

## QUARTERLY REPORT

QUARTER ENDED 31 DECEMBER 2012



Airth-12 well head and gas flare chamber, PEDL 133, U.K.

**CHAIRMAN'S ADDRESS: 2012 ROUND-UP**

Fellow shareholders, on behalf of Dart Energy's Board, management team and staff, I wish you and the members of the community a very happy and successful 2013.

I am pleased to report that operationally 2012 was a fruitful year for Dart Energy. We made sound progress towards transitioning Dart Energy into a production company in the near term.

At our flagship project, Airth in the UK, we carried out a successful 3 month production test and are pleased with the results. The well flowed at over 500 Mscf/d on a sustained basis with a peak rate of over 800 Mscf/d. No hydraulic-stimulation (fracking) was used to achieve these rates, and our investment thesis and long-term economic viability of the Airth project have been validated. If we assume that only the existing 3P reserves at Airth (72 Bcf, or roughly 10% of the total 2C resource) are developed, then the project has the potential to generate future revenues in excess of US\$700 million, at current UK gas prices.

In addition, the Liulin project in China continues to flow gas in excess of 1,000 Mscf/d. Construction of compression and gathering facilities are currently underway and completion is expected during 1H 2013. This will enable the supply of gas into an existing Gas Sales Agreement during 2013.

Dart Energy therefore now has two projects (Airth in Scotland, U.K. and Liulin in China) that have demonstrated commercial flow rates on a sustained basis and are moving forward towards commercial development. Detailed updates across our portfolio are set out in this activity report.

There have been recent regulatory developments in the U.K. and New South Wales, Australia which provide the regulatory framework necessary to accelerate work towards tapping unconventional gas resources in the respective countries. Dart welcomes these developments. We expect to see much progress in Australia this year given the "regulatory push" and the looming energy shortfall in NSW.

We have continued working on the restructuring of our non-Australian business (Dart International) to facilitate a separate listing, including ongoing negotiations with a potential strategic investor. We will update the market further as soon as there are any material developments.

Despite the disappointing share price performance during 2012, I remain confident and optimistic about the future of the Company and I look forward to continued progress during 2013 and beyond.

Sincerely,

**Nicholas Davies**  
Chairman

**HIGHLIGHTS DURING THE QUARTER****⇒ Operations**

- In the UK, Dart Energy concluded a successful 3-month controlled production testing at Airth-12 well, PEDL 133 in Scotland. Sustained flow rates in excess of 500 Mscf/d were observed with a peak rate in excess of 800 Mscf/d. Test results validate the economic viability of the project. The Airth project had previously received approval for the initial development from the UK regulator (Department of Energy and Climate Change) and subject to receiving required local planning permissions (currently under review), the project is expected to start commercial production and gas sales during the later part of 2013.
- In Australia, the Company has received State and Federal regulatory approvals to drill its proposed pilot wells at Fullerton Cove north east of Newcastle (PEL 458) in New South Wales and is awaiting the result of a legal challenge in the Land and Environment Court, expected within 1Q 2013, before drilling commences. Site preparations have been completed and are being monitored regularly to ensure site integrity is maintained.
- In addition, the Maria's Farm Veggies (MFV) project at Fullerton Cove secured its Development Approvals from the Port Stephens Council and Joint Regional Planning Authority, to construct a horticultural glasshouse of a significant scale. Dart Energy owns 20% of MFV and expects site work to commence as soon as the construction certificate is received in the coming months.

**⇒ Strategic Process Update**

- In November 2012, the Company advised that in the course of the IPO marketing process, an industry participant with extensive oil & gas interests in Asia had proposed a broader ranging strategic relationship, which would also involve a material participation in the IPO.
- The Board continues to consider that it is in the best interests of shareholders for this potential strategic opportunity to be fully evaluated and, if appropriate, secured, as a precursor to the IPO proceeding.

**⇒ Corporate**

- During the 4Q 2012, Dart International commenced a process to seek strategic co-operation and farm-outs opportunities with potential partners for its UK and broader European unconventional gas prospects.
- In November 2012, the final instalment was made in respect of the Company's acquisition of Greenpark, a U.K. based CBM business via the acquisition of GP Energy. This comprised the issue of approximately 65 million new shares in the Company.
- Kirstin Ferguson was appointed as an independent non-executive director to the Board of Dart Energy on 26 November 2012. Existing Directors Nick Davies, Shaun Scott and Stephen Bizzell reverted to Non-Executive Director status.
- The AGM was held in Brisbane on 27 November 2012 and all motions were passed.

**⇒ Regulatory Environment**







- In the UK, in December 2012, the Government formally announced its intention to actively promote the development of unconventional gas resources. The UK's Finance Minister, George Osborne, as part of his Autumn Statement, highlighted that the UK Government's Gas Generation Strategy intends to "ensure that we (they) make the best use of lower cost gas power, including *new sources of gas under the land*". In addition, Mr. Osborne mentioned the UK Government is considering tax incentives for unconventional gas development.

- In New South Wales (NSW), Australia, there has been similar push from the Government. Following the Strategic Regional Land Use Policy announcement in September 2012, the Hon. Chris Hartcher MP, NSW Minister for Resources and Energy highlighted at the 2012 APPEA CSG Conference & Exhibition, held in October 2012, that the NSW Government is conscious of developing the coal seam gas industry to avoid a shortage of gas and higher prices, with the ongoing multi-billion dollars of investments being made by CSG companies viewed as an economic opportunity with “enormous benefits” for NSW that cannot be overlooked. Mr. Hartcher further emphasised the need to recommence exploration of coal seam gas if NSW is to reach significant production levels before the last of the state’s supply contracts expires in 2017.
- Overall, Dart Energy welcomes these regulatory developments and believes these are important “regulatory push” factors that will help set direction and accelerate activity in the unconventional gas industry in these regions.

➤ **Community Engagement**

- Community engagement is at the core of Dart Energy’s values. Dart Energy continues to build trust with local communities and prove our industry can co-exist with their everyday life. Where possible, we are investing in downstream projects to make use of gas produced during the pilot phase (for instance, electricity generation at the Airth project), thus reducing flaring and creating incremental economic value.
- In NSW, at Fullerton Cove, Dart Energy has held over 350 separate stakeholders events including community information sessions, briefing local MPs and the business community, publishing community updates in local newspapers, providing a number of local notifications and Community Reference Groups (CRG) meetings. These initiatives will continue throughout the life of the projects as part of Dart Energy’s community engagement efforts.
- In the U.K., Dart Energy held and continues to hold a series of open forums across different locations to explain the nature of our activities (for instance, explaining what coal seam gas is and how it is extracted and so on), address concerns and communicate our best practices.

**KEY PROJECTS OVERVIEW**

Project	Work to Date	Monetisation	Future Work Program
<b>Airth, PEDL 133 (Scotland)</b> 	<ul style="list-style-type: none"> <li>➤ Pilot testing; commercial flow rates established</li> <li>➤ Initial development plan approved</li> <li>➤ Electricity generation / sales from pilot gas production commenced</li> <li>➤ Resources and reserves independently certified</li> </ul>	<ul style="list-style-type: none"> <li>➤ Pilot-to-power electricity sales, leading to larger sales via in place GSA with SSE Energy Supply Limited</li> </ul>	<ul style="list-style-type: none"> <li>➤ Drill production wells</li> <li>➤ Install production facilities</li> <li>➤ Connect to UK pipeline network and commence GSA sales 2013</li> </ul>
<b>Solway Basin, PEDL 159 (Scotland)</b> 	<ul style="list-style-type: none"> <li>➤ Initial pilot testing completed indicating commercial flow rate potential</li> <li>➤ Planning consent for 20 well sites (including one gas delivery site obtained)</li> <li>➤ Resources and reserves independently certified</li> </ul>	<ul style="list-style-type: none"> <li>➤ Deliver gas into UK national gas pipeline network</li> </ul>	<ul style="list-style-type: none"> <li>➤ Further pilot testing planned during 2013</li> <li>➤ Undertake planning work for initial field development in 2014</li> </ul>
<b>Liulin (China)</b> 	<ul style="list-style-type: none"> <li>➤ Pilot testing completed; commercial gas rates</li> <li>➤ Submitted Summary Overall Development Plan</li> <li>➤ Construction of gathering and compression facilities commenced</li> <li>➤ Resources and reserves independently certified</li> </ul>	<ul style="list-style-type: none"> <li>➤ Third party GSA in place for initial sales from Liulin project with China United Shanxi Coalbed Methane ("CUSCM") at US\$7.00 per MMBtu</li> </ul>	<ul style="list-style-type: none"> <li>➤ Completion of surface infrastructure to allow delivery into GSA</li> <li>➤ Undertake field development planning</li> <li>➤ Submit a full Overall Development Plan for larger scale field development for approval</li> </ul>
<b>Fullerton Cove PEL 458 (NSW)</b> 	<ul style="list-style-type: none"> <li>➤ Commenced deploying first phase of infrastructure / gathering system</li> <li>➤ 4 core wells drilled</li> <li>➤ Detailed geological review</li> <li>➤ Regulatory approval for pilot programme</li> <li>➤ Financing and Development Approval for MFV</li> </ul>	<ul style="list-style-type: none"> <li>➤ GSA in place with Maria's Farm Veggies ("MFV") at A\$7.50 per GJ</li> <li>➤ Local industrial users</li> </ul>	<ul style="list-style-type: none"> <li>➤ Production pilot – if successful, deliver gas into GSA with MFV</li> <li>➤ Further exploration core well program</li> </ul>
<b>Sangatta West (Indonesia)</b> 	<ul style="list-style-type: none"> <li>➤ 3 core wells and 4 pilot wells completed</li> <li>➤ Preparations for long term production testing</li> <li>➤ Resources and reserves independently certified</li> </ul>	<ul style="list-style-type: none"> <li>➤ Pilot-to-power project initially, leading to potentially larger sales to Bontang LNG</li> <li>➤ Regulatory approval secured for US\$7.90 per MMBtu gas price under pilot-to-power scheme</li> </ul>	<ul style="list-style-type: none"> <li>➤ Pilot testing during 2013</li> <li>➤ Install power generation facilities as part of pilot-to-power scheme</li> <li>➤ Field development planning</li> </ul>
<b>Tanjung Enim &amp; Muralim (Indonesia)</b> 	<ul style="list-style-type: none"> <li>➤ 4 core wells and 3 pilot wells completed</li> <li>➤ Preparations for long term production testing at Tanjung Enim</li> <li>➤ Resources independently certified</li> </ul>	<ul style="list-style-type: none"> <li>➤ Small scale pilot-to-power project</li> <li>➤ Potentially larger gas sales to nearby power generation facilities / pipeline</li> </ul>	<ul style="list-style-type: none"> <li>➤ Pilot testing during 2013</li> <li>➤ Installation of power generation facilities</li> <li>➤ Independent reserves certifications</li> <li>➤ Field development planning</li> </ul>

**OTHER PROJECTS OVERVIEW**

Project	Work to Date	Monetisation	Future Work Program
<b>Other UK projects</b> 	<ul style="list-style-type: none"> <li>➤ Geological and geophysical desktop studies completed</li> <li>➤ Resources independently certified</li> <li>➤ 1 well drilled; preparations for drilling core wells across East Midlands, Cheshire and South Wales</li> </ul>	<ul style="list-style-type: none"> <li>➤ Sale of gas into national pipeline grid</li> <li>➤ Commercialisation of early gas via gas-to-wire, where possible</li> </ul>	<ul style="list-style-type: none"> <li>➤ Exploration / appraisal across portfolio</li> </ul>
<b>Other Australia projects</b> 	<ul style="list-style-type: none"> <li>➤ Progressing land access agreements</li> <li>➤ Preparation of a Review of Environmental Factors for PEL 456 pilot</li> <li>➤ Engaging government, focusing on community consultation</li> </ul>	<ul style="list-style-type: none"> <li>➤ Multiple options under consideration – local industrial use through gas or power supply, or connect to pipeline</li> </ul>	<ul style="list-style-type: none"> <li>➤ Secure drilling permission approvals, complete exploration wells</li> </ul>
<b>Assam (India)</b> 	<ul style="list-style-type: none"> <li>➤ Pre-drill activities completed</li> <li>➤ Environmental clearance granted</li> </ul>	<ul style="list-style-type: none"> <li>➤ Compression and marketing as compressed natural gas (CNG)</li> </ul>	<ul style="list-style-type: none"> <li>➤ Execute 15 core hole and 2 pilot well commitment program</li> <li>➤ Preliminary gas market study</li> </ul>
<b>Satpura (India)</b> 	<ul style="list-style-type: none"> <li>➤ 15 core well program completed</li> <li>➤ Drilling of 2 pilot wells commenced</li> </ul>	<ul style="list-style-type: none"> <li>➤ Compression and marketing as compressed natural gas (CNG)</li> </ul>	<ul style="list-style-type: none"> <li>➤ De-watering and production testing</li> <li>➤ Preliminary gas market study</li> </ul>
<b>CMM Projects (India)</b> 	<ul style="list-style-type: none"> <li>➤ One well drilled; drilling of second degassing well under progress</li> </ul>	<ul style="list-style-type: none"> <li>➤ Dart Energy provides CMM degassing services on a fee basis</li> </ul>	<ul style="list-style-type: none"> <li>➤ Complete 3 CMM degassing wells drilling program</li> </ul>
<b>USCB (Poland)</b> 	<ul style="list-style-type: none"> <li>➤ 1 hybrid core / pilot well completed</li> <li>➤ Initial pilot testing underway</li> <li>➤ Resources independently certified</li> </ul>	<ul style="list-style-type: none"> <li>➤ Potential sale into domestic pipeline network</li> </ul>	<ul style="list-style-type: none"> <li>➤ Review production testing results and subject to results, initiate field development planning</li> </ul>
<b>Poland Shale (Milejow)</b> 	<ul style="list-style-type: none"> <li>➤ Seismic program completed</li> <li>➤ Resources independently certified</li> </ul>	<ul style="list-style-type: none"> <li>➤ Potential sale into domestic pipeline network</li> </ul>	<ul style="list-style-type: none"> <li>➤ Initial exploration</li> <li>➤ Conduct preliminary gas market study</li> </ul>
<b>Belgium</b> 	<ul style="list-style-type: none"> <li>➤ JV agreement to explore and develop CBM</li> <li>➤ Geological and geophysical desktop studies completed</li> </ul>	<ul style="list-style-type: none"> <li>➤ Potential sale into domestic pipeline network</li> </ul>	<ul style="list-style-type: none"> <li>➤ Identify exploration targets and JV to apply for licences</li> <li>➤ Conduct preliminary gas market study</li> </ul>
<b>Germany</b> 	<ul style="list-style-type: none"> <li>➤ Geological and geophysical desktop studies completed</li> <li>➤ Resources independently certified</li> </ul>	<ul style="list-style-type: none"> <li>➤ Potential sale into domestic pipeline network</li> </ul>	<ul style="list-style-type: none"> <li>➤ Evaluate resource potential and devise exploration strategy</li> <li>➤ Conduct preliminary gas market study</li> </ul>

**KEY PROJECTS UPDATE****PEDL 133 (Airth, Scotland)**

During 4Q 2012, the Company successfully concluded a three-month production test period for the Airth 12 well at the Airth Project:

- ⇒ The Airth 12 well was completed in March 2012 as a quad-lateral well, at an average depth of 950 metres, with a total “hole in coal” in excess of 2,000 metres. No hydraulic-stimulation (“fracking”) is being used for any CBM wells at PEDL 133.
- ⇒ The well was brought on line in June 2012 for initial dewatering and early commercialisation through electricity generation. During 4Q 2012, the well was operated continually for 3 months on a controlled production test basis.
- ⇒ Sustained gas flow rates in excess of 500 Mscf/d (thousand standard cubic feet per day) were achieved during the production test period, with peak rates in excess of 800 Mscf/d. The well was, however, held back from maximum peak production, to minimise the need for flaring of gas.
- ⇒ This successful production test provides a robust validation of the project’s economic viability and a number of key assumptions that underpin the long-term development of the Airth Project:
  - Sustainable continuous commercial gas production has been demonstrated.
  - Test data indicate that well flows in excess of 1,000 Mscf/d are attainable in the production area for the intended well design with “hole in coal” ranging between 3,000 metres and 4,000 metres.

The gas production is currently being curtailed to preserve gas for ultimate commercial production, and to minimise flaring of produced gas. Until compression facilities are in place, which will enable delivery and sale of produced gas, the Company intends to continue to flow gas from the Airth 12 well for on-site electricity generation which has a capacity of approximately 100 Mscf/d.

Preparations for the initial development of the Airth project were progressed during the quarter. The detailed design work commenced following the earlier Front End Engineering Design (FEED) studies. Bids for long lead items and associated equipment were also evaluated.

Community engagement and engagements with members of the UK Government continued. Dart Energy awaits approval of the local planning permissions. Subject to these approvals, development is expected to commence in 1H 2013 to enable commencement of gas sales into the existing GSA with SSE Energy in late 2013.

In the UK, in December 2012, the Government endorsed, and announced its intention to actively promote, the development of unconventional gas resources. In particular, The UK’s Finance Minister, George Osborne, as part of his Autumn Statement, highlighted that the UK Government’s Gas Generation Strategy intends to “*ensure that we (they) make the best use of lower cost gas power, including new sources of gas under the land*”. He added that the UK Government is considering tax incentives for unconventional gas development and also the “*creation of a single Office for Unconventional Gas so that regulation is safe but simple*”.

At the same time, the Department of Energy & Climate Change (DECC) in its Gas Generation Strategy outlined the importance of gas in the UK’s generation landscape and reiterated the UK’s unconventional gas potential, highlighting that in addition to establishing the Office for Unconventional Gas, the DECC will also be looking into further developing the licensing framework to match the needs for CBM and shale exploration and production and to simplify and streamline regulatory processes.

Dart Energy believes these to be extremely positive developments for the UK unconventional gas industry, both CBM and shale. The Company is one of the largest onshore licence holders in the UK, with licences containing a sizeable coal bed methane and shale gas potential. Independent reserves auditors Netherland Sewell & Associates, Inc had previously assessed the potential in DEI’s European licences as having best estimate gas-in-place of 14.5 Tcf of CBM, and 76 Tcf of for shale gas.

**PEL 458, Newcastle – Fullerton Cove**

Dart has received State and Federal regulatory approvals to drill its proposed pilot wells north east of Newcastle. Drilling is scheduled to commence in 1Q 2013 pending the outcome of a legal challenge in the Land and Environment Court. Site preparations have been completed and are being monitored regularly to ensure site integrity. The court's decision is expected within the 1Q 2013 and options for a drill rig are currently being finalised.

The pilot wells will be drilled from a single well site (see below) to minimise the overall footprint, will access a total of approximately 4,000 metres of coal in 2 coal seams between depths of 650 metres and 700 metres. Earlier core samples taken at Fullerton Cove have shown coals with high gas saturation levels and good gas content (over 15 cubic metres per tonne) with more than 95% methane.

Community Reference Group (CRG) meetings will continue in 2013 and will recommence once the court decision is finalised. These sessions will continue throughout the life of the project as part of the Company's community engagement efforts.

In addition, the Maria's Farm Veggies (MFV) project secured its Development Approvals from the Port Stephens Council and Joint Regional Planning Authority to construct a horticultural glasshouse of significant scale at Fullerton Cove (part of PEL 458) near Newcastle (approximately 170 km north of Sydney), New South Wales. The 16.4 hectare glasshouse is expected to employ more than 125 personnel and from early 2014 is expected to initially produce up to 8,000 tonnes of quality organic tomatoes and 1,500 tonnes of capsicums each year for sale to local markets. Dart Energy owns 20% of MFV and, subject to the project receiving a construction certificate, expects site works to commence within 1Q 2013.



*Fullerton Cove drill site, New South Wales*



**Liulin PSC (Shanxi, China)**

Pilot production continued at the Liulin CBM project with peak rate in excess of 1 MMscf/d having been observed. Since May 2012, gas rates from existing wells have increased on a weekly basis and the best well (H-4) reached peak production in excess of 450 Mscf/d with three other wells (H-3, H-6 and H-13) registering peak rates between 200 Mscf/d and 280 Mscf/d.

Preparatory work in respect of construction of the field gas gathering system and nodal station progressed during the quarter following the approval by Liulin PSC Joint Management Committee (comprising of FLG in which Dart Energy has a 50% stake, and CUCBM). The field production rates continue to be controlled for stable operations and to obtain additional reservoir information, which also conserves gas prior to sales during the 2H 2013.

The field gathering system includes 12 km of gathering pipeline, an in-field nodal compression station and an 8 km export pipeline to CUSCM's (the buyer) CNG facilities. Construction is scheduled for completion in 2013 enabling delivery of sales gas into the existing GSA thereafter.

**Sangatta West (East Kalimantan, Indonesia)**

Work-overs were carried out on three pilot wells during the quarter and an additional pilot well is scheduled to be drilled in 1Q 2013. Following completion of these wells, production testing will be carried out. Subject to successful testing, these wells are expected to supply gas as part of an early development pilot-to-power project for electricity sold to the local Sangatta township.

**Tanjung Enim PSC (Sumatra, Indonesia)**

During the quarter, well work-overs were carried out to allow for production testing during 1H 2013 with a planned pilot-to-power project to commercialise pilot gas production in 2H 2013.

Dart Energy and EuroAsiatic, an engineering, procurement and construction (EPC) company have formed a joint venture company to perform the role of an Independent Power Producer (IPP) and produce electricity via a 2 MW gas engine. Commercial discussions and legal preparation work in relation to the pilot-to-power project continued during the quarter.

**OTHER EXPLORATION PROJECTS****AUSTRALIA****NSW Licences**

Dart received formal offers for licence renewals from the NSW Department of Trade and Investment, Regional Infrastructure and Services (DTIRIS) and expects all permit renewals to be executed by 1Q 2013.

Dart continues to have discussions with a number of potential strategic and farm-outs partners for several of its licence areas and will update the market further as soon as there are any material developments.

**PEL 456, Upper Hunter**

An option to enter into a land access and compensation agreement has been signed with a landholder for exploration activities and a Review of Environmental Factors (REF) is being prepared in line with the NSW Government's Strategic Regional Land Use Policy for a pilot well in the licence area which will be operated by Santos. Discussions with Santos are in progress to determine an appropriate work program for 2013.

## PEL 463, Sydney

Dart Energy has been holding discussions with third parties to identify suitable sites for CSG exploration and pilot drilling. This is being done in parallel with a land use study of the PEL 463 Cumberland area being developed to identify industrial areas appropriate for sustainable CSG exploration and to demonstrate the long term benefits for existing land uses through local energy production.

## ASIA

### Xiushan Shale Gas PSC (Chongqing Municipality, China)

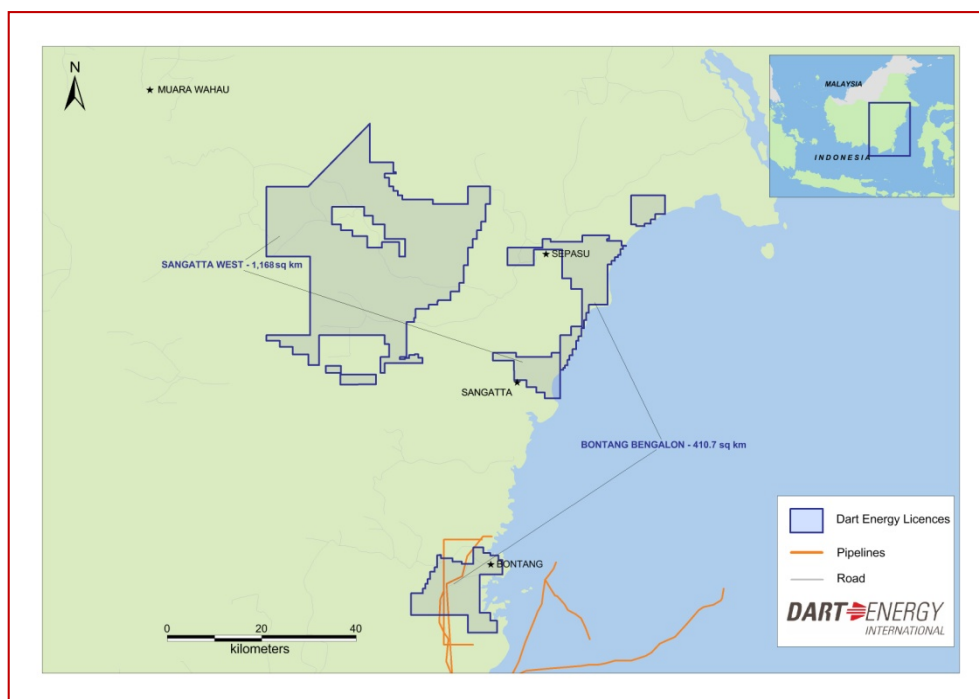
Dart Energy International and its partners (including ECO Natural Gas Limited and Hong Kong Prosperous Clean Energy Limited) signed a Production Sharing Contract (PSC) with Henan CBM Development and Utilization Company Limited (HCBM) for shale gas exploration, development and production in the Xiushan block in the Sichuan Basin, Chongqing Municipality, China. The PSC is subject to government approval and once approved, this will be the second shale gas PSC ever signed in China. The contract area covers approximately 720 km<sup>2</sup>.

### Bontang Bengalon (East Kalimantan, Indonesia)

During October 2012, Dart Energy signed a PSC in respect of Bontang Bengalon Block awarded to it in September 2012. This follows a formal application for the block that was submitted in July 2012 and a joint study that was previously conducted with the Government of Indonesia.

Bontang Bengalon is located in the middle part of the Kutei Basin in East Kalimantan, covering an area of 411 km<sup>2</sup>. The block is divided into two portions with the southern area located adjacent to the Bontang LNG facility and the northern area located 62 kilometres north of Bontang and adjacent to Dart Energy's existing Sangatta West PSC.

During the first 3-year exploration period, Dart Energy plans to drill three core wells and one pilot well as part of the committed work program. Dart Energy holds 100% working interest and operatorship in Bontang Bengalon, which provides flexibility to introduce new partners to the project over time.



*Location of Bontang Bengalon and Sangatta West PSCs in East Kalimantan, Indonesia*

**Muralim PSC (Sumatra, Indonesia)**

Following drilling of two exploration wells in the previous quarter, review and analysis of core samples is ongoing and the results are expected during 1Q 2013. Subject to results, Dart Energy expects to undertake appraisal drilling during 2H 2013.

**Satpura (Madhya Pradesh, India)**

A 15-well exploration program has been completed and following that, two pilot wells are currently being drilled. Dart Energy plans to undertake production testing on the two pilot wells during 1H 2013.

**Tata Coal Mine Degassing (Jharkhand, India)**

Drilling of 3 wells for methane degassing at Tata Steel coal mine at Jamadoba, Jharkhand state commenced during the quarter. First well has been completed which marks Dart Energy's first service fee revenues from this project. Drilling of second well is underway and Dart Energy expects to complete a three well degassing program during 1H 2013.

**EUROPE****South Wales, East Midlands & New England licences (U.K.)**

Following drilling of one well at PEDL 174 in the previous quarter, Dart Energy is developing an exploration strategy for drilling of additional core wells across East Midlands, Cheshire and South Wales. Dart Energy holds a 100% interest in all but two of its licences for CBM in the UK (60% interest in PEDL 139 and 140).

**Poland CBM Licences (USCB, Milejow)**

USCB - Pilot testing continued during the quarter on the production well drilled at USCB concession.

Milejow – Review of seismic data has been completed. Following this, a strategy for initial exploration is being developed.

**Other – Portfolio Rationalisation**

As mentioned in the previous quarterly activity reports, Dart Energy had made requests to host governments to withdraw from the Raj Mahal, Mand Raigarh and Tatapani Ramkola blocks in India, the Hanoi Trough PSC in Vietnam. During 4Q 2012, these relinquishment requests remained under consideration by their respective governments.

**CORPORATE****Appointment of independent non-executive directors**

During the quarter, Ms Kirstin Ferguson was appointed an independent Non-Executive Director on the board of Dart Energy Limited in preparation for the separation of the business through the IPO of Dart Energy International on AIM. Kirstin is a graduate of the AICD Company Directors course and is currently completing her PhD in business. Prior Kirstin was the CEO of Sentis, a global organisation operating across Australia, North and South America, Europe and Africa providing health and safety consulting to the mining and resources industry. Kirstin brings a wealth of commercial experience to the Board, and specifically her expertise in the area of health and safety will serve Dart well.

Nick Davies, Shaun Scott and Stephen Bizzell reverted to being Non-Executive Directors and as previously advised to the market, their Executive positions were intended to be transitional following the demerger of Dart Energy from Arrow Energy in 2010.

### **Intended Listing of Dart Energy International**

In September 2012, Dart Energy announced its intention to list its wholly-owned subsidiary, Dart Energy International Pte Ltd (Dart International) on London's AIM exchange, by way of Admission of ordinary shares in the capital of Dart International to the AIM Market of the London Stock Exchange and concurrently seek to raise new capital.

On 23 November 2012, the company provided an update on the progress of the intended listing, in which it advised that in the course of the IPO marketing process, an industry participant with extensive oil and gas interests in Asia had proposed to Dart Energy a broader ranging strategic relationship, which would also involve a material participation in the IPO.

The Board continues to consider that it is in the best interests of shareholders for this potential strategic opportunity to be fully evaluated and, if appropriate, secured, as a precursor to the IPO proceeding.

No transaction has as yet been consummated, although discussions and due diligence activities have continued and remain ongoing. The Company will update the market further as soon as there are any material developments.

### **Project Financing**

Since the financial close of the US\$100 million senior secured reserves based lending facility with Hong Kong and Shanghai Banking Cooperation Limited, Singapore Branch ("HSBC") in 3Q2012, Dart Energy has successfully drawn down approximately US\$8.8 million against the facility. Funds have been applied towards the development of the Airth project at PEDL133, UK.

### **Europe Farm-Out Process**

During the quarter a formal process was initiated to seek strategic co-operation and farm-outs opportunities with potential partners for the Company's UK and broader European gas prospects, on either an asset or portfolio basis.

### **Greenpark Transaction – Payment of Final Instalment**

Shareholder approval was obtained at the Annual General Meeting in November 2012, and FIRB approval was obtained by Greenpark, for the issue of approximately 65 million additional shares in final satisfaction of the consideration for the acquisition of Greenpark. Consequently, shares were issued such that Greenpark vendor (GEL/GPEL Limited) now hold a total of 145 million shares or approximately 16% of the total issued share capital of the Company.

## **FINANCIAL & HSE&S INFORMATION**

### **Health, Safety, Environmental & Security Performance**

Dart Energy recognises that operating in multiple locations in multiple countries requires stringent health, safety, environmental and security ("HSE&S") management. Drilling activity continues to take place and Dart Energy maintains a constant focus on keeping our HSE&S management system up to date with best in class international practices and communicates these HSE&S principles across the Company.

There were no reportable HSE incidents during the last quarter. A security breach was reported at Liulin, China. Dart Energy continues to communicate with the operator to ensure high HSE&S standards are being met.

### **Financial Position**

Dart Energy's cash position at the end of the quarter was A\$36.8 million, inclusive of A\$7.1 million in cash-backed guarantees. In addition, Dart Energy has liquid assets worth A\$4.6 million.

### Exploration Expenditure

Dart Energy's exploration expenditure for the period was A\$14.1 million. Refer to the Appendix 5B report for further details of cash uses during the quarter

### Corporate Information

As at 31 December 2012, Dart Energy had 16,065 shareholders and the share capital position was as follows:

Category	ASX Code	Number on Issue
Issued Ordinary Shares	DTE	878,168,388
Unlisted Options		71,169,134

Share data during the quarter under review is as follows:

- On 31 December 2012, Dart Energy securities closed at a price of \$0.16 per share
- The highest traded price of Dart Energy securities in the quarter was \$0.19 per share (15 October 2012), the lowest traded price was \$0.11 per share (30 November and 5 December, 2012)
- Average daily volume of Dart Energy securities was approximately 3.2 million shares

### CONTACT INFORMATION

Dart Australia	Dart International
Robbert de Weijer, CEO – Australia rdeweijer@dartcbm.com	John McGoldrick, CEO – International JMcGoldrick@dartcbm.com
Di Brookman, Investor Relations Manager dbrookman@dartcbm.com	

### Independent Reserves and Resources Evaluators

MBA Petroleum Consultants (“MBA”) evaluated all assets in Australia.

Netherland Sewell & Associates (“NSAI”) evaluated all assets other than the Liulin project in China.

MHA Petroleum Consultants LLC (“MHA”) evaluated the Liulin project in China.

MBA, NSAI and MHA are leading, recognised independent petroleum evaluators with substantial international experience and conducted their assessment in accordance with the classification guidelines set out in the Society of Petroleum Engineers’ Petroleum Resource Management System (“SPE PRMS”).

## DIRECTORY

<b>Directors</b>	Nicholas Davies – Chairman Stephen Bizzell – Non Executive Director Shaun Scott – Non Executive Director Simon Poidevin OAM – Non-Executive Director Raymond Lim – Non-Executive Director Sanjiv Misra – Non-Executive Director Kirstin Ferguson – Non Executive Director
<b>Company Secretary</b>	Paul Marshall
<b>Principal Registered Office in Australia</b>	Level 9, Waterfront Place, 1 Eagle Street Brisbane, Queensland 4000  Telephone: +61 07 3149 2100 Facsimile: + 61 07 3149 2101  Postal Address: GPO Box 3120 Brisbane, Queensland 4001
<b>Head Office</b>	152 Beach Road #19-01/04 The Gateway East, Singapore 189721  Telephone: +65 6508 9840 Facsimile: +65 6294 6904
<b>Share Registry</b>	Link Market Services Locked Bag 14 Sydney South NSW 1235  Telephone + 61 02 8280 7454 Facsimile: +61 02 9287 0303
<b>Auditor</b>	PricewaterhouseCoopers Riverside Centre, 123 Eagle Street Brisbane, Queensland 4000
<b>Stock Exchange Listing</b>	Australian Securities Exchange ASX Code: DTE
<b>Website Address</b>	<a href="http://www.dartenergy.com.au">www.dartenergy.com.au</a>
<b>ACN</b>	122 588 505