



ICON ENERGY LIMITED

ABN 61 058 454 569

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1st April 2008

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

Fax # 1300 135 638

Dear Sir

Icon energy submits it year end financial statements as per the attached documents.

A handwritten signature in black ink, appearing to read "Ray McNamara".

Ray McNamara
Executive Director/Company Secretary
Icon Energy Limited

0020601CON ENERGY LIMITED ABN 61 058 454 589 and its controlled entities**DIRECTORS REPORT**

Your directors present their report together with the financial statements of Icon Energy Limited ("the Company") and of the consolidated entity being the company and the entities it controlled at the end of, or during, the year ended 31 December 2007.

Directors

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

Names of Non-Executive Director

Martin Pyecroft (Chairman)
Stephen Michael Barry

Period of Directorship

Director since 24/01/1997
Director since 05/01/1993

Name of Executive Directors

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

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

Company Secretary**STEPHEN MICHAEL BARRY**

Qualifications: LLB University of Sydney

Stephen Barry is a solicitor. He acted as company secretary following the death of John Cummins in December 2006. His duties during this period were limited to the statutory reporting requirements of ASIC and the ASX.

Resigned 3/05/2007

RAYMOND PATRICK McNAMARA

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

Experience: Dr. Ray McNamara is an Associate Professor of Accounting at Bond University. He is the director of the School of Business Centre for Corporate Governance and deputy chairman of the Senate of Bond University. He has more than twenty years of experience in the private and public sectors specialising in financial accounting, corporate control systems and security appraisal and valuation.

Appointed: 3/05/2007

Principal Activities

The principal activities of Icon Energy Ltd during the year included the exploration, appraisal and development of oil and gas properties and the acquisition of additional oil and gas prospects. There were no significant changes in the nature of these activities during the 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 (2006: Nil).

Operating Results

The consolidated net profit for the year of the consolidated entity after providing for income tax amounted to \$3,198,544 (2006: loss of \$1,450,926).

Review of Operations and Results**USA Operations**

In February 2007, the operators of the Bayou Choctaw Leases (CLK Energy Inc.) advised of their decision to suspend the Australian Mineral Interest No. 1 well. Production continues from the Morley Cyprus and Willbert's leases.

The effects of hurricanes Katrina and Rita, while diminishing, continue to cause disruptions to the CLK's operations primarily through the difficulty in obtaining competent staff and drilling equipment. The long anticipated deep drilling program in Bayou Choctaw has been suspended pending a restructure of CLK.

Oil prices are as high as \$US100.00 per barrel and gas prices in Louisiana are over \$US 8.00 per MCF. While some softening of oil prices is expected, especially if the US economy recovers, there is reason to believe that prices will continue above US\$75 per barrel in the foreseeable future. When Icon negotiated the Bayou Choctaw lease, oil was priced at \$US12.00 per barrel and gas at \$1.90. The potential of this field still presents excellent value opportunities for Icon Energy Ltd with the new farm-in negotiations centred on three to four wells to be drilled on the brightest prospects. Subject to the completion of these negotiations, drilling is not expected to commence before 2009.

We advise that our joint venture partner has advanced negotiations for the refinancing and restructuring of their operations. The directors believe the Bayou Choctaw leases provide excellent opportunities for value for the shareholders. However, until the joint venture partner resolves its restructuring and finance issues it is unclear when exploration will recommence. The company has advised our joint venture partners of our willingness to participate in all exploration operations necessary to continue production from our existing wells.

002060|ICON ENERGY LIMITED ABN 61 058 454 569 and its controlled entities**DIRECTORS' REPORT (continued)****Australian Operations**

The company has refocused its Australian operations in accordance with the mission and strategic objectives of the company. The strategic objectives are:

- Having successful exploration and appraisal activities to provide a solid foundation for future growth through achieving substantial coal seam gas reserves to meet the Australian and global demand for clean, efficient energy;
- Add annually, one to two exploration blocks to our portfolio of exploration blocks to achieve a minimum of 12 exploration blocks;
- Undertake pilot studies to prove gas reserves from "Prospective" to the "1P" and "2P" categories as a priority;
- To obtain farm-in partners with the capital and capabilities to bring the company's reserves through to full-scale gas and oil production;
- To maintain operating control of exploration fields until reserves are proven so as to maximize the value of the fields to shareholders;
- Develop the business case for each tenement to bring proven reserves into commercial production;
- To undertake exploration and development activities that have the highest probability of success in both gas and oil plays;
- To provide employees with a working environment that incentivises employees and encourages innovation and initiative so that employees become self-motivated in achieving the company's objectives;
- Achieve responsible development where the environment is returned to its original/natural setting post exploration and development.

Icon Energy Limited sold to Santos Ltd its remaining interests in ATP 765P and 766P for a consideration of \$4,500,000 plus interest. This funding was used to advance the company's exploration and acquisition program during 2007.

ATP 626

ATP 626P is Icon's prime asset located in the Surat Basin in Queensland. Having completed three (3) gas-exploration wells on ATP 626P, Icon energy has prospective reserves of 0.9 to 1.25 TCF of recoverable gas. This is the energy equivalent in oil of 160 to 225 million barrels of oil. The testing program, for the three wells drilled in 2007, is expected to commence in May/June 2008 following delivery of pumping equipment from the USA and Canada. We are actively negotiating a farm-in arrangement for a staged exploration and appraisal drilling program to bring our indicated reserves to proven commercial status. Icon's working interest in ATP 626P is 100%.

EP 218

Icon farmed into this permit in October 2007 to earn a 33.3% working interest in the Mesozoic sedimentary section. Icon's obligation under this program is to fund 50% of 100 kms of seismic data and drill one well to test the hydrocarbon potential of the Jurassic and Triassic sediments. Seven structures/leads have been identified for drilling and there is a large structure in the western side of the block where there is potential to fund up to twenty million barrels of oil recoverable.

The block covers the South Australian side of the Nappamerl Trough that is the source "kitchen" for oil that is producing in the fields North and South of the block. Three petroleum licenses lie within the block and are not part of our interest. The Ballara to Moomba gas pipeline traverses the centre of the block.

Icon originally bid on this block when it was gazetted and the tender was awarded to Adelaide Energy, the present holder.

Icon's interest is 33.3% in the Mesozoic sedimentary section only.

ATP 849

This permit was won in the 2006 Queensland Government tender process and will be granted to Icon and its joint venture partners as soon as the Environmental Authority is issued. The area is prospective for a coal seam gas reservoir in the Walloon Coal Measures (WCM). These coals are found at shallow depths (up to 400m) over most of this very large permit (3,853 sq kms or approximately 1 million acres).

The area will be awarded for twelve years with \$5.2 million obligatory expenditure in the first four years. One third of the area must be relinquished at the end of each four years unless a production license is granted to produce gas. Icon is at an advanced stage for a farm-in agreement for this prospect.

Icon's interest in this permit is 80%.

ATP 855

This block is subject to Native Title claims. A four month advertising campaign commenced in November 2007. If no claimants come forward and register their claim within the advertising period then the permit will be awarded without Native Title Agreement. Otherwise, negotiations will commence with the claimants as a Right to Negotiate (RTN) process.

002060ICON ENERGY LIMITED ABN 61 058 454 569 and its controlled entities**DIRECTORS' REPORT (continued)****Financial position**

The company has expanded its operations with an increase in the executive and operational staff. Executive staff are employed on a contractual basis. The company's outlook for 2008 see the company in its strongest financial position for many years. The cash and cash equivalents balance at 31 December 2007 is \$1,462, 259 (2006, \$115,100). A farmin agreement on 626 that ensures the Company's cash position for the foreseeable future is expected to be finalised by the Annual General Meeting. In addition, further capital raisings will also be considered during 2008.

The Company will continue to pursue its strategic objectives for the purpose of increasing the value of the shareholders' investment. 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 Company.

Review of principal operations

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

		Interest % 2007	Interest % 2006
ATP 549P	Cooper Eromanga	33.33%	33.33%
ATP 594P	Cooper Eromanga	50.00%	50.00%
ATP 794 P	Cooper Eromanga Regleigh & Springfield Areas	60.00%	60.00%
ATP 794 P	Cooper Eromanga Brightspot area	75.00%	75.00%
ATP 626P	Surat	100.00%	50.00%
ATP 765	Cooper Eromanga	-	27.75%
ATP 766	Cooper Eromanga	-	27.75%
ATP 849P	Surat	80.00%	80.00%
ATP 855P	Cooper Eromanga	80.00%	80.00%
PEL 218	Cooper Eromanga	33.30%	-
ATP 560	Cooper Eromanga	50.50%	50.50%

Lease interests held in Bayou Choctaw area Louisiana USA

Victory	Louisiana	38.50%	38.50%
Victory	Louisiana	19.00%	19.00%
Wilbert's	Louisiana	13.20%	13.20%
Zig Zag	Louisiana	-	13.20%

Significant Changes In State of Affairs

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

Environmental Regulation

The consolidated 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

Since the end of the financial year the company has received full settlement on the sale of ATP 765 and ATP 766. A dispute with a drilling contractor over a claim for \$120,000 was settled for \$20,000. A dispute with our joint venture partner was also settled for US\$40,000 less than the outstanding liability in the financial report. No other disputes exist which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years.

Future Developments

The Directors intend to raise additional funding through farmin agreements and through the issue of additional shares.

At the writing of this report, negotiations have commenced for a significant farmin operation for ATP 626 and for farmin to other 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 company and consolidated entity.

002060ICON ENERGY LIMITED ABN 61 058 454 569 and its controlled entities**DIRECTORS' REPORT (continued)****Capital Raising**

In January 2007 the Company issued 10,000,000 fully paid ordinary shares at 5 cents per share in placements to a sophisticated investor. In April 2007 the Company issued 2,650,000 fully paid ordinary shares at 6 cents per share in placement to a sophisticated investor.

Information on Directors**MARTIN PYECROFT (CHAIRMAN)**

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

Experience: Has been involved in the petroleum industry for 50 years in Australia, Canada, USA and SE Asia. He came to Australia in 1969 as General Manager of the Crusader Group of Companies. He was Director of Crusader Limited from 1988-96, a Director of Allied Queensland Coalfields from 1986-1996 and Chairman from 1994-1996. He was president of Ausquacan Energy Limited, Canada from 1987-96, and CEO of Koala Smokeless Fuels, Ireland from 1992-96.

Special Duties: As well as being Chairman of the company, Martin is also Chairman of the Board's Remuneration Committee, and a member of the Audit and Risk Management Committee.

Interest in Shares: 2,000,000 ordinary shares

Director: Since 24/01/1997

RAYMOND SWINBURN JAMES (MANAGING DIRECTOR)

Qualifications: BSc (Physics Geology) University of NSW, FAICD

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

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, corporate advice and commercial leasing along with other general practice areas.

Special Duties: Stephen is Chairman of the Board's Audit and Risk Management Committee and is a member of the Remuneration Committee.

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 has more than twenty years of experience in the private and public sectors specialising in financial accounting, corporate control systems and security appraisal and valuation. He is currently an Associate Professor of Accounting at Bond University. He also holds the position of director of the School of Business Centre for Corporate Governance and is deputy chairman of the Senate of Bond University. Dr. McNamara is also on board of not-for-profit organisations and a number of private companies.

Interest in Shares: 50,000 ordinary shares

Director: Since 26/04/2007

002060ICON ENERGY LIMITED ABN 61 058 454 569 and its controlled entities**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"). As the Company is moving into the development of its gas reserves it is currently reviewing the SISOP plan and the examining the introduction of an Executive Performance Rights Plan.

Fixed remuneration

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

Service Agreements

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

A service agreement exist for the Managing Director Mr. R James. The remunerations committee is preparing a service agreement for the company secretary, Raymond McNamara, and for the Director of Business Development, Mr. John Quayle.

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

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

Mr. James 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.

Non-executive Directors' base fees for the year ended 31 December 2007 were \$81,070. Non-executive directors do not receive incentive based remuneration. There are no provisions for any retirement benefits other than statutory requirements.

Directors and Key Management Personnel Remuneration

2007	Short Term		Long Term		Portion of remuneration based on performance
	Salaries & Fees	Non-monetary Benefits	Total	Super-annuation	
Directors	\$	\$	\$	\$	\$
M Pyecroft	48,070	-	48,070	2,163	50,233
SM Barry	33,000	-	33,000	2,970	35,970
RS James	506,270	16,818	522,888	36,289	559,177
RP McNamara	83,600	3,890	87,490	7,650	95,140
	670,940	20,508	691,448	49,072	740,520
2006					
Directors					
M Pyecroft	44,000	-	44,000	-	44,000
SM Barry	31,500	-	31,500	-	31,500
RS James	400,253	38,143	438,396	31,579	469,975
Executives					
JB Cummins	112,804	7,704	120,508	8,316	128,824
	588,557	45,847	634,404	39,895	674,299

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	2,000,000	-
SM Barry	1,567,566	-
RS James	23,775,235	-
RP McNamara	50,000	-

Movements in the directors shareholdings during the year are detailed in Note 5(c). No options were exercised during the year.

002060ICON ENERGY LIMITED ABN 61 058 454 569 and its controlled entities**DIRECTORS' REPORT (continued)****Share options****Options granted to Directors and Key Management Personnel of the Company**

No options were issued or granted to Directors and Key Management Personnel of the company during the year.

Options held by Key Management Personnel**2007**

There were no options outstanding at 31 December 2007.

2006

RS James
JB Cummins

	Balance at 1.1.2006	Options exercised	Options granted	Balance at 31.12.2006
	3,900,000	(3,900,000)	-	-
	400,000	(400,000)	-	-
	<u>4,300,000</u>	<u>(4,300,000)</u>	<u>-</u>	<u>-</u>

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 for 5 days prior to exercising	20,000,000

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

MEETINGS OF DIRECTORS

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

	Directors Meetings		Audit and Risk Management Committee Meetings		Remuneration Committee Meetings	
	A	B	A	B	A	B
	M Pycroft	4	4	2	2	1
R S James	4	4	-	-	-	-
S M Barry	4	4	2	2	1	1
R P McNamara	4	4	-	-	-	-

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 company or consolidated 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 willful breach of duty in relation to the Company. The total premium expense for the period is was \$22,250.

Proceedings on Behalf of the Company

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

Non-audit services

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

Taxation services \$20,826

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*.

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DIRECTORS' REPORT (continued)

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

The lead auditor's independence declaration is set out on page 8 and forms part of the directors' report for the year ended 31 December 2007. WHK Horwath continues in office in accordance with Section 327 of the Corporations Act 2001.

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



CHAIRMAN

M Pyecroft
Chairman

Robina, 31 March 2008



R S James
Managing Director

Robina, 31 March 2008

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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 2007 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.

WHK Horwath

WHK HORWATH

RQ Cole

**RQ COLE
Principal**

Brisbane, 1 April 2008.

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.....*Total Financial Solutions*.....

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 A WHK Group firm



Horwath refers to Horwath Australasian Association, a Swiss entity
Each member of the Association is a separate and independent legal entity

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**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF ICON ENERGY LIMITED
Report on the Financial Report**

We have audited the accompanying financial report of Icon Energy Limited (the Company), which comprises the balance sheets as at 31 December 2007, and the income statements, statements of changes in equity and cash flow statements 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.

As permitted by the Corporations Regulations 2001, the Company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), as required by Australian Accounting Standard AASB 124 Related Party Disclosures, under the heading Remuneration Report on pages 5 - 6 of the Directors' report and not in the financial report. We have audited the remuneration disclosures on pages 5 - 6 of the Directors' report.

Directors' Responsibility for the Financial Report and the AASB 124 Remuneration Disclosures Contained in the Directors' Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal 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.

In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

The directors of the Company are responsible for the remuneration disclosures contained in the Directors' report.

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. Our responsibility is also to express an opinion on the remuneration disclosures contained in the Directors' report based on our audit.

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 judgment, 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 and the remuneration disclosures contained in the Directors' 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*, has been provided to the directors on the same date as the auditor's report.

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Total Financial Solutions



Horwath refers to Horwath International Association, a company which is a member of the Association's separate and independent legal entities.

Member Horwath International

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AUDIT OPINION

In our opinion

1 the financial report of Icon Energy Limited is in accordance with:

- (a) the financial report of Icon Energy Limited is in accordance with 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 2007 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

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

2 the remuneration disclosures that are contained on pages 5 to 6 of the directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures*.



WHK HORWATH



RQ COLE
Principal

Brisbane, 1 April 2008

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DIRECTORS' DECLARATION

The directors of the company declare that:

- 1 the financial statements and notes, as set out on pages 12 to 31, are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 31 December 2007 and of the performance for the year ended on that date of the company and consolidated entity;
- 2 The Managing Director and Chief Financial Officer have each declared that:
 - (a) The financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - (b) The financial statements and notes for the financial year comply with the Accounting Standards; and
 - (c) The financial statements and notes for the financial year give a true and fair view;
- 3 In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they come due and payables.

Dated at Brisbane on the 31st day of March 2007.

Signed in accordance with a resolution of the directors.



CHAIRMAN

M Pyecroft
Chairman

Robina, 31 March 2008

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INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

	NOTE	CONSOLIDATED ENTITY		PARENT ENTITY	
		2007	2006	2007	2006
		\$	\$	\$	\$
Revenue	2	386,897	188,149	-	-
Less: Cost of sales		(258,775)	(403,717)	-	-
Gross Profit/ Loss		128,122	(215,568)	-	-
Other income	2	4,620,054	64,033	4,606,958	9,177
Administration expenses		(1,155,516)	(847,070)	(1,122,418)	(803,654)
Depreciation and amortisation		(22,985)	(40,759)	(22,965)	(38,368)
Employee benefits and expenses		(168,101)	(268,779)	(168,101)	(268,779)
Occupancy expenses		(93,239)	(89,682)	(93,239)	(89,682)
Impairment of exploration expenditure		(97,657)	(44,250)	(55,806)	(44,250)
Finance costs		(12,154)	(8,851)	(12,154)	(8,851)
Profit (Loss) before income tax	3	3,198,544	(1,450,926)	3,132,275	(1,244,407)
Income tax expense	4	-	-	-	-
Profit (Loss) for the year		3,198,544	(1,450,926)	3,132,275	(1,244,407)
Basic earnings per share (cents per share)	17	1.14	(0.55)	-	-
Diluted earnings per share (cents per share)	17	1.12	(0.55)	-	-

The accompanying notes form part of these financial statements.

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BALANCE SHEET**AS AT 31 DECEMBER 2007**

	NOTE	CONSOLIDATED ENTITY		PARENT ENTITY	
		2007	2006	2007	2006
		\$	\$	\$	\$
CURRENT ASSETS					
Cash and cash equivalents	6	1,462,259	115,100	1,276,099	63,455
Trade and other receivables	7	685,370	-	11,019,798	7,692,197
Other current assets	8	30,223	30,884	18,072	18,457
TOTAL CURRENT ASSETS		2,177,852	145,884	12,313,969	7,774,109
NON-CURRENT ASSETS					
Property, plant, and equipment	9	218,082	83,193	218,092	78,936
Financial assets	10	-	-	-	-
Other non-current assets	11	8,188,848	5,938,512	2,466,524	2,486,487
TOTAL NON-CURRENT ASSETS		8,406,940	6,021,705	2,706,616	2,965,423
TOTAL ASSETS		10,584,792	6,167,689	15,020,585	10,339,532
CURRENT LIABILITIES					
Trade and other payables	12	1,057,367	317,028	806,230	47,297
Short-term borrowings	13	32,619	10,280	32,619	10,280
Short-term provisions	14	153,619	166,126	153,619	166,126
TOTAL CURRENT LIABILITIES		1,243,605	493,434	992,468	223,703
NON-CURRENT LIABILITIES					
Long-term borrowings	13	168,490	55,477	168,490	55,477
Long-term provisions	14	81,284	73,284	81,284	73,284
TOTAL NON-CURRENT LIABILITIES		249,774	128,761	249,774	128,761
TOTAL LIABILITIES		1,493,379	622,195	1,242,242	352,464
NET ASSETS		9,091,413	5,545,494	13,778,343	9,987,068
EQUITY					
Issued capital	15	26,351,737	25,692,737	26,351,737	25,692,737
Reserves	16	(2,841,528)	(2,529,903)	-	-
Accumulated losses		(14,418,796)	(17,617,340)	(12,573,394)	(15,705,669)
TOTAL EQUITY		9,091,413	5,545,494	13,778,343	9,987,068

The accompanying notes form part of these financial statements.

002060ICON ENERGY LIMITED ABN 61 058 454 569 and its controlled entities

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2007

CONSOLIDATED ENTITY	Ordinary Share Capital \$	Foreign Exchange Reserve \$	Accumulated Losses \$	Total \$
Balance at 1 January 2006	24,262,537	(2,271,058)	(16,166,414)	5,825,065
Shares issued	1,430,200	-	-	1,430,200
Profit/(Loss) for the year	-	-	(1,450,926)	(1,450,926)
Restatement of functional currency	-	(258,845)	-	(258,845)
Balance at 31 December 2006	25,692,737	(2,529,903)	(17,617,340)	5,545,494
Shares issued	659,000	-	-	659,000
Profit/(Loss) for the year	-	-	3,198,544	3,198,544
Restatement of functional currency	-	(311,625)	-	(311,625)
Balance at 31 December 2007	26,351,737	(2,841,528)	(14,418,796)	9,091,413
PARENT ENTITY				
Balance at 1 January 2006	24,262,537	-	(14,461,262)	9,801,275
Shares issued	1,430,200	-	-	1,430,200
Profit/(Loss) for the year	-	-	(1,244,407)	(1,244,407)
Balance at 31 December 2006	25,692,737	-	(15,705,669)	9,987,068
Shares issued	659,000	-	-	659,000
Profit/(Loss) for the year	-	-	3,132,275	3,132,275
Balance at 31 December 2007	26,351,737	-	(12,573,394)	13,778,343

The accompanying notes form part of these financial statements.

002060ICON ENERGY LIMITED ABN 61 058 454 569 and its controlled entities

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

	NOTE	CONSOLIDATED ENTITY		PARENT ENTITY	
		2007	2006	2007	2006
		\$	\$	\$	\$
		Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers		11,011	243,569	-	7,031
Cash payments to suppliers and employees		(1,608,493)	(1,321,057)	(1,467,237)	(1,090,532)
Interest received		110,243	15,643	107,758	9,177
Finance costs		(12,154)	(8,851)	(12,154)	(8,851)
Net Cash used in operating activities	16a	(1,499,393)	(1,070,696)	(1,371,633)	(1,083,175)
CASH FLOWS FROM INVESTMENT ACTIVITIES					
Payments for property, plant & equipment		(168,473)	(5,679)	(168,473)	(5,679)
Payments for deferred mining and exploration		(1,835,558)	(63,688)	(58,649)	(63,688)
Proceeds from sale of non-current assets		6,231	-	6,000	-
Proceeds from sale of mining leases		4,050,000	-	4,050,000	-
Loans advanced to related parties		-	-	(2,038,959)	-
Net Cash provided by/(used in) investment activities		2,052,200	(69,367)	1,789,925	(69,367)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of share capital		659,000	1,175,230	659,000	1,175,230
Proceeds from borrowings		141,548	50,000	141,548	50,000
Repayment of borrowings		(6,196)	(119,904)	(6,196)	(131,063)
Net cash from finance activities		794,352	1,105,326	794,352	1,094,167
Net increase (decrease) in cash and cash equivalents		1,347,159	(34,737)	1,212,644	(58,375)
Cash and cash equivalents at beginning of the financial year		115,100	149,637	63,455	121,830
Cash and cash equivalents at the end of the financial year	6	1,462,259	115,100	1,276,099	63,455

The accompanying notes form part of these financial statements.

002060ICON ENERGY LIMITED ABN 61 058 454 569 and its controlled entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

NOTE 1 - 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 consolidated entity. Icon Energy Limited is a listed public company, 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, which ensures that the financial report complies with International Financial Reporting Standards.

The financial report was authorised for issue by the Board of Directors on 31 March 2008.

The following is a summary of the material accounting policies adopted by the consolidated 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 21 to the accounts. All controlled entities have a December financial year end.

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

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

(b) Income Tax

The charge for current income tax expense is based on the profit/(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 consolidated 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.

002060ICON ENERGY LIMITED ABN 61 058 454 569 and its controlled entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

NOTE 1 - 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%

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 consolidated 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 consolidated 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.

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

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

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

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

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

002060ICON ENERGY LIMITED ABN 61 058 454 569 and its controlled entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

NOTE 1 - STATEMENT OF ACCOUNTING POLICIES (Continued)

(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.

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

(g) Interests in Joint Ventures

The consolidated entity's share of the assets, liabilities, revenue and expenses of joint venture operations are included in the respective items of the consolidated 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 financial 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).

(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.

002060ICON ENERGY LIMITED ABN 61 058 454 569 and its controlled entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

NOTE 1 - STATEMENT OF ACCOUNTING POLICIES (Continued)

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

(g) Impairment of Assets

At each reporting date, the consolidated entity 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 consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

002060ICON ENERGY LIMITED ABN 61 058 454 569 and its controlled entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**NOTE 1 - STATEMENT OF ACCOUNTING POLICIES (Continued)****(r) Foreign Currency Transactions and Balances****Functional and presentation currency**

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

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

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

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2007	2006	2007	2006
	\$	\$	\$	\$
NOTE 2 - REVENUE				
REVENUE				
Sales - Oil	386,897	188,149	-	-
	386,897	188,149	-	-
OTHER INCOME				
Interest received				
- Other corporations	110,243	15,643	107,758	9,177
Royalties Received	10,611	11,120	-	-
Gain on disposal of mining leases	4,499,200	-	4,499,200	-
Sundry Income	-	97,270	-	-
	4,620,054	64,033	4,606,958	9,177
TOTAL REVENUE	5,006,951	252,182	4,606,958	9,177
NOTE 3 - PROFIT/(LOSS) BEFORE INCOME TAX				
Profit/(Loss) before Income tax has been determined after:				
OTHER EXPENSES				
Remuneration of parent entity auditors				
- Audit or review of financial report	43,150	24,925	43,150	24,925
- Taxation services	20,826	10,118	10,638	10,118
	63,976	35,043	53,788	35,043
Amounts set aside to provision for:				
- Employee entitlements	31,000	79,607	31,000	79,607
Rental expense relating to operating leases				
- Minimum lease payments	93,239	89,682	93,239	89,682
Loss on disposal of non-current assets	4,378	-	352	-
Foreign exchange losses	17,985	-	17,985	-

002060ICON ENERGY LIMITED ABN 61 058 454 569 and its controlled entities

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2007	2006	2007	2006
	\$		\$	
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% (2006: 30%)	959,563	(435,276)	939,683	(373,322)
Increase/(decrease) in income tax expense due to:				
Non Deductible Expenses	16,312	12,728	18,312	26,003
Deductible mining and exploration expenditure	(803,586)	-	(17,255)	-
Effect of differences in foreign tax rates	(16,216)	-	-	-
Deferred tax benefits not brought to account/(Recoupment of prior year tax losses not previously brought into account)	(158,073)	422,550	(940,740)	347,319
Income Tax Attributable to Profit/(loss) before tax	-	-	-	-

Deferred Tax Assets not brought to account, the benefits of which will only be realised if the conditions for deductibility of tax losses set out in Note 1 occur based on corporate tax rate of 30% (2006: 30%) for Australian companies and the effective tax rate of 6.47% for foreign controlled entities:

Tax losses	20,795,910	21,355,156	15,242,645	18,356,936
Potential tax benefit	5,790,353	5,957,161	4,572,793	5,507,081
Temporary differences				
Provisions	234,903	256,410	234,903	256,410
Potential tax benefit	70,471	76,923	70,471	76,923
Total deferred tax benefits not brought to account	5,860,824	6,034,084	4,643,264	5,584,004

NOTE 5 - KEY MANAGEMENT PERSONNEL REMUNERATION

(a) Names and positions held of parent entity key management personnel in office at any time during the financial year are:

Directors	
M Pyecroft	Chairman
SM Barry	Non-executive Director
Ray McNamara	Executive Director/Company Secretary
RS James	Managing Director

(b) Options

Number of Options Held by Key Management Personnel are as follows:

2007	Balance			Net Change Other	Balance 31.12.07
	1.01.2007	Purchases	Options Exercised		
Directors					
M Pyecroft	-	-	-	-	-
SM Barry	-	-	-	-	-
RS James	-	-	-	-	-
Ray McNamara	-	-	-	-	-
Total	-	-	-	-	-
2006	Balance			Net Change Other	Balance 31.12.2006
	1.01.2006	Purchases	Options Exercised		
Directors					
M Pyecroft	-	-	-	-	-
SM Barry	-	-	-	-	-
RS James	3,900,000	-	3,900,000	-	-
Executives					
JB Cummins	400,000	-	400,000	-	-
Total	4,300,000	-	4,300,000	-	-

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**NOTE 5 - KEY MANAGEMENT PERSONNEL REMUNERATION (continued)****(c) Shareholdings**

Number of shares held by Key Management Personnel

2007	Balance				Balance
	1.1.2007	Purchases	Options Exercised	Sold	31.12.2007
Directors					
M Pyecroft	1,600,000	400,000	-	-	2,000,000
SM Barry	1,567,566	-	-	-	1,567,566
RS James	23,775,235	-	-	-	23,775,235
Ray McNamara	-	50,000	-	-	50,000
	26,942,801	450,000	-	-	27,392,801
2006	Balance				Balance
	1.1.2006	Purchases	Options Exercised	Sold	31.12.2006
Directors					
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
Executives					
J Cummins	-	-	400,000	-	400,000
	23,387,801	-	4,300,000	(345,000)	27,342,801

CONSOLIDATED ENTITY		PARENT ENTITY	
2007	2006	2007	2006
\$	\$	\$	\$

(d) Transactions with Directors and Director Related Entities

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

	24,070	26,040	24,070	26,040
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All services provided by the director-related entities were at normal commercial terms and conditions.

NOTE 6 - CASH AND CASH EQUIVALENTS

Cash on hand	657	757	450	550
Cash at Bank	1,461,602	114,343	1,275,649	62,905
	1,462,259	115,100	1,276,099	63,455

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	1,462,259	115,100	1,276,099	63,455
Bank overdraft	-	-	-	-
Balance as per Cash Flow Statement	1,462,259	115,100	1,276,099	63,455

NOTE 7 - TRADE AND OTHER RECEIVABLES

Trade receivables	450,000	-	450,000	-
Other receivables	235,370	-	136,324	-
Amounts receivable from wholly owned subsidiaries:				
- Jakabar Pty Ltd	-	-	5,460	5,860
- Icon Drilling Pty Ltd	-	-	2,729,637	-
- Icon Oil US (LLC)	-	-	7,698,377	7,686,337
	685,370	-	11,019,798	7,692,197

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

NOTE 8 - OTHER CURRENT ASSETS

Performance guarantee bonds	30,223	30,499	18,072	18,072
Other current assets	-	385	-	385
	30,223	30,884	18,072	18,457

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**NOTE 9 - PROPERTY, PLANT, AND EQUIPMENT**

Plant and Equipment - at cost
less: accumulated depreciation

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2007	2006	2007	2006
	\$		\$	
Plant and Equipment - at cost	555,326	440,877	555,326	420,767
less: accumulated depreciation	(337,234)	(357,684)	(337,234)	(341,831)
	218,092	83,193	218,092	78,936
Plant and Equipment - under lease	154,571	154,571	154,571	154,571
less: accumulated amortisation	(154,571)	(154,571)	(154,571)	(154,571)
Total property, plant and equipment at written down value	218,092	83,193	218,092	78,936

Movements in carrying amounts

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

Consolidated Entity

Balance at the beginning of the year
Additions
Disposals
Depreciation
Balance at the end of the year

	Plant & Equipment		Total
	at cost	Equipment under lease	
Balance at the beginning of the year	83,193	-	83,193
Additions	168,473	-	168,473
Disposals	(10,609)	-	(10,609)
Depreciation	(22,965)	-	(22,965)
Balance at the end of the year	218,092	-	218,092

A charge exists over three items of plant and equipment as part of a hire purchase finance arrangements. The book value of these assets was \$180,152 as at 31 December 2007 (2006: \$49,775)

Parent Entity

Balance at the beginning of the year
Additions
Disposals
Depreciation
Balance at the end of the year

	Plant & Equipment		Total
	at cost	Equipment under lease	
Balance at the beginning of the year	78,936	-	78,936
Additions	168,473	-	168,473
Disposals	(6,352)	-	(6,352)
Depreciation	(22,965)	-	(22,965)
Balance at the end of the year	218,092	-	218,092

A charge exists over three items of plant and equipment as part of a hire purchase finance arrangements. The book value of these assets was \$180,152 as at 31 December 2007 (2006: \$49,775)

NOTE 10 - OTHER FINANCIAL ASSETS

Shares in Unlisted Companies - at cost
Provision for diminution in value

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2007	2006	2007	2006
	\$	\$	\$	\$
Shares in Unlisted Companies - at cost	-	-	976,426	976,426
Provision for diminution in value	-	-	(976,426)	(976,426)

NOTE 11 - OTHER NON-CURRENT ASSETS

Exploration and Evaluation Expenditure at cost

	8,188,848	5,938,512	2,488,524	2,486,487
	8,188,848	5,938,512	2,488,524	2,486,487

In assessing the recoverability of exploration and evaluation expenditure in the financial report, the directors have considered the impacts of relationships with joint venture operators, future funding arrangements and planned future expenditure in relation to mining leases held

NOTE 12 - TRADE AND OTHER PAYABLES**Current**

Trade and sundry payables

	1,057,367	317,028	806,230	47,297
	1,057,367	317,028	806,230	47,297

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2007	2006	2007	2006
	\$	\$	\$	\$
NOTE 13 - BORROWINGS				
Secured				
Current				
Hire purchase liabilities	32,619	10,280	32,619	10,280
	32,619	10,280	32,619	10,280
Non Current				
Hire purchase liability	168,490	55,477	168,490	55,477
	168,490	55,477	168,490	55,477
	201,109	65,757	201,109	65,757

The Hire purchase liabilities are secured by motor vehicles with a book value of \$180,152 as at 31 December, 2007, are subject to interest rates between 7.95% and 8.35% and repayable in monthly instalments of \$4,057.23, including finance charges.

NOTE 14 - PROVISIONS

Current				
Employee entitlements	153,619	166,126	153,619	166,126
	153,619	166,126	153,619	166,126
Non Current				
Employee entitlements	81,284	73,284	81,284	73,284
	81,284	73,284	81,284	73,284
	234,903	239,410	234,903	239,410
Number of employees at year end	3	2	3	2

NOTE 15 - ISSUED CAPITAL*Share Capital*

Issued share capital 282,496,906 (31 December 2006: 269,846,906) fully paid, no par value ordinary shares

	31 December 2007		31 December 2006	
	Number of shares	\$	Number of shares	\$
Fully Paid Shares				
Balance at beginning of the year	269,846,906	25,692,737	249,046,906	24,262,537
Shares issued:				
- January 2006 - Options exercised	-	-	4,300,000	364,200
- January 2007 - Shares issued for cash	10,000,000	500,000	-	-
- April 2007 - Shares issued for cash	2,650,000	159,000	-	-
- May 2006 - Shares issued for cash	-	-	6,500,000	390,000
- July 2006 - Shares issued for cash	-	-	10,000,000	676,000
	-	-	-	-
Balance at the end of the year	282,496,906	26,351,737	269,846,906	25,692,737

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	
	31 December 2007	31 December 2006
Options		
Balance at beginning of the year	20,000,000	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	20,000,000

Terms and conditions for the options are as follows:

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**NOTE 16 - FOREIGN CURRENCY TRANSLATION RESERVE**

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

NOTE 17 - EARNINGS PER SHARE

	CONSOLIDATED ENTITY	
	2007	2006
	\$	\$
(a) Reconciliation of Earnings to Net Profit or Loss		
Net Profit/(Loss)	3,198,544	(1,450,926)
Earnings used in the calculation of basic EPS	3,198,544	(1,450,926)
Notional interest on proceeds on converting options	-	-
Earnings used in the calculation of dilutive EPS	3,198,544	(1,450,926)
(b) Weighted average number of ordinary shares outstanding during the year used in the calculation of basic EPS.	281,435,536	261,919,235
Weighted average number of options outstanding	5,333,333	3,901,370
Weighted average number of ordinary shares outstanding during the year used in the calculation of dilutive EPS.	286,768,869	265,820,605

	CONSOLIDATED ENTITY	
	2007	2006
	No	No
(c) Classification of Securities		
The following securities have been classified as potential ordinary shares and are included in determination of dilutive EPS:		
Listed options	20,000,000	20,000,000
(d) Weighted average number of converted and lapsed options included in	-	155,151

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2007	2006	2007	2006
	\$	\$	\$	\$
NOTE 18 - CASH FLOW INFORMATION				
(a) Reconciliation of net cash from operating activities to Profit/(loss) after income tax				
Profit/(loss) after income tax	3,198,544	(1,450,926)	3,132,275	(1,244,407)
Adjustment for non cash items				
Depreciation	22,965	40,759	22,965	38,368
Exploration expenditure written off	97,657	44,250	55,806	44,250
Currency Movements	19,327	11,541	-	-
Profit on sale of assets	(4,494,822)	-	(4,498,848)	-
Adjustment for changes in assets and liabilities				
(Increase)/decrease in:				
Trade debtors	(234,985)	7,031	(20,360)	7,031
Other assets	661	(7,990)	385	(8,227)
Increase/(decrease) in:				
Accounts payable	(104,233)	214,846	(59,349)	10,017
Employee provisions	(4,507)	69,793	(4,507)	69,793
Net cash from operating activities	(1,499,393)	(1,070,696)	(1,371,633)	(1,083,175)
(b) Non-cash financing activities				
Directors loan applied against the exercise of options	-	239,520	-	239,520
Executive's Annual leave applied against the exercise of options	-	15,450	-	15,450

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**NOTE 19 - CAPITAL AND LEASING COMMITMENTS**

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2007	2006	2007	2006
	\$	\$	\$	\$
Finance Lease Commitments				
Finance lease commitments payable:				
- not later than one year	48,687	15,038	48,687	15,038
- later than one year but not later than five years	182,223	63,010	182,223	63,010
Minimum lease payments	230,910	78,048	230,910	78,048
Less: future finance charges				
- not later than one year	(16,068)	(3,978)	(16,068)	(3,978)
- later than one year but not later than five years	(13,733)	(8,313)	(13,733)	(8,313)
Total Finance Lease Liability	201,109	65,757	201,109	65,757
Present value of minimum lease payments				
- not more than one year	32,619	10,280	32,619	10,280
- later than one year	168,490	55,477	168,490	55,477
	201,109	65,757	201,109	65,757
Current liabilities (Note 13)	32,619	10,280	32,619	10,280
Non-current liabilities (Note 13)	168,490	55,477	168,490	55,477
	201,109	65,757	201,109	65,757

The Hire purchase liabilities are secured by motor vehicles with a book value of \$180,152 as at 31 December, 2007, are subject to interest rates between 7.95% and 8.35% and repayable in monthly instalments of \$4,057.23, including finance charges.

Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

- not later than one year	94,550	93,239	94,550	93,239
- later than one year but not later than five years	427,898	-	427,898	-
	522,448	93,239	522,448	93,239

The property lease is a non-cancellable lease with a five year term, payable monthly in advance. Contingent rental provisions require that minimum lease repayments be increased by 5% per annum. There is no option to renew.

NOTE 20 - JOINT VENTURES

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

Oil and Gas	Basin	Interest %	
		2007	2006
ATP 549P	Cooper Eromanga	33.33%	33.33%
ATP 594P	Cooper Eromanga	50.00%	50.00%
ATP 794 P	Eromanga Regleigh & Springfield Areas	60.00%	60.00%
ATP 794 P	Eromanga Brightspot area	75.00%	75.00%
ATP 626P	Surat	100.00%	50.00%
ATP765	Cooper Eromanga	-	27.75%
ATP766	Cooper Eromanga	0.00%	27.75%
ATP 849P	Surat	80.00%	80.00%
ATP 855P	Cooper Eromanga	80.00%	80.00%
PEL 218	Cooper Eromanga	33.30%	-
ATP 560	Cooper Eromanga	50.50%	50.50%

Lease interests held in Bayou Choctaw area Louisiana USA

Victory Financial (North)	Louisiana	38.50%	38.50%
Victory Financial (South)	Louisiana	19.00%	19.00%
Willbert's	Louisiana	13.20%	13.20%
Zig Zag	Louisiana	-	13.20%

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

	CONSOLIDATED ENTITY		PARENT ENTITY	
	2007	2006	2007	2006
	\$	\$	\$	\$
NON CURRENT ASSETS				
Exploration and evaluation expenditure at cost	4,396,833	4,760,025	1,317,612	1,308,000
Total Non Current Assets	4,396,833	4,760,025	1,317,612	1,308,000
Share of total assets in joint venture	4,396,833	4,760,025	1,317,612	1,308,000

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**NOTE 21 - CONTROLLED ENTITIES**

Parent entity:	Country of Incorporation	% Owned	
		2007	2006
Icon Energy Limited	Australia		
Subsidiaries of Icon Energy Limited:			
Jakebar Pty Ltd	Australia	100	100
Icon Drilling Pty Ltd	Australia	100	100
Icon Oil US (LLC)	USA	100	100

NOTE 22 - SEGMENT INFORMATION

The consolidated entity operates in the oil exploration and petroleum sector, predominantly within Queensland. The majority of its exploration activities are conducted in the Cooper/Eromanga and Surat Basins in Australia and the Bayou Choctaw area in Louisiana USA. Information by geographical 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 all resources within the corporate head office are applied to these exploration activities.

Primary Reporting-Geographical Segments	Australia		USA		consolidated entity	
	2007	2006	2007	2006	2007	2006
REVENUE						
External Sales	-	-	366,497	188,149	366,497	188,149
External - other	4,499,600	-	-	-	4,499,600	-
Royalty sales	-	-	10,611	11,121	10,611	11,121
Total segment revenues	4,499,600	-	397,108	199,270	4,896,708	199,270
Unallocated revenue	-	-	-	-	110,243	52,912
Total revenue					5,006,951	252,182
RESULT						
Segment Results	3,146,923	(1,229,014)	63,775	(213,061)	3,210,698	(1,442,075)
Finance costs					(12,154)	(8,651)
Loss before income tax					3,198,544	(1,450,926)
Income tax					-	-
Loss after income tax					3,198,544	(1,450,926)
ASSETS						
Segment Assets	7,476,625	2,678,259	3,107,967	3,489,430	10,584,792	6,167,699
Segment Liabilities	1,384,111	367,274	109,268	254,921	1,493,379	622,195
OTHER						
Acquisition of non-current segment assets	2,847,093	63,688	-	-	2,847,093	63,688
Depreciation and amortisation of segment assets	22,965	38,368	-	2,391	22,965	40,759

NOTE 23 - FINANCIAL INSTRUMENTS

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

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

The parent and consolidated entity do not have any derivative instruments at 31 December 2007.

Significant accounting policies

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

NOTE 23 - FINANCIAL INSTRUMENTS (CONTINUED)

Capital risk management

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

The capital structure of the parent and consolidated entity consists of cash and cash equivalents, finance lease liabilities and equity comprising issued capital, reserves and retained earnings as disclosed in notes 15 and 16 respectively.

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

The parent and consolidated entity's overall strategy remains unchanged from 2006.

Financial Risk Management

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

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

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

a Market Risk

Interest rate risk

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

Cash flow sensitivity analysis for variable rate instruments

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

At 31 December 2007, if the interest rates had increased / decreased by 0.5% from the period-end rates with all other variables held constant, post-tax profit for the year for the consolidated entity would have been \$4,531 higher / \$2,351 lower, mainly as a result of the consolidated entity's exposure to interest rates on its variable rate cash and cash equivalents.

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

At 31 December 2007, if the interest rates had increased / decreased by 0.5% from the period-end rates with all other variables held constant, post-tax profit for the year for the parent entity would have been \$4,531 higher / \$2,351 lower, mainly as a result of the lower/higher interest income earned on cash and cash equivalents.

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

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**NOTE 23 - FINANCIAL RISK MANAGEMENT (CONTINUED)****Consolidated Entity**

	Carrying amount	Carrying amount	-0.5%		+0.5%	
	31/12/2007	31/12/2006	Profit	Equity	Profit	Equity
2007	\$	\$	\$	\$	\$	\$
Financial assets						
Cash and cash equivalents	1,462,259	115,100	(2,351)	(2,351)	4,531	4,531
Trade receivables	450,000	-	-	-	-	-
Other receivables	235,370	-	-	-	-	-
Financial liabilities						
Accounts payable	1,057,967	317,028	-	-	-	-
Borrowings	201,108	65,757	-	-	-	-
Total increase / (decrease)			(2,351)	(2,351)	4,531	4,531

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

Parent Entity

	Carrying amount	Carrying amount	-0.5%		+0.5%	
	31/12/2007	31/12/2006	Profit	Equity	Profit	Equity
2007	\$	\$	\$	\$	\$	\$
Financial assets						
Cash and cash equivalents	1,276,099	63,455	(2,351)	(2,351)	4,531	4,531
Trade receivables	450,000	-	-	-	-	-
Other receivables	136,324	-	-	-	-	-
Financial liabilities						
Accounts payable	806,290	47,297	-	-	-	-
Borrowings	201,108	65,757	-	-	-	-
Total increase / (decrease)			(2,351)	(2,351)	4,531	4,531

Price risk

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

Foreign currency risk

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

b. Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the parent or consolidated entity. The consolidated entity enters into legally binding contracts and management monitors the progress of these contracts in accordance with contract values, as a means of mitigating the risk from financial loss. The parent and consolidated entity's significant receivable matured in November 2007 and was settled in February 2008 with interest as per the contract.

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

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

c. Liquidity risk

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

The parent and consolidated entity manage liquidity risk by monitoring forecast and actual cash flows, matching the maturity profiles of the financial assets and liabilities and entering into contracts in accordance with approved Authority for Expenditure. The parent and consolidated entity have no approved borrowing facilities other than the financial lease commitments detailed in Notes 13 and 19.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007**NOTE 23 - FINANCIAL RISK MANAGEMENT (CONTINUED)**

The parent and consolidated entity's liquidity risk relating to financial liabilities at 31 December 2007 is limited to the repayment of the finance lease commitments amounting to \$201,109 (per Notes 13 and 19) and trade payables. Trade payables are short-term in nature. The parent and consolidated entity do not finance exploration activities through debt.

d. Interest Rate Risk

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

Consolidate Entity	Weighted Average Interest Rate %	Floating Interest \$	Fixed Interest Rate Maturing		Non interest bearing \$	Total \$
			Within 1 year \$	1 to 5 years \$		
2007						
<i>Financial assets</i>						
Cash and cash equivalents	5.8%	1,461,602	-	-	657	1,462,259
Trade receivables	8.0%	-	450,000	-	-	450,000
Other receivables	-	-	-	-	235,370	235,370
		1,461,602	450,000	-	236,027	2,147,629
<i>Financial liabilities</i>						
Accounts payable	-	-	-	-	1,057,367	1,057,367
Borrowings	8.1%	-	32,619	168,490	-	201,109
		-	32,619	168,490	1,057,367	1,258,476
2008						
<i>Financial assets</i>						
Cash and cash equivalents	5.0%	114,343	-	-	757	115,100
		114,343	-	-	757	115,100
<i>Financial liabilities</i>						
Accounts payable	-	-	-	-	317,028	317,028
Borrowings	7.95%	-	10,280	55,477	-	65,757
		-	10,280	55,477	317,028	382,785
Parent Entity						
2007						
<i>Financial assets</i>						
Cash and cash equivalents	6.7%	1,275,649	-	-	450	1,276,099
Trade receivables	8.0%	-	450,000	-	-	450,000
Other receivables	-	-	-	-	136,324	136,324
		1,275,649	450,000	-	136,774	1,862,423
<i>Financial liabilities</i>						
Accounts payable	-	-	-	-	806,230	806,230
Borrowings	8.1%	-	32,619	168,490	-	201,109
		-	32,619	168,490	806,230	1,007,339
2008						
<i>Financial assets</i>						
Cash and cash equivalents	5.0%	62,905	-	-	550	63,455
		62,905	-	-	550	63,455
<i>Financial liabilities</i>						
Accounts payable	-	-	-	-	47,297	47,297
Borrowings	7.95%	-	10,280	55,477	-	65,757
		-	10,280	55,477	47,297	113,054

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

NOTE 23 - FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair value estimation

The carrying values less provision for impairment of financial assets and financial liabilities of the parent and consolidated entity, as stated in the Balance Sheet and accompanying explanatory notes at 31 December 2007, are a reasonable approximation of their fair values due to the short-term nature of the instruments.

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

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

These instruments represent the parent entity's investment in subsidiaries, as referred to in Note 10. The fair value of these financial instruments cannot be reliably estimated due to the absence of an active market. At the date of this financial report the parent entity has no intention to dispose of any of its interests in subsidiaries.

NOTE 24 - RELATED PARTY TRANSACTIONS

- Interests in subsidiaries are disclosed in note 21.
- Amounts receivable from wholly owned subsidiaries are disclosed in note 7. The loans to controlled entities are unsecured, interest free and payable on demand.
- Transactions with Directors and Director Related Entities are disclosed in note 5. All services provided by the director-related entities were at normal commercial terms and conditions.
- There were no other related party transactions during the year ended 31 December 2007 or 31 December 2006.

NOTE 25 - CONTINGENT LIABILITIES

At the date of the financial report, the consolidated entity was involved in a dispute with a drilling contractor over an amount payable to them of \$120,000. The dispute was settled in February 2008, for an amount of \$20,000.

NOTE 26 - CHANGES IN ACCOUNTING POLICIES

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2007 reporting periods. The consolidated entity's assessment of the impact of these new standards and interpretations is set out below:

- (i) AASB 2007-3 *Amendments to Australian Accounting Standards arising from AASB 8 (AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023, AASB 1038)* AASB 2007-3 is applicable to annual reporting periods beginning on or after 1 January 2008. The entity has not adopted the standard early. AASB 2007-3 consequentially amends a number of standards arising from the issue of AASB 8. These amendments result from the change of name to AASB 8. AASB 8 is a disclosure standard and will therefore have no impact on the entity's reported position and performance.
- (ii) AASB 2007-8 *Amendments to Australian Accounting Standards arising from AASB 101*. AASB 2007-8 is applicable to annual reporting periods beginning on or after 1 January 2009. The entity has not adopted the standard early. AASB 2007-8 consequentially amends a number of standards arising from the revision of AASB 101. This Amending Standard also changes the term 'general purpose financial report' to 'general purpose financial statements' and the term 'financial report' to 'financial statements' in application paragraphs, where relevant, of Australian Accounting Standards (including Interpretations) to better align with IFRS terminology. Revised AASB 101 introduces as a financial statement (formerly "primary" statement) the "statement of comprehensive income". The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by AASBs. The economic entity has not yet determined the potential effect of the revised standard on the disclosures in the financial report.
- (iii) Revised AASB 123 *Borrowing costs* are applicable to annual reporting periods beginning on or after 1 January 2009. The revised standard removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised standard is not expected to have any impact on the entity's financial report.
- (iv) AASB 8 *Operating Segments* is applicable to annual reporting periods beginning on or after 1 January 2009. The standard introduces the "management approach" to segment reporting and requires the disclosure of segment information based on the internal reports regularly reviewed by the board of directors in order to assess each segment's performance and to allocate resources to them. The standard is a disclosure standard, and is not expected to have any impact on the reported financial position and performance or the disclosures in the financial report. The standard has not been early adopted by the economic entity.

NOTE 27 - EVENTS AFTER BALANCE SHEET DATE

On 25 February 2008, the company received outstanding balance of \$475,250 from Santos. The payment of accumulated interest amounting to \$25,250 was included in the amount received as per the contract of sale.

The company also settled the disputed claims by a Joint Venture Partner at US\$48,000 less than the outstanding liability in the financial report.