



**2003**

**ANNUAL REPORT  
ICON ENERGY LIMITED**

ABN 61 058 454 569

## NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of **Icon Energy Limited** will be held in the Southport 1 Room, Conrad Jupiters, Broadbeach Island, Broadbeach , Queensland, on Friday 28 May 2004 at 10.30 am.

### AGENDA

#### ORDINARY BUSINESS

##### 1. Financial Report

To receive and adopt the financial report of the company and of the economic entity for the year ended 31 December 2003 and the reports by the directors and auditors thereon.

To consider and if thought fit pass the following as ordinary resolutions:

##### 2. Re-election of Director

“THAT, Mr. M. Pyecroft , being a director of the Company, retires by rotation in accordance with the Company’s Constitution and being eligible is re-elected a director of the Company.”

##### 3. Allotment of Shares

“THAT, Approval for the allotment of 10,000,000 ordinary shares at 2.5 cents each previously allotted on 8 April 2004 in accordance with the terms of the Option granted to Reynolds & Company Pty Limited, the Underwriter of the Share Purchase Plan ,which closed on 29 March, 2004.”

Allotted to:

Activitas Ltd	200,000	Michael Milman & Assoc	400,000
Alex Naum	400,000	Mirosek Pty Ltd	400,000
Arthur Michael Tooth	100,000	Oram & Sons	200,000
Calex Nominees Pty Ltd	1,600,000	Pulman Super Fund	200,000
Chapmans Ltd	200,000	Reynolds (Nominees) P/L	3,000,000
Denwol Merchant Finance	200,000	Richard Swift	200,000
Goldcott Pty Ltd	400,000	Robert Tarabo	400,000
Gordon & Pam Begg	200,000	Ross Byron Ebert	1,700,000
Mary Morrell	200,000		

##### 4. General

To transact any business which may be lawfully brought forward.

DATED: 23 April 2004

By order of the Board



J. B. Cummins  
Company Secretary

A member entitled to attend and vote is entitled to appoint a proxy to attend and vote in his/her stead, and that proxy need not be a member of the company.

## *Chairman's Report to Shareholders*

FOR THE YEAR ENDED 31 DECEMBER 2003

On behalf of my fellow directors, I am pleased to present the seventh Annual Report for Icon Energy Limited.

The past year has been the most difficult one for Icon in making its investments work for shareholders. Several issues have prevented the company from being more productive in its business and the inability to close a financial arrangement in 2003 for Bayou Choctaw has been the most troubling. Financial negotiations through Mercedis Bancorp in Canada were unsuccessful and alternative negotiations were commenced last year when Mercedis were unable to perform within the time frame.

I am pleased to report that following months of negotiations and further due diligence we have received two encouraging offers that should allow Bayou Choctaw to develop. We are currently negotiating with two potential farmin partners with the prospect of completing an arrangement by the end of May 2004, in conjunction with our joint venture partner, Bligh Petroleum Inc. These negotiations include a cash payment to Icon.

The other issue which has delayed Icon's exploration programmes in Queensland is the Right to Negotiate process with Native Title Claimants under the Section 29 Notices issued by the Queensland Government in August 2002. This negotiation process is close to settlement. Once the first agreements have been executed, it will allow Icon to proceed to clear other areas waiting for similar agreements, and to recommence exploration in these permits after a long period of inactivity. The upsurge in new exploration activity in the Cooper-Eromanga Basin of South Australia is expected to be repeated in Southwest Queensland when the Native Title agreements are signed.

In line with Icon's preference for oil exploration in Australia, Icon has increased its interest in Western Australian areas to 100% as joint venture partners withdrew because of funding restrictions in 2003. These areas are in the second year of work obligations and Icon expects to be able to meet these obligations.

The difficulties in raising new funds in the financial markets in 2003 have eased in 2004. Icon has been able to raise new funds by way of a Share Purchase Plan (SPP), in which shareholders were offered discounted shares at 2.5 cents per share. The offer was successful and in combination with the placement to the underwriter, raised over \$1,000,000.

In ATP549P (West Block) Icon has farmed out the drilling and completion of the Nulla Nulla No.1 well, which is to be drilled before 31 August 2004. This timing is subject to the availability of a suitable drilling rig and the new share issue for Enterprise Energy NL which is underwritten. Enterprise Energy will drill this well under a farmout agreement at no cost to Icon.

Oil and gas prices remain buoyant and the availability of finance for oil and gas exploration has improved in 2004. This should enable Icon to pursue a more active role than has been possible over the past two years.

On behalf of the Board I would like to thank the Managing Director and his staff in Australia and the United States for their efforts to hold the companies assets together through a most difficult year. 2003 has been a most unsatisfactory year for our shareholders and we have taken positive steps to correct the imbalance with programmes, which are now going ahead in Australia and the United States.

Shareholders are invited to attend the Annual General Meeting on Friday 29<sup>th</sup> May and if you cannot attend in person, please return the proxy form.



Martin Pyecroft  
Chairman

WESTERN AUSTRALIA OFF-SHORE

Icon holds interests in three offshore permits with the following working interests:

TP/21	100.0%	formerly 25.0%
EP 432P	100.0%	formerly 25.0%
WA 331P	100.0%	formerly 25.0%

These increased working interests were acquired during the year following the withdrawal of the joint venture partners.

Icon has assumed the operatorship of these permits under the assignments.

TP/21 and EP 432P

Under the original work obligations, a shallow water seismic programme was planned in Year 2 of the permit. The seismic recording programme is structured around a short seismic cable working with a small air gun from a fishing-type vessel. This short cable and small seismic source is tuned to a 600-1000m depth penetration, which preserves the high frequency content of the seismic data.

The proposed seismic survey will be the first such ultra high frequency survey in the offshore basin and is expected to yield a vastly improved seismic resolution of the target reservoir.

The target sands are at similar depths as the Stag Oilfield located 16 kms to the northeast on the Peedamulla Shelf on the eastern edge of the Carnarvon Basin.

A well is programmed in 2005 but is subject to the results of the seismic recording and finding a farmout partner to assist in the drilling the well.

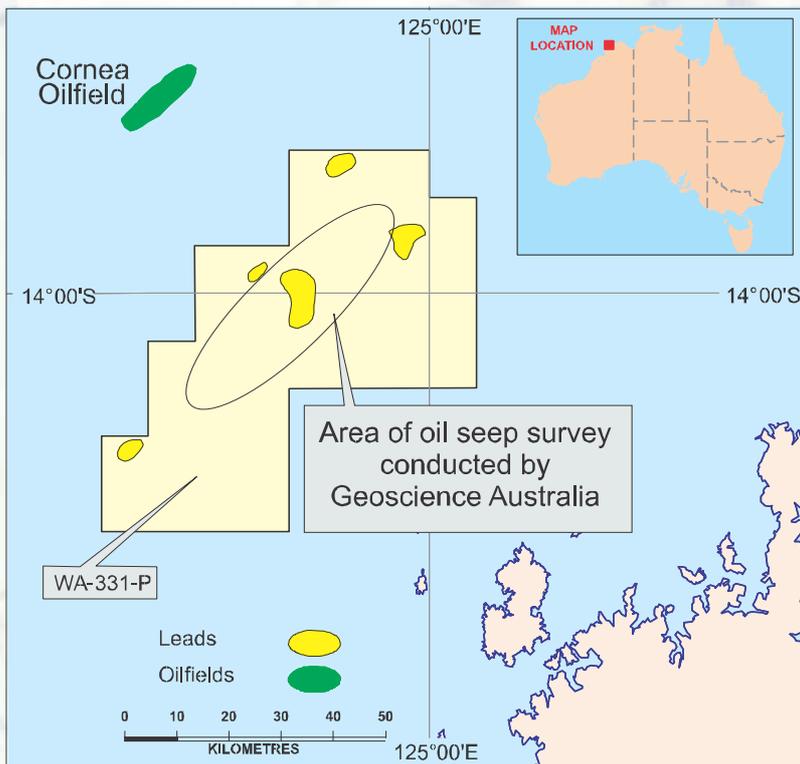
WA 331P

This permit is located off the Kimberley Coast 25 kms southeast of the Cornea Oilfield. It was chosen because of its shallow targets (less than 1000 metres) and numerous naturally occurring documented oil seeps within the area. The Geoscience Organisation of Australia commenced an offshore geochemical survey on 1st March 2004 as part of a wider research programme.

The survey includes a sub bottom side scan sonar profiler, a towed fluorometer (hydrocarbon detector) and coring of the seabed with sea bottom morphology mapping.

This work will be made available to Icon as the permit holder and will be valuable in assisting the selection of the seismic layout and the selection of a drilling location planned for 2005.

A farmin partner will be required prior to undertaking drilling.



# REVIEW OF OPERATIONS

## USA – BAYOU CHOCTAW IN LOUISIANA

Last year Icon was in advanced negotiations with Mercedes Bancorp of Canada to finance the Bayou Choctaw project. While Icon relied on representations and promises made, the finance could not be finalised with the constraints of the difficult market conditions for such projects.

Icon could not wait following the failure of Mercedes to fund the project by July 2003, and appointed another financial advisor, Henry A Miller, while negotiations continued with Mercedes. This appointment led to the introduction of several potential farminees.

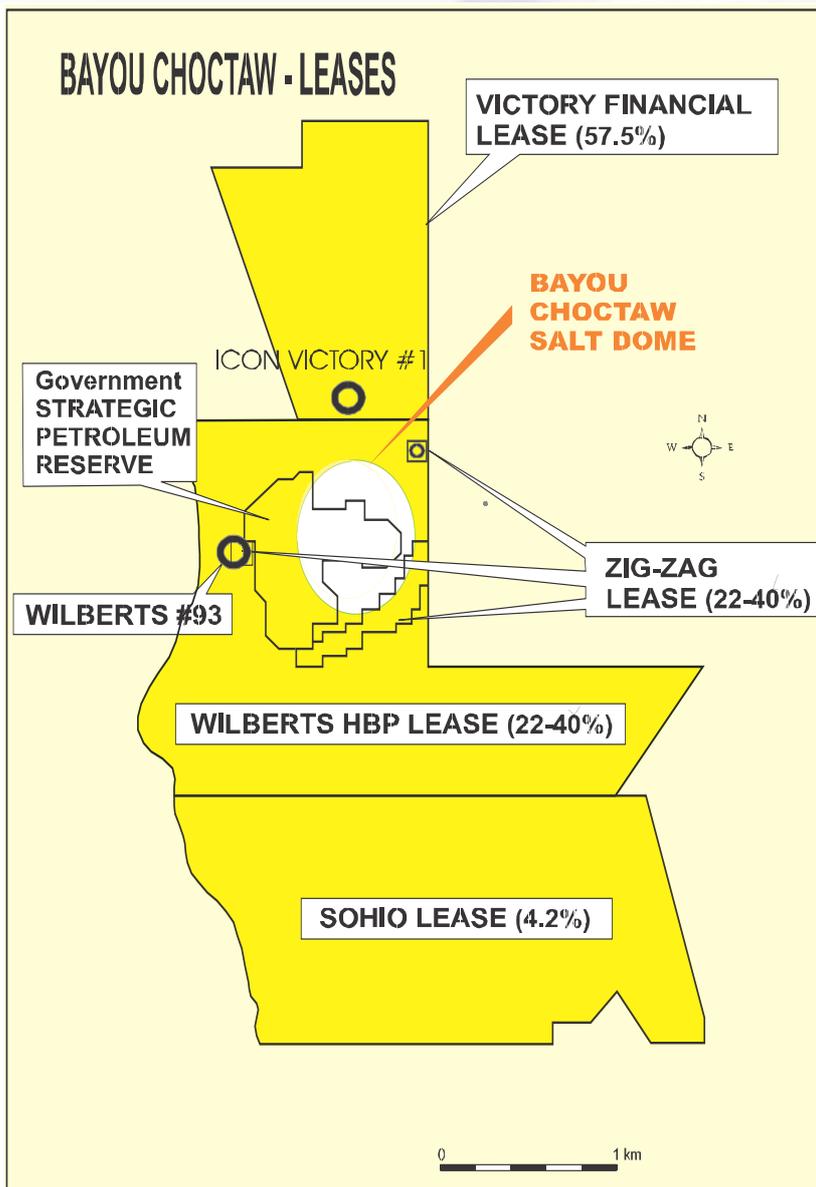
Due diligence began in November 2003 and several offers have been made to farm in to the project. These included firm offers, in writing, to fund the initial drilling programme. We are now working on the terms of these offers and the legal documentation required for final agreement. Title work is complicated and has required a complete, updated title search of the leases and legal work is expected to be completed in April/May 2004.

A final decision and agreement with one of the offering parties is anticipated in May 2004, and drilling operations should commence in the second half of the year. As

part of the due diligence process, the new parties have undertaken a comprehensive geological and geophysical review.

The time required to conduct all examinations under the due diligence process has taken in excess of six months. This has been disappointing for our shareholders and your company management, but is now progressing to a satisfactory conclusion.

Icon has worked diligently to rectify the financial problems encountered with the Bayou Choctaw project and remains excited about the upside potential offered as we recommence drilling operations.



# REVIEW OF OPERATIONS

## AUSTRALIAN OPERATIONS

### ONSHORE AUSTRALIA

#### ATP 549P

Icon has farmed out this permit to the Enterprise Energy Group to drill the Nulla Nulla No.1 well. The Nulla Nulla structure is a large feature capable of holding oil recoverable reserves of up to 30 million barrels of oil. Icon is the current operator of the permit and holds a working interest of 66.67% with Great Artesian Oil and Gas Limited holding the remaining 33.33% interest.

Under the farmout agreement, Enterprise has agreed to drill and complete the well to the producing tanks to earn a 41.67% working interest. Enterprise will operate the initial well under the farmout. The well must be drilled by the 31st August 2004 subject to the availability of a suitable drilling rig. The well will be drilled at no cost to Icon.

Following completion of the well the working interests will become:-

Icon Energy Limited	33.33%
Great Artesian O & G Ltd	25.00%
Enterprise Energy NL	41.67%

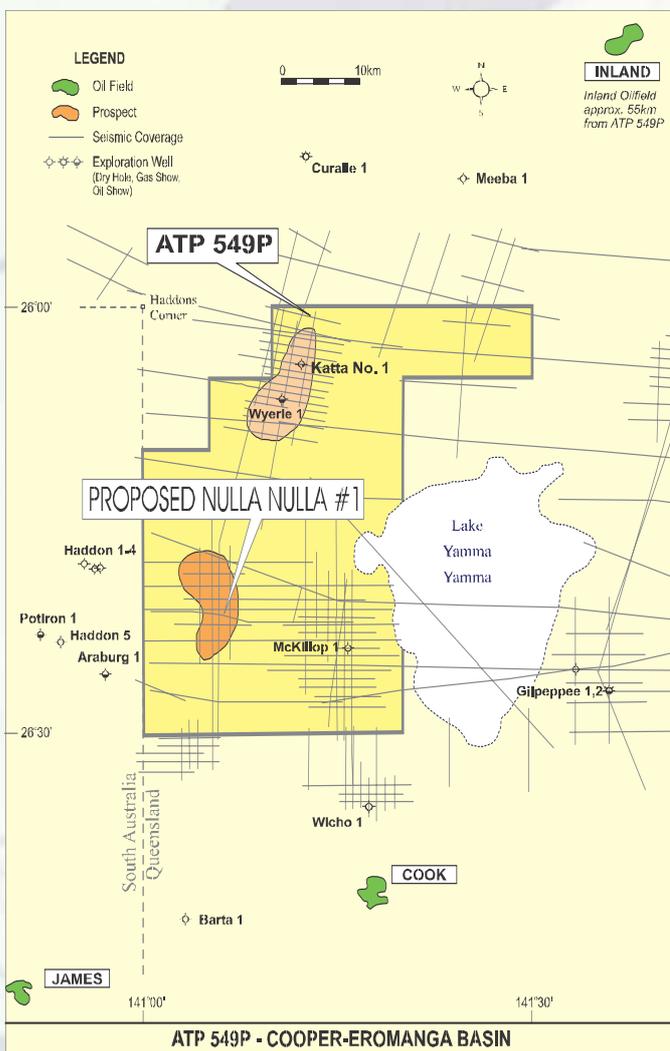
#### ATP 589P

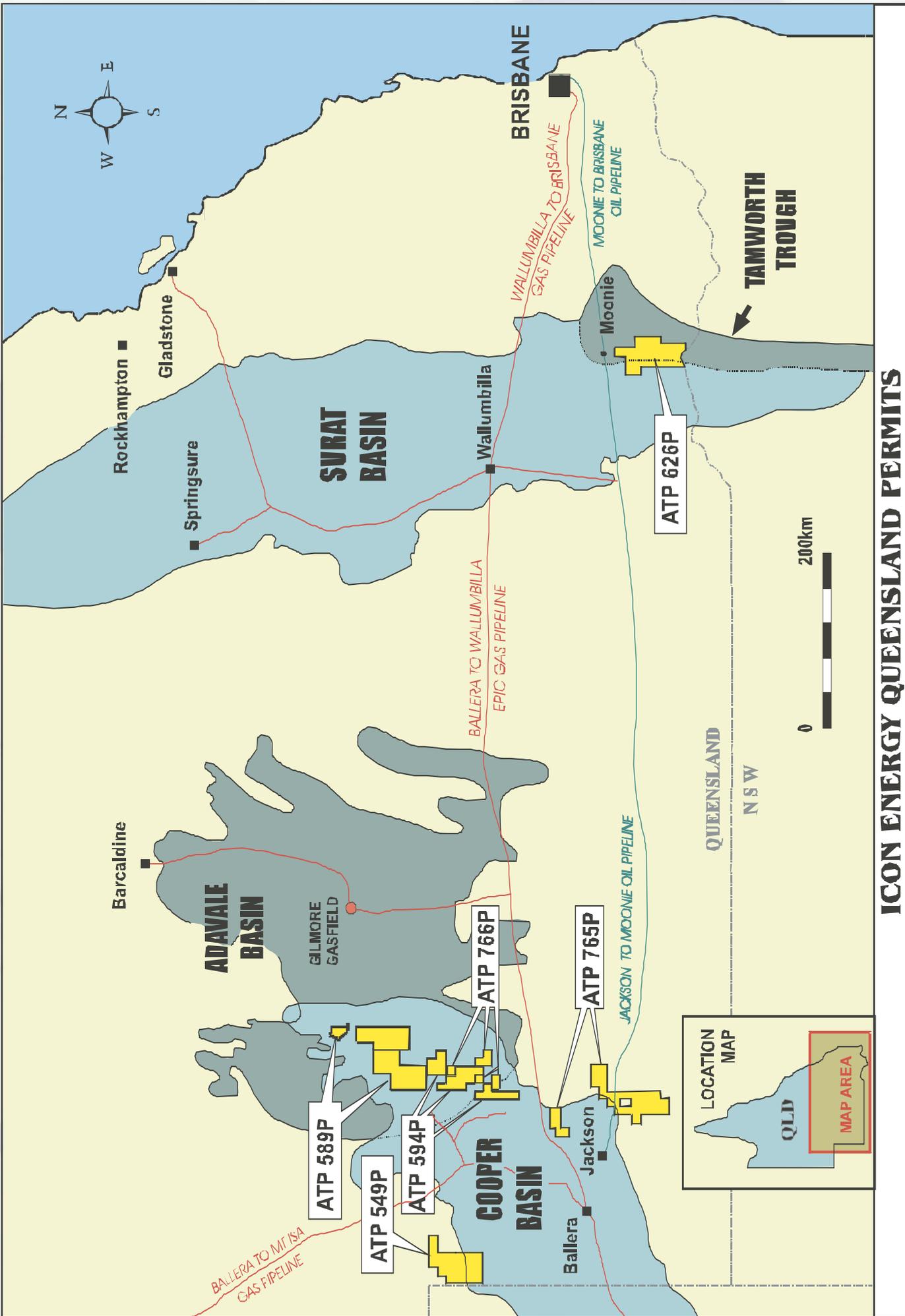
This permit contains the Springfield Gasfield, which is an elongated structure extending over 20 kilometres. Three wells have been drilled with the most recent well, Springfield East No.1, drilled by Icon in 1997. Further work is required on this structure, which is estimated to contain up to 35 BCF gas reserves. Additional drilling and seismic work is planned but cannot proceed until the Right to Negotiate (RTN) process with the Native Title claimants is completed. The RTN process has been proceeding since the issue of Section 29 Notices in August 2002. Progress has been made and an agreement affecting ATP 589P is expected within the next few months. As soon as this agreement is signed, Icon will start work again and look at the feasibility of development of this gas reserve.

Icon's working interest in the permit is 60.00%.

#### ATP 765P and 766P

Icon recently applied for these two new permits in the Cooper Eromanga Basin. The award of the permits is progressing and part of this process is to negotiate an RTN with the Native Title claimants. Icon has initiated the RTN process and it is anticipated that with the first round of agreements close to settlement these areas can be negotiated on similar terms and conditions without long and protracted negotiations.





ICON ENERGY QUEENSLAND PERMITS

Once the permits are awarded, Icon will seek a farmin partner to mitigate the exploratory risks.

Icon is the Operator of the permits and holds a 100.00% working interest.

**ATP 626P**

The renewal of this permit is awaiting an agreement with Native Title claimants, which has not yet begun. The permit has been offered for renewal but the title is encumbered by Native Title provisions. The proposed drilling prospects are partially covered by Leasehold titles which do not extinguish Native Title and therefore Icon has chosen the most prudent approach to obtain clear title through a negotiated process before investing in new exploratory work.

Icon holds 100.00% of the working interest in this permit and will eventually seek a farmin partner to alleviate the exploration risk exposure.

**ATP 594P**

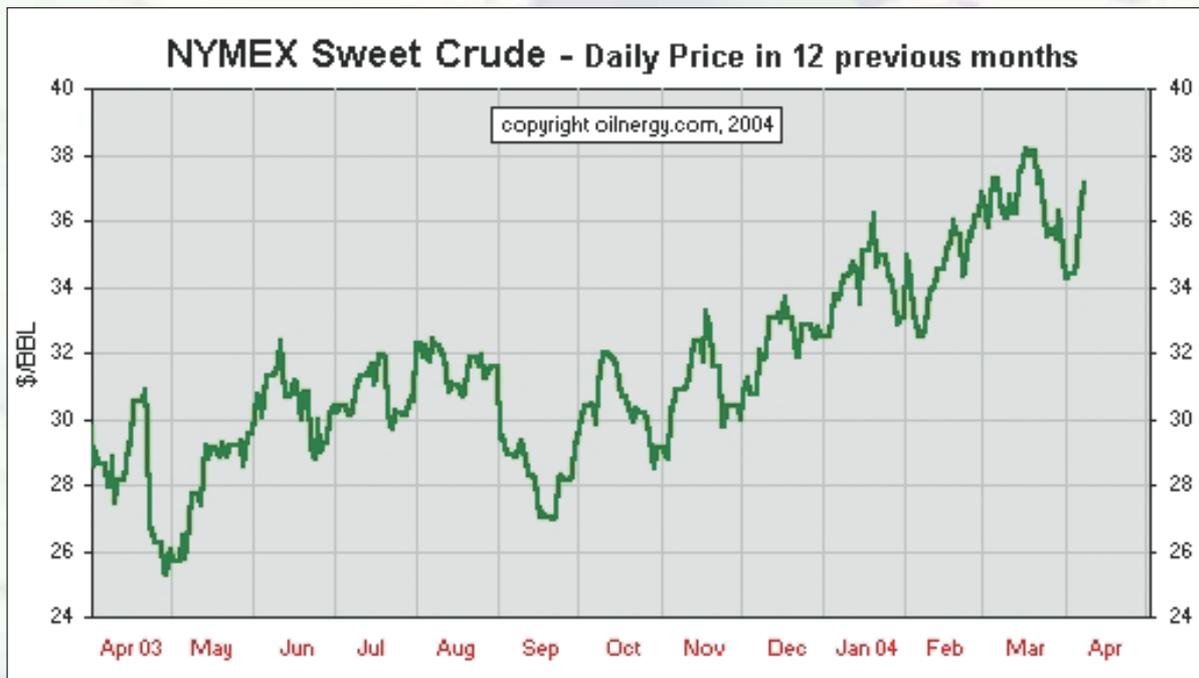
This permit contains the Taylor Franks gasfield, which was discovered by Icon in 1997. The gas field is sub-commercial and

requires additional work to determine the potential gas reserves.

The permit is awaiting resolution of title before being renewed. An RTN will be required as part of this title process. Icon holds 50.00% of this permit but this may increase to 100.00% when title is resolved.

**OIL AND GAS OUTLOOK**

Oil and gas prices in the United States have firmed over the past 12 months. The two graphs included in this section show daily movements for Nymex oil and gas prices over the past two years, which approximate the prices Icon receives for its oil and potential gas sales. All gas currently produced is utilised in the field operations. An oil purchase contract with the Placid Oil Refinery in Port Allen, Louisiana has been in operation for some time, and all current oil production of approximately 50 BOPD is sold to this refinery. Letters offering to purchase gas have been received from gas buyers in our area. Gas pipelines run through the leases and are able to take production. The refinery has indicated that they would welcome further crude oil supplies from Bayou Choctaw.



**Oil Price Outlook**

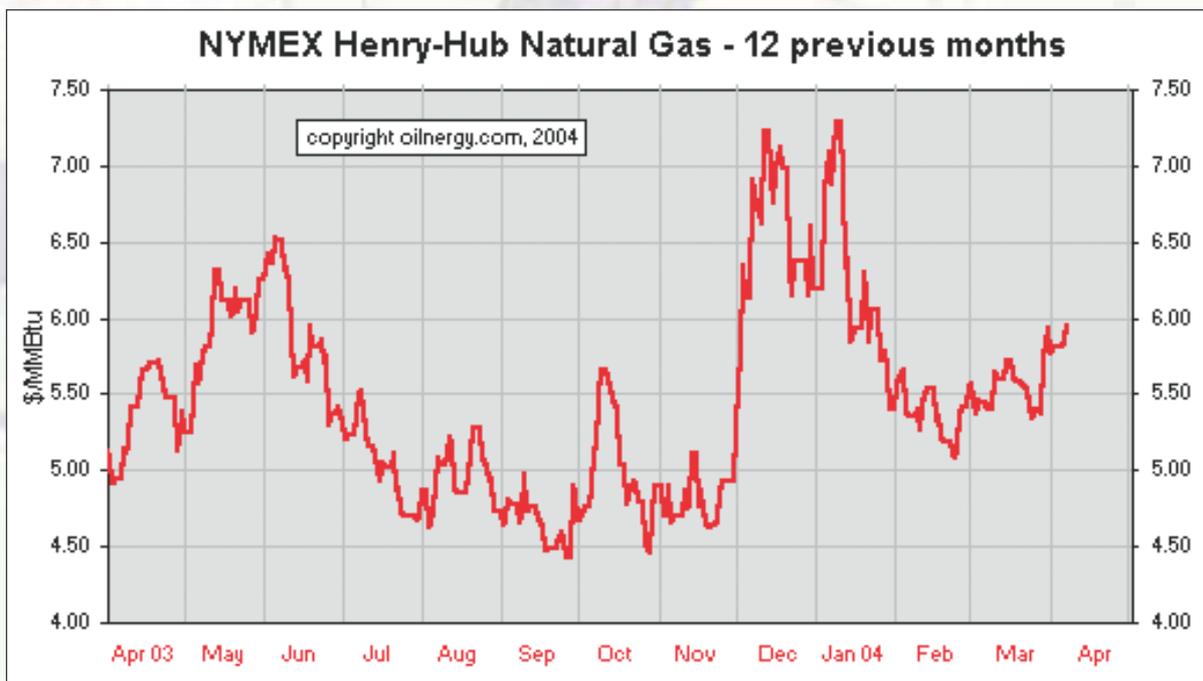
Long term prices for oil are likely to return to under \$30 per barrel but throughout 2004 prices are expected to remain firm and probably increase due to the uncertainty of supplies created by world wide political events. The oil price graph indicates a strong uptrend in the price but this uptrend will eventually reverse when the political pressures ease. In the United States, crude oil production is steady at just under 6 million BOPD but daily consumption is around 16 million BOPD, resulting in an import requirement of nearly 10 million BOPD. These imports are met primarily by production from Venezuela, Africa and the Middle East countries. The potential to destabilise the United States economy if oil supplies are restricted creates severe problems for the world's largest consumer of energy. Prices will remain volatile for some time.

**Gas Price Outlook**

Gas prices are market driven in the United States. Gas supplies worldwide are abundant but the United States supplies are in severe decline. This has prompted the development

of LNG imports to the United States but these new gas supplies are still several years away from completion. The enormous investment in infrastructure to handle LNG imports can be viewed from the efforts required to place Bayu Udang in the Timor Sea on line in Australia. This gas will be processed in Darwin and exported by LNG tanker to California. The import of gas to the United States is expected to underpin prices around the current level.

The gas graph shows the seasonal demand for gas and the peak prices obtained in winter. This winter peak is starting to level off as summer demand for gas increases with the need for gas generated electricity for climate control. Climate control is driving increased demands for electricity world wide as computers and air conditioning growth accelerates. Futures gas prices exceed \$US 5.50 per MCF (equivalent to 1 Gigajoule), which is double the prices in the Gulf Coast of the United States a couple of years ago. Australian gas prices average \$ AUD 3.00 per Gigajoule.



## DIRECTOR'S REPORT

Your directors present their report on the company and its controlled entities for the financial year ended 31 December 2003.

### Directors

The names of directors in office at any time during or since the end of the financial year are:

Martin Pyecroft  
Raymond Swinburn James  
Stephen Michael Barry

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

### Principal Activities

The principal activities of the economic entity during the financial year were oil and gas exploration. There were no significant changes in the nature of the economic entity's principal activities during the financial year.

### 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.

### Review of Operations

A review of operations for the financial year and up to the date of this report is contained in the Review of Operations section of the Annual Report.

### Significant Changes in State of Affairs

There were no significant changes in the state of affairs of the economic entity during the financial year.

### Environmental Regulation

The economic entity's operations are subject to various environmental regulations. The directors are not aware of any breaches of the legislation during the financial year which are material in nature.

### After Balance Date Events

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the economic entity, the results of those operations or the state of affairs of the economic entity in subsequent financial years other than:

A Farm out Agreement executed with Traditional Oil NL in ATP549P (West).

New applications ATP765P and ATP766P in the Cooper Basin.

Increase interest to 100% in Western Australian Blocks TP21, WA331P and EP432P.

Issued a Share Purchase Plan on 15 March 2004 for up to 56,000,000 ordinary shares at 2.5 cents each.

### Future Developments

The economic entity will continue to pursue the exploration and development of its oil and gas exploration permits in Australia and overseas.

**Information on Directors**

**MARTIN PYECROFT (CHAIRMAN)**

<b>Qualifications</b>	BSc (Geology) (Hons) University of Leeds MAAPG, MAICD.
<b>Experience</b>	Has been involved in the oil and gas industry in Australia and Canada for more than 40 years. Previously he was with Triton Petroleum in Canada, and more recently was Chief Executive of the Crusader Group in Australia. He was a director of Crusader Limited from 1988 to 1996, and a director of Allied Coalfields from 1986 to 1996 and Chairman from 1994 to 1996. Further public company board experience was obtained with Ausquacan Energy and Koala Smokeless Fuels Ltd.
<b>Interest in Shares</b>	1,100,000 ordinary shares
<b>Director</b>	Since 24/01/1997

**RAYMOND SWINBURN JAMES (MANAGING DIRECTOR)**

<b>Qualifications</b>	BSc (Physics Geology) University of NSW.
<b>Experience</b>	Has over 30 years experience in international petroleum exploration and production and has been associated with Chevron and Gulf Oil (USA) located in Perth, Houston and Jakarta. As well as founding Icon, he was the founder of Australian Hydrocarbons NL and Omega Oil NL, which were listed on the Australian Stock Exchange Ltd in 1983 and 1987 respectively. He has international experience in USA, Australia, PNG, China, Burma, Indonesia, Russia, the Middle East and the Philippines.
<b>Interest in Shares</b>	19,500,235 ordinary shares 500,000 options expiring 12/07/2004 (Unlisted) 2,900,000 options expiring 18/01/2006 (Unlisted) 1,000,000 options expiring 02/07/2007 (Unlisted)
<b>Director</b>	since 01/02/1993

**STEPHEN MICHAEL BARRY**

<b>Qualifications</b>	LLB University of Sydney
<b>Experience</b>	Admitted to practice as a solicitor in 1983 and is a partner in the law firm CKB Partners who provide commercial advice and litigation, insurance, personal injury litigation, corporate advice and commercial leasing along with other general practice areas.
<b>Interest in Shares</b>	1,537,566 ordinary shares
<b>Director</b>	since 05/01/1993

**DIRECTORS AND EXECUTIVE OFFICERS EMOLUMENTS**

**MEETINGS OF DIRECTORS**

During the financial year, eleven meetings of directors (including committees) were held. Attendances were:

	Directors meetings		Audit committee meetings		Remuneration committee meetings	
	A	B	A	B	A	B
M Pyecroft	8	8	2	2	1	1
R S James	8	8				
S M Barry	8	8	2	2	1	1

A - Number of meetings attended.

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

**DIRECTORS AND AUDITORS INDEMNIFICATION**

No indemnities have been given, or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the economic entity except for premiums paid by the Company to insure each of the directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct involving a wilful breach of duty in relation to the Company. The amount of the premium was \$11,042 for each director.

**SHARE OPTIONS**

No share options were issued during the year and up to the date of this report and no shares were issued by conversion of options issued under the Icon Staff Share Incentive Plan.

There are 5,440,000 unlisted options on issue of which 5,000,000 are held by director's and senior executives as follows:

No of Options	Held by	Expiry date	Exercise price
500,000	R S James*	12/07/04	20 cents
2,900,000	" *	18/01/06	7.28 cents
1,000,000	" *	02/07/07	2.84 cents
* Held by associated company R S James & Associates Pty Ltd			
200,000	J B Cummins	12/07/04	20 cents
300,000	"	18/01/06	7.28 cents
100,000	"	02/07/07	2.84 cents

**Proceedings on Behalf of the Company**

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

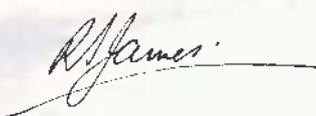
Signed in accordance with a resolution of the Board of Directors

Martin Pyecroft



Chairman

Raymond S. James



Managing Director

## CORPORATE GOVERNANCE

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

### BOARD OF DIRECTORS

The names of the directors of the Company in office at the date of this statement are set out in the Directors Report.

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

- corporate governance and ethical standards;
- appointing and removing the chief executive officer and monitoring his performance;
- ratifying the appointment and, where appropriate, the removal of the chief financial officer (or equivalent) and the company secretary;
- 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.

### 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. Their expertise should encompass the establishment of management strategy and monitoring achievement of these strategies.

The Chairman of the Board should be a non-executive director.

The Board should comprise a majority of non-executive directors. Currently the Board comprises two non-executive directors and one executive director.

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

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

#### INDEPENDANT 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 they may require.

#### BOARD COMMITTEES

Two sub committees of the Board have been formed to consider and make recommendations to the Board in important areas of decision makers. Further sub committees will be formed when the Board feels the need for them.

#### AUDIT COMMITTEE

At the date of this report the company had an audit committee consisting of the following directors:

Martin Pyecroft (Chairman)  
Stephen Michael Barry (Non executive director)

The committee's responsibilities are to:

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

#### REMUNERATION COMMITTEE

This committee consists of the non-executive Chairman Mr. M. Pyecroft and non-executive director Mr. S. M. Barry. The committee meets annually to review the remuneration level for the Managing Director and other senior employees of the Company. It also considers and recommends the appropriate level of director's 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 committee also reviews and recommends to the board on the following:

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

#### BOARD REMUNERATION

Remuneration and terms of employment for the Managing Director is formalised in a service agreement.

Remuneration of non-executive directors is currently not to exceed a maximum of \$250,000, which has been approved by shareholders.

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

### NOMINATIONS COMMITTEE

The Board considers on a regular basis whether the existing Board comprises persons with the appropriate mix of skills, experience and other qualities and has therefore not formally constituted a nominations committee.

### ETHICAL STANDARDS

The aim of the economic entity 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.

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

### IDENTIFICATION OF SIGNIFICANT BUSINESS RISK

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

### DISCLOSURE

The board has in place procedures to ensure that the obligations of directors, officers and employees of the company is to comply with the ASX listing rules so as disclosure of such material may have an effect on the price or value of the Company's securities.

### SHAREHOLDERS

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

- annual reports to shareholders;
- half-yearly accounts lodged with the ASX;
- continuous disclosure to the Australian Stock Exchange;
- notices of shareholder meeting and explanatory notes;
- complete information on all documents are on the Company's web-site: [www.iconenergy.com](http://www.iconenergy.com);
- quarterly reports.

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.

### PRINCIPLES OF CONDUCT

1. Ethical and responsible business practices.
2. Sustainable development considerations/principles integrated into company decision making.
3. Foster economic growth and business development, generate government revenue, provide commercial returns to the industry and contribute to the wealth generated by Australia's natural resource base.

4. Health, safety, environmental and community risk management strategies that are based on sound science, transparency and effective communication.
5. Continuously seek opportunities to improve health, safety and environmental performance in addressing risks posed by our operations to employees, contractors, the public and the environment.
6. Contribute to the conservation of biodiversity and protection of the environment through responsible management of our operations and their impacts.
7. Foster economic and social development of the communities in which we operate.
8. Respect and protect human rights and dignity at our operations and deal fairly with employees and others.
9. Open and effective engagement, and reporting with our communities.

**ASX PRINCIPLES OF CORPORATE GOVERNANCE COUNCIL GUIDELINES**

The Council has recognised that these principles and recommendations do not contain a “one size fits all” solution and Icon is of the opinion that where applicable these principles and recommendations have been recognised.

**INDEPENDENT AUDIT REPORT  
TO THE MEMBERS OF ICON ENERGY LIMITED**

**SCOPE**

We have audited the financial report of Icon Energy Limited for the financial year ended 31 December 2003 as set out on pages 17 to 37. The financial report includes the consolidated financial statements of the economic entity comprising the Company and the entities it controlled at year's end, or from time to time during the financial year. The company's directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with our understanding of the Company's and the economic entity's financial position, and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

**AUDIT OPINION**

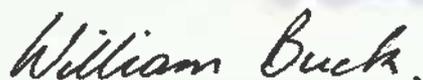
In our opinion, the financial report of Icon Energy Limited is in accordance with:

(a) the Corporations Act 2001, including:

- (i) giving a true and fair view of the company's and economic entity's financial position at 31 December 2003 and of their performance for the year ended on that date, and
- (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001, and:

(b) other mandatory professional reporting requirements in Australia.

Signed at Brisbane 29 March 2004.



William Buck  
Business Advisors/Chartered Accountants



D. W. Langdon  
Director

**DIRECTORS' DECLARATION**

The directors declare that:

- (a) the financial statements and notes set out on pages 18 to 37;
  - (i) comply with Accounting Standards and other mandatory professional reporting requirements;
  - (ii) give a true and fair view of the company's and economic entity's financial position as at 31 December 2003 and its performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
- (b) in the directors opinion:
  - (i) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
  - (ii) the financial statements and notes are in accordance with the Corporations Act 2001.

Signed in accordance with a resolution of the directors on, 29 March, 2004.

Martin Pyecroft



Chairman

Raymond S. James



Managing Director

**STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 31 DECEMBER 2003**

	NOTE	ECONOMIC ENTITY		PARENT ENTITY	
		2003	2002	2003	2002
Revenue from Ordinary Activities	2	1,984,824	1,675,432	1,501,363	1,418,894
Cost of sales-oil production		(206,616)	(295,249)	0	0
Exploration expenditure – write downs		(476,812)	(10,145)	(476,812)	(10,145)
Borrowing costs expense		(42,377)	(115,789)	(9,084)	(10,043)
Corporate office expenses		(526,299)	(415,963)	(245,181)	(297,007)
Depreciation and amortisation expense	3	(61,284)	(60,034)	(49,346)	(53,232)
Directors, Consultants and Employee benefits expense		(740,433)	(914,545)	(736,854)	(643,165)
Foreign exchange loss (unrealised)	1	(1,680,003)	(677,116)	0	0
Shareholder costs		(50,682)	(66,309)	(50,682)	(66,309)
Other expenses from ordinary activities		(60,621)	(210,673)	(40,170)	(31,563)
<b>Profit/(Loss) from ordinary activities before income tax</b>	3	<b>(1,860,303)</b>	<b>(1,090,391)</b>	<b>(106,766)</b>	<b>307,430</b>
Income tax relating to ordinary activities	4	-	-	-	-
<b>Net profit (Loss) from ordinary activities after income tax expense attributable to members of the parent entity</b>	16	<b>(1,860,303)</b>	<b>(1,090,391)</b>	<b>(106,766)</b>	<b>307,430</b>
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>	16	<b>(1,860,303)</b>	<b>(1,090,391)</b>	<b>(106,766)</b>	<b>307,430</b>
Basic earnings per share (cents per share)	17	(0.99)	(0.59)		
Diluted earnings per share (cents per share)	17	(0.85)	(0.49)		

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

**STATEMENT OF FINANCIAL POSITION**  
AS AT 31 DECEMBER 2003

	NOTE	ECONOMIC ENTITY		PARENT ENTITY	
		2003	2002	2003	2002
<b>CURRENT ASSETS</b>					
Cash assets	5	336,661	290,493	306,888	266,735
Receivables	6	129,520	-	7,674,643	7,148,782
Inventories	7	4,461	9,367	-	-
Other assets	8	28,305	28,013	20,801	19,415
<b>TOTAL CURRENT ASSETS</b>		<b>498,947</b>	<b>327,873</b>	<b>8,002,332</b>	<b>7,434,932</b>
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	9	128,713	188,652	101,418	148,785
Other financial assets	10	-	-	-	-
Other - Exploration and development expenses	11	7,098,705	9,057,371	2,461,441	2,930,362
<b>TOTAL NON-CURRENT ASSETS</b>		<b>7,227,418</b>	<b>9,246,023</b>	<b>2,562,859</b>	<b>3,079,147</b>
<b>TOTAL ASSETS</b>		<b>7,726,365</b>	<b>9,573,896</b>	<b>10,565,191</b>	<b>10,514,079</b>
<b>CURRENT LIABILITIES</b>					
Payables	12	296,687	918,614	64,215	65,047
Interest bearing liabilities	13	20,343	20,344	20,343	20,344
Provisions	14	106,203	73,808	106,203	73,808
<b>TOTAL CURRENT LIABILITIES</b>		<b>423,233</b>	<b>1,012,766</b>	<b>190,761</b>	<b>159,199</b>
<b>NON-CURRENT LIABILITIES</b>					
Payables	12	475,988	-	-	-
Interest bearing liabilities	13	41,001	61,344	41,001	61,344
Provisions	14	46,659	-	46,659	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>563,648</b>	<b>61,344</b>	<b>87,660</b>	<b>61,344</b>
<b>TOTAL LIABILITIES</b>		<b>986,881</b>	<b>1,074,110</b>	<b>278,421</b>	<b>220,543</b>
<b>NET ASSETS</b>		<b>6,739,484</b>	<b>8,499,786</b>	<b>10,286,770</b>	<b>10,293,536</b>
<b>EQUITY</b>					
Contributed equity	15	22,673,477	22,573,477	22,673,477	22,573,477
Retained profits/ (Accumulated losses)	16	(15,933,993)	(14,073,691)	(12,386,707)	(12,279,941)
<b>TOTAL EQUITY</b>		<b>6,739,484</b>	<b>8,499,786</b>	<b>10,286,770</b>	<b>10,293,536</b>

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

**STATEMENT OF CASH FLOWS**  
FOR THE YEAR ENDED 31 DECEMBER 2003

NOTE	ECONOMIC ENTITY		PARENT ENTITY	
	2003 Inflows (Outflows)	2002 Inflows (Outflows)	2003 Inflows (Outflows)	2002 Inflows (Outflows)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	203,878	203,392	-	-
Payments to suppliers	(1,751,839)	(1,858,184)	(1,553,313)	(1,793,850)
Interest received	8,194	22,158	8,165	22,024
Borrowing costs	(9,084)	(115,789)	(9,084)	(10,043)
Net Cash from Operating Activities (Note 18(a))	(1,548,851)	(1,748,423)	(1,554,232)	(1,781,869)
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>				
Payments for property, plant and equipment	(1,345)	(73,522)	(1,979)	(61,334)
Proceeds from sale of non current assets	1,496,364	1,398,604	1,496,364	1,398,604
Net Cash from Investment activities	1,495,019	1,325,082	1,494,385	1,337,270
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Shares issued during the year	100,000	5,827	100,000	5,827
Net Cash from Finance activities	100,000	5,827	100,000	5,827
Net Increase (Decrease) in cash held	46,168	(417,514)	40,153	(438,772)
Cash at Beginning of the financial year	290,493	708,007	266,735	705,507
Cash at the End of the financial year (Note 5)	336,661	290,493	306,888	266,735

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

**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED 31 DECEMBER 2003****NOTE 1 – STATEMENT OF ACCOUNTING POLICIES**

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers Icon Energy Limited as an individual parent entity and Icon Energy Limited as an economic entity. Icon Energy Limited is a company limited by shares, incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

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

**(a) Principles of Consolidation**

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

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

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

**(b) Income Tax**

The economic entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any permanent differences.

Timing differences that arise due to the different accounting periods in which items of revenue and expense are included in the determination of operating profit before income tax and taxable income are brought to account as either a provision for deferred income tax or an asset described as future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Further income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED 31 DECEMBER 2003**

**NOTE 1 – STATEMENT OF ACCOUNTING POLICIES (continued)**

**(c) Property, Plant and Equipment**

Property, plant and equipment are brought to account at cost or at independent or directors' 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 expected net cash flows have not been discounted to their present values in determining recoverable amounts.

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated over their useful lives using the diminishing method commencing from the time the asset is held ready for use. Properties held for investment purposes are not subject to a depreciation charge. 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%
Office Furniture and Equipment	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 of the economic entity 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.

**(d) Leased Plant and Equipment**

Leases of plant and equipment under which the Company or its controlled entities assume substantially all the risks and benefits of ownership are classified 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 are 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 lease assets are amortised on a straight line basis over the term of the relevant lease, or where it is likely the economic entity will obtain ownership of the asset, or the life of the asset. Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are charged to the profit and loss account. Refer Note 19.

Payments made under operating leases are charged against profits in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED 31 DECEMBER 2003****NOTE 1 – STATEMENT OF ACCOUNTING POLICIES (continued)****(e) 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 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 in the year in which the decision to abandon the area is made.

When 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.

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.

Costs of site restoration are provided over the life of the facility from when exploration commences and are 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 on an undiscounted basis.

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.

**(f) Intangibles***Goodwill*

Goodwill and goodwill on consolidation are recorded initially at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net tangible assets at date of acquisition. Both purchased goodwill and goodwill on consolidation are amortised on a straight line basis over the period of 20 years. The balances are reviewed annually and any balance representing future benefits, the realisation of which is considered to be no longer probable, are written off.

**(g) Investments**

Investments are brought to account at cost or at director's valuation. The carrying amount of investments is reviewed annually by directors to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the shares' current market value or the underlying net assets in the particular entities. The expected net cash flows from investments have not been discounted to their present value in determining the recoverable amounts, except where stated. Dividends are brought to account in the profit and loss account when received.

**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED 31 DECEMBER 2003****NOTE 1 – STATEMENT OF ACCOUNTING POLICIES (continued)****(h) Interests in Joint Ventures**

The economic entity's share of the assets, liabilities, revenue and expenses of joint venture are included in the respective items of the consolidated statements of financial performance and financial position. Details of the economic entity's interests are shown in Note 21 to the accounts.

The economic entity's interests in joint ventures are brought to account using the equity method of accounting in the consolidated financial statements. The parent entity's interests in joint venture entities are brought to account using the cost method.

**(i) Trade Creditors**

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

**(j) Statement of Cash Flows**

For the purpose of the Statement of Cash Flows, cash includes amounts in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position in Note 18.

**(k) Provision for Dividend**

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

**(l) Employee Entitlements***Wages, Salaries, Annual Leave and Sick Leave*

The provisions for employee entitlements to wages, salaries, annual leave and sick leave represents the amount which the consolidated entity has a present obligation to pay resulting from employee's services provided up to the balance date. The provisions have been calculated at undiscounted amounts based on current wage and salary rates and includes related on-costs.

*Long Service Leave*

The liability for employees' entitlements to long service leave represents the present value of the estimated future cash outflows to be made by the employer resulting from employees' services provided up to the balance date.

Liabilities for employee entitlements which are not expected to be settled within twelve months are discounted using the rates attaching to national government securities at balance date, which most closely match the terms of maturity of the related liabilities.

In determining the liability for employee entitlements, consideration has been given to future increases in wage and salary rates, and the economic entity's experience with staff departures. Related on-costs have also been included in the liability.

**(m) Net Fair Value**

The net fair value of cash, investments and trade creditors approximate their carrying value.

**NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED 31 DECEMBER 2003****NOTE 1 – STATEMENT OF ACCOUNTING POLICIES (continued)****(n) Revenue**

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.

**(o) Foreign Currency Transactions and Balances**

Foreign currency transactions during the year are converted to Australian currency at the rates of exchange applicable at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are converted at the rates of exchange ruling at that date.

The gains and losses from conversion of short-term assets and liabilities, whether realised or unrealised, are included in profit from ordinary activities as they arise.

The assets and liabilities of overseas controlled entities, which are self-sustaining, are translated at year-end rates and operating results are translated at rates ruling at the end of each month. Gains and losses arising on translation are taken directly to the foreign currency reserve.

**(p) Segment Reporting**

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consists principally of cash, receivables, inventories, intangibles and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of accounts payable, employee entitlements, accrued expenses, provisions and borrowings. Segment assets and liabilities do not include deferred income taxes.

**(q) Comparative Figures**

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

NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED 31 DECEMBER 2003

	ECONOMIC ENTITY		PARENT ENTITY	
	2003	2002	2003	2002
<b>NOTE 2 - REVENUE</b>				
OPERATING ACTIVITIES:				
- Oil sales (USA operations)	203,878	203,392	-	-
- Interest received - other corporations	8,194	22,158	8,165	22,024
	<u>212,072</u>	<u>225,550</u>	<u>8,165</u>	<u>22,024</u>
NON OPERATING ACTIVITIES:				
- Proceeds on disposal of property, plant and equipment	1,496,364	1,398,604	1,496,364	1,398,604
- Foreign currency translation gain	276,388	51,278	(3,166)	(1,034)
- Forgiveness of loan by controlled entity	-	-	-	(700)
	<u>1,772,752</u>	<u>1,449,882</u>	<u>1,493,198</u>	<u>1,396,870</u>
Total revenue	<u>1,984,824</u>	<u>1,675,432</u>	<u>1,501,363</u>	<u>1,418,894</u>

**NOTE 3 - PROFIT FROM ORDINARY ACTIVITIES**

Profit from ordinary activities before income has been determined after:

OTHER EXPENSES FROM ORDINARY ACTIVITIES

Auditor's remuneration:

- Audit	17,300	15,066	17,300	15,066
- Other services	5,261	9,750	5,261	9,750
Depreciation of property, plant and equipment	52,634	44,790	40,696	37,388
Amortisation of leased assets	8,650	15,844	8,650	15,844
Amounts set aside to provision for:				
- Employee entitlements	79,054	44,162	79,054	44,162
Unrealised foreign exchange loss on consolidation at US \$ rate 31 December 2003	1,680,003	677,116	-	-

**NOTE 4 - INCOME TAX**

The prima facie tax payable on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:

Prima facie tax payable on profit from ordinary activities before income tax at 30% (2002:30%)	(558,090)	(309,269)	(32,030)	92,229
Tax effect of permanent differences:				

NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED 31 DECEMBER 2003

	ECONOMIC ENTITY		PARENT ENTITY	
	2003	2002	2003	2002
<b>NOTE 4 – INCOME TAX (Continued)</b>				
Other Non Deductible Expenses	659,951	-	151,510	-
Prima facie tax for permanent differences	101,861	(309,269)	119,480	92,229
Prima facie tax adjusted for permanent differences	101,861	(309,269)	119,480	92,229
Future income tax benefit not brought to account		309,269	-	-
Future income tax benefit prior year losses recouped	(101,861)	-	(119,480)	(92,229)
Income Tax Attributable to Operating Profit	-	-	-	-
Future income tax benefits 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% (2002: 30%)				
- Losses	5,365,939	5,495,266	5,223,948	5,370,894
- Timing differences	49,609	22,142	49,609	22,142
	5,415,548	5,517,408	5,273,557	5,393,036

**NOTE 5 – CASH ASSETS**

Cash on hand	1,207	1,207	1,000	1,000
Cash at bank	335,454	289,286	305,888	265,735
	336,661	290,493	306,888	266,735

Cash at bank earns interest at a variable rate of between 4.50% and 4.85% (2002: 4.35%).  
Cash at bank is all held with the National Australia Bank and the Westpac Banking Corporation.

**NOTE 6 – RECEIVABLES**

- Trade debtors	129,520	-	-	-
Amounts received from wholly owned subsidiaries:				
- Jakabar Pty Ltd	-	-	860	860
- Icon Oil US LLC	-	-	7,673,783	7,147,922
	129,520	-	7,674,643	7,148,782

The loans to controlled entities are unsecured, interest free and payable on demand.

**NOTE 7 – INVENTORIES**

Oil Stocks Louisiana USA at cost	4,461	9,367	-	-
	4,461	9,367	-	-

NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED 31 DECEMBER 2003

	ECONOMIC ENTITY		PARENT ENTITY	
	2003	2002	2003	2002
<b>NOTE 8 – OTHER ASSETS</b>				
Performance guarantee bond Qld Department of Natural Resources and Mines	21,978	22,000	19,072	18,000
Louisiana USA-Conservation Bond	4,598	4,598	-	-
Other	1,729	1,415	1,729	1,415
	<u>28,305</u>	<u>28,013</u>	<u>20,801</u>	<u>19,415</u>

**NOTE 9 – PROPERTY, PLANT AND EQUIPMENT**

Plant and Equipment – at cost	431,161	432,974	382,164	380,185
Less: accumulated depreciation	(302,448)	(252,971)	(280,746)	(240,049)
	<u>128,713</u>	<u>180,003</u>	<u>101,418</u>	<u>140,136</u>

Plant and equipment –under lease	154,571	154,571	154,571	154,571
Less: accumulated amortisation	(154,571)	(145,922)	(154,571)	(145,922)
	<u>-</u>	<u>8,649</u>	<u>-</u>	<u>8,649</u>

Total property, plant and equipment at written down value	<u>128,713</u>	<u>188,652</u>	<u>101,418</u>	<u>148,785</u>
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(a) 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:

	Plant and Equipment At Cost	Plant and Equipment Under Lease	Total
<b>Economic Entity</b>			
Balance at the beginning of the year	180,003	8,649	188,652
Additions	11,085	-	11,085
Disposals	-	-	-
Depreciation/Amortisation Expense	(52,634)	(8,649)	(61,283)
Foreign exchange variation	(9,741)	-	(9,741)
Balance at the end of the year	<u>128,713</u>	<u>-</u>	<u>128,713</u>
<b>Parent Entity</b>			
Balance at the beginning of the year	140,136	8,649	148,785
Additions	1,979	-	1,979
Disposals	-	-	-
Depreciation/Amortisation Expense	(40,696)	(8,649)	(49,346)
Balance at the end of the year	<u>101,418</u>	<u>-</u>	<u>101,418</u>

NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED 31 DECEMBER 2003

	ECONOMIC ENTITY		PARENT ENTITY	
	2003	2002	2003	2002
<b>NOTE 10 – OTHER FINANCIAL ASSETS</b>				
Shares in Unlisted Companies – at cost	-	-	976,426	976,426
Provision for diminution in value	-	-	(976,426)	(976,426)
	-	-	-	-
<b>NOTE 11 – EXPLORATION EXPENDITURE</b>				
Exploration and Evaluation Expenditure at cost	7,098,705	9,057,371	2,461,441	2,930,362
	7,098,705	9,057,371	2,461,441	2,930,362
<b>NOTE 12 – PAYABLES</b>				
<b>Current</b>				
Trade payables	296,687	918,614	64,215	65,047
	296,687	918,614	64,215	65,047
<b>Non- Current</b>				
Trade payables	475,988	-	-	-
	475,988	-	-	-
<b>NOTE 13 – INTEREST BEARING LIABILITIES</b>				
<b>Current</b>				
Hire purchase liability	20,343	20,344	20,343	20,344
	20,343	20,344	20,343	20,344
<b>Non Current</b>				
Hire purchase liability	41,001	61,344	41,001	61,344
	41,001	61,344	41,001	61,344
<b>NOTE 14 – PROVISIONS</b>				
<b>Current</b>				
Employee entitlements	106,203	73,808	106,203	73,808
<b>Non-Current</b>				
Employee entitlements	46,659	-	46,659	-
Number of employees at year end	3	3	3	3

NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED 31 DECEMBER 2003

	ECONOMIC ENTITY		PARENT ENTITY	
	2003	2002	2003	2002
<b>NOTE 15 - CONTRIBUTED EQUITY</b>				
<b>Paid Up Capital</b>				
187,775,906 (2002, 184,025,906)				
Fully paid ordinary shares	22,673,477	22,573,477	22,673,477	22,573,477

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At shareholder meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

The following new issue of ordinary shares were made during the financial year:

FULLY PAID ORDINARY CAPITAL	Numbers	2003		2002	
		\$	Numbers	\$	
Balance at beginning of financial year	184,025,906	22,573,477	183,986,409	22,567,650	
Issue of shares during year:					
January	-	-	11,846	1,185	
February	-	-	21,229	2,123	
March	3,750,000	100,000	3,846	385	
July	-	-	2,576	257	
Issue of shares during year	3,750,000	100,000	39,497	3,950	
Balance at end of financial year	187,775,906	22,673,477	184,025,906	22,571,600	
<b>SHARE OPTIONS</b>					
Balance at beginning of financial year	27,471,983	-	107,766,170	-	
Issue of options during year	-	-	93,844	1,877	
Exercised during year	-	-	(39,497)	-	
Cancelled during year	-	-	(80,348,534)	-	
	-	-	(80,294,187)	-	
Balance at end of financial year	27,471,983	22,673,477	27,471,983	22,573,477	
Issued since end of year	-	-	-	-	
Cancelled since end of year	(27,471,983)	-	-	-	
Exercised since end of year	-	-	-	-	
Balance at date of report	-	22,673,477	27,471,983	22,573,477	

NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED 31 DECEMBER 2003

	ECONOMIC ENTITY		PARENT ENTITY	
	2003	2002	2003	2002
<b>NOTE 15 - CONTRIBUTED EQUITY (Continued)</b>				
STAFF OPTIONS				
Balance at beginning of financial year	5,440,000	4,330,000		
Issue of options during year	-	1,110,000		
Balance at end of financial year	5,440,000	5,440,000		

**NOTE 16 - RETAINED PROFITS (ACCUMULATED LOSSES)**

Retained profits (accumulated losses) at the beginning of the financial year	(14,073,691)	(12,983,300)	(12,279,941)	(12,587,371)
Net profit attributable to members of the company	(1,860,302)	(1,090,391)	(106,766)	307,430
Retained profits (accumulated losses) at the end of the financial year	(15,933,993)	(14,073,691)	(12,386,707)	(12,279,941)

**NOTE 17 - EARNINGS PER SHARE**

(a) Reconciliation of Earnings to Net Profit or Loss

Net Loss	1,860,303	1,090,391
Earnings used in the calculation of basic EPS	1,860,303	1,090,391
Earnings used in the calculation of dilutive EPS	1,860,303	1,090,391

(b) Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS

Weighted average number of ordinary shares outstanding	187,097,824	184,020,041
Weighted average number of options outstanding	32,911,983	38,124,044
Weighted average number of ordinary shares outstanding during the year used in calculation of dilutive EPS	220,009,807	222,144,085

NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED 31 DECEMBER 2003

	ECONOMIC ENTITY		PARENT ENTITY	
	2003	2002	2003	2002
<b>NOTE 17 - EARNINGS PER SHARE (Continued)</b>				
(c) Classification of Securities				
The following securities have been classified as potential ordinary shares and are included in determination of dilutive EPS:				
Listed options	27,471,983	33,705,853		
Employee options	5,440,000	4,418,191		
(d) Weighted average number of converted and lapsed options included in calculation of diluted EPS				
	-	6,828,203		

**NOTE 18 - CASH FLOW INFORMATION**

**(a) Reconciliation of net cash from operating activities to operating profit.**

<b>Operating profit after income tax</b>	(1,860,303)	(1,090,391)	(106,766)	307,430
<b>Adjustment for non cash items</b>				
Amortisation - leased assets	8,650	15,844	8,650	15,844
Depreciation	52,634	44,790	40,696	37,388
Exploration expenditure written off	478,812	10,145	478,812	10,145
<b>Adjustment for changes in assets and liabilities (Increase)/Decrease in:</b>				
Inventories	4,906	(9,367)		-
Deferred expenditure	1,479,854	797,396	(9,891)	88,171
Other debtors	(129,520)	-	(525,861)	(856,320)
Investments	(292)	26,742	(1,386)	26,333
Other assets	(1,496,364)	(1,398,604)	(1,496,364)	(1,398,604)
<b>Increase/(Decrease) in:</b>				
Accounts payable	(145,939)	(189,140)	(833)	(56,418)
Employee provisions	79,054	44,162	79,054	44,162
Borrowings	(20,343)	-	(20,343)	-
<b>Net cash from operating activities</b>	<b>(1,548,851)</b>	<b>(1,748,423)</b>	<b>(1,554,232)</b>	<b>(1,781,869)</b>

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

There were no non-cash financing activities during 2003.

NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED 31 DECEMBER 2003

	ECONOMIC ENTITY		PARENT ENTITY	
	2003	2002	2003	2002
<b>NOTE 19 – CAPITAL AND LEASING COMMITMENTS</b>				
<b>Finance Lease Commitments</b>				
Finance lease commitments payable:				
- not longer than one year	-	-	-	-
- later than one year but not longer than five years	-	-	-	-
- later than five years	-	-	-	-
Minimum lease payments	-	-	-	-
Less: future finance charges	-	-	-	-
Total Lease Liability	-	-	-	-
Current liabilities	-	-	-	-
Non-current liabilities	-	-	-	-

**NOTE 20 – RELATED PARTY TRANSACTIONS**

**(a) Directors' Names**

The names of directors of the company who have held office at any time during the financial year are:

M Pyecroft (Chairman)

R S James (Managing)

S M Barry

**(b) Directors' Remuneration and Retirement Benefits**

Income paid or payable to all directors of each entity in the economic entity by the entities of which they are directors

422,000	422,000	422,000	422,000
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Number of directors of the company whose total income falls within the following bands:

\$30,000 - \$39,999	1	1	1	1
\$40,000 - \$49,999	1	1	1	1
\$350,000 - \$359,999	1	1	1	1

NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED 31 DECEMBER 2003

	ECONOMIC ENTITY		PARENT ENTITY	
	2003	2002	2003	2002

NOTE 20 – RELATED PARTY TRANSACTIONS (Continued)

(c) Transactions with Directors and Director Related Entities

Legal fees paid in the ordinary Course of business to CKB Partners a firm with which Mr. S. Barry is associated	-	10,764	-	10,764
-----------------------------------------------------------------------------------------------------------------	---	--------	---	--------

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

(d) Share Transactions of Directors

Directors and director-related entities hold directly, indirectly or beneficially as at the reporting date the following equity interests in members of the economic entity:

Icon Energy Limited				
- ordinary shares	22,137,801	18,387,801	22,137,801	18,387,801
- options unlisted	4,400,000	4,400,000	4,400,000	4,400,000

Directors and their related entities acquired 3,750,000 ordinary shares during the financial year (Note 15)  
They did not dispose of any shares or options during the period.

No unlisted options under the Icon Staff Incentive Share Option Plan were issued during the year and up to the date of this report.

NOTE 21 – JOINT VENTURES

Interest in Joint Venture Operations

The Economic Entity has a direct interest in a number of unincorporated joint ventures. Details of the joint ventures are:

Joint Venture		Interest
ATP 549P	Cooper	66.67%
ATP 589P	Cooper	60.00% Regleigh & Springfield areas
ATP 589P	Cooper	75.00% Brightspot area
ATP 594P	Cooper	50.00%
Victory Financial	Louisiana	57.50%
Wilberts HBP	Louisiana	22.00%*
Zig Zag	Louisiana	22.00%*
Sohio	Louisiana	4.20%

\*option to increase to 40%.

NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED 31 DECEMBER 2003

	ECONOMIC ENTITY		PARENT ENTITY	
	2003	2002	2003	2002
The Economic Entity's share of assets employed in unincorporated joint ventures is as follows:				
<b>CURRENT ASSETS</b>				
Inventories	4,461	9,367	0	0
Other	129,520	4,598	0	0
<b>Total Current Assets</b>	<b>133,981</b>	<b>13,965</b>	<b>0</b>	<b>0</b>
<b>NON-CURRENT ASSETS</b>				
Other costs carried forward in respect of areas of interest				
Exploration and evaluation phases	7,098,705	9,057,371	2,461,441	2,930,362
<b>Total Non-Current Assets</b>	<b>7,098,705</b>	<b>9,057,371</b>	<b>2,461,441</b>	<b>2,930,362</b>
Share of total assets in joint venture	7,098,705	9,057,371	2,461,441	2,930,362

**NOTE 22 - CONTROLLED ENTITIES**

	Country of Incorporation	% Owned	
		2003	2002
<b>Parent entity:</b>			
Icon Energy Limited	Australia		
<b>Subsidiaries of Icon Energy Limited:</b>			
Jakabar Pty Ltd	Australia	100	100
Icon Drilling Pty Ltd	Australia	100	100
Icon Oil US LLC	USA	100	100

**NOTE 23 - STATEMENT OF OPERATIONS BY SEGMENTS**

The economic 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 and the Bayou Choctaw area in Louisiana, USA. Information by geographical segments are as follows:

NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED 31 DECEMBER 2003

NOTE 23 – STATEMENT OF OPERATIONS BY SEGMENTS (Continued)

SEGMENT REPORTING

	Australia		USA		Economic Entity	
	2003	2002	2003	2002	2003	2002
<b>Primary Reporting – Geographical Segments</b>						
<b>REVENUE</b>						
External Sales	1,780,946	1,420,628	203,878	254,804	1,984,824	1,675,432
Total segment revenues	1,700,946	1,420,628	203,878	254,804	1,984,824	1,675,432
Total revenue from ordinary activities	1,780,946	1,420,628	203,878	254,804	1,984,824	1,675,432
<b>RESULT</b>						
Segment Result	(1,786,905)	307,545	(73,398)	(1,397,936)	(1,860,303)	(1,090,391)
<b>ASSETS</b>						
Segment Assets	2,894,956	3,369,840	4,831,409	6,204,056	7,726,365	9,573,896
Segment Liabilities	278,421	220,541	708,460	853,569	986,881	1,074,110
<b>OTHER</b>						
Acquisition of non-current Segment assets	1,979	6,882	9,106	12,190	11,085	19,072
Depreciation and amortisation Of segment assets	49,346	53,232	11,938	6,802	61,284	60,034

NOTE 24 – FINANCIAL INSTRUMENT DISCLOSURE

(a) Interest rate risk

The economic entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

2003	Note	Floating interest rate	Fixed interest maturing within 1 year	Fixed interest maturing over 1 to 5 years	Non-interest bearing	Total
<i>Financial assets</i>						
Cash	5	335,454	-	-	1,207	336,661
Receivables	6	-	-	-	129,520	129,520
Other	7/8	-	-	-	32,766	32,766
		335,454	-	-	163,493	498,947
Weighted average interest rate		4.55				

NOTES TO AND FORMING PART OF THE ACCOUNTS  
FOR THE YEAR ENDED 31 DECEMBER 2003

NOTE 24- FINANCIAL INSTRUMENT DISCLOSURE (Continued)

2003

*Financial liabilities*

Accounts payable	12	-	-	-	772,675	772,675
Borrowings	13	-	20,343	41,001	-	61,344
		-	20,343	41,001	772,675	834,019

Weighted average interest rate

7.950 7.950

2002	Note	Floating interest rate	Fixed interest maturing within 1 year	Fixed interest maturing over 1 to 5 years	Non-interest bearing	Total
<i>Financial assets</i>						
Cash	5	289,286	-	-	1,207	290,493
Receivables	6	-	-	-	-	-
Other	7/8	-	-	-	37,380	37,380
		289,286	-	-	38,587	327,873

Weighted average interest rate

4.25

2002	Note	Floating interest rate	Fixed interest maturing within 1 year	Fixed interest maturing over 1 to 5 years	Non-interest bearing	Total
<i>Financial liabilities</i>						
Accounts payable	11	-	-	-	918,614	918,614
Borrowings	12	-	20,344	61,344	-	81,688
		-	20,344	61,344	918,614	1,000,302

Weighted average interest rate

7.950 7.950

(b) Credit risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The company minimises the risk by undertaking transactions with a number of counterparties.

NOTE 25- CONTINGENT LIABILITIES

The Company has obtained a guarantee from the National Australia Bank for an amount not exceeding \$10,000 in support of the right to prospect areas ATP 626. The amount guarantees the site rectification on completion of exploration activities.

**ADDITIONAL SHAREHOLDER INFORMATION**

Additional information required by the Australian Stock Exchange Limited Listing Rules.

**Substantial Shareholders**

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
R S James & Associates Pty Ltd	19,700,235	8.57

**Distribution of shareholders at 15 April 2004.**

Category (size of Holding)	Holders	Number of Ordinary Shares
1 - 1,000	25	16,248
1,001 - 5,000	364	1,323,613
5,001 - 10,000	598	5,271,755
10,001 - 100,000	1,532	58,917,935
100,001 - and over	397	164,422,355

The number of share-holdings held in less than marketable parcels is 1.

**Twenty Largest Shareholders – Ordinary Capital at 15 April 2004.**

Rank	Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1	RS JAMES & ASSOCIATES PTY LTD	19,700,235	8.57
2	I LA LIMITED	6,094,500	2.65
3	GLOBAL PROFIT LTD	4,006,378	1.74
4	CITICORP NOMINEES PTY LIMITED	3,767,073	1.64
5	REYNOLDS (NOMINEES) PTY LTD	3,000,000	1.30
6	MR ROSS BYRON EBERT	2,220,000	0.97
7	TOGA DEVELOPMENTS PTY LTD	2,008,731	0.87
8	MR DIMITRI SCARDANAS	2,000,000	0.87
9	WHITE HAT INVESTMENTS PTY LTD	2,000,000	0.87
10	MR BRADLEY LUKE CASEY	1,918,601	0.83
11	EXELMONT PTY LTD	1,766,850	0.77
12	CRISHANE PTY LTD	1,600,401	0.70
13	CALEX NOMINEES PTY LIMITED	1,600,000	0.70
14	MR LIONEL JOHN GOODY	1,533,377	0.67
15	MORRIS EQUITY INVESTMENTS PTY LTD <KDLM ACCOUNT>	1,400,000	0.61
16	MR PHILLIP MICHAEL LYNCH & MRS SUZANNE MARY LOUISE LYNCH	1,338,500	0.58
17	MR DAVID GOLDBERG	1,318,488	0.57
18	MR MARTIN PYECROFT + MRS JOSEPHINE PYECROFT <THE PYECROFT SUPER FUND A/C>	1,300,000	0.57
19	MR DENIS BRUCE RALPH	1,250,000	0.54
20	MRS MYONG SUN CAMPBELL	1,200,000	0.52
	TOTAL ***	61,023,134	26.54

**Voting Rights**

The voting rights for each ordinary share is on a show of hands, every member present in person or by proxy shall have one vote. Upon a poll each share shall have one vote.

**ADDITIONAL SHAREHOLDER INFORMATION**

**Mining Tenements**

The company held interest in the following mining tenements at 31 December 2003.

**Oil and Gas**

ATP	549P	Cooper	66.67%	
ATP	589P	Cooper	60.00%	Regleigh & Springfield Areas
ATP	589P	Cooper	75.00%	Brightspot area
ATP	594P	Cooper	50.00%	
ATP	626P	Surat	100.00%	
ATP	649P	Surat	100.00%	
WA	331P	Browse	100.00%	
TP	21	Carnarvon	100.00%	
EP	432P	Carnarvon	100.00%	

Lease interests held in Bayou Choctaw area Louisiana USA

Victory Financial	Louisiana	57.50%
Wilberts	Louisiana	22.00% *
Zig Zag	Louisiana	22.00% *
Sohio	Louisiana	4.20%

\* option to increase to 40%

**COMPANY PARTICULARS**

**DIRECTORS**

Martin Pyecroft	Chairman
Raymond S James	Managing Director
Stephen M Barry	

**COMPANY SECRETARY**

John B Cummins

**REGISTERED OFFICE**

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 Email: info@iconenergy.com

**SHARE REGISTER**

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**AUDITORS**

William Buck  
 Level 16 William Buck Centre  
 120 Edward Street  
 Brisbane Qld 4000

**LEGAL ADVISORS**

Allens Arthur Robinson  
 Level 32 Riverside Centre  
 123 Eagle Street  
 Brisbane Qld 4000

CKB Partners  
 Level 11  
 167 Macquarie Street  
 Sydney NSW 2000

**STOCK EXCHANGE LISTING**

Australian Stock Exchange  
 ASX Code ICN  
 Home Branch Brisbane

The background of the slide is a photograph of a pond. In the foreground, there are several large, green lily pads with prominent veins. A dragonfly is perched on one of the lily pads in the center. The water is dark and reflects the surrounding greenery. The overall scene is a natural, outdoor setting.

**Web Site:**  
**[www.iconenergy.com](http://www.iconenergy.com)**

