.2	The remuneration committee should be structured so that it: <ul style="list-style-type: none"> - consists of a majority of independent directors; - is chaired by an independent director; - has at least three members. 	Page 24 Page 24 Page 24 Pages 24-25	✓ ✓ ✓ X
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Page 25 and the Remuneration Report	✓
8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8.	Page 24-25 and the Remuneration Report	✓

DIRECTORS' REPORT

The Directors of Icon Energy Limited ("Icon Energy" or "Company") present their report together with the financial statements of the Company and its controlled entities ("the Group") for the financial year ended 30 June 2011. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

Directors

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

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

Principal Activities and Significant Changes in State of Affairs

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

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

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

Dividends Paid or Recommended

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

Operating Results

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

DIRECTORS' REPORT (continued)

Review of Operations and Results

Review of Principal Operations

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

		2011	2010
ATP 549P West	Cooper Eromanga	33.33%	33.33%
ATP 594P	Cooper Eromanga	50.00%	50.00%
ATP 794P Regleigh & Springfield	Cooper Eromanga	60.00%	60.00%
ATP 794P Brightspot	Cooper Eromanga	75.00%	75.00%
ATP 626P*	Surat	99.00%	100.00%
ATP 849P	Surat	80.00%	80.00%
ATP 855P**	Cooper Eromanga	40.00%	80.00%
PEL 218 Post Permian***	Cooper Eromanga	33.33%	33.33%
ATP 560 Ueleven	Cooper Eromanga	50.50%	50.50%
EPG 49	Cooper Eromanga	100.00%	100.00%
EPG 51	Cooper Eromanga	100.00%	100.00%
PEP 170	Gippsland	100.00%	-

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

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

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

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

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

ATP 626P

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

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

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

PEL 218 Post Permian

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

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

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

DIRECTORS' REPORT (continued)

ATP 794P

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

ATP 849P

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

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

ATP 594P

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

ATP 855P

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

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

Under the terms of the Farmin Agreement:

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

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

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

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

EPG 49 and EPG 51

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

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

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

DIRECTORS' REPORT (continued)

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

PEP 170

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

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

The Operation Plan:

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

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

ATP 549P West

ATP 549P West is located outside the boundaries of the Cooper Basin in Queensland, near the Queensland/South Australia border. The tenement covers an area of 3,854 km². Icon Energy holds a 33.33% working interest in the west block of the tenement. The tenement is north of the Cook Oil Field. The Company's initial assessment is that the area is potentially prospective for oil and gas and is currently in the process of considering the forward programme and budget with its joint venture partners.

Projects

China LNG Project

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

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

Domestic / Micro LNG Project

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

DIRECTORS' REPORT (continued)

Financial Position

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

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

Environmental Regulation

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

Capital Raising

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

Information on Directors

STEPHEN MICHAEL BARRY (CHAIRMAN)

Qualifications: LLB University of Sydney, FAICD

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

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

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

Director: Since 05/01/1993

RAYMOND SWINBURN JAMES (MANAGING DIRECTOR)

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

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

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

Director: Since 01/02/1993

KEITH HILLESS

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

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

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

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

Director: Since 03/04/2009

DIRECTORS' REPORT (continued)

DEREK JAMES MURTAGH MURPHY

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

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

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

Derek is a Non-Executive Director of Hayco Manufacturing Limited, a large manufacturing Company in Hong Kong and China, and a Director of Mt Warning Pty Ltd, a corporate trustee company representing Japanese interests. He is Chairman of the Board of the Clem Jones Research Centre at Bond University and a Member of the Gold Coast Campus Advisory Committee at Griffith University. He retired as Chairman of the School Council of The Southport School (TSS) at the end of 2009 after 12 years on Council.

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

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

Director: Since 20/03/2009

HOWARD LU

Experience: Mr Howard was appointed to the Board on 7 January 2011 as a non-executive Director of Icon Energy Limited. Mr Lu is currently the Executive Chairman of a number of Chinese based companies, including Shin Zu Shing Precision Electronic (Suzhou) Co., Ltd, Ningbo Chang Shing Precision Electronic Co. Ltd and Zhi Qun Precision Electronic (Suzhou) Co., Ltd and the Vice Chairman of Qingyuan China Datang Real Estate Development Co., Ltd. He has previously also been the Senior Executive of Shin Zu Shing Co., Ltd.

As Senior Executive of Shin Zu Shing Co., Ltd (SZS) manufacturer of precision wire and planar springs for medical apparatus, mechanical equipment and electronic products, Mr Lu expanded SZS's business in China and has established four factories in Suzhou, Shenzhen and Ningbo. Mr Lu has managed all SZS business operations in China since 2001 and now SZS has a market capital of approximately AUD 373,824,000.

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

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

Director: Since 07/01/2011

Information on Company Secretary

WESLEY GLANVILLE

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

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

Appointed: 11/08/2010

DIRECTORS' REPORT (continued)

REMUNERATION REPORT- AUDITED

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

The Remuneration, Nominations and Succession Committee Charter sets out the Board's policy for the nomination and appointment of directors and the evaluation and performance of senior executives.

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

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

Remuneration Philosophy

Remuneration is to consist of:

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

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

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

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

Fixed Remuneration

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

Service Agreements

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

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

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

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

DIRECTORS' REPORT (continued)

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

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

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

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

Non-executive Directors

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

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

Directors and Key Management Personnel Remuneration

Year ended 30 June 2011	Short Term			Other Benefits (iii) \$	Post- employe nt	Long-term Employee Benefits (iv) \$	Terminat ion benefits \$	Share- based Payment	Total \$	Portion of Remuneration Based on Performance %
	Salaries & Fees (i) \$	Cash Bonus (ii) \$	Non- monetary Benefits		Super- annuation \$			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' REPORT (continued)

6 months to 30 June 2010	Short Term			Post- employe nt	Long-term		Share- based Payment	Portion of Remuneration Based on Performance		
	Salaries & Fees (i)	Cash Bonus (ii)	Non- monetary Benefits (iii)	Other Benefits (iii)	Super- annuation	Employee Benefits (iv)	Terminat ion benefits	Shares and Units (v)	Total	%
	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
Directors										
Stephen Barry	44,675	-	-	-	4,021	-	-	-	48,696	-
Keith Hillless	35,000	-	-	-	3,150	-	-	-	38,150	-
Derek Murphy	35,000	-	-	-	3,150	-	-	-	38,150	-
Ray James	228,243	-	15,532	12,720	20,542	6,562	-	-	283,599	-
Senior Management										
Ray McNamara (Resigned 10/8/2010)										
	218,062	-	4,393	-	19,489	950	-	-	242,894	-
John Quayle (Resigned 23/12/2010)										
	156,524	18,000	-	15,000	15,539	783	-	56,105	261,951	21%
Larry Brown										
	125,841	15,000	5,578	-	12,600	308	-	46,755	206,082	23%
Robert King										
	110,888	-	-	-	9,900	135	-	-	120,923	-
Kevin Jih (Appointed 11/08/2010)										
	100,538	9,000	2,959	-	9,810	254	-	28,053	150,614	19%
	1,054,771	42,000	28,462	27,720	98,201	8,992	-	130,913	1,391,059	

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

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

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

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

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

Directors' and Senior Managements' Interests

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

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

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

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

Share Options

Options Granted to Directors and Key Management Personnel of the Company

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

Options Held by Key Management Personnel

2011

There were no options outstanding at 30 June 2011.

DIRECTORS' REPORT (continued)

2010

There were no options outstanding at 30 June 2010.

MEETINGS OF DIRECTORS

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

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

A- Number of meetings attended.

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

DIRECTORS AND AUDITORS INDEMNIFICATION

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

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

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

The total premium expense for the year was \$30,728 (30 June 2010:\$14,652).

Events After the Balance Date

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

Likely Future Developments

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

Proceedings on Behalf of the Company

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

DIRECTORS' REPORT (continued)

Non-audit Services

Taxation services \$59,118

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

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

Assurance of Section 295A Declaration

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

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

The lead auditor's independence declaration is set out on page 40 and forms part of the Directors' Report for the period ended 30 June 2011. Crowe Horwath continues in office in accordance with Section 327 of the *Corporations Act 2001*.

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



S Barry
Chairman
31 August 2011

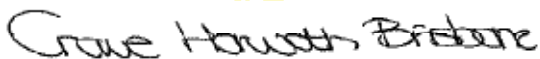


R S James
Managing Director
31 August 2011

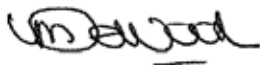
Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the directors of Icon Energy Ltd

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2011 there have been:

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



Crowe Horwath Brisbane



Vanessa de Waal
Partner

Signed at Brisbane, 31 August 2011.

Independent Auditor's Report

To the members of Icon Energy Limited

Report on the Financial Report

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

Directors Responsibility for the Financial Report

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

In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*

Auditor's Responsibility

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

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

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

Independence

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

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Liability Limited by a scheme approved under Professional Standards Legislation other than for the acts or omissions of financial services licensees.

Auditor's Opinion

Opinion

In our opinion:

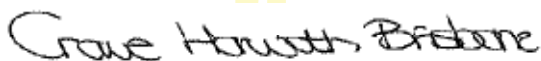
- (a) the financial report of Icon Energy Limited is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- (b) The consolidated financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

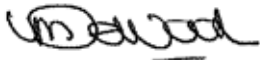
We have audited the Remuneration Report included on pages 35 to 37 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Icon Energy Limited for year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.



Crowe Horwath Brisbane



Vanessa de Waal
Partner

Signed at Brisbane, 31 August 2011

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Web: www.iconenergy.com

DIRECTORS' DECLARATION

The Directors of the Company declare that:

- 1 The financial statements and notes, as set out on pages 44 to 66, are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Accounting Standards; and
 - (b) give a true and fair view of the financial position as at 30 June 2011 and of the performance for the year ended on that date of the consolidated entity;
- 2 The Managing Director and Chief Financial Officer have each declared that:
 - (a) the financial records of the Company for the financial period have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
 - (b) the financial statements and notes for the financial period comply with the Accounting Standards; and
 - (c) the financial statements and notes for the financial period give a true and fair view.
- 3 In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they come due and payable;
- 4 The attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 1 to the financial statements.

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



S Barry
Chairman

31 August 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2011

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

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2011

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

The accompanying notes form part of these financial statements.

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

	Ordinary Share Capital \$	Foreign Exchange Reserve \$	Accumulated Losses \$	Total \$
Balance 1 January 2010	64,539,450	(2,238,511)	(24,770,242)	37,530,697
Total comprehensive income:				
Loss for the period	-	-	(3,588,341)	(3,588,341)
Other comprehensive income	-	1,841	-	1,841
Total Comprehensive Income for the period	-	1,841	(3,588,341)	(3,586,500)
Transactions with owners in their capacity as owners:				
Shares issued	200,842	-	-	200,842
Share issue costs	-	-	-	-
Total transactions with owners	200,842	-	-	200,842
Balance at 30 June 2010 - attributable to owners of parent entity	64,740,292	(2,236,670)	(28,358,583)	34,145,039
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

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2011

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

The accompanying notes form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

NOTE 1 - STATEMENT OF ACCOUNTING POLICIES

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

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

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

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

The financial report was authorised for issue by the Board of Directors on 31 August 2011.

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

(a) Change of financial year-end

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

(b) Changes in Accounting Policies

Standards and Interpretations adopted

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

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

Standards and Interpretations issued but not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods. They are available for early adoption at 30 June 2011, but have not been applied in preparing this financial report. The consolidated entity's assessment of the impact of these new standards and interpretations is set out below:

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

(c) Principles of Consolidation

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

NOTE 1 - STATEMENT OF ACCOUNTING POLICIES (Continued)

(d) Income Tax

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

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

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

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

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

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

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

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

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

Tax Consolidation

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

(e) Goods and Services Tax

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

NOTE 1 - STATEMENT OF ACCOUNTING POLICIES (Continued)

(f) Property, Plant, and Equipment

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

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

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

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

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

(g) Leases

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

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

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

(h) Exploration, Evaluation and Development Expenditure

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

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

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

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

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

(i) Interests in Joint Ventures

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

(j) Trade Creditors

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

NOTE 1 - STATEMENT OF ACCOUNTING POLICIES (Continued)

(k) Cash and Cash Equivalents

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

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

(l) Provisions

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

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

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

(m) Employee Benefits

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

(n) Revenue

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

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

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

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

Royalty revenue is recognised as received.

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

(o) Segment Reporting

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

(p) Comparative Figures

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

(q) Financial Instruments

Recognition

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

Financial assets at fair value through profit and loss

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

Loans and receivables

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

Held-to-maturity investments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

NOTE 1 - STATEMENT OF ACCOUNTING POLICIES (Continued)

Available-for-sale financial assets

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

Financial liabilities

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

Fair value

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

Impairment

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

(r) Impairment of Assets

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

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

(s) Foreign Currency Transactions and Balances

Functional and presentation

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

Transactions and balances

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

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

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

Group companies

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

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

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

(t) Critical accounting estimates and judgments

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

Key estimates — Impairment

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

NOTE 2 - REVENUE

OTHER INCOME

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

NOTE 3 - PROFIT/(LOSS) BEFORE INCOME TAX

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

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

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

Amounts set aside for provision for:

• Employee entitlements	32,000	63,000
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Litigation settlement expense relating to the Beach Energy Limited dispute

	263,514	-
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Rental expense relating to operating leases

• Minimum lease payments	382,916	74,830
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Foreign exchange (gains)/losses

	(10,443)	(3,359)
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Superannuation Expense

	270,877	118,613
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NOTE 4 - INCOME TAX EXPENSE

Profit/(Loss) before tax expense

	CONSOLIDATED ENTITY	
	Year ended 30 June 2011 \$	6 months to 30 June 2010 \$
	(6,723,398)	(3,588,341)

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

	(2,017,019)	(1,076,502)
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Increase/(decrease) in income tax expense due to:

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

Deferred Tax Assets not brought to account, the benefits of which will only be realised if the conditions for deductibility of tax losses set out in Note 1 occur based on corporate tax rate of 30% (2010: 30%) for Australian companies and the effective tax rate of 6.47% for foreign controlled entities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

NOTE 4 - INCOME TAX EXPENSE (Continued)

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

NOTE 5 - KEY MANAGEMENT PERSONNEL REMUNERATION

(a) Key management personnel compensation

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

Apart from the details disclosed in this note, no Director has entered into a material contract with the Company or consolidated entity since 1 July 2010 and there were no material contracts involving Directors' interests existing at year end.

(b) Options

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

(c) Shareholdings

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

2011	Employee Share Ownership					Balance 30.06.2011 No
	Balance 1.07.2010 No	Plan No	Purchases No	Options Exercised No	Sold 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	-	-	-	(117,000)	147,000
Kevin Jih (Appointed 11/08/2010)	133,585	-	-	-	-	133,585
Lawrence Brown	222,641	-	-	-	-	222,641
Robert King	-	-	-	-	-	-
John Quayle (Resigned 23/12/2010)	1,217,169	-	-	-	-	1,217,169
	24,706,186	-	16,000,000	-	(117,000)	40,589,186

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

NOTE 5 - KEY MANAGEMENT PERSONNEL REMUNERATION (Continued)

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

(d) Transactions with Directors and Director Related Entities

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

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

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

NOTE 6 - CASH AND CASH EQUIVALENTS

CONSOLIDATED ENTITY	
30 June 2011	30 June 2010
\$	\$
Cash on hand	666
Cash at Bank	16,378,243
	14,041,754
	16,378,909
	14,042,420

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	16,378,909	14,042,420
Balance as per Statement of Cash Flows	16,378,909	14,042,420

NOTE 7 - TRADE AND OTHER RECEIVABLES - CURRENT

Other receivables	210,886	230,822
	210,886	230,822

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

NOTE 8 - FINANCIAL ASSETS

	CONSOLIDATED ENTITY	
	30 June 2011	30 June 2010
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 2011	30 June 2010
	\$	\$
Plant and Equipment - at cost	1,265,358	1,223,199
less: accumulated depreciation	(620,407)	(478,140)
	644,951	745,059
Building - at cost	2,172,934	2,172,934
less: accumulated depreciation	(84,054)	(30,836)
	2,088,880	2,142,098
Fixtures and Fittings - at cost	996,244	958,250
less: accumulated depreciation	(141,709)	(53,525)
	854,535	904,725
Land at cost	2,440,000	2,440,000
	6,028,366	6,231,882
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	6,028,366	6,231,882

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 January 2010	625,490	2,169,213	938,733	2,440,000	6,173,436
Additions	254,300	-	13,250	-	267,550
Disposals	(45,073)	-	-	-	(45,073)
Depreciation	(89,658)	(27,115)	(47,258)	-	(164,031)
Balance at 30 June 2010	745,059	2,142,098	904,725	2,440,000	6,231,882
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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

NOTE 10 - OTHER NON-CURRENT ASSETS

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

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

NOTE 11 - TRADE AND OTHER PAYABLES

CONSOLIDATED ENTITY		
30 June 2011	30 June 2010	
\$	\$	
Current		
Trade and sundry payables	1,997,734	422,480
	1,997,734	422,480

NOTE 12 - BORROWINGS

CONSOLIDATED ENTITY		
30 June 2011	30 June 2010	
\$	\$	
Secured		
Current		
Hire purchase liabilities	151,373	208,715
	151,373	208,715
Non Current		
Hire purchase liabilities	113,273	192,817
Bank loan	3,400,000	3,400,000
	3,513,273	3,592,817
	3,664,646	3,801,532

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

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

NOTE 13 - PROVISIONS

CONSOLIDATED ENTITY		
30 June 2011	30 June 2010	
\$	\$	
Current		
Employee entitlements	481,231	444,230
Onerous lease*	154,944	-
	636,175	444,230
Non Current		
Employee entitlements	19,120	24,120
Onerous lease*	78,840	-
Restoration provision	184,000	184,000
	281,960	208,120
	918,135	652,350
Number of employees at year end	22	21

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

NOTE 14 - ISSUED CAPITAL

Share Capital

Issued share capital 469,301,394 (30 June 2010: 438,801,394) fully paid, no par value ordinary shares.

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

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 15 - FOREIGN CURRENCY TRANSLATION RESERVE

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

NOTE 16 - EARNINGS PER SHARE

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

NOTE 17 - CASH FLOW INFORMATION

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

* Other non-current assets amount is exclusive of deferred exploration expenditure movement.

** Trade and other payables amount is exclusive of the movement in payables attributable to deferred exploration expenditure, which has been incorporated into Cash Flows from Investment Activities.

(b) Non-cash financing activities

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

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

NOTE 18 - CAPITAL AND LEASING COMMITMENTS

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

Work Programme Commitments

The total commitments for work programmes for ATP849P, ATP549, ATP855P* and PEP170 are as follows:

	CONSOLIDATED ENTITY	
	30 June 2011 \$	30 June 2010 \$
Exploration expenditure commitments		
• not later than 1 year	6,128,316	1,492,390
• later than one year but not later than five years	22,187,140	3,367,558
	28,315,456	4,859,948

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

NOTE 19 - JOINT VENTURES

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

Oil and Gas	Basin	Interest %	Interest %
		30 June 2011	30 June 2010
ATP 549P West	Cooper Eromanga	33.33%	33.33%
ATP 594P	Cooper Eromanga	50.00%	50.00%
ATP 794P Regleigh & Springfield	Cooper Eromanga	60.00%	60.00%
ATP 794P Brightspot	Cooper Eromanga	75.00%	75.00%
ATP 626P*	Surat	99.00%	99.00%
ATP 849P	Surat	80.00%	80.00%
ATP 855P**	Cooper Eromanga	40.00%	80.00%
PEL 218 Post Permian***	Cooper Eromanga	33.33%	33.33%
ATP 560 Ueleven	Cooper Eromanga	50.50%	50.50%
EPG 49	Cooper Eromanga	100.00%	100.00%
EPG 51	Cooper Eromanga	100.00%	100.00%
PEP 170	Gippsland	100.00%	-

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

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

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

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

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

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

NOTE 20 - CONTROLLED ENTITIES

Parent entity:	Country of Incorporation	Date of Incorporation	% Owned	
			30 June 2011	30 June 2010
Icon Energy Limited	Australia			
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	-
Icon Geothermal Pty Ltd	Australia	19 July 2010	100	-
Icon LNG (China) Pty Ltd	Australia	19 July 2010	100	-
Icon Cooper Pty Ltd	Australia	19 July 2010	100	-
Icon Oil US (LLC)	USA	5 January 1993	100	100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

NOTE 21 - SEGMENT INFORMATION

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

INFORMATION ABOUT GEOGRAPHICAL AREAS

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

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

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

NOTE 22 - FINANCIAL INSTRUMENTS

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

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

The consolidated entity does not have any derivative instruments at 30 June 2011 (30 June 2010: Nil).

Significant accounting policies

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

Capital risk management

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

The capital structure of the consolidated entity consists of cash and cash equivalents, hire-purchase liabilities, bank loans and equity comprising issued capital, net of reserves and accumulated losses as disclosed in notes 6, 12 and 14 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

NOTE 22 - FINANCIAL INSTRUMENTS (CONTINUED)

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

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

Financial Risk Management

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

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

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

a Market Risk

Interest rate risk

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

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

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

Consolidated Entity	Weighted Average Interest Rate %	Floating Interest \$	Fixed Interest Rate Maturing		Non interest bearing \$	Total \$
			Within 1 year \$	1 to 5 years \$		
30 June 2011						
<i>Financial assets</i>						
Cash and cash equivalents	4.97%	16,378,243	-	-	666	16,378,909
Investment	6.00%	-	2,000,000	-	-	2,000,000
Other receivables	-	-	-	-	210,886	210,886
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
30 June 2010						
<i>Financial assets</i>						
Cash and cash equivalents	5.03%	14,041,754	-	-	666	14,042,420
Other receivables	-	-	-	-	230,822	230,822
Total Financial Assets		14,041,754	-	-	231,488	14,273,242
<i>Financial liabilities</i>						
Accounts payable	-	-	-	-	422,480	422,480
Hire purchase liabilities	9.94%	-	208,715	192,817	-	401,532
Bank Loan	6.26%	3,400,000	-	-	-	3,400,000
Total Financial Liabilities		3,400,000	208,715	192,817	422,480	4,224,012

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

NOTE 22 - FINANCIAL RISK MANAGEMENT (CONTINUED)

Cash flow sensitivity analysis for variable rate instruments

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

At 30 June 2011, if the interest rates had increased / decreased by 0.5% from the period-end rates with all other variables held constant, post-tax profit for the year for the consolidated entity would have been \$24,649 higher / \$24,525 lower (30 June 2010: \$16,662 / \$16,612), mainly as a result of the consolidated entity's exposure to interest rates on its variable rate cash and cash equivalents.

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

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

Price risk

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

Foreign currency risk

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

b. Credit risk

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

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

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

c. Liquidity risk

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

NOTE 22 - FINANCIAL RISK MANAGEMENT (CONTINUED)

The following are contractual maturities of financial liabilities:

	Carrying Amount \$	Contractual Cashflows \$	<1 Year \$	1-5 Years \$
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
30 June 2010				
Trade and other Payables	422,480	422,480	422,480	-
Hire purchase liabilities	401,532	433,178	232,667	200,511
Bank Loan	3,400,000	3,938,205	108,891	3,829,314
	4,224,012	4,793,863	764,038	4,029,825

The consolidated entity's liquidity risk relating to financial liabilities at 30 June 2011 is limited to the repayment of the hire-purchase commitments amounting to \$264,646 (30 June 2010: \$401,532), bank loan commitments amounting to \$3,400,000 (30 June 2010: \$3,400,000) and trade payables. Trade payables are short-term in nature. The consolidated entity does not finance exploration activities through debt.

Fair value estimation

The carrying values less provision for impairment of financial assets and financial liabilities of the consolidated entity, as stated in the Statements of Financial Position and accompanying explanatory notes at 30 June 2011, are a reasonable approximation of their fair values due to the short-term nature of the instruments.

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

NOTE 23 - SHARE BASED PAYMENTS

Share based payments made:

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

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

NOTE 24 - RELATED PARTY TRANSACTIONS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

NOTE 25 - CONTINGENT LIABILITIES

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

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

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

NOTE 26 - EVENTS AFTER BALANCE SHEET DATE

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011

NOTE 27 - PARENT ENTITY INFORMATION

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

Financial position

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

Financial performance

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

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

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

Contingent liabilities of the parent entity

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

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

The parent entity did not have any contractual commitments for the acquisition of property, plant or equipment as at 30 June 2011 or 30 June 2010.

ADDITIONAL SHAREHOLDER INFORMATION

On-market buy-back

There is no current on-market buy-back.

Distribution of Shareholdings

The distribution of ordinary shareholders ranked according to size at 31 July 2011 was as follows:

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

Unmarketable Parcels

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

All ordinary shares carry one vote per share without restriction.

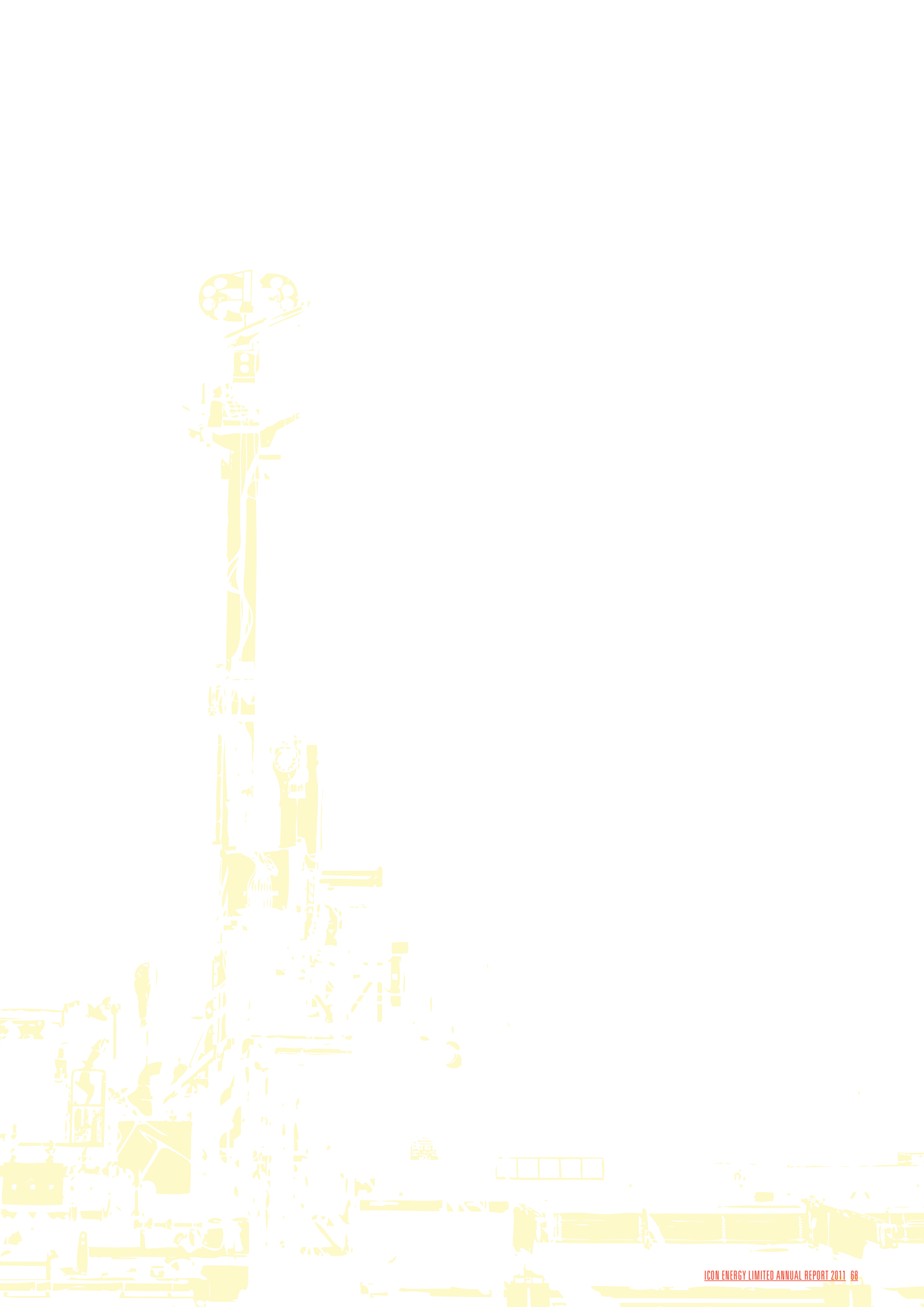
Twenty Largest Ordinary Shareholders

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

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

Substantial Shareholders including the Holders of Relevant Interest

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



LANDOWNERS

“OUR COMMITMENT — GOOD RELATIONS”

With increased exploration and production in the petroleum industry, the Queensland Government introduced new land access laws that came into effect in October 2010.

Icon Energy seeks to build good working relationships with all landholders in areas and communities in which it operates.

Icon Energy’s landholder consultation process is as follows:

- i. Establish initial contact and consult with the landholder regarding planned seismic lines and exploration wells;
- ii. Meet with the landholder to discuss any issues or concerns;
- iii. Reach an agreement with the landholder on various matters relating to Icon Energy’s operations and their land which includes:
 - a. Entry notices and compensation
 - b. Proposed roads
 - c. Rehabilitation
 - d. Cultural heritage clearance
 - e. Confirming location of seismic lines and exploration wells

During the 2010-2011 drilling campaign Icon Energy operated around the Goondiwindi area in the Surat Basin. Icon Energy is pleased to report that conduct and compensation agreement were reached with all landholders.

In May 2011, as part of its landholder relationship building initiatives and to address concerns surrounding the negative impacts of CSG from the media, Icon Energy along with its joint venture partner held a luncheon for all landholders where Icon Energy had operations. The main purpose of this luncheon was to give landholders the opportunity to meet Icon Energy and Stanwell operational management to discuss issues that concern landholders in the Goondiwindi region.

Icon Energy is currently undergoing the landholder process with various landholders in the tenement ATP849P located in the Surat Basin for its proposed seismic acquisition activities.



ENVIRONMENT

ECO-INTEGRITY: A GENUINE ENVIRONMENTAL FOCUS

Environmental best practices are a priority we take very seriously indeed at Icon Energy. It is a key ingredient for being a good corporate citizen, and moreover, it is the right way to do business.

The environment is afforded the highest of priorities, coupled with the safety and wellbeing of our people and the community. Icon Energy policy is that no business purpose shall be given priority over health, safety and the environment. For practical purposes our environmental priority is a reflection of the values of the communities in which we coexist. We don't see ourselves as being separate from the wider community with whom we share our values, we're a part of it. Environmental ethics, or 'Eco-integrity', is and will remain a core and guiding priority at Icon Energy, in everything we do.

A good example is the seismic program currently being conducted in ATP849P – it's green in more ways than one. These little green trucks (pictured) have been designed to function in a manner which optimises the seismic process to minimise the environmental harm. When Icon Energy conducted Australia's first carbon-neutral seismic program back in 2009, we saw a great opportunity to utilise green technology. The upcoming ATP 849P Seismic Programme also encompasses a detailed program route so as to create only the most negligible of impacts.

The drilling programme conducted in the ATP 626PP in the Goondiwindi region earlier this year is now largely complete. Icon Energy are proud of the landholder relationships we have developed and the quality of the rehabilitation works conducted on each site.

Environmentally, water is a major priority in Australia, but it's also obviously vital to all our farmers whether their focus is livestock or crops. As such, we're exploring all options for the beneficial use of water and how the extraction of this precious natural resource can benefit us all the most. Icon Energy also completed a submission in June 2011 to support of the Cooper Creek Wild Rivers declaration, which sought to address both

regional economic growth and the environmental values that this untouched river system can provide.

Icon Energy has engaged Coffey Environments on Environmental Management Planning for the Company's Victorian operations within our newest exploration tenement, PEP170 in the Gippsland district. Regional environmental issues are often best addressed by local expertise. Accordingly, the considered choice of our operations team was that the Victorian-based environmental consultants were best placed for the applicable local knowledge and expertise for the task. Coffey were both engaged and commenced well ahead of there being any operational presence in the area. As such, the prevailing environmental conditions and issues were able to be identified and assessed by experts familiar with the issues relevant to the area's indigenous flora, fauna, geology and other environmentally relevant issues. It is this nature of practicality the Icon Energy team seeks to implement in such circumstances, particularly those for which such a high priority is identified and attributed.

At Icon Energy we really do care about the environmental footprint we create, and we aim to always tread lightly. With consistency and vigilance we can and will continue to aim very high to satisfy the highest environmental standards. Environmental ethics, or 'Eco-integrity', is and will remain a core and guiding priority at Icon Energy, in everything we do.



FRACING, CSG, WATER MANAGEMENT, SHALE GAS INFORMATION

WATER MANAGEMENT

To date, Icon Energy's sole focus in ATP626P has been Coal Seam Gas (CSG) wells. Large amounts of water can be associated with the production of CSG, this fluid can range dramatically in water quality ranging from potable water, to water requiring treatment before usage or injection back into an aquifer. Water must be produced from the coal seam to lower the Hydrostatic pressures in the coals, the process of lowering the pressures to induce gas production from the Coals is referred to as de-watering. Water is typically only produced in the first stages of production and begins to abate with the onset of free gas production from the coals.

Currently the legislation in Queensland requires that any water produced from a CSG pilot must be treated, re-used or injected and must be within the quality standards for the particular usage that it is intended for. Additionally current legislation in Queensland requires that every wellbore within a one kilometer radius of an active CSG well must be surveyed and a chemical analysis done and then subsequently monitored for increases and decreases of water level and diminishment of water quality.

A water management plan involving potential usage for water produced must be written by the operator and approved by the DERM. Normally a hierarchy of usage for produced water is constructed where varying amounts of treatment from a CSG project may be utilized for individual purposes. For example CSG water may be utilized without any treatment as a source of drill water, water for cementing casing strings, dust suppression (assuming that certain minimal water standards are met) and no heavy metals are present in the produced water. Another tier of water usage which may require minimal treatment might be water for irrigation and stock water. While the third tier would consist of full treatment of water to drinking standards and suitable for re-injection into aquifers.

SHALE GAS

Shale gas is unconventional gas recovered from formations which are classified as shales due to the particle size of the rock fabric. Normally these shales contain small fractions of clay, high total organic carbon (three to five percent content) but have very little native permeability (or flow conductivity) and are typically overpressured. These shale gas formations typically require horizontal drilling, and multiple stages of fracturing in the horizontal leg to produce at economic gas production rates. These formations until recently have been thought to be uneconomic to produce at commercial rates. However in North America economic shale gas production has become a reality over the past decade with additional shale gas prospects and trends in new basin areas continually being added to exploitable shale gas production. Improvements in horizontal drilling and the ability to fracture horizontal wells to induce economic production rates have contributed to the success of shale gas production in the United States. These unconventional shale gas targets contain very large amounts of gas in place, and continued new drilling to sustain gas deliverability is a requirement.

FRACGING

“Fraccing” is shortened terminology for “Hydraulic Fracture Stimulation” and is the process of inducing a fracture in vertical or horizontal wells and propping the fracture open with sand or another proppant to keep the fracture open and introduce a more permeable path to the wellbore. Unconventional shales or tight gas sands will almost always require this completion method to stimulate the rock so that economic production rates will result from the stimulation. Fracture of the formation is induced by pressurising fluids to the point at which the pressure will force open the formation rock. Then a proppant such as sand, boxite, or manmade beads are pumped to fill the fractures and keep them open countering the forces to close them such as overburden pressure. This proppant will form a permeability path into the wellbore to enable fluids to flow from the fracture created into the wellbore and up through the tubing to the surface. Care must be taken to ensure that the integrity of subsurface aquifers is not compromised during the fracturing procedure. To insure that the aquifer integrity is maintained operators must ensure that:

1. Vertical separation between the aquifer and any fluid induced fracture is sufficient to prevent cross flow between the hydrocarbons and the waters contained within the aquifer.
2. That cement integrity between the hydrocarbon zones and water bearing zones is sufficient to ensure zonal isolation which is accomplished by checking the integrity of the cement with Cement Bond Logs.

Icon Energy adopts similar methods employed in the United States where hydraulic fracturing and stimulating has been successfully performed there without risk to public drinking water for over 50 years. There has been much concern in the press regarding the use of fracturing fluids with BTEX or Benzene, Toluene, Ethylbenzene, and xylene. Icon Energy does not use these chemicals and instead uses “slick” water or water with no viscosifying additives thus eliminating this potential hazard from all Icon Energy operations.



ICON ENERGY

TENEMENTS

TENEMENT SUMMARY — ATP855P

Participating interests

Icon Energy – 40%
Beach Energy – 40% (Operator)
Deka Resource – 10%
Well Traced – 10%

Prospect type

Coal seam gas, natural gas, oil and deep shale.

Location

ATP855P is located in the Cooper-Eromanga Basin on the eastern side of the Queensland and South Australian border. PEL218 lies adjacent to ATP855P and both permits share part of the Nappamerri Trough. The Moomba to Ballera Gas Pipeline traverses the block and the area is surrounded by existing oil and gas production units. ATP855P occupies a total area of 1,674 km².

Work completed in FY 2010/2011

Detail of work completed outlined earlier in this Annual Report at Core Project ATP855P.

Work to be carried out in FY 2011/2012

Detail of work completed outlined earlier in this Annual Report at Core Project ATP855P.

¹ Subject to Ministerial approval of the transfer of a 40% interest from Icon Energy to Beach Energy.

SUMMARY OF TENEMENT — ATP626P

Interest held

Icon Energy – 99% (Operator)
Goondi Energy – 1%

Queensland government-owned power generator, Stanwell (whose wholly owned subsidiary is Goondi Energy), is in joint venture with Icon Energy in relation to ATP626P. Stanwell has earned an up-front 50% farm-in interest in ATP626P, and any gas found in ATP626P will be owned equally between Stanwell and Icon Energy. Icon Energy executed a Gas Supply Agreement with Stanwell in August 2010 agreeing to sell Stanwell its half share of any gas recovered from ATP626P.

Prospect type & extent

ATP626P is prospective for coal seam gas and oil.

Reserve certifiers, Netherland Sewell & Associates, has previously confirmed a prospective unproved resource estimate of 6.1 TCF or 6,100 PJ within ATP626P. Of this figure, contingent resource estimates of 1,115 PJ (2C) and 1,775 PJ (3C) have been calculated.

Location

ATP626P is located north of Goondiwindi in the Surat Basin. ATP626P covers an area of 2,224 km².

Work completed in FY 2010/2011

Detail of work completed outlined earlier in this Annual Report at Core Project ATP626P.

Work to be carried out in FY 2011/2012

Detail of work completed outlined earlier in this Annual Report at Core Project ATP626P.



TENEMENT SUMMARY — ATP849P

Interest held

Icon Energy – 80% (Operator)

Deka Resources – 10%

Well Traced – 10%

Both Deka and Well Traced are wholly owned subsidiaries of Adelaide Energy.

Prospect type & extent

ATP849P is prospective for coal seam gas. Very limited drilling has occurred in ATP849P, however drilling on adjacent blocks suggests that the area contains a prospective coal seam gas reservoir.

Location

ATP849P is located in the Surat Basin, to the west of Roma. The township of Mitchell is located in the southern region of the tenement. ATP849P covers an area of 3,854km². The Lacerta Coal Seam Gas Field is located to the west of ATP849P.

Work completed in FY 2010/2011

Detail of work completed outlined earlier in this Annual Report at Core Project ATP849P.

Explained above.

Work to be carried out in FY 2011/2012

Detail of work completed outlined earlier in this Annual Report at Core Project ATP849P.

TENEMENT SUMMARY — PEP170

Interest held

Icon Energy – 100% (Operator)

Location

PEP170 is located in Victoria's Gippsland Basin and includes the township of Darriman, in the north of the permit, and the township of Woodside, in the south. The permit is also proximate to Port Welshpool, which could potentially be used as a location for future export facilities. The tenement covers a total area of 808.3 km².

Prospect type & extent

PEP170 is prospective for oil and gas.

Work completed in FY 2010/2011

Detail of work completed outlined earlier in this Annual Report at Core Project PEP 170.

Work to be carried out in FY 2011/2012

Detail of work completed outlined earlier in this Annual Report at Core Project PEP 170.

ICON ENERGY

TENEMENTS

TENEMENT SUMMARY — ATP549 WEST

Participating interests

Icon Energy – 33.33%
Drillsearch – 66.67% (Operator)

Icon Energy's interest in ATP549 West is a farmin interest and not a title interest. The title to ATP549 is held by AGS. There are two other farmin areas in ATP549 (ATP549 Cyprus & ATP549 Solitaire) in which Icon Energy does not hold an interest.

Prospect type & extent

ATP549 is prospective for natural gas and oil.

Location

ATP549 is located just inside the boundaries of the Cooper Basin in Queensland, near to the Queensland and South Australian border. The tenement covers an area of 3,681km² and lies to the north of the Cook Oil Field.

Work completed in FY 2010/2011

The title to ATP549 is held by AGS. There are two other farmin areas in ATP549 (ATP549 Cyprus & ATP549 Solitaire) in which Icon Energy does not hold an interest.

The permit for ATP549 will expire on 30 April 2013. However, the holders of ATP549, AGS, may apply for one more four-year renewal period, potentially taking the expiry date of ATP549 to 2017.

Icon Energy and Drillsearch have recently been in discussions with AGS in relation to obtaining partial replacement tenure for the ATP549 West area, or to agree the work program that will be carried out across the whole of ATP549 prior to the renewal date of the permit.

Work to be carried out in FY 2011/2012

In the event that agreement with AGS can be reached prior to renewal, Icon Energy and Drillsearch have discussed the possibility of shooting 3D seismic in ATP549 West in order to determine suitable oil well location(s). Pending agreement with AGS, this work is likely to take place in 2012.

TENEMENT SUMMARY — ATP560 UELEVEN

Interest held

Icon Energy – 50.5% (Operator)
Lakes Oil NL – 25%
Victoria Petroleum NL – 17%
Charles Morgan – 5%
Oilwells Inc – 2.5%
Private interests – 4%

Icon Energy's interest in ATP560 Ueleven is a farmin interest and not a title interest. Bridgeport is the title holder for ATP560.

Prospect type & extent

ATP560 is prospective for oil and gas.

Location

ATP560 is located to the right of the Cooper Basin in Queensland. Icon Energy's interest in the tenement covers an area of 307.2 km².

Work completed in FY 2010/2011

Icon Energy did not complete any work in ATP560 Ueleven in the 2010 / 2011 financial year.

Work to be carried out in FY 2011/2012

The ATP560 Ueleven block currently has 16 sub-blocks left in it. It is likely that all of these sub-blocks will be relinquished in the next round of relinquishments, which are due to take place in 2013. Icon Energy has no plans to develop this area.



TENEMENT SUMMARY — ATP594

Interest held

Icon Energy – 50% (Operator)
Triple J Resources – 50%.

Prospect type

ATP594 is prospective for coal seam gas, natural gas and oil.

Location

ATP594 is located near the township of Quilpie. The tenement covers three separate areas consisting of a total area of 1,538 km². The area immediately adjacent to ATP594 is resource rich in oil and gas. The Bunya Thylungra, Sheoak and Vernon gas fields are located to the west of ATP594. There are several oil fields located to the south-east of the tenement, including the Kenmore and Tarbat oil fields.

Work completed in FY 2010/2011

ASIC currently holds Triple J Resources' interest in ATP594 as a result of the de-registration of Triple J Resources. Icon Energy has been working with ASIC and DEEDI to resolve the issue of de-registration of Triple J Resources. Once the default is resolved, Icon Energy will commence negotiations with the native title inhabitants in the area.

Work to be carried out in FY 2011/2012

No work is planned for ATP594 if and until Triple J Resources / ASIC addresses the default, or DEEDI agrees that Icon Energy may hold ATP594 on its own. Icon Energy will not have any work program obligations until ATP594 is renewed and DEEDI approves a new work program for the tenement.

TENEMENT SUMMARY — ATP794 BRIGHTSPOT, REGLEIGH AND SPRINGFIELD

Interest held

Icon Energy – 75%: Brightspot,
60% Regleigh & Springfield (Operator)
Victoria Petroleum NL – 15% Brightspot,
24% Regleigh & Springfield
Bow Energy – 10% Brightspot, 16% Regleigh & Springfield

Icon Energy's interest in ATP794 Brightspot, Regleigh and Springfield is a farmin interest and not a title interest.

Victoria Oil Exploration (1977) Pty Ltd, a wholly owned subsidiary of Senex, hold a 60% title interest in the whole of ATP794 and are the operators of the Regleigh, Brightspot and Springfield farmin areas in ATP794. Sequil hold the remaining 40% title interest in the whole of ATP794.

There are other farmin areas in ATP794 in which Icon Energy does not hold an interest, namely the Barcoo Junction Prospect Area and the Barcoo Block.

Prospect type

ATP794 is prospective for coal seam gas, oil and possibly deep shale.

Location

ATP794 is located north west of the town of Quilpie and lies directly north of ATP594. The tenement is approximately 5,315 km² in area.

Work completed in FY 2010/2011

No operational work was completed by Icon Energy in ATP794 in the 2010 / 2011 financial year. Icon Energy has, however, been in the processes of liaising with its beneficial interest partner to obtain documentation to substantiate Icon Energy's interest in the area.

Work to be carried out in FY 2011/2012

Icon Energy currently has no intention of engaging in a work program for ATP794 Regleigh, Brightspot or Springfield in the 2011 / 2012 financial year.

ICON ENERGY

TENEMENTS

TENEMENT SUMMARY — PEL218 POST PERMIAN

Interest held

Icon Energy – 33.33%
Beach Energy – 33.33% (Operator)
Deka Resources – 13.92%
Well Traced – 13.92%
Bounty Oil and Gas NL – 5.50%

Icon Energy's interest in PEL218 Post Permian is a farmin interest and not a title interest.

Prospect type & extent

PEL218 Post Permian is prospective for coal seam gas.

Location

PEL218 covers the South Australian side of the Nappameri Trough that is the "source kitchen" for petroleum that is produced in the fields north and south of the block. PEL218 occupies a total area of 1,602 km².

Work completed in FY 2010/2011

No operational work was completed by Icon Energy in PEL218 in the 2010 / 2011 financial year. Icon Energy has, however, been in the processes of locating various coal seam gas prospective well sites.

In July 2011, Beach Energy agreed to effect the formal assignment of Icon Energy's Phase 2 Farmin Interest in the post Permian section of PEL218, upon Ministerial consent to the transfer of Beach Energy's 40% interest in ATP855P.

Beach Energy has also agreed to recommend Icon Energy to undertake the management of coal seam gas operations in the PEL218 post Permian joint venture.

Work to be carried out in FY 2011/2012

Upon its formal appointment as manager of coal seam gas operations in the PEL218 post Permian joint venture, Icon Energy will be able to progress the nature, extent and operatorship of proposed further CSG operations in the Post Permian Section of PEL218.

Currently, an initial 4 core hole drilling programme is being considered to test the prospectivity, and commerciality, of PEL218.

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



GEOHERMAL

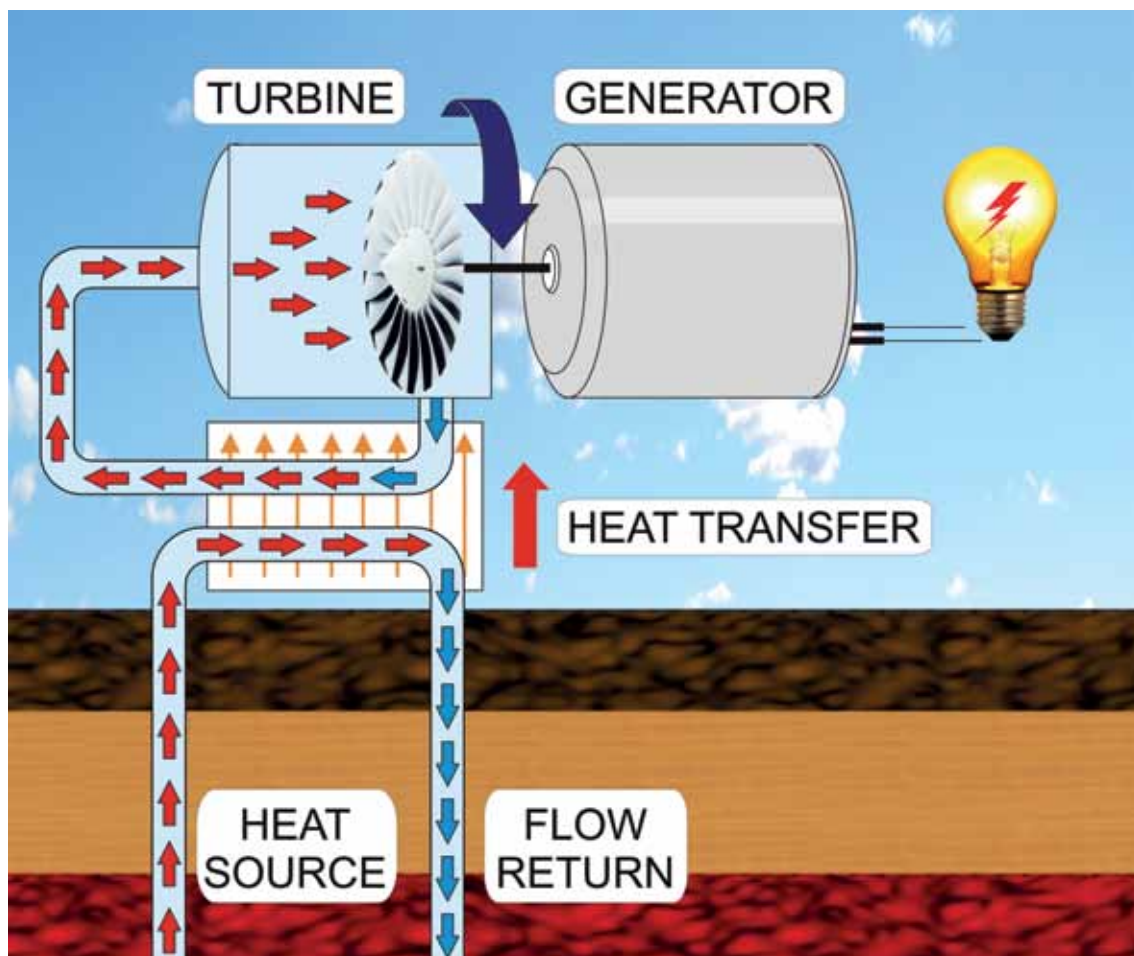
GEOHERMAL POWER

A good environmental record should not be solely about not doing the wrong thing. That would be an easy mistake, but at Icon Energy it does mean more than that. Icon Energy has a pragmatic approach to Geothermal Energy as a future viable prospect in Australia. To this end Icon has produced two geothermal designs for patenting during this year. These are hoped to be developed in combination with funding granted from the Queensland State Government and the University of Queensland's Centre for Geothermal Excellence.

Geothermal Energy is a positive renewable energy source. The energy source is clean and unlimited. Like other "renewal energy" sources, heat from within earth is never going to be depleted, at least not any time during humanity's time on the planet. So utilising this boundless heat energy to create electricity is indeed an excellent concept. But like all ideas it needs development and proof of concept work to be conducted before the economic viability can be proven.

Here is a very brief rundown on how it works. You can drill down into a hot subterranean heat source in order to run a liquid down, through it, and back out again. At that point you have the heat energy in the liquid now up top and usable. If you cycle a second liquid with the right properties in close proximity with that heat, it can expand and run a turbine and electricity generator. Aside from some capital equipment and minor maintenance, you get endless, free, clean energy.

The Icon Energy inventions and innovations for geothermal energy plant designs are targeted at efficiencies to make these systems economically viable in practice. With support from the State Government and the University of Queensland, we are seeking to prove that is in fact the case. Ultimately, it may well make electricity greener and cheaper than ever before. It may take a little time, in fact we know it will, but taking the first steps now is good strategic planning for this alternate energy source.



OIL & GAS PRICES

OIL PRICES

World energy consumption growth was at 5.6%, the highest rate it has been since 1973. Oil showed the slowest growth rate at 3.1% production reaches record of 87.4 million b/d as a result of oil prices averaging the second highest on record being one of the largest percentage increases since 2004.

In the past 12 months, political troubles in the Middle East caused spikes in oil prices above \$100/barrel reminding Australia of the dependency on imported petroleum. Several sources have indicated that the world will not be able to meet its demand for oil by 2015 while some indicate that this could be early as 2012. Thus future oil prices will be expected to rise steadily over the next several years.

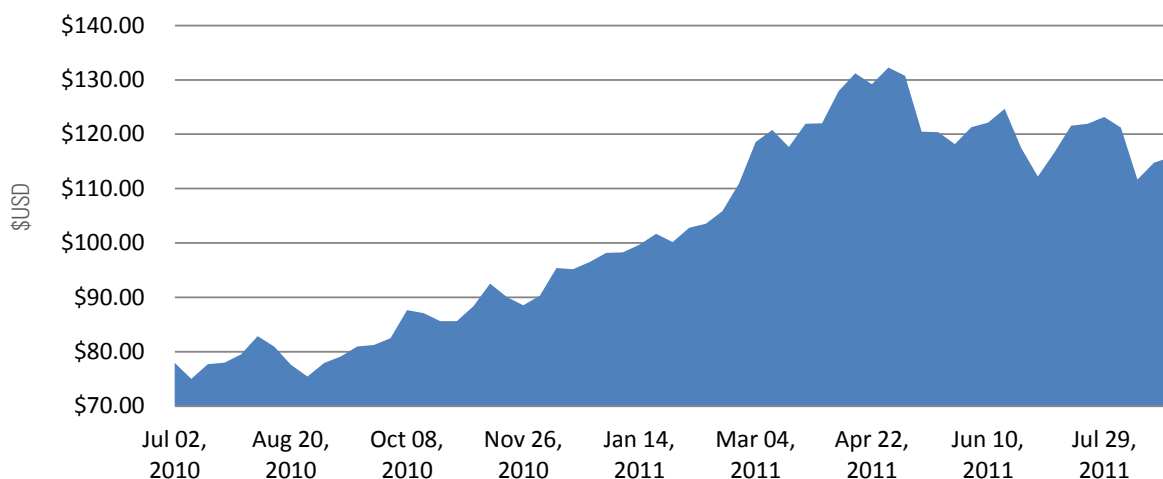
GAS PRICES

Natural gas prices showed strong divergence from oil prices with the growth rate more than double at 7.4%, the largest growth rate in more than 25 years. The global gas trade in 2010 saw an increase by 10.1% highlighting the world's increasing demand for gas. LNG presently accounts for 30.5% of the global gas trade with Asian countries seeing the largest volumetric growth in terms of importing.

Both conventional and unconventional gas is becoming increasingly important, both as a source of export income and as a domestic energy source in Australia. There are three distinct regional markets in Australia for gas prices: the eastern market (Queensland, New South Wales, Australian Capital Territory, South Australian and Tasmania); the western market (Western Australia); and the northern market (Northern Territory).

Domestically gas prices in eastern states are forecast to reach \$8 per gigajoule from the growing development at Gladstone. Sources have indicated that oil prices could reach \$140 per barrel which translates to a LNG netback value of \$16.15/GJ. It was suggested that such a price would remain until growth in LNG stops in the mid 2020s when prices will fall by \$1-2/GJ before rising back to former levels due to reserve depletion.

Malaysian Tapis Oil Spot Price \$USD



GLOSSARY

- 1C** means contingent resource estimate that is classified as “low” in accordance with the SPE-PRMS definitions.
- 1P** means reserves that are classified as “proved” in accordance with the SPE-PRMS definitions.
- 2C** means contingent resource estimate that is classified as “best” in accordance with the SPE-PRMS definitions.
- 2P** means reserves that are classified as “proved” and “probable” in accordance with the SPE-PRMS.
- 3C** means contingent resource estimate that is classified as “high” in accordance with the SPE-PRMS definitions.
- 3P** means reserves that are classified as “proved”, “probable” and “possible” in accordance with the SPE-PRMS.
- Adelaide Energy** means Adelaide Energy Limited
ABN 43 116 256 823.
- AGS** means Australian Gasfields Limited
ABN 12 009 330 134.
- ASIC** means Australian Securities and Investments Commission.
- Beach Energy** means Beach Energy Limited
ABN 20 007 617 969.
- Bounty** means Bounty Oil and Gas NL
ABN 82 090 625 353.
- Bow Energy** means Bow Energy Limited
ABN 63 111 019 857.
- Bridgeport** means Bridgeport Energy (Qld) Pty Limited
ABN 35 138 114 637.
- Coffey** means Coffey Environments Australia Pty Limited
ABN 65 140765902
- DEEDI** means the Queensland Department of Employment, Economic Development and Innovation
- Drillsearch** means Drillsearch Energy Limited
ABN 73 006 474 844.
- EIA** Report means the United States Energy Information Administration’s World Shale Gas Resources Report published on 5 April 2011.
- GIP** means gas in place.
- Goondi Energy** means Goondi Energy Pty Ltd
ABN 71 137 412 081.
- Icon Energy** means Icon Energy Limited
ABN 61 058 454 569.
- Lakes Oil** means Lakes Oil N.L.
ABN 62 004 247 214.
- LNG** means liquefied natural gas.
- MMCFPD** means one million standard cubic feet per day.
- MMscfd** means one million standard cubic feet per day.
- NT Act** means the Native Title Act 1993 (Cth).
- PJ** means petajoule.
- REM** means Roseneath, Epsilon & Murteree geological formation.
- Santos** means Santos Limited
ABN 80 007 550 923
- Senex** means Senex Energy Limited
ABN 50 008 942 827.
- Shantou SinoEnergy** means Shantou Sino Energy Co. Ltd (a company incorporated in the Peoples’ Republic of China).
- SPE-PRMS** means the Petroleum Resources Management System developed by the Society of Petroleum Engineers, the American Association of Petroleum Geologists, the World Petroleum Council and the Society of Petroleum Evaluation Engineers.
- Stanwell** means Stanwell Corporation Limited
ABN 37 078 848 674.
- TCF** means trillion cubic feet.
- Triple J Resources** means Triple J Resources Pty Limited (de-registered).
- Victorian DPI** means the Victorian Department of Primary Industries.

CORPORATE DIRECTORY

DIRECTORS

Stephen Barry (Chairman)
Raymond James (Managing Director)
Derek Murphy (Non-Executive Director)
Keith Hillless (Non-Executive Director)
Howard Lu (Non-Executive Director)

CHIEF FINANCIAL OFFICER

Kevin Jih

COMPANY SECRETARY

Wesley Glanville

OPERATIONAL MANAGEMENT

Raymond James (Managing Director)
Kevin Jih (Chief Financial Officer)
Wesley Glanville (General Counsel & Company Secretary)
Robert King (Exploration Manager)
Robert Johnson (Acting Operations Manager)
Larry Brown (Former Chief Operating Officer.
Resigned 14 September 2011)

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