

REMUNERATION REPORT - AUDITED

KEY POINTS

- * Remuneration framework structured to reward executives for achievement of goals that add shareholder value
- * Short and long term incentives only vest on achievement of corporate and individual goals
- * Long term incentives will not vest unless the share price exceeds 40 cents for at least 30 days and the Company's share price growth performs well when benchmarked against other energy companies
- * Company achieves profit after tax result of \$3,720,392
- * Executive and employee salary increases for 2012-2013 restricted to CPI increases
- * Non-executive Directors have not had a fee increase since 2009

The Directors of Icon Energy Limited present this Remuneration Report for the consolidated entity for the year ended 30 June 2013. The information provided in this report has been audited as required by the Corporations Act 2001 (Cth) and forms part of the Directors' Report. This Remuneration Report sets out remuneration information for Icon Energy's Key Management Personnel (KMPs) including the following persons who were non-executive directors and senior executives during the financial year:

Table 1: Icon Energy's Key Management Personnel

Name	Position Held
Non-Executive Directors	
Stephen Barry	Chairman
Keith Hilless	Director
Howard Lu	Director
Derek Murphy	Director
Executive Directors	
Ray James	Managing Director
Kevin Jih	Chief Financial Officer & Executive Director
Senior Executives	
Ross Mallett	Company Secretary & Legal Counsel
Richard Holliday(i)	Commercial Manager
James Carr (ii)	Operations Manager

(i) Appointed 1 July 2012

(ii) Resigned 21 June 2013. Engaged to perform ad hoc consulting work post year end

REMUNERATION FRAMEWORK

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

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

ROLE OF THE REMUNERATION, NOMINATIONS AND SUCCESSION COMMITTEE

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

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

METHODOLOGY USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

Non-executive Directors

Fees paid to Non-executive directors reflect the demands made on, and responsibilities of, such directors. Non-executive Directors' fees are reviewed by the Board on an annual basis. The maximum total amount available for payment of all Non-executive Director fees is \$500,000 per annum which was approved by shareholders at the 2010 Annual General Meeting. The total amount of fees actually paid to Non-executive Directors during the financial year was \$327,000. Non-executive Directors do not receive performance based remuneration.

Executive Directors and Senior Executives

Executive Directors and Senior Executives are remunerated through a combination of:

- Fixed Remuneration (FR);
- Short-term Incentive (STI) – an annual cash and/or equity based incentive awarded at the discretion of the Board on achievement of specified company and individual performance goals;
- Long-term Incentive (LTI) – equity grants which may be granted on an annual basis, at the discretion of the Board, and have the potential to vest following achievement of specified company objectives measured over a 3 year period.

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

Consistent with market practice, the proportion of remuneration attributable to each component of the Icon Energy Remuneration Policy is dependent on the level of seniority of the employee.

Generally, the LTI will only be available to the Executive Directors and senior executives; whereas STI may be made available to employees throughout the Company.

Table 2: Relative Proportions of Remuneration Packages

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

The Icon Energy Limited Performance Rights Plan ("Plan") was presented and approved by shareholders at the Annual General Meeting held on 22 April 2010, under which the Company is able to grant appropriately structured short and long-term incentives to employees (including Executive Directors) in addition to their fixed remuneration. The structure of the STI and LTI plans and achievement of predefined STI and LTI targets is reviewed by the Board, and modified where appropriate, on an annual basis.

FIXED REMUNERATION

Fixed remuneration consists of the base remuneration calculated on a total cost basis and including FBT charges on employee benefits, as well as contributions to superannuation funds. Remuneration levels are reviewed annually. Senior executives were restricted to CPI increases over the financial year.

SHORT-TERM INCENTIVES

The only Short-term Incentive (STI) plan awards issued or in operation during the year were the 2012-13 STIs. Set out below are some of the key features of the Company's 2012-13 STI plan.

What is the STI?	STI is an annual cash (30%) and equity (70%) based incentive awarded at the discretion of the Board on achievement of specified company and individual performance goals established on an annual basis between management and their direct reports, which includes the Group's financial performance and individual performance.
How does STI contribute to Company Performance?	The STI rewards company executives and staff for meeting or exceeding corporate and individual performance goals. The STI aligns the interests of company executives with shareholders by incentivising executives to meet company goals that add value to the company and contributes to share price growth.
What is the value of STI that can be earned?	The STI that can be earned is based on a percentage of the executive's Fixed Remuneration (FR) ranging from 50% of FR for the Managing Director to 10% of FR for employees (refer to table 2 for further details).
What are the performance conditions?	<p>Performance conditions are set by the Board and reflect the financial and operational goals of Icon Energy and individual performance objectives over a 12 month period. Corporate key performance indicators include a focus on the following areas:</p> <ul style="list-style-type: none"> • Exploration success; • Health, Safety & Environment performance targets; • Growth in the Company's market capitalisation; • New project development.
Performance Period, Grant Date & Issue Price	Performance Rights issued under the 2012-13 STI were granted with effect from 14 December 2012. Performance Rights were granted at no cost to the participants. The Performance Period is between 1 July 2012 and 30 June 2013.
How is performance assessed?	Following the conclusion of the Performance Period (30 June 2013) the Board made an assessment as to the extent to which the STI corporate performance conditions have been met and the number of Performance Rights that will vest. Financial and operational performance is assessed against targets set at the start of the year. The performance of the Managing Director (MD) is assessed by the Board through the Remuneration, Nomination and Succession Committee and the performance of individual executives (other than the MD) is reviewed by the Committee based on the recommendation of the MD following executive performance appraisals.
When do the STI benefits vest?	The STI benefits will vest effective 30 June 2013 following the assessment of performance carried out by the Board after the end of the financial period. In the case of the cash component the benefit will be paid to employees following the assessment process. Where the Performance Rights vest, they may be exercised by the executive at any time up to the 'STI Last Exercise Date', which is 30 June 2015 for the 2012-13 STI grant. Any unexercised Performance Rights will lapse following the STI Last Exercise Date.
STI Performance Right Expiry/Lapse	<p>STI Performance Rights lapse if vesting does not occur on testing of the performance conditions. Where Performance Rights vest they may be exercised at any time up to the STI Last Exercise Date being 30 June 2015. Any Performance Rights not exercised by the STI Last Exercise Date will lapse.</p> <p>The Expiry Date for 2012-13 STI Performance Rights is 30 June 2015.</p>
What happens on exercise of rights?	When an executive exercises a Performance Right following vesting they will be issued with one ordinary share for every Performance Right exercised. No exercise price is paid on vesting as Performance Rights are issued at no cost.

LONG-TERM INCENTIVES

The only Long-term Incentive (LTI) plan awards issued or in operation during the year were the 2012-13 LTIs. Set out below are some of the key features of the Company's 2012-13 LTI plan.

What is the LTI?	Long-term incentives are delivered to executives in the form of equity awards (Performance Rights) which may vest as Icon shares upon the satisfaction of performance conditions/key performance drivers which underpin long term sustainable growth for the Company.										
How does LTI contribute to Company Performance?	The LTI provides an incentive to company executives to achieve company goals that add value to the company and contribute to long term share price growth. The LTI benefits only pass to executives following a sustained increase in the share price and the level of benefits paid to executives is dependent on the relative performance of the company when benchmarked against other listed energy companies incentivising executives to outperform.										
What is the value of LTI that can be earned?	The LTI that can be earned is based on a percentage of the executive's Fixed Remuneration (FR) ranging from 50% of FR for the Managing Director to 20% of FR for senior managers (refer to table 2 for further details)										
What are the performance conditions?	<p>In order for Performance Rights under the LTI to vest the following two sets of performance criteria must be met:</p> <p>(1) The average daily Icon Energy share price must achieve and maintain a level of at least 40 cents per share for at least 30 consecutive days over the 3 years commencing 1 July 2012; and</p> <p>(2) The growth of the Icon Energy share price relative to the share price of a comparator group of Australian oil and gas exploration and production companies and other companies appearing in the S&P/ASX 300 Energy list as determined by the Board (expressed as a percentile ranking) over the 3 years commencing 1 July 2012 must achieve the 40th percentile in order for rights to begin vesting.</p>										
Performance Period, Grant Date & Issue Price	Performance Rights issued under the 2012-13 LTI were granted with effect from 14 December 2012. Performance Rights were granted at no cost to the participants. The Performance Period is between 1 July 2012 to 30 June 2015.										
How is performance assessed?	<p>Following the conclusion of the Performance Period (30 June 2015) the Board will make an assessment as to the extent to which the LTI performance conditions have been met and the number of Performance Rights that will vest based on meeting the above conditions and the following table:</p> <table border="1" data-bbox="533 1406 1366 1715"> <thead> <tr> <th data-bbox="533 1406 971 1518">Movement in Share Price as Relative Percentile Ranking Against Comparator Group</th> <th data-bbox="971 1406 1366 1518">Percentage of performance rights to vest</th> </tr> </thead> <tbody> <tr> <td data-bbox="533 1518 971 1570">Below 40th percentile</td> <td data-bbox="971 1518 1366 1570">0%</td> </tr> <tr> <td data-bbox="533 1570 971 1621">40th percentile</td> <td data-bbox="971 1570 1366 1621">40%</td> </tr> <tr> <td data-bbox="533 1621 971 1673">Between 40th and 75th percentile</td> <td data-bbox="971 1621 1366 1673">Pro-rata</td> </tr> <tr> <td data-bbox="533 1673 971 1715">75th percentile or above</td> <td data-bbox="971 1673 1366 1715">100%</td> </tr> </tbody> </table>	Movement in Share Price as Relative Percentile Ranking Against Comparator Group	Percentage of performance rights to vest	Below 40th percentile	0%	40th percentile	40%	Between 40th and 75th percentile	Pro-rata	75th percentile or above	100%
Movement in Share Price as Relative Percentile Ranking Against Comparator Group	Percentage of performance rights to vest										
Below 40th percentile	0%										
40th percentile	40%										
Between 40th and 75th percentile	Pro-rata										
75th percentile or above	100%										
LTI Performance Right Expiry/Lapse	<p>LTI Performance Rights lapse if vesting does not occur on testing of the performance conditions. Where Performance Rights vest they may be exercised at any time up to the LTI Last Exercise Date being 30 June 2017. Any Rights not exercised by the LTI Last Exercise Date will lapse on that date.</p> <p>The Expiry Date for 2012 LTI Performance Rights is 30 June 2017.</p>										
What happens on exercise of rights?	When an executive exercises a Performance Right following vesting they will be issued with one ordinary share for every Performance Right exercised. No exercise price is paid on vesting as Performance Rights are issued at no cost.										

Allotment of STI and LTI Performance Rights to Executive Directors is subject to approval by shareholders. The 2012-13 STI and LTI allotments were approved by shareholders at the 2012 Annual General Meeting.

Table 3: Details of STI Performance Rights on Issue

Name	Rights Granted on 14 Dec 2012 (number)	Fair Value at Grant Date \$ (i)	Exercise Price \$	Vested during the year (number)	Lapsed during the year (number)	Date Rights First Vest & Can Be Exercised
Ray James	834,860	192,018	-	754,881	79,979	30 Jun 2013
Kevin Jih	482,826	111,050	-	436,571	46,255	30 Jun 2013
Ross Mallett	395,817	91,038	-	334,742	61,075	30 Jun 2013
Richard Holliday	270,518	62,219	-	228,777	41,741	30 Jun 2013
Total	1,984,021	456,325	-	1,754,971	229,050	

Table 4: Details of LTI Performance Rights on Issue

Name	Rights Granted on 14 Dec 2012 (number)	Fair Value at Grant Date \$ (ii)	Exercise Price \$	Vested during the year (number)	Lapsed during the year (number)	Date Rights First Vest & Can Be Exercised
Ray James	1,192,658	226,605	-	-	-	30 Jun 2015
Kevin Jih	689,751	131,053	-	-	-	30 Jun 2015
Ross Mallett	565,452	107,436	-	-	-	30 Jun 2015
Richard Holliday	257,636	48,951	-	-	-	30 Jun 2015
Total	2,705,497	514,045	-	-	-	

NOTES ON 2012 STI and LTI Performance Rights

(i) The aggregate fair value of rights granted with effect from 14 December 2012 (at the date of their grant) was \$456,325 of which \$403,644 was expensed in the 2012/13 financial year, with the remainder lapsing. In accordance with the requirements of the Australian Accounting Standards, remuneration includes the fair value of equity compensation granted or outstanding during the year. The fair value of equity instruments granted during the reporting period is determined as at the grant date and is progressively allocated over the vesting period. The amount included as remuneration is not related to or indicative of the benefit (if any) that individuals may ultimately realise should the rights vest. The value of the rights as at the grant date of has been determined in accordance with AASB 2 Share Based Payments. The calculations are performed using various approved rights valuation methodologies. See Note 16 to the Financial Report.

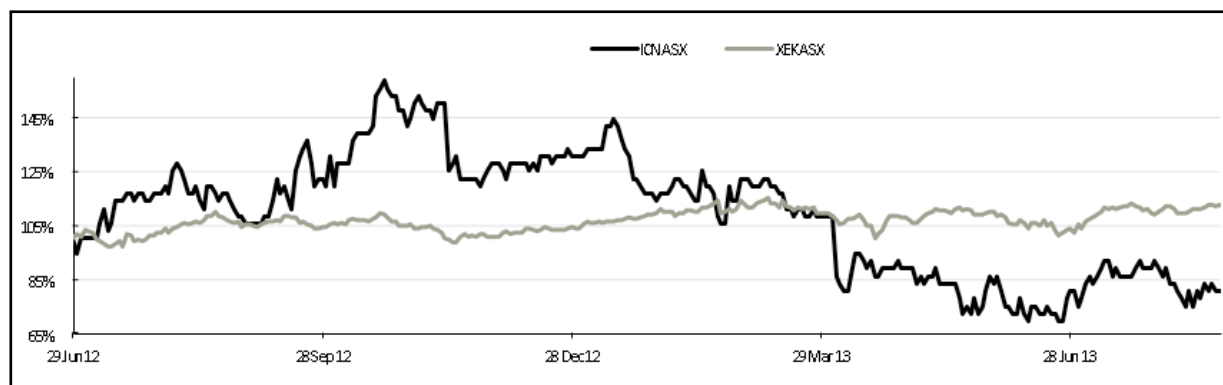
(ii) At 30 June 2013, the total fair value of the LTI rights granted during the year was \$514,044 of which \$171,348 was expensed in the 2012/13 financial year, with the remainder to be expensed in subsequent two years.

RELATIONSHIP BETWEEN REMUNERATION POLICY AND PERFORMANCE

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

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

	30.6.2011	30.6.2012	30.6.2013
Closing Share Price	0.14	0.18	0.145
Number of Shares	469,301,394	469,301,394	533,391,210
Market Cap	\$65,702,195	\$84,474,251	\$77,341,725
Profit (Loss) after tax	(\$6,000,512)	(\$4,618,666)	\$3,720,392



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

- The Company maintained its excellent safety record with no Lost Time Injuries experienced during the year;
- The Company achieved a substantial profit;
- The Company successfully drilled, fracture stimulated and flow tested the Halifax-1 well in ATP855 and spudded the Hervey-1 and Keppel-1 vertical wells;
- The Company drilled 2 exploration wells in ATP626 and conducted a feasibility study to determine future exploration options. On 3 July 2013 the Company announced that it had regained the 100% equity interest in ATP626 previously held by JV partner Goondi Energy;
- During the year the Company secured the necessary capital to progress its exploration campaign in the Cooper Basin. The Company raised \$10,000,000 via a corporate placement and \$4,099,760 via Share Purchase Plan in November 2012. A further \$18,837,000 was raised by farming down a 4.9% interest in ATP855 to JV partner Beach Energy.

The Company issued a total of 2,334,736 Performance Rights to senior executives and staff under the Company's Short-term (STI) and 2,705,497 Performance Rights to senior executives under the Long-term (LTI) incentive plan effective 14 December 2012. The benefits available under these plans will only vest to the extent that the Company and its executives can achieve rigorous performance objectives that will add shareholder value.

Short Term Incentive

In August 2013 the Remuneration Committee assessed the extent to which senior executives and staff had achieved corporate and individual objectives during the year to 30 June 2013. Based on that assessment the Committee determined that on average 88% of STI performance rights issued on 14 December 2012 would vest. 12% of STI did not vest due to not all vesting conditions being met. The Committee stated that it had been many years since the Company had issued equity based incentives under the Performance Rights Plan and the efforts of Company management and staff in planning, funding and implementing a successful exploration program deserved to be commended and recognised.

Long Term Incentive

In August 2015 the Remuneration Committee will assess the extent to which senior executives have achieved corporate objectives during the 3 years to 30 June 2015. LTI incentives will not vest unless the share price exceeds 40 cents for a continuous period of at least 30 days and the Company's share price growth performs well when benchmarked against that of other energy companies.

SERVICE AGREEMENTS

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

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

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

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

Name of Executive	Date of Contract	Termination by Icon (without cause)	Termination by employee	Termination Payments (where terminated by Company)	STI & LTI Entitlements
R James	1 January 12	12 months	6 months	Payment in lieu of notice based on FR Discretion of Board to pay portion of STI & LTI	STI: May earn up to 50% of FR LTI: May earn up to 50% of FR
K Jih	11 August 10	12 months	6 months	Payment in lieu of notice based on FR Discretion of Board to pay portion of STI & LTI	STI: May earn up to 40% of FR LTI: May earn up to 40% of FR
R Mallett	13 March 12	6 months	6 months	Payment in lieu of notice based on FR Discretion of Board to pay portion of STI & LTI	STI: May earn up to 40% of FR LTI: May earn up to 40% of FR
R Holliday	1 July 12	2 months	2 months	Payment in lieu of notice based on FR Discretion of Board to pay portion of STI & LTI	STI: May earn up to 30% of FR LTI: May earn up to 20% of FR

DIRECTORS AND KEY MANAGEMENT PERSONNEL REMUNERATION

	Year ended	Salaries & Fees (i)	Cash Bonus	Non-monetary Benefits	Other Benefits (ii)	Post employment			Share-based Payment	Total	Portion of Remuneration Based on Performance
						Superannuation	Long-term Employee Benefits (iii)	Termination Benefits	Shares and Units		
		\$	\$		\$	\$	\$	\$	\$	\$	%
Directors											
Stephen Barry	2013	90,000	-	-	-	8,100	-	-	-	98,100	-
	2012	90,000	-	-	-	8,100	-	-	-	98,100	-
Keith Hillless	2013	26,300	-	-	-	50,000	-	-	-	76,300	-
	2012	20,000	-	-	-	56,300	-	-	-	76,300	-
Derek Murphy	2013	70,000	-	-	-	6,300	-	-	-	76,300	-
	2012	70,000	-	-	-	6,300	-	-	-	76,300	-
Howard Lu	2013	70,000	-	-	-	6,300	-	-	-	76,300	-
	2012	70,000	-	-	-	6,300	-	-	-	76,300	-
Ray James	2013	483,223	71,174	-	101,569	47,648	13,524	-	249,158	966,296	33%
	2012	477,285	-	-	40,000	42,498	10,476	-	-	570,259	-
Kevin Jih	2013	347,923	41,162	17,962	31,457	33,723	3,653	-	144,095	619,975	30%
	2012(iv)	338,173	-	17,987	69,459	36,081	3,473	-	-	465,173	-
Senior Management											
Ross Mallett	2013	287,439	31,561	-	-	25,670	352	-	112,803	457,825	32%
	2012	79,692	-	-	-	7,172	111	-	-	86,975	-
James Carr (v)	2013	290,026	-	-	-	25,670	367	-	-	316,063	-
	2012	134,840	-	6,168	-	12,051	174	-	-	153,233	-
Richard Holliday	2013	256,033	21,570	-	-	22,980	333	-	68,936	369,852	25%
Larry Brown (v)	2012	84,452	-	5,517	-	25,979	-	187,584	-	303,532	-
Robert King (v)	2012	183,117	5,000	30,818	-	50,039	-	-	-	268,974	2%
Total	2013	1,920,944	165,467	17,962	133,026	226,391	18,229	-	547,992	3,057,012	-
	2012	1,547,559	5,000	60,490	109,459	250,820	14,234	187,584	-	2,175,146	-

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

(ii) Other Benefits represent car allowance received during the year for Ray James of \$45,000 (30 June 2012: \$40,000). Ray James and Dr Jih received a payout of accrued annual leave amounting to \$56,569 and \$31,457 (30 June 2012:Nil) during the year.

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

(iv) Salaries & Fees include annual leave paid during the year. The Company's CFO, Dr Jih was appointed to the Board as an Executive Director on 30/11/2011. Dr Jih received a salary increase of \$20,000 plus CPI effective 1 July 2011. Dr Jih received a payout of accrued annual leave amounting to \$69,459 during the 2012 year.

(v) J Carr resigned effective 21 June 2013. L Brown resigned effective 13 September 2011. R King resigned effective 11 April 2012.

DIRECTORS' AND SENIOR MANAGERMENTS' INTERESTS

As at 30 June 2013, the interests of the Directors and senior management or entities associated with them in shares and options of Icon Energy Limited were:

Personnel	Ordinary Shares No.	2012 STI Performance Rights (vested)	2012 LTI Performance Rights (unvested)	Options No.
Directors				
SM Barry	1,623,593	-	-	-
RS James	21,345,517	754,881	1,192,658	-
DJM Murphy	288,181	-	-	-
K Hilless	46,727	-	-	-
H Lu	16,068,181	-	-	-
K Jih	201,766	436,571	689,751	-
Senior Management				
R Mallett	593,872	334,742	565,452	-
R Holliday	907,517	228,777	257,636	-

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

There were no options outstanding at 30 June 2013 or as at 30 June 2012.