



**ICON ENERGY LIMITED**

energy for the future - the future of energy  
ABN 61 058 454 569

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**Registered Office:**

4 Miami Key  
Broadbeach Waters  
Queensland 4218 AUSTRALIA

Ph: 61+ 07 5554 7111  
Fax: 61+ 07 5554 7100  
Email: [info@iconenergy.com](mailto:info@iconenergy.com)  
Web: [www.iconenergy.com](http://www.iconenergy.com)

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1<sup>st</sup> March 2010

The Manager  
Company Announcements Office  
Australian Securities Exchange Limited  
20 Bridge Street  
Sydney NSW 2000

Dear Sir

**FULL YEAR ACCOUNTS 2009**

Icon Energy Limited submits its Governance report, Directors' report and year-end financial statements as per the attached documents.

Yours faithfully

Ray James  
Managing Director  
Icon Energy Limited  
Telephone: (+617) 5554 7111  
Facsimile: (+617) 5554 7100  
Email: [info@iconenergy.com](mailto:info@iconenergy.com) or visit [www.iconenergy.com](http://www.iconenergy.com)

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

**Board of Directors**

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

The names of the Directors of the Company in office at the date of this statement, their experience and special duties, 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, where appropriate, removing of the Chief Executive Officer and monitoring his performance;
- maximising shareholder value by setting objectives and goals;
- reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct, and legal compliance;
- ensuring appropriate persons form the composition of the Board;
- approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures;
- approving and monitoring financial and other reporting.

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

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

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

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

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

**Board Composition**

The principles applied to the composition of the Board are:

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

Wherever possible, the Chairman of the Board should be a non-executive Director. The Chairman has the casting vote in all Board decisions. The Board has considered the issue of executive Directors and while it recognises the advantages of an executive Chairman, it sees no reason to depart from the current position of having an independent Chairman.

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

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

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

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

#### **Independence of Non-Executive Directors**

The Board considers an Independent Director to be a non-executive Director who meets the criteria for independence included in the Australian Stock Exchange Best Practice Recommendations. Stephen Barry's position has been considered by the Board. ASX governance guidelines state that a Director is not independent if they have, within the last three years been employed by the Company, or has within that period been a principal or material advisor to the Company. Mr. Barry fulfilled the role of Company Secretary for the period 23 December 2006 to 3 May 2007 following the death of the Company secretary John Cummins. Mr. Barry was not paid for this role and his activities were restricted to addressing the statutory issues associated with the position of Company Secretary. The Board considers him not to have been "employed" during this period and that his independence is maintained. Mr. Barry has also acted for the Company in some general legal matters. For all major legal advice, such as remuneration and performance contracts, the Company engages specialist legal professionals. The Company has also engaged a "Director of Business Development" who, amongst other skills and abilities, has legal qualifications. He provides specialist advice on the Company's major contractual matters. Given these factors, the Board considers Mr. Stephen Barry to be an independent Director. Mr Keith Hillless and Mr Derek Murphy both meet the definition of an "independent director" as stated in the ASX governance guidelines.

#### **Independent Professional Advice**

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

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

#### **Board Committees**

Two sub committees of the Board have been formed to consider and make recommendations to the Board in important areas of decision making. Further sub committees will be formed when the Board finds a need for them. These subcommittees are the Audit and Risk Management Committee and the Remuneration, Nominations, and Successions Committee.

#### **Audit and Risk Management Committee**

At the date of this report the Company had an audit and risk management committee consisting of the following Directors:

Keith Hillless (Chairman)  
Stephen Michael Barry (Non Executive Director)  
Derek Murphy (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.

The audit and risk management committee has in place a formal charter which defines the Audit Committee's function, composition, mode of operation, authority and responsibilities.

#### **Remuneration Nominations and Successions Committee**

While larger companies may allocated the responsibilities of this committee to other more focused committees, the combined functions better serve a company of Icon's size. This committee consisted of the non-executive Chairman Mr. S. M. Barry and non-executive director Mr. Derek Murphy. 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;
- staff and executive incentive schemes; and
- superannuation arrangements.

**CORPORATE GOVERNANCE (Continued)**

**Board Remuneration**

Remuneration and terms of employment for Executive Directors is formalised in service agreements.

Remuneration of non-executive Directors is currently not to exceed a maximum of \$250,000, which was approved by shareholders in 1997.

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

**Ethical Standards**

The aim of the Company is to ensure that all Directors, managers and employees act in a manner of integrity and ethical standards so as to ensure a high standard of corporate governance to enhance the reputation and performance of the group. The company has an approved Code of Conduct, Ethics, and Share Trading.

**Trading in the Company's Securities by Directors and Employees**

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

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

The provisions of the Corporations Act 2001 and the Listing Rules of the Australian Stock Exchange Limited require advice to the ASX of any transactions by the Directors in the securities 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.
- 10 The Directors and Executives of the Company shall notify the Chairman before trading in the Company shares and shall not trade in the shares other than in accord with the Company's Code of Conduct Ethics and Share Trading.

**Identification of Significant Business Risk**

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

**Disclosure**

The Board has in place a policy and procedures to ensure that the obligations of Directors, officers and employees of the Company is to comply with the ASX Listing Rules to ensure the disclosure of such material that 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 are communicated by:

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

**ASX PRINCIPLES OF CORPORATE GOVERNANCE COUNCIL GUIDELINES**

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

<b>ASX Corporate Governance Principles and Recommendations</b>	<b>Reference</b>	<b>Comply</b>
<b>Principle 1 Lay solid foundations for management and oversight.</b>		
1.1 Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	Page 25	½
1.2 Companies should disclose the process for evaluating the performance of senior executives.	Page 25-26	½
1.3 Companies should provide the information indicated in the Guide to reporting on Principle 1.	Page 25-26	½
<b>Principle 2 Structure the Board to add value</b>		
2.1 A majority of the Board should be independent Directors.	Page 25-26	½
2.2 The chair should be an independent Director.	Page 25	½
2.3 The roles of chair and chief executive officer should not be exercised by the same individual.	Page 25	½
2.4 The Board should establish a nomination committee.	Page 26	½
2.5 Companies should disclose the process for evaluating the performance of the Board, its committees and individual Directors.	Page 25-26	½
2.6 Companies should provide the information indicated in the Guide to reporting on Principle 2.	Page 25-26	½
<b>Principle 3 Promote ethical and responsible decision-making</b>		
3.1 Companies should establish a code of conduct and disclose the code or a summary of the code as to:		
3.1.1 the practices necessary to maintain confidence in the Company's integrity.	Page 27	½
3.1.2 the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders	Page 27	½
3.1.3 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices	Page 27	½
3.2 Companies should establish a policy concerning trading in company securities by Directors, senior executives and employees, and disclose the policy or a summary of that policy.	Page 27	½
3.3 Companies should provide the information indicated in the Guide to reporting on Principles 3.	Page 27	½
<b>Principle 4 Safeguard integrity in financial reporting</b>		
4.1 The Board should establish an audit committee.	Page 26	½
4.2 The audit committee should be structured so that it consists of:	Page 26	½
only non-executive Directors		½
a majority of independent Directors		½
an independent chair, who is not chair of the Board		½
at least three members.		½
4.3 The audit committee should have a formal charter.	Page 26	½
4.4 Companies should provide the information indicated in the Guide to reporting on Principle 4.	Page 26	½
<b>Principle 5 Make timely and balanced disclosure</b>		
5.1 Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Page 27	½
5.2 Companies should provide the information indicated in the Guide to reporting on Principle 5.	Page 27	½
<b>Principle 6 Respect the rights of shareholders</b>		
6.1 Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Page 27	½
6.2 Companies should provide the information indicated in the Guide to reporting on Principle 6.	Page 27	½

**CORPORATE GOVERNANCE (Continued)**

**Principle 7 Recognise and manage risk**

7.1 Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies. Page 25-27 ½

7.2 The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks. Page 25-27 ½

7.3 The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. Page 25-27 ½

7.4 Companies should provide the information indicated in the Guide to reporting on Principle 7. Page 25-27 ½

**Principle 8 Remunerate fairly and responsibly**

8.1 The Board should establish a remuneration committee. Page 26 ½

8.2 Companies should clearly distinguish the structure of non-executive Directors' remuneration from that of executive Directors and senior executives. Page 26 ½

8.3 Companies should provide the information indicated in the Guide to reporting on Principle 8. Page 26 ½

## DIRECTORS REPORT

Your Directors present their report together with the financial statements of Icon Energy Limited ("the Company") and of the consolidated entity being the Company and the entities it controlled at the end of, or during, the year ended 31 December 2009.

### Directors

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

#### Names of Non-Executive Directors

Stephen Michael Barry (Chairman)  
Derek James Murtagh Murphy  
Keith Hilless

#### Period of Directorship

Director since 05/01/1993  
Director since 20/03/2009  
Director since 03/04/2009

#### Name of Executive Directors

Raymond Swinburn James (Managing Director)  
Raymond Patrick McNamara (Finance Director/Company Secretary)

Director since 01/02/1993  
Director since 27/04/2007

#### Company Secretary

Raymond Patrick McNamara

Appointed: 03/05/2007

### Principal Activities and Significant Changes in State of Affairs

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

Significant changes in the state of affairs of the Group during the year ended 31 December 2009 are set out below:

- There were changes to the composition of the Board with the appointment of Keith Hilless and Derek Murphy to the Board thus strengthening the independence of the Board and the skills;
- A farmin agreement and gas sale agreement was concluded with Stanwell Corporation;
- Three pilot production wells were drilled in the Stanwell farmin area and four stratigraphic wells were drilled in the remainder of the ATP 626P area;
- The company raised approximately \$31 million net of transaction costs through share placements and a Share Purchase Plan;
- 316 km of seismic was shot;
- The company acquired its office building for a book value of \$4.6 million and fixtures and fittings of approximately \$1 million. The replacement cost of the building is estimated at \$10 million. The Company headquarters were relocated in December 2009;
- The Company drilled an exploration well in PEL 218 completing the requirements of our farmin agreement;
- Beach Energy Limited agreed to a proposed farmin to ATP 855P;
- The company was added to the S&P/ASX 300;
- Expanded its operational and exploration staff significantly.

### 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 (2008: Nil).

### Operating Results

The consolidated loss of the consolidated entity after providing for income tax amounted to \$5,704,634 (2008: loss of \$6,138,016).

**DIRECTORS' REPORT (continued)**

**Review of Operations and Results**

**Review of principal operations**

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

		<b>2009</b>	<b>2008</b>
		<b>\$</b>	<b>\$</b>
ATP 549P	Cooper Eromanga	33.33%	33.33%
ATP 594P	Cooper Eromanga	50.00%	50.00%
ATP 794P	Cooper Eromanga Regleigh & Springfield areas	60.00%	60.00%
ATP 794P	Cooper Eromanga Brightspot area	75.00%	75.00%
ATP 626P*	Surat	100.00%	100.00%
ATP 849P	Surat	80.00%	80.00%
ATP 855P	Cooper Eromanga	80.00%	80.00%
PEL 218	Cooper Eromanga	33.30%	33.30%
ATP 560	Cooper Eromanga	50.50%	50.50%
EPG 49	Cooper Eromanga	100.00%	100.00%
EPG 51	Cooper Eromanga	100.00%	100.00%

Lease interests held in Bayou Choctaw area Louisiana USA

Victory	Louisiana	0.00%	38.50%
Victory	Louisiana	0.00%	19.00%

\* Under the farm-in agreement with Stanwell Corporation Limited, Icon's interest in ATP 626P remains at 100% until the payment of \$30 million for Stage Two of the agreement after which Stanwell Corporation Limited will earn a 50% interest in only four blocks of ATP 626P. Stage Two involves a 20 well program to prove 2P and 3P reserves.

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

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

**ATP 626P**

ATP 626P is Icon's prime asset located in the Surat Basin in Queensland. The Gas Initially In Place (GIIP) estimate for ATP 626P was increased to 6,115 PJ. A farm-in agreement with Stanwell Corporation was announced in December 2008. A subsequent joint venture agreement and a gas sale agreement for 225 petajoules of gas over a fifteen year period was announced in January 2009. The farm-in agreement with Stanwell Corporation Limited provides initial funds needed to develop the ATP 626P resource and determine 2P and 3P reserves. The agreement provides for Stanwell Corporation to earn a 50% interest in the four blocks surrounding the Lydia No.1 well drilled in November 2007. The total value of the farm-in is \$36 million dollars for the first two stages of a three stage program. For Stage 1, known as the Lydia Pilot the company drilled three wells. In addition dewatering and coring activities will continue and test the commerciality of the gas resources. Stage 2 is a \$30 million program to drill up to 20 wells to provide certifiable reserves. Stage 3 is the commercial development of the field. Icon's working interest in ATP 626P is still 100% and will reduce when the first two stages of the farm-in agreement are complete. At that time, Icon's interest will reduce to approximately 90% of ATP 626P on a per block basis.

The first stage final report will be presented to Stanwell Corporation in mid 2010. Based on this report Stanwell Corporation will make a commitment decision to enter Stage 2.

## DIRECTORS' REPORT (continued)

### PEL 218

Icon farmed into this permit in October 2007 to earn a 33.3% working interest in the Mesozoic sedimentary section. Icon's obligation under this program is to fund 50% of 100 kms of seismic data and drill one well to test the hydrocarbon potential of the Jurassic and Triassic sediments. In August 2009, the Company participated in a single well which was the last of its commitment to earn a 33.3% interest in the tenement.

The block covers the South Australian side of the Nappameri Trough that is the source kitchen for oil. Three petroleum licenses lie within the block and are not part of Icon's interest. The Ballera to Moomba gas pipeline traverses the centre of the block.

Icon originally bid on this block when it was gazetted and the tender was awarded to Adelaide Energy, the present holder. Icon's interest is 33.3% in the Mesozoic sedimentary section only.

### ATP 794P

This block is held by Victoria Petroleum Limited. Icon has a 75% beneficial interest in Brightspot, and a 60% interest in Regleigh and Springfield. ATP 794P covers an area of 14,957 square kilometres and is located in the Southwest Queensland portion of the Cooper/Eromanga Basin. The permit was granted for a 12 year term from 1 November 2005. Significant Jurassic oil potential has been interpreted to be present in ATP 794P based on the oil shows in the numerous wells drilled in the permit and the extensive seismic data grid.

### ATP 849P

This permit was won in the 2006 Queensland Government tender process and was granted to Icon and its joint venture partners on 1 September 2009. The area is prospective for a coal seam gas reservoir in the Walloon Coal Measures (WCM). These coals are found at shallow depths (up to 400m) over most of this very large permit (3,853 sq kms or approximately 1 million acres). The area will be awarded for twelve years with \$5.2 million obligatory expenditure in the first four years. Icon's interest in this permit is 80%.

### ATP 594P

Icon is the operator of ATP 594P. This permit has a gas show on a large structure. The exploration program is presently under review pending discussions with the other 50% partner to transfer their 50% to Icon Energy Limited. The permit is subject to an overriding royalty (ORR) on the 50% partner's (Triple J Pty Ltd) share. The ORR needs to be converted to a working interest before farmout negotiations can be commenced. As a result of the Triple J Pty Ltd deregistration, the Triple J Pty Ltd interest is currently held by ASIC. Icon is currently negotiating with ASIC regarding the transfer of this interest. Until ASIC transfers the interest, Icon cannot commence the Native Title process.

### ATP 855P

This block is subject to a Native Title claim with the Wangkumarra traditional owners. Negotiations began early April 2009 with Wangkumarra traditional owners as a "Right To Negotiate" (RTN) process. Icon Energy Limited agreed to a farmin proposal from Beach Energy Limited whereby Beach will earn 50% of Icon's interest (40% of the working interest in the block) by undertaking seismic activity and an agreed drilling program. This block is located in the Queensland part of the NappaMerri trough and is geologically associated with PEL 218. The area is prospective for a coal seam gas reservoir in the Walloon Coal Measures (WCM). These coals are found at shallow depths (up to 400m) over most of this very large permit. Icon's interest in this permit is currently 80%.

### EPG 49 and EPG 51

EPG 49 is called NappaMerri 1 and is located underneath part of ATP 855P which is located on the eastern side of the QLD/SA border, a few kms south west of the town of Ballera and 50km east of Jackson. The drilling program for NappaMerri 1 will be strategically aligned with ATP 855P to allow for cost savings and efficiencies in the drilling and exploration phases. Icon Energy Limited will obtain new geological information in relation to the geothermal potential of NappaMerri 1 and NappaMerri 2 as part of a five year drilling program. As a geothermal exploration block, EPG 49 is not subject to Native Title claims. Icon has a 100% interest in this block.

EPG 51, NappaMerri 2, is adjacent to NappaMerri 1 and is also located underneath part of ATP 855P on the eastern side of the QLD/SA border. The drilling program for NappaMerri 2 will also be strategically aligned with ATP 855P and EPG 49. As with EPG 49, NappaMerri 2 is not subject to Native Title negotiations. Icon has a 100% interest in this block.

For both EPG 49 and EPG 51, negotiations are still being conducted with Wangkumara traditional owners in regards to Cultural Heritage. In 2009, ministerial determination was made that no RTN was required for geothermal blocks.

## DIRECTORS' REPORT (continued)

### USA Operations

During 2009, Icon has suspended its US operations due to the current problems with the operator.

### Financial position

The net loss for the Company and its controlled entities for the year ended 31 December 2009 was \$5,704,634 (2008: \$6,138,016). Included in the consolidated loss was an amount of \$780,097 (2008: \$2,897,400) being a provision for the impairment of the US assets of the Company. These costs have been written off in accordance with accounting standards in relation to impairment.

The Company has expanded its operations with an increase in the executive and operational staff to facilitate the development of ATP 626P. Executive staff are employed on a contractual basis. The outlook for 2010 sees the Company in a strong financial position due to the Stanwell Corporation Limited farmin agreement. The cash and cash equivalents balance at 31 December 2009 was \$23,420,060 (2008: \$4,373,373). To further develop the resources in ATP 626P and other permits, the company undertook two capital raisings during the year.

### Environmental Regulation

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

### Capital Raising

In June 2009 the Company issued 46,000,000 fully paid ordinary shares in placements to sophisticated investors for a total of \$13,800,000 (46,000,000 at 30 cents per share). In addition to the placement, the Company announced a Share Purchase Plan where eligible shareholders were entitled to acquire up to a maximum of \$15,000 worth of fully paid ordinary shares in the Company at 30 cents per share, being the same price as the shares issued at placement. In July 2009 the Company issued 58,548,097 fully paid ordinary shares at 30 cents per share through Share Purchase Plan. The total raised in this placement was \$17,564,436.

### Information on Directors

#### STEPHEN MICHAEL BARRY (CHAIRMAN)

**Qualifications:** LLB University of Sydney

**Experience:** Mr. Barry has been a Director of Icon Energy Limited since 1993. He has been a key player in the development of the strategic direction of the Company. As a practicing Solicitor he has extensive experience in Joint Venture and Farmin Contracts together with a wealth of knowledge on commercial law and corporate litigation. He was appointed as the Chairman of the Board on 18th December 2008. Mr. Barry is a member of the Board's "Remuneration Nominations and Successions" Committee. He is also a member and Chairman of the Board's Audit and Risk Management Committee. Mr. Barry has held no other Australian listed company directorships during the past three financial years.

**Special Duties:** Stephen is the Chairman of the Remuneration Nominations and Successions Committee and a member of Audit and Risk Management Committee.

**Interest in Shares:** 1,600,866 ordinary shares.

**Director:** Since 05/01/1993

#### RAYMOND SWINBURN JAMES (MANAGING DIRECTOR)

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

**Experience:** Has 37 years experience in the petroleum industry in Australia, USA, Indonesia, SE Asia, M.East and Russia. He worked with Chevron Perth and Houston from 1969-74 and with Gulf Oil from 1974-80. He was the Managing Director of Australian Hydrocarbons from 1980-81 and the Managing Director of Omega Oil from 1987-91. He was a Director of Australian Petroleum Production & Exploration Association (APPEA) from 1999-2007 and Vice Chairman of APPEA from 2003-2005. He is the Managing Director of Icon Energy Limited and its subsidiaries since 1993. He is the President of Icon Oil US LLC since 1999. He is a Fellow of the Australian Institute of Management.

In addition to the functions of Managing Director, Ray James also fulfills the roles of Director of Exploration, he also performs the function of Chief Geophysicist.

**Interest in Shares:** 21,143,925 ordinary shares

**Director:** Since 01/02/1993

**DIRECTORS' REPORT (continued)**

**RAYMOND PATRICK MCNAMARA**

**Qualifications:** B.Bus (QUT), MBA (UQ), Ph.D (UQ) CPA

**Experience:** Dr. Ray McNamara has more than twenty years of experience in the private and public sectors specialising in financial accounting, corporate control systems and security appraisal and valuation. He is currently an Associate Professor of Accounting at Bond University. Dr. McNamara is also on the Board of not-for-profit organisations and a number of private companies.

Icon Energy Limited combines the financial and Company secretarial functions into one role. Dr. McNamara has responsibility for all Company Secretarial matters. He is also the Chief Financial Officer being responsible for the strategic financial focus of the Company, the compliance, financial and management reporting functions, together with reporting to our joint venture partners.

**Interest in Shares:** 264,000 ordinary shares

**Director:** Since 27/04/2007

**DEREK JAMES MURTAGH MURPHY**

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

**Experience:** Mr. Murphy was appointed to the Board on 20 March 2009 as a non-executive Director of Icon Energy Limited. He is a Fellow of the Australian Institute of Management, a Fellow of the Australian Institute of Company Directors, a Fellow of the Hong Kong Institute of Directors and a Senior Fellow of the Financial Services Institute of Australasia. He was admitted as a Barrister of the Supreme Court of Queensland and the Federal and High Courts of Australia. Before practicing as a Barrister in Brisbane for some years, he was the Queensland partner of ABS White and Company, a Sydney based stock broking firm. He was a Crown Counsel, Deputy Commissioner for Securities and Commodities Trading for Hong Kong, Managing Director of what is now HSBC Asset Management, and Group Vice President, Corporate Communications, of First Pacific Company Limited, a publicly listed conglomerate with interests in telecommunications, food, property and health care. Mr. Murphy is a Non-Executive Director of Hayco Manufacturing Limited, a large manufacturing Company in Hong Kong and China, and a Director of Viro International Limited.

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

**Interest in Shares:** 100,000 ordinary shares

**Director:** Since 20/03/2009

**KEITH HILLESS**

**Qualifications:** BEng (Electrical) (UQ), Ph.D (QUT)

**Experience:** Dr. Hilless was appointed to the Board on 3 April 2009 as a non-executive Director of Icon Energy Limited. He worked in the electricity supply industry in various parts of Queensland from 1961 to 1984 before taking on General Manager roles with the South West Queensland Electricity Board and then the North Queensland board. Dr Hilless was acting Commissioner for the Queensland Electricity Board from 1991 to 1993, when he was elevated to Commissioner. He was named Chief Executive Officer of the new Queensland Transmission and Supply Corporation when the State Government reorganised the electricity industry in 1995. He moved into private industry in 1997, joining the US-owned NRG Asia Pacific where he became Managing Director with responsibility for development of the company's business in the Asia-Pacific region. Dr Hilless also oversaw the management of a portfolio of investments that included the Gladstone, Loy Yang and Collinsville power stations in Australia. From 2002 to 2008 he was chairman of the Queensland Government-owned Ergon Energy, which is responsible for the provision of the state's regional electricity distribution network. In October last year he was named chairman of ZeroGen, a Queensland Government company which plans to develop a commercial-scale generating plant using clean-coal technology. On Australia Day 2008 Dr Hilless was appointed a Member of the Order of Australia in recognition of his service to the electricity supply industry in Queensland. Dr Hilless will bring to the Board significant experience gained from a career in the electricity supply industry spanning over 50 years.

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

**Interest in Shares:** 24,000 ordinary shares

**Director:** Since 03/04/2009

**DIRECTORS' REPORT (continued)**

**REMUNERATION REPORT-AUDITED**

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

A performance incentive plan that involves offering employees and Executive Directors a short-term and long-term bonus scheme involving a combination of cash and shares was approved by the Board in 2008, subject to shareholders approval. Due to the Global Financial Crisis in 2009 this plan was not presented to shareholders for approval. This incentive plan will be presented to shareholders for approval at the next Annual General Meeting.

**Fixed remuneration**

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

**Service Agreements**

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

A service agreement exists for the Managing Director Mr. Ray James, the Company Secretary and Chief Financial Officer, Dr. Ray McNamara, and for the Director of Business Development, Mr. John Quayle.

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

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

Mr. James, Dr. McNamara and Mr. John Quayle have no entitlement to termination payments in the event of removal for misconduct.

**Non-executive Directors**

Non-executive Directors' base fees approved by the shareholders on 30 May 1997 are not to exceed \$250,000 per annum unless further approval is obtained.

Non-executive Directors' base fees for the year ended 31 December 2009 were \$208,254 (2008: \$84,105). Non-executive Directors do not receive incentive based remuneration. There are no provisions for any retirement benefits other than statutory requirements.

**Directors and Key Management Personnel Remuneration**

2009	Short Term			Long Term			Portion of Remuneration Based on Performance %
	Salaries & Fees (i) \$	Other Benefits (ii) \$	Total \$	Super-annuation \$	Other Benefits \$	Total \$	
<b>Directors</b>							
Stephen Barry	99,674	-	99,674	8,971	-	108,645	-
Keith Hillless	54,091	-	54,091	4,725	-	58,816	-
Derek Murphy	54,489	-	54,489	4,904	-	59,393	-
Ray James	525,036 (i)	29,107	554,143	56,998	-	611,141	-
Ray McNamara	401,510 (i)	8,662	410,172	33,824	-	443,996	-
<b>Senior Management</b>							
John Quayle	350,599	25,000	375,599	27,721	-	403,320	-
Larry Brown	309,042	5,730	314,772	22,500	-	337,272	-
Robert King-Appointed 07/09/2009	72,037	-	72,037	5,764	-	77,801	-
	<b>1,866,478</b>	<b>68,499</b>	<b>1,934,977</b>	<b>165,407</b>	<b>-</b>	<b>2,100,384</b>	

(i) Salaries & Fees include annual, personal and long service leave accrued during the year. Mr. James and Dr. McNamara did not receive any bonuses or pay increases since the last Annual General Meeting.

(ii) Bonus and Other Benefits include non-monetary benefits to employees. Included in the amount of \$29,107 is an amount representing non-monetary benefits and car allowance received by Mr. James. Dr. McNamara received non-monetary benefits only. Mr. Quayle received car allowance and no other non-monetary benefits. Mr. Brown received non-monetary benefit only.

**DIRECTORS' REPORT (continued)**

2008	Short Term			Long Term		Portion of Remuneration Based on Performance %	
	Salaries & Fees (i) \$	Bonus & Other Benefits (ii) \$	Total \$	Super- annuation \$	Other Benefits \$		Total \$
<b>Directors</b>							
Martin Pyecroft	37,605	-	37,605	-	140,175 (iii)	37,605	-
Stephen Barry	46,500	-	46,500	4,185	-	50,685	-
Ray James	509,035	146,555	655,589	41,038	-	696,627	19%
Ray McNamara	286,356	49,840	336,197	23,820	-	360,017	13%
<b>Senior Management</b>							
John Quayle	170,381	30,000	200,381	15,386	-	215,766	14%
Larry Brown-Appointed 29/07/2008	118,498	-	118,498	9,375	-	127,873	-
	<b>1,168,374</b>	<b>226,395</b>	<b>1,394,769</b>	<b>93,804</b>	<b>140,175</b>	<b>1,488,572</b>	

(i) Salaries & Fees include annual, personal and long service leave accrued during the year.

(ii) Bonus and Other Benefits include non-monetary benefits to employees. Included in the amount of \$146,555 is an amount of \$14,554 received by Mr. James representing non-monetary benefits. The bonus amount included in this figure is \$132,000. Dr. McNamara received non-monetary benefits of \$3,840 which is included in the Bonus and other non-monetary benefits figure of \$49,840. The bonus amount included in this figure is \$46,000. Mr. Quayle received a bonus of \$30,000 and received no other non-monetary benefits. All bonuses represent part of the employees short-term incentives. Bonuses were paid on the recommendation of the Remunerations, Nominations and Succession Committees based on the achievement of agreed strategic and operational objectives.

(iii) Upon retirement after more than ten years of service, the company paid Mr. Pyecroft a retirement benefit. This benefit is less than the statutory prescribed limit in Sec 200G of the Corporations Act.

**Directors' and Senior Management's Interests**

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

Directors	Ordinary	Options
	shares No.	No.
SM Barry	1,600,866	-
RS James	21,143,925	-
RP McNamara	264,000	-
DM Murphy	100,000	-
K Hillless	24,000	-
<b>Senior Management</b>		
J Quayle (Business Development Manager)	1,050,000	-
L Brown (Chief of Operations)	-	-
R King (Chief Geophysicist) - Appointed 07/09/2009	-	-

Movements in the Directors shareholdings during the year are detailed in Note 6(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**

**2009**

There were no options outstanding at 31 December 2009.

**2008**

There were no options outstanding at 31 December 2008.

Movements in the options during the year are detailed in Note 16 to the financial statements.

**DIRECTORS' REPORT (continued)**

**MEETINGS OF DIRECTORS**

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

	Directors Meetings		Audit and Risk Management Committee Meetings		Remuneration Nominations, and Successions Committee Meetings	
	A	B	A	B	A	B
R S James	19	20	-	-	-	-
S M Barry	20	20	2	2	5	5
R P McNamara	20	20	-	-	-	-
D Murphy	12	12	1	1	5	5
K Hillless	10	11	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**

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, WHK Howarth, the Company's auditor, has the benefit of indemnity to the extent WHK 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 financial year ended 31 December 2009 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 period is was \$19,900.

**Likely Future developments**

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

**Proceedings on Behalf of the Company**

No person has applied for leave of the 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.

**Non-audit services**

Taxation services \$90,090

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 imposed by the Corporations Act 2001.

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

The lead auditor's independence declaration is set out on page 38 and forms part of the Directors report for the year ended 31 December 2009. WHK Howarth continues in office in accordance with Section 327 of the Corporations Act 2001.

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



S Barry  
Chairman  
26 February 2010



R S James  
Managing Director  
26 February 2010



**Auditors Independence Declaration under Section 307C of the Corporations Act 2001  
To the Directors of Icon Energy Limited**

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2009 there have been:

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

*WHK Horwath*

**WHK HORWATH**

*Underwood*

**VANESSA DE WAAL  
PRINCIPAL**

Brisbane, 26 February 2010.

*Liability limited by a scheme approved under the professional standards legislation other than for acts or omissions of financial services licensees.*



WHK Pty Ltd trading as WHK Horwath Brisbane is a member of Crowe Horwath International Association, a Swiss Verein.

Member Crowe Horwath International  
WHK Horwath Brisbane  
Level 16, WHK Horwath Centre 120 Edward  
Street  
Brisbane Queensland 4000 Australia  
GPO Box 736 Brisbane Queensland 4001  
Australia  
Telephone +61 7 3233 3555 Facsimile +61 7  
3210 6183  
Email [info.bri@whkhorwath.com.au](mailto:info.bri@whkhorwath.com.au)  
[www.whkhorwath.com.au](http://www.whkhorwath.com.au)  
A WHK Group firm



**INDEPENDENT AUDITOR'S REPORT  
To the members of Icon Energy Limited  
Report on the Financial Report**

We have audited the accompanying financial report of Icon Energy Limited (the Company), which comprises the Statements of Financial Position as at 31 December 2009, and Statements of Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year end or from time to time during the financial year.

*Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

*Auditor's Responsibility*

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

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

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

*Independence*

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

*Liability limited by a scheme approved under the professional standards legislation other than for acts or omissions of financial services licensees.*



WHK Pty Ltd trading as WHK Horwath Brisbane is a member of Crowe Horwath International Association, a Swiss Verein.

Member Crowe Horwath International  
WHK Horwath Brisbane  
Level 16, WHK Horwath Centre 120 Edward  
Street  
Brisbane Queensland 4000 Australia  
GPO Box 736 Brisbane Queensland 4001  
Australia  
Telephone +61 7 3233 3555 Facsimile +61 7  
3210 6183  
Email [info.bri@whkhorwath.com.au](mailto:info.bri@whkhorwath.com.au)  
[www.whkhorwath.com.au](http://www.whkhorwath.com.au)  
A WHK Group firm

*Auditor's Opinion*

In our opinion the financial report of Icon Energy Limited is in accordance with the Corporations Act 2001, including:

- a) giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2009 and of their performance for the year ended on that date; and
- b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

The financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

**Report on the Remuneration Report**

We have audited the Remuneration Report included on pages 35 to 36 of the directors' report for the year ended 31 December 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

*Auditor's Opinion*

In our opinion the Remuneration Report of Icon Energy Limited for the year ended 31 December 2009, complies with section 300A of the *Corporations Act 2001*.



**WHK HORWATH**



**VANESSA DE WAAL**

**PRINCIPAL**

Brisbane, 1 March 2010

**DIRECTORS' DECLARATION**

The Directors of the Company declare that:

- 1 The financial statements and notes, as set out on pages 42 to 63, are in accordance with the Corporations Act 2001 and:
  - (a) comply with Accounting Standards; and
  - (b) give a true and fair view of the financial position as at 31 December 2009 and of the performance for the year ended on that date of the Company and consolidated entity;
  
- 2 The Managing Director and Chief Financial Officer have each declared that:
  - (a) The financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
  - (b) The financial statements and notes for the financial year comply with the Accounting Standards; and
  - (c) The financial statements and notes for the financial year give a true and fair view.
  
- 3 In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they come due and payables.

Dated the 24th day of February 2010.

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



S Barry  
Chairman

26 February 2010

**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

	NOTE	CONSOLIDATED ENTITY		PARENT ENTITY	
		2009	2008	2009	2008
		\$	\$	\$	\$
Revenue	2(a)	-	16,189	-	-
Less: Cost of sales		-	(66,357)	-	-
Gross Profit/(Loss)		-	(50,168)	-	-
Other income	2(b)	594,148	146,903	466,378	141,355
Administration expenses		(3,165,339)	(2,113,211)	(3,152,697)	(2,102,770)
Depreciation and amortisation expense		(133,803)	(79,702)	(119,772)	(79,470)
Employee benefits and expenses		(1,991,227)	(968,818)	(1,499,995)	(968,818)
Occupancy expenses		(160,073)	(150,661)	(160,073)	(150,663)
Impairment of non-current assets	3	(780,097)	(2,902,416)	(2,775,595)	(5,055,696)
Finance costs		(68,243)	(19,943)	(68,230)	(19,943)
<b>Profit/(Loss) before income tax</b>	4	<b>(5,704,634)</b>	<b>(6,138,016)</b>	<b>(7,309,984)</b>	<b>(8,236,005)</b>
Income tax expense	5	-	-	-	-
<b>Profit/(Loss) for the year</b>		<b>(5,704,634)</b>	<b>(6,138,016)</b>	<b>(7,309,984)</b>	<b>(8,236,005)</b>
<b>Other comprehensive income</b>					
Exchange differences arising on translation of foreign operations		(234,832)	837,849	-	-
Other comprehensive income/(loss) for the year		(234,832)	837,849	-	-
<b>Total comprehensive income/(loss) for the year</b>		<b>(5,939,466)</b>	<b>(5,300,167)</b>	<b>(7,309,984)</b>	<b>(8,236,005)</b>
Profit attributable to:					
Owners of the parent entity		(5,704,634)	(6,138,016)	(7,309,984)	(8,236,005)
Non-controlling interests		-	-	-	-
<b>Profit/(Loss) for the year</b>		<b>(5,704,634)</b>	<b>(6,138,016)</b>	<b>(7,309,984)</b>	<b>(8,236,005)</b>
Total comprehensive income attributable to:					
Owners of the parent entity		(5,939,466)	(5,300,167)	(7,309,984)	(8,236,005)
Non-controlling interests		-	-	-	-
<b>Total comprehensive income/(loss) for the year</b>		<b>(5,939,466)</b>	<b>(5,300,167)</b>	<b>(7,309,984)</b>	<b>(8,236,005)</b>
<b>Earnings per share</b>					
Basic earnings per share (cents per share)	18	(1.47)	(2.06)		
Diluted earnings per share (cents per share)	18	(1.47)	(2.06)		

The accompanying notes form part of these financial statements.

**STATEMENTS OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2009**

	NOTE	CONSOLIDATED ENTITY		PARENT ENTITY	
		2009	2008	2009	2008
		\$	\$	\$	\$
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	7	23,420,060	4,373,373	23,336,717	4,304,977
Trade and other receivables	8	719,951	52,956	700,799	30,175
<b>TOTAL CURRENT ASSETS</b>		<b>24,140,011</b>	<b>4,426,329</b>	<b>24,037,516</b>	<b>4,335,152</b>
<b>NON-CURRENT ASSETS</b>					
Trade and other receivables	9	-	-	6,232,758	6,285,789
Property, plant, and equipment	10	6,173,436	406,317	6,104,254	327,398
Financial assets	11	572,500	-	572,500	-
Other non-current assets	12	10,102,414	7,059,699	3,755,759	2,554,846
<b>TOTAL NON-CURRENT ASSETS</b>		<b>16,848,350</b>	<b>7,466,016</b>	<b>16,665,271</b>	<b>9,168,033</b>
<b>TOTAL ASSETS</b>		<b>40,988,361</b>	<b>11,892,345</b>	<b>40,702,787</b>	<b>13,503,185</b>
<b>CURRENT LIABILITIES</b>					
Trade and other payables	13	594,278	334,456	187,118	194,204
Short-term borrowings	14	90,678	92,103	90,678	92,103
Short-term provisions	15	385,230	281,618	314,230	281,618
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,070,186</b>	<b>708,177</b>	<b>592,026</b>	<b>567,925</b>
<b>NON-CURRENT LIABILITIES</b>					
Long-term borrowings	14	3,674,562	184,138	3,674,562	184,138
Long-term provisions	15	204,120	109,284	16,132	109,284
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>3,878,682</b>	<b>293,422</b>	<b>3,690,694</b>	<b>293,422</b>
<b>TOTAL LIABILITIES</b>		<b>4,948,868</b>	<b>1,001,599</b>	<b>4,282,720</b>	<b>861,347</b>
<b>NET ASSETS</b>		<b>36,039,493</b>	<b>10,890,746</b>	<b>36,420,067</b>	<b>12,641,838</b>
<b>EQUITY</b>					
Issued capital	16	64,539,450	33,451,237	64,539,450	33,451,237
Reserves	17	(2,238,511)	(2,003,679)	-	-
Accumulated losses		(26,261,446)	(20,556,812)	(28,119,383)	(20,809,399)
<b>TOTAL EQUITY</b>		<b>36,039,493</b>	<b>10,890,746</b>	<b>36,420,067</b>	<b>12,641,838</b>

The accompanying notes form part of these financial statements.

**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

CONSOLIDATED ENTITY	Ordinary Share Capital \$	Foreign Exchange Reserve \$	Accumulated Losses \$	Total \$
<b>Balance at 1 January 2008</b>	26,351,737	(2,841,528)	(14,418,796)	9,091,413
Total comprehensive income:				
Loss for the year	-	-	(6,138,016)	(6,138,016)
Other comprehensive income	-	837,849	-	837,849
<b>Total Comprehensive Income for the year</b>	-	837,849	(6,138,016)	(5,300,167)
<b>Transactions with owners in their capacity as owners:</b>				
Shares issued	7,374,000	-	-	7,374,000
Share issue costs	(274,500)	-	-	(274,500)
<b>Total transactions with owners</b>	7,099,500	-	-	7,099,500
<b>Balance at 31 December 2008</b>	<b>33,451,237</b>	<b>(2,003,679)</b>	<b>(20,556,812)</b>	<b>10,890,746</b>
<b>Balance 1 January 2009</b>	33,451,237	(2,003,679)	(20,556,812)	10,890,746
Total comprehensive income:				
Loss for the year	-	-	(5,704,634)	(5,704,634)
Other Comprehensive Income	-	(234,832)	-	(234,832)
<b>Total Comprehensive Income for the year</b>	-	(234,832)	(5,704,634)	(5,939,466)
<b>Transactions with owners in their capacity as owners:</b>				
Shares issued	31,911,936	-	-	31,911,936
Share issue costs	(823,723)	-	-	(823,723)
<b>Total transactions with owners</b>	31,088,213	-	-	31,088,213
<b>Balance at 31 December 2009</b>	<b>64,539,450</b>	<b>(2,238,511)</b>	<b>(26,261,446)</b>	<b>36,039,493</b>
<b>PARENT ENTITY</b>				
<b>Balance at 1 January 2008</b>	26,351,737	-	(12,573,394)	13,778,343
Total comprehensive income:				
Loss for the year	-	-	(8,236,005)	(8,236,005)
<b>Total Comprehensive Income for the year</b>	-	-	(8,236,005)	(8,236,005)
<b>Transactions with owners in their capacity as owners:</b>				
Shares issued	7,374,000	-	-	7,374,000
Share issue costs	(274,500)	-	-	(274,500)
<b>Total transactions with owners</b>	7,099,500	-	-	7,099,500
<b>Balance at 31 December 2008</b>	<b>33,451,237</b>	<b>-</b>	<b>(20,809,399)</b>	<b>12,641,838</b>
<b>Balance 1 January 2009</b>	33,451,237	-	(20,809,399)	12,641,838
Total comprehensive income:				
Loss for the year	-	-	(7,309,984)	(7,309,984)
<b>Total Comprehensive Income for the year</b>	-	-	(7,309,984)	(7,309,984)
<b>Transactions with owners in their capacity as owners:</b>				
Shares issued	31,911,936	-	-	31,911,936
Share issue costs	(823,723)	-	-	(823,723)
<b>Total transactions with owners</b>	31,088,213	-	-	31,088,213
<b>Balance at 31 December 2009</b>	<b>64,539,450</b>	<b>-</b>	<b>(28,119,383)</b>	<b>36,420,067</b>

The accompanying notes form part of these financial statements.

**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

	NOTE	CONSOLIDATED ENTITY		PARENT ENTITY	
		2009	2008	2009	2008
		\$	\$	\$	\$
		Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash receipts from customers		804	19,339	1,239	-
Cash payments to suppliers and employees		(6,209,970)	(3,674,045)	(5,532,944)	(3,572,128)
Interest received		549,464	143,844	465,139	141,355
Finance costs		(68,243)	(19,943)	(68,230)	(19,943)
Net Cash used in operating activities	19(a)	<b>(5,727,945)</b>	<b>(3,530,805)</b>	<b>(5,134,796)</b>	<b>(3,450,716)</b>
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>					
Payments for property, plant & equipment		(5,704,142)	(143,121)	(5,699,847)	(63,970)
Payments for deferred mining and exploration		(9,458,158)	(909,770)	(1,223,985)	(48,250)
Proceeds from sale of mining leases		-	450,000	-	450,000
Loans advanced to related parties		-	-	(2,722,564)	(902,995)
Proceeds from joint venture contributions		6,124,000	-	-	-
Payments for intangible assets		(20,000)	-	(20,000)	-
Net Cash provided by/(used in) investment activities		<b>(9,058,300)</b>	<b>(602,891)</b>	<b>(9,666,396)</b>	<b>(565,215)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from issue of share capital		31,364,436	7,374,000	31,364,436	7,374,000
Capital raising costs		(823,723)	(274,500)	(823,723)	(274,500)
Proceeds from borrowings raised		3,586,452	-	3,586,452	-
Repayment of borrowings		(294,233)	(54,690)	(294,233)	(54,691)
Net cash from finance activities		<b>33,832,932</b>	<b>7,044,810</b>	<b>33,832,932</b>	<b>7,044,809</b>
Net increase/(decrease) in cash and cash equivalents		<b>19,046,687</b>	<b>2,911,114</b>	<b>19,031,740</b>	<b>3,028,878</b>
Cash and cash equivalents at beginning of the financial year		<b>4,373,373</b>	<b>1,462,259</b>	<b>4,304,977</b>	<b>1,276,099</b>
Cash and cash equivalents at the end of the financial year	7	<b>23,420,060</b>	<b>4,373,373</b>	<b>23,336,717</b>	<b>4,304,977</b>

The accompanying notes form part of these financial statements.

**NOTE 1 - STATEMENT OF ACCOUNTING POLICIES**

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

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

The financial statements have been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets and financial assets and financial liabilities for which the fair value basis of accounting is applied.

The financial statements of Icon Energy Ltd and its controlled entities and Icon Energy Limited as an individual parent entity comply with all Australian equivalents to International Financial Reporting Standards (IFRS) in their entirety, which ensures that the financial statements comply with International Financial Reporting Standards.

The financial report was authorised for issue by the Board of Directors on 26 February 2010.

The following is a summary of the material accounting policies adopted by the consolidated entity in the preparation of the financial report.

**(a) New Accounting Standards and Interpretations**

**Changes in accounting policies and disclosures**

The accounting policies adopted have been consistently applied except as follows:

The consolidated entity has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 January 2009.

- (i) AASB 8: *Operating Segments* effective 1 January 2009
- (ii) AASB 101: *Presentation of Financial Statements* (revised 2007) effective 1 January 2009

When the adoption of the standard or Interpretation is deemed to have an impact on the financial statements or performance of the consolidated entity, its impact is described below:

**AASB 8: Operating Segments**

AASB 8 replaced AASB 14: *Segment Reporting* upon its effective date. The consolidated entity has concluded that the operating segments determined in accordance with AASB 8 are the same as the geographical segments previously identified under AASB 114. AASB 8 disclosures are shown in Note 23, including the related revised comparative information.

**AASB 101: Presentation of Financial Statements**

The revised standard separates owner and non-owner changes in equity. The Statement of Changes in Equity includes only details of transactions with owners, with non-owner changes in equity included in the new Statement of Comprehensive Income. The consolidated entity has elected to present all items of recognised income and expense in a single Statement of Comprehensive Income.

AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in these financial statements include:

- the replacement of Income Statement with Statement of Comprehensive Income. Total comprehensive income includes the changes in equity during the period other than changes resulting from transactions with owners in their capacity as owners. Items of income and expense not recognised in profit or loss are now disclosed as components of 'other comprehensive
- the adoption of the separate income statement and statement of comprehensive income approach/ single statement approach to the Statement of Comprehensive Income;
- other financial statements are renamed in accordance with the Standard

**(b) 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 controlled entities have a December financial year end.

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

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

**(c) Income Tax**

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

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

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

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

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

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

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

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

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

**Tax Consolidation**

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

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

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

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

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

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

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

**(e) Leases**

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

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

Lease payments for operating leases, where substantially all risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

**(f) Exploration, Evaluation and Development Expenditure**

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

**NOTE 1 - STATEMENT OF ACCOUNTING POLICIES (Continued)**

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

When commercial production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves. Any costs of site restoration are provided for during the relevant production stages and included in the costs of that stage.

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.

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.

**(g) Investments**

Investments in subsidiaries held by Icon Energy Limited are accounted for at cost in the separate financial statements of the parent entity, less any impairment charges. The carrying amount of investments is reviewed annually by directors to ensure it is not in excess of the recoverable amount of these investments.

Dividends are brought to account in the statement of comprehensive income when received.

**(h) Interests in Joint Ventures**

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

**(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) Cash and Cash Equivalents**

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

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

**(k) Provision for Dividend**

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

**(l) Employee Benefits**

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

**(m) Revenue**

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

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

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

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

Royalty revenue is recognised as received.

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

**NOTE 1 - STATEMENT OF ACCOUNTING POLICIES (Continued)**

**(n) Segment Reporting**

A segment is a distinguishable component of the consolidated entity that is engaged either in providing products or services (business segment), or in providing products and services within a particular economic environment (geographical segment), which is subject to the risks and rewards that are different from those in other segments.

**(o) Comparative Figures**

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

**(p) Financial Instruments**

**Recognition**

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

**Financial assets at fair value through profit and loss**

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

**Loans and receivables**

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

**Held-to-maturity investments**

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

**Available-for-sale financial assets**

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

**Financial liabilities**

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

**Fair value**

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

**Impairment**

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

**(q) Impairment of Assets**

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

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

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

**Functional and presentation currency**

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

NOTE 1 - STATEMENT OF ACCOUNTING POLICIES (Continued)

**Transactions and balances**

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

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

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

**Group companies**

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

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

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

**(s) Critical accounting estimates and judgments**

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

*Key estimates — Impairment*

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

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>NOTE 2 - REVENUE</b>				
<b>(a) REVENUE</b>				
Sales - Oil	-	16,189	-	-
	-	<b>16,189</b>	-	-
<b>(b) OTHER INCOME</b>				
Interest received				
- Financial Institutions	549,464	143,753	465,139	141,355
Royalties Received	804	3,150	-	-
Other Income	43,880	-	1,239	-
	<b>594,148</b>	<b>146,903</b>	<b>466,378</b>	<b>141,355</b>
<b>TOTAL REVENUE</b>	<b>594,148</b>	<b>163,092</b>	<b>466,378</b>	<b>141,355</b>
<b>NOTE 3 - IMPAIRMENT OF NON-CURRENT ASSETS</b>				
Impairment of exploration expenditure (Note 12)	780,097	2,897,400	-	-
Impairment of non-current assets	-	5,016	-	5,016
Impairment of non-current receivables (Note 9)	-	-	2,775,595	5,050,680
	<b>780,097</b>	<b>2,902,416</b>	<b>2,775,595</b>	<b>5,055,696</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009**

**NOTE 4 - PROFIT/(LOSS) BEFORE INCOME TAX**

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2009	2008	2009	2008
	\$	\$	\$	\$
Profit/(Loss) before income tax has been determined after:				
Amounts received or due and receivable by the parent entity auditor:				
- Audit or review of financial report	101,338	81,304	101,338	81,304
- Taxation and consultancy fees	90,090	52,885	90,090	52,885
	<b>191,428</b>	<b>134,189</b>	<b>191,428</b>	<b>134,189</b>
Amounts set aside to provision for:				
- Employee entitlements	14,448	156,000	(60,540)	156,000
Rental expense relating to operating leases				
- Minimum lease payments	160,073	150,663	160,073	150,663
Foreign exchange losses	15,951	4,323	15,951	4,323
Superannuation Expense	174,126	318,649	124,975	318,649

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2009	2008	2009	2008
	\$	\$	\$	\$

**NOTE 5 - INCOME TAX EXPENSE**

Profit/(Loss) before tax expense	(5,704,634)	(6,138,016)	(7,309,984)	(8,236,005)
Prima facie tax payable on Profit/(Loss) before income tax at 30% (2008: 30%)	(1,711,390)	(1,841,405)	(2,192,995)	(2,470,802)
Increase/(decrease) in income tax expense due to:				
Non Deductible Expenses	5,361	5,472	5,361	(10,906)
Permanent differences loan impairment	-	-	832,678	1,515,260
Other items	(45,230)	-	(45,230)	-
Deferred tax benefits not brought to account	1,751,259	1,835,933	1,400,186	966,448
Income Tax Attributable to Profit/(loss) before tax	-	-	-	-

Deferred Tax Assets not brought to account, the benefits of which will only be realised if the conditions for deductibility of tax losses set out in Note 1 occur based on corporate tax rate of 30% (2008: 30%) for Australian companies and the effective tax rate of 6.47% for foreign controlled entities:

<b>Tax losses</b>	<b>33,337,368</b>	<b>22,866,574</b>	<b>33,337,368</b>	<b>17,030,097</b>
Potential tax benefit	10,001,210	6,859,972	10,001,210	5,109,029
<b>Temporary differences</b>				
Other	878,085	288,255	878,085	288,255
Provisions	405,350	390,903	330,361	390,903
Potential tax benefit	385,031	203,747	362,534	203,747
Total deferred tax benefits not brought to account	<b>10,386,241</b>	<b>7,063,719</b>	<b>10,363,744</b>	<b>5,312,776</b>
<b>Deferred Tax Liabilities</b>				
Mining and Exploration costs	11,426,851	7,028,527	4,310,251	3,545,905
Total Deferred tax liabilities not brought to account	3,428,055	2,108,558	1,293,075	1,063,772
Total deferred assets not brought to account	<b>6,958,186</b>	<b>4,955,161</b>	<b>9,070,669</b>	<b>4,249,005</b>

**NOTE 6 - KEY MANAGEMENT PERSONNEL REMUNERATION**

(a) Key management personnel compensation included in employee benefits:	2009	2008
	\$	\$
- Short term employee benefits	1,934,977	1,394,769
- Other long term benefits	-	140,175
- Post employment benefits	165,407	93,804
- Termination benefits	-	-
- Equity compensation benefits	-	-
	<b>2,100,384</b>	<b>1,628,748</b>

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009**

**NOTE 6 - KEY MANAGEMENT PERSONNEL REMUNERATION (Continued)**

**(b) Options**

There were no options Held by Key Management Personnel during the year ended 31 December 2009 (2008: Nil).

**(c) Shareholdings**

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

	Balance	Purchases	Options		Balance
	1.1.2009		Exercised	Sold	31.12.2009
<b>2009</b>					
<b>Directors</b>					
Stephen Barry	1,567,566	33,300	-	-	1,600,866
Derek Murphy	-	60,000	-	-	60,000
Keith Hillless	-	-	-	-	-
Raymond James	23,775,235	100,000	-	(3,000,000)	20,875,235
Raymond McNamara	164,000	100,000	-	-	264,000
<b>Senior Management</b>					
John Quayle	900,000	150,000	-	-	1,050,000
Lawrence Brown	-	-	-	-	-
Robert King-Appointed 07/09/2009	-	-	-	-	-
	<b>26,406,801</b>	<b>443,300</b>	<b>-</b>	<b>(3,000,000)</b>	<b>23,850,101</b>

	Balance	Purchases	Options		Balance
	1.1.2008		Exercised	Sold	31.12.2008
<b>2008</b>					
<b>Directors</b>					
Martin Pyecroft	2,000,000	-	-	-	2,000,000
Stephen Barry	1,567,566	-	-	-	1,567,566
Ray James	23,775,235	-	-	-	23,775,235
Ray McNamara	50,000	114,000	-	-	164,000
<b>Senior Management</b>					
John Quayle	900,000	-	-	-	900,000
Lawrence Brown-Appointed 29/07/2008	-	-	-	-	-
	<b>28,292,801</b>	<b>114,000</b>	<b>-</b>	<b>-</b>	<b>28,406,801</b>

CONSOLIDATED ENTITY		PARENT ENTITY	
2009	2008	2009	2008
\$	\$	\$	\$

**(d) 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.

	<b>244</b>	<b>16,806</b>	<b>244</b>	<b>16,806</b>
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All services provided by the director-related entities were at normal commercial terms and conditions.

**NOTE 7 - CASH AND CASH EQUIVALENTS**

Cash on hand	666	657	450	450
Cash at Bank	23,419,394	4,372,716	23,336,267	4,304,527
	<b>23,420,060</b>	<b>4,373,373</b>	<b>23,336,717</b>	<b>4,304,977</b>

**Reconciliation of cash**

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to items in the Statement of Financial Position as follows:

Cash and cash equivalents	23,420,060	4,373,373	23,336,717	4,304,977
Balance as per Statement of Cash Flows	<b>23,420,060</b>	<b>4,373,373</b>	<b>23,336,717</b>	<b>4,304,977</b>

Included in cash and cash equivalents is an amount of \$340,000 which has been set aside and pledged to the company's banker. This amount has been set aside to ensure interest servicing coverage is evident on standard bank parameters. This amount is in relation to the loan for the recently acquired building.

**NOTE 8 - TRADE AND OTHER CURRENT RECEIVABLES**

Other receivables	719,951	52,956	700,799	30,175
	<b>719,951</b>	<b>52,956</b>	<b>700,799</b>	<b>30,175</b>

Other receivables are not past due and are not impaired at 31 December 2009. All amounts are expected to be received in less than 12 months.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009**

**NOTE 9 - TRADE AND OTHER RECEIVABLES - NON-CURRENT**

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2009	2008	2009	2008
	\$	\$	\$	\$
Amounts receivable from wholly owned subsidiaries:				
- Icon Drilling Pty Ltd	-	-	6,226,021	3,508,204
- Jakabar Pty Ltd	-	-	6,737	5,460
- Icon Oil US (LLC)	-	-	2,775,595	7,822,805
	-	-	<b>9,008,353</b>	<b>11,336,469</b>
Less: Impairment	-	-	(2,775,595)	(5,050,680)
	-	-	<b>6,232,758</b>	<b>6,285,789</b>

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

**NOTE 10 - PROPERTY, PLANT, AND EQUIPMENT**

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2009	2008	2009	2008
	\$	\$	\$	\$
Plant and Equipment - at cost	1,013,972	670,984	930,528	591,834
less: accumulated depreciation	(388,482)	(264,667)	(374,220)	(264,436)
	<b>625,490</b>	<b>406,317</b>	<b>556,309</b>	<b>327,398</b>
Building - at cost	2,172,934	-	2,172,934	-
less: accumulated depreciation	(3,721)	-	(3,721)	-
	<b>2,169,213</b>	<b>-</b>	<b>2,169,213</b>	<b>-</b>
Fixtures and Fittings - at cost	945,000	-	945,000	-
less: accumulated depreciation	(6,267)	-	(6,267)	-
	<b>938,733</b>	<b>-</b>	<b>938,733</b>	<b>-</b>
Land at cost	2,440,000	-	2,440,000	-
	<b>6,173,436</b>	<b>406,317</b>	<b>6,104,254</b>	<b>327,398</b>
Plant and Equipment - under lease	154,571	154,571	154,571	154,571
less: accumulated amortisation	(154,571)	(154,571)	(154,571)	(154,571)
	<b>6,173,436</b>	<b>406,317</b>	<b>6,104,254</b>	<b>327,398</b>

*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 & Equipment at cost	Building at cost	Fixture and Fittings at cost	Land at cost	Plant & Equipment under lease	Total
<b>Consolidated Entity</b>						
Balance at 1 January 2009	406,317	-	-	-	-	406,317
Additions	342,988	2,172,934	945,000	2,440,000	-	5,900,922
Depreciation	(123,815)	(3,721)	(6,267)	-	-	(133,803)
Balance at 31 December 2009	<b>625,490</b>	<b>2,169,213</b>	<b>938,733</b>	<b>2,440,000</b>	<b>-</b>	<b>6,173,436</b>

A charge exists over seven items of plant and equipment as part of a hire purchase finance arrangements. The written down value of these assets was \$382,064 as at 31 December 2009 (2008: \$262,530)

	Plant & Equipment at cost	Building at cost	Fixture and Fittings at cost	Land at cost	Plant & Equipment under lease	Total
<b>Parent Entity</b>						
Balance at 1 January 2009	327,398	-	-	-	-	327,398
Additions	338,694	2,172,934	945,000	2,440,000	-	5,896,628
Depreciation	(109,784)	(3,721)	(6,267)	-	-	(119,772)
Balance at 31 December 2009	<b>556,308</b>	<b>2,169,213</b>	<b>938,733</b>	<b>2,440,000</b>	<b>-</b>	<b>6,104,254</b>

A charge exists over seven items of plant and equipment as part of a hire purchase finance arrangements. The written down value of these assets was \$382,064 as at 31 December 2009 (2008: \$262,530). A commercial property is secured over a bank loan. The book value of the property was \$4,609,213 as at 31 December 2009 (2008: Nil).

**NOTE 11 - FINANCIAL ASSETS**

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2009	2008	2009	2008
	\$	\$	\$	\$
Shares in Unlisted Companies - at cost	-	-	976,426	976,426
Provision for diminution in value	-	-	(976,426)	(976,426)
	-	-	-	-
Mineral Interest	572,500	-	572,500	-
	<b>572,500</b>	<b>-</b>	<b>572,500</b>	<b>-</b>

The Company acquired the rights, title and interest in and to the property situated in West Baton Rouge Parish, Louisiana, USA.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009**

<b>NOTE 12 - OTHER NON-CURRENT ASSETS</b>	<b>CONSOLIDATED ENTITY</b>		<b>PARENT ENTITY</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Exploration and Evaluation Expenditure at cost	16,056,544	9,925,928	3,737,687	2,536,774
Provision for impairment	-	(2,897,400)	-	-
Less: Joint Venture Contribution Applied	(6,124,000)	-	-	-
	<u>9,932,544</u>	<u>7,028,528</u>	<u>3,737,687</u>	<u>2,536,774</u>
Performance guarantee bonds	169,870	31,171	18,072	18,072
	<b><u>10,102,414</u></b>	<b><u>7,059,699</u></b>	<b><u>3,755,759</u></b>	<b><u>2,554,846</u></b>

In assessing the recoverability of exploration and evaluation expenditure in the financial report, the directors have considered the impacts of relationships with joint venture operators, future funding arrangements and planned future expenditure in relation to mining leases held. Significant assumptions used for the purpose of the discounted cash flow (DCF) calculations include the discount rate, oil and gas prices, and projected production numbers. The DCF analysis applied a range of sensitivities including the discount rate. As required by SEC submissions in the US, a base discount rate of 10% was used. Oil and gas forecast prices were obtained from the US Department of Energy, Energy Information Agency ([www.eia.doe.gov/oiaf/forecasting.html](http://www.eia.doe.gov/oiaf/forecasting.html)). Future production forecasts were obtained from a Netherland and Sewell report prepared for the operator of the venture.

The entity has suspended US operations due to the current problems with the operator. This may take up to 12 months depending on the recovery prospects within the US economy before it is resolved. Because of the uncertainty in the US operations, the entity has written off the carrying costs for the US investment.

<b>NOTE 13 - TRADE AND OTHER PAYABLES</b>	<b>CONSOLIDATED ENTITY</b>		<b>PARENT ENTITY</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Current</b>				
Trade and sundry payables	594,278	334,456	187,118	194,204
	<b><u>594,278</u></b>	<b><u>334,456</u></b>	<b><u>187,118</u></b>	<b><u>194,204</u></b>

**NOTE 14 - BORROWINGS**

	<b>CONSOLIDATED ENTITY</b>		<b>PARENT ENTITY</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Secured</b>				
<b>Current</b>				
Hire purchase liabilities	90,678	92,103	90,678	92,103
	<b><u>90,678</u></b>	<b><u>92,103</u></b>	<b><u>90,678</u></b>	<b><u>92,103</u></b>
<b>Non Current</b>				
Hire purchase liabilities	274,562	184,138	274,562	184,138
Bank loan liabilities	3,400,000	-	3,400,000	-
	<b><u>3,674,562</u></b>	<b><u>184,138</u></b>	<b><u>3,674,562</u></b>	<b><u>184,138</u></b>
	<b><u>3,765,240</u></b>	<b><u>276,241</u></b>	<b><u>3,765,240</u></b>	<b><u>276,241</u></b>

The hire purchase liabilities are secured by motor vehicles with a written down value of \$382,064 as at 31 December, 2009 (2008: \$262,530) and are subject to interest rates between 7.95% and 13.29% and are repayable in monthly installments of \$10,732.59 including finance charges.

The bank loan is secured by commercial property with a written down value of \$4,609,213 as at 31 December 2009 and is subject to interest rate of 6.01%.

**NOTE 15 - PROVISIONS**

	<b>CONSOLIDATED ENTITY</b>		<b>PARENT ENTITY</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Current</b>				
Employee entitlements	385,230	281,618	314,230	281,618
	<b><u>385,230</u></b>	<b><u>281,618</u></b>	<b><u>314,230</u></b>	<b><u>281,618</u></b>
<b>Non Current</b>				
Employee entitlements	20,120	109,284	16,132	109,284
Restoration provision	184,000	-	-	-
	<b><u>204,120</u></b>	<b><u>109,284</u></b>	<b><u>16,132</u></b>	<b><u>109,284</u></b>
	<b><u>589,350</u></b>	<b><u>390,902</u></b>	<b><u>330,362</u></b>	<b><u>390,902</u></b>

Number of employees at year end	19	8	9	8
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**NOTE 16 - ISSUED CAPITAL**

*Share Capital*

Issued share capital 438,845,003 (31 December 2008: 332,796,906) fully paid, no par value ordinary shares.

	31 December 2009		31 December 2008	
	Number of shares	\$	Number of shares	\$
<b>Fully Paid Shares</b>				
Balance at beginning of the year	332,796,906	33,451,237	282,496,906	26,351,737
Shares issued:				
- June 2008 - Shares issued for cash	-	-	16,000,000	2,801,000
- September 2008 - Shares issued for cash	-	-	14,300,000	2,717,000
- November 2008 - Options exercised for	-	-	20,000,000	1,856,000
- May 2009 - Shares issued for tenements	1,500,000	547,500	-	-
- June 2009 - Shares issued for cash	46,000,000	13,800,000	-	-
- July 2009 - Shares issued for cash	58,548,097	17,564,436	-	-
- Capital Raising Costs	-	(823,723)	-	(274,500)
Balance at the end of the year	<b>438,845,003</b>	<b>64,539,450</b>	<b>332,796,906</b>	<b>33,451,237</b>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders meetings. In the event of winding up the company, all shareholders participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

**Options**

Balance at beginning of the year  
Options exercised during the year  
Balance at the end of the year

	Number of options December	Number of options 2008
	-	20,000,000
	-	(20,000,000)
	-	-

Terms and conditions for the options were as follows:

Issue date	Expiry date	Exercise price
31 December 2006	31 December 2008	20% below market average for 5 days prior to exercising

**NOTE 17 - FOREIGN CURRENCY TRANSLATION RESERVE**

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

**NOTE 18 - EARNINGS PER SHARE**

	CONSOLIDATED ENTITY	
	2009 \$	2008 \$
(a) Reconciliation of Earnings to Net Profit/(Loss)		
Net Profit/(Loss) for the year	(5,704,634)	(6,138,016)
Earnings used in the calculation of basic EPS	(5,704,634)	(6,138,016)
Earnings used in the calculation of dilutive EPS	(5,704,634)	(6,138,016)
(b) Weighted average number of ordinary shares outstanding during the year used in the calculation of basic EPS.	388,751,868	297,781,605
Weighted average number of ordinary shares outstanding during the year used in the calculation of dilutive EPS.	388,751,868	297,781,605

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009**

**NOTE 19 - CASH FLOW INFORMATION**

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2009	2008	2009	2008
	\$	\$	\$	\$
(a) Reconciliation of net cash used in operating activities to Profit/(loss) after income tax				
Profit/(loss) after income tax	(5,704,634)	(6,138,016)	(7,309,984)	(8,236,005)
<b>Adjustment for non cash items</b>				
Depreciation and amortisation	133,803	79,702	119,772	79,470
Impairment of non-current assets	780,097	2,902,416	2,775,595	5,055,696
Currency Movements	(5,798)	10,540	-	-
<b>Adjustment for changes in assets and liabilities</b>				
Trade receivables	-	175,916	-	99,653
Other assets*	(138,699)	(948)	13,896	-
Other receivables	(666,993)	6,496	(666,449)	6,496
Accounts payable	(140,169)	(722,911)	(7,086)	(612,026)
Employee provisions	14,448	156,000	(60,540)	156,000
Net cash used in operating activities	<b>(5,727,945)</b>	<b>(3,530,805)</b>	<b>(5,134,796)</b>	<b>(3,450,716)</b>

\* Other assets amount is exclusive of deferred exploration expenditure movement.

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

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

- acquisition of motor vehicles by hire-purchase totalling to \$196,779;
- issue of shares to the value of \$547,500 (1,500,000 shares) in consideration for a tenement acquisition.
- restoration provision of \$184,000

**NOTE 20 - CAPITAL AND LEASING COMMITMENTS**

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>Hire-Purchase Commitments</b>				
Hire- Purchase commitments payable:				
- not later than one year	128,791	113,474	128,791	113,474
- later than one year but not later than five years	295,097	197,010	295,097	197,010
Minimum hire-purchase payments	423,888	310,484	423,888	310,484
Less: future finance charges				
- not later than one year	(38,113)	(21,371)	(38,113)	(21,371)
- later than one year but not later than five years	(20,535)	(12,872)	(20,535)	(12,872)
Total Hire-Purchase Liabilities	<b>365,240</b>	<b>276,241</b>	<b>365,240</b>	<b>276,241</b>
<b>Present value of minimum lease and loan payments</b>				
- not more than one year	90,678	92,103	90,678	92,103
- later than one year but not later than five years	274,562	184,138	274,562	184,138
	<b>365,240</b>	<b>276,241</b>	<b>365,240</b>	<b>276,241</b>
Current borrowings (Note 14)	90,678	92,103	90,678	92,103
Non-current borrowings (Note 14)	274,562	184,138	274,562	184,138
	<b>365,240</b>	<b>276,241</b>	<b>365,240</b>	<b>276,241</b>

**Work Programme Commitments**

The total commitments for work programmes for ATP855P, 849P and 549 are as follows:

	CONSOLIDATED ENTITY	
	2009	2008
	\$	\$
Exploration expenditure commitments - coal bed methane tenements		
- not later than 1 year	765,985	1,502,500
- later than one year but not later than five years	11,249,955	12,015,940
	<b>12,015,940</b>	<b>13,518,440</b>

If any of the above expenditures are not met than the Department of Mines will require the permit to be forfeited without liability

NOTE 20 - CAPITAL AND LEASING COMMITMENTS (CONTINUED)

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>Operating Lease Commitments</b>				
Non-cancellable operating leases contracted for but not capitalised in the financial statements				
- not later than one year	-	99,278	-	99,278
- later than one year but not later than five years	-	449,293	-	449,293
	-	<b>548,571</b>	-	<b>548,571</b>

The property lease was cancelled due to the acquisition of a new premises by the Group during the year.

NOTE 21 - JOINT VENTURES

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

Oil and Gas	Basin	Interest %	
		2009	2008
ATP 549P	Cooper Eromanga	33.33%	33.33%
ATP 594P	Cooper Eromanga	50.00%	50.00%
ATP 794 P	Eromanga Regleigh & Springfield Areas	60.00%	60.00%
ATP 794 P	Eromanga Brightspot area	75.00%	75.00%
ATP 626P*	Surat	100.00%	100.00%
ATP 849P	Surat	80.00%	80.00%
ATP 855P	Cooper Eromanga	80.00%	80.00%
PEL 218	Cooper Eromanga	33.30%	33.30%
ATP 560	Cooper Eromanga	50.50%	50.50%
EPG 49	Cooper Eromanga	100.00%	0.00%
EPG 51	Cooper Eromanga	100.00%	0.00%

Lease interests held in Bayou Choctaw area Louisiana USA

Victory Financial (North)	Louisiana	0.00%	38.50%
Victory Financial (South)	Louisiana	0.00%	19.00%

\* Under the farmin agreement with Stanwell Corporation Limited, Icon's interest in ATP 626P remains at 100% until the payment of \$30 million for Stage Two of the agreement after which Stanwell Corporation Limited will earn a 50% interest in only four blocks of ATP 626P. Stage Two involves a 20 well program to prove 2P and 3P reserves.

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

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>NON CURRENT ASSETS</b>				
Exploration and evaluation expenditure at cost	2,469,092	5,219,432	2,469,092	1,312,901
Total Non Current Assets	<b>2,469,092</b>	<b>5,219,432</b>	<b>2,469,092</b>	<b>1,312,901</b>
Share of total assets in joint venture	<b>2,469,092</b>	<b>5,219,432</b>	<b>2,469,092</b>	<b>1,312,901</b>

NOTE 22 - CONTROLLED ENTITIES

Parent entity:	Country of Incorporation	% Owned	
		2009	2008
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 Gas Productions Pty Ltd	Australia	100	-
Icon Oil US (LLC)	USA	100	100

**NOTE 23 - SEGMENT INFORMATION**

The consolidated entity operates in the oil exploration and petroleum sector, predominantly within Queensland. The majority of its exploration activities are conducted in the Cooper/Eromanga and Surat Basins in Australia and the Bayou Choctaw area in Louisiana USA. Information by geographical areas are as follows:

**INFORMATION ABOUT GEOGRAPHICAL AREAS**

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

	Australia		USA		Consolidated Entity	
	2009	2008	2009	2008	2009	2008
	\$	\$	\$	\$	\$	\$
<b>REVENUE</b>						
External Sales	-	-	-	16,189	-	16,189
- Other	-	-	-	-	-	-
- Royalty sales	-	-	804	3,150	804	3,150
Total segment revenues	-	-	804	19,339	804	19,339
Interest Revenue	549,464	143,655	-	99	549,464	143,754
Other Income	1,239	-	42,641	-	43,880	-
Total revenue					594,148	163,092
<b>RESULT</b>						
Segment net operating profit after tax	(4,964,668)	(3,182,926)	(739,966)	(2,955,090)	(5,704,634)	(6,138,016)
Interest Revenue	549,464	143,754	-	-	549,464	143,754
Interest expense	68,243	19,943	-	-	68,243	19,943
Impairment of Assets	-	5,015	780,097	2,897,400	780,097	2,902,416
Segment Assets	40,950,723	10,835,165	37,638	1,057,180	40,988,361	11,892,345
Segment Liabilities	4,764,867	953,385	-	48,214	4,764,867	1,001,599
<b>OTHER</b>						
Acquisition of non-current segment assets	5,900,923	1,182,713	-	-	5,900,923	1,182,713
Depreciation and amortisation of segment assets	133,803	79,702	-	-	133,803	79,702

**NOTE 24 - FINANCIAL INSTRUMENTS**

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

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

The parent and consolidated entity do not have any derivative instruments at 31 December 2009.

**Significant accounting policies**

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

**Capital risk management**

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

The capital structure of the parent and consolidated entity consists of cash and cash equivalents, hire-purchase liabilities, bank loans and equity comprising issued capital, net of reserves and accumulated losses as disclosed in notes 7, 14 and 16 respectively.

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

The parent and consolidated entity's overall strategy remains unchanged from 2008.

NOTE 24 - FINANCIAL INSTRUMENTS (CONTINUED)

Financial Risk Management

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

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

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

a Market Risk

Interest rate risk

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

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

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

Consolidated Entity	Weighted Average Interest Rate %	Floating Interest \$	Fixed Interest Rate Maturing			Total \$
			Within 1 year \$	1 to 5 years \$	Non interest bearing \$	
<b>2009</b>						
<i>Financial assets</i>						
Cash and cash equivalents	2.89%	23,419,394	-	-	666	23,420,060
Other receivables		-	-	-	719,951	719,951
<b>Total Financial Assets</b>		<b>23,419,394</b>	<b>-</b>	<b>-</b>	<b>720,617</b>	<b>24,140,011</b>
<i>Financial liabilities</i>						
Accounts payable		-	-	-	594,278	594,278
Financial Leases	10.49%	-	90,678	274,562	-	365,240
Bank loan	6.01%	3,400,000	-	-	-	3,400,000
<b>Total Financial Liabilities</b>		<b>3,400,000</b>	<b>90,678</b>	<b>274,562</b>	<b>594,278</b>	<b>4,359,518</b>
<b>2008</b>						
<i>Financial assets</i>						
Cash and cash equivalents	4.15%	4,372,716	-	-	657	4,373,373
Other receivables		-	-	-	52,956	52,956
<b>Total Financial Assets</b>		<b>4,372,716</b>	<b>-</b>	<b>-</b>	<b>53,613</b>	<b>4,426,329</b>
<i>Financial liabilities</i>						
Accounts payable	9.76%	-	-	-	334,456	334,456
Financial Leases		-	92,103	184,138	-	276,241
<b>Total Financial Liabilities</b>		<b>-</b>	<b>92,103</b>	<b>184,138</b>	<b>334,456</b>	<b>610,697</b>

NOTE 24 - FINANCIAL RISK MANAGEMENT (CONTINUED)

Parent Entity	Fixed Interest Rate Maturing					
	Weighted Average Interest Rate %	Floating Interest \$	Within 1 year \$	1 to 5 years \$	Non interest bearing \$	Total \$
<b>2009</b>						
<i>Financial assets</i>						
Cash and cash equivalents	2.90%	23,336,267	-	-	450	23,336,717
Other receivables - subsidiary		-	-	-	6,232,758	6,232,758
Other receivables		-	-	-	700,799	700,799
<b>Total Financial Assets</b>		<b>23,336,267</b>	<b>-</b>	<b>-</b>	<b>6,934,007</b>	<b>30,270,274</b>
<i>Financial liabilities</i>						
Accounts payable		-	-	-	187,118	187,118
Finance Leases	10.49%	-	90,678	274,562	-	365,240
Bank loan	6.01%	3,400,000	-	-	-	3,400,000
<b>Total Financial Liabilities</b>		<b>3,400,000</b>	<b>90,678</b>	<b>274,562</b>	<b>187,118</b>	<b>3,952,358</b>
<b>2008</b>						
<i>Financial assets</i>						
Cash and cash equivalents	4.22%	4,304,527	-	-	450	4,304,977
Other receivables - subsidiary		-	-	-	6,285,789	6,285,789
Other receivables		-	-	-	30,175	30,175
<b>Total Financial Assets</b>		<b>4,304,527</b>	<b>-</b>	<b>-</b>	<b>6,316,414</b>	<b>10,620,941</b>
<i>Financial liabilities</i>						
Accounts payable		-	-	-	194,204	194,204
Finance Leases	9.76%	-	92,103	184,138	-	276,241
<b>Total Financial Liabilities</b>		<b>-</b>	<b>92,103</b>	<b>184,138</b>	<b>194,204</b>	<b>470,445</b>

Cash flow sensitivity analysis for variable rate instruments

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

At 31 December 2009, if the interest rates had increased / decreased by 0.5% from the period-end rates with all other variables held constant, post-tax profit for the year for the consolidated entity would have been \$56,480 higher / \$56,321 lower (2008: \$8,006 / \$6,348), mainly as a result of the consolidated entity's exposure to interest rates on its variable rate cash and cash equivalents.

At 31 December 2009, if the interest rates had increased / decreased by 0.5% from the period-end rates with all other variables held constant, post-tax profit for the year for the parent entity would have been \$56,480 higher / \$56,321 lower (2008: \$6,369 / \$6,348), mainly as a result of the consolidated entity's exposure to interest rates on its variable rate cash and cash equivalents.

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

The following table summarises the sensitivity of the consolidated entity's financial assets and financial liabilities to variable interest rate risk.

Consolidated Entity

2009	Carrying amount 31/12/2009	Carrying amount 31/12/2008	-0.5% Profit	-0.5% Equity	+0.5% Profit	+0.5% Equity
	\$	\$	\$	\$	\$	\$
<i>Financial assets</i>						
Cash and cash equivalents	23,420,060	4,373,373	(57,532)	(57,532)	57,691	57,691
Other receivables	719,951	52,956	-	-	-	-
<b>Financial liabilities</b>						
Accounts payable	594,278	334,456	-	-	-	-
Finance Leases	365,240	276,241	-	-	-	-
Bank loan	3,400,000	-	1,211	1,211	(1,211)	(1,211)
Total increase / (decrease)			<b>(56,321)</b>	<b>(56,321)</b>	<b>56,480</b>	<b>56,480</b>

NOTE 24 - FINANCIAL RISK MANAGEMENT (CONTINUED)

The following table summarises the sensitivity of the parent entity's financial assets and financial liabilities to interest rate risk.

Parent Entity

	Carrying amount 31/12/2009 \$	Carrying amount 31/12/2008 \$	Profit \$	-0.5% Equity \$	Profit \$	+0.5% Equity \$
<b>2009</b>						
<b>Financial assets</b>						
Cash and cash equivalents	23,336,717	4,304,977	(57,532)	(57,532)	57,691	57,691
Other receivables - subsidiary	6,232,758	6,285,739	-	-	-	-
Other receivables	700,799	30,175	-	-	-	-
<b>Financial liabilities</b>						
Accounts payable	187,118	194,204	-	-	-	-
Finance Leases	365,240	276,241	-	-	-	-
Bank loan	3,400,000	-	1,211	1,211	(1,211)	(1,211)
Total increase / (decrease)			<b>(56,321)</b>	<b>(56,321)</b>	<b>56,480</b>	<b>56,480</b>

Price risk

The parent and consolidated entity are not exposed to any material price risk.

Foreign currency risk

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

b. Credit risk

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

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

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

c. Liquidity risk

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

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

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

**NOTE 24 - FINANCIAL RISK MANAGEMENT (CONTINUED)**

The following are contractual maturities of financial liabilities:

<b>Consolidated Entity</b>		<b>Carrying Amount</b>	<b>Contractual CF</b>	<b>&lt;1Year</b>	<b>1-5 Years</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>2009</b>					
Trade and other Payables		594,278	594,278	594,278	-
Borrowings		365,240	423,888	128,791	295,097
Bank Loan		3,400,000	4,021,770	209,340	3,812,430
		<b>4,359,518</b>	<b>5,039,936</b>	<b>932,409</b>	<b>4,107,527</b>
<b>2008</b>					
Trade and other Payables		334,456	334,456	334,456	-
Borrowings		276,241	310,484	113,474	197,010
		<b>610,697</b>	<b>644,940</b>	<b>447,930</b>	<b>197,010</b>
<b>Parent Entity</b>					
		<b>Carrying Amount</b>	<b>Contractual CF</b>	<b>&lt;1Year</b>	<b>1-5 Years</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>2009</b>					
Trade and other Payables		187,118	187,118	187,118	-
Borrowings		365,240	423,888	128,791	295,097
Bank Loan		3,400,000	4,021,770	209,340	3,812,430
		<b>3,952,358</b>	<b>4,632,776</b>	<b>525,249</b>	<b>4,107,527</b>
<b>2008</b>					
Trade and other Payables		194,204	194,204	194,204	-
Borrowings		276,241	310,484	113,474	197,010
		<b>470,445</b>	<b>504,688</b>	<b>307,678</b>	<b>197,010</b>

The parent and consolidated entity's liquidity risk relating to financial liabilities at 31 December 2009 is limited to the repayment of the hire-purchase commitments amounting to \$365,240, bank loan commitments amounting to \$3,400,000 (per Notes 14 and 20) and trade payables. Trade payables are short-term in nature. The parent and consolidated entity do not finance exploration activities through debt.

**Fair value estimation**

The carrying values less provision for impairment of financial assets and financial liabilities of the parent and consolidated entity, as stated in the Statement of Financial Position and accompanying explanatory notes at 31 December 2009, are a reasonable approximation of their fair values due to the short-term nature of the instruments.

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

In the parent entity, financial instruments that are not traded in an active market are stated at cost in accordance with AASB 139: Financial Instruments: Measurement and Recognition.

These instruments represent the parent entity's investment in subsidiaries, as referred to in Note 11 which have been fully impaired.

**NOTE 25 - SHARE BASED PAYMENTS**

Share based payments made as part consideration for the purchase of exploration assets:

	<b>CONSOLIDATED ENTITY</b>		<b>PARENT ENTITY</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Shares issued at fair value	547,500	-	547,500	-
	<b>547,500</b>	<b>-</b>	<b>547,500</b>	<b>-</b>

The fair value of shares issued as share based payments was 36.5 cents based on the closing share price by reference to the ASX at the date of issue.

**NOTE 26 - RELATED PARTY TRANSACTIONS**

- Interests in subsidiaries are disclosed in note 22.
- Amounts receivable from wholly owned subsidiaries are disclosed in note 9. The loans to controlled entities are unsecured, interest free and payable on demand.
- Transactions with Directors and Director Related Entities are disclosed in note 6. All services provided by the director-related entities were at normal commercial terms and conditions.
- There were no other related party transactions during the year ended 31 December 2009 or 31 December 2008.

**NOTE 27 - CONTINGENT LIABILITIES**

There were no contingent liabilities as at 31 December 2009.

**NOTE 28 - CHANGES IN ACCOUNTING POLICIES**

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2009 reporting periods. The consolidated entity has determined that none of the accounting standards or interpretations will have any impact on the accounting policies, financial position or performance of the group and therefore no further disclosure is considered necessary.

**NOTE 29 - EVENTS AFTER BALANCE SHEET DATE**

There are no after balance sheet date events at the date of signing.

## ADDITIONAL SHAREHOLDER INFORMATION

### Distribution of Shareholdings

The distribution of ordinary shareholders ranked according to size at 24 February 2010 was as follows:

Range	Total Holders	Units	% of Issued Capital
1 - 1,000	337	69,066	0.02
1,001 - 5,000	1,124	3,680,442	0.84
5,001 - 10,000	1,164	10,099,771	2.30
10,001 - 100,000	2,972	113,353,376	25.83
100,001 - 9,999,999,999	652	311,642,348	71.01
<b>Rounding</b>			
<b>TOTAL</b>	<b>6,249</b>	<b>438,845,003</b>	<b>100.00</b>

### Unmarketable Parcels

	Minimum Parcel Size	Holders	Units
Minimum \$ 500.00 parcel at \$ 0.25 per unit	2,000	528	354,929

### Voting Rights

All ordinary shares carry one vote per share without restriction.

### Twenty Largest Ordinary Shareholders

The names of the twenty largest holders as at 24 February 2010 were:

Name	Listed Ordinary Shares	
	Number Held	Percentage
ANZ NOMINEES LIMITED <CASH INCOME A/C>	26,101,360	5.95
RAY JAMES	20,875,235	4.76
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	10,595,520	2.41
CITICORP NOMINEES PTY LIMITED	9,623,192	2.19
MRS DIANNE BETH BALDWIN	7,209,600	1.64
J P MORGAN NOMINEES AUSTRALIA LIMITED	5,241,798	1.19
PHILLIP SECURITIES PTE LTD <'D' A/C>	4,030,000	0.92
PHILLIP BROKERAGE PTE LTD <'D' A/C>	4,015,000	0.91
NATIONAL NOMINEES LIMITED	3,851,346	0.88
MR R.W. BALDWIN & MRS D. B. BALDWIN <WHISTLER SUPER FUND A/C>	3,500,000	0.80
LOCHIEL ENTERPRISES PTY LTD <CAMERON INVESTMENT ACCOUNT>	2,919,000	0.67
MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	2,870,447	0.65
MR CHRISTOPHER JOHN MARTIN	2,789,557	0.64
MR DANIEL JOSEPH RAYMOND O'SULLIVAN	2,733,530	0.62
HARSTEDT PTY LTD <OLSEN FAMILY A/C>	2,500,000	0.57
AMPLE SKILL LIMITED	2,400,000	0.55
BROWNWARD PTY LTD <BRIAN HAYWARD S/F A/C>	2,149,000	0.49
WILLIAM DOUGLAS GOODFELLOW	2,050,000	0.47
UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	2,038,660	0.46
MR TIMOTHY ALLEN KENNEDY + MRS GLENDA KAY KENNEDY <TA & GK KENNEDY S/F NI	2,025,825	0.46
<b>TOTAL</b>	<b>119,519,070</b>	<b>27.23</b>

### Substantial Shareholders including the Holders of Relevant Interest

Name of Shareholder / Holder of Relevant Interest	Listed Ordinary Shares	
	Number Held	Percentage
ANZ NOMINEES LIMITED <CASH INCOME A/C>	26,101,360	5.95
<b>TOTAL</b>	<b>26,101,360</b>	<b>5.95</b>