

# 2017 ANNUAL REPORT



 **Icon** energy

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Cover image: Terrex Seismic's INOVA AVH-IV PLS364 62,000lb peak articulated buggy vibrator (Energy Source) at Harrier 3D Seismic Survey, ATP 594

## NOTICE OF ANNUAL GENERAL MEETING

2017 Annual General Meeting  
Wednesday, 22 November 2017 at 11.00am

The Arts Centre Gold Coast,  
Lakeside Terrace,  
135 Bundall Road,  
Surfers Paradise, Queensland 4217

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## COMPETENT PERSONS STATEMENT

The information on unconventional contingent and prospective resources in this Annual Report was reviewed by Mr Martin Berry who is a full time employee of Icon Energy Limited and has consented to the inclusion of this information in the form and context in which it appears. Mr Berry is a Fellow of the Geological Society of London and a Member of the American Association of Petroleum Geologists.

ABN 61 058 454 569



**Image:** Terrex Seismic's vehicles used during the Harrier 3D Seismic Survey in ATP 594

# CHAIRMAN'S LETTER



## DEAR SHAREHOLDER

This past financial year has been a year of consolidation for Icon Energy. At years end, Icon held and still holds a 100% working interest in these tenements:

- ATP 855 in the Cooper Basin - and Operator
- ATP 594 in the Cooper-Eromanga Basin - and Operator
- PEP 170 in Gippsland Basin (permit granted) and in PEP 172 & 173 (where the issue of the permit is subject to acceptance by Icon).

In addition, our former PEL 218 in South Australia has been re-issued with approved retention leases PRL's 33 to 49. Icon's working interest is 33.33% in the post-Permian section.

The gas and oil resources in the Cooper Basin have placed Icon in a position of strength in the Australian Gas market over the mid to longer term.

You will have heard much talk in the press about the shortage of gas in the Australian Eastern Gas Market. Icon is hopeful that the shortage of gas locally will lead to increased interest in development of gas resources such as ATP 855 (Icon 100%).

ATP 855 is located in southwest Queensland where infrastructure facilities are well developed. Two gas pipelines traverse the tenement with potential to carry extra gas to the Eastern State markets or an LNG terminal at Gladstone for export. ATP 855 contains a gas resource which has been determined by DeGolyer and MacNaughton, at 28.5 (P50) Trillion Cubic Feet (**Tcf**) of Unconventional Prospective Raw Natural Gas<sup>1</sup> over the whole permit and 1.57 Tcf of 2C Contingent Resource<sup>2</sup> determined within defined areas surrounding the five wells already tested.

Icon is seeking funding for the appraisal and development program in the tenement. Talks with interested parties are proceeding, but as at the date of this report, no agreement has been reached. Icon assumed control of ATP 855 on 31 March 2017. On 25 August, the Department of Natural Resources and Mines (**DNRM**) declared eight Potential Commercial Areas (**PCA's**) over the whole tenement for fifteen years. Icon wishes to acknowledge the assistance provided by the DNRM in facilitating this timely approval. Obtaining clear title and approvals for the tenement has significantly strengthened Icon's prospects of securing funding for the work program.

Icon has identified several opportunities for the initial seismic and appraisal drilling program. The aim is to confirm commercial gas flow rates in identified "sweet spots" discovered previously during the Stage-1 exploration program. Once funding is obtained for the new Joint Venture, operations will commence as soon as equipment and approvals are in place.

1. Icon Energy announced on 19 June 2014, that DeGolyer and MacNaughton, a well-respected and qualified international petroleum reserve and resource evaluation company, estimated that the Unconventional Prospective Raw Natural Gas Resource was 28.5 (P50) Tcf. Unconventional Prospective Resources are defined as those quantities of petroleum that are estimated, as of a given date, to be potentially recoverable from undiscovered unconventional accumulations by application of future development projects. Unconventional Prospective Resources may exist in petroleum accumulations that are pervasive throughout a large potential production area and would not be significantly affected by hydrodynamic influences (also called continuous-type deposits). The estimated quantities of petroleum that may potentially be recovered by the application of a future development project relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons. These Unconventional Prospective Resources are based on probabilistic estimates for each target formation and these have been statistically aggregated.

2. Icon Energy announced on 31 December 2014, that DeGolyer and MacNaughton, a well-respected and qualified international petroleum reserve and resource evaluation company, estimated that, the 2C Recoverable Gross Contingent Resource was 1,572 Bcf or 1.57 Tcf. Contingent Resources are those quantities of wet gas (produced gas minus carbon dioxide) that are potentially recoverable from known accumulations but which are not considered to be commercially recoverable due to the need for additional delineation drilling, further validation of deliverability and original hydrocarbon in place (*OHIP*), and confirmation of prices and development costs. This is based on a statistical aggregation method using Monte Carlo simulation estimates for each formation.



Image: The Burke and Wills Dig Tree on Cooper's Creek in ATP 855

In ATP 594, Icon funded the Harrier 3D Seismic Survey, a large 293 sq km seismic program, in 2016-2017. Delays were caused by two periods of heavy rain and flooding. Waiting for this flat land to dry out after rain, plus the cost and distance to move a full crew of up to fifty personnel is not a simple or inexpensive task. The seismic results have now been processed and interpreted and we are negotiating with potential joint venture partners to assist Icon in drilling one or more wells on the targets now identified within the permit. Updates on the progress of the program will be announced to the Australian Stock Exchange (ASX) as results are available.

In Victoria, our permits (granted and pending) have been the subject of a Moratorium and a permanent ban on fracking. On 16 March 2017, the State Government legislated the Moratorium to continue until 30 June 2020, thus preventing any onshore drilling for gas until that time expires. After that date, only conventional drilling under a revised work program can be performed.

Your Board of Directors, having deliberated for a long time over Icon's ultimate position, decided that it would be in the best interest of Icon's shareholders to continue to pay all fees associated with the retention of PEP 170 (granted) and PEP's 172 and 173 (grants pending) until further notice.

With the closing of coal fired power stations in Victoria and the decline in offshore gas production, Icon is well placed to recommence operations in onshore Gippsland. Icon has 100% of the permits over three areas totalling 3,300 sq kms which are close to existing commercial gas flows from discovery wells nearby. The tenements are also close to necessary infrastructure including the gas plant located at Lonsdale.

Recognising that capital and resources need to be focused on the most prospective areas, the Board determined not to pursue the less prospective tenements including ATP 626, ATP 549 West and ATP 794. All field operations currently are on a care and maintenance basis only, until new funding can be obtained to commence Stage-2 operations in the ATP 855 and 594 tenements. Minimal holding costs are being incurred in Victoria of approximately \$19,000.00 per year.

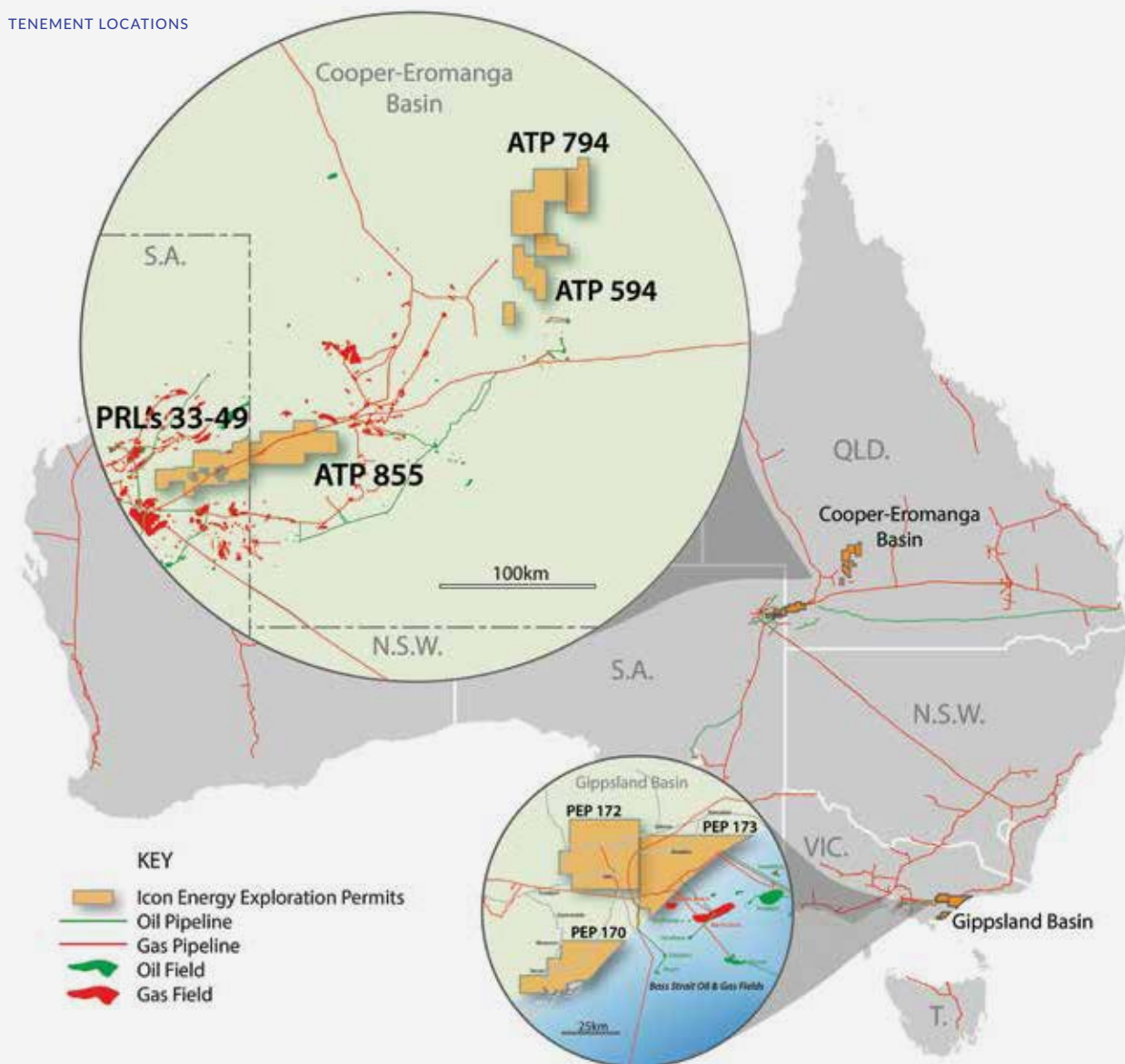
Throughout the past year, the petroleum exploration industry has been battling to survive. Icon has been able to survive this period with its robust cash position, accumulated in prior years. Conservation of cash has been a priority with staff reductions, freezing of salaries (other than contractual CPI adjustment) and the discretionary cancellation of all staff bonuses for the past two years.

I would like to thank Icon's team for their dedicated efforts over the past year. We are all excited that new activity is on the horizon.

I anticipate that Icon's planned new activity will be reflected in a better price for Icon's quoted securities soon.

S M Barry  
Chairman

TENEMENT LOCATIONS



ICON ENERGY TENEMENTS

Basin/Area	Permit/Area	Tenement Area	Permit Interest	Operator	Prospect Type
<b>CORE AREAS</b>					
Cooper-Eromanga Basin	ATP 594	1,230 km <sup>2</sup>	100%	Icon Energy	Oil, Gas
Cooper - Eromanga Basin, Nappamerri Trough	ATP 855	1,679 km <sup>2</sup>	100%	Icon Energy	Shale Gas, Basin Centred Gas
<b>OTHER AREAS</b>					
Cooper - Eromanga Basin, Nappamerri Trough	PRLs 33 - 49*	1,601 km <sup>2</sup>	33.33%	Beach Energy	Oil
Cooper-Eromanga Basin	ATP 549 West**	449 km <sup>2</sup>	33.33%	Beach Energy	Oil, Gas
Cooper-Eromanga Basin	ATP 794				
	- Regleigh Block	674 km <sup>2</sup>	60%	Icon Energy	Oil
	- Springfield Block	1,505 km <sup>2</sup>	60%	Icon Energy	Oil
Gippsland Basin	PEP 170	804 km <sup>2</sup>	100%	Icon Energy	Oil, Gas
Gippsland Basin	PEP 172***	1,312 km <sup>2</sup>	100%	Icon Energy	Gas
Gippsland Basin	PEP 173***	1,220 km <sup>2</sup>	100%	Icon Energy	Gas
Surat Basin	ATP 626****	757 km <sup>2</sup>	100%	Icon Energy	Oil, Gas

\* Formerly PEL 218 (Post Permian Section)

\*\* Permit expired on 30 April 2017

\*\*\* Permit to be granted

\*\*\*\* Permit relinquished on 26 July 2017



# REVIEW OF OPERATIONS

Image: Geoffrey-1 wellhead, ATP 855, Cooper Basin

# REVIEW OF OPERATIONS

## ATP 594 COOPER-EROMANGA BASIN, QUEENSLAND

ATP 594 is located on the eastern flank of the Cooper Basin approximately 140 kilometres west of Quilpie and consists of three separate blocks covering a total area of 1,230 square kilometres.

ATP 594 was renewed by the Department of Natural Resources and Mines (**DNRM**) on 17 April 2015 for a period of four years. There is an opportunity to apply for a renewal at the end of the four-year time period and a further opportunity to renew after eight years, which would take the maximum term allowable for the ATP to 12 years.

ATP 594 is well positioned on the eastern flank of the Cooper Basin and is considered to be prospective for oil and gas. Numerous wells within and adjacent to ATP 594 have encountered hydrocarbon shows and there are several oil fields to the south and southeast of the tenement, including the Kenmore and Bodalla South oil fields.

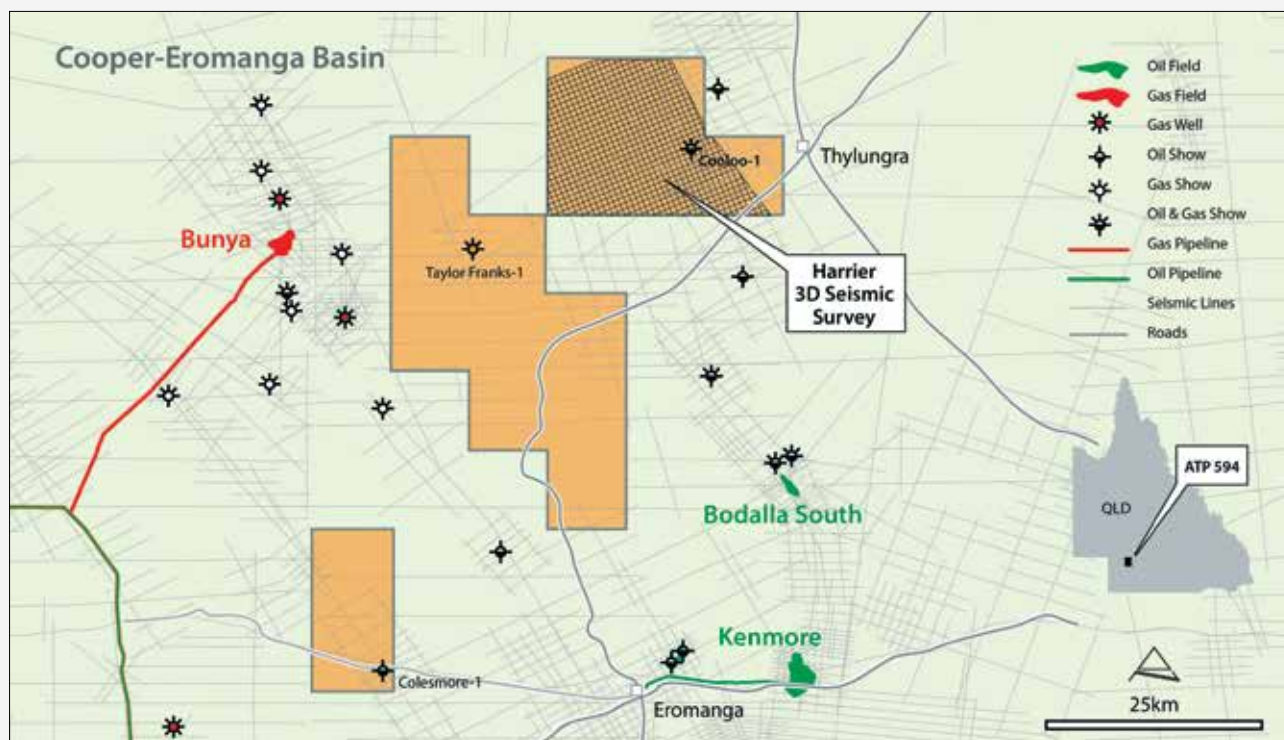
Icon began acquisition of the Harrier 3D seismic survey, located in the northern block of ATP 594, on 15 November 2016. The work was conducted by the Terrex Group, who are based in Brisbane. Field activity began with a Cultural Heritage clearance survey, which was completed by the Boonthamurra Traditional Owners on 4 December 2016. Line clearing by the advance party began on 8 December 2016 and by 11 January 2017 a total of 1,005 kilometres was completed and ready for acquisition.

Seismic acquisition began with the line crew laying out equipment on 14 January 2017. However, operations were suspended on 16 January 2017 when wet weather resulted in the crew being demobilised as the area became unpassable due to serious flooding. Operations resumed on 8 February 2017 and seismic acquisition was finally carried out from 14 to 23 February 2017. A total of 293 square kilometres of data was acquired during the Harrier 3D seismic survey. Following the completion of the seismic survey and rehabilitation of some of the landholder's access and fence line tracks, the remaining Terrex crew was finally demobilised on 11 March 2017.

Processing of the Harrier 3D seismic data was carried out by Velseis in Brisbane from mid-March 2017 and was finally completed on 9 June 2017.

At the time of writing, the 3D seismic data was still being interpreted. Structural interpretation has been completed on several key horizons, and a detailed interpretation of the Birkhead Formation prospectivity is currently underway. This is anticipated to be completed by the end of September.

Icon is the Operator of ATP 594 and has a 100% working interest in the tenement.



Map showing the location of ATP 594, Cooper-Eromanga Basin, Queensland, and the position of the Harrier 3D Seismic Survey in the northern block

### ATP 855 COOPER BASIN, QUEENSLAND

On 31 March 2017, Icon Energy assumed 100% interest and operatorship of ATP 855. The permit is located in the Cooper Basin, Queensland, and covers an area of 1,679 square kilometers (414,000 acres). On 27 April 2017, the DNRM approved the Transfer of Interest in ATP 855 from Beach Energy Limited to Icon Energy Limited. Icon now owns 100% and is Operator of the tenement.

On 20 April 2017, Icon submitted to DNRM an application for the grant of eight Potential Commercial Areas (PCAs) covering the entire area of ATP 855.

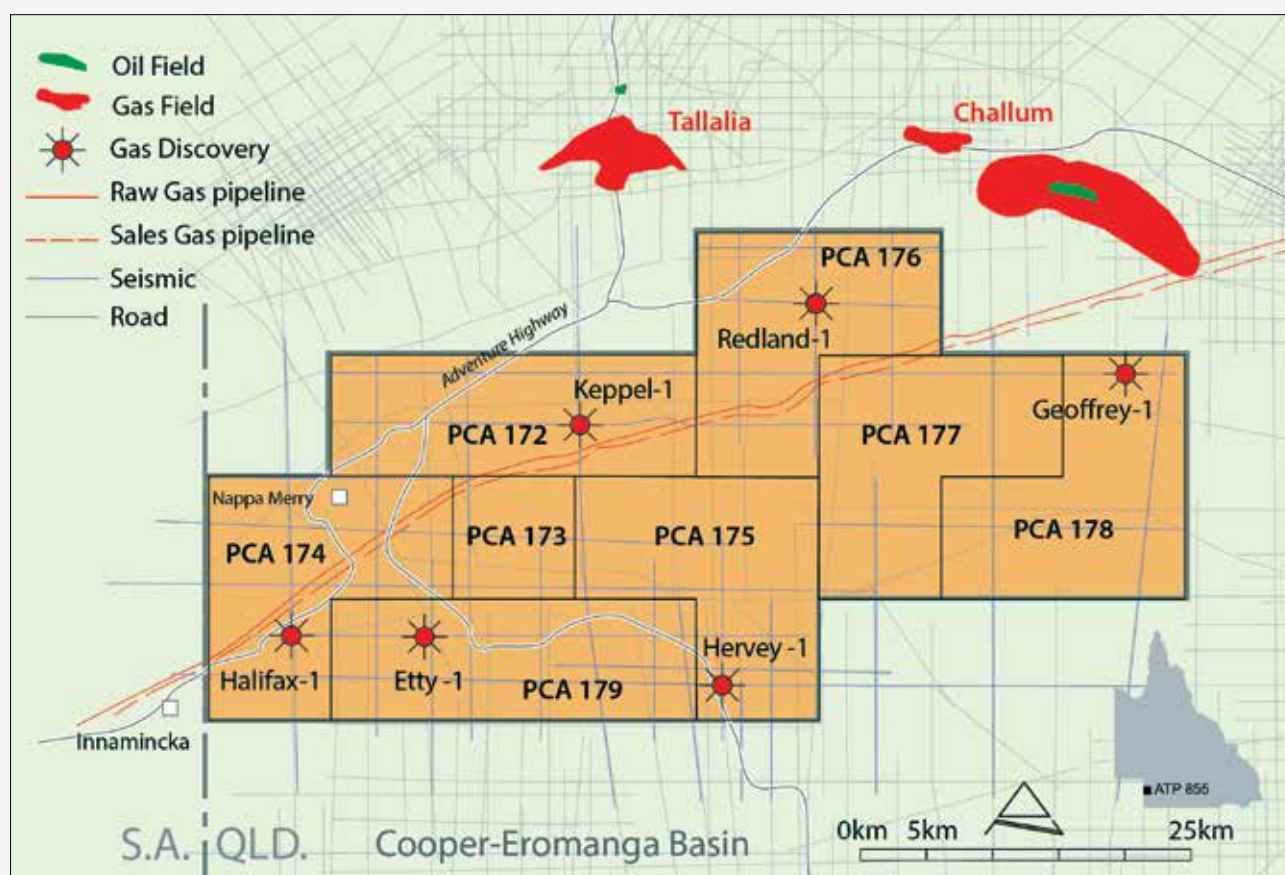
On 8 June 2017, Icon lodged an amended Later Work Program for ATP 855 and amended Evaluation Programs for each of the eight PCAs with DNRM.

On 21 June 2017, DNRM approved the ATP 855 amended Later Work Program in preparation for the next phase of activity in the permit.

On 7 July 2017, the Department of Environment and Heritage Protection (DEHP) accepted Icon's Bank Guarantee to comply with the financial assurance obligations of the ATP 855 Environmental Authority.

On 28 August 2017, Icon announced that, pursuant to Section 90(1) of the *Petroleum and Gas (Production and Safety) Act 2004*, DNRM had declared Potential Commercial Areas over the entire ATP 855 permit in a letter which Icon received on the afternoon of 25 August 2017. The PCAs, numbered PCA 172 to 179, are for a period of 15 years and are designed to enable Icon, having discovered a permit-wide gas resource within ATP 855, the opportunity to retain an interest in and ultimately develop the discovery.

Each PCA can be no larger than 3 graticular blocks, which is 75 sub-blocks or 229 square kilometres in area. Therefore, eight PCA's are required to cover the entire ATP 855 permit, which covers a total area of 1,679 square kilometres. Each PCA application included a Commercial Viability Report that reflected Icon's belief that the area is likely to be commercial within 15 years, and an Evaluation Program, that outlines the strategy Icon will adopt to appraise and develop the resource.



Map of ATP 855 in the Cooper Basin showing the eight declared PCA areas, PCA 172 - 179

# REVIEW OF OPERATIONS

continued

The Stage 1 exploration program carried out in ATP 855 achieved all exploration and technical objectives. This included flowing natural gas from five wells on test, achieving the highest flow rate of 4.5 MMscf/d from a shale gas well (Halifax-1) in the Cooper Basin, having six Petroleum Discoveries within the permit and identifying a significant natural gas resource within the Permian Formations of the Nappamerri Trough.

Following the Government declaring PCA's over ATP 855, Icon is now progressing evaluation and appraisal of the gas resource, which is located in an ideal position for development in central Australia. The work will involve a series of technical studies and new seismic data acquisition, which are required before Stage 2 appraisal drilling can commence.

Icon's current gas resource estimates within ATP 855, as determined by DeGolyer and MacNaughton, are now 28.5 (P50) Trillion Cubic Feet (**Tcf**) of Unconventional Prospective Raw Natural Gas<sup>1</sup> over the whole permit, and 1.57 Tcf of 2C Contingent Resource<sup>2</sup> determined within defined areas surrounding the five wells already tested. These resource estimates were evaluated in accordance with the Petroleum Resources Management System (March 2007).

In its capacity as Operator, Icon assumed the plug and abandonment liability for the Stage 1 exploration program, estimated at \$5.23 million and joint venture assets, including inventory and chemicals to the value of \$4.89 million. Some of the ATP 855 inventory is held in leased storage and is currently being assessed for consolidation, with some items that will not be used in future activities, to be sold. In addition, a rehabilitation bond of \$716,000 was lodged with the DEHP, which is refundable on completion of the well sites.

Icon has contracted SGS Services personnel, located at Moomba, to maintain regular inspections on the existing wells in the permit. These inspections are currently being conducted at six weekly intervals.

Icon is actively seeking a partner for the next stage of activity in ATP 855 to participate in the evaluation and appraisal of the gas resource and has appointed agents overseas to introduce a new finance investment partner.

Icon has confidence that future exploration and appraisal activities could potentially lead to commercial gas reserves being proven within the permit, which could support the domestic market in Eastern Australia and, ultimately, succeed in satisfying the special conditions required to finalise Icon's Gas Contract with China.

Image: Moomba to Ballera gas pipeline taken near Keppel-1



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Image: Halifax 1 Wellhead, ATP 855, Cooper Basin

### **ATP 626 SURAT BASIN, QUEENSLAND**

During the period, Icon Energy plugged, abandoned and rehabilitated the remaining wells in ATP 626, Eolus-1, Mindagabie-1 and Stitch-1, in accordance with Government regulations and Icon's Environmental Authority.

ATP 626 was relinquished in full and is taken to end on 26 July 2017 pursuant to Section 65(3)(b) of the *Petroleum and Gas (Production and Safety) Act 2004*.

At the time of writing, Icon was in the process of waiting for approval to terminate the Environmental Authority with the Department of Environment and Heritage Protection.

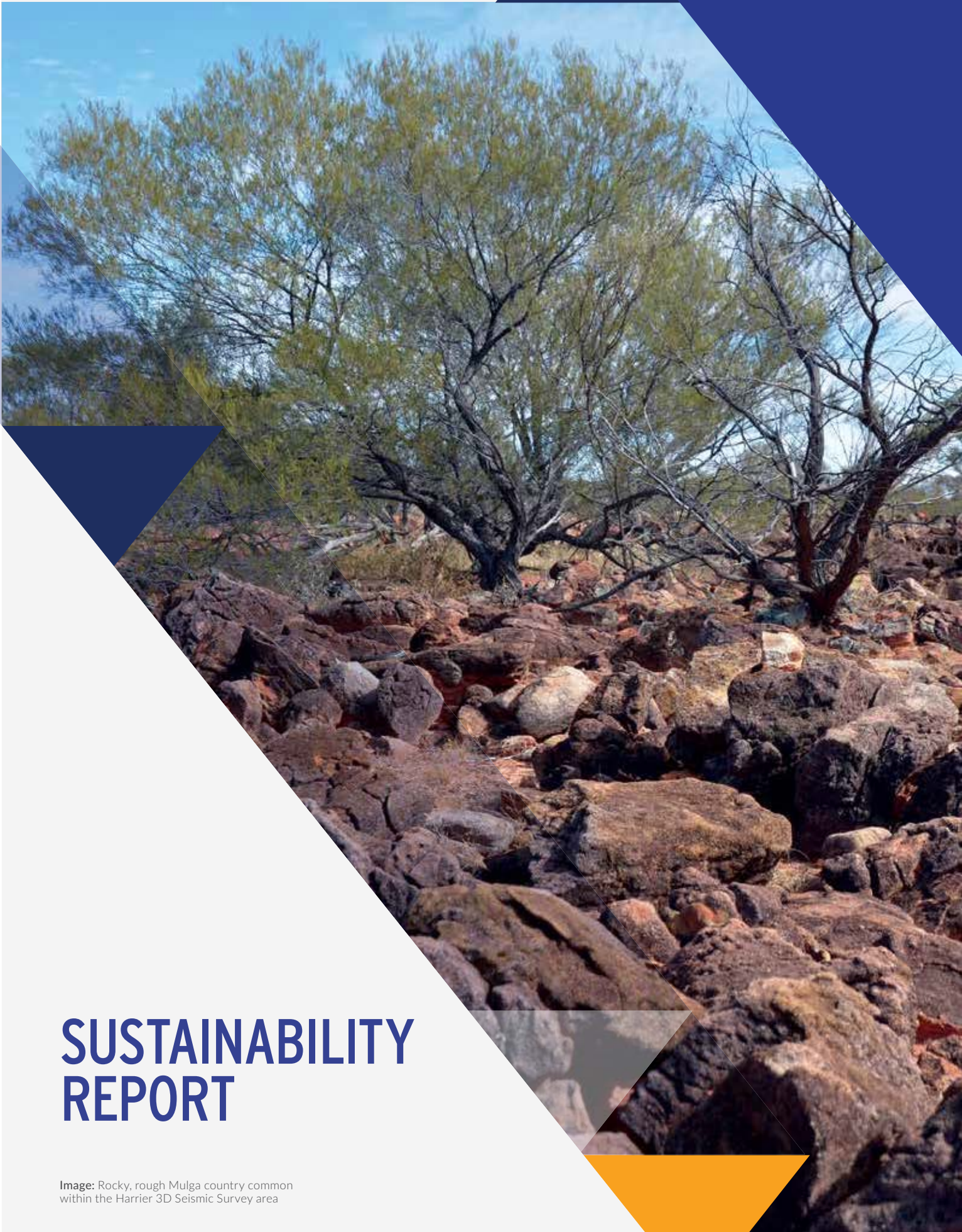
### **PEP 170 (PEP 172 AND 173 PENDING), GIPPSLAND BASIN, VICTORIA**

The Victorian Government advised Icon that the *Resources Legislation Amendment (Fracking Ban) Act 2017* came into effect on 16 March 2017.

The Act bans hydraulic fracturing under the *Petroleum Act 1990* and imposes a moratorium on conventional petroleum exploration and petroleum production in the onshore areas of Victoria until 30 June 2020.

Icon has continued to extend the PEP 170 by paying all necessary fees, to keep the permit in good standing. Icon believes that the Victorian Government could grant further conventional exploration rights onshore after the expiry of the moratorium in 2020. It is, therefore, prudent that the area be retained until the current political and legislative impasse is over and Icon is permitted to resume exploration for oil and gas in Victoria.

Icon Energy has a 100% interest in PEP 170.



# SUSTAINABILITY REPORT

**Image:** Rocky, rough Mulga country common within the Harrier 3D Seismic Survey area

**At Icon Energy, we believe that sustainability is about working safely, effectively and harmoniously with the community and the environment. We ensure that we work efficiently to minimise our impact on the environment, while also looking to benefit the communities in which we operate.**

We take the time to plan, assess, monitor and rehabilitate our projects responsibly. We respect the environment and acknowledge that our care and planning will foster ecosystems, maintain species and honour the livelihood of the people we work with and in the wider community.

Wherever the opportunity arises, Icon Energy seeks to employ fellow stakeholders and the local community.

Icon Energy's operational health and safety officers and operations staff are required to complete all the necessary accreditation to ensure that all personnel remain fully compliant with the oil and gas industry's stringent health, safety and environmental policies and procedures.

#### **WORKING TO BENEFIT ALL COMMUNITIES AND CULTURES**

Icon Energy's community engagement is focused on maintaining long-term, collaborative and trusting relationships amongst the communities in which we operate. Icon Energy respects all cultures and people, seeking to foster their prosperity, quality of life and their relationship with the land, climate and water resources.

Icon Energy is committed to upholding its strong relationships, built up over the past 25 years, with our fellow landholders. Where we operate, we ensure that all landholders and traditional owners are consulted and their needs considered prior to conducting any activities.

#### **OPERATING SAFELY**

Icon Energy has developed a comprehensive Safety Management System and is committed to the safety of its staff, contractors and joint venture partners. Our safety strategies and culture are focused on maintaining a safe and incident free work place as our highest priority. Icon has always and will continue to work with its joint venture partners to raise safety awareness and promote positive safety behaviour in the field.

Icon Energy has a strong focus on contractor management, contractor pre-qualification process and training which has contributed to no safety incidents being recorded this year.

Icon Energy appreciates the efforts made by its contractors, associates and employees, for their contribution in maintaining our excellent safety record.

#### **ENVIRONMENTAL MANAGEMENT**

Icon Energy is committed to ensuring that the impacts of Icon's operations on the environment are minimal. As part of our planning, operations and rehabilitation activities, we continually monitor our environmental performance to strict criteria.

Icon Energy is proud to report, that we have maintained our zero environmental incidents record.

Environmental planning and research is conducted at the outset of each and every Icon Energy Project. From pre-project to post-project, environmental management measures are employed, checked, maintained and recorded.

At Icon Energy, we operate with care and respect under our Environmental Authorities to ensure the natural environments in which we work are preserved for the future.

# CORPORATE GOVERNANCE STATEMENT

## SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

This statement outlines Icon Energy's Corporate Governance practices that were in place during the financial year.

### ROLE OF THE BOARD

The Board of Directors of Icon Energy 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;
- Setting objectives and goals;
- Appointing and where appropriate, removing the Managing Director and monitoring the Managing Director's performance;
- Appointing and where appropriate, removing the Company Secretary and monitoring the Company Secretary's performance;
- Reviewing and ratifying systems of risk management and internal control, codes of conduct and legal compliance;
- Reviewing and ensuring the appropriate composition of the Board;
- Approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures;
- Approving and monitoring financial and other reporting.

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

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

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

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

The Managing Director is required to report on progress being made by the Company to the Board and key stakeholders. The Board and its Committees determine the nature and form of information required from the Managing Director, employees or external parties, including the external auditor. Openness and trust are encouraged between individual members of the Board and the Managing Director and other employees. This allows Directors to achieve a better understanding of the business.

### ROLE OF MANAGEMENT

Through the Managing Director, the Board has delegated the following key functions to senior executives:

- The recommendation of Icon Energy's business, operational and corporate strategy to the Board for approval and following their approval, implementation;
- The day to day responsibility for complying with all laws and regulations relevant to Icon Energy's operations and business activities;
- The achievement of the corporate objectives set by the Board;
- The development and implementation of the Company's policies and procedures (including risk management and internal control processes); and
- The engagement of suitable staff and contractors so as to effectively discharge the Company's obligations and various strategic, operational and business objectives.

### BOARD COMPOSITION

The principles applied to the composition of the Board are:

- Due diligence conducted prior to the appointment of each Directors has ensured that the Company's Board is comprised of Directors who have a broad cross-section of experience in the petroleum exploration/production industry both in Australia and overseas, have general management and business development experience or legal or financial experience;
- The expertise of the Board encompasses the establishment of management strategy and monitoring achievement of these strategies;
- The Chairman of the Board is a Non-executive Director. The Chairman has the casting vote in all Board decisions;
- The Board comprises of a majority of Non-executive Directors. Currently the Board comprises of four Non-executive Directors and two executive Directors;
- 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, skills and sufficient time as determined by the Board. The Remuneration, Nominations and Succession Committee reviews the composition of the Board on a regular basis and conducts a skills gap analysis as part of the exercise to ensure the Board has the right balance of requisite skills and experience;

- In accordance with ASX listing rules and individual Director Service Agreements with the Company, no Director, except the Managing Director, shall hold office for a period in excess of three years, or past the third Annual General Meeting following the Director's appointment, whichever is the longer, without submitting themselves for re-election. At every Annual General Meeting one third of the Directors, or if their number is not a multiple of three, then the number nearest to but not exceeding one third shall retire from office and be eligible for re-election. All relevant information in relation to the re-election of a Director to be determined at an Annual General Meeting is set out in the Notice of Meeting and Explanatory Statements for all shareholders;
- In accordance with the Constitution of the Company, the Board comprises of at least three Directors;
- Five of the six Company Directors are members and participate in information sessions through the Australian Institute of Company Directors.

A copy of the Company's Board Charter and the Role of Management can be found in the Corporate Governance Section of the Company's website.

#### INDEPENDENCE OF NON-EXECUTIVE DIRECTORS

The Board considers an Independent Director to be a Non-executive Director who meets the criteria for independence included in the Australian Securities Exchange's (ASX) Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Principles). The Board has determined that Messrs Stephen Barry, Derek Murphy, Howard Lu and Dr Keith Hillless meet the definition of an "independent director" as set out in the ASX Principles.

#### INDEPENDENT PROFESSIONAL ADVICE

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

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

#### BOARD COMMITTEES

Two Committees of the Board have been formed to consider and make recommendations to the Board on important areas of decision making. These Committees are the Audit and Risk Management Committee and the Remuneration, Nominations and Succession Committee. Additional committees may be formed if the Board sees a need for them.

In August 2016, all Non-executive Directors were invited to stand for appointment or reappointment for each Committee. Members of the two standing Committees were re-appointed on 23 August 2016 as follows:

##### Audit and Risk Management Committee

Keith Hillless AM (Chairman) (Non-executive Director)  
Stephen Barry (Non-executive Director)  
Derek Murphy (Non-executive Director)

##### Remuneration, Nominations and Succession Committee

Stephen Barry (Chairman) (Non-executive Director)  
Derek Murphy (Non-executive Director)

#### BOARD AND COMMITTEE MEMBERS AND MEETINGS

The current Icon Energy Board of Directors consists of four independent Directors and two Executive Directors, the Managing Director and the Chief Financial Officer and Company Secretary. The Audit and Risk Management Committee comprises three independent Non-executive Directors with two members having experience and expertise in financial matters. The Chairman of the Audit and Risk Committee is Dr Keith Hillless, an independent Non-executive Director. The Remuneration, Nominations and Succession Committee consists of two independent Non-executive Directors, due to the small size of the Company. The Company Chairman is also the Chairman of the Remuneration, Nominations and Succession Committee.

Details of the number of Board and Committee meetings held during the reporting period and their attendees are set out in the Directors' Report. In addition, details of the qualifications and experience of each Board and Committee member are set out in the Directors' Report. The period of office held by each Director is also set out in the Directors' Report.

#### AUDIT AND RISK MANAGEMENT COMMITTEE

The purpose of the Committee is to assist the Board in its oversight of:

- The effectiveness of the systems of financial risk management, governance and internal control;
- The integrity of the Group's financial reporting;
- The integrity of the external audit process, including appointment, performance and independence of the external auditor; and
- Identification of potential risks and the review of the Company's risk management system.

The Committee's role is to report to the Board and provide appropriate advice and recommendations on matters relevant to its Charter in order to facilitate decision making by the Board.

The Audit and Risk Management Committee has in place a formal charter which defines the Committee's function, composition, mode of operation, authority and responsibilities. The Managing Director, Chief Financial Officer and External Auditor are invited to attend Committee meetings, at the discretion of the Committee.

The Committee conducted an annual review of the key identified risks for the Company in the 2016/17 period. The Charter of the Audit and Risk Management Committee can be found in the Corporate Governance section on the Company's website.

# CORPORATE GOVERNANCE STATEMENT

continued

## REMUNERATION, NOMINATIONS AND SUCCESSION COMMITTEE

While larger companies may allocate the responsibilities for remuneration, nominations and succession to separate committees, the Board has determined that a company of Icon Energy's size is better served by having one Committee with responsibility for all of these functions. The Committee meets at least once in each reporting year.

The Remuneration, Nominations and Succession Committee reviews and makes recommendations to the Board on the following matters:

- The appointment and performance of the Managing Director;
- The remuneration structure for the Managing Director and other senior employees of the Company;
- The Company's recruitment, retention and termination policies and procedures for senior management;
- Staff and executive incentive schemes;
- Board performance assessment and skills analysis;
- Board and management succession planning; and
- Staff superannuation arrangements.

The charter of the Remuneration, Nomination and Succession Committee can be found in the Corporate Governance Section on the Company's website.

## BOARD AND SENIOR EXECUTIVE REMUNERATION

Remuneration levels and terms of employment for Executive Directors and Senior Executives are formalised in individual Service Agreements.

Details of the structure of and amounts paid to Non-executive Directors, executive Directors and other Senior Executives are contained in the Remuneration Report which forms part of the Directors' Report. The Remuneration Report also describes the nature of the relationship between the performance of Icon Energy and remuneration paid to Senior Executives.

The Remuneration, Nomination and Succession Committee reviews the Company's remuneration strategy and framework on an annual basis. At the 2010 AGM, the framework and rules for the Company's Performance Rights Plan were approved by shareholders. The Plan framework and rules was renewed and approved by shareholders at the 2014 AGM.

## PERFORMANCE EVALUATION

A formal performance evaluation of the Board, each Committee of the Board, the Chairman and individual Directors was undertaken on 23 August 2016. As part of that review, the Board reviewed its composition, skills and application of those skills, as well as Board procedures and practices to ensure it has the necessary skills and mechanisms to pursue the Company's strategic objectives.

The Managing Director and Senior Executives participate in annual performance reviews. Performance is measured against key performance indicators relevant to the Company's strategic, operational and business objectives and to each of the Managing Director's and Senior Executive's specific roles.

A performance evaluation for the Managing Director and senior executives was undertaken for the current reporting period in accordance with the process set by the Remuneration, Nomination and Succession Committee and as approved by the Board.

A summary of the performance evaluation process can be viewed in the Corporate Governance section of the Company's website.

## DIVERSITY

A key goal of the Board and Management is to contribute positively to the success of the Company by promoting a high performance culture that draws on the diverse and relevant experience, skills, expertise, perspectives and the unique personal attributes of its Board members and employees. As an employer, we are committed to managing diversity by reflecting our Company values of respect, integrity, honesty and personal commitment in maintaining and valuing the differences a diverse workforce brings.

The Company applies its Diversity Policy to all Icon Energy Limited's Directors and employees, including contractors and consultants acting on the Company's behalf. The Policy covers and includes the recruitment and selection process, terms and conditions of employment including pay, promotion, work assignment, and training as well as any other aspect of employment.

Key principles of the Diversity Policy include:

- We treat all employees, prospective employees, partners, contractors, consultants and suppliers fairly and equally;
- We promote a corporate culture that values diversity and tolerates differences;
- We recruit employees and Directors impartially from a diverse field of suitably qualified candidates;
- Our recruitment process is designed to ensure that the best people are chosen for the right positions; and
- We provide learning and development strategies and opportunities to develop skills and experience of employees for career advancement.

Details of the Policy are set out under the Corporate Governance section on the Company's website.

<b>Company - wide assessment</b>	<b>Board</b>	<b>Management</b>	<b>Employees</b>
Born in Australia	67%	33%	44%
Born Overseas	33%	67%	56%
Male	100%	100%	33%
Female	-	-	67%
Aged 21 to 30 years	-	-	11%
Aged 31 to 40 years	-	-	33%
Aged 41 to 50 years	17%	-	22%
Aged over 50 years	83%	100%	33%

The Diversity Policy includes a commitment to promoting gender diversity each year. The 2016/17 objectives were measured as follows:

<b>2016-2017 Diversity Objectives</b>	<b>Results</b>
To support and promote the Company's Diversity Policy	In place
To ensure that candidate lists for permanent employee positions are recognisably diverse by age, sex or ethnicity	In place
To consider diversity when reviewing Board succession plans with the aim to improve gender representation and diversity	In place
To increase the representation of women in senior management roles by ensuring that any interview process includes male and female candidates to be interviewed for a senior executive position	To be achieved. No new senior management or any company positions were available in the 2016-17 year
To ensure the voluntary turnover in female employees is no greater than organisation turnover levels	Achieved

### **2017 - 2018 Diversity Objectives**

To support and promote the Company's Diversity Policy, including, the identification of additional suitably qualified external female candidates

To ensure that candidate lists for permanent employee positions are recognisably diverse by age, sex or ethnicity

To consider diversity when reviewing Board succession plans with the aim to improve gender representation and diversity

To increase the representation of women in senior management roles by ensuring that any interview process includes male and female candidates to be interviewed for a senior executive position

To ensure the voluntary turnover in female employees is no greater than organisation turnover levels

### **ETHICAL STANDARDS**

The aim of the Company is to ensure that all Directors, managers and employees act with integrity and promote ethical and responsible behaviour which will enhance the reputation and performance of the Group.

The Company has an approved Code of Conduct and Ethics and a Share Trading Policy.

A copy of these Policies and all corporate governance information, can be found in the Corporate Governance Section on the Company's website.

### **CODE OF CONDUCT AND ETHICS**

The standard of behaviour required of Icon Energy's Directors and employees, as well as of contractors engaged to perform work on behalf of the Company requires:

- Them to act in the best interest of the Company and create value for the Company's shareholders and stakeholders;
- Them to act honestly and with integrity and fairness in all dealings with each other and third parties;
- Compliance with all laws and regulations which govern the Group and its operations;
- Avoidance or management of conflicts of interest.

The Company has a process in place for Directors, employees and third parties to report potential breaches of the Code of Conduct and Ethics.

# CORPORATE GOVERNANCE STATEMENT

continued

## PRINCIPLES OF CONDUCT

Further general principles of conduct under the Company's Code of Conduct and Ethics, include:

- Ethical and responsible business practices;
- Sustainable development considerations and principles integrated into Company decision making;
- Fostering 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;
- Health, safety, environmental and community risk management strategies that are based on sound science, transparency and effective communication;
- Continuously seeking opportunities to improve health, safety and environmental performance in addressing risks posed by our operations to employees, contractors, the public and the environment;
- Contributing to the conservation of biodiversity and protection of the environment through responsible management of our operations and their impacts;
- Fostering economic and social development of the communities in which we operate;
- Respecting and protecting human rights and dignity at our operations and deal fairly with employees and others;
- Openly and effectively engaging and reporting with our communities;
- Directors and Executives of the Company shall notify the Chairman or Managing Director before trading in the Company's shares and shall not trade in the shares other than in accordance with the Company's Share Trading Policy.

## TRADING IN THE COMPANY'S SECURITIES BY DIRECTORS AND EMPLOYEES

The Board has a formal policy regarding trading in the securities of the Company by Directors and employees. The Company's Share Trading Policy provides for specified periods in which share trading is permitted (known as "Trading Windows") and blackout periods when trading is not permitted.

Normally all Icon Energy personnel not in possession of unpublished price-sensitive information may only buy, sell or otherwise deal in Icon Energy's securities during Trading Windows. Normally a Trading Window is opened for a three week period commencing after:

- The announcement of the half yearly financial results;
- The announcement of the annual financial results;
- The announcement of the Quarterly Reports for the March and September quarters;
- The holding of Icon Energy's Annual General Meeting;
- The Company issues a prospectus or a cleansing statement; or
- As the Board otherwise determines.

Under the Policy, Directors and Employees who wish to trade in the Company's securities must seek prior clearance in writing from the Chairman (in the case of Directors) and the Managing Director (for the Chairman, Secretary or employees). The provisions of the *Corporations Act 2001* and the Listing Rules of the ASX require advice to the ASX of any transactions by the Directors in the securities of the Company.

## IDENTIFICATION OF SIGNIFICANT BUSINESS RISK

The Board receives comprehensive monthly management reports which enables Directors to identify emerging risk factors and monitor management's response to these risks.

## MANAGEMENT OF ENTERPRISE AND OPERATIONAL RISK

The Board has the responsibility for setting the Company's Risk Management Policy.

The Managing Director, in conjunction with senior executives, is responsible for the development, implementation and management of Icon Energy's risk management and internal control framework. The Managing Director reports to the Board on the management of these functions, including as to the manner in which the Group's material operational and business risks are being effectively managed.

All Company policies and procedures were reviewed and updated where appropriate during the financial year.

Under its charter, the Audit and Risk Management Committee is responsible for:

- Monitoring the establishment and implementation by management of the Company's risk management system;
- Monitoring the effectiveness of the systems of financial risk management, governance and internal control;
- Endorsing a Risk Management Policy which describes the manner in which both risk and the opportunity are identified, assessed, monitored and managed, including how:
  - Significant decisions affecting and changes to the business are subject to risk assessment;
  - Any operational incidents are to be analysed in order to learn from them and successes reviewed in order to repeat them;
  - All acquisitions and divestments of assets are subject to assessment and management;
  - Risks and associated control systems are regularly reviewed; and
  - Performance against risk management plans is monitored and reported upon to the Board.

The Managing Director regularly reports to the Board on the effectiveness of the Company's management of material operational and business risks.

The Board has also received assurance from the Managing Director, Chief Financial Officer and Company Secretary that:

- The declaration provided in accordance with section 295A of the *Corporations Act* 2001 is founded on a sound system of risk management and internal control; and
- The system is operating effectively in all material aspects in relation to financial reporting risks.

The Company's Enterprise-wide Risk Management Policy and Crisis Management Policy which encapsulates the Company's management of material business risks, including economic, environmental, social sustainability and operational risks, can be found in the Corporate Governance section of the Company's website.

### CONTINUOUS DISCLOSURE

The Board has in place a Disclosure and Communications Policy that is available under the Corporate Governance section on the Company's website. The Disclosure and Communications Policy defines the legal and regulatory obligations, materiality guidelines and reporting process, and is designed to ensure compliance with the continuous and periodic disclosure obligations under the *Corporations Act* 2001 and ASX Listing Rules. Responsibility for meeting ASX disclosure requirements and accountability for compliance rests primarily with the Company Secretary.

The Company conducts regular briefings with all staff to ensure they understand the Company's continuous disclosure obligations, and their role in fulfilling them. The Board reviews continuous disclosure matters, if any, at each Board meeting. Copies of Icon Energy Limited's releases to the ASX, investor presentations and Annual Reports are available on the Company's website.

### SHAREHOLDER COMMUNICATION

The Disclosure and Communications Policy sets out the manner in which Icon Energy promotes communication with shareholders and other key stakeholders. The Board of Directors ensures that shareholders are fully informed as to any significant Group developments which are generally communicated through:

- Continuous disclosure to the ASX;
- Email broadcast of all ASX announcements to all email alert subscribers from the Company's website;
- Company's website information updates on all activities;
- Annual reports to shareholders;
- Half-yearly financial reports lodged with the ASX;
- Quarterly reports;
- Notices of shareholder meetings and explanatory notes.

Copies of the above documents are published on the Company's website: [www.iconenergy.com](http://www.iconenergy.com).

Shareholders are encouraged to contact the Company's office if they have any questions on the Company's affairs and participate in the Annual General Meeting by attending and asking questions of the Company's Directors. The Company's external auditors attend the Annual General Meeting each year and any security holder questions are invited by the Chair to be asked at or after the meeting.

A copy of the Disclosure and Communications Policy can be found in the Corporate Governance Section of the Company's website.

### ASX CORPORATE GOVERNANCE COUNCIL PRINCIPLES AND RECOMMENDATIONS

The ASX Corporate Governance Council has recognised that its corporate governance principles and recommendations do not represent a "one size fits all" solution. Icon Energy has considered and, where appropriate, applied the ASX Corporate Governance Recommendations. The following table shows that Icon Energy has adopted all of the ASX Corporate Governance Recommendations, with the exception of Recommendation 8.1(a)(1) which recommends that Remuneration Committees comprise at least three members. The Board of Directors has formed the view that it is more practical for a Company the size of Icon Energy to have a Committee of at least two independent Directors, rather than three Directors.

# CORPORATE GOVERNANCE STATEMENT

continued

## 2017 CORPORATE GOVERNANCE CHECKLIST

Icon Energy's corporate governance policies conform to the Principles (being those under ASX's 3rd edition of *Corporate Governance Principles and Recommendations* released on 27 March 2014 and took effect from 1 July 2014). A summary of our disclosure against the Principles are set out below:

Corporate Governance Council Recommendation	Does Icon Energy follow the recommendation?
<b>Principle 1 - Lay solid foundations for management and oversight</b>	
1.1 Disclose roles and responsibilities of board and management	<input checked="" type="checkbox"/>
1.2 Undertake appropriate checks before appointing or electing a person as director	<input checked="" type="checkbox"/>
1.3 Written agreement with each director and senior executive	<input checked="" type="checkbox"/>
1.4 Company Secretary accountable directly to Board	<input checked="" type="checkbox"/>
1.5 Diversity Policy disclosures reported	<input checked="" type="checkbox"/>
1.6 Board performance evaluation undertaken	<input checked="" type="checkbox"/>
1.7 Senior executive performance evaluation undertaken	<input checked="" type="checkbox"/>
<b>Principle 2 - Structure the board to add value</b>	
2.1 Nomination committee requirements met	<input type="checkbox"/>
2.2 Board skills matrix disclosed	<input checked="" type="checkbox"/>
2.3 Director Independence and tenure disclosed	<input checked="" type="checkbox"/>
2.4 Majority of the board are independent directors	<input checked="" type="checkbox"/>
2.5 Chair of the board is an independent director and not the same person as the CEO	<input checked="" type="checkbox"/>
2.6 Director induction and ongoing training program	<input checked="" type="checkbox"/>
<b>Principle 3 - Act ethically and responsibly</b>	
3.1 Code of conduct available on website	<input checked="" type="checkbox"/>
<b>Principle 4 - Safeguard integrity in corporate reporting</b>	
4.1 Audit committee requirements met	<input checked="" type="checkbox"/>
4.2 CEO and CFO Declaration received and the financial statements comply	<input checked="" type="checkbox"/>
4.3 External auditors attend AGM and available to answer questions from securityholders	<input checked="" type="checkbox"/>
<b>Principle 5 - Make timely and balanced disclosure</b>	
5.1 Continuous Disclosure Policy available on website	<input checked="" type="checkbox"/>

Corporate Governance Council Recommendation	Does Icon Energy follow the recommendation?
<b>Principle 6 – Respect the rights of securityholders</b>	
6.1 Corporate and governance information available on website	☑
6.2 Investor relations program	☑
6.3 Processes to facilitate and encourage participation at securityholders meetings	☑
6.4 Electronic securityholder communication functionality	☑
<b>Principle 7 – Recognise and manage risk</b>	
7.1 Risk committee requirements met	☑
7.2 Annual review of risk management framework	☑
7.3 No internal audit function but internal control processes in place	☑
7.4 Disclosure of material exposure to, and management of, economic, environmental and social sustainability risk	☑
<b>Principle 8</b>	
8.1 Remuneration committee requirements	☒
8.2 Remuneration practices disclosed	☑
8.3 Remuneration Policy disclosures regarding equity based remuneration	☑

# BOARD OF DIRECTORS



**STEPHEN BARRY**  
Chairman, Non-executive Director

**Qualifications:**  
LLB University of Sydney, FAICD

**Experience:**  
Mr Stephen Barry has been a Director of Icon Energy Limited since 1993 and was appointed as the Chairman of the Board on 18 December 2008. He is a member and Chairman of the Board's Remuneration Nominations and Succession Committee and a member of the Audit and Risk Management Committee.

Stephen has been a key player in the development of the strategic direction of the Company. As a practicing solicitor he has extensive experience in joint venture and farmin agreements together with a wealth of knowledge on commercial law and corporate litigation.

Stephen has held no other Australian listed company directorships during the past three financial years. He is a fellow member of the Australian Institute of Company Directors.

Director since 05/01/1993



**RAYMOND JAMES**  
Managing Director

**Qualifications:**  
BSc Physics (Geology, Maths) University of NSW, T.C. University of Sydney, FAIM, FAICD

**Experience:**  
Mr Ray James has been the Managing Director of Icon Energy Limited and its subsidiaries since 1993. Ray has over 40 years experience in the petroleum industry in Australia, USA, Indonesia, South East Asia, Middle East and Russia. He worked with Chevron in Perth and Houston from 1969-74 and with Gulf Oil from 1974-80. He was the Managing Director of Australian Hydrocarbons from 1980-81 and the Managing Director of Omega Oil from 1987-91.

Ray was a Director of Australian Petroleum Production & Exploration Association Ltd (**APPEA**) from 1999-2007 and Vice Chairman of APPEA from 2003-2005.

Ray is a Fellow member of the Australian Institute of Management. He is a Fellow member of the Australian Institute of Company Directors and Vice Chairman of the Gold Coast Committee. Ray is a member of the Advisory Council of the Griffiths School of Business.

Director since 01/02/1993



**DEREK MURPHY**  
Non-executive Director

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

**Experience:**  
Mr Derek Murphy was appointed to the Board on 20 March 2009 as a Non-executive Director of Icon Energy Limited and is a member of the Board's Remuneration, Nominations and Succession Committee and a member of its Audit and Risk Management Committee.

He is a Fellow member of the Australian Institute of Management, a Fellow of the Australian Institute of Company Directors, a Fellow of the Hong Kong Institute of Directors and a Senior Fellow of the Financial Services Institute of Australasia.

He was admitted as a Barrister of the Supreme Court of Queensland and the Federal and High Courts of Australia. Before practicing as a Barrister in Brisbane for some years, he was the Queensland partner of ABS White and Company, a Sydney based stock broking firm. During a career spanning 20 years in Hong Kong, he was a Crown Counsel, Deputy Commissioner for Securities and Commodities Trading, Managing Director of what is now HSBC Asset Management, and Group Vice President, Corporate Communications, of First Pacific Company Limited, a publicly listed conglomerate.

Derek is a Non-executive Director of Hayco Manufacturing Limited, a large manufacturing Company in Hong Kong and China. He is Chairman of the Clem Jones Research Centre for Regenerative Medicine at Bond University, and a Member of the Gold Coast Advisory Council at Griffith University. He is Deputy Chairman of Queensland International Institute, a vocational education provider headquartered in Brisbane and with a branch in Myanmar. He retired as Chairman of the School Council of The Southport School (**TSS**) at the end of 2009 after 12 years on Council.

Director Since: 20/03/2009

**DR KEVIN JIH**

**Chief Financial Officer, Company Secretary and Executive Director**

**Qualifications:**

BA, MBA, MAcc, PhD(Bond), CPA, FAIM, FAICD

**Experience:**

Dr Kevin Jih joined Icon Energy Limited as Deputy Chief Financial Officer in November 2008 and was promoted as Chief Financial Officer in July 2010. Kevin was elected as Executive Director in December 2011 and appointed Company Secretary in May 2015 following an internal restructure of the Company.

Kevin graduated with a Master of Business Administration in 1994 and a Master of Accounting both from Bond University. In 2008 he was awarded a Doctor of Philosophy in Accounting from Bond University. He is a Certified Practising Accountant and has wide experience in the private and public sectors specialising in management accounting, financial accounting, human resource management and corporate governance.

Kevin has held numerous key positions as the Finance and HR Manager, Faculty of Humanities and Social Sciences, Bond University, Australia; Vice President of Tai-Chern Enterprise Co Ltd, Vice President of Hong Yang Lease Finance Co Ltd, Taipei, Managing Consultant of MYC Group Co Ltd, Hong Kong and Business Consultant of Hualien Commercial Bank, Taipei.

Kevin has held no other Australian listed company directorships during the past three financial years. He is a Fellow member of the Australian Institute of Management and the Australian Institute of Company Directors, as well as a member of CPA Australia.

Director since 30/11/2011

**DR KEITH HILLESS AM**

**Non-executive Director**

**Qualifications:**

AM, BE (Elec) Qld, DUniv QUT, FIE Aust, FAIM, FAICD

**Experience:**

Dr Keith Hillless was appointed to the Board on 3 April 2009 as a Non-executive Director of Icon Energy Limited.

Keith is the Chairman of the Board's Audit and Risk Management Committee. Keith was Electricity Commissioner of the Queensland Electricity Commission (QEC) for a time, CEO of the Queensland Transmission and Supply Corporation (QTSC), responsible for high voltage supply throughout Queensland and for forecasting changes in electricity demand and expanding Queensland's electricity network.

In addition to his corporate experience, Keith is a Doctor of the University QUT. He was also Deputy Chancellor of Queensland University of Technology for a time, is a Member in the General Division - Order of Australia, and is a Fellow member of the Institution of Engineers Australia, the Australian Institute of Management and the Australian Institute of Company Directors.

Director since 03/04/2009

**HOWARD LU**

**Non-executive Director**

**Experience:**

Mr Howard Lu was appointed to the Board on 7 January 2011 as a Non-executive Director of Icon Energy Limited.

Howard is currently the Executive Chairman of a number of Chinese based companies, including Shin Zu Shing Precision Electronic (Suzhou) Co., Ltd, Ningbo Chang Shing Precision Electronic Co. Ltd and Zhi Qun Precision Electronic (Suzhou) Co. Ltd and the Vice Chairman of Qingyuan China Datang Real Estate Development Co., Ltd. He has previously also been the Senior Executive of Shin Zu Shing Co., Ltd.

As Senior Executive of Shin Zu Shing Co.,Ltd (SZS) manufacturer of precision wire and planar springs for medical apparatus, mechanical equipment and electronic products. Howard expanded SZS's business in China and has established four factories in Suzhou, Shenzhen and Ningbo. He has managed all SZS business operations in China since 2002 and now SZS has a market capital of AUD 646,278,715 as of 29 August 2017.

Howard has extensive business interests in China and elsewhere overseas. He is extremely well connected with Chinese energy and resources companies, including LNG importers. Howard is an Australian citizen and is Icon Energy's fourth largest shareholder as of 26 September 2017, holding 16,068,181 fully paid ordinary shares in the Company.

Director since 07/01/2011

## MANAGEMENT TEAM



### RAYMOND JAMES

Managing Director

#### Qualifications:

BSc Physics (Geology, Maths) University of NSW, T.C. University of Sydney, FAIM, FAICD

#### Experience:

Mr Ray James has been the Managing Director of Icon Energy Limited and its subsidiaries since 1993. Ray has over 40 years experience in the petroleum industry in Australia, USA, Indonesia, South East Asia, Middle East and Russia. He worked with Chevron in Perth and Houston from 1969-74 and with Gulf Oil from 1974-80. He was the Managing Director of Australian Hydrocarbons from 1980-81 and the Managing Director of Omega Oil from 1987-91.

Ray was a Director of Australian Petroleum Production & Exploration Association Ltd (APPEA) from 1999-2007 and Vice Chairman of APPEA from 2003-2005.

Ray is a Fellow member of the Australian Institute of Management. He is a Fellow member of the Australian Institute of Company Directors and Vice Chairman of the Gold Coast Committee. Ray is a member of the Advisory Council of the Griffiths School of Business.



### DR KEVIN JIH

Chief Financial Officer, Company Secretary and Executive Director

#### Qualifications:

BA, MBA, MAcc, PhD(Bond), CPA, FAIM, FAICD

#### Experience:

Dr Kevin Jih joined Icon Energy Limited as Deputy Chief Financial Officer in November 2008 and was promoted as Chief Financial Officer in July 2010. Kevin was elected as Executive Director in December 2011 and appointed Company Secretary in May 2015 following an internal restructure of the Company.

Kevin graduated with a Master of Business Administration in 1994 and a Master of Accounting both from Bond University. In 2008 he was awarded a Doctor of Philosophy in Accounting from Bond University. He is a Certified Practising Accountant and has wide experience in the private and public sectors specialising in management accounting, financial accounting, human resource management and corporate governance.

Kevin has held numerous key positions as the Finance and HR Manager, Faculty of Humanities and Social Sciences, Bond University, Australia; Vice President of Tai-Chern Enterprise Co Ltd, Vice President of Hong Yang Lease Finance Co Ltd, Taipei, Managing Consultant of MYC Group Co Ltd, Hong Kong and Business Consultant of Hualien Commercial Bank, Taipei.

Kevin has held no other Australian listed company directorships during the past three financial years. He is a Fellow member of the Australian Institute of Management and the Australian Institute of Company Directors, as well as a member of CPA Australia.



### MARTIN BERRY

Exploration Manager

#### Qualifications:

BSc Hons (Geology) University of London, FGS, AAPG

#### Experience:

Mr Martin Berry joined Icon Energy Limited as Exploration Manager in August 2013. Martin has over 38 years' experience in the Petroleum Industry in Australia, North America, Europe and the Middle East. Martin graduated from the University of London in 1975 and began working in the British and Norwegian sectors of the North Sea. In 1983, Martin moved to Australia and worked as a Senior Geologist for Magellan Petroleum on both Australian and international projects, and as a Consultant Geologist for numerous active exploration companies within Australia and in the UK. Most recently, Martin was employed as Chief Geologist for Celtique Energy Holdings Limited, in London, working on exploration projects in the United Kingdom, France, Switzerland, Germany, Poland, Italy and Romania.

Martin has a broad range of technical experience, having worked on exploration and development projects in a variety of sedimentary basins around the world, gaining extensive experience in the evaluation and exploitation of clastic and carbonate reservoirs, CSG, fractured reservoirs and unconventional resource plays. He also has considerable experience in field operations and drilling, including under-balanced drilling technology.

Martin is a Fellow of the Geological Society of London, a member of the American Association of Petroleum Geologists and a member of PESA.



# FINANCIAL REPORT

**Image:** Terrex Seismic's cables and geophones (Recording Equipment) used during the Harrier 3D Seismic Survey in ATP 594

# DIRECTORS' REPORT

for the year ended 30 June 2017

The Directors of Icon Energy Limited (**Icon Energy or Company**) present their report together with the financial statements of the Company and its controlled entities ("the Group" or "the Consolidated Entity") for the financial year ended 30 June 2017. In order to comply with the provisions of the *Corporations Act 2001*, the Directors of Icon Energy report as follows:

## PRINCIPAL ACTIVITIES

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

## DIRECTORS

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

Name	Position	First Appointed
Stephen Michael Barry	Non-executive Chairman	Director since 05/01/1993
Raymond Swinburn James	Managing Director	Director since 01/02/1993
Dr Kevin Jih	Executive Director, Chief Financial Officer & Company Secretary	Director since 30/11/2011 Company Secretary since 13/05/2015
Dr Keith Hillless AM	Non-executive Director	Director since 03/04/2009
Howard Lu	Non-executive Director	Director since 07/01/2011
Derek James Murtagh Murphy	Non-executive Director	Director since 20/03/2009

Details of the qualifications and experience, other directorships of listed entities and special responsibilities of Directors are set out in the Board of Directors' section of this Annual Report.

Refer to table 8 of Remuneration Report for Directors' interests in shares and performance rights.

## REVIEW OF OPERATIONS AND RESULTS

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

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

### ATP 594 Cooper-Eromanga Basin Queensland

- ATP 594 is currently in the first half of Year 3 of the first 4-year period following its renewal by the Department of Natural Resources and Mines (**DNRM**) in April 2015.
- An independent technical evaluation by Energeo has indicated a high degree of prospectivity within the permit, which has helped to focus future exploration activity.
- The ATP 594 Harrier 3D Seismic Survey activity began in the northern block on 15 November 2016. There were delays due to wet weather. The survey was finally completed on 23 February 2017, with a total of 293 km of data acquired.
- On 9 June 2017, the Harrier 3D seismic data was initially processed by Velseis Pty Ltd in Brisbane. The data is currently in the process of being evaluated. Once this interpretation has been completed and the results are fully evaluated, discussions will be held with potential farmin partners.

### ATP 855 Cooper-Eromanga Basin Queensland

- The Stage 1 program in ATP 855 achieved all the exploration and technical objectives that were set by the Joint Venture partners. This included flowing natural gas from five wells, achieving the highest flow rate of 4.5 MMscf/d from a shale gas well (Halifax-1) in the Cooper Basin, having six Petroleum Discoveries and identifying a significant natural gas resource within the Permian Formations of the Nappamerri Trough.
- On 31 March 2017, Icon took over the Operatorship of ATP 855. In its capacity as Operator, Icon assumed the rehabilitation liability for the exploration program, estimated at \$5.23 million and joint venture assets, including all inventory and chemicals to the value of \$4.89 million. Some of the ATP 855 inventory is held in leased storage and is currently being assessed for consolidation, with some items to be sold.
- On 20 April 2017, Icon Energy lodged an application for eight Potential Commercial Areas (**PCA**) with DNRM, covering the entire area of ATP 855 in preparation for the next phase of activity in the permit. DNRM is reviewing these applications.
- On 27 April, DNRM approved the Transfer of Interest ATP 855 to Icon Energy Limited. Icon now owns 100% of the tenement and is the appointed Operator.

- On 8 June 2017, Icon Energy lodged an Amended Later Work Program (**LWP**) covering the period from 1 November 2016 to 30 October 2020, and amended Evaluation Program's for each of the eight PCAs, which cover the entire area of ATP 855, with DNRM.
- On 21 June 2017, DNRM approved ATP 855 Amended Later Work Program in preparation for the next phase of activity in the permit.
- On 7 July 2017, the Department of Environment and Heritage Protection (**DEHP**) accepted Icon's bank guarantee to comply with the financial assurance obligations of the ATP 855 Environmental Authority. Icon has also contracted SGS Services personnel, located at Moomba, to maintain regular inspections on the existing wells in the permit and thus continuing the inspections commenced by the former operator.
- A significant natural gas resource was identified in the Stage 1 exploration program, which is currently classified as a contingent gas resource. A Stage 2 exploration program will be designed specifically to address outstanding technical questions and determine the commercial viability of the gas resource.
- Icon is now preparing for the next stage of activity, which is a priority focus for the Company.
- Icon is confident that future exploration and appraisal activities will lead to commercial gas reserves being proven within the permit, which could support the domestic market in Eastern Australia and, ultimately, succeed in satisfying the special conditions required to finalise Icon's Gas Contract with China.

#### **ATP 626 Surat Basin Queensland**

- ATP 626 is currently in the last term with the Later Work Program covering the period from 1 January 2014 to 31 August 2017.
- In the third quarter Icon commenced plugging and abandoning (**P&A**) the three remaining wells in the permit, Eolus-1, Mindagabie-1 and Stitch-1, which had been suspended and monitored on a monthly basis for several years.
- Rehabilitation of these wells was completed in accordance with Government regulations and Icon's Environmental Authority was finalised by the end of January 2017.
- Icon is currently in the process of completing the end of tenure reporting obligations for ATP 626 with the DNRM and the DEHP in order to relinquish the permit.

#### **ATP 549 (West) Cooper Basin Queensland**

- Icon has a 33.33% interest in the permit and there has been no activity in ATP 549 (West) in the Cooper Basin throughout the year.
- The Operator, Beach Energy Limited, recommended to the joint venture and Icon agreed that the permit be relinquished on its expiry on 30 April 2017.

#### **ATP 794 Cooper Basin Queensland**

- There has been no activity in the Springfield and Regleigh Blocks within ATP 794, located on the eastern flank of the Cooper Basin. The permit is operated by Senex Energy Limited and Icon has a 60% interest in both blocks.
- The ATP 794 permit expiry date is the end of October 2017. Senex, the Operator have recommended and Icon have agreed that these two blocks will be allowed to naturally expire at that time.

#### **PEP 170, 172 and 173 Gippsland Basin Victoria**

- During the 2017 financial year, PEP 170, 172 and 173 remained subject to the General Moratorium covering all drilling in onshore Victoria. During the Moratorium, Icon suspended all field work in PEP 170 and the granting of PEP 172 and PEP 173 has also been deferred.
- The Victorian Government advised Icon that the Resources Legislation Amendment (Fracking Ban) Act 2017 came into effect on 16 March 2017. The Act bans hydraulic fracturing under the Petroleum Act (Vic) 1998 and imposes a moratorium on petroleum exploration and petroleum production in the onshore areas of Victoria until 30 June 2020.
- Icon has continued to extend the PEP 170 permit for the time being, paying all necessary fees, to keep the permit in good standing.

#### **PRLs 33 to 49 South Australia**

- In PRLs 33 to 49 in South Australia, which were formerly PEL 218, there has been no activity throughout the year. Icon has a 33.33% interest in the Post-Permian section in these licenses, which are operated by Beach Energy.

# DIRECTORS' REPORT

for the year ended 30 June 2017

## Corporate

- Icon Energy held the Company's 2016 Annual General Meeting on 23 November 2016 with all resolutions adopted.
- Icon Energy's on market share buy-back continued throughout the year. The buy-back, commencing on 12 March 2015 was conducted over 15 months, with up to 10% of Icon Energy's ordinary shares on issue (totaling up to 61.9 million shares) able to be purchased under the buy-back.
- The buyback period was extended to 12 March 2017. The buy-back provided Icon with an opportunity to strengthen the Company's capital position at a cyclical low point in the resources market and also demonstrated the Board's strong belief in the underlying value of the Company's assets.
- On 15 March 2017, the Company announced the completion of the on-market share buy-back. The total number of shares purchased under the buy-back from 12 March 2015 to 15 March 2017 was 21,160,565 at a cost of \$1,122,829.

## EVENTS AFTER THE BALANCE DATE

There has not arisen in the interval between 30 June 2017 and the date of this report, any item, transaction or event of a material or unusual nature likely in the opinion of the Directors, to affect substantially the operations or state of affairs of the consolidated entity in subsequent financial years unless otherwise noted in the Annual Report.

## CORPORATE STRATEGIES AND FUTURE DEVELOPMENTS

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

## FINANCIAL POSITION

The net loss after tax for the Company and its controlled entities for the financial year ended 30 June 2017 was \$5,670,295 (30 June 2016: \$5,601,728). Further information on the company's financial position is included in the Chairman's and Managing Director's Report.

## DIVIDENDS

The Directors recommend that no dividend be paid by the Company. No dividends have been declared or paid by the Company since the end of the previous financial year (30 June 2016: Nil).

## REMUNERATION REPORT

The Remuneration Report for the financial period which forms part of the Director's Report can be found on page 28 of this Annual Report.

## COMPANY SECRETARY

Details of Dr Jih's qualifications and experience are set out in the Board of Directors section of this Annual Report.

## MEETINGS OF DIRECTORS

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

	Directors Meetings		Audit and Risk Management Committee Meetings		Remuneration Nominations and Succession Committee Meetings	
	Held	Attended	Held	Attended	Held	Attended
R S James	6	6	–	–	–	–
S M Barry	6	6	2	2	1	1
D Murphy	6	6	2	2	1	1
K Hillless	6	6	2	2	–	–
H Lu	6	6	–	–	–	–
K Jih	6	6	–	–	–	–

## ENVIRONMENTAL REGULATION

The consolidated entity's operations are subject to various environmental regulations. The Company has a policy of full compliance, but in most cases exceeding environmental performance obligations. Further information on the Company's environmental performance can be found in the Sustainability section of the 2017 Annual Report.

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

## PROCEEDINGS ON BEHALF OF THE COMPANY

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

## DIRECTORS AND AUDITORS INDEMNIFICATION

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

The Company has not paid any premiums in respect of any contract insuring the auditor against a liability incurred in the role as an auditor of the Company. In respect of non-audit services, Crowe Horwath, the Company's auditor, has the benefit of indemnity to the extent Crowe Horwath reasonably relies on information provided by the Company which is true, accurate and complete. No amount has been paid under this indemnity during the period ended 30 June 2017 or to the date of this Report.

Details of the nature of the liabilities covered in respect of Directors' and Officers' insurance policies are not disclosed as such disclosure is prohibited under the terms of the contracts.

The total premium expense for the year was \$23,628.63 (30 June 2016: \$23,326.06).

## NON-AUDIT SERVICES

The auditors did not perform any non-audit services during the year.

There are no officers of the Company who are former audit partners of Crowe Horwath.

## Assurance of Section 295A Declaration

The Board of Directors has received assurance from the Managing Director and the Chief Financial Officer that the declaration provided in accordance with Section 295A of the *Corporations Act 2001* is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

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

The lead auditor's independence declaration is set out on page 34 and forms part of the Directors' Report for the period ended 30 June 2017. Crowe Horwath continues in office in accordance with Section 327 of the *Corporations Act 2001*.

Signed in accordance with a resolution of the Board of Directors of Icon Energy Limited.



**S M Barry**  
Chairman

22 August 2017



**R S James**  
Managing Director

22 August 2017

# REMUNERATION REPORT – AUDITED

for the year ended 30 June 2017

## KEY POINTS

- No short-term incentives or long-term incentives were issued by Icon for the 2016-2017 financial year.
- Remuneration framework is structured to reward executives for achievement of goals that add shareholder value
- Short and long term incentives only vest on achievement of corporate and individual performance goals
- Long term incentives will not vest unless the share price achieves and maintains a price of 45 cents
- Executive salary increases for 2016-2017 are restricted to CPI increases
- No increase in fees for Non-Executive Directors

The Directors of Icon Energy Limited present this Remuneration Report for the consolidated entity for the year ended 30 June 2017. The information provided in this report has been audited as required by the *Corporations Act 2001 (Cth)* and forms part of the Directors' Report. This Remuneration Report sets out remuneration information for Icon Energy's Key Management Personnel (**KMPs**) including the following persons who were Non-Executive Directors and senior executives during the financial year:

**Table 1: Icon Energy's Key Management Personnel**

Name	Position Held
<b>Non-Executive Directors</b>	
Stephen Barry	Chairman
Dr Keith Hillless	Director
Howard Lu	Director
Derek Murphy	Director
<b>Executive and Senior Managers</b>	
Ray James	Managing Director
Dr Kevin Jih	Executive Director, Chief Financial Officer & Company Secretary
Martin Berry	Exploration Manager

## 1. REMUNERATION FRAMEWORK

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

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

## 2. ROLE OF THE REMUNERATION, NOMINATIONS AND SUCCESSION COMMITTEE

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

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

### 3. METHODOLOGY USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

#### Non-Executive Directors

Fees paid to Non-Executive Directors reflect the demands made on, and responsibilities of, such directors. Non-Executive Directors' fees are reviewed by the Board on an annual basis. Since 2014, the Board has determined that Non-Executive Directors are paid a base fee of \$70,000 per annum together with the payment of additional fees to Directors serving on Board Committees to recognise their contribution to the Company together with superannuation. An additional \$7,500 per annum per Committee is paid to Committee members and \$8,500 per annum per Committee for the Chairmen of the Committees.

The maximum total amount available for payment of all Non-Executive Director fees is \$500,000 per annum which was approved by shareholders at the 2010 Annual General Meeting. The total amount of fees actually paid to Non-Executive Directors during the financial year was \$371,752.

Non-Executive Directors do not receive performance based remuneration. The Board has determined not to increase these fees in the current financial year.

#### Executive Managers and Senior Management

Executive and Senior Managers are remunerated through a combination of:

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

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

Consistent with market practice, the proportion of remuneration attributable to each component of the Icon Energy Remuneration Policy is dependent on the level of seniority of the employee. The Managing Director has the highest level of 'at-risk' remuneration reflecting the greater level of responsibility of this role. Table 2 sets out the relative proportion of at-risk remuneration for senior executives and managers.

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

**Table 2: Relative Proportions of Remuneration Packages**

Position	At Risk		
	Fixed FR%	STI%	LTI%
Managing Director	50	25	25
Executive Managers	56	22	22
Senior Managers	67	20	13
Other Employees	91	9	–

The Icon Energy Limited Performance Rights Plan ("Plan") was presented and approved by shareholders at the Annual General Meeting held on 22 April 2010, under which the Company is able to grant appropriately structured short and long-term incentives to employees (including Executive Directors) in addition to their fixed remuneration. The structure of the STI and LTI plans and achievement of predefined STI and LTI targets is reviewed by the Board, and modified where appropriate, on an annual basis. In accordance with ASX listing rule 7.2 Exception 9 the Plan was resubmitted to shareholders for approval and was approved at the 2014 AGM.

### 4. FIXED REMUNERATION

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

### 5. SHORT-TERM INCENTIVES

The Company did not issue Short-term Incentives (STI) for the 2016-17.

# REMUNERATION REPORT – AUDITED

for the year ended 30 June 2017

## 6. LONG-TERM INCENTIVES

The Company did not issue Long-term Incentives (LTI) for the 2016-17 year. The 2013-14 LTI plan was the only LTI plan award that was in operation. It lapsed during the year bringing the balance of LTIs to nil at the end of the year.

Table 3: Details of LTI Performance Rights on Issue

Name	Date of Grant	Rights on issue at 30 June 2016 (number)	Issued during the 2017 year (number)	Fair Value at Grant Date \$ <sup>(i)</sup>	Exercise Price \$	Exercised during the year (number)	Vested during the year (number)	Lapsed during the year (number)	Rights on issue at 30 June 2017 (number)	Date Rights First Vest & Can Be Exercised
Ray James	4-Mar-14	1,800,310	-	147,625	-	-	-	1,800,310	-	30-Jun-16
Kevin Jih	4-Mar-14	1,041,175	-	85,376	-	-	-	1,041,175	-	30-Jun-16
Martin Berry	4-Mar-14	410,604	-	33,670	-	-	-	410,604	-	30-Jun-16
<b>Total</b>		<b>3,252,089</b>	<b>-</b>	<b>266,671</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,252,089</b>	<b>-</b>	

## 7. RELATIONSHIP BETWEEN REMUNERATION POLICY AND PERFORMANCE

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

The following table shows the Company's Profit/Loss (after tax) for the last four years as well as the share price and market capitalisation over those years.

Table 4: Company's Profit/Loss (after tax)

	30-Jun-14	30-Jun-15	30-Jun-16	30-Jun-17
Closing Share Price	0.14	0.05	0.03	0.025
Number of Shares	615,774,351	607,026,150	601,443,520	597,556,938
Market Cap	\$86,208,409	\$30,351,307	\$18,043,306	\$14,938,923
Profit (Loss) after tax	(\$1,017,551)	(\$5,863,547)	(\$5,602,229)	(\$5,670,094)

### Short Term & Long Term Incentive

The Icon Energy Limited Performance Rights Plan allows the Icon Board to make offers of performance rights to eligible employees in the Board's absolute and unfettered discretion. The Board set corporate key performance indicators at 1st June 2016 meeting in anticipation of offers being made under the Plan later in 2017 financial year (Corporate KPIs).

The STI corporate key performance indicator for the 2017 financial year was that the Icon Energy share price must achieve and maintain a price of 23.5 cents per share for at least 20 consecutive days over the year commencing 1st July 2016.

The LTI key performance indicator for the 2017 financial year was that the Icon Energy share price must achieve and maintain a price of 45 cents per share for at least 30 consecutive days over the 3 years commencing 1 July 2016.

However, due to the impact of the oil price, the Oil and Gas industry have suffered significantly in terms of profit and share price. Following management's recommendations the Board determined not to make any offers under the Plan in respect of either the 2017 financial year STI or 2017 financial year LTI.

## 8. SERVICE AGREEMENTS

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

Service agreements are in place for the Managing Director (Mr Raymond James), the Chief Financial Officer & Company Secretary (Dr Kevin Jih) (both “Executive Directors”) and the Exploration Manager (Mr Martin Berry).

The service agreements with the Executives run for a period of five years from the date of engagement or renewal and set out the duties and obligations of the respective parties with the exception of the Managing Director which will run for three years from 1 January 2017. The contracts provide that the agreements may be terminated by either party providing up to twelve months’ notice as shown in the table below. The Company may make a payment in lieu of notice equal to the base amount prescribed in the service agreement for a specified period. In addition, accrued statutory benefits and superannuation benefits are payable.

For the Executives, if the Board terminates an Executive’s employment, the Executive will receive, in addition to any payment in lieu of notice:

- i. a termination payment of the greater of the amount calculated under subsection 3 and subsection 4 of Section 200G of the Corporations Act 2001 or that determined by the Board and subject to shareholder approval at the time.
- ii. a pro-rata payment in respect of the Executive’s participation in the Performance Rights Plan for the year in which the Executive’s termination occurs in accordance with the Plan Rules as varied from time to time. As the employment relationship has ceased, the Executive will not be eligible for any further share or option grants in that year. The Executive will receive the equivalent value of this benefit in cash based on achievement of the Plan’s performance targets for the part year that the Executive serves with the Company running from the date of the yearly grant to Executive’s Termination Date.
- iii. Any shares or bonuses that would be paid are payable and all “rights” granted but have not vested will vest as at the termination date.

Table 5: Service Agreements with Executive and Senior Managers

Name of Executive	Date of Contract	Termination by Icon (without cause)	Termination by employee	Termination Payments (where terminated by Company)	STI & LTI Entitlements
R James	1-Jan 17	12 months	6 months	Payment in lieu of notice based on FR Discretion of Board to pay portion of STI & LTI	STI: May earn up to 50% of FR LTI: May earn up to 50% of FR
K Jih	11-Aug-15	12 months	6 months	Payment in lieu of notice based on FR Discretion of Board to pay portion of STI & LTI	STI: May earn up to 40% of FR LTI: May earn up to 40% of FR
M Berry	1-Aug-13	2 months	2 months	Payment in lieu of notice based on FR Discretion of Board to pay portion of STI & LTI	STI: May earn up to 30% of FR LTI: May earn up to 20% of FR

# REMUNERATION REPORT – AUDITED

for the year ended 30 June 2017

## 9. REMUNERATION OF EACH MEMBER OF KEY MANAGEMENT PERSONNEL AND DIRECTORS FOR THE CONSOLIDATED ENTITY

Table 6: Directors and Key Management Personnel Remuneration for the year ended 30 June 2017

	Short Term				Post-employment		Share-based Payment		Total \$	Portion of Remuneration Based on Performance %
	Salaries & Fees <sup>(i)</sup> \$	Cash Bonus \$	Non-monetary Benefits	Other Benefits <sup>(ii)</sup> \$	Super-annuation \$	Long-term Employee Benefits <sup>(iii)</sup> \$	Termination benefits \$	Shares and Units \$		
<b>Non-executive Directors</b>										
Stephen Barry	106,000	-	-	-	10,070	-	-	-	116,070	-
Keith Hillless	78,500	-	-	-	7,457	-	-	-	85,957	-
Derek Murphy	85,000	-	-	-	8,075	-	-	-	93,075	-
Howard Lu	70,000	-	-	-	6,650	-	-	-	76,650	-
<b>Executive and Senior Managers</b>										
Ray James	532,279	-	-	45,000	50,164	14,882	-	-	642,325	-
Kevin Jih	406,837	-	-	40,000	38,546	10,362	-	-	495,745	-
Martin Berry	316,655	-	-	-	29,781	3,614	-	-	350,050	-
<b>Total</b>	<b>1,595,271</b>	<b>-</b>	<b>-</b>	<b>85,000</b>	<b>150,743</b>	<b>28,858</b>	<b>-</b>	<b>-</b>	<b>1,859,872</b>	<b>-</b>

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

(ii) Other Benefits represent car allowance received during the year for Ray James of \$45,000 and for Dr Jih of \$40,000.

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

Table 7: Directors and Key Management Personnel Remuneration for the year ended 30 June 2016

	Short Term				Post-employment		Share-based Payment		Total \$	Portion of Remuneration Based on Performance %
	Salaries & Fees <sup>(i)</sup> \$	Cash Bonus \$	Non-monetary Benefits	Other Benefits <sup>(ii)</sup> \$	Super-annuation \$	Long-term Employee Benefits <sup>(iii)</sup> \$	Termination benefits \$	Shares and Units \$		
<b>Non-executive Directors</b>										
Stephen Barry	106,000	-	-	-	10,070	-	-	-	116,070	-
Keith Hillless	47,300	-	-	-	7,457	-	-	-	85,957	-
Derek Murphy	85,000	-	-	-	8,075	-	-	-	93,075	-
Howard Lu	70,000	-	-	-	6,650	-	-	-	76,650	-
<b>Executive and Senior Managers</b>										
Ray James	615,500	-	-	45,000	54,414	14,882	-	-	732,359	-
Kevin Jih	435,171	-	-	40,000	40,575	9,269	-	-	525,015	-
Martin Berry	312,321	-	-	-	29,315	1,801	-	-	343,437	-
<b>Total</b>	<b>1,702,492</b>	<b>-</b>	<b>-</b>	<b>85,000</b>	<b>159,119</b>	<b>25,952</b>	<b>-</b>	<b>-</b>	<b>1,972,563</b>	<b>-</b>

(i) Salaries &amp; Fees include annual leave paid during the year. Ray James and Kevin Jih received a payout of accrued annual leave amounting to \$93,983 and \$36,109 respectively.

(ii) Other Benefits represent car allowance received during the year for Ray James of \$45,000 and for Dr Jih of \$40,000.

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

## 10. DIRECTORS' AND SENIOR MANagements' INTERESTS

As at 30 June 2017, the interests of the directors and senior management or entities associated with them in shares and options of Icon Energy Limited are:

**Table 8: Directors' and Executive and Senior Manager' Interests**

### Shareholdings

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

	Balance 1.07.2016	Employee Performance Rights Plan	Purchases	Options Exercised	Sold/Other**	Balance 30.06.2017
2017	No	No	No	No	No	No
<b>Directors</b>						
Stephen Barry*	1,653,593	-	-	-	-	1,653,593
Derek Murphy*	450,181	-	100,000	-	-	550,181
Keith Hillless	93,227	-	-	-	-	93,227
Howard Lu	16,068,181	-	-	-	-	16,068,181
Raymond James*	23,386,515	-	810,000	-	-	24,196,515
Kevin Jih*	1,353,175	-	-	-	-	1,353,175
<b>Senior Management</b>						
Martin Berry	296,416	-	-	-	-	296,416
	<b>43,301,288</b>	<b>-</b>	<b>910,000</b>	<b>-</b>	<b>-</b>	<b>44,211,288</b>

	Balance 1.07.2015	Employee Performance Rights Plan	Purchases	Options Exercised	Sold/Other**	Balance 30.06.2016
2016	No	No	No	No	No	No
<b>Directors</b>						
Stephen Barry*	1,653,593	-	-	-	-	1,653,593
Derek Murphy*	300,181	-	150,000	-	-	450,181
Keith Hillless	93,227	-	-	-	-	93,227
Howard Lu	16,068,181	-	-	-	-	16,068,181
Raymond James*	23,386,515	-	-	-	-	23,386,515
Kevin Jih*	1,353,175	-	-	-	-	1,353,175
<b>Senior Management</b>						
Martin Berry	296,416	-	-	-	-	296,416
	<b>43,151,288</b>	<b>-</b>	<b>150,000</b>	<b>-</b>	<b>-</b>	<b>43,301,288</b>

\* These KMP's shareholdings include indirect shareholdings held by their spouse and/or related corporations.

\*\* Sold/Other shares include shares removed as a result of no longer being a KMP.

## 11. SHARE OPTIONS

### Options Granted to Directors and Key Management Personnel of the Company

No options were issued or granted to, or exercised by, Directors and Key Management Personnel of the Company during the year.

### Options Held by Key Management Personnel

There were no options outstanding at 30 June 2017 or as at 30 June 2016.

# AUDITOR'S INDEPENDENCE DECLARATION



**Crowe Horwath Brisbane**  
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## Auditor's Independence Declaration

As auditor of Icon Energy Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have 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.

This declaration is in respect of Icon Energy Limited and the entities it controlled during the year.

## Crowe Horwath Brisbane

**Logan Meehan**  
Partner

Signed at Brisbane, 22 August 2017

Crowe Horwath Brisbane is a member of Crowe Horwath International, a Swiss Verein. Each member of Crowe Horwath is a separate and independent legal entity. Liability limited by a scheme approved under Professional Standards Legislation other than for the acts or omissions of financial services licensees.

# INDEPENDENT AUDITOR'S REPORT



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Icon Energy Limited

Independent Auditor's Report to the Members of Icon Energy Limited

## Report on the audit of the financial report

### Opinion

We have audited the financial report of Icon Energy Limited (the Company and its subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit of loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (a) Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended.
- (b) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Crowe Horwath Brisbane is a member of Crowe Horwath International, a Swiss Verein. Each member of Crowe Horwath is a separate and independent legal entity. Liability limited by a scheme approved under Professional Standards Legislation other than for the acts or omissions of financial services licensees.

The title 'Partner' conveys that the person is a senior member within their respective division, and is among the group of persons who hold an equity interest (shareholder) in its parent entity, Findex Group Limited. The only professional service offering which is conducted by a partnership is the Crowe Horwath external audit division. All other professional services offered by Findex Group Limited are conducted by a privately owned organisation and/or its subsidiaries.

# INDEPENDENT AUDITOR'S REPORT

continued



Key Audit Matter	How we addressed the Key Audit Matter
<p><b>Consideration of Impairment for Capitalised Exploration and Evaluation Expenditure</b> Refer to Note 8 <i>'Exploration and Evaluation Expenditure'</i></p>	
<p>Exploration assets must also be assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. As at 30 June 2017 the Group recorded an impairment loss of \$1.48 million in the consolidated statement of profit and loss and other comprehensive income.</p> <p>This matter is considered a key audit matter due to the high degree judgement required by the directors to assess whether impairment indicators are present for the specified tenements held and the high value of the capitalised deferred exploration expenditure.</p> <p>The conditions and assessment undertaken in relation to impairment are disclosed in the Group's accounting policy in Notes 8 and 25(o) of the financial report.</p>	<p>Our procedures included, but not limited to:</p> <ul style="list-style-type: none"> <li>▪ Conducting discussions with management regarding the criteria used in the impairment assessment and ensuring that this is in line with AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i> and that recognition of impairment identified is in accordance with AASB 136 <i>Impairment of Assets</i>;</li> <li>▪ Reviewing evidence of activities carried out and management intentions for the area of interests the Group holds to corroborate the impairment assessment made; and</li> <li>▪ Evaluating and challenging key assumptions adopted by the directors that support the position formed on impairment for exploration and evaluation expenditure.</li> </ul>
<p><b>Valuation of Restoration Provision</b> Refer to Note 10 <i>'Restoration Provision'</i></p>	
<p>As at 30 June 2017, the Group has a liability of \$5.2 million relating to the estimated cost of rehabilitation, decommissioning and restoration relating to areas disturbed during exploration activities and not yet rehabilitated. The restoration provision represents the present value of estimated costs for future restoration of land explored.</p> <p>The rehabilitation liability is reviewed and re-measured in line with changes in observable assumptions, timing and the latest estimates of the costs to be incurred based on area of disturbance.</p> <p>This area is a key audit matter as the determination of the restoration liability involves a level of complexity.</p>	<p>Our procedures included, but not limited to:</p> <ul style="list-style-type: none"> <li>▪ Reviewing the procedures employed by the Group for the calculation of the 30 June 2017 site restoration for appropriateness against the requirements of AASB 137 Provisions, Contingent Liabilities and Contingent Assets;</li> <li>▪ Evaluating the approach adopted by the directors and management's expert in determining the value of the restoration provision, through review of the cost elements used in the estimated rehabilitation for each well and comparison to previous provision raised; and</li> <li>▪ Considering provision movements during the year to ensure they were consistent with our understanding of the Group's activities during that period.</li> </ul>



#### Other information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

#### Responsibilities of the directors for the financial report

The directors of the Group are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

#### Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_files/ar2.pdf](http://www.auasb.gov.au/auditors_files/ar2.pdf). This description forms part of our auditor's report.

#### Report on the remuneration report

##### *Opinion on the remuneration report*

We have audited the Remuneration Report included on pages 28 to 33 of the annual report for the year ended 30 June 2017.

In our opinion, the Remuneration Report Icon Energy Limited and controlled entities, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

# INDEPENDENT AUDITOR'S REPORT

continued



## *Responsibilities*

The directors of the Group are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## **Crowe Horwath Brisbane**

A handwritten signature in black ink, appearing to read "Logan Meehan". The signature is fluid and cursive, written over a light grey rectangular background.

**Logan Meehan**  
Partner

Signed at Brisbane, 22 August 2017

# DIRECTORS' DECLARATION

for the year ended 30 June 2017



## DIRECTORS' DECLARATION

The Directors of the Company declare that:

- 1) The financial statements and notes, as set out on pages 40 to 67, are in accordance with the *Corporations Act 2001* and other mandatory professional reporting requirements and:
  - a) comply with Accounting Standards; and
  - b) give a true and fair view of the financial position as at 30 June 2017 and of the performance for the year ended on that date of the consolidated entity;
- 2) The Managing Director and Chief Financial Officer have each declared that:
  - a) the financial records of the Company for the financial period have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
  - b) the financial statements and notes for the financial period comply with the Accounting Standards; and
  - c) the financial statements and notes for the financial period give a true and fair view.
- 3) In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they come due and payable;
- 4) The attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 1 to the financial statements.

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

A handwritten signature in blue ink, appearing to read "Stephen Barry".

Stephen Barry  
Chairman  
22 August 2017

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2017

	NOTES	30 June 2017 \$	30 June 2016 \$
<b>Continuing operations</b>			
Income from research and development claim		-	524,140
Interest received and other income		311,210	470,414
Administration expenses		(2,525,271)	(2,974,460)
Depreciation and amortisation expense		(307,509)	(272,576)
Employee benefits and expenses		(1,386,270)	(1,384,239)
Occupancy expenses		(43,278)	(40,425)
Profit/(Loss) on sale of property, plant and equipment		1,339	15
Profit/(Loss) on acquisition of tenement		(226,023)	-
Impairment of exploration and evaluation expenditure	8	(1,481,000)	(1,903,623)
Finance costs		(13,292)	(21,475)
<b>Profit/(Loss) before income tax</b>		<b>(5,670,094)</b>	<b>(5,602,229)</b>
Income tax expense	2	-	-
<b>Net Profit/(Loss) for the year from continuing operations</b>		<b>(5,670,094)</b>	<b>(5,602,229)</b>
<b>Other comprehensive income</b>			
<i>Items that will be reclassified to profit and loss</i>			
Exchange differences arising on translation of foreign operations		(200)	501
Other comprehensive income for the year, net of tax		(200)	501
<b>Total comprehensive income for the year</b>		<b>(5,670,295)</b>	<b>(5,601,728)</b>
Net Profit/(Loss) for the year attributable to:			
Owners of the parent entity		(5,670,094)	(5,602,229)
Non-controlling interests		-	-
<b>Net Profit/(Loss) for the year</b>		<b>(5,670,094)</b>	<b>(5,602,229)</b>
Total comprehensive income for the year attributable to:			
Owners of the parent entity		(5,670,295)	(5,601,728)
Non-controlling interests		-	-
<b>Total comprehensive income for the year</b>		<b>(5,670,295)</b>	<b>(5,601,728)</b>
<b>Earnings per share</b>			
<i>From continuing operations</i>			
Basic earnings/(loss) per share (cents per share)	14	(0.95)	(0.93)
Diluted earnings/(loss) per share (cents per share)	14	(0.95)	(0.93)
<i>The accompanying notes form part of these financial statements.</i>			

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2017

	NOTES	30 June 2017 \$	30 June 2016 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	4	9,659,397	2,451,446
Trade and other receivables	5	35,703	79,411
Financial assets	6	-	14,500,000
Inventories		4,890,147	-
<b>TOTAL CURRENT ASSETS</b>		<b>14,585,247</b>	<b>17,030,857</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	7	4,935,451	5,037,981
Exploration and evaluation expenditure	8	33,056,664	32,708,365
Performance guarantee bonds		774,041	201,112
<b>TOTAL NON-CURRENT ASSETS</b>		<b>38,766,156</b>	<b>37,947,458</b>
<b>TOTAL ASSETS</b>		<b>53,351,403</b>	<b>54,978,315</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	9	314,074	113,508
Employee benefits		553,811	465,123
<b>TOTAL CURRENT LIABILITIES</b>		<b>867,885</b>	<b>578,631</b>
<b>NON-CURRENT LIABILITIES</b>			
Employee benefits		204,062	167,170
Provisions	10	5,238,410	1,521,175
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>5,442,472</b>	<b>1,688,344</b>
<b>TOTAL LIABILITIES</b>		<b>6,310,357</b>	<b>2,266,976</b>
<b>NET ASSETS</b>		<b>47,041,046</b>	<b>52,711,340</b>
<b>EQUITY</b>			
Issued capital	11	101,984,750	101,984,750
Reserves	13	427	299,188
Accumulated losses		(54,944,131)	(49,572,598)
<b>TOTAL EQUITY</b>		<b>47,041,046</b>	<b>52,711,340</b>

The accompanying notes form part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2017

	Ordinary Share Capital (Note 11) \$	Share-Based Payments Reserve (Note 12) \$	Foreign Exchange Reserve (Note 13) \$	Accumulated Losses \$	Total \$
<b>Balance 1 July 2015</b>	102,346,082	605,649	126	(44,376,977)	58,574,880
Total comprehensive income:					
Loss for the year	-	-	-	(5,602,229)	(5,602,229)
Other comprehensive income	-	-	501	-	501
<b>Total comprehensive income for the year</b>	-	-	501	(5,602,229)	(5,601,728)
<b>Transactions with owners in their capacity as owners:</b>					
Share buyback	(361,332)	-	-	-	(361,332)
Reserve transfer for performance rights vested	-	(406,608)	-	406,608	-
Increase in share based payments reserve	-	99,520	-	-	99,520
<b>Total transactions with owners</b>	(361,332)	(307,088)	-	406,608	(261,811)
<b>Balance at 30 June 2016 - attributable to owners of parent entity</b>	<b>101,984,750</b>	<b>298,561</b>	<b>627</b>	<b>(49,572,598)</b>	<b>52,711,340</b>
<b>Balance 1 July 2016</b>	101,984,750	298,561	627	(49,572,598)	52,711,340
Total comprehensive income:					
Loss for the year	-	-	-	(5,670,094)	(5,670,094)
Other comprehensive income	-	-	(200)	-	(200)
<b>Total comprehensive income for the year</b>	-	-	(200)	(5,670,094)	(5,670,295)
<b>Transactions with owners in their capacity as owners:</b>					
Reversal of expired performance rights	-	(298,561)	-	298,561	-
<b>Total transactions with owners</b>	-	(298,561)	-	298,561	-
<b>Balance at 30 June 2017 - attributable to owners of parent entity</b>	<b>101,984,750</b>	<b>-</b>	<b>427</b>	<b>(54,944,131)</b>	<b>47,041,046</b>

The accompanying notes form part of these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2017

	NOTES	30 June 2017	30 June 2016
		\$	\$
		Inflows (Outflows)	Inflows (Outflows)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers		3,630	11,936
Cash payments to suppliers and employees		(4,375,629)	(4,876,785)
Interest received		307,610	458,508
Income from research and development tax incentive		-	524,140
Net cash used in operating activities	15	<b>(4,064,389)</b>	<b>(3,882,201)</b>
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>			
Redemption/(Investment) in financial assets		14,500,000	(9,500,000)
Payments for property, plant & equipment		(52,169)	(52,128)
Payments for deferred exploration and evaluation expenditure		(3,215,216)	(181,632)
Prepayments for deferred exploration and evaluation expenditure		34,225	(34,225)
Research and development tax incentive		-	7,714,444
Proceeds from sale of property, plant and equipment		5,500	-
Net cash used in investment activities		<b>11,272,340</b>	<b>(2,053,541)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payment for buy-back of shares		-	(361,332)
Net cash used in financing activities		-	<b>(361,332)</b>
Net increase/(decrease) in cash and cash equivalents held		<b>7,207,951</b>	<b>(6,297,074)</b>
Cash and cash equivalents at beginning of the financial year		<b>2,451,446</b>	<b>8,748,520</b>
Cash and cash equivalents at the end of the financial year	4	<b>9,659,397</b>	<b>2,451,446</b>

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2017

## NOTE 1 - BASIS OF ACCOUNTING

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

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

The financial statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets and financial assets for which the fair value basis of accounting is applied. All amounts are presented in Australian dollars, unless otherwise noted. This is also the functional currency of the parent.

The financial statements of Icon Energy Limited and its controlled entities comply with all International Financial Reporting Standards (IFRS) in their entirety.

The financial report was authorised for issue by the Board of Directors on 22 August 2017.

Details of Icon Energy Limited accounting policies are included in Note 25.

## NOTE 2 - INCOME TAX EXPENSE

Profit/(Loss) before tax expense

Prima facie tax payable on profit/(loss) before income tax at 30% (2016: 30%)

Increase/(decrease) in income tax expense due to:

Non deductible expenses

Non-assessable income

Under/(over) provision in prior year

Deferred tax benefits not brought to account

Income Tax attributable to profit/(loss) before tax

CONSOLIDATED ENTITY	
30 June 2017	30 June 2016
\$	\$
(5,670,094)	(5,602,229)
(1,701,028)	(1,680,669)
576	30,224
-	(157,242)
-	5,465,975
1,700,452	(3,658,288)
-	-

Deferred Tax Assets not brought to account, the benefits of which will only be realised if the conditions for deductibility of tax losses set out in Note 25(c) occur based on corporate tax rate of 30% (2016: 30%) for Australian companies.

### Tax losses

Potential tax benefit

### Temporary differences

Other

Provisions

Potential tax benefit

Total deferred tax benefits not brought to account

### Deferred Tax Liabilities

Mining and exploration costs

Total deferred tax liabilities not brought to account

Total deferred tax assets not brought to account - net

CONSOLIDATED ENTITY	
30 June 2017	30 June 2016
\$	\$
<b>53,896,664</b>	<b>46,288,760</b>
16,168,999	13,886,628
185,117	440,463
2,596,555	2,153,467
834,501	778,179
<b>17,003,501</b>	<b>14,664,807</b>
29,882,959	32,668,741
8,964,888	9,800,622
<b>8,038,613</b>	<b>4,864,185</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2017

## NOTE 3 - KEY MANAGEMENT PERSONNEL REMUNERATION

CONSOLIDATED ENTITY	
30 June 2017	30 June 2016
\$	\$
1,680,271	1,787,492
28,858	25,952
150,743	159,119
-	-
-	-
<b>1,859,872</b>	<b>1,972,563</b>

(a) Key management personnel compensation

- Short term employee benefits
- Long term benefits
- Post employment benefits
- Termination payments
- Share-based payments

Apart from the details disclosed in this note, no Director has entered into a material contract with the Company or consolidated entity since 1 July 2016 and there were no material contracts involving Directors' interests existing at year end.

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the entity's key management personnel (KMP) for the year ended 30 June 2017.

(b) **Performance rights provided as remuneration**

Details of performance rights granted as remuneration, together with their terms and conditions, can be found in the remuneration report.

**Performance rights holdings**

The numbers of performance rights granted under the executive short-term and long-term incentive scheme that were held during the financial year by each director of Icon and other key management personnel of the group are set out in the remuneration report contained in the directors' report.

There were no options held by Key Management Personnel during the period ended 30 June 2017 (30 June 2016: Nil).

(c) **Transactions with Directors and Director Related Entities**

CONSOLIDATED ENTITY	
30 June 2017	30 June 2016
\$	\$
8,560	1,710

Legal fees paid in the ordinary course of business to CKB Associates Lawyers, a firm with which Mr. S Barry is associated.

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

## NOTE 4 - CASH AND CASH EQUIVALENTS

Cash on hand	365	440
Cash at bank	9,659,031	2,451,005
	<b>9,659,397</b>	<b>2,451,446</b>

## NOTE 5 - TRADE AND OTHER RECEIVABLES

**Current**

Prepayments for deferred exploration and evaluation expenditure	-	34,225
Other receivables	35,703	45,186
	<b>35,703</b>	<b>79,411</b>

Trade and other receivables are not past due and are not impaired at 30 June 2017. All amounts are expected to be received in less than 12 months.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2017

## NOTE 6 - FINANCIAL ASSETS

### Current

Held to maturity financial assets:

Term deposit - investment

CONSOLIDATED ENTITY	
30 June 2017	30 June 2016
\$	\$
-	14,500,000
<b>-</b>	<b>14,500,000</b>

## NOTE 7 - PROPERTY, PLANT AND EQUIPMENT

Plant, Equipment and Motor Vehicles - at cost

less: accumulated depreciation

Building - at cost

less: accumulated depreciation

Fixtures and Fittings - at cost

less: accumulated depreciation

Land at cost

Total Property, Plant and Equipment at written down value

981,667	949,958
(852,157)	(819,626)
<u>129,510</u>	<u>130,332</u>
2,172,934	2,172,934
(378,443)	(332,431)
<u>1,794,491</u>	<u>1,840,503</u>
1,104,719	1,104,719
(533,269)	(477,573)
<u>571,450</u>	<u>627,146</u>
2,440,000	2,440,000
<b><u>4,935,451</u></b>	<b><u>5,037,981</u></b>

### Movements in carrying amounts

Movements in the carrying amounts for each class of Property, Plant and Equipment between the beginning and the end of the current financial year:

Consolidated Entity	Plant, Equipment and Motor Vehicles	Building	Fixtures and Fittings	Land	Total
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2015</b>	145,107	1,887,696	657,040	2,440,000	5,129,843
Additions	33,513	-	18,616	-	52,128
Depreciation	(48,288)	(47,192)	(48,510)	-	(143,990)
<b>Balance at 30 June 2016</b>	<b>130,332</b>	<b>1,840,503</b>	<b>627,146</b>	<b>2,440,000</b>	<b>5,037,981</b>
<b>Balance at 1 July 2016</b>	130,332	1,840,503	627,146	2,440,000	5,037,981
Additions	52,169	-	-	-	52,169
Disposals	(4,160)	-	-	-	(4,160)
Depreciation	(48,831)	(46,012)	(55,696)	-	(150,539)
<b>Balance at 30 June 2017</b>	<b>129,510</b>	<b>1,794,491</b>	<b>571,450</b>	<b>2,440,000</b>	<b>4,935,451</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2017

## NOTE 8 - EXPLORATION AND EVALUATION EXPENDITURE

CONSOLIDATED ENTITY	
30 June 2017	30 June 2016
\$	\$
<b>33,056,664</b>	<b>32,708,365</b>

Exploration and Evaluation expenditure at cost

### Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

### Consolidated entity

	Total \$
<b>Balance at 1 July 2015</b>	42,267,462
Additions	58,970
Less: Impairment (ATP 626)	(1,903,623)
Less: RDTI applied	(7,714,444)
<b>Balance at 30 June 2016</b>	<b>32,708,365</b>
<b>Balance at 1 July 2016</b>	32,708,365
Additions	1,829,299
Less: Impairment (ATP 549, ATP 626 and ATP 794)	(1,481,000)
<b>Balance at 30 June 2017</b>	<b>33,056,664</b>

In 2017, Exploration and Evaluation expenditure immediately expensed in the consolidated statement of profit or loss and other comprehensive income amounted to \$107,816 (30 June 2016: \$150,062) and consisted of amortisation costs of restoration asset and unwinding of discounting on the restoration provision.

There were no liabilities arising from Exploration and Evaluation activities that formed part of trade and other payables (Note 9) (30 June 2016: \$233)

Exploration and Evaluation expenditure incurred is carried forward for each area of interest. This expenditure is only carried forward if it is expected to be recovered through the successful development, commercial exploitation or alternatively sale of respective areas of interest or where the activities in the area of interest have not reached a stage which permits a reasonable assessment of economically recoverable reserves and active and significant operations in the area of interest are continuing. In assessing the recoverability of Exploration and Evaluation expenditure in the financial report, the directors have considered the impacts of relationships with joint venture operators, future funding arrangements and planned future expenditure in relation to mining leases held.

## NOTE 9 - TRADE AND OTHER PAYABLES

CONSOLIDATED ENTITY	
30 June 2017	30 June 2016
\$	\$
<b>Current</b>	
Payables and accruals to a joint operations partner	- 233
Trade and sundry payables	314,074 113,275
<b>314,074</b>	<b>113,508</b>

Payables and accruals to a joint operations partner represent expenses are non-interest bearing.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2017

## NOTE 10 - PROVISIONS

### Restoration provision

Restoration provision represents the present value of estimated costs for future restoration of land explored by the consolidated entity at the end of the exploration activity.

The restoration provision recognised for each tenement is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs are recognised in the statement of financial position by adjusting both the restoration and rehabilitation asset and provision. Such changes trigger a change in future depreciation and financial charges.

Management bases its judgements, estimates and assumptions on historical and on other various factors including expectations of future events, management believes to be reasonable under the circumstances.

### Movements in carrying amounts

Movements in the carrying amounts for each class of provision between the beginning and the end of the current financial year:

#### Consolidated Entity

	CONSOLIDATED ENTITY	
	30 June 2017	30 June 2016
	\$	\$
<b>Balance at beginning of the year</b>	<b>1,521,175</b>	<b>1,499,699</b>
Charged/(credited) to profit or loss:		
- unwinding of discount	13,293	21,476
Amounts used during the year	(270,504)	-
Increase in restoration provision	3,974,446	-
<b>Balance at end of the year</b>	<b>5,238,410</b>	<b>1,521,175</b>

## NOTE 11 - ISSUED CAPITAL

### Authorised and Issued Share Capital

Issued share capital 597,556,938 (30 June 2016: 597,556,938) fully paid, no par value ordinary shares.

	30 June 2017		30 June 2016	
	Number of shares	\$	Number of shares	\$
<b>Fully Paid Shares</b>				
<b>Balance at beginning of the year</b>	597,556,938	101,984,750	607,026,150	102,346,082
Shares issued:				
• August 2015 - Share buyback	-	-	(4,515,946)	(210,222)
• November 2015 - Share buyback	-	-	(185,723)	(6,181)
• February 2016 - Share buyback	-	-	(234,380)	(7,197)
• March 2016 - Share buyback	-	-	(646,581)	(20,069)
• June 2016 - Share buyback*	-	-	(3,886,582)	(117,663)
<b>Balance at the end of the year</b>	<b>597,556,938</b>	<b>101,984,750</b>	<b>597,556,938</b>	<b>101,984,750</b>

\* Shares bought through on-market buyback in June were cancelled on 4 July 2016.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2017

## NOTE 11 - ISSUED CAPITAL (Continued)

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

## NOTE 12 - SHARE BASED PAYMENTS

Performance rights issued under STI and LTI performance plan (approved at the AGM) are recognised on the date the service are provided from each key management personnel.

Refer to Note 3 Key Management Personnel remuneration and the remuneration report.

Under the plan, participants are granted rights which only vest if certain performance standards are met. Participation in the plan is at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

The amount of rights that will vest depends on the extent the performance criteria are met and are granted under the plan for no consideration. Rights granted under the plan carry no dividend or voting rights. When exercisable, each right is convertible into one ordinary share.

The exercise price is nil.

### Performance Rights on Issue

#### Short-term incentives

The Company did not issue STIs for the 2016-17 financial year (30 June 2016: Nil).

#### Long-term incentives

The Company did not issue LTIs for the 2016-17 financial year (30 June 2016: Nil).

The 2013-14 LTI plan was the only LTI plan award that was in operation. It lapsed during the year bringing the balance of LTIs to nil at the end of the year.

Grant date	Expiry date	Balance at start of the year	Granted during the year	Exercised during the year	Lapsed during the year	Balance at the end of the year	Vested and exercisable at the end of the year
		Number	Number	Number	Number	Number	Number
25 November 2013	30 June 2018	3,252,089	-	-	(3,252,089)	-	-
<b>Total:</b>		<b>3,252,089</b>	<b>-</b>	<b>-</b>	<b>(3,252,089)</b>	<b>-</b>	<b>-</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2017

## NOTE 12 - SHARE BASED PAYMENTS (Continued)

### Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the year as part of employee benefit expense were as follows:

	NOTE	CONSOLIDATED ENTITY	
		30 June 2017	30 June 2016
		\$	\$
Rights issued under Performance Rights Plan - STI		-	-
Rights issued under Performance Rights Plan - 2014 LTI		-	99,520
		-	<b>99,520</b>
<b>Share Based Payments Reserve</b>			
<b>Opening Balance</b>		298,561	605,649
Reserve transfer for performance rights vested		-	-
Performance rights expired		(298,561)	(406,608)
Fair value of shares/rights granted		-	99,520
<b>Closing balance</b>		-	<b>298,561</b>

## NOTE 13 - RESERVES

	NOTE		
Share based payments reserve*	12	-	298,561
Foreign currency translation reserve **		427	627
<b>Total reserves</b>		<b>427</b>	<b>299,188</b>

\* Share based payments reserve is used to recognise the fair value of shares and rights issued to employees of the company.

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

## NOTE 14 - EARNINGS PER SHARE

	CONSOLIDATED ENTITY	
	30 June 2017	30 June 2016
	\$	\$
(a) Reconciliation of Earnings to Net Profit/(Loss):		
Net Profit/(Loss) for the year	(5,670,094)	(5,602,229)
Earnings used in the calculation of basic EPS	(5,670,094)	(5,602,229)
Earnings used in the calculation of diluted EPS	(5,670,094)	(5,602,229)
(b) Weighted average number of ordinary shares outstanding during the year used in the calculation of basic EPS.	597,556,938	602,631,022
Adjustment for calculation of diluted earnings per share	-	-
Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted EPS.	597,556,938	602,631,022
Basic earnings/(loss) per share (cents per share)	(0.95)	(0.93)
Diluted earnings/(loss) per share (cents per share)	(0.95)	(0.93)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2017

## NOTE 15 - CASH FLOW INFORMATION

	CONSOLIDATED ENTITY	
	30 June 2017	30 June 2016
	\$	\$
Reconciliation of net cash used in operating activities to Profit/(loss) after income tax:		
Profit/(loss) after income tax	(5,670,094)	(5,602,229)
<b>Add/(less) non-cash items:</b>		
Depreciation and amortisation	307,509	272,576
Loss/(Gain) on sale of property, plant and equipment assets	(1,339)	-
Impairment expense	1,481,000	1,903,623
Movement in foreign currency reserve	(200)	501
Movement in share based payments reserve	-	99,522
<b>Adjustment for changes in assets and liabilities</b>		
Inventories	(4,890,147)	-
Performance guarantee bonds	(572,929)	(1,162)
Trade and other receivables	680	74,978
Trade and other payables*	1,438,316	(677,886)
Employee provisions	125,580	26,400
Restoration provision	3,717,235	21,475
Net cash used in operating activities	<b>(4,064,389)</b>	<b>(3,882,201)</b>

\*Trade and other payables amount is exclusive of the movement in payables attributable to deferred exploration expenditure, which has been incorporated into Cash Flows from Investment Activities.

## NOTE 16 - CAPITAL COMMITMENTS

### Work Programme Commitments

The total commitments for work programmes for ATP594P and ATP855 in 2017 financial year and for ATP594P, ATP794P, ATP855P and PEP170 in 2016 financial year are as follows:

	CONSOLIDATED ENTITY	
	30 June 2017	30 June 2016
	\$	\$
Exploration expenditure commitments		
• not later than 1 year	400,000	22,897,488
• later than one year but not later than five years	12,463,896	14,925,000
	<b>12,863,896</b>	<b>37,822,488</b>

If any of the above expenditures are not met within the life of the tenement then the Department of Mines and Energy (QLD) / the Department of Primary Industries (VIC) will require the permit to be forfeited without liability.

In 2017, Icon has 100% interest in the above tenements.

In 2016, the entity's share of the above commitments that relate to its interests in joint operations were \$10,105,485.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2017

## NOTE 17 - JOINT ARRANGEMENTS AND MINING TENEMENTS HELD

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

Oil and Gas	Basin	Interest %	
		30 June 2017	30 June 2016
ATP 549P West *	Cooper Eromanga	0.00%	33.33%
ATP 594P	Cooper Eromanga	100.00%	100.00%
ATP 794P Regleigh & Springfield	Cooper Eromanga	60.00%	60.00%
ATP 626P **	Surat	100.00%	100.00%
ATP 855P	Cooper Eromanga	100.00%	35.10%
PRLs33-49 ***	Cooper Eromanga	33.33%	33.33%
PEP 170	Gippsland	100.00%	100.00%
PEP 172 ****	Gippsland	100.00%	100.00%
PEP 173 ****	Gippsland	100.00%	100.00%

\* Permit relinquished on 30 April 2017

\*\* Permit in the process of relinquishment

\*\*\* Formerly PEL 218 (Post Permian Section).

\*\*\*\* Permit to be granted

Interests in joint operations are accounted for by including the group's portion of assets, liabilities, revenue and expenses. Information relating to joint ventures that are material to the consolidated entity are set out below:

	NOTE	CONSOLIDATED ENTITY	
		30 June 2017	30 June 2016
CURRENT ASSETS		\$	\$
Prepayments for deferred exploration and evaluation expenditure	5	-	34,225
Total current assets		-	<b>34,225</b>
<b>NON-CURRENT ASSETS</b>			
Exploration and evaluation expenditure at cost	8	1,647,937	30,594,354
Total non current assets		<b>1,647,937</b>	<b>30,594,354</b>
Share of total assets in joint arrangements		<b>1,647,937</b>	<b>30,628,579</b>
<b>CURRENT LIABILITIES</b>			
Joint arrangements liabilities	9	-	233
Total joint arrangements liabilities		-	<b>233</b>
<b>NON-CURRENT LIABILITIES</b>			
Restoration provision		-	1,196,835
Total joint arrangements liabilities		-	<b>1,196,835</b>
Share of total liabilities in joint arrangements		-	<b>1,197,068</b>
<b>EXPENSES</b>			
Exploration and evaluation related expenses		-	150,062
Share of total expenses related to joint arrangements*		-	<b>150,062</b>

\* Expenses do not include impairment of exploration and evaluation joint arrangement assets.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2017

## NOTE 18 - CONTROLLED ENTITIES

### Parent entity:

Icon Energy Limited

Country of Incorporation	Date of Incorporation	% Owned	
		30 June 2017	30 June 2016

Australia

### Subsidiaries of Icon Energy Limited:

Jakabar Pty Ltd

Australia

18 Dec 1992

100

100

Icon Drilling Pty Ltd

Australia

18 Nov 1994

100

100

Icon Gas Productions Pty Ltd

Australia

16 Dec 2008

100

100

Icon Oil US (LLC)

USA

5 Jan 1993

100

100

## NOTE 19 - SEGMENT INFORMATION

The consolidated entity operates in the oil exploration and petroleum sector, predominantly within Queensland. The majority of its exploration activities are conducted in the Cooper/Eromanga and Surat Basins in Australia. Icon's Board of Directors reviews internal management reports on at least a monthly basis.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2017

## NOTE 19 - SEGMENT INFORMATION (Continued)

### INFORMATION ABOUT GEOGRAPHICAL AREAS

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

	Australia		USA		Consolidated Entity	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	\$	\$	\$	\$	\$	\$
<b>REVENUE</b>						
Income from research and development claim	-	524,140	-	-	-	524,140
Royalty income	-	11,598	-	-	-	11,598
Total segment revenues	-	535,738	-	-	-	535,738
Interest Revenue	307,610	458,508	-	-	307,610	458,508
Other Income	3,600	307	-	-	3,600	307
Total revenue	311,210	994,554	-	-	311,210	994,554
<b>RESULT</b>						
Segment net operating profit after tax	(5,667,665)	(5,600,343)	(2,429)	(1,886)	(5,670,094)	(5,602,229)
Finance cost	13,292	21,475	-	-	13,292	21,475
Impairment of Assets	1,481,000	1,903,623	-	-	1,481,000	1,903,623
Gain/(loss) on sale of non-current assets	1,339	15	-	-	1,339	15
Segment Assets	48,450,597	54,965,707	10,659	12,608	48,461,256	54,978,315
Segment Liabilities	6,310,357	2,266,976	-	-	6,310,357	2,266,976
<b>OTHER</b>						
Acquisition of non-current segment assets	52,169	52,128	-	-	52,169	52,128
Depreciation and amortisation of segment assets	307,509	272,576	-	-	307,509	272,576

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. The Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Managing Director. The operating segments have been aggregated on the basis of geographic location.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2017

## NOTE 20 - FINANCIAL INSTRUMENTS

	NOTE	CONSOLIDATED ENTITY	
		30 June 2017	30 June 2016
		\$	\$
Financial instruments comprise of the following:			
<b>Financial Assets</b>			
Cash and cash equivalents	4	9,659,397	2,451,446
Loans and receivables:			
- Trade and other receivables	5	35,703	79,411
Held to maturity financial assets:			
- Term deposit	6	-	14,500,000
<b>Financial Liabilities</b>			
Held at amortised cost			
- Trade and other payables	9	(314,074)	(113,508)

The carrying values of loans and receivables, held to maturity financial assets and held at amortised cost financial liabilities approximate their fair value.

The consolidated entity's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable and payable. No financial assets are pledged as collateral for liabilities.

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

The consolidated entity does not have any derivative instruments at 30 June 2017 (30 June 2016: Nil).

### Significant Accounting Policies

Details of significant accounting policies and methods adopted, including the criteria for recognition, the basis for measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 25 to the financial statements.

### Capital Risk Management

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

The capital structure of the consolidated entity consists of cash and cash equivalents and equity comprising issued capital, net of reserves and accumulated losses as disclosed in notes 4 and 11 respectively.

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

The consolidated entity's overall strategy remains unchanged from 2016.

### Financial Risk Management

The main risks the consolidated entity is exposed through its financial assets and liabilities are credit risk and liquidity risk.

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

#### (a) Market Risk

The consolidated entity's risk management program focuses on the unpredictability of the financial markets and seeks to minimise the potential adverse effects of the financial performance of the consolidated entity, by way of various measures detailed below.

#### Interest rate risk

The consolidated entity's interest rate risk arises mainly from the term deposits and cash and cash equivalents. The entity does not have any borrowing facilities. Therefore, it is not exposed to the interest rate risk.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2017

## NOTE 20 - FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

Consolidated Entity	Weighted Average Interest Rate %	Floating Interest \$	Fixed Interest Rate Maturing		Non interest bearing \$	Total \$	
			Within 1 year \$	1 to 5 years \$			
<b>30 June 2017</b>	NOTE						
<b>Financial assets</b>							
Cash and cash equivalents	4	1.85%	9,659,031	-	-	366	9,659,397
Trade and other receivables	5		-	-	-	35,703	35,703
<b>Total Financial Assets</b>			<b>9,659,031</b>	<b>-</b>	<b>-</b>	<b>36,069</b>	<b>9,695,101</b>
<b>Financial liabilities</b>							
Trade and other payables	9		-	-	-	314,074	314,074
<b>Total Financial Liabilities</b>			<b>-</b>	<b>-</b>	<b>-</b>	<b>314,074</b>	<b>314,074</b>
<b>30 June 2016</b>	NOTE						
<b>Financial assets</b>							
Cash and cash equivalents	4	2.77%	2,451,005	-	-	441	2,451,446
Term deposits	6	2.80%	14,500,000	-	-	-	14,500,000
Trade and other receivables	5		-	-	-	79,411	79,411
<b>Total Financial Assets</b>			<b>16,951,005</b>	<b>-</b>	<b>-</b>	<b>79,852</b>	<b>17,030,857</b>
<b>Financial liabilities</b>							
Trade and other payables	9		-	-	-	113,508	113,508
<b>Total Financial Liabilities</b>			<b>-</b>	<b>-</b>	<b>-</b>	<b>113,508</b>	<b>113,508</b>

### Cash flow sensitivity analysis for variable rate instruments

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2017

## NOTE 20 - FINANCIAL RISK MANAGEMENT (CONTINUED)

At 30 June 2017, if the interest rates had increased / decreased by 0.5% from the period-end rates with all other variables held constant, post-tax profit for the year for the consolidated entity would have been \$48,301 higher/\$48,361 lower (30 June 2016: \$52,967 higher/\$52,870 lower), mainly as a result of the consolidated entity's exposure to interest rates on its variable rate cash and cash equivalents.

### (b) Credit risk

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

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

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

Credit quality of financial assets neither past due or impaired.

### (c) Liquidity risk

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

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

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

The following are contractual maturities of financial liabilities:

		Carrying Amount	Contractual Cashflows	<1Year	1-5 Years
		\$	\$	\$	\$
<b>30 June 2017</b>	NOTE				
Trade and other payables	9	314,074	314,074	314,074	-
		<b>314,074</b>	<b>314,074</b>	<b>314,074</b>	-
<b>30 June 2016</b>					
Trade and other payables	9	113,508	113,508	113,508	-
		<b>113,508</b>	<b>113,508</b>	<b>113,508</b>	-

The consolidated entity's liquidity risk relating to financial liabilities at 30 June 2017 is limited to the repayment of the trade payables. Trade payables are short-term in nature. The consolidated entity does not finance exploration activities through debt.

### Fair value estimation

The carrying values less provision for impairment of financial assets and financial liabilities of the consolidated entity, as stated in the Statement of Financial Position and accompanying explanatory notes at 30 June 2017, are a reasonable approximation of their fair values due to the short-term nature of the instruments.

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

## NOTE 21 - RELATED PARTY TRANSACTIONS

- Interests in subsidiaries are disclosed in note 18.
- Transactions with Directors and Director Related Entities are disclosed in note 3.
- There were no other related party transactions during the year ended 30 June 2017 or 30 June 2016.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2017

## **NOTE 22 - CONTINGENT LIABILITIES**

On 12 May 2015, Southern Fairway Investments Pty Ltd (formerly Babcock & Brown Australia Infrastructure Pty Ltd) and Ronald Baldwin submitted a Further Amended Statement of Claim and on 17 July 2015 the plaintiff's counsel acknowledged that there were still deficiencies in that pleading. Directions were made to allow for the submission of a further amendment to the Second Further Amended Statement of Claim, which was filed. In August 2015, a costs order was made in favour of Icon Energy and Icon received a costs recovery of \$33,000 from the first strike out application.

On the 15 October 2015, Justice McMurdo ordered that the majority of the Second Further Amended Statement of Claim be struck out. Justice McMurdo allowed Mr Baldwin and Southern Fairway Investments the liberty to re-plead on two matters. On 18 February 2016, Justice McMurdo awarded Icon Energy 100% of its costs and on 17 October 2016 Icon received costs recovery of \$47,000 from the second strike out application.

Mr Baldwin and Southern Fairway Investments filed a Third Further Amended Statement of Claim on 1 March 2016. Icon filed its Notice of Intention to Defend on 7 June 2016. Mr Chesterman QC held a mediation meeting on 26 June 2017, however no agreement was reached. The next court review was heard by Justice Bond on 17 July 2017 and the matter has been set for trial, commencing on 23 October 2017. It is not possible at this time to accurately quantify Icon's future legal fees for the litigation.

## **NOTE 23 - EVENTS AFTER BALANCE DATE**

There are no after balance sheet date events at the date of signing (30 June 2016: Nil).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2017

## NOTE 24 - PARENT ENTITY INFORMATION

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. Refer to Note 25 for a summary of the significant accounting policies relating to the consolidated entity.

### Financial position

	30 June 2017	30 June 2016
	\$	\$
<b>Assets</b>		
Current assets	14,359,548	16,930,611
Non-current assets	45,507,982	42,258,237
<b>Total assets</b>	<b>59,867,530</b>	<b>59,188,848</b>
<b>Liabilities</b>		
Current liabilities	851,286	561,019
Non-current liabilities	5,407,033	146,763
<b>Total liabilities</b>	<b>6,258,319</b>	<b>707,783</b>
<b>Net Assets</b>	<b>53,609,211</b>	<b>58,481,066</b>
<b>Equity</b>		
Issued capital	101,984,750	101,984,750
Reserves	-	298,561
Accumulated losses	(48,375,539)	(43,802,245)
<b>Total equity</b>	<b>53,609,211</b>	<b>58,481,066</b>
<b>Financial performance</b>		
Profit/(Loss) for the year	(4,871,857)	(3,029,718)
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>(4,871,857)</b>	<b>(3,029,718)</b>
<b>Guarantees entered into by the parent entity in relation to the debts of its subsidiaries</b>		
Carrying amount included in current liabilities	-	-
<b>Contingent liabilities of the parent entity</b>		

There are no contingent assets at the date of this report that require disclosure. Contingent liabilities are disclosed in note 22.

### Contractual commitments for the acquisition of property, plant and equipment by the parent entity

The parent entity did not have any contractual commitments for the acquisition of property, plant or equipment as at 30 June 2017 or 30 June 2016.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2017

## NOTE 25 - STATEMENT OF ACCOUNTING POLICIES

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

### (a) Changes in Accounting Policies

#### Standards and Interpretations adopted

The consolidated entity has adopted all the new, revised or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period. Any new, revised or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

#### Standards and Interpretations issued but not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting periods. Some of them are available for early adoption at 30 June 2017, but have not been applied in preparing this financial report. The consolidated entity's assessment of the impact of these new standards and interpretations is set out below:

Reference	Application date of standard	Impact on Group financial report	Application start date for the Group
<i>AASB 9 - Financial Instruments</i>	1 January 2018	Aside from cash and cash equivalents, the Group doesn't hold any financial instruments of material value. Therefore, Icon does not expect any material impact to the financial statements in regards to the implementation of this standard.	1 July 2018
<i>AASB 15 - Revenue from contracts with customers</i>	1 January 2018	As the Group is in the exploration phase of operations it does not generate any revenue of material value. Therefore, Icon does not expect any material impact to the financial statements in regards to the implementation of this standard.	1 July 2018
<i>AASB 16 - Leases</i>	1 January 2019	There are no current operating leases in place that the Group is a party to. Therefore, Icon does not expect any material impact on the net asset position of the Group or on the financial statements in regards to the implementation of this standard.	1 July 2019

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2017

## NOTE 25 - STATEMENT OF ACCOUNTING POLICIES (Continued)

### (b) Principles of Consolidation

A controlled entity is any entity controlled by Icon Energy Limited. Control exists where Icon Energy Limited is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. A list of controlled entities is contained in Note 18 to the accounts. All controlled entities have a June financial year end.

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

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

### (c) Income Tax

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

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

Deferred income tax expense/(benefit) reflects movements in deferred tax asset and deferred tax liability balances during the period as well as unused tax losses.

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

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

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

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

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

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

### Tax Consolidation

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2017

## NOTE 25 - STATEMENT OF ACCOUNTING POLICIES (Continued)

### (d) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred by a purchaser is not recoverable from the taxation authority. Under these circumstances, the GST is recognised as part of the cost of acquisition of an asset or as part of an item of expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the consolidated statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

### (e) Property, Plant, and Equipment

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

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

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

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

The gain or loss on disposal of all property, plant and equipment is determined as the difference between the carrying amount of the asset at the time of disposal and the proceeds of disposal, and is included in operating profit before income tax in the year of disposal.

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

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

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

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

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.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2017

## NOTE 25 - STATEMENT OF ACCOUNTING POLICIES (Continued)

### (g) **Research and Development Tax Incentive**

The Research and Development Tax Incentive (RDTI) is a 45% Refundable tax offset that is calculated as 45% of the eligible research and development expenditure that has been incurred by the company. The Directors consider any payment arising from the RDTI to be a form of government assistance and are of the view that it is appropriate to develop an accounting policy that is analogous to AASB120 *Accounting for Government Grants and Disclosure of Government Assistance*.

As such, RTDI refund are recognised when there is sufficient degree of certainty that the company will comply with the conditions attaching to RDTI and that the payment will be received. Such refund are recognised in the Statement of Profit or loss and Other Comprehensive Income on a systematic basis over the periods in which the company recognises as expenses the related costs for which the assistance is intended to compensate. The proportion of the refund that relates to capitalised exploration expenditure is deducted against the carrying amount of the related non-current assets. Any remaining proportion that cannot be recognised on either of the preceding basis is recognised in the Statement of Profit or loss and Other Comprehensive Income as "income from research and development claim".

### (h) **Interests in Joint Arrangements**

Investments in joint arrangements are classified as either joint operations or joint ventures. The classification of joint arrangements is determined based on the contractual rights and obligations of parties to the joint arrangements rather than the legal structure of joint arrangement. The entity has only joint operations.

#### **Joint Operations**

The consolidated entity has interests in joint arrangements that are joint operations. As a joint operator, the consolidated entity recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These are included in the respective items of the consolidated statement of financial position and consolidated statement of comprehensive income.

The entity accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the AASBs applicable to the particular assets, liabilities, revenues and expenses.

### (i) **Trade Creditors**

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

### (j) **Cash and Cash Equivalents**

Cash and cash equivalents in the consolidated statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of 3 months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

For the purpose of the consolidated statements of cash flows, cash and cash equivalents include cash and cash equivalents as above, net of outstanding bank overdrafts.

### (k) **Provisions**

Other provisions for make good obligations are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2017

## NOTE 25 - STATEMENT OF ACCOUNTING POLICIES (Continued)

### (k) Provisions (Continued)

#### *Restoration provision*

The entity recognises a restoration provision to meet all future obligations for the restoration of petroleum assets when the petroleum assets are abandoned. 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. The liability for restoration is discounted to present value and capitalised as part of the exploration expenditure of an area of interest and revised at the end of each reporting period through the profit and loss. The capitalised costs are amortised over the life of the petroleum asset. The periodic unwinding of the discount is recognised in the consolidated statement of profit or loss and other comprehensive income as part of finance costs.

Changes in the estimates of restoration costs are dealt with prospectively by recognising an adjustment to the restoration liability and a corresponding adjustment to the asset to which it relates. If any reduction in the restoration liability exceeds the carrying amount of that asset, any excess is recognised in the consolidated statement of profit or loss and other comprehensive income.

### (l) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. The Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Managing Director.

### (m) Comparative Figures

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

### (n) Financial Instruments

#### **Recognition**

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

#### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired. Loans and receivables are classified as current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. The entity classifies cash and cash equivalents, trade and other receivables and performance guarantees as loans and receivables.

#### **Held-to-maturity investments**

These investments have fixed or determinable payments and fixed maturities, and it is the group's intention to hold these investments to maturity. Any held-to-maturity investments held by the group are stated at amortised cost using the effective interest rate method. Gains or losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process. These assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which would be classified as current assets. The entity classifies term deposits as held-to-maturity investments.

#### **Financial liabilities**

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation. The entity classifies trade and other payables and borrowings as financial liabilities.

#### **Amortised cost**

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2017

## NOTE 25 - STATEMENT OF ACCOUNTING POLICIES (Continued)

### (n) Financial Instruments (Continued)

#### Impairment

At each reporting date, the consolidated entity assesses whether there is objective evidence that a financial instrument has been impaired.

### (o) Impairment of Assets

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

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

### (p) Foreign Currency Transactions and Balances

#### Functional and presentation currency

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

#### Group

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

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

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the consolidated statement of financial position and are recognised as other comprehensive income.

### (q) Critical accounting estimates and judgments

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

The resulting accounting estimates may not equal the related actual results. The estimates, assumptions and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### *Impairment*

The directors assess impairment at each reporting date by evaluating conditions specific to the entity that may lead to impairment of assets including exploration and evaluation expenditure. Where an impairment trigger exists, the recoverable amount of the asset is determined. Any excess of asset's carrying value over recoverable amount is expensed and included in profit and loss.

#### *Share based payments*

Fair value of each share option granted in the Short Term Incentive Plan and Long Term Incentive plan was calculated by applying the Black Scholes model. The model requires inputs where estimation is required for expected volatility in line with the company's share trading history. Refer to note 12 for key assumptions.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2017

## NOTE 25 - STATEMENT OF ACCOUNTING POLICIES (Continued)

### (q) Critical accounting estimates and judgments (Continued)

#### *Exploration and evaluation expenditure*

The application of entity's policy for exploration and evaluation discussed in Note 25(f) requires management to make certain estimates and assumptions as to future events and circumstances. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised exploration and evaluation expenditure, a judgement is made that the capitalised expenditure is unlikely to be recovered, the relevant capitalised amount will be impaired through the consolidated statement of profit and loss and other comprehensive income.

#### *Restoration provision*

The consolidated entity assesses its future liabilities in relation to the restoration costs which include the removal of facilities, abandonment of wells and restoration of affected areas. The estimate of future restoration costs is done at the time of installation of the assets. In most instances, removal of assets occurs many years into the future. Therefore, management is required to make judgments regarding the removal date, future environmental legislation, the extent of restoration activities and future removal technologies. Refer to note 10 for key assumptions.

#### *Useful life of property, plant and equipment*

In preparation of the financial statements, estimates and assumptions have been made by the management regarding the estimated useful lives of property, plant and equipment. The management estimates that the useful life of these assets, being the period of time during which the assets can be utilised without any significant modifications, repairs or replacements, is noted in 25(e). However, the actual useful life may be shorter or longer.

### (r) Share buy-back

The buy-back provides Icon with an opportunity to strengthen the Company's capital position at a cyclical low point in the resources market and also demonstrates the Board's strong belief in the underlying value of the Company's assets. From March 2015, on-market share buy-back will be undertaken from market over the 12 months of up to 10% of Icon ordinary shares on issue.

In accordance with ASX listing rules, the price paid for shares purchased under the buy-back is no more than 5% above the volume weighted average share price of Icon shares over the 5 days of trading before the share purchase is made.

The timing and actual number of shares purchased under the buy-back will depend on the prevailing share price, market conditions and other considerations. The Company reserves the right to suspend or terminate the buy-back at any time and to buy-back less than 10% shares. All shares purchased are cancelled.

There are two conditions set by Icon Board:

1. Our cash position is sufficient to meet our near term exploration and administrative commitments and we retain the ability to pursue valuable growth opportunities that may arise in the near future.
2. The fund for Share buy-back should come from our income such as interest.

### (s) Share based payments

Share based payment benefits are provided to employees through the Icon's Employee Performance Rights Plan. Information relating to this scheme is set out in Note 12. The fair value of performance rights granted under the Icon's Employee Performance Rights Plan is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the rights granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions.

Non-market vesting conditions are included in assumptions about the number of rights that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of rights that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2017

## NOTE 25 - STATEMENT OF ACCOUNTING POLICIES (Continued)

### (t) Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost comprises direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable. Inventories consist of drilling consumables predominantly chemicals and proppant.

# ADDITIONAL SHAREHOLDER INFORMATION

## ON-MARKET BUY-BACK

The 2015-2017 on-market buy-back ended on 15 March 2017.

## DISTRIBUTION OF SHAREHOLDINGS

The distribution of ordinary shareholders ranked according to size as at 31 August 2017 was as follows:

Range	Total Holders	Units	Capital
1 – 1,000	402	59,412	0.01
1,001 – 5,000	1,184	3,923,558	0.66
5,001 – 10,000	927	7,999,132	1.33
10,001 – 100,000	2,483	91,767,840	15.36
Over 100,001	656	493,872,996	82.65
Rounding			-0.01
<b>Total</b>	<b>5,652</b>	<b>597,556,938</b>	<b>100.00</b>

## UNMARKETABLE PARCELS AS AT 31 AUGUST 2017

	Parcel Size	Holders	Units
Minimum \$ 500.00 parcel at \$ 0.0250 per unit	20,000	3,115	20,617,169

## VOTING RIGHTS

All ordinary shares carry one vote per share without restriction.

## TWENTY LARGEST ORDINARY SHAREHOLDERS

For the names of the twenty largest holders as at 26 September 2017:

Rank	Name	Units	% of Units
1	HK PROSPEROUS TECHNOLOGY LIMITED	80,318,393	13.44
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	54,049,318	9.05
3	RAY JAMES	24,338,469	4.07
4	HOWARD LU	16,068,181	2.69
5	CITICORP NOMINEES PTY LIMITED	9,554,622	1.6
6	MR RONALD WILLIAM BALDWIN + MRS DIANNE BETH	9,509,600	1.59
7	TAIWAN FRUCTOSE CO LTD	9,000,000	1.51
8	CABLEX INDUSTRIES PTY LTD	4,991,332	0.84
9	SAMBOR NOMINEES PTY LTD <SUSANNE & MONIAK SAMBOR A/C>	4,522,256	0.76
10	MR CHIEN HUA LEE	4,500,000	0.75
11	ICON HOLDINGS PTY LTD <THE K J PAGANIN FAMILY A/C>	4,386,831	0.73
12	ALPHA GEM PTY LTD	4,304,581	0.72
13	J P MORGAN NOMINEES AUSTRALIA LIMITED	4,191,130	0.7
14	MR IANAKI SEMERDZIEV	3,741,000	0.63
15	MOROHU PTY LTD	3,620,058	0.61
16	LINK ORANGE PTY LTD	3,393,181	0.57
17	IAN PETHERBRIDGE RETIREMENT FUND PTY LTD <IAN PETHERBRIDGE R/F A/C>	3,250,000	0.54
18	JOHN E GILL TRADING PTY LTD	3,178,378	0.53
19	ZONEX CAPITAL PTY LTD	3,077,829	0.52
20	MR EDDIE SABA <SABA SUPERANNUATION FUND A/C>	3,070,800	0.51
<b>Totals: Top 20 holders of FULLY PAID ORDINARY SHARES (TOTAL)</b>		<b>253,065,959</b>	<b>42.35</b>
<b>Total Remaining Holders Balance</b>		<b>344,490,979</b>	<b>57.65</b>

## SUBSTANTIAL HOLDERS

Rank	Name	Shares Held	Capital
1	HK PROSPEROUS TECHNOLOGY LIMITED	80,318,393	13.44
2	MR CHING-TANG LI (HOLDING THROUGH HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2)	39,347,341	6.58
<b>Totals: Substantial holders of FULLY PAID ORDINARY SHARES</b>		<b>119,665,734</b>	<b>20.02</b>

# CORPORATE DIRECTORY

## ICON ENERGY LIMITED

ABN 61 058 454 569

ASX Code: ICN

## DIRECTORS

Stephen Barry (Chairman)  
Raymond James (Managing Director) (Executive Director)  
Kevin Jih (Chief Financial Officer and Company Secretary) (Executive Director)  
Derek Murphy (Non-executive Director)  
Keith Hillless (Non-executive Director)  
Howard Lu (Non-executive Director)

## REGISTERED OFFICE

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Website: [www.iconenergy.com](http://www.iconenergy.com)

## SHARE REGISTRY

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Fax: +61 7 3237 2152

## AUDITORS

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