ICON ENERGY LIMITED
ANNUAL REPORT 2005

ABN 61 058 454 569

Icon Energy Limited
Proxy Form

ABN 61 058 454 569

The Secretary
Icon Energy Limited
Level 4, 19 Arbour Court
PO Box 3366
Robina Town Centre Qld 4230

NUMBER OF SHARES ______

I/We ______________________________

of ______________________________
being a member of Icon Energy Limited and entitled to attend and vote hereby appoint:

____

The proxy is appointed to exercise .... % of my/our voting rights.
and

____

The proxy is appointed to exercise .... % of my/our voting rights.

(Only complete both sections if you wish to appoint two proxies. If two proxies are appointed then the aggregate % of voting rights given to the two proxies must not exceed 100%) or failing that/ those person(s), or if no person is named, the Chairman of the Meeting, as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting to be held on 31 May 2006 and at any adjournment thereof.

Should you desire to direct your proxy how to vote, please mark in the appropriate places below, otherwise your proxy may vote as he/she thinks fit or abstain from voting.

RESOLUTIONS	FOR	AGAINST	ABSTAIN
1. Financial Report			
2. Remuneration Report			
3. Issue of shares/ Harnbury Pty. Ltd			
4. Issue of options Santos Limited			
5. Issue of shares Santos Limited			
6. Re election of director M. Pyecroft			

Signature of shareholder. ______________________ Date ______________

NOTES:

1. A member entitled to attend and vote at a meeting is entitled to appoint not more than two proxies. Please check the address shown and advise any changes.

2. Where more than one proxy is appointed, each proxy must be appointed to represent a specified portion of the member's voting rights. If no appointment is made, then each proxy is entitled to exercise half of the member's voting rights (disregarding factions).

3. A proxy need not be a member of the Company.

4. The proxy form must be signed by the member of his or her attorney. Proxies given by corporations must be signed in accordance with Corporations Act 2001.

5. To be valid the form appointing the proxy and the power of attorney or other authority (if any) under which it is signed (or an attested copy) **must be lodged with the registered office of the Company or facsimile to + 61 7 5562 0011 no later than 48 hours before** the time for holding the meeting.

6. Unless a member specifically directs the proxy how to vote the proxy may vote as he or she thinks fit or abstain from voting.

7. For the purpose of the General Meeting the holders of shares will be taken to be the persons who held those shares at the close of business on 29 May 2006.

UNDIRECTED PROXIES

It is the intent of the Chairman to vote in favour of the resolutions of undirected proxies.

Icon Energy Limited (ABN 61 058 454 569)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the Annual General Meeting of the members of Icon Energy Limited will be held on Wednesday 31 May 2006 in the Broadbeach Room, Conrad Jupiters, Broadbeach Island Queensland at 11.00 a.m.

AGENDA

ORDINARY BUSINESS

1. Financial Report

To receive and adopt the financial report of the company and of the economic entity for the year ended 31 December 2005 and the reports by the directors and auditors thereon.

2. Remuneration Report

To consider and if thought fit, pass the following ***advisory*** resolution:

"That the Remuneration Report of the Company for the year ended 31 December 2005 be adopted as an advisory resolution."

3. Approval of Issue of Shares / Harnbury Pty. Ltd

To consider, and if thought fit, to pass the following resolution as an **ordinary resolution:**
"THAT, approval be given under Listing Rule 7.4 of the Australian Stock Exchange Limited Listing Rules for the prior issue of 10,000,000 ordinary shares in the Company at 2.8 cents per share (a discount to market of 10%) made on 16 November 2005 to Harnbury Pty. Ltd., a sophisticated investor. The funds raised by this issue have been applied to working capital.

4. Approval of Issue of Options/ Santos Limited

To consider, and if thought fit, to pass the following resolution as an **ordinary resolution:**
"THAT, approval be given under Listing Rule 7.4 of the Australian Stock Exchange Limited Listing Rules for the prior issue on 24 March 2006 of 20,000,000 unlisted options to Santos Limited for a consideration of $100,000 exercisable in the period commencing 1 January, 2007 and ending 31 December 2008 at an exercise price of a 20% discount to the average market price of the shares for the five days prior to exercise. The options have an expiry date of 31 December 2008 and have been issued pursuant to the Subscription Agreement and related Farmin Agreement for ATP626 P, both dated 20 March 2006. The funds raised by this issue have been applied to working capital.

5. New Issue of Shares/Santos

To consider, and if thought fit, to pass the following resolution as an ordinary resolution:
"THAT, approval be given under Listing Rule 7.1 of the Australian Stock Exchange Limited Listing Rules for the issue of 10,000,000 ordinary shares to Santos Limited at 6.76 cents per share pursuant to the Subscription Agreement and related Farmin Agreement for ATP626 P, both dated 20 March 2006.

6. Re-election of Director

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

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

7. General

To transact any business which may be lawfully brought forward.

Voting Exclusion Statement

In accordance with Australian Stock Exchange Ltd listing rules, the Company will disregard any vote cast by any persons named in Resolutions 3,4 and 5 and by associates of those persons.

However, the Company need not disregard a vote if:

- it is cast by a director as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the director chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

DATED: 20 April 2006

By order of the Board

J. B. Cummins
Company Secretary

EXPLANATORY NOTES.

Resolution 4- Issue of Options to Santos Limited.

The options have been issued under the following terms:

- The options are not quoted on any Australian Stock Exchange
- If there is a reorganisation of the ordinary capital of Icon Energy Limited before the expiry of the Options, the number of Options and the exercise price of the Options will be adjusted in accordance with the rules relating to the re-organisation of options set out in Rule 7.22 of the ASX Listing Rules.
- Options are fully transferable, subject to the same restrictions which apply to Shares.
- The exercise of only a portion of the Options held does not affect the holder's rights to exercise the balance of any Options held.
- The Options will not entitle the holder to participate in any new pro-rata issue of securities, however entitlement will apply following the exercise of Options into ordinary shares.

Resolution 5- Proposed Issue of shares to Santos Limited.

The Placement Shares are subject to the following conditions:

- The issue of the shares does not become binding until the Tenement (ATP626P) has been renewed which should occur prior to 31 May 2006 in terms which are reasonably acceptable to Santos.
- Each share issued to Santos will be credited as fully paid and rank equally in all respects with existing shares.
- The placement shares will be allotted by the issuer no later than five business days after the subscription monies are paid and in any case no later than three months after the date of the meeting.
- The terms and conditions of the Subscription Agreement and Farmin Agreement were announced on the Australian Stock Exchange of 22 March 2006.
- The funds raised by this issue will be applied to working capital.

Chairmans' Letter to Shareholders

The Year 2005 has been a year of consolidation for Icon Energy where our efforts to start our drilling and exploration programmes were frustrated by delays over which we had little control. Our drilling programme in Bayou Choctaw in Louisiana was delayed by equipment shortages, legal action and hurricanes. The first hurricane Katrina displaced our operator's staff and and closed the office in downtown New Orleans. Some of CLK Energy's (our Operator) staff lost their homes completely in the flood following Katrina and a new temporary office was opened in Houston, Texas. Just after settling into Houston, it became necessary to evacuate Houston when hurricane Rita threatened, creating further delays. The upset and trauma created by these events has not gone away. At the date of this report in April 2006, the CLK office in New Orleans has been re-opened and operations commenced in Bayou Choctaw.

Following our successful defence in the courts, the case brought against Icon Oil US LLC and others for pollution in the Wilberts Lease was dismissed by the Judge. A drilling contract was signed but it was February 2006 before the contracted rig was available for the first well called Australian Mineral Interests No.1. This well, located in the Victory Financial Lease, is currently drilling ahead towards the lower target reservoir and is a commercial success following the setting of the drill casing across the first major target zone. The logs and sidewall cores taken over the first target zone had hydrocarbon shows up to 1070 parts per million. Sidewall cores and logs show it to be saturated over the entire interval of 74 feet net. Following the drilling and evaluation of the lower target zone, a decision will be made on the completion of the well as an oil and gas producer. With infrastructure nearby there will be little delay in placing this well on production for oil and/or gas.

CLK Energy plan to drill two more wells as part of this initial drilling programme.

Icon also made progress in Queensland during 2005. During the year the first successful Right to Negotiate (RTN) process concluded and ATP 794P was awarded to the Joint Venture. This was the first result for the group negotiation process which began over 3 years ago. Under this agreement permit holders will be required to protect Cultural Heritage and pay Traditional Owners a royalty of 1% over all production from the permit as well as meet other sign on, education and administration bonuses.

In May 2005 the company issued a Share Purchase Plan (SPP) wherein every shareholder was invited to subscribe for shares at 2.8 cents per share. This issue raised $254,660. A further placement was made in October 2005 to Harnbury Pty Ltd at 2.8 cents per share which raised $280,000. All funds raised in these issues was applied to exploration and operating capital.

In November 2005 negotiations began with Santos to farmout several permits in Queensland. These permits had been acquired over several years and held great promise for the discovery of oil. Native Title claims have kept these areas out of contention over the past 8 years until an RTN process could be concluded. With the success of our recent RTN negotiations the path is now cleared for future agreements using the models negotiated. Details of the Santos farmin arrangements are given elsewhere in this report.

As part of this programme Santos have committed to drill Stitch No.1 to earn a 50% working interest in ATP 626P.

On behalf of the Board, I would like to thank the Managing Director and his staff for their tireless efforts to maintain the viability of the company throughout another difficult year. It is pleasing to report that their commercial and technical efforts are likely to realise rewards beneficial to the future growth of the company.

Shareholders are invited to attend the Annual General Meeting to be held at Conrad Jupiters Hotel, Broadbeach on the Gold Coast on May 31 2006.

M. Pyecroft

Martin Pyecroft
Chairman of Directors

REVIEW OF OPERATIONS

UNITED STATES ACTIVITY

The drilling programme in Bayou Choctaw in Louisiana was due to start in January 2005 but was subject to the reprocessing of the 42 square mile 3D seismic data cube. The reprocessing was not completed until mid year and then required re-iterative interpretation to establish the best estimate of the salt dome location. New data was found that led to the final interpretation. A technical meeting was to take place in New Orleans to discuss the first well location when hurricane Katrina hit New Orleans. While the Bayou Choctaw Oilfield was not affected by Katrina, the flooding of New Orleans forced the abandonment of the city and of the Operator's (CLK Energy LLC) office in the downtown area. The office was relocated in Houston, Texas and then closed down for hurricane Rita. These events have now been overcome and the office in New Orleans was re-opened in March 2006. The trauma surrounding the flooding affected several of the CLK staff when their houses were destroyed in the flood.

A drilling rig was contracted and did not become available until February 2006 after it had undergone maintenance and repairs required by CLK.

At the time of going to press with this Annual Report, the well called Australian Mineral Interests No.1 (AMI #1) was drilling ahead at 8630 feet looking for the deeper sandstone objectives. The first target has been successfully drilled, logged and casing set below the pay zone. Logs and side wall cores indicate the presence of oil, condensate and gas over an interval with 74 feet of net sand pay with porosities of up to 30% and permeabilities of up to 2 Darcys. This well is now confirmed as a potential commercial producer and the decision to complete the well for production will be made after the deeper zone has been penetrated, logged and cased if necessary.

Icon's working interest in the AMI #1 well is 19.0%

After AMI #1 well is completed, it is planned to move the rig onto the second and third well locations in the Wilberts Lease where Icon's working interest is 13.2%

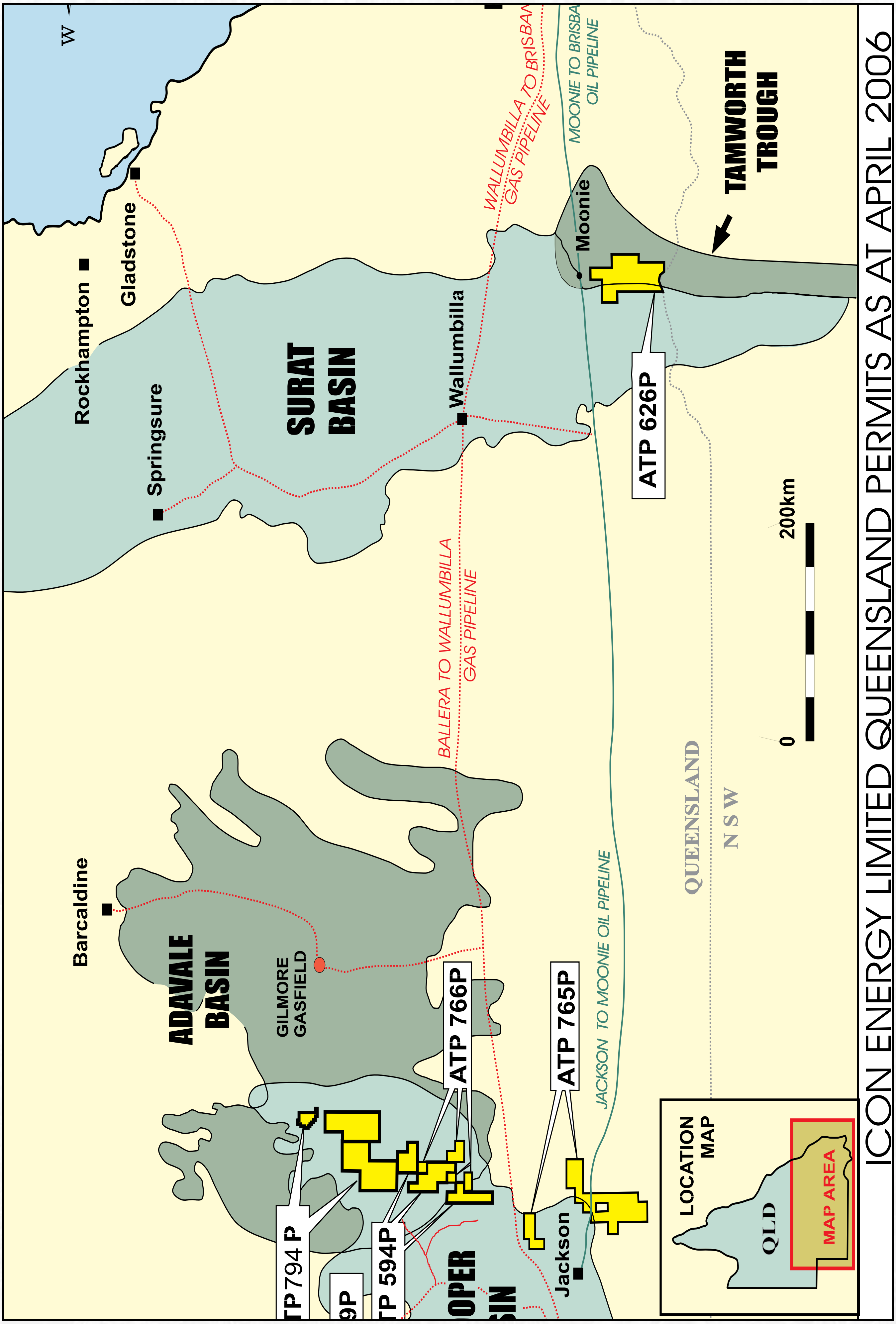
The photo of the 3D seismic data shown in the photo with this text shows the shape of the salt as determined by the reprocessed data. Our aim is to drill as close as possible to the salt without entering the salt mass itself. Drilling a well in such steep dipping geology is difficult and is complicated by a build up in pressure in the sediments. This over pressure is normal in the Mississippi Delta sediments and must be controlled by the chemistry of the drilling fluid and the weight of the mud which holds back the pressure preventing a blowout and hole collapse.

CLK have managed this well in a very competent and professional manner and managed to overcome several difficult problems encountered while drilling.


Heater Treater Bayou Chocaw


Moncla 11 Rig on AMI No. 1 Well


Oil Separator Wilberts No. 10


ICON ENERGY LIMITED QUEENSLAND PERMITS AS AT APRIL 2006
Rockhampton
Gladstone
Springsure
Barcaldine
Wallumbilla
Moonie
Jackson
SURAT BASIN
ADAVALE BASIN
TAMWORTH TROUGH
GILMORE GASFIELD
WALLUMBILLA TO BRISBANE GAS PIPELINE
MOONIE TO BRISBANE OIL PIPELINE
BALLERA TO WALLUMBILLA GAS PIPELINE
JACKSON TO MOONIE OIL PIPELINE
ATP 626P
ATP 766P
ATP 765P
ATP 794 P
ATP 594P
QUEENSLAND
NSW
0
200km
LOCATION MAP
QLD
MAP AREA

REVIEW OF OPERATIONS

AUSTRALIAN OPERATIONS

In November 2005 negotiations began with Santos in respect of certain permits in the Cooper-Eromanga and Surat Bowen Basins in Queensland. An agreement was reached on 20th March 2006 wherein Santos agreed to farmin to ATP 765P, 766P and 626P by conducting an extensive work programme (including three wells) and cover the costs of Native Title Negotiations and additional security bond costs. Additionally Santos is to make an investment in Icon Energy via a share placement and Option to acquire shares in Icon.

The following agreements were signed with Santos Limited and its subsidiary Santos QNT Pty Ltd (together "Santos").

1. A Subscription Agreement wherein Santos has agreed to subscribe for 10,000,000 fully paid ordinary shares in Icon Energy Limited at a price of 6.76 cents per share and these shares to rank pari passu with existing shares. The placement of the 10,000,000 shares is conditional on the Farmin Agreement over ATP 626P and the renewal of that permit, as well as on approval by Icon's shareholders under the ASX Rules. The consideration for the Santos share investment is $676,000.00. In addition Santos has agreed to take up 20,000,000 options to subscribe for fully paid ordinary shares in Icon Energy. The exercise price for each option is to be calculated at a 20% discount to the average market price for the shares for the 5 days prior to the time of exercise. The price for the issue of the options is $100,000.00. The issue of the options is not conditional on the Farmin Agreement nor on the renewal of the permit. The options cannot be exercised before 31 December 2006 nor after 31 December 2008.

2. A Farmin Agreement over ATP 626P in the Surat Basin wherein Santos has been appointed operator and has committed to drill (and suspend/plug and abandon as necessary) the Stitch No.1 well. The drilling of this well is ultimately subject to rig availability and final selection of the drilling location but could occur within the next few months. Santos will earn a working interest of 50% in the permit and Icon's working interest will reduce from 100% to 50% in the permit. Several drilling opportunities have been interpreted in the permit and an active ongoing seismic and drilling programme is anticipated following the drilling of Stitch No.1.The farmin is subject to the renewal of the permit and this renewal is being processed by the Department of Natural Resources and Mines in Queensland. Upon completion of the drilling of Stitch No.1 the interests of the parties will be:-
   Santos 50%
   Icon's wholly owned subsidiary
   Jakabar Pty Ltd 50%
   The Stitch No.1 location is currently being reviewed by Santos and Icon to establish the final drilling location for the well. The well is located on the Moonie Fault and on trend to the Moonie Oilfield with the same reservoir objective. It is located about 40 kms south of the Moonie Oilfield. Access and proximity to the Moonie pipeline infrastructure makes this prospect an attractive target. Further announcements will be made when the prospect is ready for drilling and a rig has been assigned to the work by Santos which will operate the drilling of the well.

3. Heads of Agreement over ATP 765P and 766P in the Cooper-Eromanga Basin in Southwestern Queensland. Under this agreement Santos will be appointed operator and has agreed to record 150 kms of new 2D and 160 kms of 3D seismic data and drill one well in each area. Following this programme the working interest of the parties will be:-

Santos	63.00%
Icon Energy Limited	27.75%
Deka Resources Pty Ltd	4.625%
Well Traced Pty Ltd	4.625%

REVIEW OF OPERATIONS

Under these agreements Santos will carry Icon and its joint venture partners through the seismic and drilling programme.ATP 765P and 766P are at the application stage and Native Title agreements must be negotiated before seismic data can be recorded and a well located. Santos will conduct this work under a Farmin Agreement which is in preparation.

ATP 794P (formerly ATP 589P)

In April 2005 and agreement was finally signed with Native Title Claimants over this permit. This agreement was the first RTN negotiated agreement reached under the group negotiation process commenced three years earlier. Under this agreement certain administration costs will be given to the Traditional Owners as well as a royalty payment from production found within the permit.
This agreement will serve as a model for other permits in the area and it is hoped that future negotiations will be conducted more efficiently and without extensive delays.

We are now in a position after 8 years to follow up on the Springfield Gas Discovery in the Springfield Block of ATP 794P.

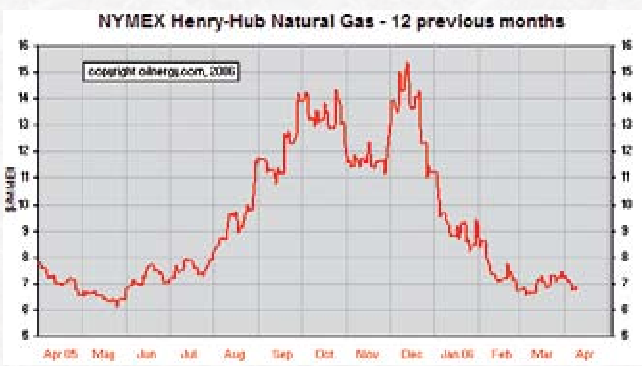
Western Australia

The remaining block EP432 and TP21 were surrendered during the year as it proved to be impossible to mobilize the equipment necessary for the high resolution seismic work. No extensions could be obtained and there was little choice but to let the permits go.

OIL AND GAS PRICES.

Oil prices have stabilized at a little over $US 60 per barrel (141 litres) despite many predictions that the price would crash to $US 40 per barrel. On the other hand, when major political news reaches the press price predictions have been ridiculously high in the other direction. Underlying fundamentals have not changed over the past year except for minor shifts in consumption patterns.

1. Production capacity and demand remain relatively equal leaving no sign of long term excess capacity.
2. Political events in the Middle East, Africa and South America remain a real threat to supply and price stability.
3. The world economy is strong with demand for oil and gas in India and China continuing to rise steeply. The oil price has not yet pushed inflation to dangerous levels. This may be due to the fact that oil prices stayed below inflation levels for much of the past 50 years.
4. There are no credible alternative energy sources and oil demand is expected to increase from 82 to 130 million barrels per day over the next 25 years. During this time alternative energy sources should expand dramatically but be unlikely to keep up with demand.
5. Oil prices are starting to affect demand for large vehicles with booming small car sales.
6. Gas to liquid plants are on the drawing boards all around the world but the process is expensive and environmentally unfriendly.
7. Attempts to reduce greenhouse emissions are protracted and fraught with difficulties.



REVIEW OF OPERATIONS

Icon expects that crude oil prices will remain buoyant around $US 60 per barrel for some time to come as no new large scale conventional supplies are expected. Alternative sources of oil will come on stream if crude oil prices remain high as costs of extraction from coal, shale oil, tar sands and the manufacture of diesel from natural gas may become economic.

World gas prices are highly varied as long term contracts tend to set prices except in the USA where gas is in short supply and will remain so until import LNG is more abundantly available. The gas price graph over the past year shows that current Nymex gas prices of $US7.00 per MCF compare more than favourably with Australian export gas prices nearer $A3.00 per gigajoule. (one MCF or 1,000 cubic feet when burnt yields 1 gigajoule of energy).

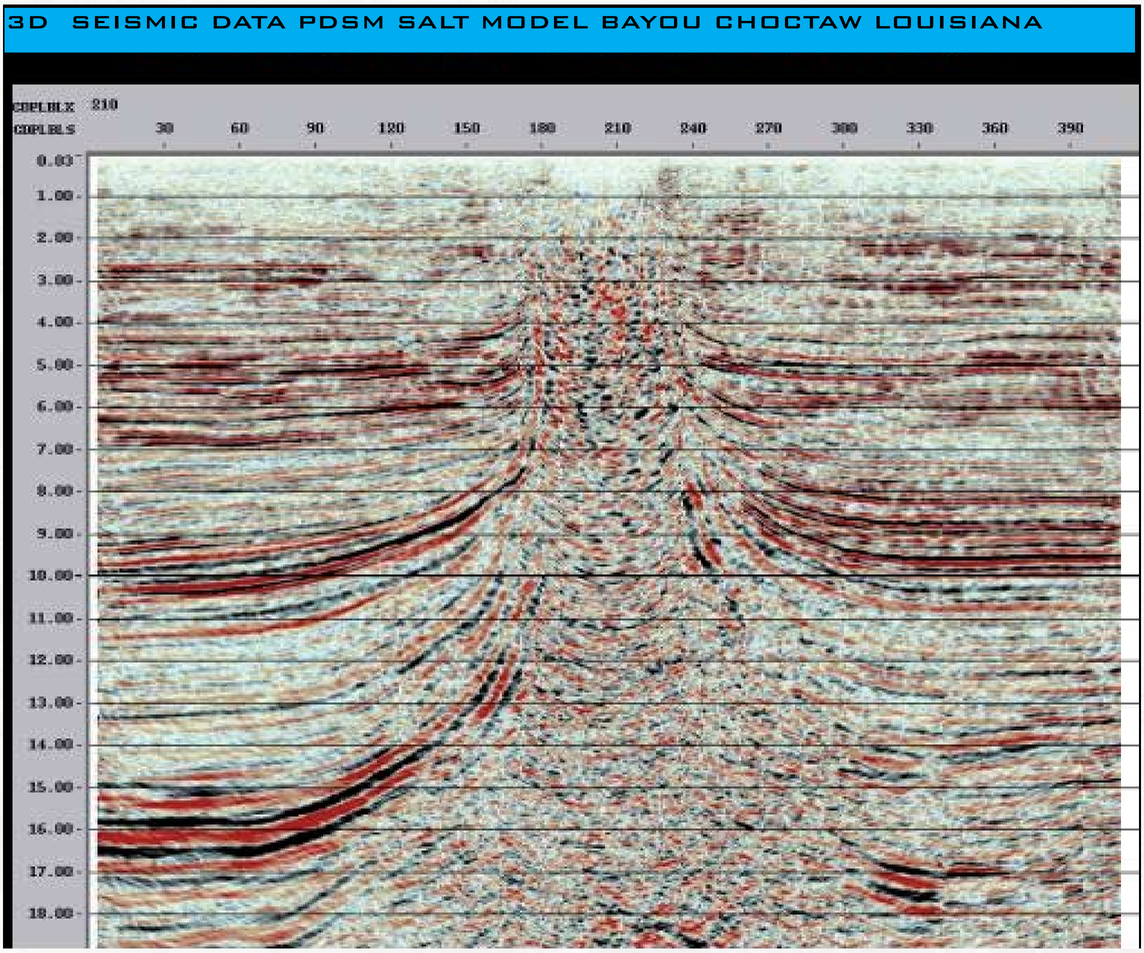
Icon considers that its shareholders will benefit from the expected buoyant level of prices.

NEW ISSUES

In May 2005, Icon offered all shareholders an invitation to subscribe for shares at 2.8 cents per share in parcels of $800, $1500 and $5,000. This issue was made under a Share Purchase Plan or SPP and raised a total of $ 254,660.

In October 2005, Icon made a placement of shares at 2.8 cents per share to Harnbury Pty Ltd which raised a total of $280,000.

Icon has agreed to issue 10 million shares at 6.76 cents per share to Santos Ltd which will raise $676,000 when settled under the terms of a Subscription Agreement signed on 20th March 2006. Under this same Agreement Santos was granted options to acquire 20 million shares at an exercise price 20% below the average market price on the five preceding days before the exercise dates. The options cannot be exercised before 31 December 2006 and not after 31 December 2008.



DIRECTOR'S REPORT

Your directors present their report on the company and its controlled entities for the financial year ended 31 December 2005.

Directors

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

Martin Pyecroft

Raymond Swinburn James

Stephen Michael Barry

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

Principal Activities

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

Dividends Paid or Recommended

The directors recommend that no dividend be paid by the Company. No dividends have been declared or paid by the Company since the end of the previous financial year.

Operating Results

The consolidated profit/(loss) of the economic entity after providing for income tax and eliminating outside equity interests amounted to ($748,442) (2004: $1,755,037).

Review of Operations

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

Significant Changes in State of Affairs

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

Adoption of Australian Equivalents to IFRS

As a result of the introduction of Australian equivalents to International Financial Reporting Standards (IFRS) the company's financial report has been prepared in accordance with those Standards. Refer note 26.

Environmental Regulation

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

After Balance Date Events

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

Future Developments

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

Capital Raising

In May 2005 the Company issued 9,095,000 fully paid ordinary shares at 2.8 cents per share in accordance with the terms of a Share Purchase Plan offered to shareholders.

In November 2005 the Company issued 10,000,000 fully paid ordinary shares at 2.8 cents per share in a placement to a sophisticated investor.

INFORMATION ON DIRECTORS

MARTIN PYECROFT (CHAIRMAN)

Qualifications BSc (Geology) (Hons) University of Leeds MAAPG, MAICD.

Experience Has been involved in the oil and gas industry in Australia and Canada for more than 40 years. Previously he was with Triton Petroleum in Canada, and more recently was Chief Executive of the Crusader Group in Australia. He was a director of Crusader Limited from 1988 to 1996, and a director of Allied Coalfields from 1986 to 1996 and Chairman from 1994 to 1996.

Further public company board experience was obtained with Ausquacan Energy and Koala Smokeless Fuels Ltd.

Interest in Shares 1,475,000 ordinary shares

Director Since 24/01/1997

RAYMOND SWINBURN JAMES (MANAGING DIRECTOR)

Qualifications BSc (Physics Geology) University of NSW.

Experience Has over 31 years experience in international petroleum exploration and production and has been associated with Chevron and Gulf Oil (USA) located in Perth, Houston and Jakarta. As well as founding Icon, he was the founder of Australian Hydrocarbons NL and Omega Oil NL, which were listed on the Australian Stock Exchange Ltd in 1983 and 1987 respectively.

He has international experience in USA, Australia, PNG, China, Burma, Indonesia, Russia, the Middle East and the Philippines.

Interest in Shares 23,775,235 ordinary shares

Director Since 01/02/1993

STEPHEN MICHAEL BARRY

Qualifications LLB University of Sydney

Experience Admitted to practice as a solicitor in 1983 and is a partner in the law firm CKB Partners who provide commercial advice and litigation, insurance, personal injury litigation, corporate advice and commercial leasing along with other general practice areas.

Interest in Shares 1,912,566 ordinary shares.

Director Since 05/01/1993

DIRECTORS AND EXECUTIVE OFFICERS EMOLUMENTS

Directors	Salary	Director's Fees	Superannuation	Non-Cash Benefits	Total
M. Pyecroft	-	42,000	1,890	-	43,890
S. M. Barry	-	30,000	2,700	-	32,700
R. S. James	350,000	-	31,300	36,419	417,719
Executive Officers					
J.B.Cummins	97,650	-	8,786	15,669	122,105

No options were granted or vested to Directors and Executive Officers during the financial year.
No ordinary shares were issued by conversion of options issued under the Icon Staff Share Option Plan.

MEETINGS OF DIRECTORS

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

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

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

DIRECTORS AND AUDITORS INDEMNIFICATION

No indemnities have been given, or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the economic entity except for premiums paid by the Company to insure each of the directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct involving a wilful breach of duty in relation to the Company. The amount of the premium was $10,104 for each director.

SHARE OPTIONS

There are 4,330,000 unlisted options on issue of which 4,300,000 are held by director's and senior executives as follows:

No of Options	Held by	Expiry date	Exercise price
2,900,000	RS James & Assoc Pty Ltd	18/01/06	7.28 cents
1,000,000	RS James	02/07/07	2.84 cents
300,000	J B Cummins	18/01/06	7.28 cents
100,000	"	02/07/07	2.84 cents

In January 2006, a total of 4,300,000 options issued under the Icon Staff Share Incentive Plan were converted in to ordinary shares.

Proceedings on Behalf of the Company

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

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

The lead auditor's independence declaration is set out on page 13 and forms part of the directors' report for the year ended 31 December 2005.

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

Dated 17 March 2006

Martin Pyecroft
Chairman

Raymond S. James
Managing Director

REMUNERATION REPORT

This report is prepared in accordance with section 300A of the Corporations Act 2001.Icon currently employs two (2) people and as such some of the ASIC and ASX Best Practice Guidelines are not relevant.

1. Remuneration Policies

The Remuneration 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 has no discretionary short term bonus scheme, however a long term incentive was provided by the issue of options under the terms of the Staff Share Incentive Plan ("SISOP"). The company is in exploration phase only and net profit is not considered for setting targets for short term incentive plans.

The criteria for long term incentive plans is the realised value of options issued under the SISOP where a share price is greater than the option exercise price.

2. Fixed Remuneration

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

3. Service Agreements

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

Because of the size of the company there are no senior executives and therefore no service agreements exist other than the Managing Director Mr.R. James.

Mr. James has a service agreement with the company for a period of one year dated from 01 January 2006 . The agreement sets out the duties and obligations of Mr. James.

The agreement can 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.
Mr. James has no entitlement to termination payments in the event of removal for misconduct.

4. Non-executive Directors.

Non-executive directors fees approved by shareholders on 30 May 1997 is not to exceed $250,000 per annum.

Directors' base fees for the year ended 31 December 2005 was $72,000. The Chairman received $42,000 per annum. Non-executive directors do not receive incentive based remuneration. There are no provisions for any retirement benefits other than statutory requirements.

Details of the remuneration of each Directors of the Company are :

Directors

	Year	Salaries	Super annuation	Value of options	Non cash benefits	Total
M. Pyecroft	2005	42,000	1,890	0	0	43,890
	2004	42,000	3,780	0	0	45,780
S. M. Barry	2005	30,000	2,700	0	0	32,700
	2004	30,000	2,700	0	0	32,700
R S James	2005	350,000	31,300	0	36,419	417,719
	2004	350,000	31,500	0	26,349	407,849
Total	2005	422,000	35,890	0	36,419	494,309
	2004	422,000	37,980	0	26,349	486,329

Executives

	Year	Salaries	Super annuation	Value of options	Non cash benefits	Total
J B Cummins	2005	97,650	8,786	0	15,669	122,105
	2004	97,650	8,784	0	15,940	122,374

Options

No options were issued or exercised during the reporting period.

Auditor's 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, in relation to our audit of Icon Energy Limited for the year ended 31 December 2005 there has been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

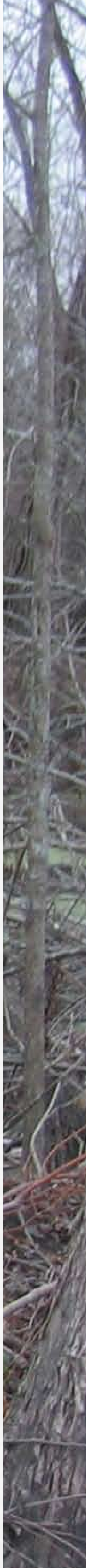
(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

William Buck
Chartered Accountants

D W Langdon
Lead Audit Partner

Dated this 17th day of March 2006

Brisbane, Australia



CORPORATE GOVERNANCE

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

BOARD OF DIRECTORS

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

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

- corporate governance and ethical standards;
- appointing and removing the chief executive officer and monitoring his performance;
- ratifying the appointment and, where appropriate, the removal of the chief financial officer (or equivalent) and the company secretary;
- maximising shareholder value by setting objectives and goals;
- reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct, and legal compliance;
- ensuring appropriate persons form the composition of the Board;
- approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures;
- approving and monitoring financial and other reporting;

BOARD COMPOSITION

The principles applied to the composition of the Board are:

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

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

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

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

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

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

INDEPENDENCE OF NON-EXECUTIVE DIRECTORS

The Board considers and independent director to be a non-executive director who meets the criteria for independence included in the Australian Stock Exchange Best Practice Recommendations. The Board considers that Martin Pyecroft and Stephen Barry meet the criteria and accordingly they are considered to be independent.

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 they may require.

BOARD COMMITTEES

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

AUDIT COMMITTEE

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

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

The committee's responsibilities are to:

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

REMUNERATION COMMITTEE

This committee consists of the non-executive Chairman Mr. M. Pyecroft and non-executive director Mr. S. M. Barry. The committee meets annually to review the remuneration level for the Managing Director and other senior employees of the Company. It also considers and recommends the appropriate level of director's fees (subject to shareholder approval), and that each non-executive director's appointment is consistent with the Company's Constitution and the Corporations Act 2001.

The remuneration committee also reviews and recommends to the board on the following:

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

BOARD REMUNERATION

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

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

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

NOMINATIONS COMMITTEE

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

ETHICAL STANDARDS

The aim of the economic entity is to ensure that all Directors, managers and employees act in a manner of integrity and ethical standards so as to ensure a high standard of corporate governance to enhance the reputation and performance of the group.

TRADING IN THE COMPANY'S SECURITIES BY DIRECTORS AND EMPLOYEES

The Board has a formal policy regarding trading in the securities of the Company by Directors and employees. The provisions of the Corporations Act 2001 and the Listing Rules of the Australian Stock Exchange Limited require advice to the ASX of any transactions by the Directors in the securities of the Company.

IDENTIFICATION OF SIGNIFICANT BUSINESS RISK

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

DISCLOSURE

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

SHAREHOLDERS

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

- annual reports to shareholders;
- half-yearly accounts lodged with the ASX;
- continuous disclosure to the Australian Stock Exchange;
- notices of shareholder meeting and explanatory notes;

- complete information on all documents are on the Company's web-site: www.iconenergy.com and;
- quarterly reports.

Shareholders are encouraged to contact the Company's officers and participate in the Annual General Meeting by asking questions as to the performance of the Company.

PRINCIPLES OF CONDUCT

1. Ethical and responsible business practices.

2. Sustainable development considerations/principles integrated into company decision making.

3. Foster economic growth and business development, generate government revenue, provide commercial returns to the industry and contribute to the wealth generated by Australia's natural resource base.

4. Health, safety, environmental and community risk management strategies that are based on sound science, transparency and effective communication.

5. Continuously seek opportunities to improve health, safety and environmental performance in addressing risks posed by our operations to employees, contractors, the public and the environment.

6. Contribute to the conservation of biodiversity and protection of the environment through responsible management of our operations and their impacts.

7. Foster economic and social development of the communities in which we operate.

8. Respect and protect human rights and dignity at our operations and deal fairly with employees and others.

9. Open and effective engagement, and reporting with our communities.

ASX PRINCIPLES OF CORPORATE GOVERNANCE COUNCIL GUIDELINES

The ASX Corporate Governance Council has recognised that these principles and recommendations do not contain a "one size fits all" solution and Icon is of the opinion that where applicable theses principles and recommendations have been applied.

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF ICON ENERGY LIMITED AND CONSOLIDATED ENTITIES

SCOPE

The financial report and directors' responsibility

The financial report comprises the income statement, balance sheet, statement of changes in equity, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Icon Energy Limited (the company) and Icon Energy Limited and controlled entities (the consolidated entity), for the year ended 31 December 2005. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF ICON ENERGY LIMITED AND CONSOLIDATED ENTITIES

Audit Opinion

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

(a) the Corporations Act 2001, including:

(i). giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2005 and of their performance for the year ended on that date; and

(ii). complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

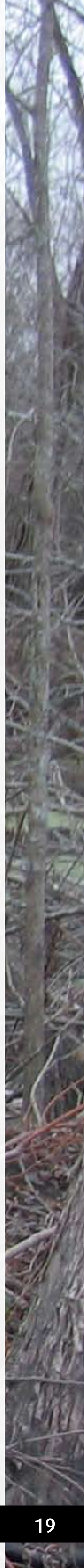
William Buck.

William Buck
Chartered Accountants

D W Langdon
Lead Audit Partner

Dated this 17th day of March 2006.

Brisbane, Australia.



DIRECTORS' DECLARATION

The directors declare that:

(a) the financial statements and notes set out on pages 21 to 42

(i) comply with Accounting Standards and other mandatory professional reporting requirements;

(ii) give a true and fair view of the company's and economic entity's financial position as at 31 December 2005 and its performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and

(b) in the directors opinion:

(i) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

(ii) the financial statements and notes are in accordance with the Corporations Act 2001.

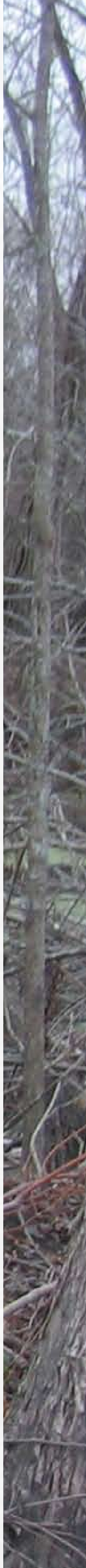
Signed in accordance with a resolution of the directors on 17 March 2006.

Martin Pyecroft

Chairman

Raymond S. James

Managing Director



INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2005

	NOTE	ECONOMIC ENTITY		PARENT ENTITY	
		2005	2004	2005	2004
Revenue	2	(53,648)	(175,973)	-	-
Other Income	3	141,726	11,024	3,822	10,589
Administration expenses		(762,576)	(1,212,396)	(726,520)	(817,823)
Depreciation and amortisation		(28,523)	(39,055)	(24,781)	(29,001)
Employee benefits and expenses		(212,223)	(220,659)	(212,223)	(220,659)
Impairment of exploration expenditure		(22,291)	(779)	(22,291)	(779)
Finance costs		(23,871)	(9,446)	(23,871)	(9,446)
Realised foreign exchange		-	42,790	-	(1,572)
Unrealised foreign exchange		212,964	(150,543)	-	-
Profit/(loss) before income tax	4	(748,442)	(1,755,037)	(1,005,864)	(1,068,691)
Income tax expense	5	-	-	-	-
Profit for the year after income tax expenses attributable to members of the parent entity		(748,442)	(1,755,037)	(1,005,864)	(1,068,691)
Earnings per share	17	(0.32)	(0.80)		
Diluted earnings per share	17	(0.31)	(0.77)		

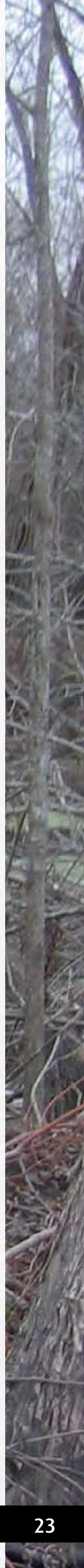
BALANCE SHEET
AS AT 31 DECEMBER 2005

	NOTE	ECONOMIC ENTITY		PARENT ENTITY	
		2005	2004	2005	2004
		$	$	$	$
CURRENT ASSETS					
Cash and cash equivalents	6	149,837	179,107	121,830	168,880
Trade and other receivables	7	7,031	-	7,688,069	7,772,683
Other current assets	8	22,894	29,651	10,231	22,253
TOTAL CURRENT ASSETS		179,762	208,758	7,820,130	7,963,816
NON-CURRENT ASSETS					
Property, plant and equipment	9	118,668	145,844	111,625	129,598
Other financial assets	10	-	-	-	-
Other - Exploration and development expenses	11	6,189,065	5,976,537	2,467,048	2,471,357
TOTAL NON-CURRENT ASSETS		6,307,733	6,122,381	2,578,673	2,600,955
TOTAL ASSETS		6,487,495	6,331,139	10,398,803	10,564,771
CURRENT LIABILITIES					
Trade and other payables	12	102,182	35,072	37,280	35,072
Short term borrowings	13	10,280	17,028	10,280	17,028
Short term provisions	14	123,514	103,091	123,514	103,091
TOTAL CURRENT LIABILITIES		235,976	155,191	171,074	155,191
NON-CURRENT LIABILITIES					
Trade and other payables	12	-	-	-	-
Long term borrowings	13	364,901	83,034	364,901	83,034
Long term provisions	14	61,553	54,067	61,553	54,067
TOTAL NON-CURRENT LIABILITIES		426,454	137,101	426,454	137,101
TOTAL LIABILITIES		662,430	292,292	597,528	292,292
NET ASSETS		5,825,065	6,038,847	9,801,275	10,272,479
EQUITY					
Contributed equity	16	24,262,537	23,727,877	24,262,537	23,727,877
Accumulated losses		(18,437,472)	(17,689,030)	(14,461,262)	(13,455,398)
TOTAL EQUITY		5,825,065	6,038,847	9,801,275	10,272,479

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2005

	Ordinary Share Capital $	Accumulated Losses $	Total $
ECONOMIC ENTITY			
Balance at 1 January 2004	22,673,477	(15,933,993)	6,739,484
Shares issued	1,054,400	-	1,054,400
Loss for the year attributable to members of parent entity	-	(1,755,037)	(1,755,037)
Balance at 31 December 2004	23,727,877	(17,689,030)	6,038,847
Shares issued	534,660	-	534,660
Loss for the year attributable to member's of parent entity	-	(748,442)	(748,442)
Balance at 31 December 2005	24,262,537	(18,437,472)	5,825,065
PARENT ENTITY			
Balance at 1 January 2004	22,673,477	(12,386,707)	10,286,770
Shares issued	1,054,400	-	1,054,400
Loss for the year attributable to member's of parent entity	-	(1,068,691)	(1,068,691)
Balance at 31 December 2004	23,727,877	(13,455,398)	10,272,479
Shares issued	534,660	-	534,660
Loss for the year attributable to members of parent entity	-	(1,005,864)	(1,005,864)
Balance at 31 December 2005	24,262,537	(14,461,262)	9,801,275



CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2005

	ECONOMIC ENTITY		PARENT ENTITY	
	2005 Inflows (Outflows) $	2004 Inflows (Outflows) $	2005 Inflows (Outflows) $	2004 Inflows (Outflows) $
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	349,519	220,166	-	-
Payments to suppliers and employees	(1,195,930)	(1,377,097)	(854,853)	(1,136,369)
Interest received	3,946	16,169	3,822	16,148
Borrowing costs	(23,871)	(9,446)	(23,871)	(9,446)
Income tax paid	-	-	-	-
Net Cash used in Operating Activities Note 18(a)	(866,336)	(1,150,208)	(874,902)	(1,129,667)
CASH FLOWS FROM INVESTMENT ACTIVITIES				
Purchase of property, plant and equipment	(7,406)	(56,186)	(6,808)	(57,181)
Proceeds from sale of non current assets	9,812	(5,560)	-	(5,560)
Net Cash provided by/(used in) Investment activities	2,406	(61,746)	(6,808)	(62,741)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from borrowings	300,000	-	300,000	-
Proceeds from issue of shares	534,660	1,054,400	534,660	1,054,400
Net Cash provided by Financing Activities	834,660	1,054,400	834,660	1,054,400
Net Decrease in cash held	(29,270)	(157,554)	(47,050)	(138,008)
Cash and cash equivalents at Beginning of the Financial Year	179,107	336,661	168,880	306,888
Cash and cash equivalents at the End of the Financial Year (Note 6)	149,837	179,107	121,830	168,880

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

1. STATEMENT OF ACCOUNTING POLICIES

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

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

The financial report 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.

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

Basis of Preparation

First-time Adoption of Australian Equivalents to International Financial Reporting Standards

Icon Energy Limited and controlled entities and Icon Energy Ltd as an individual parent entity, have prepared financial statements in accordance with the Australian equivalents to International Financial Reporting Standards (IFRS) from 1 January 2005.

In accordance with the requirements of AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards, adjustments to the parent entity and consolidated entity accounts resulting from the introduction of IFRS have been applied retrospectively to 2004 comparative figures excluding cases where optional exemptions available under AASB 1 have been applied. These consolidated accounts are the first financial statements of Icon Energy Ltd to be prepared in accordance with Australian equivalents to IFRS.

The accounting policies set out below have been consistently applied to all years presented. The parent and consolidated entities have, however, elected to adopt the exemptions available under AASB 1 relating to AASB 132: Financial Instruments: Disclosure and Presentation, and AASB 139: Financial instruments: Recognition and Measurement.

Reporting Basis and Conventions

The financial report has 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 has been applied.

Accounting Policies

(a) Principles of Consolidation

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

1. STATEMENT OF ACCOUNTING POLICIES (Continued)

(b) Income Tax

The charge for current income tax expense is based on the loss for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business co mbination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

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

(c) Property, Plant and Equipment

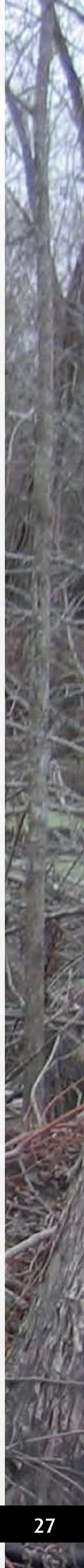
Property, plant and equipment are brought to account at cost or at independent or directors' valuation, less, where applicable, any accumulated depreciation or amortisation. The carrying amount of property, plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable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

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated over their useful lives using the diminishing method commencing from the time the asset is held ready for use. Properties held for investment purposes are not subject to a depreciation charge. Leasehold improvements are amortised over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. Depreciation rates and methods are reviewed annually and, if necessary, adjustments are made.

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

Class of Asset	Depreciation Rate
Plant and Equipment	20 – 40%
Office Furniture and Equipment	20%

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



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

1. STATEMENT OF ACCOUNTING POLICIES (Continued)

(d) Leased Plant and Equipment

Leases of plant and equipment, under which the Company or its controlled entities assume substantially all the risks and benefits of ownership, are classified finance leases. Other leases are classified as operating leases.

Finance leases are capitalised. A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease. Contingent rentals are written off as an expense of the accounting period in which they are incurred. Capitalised lease assets are amortised on a straight line basis over the term of the relevant lease, or where it is likely the economic entity will obtain ownership of the asset, or the life of the asset. Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are charged to the profit and loss account. Refer Note 19.

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

(e) Exploration, Evaluation and Development Expenditure

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

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

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

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

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

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

(f) Intangibles

Goodwill

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

1. STATEMENT OF ACCOUNTING POLICIES (Continued)

(g) Investments

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

(h) Interests in Joint Ventures

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

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

(i) Trade Creditors

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

(j) Statement of Cash Flows

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

(k) Provision for Dividend

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

(l) Employee Entitlements

Wages, Salaries, Annual Leave and Sick Leave

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

Long Service Leave

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

1. STATEMENT OF ACCOUNTING POLICIES (Continued)

(m) Net Fair Value

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

(n) Revenue

Revenue from sale of goods is recognised upon the delivery of goods to customers. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Revenue from rendering of a service is recognised upon the delivery of the service to the customers.

(o) Foreign Currency Transactions and Balances

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

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

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

(p) Segment Reporting

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

(q) Comparative Figures

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

(r) Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial report 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 group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

	ECONOMIC ENTITY		PARENT ENTITY	
	2005	2004	2005	2004
	$	$	$	$
2. REVENUE				
Oil Production (US operation)				
Revenue	222,523	176,961	-	-
Less: Cost of sales	(276,171)	(352,934)	-	-
	(53,648)	(175,973)	-	-
3. OTHER INCOME				
Interest received				
- Other	3,946	16,169	3,822	16,149
Royalties received	44,111	415	-	-
Profit/(loss) on disposal of property, plant and equipment	3,753	(5,560)	-	(5,560)
Sundry income	89,916	-	-	-
	141,726	11,024	3,822	10,589
4. PROFIT FROM ORDINARY ACTIVITIES				
Profit from ordinary activities before income has been determined after:				
OTHER EXPENSES FROM ORDINARY ACTIVITIES				
Auditor's remuneration:				
- Audit or review of financial report	17,890	15,400	17,890	15,400
- Non audit services	11,790	11,305	11,790	11,305
Amounts set aside to provision for:				
- Employee entitlements	27,908	11,193	27,908	11,193
5. INCOME TAX				
The prima facie tax payable on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:				
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2004:30%)	(224,533)	(526,512)	(301,759)	(320,607)
Other Non Deductible Expenses	(52,244)	74,590	7,522	4,903
Prima facie tax for permanent differences	(276,777)	(451,922)	(294,237)	(315,704)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

	ECONOMIC ENTITY		PARENT ENTITY	
	2005	2004	2005	2004
	$	$	$	$
5. INCOME TAX (Continued)				
Prima facie tax adjusted for permanent differences	(276,777)	(451,922)	(294,237)	(315,704)
Future income tax benefit not brought to account	-	-	-	-
Future income tax benefit prior year losses recouped	276,777	451,922	294,237	315,704
Income Tax Attributable to Operating Profit	-	-	-	-

Future income tax benefits not brought to account, the benefits of which will only be realised if the conditions for deductibility of tax losses set out in Note 1 occur based on corporate tax rate of 30% (2004: 30%)

- Losses	6,085,814	5,817,861	5,828,814	5,543,403
- Timing differences	59,270	50,447	59,272	50,447
	6,145,084	5,868,308	5,888,086	5,593,850

6. CASH ASSETS

Cash on hand	457	457	250	250
Cash at bank	149,380	178,650	121,580	168,630
	149,837	179,107	121,830	168,880

Cash at bank earns interest at a variable rate of between 4.50% and 4.85% (2004: 4.50%). Cash at bank is all held with the National Australia Bank and the Westpac Banking Corporation.

7. RECEIVABLES

- Trade debtors	7031		7,031	-
Amounts receivable from wholly owned subsidiaries:				
- Jakabar Pty Ltd	-	-	5,860	860
- Icon Oil US LLC	-	-	7,675,178	7,771,823
	7,031	-	7,688,069	7,772,683

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

	ECONOMIC ENTITY		PARENT ENTITY	
	2005	2004	2005	2004
	$	$	$	$
8. OTHER ASSETS				
Performance guarantee bond Qld Department of Natural Resources and Mines	14,137	21,872	6,072	19,072
Louisiana USA-Conservation Bond	4,598	4,598	-	-
Other	4,159	3,181	4,159	3,181
	22,894	29,651	10,231	22,253
9. PROPERTY, PLANT AND EQUIPMENT				
Plant and Equipment – at cost	436,771	455,490	415,088	408,280
Less: accumulated depreciation	(318,103)	(309,646)	(303,463)	(278,682)
	118,668	145,844	111,625	129,598
Plant and equipment				
- under lease	154,571	154,571	154,571	154,571
Less: accumulated amortisation	(154,571)	(154,571)	(154,571)	(154,571)
	-	-	-	-
Total property, plant and equipment at written down value	118,668	145,844	111,625	129,598

(a) Movements in carrying amounts

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Plant and Equipment At Cost	Plant and Equipment Under Lease	Total
Economic Entity			
Balance at the beginning of the year	145,844	-	145,844
Additions	6,808	-	6,808
Disposals	(6,059)	-	(6,059)
Depreciation/Amortisation Expense	(28,523)	-	(28,523)
Foreign exchange variation	598	-	598
Balance at the end of the year	118,668	-	118,668
Parent Entity			
Balance at the beginning of the year	129,598	-	129,598
Additions	6,808	-	6,808
Disposals	-	-	-
Depreciation/Amortisation Expense	(24,781)	-	(24,781)
Balance at the end of the year	111,625	-	111,625

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

	ECONOMIC ENTITY		PARENT ENTITY	
	2005	2004	2005	2004
	$	$	$	$
10. OTHER FINANCIAL ASSETS				
Shares in Unlisted Companies – at cost	-	-	976,426	976,426
Provision for diminution in value	-	-	(976,426)	(976,426)
	-	-	-	-
11. EXPLORATION EXPENDITURE				
Exploration and Evaluation Expenditure at cost	6,189,065	5,976,537	2,467,048	2,471,357
	6,189,065	5,976,537	2,467,048	2,471,357
12. PAYABLES				
Current				
Trade payables	102,182	35,072	37,280	35,072
	102,182	35,072	37,280	35,072
Non- Current				
Trade payables	-	-	-	-
	-	-	-	-
13. INTEREST BEARING LIABILITIES				
Current				
Lease liability	-	-	-	-
Hire purchase liability	10,280	17,028	10,280	17,028
	10,280	17,028	10,280	17,028
Non Current				
Loans	300,000	-	300,000	-
Hire purchase liability	64,901	83,034	64,901	83,034
	364,901	83,034	364,901	83,034
14. PROVISIONS				
Current				
Employee entitlements	123,514	103,091	123,514	103,091
Non-Current				
Employee entitlements	61,553	54,067	61,553	54,067
Number of employees at year end	2	3	2	3

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

15. DIRECTORS' AND EXECUTIVES REMUNERATION

(a) Names and positions held of parent entity directors and specified executives in office at any time during the financial year are:

Parent Entity Directors

M. Pyecroft	Chairman
S. M. Barry	Non Executive Director
R. S. James	Managing Director

Specified Executives

J. B. Cummins	Company Secretary

(b) Parent Entity Directors' Remuneration

2005	Primary			
	Salary, Fees & Commissions $'000	Superannuation Contribution $'000	Cash Bonus $'000	Non-Cash Benefits $'000
M. Pyecroft	42,000	1,890	0	0
S. M. Barry	30,000	2,700	0	0
R .S. James	350,000	31,300	0	36,419
	422,000	35,890	0	36,219

(c) Specified Executives Remuneration

2005	Primary			
	Salary, Fees & Commissions $'000	Superannuation Contribution $'000	Cash Bonus $'000	Non-Cash Benefits7 $'000
J B Cummins	97,650	8,786	0	15,669
	97,650	8,786	0	15,669

Note 7: Directors' and Executives' Remuneration (cont'd)

(d) Remuneration Options

Options Granted As Remuneration

	Vested No.	Granted No.	Grant Date	Value per Option at Grant Date
Parent Entity Directors	Nil	Nil	Nil	Nil
Specified Executives	Nil	Nil	Nil	Nil
	Nil	Nil	Nil	Nil

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

15. DIRECTORS' AND EXECUTIVES REMUNERATION

(e) Shares Issued on Exercise of Remuneration Options

Options exercised during the year that were granted as remuneration in prior periods

	No. of Ordinary Shares Issued $	Amount Paid per Share $	Amount Unpaid per Share $
Parent Entity Directors	Nil	Nil	Nil
Specified Executives	Nil	Nil	Nil
	Nil	Nil	Nil

(f) Options and Rights Holdings

Number of Options Held by Specified Directors and Executives

	Balance 1.01.05	Granted as Remuneration	Options Exercised	Net Change Other
Parent Entity Directors				
R S James	3,900,000	Nil	Nil	Nil
Specified Executives				
J B Cummins	400,000	Nil	Nil	Nil
Total	4,300,000	Nil	Nil	Nil

(g) Shareholdings

Number of Shares held by Parent Entity Directors and Specified Executives

	Balance 1.01.05	Received as Remuneration	Options Exercised
Parent Entity Directors			
R S James	19,700,235	Nil	Nil
M Pyecroft	1,300,000	Nil	Nil
S M Barry	1,737,566	Nil	Nil
Specified Executives			
J B Cummins	Nil	Nil	Nil
	22,737,801	Nil	Nil

	Net Change Other	Balance 31.12.05
Parent Entity Directors		
R S James	175,000	19,875,235
M Pyecroft	175,000	1,475,000
S M Barry	175,000	1,912,566
Specified Executives		
J B Cummins	Nil	Nil
	525,000	23,262,801

NOTES TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2005

	ECONOMIC ENTITY		PARENT ENTITY	
	2005	2004	2005	2004
	$	$	$	$
16. CONTRIBUTED EQUITY				
SHARE CAPITAL				
Issued and paid-up share capital 249,046,906 (31 December 2004: 229,951,906) ordinary shares fully paid	24,262,537	23,727,877	24,262,537	23,727,877

	Numbers	31 Dec 2005 $	Numbers	31 Dec 2004 $
Fully paid shares				
Balance at beginning of period	229,951,906	23,727,877	187,775,906	22,673,477
Shares issued:				
May 2005	9,095,000	254,660	-	-
November 2005	10,000,000	280,000	-	-
March 2004	-	-	32,176,000	804,400
April 2004	-	-	10,000,000	250,000
Balance at end of period	249,046,906	24,262,537	229,951,906	23,727,877

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 of the consolidated company ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.

Staff Options

Balance at beginning of financial year	4,330,000	5,440,000
Lapsed during year	-	(1,110,000)
Balance at end of financial year	4,330,000	4,330,000

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

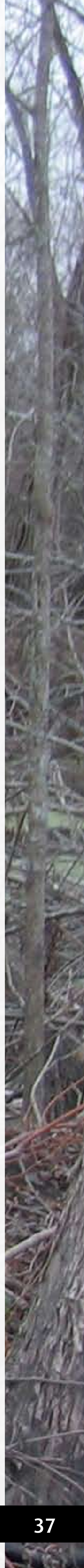
17. EARNINGS PER SHARE

	ECONOMIC ENTITY 2005 $	ECONOMIC ENTITY 2004 $
(a) Reconciliation of Earnings to Net Profit or Loss		
Net Loss	748,442	1,755,037
Earnings used in the calculation of basic EPS	748,442	1,755,037
Dividends on converting options	-	-
Earnings used in the calculation of dilutive EPS	748,442	1,755,037
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	236,517,194	219,333,166
Weighted average number of options outstanding	4,330,000	9,397,780
Weighted average number of ordinary shares outstanding during the year used in calculation of dilutive EPS	240,847,194	228,730,946

(c) Classification of Securities

The following securities have been classified as potential ordinary shares and are included in determination of dilutive EPS:

	2005 $	2004 $
Listed options	-	24,471,983
Employee options	4,330,000	5,440,000
(d) Weighted average number of converted and lapsed options included in calculation of diluted EPS	-	-



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

18. CASH FLOW INFORMATION

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

	ECONOMIC ENTITY 2005 $	ECONOMIC ENTITY 2004 $	PARENT ENTITY 2005 $	PARENT ENTITY 2004 $
Operating profit after income tax	(748,442)	(1,755,037)	(1,005,864)	(1,068,691)
Adjustment for non cash items				
Depreciation	28,523	39,055	24,781	29,001
Exploration expenditure written off	22,291	779	22,291	779
Profit on sale of property, plant and equipment	(3,753)	-	-	-
Adjustment for changes in assets and liabilities				
(Increase)/Decrease in:				
Inventories	-	4,461	-	-
Deferred expenditure	(234,819)	1,121,389	(17,982)	(10,695)
Other debtors	(7,031)	129,520	84,614	(98,040)
Investments	-	(1,346)	12,022	(1,452)
Other assets	6,757	5,560	-	5,560
Increase/(Decrease) in:				
Accounts payable	67,110	(737,603)	2,208	(29,143)
Employee provisions	27,909	4,296	27,909	4,296
Borrowings	(24,881)	38,718	(24,881)	38,718
Net cash from operating activities	(866,336)	(1,150,208)	(874,902)	(1,129,667)

(b) Non-cash financing activities

There were no non-cash financing activities during 2005.

19. CAPITAL AND LEASING COMMITMENTS

Finance Lease Commitments

	ECONOMIC ENTITY 2005 $	ECONOMIC ENTITY 2004 $	PARENT ENTITY 2005 $	PARENT ENTITY 2004 $
Finance lease commitments payable:				
- not longer than one year	-	-	-	-
- later than one year but not longer than five years	-	-	-	-
- later than five years	-	-	-	-
Minimum lease payments	-	-	-	-
Less: future finance charges	-	-	-	-
Total Lease Liability	-	-	-	-
Current liabilities	-	-	-	-
Non-current liabilities	-	-	-	-
	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

20. RELATED PARTY TRANSACTIONS

	ECONOMIC ENTITY 2005 $	ECONOMIC ENTITY 2004 $	PARENT ENTITY 2005 $	PARENT ENTITY 2004 $

(a) Directors' Names

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

M Pyecroft (Chairman)

R S James (Managing)

S M Barry

(b) Directors' Remuneration and Retirement Benefits

	ECONOMIC ENTITY 2005 $	ECONOMIC ENTITY 2004 $	PARENT ENTITY 2005 $	PARENT ENTITY 2004 $
Income paid or payable to all directors of each entity in the economic entity by the entities of which they are directors	422,000	422,000	422,000	422,000
Number of directors of the company whose total income falls within the following bands:				
$30,000 - $39,999	1	1	1	1
$40,000 - $49,999	1	1	1	1
$350,000 - $419,999	1	1	1	1

(c) Transactions with Directors and Director Related Entities

	ECONOMIC ENTITY 2005 $	ECONOMIC ENTITY 2004 $	PARENT ENTITY 2005 $	PARENT ENTITY 2004 $
(i) Legal fees paid in the ordinary Course of business to CKB Partners a firm with which Mr. S. Barry is associated	-	6,963	-	6,963

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

(d) Share Transactions of Directors

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

	ECONOMIC ENTITY 2005 $	ECONOMIC ENTITY 2004 $	PARENT ENTITY 2005 $	PARENT ENTITY 2004 $
Icon Energy Limited				
- ordinary shares	23,262,801	22,737,801	23,212,801	22,737,801
- options unlisted	3,900,000	3,900,000	3,900,000	3,900,000

Directors and their related entities acquired 525,000 ordinary shares during the financial year (Note 15). They did not dispose of any shares or options during the period.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

21. JOINT VENTURES

	ECONOMIC ENTITY 2005 $	ECONOMIC ENTITY 2004 $	PARENT ENTITY 2005 $	PARENT ENTITY 2004 $

Interest in Joint Venture Operations

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

Joint Venture		Interest	
ATP 549P	Cooper	33.33%	
ATP 594P	Cooper	50.00%	
ATP 794P	Cooper	60.00%	Regleigh & Springfield areas
ATP 794P	Cooper	75.00%	Brightspot area
Victory Financial North	Louisiana	38.50%	
Victory Financial; South	Louisiana	19.00%*	
Wilberts	Louisiana	13.20%*	

The Economic Entity's share of assets employed in unincorporated joint ventures is as follows:

	ECONOMIC ENTITY 2005 $	ECONOMIC ENTITY 2004 $	PARENT ENTITY 2005 $	PARENT ENTITY 2004 $
CURRENT ASSETS				
Inventories	-	-	-	-
Other	-	-	-	-
Total Current Assets	-	-	-	-
NON-CURRENT ASSETS				
Other costs carried forward in respect of areas of interest				
Exploration and evaluation phases	6,189,065	5,976,537	2,467,048	2,471,537
Total Non-Current Assets	6,189,065	5,976,537	2,467,048	2,471,357
Share of total assets in joint venture	6,189,065	5,976,537	2,468,048	2,471,357

22. CONTROLLED ENTITIES

	Country of Incorporation	% Owned 2005	% Owned 2004
Parent entity:			
Icon Energy Limited	Australia		
Subsidiaries of Icon Energy Limited:			
Jakabar Pty Ltd	Australia	100	100
Icon Drilling Pty Ltd	Australia	100	100
Icon Oil US LLC	USA	100	100

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

23. STATEMENT OF OPERATIONS BY SEGMENTS

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

SEGMENT REPORTING

	Australia		USA		Economic Entity	
	2005	2004	2005	2004	2005	2004
Primary Reporting – Geographical Segments						
REVENUE						
External Sales	-	53,399	222,523	178,533	222,523	231,932
Royalty income	-	-	44,111	415	44,111	415
Total segment revenues	-	53,399	266,634	178,948	266,634	232,347
Total revenue from ordinary activities	-	53,399	266,634	178,948	266,634	232,347
RESULT						
Segment Result	(684,109)	(1,219,420)	(64,333)	(535,617)	(748,442)	(1,755,037)
ASSETS						
Segment Assets	2,723,625	2,792,948	3,763,870	3,538,191	6,487,495	6,331,139
Segment Liabilities	597,528	292,292	64,902	-	662,430	292,292
OTHER						
Acquisition of non-current Segment assets	6,808	95,855	-	-	6,808	95,855
Depreciation and amortisation of segment assets	24,781	29,001	3,742	10,054	28,523	39,055

24. FINANCIAL INSTRUMENT DISCLOSURE

(a) Interest rate risk

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

	Note	Floating interest rate	Fixed interest maturing within 1 year	Fixed interest maturing over 1 to 5 years	Non-interest bearing	Total
2005						
Financial assets						
Cash	5	149,380	-	-	457	149,837
Receivables	6	-	-	-	7,031	7,031
Other	7/8	-	-	-	22,894	22,894
		149,380	-	-	30,382	179,762
Weighted average interest rate			4.55			

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

24. FINANCIAL INSTRUMENT DISCLOSURE (Continued)

	Note	Floating interest rate	Fixed interest maturing within 1 year	Fixed interest maturing over 1 to 5 years	Non-interest bearing	Total
2005						
Financial assets						
Accounts payable	12	-	-	-	102,182	102,182
Borrowings	13	-	10,280	364,901	-	375,181
		-	10,280	364,901	102,182	477,363

Weighted average interest rate 7.950

	Note	Floating interest rate	Fixed interest maturing within 1 year	Fixed interest maturing over 1 to 5 years	Non-interest bearing	Total
2004						
Financial assets						
Cash	5	178,650	-	-	457	179,107
Receivables	6	-	-	-	-	-
Other	7	-	-	-	29,651	29,651
		178,650	-	-	30,108	208,758

Weighted average interest rate4.55

	Note	Floating interest rate	Fixed interest maturing within 1 year	Fixed interest maturing over 1 to 5 years	Non-interest bearing	Total
Financial liabilities						
Accounts payable	11	-	-	-	35,072	35,072
Borrowings	12	-	17,028	83,084	-	100,112
		-	17,028	83,084	35,072	135,184

Weighted average interest rate 7.950

(b) Credit risk

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

25. CONTINGENT LIABILITIES

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

26. FIRST TIME ADOPTION OF AUSTRALIAN INTERNATIONAL FINANCIAL REPORTING STANDARDS

The directors have reviewed the implications of the adoption of International Financial Reporting Standards and no adjustments have been deemed necessary in the terms of their initial adoption.

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

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

Substantial Shareholders

Name Held	Number of Ordinary Ordinary Capital	% Held of Issued Fully Paid Shares
R S James & Associates Pty Ltd	23,775,235	9.38

Distribution of shareholders at 31 March 2006.

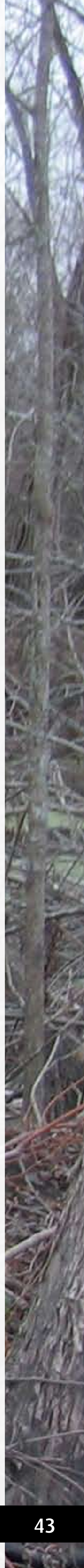
Category (size of Holding)	HOLDERS	NUMBER OF ORDINARY SHARES
1 - 1,000	37	18,997
1,001 - 5,000	344	1,260,313
5,001 - 10,000	544	4,864,198
10,001 - 100,000	1,564	63,276,880
100,001 - and over	399	183,926,618

Unmarketable parcels at 31 March 2006.

Minimum parcel 6,250 shares. Holders 449

Twenty Largest Shareholders – Ordinary Capital at 31 March 2006.

Name Capital	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary
1. R S James & Associates Pty Ltd	23,775,235	9.38
2. Citicorp Nominees Pty Ltd	4,987,073	1.97
3. Mr. Peter Alfred Ternes	4,750,000	1.87
4. Gordon Holdings (Qld) Pty Ltd	4,355,244	1.72
5. Mr. Brian William Atkinson & Gregory Paul Sheil	3,900,000	1.54
6. R. S. Bovey Family account	3,450,000	1.36
7. Brady Super Fund A/c	3,000,000	1.18
8. Fable Pty Ltd	2,923,179	1.15
9. Harnbury Pty Ltd	2,900,000	1.14
10. Mr. Dimitri Scardanas	2,144,000	0.85
11. Lochiel Enterprises Pty. Ltd	2,084,000	0.82
12. Toga Developments Pty Ltd	2,008,731	0.79
13. White Hat Super Fund A/c	2,000,000	0.79
14. Mr. Bradley Luke Casey	1,918,601	0.76
15. Mr. Daniel Joseph Raymond O'Sullivan	1,549,900	0.61
16. Mr. Lionel John Goody	1,533,377	0.61



ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES
Cont.

17. Mr. Phillip Michael Lynch and Mrs. Suzanne Mary Louise Lynch	1,500,000	0.59
18. Mr. Martin & Mrs Josephiine Pyecroft <The Pyecroft Super Fund A/C>	1,475,000	0.58
19. Mr. Neil Harris	1,400,000	0.55
20. Mimcliff Pty Ltd	1,205,000	0.48
Total	72,859,340	28.74

Mining Tenements

The company held interest in the following mining tenements at 31 December 2005.

Oil and Gas	*Basin*	*Interest %*
ATP 549P	Cooper	33.33
ATP 594P	Cooper-Eromanga	50.00*
ATP 794P	Eromanga Regleigh & Springfield Areas	60.00
ATP 794P r	Eromanga Brightspot area	75.00
ATP 626P	Surat	100.00
ATP765 Applic	Eromanga	75.00
ATP766 Applic	Eromanga	75.00

* This will increase to 100.00% upon Ministerial approval.

Lease interests held in Bayou Choctaw area Louisiana USA

VFL North	Louisiana	38.50
VFL South	Louisiana	19.00
Wilberts	Louisiana	13.20
Zig Zag	Louisiana	13.20

COMPANY PARTICULARS

DIRECTORS

Martin Pyecroft - Chairman

Raymond S James -Managing Director

Stephen M Barry

COMPANY SECRETARY

John B Cummins

REGISTERED OFFICE

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Brisbane Qld 4000

LEGAL ADVISORS

Allens Arthur Robinson
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Brisbane Qld 4000

CKB Partners
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STOCK EXCHANGE LISTING

Australian Stock Exchange – ASX Code ICN

Home Branch Brisbane

ICON

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