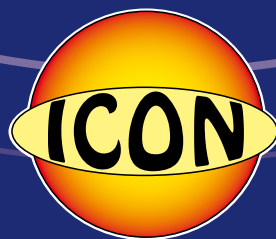


# ICON

## ANNUAL REPORT 2006

ABN 61 058 454 569



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## THE CHAIRMAN'S MESSAGE

The year 2006 has been a good year for Icon energy. The share price has generally been double that of the previous year but the price still does not reflect the underlying asset value. Your directors do not believe that the share price reflects the value of the assets.

Drilling activity has been delayed through new government regulations and shortages of drilling equipment. Some of these problems are being solved slowly and it is anticipated that drilling should commence in the second half of 2007. Stinch No. 1 was originally scheduled to be drilled in April 2006 but this was delayed until August because the Environmental Authority license could not be obtained from the Environmental Agency (EPA) until August by which time the drilling rig slot was taken. Santos advised that the earliest time for drilling Stinch was January 2007 but this slipped further and at this point we do not have a firm date for the drilling of Stinch.

Australian Mineral Interests No. 1 was drilled at Bayou Choctaw in Louisiana, USA and placed on production from the upper zone of the first objective. The most promising lower zone was penetrated but was lost when pressures encountered at 8,500 feet could not be controlled due to mechanical problems with the drilling pumps. The rig, chosen by CLK, could not do the job required and negotiations are taking place with another Operator to redrill the well to the lower zone and conduct the rests of the initial drilling programme of three wells. Bayou Choctaw was to be our prime area of drilling and production but we are now concentrating on Australian operations.

During the year a tender for PEL 218 in South Australia was submitted but the area was awarded to Adelaide Energy. Subsequently, negotiations were conducted with Adelaide Energy to farm in to the shallow stratigraphic section which was the prime target of our tender for the same area. Several tenders were made for areas in Queensland and Icon was successful in being the preferred tenderer in ATP 849P centred around the town of Mitchell, west of Roma and ATP 855P in Southwestern Queensland. These acquisitions were central to maintaining diversity in our acreage portfolio.

Icon's bid to add a Production Sharing Contract in Indonesia was not successful after the market meltdown following the one day 10 % drop in the Chinese Stock Market in February 2007. A placement organised for this purpose was cancelled and monies raised returned to the investors.

Oil and gas prices remain firm with oil hovering around \$US 60 per barrel and gas in the USA at \$US7.00 per MCF. These prices will continue to fluctuate from day to day and be very sensitive to world politics but prices are unlikely to come down until significant new oil comes on stream over the next few years.

Icon sadly reported the death of our Company Secretary, Mr. John Cummins, on 23rd of December 2006. John joined Icon in 1997 when the company floated on the Australian Stock Exchange. The staff of Icon and his family sadly misses John's skills, experience and friendship.

We are pleased to report the appointment of Dr. Ray McNamara, Professor of the Business School at Bond University, as a Director of the company and Company Secretary. His appointment is a part time position in an executive capacity.

On behalf of the Board, I would like to commend the staff of Icon in adding value to the company during the year and the prospect of drilling of up to 12 wells over the next 18 months.

Shareholders are invited to attend the Annual General Meeting at the Southport Yacht Club at Main Beach on the Gold Coast at 11 am on Monday 28th May 2007.

  
Martin Pyecroft  
Chairman of Directors

## REVIEW OF OPERATIONS



**REVIEW OF OPERATIONS**

**Australian Operations**

Native Title negotiations, compliance with new Government legislation and regulations and drilling equipment shortages are the main factors affecting our operations in 2006. The delays have been extensive for such a vital industry as the oil and gas industry to Australia. The year ahead is much more promising as good progress has been made in all areas and new drilling equipment is under construction in Australia and the USA. Most of Icon's permits are still subject to Native title Negotiations before renewal or grant. Compliance with a plethora of legislation and regulation require extended negotiations and very large payments for licenses and security bonds.

The failure to drill Stinch No.1 in 2006 was due to the delay in obtaining an Environmental Authority (EA) to conduct operations. Once the EA was issued after a six-month delay and a security bond of \$46,000 was lodged the permit was renewed for 18 years post date. At this time the drilling rig had gone to another operation under long term contract.

Icon's permits and working interests in Australia are detailed below: -

| <b>Permit/Lease</b> | <b>Working interest</b> | <b>Status</b>  |
|---------------------|-------------------------|--|
| ATP 549P            | 33.33%                  | Subject to renewal   |
| ATP 594P            | 50.00%                  | ASIC holds 50% interest from de-registered Triple J<br>Subject to renewal and RTN. Farmout being negotiated. |
| ATP 626P            | 50.00%                  | Stinch No.1 ready to drill. Santos farmout   |
| ATP 765P            | 27.75%                  | Seismic + well. Santos farmout. RTN required   |
| ATP 766P            | 27.75%                  | Seismic + well. Santos farmout. RTN required.  |
| ATP 794P            | 60.00%                  | Farmout being negotiated for seismic + well.   |
| ATP 849P            | 80.00%                  | Seismic + 2 CBM wells  |
| ATP 855P            | 80.00%                  | RTN required. Seismic + well   |
| PEL 218             | 33.33%                  | Seismic + well   |
| VFL Lease           | 38.50% (N)              | No firm well   |
|                     | 19.00% (S)              | One well.  |
| Wilberts Lease      | 13.20%                  | Two wells  |

**Abbreviations used above:**

CBM            Coal Bed Methane  
 RTN           Right to Negotiate (Native Title Process)



### **ATP 626P**

A farmout agreement was signed with Santos on 21 March 2006 wherein Santos agreed to drill Stitch No.1 to earn a working interest in the permit. The well locations chosen were clear of Native Title claim being on leasehold land where Native title was deemed to have been extinguished. An Environmental Authority (EA) license was required before the permit could be renewed. This license took over 6 months to obtain from the Environmental Protection Agency (EPA) and a security bond of \$46,000 was paid.

The Stitch structure is a “Moonie look alike” structure located approximately 40 kms south of the Moonie Oilfield that was discovered in December 1961. Over 25 million barrels of oil have been produced at Moonie to date. The Stitch structure differs in that it is a tilted and fault dependent trap. The Moonie Fault is compressional in nature so the chances of it being a sealing fault is good. Migration of oil and gas into the structure is evident in nearby wells but not enough is known about the deeper sediments to the east of the structure in the Tamworth Trough where coal source rocks are present in the Lower Permian and Carboniferous sediments.

### **ATP 849P** ([Click here to go to map](#))

This permit was offered to Icon by the Queensland Government, following our successful tender. The permit will be granted as soon as the Environmental Authority is issued.

The objective of the exploration programme is to produce commercial coal bed methane gas from the extensive shallow sub cropping Jurassic Walloon Coal Measures. The major regional town of Mitchell lies in the central, southern half of the permit. The Ballera to Brisbane gas pipeline traverses the southern boundary of the permit.

Our exploration plan involves drilling two or three shallow wells to be followed by a 5 or 6 spot pilot programme.

Preliminary geological studies indicate the presence of 3-4 m thick coal measures similar to those producing gas from wells east of the permit.

|                 |     |
|-----------------|-----|
| Icon (Operator) | 80% |
| Deka            | 10% |
| Well Traced     | 10% |

### **ATP 855P** ([Click here to go to map](#))

This permit is located over the Nappameri Trough in the Cooper Basin. Several leads are seen on the limited seismic data in the permit. The trough contains the source rocks at depth that have generated oil and gas that has migrated to the commercial fields surrounding the trough. No wells have been drilled in the permit. The major objectives will be the shallow Mesozoic sediments which reservoir most of the oil and gas in nearby fields.

A Native Title Agreement is required before the permit can be granted to Icon and a Right to Negotiate process has commenced. This agreement could be reached in six (6) months and seismic work would follow with drilling anticipated in 2008.

Several companies have approached Icon to farm into our programme in this permit but until the RTN is completed and the permit granted no negotiations can be commenced.

|                 |     |
|-----------------|-----|
| Icon (Operator) | 80% |
| Deka            | 10% |
| Well Traced     | 10% |



**ATP 765/766P** ([Click here to go to map](#))

These permits have been farmed out to Santos to acquire new seismic data (both 2D and 3D) and drill a well in each permit to earn a working interest of 63%. Following the farmin work the working interests will be:-

|               |        |
|---------------|--------|
| Santos        | 63.00% |
| Icon          | 27.75% |
| Deka          | 4.625% |
| Well Traced ) | 4.625% |

**ATP 594P** ([Click here to go to map](#))

Icon is negotiating with the ASIC and royalty interest holders to have the permit renewed. Farm-out negotiations with another party are being pursued. It has taken three (3) years to arrive at a decision with the ASIC on how the interest previously held by Triple J should be handled.

Current working interests registered in the permit are:-

|   |        |
|---|--------|
| Icon (Operator)                                 | 50.00% |
| ASIC (holds on behalf of deregistered Triple J) | 50.00% |

A RTN negotiation will be required as soon as the Triple J interests are divided between Icon and the royalty holders.

**ATP 549P** ([Click here to go to map](#))

We are waiting on renewal of this permit which is held in trust by Australian Gasfields. This permit is not subject to Native Title agreement having been awarded prior to the Wik Decision.

**LOUISIANA**

**BAYOU CHOCTAW**

The current operator CLK Energy, wishes to retire as Operator and a new Operator is being sought to enable the production drilling programme to re-commence.

The geology setting of the petroleum reserves in Bayou Choctaw remains an attractive objective.

**INDONESIA**

As previously announced, Icon found an attractive investment located in South Sumatra in Indonesia. Details of the acquisition plan were announced to the market on 6th February 2007. The acquisition plan was agreed and a Heads of Agreement was signed with the Indonesian parties. Stage one required placement of Icon shares on the market to raise \$1.8m. This placement was almost completed when the China Stock Market dropped 10% in one day on 28th February, 2007. This shook the confidence of all world stock markets and, ultimately, the placement had to be cancelled.

Efforts to substitute a new capital raising for this project continues but it is unlikely that we can meet the Indonesian Government obligations within the remaining time frame.

Indonesia remains an attractive exploration and production province for Icon in the long term.



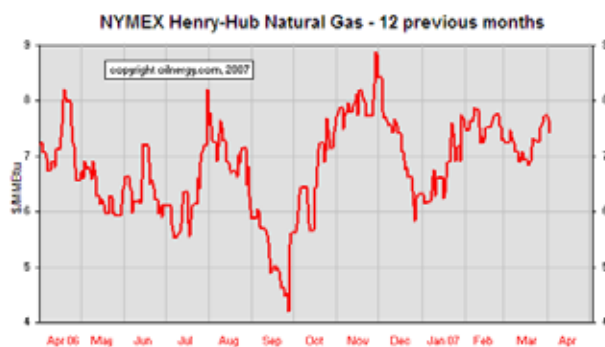
## OIL AND GAS PRICES

Oil and Gas prices will fluctuate as weather variations affect the United States and political events in the Middle East throw up crisis after crisis. The oil price is expected to remain around \$US50-60 per barrel as this is the price needed to make alternative sources viable.

For the past two hundred years, the world has fueled its industrial growth on cheap conventional oil reservoirs in porous rocks in the earth. This fossilised source is finite and the world has already consumed half of this total oil reserve, estimated at about 2.3 trillion barrels. Alternative sources of oil and gas are found in coal, shale and tar sands.

To extract this oil is costly and polluting using current technologies. With sources such as these, there is no looming shortage of oil. Rather, the cost of extraction and the pollution resulting from the mining of the tar sands has placed pressure on the continuing use of oil as the major energy source. It will take 10-15 years to establish alternative fuels as viable commercial energy sources.

In the meantime, oil prices should remain high and only start to come down towards \$US40-50 as the USA decreases its dependence on imports of oil and gas. This will be many years away.



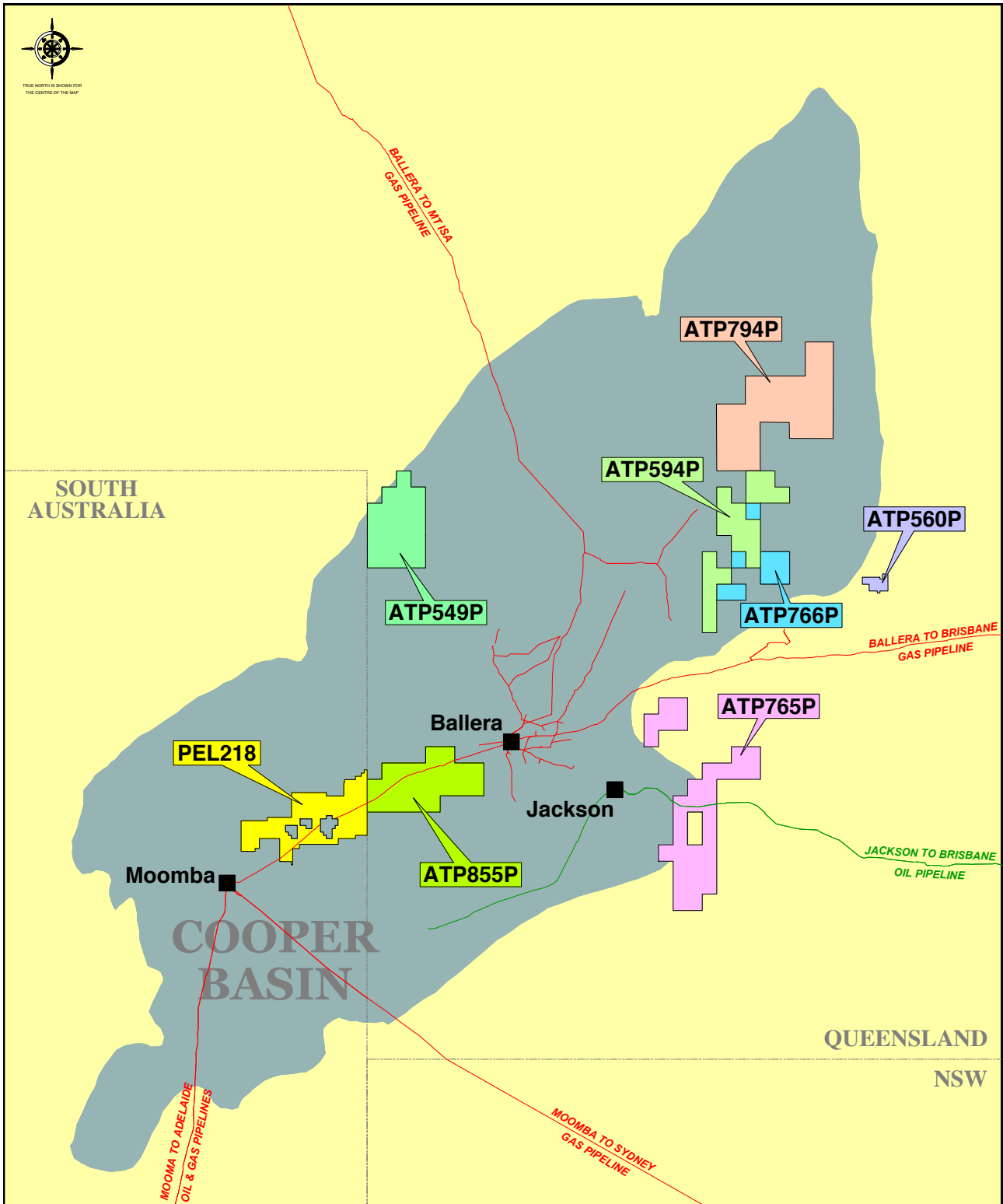


Figure 1. Eromanga Basin acreage.

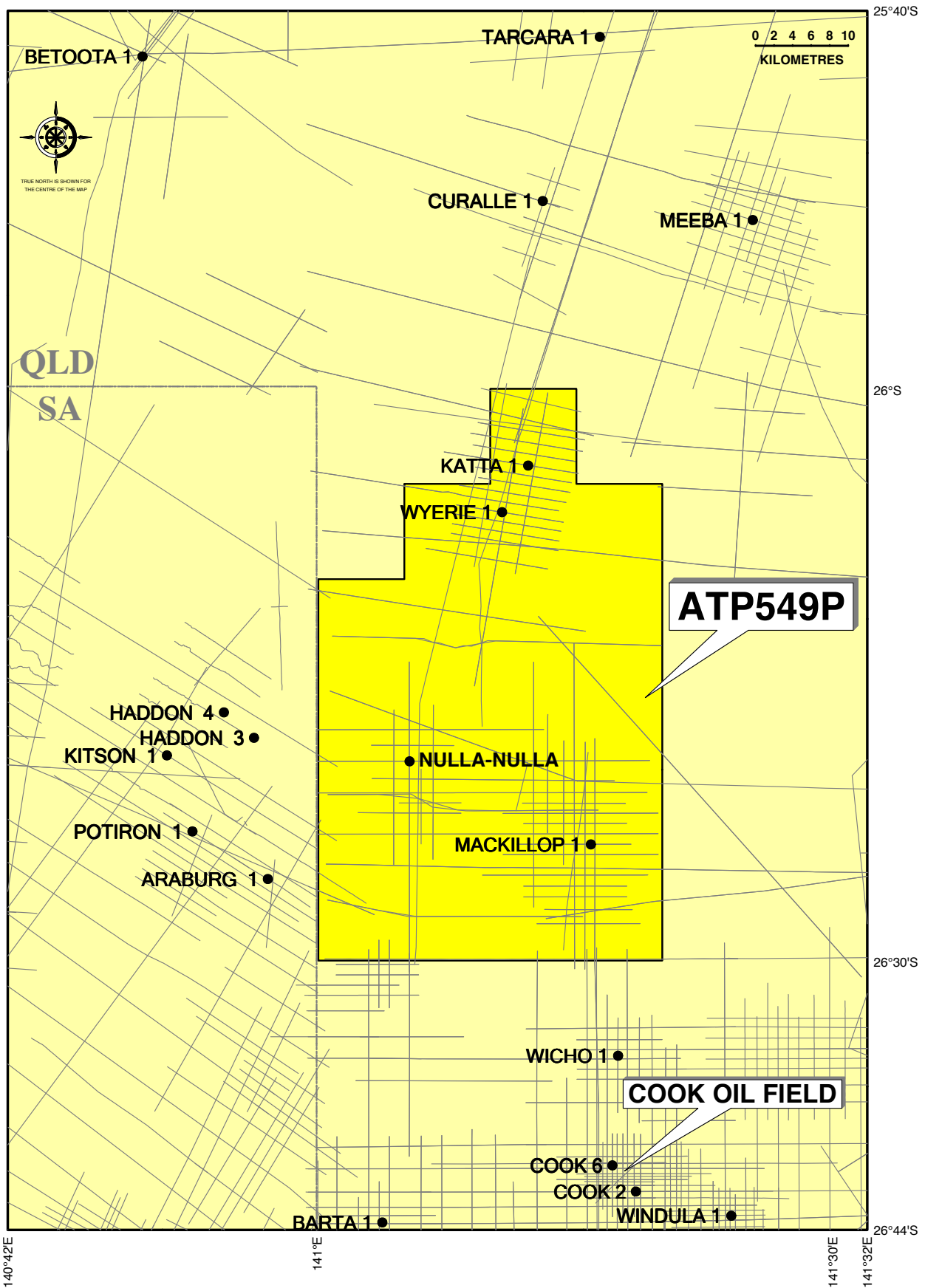
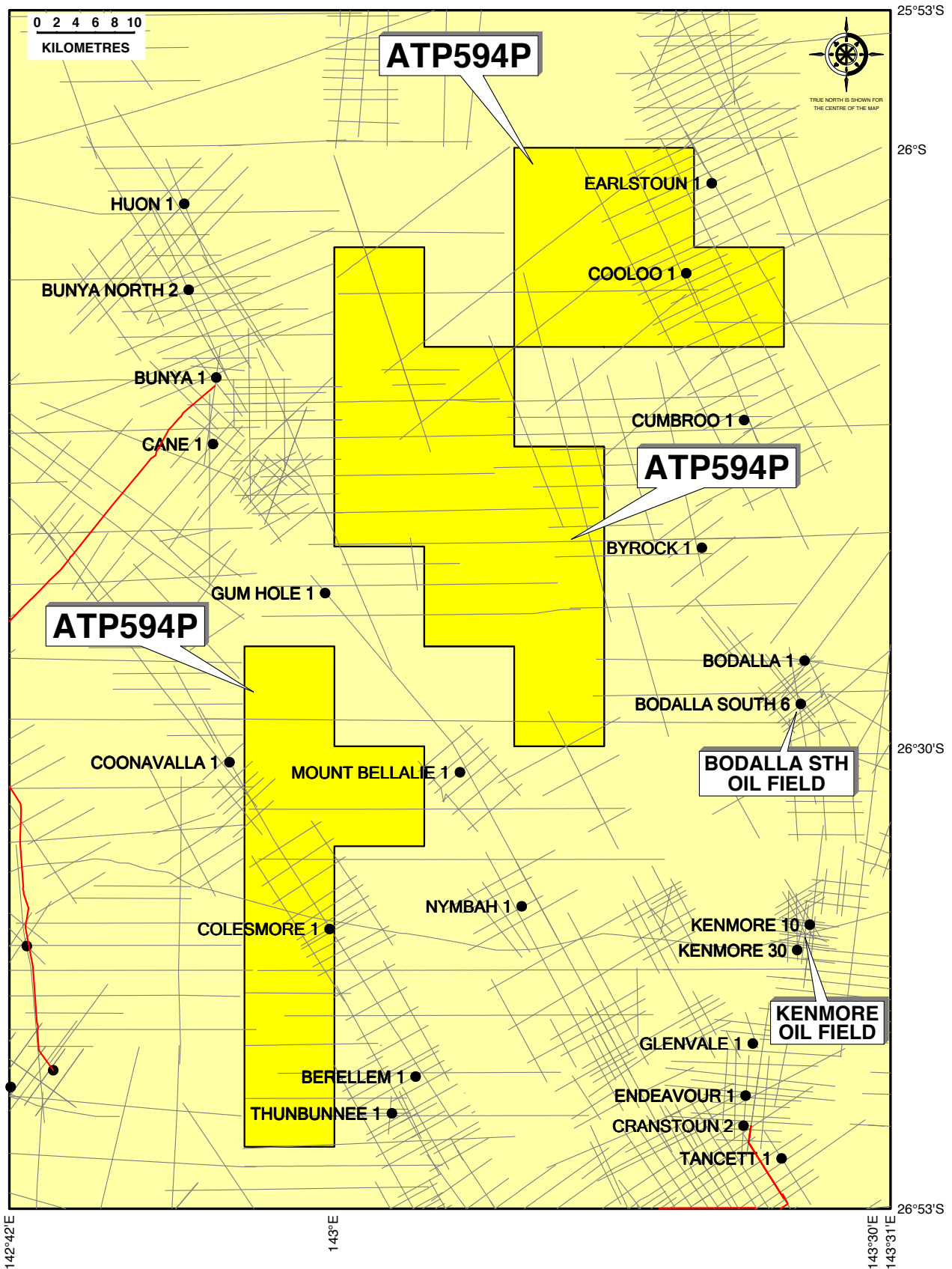


Figure 2. ATP 549P, southwest Queensland. [\(Click here to return to text\).](#)



**Figure 3. ATP 594P, southwest Queensland.** (Click here to return to text).

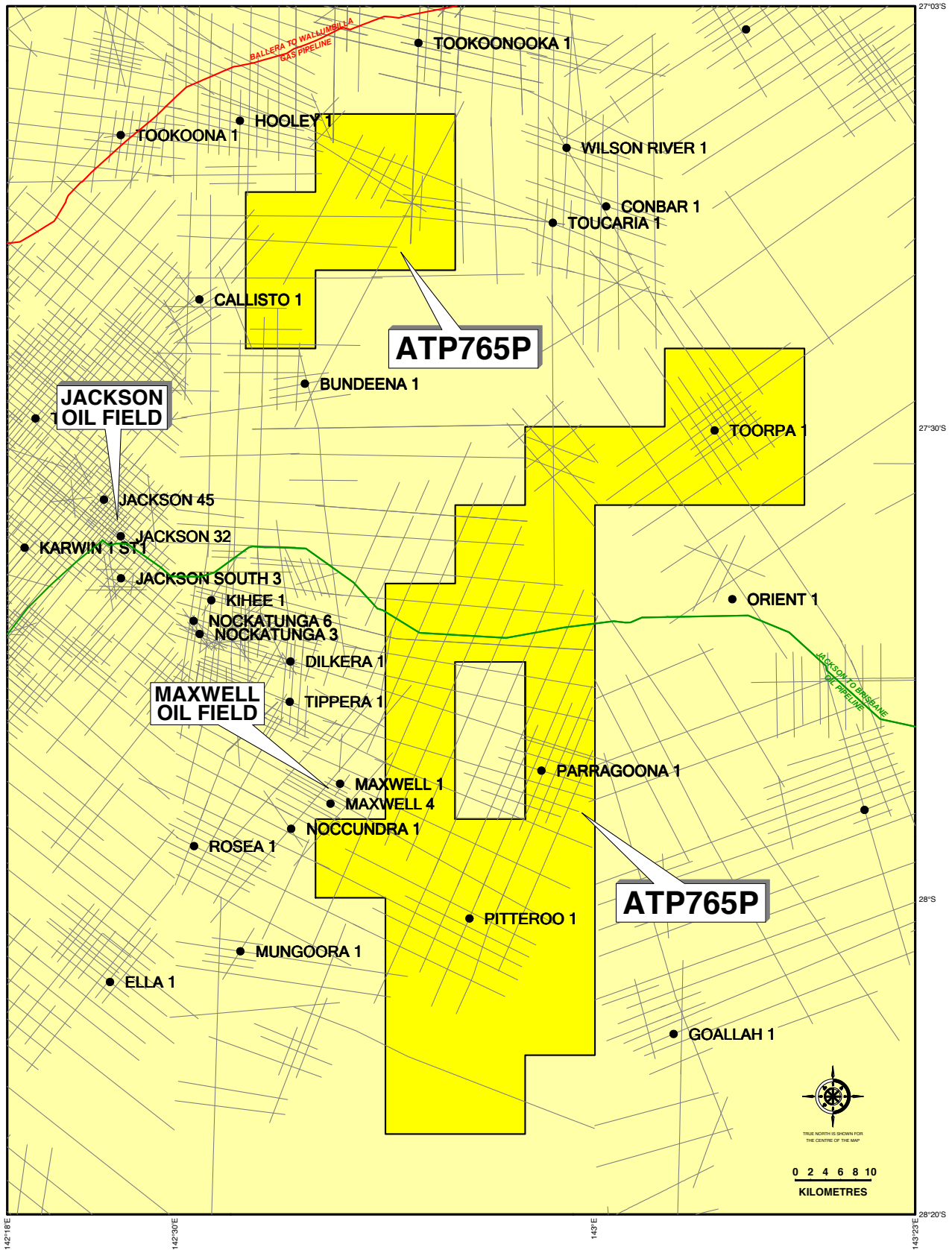


Figure 4. ATP 765P, southwest Queensland. (Click here to return to text).

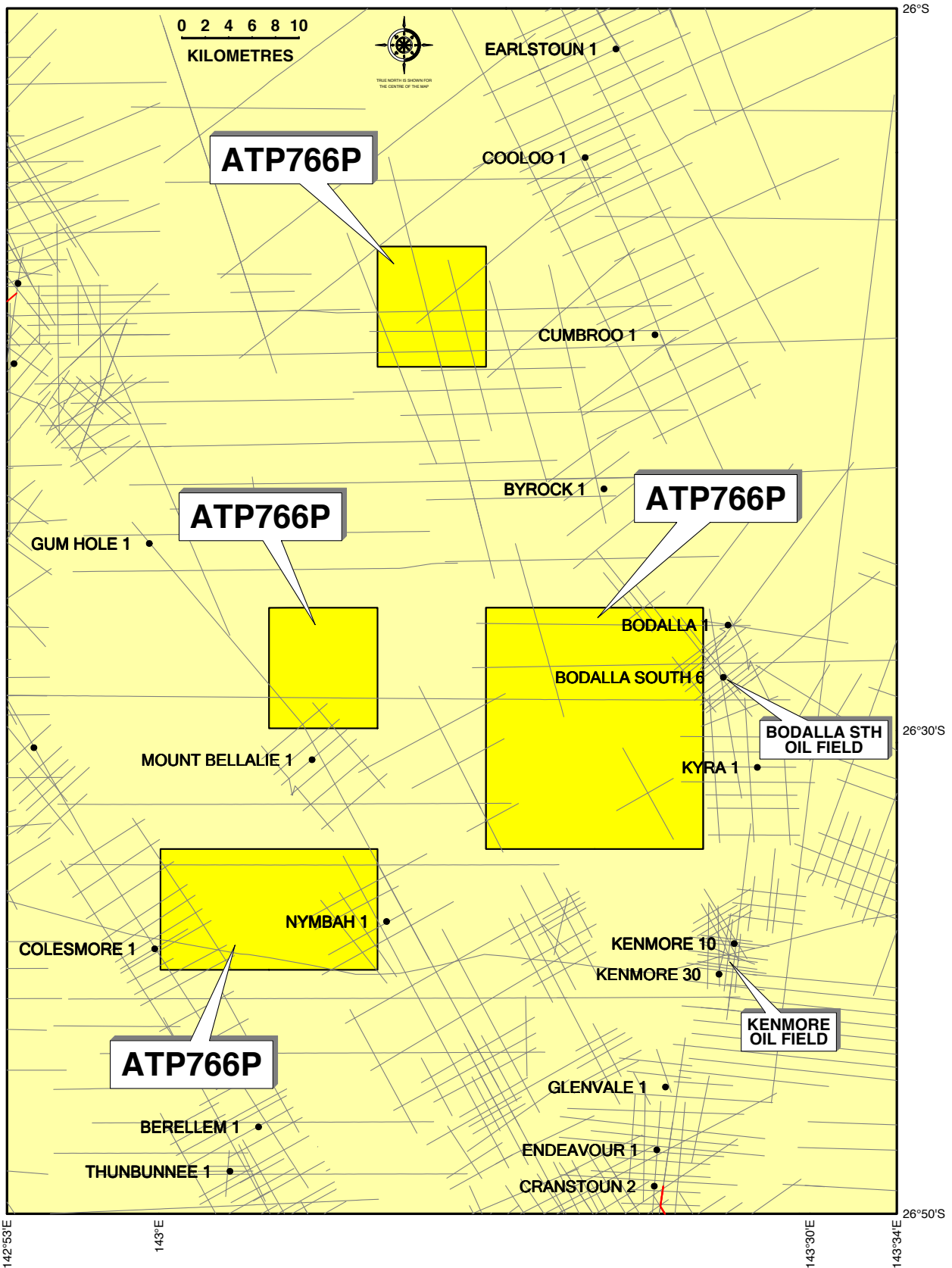


Figure 5. ATP 766P, southwest Queensland. (Click here to return to text).

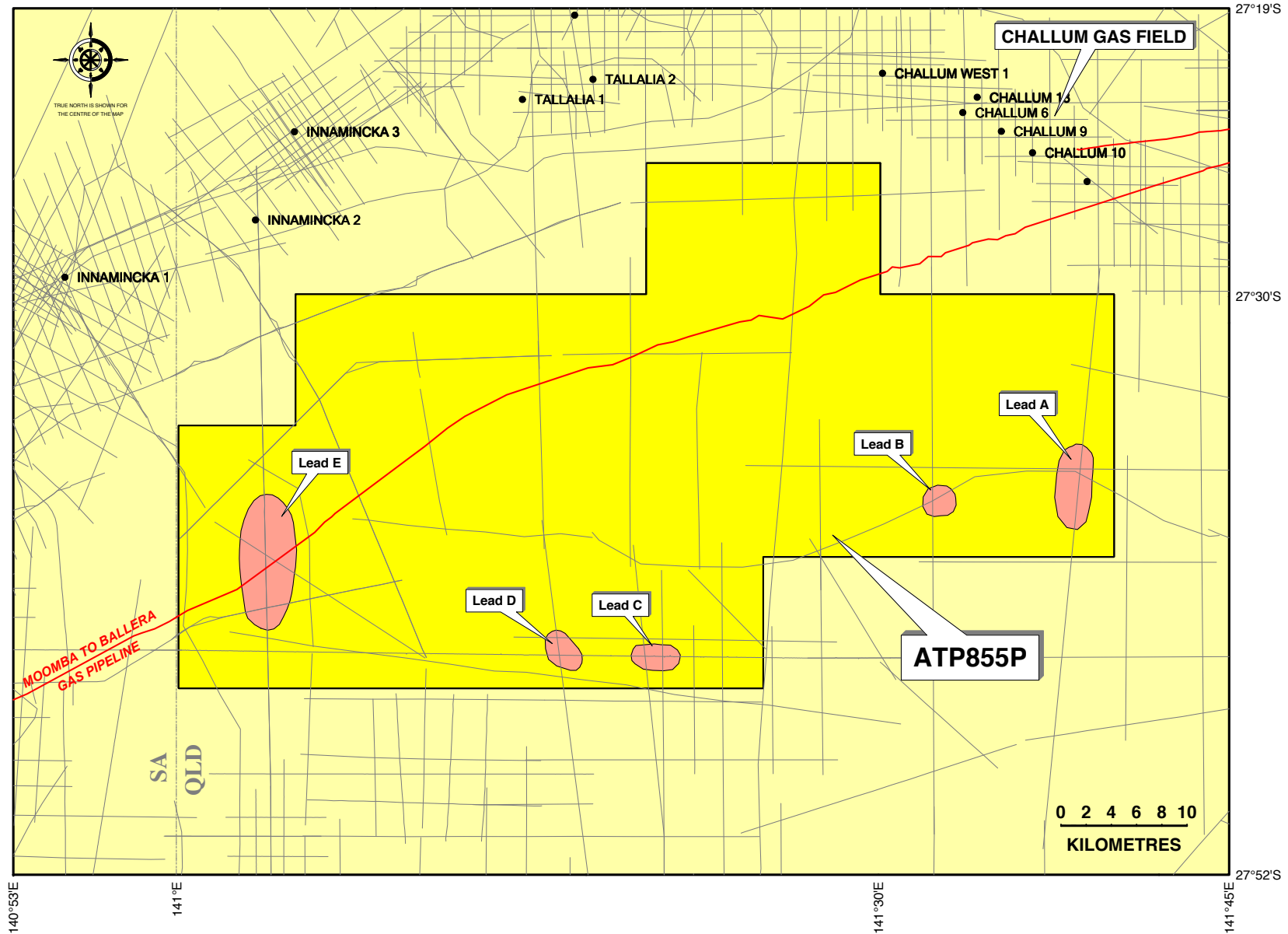


Figure 6. ATP 855P, southwest Queensland. [\(Click here to return to text\).](#)

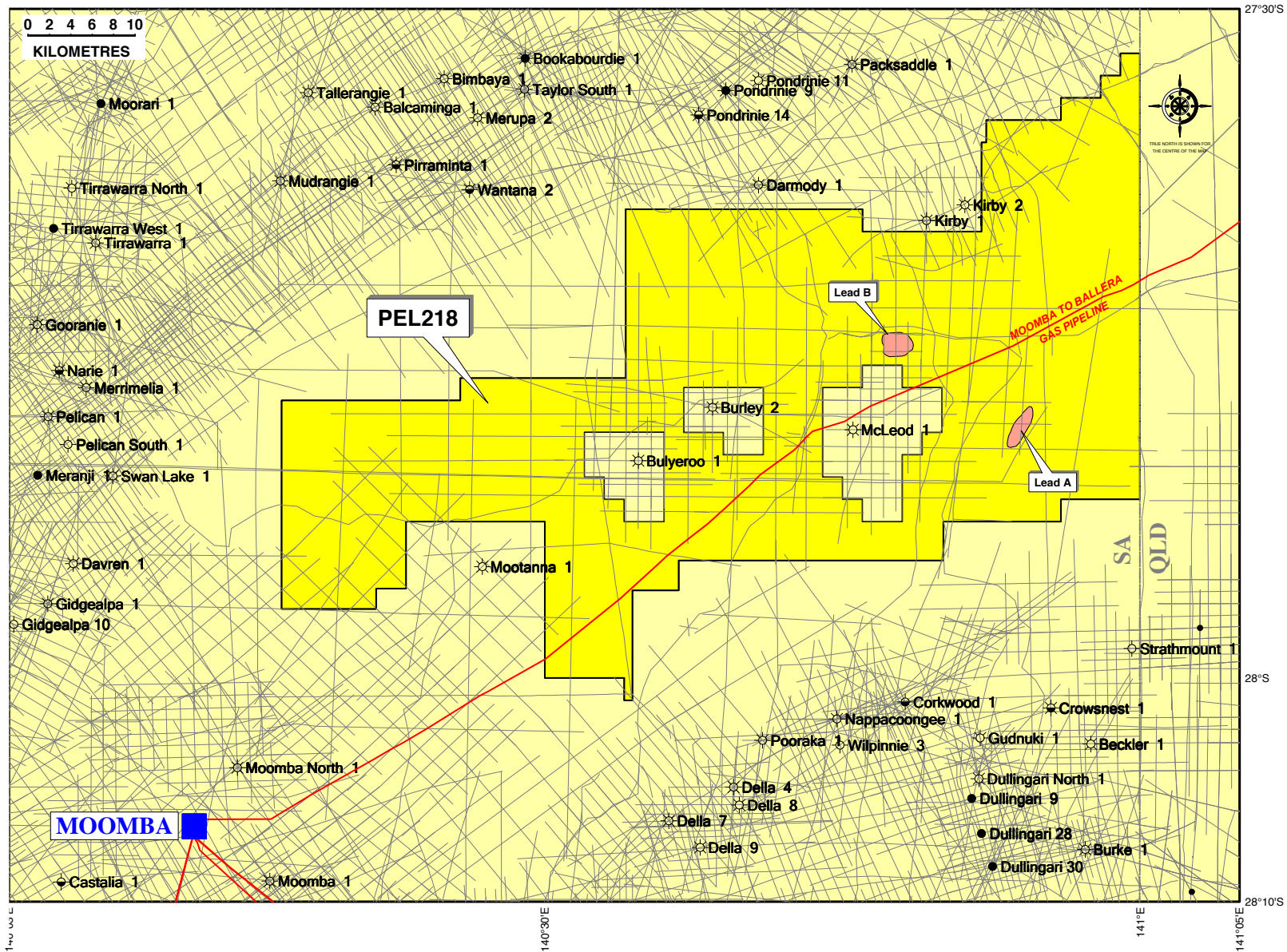


Figure 7. PEL 218, northeast South Australia. (Click here to return to text).

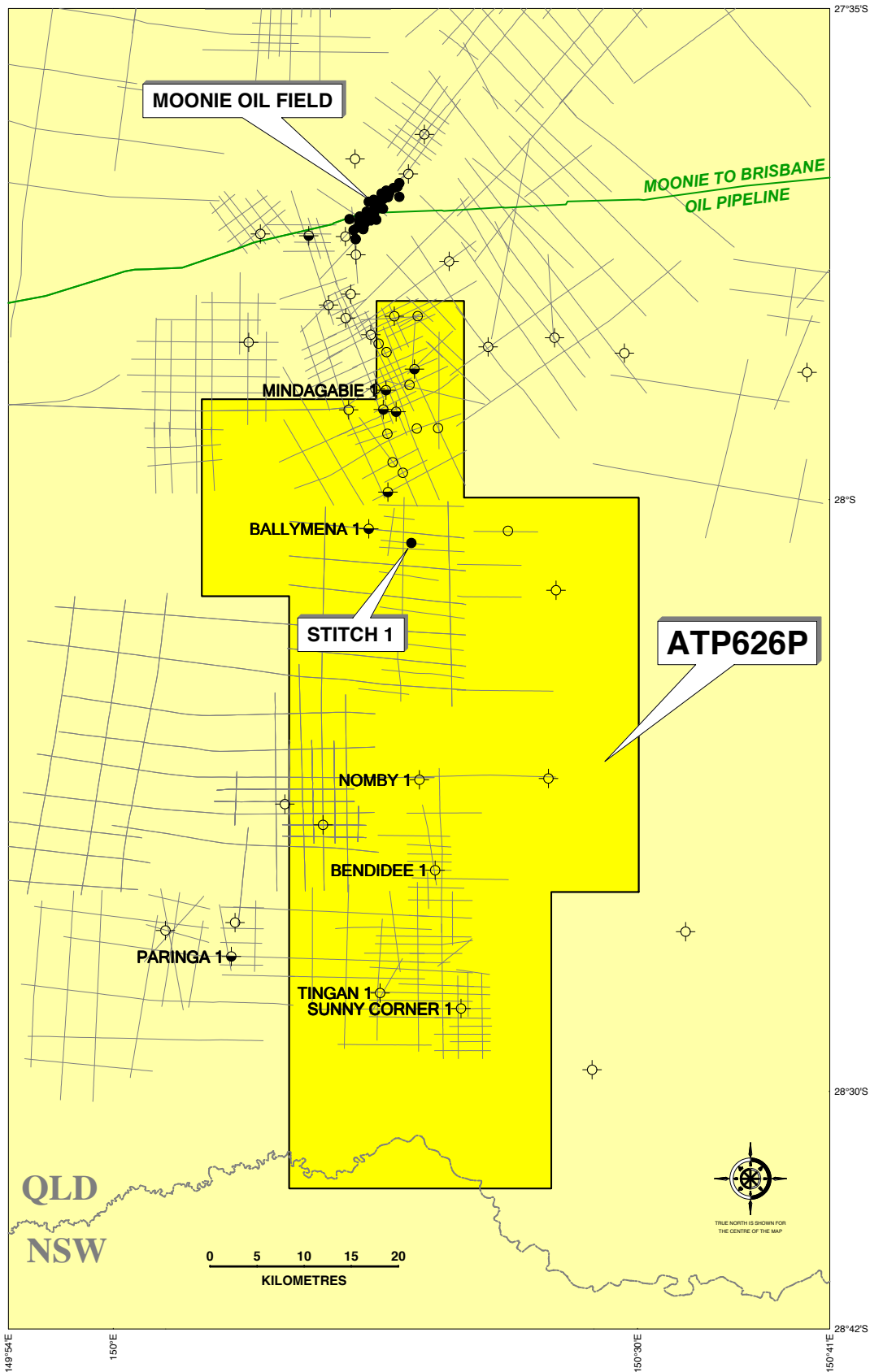


Figure 8. ATP 626P, south central Queensland. (Click here to return to text).

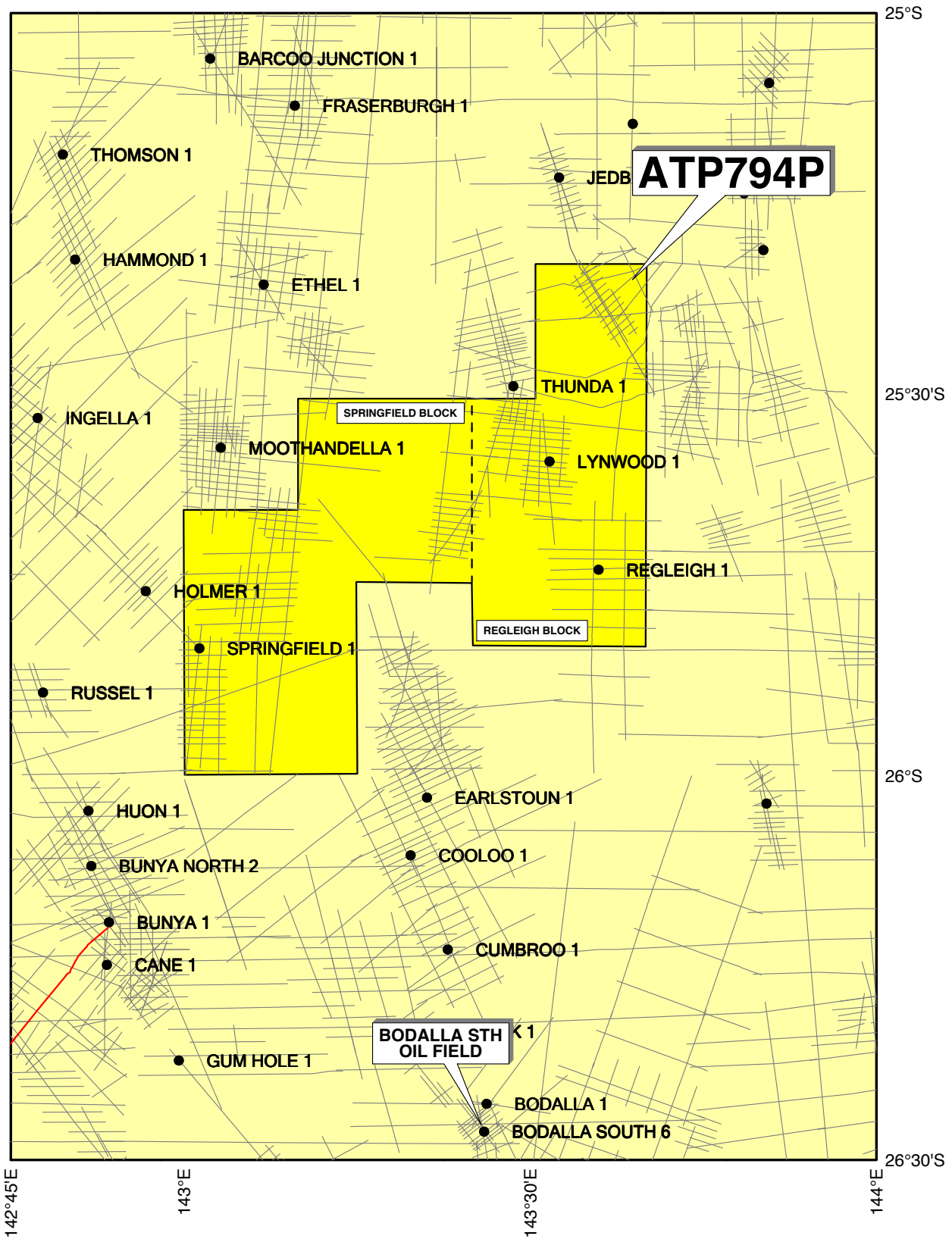


Figure 9. ATP 794P, southwest Queensland. ([Click here to return to text](#)).

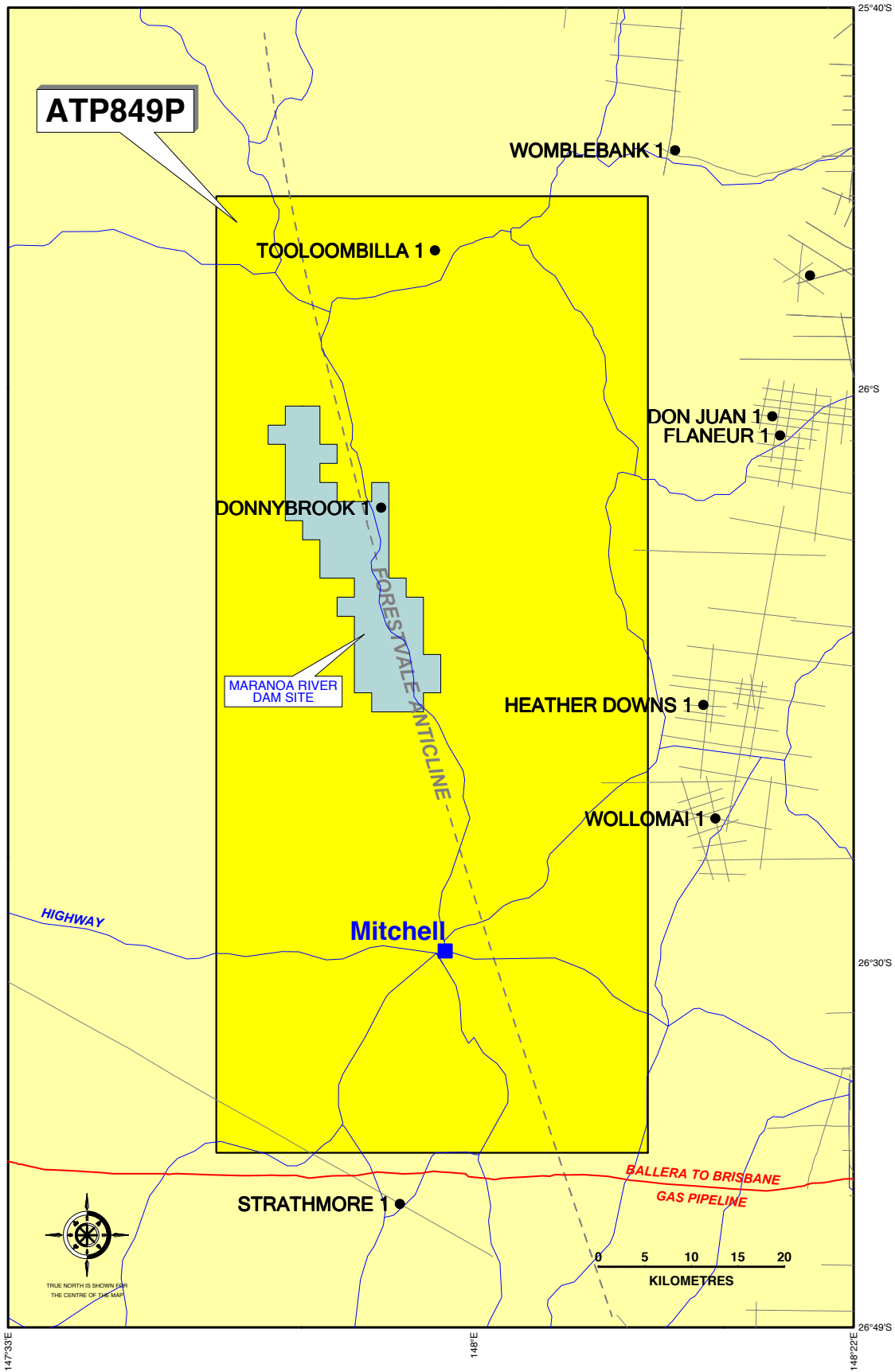
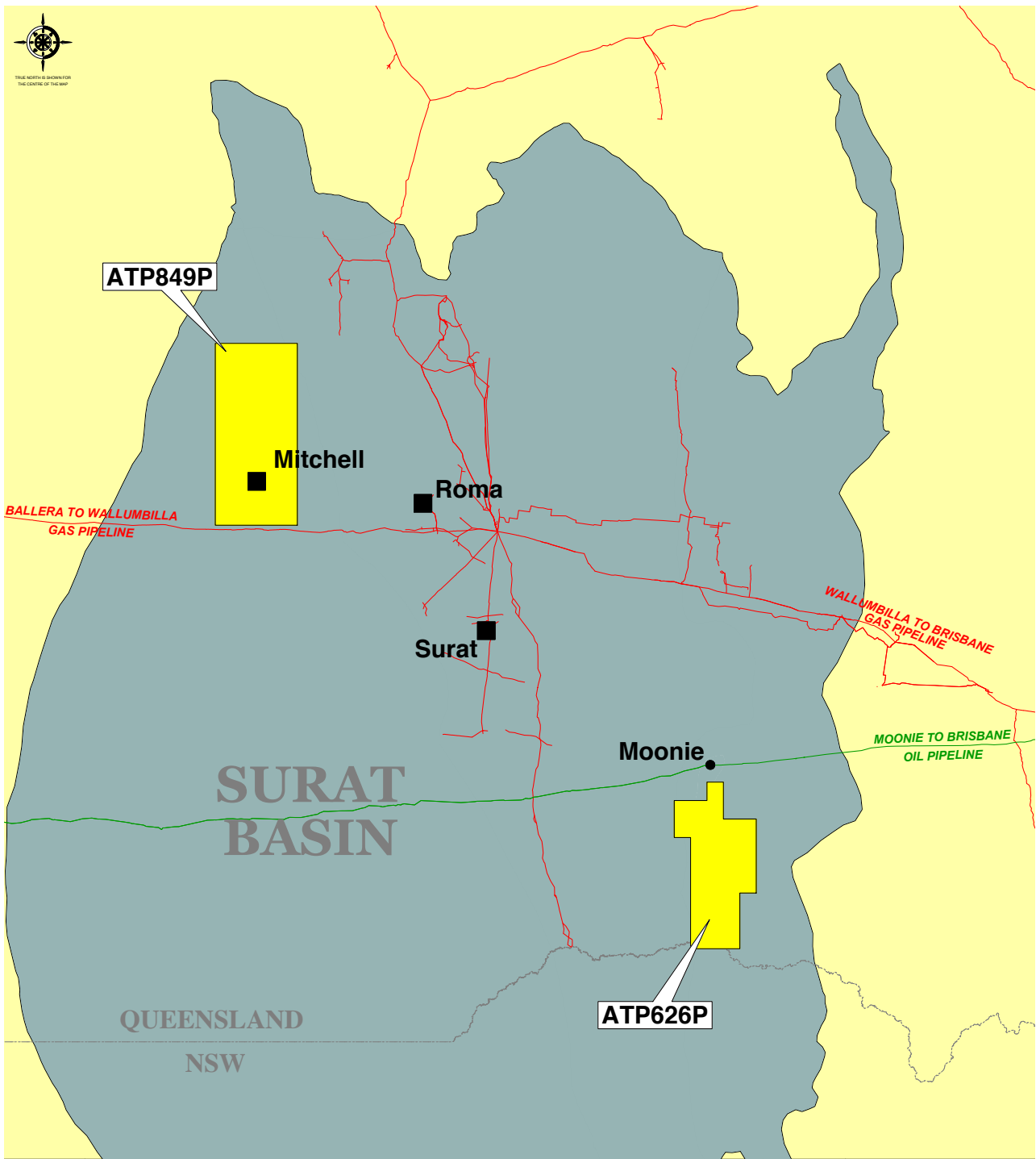


Figure 10. ATP 849P, south central Queensland. (Click here to return to text).



**ICON ENERGY LIMITED - SURAT EXPLORATION PORTFOLIO**

**Figure 11. Surat Basin acreage.**



## **DIRECTORS' REPORT**

Your directors present their report on the company and its controlled entities for the financial year ended 31 December 2006.

### **Directors**

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

Martin Pyecroft  
Raymond Swinburn James  
Stephen Michael Barry  
Raymond Patrick McNamara

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

### **Company Secretary**

John Bernard Cummins was appointed to the position of company secretary on 22 September 1997, when the company was listed on the Australian Stock Exchange. Mr Cummins passed away on the 23 December 2006.

Stephen Michael Barry was appointed to the position of company secretary on 28 December 2006. His qualifications and experience are as follows:

Qualifications:

LLB University of Sydney

Experience:

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

### **Appointment:**

28 December 2006

Principal Activities

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

### **Dividends Paid or Recommended**

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

### **Operating Results**

The consolidated loss of the economic entity after providing for income tax amounted to \$1,450,926 (2005: \$961,406).



DIRECTORS' REPORT (continued)

### Financial position

On 20<sup>th</sup> March 2006, Icon signed a Subscription Agreement with Santos Limited (in conjunction with a Farmin Agreement) to subscribe for 10,000,000 fully paid shares in Icon energy Limited at a price of 6.76 cents per share to raise a total of \$ 676,000.00 and paid Icon \$100,000 for the issue of 20,000,000 options to be exercised at the market price for the shares as quoted on the Australian Stock Exchange on the date of exercise. These options cannot be exercised before 31 December 2006 and not after 31 December 2008

### Significant Changes in State of Affairs

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

### Environmental Regulation

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

### After Balance Date Events

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

### Future Developments

The Directors intend to raise additional funding to commercialise the mining tenements.

Further information about likely developments in the operations of the company and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the consolidated company.

### Capital Raising

In January 2006 the Company issued 4,300,000 fully paid ordinary shares as a result of key management personnel exercising their options. Details of the exercise prices are detailed below.

In May 2006 the Company issued 6,500,000 fully paid ordinary shares at 6 cents per share in placement to a sophisticated investor.

In July 2006 the Company issued 10,000,000 fully paid ordinary shares at 6.76 cents per share in placement to a sophisticated investor.

### Information on Directors

#### MARTIN PYECROFT (CHAIRMAN)

|                            |  |
|----------------------------|--|
| <b>Qualifications:</b>     | BSc (Geology) (Hons) University of Leeds MAAPG, MAICD.   |
| <b>Experience:</b>         | Has been involved in the oil and gas industry in Australia and Canada for more than 40 years. Previously he was with Triton Petroleum in Canada, and more recently was Chief Executive of the Crusader Group in Australia. He was a director of Crusader Limited from 1988 to 1996, and a director of Allied Coalfields from 1986 to 1996 and Chairman from 1994 to 1996.<br><br>Further public company board experience was obtained with Ausquacan Energy and Koala Smokeless Fuels Ltd. |
| <b>Interest in Shares:</b> | 1,600,000 ordinary shares  |
| <b>Director:</b>           | Since 24/01/1997   |



DIRECTORS' REPORT (continued)

**RAYMOND SWINBURN JAMES (MANAGING DIRECTOR)**

- Qualifications:** BSc (Physics Geology) University of NSW.
- Experience:** Has over 31 years experience in international petroleum exploration and production and has been associated with Chevron and Gulf Oil (USA) located in Perth, Houston and Jakarta. As well as founding Icon, he was the founder of Australian Hydrocarbons NL and Omega Oil NL, which were listed on the Australian Stock Exchange Ltd in 1983 and 1987 respectively.
- He has international experience in USA, Australia, PNG, China, Burma, Indonesia, Russia, the Middle East and the Philippines.
- Interest in Shares:** 23,775,235 ordinary shares
- Director:** Since 01/02/1993

**STEPHEN MICHAEL BARRY**

- Qualifications:** LLB University of Sydney
- Experience:** Admitted to practice as a solicitor in 1983 and is a partner in the law firm CKB Partners who provide commercial advice and litigation, insurance, personal injury litigation, corporate advice and commercial leasing along with other general practice areas.
- Interest in Shares:** 1,567,566 ordinary shares.
- Director:** Since 05/01/1993

**RAYMOND PATRICK McNAMARA**

- Qualifications** B.Bus (QUT), MBA (UQ), Ph.D (UQ) CPA
- Experience** Dr. Ray McNamara is currently an Associate Professor of Accounting at Bond University. He is the director of the School of Business Doctoral Program and he is the director of the Centre for Corporate Governance. He has more than twenty years of experience in the private and public sectors specializig in financial accounting, corporate control systems and security appraisal and valuation.



DIRECTORS' REPORT (continued)

## REMUNERATION REPORT

The Remuneration Committee is responsible for remuneration policies recommended to the Board. The remuneration committee, where necessary, obtains independent advice on the remuneration packages offered to potential employees.

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

### Fixed remuneration

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

### Service Agreements

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

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

Mr James has a service agreement with the company for a period of one year dated from 1 January 2006. The agreement sets out the duties and obligations of Mr James. The agreement has at the date of this report, not been renewed. The agreement can be terminated by either party providing six months notice. The company may make a payment in lieu of notice of six months remuneration equal to the base amount prescribed in the service agreement. In addition accrued statutory benefits and superannuation benefits are payable.

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

### Non-executive Directors

Non-executive directors fees approved by the shareholders on 30 May 1997 are not to exceed \$250,000 per annum. Directors' base fees for the year ended 31 December 2006 were \$75,500. The chairman received \$44,000 per annum. Non-executive directors do not receive incentive based remuneration. There are no provisions for any retirement benefits other than statutory requirements



DIRECTORS' REPORT (continued)

**Directors and Key Management Personnel Remuneration**

| 2006              | Short Term      |                       |         | Long Term       |         | Portion of remuneration based on performance |
|-------------------|-----------------|-----------------------|---------|-----------------|---------|--|
|                   | Salaries & Fees | Non-monetary Benefits | Total   | Super-annuation | Total   |  |
| <b>Directors</b>  |                 |                       |         |                 |         |  |
| M Pyecroft        | 44,000          | -                     | 44,000  | -               | 44,000  | -  |
| S M Barry         | 31,500          | -                     | 31,500  |                 | 31,500  | -  |
| R S James         | 400,253         | 38,143                | 438,396 | 31,579          | 469,975 | -  |
| <b>Executives</b> |                 |                       |         |                 |         |  |
| J B Cummins       | 112,804         | 7,704                 | 120,508 | 8,316           | 128,824 | -  |
|                   | 588,557         | 45,847                | 634,404 | 39,895          | 674,299 | -  |

**Directors and Key Management Personnel Remuneration**

| 2005              | Short Term      |                       |         | Long Term       |         | Portion of remuneration based on performance |
|-------------------|-----------------|-----------------------|---------|-----------------|---------|--|
|                   | Salaries & Fees | Non-monetary Benefits | Total   | Super-annuation | Total   |  |
| <b>Directors</b>  |                 |                       |         |                 |         |  |
| M Pyecroft        | 42,000          | -                     | 42,000  | 1,890           | 43,890  | -  |
| S M Barry         | 30,000          | -                     | 30,000  | 2,700           | 32,700  | -  |
| R S James         | 350,000         | 36,419                | 386,419 | 31,300          | 417,719 | -  |
| <b>Executives</b> |                 |                       |         |                 |         |  |
| J B Cummins       | 97,650          | 15,669                | 113,319 | 8,786           | 122,105 | -  |
|                   | 519,650         | 52,088                | 571,738 | 44,676          | 616,414 | -  |

**Directors' Interests**

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

|            | Ordinary shares | Options |
|------------|-----------------|---------|
| M Pyecroft | 1,600,000       | -       |
| S M Barry  | 1,567,566       | -       |
| R S James  | 23,775,235      | -       |

During the year 3,900,000 share options were exercised by the directors in terms of the Icon Staff Share Incentive Plan.

**Share options**
**Options granted to Directors and Executives of the Company**

No options were issued or granted to Director and Executives of the company during the year.



DIRECTORS' REPORT (continued)

**Options held by Key Management Personnel**

|             | Balance at<br>1.1.2006 | Options<br>exercised | Options<br>granted | Balance at<br>31.12.2006 |
|-------------|------------------------|----------------------|--------------------|--------------------------|
| 2006        |                        |                      |                    |                          |
| R S James   | 3,900,000              | (3,900,000)          | -                  | -                        |
| J B Cummins | 400,000                | (400,000)            | -                  | -                        |
|             | 4,300,000              | (4,300,000)          | -                  | -                        |

The options exercised during the year were exercised at the following exercise price

|             | No                     | Exercise Price       |                    |                          |
|-------------|------------------------|----------------------|--------------------|--------------------------|
| R S James   | 2,900,000              | 7.28                 |                    |                          |
| R S James   | 1,000,000              | 2.84                 |                    |                          |
| J B Cummins | 300,000                | 7.28                 |                    |                          |
| J B Cummins | 100,000                | 2.84                 |                    |                          |
|             |                        |                      |                    |                          |
|             | Balance at<br>1.1.2005 | Options<br>exercised | Options<br>granted | Balance at<br>31.12.2005 |
| 2005        |                        |                      |                    |                          |
| R S James   | 3,900,000              | -                    | -                  | 3,900,000                |
| J B Cummins | 400,000                | -                    | -                  | 400,000                  |
|             | 4,300,000              | -                    | -                  | 4,300,000                |

**Unissued shares under options**

At the date of this report unissued ordinary shares of the Company under option:

| Exercise date    | Expiry date      | Exercise price   | Number of options |
|------------------|------------------|--|-------------------|
| 31 December 2006 | 31 December 2008 | 20% below market average<br>for 5 days prior to exercising | 20,000,000        |

Movements in the options during the year are discussed in Note 15.

**MEETINGS OF DIRECTORS**

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

|            | Directors Meetings |   | Audit Committee Meetings |   | Remuneration Committee Meetings |   |
|------------|--------------------|---|--------------------------|---|---------------------------------|---|
|            | A                  | B | A                        | B | A                               | B |
| M Pyecroft | 9                  | 9 | 2                        | 2 | 1                               | 1 |
| R S James  | 9                  | 9 | -                        | - | -                               | - |
| S M Barry  | 9                  | 9 | 2                        | 2 | 1                               | 1 |

A- Number of meetings attended.

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



## **DIRECTORS AND AUDITORS INDEMNIFICATION**

No indemnities have been given, or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the economic entity except for premiums paid by the Company to insure each of the directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct involving a wilful breach of duty in relation to the Company. The total premium paid was \$23,725.

### **Proceedings on Behalf of the Company**

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

### **Non-audit services**

During the year William Buck, the Company's auditor, provided the following services in addition to their statutory duties as set out in Note 3:

|                   |          |
|-------------------|----------|
| Taxation services | \$10,118 |
|-------------------|----------|

The board of directors has considered the position and, in accordance with advice received from the audit committee, is satisfied that the provision of non-audit services is compatible with the general standard on independence imposed for auditors imposed by the Corporations Act 2001.

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

The lead auditor's independence declaration is set out on page 7 and forms part of the directors' report for the year ended 31 December 2006. William Buck continues in office in accordance with Section 327 of the Corporations Act 2001.

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

M Pyecroft  
Robina, 1 April 2007

R S James  
Managing Director  
Robina, 1 April 2007



**Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Icon Energy Limited**

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2006 there has been:

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

*William Buck*

WILLIAM BUCK  
Chartered Accountants

*M. R. Cole*

RQ COLE  
Lead Audit Partner  
Brisbane, 2 April 2007

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## **CORPORATE GOVERNANCE STATEMENT**

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

### **BOARD OF DIRECTORS**

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

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

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

### **BOARD COMPOSITION**

The principles applied to the composition of the Board are:

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

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

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

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

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

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

### **INDEPENDENCE OF NON-EXECUTIVE DIRECTORS**

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

### **INDEPENDENT PROFESSIONAL ADVICE**

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

The Directors are entitled to direct access to employees and company advisers as they may require.



CORPORATE GOVERNANCE (Continued)

## **BOARD COMMITTEES**

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

## **AUDIT COMMITTEE**

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

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

The committee's responsibilities are to:

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

## **REMUNERATION COMMITTEE**

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

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

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

## **BOARD REMUNERATION**

Remuneration and terms of employment for the Managing Director is formalised in a service agreement. Remuneration of non-executive directors is currently not to exceed a maximum of \$250,000, which has been approved by shareholders.

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

## **NOMINATIONS COMMITTEE**

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

## **ETHICAL STANDARDS**

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

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

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



CORPORATE GOVERNANCE (Continued)

### **IDENTIFICATION OF SIGNIFICANT BUSINESS RISK**

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

### **DISCLOSURE**

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

### **SHAREHOLDERS**

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

- annual reports to shareholders;
- half-yearly accounts lodged with the ASX;
- continuous disclosure to the Australian Stock Exchange;
- notices of shareholder meeting and explanatory notes;
- complete information on all documents are on the Company's web-site: [www.iconenergy.com](http://www.iconenergy.com) and;
- quarterly reports.

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

### **PRINCIPLES OF CONDUCT**

- 1 Ethical and responsible business practices.
- 2 Sustainable development considerations/principles integrated into company decision making.
- 3 Foster economic growth and business development, generate government revenue, provide commercial returns to the industry and contribute to the wealth generated by Australia's natural resource base.
- 4 Health, safety, environmental and community risk management strategies that are based on sound science, transparency and effective communication.
- 5 Continuously seek opportunities to improve health, safety and environmental performance in addressing risks posed by our operations to employees, contractors, the public and the environment.
- 6 Contribute to the conservation of biodiversity and protection of the environment through responsible management of our operations and their impacts.
- 7 Foster economic and social development of the communities in which we operate.
- 8 Respect and protect human rights and dignity at our operations and deal fairly with employees and others.
- 9 Open and effective engagement, and reporting with our communities.

### **ASX PRINCIPLES OF CORPORATE GOVERNANCE COUNCIL GUIDELINES**

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



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ICON ENERGY LIMITED**

### **Report on the Financial Report**

We have audited the accompanying financial report of Icon Energy Limited, which comprises the balance sheet as at 31 December 2006, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year

The company has disclosed information about the remuneration of directors and executives (remuneration disclosures) as required by AASBI 24, under the heading "remuneration report" included on pages 4 to 5 of the directors' report, as permitted by the Corporations Regulations 2001.

### **Directors' Responsibility for the Financial Report**

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditor's Responsibility**

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

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

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

### **Independence**

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, was provided to the directors of Icon Energy Limited on the same date as the date of this auditor's report

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## AUDIT OPINION

In our opinion

- 1** the financial report of Icon Energy Limited is in accordance with:
- (a) the Corporations Act 2001, including:
    - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2006 and of their performance for the year ended on that date; and
    - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001, and:
  - (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- 2** the remuneration disclosures that are contained on pages 4 to 5 of the directors' report comply with Accounting Standard AASB 124 Related Party Disclosures and the Corporations Regulations 2001.

WILLIAM BUCK  
Chartered Accountants

RQ COLE  
Lead Audit Partner  
Brisbane, 2 April 2007

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## DIRECTORS' DECLARATION

The directors declare that:

- (a) the financial statements and notes set out on pages 11 to 29:
  - (i) comply with Accounting Standards and other mandatory professional reporting requirements;
  - (ii) give a true and fair view of the company's and economic entity's financial position as at 31 December 2006 and its performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
- (b) in the directors opinion:
  - (i) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
  - (ii) the financial statements and notes are in accordance with the Corporations Act 2001.  
Signed in accordance with a resolution of directors

M Pyecroft  
Robina, 1 April 2007

R S James  
Managing Director  
Robina, 1 April 2007

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**INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2006**

|  | NOTE | ECONOMIC ENTITY |           | PARENT ENTITY |             |
|--|------|-----------------|-----------|---------------|-------------|
|  |      | 2006            | 2005      | 2006          | 2005        |
|  |      | \$              | \$        | \$            | \$          |
| Revenue                                      |      | 188,149         | 222,523   | 0             | 0           |
| Less: Cost of sales                          |      | (403,717)       | (276,171) | 0             | 0           |
| Gross loss                                   |      | (215,568)       | (53,648)  | 0             | 0           |
| Other operating income                       | 2    | 64,033          | 142,226   | 9,177         | 3,822       |
| Administration expenses                      |      | (847,070)       | (695,542) | (803,654)     | (375,160)   |
| Depreciation and amortisation                |      | (40,759)        | (28,522)  | (38,368)      | (24,781)    |
| Employee benefits and expenses               |      | (268,779)       | (212,223) | (268,779)     | (496,048)   |
| Occupancy expenses                           |      | (89,682)        | (67,537)  | (89,682)      | (67,537)    |
| Impairment of exploration expenditure        |      | (44,250)        | (22,289)  | (44,250)      | (22,291)    |
| Finance costs                                |      | (8,851)         | (23,871)  | (8,851)       | (23,871)    |
| Profit (Loss) before income tax              | 3    | (1,450,926)     | (961,406) | (1,244,407)   | (1,005,866) |
| Income tax expense                           | 4    | -               | -         | -             | -           |
| Profit (Loss) for the year                   |      | (1,450,926)     | (961,406) | (1,244,407)   | (1,005,866) |
| Basic earnings per share (cents per share)   | 18   | (0.55)          | (0.04)    |               |             |
| Diluted earnings per share (cents per share) | 18   | (0.51)          | (0.04)    |               |             |

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


**BALANCE SHEET  
AS AT 31 DECEMBER 2006**

|                                      | NOTE | ECONOMIC ENTITY  |                  | PARENT ENTITY     |                   |
|--------------------------------------|------|------------------|------------------|-------------------|-------------------|
|                                      |      | <b>2006</b>      | 2005             | <b>2006</b>       | 2005              |
|                                      |      | \$               | \$               | \$                | \$                |
| <b>CURRENT ASSETS</b>                |      |                  |                  |                   |                   |
| Cash and cash equivalents            | 6    | 115,100          | 149,837          | 63,455            | 121,830           |
| Trade and other receivables          | 7    | 0                | 7,031            | 7,692,197         | 7,688,069         |
| Other current assets                 | 8    | 30,885           | 22,894           | 18,457            | 10,231            |
| <b>TOTAL CURRENT ASSETS</b>          |      | <b>145,985</b>   | <b>179,762</b>   | <b>7,774,109</b>  | <b>7,820,130</b>  |
| <b>NON-CURRENT ASSETS</b>            |      |                  |                  |                   |                   |
| Property, plant, and equipment       | 9    | 83,193           | 118,668          | 78,936            | 111,625           |
| Financial assets                     | 10   | 0                | 0                | 0                 | 0                 |
| Other non-current assets             | 11   | 5,938,512        | 6,189,065        | 2,486,487         | 2,467,048         |
| <b>TOTAL NON-CURRENT ASSETS</b>      |      | <b>6,021,705</b> | <b>6,307,733</b> | <b>2,565,423</b>  | <b>2,578,673</b>  |
| <b>TOTAL ASSETS</b>                  |      | <b>6,167,689</b> | <b>6,487,495</b> | <b>10,339,532</b> | <b>10,398,803</b> |
| <b>CURRENT LIABILITIES</b>           |      |                  |                  |                   |                   |
| Trade and other payables             | 12   | 317,028          | 102,182          | 47,297            | 37,280            |
| Short-term borrowings                | 13   | 10,280           | 10,280           | 10,280            | 10,280            |
| Short term provisions                | 14   | 166,126          | 123,514          | 166,126           | 123,514           |
| <b>TOTAL CURRENT LIABILITIES</b>     |      | <b>493,434</b>   | <b>235,976</b>   | <b>223,703</b>    | <b>171,074</b>    |
| <b>NON-CURRENT LIABILITIES</b>       |      |                  |                  |                   |                   |
| Long-term borrowings                 | 13   | 55,478           | 364,901          | 55,478            | 364,901           |
| Long-term provisions                 | 14   | 73,284           | 61,553           | 73,284            | 61,553            |
| <b>TOTAL NON-CURRENT LIABILITIES</b> |      | <b>128,761</b>   | <b>426,454</b>   | <b>128,761</b>    | <b>426,454</b>    |
| <b>TOTAL LIABILITIES</b>             |      | <b>622,196</b>   | <b>662,430</b>   | <b>352,464</b>    | <b>597,528</b>    |
| <b>NET ASSETS</b>                    |      | <b>5,545,494</b> | <b>5,825,065</b> | <b>9,987,068</b>  | <b>9,801,275</b>  |
| <b>EQUITY</b>                        |      |                  |                  |                   |                   |
| Issued capital                       | 15   | 25,692,737       | 24,262,537       | 25,692,737        | 24,262,537        |
| Reserves                             | 16   | (2,529,903)      | (2,271,058)      | 0                 | 0                 |
| Accumulated losses                   |      | (17,617,340)     | (16,166,414)     | (15,705,669)      | (14,461,262)      |
| <b>TOTAL EQUITY</b>                  |      | <b>5,545,494</b> | <b>5,825,065</b> | <b>9,987,068</b>  | <b>9,801,275</b>  |

The accompanying notes form part of these financial statements.



**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2006**

| <b>ECONOMIC ENTITY</b>             | Ordinary Share<br>Capital<br>\$ | Foreign Exchange<br>Reserve<br>\$ | Accumulated<br>Losses<br>\$ | <b>Total</b><br>\$ |
|------------------------------------|---------------------------------|-----------------------------------|-----------------------------|--------------------|
| Balance at 1 January 2005          | 23,727,877                      | (2,484,022)                       | (15,205,008)                | 6,038,847          |
| Shares issued                      | 534,660                         | -                                 | -                           | 534,660            |
| Loss for the year                  | -                               | -                                 | (961,406)                   | (961,406)          |
| Restatement of functional currency | -                               | 212,964                           | -                           | 212,964            |
| <b>Balance at 31 December 2005</b> | <b>24,262,537</b>               | <b>(2,271,058)</b>                | <b>(16,166,414)</b>         | <b>5,825,065</b>   |
| Shares issued                      | 1,430,200                       | -                                 | -                           | 1,430,200          |
| Loss for the year                  | -                               | -                                 | (1,450,926)                 | (1,450,926)        |
| Restatement of functional currency | -                               | (258,845)                         | -                           | (258,845)          |
| <b>Balance at 31 December 2006</b> | <b>25,692,737</b>               | <b>(2,529,903)</b>                | <b>(17,617,340)</b>         | <b>5,545,494</b>   |

| <b>PARENT ENTITY</b>               | Ordinary<br>Share Capital<br>\$ | Foreign Ex-<br>change Reserve<br>\$ | Accumulated<br>Losses<br>\$ | <b>Total</b><br>\$ |
|------------------------------------|---------------------------------|-------------------------------------|-----------------------------|--------------------|
| Balance at 1 January 2005          | 23,727,877                      | -                                   | (13,455,396)                | 10,272,481         |
| Shares issued                      | 534,660                         | -                                   | -                           | 534,660            |
| Loss for the year                  | -                               | -                                   | (1,005,866)                 | (1,005,866)        |
| <b>Balance at 31 December 2005</b> | <b>24,262,537</b>               | <b>-</b>                            | <b>(14,461,262)</b>         | <b>9,801,275</b>   |
| Shares issued                      | 1,430,200                       | -                                   | -                           | 1,430,200          |
| Loss for the year                  | -                               | -                                   | (1,244,407)                 | (1,244,407)        |
| <b>Balance at 31 December 2006</b> | <b>25,692,737</b>               | <b>-</b>                            | <b>(15,705,669)</b>         | <b>9,987,068</b>   |

The accompanying notes form part of these financial statements.



**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2006**

|      | ECONOMIC ENTITY |            | PARENT ENTITY |            |
|------|-----------------|------------|---------------|------------|
|      | 2006            | 2005       | 2006          | 2005       |
|      | \$              | \$         | \$            | \$         |
|      | Inflows         | Inflows    | Inflows       | Inflows    |
| Note | (Outflows)      | (Outflows) | (Outflows)    | (Outflows) |

**CASH FLOWS FROM OPERATING ACTIVITIES**

|  |                 |             |             |           |
|--|-----------------|-------------|-------------|-----------|
| Cash receipts from customers             | 243,569         | 349,519     | 7,031       | 0         |
| Cash payments to suppliers and employees | (1,321,057)     | (1,177,947) | (1,090,532) | (836,870) |
| Interest received                        | 15,643          | 3,946       | 9,177       | 3,822     |
| Finance costs                            | (8,851)         | (23,871)    | (8,851)     | (23,871)  |
| Net Cash used in operating activities    | 19a (1,070,696) | (848,353)   | (1,083,175) | (856,919) |

**CASH FLOWS FROM INVESTMENT ACTIVITIES**

|  |          |          |          |          |
|--|----------|----------|----------|----------|
| Payments for property, plant & equipment     | (5,679)  | (7,406)  | (5,679)  | (6,808)  |
| Payments for deferred mining and exploration | (63,688) | (17,983) | (63,688) | (17,983) |
| Proceeds from sale of non current assets     | -        | 9,812    | -        | -        |
| Net Cash used in investment activities       | (69,367) | (15,577) | (69,367) | (24,791) |

**CASH FLOWS FROM FINANCING ACTIVITIES**

|  |           |          |           |          |
|--|-----------|----------|-----------|----------|
| Proceeds from issue of share capital                         | 1,175,230 | 534,660  | 1,175,230 | 534,660  |
| Proceeds from borrowings                                     | 50,000    | 300,000  | 50,000    | 300,000  |
| Repayment of borrowings                                      | (119,904) | -        | (131,063) | -        |
| Net cash from finance activities                             | 1,105,326 | 834,660  | 1,094,167 | 834,660  |
| Net increase (decrease) in cash and cash equivalents         | (34,737)  | (29,270) | (58,375)  | (47,050) |
| Cash and cash equivalents at beginning of the financial year | 149,837   | 179,107  | 121,830   | 168,880  |
| Cash and cash equivalents at the end of the financial year   | 6 115,100 | 149,837  | 63,455    | 121,830  |

The accompanying notes form part of these financial statements.



## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006**

### **NOTE I - STATEMENT OF ACCOUNTING POLICIES**

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

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

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

The financial report of Icon Energy Ltd and its controlled entities and Icon Energy Limited as an individual parent entity comply with all Australian equivalents to International Financial Reporting Standards (IFRS) in their entirety. The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

#### **(a) Principles of Consolidation**

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

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

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

#### **(b) Income Tax**

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

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

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

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

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



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006**

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

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

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

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

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

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

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

**(d) Leases**

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

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

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

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

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of an area or 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.

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

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves. Any costs of site restoration are provided for during the relevant production stages and included in the costs of that stage. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006**

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

**(e) Exploration, Evaluation and Development Expenditure Continued**

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

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

**(f) Investments**

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

Dividends are brought to account in the profit and loss account when received.

**(g) Interests in Joint Ventures**

The economic entity's share of the assets, liabilities, revenue and expenses of joint venture operations are included in the respective items of the consolidated Balance Sheet and Income Statement.

**(h) Trade Creditors**

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

**(i) Cash Flow Statement**

For the purpose of the Cash Flow Statement, cash includes amounts in banks and investments in money market instruments, net of outstanding bank overdrafts.

**(j) Provision for Dividend**

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

**(k) Employee Benefits**

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

**(l) Net Fair Value**

The net fair value of assets and liabilities approximates their carrying value.

**(m) Revenue**

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

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



## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006**

### **NOTE I - STATEMENT OF ACCOUNTING POLICIES (Continued)**

#### **(n) Segment Reporting**

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

#### **(o) Comparative Figures**

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

#### **(p) Financial Instruments**

##### **Recognition**

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

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

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

##### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

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

These investments have 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.

##### **Available-for-sale financial assets**

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

##### **Financial liabilities**

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

##### **Fair value**

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

##### **Impairment**

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

#### **(q) Impairment of Assets**

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

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



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

**Functional and presentation currency**

The functional currency of each of the group’s 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.

**Transactions and balances**

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

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

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

**Group companies**

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

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

Exchange differences arising on translation of foreign operations are transferred directly to the group’s foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

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

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

**Key estimates — Impairment**

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

| ECONOMIC ENTITY |      | PARENT ENTITY |      |
|-----------------|------|---------------|------|
| 2006            | 2005 | 2006          | 2005 |
| \$              | \$   | \$            | \$   |

**NOTE 2 - OTHER INCOME**

Interest received

- Other corporations

Royalties Received

Profit on disposal of property, plant and equipment

Sundry income

|               |                |              |              |
|---------------|----------------|--------------|--------------|
| 15,643        | 3,946          | 9,177        | 3,822        |
| 11,120        | 44,111         | 0.00         | 0.00         |
| 0.00          | 4,253          | 0.00         | 0.00         |
| 37,270        | 89,916         | 0.00         | 0.00         |
| <b>64,033</b> | <b>142,226</b> | <b>9,177</b> | <b>3,822</b> |



**NOTE 3 - PROFIT/(LOSS) BEFORE INCOME TAX**

Profit/(Loss) before income tax has been determined after:

**OTHER EXPENSES**

|  | <b>2006</b>     | 2005   | <b>2006</b>   | 2005   |
|--|-----------------|--------|---------------|--------|
| Remuneration of parent entity auditors   |                 |        |               |        |
| - Audit or review of financial report  | 24,925          | 17,890 | 24,925        | 17,890 |
| - Taxation services  | 10,118          | 11,790 | 10,118        | 11,790 |
| the remuneration disclosures that are contained on pages 4 to 5 of the directors' report comply with Accounting Standard AASB 124 Related Party Disclosures and the Corporations Regulations 2001. | 35,043          | 29,680 | 35,043        | 29,680 |
| Amounts set aside to provision for:  |                 |        |               |        |
| - Employee entitlements  | 79,607          | 27,908 | 79,607        | 27,908 |
|  | ECONOMIC ENTITY |        | PARENT ENTITY |        |
|  | <b>2006</b>     | 2005   | <b>2006</b>   | 2005   |
|  | \$              | \$     | \$            | \$     |

**NOTE 4 - INCOME TAX**

The prima facie tax payable on Profit/(Loss) before income tax is reconciled to the income tax expense as follows:

|  |           |           |           |           |
|--|-----------|-----------|-----------|-----------|
| Prima facie tax payable on Profit/(Loss) before income tax at 30% (2005: 30%)  | (435,278) | (288,421) | (373,322) | (301,759) |
| Increase/(decrease) in income tax expense due to:  |           |           |           |           |
| Non Deductible Expenses  | 12,728    | (52,244)  | 26,003    | 7,522     |
| Future income tax benefit not brought to account   | 422,550   | 340,665   | 347,319   | 294,237   |
| Income Tax Attributable to Operating profit  | -         | -         | -         | -         |
| Future income tax benefits not brought to account, the benefits of which will only be realised if the conditions for deductibility of tax losses set out in Note 1 occur based on corporate tax rate of 30% (2005: from 30%) |           |           |           |           |
| - Losses   | 6,477,436 | 6,085,814 | 6,158,482 | 5,828,814 |
| - Timing differences   | 76,923    | 59,270    | 76,923    | 59,272    |
|  | 6,554,359 | 6,145,084 | 6,235,405 | 5,888,086 |

**NOTE 5 - KEY MANAGEMENT PERSONNEL REMUNERATION**

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

**Directors**

|            |  |
|------------|--|
| M Pyecroft | Chairman                                   |
| SM Barry   | Non-executive Director / Company Secretary |
| RS James   | Managing Director                          |

**Executives**

|              |                   |
|--------------|-------------------|
| John Cummins | Company Secretary |
|--------------|-------------------|



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006**

**NOTE 5 - KEY MANAGEMENT PERSONNEL REMUNERATION (continued)**

**(b) Options and Rights Holdings**

Number of Options Held by Key Management Personnel

|                   | Balance<br>1.01.2006 | Purchases   | Options Exer-<br>cised | Net Change<br>Other | Balance<br>31.12.06   |
|-------------------|----------------------|-------------|------------------------|---------------------|-----------------------|
| <b>2006</b>       |                      |             |                        |                     |                       |
| <b>Directors</b>  |                      |             |                        |                     |                       |
| M Pyecroft        | -                    | -           | -                      | -                   | 0.00                  |
| SM Barry          | -                    | -           | -                      | -                   | 0.00                  |
| RS James          | 3,900,000            | -           | 3,900,000              | -                   | -                     |
| <b>Executives</b> |                      |             |                        |                     |                       |
| JB Cummins        | 400,000              | -           | 400,000                | -                   | -                     |
| <b>Total</b>      | <b>4,300,000</b>     | <b>0.00</b> | <b>4,300,000</b>       | <b>0.00</b>         | <b>0.00</b>           |
|                   | Balance<br>1.01.2005 | Purchases   | Options Exer-<br>cised | Net Change<br>Other | Balance<br>31.12.2005 |
| <b>2005</b>       |                      |             |                        |                     |                       |
| <b>Directors</b>  |                      |             |                        |                     |                       |
| M Pyecroft        | -                    | -           | -                      | -                   | 0.00                  |
| SM Barry          | -                    | -           | -                      | -                   | 0.00                  |
| RS James          | 3,900,000            | -           | -                      | -                   | 3,900,000             |
| <b>Executives</b> |                      |             |                        |                     |                       |
| JB Cummins        | 400,000              | -           | -                      | -                   | 400,000               |
| <b>Total</b>      | <b>4,300,000</b>     | <b>0.00</b> | <b>0.00</b>            | <b>0.00</b>         | <b>4,300,000</b>      |

**(c) Shareholdings**

Number of shares held by Key Management Personnel

|                   | Balance<br>1.1.2006 | Purchases   | Options Exer-<br>cised | Sold             | Balance<br>31.12.2006 |
|-------------------|---------------------|-------------|------------------------|------------------|-----------------------|
| <b>Directors</b>  |                     |             |                        |                  |                       |
| M Pyecroft        | 1,600,000           | -           | -                      | -                | 1,600,000             |
| SM Barry          | 1,912,566           | -           | -                      | (345,000)        | 1,567,566             |
| RS James          | 19,875,235          | -           | 3,900,000              | -                | 23,775,235            |
| <b>Executives</b> |                     |             |                        |                  |                       |
| JB Cummins        | -                   | -           | 400,000                | -                | 400,000               |
| <b>Total</b>      | <b>23,387,801</b>   | <b>0.00</b> | <b>4,300,000</b>       | <b>(345,000)</b> | <b>27,342,801</b>     |



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006**

**NOTE 5 - KEY MANAGEMENT PERSONNEL REMUNERATION (continued)**

| ECONOMIC ENTITY |      | PARENT ENTITY |      |
|-----------------|------|---------------|------|
| 2006            | 2005 | 2006          | 2005 |
| \$              | \$   | \$            | \$   |

**Transaction with Directors and Director**

**(d) Related Entities**

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

|        |       |        |       |
|--------|-------|--------|-------|
| 26,040 | 6,963 | 26,040 | 6,963 |
|--------|-------|--------|-------|

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

**NOTE 6 - CASH AND CASH EQUIVALENTS**

|              |         |         |        |         |
|--------------|---------|---------|--------|---------|
| Cash on hand | 757     | 457     | 550    | 250     |
| Cash at Bank | 114,343 | 149,380 | 62,905 | 121,580 |
|              | 115,100 | 149,837 | 63,455 | 121,830 |

**Reconciliation of cash**

Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:

|                                    |         |         |        |         |
|------------------------------------|---------|---------|--------|---------|
| Cash and cash equivalents          | 115,100 | 149,837 | 63,455 | 121,830 |
| Less bank overdraft                | -       | -       | -      | -       |
| Balance as per Cash Flow Statement | 115,100 | 149,837 | 63,455 | 121,830 |

Cash at bank earns interest at a variable rate of between 4.50% and 5.75% (2005:4.85%).

**NOTE 7 - TRADE AND OTHER RECEIVABLES**

|               |      |       |      |       |
|---------------|------|-------|------|-------|
| Trade debtors | 0.00 | 7,031 | 0.00 | 7,031 |
|---------------|------|-------|------|-------|

Amounts receivable from wholly owned subsidiaries:

|                     |      |       |           |           |
|---------------------|------|-------|-----------|-----------|
| - Jakabar Pty Ltd   | 0.00 | 0.00  | 5,860     | 5,860     |
| - Icon Oil US (LLC) | 0.00 | 0.00  | 7,686,337 | 7,675,178 |
|                     | 0.00 | 7,031 | 7,692,197 | 7,688,069 |

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

**NOTE 8 - OTHER CURRENT ASSETS**

|                             |        |        |        |        |
|-----------------------------|--------|--------|--------|--------|
| Performance guarantee bonds | 30,499 | 18,735 | 18,072 | 6,072  |
| Other current assets        | 385    | 4,159  | 385    | 4,159  |
|                             | 30,885 | 22,894 | 18,457 | 10,231 |



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006**

**NOTE 5 - KEY MANAGEMENT PERSONNEL REMUNERATION (continued)**

|   | ECONOMIC ENTITY |           | PARENT ENTITY |           |
|---|-----------------|-----------|---------------|-----------|
|   | 2006            | 2005      | 2006          | 2005      |
|   | \$              | \$        | \$            | \$        |
| <b>NOTE 9 - PROPERTY, PLANT, AND EQUIPMENT</b>            |                 |           |               |           |
| Plant and Equipment - at cost                             | 440,877         | 436,771   | 420,767       | 415,088   |
| less: accumulated depreciation                            | (357,684)       | (318,103) | (341,831)     | (303,463) |
|   | 83,193          | 118,668   | 78,936        | 111,625   |
| Plant and Equipment - under lease                         | 154,571         | 154,571   | 154,571       | 154,571   |
| less: accumulated amortisation                            | (154,571)       | (154,571) | (154,571)     | (154,571) |
|   | 0.00            | 0.00      | 0.00          | 0.00      |
| Total property, plant and equipment at written down value | 83,193          | 118,668   | 78,936        | 111,625   |

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:

| <b>Economic Entity</b>               | Plant & Equip-<br>ment at cost | Plant & Equip-<br>ment under<br>lease | <b>Total</b> |
|--------------------------------------|--------------------------------|---------------------------------------|--------------|
| Balance at the beginning of the year | 118,668                        | -                                     | 118,668      |
| Additions                            | 5,679                          | -                                     | 5,679        |
| Depreciation                         | (40,759)                       | -                                     | (40,759)     |
| Foreign Exchange Variation           | (395)                          | -                                     | (395)        |
| Balance at the end of the year       | 83,193                         | 0.00                                  | 83,193       |

A charge exists over one item of plant and equipment as part of a hire purchase finance arrangement. The book value of this asset was \$49,775 as at 31 December 2006

| <b>Parent Entity</b>                 | Plant & Equip-<br>ment at cost | Plant & Equip-<br>ment under<br>lease | <b>Total</b> |
|--------------------------------------|--------------------------------|---------------------------------------|--------------|
| Balance at the beginning of the year | 111,625                        | -                                     | 111,625      |
| Additions                            | 5,679                          | -                                     | 5,679        |
| Depreciation                         | (38,368)                       | -                                     | (38,368)     |
| Balance at the end of the year       | 78,937                         | -                                     | 78,937       |

A charge exists over one item of plant and equipment as part of a hire purchase finance arrangement. The book value of this asset was \$49,775 as at 31 December 2006



|   | ECONOMIC ENTITY |      | PARENT ENTITY |           |
|---|-----------------|------|---------------|-----------|
|   | 2006            | 2005 | 2006          | 2005      |
|   | \$              | \$   | \$            | \$        |
| <b>NOTE 10 - OTHER FINANCIAL ASSETS</b> |                 |      |               |           |
| Shares in Unlisted Companies - at cost  | -               | -    | 976,426       | 976,426   |
| Provision for diminution in value       | -               | -    | (976,426)     | (976,426) |
|   | 0.00            | 0.00 | 0             | 0         |

|  |           |           |           |           |
|--|-----------|-----------|-----------|-----------|
| <b>NOTE 11 - OTHER NON-CURRENT ASSETS</b>      |           |           |           |           |
| Exploration and Evaluation Expenditure at cost | 5,938,512 | 6,189,065 | 2,486,487 | 2,467,048 |
|  | 5,938,512 | 6,189,065 | 2,486,487 | 2,467,048 |

|   |         |         |        |        |
|---|---------|---------|--------|--------|
| <b>NOTE 12 - TRADE AND OTHER PAYABLES</b> |         |         |        |        |
| <b>Current</b>                            |         |         |        |        |
| Trade payables                            | 317,028 | 102,182 | 47,297 | 37,280 |
|   | 317,028 | 102,182 | 47,297 | 37,280 |

|                             | ECONOMIC ENTITY |         | PARENT ENTITY |         |
|-----------------------------|-----------------|---------|---------------|---------|
|                             | 2006            | 2005    | 2006          | 2005    |
|                             | \$              | \$      | \$            | \$      |
| <b>NOTE 13 - BORROWINGS</b> |                 |         |               |         |
| <b>Current</b>              |                 |         |               |         |
| Hire purchase liability     | 10,280          | 10,280  | 10,280        | 10,280  |
|                             | 10,280          | 10,280  | 10,280        | 10,280  |
| <b>Non Current</b>          |                 |         |               |         |
| Loans - director            | 0.00            | 300,000 | 0.00          | 300,000 |
| Hire purchase liability     | 55,478          | 64,901  | 55,478        | 64,901  |
|                             | 55,478          | 364,901 | 55,478        | 364,901 |
|                             | 65,757          | 375,181 | 65,757        | 375,181 |

The loan from the director is unsecured.

The Hire purchase liability is secured by a motor vehicle with a book value of \$49,775 as at 31 December, 2006.



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006**

**NOTE 5 - KEY MANAGEMENT PERSONNEL REMUNERATION (continued)**

**NOTE 14 - PROVISIONS**

**Current**

|                       |         |         |         |         |
|-----------------------|---------|---------|---------|---------|
| Employee entitlements | 166,126 | 123,514 | 166,126 | 123,514 |
|                       | 166,126 | 123,514 | 166,126 | 123,514 |

**Non Current**

|                       |         |         |         |         |
|-----------------------|---------|---------|---------|---------|
| Employee entitlements | 73,284  | 61,553  | 73,284  | 61,553  |
|                       | 73,284  | 61,553  | 73,284  | 61,553  |
|                       | 239,410 | 185,067 | 239,410 | 185,067 |

|                                 |   |   |   |   |
|---------------------------------|---|---|---|---|
| Number of employees at year end | 2 | 2 | 2 | 2 |
|---------------------------------|---|---|---|---|

**NOTE 15 - ISSUED CAPITAL**

Share Capital

Issued and paid-up share capital 269,846,906 (31 December 2005: 249,046,906) ordinary shares fully paid

|  | Number of shares | 31 December 2006 | Number of shares | 31 December 2005 |
|--|------------------|------------------|------------------|------------------|
| <b>Fully Paid Shares</b>                 |                  |                  |                  |                  |
| Balance at beginning of the year         | 249,046,906      | 24,262,537       | 229,951,906      | 23,727,877       |
| Shares issued:                           |                  |                  |                  |                  |
| - January 2006 - Options exercised       | 4,300,000        | 364,200          | -                | -                |
| - May 2006 - Shares issued for cash      | 6,500,000        | 390,000          | -                | -                |
| - July 2006 - Shares issued for cash     | 10,000,000       | 676,000          | -                | -                |
| - May 2005 - Shares issued for cash      | -                | -                | 9,095,000        | 254,660          |
| - November 2005 - Shares issued for cash | -                | -                | 10,000,000       | 280,000          |
| Balance at the end of the year           | 269,846,906      | 25,692,737       | 249,046,906      | 24,262,537       |

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

|                                   | Number of options<br>31 December 2006 | Number of options<br>31 December 2005 |
|-----------------------------------|---------------------------------------|---------------------------------------|
| <b>Options</b>                    |                                       |                                       |
| Balance at beginning of the year  | 4,330,000                             | 4,330,000                             |
| Options lapsed during the year    | (30,000)                              | -                                     |
| Options exercised during the year | (4,300,000)                           | -                                     |
| Options issued during the year    | 20,000,000                            | -                                     |
| Balance at the end of the year    | 20,000,000                            | 4,330,000                             |



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006**

**NOTE 5 - KEY MANAGEMENT PERSONNEL REMUNERATION (continued)**

**NOTE 16 - FOREIGN CURRENCY TRANSLATION RESERVE**

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

**NOTE 17 - PRIOR PERIOD ERROR**

AASB 121:“The Effects of Changes in Foreign Exchange Rates”

As a result of the transition to International Accounting Standards there has been a change in the accounting treatment of Integrated Foreign Operation. Under AASB 1012 “Foreign Currency Translation” any exchange differences arising on translation of an Integrated Foreign Operation was recorded in the income statement. Under the new Australian equivalents to International Financial Reporting Standard AASB 121 “The Effects of Changes in Foreign Exchange Rates”, there is no recognition of an Integrated Foreign Operation.

Under AASB 121 an item for which settlement is neither planned nor likely to occur in the foreseeable future is, in substance, a part of the entity’s net investment in that foreign operation, and is accounted for by recognising exchange differences initially in a separate component of equity and recognised in profit or loss on disposal of the net investment.

Translation losses arising on the translation of the Integrated Foreign Operation will now be accounted for as a separate reserve and not accounted for in the income statement. Icon omitted the adjustment for this in terms of their transition to Australian Equivalents to International Financial Reporting Standards and is therefore required to account for the error, with retrospective effect on the comparative figures, in the current period.

The impact of these corrections on the consolidated financial statements is:

Financials Statement Line Affected  
38352

|                                      | 31-Dec-2005  |              | 31-Dec-2004  |              |
|--------------------------------------|--------------|--------------|--------------|--------------|
|                                      | Restated     | Previous     | Restated     | Previous     |
| Profit/(loss)                        | (961,406)    | (748,442)    | (1,604,494)  | (1,755,037)  |
| Accumulated Losses                   | (16,166,414) | (18,437,472) | (15,205,008) | (17,689,030) |
| Foreign Currency Translation Reserve | (2,271,058)  | -            | (2,484,022)  | -            |
| Total Equity                         | 5,825,065    | 5,825,065    | 6,308,847    | 6,308,847    |
| Basic EPS per Share                  | (0.41)       | (0.32)       | (0.73)       | (0.80)       |
| Diluted EPS per Share                | (0.40)       | (0.31)       | (0.70)       | (0.77)       |



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006**

**NOTE 5 - KEY MANAGEMENT PERSONNEL REMUNERATION (continued)**

**NOTE 18 - EARNINGS PER SHARE**

|   | ECONOMIC ENTITY |             |
|---|-----------------|-------------|
|   | 2006            | 2005        |
|   | \$              | \$          |
| <b>(a) Reconciliation of Earnings to Net Profit or Loss</b>   |                 |             |
| <b>Net Loss</b>   | (1,450,926)     | (961,406)   |
| Earnings used in the calculation of basis EPS   | (1,450,926)     | (961,406)   |
| Notional interest on proceeds on converting options   | 28,028          | -           |
| Earnings used in the calculation of dilutive EPS  | (1,422,898)     | (961,406)   |
| <b>(b) Weighted average number of ordinary shares outstanding during the year used in the calculation of basic EPS.</b>   | 261,919,235     | 236,517,194 |
| Weighted average number of options outstanding  | 15,881,178      | 4,330,000   |
| Weighted average number of ordinary shares outstanding during the year used in the calculation of dilutive EPS.   | 277,800,413     | 240,847,194 |
| <b>(c) Classification of Securities</b>   | No              | No          |
| The following securities have been classified as potential ordinary shares and are included in determination of dilutive EPS:   |                 |             |
| Listed options  | 20,000,000      | -           |
| Employee options  | -               | 4,330,000   |
| <b>(d) Weighted average number of converted and lapsed options included in determination of dilutive EPS</b>  | 155,151         | -           |
| <b>(e) During January 2007 the company issued a further 10,000,000 shares at an issue price of 5c. During March 2007 the company issued a further 2,750,000 shares at an issue price of 6c.</b> |                 |             |

**NOTE 19 - CASH FLOW INFORMATION**

|   | ECONOMIC ENTITY |           | PARENT ENTITY |             |
|---|-----------------|-----------|---------------|-------------|
|   | 2006            | 2005      | 2006          | 2005        |
|   | \$              | \$        | \$            | \$          |
| <b>(a) Reconciliation of net cash from operating activities to operating profit</b> |                 |           |               |             |
| <b>Operating profit after income tax</b>  | (1,450,926)     | (961,406) | (1,244,407)   | (1,005,866) |
| <b>Adjustment for non cash items</b>  |                 |           |               |             |
| Profit on sale of assets  | -               | (3,753)   | -             | -           |



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006**

**NOTE 5 - KEY MANAGEMENT PERSONNEL REMUNERATION (continued)**

|   | ECONOMIC ENTITY    |                  | PARENT ENTITY      |                  |
|---|--------------------|------------------|--------------------|------------------|
|   | 2006               | 2005             | 2006               | 2005             |
|   | \$                 | \$               | \$                 | \$               |
| Depreciation  | 40,759             | 28,522           | 38,368             | 24,781           |
| Exploration expenditure written off   | 44,250             | 22,291           | 44,250             | 22,291           |
| Currency Movements  | 11,541             | (3,872)          | -                  | -                |
| <b>Adjustment for changes in assets and liabilities (Increase)/decrease in:</b> |                    |                  |                    |                  |
| Trade debtors   | 7,031              | (7,031)          | 7,031              | 84,616           |
| Investments   | -                  | -                | -                  | 12,022           |
| Other assets  | (7,990)            | 6,757            | (8,227)            | -                |
| <b>Increase/(decrease) in:</b>  |                    |                  |                    |                  |
| Accounts payable  | 214,846            | 67,110           | 10,017             | 2,208            |
| Employee provisions   | 69,793             | 27,909           | 69,793             | 27,909           |
| Borrowings  | -                  | (24,880)         | 0.00               | (24,880)         |
| <b>Net cash from operating activities</b>                                       | <b>(1,070,696)</b> | <b>(848,353)</b> | <b>(1,083,174)</b> | <b>(856,919)</b> |

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

There were no non-cash financing activities during 2006 other than:

- Directors loan applied against the exercise of options
- Executive's Annual leave applied against the exercise of options

|  |         |   |         |   |
|--|---------|---|---------|---|
|  | 239,520 | - | 239,520 | - |
|  | 15,450  | - | 15,450  | - |

**NOTE 20 - CAPITAL AND LEASING COMMITMENTS**

Finance Lease Commitments

Finance lease commitments payable:

- not later than one year
- later than one year but not later than five years

Minimum lease payments

Less: future finance charges

**Total Lease Liability**

|  |          |          |          |          |
|--|----------|----------|----------|----------|
|  | 15,038   | 15,038   | 15,038   | 15,038   |
|  | 63,010   | 78,048   | 63,010   | 78,048   |
|  | 78,048   | 93,086   | 78,048   | 93,086   |
|  | (12,291) | (10,280) | (12,291) | (10,280) |
|  | 65,757   | 82,806   | 65,757   | 82,806   |

**Present value of minimum lease payments**

- not more than one year
- later than one year

|  |        |        |        |        |
|--|--------|--------|--------|--------|
|  | 10,280 | 10,280 | 10,280 | 10,280 |
|  | 55,477 | 64,901 | 55,477 | 64,901 |
|  | 65,757 | 75,181 | 65,757 | 75,181 |

Current liabilities (Note 13)

Non-current liabilities (Note 13)

|  |        |        |        |        |
|--|--------|--------|--------|--------|
|  | 10,280 | 10,280 | 10,280 | 10,280 |
|  | 55,477 | 64,901 | 55,477 | 64,901 |
|  | 65,757 | 75,181 | 65,757 | 75,181 |



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006**

**NOTE 5 - KEY MANAGEMENT PERSONNEL REMUNERATION (continued)**

**NOTE 21 - JOINT VENTURES**

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

| Oil and Gas  | Basin                                 | Interest % |        |
|--|---------------------------------------|------------|--------|
|  |                                       | 2006       | 2005   |
| ATP 549P   | Cooper                                | 33.33%     | 33.33% |
| ATP 594P   | Cooper                                | 50.00%     | 50.00% |
| ATP 794 P  | Eromanga Regleigh & Springfield Areas | 60.00%     | 60.00% |
| ATP 794 P  | Eromanga Brightspot area              | 75.00%     | 75.00% |
| ATP 626 P  | Surat                                 | 50.00%     | -      |
| ATP 765 Application                                      | Eromanga                              | 27.75%     | -      |
| ATP 766 Application                                      | Eromanga                              | 27.75%     | -      |
| ATP 849 P  | Surat                                 | 80.00%     | -      |
| ATP 855 P  | Eromanga                              | 80.00%     | -      |
| Lease interests held in Bayou Choctaw area Louisiana USA |                                       |            |        |
| Victory Financial (South)                                | Louisiana                             | 38.50%     | 38.50% |
| Victory Financial (South)                                | Louisiana                             | 19.00%     | 19.00% |
| Wilbert's  | Louisiana                             | 13.20%     | 13.20% |
| Zig Zag  | Louisiana                             | 13.20%     | -      |

The economic entity's interest in assets employed in the above joint ventures are included in the balance sheet under the following classifications:

|  | ECONOMIC ENTITY |           | PARENT ENTITY |           |
|--|-----------------|-----------|---------------|-----------|
|  | 2006            | 2005      | 2006          | 2005      |
|  | \$              | \$        | \$            | \$        |
| <b>NON CURRENT ASSETS</b>                      |                 |           |               |           |
| Exploration and evaluation expenditure at cost | 4,039,588       | 6,189,065 | 4,039,588     | 2,467,048 |
| Total Non Current Assets                       | 4,039,588       | 6,189,065 | 4,039,588     | 2,467,048 |
| Share of total assets in joint venture         | 4,039,588       | 6,189,065 | 4,039,588     | 2,467,048 |

**NOTE 22 - CONTROLLED ENTITIES**

|                                      | Country of Incorporation | % Owned |      |
|--------------------------------------|--------------------------|---------|------|
|                                      |                          | 2006    | 2005 |
| Parent entity:                       |                          |         |      |
| Icon Energy Limited                  | Aust                     |         |      |
| Subsidiaries of Icon Energy Limited: |                          |         |      |
| Jakabar Pty Ltd                      | Aust                     | 100     | 100  |
| Icon Drilling Pty Ltd                | Aust                     | 100     | 100  |
| Icon Oil US (LLC)                    | USA                      | 100     | 100  |



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006**

**NOTE 5 - KEY MANAGEMENT PERSONNEL REMUNERATION (continued)**

**NOTE 23 - SEGMENT INFORMATION**

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

In presenting the information on the basis of geographical segments, the Australian geographical segments include all corporate head office expenses on the basis that activities in the Australian segment are still in an exploration phase and all resources within the corporate head office are applied to these exploration activities.

|   | <b>Australia</b> |           | <b>USA</b>  |           | <b>Economic Entity</b> |                  |
|---|------------------|-----------|-------------|-----------|------------------------|------------------|
|   | <b>2006</b>      | 2005      | <b>2006</b> | 2005      | <b>2006</b>            | 2005             |
| Primary Reporting-Geographical Segments         |                  |           |             |           |                        |                  |
| <b>REVENUE</b>                                  | -                | -         |             |           |                        |                  |
| External Sales                                  | -                | -         | 188,149     | 222,523   | 188,149                | 222,523          |
| Royalty sales                                   | -                | -         | 11,120      | 44,111    | 11,120                 | 44,111           |
| Total segment revenues                          | -                | -         | 199,269     | 266,634   | 199,269                | 266,634          |
| Unallocated revenue                             |                  |           |             |           | 52,913                 | 98,115           |
| <b>Total revenue</b>                            |                  |           |             |           | <b>252,182</b>         | <b>364,749</b>   |
| <b>RESULT</b>                                   |                  |           |             |           |                        |                  |
| Segment Results                                 | (1,229,014)      | (873,202) | (213,061)   | (64,333)  |                        | (937,535)        |
| Finance costs                                   |                  |           |             |           | (8,851)                | (23,871)         |
| Loss before income tax                          |                  |           |             |           |                        | (961,406)        |
| Income tax                                      |                  |           |             |           | -                      | -                |
| <b>Loss after income tax</b>                    |                  |           |             |           |                        | <b>(961,406)</b> |
| <b>ASSETS</b>                                   |                  |           |             |           |                        |                  |
| Segment Assets                                  | 2,678,259        | 2,723,625 | 3,489,430   | 3,763,870 | 6,167,689              | 6,487,495        |
| Segment Liabilities                             | 367,274          | 597,528   | 254,921     | 64,902    | 622,196                | 662,430          |
| <b>OTHER</b>                                    |                  |           |             |           |                        |                  |
| Acquisition of non-current segment assets       | 63,688           | 6,808     | -           | -         | 63,688                 | 6,808            |
| Depreciation and amortisation of segment assets | 38,368           | 24,781    | 2,391       | 3,742     | 40,759                 | 28,523           |



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006**

**NOTE 5 - KEY MANAGEMENT PERSONNEL REMUNERATION (continued)**

**NOTE 24 - FINANCIAL INSTRUMENTS**

**(a) Financial Risk Management**

The group's financial instruments consist mainly of deposits with banks, accounts receivable and payable, loans to and from subsidiaries and leases.

**(i) Treasury Risk Management**

The directors meet on a regular basis to analyse currency and interest rate exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

**(ii) Financial Risks**

The main risks the group is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk, credit risk and price risk.

**Interest rate risk**

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

**Foreign currency risk**

The group is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services in currencies other than the group's measurement currency.

**Liquidity risk**

The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities or alternative funding sources.

**Credit risk**

The maximum exposure to credit risk at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

The economic entity does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the economic entity.

**Price risk**

The group is exposed to commodity price risk through its Icon Energy US LLC Joint Venture. Oil prices have remained volatile on the world commodity exchanges over the past three years. The company has a natural hedge as its US production costs move with exchange rates. Oil futures markets and economic forecasts are constantly monitored to determine whether to implement a hedging policy.



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006**

**NOTE 5 - KEY MANAGEMENT PERSONNEL REMUNERATION (continued)**

**(b) Interest rate risk**

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

|                                       | Fixed Interest Rate Maturing |               | Non interest bearing | Total          |
|---------------------------------------|------------------------------|---------------|----------------------|----------------|
|                                       | Within 1 year                | 1 to 5 years  |                      |                |
| <b>2006</b>                           |                              |               |                      |                |
| <b>Financial assets</b>               |                              |               |                      |                |
| Cash                                  | 114,343                      | -             | 757                  | 115,100        |
| Other                                 | -                            | -             | 30,885               | 30,885         |
|                                       | <b>114,343</b>               | <b>-</b>      | <b>31,642</b>        | <b>145,985</b> |
| <b>Weighted average interest rate</b> | <b>5%</b>                    |               |                      |                |
| <b>Financial liabilities</b>          |                              |               |                      |                |
| Accounts payable                      | -                            | -             | 317,028              | 317,028        |
| Borrowings                            | 10,280                       | 55,478        | -                    | 65,758         |
|                                       | <b>10,280</b>                | <b>55,478</b> | <b>317,028</b>       | <b>382,786</b> |
| <b>Weighted average interest rate</b> | <b>7.95%</b>                 | <b>7.95%</b>  |                      |                |
| <b>2005</b>                           |                              |               |                      |                |
| <b>Financial assets</b>               |                              |               |                      |                |
| Cash                                  | 149,380                      | -             | 457                  | 149,837        |
| Receivables                           | -                            | -             | 7,031                | 7,031          |
| Other                                 | -                            | -             | 22,894               | 22,894         |
|                                       | <b>149,380</b>               | <b>-</b>      | <b>30,382</b>        | <b>179,762</b> |
| <b>Weighted average interest rate</b> | <b>-</b>                     | <b>-</b>      |                      |                |
| <b>Financial liabilities</b>          |                              |               |                      |                |
| Accounts payable                      | -                            | -             | 102,182              | 102,182        |
| Borrowings                            | 10,280                       | 64,901        | 300,000              | 375,181        |
|                                       | <b>10,280</b>                | <b>64,901</b> | <b>402,182</b>       | <b>477,363</b> |
| <b>Weighted average interest rate</b> | <b>7.95%</b>                 | <b>7.95%</b>  |                      |                |



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006**

**NOTE 5 - KEY MANAGEMENT PERSONNEL REMUNERATION (continued)**

**NOTE 24 - FINANCIAL INSTRUMENTS (Continued)**

(c) Credit standby arrangements with banks

The company has no unused facilities or other pre-approved arrangements with banks

**NOTE 25 - CHANGES IN ACCOUNTING POLICIES**

The following are Australian Accounting Standards issued or amended that are applicable to the economic entity but are not yet effective and have not been adopted in preparation of the financial statements at reporting date.

| <b>AASB Amendment</b> | <b>Nature of Change in Accounting Policy and Impact</b>      | <b>Application Date for the entity</b> | <b>Application Date of the Standard</b> | <b>Application Date for the entity</b> |
|-----------------------|--|--|---|--|
| 2005-10               | AASB 101: Presentation of Financial Statements               | No change, no impact.                  | 1-Jan-07                                | 1-Jan-07                               |
|                       | AASB 132: Financial Instruments: Presentation                | No change, no impact                   | 1-Jan-07                                | 1-Jan-07                               |
|                       | AASB 117: Leases   | No change, no impact                   | 1-Jan-07                                | 1-Jan-07                               |
|                       | AASB 114: Segment Reporting                                  | No change, no impact                   | 1-Jan-07                                | 1-Jan-07                               |
|                       | AASB 133: Earnings per share                                 | No change, no impact                   | 1-Jan-07                                | 1-Jan-07                               |
|                       | AASB 139: Financial Instruments: Recognition and Measurement | No change, no impact                   | 1-Jan-07                                | 1-Jan-07                               |
| New Standard          | AASB 7: Financial Instruments: Disclosure                    | No change, no impact.                  | 1-Jan-07                                | 1-Jan-07                               |

The following pending Standards issued between the previous financial report and the current reporting date have no application to the company.

| <b>AASB Amendment</b> | <b>AASB Standard Affected</b>  |
|-----------------------|--|
| 2005-10               | AASB 4: Insurance Contracts<br>AASB 1023: General Insurance Contracts<br>AASB 1038: Life Insurance Contracts   |
| 2006-4 New Standard   | AASB 134: Interim Financial Reporting<br>AASB 1049: Financial Reporting of General Government Sectors by Governments<br>AASB 1045: Land Under Roads: Amendments to AAS 27A, AAS29A and AAS 31A |

**NOTE 26 - EVENTS AFTER BALANCE SHEET DATE**

On January 12 2007, the company placed 10,000,000 ordinary shares issued at \$0.05 per share fully paid being a placement to raise additional working capital. On March 26th, the company allotted a further 2,750,000 shares at \$0.06 per share totalling \$165,000.



**ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES**

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

Substantial Shareholders

| <b>Name Held</b>               | <b>Number of Ordinary Ordinary Capital</b> | <b>% Held of Issued Fully Paid Shares</b> |
|--------------------------------|--|---|
| R S James & Associates Pty Ltd | 23,775,235                                 | 8.50                                      |

Distribution of shareholders as at 30 March 2007

| <b>Range</b>            | <b>Total Holders</b> | <b>% Issued Capital</b> |
|-------------------------|----------------------|-------------------------|
| 1 - 1,000               | 39                   | 0.01                    |
| 1001 - 5,000            | 341                  | 0.45                    |
| 5,001 - 10,000          | 541                  | 1.69                    |
| 10,001 - 100,000        | 1,550                | 22.50                   |
| 100,001 - 9,999,999,999 | 449                  | 75.35                   |
| Rounding                |                      | 0.00                    |
| <b>Total</b>            | <b>2,920</b>         | <b>100.00</b>           |

Unmarketable Parcels as at 30 March 2007

|  | <b>Minimum parcel size</b> | <b> Holders</b> | <b>Units</b> |
|--|----------------------------|-----------------|--------------|
| Minimum \$500.00 parcel at \$0.0520 per unit | 9,616                      | 609             | 2,895,383    |



**Top 25 holders of FULLY PAID ORDINARY SHARES as at 10 April 2007**

| Rank  | Name  | Units                  | % of Issued Capital |
|---|---|------------------------|---------------------|
| 1.  | R S James & Associates Pty Limited  | 23,775,235             | 8.50                |
| 2.  | Santos Limited  | 10,000,000             | 3.55                |
| 3.  | Mrs Coral Estelle Harris + Mr Kerry William John Harris (The CE Harris S/F A/C)   | 7,100,000              | 2.52                |
| 4.  | Citicorp Nominees Pty Limited   | 5,290,073              | 1.88                |
| 5.  | Mr Peter Alfred Ternes  | 4,700,000              | 1.67                |
| 6.  | Mr Brian William Atkinson + Mr Gregory Paul Sheil                                 | 3,300,000              | 1.17                |
| 7.  | Loxden Pty Ltd (Frank Brady Super Fund A/C)                                       | 3,000,000              | 1.07                |
| 8.  | Walreel Pty Ltd (RW & RS Bovey Family A/C)  | 2,950,000              | 1.05                |
| 9.  | Gordon Holdings (Qld) Pty Ltd   | 2,500,000              | 0.89                |
| 10.   | Lochiel Enterprises Pty Ltd (Cameron Investment Account)                          | 2,369,000              | 0.84                |
| 11.   | Mr Kym Adrian Edwards + Mr Silvano Silvio Ballestrin (Kym Edwards Super Fund A/C) | 2,150,000              | 0.76                |
| 12.   | Charles Sherrad Greenway  | 2,100,000              | 0.75                |
| 13.   | Mr Dimitri Scardanas (DS Unit A/C)  | 2,044,000              | 0.73                |
| 14.   | Toga Developments Pty Ltd   | 2,008,731              | 0.71                |
| 15.   | Mr Terrence Joseph Sharp  | 2,000,000              | 0.71                |
| 16.   | White Hat Investments Pty Ltd (White Hat Super Fund A/C)                          | 2,000,000              | 0.71                |
| 17.   | Mr Bradley Luke Casey   | 1,762,101              | 0.63                |
| 18.   | Mr Martin Pyecroft + Mrs Josephine Pyecroft                                       | 1,600,000              | 0.57                |
| 19.   | Mr Stephen Michael Barry  | 1,566,566              | 0.56                |
| 20.   | Mr Daniel Joseph Raymond O'Sullivan   | 1,549,900              | 0.55                |
| 21.   | Mr Lionel John Goody  |                        |                     |
| 22.   | Mr Albert Leslie Hodge  | 1,533,377              | 0.54                |
| 23.   | Mr Phillip Michael Lynch + Mrs Suzanne Mary Louise Lynch                          | 1,500,000              | 0.53                |
| 24.   | Mr Mark Ashley Gibson   | 1,500,000              | 0.53                |
| 25.   | Merrill Lynch (Australia) Nominees Pty Limited                                    | 1,300,000<br>1,181,500 | 0.46<br>0.42        |
| <b>Top 25 holders of FULLY PAID ORDINARY SHARES as at 10 April 2007</b> |   | <b>90,780,483</b>      | <b>32.3</b>         |



## COMPANY PARTICULARS

### Directors

Martin Pyecroft (Chairman)  
Raymond S James (Managing Director)  
Stephen M Barry  
Raymond P. McNamara

### Company Secretary

Stephen M Barry

### Registered Office

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Robina Town Centre  
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### Share Register

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Central Plaza One  
307 Queen Street  
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Queensland 4000

### Auditors

William Buck  
Level 16  
William Buck Centre  
120 Edward Street  
Brisbane  
Queensland 4000

### Legal advisors

Allens Arthur Robinson  
Level 32  
Riverside Centre  
123 Eagle Street  
Brisbane  
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CKB Partners  
Level 5  
50 Park Street

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