Dart Energy Limited

ABN 21 122 588 505

Interim report for the half-year ended 31 December 2011

Dart Energy Limited ABN 21 122 588 505
Interim report - 31 December 2011

Contents

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2011 and any public announcements made by Dart Energy Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

The interim financial report consists of the consolidated financial statements of the consolidated entity consisting of Dart Energy Limited and its subsidiaries. The financial report is presented in the Australian currency.

Dart Energy Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office, principal place of business and registered postal address is:

Dart Energy Limited
Level 11, Waterfront Place, 1 Eagle Street
GPO Box 3120
Brisbane QLD 4001.

The financial report was authorised for issue by the directors on [ ] March 2012. The directors have the power to amend and reissue the financial report.

Directors' report

Your directors present their report on the consolidated entity consisting of Dart Energy Limited (Dart Energy, Dart or the Company) and the entities it controlled at the end of, or during, the half-year ended 31 December 2011.

Directors

The following persons were directors of Dart during the whole of the half-year and up to the date of this report, unless otherwise stated:

Nicholas Davies	Chairman
Simon Potter	Managing Director and Chief Executive Officer (resigned 18 October 2011)
Shaun Scott	Executive Director
Stephen Bizzell	Executive Director
David Williamson	Non-Executive Director
Peter Clarke	Non-Executive Director
Simon Poidevin OAM	Non-Executive Director

Review of operations

Loss after income tax amounted to $20.8 million (2010: profit of $36.6 million) after income tax expense of $1.6 million (2010: tax credit of $0.5 million).

<u>Financial review:</u>

A summary of consolidated revenues and results for the half-year is set out below:

	31 December 2011 $'000	31 December 2010 $'000
Other income	**2,983**	**2,769**
Other gains (a)	**3,011**	**44,883**
EBITDA	**(21,691)**	**35,499**
Net (loss)/profit after tax	**(20,784)**	**36,641**

(a) The gain on revaluation of the original 21.04% interest in Apollo Gas Limited amounting to $37.3 million is included in “Other gains" for the six months ended 31 December 2010. Refer to notes 3 and 11 of this interim financial report for further details.

Reconciliation of statutory (loss) /profit from continuing operations to EBITDA:

	31 December 2011 $'000	31 December 2010 $'000
Statutory (loss)/profit before income tax	**(19,204)**	**36,168**
(Less)/add back:		
Interest income	**(2,829)**	**(1,023)**
Finance costs	**36**	**201**
Depreciation	**306**	**153**
EBITDA	**(21,691)**	**35,499**

Review of operations (continued)

CORPORATE

Strategic process

As announced in August 2011, Dart has embarked on a strategic review and restructure process, with a view to maximising shareholder value in view of the Company's poor share price performance during 2011, which the directors believe does not reflect the value of its business or the progress made by the Company.

This process includes the possible listing of the Company's business interests outside of Australia on an international stock exchange.

Restructure of Shell arrangement

On 7th November 2011, Dart Energy restructured its arrangements with a subsidiary of Shell, pursuant to which Dart Energy (CBM) International Pte Ltd (now Dart Energy International Pte Ltd or DEI) became a wholly subsidiary of Dart, with 8.17% of DEI currently held by Shell being exchanged for a mixture of cash and equity in Dart.

The Dart shares and options issued to Shell as part of the consideration would at that time (assuming exercise of all options) have resulted in Shell holding approximately 3.9% of Dart on a fully-diluted basis.

Restructure of arrangements with BG Group

During the quarter, Dart Energy restructured its arrangements with the BG Group such that Dart agreed to acquire BG Group's 50% interest in the 14 licence areas in the U.K. awarded to a consortium of Dart Energy Europe and BG Group in the 13th licensing round. The transaction is expected to be completed in 1Q 2012.

Greenpark acquisition

On 27 December 2011, Dart Energy agreed to acquire the unconventional gas business of Greenpark Energy Limited ("Greenpark"), comprising 22 onshore licences in the U.K. for a consideration of US$42 million payable in two tranches, comprising a mixture of shares in Dart Energy, cash and potentially shares in the intended to be listed Dart Energy International vehicle.

Greenpark is a privately held company with U.K. licences that are complementary to the existing Dart acreage position in the U.K., with a similar footprint, similar coal seam gas and shale potential, a sizeable certified 2C resource base and an early stage development option. Greenpark holds a 100% working interest in most licences, and is the operator of all licences. The transaction is subject to certain conditions which are expected to be satisfied in 1Q 2012.

Creation of Dart Shale

During the period, Dart Energy International Shale Pte Ltd ("Dart Shale"), a wholly owned subsidiary was created as a business unit of Dart Energy International which will manage, grow and monetise Dart Energy's growing shale gas resources. Dart Energy's current portfolio of potential shale gas assets is as follows:

Total licences:	• 15 (14 in the U.K.; 1 in Poland); plus • 3 under option (2 Germany, 1 Poland)
Total acreage:	• Approximately 1,700 km^2 (420,000 Acres)
Shale Potential net:	• 12.4 TCF in two existing licences (PEDL 133 and Milejow) • Multi-TCF expected from 13 additional prospective shale assets (additional 6 in the existing portfolio and 7 as part of Greenpark acquisition, subject to completion) • Opportunity to add shale prospective licences in Poland, Germany and Spain for moderate additional investment
Independent assessment:	• Presently underway to assess Shale gas potential across 13 additional identified shale gas prospective licences • Review of portfolio underway to identify other prospective shale gas assets

Given the scale of this shale portfolio, Dart Energy has decided to aggregate these licences under a new corporate entity (Dart Shale), and to functionally manage this portfolio of shale assets as a distinct business line within the broader Dart business.

Review of operations (continued)

Luilin equity increase

On 22 December 2011, Dart Energy exercised its option to increase its equity stake in Fortune Liulin Gas Ltd ("FLG") from 45% to 50% for a cash payment of US$4 million.

FLG is the operator of the Liulin CBM PSC in China, and has a 50% equity stake in that project, with China United Coal Bed Methane ("CUCBM") holding the remainder. Dart Energy's partner in FLG is Fortune Oil plc, a U.K. listed company with extensive upstream and mid stream oil and gas operations in China. CUCBM is jointly owned by CNOOC and China Coal, two large Chinese state-owned enterprises.

Other

On 18 October 2011, Simon Potter resigned as CEO and Managing Director of Dart Energy. Consequently, Nicholas Davies (Dart Energy's then Non-Executive Chairman), moved into an Executive Chairman role to cover the transition period until a new Chief Executive was appointed for Dart Energy International.

On 6 January 2012, Dart Energy announced the appointment of Mr. John McGoldrick as Chief Executive Officer of Dart Energy International Pte Ltd ("DEI"), a subsidiary of Dart Energy which will be the holding company of all of Dart Energy business interests outside of Australia. Mr. McGoldrick commenced in this role on 16 January 2012.

In addition, Mr. Raymond Lim and Mr. Sanjiv Misra were appointed to the board of DEI in the capacity as independent non-executive directors in furtherance of the previously announced strategic restructuring exercise. Mr. Lim and Mr. Misra bring with them a critical mix of Asian business understanding, banking industry experience and a proven record of strategic thinking that will serve DEI and Dart Energy well.

ACCESS AND EARLY-STAGE EXPLORATION ACTIVITIES

Areas under evaluation, new additions to the portfolio, early stage exploration, evaluation or coring activities

Dajing PSC (Xinjiang, China)

The Dajing PSC exploration program, comprising 14 wells, began in the first week of September 2011 and by 31 December 2011, 10 of the 14 wells had been completed. Following completion of the analysis of drilling results management concluded that the area is not commercial for CBM development. Consequently all exploration costs associated with the drilling programme have been expensed during the period.

Satpura (Satpura, India)

Satpura CBM Block was awarded to Dart Energy and its partner, Tata Power Limited, in the Indian Government's CBM IV bidding round in July 2010. During the quarter, the petroleum exploration licence was issued and relevant regulatory and environmental approvals following completion of environmental clearance formalities were received. The exploration well drilling campaign consequently commenced towards the end of the quarter, with first well being spudded on 23 December 2011.

Assam (Assam, India)

Assam CBM Block was awarded to Dart Energy and its partner, Oil India Limited, in the Indian Government's CBM IV bidding round in July 2010. Dart Energy had previously made submissions required for environmental clearance from the local authorities and successfully concluded public hearings. Environmental approvals from the regulatory authorities and grant of a petroleum exploration licence are expected in 1Q 2012 following which initial drilling can commence.

Review of operations (continued)

Muralim PSC (Sumatra, Indonesia)

Dart Energy entered into a (Production Sharing Contract) in relation to the Muralim block (formerly known as the Kebur block) in South Sumatra on 3 December 2010. The participating interest is equally shared between Dart Energy and Medco Energi, an independent Indonesian oil & gas company, with Dart Energy holding the operatorship. The PSC covers an area of 983 km2 in the South Sumatra basin.

Dart Energy's proposed work program received regulatory approval from the Government of Indonesia in August 2011 and Dart Energy is currently in the process of procuring necessary land, equipment and services to commence drilling within 1H 2012. Dart Energy has planned a four core well program and subject to results, an appraisal program comprising up to four pilot wells as part of the 2012 drilling campaign.

Tanjung areas (South Kalimantan, Indonesia)

During the quarter, due diligence work continued on two Tanjung areas with a view to securing new licenses through both direct award and farm-in. Award of new PSCs is targeted for 1H 2012.

Bontang Bengalon (East Kalimantan, Indonesia)

A joint study with the Government of Indonesia is underway for the Bontang Bengalon block. The PSC bid process for this block will be subject to the results of this joint study and will likely take place in early 2Q 2012. This block consists of 2 areas, one is located next to the Sangatta West northern boundary and the other one is located just west of Bontang LNG plant.

NSW LICENCES (NSW, Australia)

PEL 460, in the Western Hunter Valley

Dart Energy completed the drilling of core well Putty 1 during September 2011. Preliminary results from the drilling are now available with final results expected to be reported in the next quarter. Drilling encountered good coal development with 34 metres net coal seams intersected, including 2 seams greater than 5 metres in thickness and a further 9 seams greater than 1 metre in thickness. Gas composition varied downhole, with a methane dominated section below 710 metres reporting gas contents of 2 to 8 m3/ton and a carbon dioxide dominated section above.

PEL 463, Cumberland / Sydney

Independent assessment of the methane resource potential of PEL 463 by MBA Consultants in 2011 suggested that 13 TCF of gas in place exists within the permit area. To best serve the community and assess this large resource, Dart Energy has commenced a land use study of the PEL 463 Cumberland area to inform future exploration drilling and potential long-term resource development in the area. The study commenced during December 2011 with the preliminary assessment expected by the end of 1Q2012. It is envisaged that a number of projects varying in scale will materialise over the coming years in industrial and commercial areas to satisfy the ever increasing demand for cleaner energy.

2012 Exploration Drilling Program (All NSW licences)

Dart Energy is planning for a drilling program of 10 core wells during 2012, subject to approvals. Given the strong government support for the industry and a shifting momentum in the community towards a better understanding of what natural coal seam gas can offer, Dart Energy believes that there is now broader stakeholder acceptance of its intended drilling activities. During 4Q2011, Dart Energy recruited a specialist Land Access Manager in NSW to help expedite the drilling program.

Australia Business Development

During 4Q2011, Dart Energy commenced an assessment of further growth opportunities for unconventional gas resources in Australia - CSG and shale gas, including greenfields and joint venture opportunities in strategic basins across Australia. It is expected that this assessment will delineate new opportunities for growth across new licence areas.

Review of operations (continued)

EUROPEAN LICENCES

PEDL 133 (Airth, Scotland)

A two core well program is in its final planning phase to support further exploration drilling in PEDL 133 in 1Q 2012 outside the current 2P reserve area. Successful drilling will support further pilot activity and possible additional reserves.

South Wales & English licences

In addition to 10 core wells previously drilled by Composite Energy (acquired by Dart Energy in February 2011), 10 further core wells were required to be drilled by mid 2014 across the U.K. portfolio by Dart Energy's partner in these blocks, BG Group. With the restructuring of arrangements with BG Group (see corporate highlights), Dart Energy intends to drill 4 core wells during 2012 and the balance over 2013 and 2014.

In addition, the Greenpark transaction (see corporate highlights) is expected to allow Dart Energy to pursue a further significant exploration program, with synergies and efficiencies of scale expected across the combined drilling program. Two core wells are planned in the first instance on the Greenpark acreage during 2012.

Poland CBM licences (USCB, Chelm)

The 2011 well program in USCB has been reviewed and consists of one "hybrid" core/production well to collect reservoir data. This well spudded during December 2011. The well will be suspended after drilling to act as the intercepted production well for a future multilateral pilot well of similar architecture to the Airth pilot well in Scotland. Initial results indicate good coal thickness (in excess of 10 metres) and good gas contents (in excess of 10m3/ton).

Poland shale (Milejow Lublin Basin)

The seismic acquisition program was successfully completed during 3Q 2011 and is now the subject of interpretation and further review. The program focussed on imaging the shale potential of this block and assessing a possible extension of the existing CSG play fairway into this block.

New business – Coal mine methane (Jharkhand, India)

On 25 October 2011, Dart Energy entered into an agreement with Tata Steel Limited ("Tata Steel") to degas on a commercial basis, for mine safety, one of Tata Steel's active coal mines in Jharia Coalfield, Jharkhand, India. Dart Energy and Tata Steel, subject to commercial negotiations, will explore opportunities to degas coal mine methane from other coal mines owned by Tata Steel aimed at making mining safer, environmentally beneficial and at the same time, realising economic value from the gas so produced. Tata Steel is a leading global steel producer and part of India's largest private sector conglomerate, Tata Sons Limited.

Other - portfolio rationalisation

Dart Energy had previously made requests to the Indian Government to withdraw from the Raj Mahal and Mand Raigarh blocks. During the quarter, both requests remained under consideration by the Indian Government.

Dart Energy made an application to the Indian Government to relinquish Tatapani-Ramkola block following completion of committed exploration and appraisal program in 3Q 2011 which indicated no commercial development potential.

The relinquishment process for Hanoi Trough PSC in Vietnam continued, and the Dart Energy office in Vietnam was officially closed. The Hanoi Trough block was awarded to Dart Energy in January 2008 and following completion of committed exploration program, Dart Energy made a decision to relinquish the block as no commercial development was ascertained. The impairment charge related to this ($10.8 million of exploration assets and $1.8 million of goodwill) was recognised in the income statement in the second half of the year ended 30 June 2011.

Review of operations (continued)

APPRAISAL & PILOT ACTIVITIES

Assets where pilot wells are active or planned and which are expected to lead to near term resource and reserve growth and early stage development assessment and the potential for early monetisation.

Liulin PSC (Shaanxi, China)

During the period, drilling continued in relation to the 2011 exploration and pilot testing campaign on the Liulin CBM project.

The third, forth and fifth multilateral inseam wells began drilling during the period. These wells will be used in conjunction with existing data to review the reserves estimates for Liulin in 1Q 2012. Submission of an Overall Development Program (ODP) is expected to be lodged in 2012, and preparation work continued during the period.

The wells drilled have been designed to maximise connection to the coal, and are unique in that the slanted production well was drilled from the same surface location as the multilateral well. Each inseam well is planned to have over 6,500 metres of inseam well, which has been designed to optimally drain two independent coal seams from the same production well.

These inseam wells have been designed and supervised by Dart Energy and Fortune Liulin Gas, ensuring the intellectual property and technical experience remains within the Liulin project team. This knowledge and experience will be redeployed in Dart Energy's activities worldwide (subject to sub-surface conditions), particularly in PEDL 133.

Sangatta west (East Kalimantan, Indonesia)

Following the completion of a four well pilot program at Sangatta West, the wells remained shut-in during the period while Dart Energy's joint venture partner deploys surface equipment and infrastructure required for long term production testing. This testing will provide detailed information to allow for the field and equipment to be sized for accelerated development. Pilot wells dewatering and production testing is expected to commence in early 2Q 2012.

Tanjung Enim PSC (Sumatra, Indonesia)

Two core wells have been previously drilled. During 4Q2011, results were analysed and found to be encouraging. Drilling of three pilot wells commenced in December 2011 and is expected to be completed during 1Q 2012. This will allow for early assessment of production. Dart Energy is currently evaluating a pilot-to-power project to use the gas produced from the pilot wells.

Eelectrosteel (Parbatpur, India)

During the period, data obtained from two core wells was analysed to plan and design eight proposed pilot wells. In addition, land acquisition for the well sites and approach road was substantially completed during the period. Drilling of pilot wells is expected to commence in 1Q 2012 upon incorporation of a joint venture company. Dart Energy is in discussions to commence initial gas sales during 2012.

PEDL 133 (Airth, Scotland)

During the period, Airth#12, a surface-to-inseam well, was successfully drilled with well completion and pumping to commence in 1Q 2012. Dart Energy continues to work to support a pilot to power project expected to commence during 1H 2012.

Review of operations (continued)

NSW Licences, Australia

PEL 458, Newcastle

During the quarter, a referral under the Environment Protection and Biodiversity Conservation Act was submitted for PEL458 to the Australian Federal Government. Subsequent requests for information from both the Federal and State governments have been addressed and approval is expected during 1Q 2012. Dart Energy is progressing work on PEL458 to ensure that everything including equipment is in place when approval is received.

The second community consultation session for PEL458 was held in December 2011 in conjunction with representatives of the proposed Maria Farm Veggies project, located nearby. The session was well received with establishment of a Community Reference Group for Fullerton Cove being planned as the next step.

Subject to approvals, Dart Energy expects pilot drilling in PEL458 to commence in 1H 2012.

PEL 456, Upper Hunter

The inaugural meeting of the Upper Hunter Shire Community Committee was held during the period with another meeting expected to take place in 1Q 2012. The committee aims to establish a forum for open discussion between the CSG operators and the community, keeping the community informed of the operators' exploration activities and findings whilst identifying and addressing community issues and opportunities during decision making. The initial meeting was constructive and set the agenda for a sequence of further consultations each designed to explore key community concerns.

Discussions with Dart Energy's farm-in partner and operator in PEL456, Santos, are continuing constructively in relation to pilot design and development of documentation to govern joint operations once farm-in obligations have been completed.

RESOURCE DEVELOPMENT & MATURATION

Activities related to establishing and maturing resources and reserves across Dart Energy's portfolio.

Work was undertaken across the portfolio in support of an updated independent review and assessment of the resource and reserve position, incorporating results of recent drilling activities and recent additions to the portfolio.

Dart Energy announced an independent resource and reserve upgrade during 1Q 2012.

In addition, an independent assessment of shale gas potential across Dart Energy's portfolio is currently being undertaken and is expected to be completed during 1Q 2012.

MONETISATION ACTIVITIES

Activities related to sales or commercialisation of gas.

Dart Energy's corporate strategy is focussed on realising value through rapid monetisation in high value markets. Even relatively small volumes of reserves can be monetised quickly and profitably when the relevant market offers high demand, high prices, and easy access via existing infrastructure. Dart Energy believes this ability to achieve rapid high value monetisation is a defining feature of the markets in which it operates, and enables a more efficient and low-risk use of capital over time.

PEDL 133 (Airth, Scotland)

Dart Energy continued to work in support of delivery of a gas to power scheme in early 2012, while progress was also made with Scotia Gas Networks, the owner of the Local Transmission System, to support a tie into the local gas grid under the Gas Supply Agreement executed with SSE plc in 3Q 2011.

Review of operations (continued)

UNITED KINGDOM (Various licences)

Dart Energy and BG Group agreed Heads of Terms for a Gas Sales Agreement (GSA) for the potential future sale to BG Group of gas developed from all U.K. licence areas other than PEDL 133 (to include potential developments from the Greenpark transaction). Dart Energy expects to conclude a fully formed GSA during 1Q 2012. The GSA, if concluded, would relate to up to approximately 3.7 BCF of potential gas sales per annum, at market prices.

LIULIN PSC (Shanxi, China)

Engineering design for the northern gathering system and nodal compression facilities at Liulin continued and is expected to be completed late 2Q 2012. This will enable commencement of initial surface infrastructure deployment for delivery of gas as part of the initial 15-year gas sales agreement ("Liulin GSA") signed in August 2010. Gas sales under the Liulin GSA are expected to commence during 2012 with take-or-pay commitments of 20,000 scmd from June 2012 to June 2013 and 100,000 scmd thereafter, at an expected average gas price of approximately US$7 per mcf.

INDONESIA (Sangatta West, East Kalimantan & Tanjung Enim, South Sumatra)

Commercial discussions and legal preparation work in relation to the pilot-to-power scheme for Sangatta West and Tanjung Enim continued during the period.

ELECTROSTEEL (Parbatpur, India)

Dart Energy and Electrosteel continued discussions for the use of gas extracted from the degassing of Electrosteel's coal mine including potential off-take by domestic compressed natural gas operators.

PEL 458 (Fullerton Cove, NSW, Australia)
On 6 December 2011, Dart Energy has entered into a Memorandum of Understanding (MoU) for its first Gas Sales Agreement (GSA) in New South Wales. The MoU also contemplates an associated downstream equity investment in a horticultural glasshouse project.

Dart Energy will supply natural coal seam gas to the project to produce heat and electricity, supplied from a small number of wells from Fullerton Cove area in its PEL 458 area near Newcastle.

The project being undertaken by Maria's Farm Veggies Pty Ltd (MFV) in the Fullerton Cove area, will involve a state of the art A$65 million glasshouse development that will initially grow high quality tomatoes, capsicums and cucumbers for sale to Australian markets. The project is expected to be completed by early 2013 and brings the following benefits:

- *Co-existence of CSG with other land uses* – This CSG project demonstrates the potential to co-exist with and enhance food production, in a semi-urban environment.
- *Extremely low CO2 emissions* – Virtually all produced CO2 will be sequestrated by the crop to significantly improve yields and plant robustness.
- *Beneficial use of water* – Produced water from Dart Energy's CSG development will be treated by MFV's reverse osmosis facility and re-used in the glasshouse facility. Water extraction volumes are significantly lower compared to the Surat basin in QLD.
- *New jobs* – The glasshouse project is expected to create 125 jobs in the area or up to 200 if the project is expanded.

The proposal is subject to various conditions, including final local planning approvals and Dart Energy establishing commercial gas flow from the area. Dart Energy expects to drill two wells at Fullerton Cove in the first half of 2012 as part of its gas appraisal program.

PROJECT FINANCING

Dart Energy continued discussions with a number of banks and financial institutions in relation to long-term financing options.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 10.

Rounding of amounts
The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the ''rounding off'' of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

This report is made in accordance with a resolution of directors.

Nicholas Davies
Director

Brisbane
9 March 2012

Auditor's Independence Declaration

As lead auditor for the review of Dart Energy Limited for the half-year ended 31 December 2011, I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Dart Energy Limited and the entities it controlled during the period.

Robert Hubbard
Partner
PricewaterhouseCoopers

Brisbane

9 March 2012

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	Notes	31 December 2011 $'000	31 December 2010 $'000
Other income		**2,983**	**2,769**
Other gains	3	**3,011**	**44,883**
Consultancy costs		**(2,473)**	**(1,867)**
Depreciation		**(306)**	**(153)**
Employee compensation		**(6,938)**	**(5,158)**
Field related costs		**(3,025)**	**(684)**
Impairment of exploration assets	4	**(9,165)**	**-**
Office supplies		**(458)**	**(277)**
Professional fees		**(527)**	**(523)**
Occupancy costs		**(761)**	**(711)**
Travel and accommodation		**(619)**	**(455)**
Foreign exchange loss		**-**	**(1,050)**
Other expenses		**(890)**	**(494)**
Expenses, excluding finance costs		**(25,162)**	**(11,372)**
Finance costs		**(36)**	**(201)**
Total expenses		**(25,198)**	**(11,573)**
Share of net profit of associates accounted for using the equity method		**-**	**89**
(Loss)/profit before income tax		**(19,204)**	**36,168**
Income tax (expense)/credit	5	**(1,580)**	**473**
(Loss)/profit for the half-year		**(20,784)**	**36,641**
(Loss)/profit is attributable to:			
Owners of Dart Energy Limited		**(20,482)**	**38,099**
Non-controlling interests		**(302)**	**(1,458)**
		(20,784)	**36,641**
		Cents	Cents
(Loss)/earnings per share for (loss)/profit attributable to the ordinary equity holders of the company:			
Basic (loss)/earnings per share		**(2.8)**	9.0
Diluted (loss)/earnings per share		**(2.8)**	8.5

The above consolidated income statement should be read in conjunction with the accompanying notes.

Dart Energy Limited
Consolidated statement of comprehensive income
For the half-year ended 31 December 2011

	31 December 2011 $'000	31 December 2010 $'000
(Loss)/profit for the half-year	**(20,784)**	**36,641**
Other comprehensive (loss)/income		
Exchange differences on translation of foreign operations	**4,057**	**(21,845)**
Other comprehensive loss for the half-year, net of tax	**4,057**	**(21,845)**
Total comprehensive (loss)/income for the half-year	**(16,727)**	**14,796**
Total comprehensive (loss)/ income for the half-year is attributable to:		
Owners of Dart Energy Limited	**(16,626)**	**25,361**
Non-controlling interests	**(101)**	**(10,565)**
	(16,727)	**14,796**

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

	Notes	**31 December 2011 $'000**	30 June 2011 $'000
ASSETS			
Current assets			
Cash and cash equivalents		**100,358**	133,352
Trade and other receivables		**14,840**	14,035
Inventories		**677**	279
Financial assets at fair value through profit or loss	6	**9,860**	12,651
Total current assets		**125,735**	160,317
Non-current assets			
Receivables		**10,073**	8,713
Property, plant and equipment		**1,606**	1,552
Goodwill		**27,916**	26,389
Exploration and evaluation	7	**319,257**	295,502
Total non-current assets		**358,852**	332,156
Total assets		**484,587**	492,473
LIABILITIES			
Current liabilities			
Trade and other payables		**25,198**	9,093
Derivative financial instruments		**153**	242
Current tax liabilities		**212**	357
Total current liabilities		**25,563**	9,692
Non-current liabilities			
Deferred tax liabilities		**19,068**	16,727
Provisions		**7,862**	6,626
Total non-current liabilities		**26,930**	23,353
Total liabilities		**52,493**	33,045
Net assets		**432,094**	459,428
EQUITY			
Contributed equity	8	**379,165**	370,856
Reserves	9	**99,426**	113,883
Accumulated losses	9	**(46,497)**	(26,015)
Capital and reserves attributable to owners of Dart Energy Limited		**432,094**	458,724
Non-controlling interests	10	**-**	704
Total equity		**432,094**	459,428

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated	Notes	Attributable to owners of Dart Energy Limited Contributed equity $'000	Reserves $'000	Retained profits/ (accumulated losses) $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 July 2010		**45,456**	**78,990**	**(28,770)**	**95,676**	**4,790**	**100,466**
Profit for the half-year		-		38,099	38,099	(1,458)	**36,641**
Other comprehensive loss		-	(12,738)	-	(12,738)	(9,107)	**(21,845)**
Total comprehensive income/(loss) for the half-year		**-**	**(12,738)**	**38,099**	**25,361**	**(10,565)**	**14,796**
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs	8	187,580	-	-	187,580	-	**187,580**
Acquisition of subsidiary	11	-	-	-	-	62,122	**62,122**
Employee share based payment		-	1,458	-	1,458	-	**1,458**
Acquisition of Apollo options	11	-	34,414	-	34,414	-	**34,414**
		187,580	**35,872**	**-**	**223,452**	**62,122**	**285,574**
Balance at 31 December 2010		**233,036**	**102,124**	**9,329**	**344,489**	**56,347**	**400,836**

Consolidated	Notes	Attributable to owners of Dart Energy Limited Contributed equity $'000	Reserves $'000	Retained profits/ (accumulated losses) $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 July 2011		**370,856**	**113,883**	**(26,015)**	**458,724**	**704**	**459,428**
Loss for the half-year		**-**	**-**	**(20,482)**	**(20,482)**	**(302)**	**(20,784)**
Other comprehensive income/(loss)		**-**	**3,856**	**-**	**3,856**	**201**	**4,057**
Total comprehensive income/(loss) for the half-year		**-**	**3,856**	**(20,482)**	**(16,626)**	**(101)**	**(16,727)**
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs	8	8,309	-	-	8,309	-	8,309
Employee share based payment	9	-	3,187	-	3,187	-	3,187
Transaction with non-controlling interest	10	-	(21,500)	-	(21,500)	(603)	(22,103)
		8,309	**(18,313)**	**-**	**(10,004)**	**(603)**	**(10,607)**
Balance at 31 December 2011		**379,165**	**99,426**	**(46,497)**	**432,094**	**-**	**432,094**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

	Notes	**31 December 2011 $'000**	31 December 2010 $'000
Cash flows from operating activities			
Total (loss)/profit after income tax		**(20,784)**	36,641
Adjustments for :			
- Income tax expense/(credit)		**1,580**	(473)
- Depreciation		**306**	153
- Interest income		**(2,824)**	(1,023)
- Interest expense		**36**	201
- Impairment of exploration assets	4	**9,165**	-
- Share of profit of associates accounted for using the equity method		**-**	(89)
- Non-cash employee benefits expense – share based payments		**828**	1,458
- Fair value gains on financial assets at fair value through profit or loss	3	**(1,062)**	(7,119)
- Gain on revaluation of existing interest in acquired entity	3	**-**	(37,345)
- Fair value gains from derivative financial instruments	3	**(90)**	(419)
- Translation adjustments		**(2,420)**	(4,308)
		(15,265)	(12,323)
Changes in working capital			
- Trade and other receivables		**(815)**	7,505
- Inventories		**(382)**	(233)
- Trade and other payables and provisions		**3,793**	(1,357)
Cash used in operations		**(12,669)**	(6,408)
Income taxes paid		**(133)**	(282)
Interest received		**3,911**	612
Interest paid		**(36)**	(201)
Net cash used in operating activities		**(8,927)**	(6,279)
Cash flows from investing activities			
Loan to joint venture		**(285)**	-
Payments for property, plant and equipment		**(301)**	(257)
Payments for exploration and evaluation assets		**(13,372)**	(8,805)
Net cash inflow from acquisition of subsidiaries	11	**-**	7,510
Investment in associate		**-**	(4,410)
Proceeds from disposal of financial assets at fair value through profit and loss		**3,272**	-
Net cash outflow from acquisition of additional interest in jointly controlled entity		**(1,969)**	-
Net cash used in investing activities		**(12,655)**	(5,962)
Cash flows from financing activities			
Repayment of borrowings		**-**	(2,875)
Acquisition of non-controlling interest	10	**(11,437)**	-
Bank deposits pledged		**(1,354)**	(6,279)
Proceeds from issuance of share capital, net of transaction costs		**2**	61,989
Net cash provided by financing activities		**(12,789)**	52,835
Net (decrease)/increase in cash and cash equivalents		**(34,371)**	40,594
Cash and cash equivalents at the beginning of the half-year		**133,352**	11,378
Effects of exchange rate changes on cash and cash equivalents		**1,377**	(521)
Cash and cash equivalents at end of the half-year		**100,358**	51,451

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1 Basis of preparation of half-year report

This general purpose interim financial report for the half-year reporting period ended 31 December 2011 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001.*

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2011 and any public announcements made by Dart Energy Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

(a) Impact of standards issued but not yet applied by the Group

Since the date of the 30 June 2011 annual report, there have been no other relevant new or amended standards issued and not yet applied by the Group.

2 Segment information

(a) Description of segments

Geographical segments

Management has determined a number of operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions.

These consider the business from a geographical perspective and there are seven reportable segments, being: Australia, China, India, Indonesia, Vietnam, Europe and Singapore.

Australia

The home country of the parent entity which is also the venue of the parent entity listing. The segment comprises exploration assets in Australia and holdings in Australian listed entities, LNG Limited and Bow Energy Limited.

China

Comprises two Production Sharing Contracts (PSCs) in China, and investment in entities that conduct CBM activities in China, including participation in PSCs. Also, this comprises the Chinese operations of the company, including in-country staff and office. See note 4 for details of the impairment affecting the Dajing PSC in China.

Indonesia

Comprises three PSCs in Indonesia, and investment in entities that conduct CBM activities in Indonesia, including participation in PSCs. Also, this comprises the Indonesian operations of the company, including in-country staff and office.

Vietnam

On 22 August 2011 the company decided to relinquish the Hanoi Trough PSC because no commercial development was ascertained. The related impairment charge ($10.8 million of exploration assets and $1.8 million of goodwill), was recognised in the income statement during the second half of the year ended 30 June 2011. The relinquishment process for Hanoi Trough PSC in Vietnam continued during the period and the Dart Energy office in Vietnam was officially closed during the quarter ended 31 December 2011.

India

Comprises licences for the extraction of CBM in India. Also, this comprises the Indian operations of the company, including in-country staff and office.

Singapore/Corporate

Comprises a head office function, including most senior management staff and functions.

2 Segment information (continued)

Europe
Comprises licenses in Poland, the UK and a joint venture in Belgium. Also, this comprises the European operations of the Company, including in-country staff and office.

(b) Segment information provided to the Board

The basis of the segment information for the reportable segments for the half-year ended 31 December 2011 is as follows:

- Segment assets and capital expenditure are allocated based on where the assets are located.
- Segment results (EBITDA) are adjusted earnings/(loss) before interest, tax, depreciation and amortisation, which is the measure of segment result that is reported to the Board to assess the performance of the operating segments.
- Segment total assets refers to the measure of the Group's intangible assets (goodwill and exploration and evaluation), property, plant and equipment, investments in associates and financial assets at fair value through profit or loss.
- Unallocated assets relate to cash, trade and other receivables and inventories.

	Segment Revenues from sales to External Customers		Segment Total Assets		Segment Results (EBITDA)	
	31 December 2011 $'000	31 December 2010 $'000	**31 December 2011 $'000**	30 June 2011 $'000	**31 December 2011 $'000**	31 December 2010 $'000
Australia	**-**	-	**224,009**	221,152	**(3,513)**	39,871
India	**-**	-	**804**	161	**(1,239)**	(172)
Indonesia	**-**	-	**16,239**	11,407	**594**	(571)
China	**-**	-	**41,357**	32,943	**(11,827)**	3,255
Vietnam	**-**	-	**-**	-	**(442)**	(100)
Europe	**-**	-	**75,800**	67,099	**1,753**	(1,201)
Singapore/Corporate	**-**	-	**429**	3,332	**(7,017)**	(5,583)
	-	-	**358,638**	336,094	**(21,691)**	35,499
Unallocated assets			**125,949**	156,379		
Total assets			**484,587**	492,473		

	Consolidated	
	31 December 2011 $'000	31 December 2010 $'000
EBITDA reconciliation	**(21,691)**	35,499
Interest income	**2,829**	1,023
Finance costs	**(36)**	(201)
Depreciation	**(306)**	(153)
(Loss)/profit before income tax	**(19,204)**	36,168

3 Other gains

	Consolidated	
	31 December 2011 $'000	31 December 2010 $'000
Fair value gains on financial assets at fair value through profit or loss	**1,062**	7,119
Gain on revaluation of existing interest in acquired entity (a)	**-**	37,345
Fair value gains on derivative financial instruments	**90**	419
Foreign exchange gains - net	**1,859**	-
	3,011	44,883

(a) The gain on revaluation of existing interest in acquired entity arose on the acquisition of Apollo Energy Limited and is not taxable.

4 Impairment of exploration assets and related provisions

	Consolidated	
	31 December 2011 $'000	31 December 2010 $'000
Impairment of exploration assets	**9,165**	-

Following completion of the analysis of drilling results for 10 wells drilled at the Dajing PSC in China during the quarter ended 31 December 2011, management concluded that the area is not commercial for CBM development. Consequently exploration costs capitalised to 31 December 2011 of $9.2 million have been expensed during the period.

5 Taxation

The tax expense for the period includes a $1.6 million deferred tax expense in relation to gains on financial assets at fair value through profit or loss.

6 Current assets - Financial assets at fair value through profit or loss

	Consolidated	
	31 December 2011 $'000	30 June 2011 $'000
Convertible loan note in Far East Energy Corporation	**-**	2,980
Listed securities – equity securities (a)	**9,730**	8,665
Options (b)	**130**	1,006
	9,860	12,651

(a) Relates principally to investments in Bow Energy Limited and LNG Limited.

(b) The options allow the Group to subscribe for up to an additional 25% (30 June 2011 - 30%) of the issued and paid up capital of Fortune Gas Liulin Company Ltd. The fair value of the options had been determined using various valuation techniques based on market conditions existing at the balance sheet date.

7 Non-current assets – Exploration costs

	Consolidated	
	31 December 2011 $'000	30 June 2011 $'000
Cost	**341,857**	308,937
Accumulated impairment	**(22,600)**	(13,435)
Net book amount	**319,257**	295,502

Opening balance – net book amount	**295,502**	20,215
Additions during the period	**26,606**	13,594
Assets transferred from Arrow Energy Limited during demerger	**-**	4,385
Acquisition of subsidiaries/increase in interest in joint venture (note 11)		
- Composite	**-**	61,604
- Apollo	**-**	198,610
- Fortune Liulin Gas Company Limited	**2,907**	20,576
Impairment charge (note 4)	**(9,165)**	(10,870)
Exchange differences	**3,407**	(12,612)
Ending balance – net book amount	**319,257**	295,502

8 Contributed equity

	31 December 2011 Shares	**30 June 2011 Shares**	**31 December 2011 $'000**	**30 June 2011 $'000**
(a) Share capital				
Ordinary shares Fully paid	734,931,470	720,674,545	379,165	370,856

(b) Movements in ordinary share capital:

Date	**Details**	**Number of shares**	**$'000**
1 July 2011	Opening balance	720,674,545	374,663
16 August 2011	Exercise of options	200,457	2
8 November 2011	Issue of shares to Shell as part of purchase of non-controlling interest (see note 10)	14,056,468	8,307
	Less: cumulative transaction costs arising on share issues		(5,312)
	Add: deferred tax on transaction costs arising on share issues	-	1,505
31 December 2011	Closing balance	734,931,470	379,165

9 Reserves and retained profits/(accumulated losses)

	Consolidated	
	31 December 2011 $'000	30 June 2011 $'000
(a) **Reserves**		
Foreign currency translation reserve	**(28,744)**	(32,600)
Merger reserve	**4,633**	4,633
Reserve arising on transactions with non-controlling interests in subsidiaries	**73,585**	95,085
Share-based payments reserve	**49,952**	46,765
	99,426	113,883
Movements:		
Foreign currency translation reserve		
Opening balance	**(32,600)**	(14,436)
Currency translation differences arising during the period	**3,856**	(18,164)
Ending balance	**(28,744)**	(32,600)
Movements:		
Merger reserve		
Opening and ending balance	**4,633**	4,633
Movements:		
Reserve arising on transactions with non-controlling interests in subsidiaries		
Opening balance	**95,085**	88,793
Acquisition of non-controlling interest	**-**	6,292
Acquisition of non-controlling interest (Shell) (note 10)	**(21,500)**	
Ending balance	**73,585**	95,085
Movements:		
Share-based payments reserves		
Opening balance	**46,765**	6,051
Employee share based payment	**3,187**	5,670
Acquisition of Apollo options	-	35,044
Ending balance	**49,952**	46,765

(b) Retained earnings/(accumulated losses)

Opening balance	**(26,015)**	(28,770)
Net profit/(losses) for the period	**(20,482)**	2,755
Ending balance	**(46,497)**	(26,015)

10 Non-controlling interests

	Consolidated	
	31 December 2011 $'000	30 June 2011 $'000
Arising on initial investment by Shell in Dart Energy (CBM) International Pte Ltd	**10,268**	10,268
Interest in foreign currency translation reserve	**(5,643)**	(5,844)
Interest in retained profits/(accumulated losses) - Shell	**(3,903)**	(3,720)
Acquisiton of non-controlling interest in Dart Energy (CBM) International Pty Ltd	**(603)**	-
Arising on initial investment by Dart in Composite Energy Limited	**-**	62,122
Interest in retained losses – Composite Energy Limited	**-**	(1,495)
Interest in foreign currency translation reserve – Composite Energy Limited	**-**	(4,298)
Acquisition of non-controlling interest in Composite Energy Limited	**-**	(56,329)
Other	**(119)**	
	-	704

On 8 November 2011 Dart acquired the 8.2% of Dart Energy (CBM) International Pty Ltd's (DECI) ordinary shares held by a subsidiary of Royal Dutch Shell plc (Shell). The consideration paid was:

- US$12.0 million cash (A$11.4 million)
- 14,056,468 newly issued Dart shares (Shell has agreed to not dispose of these shares until at least 30 June 2012);
- 9,759,601 options over Dart shares (exercisable until 31/03/2014, with an exercise price of A$0.591, and exercisable only if the price of Dart shares trades at above A$0.99 per share for 5 or more consecutive days during the exercise period); and
- 5,492,357 options over Dart shares (exercisable until 31/03/2014, with an exercise price of A$0.591, and exercisable only if the price of Dart shares trades at above A$1.30 per share for 5 or more consecutive days during the exercise period).

  The carrying amount of the non – controlling interest in DECI on the date of acquisition was $722,000. The group recognised a decrease in non-controlling interests of $722,000 and a decrease in equity attributable to owners of Dart Energy Limited of $21,500,000. The effect of changes in the ownership interest of DECI on the equity attributable to owners of Dart Energy Limited during the period is summarised as follows:

	31 December 2011 $'000
Carrying amount of non controlling interest acquired	**603**
Consideration paid to non-controlling interest	**(22,103)**
Excess of consideration paid recognised in the transaction with non-controlling interest reserve within equity	**(21,500)**

11 Business combinations

During the year ended 30 June 2011, Composite Energy Limited and Apollo Gas Limited were acquired by Dart group. Details of these business combinations were disclosed in note 31 of the Dart's annual financial statements for the year ended 30 June 2011. The purchase price allocations for these acquisitions was finalised during the period with no adjustments made to the provisional fair values disclosed in the financial statements for the year ended 30 June 2011. There were no business combinations in the six months ending 31 December 2011.

The acquisition of GP Energy Limited and restructure of interests with BG were announced by the group during December 2011. These transactions are subject to completion of various conditions precedent, which is expected to occur during the six months ended 30 June 2012. Consequently these transactions have no impact on the 31 December 2011 interim financial statements.

12 Commitments and contingent liabilities

There is no significant change in the commitments and contingent liabilities of the group from 30 June 2011.

13 Events occurring after the reporting period

(a) Impairment of Dajing PSC and provision for onerous PSC costs

Following completion of the analysis of drilling results for 10 wells drilled at the Dajing PSC in China during the quarter ended 31 December 2011, management concluded that the area is not commercial for CBM development and have recognised an impairment charge and provision at 31 December 2011 for onerous PSC costs (see note 4) as an adjusting post balance sheet event.

(b) Disposal of Bow Energy Limited shares

The takeover of Bow Energy Limited by Arrow Energy Holdings Pty Limited completed on 11 January 2012 and the group disposed of its interest in Bow Energy Limited. The valuation of the group's shares in Bow Energy Limited at 31 December 2011 reflects the takeover price of $1.52 per share.

In the directors' opinion:

(a) the financial statements and notes set out on pages 11 to 22 are in accordance with the *Corporations Act 2001,* including:
- (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
- (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date, and

(b) there are reasonable grounds to believe that Dart Energy Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.

Nicholas Davies
Director

9 March 2012

Independent auditor's review report to the members of Dart Energy Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Dart Energy Limited (the company), which comprises the balance sheet as at 31 December 2011, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Dart Energy Limited Group (the consolidated entity). The consolidated entity comprises both the company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including AASB134 *Interim Financial Reporting,* and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Dart Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Dart Energy Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

Robert Hubbard
Partner

Brisbane
9 March 2012