

DIRECTORS' REPORT

The Directors of Icon Energy Limited ("Icon Energy" or "Company") present their report together with the financial statements of the Company and its controlled entities ("the Group" or "the Consolidated Entity") for the financial year ended 30 June 2013. In order to comply with the provisions of the Corporations Act 2001, the Directors of Icon Energy report as follows:

PRINCIPAL ACTIVITIES

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

DIRECTORS

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

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

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

REVIEW OF OPERATIONS AND RESULTS

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

- Icon Energy and Beach Energy drilled three shale gas exploration wells within the Queensland Permit ATP 855 in the Cooper Basin with the objective of proving up this prospective shale gas resource. The first of these three wells, Halifax-1 commenced drilling on 4 August 2012 and was then fracture stimulated from late December 2012 and then flow tested. On 27 May 2013, the Hervey-1 well was spudded and drilling commenced on the Keppel-1 well on 3 June 2013. More detailed information on the results of the Halifax-1, Hervey-1 and Keppel-1 wells in ATP 855 can be found in the Review of Operations contained in this Annual Report.
- In late 2012, the Company and Goondi Energy engaged AWT International to undertake a reservoir feasibility study to determine the best path forward to prove up gas reserves in ATP626 in the Surat Basin of Queensland. The study was completed in December 2012 and the results were reviewed and discussed by joint venture parties.
- On 24 August 2012, the Victorian Government announced a suspension on the use of hydraulic fracturing in coal seam and conventional gas exploration projects in Victoria until national harmonisation framework guidelines have been agreed upon. The company has deferred its exploration program in Victoria until the suspension has been lifted.
- On 13 November 2012, the Company announced;
 - That Macquarie Capital (Australia) had completed a \$10.0 million Placement to further fund the Company's Exploration Program primarily focused within ATP 855. This Placement resulted in approximately 45.5 million new ordinary shares they issued to institutional, sophisticated and professional investors at a price of \$0.22 per share.
 - The launch of a Share Purchase Plan. On 5 December the SPP closed with applications for 18.6 million shares, at a price of \$0.22 per share, raising \$4.1 million which will be allocated to exploration primarily focused within ATP 855. Further detail on the Company's capital raising can be found in Note 15 in the Financial Statements and in the Chairman's and Managing Director's Report.

- On 25 February 2013 Beach Energy Ltd farmed-out part of its interest in the PEL 218 and ATP 855 permits to Chevron Australia. Under the farm-out Beach Energy will assign up to 60% of its interest in PEL 218 and ATP 855 to Chevron Australia over two stages. Icon Energy consented to and waived its pre-emptive rights in relation to each stage of the farm-out transaction while maintaining its 40% interest in ATP 855. At the same time Icon was granted a Put Option by Beach Energy, exercisable by Icon up to 30 June 2013, where Icon could require Beach Energy to acquire a 4.9% interest in ATP 855 from Icon on payment by Beach Energy of US\$18 million. Further information regarding the Chevron Farmin into ATP 855 can be found in the Review of Operations contained in this Annual Report.
- On 17 June 2013, Icon exercised the Put Option. Following the completion of the Put Option transaction, US\$18 million was transferred to Icon Energy and the Company will allocate these funds towards the 2013 Joint Venture Exploration Program in ATP 855. The joint venture interests in ATP 855, after the exercise of the Put Option, were: Icon Energy 35.1%; Beach Energy 46.9%; and Chevron Australia 18%. Further information regarding the exercise of the Put Option with Beach Energy can be found in the Review of Operations contained in this Annual Report.

EVENTS AFTER THE BALANCE DATE

- On 3 July 2013, Icon Energy acquired Goondi Energy's (this interest was formerly held by Stanwell) equity interest in ATP 626 following Goondi's exit from the ATP 626 Joint Venture. Icon now holds 100% interest and is the Operator of ATP 626. The Company is committed to the ongoing development of this tenement and is planning a new seismic and drilling program for ATP 626.

Other than the above transactions there has not arisen in the interval between 30 June 2013 and the date of this report, any item, transaction or event of a material or unusual nature likely in the opinion of the Directors, to affect substantially the operations or state of affairs of the consolidated entity in subsequent financial years unless otherwise noted in the Annual Report.

CORPORATE STRATEGIES AND FUTURE DEVELOPMENTS

Reference to corporate strategies and future development is included in the Chairman's and Managing Director's Report. Other than matters included in this Report or elsewhere in the Annual Report, likely developments in the operations of the consolidated entity and expected results of those operations have not been disclosed as Directors believe that the inclusion would most likely result in unreasonable prejudice to the Company (in accordance with Section 299A(3) of the Corporations Act 2001).

FINANCIAL POSITION

The net profit after tax for the Company and its controlled entities for the financial year ended 30 June 2013 was \$3,720,392 (30 June 2012: a loss of \$4,618,666). Further information on the Company's financial position is included in the Chairman's and Managing Director's Report.

DIVIDENDS

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 2012: Nil).

REMUNERATION REPORT

The Remuneration Report for the financial period which forms part of the Directors' Report can be found on page 33 of this Annual Report.

COMPANY SECRETARY

The Company Secretary is Ross Mallett. He was appointed Legal Counsel and Company Secretary on 13 March 2012. Details of Mr Mallett's qualifications and experience are set out on page 27 of this Annual Report.

MEETINGS OF DIRECTORS

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

	Directors Meetings		Audit and Risk Management Committee Meetings		Remuneration Nominations and Succession Committee Meetings	
	Held	Attended	Held	Attended	Held	Attended
R S James	9	9	-	-	-	-
S M Barry	9	9	3	3	4	4
D Murphy	9	9	3	3	4	4
K Hillless	9	9	3	3	-	-
H Lu	9	8	-	-	-	-
K Jih	9	9	-	-	-	-

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. Further information on the Company's environmental performance can be found in the Sustainability section of this Annual Report.

The Directors are not aware of any environmental breaches nor has the Company been notified of any breaches by any Government Agency during the financial period.

PROCEEDINGS ON BEHALF OF THE COMPANY

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

DIRECTORS AND AUDITORS INDEMNIFICATION

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

The Company has not paid any premiums in respect of any contract insuring the auditor against a liability incurred in the role as an auditor of the Company. In respect of non-audit services, Crowe Howarth, the Company's auditor, has the benefit of indemnity to the extent Crowe Howarth reasonably relies on information provided by the Company which is false, misleading or incomplete. No amount has been paid under this indemnity during the period ended 30 June 2013 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 \$25,135.54 (30 June 2012: \$28,693).

NON-AUDIT SERVICES

Consultancy Services \$600

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 42 and forms part of the Directors' Report for the period ended 30 June 2013. 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 of Icon Energy Limited.



S M Barry
Chairman
27 August 2013



R S James
Managing Director
27 August 2013