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23 April 2009

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

Dear Sir

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



Ray McNamara
Icon Energy Limited

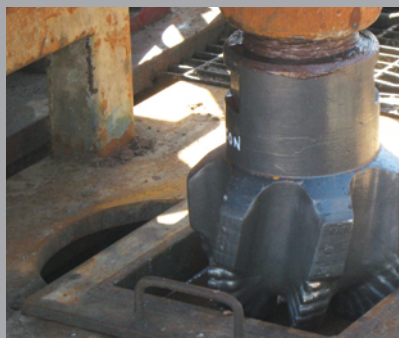


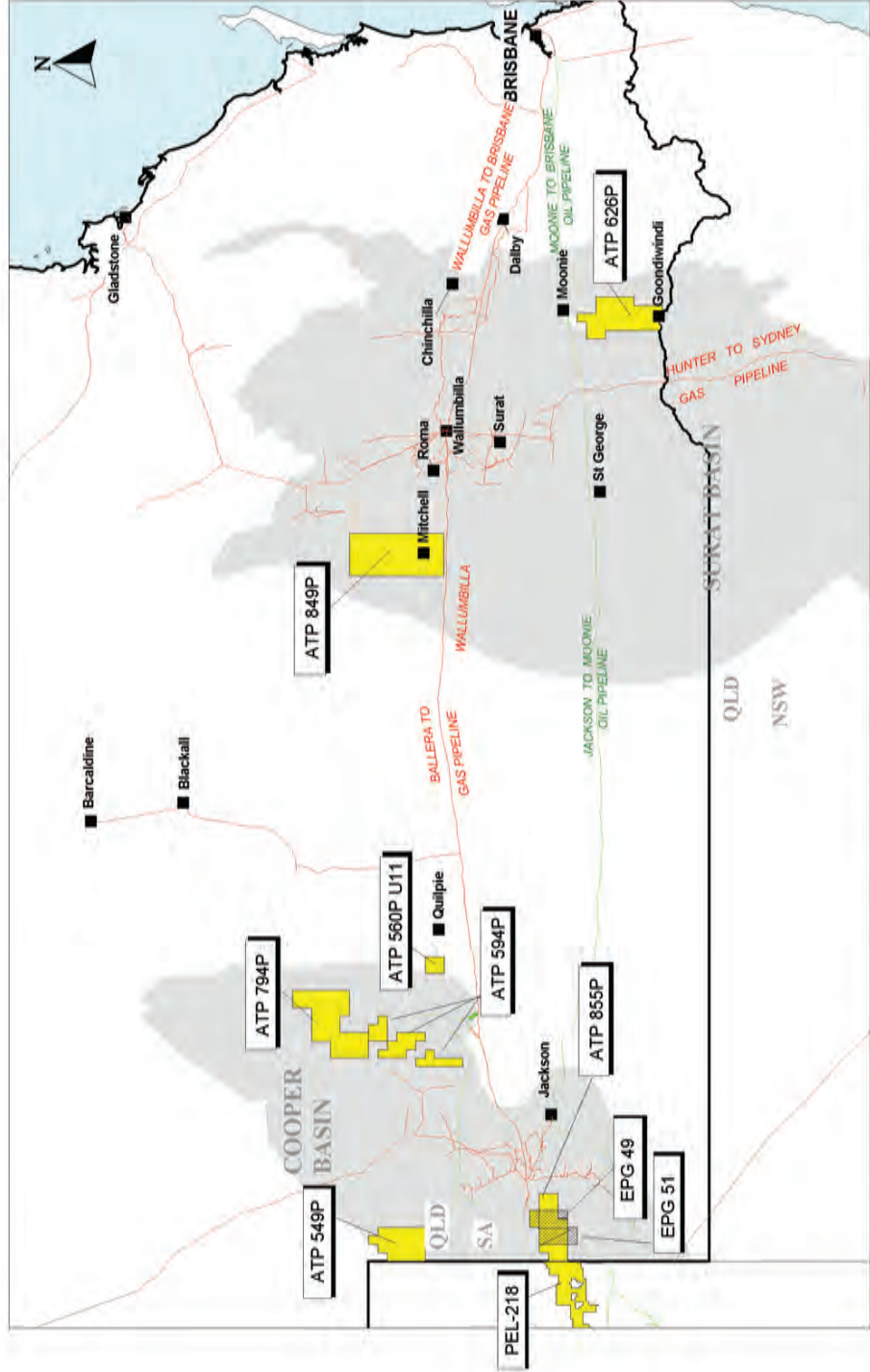
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ICON ENERGY LIMITED

Annual Report 2008





AUSTRALIAN EXPLORATION PORTFOLIO



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Strategic Objectives

The Company continues to focus its Australian operations in accordance with the 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 resources from "Prospective" to the "1P" and "2P" categories as a priority.
- To obtain farmin 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 maximise the value of the fields to 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.



Chairman's Report

I am pleased to present Icon's 12th Annual Report since we were first listed on the Australian Securities Exchange in 1997.

Icon has been seeking new Directors since the retirement of our former Chairman, Mr. Martin Pyecroft, in November 2008. We would like to thank Mr. Pyecroft for his loyalty and service since the Company listed on the ASX in 1997. Mr. Derek Murphy and Dr. Keith Hillless have recently been appointed to the Board and they bring considerable skills and experience to Icon in their specific areas of expertise.

During 2008, Icon recruited several new staff, located and contracted a drilling rig and raised sufficient funds to launch a new drilling program to follow up the coal seam gas discoveries made in 2007.

As part of Icon's program, it was necessary to secure a Gas Sales Agreement (GSA) with an off take customer in order to prove gas reserves. We engaged a gentleman with considerable promise and experience in this area and Icon subsequently signed an MOU with Babcock and Brown. This MOU was expected to lead to a GSA within a short time frame but ended when the full period of exclusivity expired on 30 October 2008 and was not renewed. Discussions began immediately to enter a new GSA and Farmin agreements and on 24 December 2008 an agreement was signed with Stanwell Corporation (Stanwell). Stanwell is owned by the Queensland Government but operates as a private company in the market place. Under the Stanwell agreements, Stanwell has the right to earn a 50% working interest in four graticular blocks within ATP 626P in the Surat Basin in Queensland after spending \$36 million dollars. Stanwell and Icon have signed a joint venture agreement over this area which requires us to prove minimum of 340 petajoules (PJ) of proven and probable (1P and 2P) gas reserves. The GSA agreement requires a delivery of 225 PJ of gas over a 15 year period to support a new base load gas fired power station in SE Queensland.

The agreements with Stanwell represent to Icon an excellent long term arrangement which will provide Icon with a steady income from 50% of gas sales when the power station comes on line in about four to five years. The GSA agreement allows Icon to book reserves as drilling progresses, as the classification of coal seam gas (CSG) requires that a market exists before reserves can be determined. Icon is pleased to be marketing gas for power generation in Queensland as this will directly benefit Australians in a market focused on LNG exports.

During the year Icon was selected as the preferred tenderer for two new geothermal exploration licences in the Cooper-Eromanga Basin. These areas coincide with ATP 855P and it is planned to conduct exploration for both oil, gas and geothermal energy in a single exploration program with considerable savings in the drilling costs. A well is planned in the second half of 2009 in ATP 218P providing Icon with exciting upside potential in this new area of South Australia. Icon's future is assured under its new agreements with a core coal seam gas development and exciting exploration upside potential.

I invite you to attend the Annual General Meeting on Thursday 28 May at 11.00 am at the Southport Yacht Club on the Gold Coast.

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

Stephen Barry
Chairman



Review of Operations

In 2008, Icon established itself as a player in the CSG market, following the successful drilling of three wells in 2007. Icon was able to establish that the coals beneath ATP 626P had the potential to contain 5.4 TCF (5,400 PJ) of gas initially in place (GIIP). An independent report of the resource indicated a most likely ultimate recoverable resource of up to 2.05 TCF (2,050 PJ). This resource is not a proven reserve.

Icon plans to conduct a drilling program aimed at testing the flow of gas to establish commercial gas reserves of proven (1P) and probable (2P) and possible (3P), under various agreements signed with Stanwell. Under the GSA, Icon must establish 340 PJ (0.340 TCF) of gas reserves, to confirm the supply of 225 PJ over 15 years to fire a gas base load power station in SE Queensland in four to five years time. Under the Farmin and Joint Operating Agreements Stanwell will fund a drilling and testing program at a cost of \$36 million in the Lydia Block in ATP 626P. Stanwell have staged this appraisal program by paying \$6 million for the initial drilling and testing of Lydia wells LP-2, LP-3, LP-4. A further \$30 million will be committed following success in the initial program. At the conclusion of this program, Stanwell will have earned a 50% interest in the 4 Lydia blocks (see map of ATP 626P) and Icon's interest will be 50% in this area. In this particular program, Icon has diluted working interest via a farmin agreement which raised significant drilling and development funds without diluting shareholders funds. Future capital raisings will consist of a mixture of fund raising methods and these will be timed as appropriate for the obligations under our block commitments to the Government. With hundreds of wells needed to prove up the reserves and these wells costing up to \$1 million dollars each, it is clear that further funds must be invested by Icon and there are limits to the quality and quantity of funding sources.

Icon has the view that the best value for shareholders will be delivered by long term investment strategies which add real value to Icon's triple bottom line. We must frequently conduct operations that cost extra money but are the correct action to protect our environment and we have an obligation to deliver gas to Australians at competitive prices. It is irresponsible to look only to LNG exports markets when excellent marketing opportunities exist for investment in projects in Australia. This does not mean that Icon will not sell gas to LNG export but only that other opportunities exist in our local market for gas. Icon's share price should grow as 2P gas reserves are announced as has been the experience of the larger companies whose CSG assets are only valued on 1P, 2P and 3P reserves.

ATP 626P

Icon is pleased to have Stanwell as a joint venturer in the Lydia Block in this permit. The funding to be introduced to the project achieves several major advantages to Icon shareholders, viz:

- \$36 million of risk capital
- A quality joint venture partner
- A gas sales agreement
- The majority of the permit still 100% owned by Icon Energy

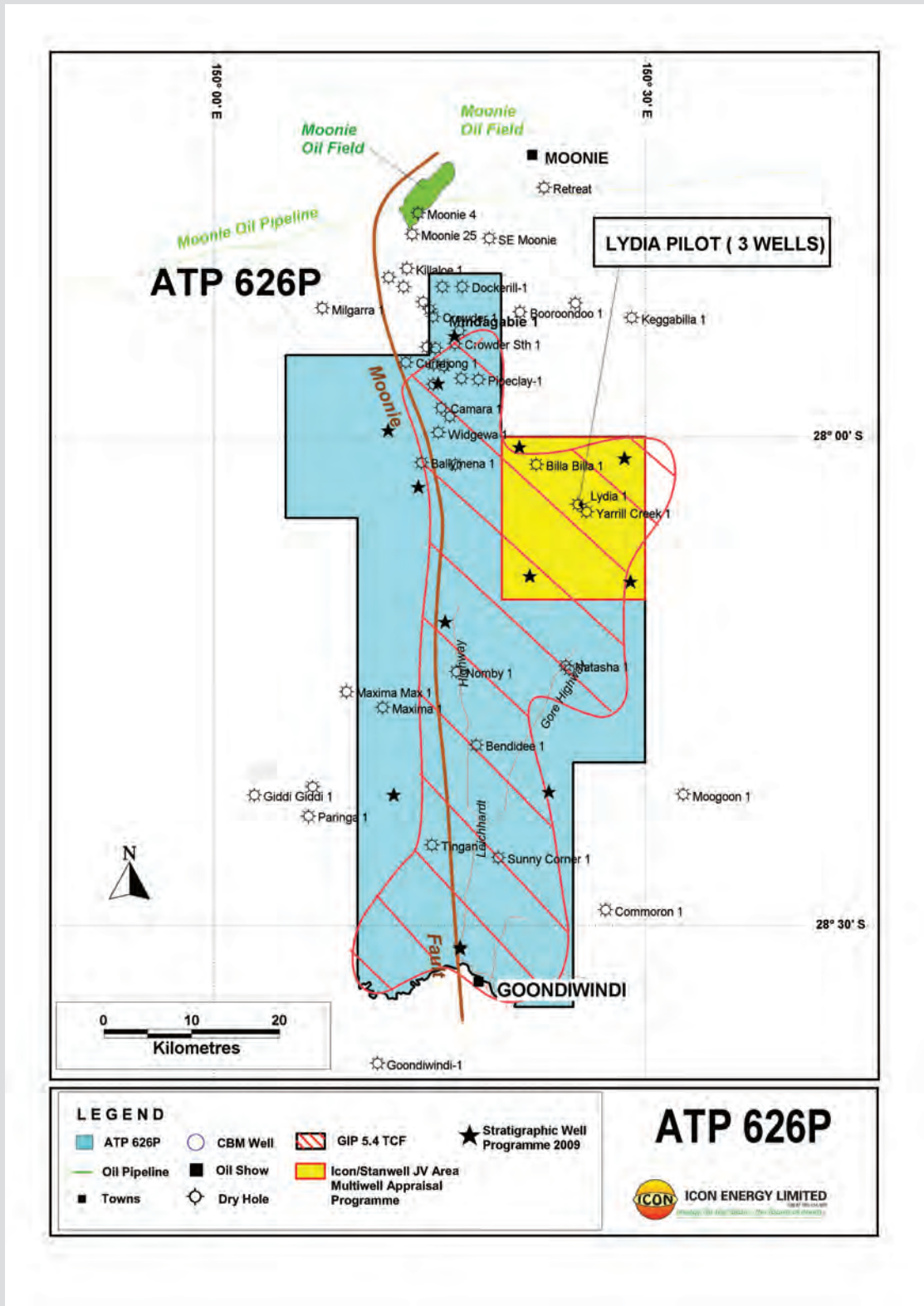
The Farmin by Stanwell is staged with the first of three new wells drilled as a pilot program around the Lydia No.1 well. At the time this report went to press Lydia LP4 had reached a total depth of 803 metres and showed excellent gas saturations over the coals penetrated with gas readings ranging from 40 units to 75 units against a background gas reading of up to two to nine units.

When all three new wells are completed and Lydia No.1 is completed as a monitoring well, the wells will be placed on pump to remove the water from the well bore and determine gas flow rates. Gas flow rates do not usually reach commercial rates for some time and the build-up of production gas will be reported on a regular basis. A new storage holding pond is under construction to take the water produced from the Lydia Pilot.

Netherland Sewell and Associates Inc have been engaged to independently estimate and certify the gas reserves as they are proven. These numbers will also be regularly released to the market.



Review of Operations (CONTINUED)





A new drilling program in the permit outside the Lydia Farmin Block is planned but not yet fully funded. This new program will require a new drilling rig as the current Ancon drilling rig might not be available. This takes time and a new contract for drilling cannot be signed until the program is fully funded and the new rig certified for the work to meet Icon's stringent safety and environmental management policies.

The coal seam gas resource identified in ATP 626P has been determined utilising 54 previously drilled wells. Some of these wells were drilled the 1960s when technology was not as advanced as it is now, but they have been very useful in outlining the distribution of the Jurassic Walloon Coal Measures throughout the permit. The reserves in the permit have not been determined at this point. What has been determined and reported is the estimated size of the gas in place which is classified as a resource. The resource is estimated at 5.4 TCF (5400PG) Gas Initially In Place (GIIP).

Under the GSA signed with Stanwell, Icon is required to prove up gas reserves of 340 PJ of 2P reserves in order to satisfy the delivery of 225 PJ of gas over a period of 15 years. After Stanwell satisfies the terms of the Farmin Agreement, Icon will have a working interest of 50% and Stanwell 50% in the total gas reserves proven and produced from the Lydia Block. Icon will therefore sell 50% of its reserves under the GSA or 112.5 PJ of sales gas. Any other gas produced will be sold under the joint venture agreement but outside the GSA at market prices to be negotiated at the time. Our preliminary estimates and forecasts for ultimate reserves numbers indicate that 340 PJ can be met comfortably from the four Lydia Blocks. Should the reserves fall short of what is required under the GSA then the agreement entitles Stanwell to receive additional working interest outside the Lydia Blocks to enable these target reserves to be reached.

As soon as the first Lydia Pilot is completed and tested, Icon will deliver a final report to enable Stanwell to assess the results before committing to the final program. Stanwell will then pay to Icon the balance of \$30 million for the development of the Lydia Block to certify the final reserves. When 340 PJ of 2P reserves are certified, Stanwell have a limited period to commit to final development and construction of a pipeline and power station. Icon has rights to participate 50-50 with Stanwell in the pipeline but have no involvement in the power station. The pipeline is necessary for the joint venture to deliver gas to the power station. At the time this report went to press, a proposal to build a pipeline through ATP 626P from Queensland to NSW was being planned. If this pipeline was constructed the need of another pipeline to transport gas to market would not be required.

ATP 849P (Mitchell Block)

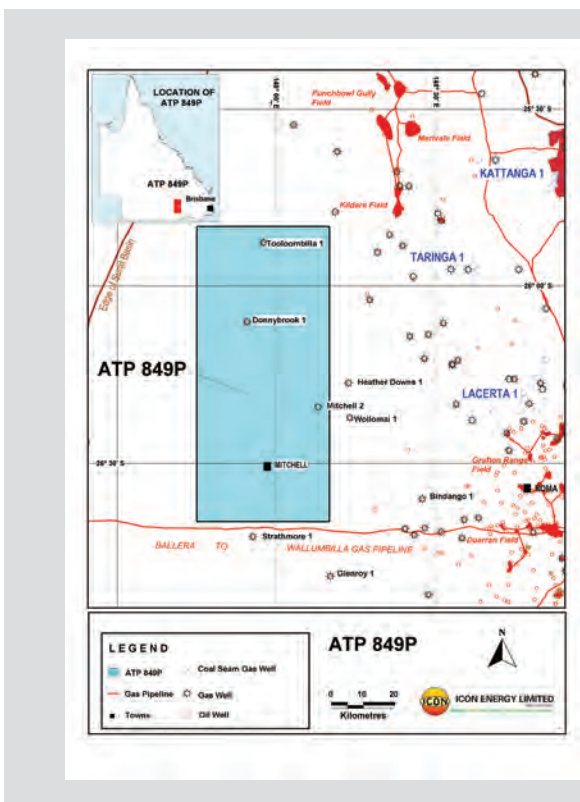
This permit has not yet been granted to Icon and its partners.

Ministerial grant cannot occur until an Environmental Authority (EA) has been negotiated and issued to Icon as the Operator for the permit.

The permit is large at nearly 3,854 square kilometres and is prospective for coal seam gas. It lies west of the Lacerta CSG field. There is only one useful well in the whole permit and a stratigraphic drilling program and seismic data needs to be acquired to determine how prospective the coals might be. A very preliminary estimate of GIIP is about 500 PJ as the coals are thinner in this area.

Icon plans to drill two test holes and gather some seismic data in the near future.

Icon's working interest in the permit is 80% and is the Operator.





Review of Operations (CONTINUED)

ATP 855P (Coopers Creek Block)

This permit has not yet been awarded to Icon and its partners. Before grant, a Right to Negotiate (RTN) process is required to be conducted with the registered Native Title claimants; the Wangkamurra people.

Icon has already gone through the advertising period of four months with the assistance of the Queensland Government's Native Title Department. We are presently trying to arrange a meeting to suit all people to begin the RTN process face to face with the Wangkamurra representatives. This is a costly process and difficult to arrange to bring everyone together in one place. We expect to have the first meeting within the next two months.

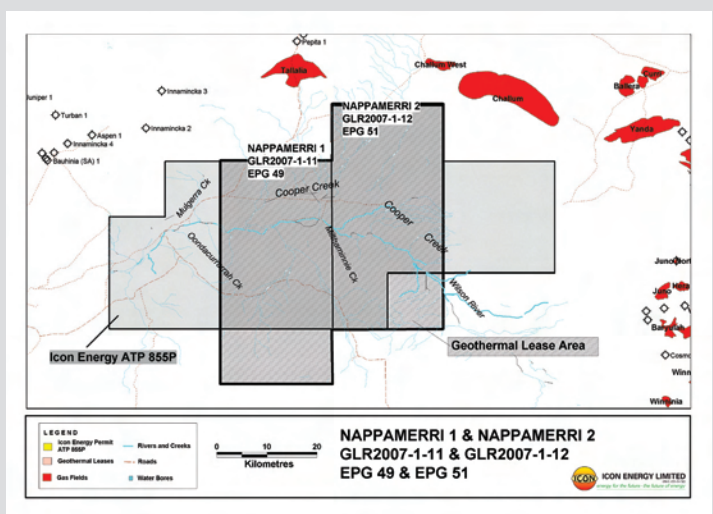
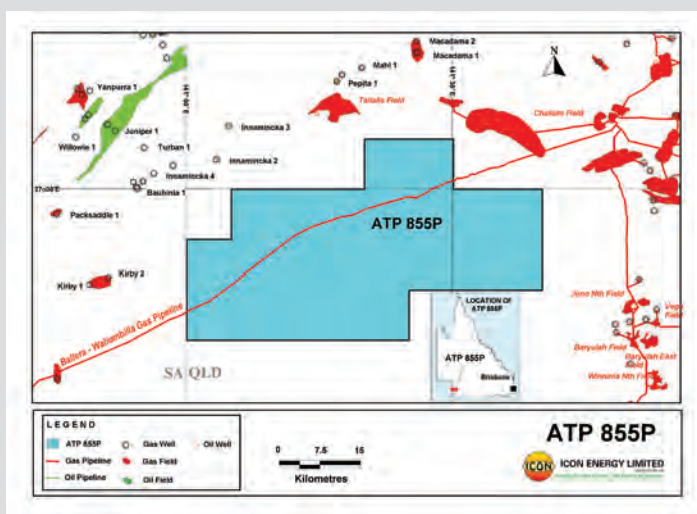
ATP 855P is poorly explored and no wells have been drilled in the permit. The Ballera to Moomba gas pipeline runs through the middle of the permit. Our primary objectives in the area are shallow oil and deep gas. The area has exciting potential as it is surrounded by Santos' unit production of oil and gas in the Cooper-Eromanga Basin and is known as the Nappamerri Trough.

Icon has a working interest in the permit of 80% and is the Operator.

EPG 49 and EPG 51 (Cooper Geothermal)

Icon applied for these permits following our request for the areas to be gazette for tender.

Icon was the successful tendered for two of the three blocks offered and was required to conduct an RTN Native Title process before the permits could be awarded. The Queensland Government has recently notified Icon that the Federal Attorney General has ruled that Native Title agreements are not required for geothermal exploration. This advice brings Queensland in to line with South Australia where no Native Title process has been required for some time. Icon expects this block to be granted in the near future.





One reason for seeking to enter the geothermal exploration game was that Icon would be evaluating the geothermal potential of the area when drilling for oil and gas, so it seemed sensible to add a small incremental cost to the drilling to obtain geothermal information.

This new program will not detract Icon from its core business; CSG operations for coal seam gas in the Surat Basin. It will eventually be administered separately when the occasion arises.

Icon's working interest in the geothermal permits is 100%.

PEL 218 (South Australia)

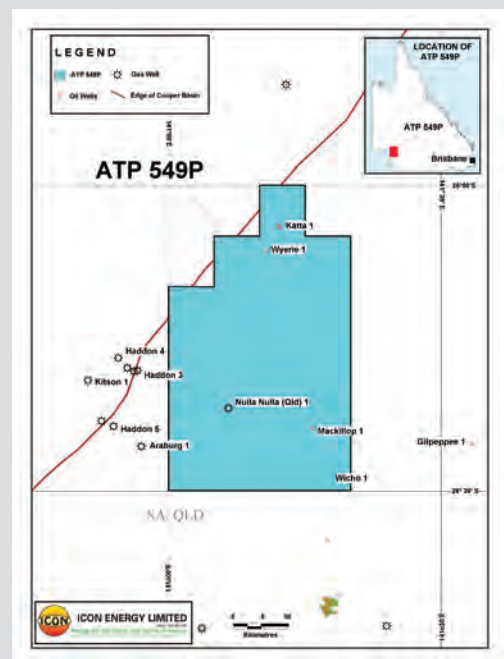
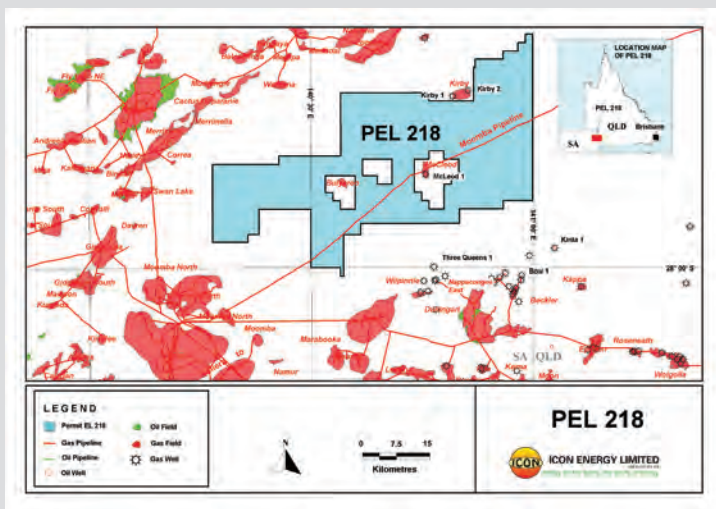
Icon is farming into this permit to earn a one third working interest in the stratigraphic sedimentary section from the surface to the base of the Triassic sediments. Icon has no interest below this section. To earn this interest, Icon is required to pay 50% of a seismic program and drill one well to the base of the Triassic section. Icon has already paid for its share of the seismic data and a target has been identified for drilling in the second half of 2009.

Icon's working interest in the shallow section is 33.33% and has the right to be the Operator.

ATP 549 (Yamma Yamma Block)

This permit has not been actively explored since the drilling of Nulla Nulla No.1. Presently, the block is undergoing relinquishment and Icon and its joint venture partners plan to seek separation of the block from its eastern title holder and apply for Native Title processing. It is possible to conduct exploration in this area without Native Title agreement but dealing with the titleholder has proven difficult. If a discovery is made and an application is made for a Production License (PL) then it is necessary to have a Native Title agreement in place anyway. The best time to sign such an agreement is before any work is conducted.

Icon's working interest in the permit is 33.33% and has the right to be the Operator.





Review of Operations (CONTINUED)

ATP 594P

The Title for this permit has not been resolved. When the disputed ownership of the remaining 50% is concluded, Icon will commence an RTN or ILUA to have the permit awarded as a new permit with a 12 year tenure under the new legislation.

Icon's working interest 50% and Operator with 50% to be resolved with some interest coming to Icon.

ATP 894P

This area is not presently active and negotiations continue to find a farmout partner.

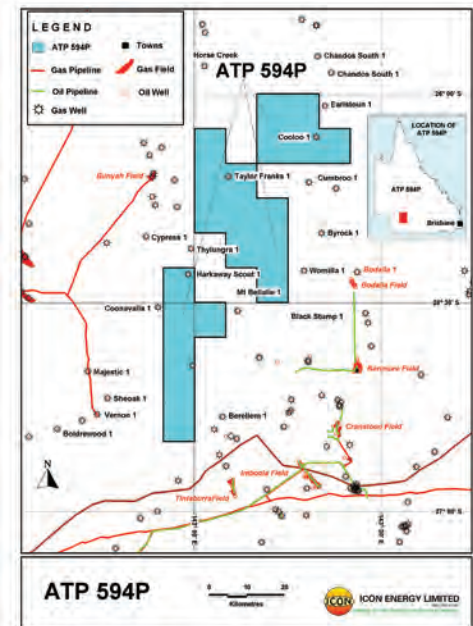
Icon's working interest 60% and Operator.

Oil Prices

At the time this report went to press the oil price was trading around US\$50 per barrel. With the Global Financial Crisis (GFC), this price is not expected to vary much above this level as demand has been reduced worldwide. When financial stability and growth return

oil prices are expected to rise to average of US\$80 to US\$100 per barrel but short term political instability and perceived shortages could drive prices to US\$200 per barrel in the years ahead. There is no shortage of oil. No one during the recent "shortage" of oil was unable to buy petrol because supply was unavailable. There is no shortage of unconventional and alternative sources of oil. Sources such as tar sands, shale, coal and biofuels are plentiful with 50-100 years of supply. New sources of oil are not viable until the investment is made to extract, refine and market them. Low oil prices are not going to drive moves to utilize these potential new sources and this translates to supply and demand pressures causing price rises which in turn initiates new investment.

In spite of the need to develop new cleaner energy supplies, oil demand is expected to grow from 85 to 130 barrels million barrels of oil per day by 2050.





The International Energy Agency poses the following questions.

Will the world ever physically run out of crude oil? No, but only because it will eventually become very expensive in absence of lower-cost alternatives.

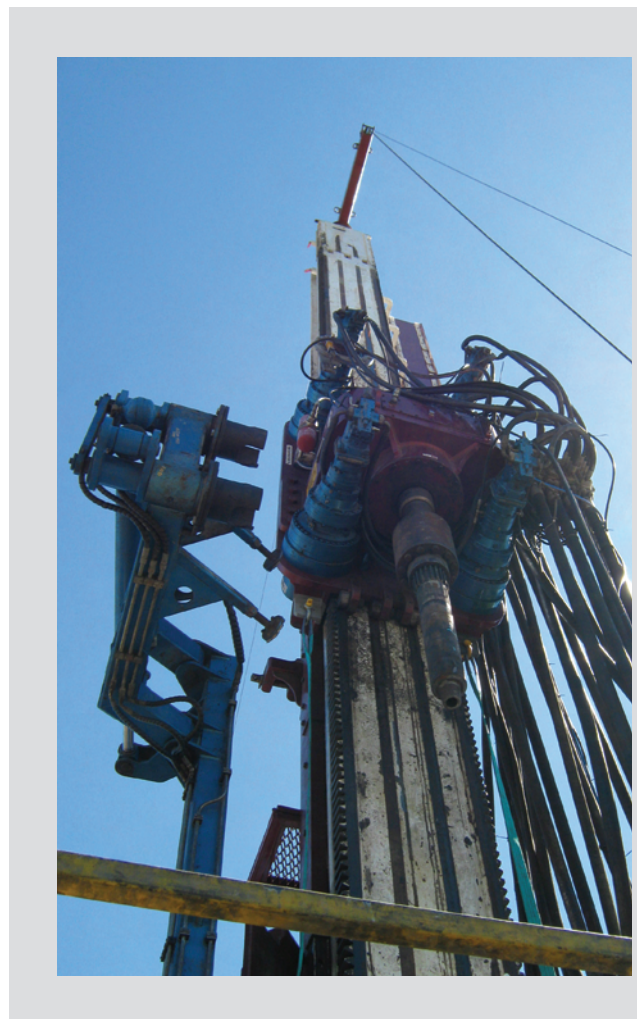
When will worldwide production of conventionally reservoired crude oil peak? That will in part depend on the rate of demand growth, which is subject to reduction via both technological advancements in petroleum product usage such as hybrid-powered automobiles and the substitution of new energy source technologies such as hydrogen-fed fuel cells where the hydrogen is obtained, for example, from natural gas, other hydrogen-rich organic compounds, or electrolysis of water. It will also depend in part on the rate at which technological advancement, operating in concert with world oil market economics, accelerates large-scale development of unconventional sources of crude such as tar sands and very heavy oils. Production from some of the Canadian tar sands and Venezuelan heavy oil deposits is already economic and growing.

In any event, the world production peak for conventionally reservoired crude is unlikely to be "right around the corner" as so many other estimators have been predicting. Our analysis shows that it will be closer to the middle of the 21st century than to its beginning. Given the long lead times required for significant mass-market penetration of new energy technologies, this result in no way justifies complacency about both supply-side and demand-side research and development.

Gas prices

There is no spot market or central selling point for gas in Australia as is common in the USA. In Australia all gas is sold under contract and these contracts are confidential. In essence there is no gas market in Australia other than what a seller of gas can negotiate with an off-taker. Prices vary from contract to contract and prices are not linked to world gas or oil prices. Icon has negotiated a gas price with Stanwell Corporation which is indexed and contains an escalation clause should prices rise above defined benchmarks. In negotiating the GSA with Stanwell, Icon engaged the services of Acil Tasman who are expert advisors in this area and an experienced legal group in Brisbane to ensure that the deal struck was fair and reasonable for Icon. On the East coast of Australia, gas prices vary from around \$1.50 to \$3.50. Gas contracts for the domestic market are usually in Australian dollars.

One TCF (1,000,000,000,000 cubic feet) of gas or 1,000 PJ is the equivalent of 1,000,000,000 Gigajoules (GJ) and gas is priced in dollars per Gigajoule. One thousand cubic feet (10ft x 10ft x10ft) of pure methane gas if combusted, would release one Gigajoule of energy.





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, their experience and special duties, are set out in the Directors' Report.

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

- establishing corporate governance and ethical standards;
- appointing and, where appropriate, the removal of 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 or should have financial and general management and/or business development experience. Their expertise should encompass the establishment of management strategy and monitoring achievement of these strategies.

Wherever possible, the Chairman of the Board should be a non-executive Director. The Chairman has the casting vote in all Board decisions. The Board has considered the issue of executive Directors and while it recognises the advantages of an executive Chairman, it sees no reason to depart from the current position of having an independent Chairman. While there was one month in the year when the Chairman was not independent, this position was rectified as soon as possible.

The Board should comprise a majority of non-executive Directors. Currently the Board comprises two non-executive Directors and two executive Directors. As the Chairman has the casting vote in all tied Board decisions the Board is seeking to appoint another non-executive Director. This new appointment should be finalised in early April. It is expected that as the Company's activities expand with the development of its coal seam gas interests, then the number of independent Directors may increase.

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

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

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



Independence of Non-Executive Directors

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

Independent Professional Advice

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

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

Board Committees

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

Audit and Risk Management Committee

At the date of this report the Company had an Audit and Risk Management Committee consisting of the following Directors:

- Martin Pyecroft (Chairman – retired 14 November 2008)
- Stephen Barry (non-executive Director, Chairman)

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 Nominations and Successions Committee

The Remunerations Committee has been renamed to the Remuneration Nominations and Successions Committee to reflect an expanded range of functions. While larger companies may allocate the responsibilities of this Committee to other more focused committees, the combined functions better serve a company of Icon's size. This Committee consisted of the non-executive Chairman Mr. M. Pyecroft prior to his retirement and non-executive Director Mr. S. Barry. The Committee now comprises Mr. S. Barry (Chairman) and Mr. D. Murphy. The Committee meets annually to review the remuneration level for the Managing Director and other senior employees of the Company. It also considers and recommends the appropriate level of Director's fees (subject to shareholder approval), and that each non-executive Director's appointment is consistent with the Company's Constitution and the Corporations Act 2001.



Corporate Governance Statement (CONTINUED)

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

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

Board Remuneration

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

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

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

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. The company has an approved Code of Conduct, Ethics, and Share Trading.

Trading in the Company's Securities by Directors and Employees

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

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

The provisions of the Corporations Act 2001 and the Listing Rules of the Australian Securities Exchange (ASX) require advice to the ASX of any transactions by the Directors in the securities of the Company.

Principles of Conduct

1. Ethical and responsible business practices.
2. Sustainable development considerations/principles integrated into Company decision making.
3. Foster economic growth and business development, generate government revenue, provide commercial returns to the industry and contribute to the wealth generated by Australia's natural resource base.
4. Health, safety, environmental and community risk management strategies that are based on sound science, transparency and effective communication.
5. Continuously seek opportunities to improve health, safety and environmental performance in addressing risks posed by our operations to employees, contractors, the public and the environment.
6. Contribute to the conservation of biodiversity and protection of the environment through responsible management of our operations and their impacts.
7. Foster economic and social development of the communities in which we operate.
8. Respect and protect human rights and dignity at our operations and deal fairly with employees and others.
9. Open and effective engagement and reporting with our communities.
10. The Directors and Executives of the Company shall notify the Chairman before trading in the Company shares and shall not trade in the shares other than in accord with the Company's Code of Conduct Ethics and Share Trading.



Identification of Significant Business Risk

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

Disclosure

The Board has in place a policy and procedures to ensure that the obligations of Directors, officers and employees of the Company is to comply with the ASX Listing Rules to ensure the disclosure of such material that may have an effect on the price or value of the Company’s securities.

Shareholders

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

- annual reports to shareholders;
- half-yearly accounts lodged with the ASX;
- quarterly reports;
- continuous disclosure to the Australian Securities Exchange;
- notices of shareholder meetings and explanatory notes; and
- complete information on all documents are on the Company’s website: www.iconenergy.com.

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

ASX Principles of Corporate Governance Council Guidelines

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

ASX Corporate Governance Principles and Recommendations	Reference	Comply
Principle 1 – Lay solid foundations for management and oversight.		
1.1 Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	Page 24	✓
1.2 Companies should disclose the process for evaluating the performance of senior executives.	Pages 24-25	✓
1.3 Companies should provide the information indicated in the Guide to reporting on Principle 1.	Pages 24-25	✓



Corporate Governance Statement (CONTINUED)

ASX Corporate Governance Principles and Recommendations	Reference	Comply
Principle 2 – Structure the Board to add value		
2.1 A majority of the Board should be independent Directors.	Page 16	X
2.2 The chair should be an independent Director.	Page 16	✓
2.3 The roles of chair and chief executive officer should not be exercised by the same individual.	Page 16	✓
2.4 The Board should establish a nomination committee.	Page 26	✓
2.5 Companies should disclose the process for evaluating the performance of the Board, its committees and individual Directors.	Pages 24-25	✓
2.6 Companies should provide the information indicated in the Guide to reporting on Principle 2.	Pages 24-25	✓
Principle 3 – Promote ethical and responsible decision-making		
3.1 Companies should establish a code of conduct and disclose the code or a summary of the code as to:		
3.1.1 the practices necessary to maintain confidence in the Company's integrity.	Pages 26-27	✓
3.1.2 the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders	Pages 26-27	✓
3.1.3 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices	Pages 26-27	✓
3.2 Companies should establish a policy concerning trading in company securities by Directors, senior executives and employees, and disclose the policy or a summary of that policy.	Pages 26-27	✓
3.3 Companies should provide the information indicated in the Guide to reporting on Principles 3.	Pages 26-27	✓
Principle 4 – Safeguard integrity in financial reporting		
4.1 The Board should establish an audit committee.	Page 26	✓
4.2 The audit committee should be structured so that it consists of:	Page 26	✓
<ul style="list-style-type: none"> • only non-executive Directors • a majority of independent Directors • an independent chair, who is not chair of the Board • at least three members. 		
4.3 The audit committee should have a formal charter.	Page 26	X
4.4 Companies should provide the information indicated in the Guide to reporting on Principle 4.	Pages 25-26	✓



ASX Corporate Governance Principles and Recommendations	Reference	Comply
Principle 5 – Make timely and balanced disclosure		
5.1 Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Page 26	✓
5.2 Companies should provide the information indicated in the Guide to reporting on Principle 5.	Page 26	✓
Principle 6 – Respect the rights of shareholders		
6.1 Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Page 26	✓
6.2 Companies should provide the information indicated in the Guide to reporting on Principle 6.	Page 26	✓
Principle 7 – Recognise and manage risk		
7.1 Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Pages 24-26	✓
7.2 The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	Pages 24-26	✓
7.3 The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Pages 24-26	✓
7.4 Companies should provide the information indicated in the Guide to reporting on Principle 7.	Pages 24-26	✓
Principle 8 – Remunerate fairly and responsibly		
8.1 The Board should establish a remuneration committee.	Page 26	✓
8.2 Companies should clearly distinguish the structure of non-executive Directors' remuneration from that of executive Directors and senior executives.	Pages 24-26	✓
8.3 Companies should provide the information indicated in the Guide to reporting on Principle 8.	Pages 24-26	✓

Note: Icon has not had a majority of non-executive Directors on its Board. Currently there is an equal number of executive and non-executive Directors on the Board. With the development of the activities of the Company and its potential to move from being an explorer to production in ATP 626P, the Board feels that it is appropriate to expand the number of non-executive Directors on the Board. It will announce a third Independent Director in early April 2009. Icon has a limited charter for its Audit and Risk Management Committee. This Charter is under review and is expected to be finalised in the near future.



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 2008.

Directors

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

Names of Non-Executive Directors

Martin Pyecroft (Chairman – Retired)
 Stephen Michael Barry (Chairman)
 Derek James Murtagh Murphy

Period of Directorship

Director since 24/01/1997 Retired 14/11/2008
 Director since 05/01/1993
 Director since 20/03/2009

Name of Executive Directors

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

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

Company Secretary

Raymond Patrick McNamara

Appointed 03/05/2007

Principal Activities

The principal activities of Icon Energy Limited 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 (2007: Nil).

Operating Results

The consolidated loss of the consolidated entity after providing for income tax amounted to \$6,138,016 (2007: profit of \$3,198,544).

Mining Tenements

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

		2008 %	2007 %
ATP 549P	Cooper Eromanga	33.33%	33.33%
ATP 594P	Cooper Eromanga	50.00%	50.00%
ATP 794P	Cooper Eromanga Regleigh & Springfield areas	60.00%	60.00%
ATP 794P	Cooper Eromanga Brightspot area	75.00%	75.00%
ATP 626P*	Surat	100.00%	50.00%
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%
EPG 49	Cooper Eromanga	100.00%	0.00%
EPG 51	Cooper Eromanga	100.00%	0.00%



		2008 %	2007 %
Lease interests held in Bayou Choctaw area Louisiana USA			
Victory	Louisiana	38.50%	38.50%
Victory	Louisiana	19.00%	19.00%
Wilbert's**	Louisiana	0.00%	13.20%
Zig Zag	Louisiana	–	13.20%

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

**On 20 March 2009, the Mineral Interest holders in the Wilbert's Lease sent a demand for the surrender of the Wilbert's Lease.

Icon's major step forward in meeting its strategic objectives was the signing of a farmin and gas sale agreement with Stanwell for an interest in four blocks in ATP 626P. The farmin agreement provides for an initial expenditure of six million dollars (\$6,000,000) as a pilot program followed by a \$30,000,000 reserves certification program.

Icon acquired two geothermal exploration tenements, EPG 49 and EPG 51 during the year. These two tenements overlay part of ATP 855P providing the Company with excellent synergies for future conventional and geothermal exploration. The acquisition of these two additional exploration tenements brings the total number to twelve as per the strategic objectives published in January 2008. The difficulties in obtaining a suitable drilling rig hampered the Company's ability to undertake drilling activities in 2008. Site preparation for the drilling of the Lydia Pilot was completed in late 2008 with all necessary drilling equipment and supplies delivered for the drilling program that commenced in late March 2009. The Lydia Pilot is a major step toward achieving the Company's objective of proving 2P reserves.

Icon also completed seismic work on PEL 218. Icon with its joint venture partners, plans to drill an exploration well in late 2009 as part of the work program for this area.

Australian Operations

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

- Having successful exploration and appraisal activities to provide a solid foundation for future growth through achieving substantial coal seam gas reserves to meet the Australian and global demand for clean, efficient energy.
- 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 resources from "Prospective" to the "1P" and "2P" categories as a priority.
- To obtain farmin 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 maximise the value of the fields to 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.



Directors' Report (CONTINUED)

ATP 626P

ATP 626P is Icon's prime asset located in the Surat Basin in Queensland. The Gas Initially In Place (GIIP) estimate for ATP 626P is 5.4 TCF of gas. A farmin agreement was announced in December 2008 with a subsequent joint venture agreement and a gas sale agreement for 225 PJ of gas over a 15 year period announced in January 2009. The farmin agreement with Stanwell provides the funds needed to develop the ATP 626P resource and obtain 2P and 3P reserves. The agreement provides for Stanwell to earn a 50% interest in the four blocks surrounding the Lydia No.1 well drilled in November 2007. The total value of the farmin is \$36 million dollars for the first two stage of a three stage program. Stage 1, known as the Lydia Pilot involves drilling three wells and converting Lydia No.1 well, to a monitor well. In addition dewatering and coring activities will test the commerciality of the gas resources. Stage 2 is a \$30 million program to drill 20 wells to provide certifiable reserves. Stage 3 is the commercial development of the field.

Icon's working interest in ATP 626P is still 100% and will reduce when the first two stages of the farmin agreement are complete. At that time, Icon's interest will reduce to approximately 90% of ATP 626P on a per block basis.

PEL 218

Icon farmed into this permit in October 2007 to earn a 33.3% working interest in the Mesozoic sedimentary section. Icon's obligation under this program is to fund 50% of 100 km 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 find up to 20 million barrels of oil recoverable.

The block covers the South Australian side of the Nappameri 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 Icon's interest. The Ballera to Moomba gas pipeline traverses the centre of the block. Icon originally bid on this block when it was gazetted and the tender was awarded to Adelaide Energy, the present holder. Icon's interest is 33.3% in the Mesozoic sedimentary section only.

ATP 794P

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

ATP 849P

This permit was won in the 2006 Queensland Government tender process and 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 400 m) over most of this very large permit (3,853 km² or approximately one million acres). The area will be awarded for 12 years with \$5.2 million obligatory expenditure in the first four years. Icon's interest in this permit is 80%.

ATP 594P

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



ATP 855P

This block is subject to a Native Title claim with the Wangkumarra traditional owners. Negotiations will begin early April 2009 with Wangkumarra traditional owners as a RTN process. This block is located in the Queensland part of the NappaMerri trough and is geologically associated with PEL 218. The area is prospective for a coal seam gas reservoir in the Walloon Coal Measures (WCM). These coals are found at shallow depths (up to 400 m) over most of this very large permit. Icon's interest in this permit is 80%.

EPG 49

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

Icon has a 100% interest in this block.

EPG 51

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

Icon has a 100% interest in this block.

USA Operations

The Bayou Choctaw Leases (CLK Energy Inc.) are located in Baton Rouge west of New Orleans in Louisiana. The operator of the joint venture has experienced increasing financial difficulties since Hurricane Katrina devastated the New Orleans area near where our tenement is located. This was followed up by Hurricane Gustav in 2008 which crossed the coast at Baton Rouge. As a consequence production from this field has decreased significantly. One Lease, the Wilbert's Lease, was held by production. It is alleged by the mineral owners that insufficient production has occurred in this Lease since the middle of 2008. Accordingly the owners of the mineral rights have requested that we, along with our other joint venture partners, surrender this Lease. Action against the operator for their breach of the joint venture agreements is being considered. Along with the other non-operating partner, Icon will be seeking the return of all Leases to the Company's control. The Energy Information Administration of the USA still forecasts that oil prices will continue above US\$65 per barrel in the foreseeable future (<http://www.eia.doe.gov/oiaf/forecasting.html>). When Icon negotiated the Bayou Choctaw Leases, oil was priced at US\$12.00 per barrel and gas at US\$1.90. The potential of this field still presents excellent value opportunities for Icon. The financial crisis and world recession is unlikely to produce farmin partners with sufficient capital during the remainder of 2009.

Financial Position

The net loss for the Company and its consolidated entities for the year ended 31 December 2008 was \$6,138,016 (Profit 2007: \$3,198,544). Included in the consolidated loss is an amount of \$2,897,400 being a provision for the impairment of the US assets of the Company. These costs have been written off in accordance with accounting standards in relation to impairment.

The Company has expanded its operations with an increase in the executive and operational staff to facilitate the development of ATP 626P. Executive staff are employed on a contractual basis. The outlook for 2009 sees the Company in a strong financial position due to the Stanwell Farmin Agreement. The cash and cash equivalents balance at 31 December 2008 is \$4,373,373 (2007: \$1,462,259). A further receipt of cash of \$6,000,000 was received in January 2009. To further develop the resources in ATP 626P and other permits, the company may undertake further capital raisings which will be considered during 2009.



Directors' Report (CONTINUED)

Significant Changes in State of Affairs

In November 2008, Dianne Beth Baldwin became a substantial shareholder through the exercise of 20,000,000 options previously held by Santos Limited as part of a previous farmin agreement for ATP 626P.

Environmental Regulation

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

After Balance Date Events

- a. On 30 January 2009, the Company entered into a Farmin Agreement with Stanwell, a Queensland Government owned corporation formed in 1997. Stanwell owns and operates a portfolio of coal and hydro power stations throughout Queensland and trades more than 30% of Queensland's electricity requirements.

On the same date, the Company executed the Joint Operating and Gas Supply Agreement with Stanwell. In terms of the agreement Stanwell has committed \$6 million to an initial pilot program covering four of the 30 blocks in ATP 626P in the Surat Basin comprising the joint venture gas project. Subject to results, Stanwell may elect to commit to spending a further \$30 million to secure a minimum 2P reserve of 340 PJ. At the completion of this second stage Stanwell will earn 50% interest in the four blocks.
- b. Since the end of the financial year the Company has acquired a mineral interest in Bayou Choctaw for the payment of \$25,000 in cash and 1,500,000 in shares. This purchase will be finalised in early April with the issue of the shares. This acquisition compliments the working interest the Company has through its farmin agreement. The acquisition of the mineral interests, in addition to its economic potential ensures that Icon is a party to any negotiations with the operator and other mineral interest owners of Bayou Choctaw.
- c. On 20 March 2009, the Mineral Interest holders in the Wilbert's Lease sent a demand for the surrender of the Wilbert's Lease. Icon has a 13% working interest in this Lease which is held by production. The Mineral Interest holders have also lodged a claim under the Lease for the payment of \$389,000 being a \$10,000 per month payment where an exploration well was not drilled by our Joint Venture Operator pursuant to their independent agreement with the mineral owners. Icon disputes any involvement in this claim.

Future Developments

The Directors intend to raise additional funding through farmin agreements and through the issue of additional shares for the further development of ATP 626P and other high potential tenements. 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.

Capital Raising

In June 2008 the Company issued 16,000,000 fully paid ordinary shares in placements to sophisticated investors for a total of \$2,801,000 (11,000,000 at 20 cents per share, 4,000,000 at 8 cents per share, and 1,000,000 at 29 cents per share). In September 2008 the Company issued 14,300,000 fully paid ordinary shares at 19 cents per share in placements to sophisticated investors. The total raised in this placement was \$2,717,000. In November 2008 the Company issued 20,000,000 shares following the exercise of an option previously issued to Santos Limited. The shares were issued at 9.28 cents per share for a total of \$1,856,000.



Information on Directors

Stephen Michael Barry (Chairman)

**Qualifications**

LLB University of Sydney

Experience

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

Special Duties

Stephen is Chairman of the Board's Audit and Risk Management Committee and is the Chairman of the Remuneration Nominations and Successions Committee.

Interest in Shares

1,567,566 ordinary shares

Director

Since 05/01/1993

Raymond Swinburn James (Managing Director)

**Qualifications**

BSc (Physics Geology) University of NSW, FAICD FAIM

Experience

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

In addition to the functions of Managing Director, Ray James also fulfills the roles of Director of Exploration and as the Company's geophysicist, he also performs the function of Chief Geophysicist.

Interest in Shares

23,775,235 ordinary shares

Director

Since 01/02/1993



Directors' Report (CONTINUED)

Raymond Patrick McNamara



Qualifications

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

Experience

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

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

Interest in Shares

164,000 ordinary shares

Director

Since 26/04/2007

Derek James Murtagh Murphy



Qualifications

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

Experience

Mr. Murphy was appointed to the Board on 20 March 2009 as a non-executive Director of Icon Energy Limited. He is a Fellow of the Australian Institute of Management, a Fellow of the Australian Institute of Company Directors, a Fellow of the Hong Kong Institute of Directors and a Senior Fellow of the Financial Services Institute of Australasia. He was admitted as a Barrister of the Supreme Court of Queensland and the Federal and High Courts of Australia. Before practicing as a Barrister in Brisbane for some years, he was the Queensland partner of ABS White and Company, a Sydney based stock broking firm. He was a Crown Counsel, Deputy Commissioner for Securities and Commodities Trading for Hong Kong, Managing Director of what is now HSBC Asset Management, and Group Vice President, Corporate Communications, of First Pacific Company Limited, a publicly listed conglomerate with interests in telecommunications, food, property and health care. Mr. Murphy is a non-executive director of Hayco Manufacturing Limited, a large manufacturing Company in Hong Kong and China, a Director of Viro International Limited, and Chairman of the School Council of The Southport School (TSS). Mr. Murphy, 62, will bring to the Board significant experience in corporate governance, legal and compliance matters and communication and investor relations skills.

Interest in Shares

Nil

Director

Since 20/03/2009



Martin Pyecroft (Chairman to 14 November 2008 – Retired)

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

To the time of his retirement, as well as being Chairman of the Company, Martin was also Chairman of the Board's Remuneration Nominations and Succession Committee and a member of the Audit and Risk Management Committee.

Interest in Shares

2,000,000 ordinary shares

Director

From 24/01/1997 to 14/11/2008



Directors' Report (CONTINUED)

Remuneration Report – Audited

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

In October 2008 the Board approved the introduction of a remuneration philosophy that involved offering employees short-term and long-term bonus schemes involving a combination of cash and shares. Due to the severity of the economic downturn, Mr. Ray James and Dr. Ray McNamara have volunteered to forego all entitlements to bonuses and remuneration adjustment (including the annual cost of living adjustment) for a period of two years or when the market capitalisation of the Company reaches \$300,000,000. This incentive plan has not been approved by shareholders but has been approved by the Board for employees other than Executive Directors. There is also in existence a long term incentive that provides for the issue of options under the terms of the Staff Share Incentive Plan ("SISOP"). While this plan is still currently active for Executive Directors, the suspension of all rights to bonuses and increases by Messrs James and McNamara makes this plan inoperative.

Fixed remuneration

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

Service Agreements

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

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

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

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

Mr. James, Dr. McNamara and Mr. Quayle have 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 unless further approval is obtained.

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

Directors and Key Management Personnel Remuneration

2008	Short Term			Long Term			Portion of Remuneration based on Performance %
	Salaries & Fees \$	Bonuses & Other Benefits ² \$	Total \$	Super-annuation \$	Other Benefits ¹ \$	Total \$	
Directors							
M Pyecroft	37,605	–	37,605	–	140,175	177,780	–
SM Barry	46,500	–	46,500	4,185	–	50,685	–
RS James	440,081	146,555	586,636	41,038	–	627,674	21.0%
RP McNamara	252,191	49,840	302,031	23,820	–	325,851	14.0%
Senior Management							
J Quayle Appointed 15/05/2007	149,657	30,000	179,657	60,086	–	239,743	12.5%
L Brown Appointed 29/07/2008	105,008	–	105,008	9,375	–	114,383	–
	1,031,042	226,395	1,257,438	138,504	140,175	1,536,116	–

2007	Short Term			Long Term			Portion of Remuneration based on Performance %
	Salaries & Fees \$	Non-monetary Benefits \$	Total \$	Super-annuation \$	Other Benefits \$	Total \$	
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	16,618	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	–

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

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



Directors' Report (CONTINUED)

Directors' and Senior Management's Interests

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

	Ordinary shares No.	Options No.
Directors		
M Pyecroft	2,000,000	–
SM Barry	1,567,566	–
RS James	23,775,235	–
RP McNamara	164,000	–
DJM Murphy	–	–
Senior Management		
J Quayle	900,000	–
L Brown	–	–

Movements in the Directors' shareholdings during the year are detailed in Note 6(c) to the accounts. No options were exercised by Directors or Senior Management during the year.

Share options

Options granted to Directors and Key Management Personnel of the Company

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

Options held by Key Management Personnel

2008

There were no options outstanding at 31 December 2008.

2007

There were no options outstanding at 31 December 2007. Movements in the options during the year are detailed in Note 17 to the accounts.

Meetings of Directors

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

	Directors Meetings		Audit and Risk Management Committee Meetings		Remuneration Nominations and Successions Committee Meetings	
	A	B	A	B	A	B
M Pyecroft	7	7	1	1	2	2
R S James	13	13	–	–	–	–
S M Barry	13	13	1	1	2	2
R P McNamara	13	13	–	–	–	–

A – Number of meetings attended.

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



Directors and Auditors Indemnification

The Directors and Company Secretary are indemnified by the Company against any liability incurred in their capacity as an officer of the Company or a related body corporate to the maximum extent permitted by law. The recently appointed Director, (Mr. D Murphy), has been indemnified in his capacity as an officer of the Company. The Company has not paid any premiums in respect of any contract insuring the Directors of the Company against a liability for legal costs.

The Company has not paid any premiums in respect of any contract insuring the auditor against a liability incurred in the role as an auditor of the Company of the Company. In respect of audit services WHK Howarth the Company's auditor has the benefit of indemnity the WHK Howarth reasonably relies on information provided by the Company which is false, misleading or incomplete. No amount has been paid under this indemnity during the financial year ended 31 December 2008 or to the date of this Report.

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

The total premium expense for the period is was \$18,676.

Proceedings on Behalf of the Company

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

Non-audit services

Taxation services: \$52,885

The Board of Directors has considered the position and, in accordance with advice received from the Audit and Risk Management Committee, is satisfied that the provision of non-audit services is compatible with the general standard on independence imposed for auditors imposed by the Corporations Act 2001.

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

The lead auditor's independence declaration is set out on page 28 and forms part of the Directors' Report for the year ended 31 December 2008. 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.

S Barry
Chairman
31 March 2009

R S James
Managing Director
31 March 2009



Auditor's Independence Declaration



Auditors Independence Declaration under Section 307C of the Corporations Act 2001

As lead engagement partner for the audit of the financial report of Icon Energy Limited for the year ended 31 December 2008, I declare that, to the best of my knowledge and belief, there have been:

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

WHK Horwath

WHK HORWATH

M. D. Cole

RUSSELL COLE
PRINCIPAL

Brisbane, 1 April 2009

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

Total Financial Solutions



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

Member Horwath International

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Brisbane Queensland 4000 Australia
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A WHK Group firm



Independent Auditor's Report



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 2008, 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, 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.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

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

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

Total Financial Solutions



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Independent Auditor's Report (CONTINUED)



Auditor's Opinion

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

- (a) giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2008 and of their performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

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

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 24 to 25 of the directors' report for the year ended 31 December 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Icon Energy Limited for the year ended 31 December 2008, complies with section 300A of the *Corporations Act 2001*.

WHK HORWATH

**RUSSELL COLE
PRINCIPAL**

Brisbane, 1 April 2009

Total Financial Solutions



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Directors' Declaration

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 32 to 58, 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 2008 and of the performance for the year ended on that date of the Company and consolidated entity;
2. The Managing Director and Chief Financial Officer have each declared that:
 - a. The financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - b. The financial statements and notes for the financial year comply with the Accounting Standards; and
 - c. The financial statements and notes for the financial year give a true and fair view.
3. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they come due and payables.

Dated the 31st day of March 2009.

Signed in accordance with a resolution of the Directors.

A handwritten signature in black ink, appearing to read "S Barry".

S Barry
Chairman

31 March 2009



Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	Consolidated Entity		Parent Entity	
		2008 \$	2007 \$	2008 \$	2007 \$
Revenue	2(a)	16,189	386,897	–	–
Less: Cost of sales		(66,357)	(258,775)	–	–
Gross Profit/(Loss)		(50,168)	128,122	–	–
Other income	2(b)	146,903	4,620,054	141,355	4,606,958
Administration expenses		(2,113,211)	(1,205,317)	(2,102,770)	(1,176,246)
Depreciation and amortisation		(79,702)	(22,965)	(79,470)	(22,965)
Employee benefits and expenses		(968,818)	(113,923)	(968,818)	(113,921)
Occupancy expenses		(150,661)	(93,238)	(150,663)	(93,239)
Impairment of assets	3	(2,902,416)	(102,035)	(5,055,696)	(56,158)
Finance costs		(19,943)	(12,154)	(19,943)	(12,154)
Profit/(Loss) before income tax	4	(6,138,016)	3,198,544	(8,236,005)	3,132,275
Income tax expense	5	–	–	–	–
Profit/(Loss) for the year		(6,138,016)	3,198,544	(8,236,005)	3,132,275
Basic earnings per share (cents per share)	19	(2.06)	1.14		
Diluted earnings per share (cents per share)	19	(2.06)	1.12		

The accompanying notes form part of these financial statements.



Balance Sheet

AT 31 DECEMBER 2008

	Note	Consolidated Entity		Parent Entity	
		2008 \$	2007 \$	2008 \$	2007 \$
Current Assets					
Cash and cash equivalents	7	4,373,373	1,462,259	4,304,977	1,276,099
Trade and other receivables	8	52,956	685,370	30,175	586,324
Other current assets	9	31,171	30,223	18,072	18,072
Total Current Assets		4,457,500	2,177,852	4,353,224	1,880,495
Non-Current Assets					
Trade and other receivables	10	–	–	6,285,789	10,433,474
Property, plant, and equipment	11	406,317	218,092	327,398	218,092
Financial assets	12	–	–	–	–
Other non-current assets	13	7,028,528	8,188,848	2,536,774	2,488,524
Total Non-Current Assets		7,434,845	8,406,940	9,149,961	13,140,090
Total Assets		11,892,345	10,584,792	13,503,185	15,020,585
Current Liabilities					
Trade and other payables	14	334,456	1,057,367	194,204	806,230
Short-term borrowings	15	92,103	32,619	92,103	32,619
Short-term provisions	16	281,618	153,619	281,618	153,619
Total Current Liabilities		708,177	1,243,605	567,925	992,468
Non-Current Liabilities					
Long-term borrowings	15	184,138	168,490	184,138	168,490
Long-term provisions	16	109,284	81,284	109,284	81,284
Total Non-Current Liabilities		293,422	249,774	293,422	249,774
Total Liabilities		1,001,599	1,493,379	861,347	1,242,242
Net Assets		10,890,746	9,091,413	12,641,838	13,778,343
Equity					
Issued capital	17	33,451,237	26,351,737	33,451,237	26,351,737
Reserves	18	(2,003,679)	(2,841,528)	–	–
Accumulated losses		(20,556,812)	(14,418,796)	(20,809,399)	(12,573,394)
Total Equity		10,890,746	9,091,413	12,641,838	13,778,343

The accompanying notes form part of these financial statements.



Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2008

	Ordinary Share Capital \$	Foreign Exchange Reserve \$	Accumulated Losses \$	Total \$
Consolidated Entity				
Balance at 1 January 2007	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
Shares issued	7,374,000	–	–	7,374,000
Share issue costs	(274,500)	–	–	(274,500)
Profit/(Loss) for the year	–	–	(6,138,016)	(6,138,016)
Restatement of functional currency	–	837,849	–	837,849
Balance at 31 December 2008	33,451,237	(2,003,679)	(20,556,812)	10,890,746
Parent Entity				
Balance at 1 January 2007	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
Shares issued	7,374,000	–	–	7,374,000
Share issue costs	(274,500)	–	–	(274,500)
Profit/(Loss) for the year	–	–	(8,236,005)	(8,236,005)
Balance at 31 December 2008	33,451,237	–	(20,809,399)	12,641,838

The accompanying notes form part of these financial statements.



Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	Consolidated Entity		Parent Entity	
		2008 \$	2007 \$	2008 \$	2007 \$
		Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)
Cash Flows from Operating Activities					
Cash receipts from customers		19,339	11,011	–	–
Cash payments to suppliers and employees		(3,674,045)	(1,608,493)	(3,572,128)	(1,467,237)
Interest received		143,844	110,243	141,355	107,758
Finance costs		(19,943)	(12,154)	(19,943)	(12,154)
Net Cash used in operating activities	20(a)	(3,530,805)	(1,499,393)	(3,450,716)	(1,371,633)
Cash Flows from Investment Activities					
Payments for property, plant & equipment		(143,121)	(168,473)	(63,970)	(168,473)
Payments for deferred mining and exploration		(909,770)	(1,835,558)	(48,250)	(58,643)
Proceeds from sale of non-current assets		–	6,231	–	6,000
Proceeds from sale of mining leases		450,000	4,050,000	450,000	4,050,000
Loans advanced to related parties		–	–	(902,995)	(2,038,959)
Net Cash provided by/(used in) investment activities		(602,891)	2,052,200	(565,215)	1,789,925
Cash Flows from Financing Activities					
Proceeds from issue of share capital		7,374,000	659,000	7,374,000	659,000
Capital raising costs		(274,500)	–	(274,500)	–
Proceeds from borrowings		–	141,548	–	141,548
Repayment of borrowings		(54,690)	(6,196)	(54,691)	(6,196)
Net cash from finance activities		7,044,810	794,352	7,044,809	794,352
Net increase/(decrease) in cash and cash equivalents		2,911,114	1,347,159	3,028,878	1,212,644
Cash and cash equivalents at beginning of the financial year		1,462,259	115,100	1,276,099	63,455
Cash and cash equivalents at the end of the financial year	7	4,373,373	1,462,259	4,304,977	1,276,099

The accompanying notes form part of these financial statements.



Notes to the Financial Statements

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) and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers Icon Energy Limited (Icon) as an individual parent entity and Icon and controlled entities as a consolidated entity. Icon 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 and its controlled entities and Icon 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 2009.

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. Control exists where Icon 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 to achieve the objectives of Icon. A list of controlled entities is contained in Note 23 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 it is probable 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.



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 income statement.

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.



Notes to the Financial Statements (CONTINUED)

Note 1 – Statement Of Accounting Policies (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.

Dividends are brought to account in the income statement 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.



Note 1 – Statement Of Accounting Policies (CONTINUED)

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 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.

q) Impairment of Assets

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



Notes to the Financial Statements (CONTINUED)

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



Note 2 – Revenue

	Consolidated Entity		Parent Entity	
	2008 \$	2007 \$	2008 \$	2007 \$
a) Revenue				
Sales – Oil	16,189	386,897	–	–
	16,189	386,897	–	–
b) Other Income				
Interest received				
– Other corporations	143,754	110,243	141,355	107,758
Royalties Received	3,150	10,611	–	–
Gain on disposal of mining leases	–	4,499,200	–	4,499,200
	146,903	4,620,054	141,355	4,606,958
Total Revenue	163,092	5,006,951	141,355	4,606,958

Note 3 – Impairment of Assets

Impairment of exploration expenditure	2,897,400	97,657	–	55,806
Impairment of non-current assets	5,016	4,378	5,016	352
Impairment of receivables	–	–	5,050,680	–
	2,902,416	102,035	5,055,696	56,158

Note 4 – Profit/(Loss) Before Income Tax

Profit/(Loss) before income tax has been determined after:				
Remuneration of parent entity auditors				
– Audit or review of financial report	81,304	43,150	81,304	43,150
– Taxation services	52,885	20,826	52,885	10,638
	134,189	63,976	134,189	53,788
Amounts set aside to provision for:				
– Employee entitlements	156,000	31,000	156,000	31,000
Rental expense relating to operating leases				
– Minimum lease payments	150,663	93,239	150,663	93,239
Foreign exchange losses	4,323	17,985	4,323	17,985
Superannuation Expense	318,649	60,996	318,649	60,996



Notes to the Financial Statements (CONTINUED)

Note 5 – Income Tax Expense

	Consolidated Entity		Parent Entity	
	2008 \$	2007 \$	2008 \$	2007 \$
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% (2007: 30%)	(1,841,405)	959,563	(2,470,802)	939,683
Increase/(decrease) in income tax expense due to:				
Non Deductible Expenses	5,472	18,312	(10,906)	18,312
Permanent differences loan impairment	–	–	1,515,260	–
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)	1,835,933	(961,659)	966,448	(957,995)
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% (2007: 30%) for Australian companies and the effective tax rate of 6.47% for foreign controlled entities:

Tax losses	22,866,574	18,847,223	17,030,097	13,873,155
Potential tax benefit	6,859,972	5,654,167	5,109,029	4,161,947
Temporary differences				
Other	288,255	–	288,255	–
Provisions	390,903	234,903	390,903	234,903
Potential tax benefit	203,747	70,471	203,747	70,471
Total deferred tax benefits not brought to account	7,063,719	5,724,638	5,312,776	4,232,417
Deferred Tax Liabilities				
Mining and Exploration costs	7,028,527	8,188,847	3,545,905	5,527,744
Total Deferred tax liabilities not brought to account	2,108,558	2,456,654	1,063,772	1,658,323
Total deferred assets not brought to account	4,955,161	3,267,984	4,249,005	2,574,094



Note 6 – Key Management Personnel

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 – Resigned 14/11/2008
S Barry	Non-executive Director, Chairman
R McNamara	Executive Director/Company Secretary
R James	Managing Director

b) Options

There were no Options Held by Key Management Personnel during the year ended 31 December 2008.

c) Shareholdings

Number of shares held by Key Management Personnel

	Balance 1.1.2008	Purchases	Options Exercised	Sold	Balance 31.12.2008
2008					
Directors					
M Pyecroft	2,000,000	–	–	–	2,000,000
S Barry	1,567,566	–	–	–	1,567,566
R James	23,775,235	–	–	–	23,775,235
R McNamara	50,000	114,000	–	–	164,000
Senior Management					
J Quayle – Appointed 15/05/2007	900,000	–	–	–	900,000
L Brown – Appointed 29/07/2008	–	–	–	–	–
	28,292,801	114,000	–	–	28,406,801

	Balance 1.1.2007	Purchases	Options Exercised	Sold	Balance 31.12.2007
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

d) Transactions with Directors and Director Related Entities

	Consolidated Entity		Parent Entity	
	2008 \$	2007 \$	2008 \$	2007 \$
Legal fees paid in the ordinary course of business to CKB Partners, a firm with which Mr. S Barry is associated.	16,806	24,070	16,806	24,070

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



Notes to the Financial Statements (CONTINUED)

Note 7 – Cash And Cash Equivalents

Cash on hand	657	657	450	450
Cash at Bank	4,372,716	1,461,602	4,304,527	1,275,649
	4,373,373	1,462,259	4,304,977	1,276,099
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	4,373,373	1,462,259	4,304,977	1,276,099
Balance as per Cash Flow Statement	4,373,373	1,462,259	4,304,977	1,276,099

Note 8 – Trade and Other Receivables – Current

Trade receivables	–	450,000	–	450,000
Other receivables	52,956	235,370	30,175	136,324
	52,956	685,370	30,175	586,324

Note 9 – Other Current Assets

Performance guarantee bonds	31,171	30,223	18,072	18,072
	31,171	30,223	18,072	18,072

Note 10 – Trade And Other Receivables – Non-Current

Amounts receivable from wholly owned subsidiaries:

– Icon Drilling Pty Ltd	–	–	3,508,204	2,729,637
– Jakabar Pty Ltd	–	–	5,460	5,460
– Icon Oil US (LLC)	–	–	7,822,805	7,698,377
	–	–	11,336,469	10,433,474
Less: Impairment	–	–	(5,050,680)	–
	–	–	6,285,789	10,433,474

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



Note 11 – Property, Plant, And Equipment

	Consolidated Entity		Parent Entity	
	2008 \$	2007 \$	2008 \$	2007 \$
Plant and Equipment – at cost	670,984	555,326	591,834	555,326
less: accumulated depreciation	(264,667)	(337,234)	(264,436)	(337,234)
	406,317	218,092	327,398	218,092
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	406,317	218,092	327,398	218,092

Movements in carrying amounts

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

Consolidated Entity	Plant & Equipment at cost	Plant & Equipment under lease	Total
Consolidated Entity			
Balance at the beginning of the year	218,092	–	218,092
Additions	272,943	–	272,943
Impairment Depreciation	(5,016)	–	(5,016)
Balance at the end of the year	(79,702)	–	(79,702)
	406,317	–	406,317

A charge exists over five items of plant and equipment as part of a hire purchase finance arrangements. The book value of these assets was \$262,530 as at 31 December 2008 (2007: \$180,152).

Parent Entity	Plant & Equipment at cost	Plant & Equipment under lease	Total
Balance at the beginning of the year	218,092	–	218,092
Additions	193,792	–	193,792
Impairment	(5,016)	–	(5,016)
Depreciation	(79,470)	–	(79,470)
Balance at the end of the year	327,398	–	327,398

A charge exists over five items of plant and equipment as part of a hire purchase finance arrangements. The book value of these assets was \$262,530 as at 31 December 2008 (2007: \$180,152).



Notes to the Financial Statements (CONTINUED)

Note 12 – Financial Assets

	Consolidated Entity		Parent Entity	
	2008 \$	2007 \$	2008 \$	2007 \$
Shares in Unlisted Companies – at cost	–	–	976,426	976,426
Provision for diminution in value	–	–	(976,426)	(976,426)
	–	–	–	–

Note 13 – Other Non-Current Assets

Exploration and Evaluation Expenditure at cost	9,925,928	8,188,848	2,536,774	2,488,524
Provision for Impairment	(2,897,400)	–	–	–
	7,028,528	8,188,848	2,536,774	2,488,524

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

Note 14 – Trade And Other Payables

Current				
Trade and sundry payables	334,456	1,057,367	194,204	806,230
	334,456	1,057,367	194,204	806,230

Note 15 – Borrowings

Secured				
Current				
Hire purchase liabilities	92,103	32,619	92,103	32,619
	92,103	32,619	92,103	32,619
Non Current				
Hire purchase liabilities	184,138	168,490	184,138	168,490
	184,138	168,490	184,138	168,490
	276,241	201,109	276,241	201,109

The Hire purchase liabilities are secured by motor vehicles with a book value of \$262,530 as at 31 December 2008, are subject to interest rates between 7.95% and 8.35% and repayable in monthly instalments of \$6,711.71 including finance charges.



Note 16 – Provisions

	Consolidated Entity		Parent Entity	
	2008 \$	2007 \$	2008 \$	2007 \$
Current				
Employee entitlements	281,618	153,619	281,618	153,619
	281,618	153,619	281,618	153,619
Non Current				
Employee entitlements	109,284	81,284	109,284	81,284
	109,284	81,284	109,284	81,284
	390,902	234,903	390,902	234,903
Number of employees at year end	8	3	8	3

Note 17 – Issued Capital

Share Capital

Issued share capital 332,796,906 (31 December 2007: 282,496,906) fully paid, no par value ordinary shares.

	31 December 2008		31 December 2007	
	Number of shares	\$	Number of shares	\$
Fully Paid Shares				
Balance at beginning of the year	282,496,906	26,351,737	269,846,906	25,692,737
Shares issued:				
– January 2007 – Shares issued	–	–	10,000,000	500,000
– April 2007 – Shares issued for cash	–	–	2,650,000	159,000
– June 2008 – Shares issued for cash	16,000,000	2,801,000	–	–
– September 2008 – Shares issued for cash	14,300,000	2,717,000	–	–
– November 2008 – Options exercised for cash	20,000,000	1,856,000	–	–
– Capital Raising Costs	–	(274,500)	–	–
Balance at the end of the year	332,796,906	33,451,237	282,496,906	26,351,737

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 2008	Number of options 31 December 2007
Options		
Balance at beginning of the year	20,000,000	20,000,000
Options exercised during the year	(20,000,000)	–
Balance at the end of the year	–	20,000,000

Terms and conditions for the options are as follows:

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



Notes to the Financial Statements (CONTINUED)

Note 18 – Foreign Currency Translation Reserve

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

Note 19 – Earnings Per Share

	Consolidated Entity	
	2008 \$	2007 \$
a) Reconciliation of Earnings to Net Profit or Loss		
Net Profit/(Loss)	(6,138,016)	3,198,544
Earnings used in the calculation of basis EPS	(6,138,016)	3,198,544
Earnings used in the calculation of dilutive EPS	(6,138,016)	3,198,544
b)		
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic EPS	297,781,605	281,435,536
Weighted average number of options outstanding	–	5,333,333
Weighted average number of ordinary shares outstanding during the year used in the calculation of dilutive EPS	297,781,605	286,768,869

(c) Classification of Securities

	Consolidated Entity	
	2008 No.	2007 No.
The following securities have been classified as potential ordinary shares and are included in determination of dilutive EPS:		
Options	–	20,000,000



Note 20 – Cash Flow Information

a) Reconciliation of net cash used in operating activities to Profit/(loss) after income tax

	Consolidated Entity		Parent Entity	
	2008 \$	2007 \$	2008 \$	2007 \$
Profit/(loss) after income tax	(6,138,016)	3,198,544	(8,236,005)	3,132,275
Adjustment for non cash items				
Depreciation	79,702	22,965	79,470	22,965
Impairment of non-current assets	2,902,416	102,035	5,055,696	56,158
Currency Movements	10,540	19,327	–	–
Profit on sale of assets	–	(4,499,200)	–	(4,499,200)
Adjustment for changes in assets and liabilities				
Trade receivables	175,916	(234,985)	99,653	(20,360)
Other assets	(948)	661	–	385
Other receivables	6,496	–	6,496	–
Accounts payable	(722,911)	(104,233)	(612,026)	(59,349)
Employee provisions	156,000	(4,507)	156,000	(4,507)
Net cash used in operating activities	(3,530,805)	(1,499,393)	(3,450,716)	(1,371,633)

b) Non-cash financing activities

During the year motor vehicles were acquired by hire-purchase totalling \$129,822. The effects of these transactions have not been included in this cashflow statement with the exception of any repayments made.

Note 21 – Capital And Leasing Commitments

	Consolidated Entity		Parent Entity	
	2008 \$	2007 \$	2008 \$	2007 \$
Hire-Purchase Commitments				
Hire-Purchase commitments payable:				
– not later than one year	113,474	48,687	113,474	48,687
– later than one year but not later than five years	197,010	182,223	197,010	182,223
Minimum Hire-Purchase payments	310,484	230,910	310,484	230,910
Less: future finance charges				
– not later than one year	(213,721)	(16,068)	(213,721)	(16,068)
– later than one year but not later than five years	(12,872)	(13,733)	(12,872)	(13,733)
Total Hire-Purchase Liabilities	83,891	201,109	83,891	201,109
Present value of minimum Hire-Purchase payments				
– not more than one year	92,103	32,619	92,103	32,619
– later than one year	184,138	168,490	184,138	168,490
	276,241	201,109	276,241	201,109
Current liabilities (Note 15)	92,103	32,619	92,103	32,619
Non-current liabilities (Note 15)	184,138	168,490	184,138	168,490
	276,241	201,109	276,241	201,109

The Hire-Purchase liabilities are secured by motor vehicles with a book value of \$262,530 as at 31 December 2008, are subject to interest rates between 7.95% and 8.35% and repayable in monthly instalments of \$6,711.71, including finance charges.



Notes to the Financial Statements (CONTINUED)

Note 21 – Capital And Leasing Commitments (CONTINUED)

	Consolidated Entity		Parent Entity	
	2008 \$	2007 \$	2008 \$	2007 \$
Operating Lease Commitments				
Non-cancellable operating leases contracted for but not capitalised in the financial statements				
– not later than one year	99,278	94,550	99,278	94,550
– later than one year but not later than five years	449,293	4 27,898	449,293	427,898
	548,571	522,448	548,571	522,448

The property lease is a non-cancellable lease with a five year term, payable monthly in advance. Under the terms of the lease minimum lease repayments are increased by 5% per annum. There is no option to renew.

Note 22 – Joint Ventures

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

Oil and Gas	Basin	Interest % 2008	Interest % 2007
ATP 549P	Cooper Eromanga	33.33%	33.33%
ATP 94P	Cooper Eromanga	50.00%	50.00%
ATP 794P	Eromanga Regleigh & Springfield Areas	60.00%	60.00%
ATP 794P	Eromanga Brightspot area	75.00%	75.00%
ATP 626P	Surat	100.00%	100.00%
ATP 849P	Surat	80.00%	80.00%
ATP 855P	Cooper Eromanga	80.00%	80.00%
PEL 218	Cooper Eromanga	33.30%	33.30%
ATP 560	Cooper Eromanga	50.50%	50.50%
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%
Wilbert's	Louisiana	0.00%	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	
	2008 \$	2007 \$	2008 \$	2007 \$
Non Current Assets				
Exploration and evaluation expenditure at cost	5,219,432	4,396,833	1,312,901	1,317,612
Total Non Current Assets	5,219,432	4,396,833	1,312,901	1,317,612
Share of total assets in joint venture	5,219,432	4,396,833	1,312,901	1,317,612



Note 23 – Controlled Entities

	Country of Incorporation	% Owned	
		2008	2007
Parent entity:			
Icon Energy Limited	Australia		
Subsidiaries of Icon Energy Limited:			
Jakabar Pty Ltd	Australia	100	100
Icon Drilling Pty Ltd	Australia	100	100
Icon Oil US (LLC)	USA	100	100

Note 24 – Segment Information

The consolidated entity operates in the oil exploration and petroleum sector, predominantly within Queensland and in the USA. 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 a majority of 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	
	2008 \$	2007 \$	2008 \$	2007 \$	2008 \$	2007 \$
Revenue						
External Sales	–	–	16,189	386,497	16,189	386,497
– Other	–	4,499,600	–	–	–	4,499,600
– Royalty sales	–	–	3,150	10,611	3,150	10,611
Total segment revenues	–	4,499,600	19,339	397,108	19,339	4,896,708
Unallocated revenue					143,754	110,243
Total revenue					163,093	5,006,951
Result						
Segment Results	(3,306,737)	3,146,923	(2,955,090)	63,775	(6,261,827)	3,210,698
Net Finance costs					123,811	(12,154)
Loss before income tax					(6,138,016)	3,198,544
Income tax					–	–
Loss after income tax					(6,138,016)	3,198,544
Assets						
Segment Assets	10,835,165	7,476,825	1,057,180	3,107,967	11,892,345	10,584,792
Segment Liabilities	953,385	1,384,111	48,214	109,268	1,001,599	1,493,379
Other						
Acquisition of non-current segment assets	1,182,713	2,847,093	–	–	1,182,713	2,847,093
Depreciation and amortisation of segment assets	79,702	22,965	–	–	79,702	22,965
Impairment expenses	5,015	56,158	2,897,400	45,877	2,902,415	102,035



Notes to the Financial Statements (CONTINUED)

Note 25 – 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 2008.

Significant accounting policies

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

Capital risk management

The parent and consolidated entity manages 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, net of reserves and accumulated losses as disclosed in notes 7, 15 and 17 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 2007.

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 2008, 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 \$8,006 higher / \$6,348 lower (2007:\$4,749/ \$2,749), mainly as a result of the consolidated entity's exposure to interest rates on its variable rate cash and cash equivalents.



Note 25 – Financial Instruments (CONTINUED)

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 2008, 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 \$6,369 higher / \$6,348 lower (2007:\$4,531/ \$2,531), 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.

Consolidated Entity	Carrying amount		-0.5%		+0.5%	
	31/12/2008	31/12/2007	Profit	Equity	Profit	Equity
2008						
Financial assets						
Cash and cash equivalents	4,373,373	1,462,259	(6,348)	(6,348)	8,006	8,006
Trade receivables	–	450,000	–	–	–	–
Other receivables	52,956	235,370	–	–	–	–
Financial liabilities						
Accounts payable	334,456	1,057,367	–	–	–	–
Borrowings	276,241	201,109	–	–	–	–
Total increase/(decrease)			(6,348)	(6,348)	8,006	8,006

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

Parent Entity	Carrying amount		-0.5%		+0.5%	
	31/12/2008	31/12/2007	Profit	Equity	Profit	Equity
2008						
Financial assets						
Cash and cash equivalents	4,304,977	1,276,099	(6,348)	(6,348)	6,369	6,369
Other receivables – subsidiary	6,285,739	10,883,474	–	–	–	–
Other receivables	30,175	136,324	–	–	–	–
Financial liabilities						
Accounts payable	194,204	806,230	–	–	–	–
Borrowings	276,241	201,109	–	–	–	–
Total increase/(decrease)			(6,348)	(6,348)	6,369	6,369

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 of 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.



Notes to the Financial Statements (CONTINUED)

Note 25 – Financial Instruments (CONTINUED)

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

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

c) Liquidity risk

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 hire-purchase commitments detailed in Notes 15 and 21.

The following are contractual maturities of financial liabilities:

Consolidated Entity	Carrying Amount	Contractual CF	<1Year	1–5 Years
2008				
Trade and other Payables	334,456	334,456	334,456	–
Borrowings	276,241	310,484	113,474	197,010
	610,697	644,940	447,930	197,010
2007				
Trade and other Payables	1,057,367	1,057,367	1,057,367	–
Borrowings	201,109	230,910	48,687	182,223
	1,258,476	1,288,277	1,106,054	182,223
Parent Entity	Carrying Amount	Contractual CF	<1Year	1–5 Years
2008				
Trade and other Payables	194,204	194,204	194,204	–
Borrowings	276,241	310,484	113,474	197,010
	470,445	504,688	307,678	197,010
2007				
Trade and other Payables	806,230	806,230	806,230	–
Borrowings	201,109	230,910	48,687	182,223
	1,007,339	1,037,140	854,917	182,223

The parent and consolidated entity's liquidity risk relating to financial liabilities at 31 December 2008 is limited to the repayment of the hire-purchase commitments amounting to \$276,241 (per Notes 15 and 21) and trade payables. Trade payables are short-term in nature. The parent and consolidated entity do not finance exploration activities through debt.



Note 25 – Financial Instruments (CONTINUED)

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:

Consolidated Entity	Weighted Average Interest	Floating Interest \$	Fixed Interest Rate Maturing			Total \$
			Within 1 year \$	1 to 5 years \$	Non interest bearing \$	
2008						
Financial assets						
Cash and cash equivalents	4.15%	4,372,716	–	–	657	4,373,373
Other receivables		–	–	–	52,956	52,956
		4,372,716	–	–	53,613	4,426,329
Financial liabilities						
Accounts payable		–	–	–	334,456	334,456
Borrowings	9.76%	–	92,103	184,138	–	276,241
		–	92,103	184,138	334,456	610,697
2007						
Financial assets						
Cash and cash equivalents	5.80%	1,461,602	–	–	657	1,462,259
Trade receivables	8.00%	–	450,000	–	–	450,000
Other receivables		–	–	–	235,370	235,370
		1,461,602	450,000	–	236,027	2,147,629
Financial liabilities						
Accounts payable		–	–	–	1,057,367	1,057,367
Borrowings	8.10%	–	32,619	168,490	–	201,109
		–	32,619	168,490	1,057,367	1,258,476

Note 25 – Financial Instruments (CONTINUED)

Parent Entity	Weighted Average Interest	Floating Interest \$	Fixed Interest Rate Maturing			Total \$
			Within 1 year \$	1 to 5 years \$	Non interest bearing \$	
2008						
Financial assets						
Cash and cash equivalents	4.22%	4,304,527	–	–	450	4,304,977
Other receivables		–	–	–	6,285,789	6,285,789
Other receivables		–	–	–	30,175	30,175
		4,304,527	–	–	6,316,414	10,620,941
Financial liabilities						
Accounts payable		–	–	–	194,204	194,204
Borrowings	9.76%	–	92,103	184,138	–	276,241
		–	92,103	184,138	194,204	470,445



Notes to the Financial Statements (CONTINUED)

2007

Financial assets

Cash and cash equivalents	6.70%	1,275,649	–	–	450	1,276,099
Other receivables	8.00%	–	450,000	–	10,433,474	10,883,474
Other receivables		–	–	–	136,324	136,324
		1,275,649	450,000	–	10,570,248	12,295,897

Financial liabilities

Accounts payable		–	–	–	806,230	806,230
Borrowings	8.10%	–	32,619	168,490	–	201,109
		–	32,619	168,490	806,230	1,007,339

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 2008 are a reasonable approximation of their fair values due to the short term nature of the instruments.

Sheet and accompanying explanatory notes at 31 December 2008, 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 12 which have been fully impaired.

Note 26 – Related Party Transactions

- Amounts receivable from wholly owned subsidiaries are disclosed in Note 10. The loans to controlled entities are unsecured, interest free and payable on demand.
- Transactions with Directors and Director Related Entities are disclosed in Note 6. All services provided by the director-related entities were at normal commercial terms and conditions.
- There were no other related party transactions during the year ended 31 December 2008 or 31 December 2007.

Note 27 – Contingent Liabilities

There were no contingent liabilities as at 31 December 2008.



Note 28 – Changes In Accounting Policies

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2008 reporting periods. The consolidated entity's assessment of the impact of these new standards and interpretations is set out below:

- i. AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 8 [AASB5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023, AASB 1038] AASB 2008-3 is applicable to annual reporting periods beginning on or after 1 January 2009. The entity has not adopted the standard early. AASB 2008-3 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 AASB101. AASB2007-8 is applicable to annual reporting periods beginning on or after 1 January 2009. The entity has not adopted the standard early. AASB2007-8 consequentially amends a number of standards arising from the revision of AASB101. 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 AASB101 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 AASB123 Borrowing costs are applicable to annual reporting periods beginning on or after 1 January 2009. The revised statement 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.



Notes to the Financial Statements (CONTINUED)

Note 29 – Events After Balance Sheet Date

- a. On 30 January 2009, the Company entered into a farmin agreement with Stanwell Corporation Limited, a Queensland Government owned corporation formed in 1997. Stanwell owns and operates a portfolio of coal and hydro power stations throughout Queensland and trades more than 30% of Queensland's electricity requirements.

On the same date, the Company executed the Joint Operating and Gas Supply Agreement with Stanwell. In terms of the agreement Stanwell has committed \$6 million to an initial pilot program covering four of the 30 blocks in ATP 626P in the Surat Basin comprising the joint venture gas project. Subject to results, Stanwell may elect to commit to spending a further \$30 million to secure a minimum 2P reserve of 340 PJ. At the completion of this second stage Stanwell will earn 50% interest in the four blocks.
- b. Since the end of the financial year the Company has acquired a mineral interest in Bayou Choctaw for the payment of \$25,000 in cash and 1,500,000 in shares. This purchase will be finalised in early April with the issue of the shares. This acquisition compliments the working interest the Company has through its farmin agreement. The acquisition of the mineral interests, in addition to its economic potential ensures that Icon is a party to any negotiations with the operator and other mineral interest owners of Bayou Choctaw .
- c. On 20 March 2009, the Mineral Interest holders in the Wilbert's Lease sent a demand for the surrender of the Wilbert's Lease. Icon Energy Limited has a 13% working interest in this Lease which is held by production. The Mineral Interest holders have also lodged a claim under the Lease for the payment of \$389,000 being a \$10,000 per month payment where an exploration well was not drilled by our Joint Venture Operator pursuant to their independent agreement with the mineral owners. Icon disputes any involvement in this claim.



Additional Shareholder Information

Distribution of Shareholdings

The distribution of ordinary shareholders ranked according to size at 28 February 2009 was as follows:

Range	Total Holders	Units	% of Issued Capital
1-1,000	71	36,021	0.01
1,001-5,000	725	2,591,550	0.78
5,001-10,000	841	7,313,551	2.20
10,001-100,000	2,237	85,065,161	25.56
100,001-9,999,999,999	493	237,790,623	71.45
Rounding			
Total	4,367	332,796,906	100.00

Unmarketable Parcels

Minimum Parcel Size	Holdings	Units
Minimum \$500.00 parcel at \$0.22 per unit	2,373	275,212

Voting Rights

All ordinary shares carry one vote per share without restriction.

Twenty Largest Ordinary Shareholders

The names of the twenty largest holders as at 10 March 2009 were:

Name	Listed Ordinary Shares	
	Number Held	Percentage
RS James & Associates Pty Ltd	23,775,235	7.14
Mrs. Dianne Beth Baldwin	22,198,958	6.67
HSBC Custody Nominees (Australia) Limited	10,546,840	3.17
Mr. Ronald William Baldwin + Mrs. Dianne Beth Baldwin <Whistler Super Fund A/C>	8,387,000	2.52
Mr. Stanislaus Kevin Sheehan <Sheehan Family S/F A/C>	4,352,304	1.31
Ian Petherbridge Pty Ltd <Ian Peth Pty Ltd Shares A/C>	3,200,000	0.96
Lochiel Enterprises Pty Ltd <Cameron Investment Account>	2,869,000	0.86
Mr. Frederick John Drake + Mrs. Mary Philomena Drake <FD Nominees Super Fund A/C>	2,710,000	0.81
Mr. Daniel Joseph Raymond O'Sullivan	2,645,230	0.79
Citicorp Nominees Pty Limited	2,512,133	0.75
Harstedt Pty Ltd <Olsen Family A/C>	2,500,000	0.75
Apsley Holdings Pty Ltd <RG Morris Super A/C>	2,193,035	0.66
Merrill Lynch (Australia) Nominees Pty Limited	2,109,880	0.63
Mr. Timothy Allen Kennedy + Mrs. Glenda Kay Kennedy <TA & GK Kennedy Super A/C>	2,100,000	0.63
Mr. Martin Pyecroft + Mrs. Josephine Pyecroft <The Pyecroft Super Fund A/C>	2,000,000	0.60
Reynolds (Nominees) Pty Limited <Reynolds Super Fund A/C>	2,000,000	0.60
Brownward Pty Ltd <Brian Hayward S/F A/C>	1,899,000	0.57
Mr. Brian William Atkinson & Mr. Gregory Paul Sheil	1,610,000	0.48
Mr. Lionel John Goody	1,533,377	0.46
Mr. Gary Andrew Bruce + Mrs. Wendy Leigh Bruce	1,530,000	0.46
Total	102,671,992	30.82



Company Particulars

Directors

Stephen Barry (Chairman)
Raymond James (Managing Director)
Raymond McNamara
Keith Hilless AM
Derek Murphy

Company Secretary

Raymond McNamara

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Legal Advisors

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