Dart Energy Limited

ABN 21 122 588 505

Annual Financial Report for the year ended 30 June 2012

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Contents

Important Note:

*The resource estimates used in this Annual Financial Report (“Report”) were, where indicated, compiled by Doug Barrenger of MBA Petroleum Consultants (“**MBA**”) and John Hattner of Netherland, Sewell & Associates, Inc. (“**NSAI**”) and are consistent with the definitions of proved, probable and possible hydrocarbon reserves and resources that appear in the Australian Stock Exchange (“**ASX**”) Listing Rules. Mr. Barrenger and Mr. Hattner are qualified in accordance with the requirements of ASX listing rule 5.11 and have consented to the use of their resource figures in the form and context they appear in this Report.*

Directors	Nicholas Davies BSc (Hons Math/Eng) *Executive Chairman* Stephen Bizzell BCom, MAICD *Executive Director* Shaun Scott BBus (Accountancy) / BA (Rec Admin), CA *Executive Director* Raymond Lim BEcon (Hons) / BA (Jurisprudence) (Hons), LL.M. (Appointed on 2 August 2012) *Non-Executive Director* Sanjiv Misra BA (Hons Econ), Post Graduate Diploma in Management, Master of Management. (Appointed on 2 August 2012) *Non-Executive Director* Simon Poidevin BSc (Hons) *Non-Executive Director*
Company Secretary	Paul Marshall LLB (Hons), ACA
Principal registered office in Australia	Level 11, Waterfront Place, 1 Eagle Street. Brisbane QLD 4000 Telephone: +61 7 3149 2100 Facsimile: +61 7 3149 2101 Postal Address: GPO Box 3120 Brisbane Qld 4001
Head Office	152 Beach Road #19-01/04 The Gateway East Singapore 189721 Telephone: +65 6508 9840 Facsimile: +65 6294 6904
Share Registry	Link Market Services Locked Bag A14 Sydney South NSW 1235 Telephone: (02) 8280 7111 Facsimile: (02) 9287 0303
Auditor	PricewaterhouseCoopers Riverside Centre 123 Eagle Street Brisbane Qld 4000
Stock Exchange Listing	Australian Stock Exchange Ltd ASX Code: DTE
Website address	www.dartenergy.com.au

Directors' report

Your directors present their report on the consolidated entity (referred to hereafter as the group) consisting of Dart Energy Limited (referred to hereafter as the "Company" or "Dart Energy") and the entities it controlled at the end of, or during, the year ended 30 June 2012 (collectively, the "Group").

Directors

The following persons were directors of the Company (the "Board") throughout the whole of the financial year and up to the date of this report unless otherwise stated:

Nicholas Davies
Stephen Bizzell
Shaun Scott
Simon Poidevin (OAM)

Sanjiv Misra and Raymond Lim were appointed as directors on 2 August 2012 and continue in office at the date of this report.

Simon Potter and Peter Clarke were directors from the beginning of the financial year until their resignations on 18 October 2011 and 8 May 2012 respectively.

David Williamson was a director from the beginning of the financial year until his death on 11 July 2012.

Principal Activities

There were no significant changes in the nature of the Group's activities during the year.

During the year, the principal continuing activities of the Group included coal seam gas ("CSG") (also known as coal bed methane gas ("CBM")) and shale gas exploration in Australia, Europe and Asia. The Group also continued to review and acquire opportunities to participate in CSG and shale gas activities both within its existing areas of operations and new geographies.

Corporate

Strategic review

In August 2011 the Group announced that it had 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 which the Board believe does not reflect the value of its business or the progress the Group has made.

This process included an internal restructuring of the Group's business interest outside Australia into a separate entity, Dart Energy International Pte Ltd ("DEI") and a possible listing of DEI on an International exchange with the Singapore Stock Exchange (SGX) being the preferred venue. The internal restructuring of the Group's business interests outside Australia was completed in March 2012.

In May 2012, the directors decided to defer the proposed IPO of DEI given the current poor equity conditions and the continued slide in the Company's share price. At the date of this report, DEI remains IPO ready and the directors continue to review the situation. DEI has several options for the long term funding of its assets, including:

Consideration of alternative listing venues, or revisiting the Singapore IPO at a later date
Alternative corporate level transactions for DEI, including consideration of investment from potential strategic partners
Consideration of farm-out opportunities at either the individual asset or regional portfolio level.

Shell exit

In November 2011, the Group restructured its arrangements with a subsidiary of Shell, pursuant to which Dart Energy (CBM) International Pte Ltd (now DEI) became a wholly owned subsidiary of Dart Energy, with approximately 8.2% of DEI held by Shell being exchanged for a mixture of cash and equity. This resulted in Shell owning 3.9% of Dart Energy on a fully-diluted basis.

In addition, Shell was granted 15,251,958 options comprising two tranches of options. Tranche 1 consisted of 9,759,601 options issued at an exercise price of $0.591 with an expiry date of 31 March 2014. Tranche 2 options consisted of 5,492,357 options at an exercise price of $0.591 with an expiry date of 31 March 2014.

Greenpark acquisition

In December 2011, the Group agreed to acquire the unconventional gas business of Greenpark Energy Ltd, comprising certain onshore licences in the UK for a consideration of US$42 million. The consideration was payable in two tranches and made up of a mixture of cash and shares in Dart Energy and potentially in the intended to be listed DEI.

The first tranche comprising US$6 million cash and US$10 million in newly issues Dart Energy shares was paid in May 2012. In aggregate, 31,354,118 shares were issued which, post-issue represented 4.1% of the enlarged shares in issue of the Company at that time. A further US$5 million was placed in a retention account and will be released in 2 tranches, 18 October 2012 and 18 February 2013, subject to there being no claims. Deferred consideration for the 2nd tranche of US$21 million is payable by 30 September 2012 in the form of cash and shares or fully in shares.

BG Group licence acquisition

In December 2012, the Group had restructured its arrangements with BG Group whereby the Group acquired 50% working interest it did not already own in the 14 onshore hydrocarbon licences in the UK. These licences had previously been awarded to a consortium of Dart Energy's subsidiary in Europe, Dart Energy Europe (previously Composite Energy) and BG Group in the UK's 13th hydrocarbon licensing round. In March 2012, DECC approved this transaction.

In addition, as part of the arrangement with BG Group, the Group was granted an option over two prospective hydrocarbon licences in Germany, exercisable at nil consideration. In May 2012 the Group exercised options over these two licences held by the BG Group. The Group now has a 100% interest in both licences.

Project financing

In April 2012, the Group, via DEI, entered into a credit-approved mandate with the Hong Kong and Shanghai Banking

Corporation Limited ("HSBC") for a senior secured revolving borrowing based facility of up to US$100 million for development funding of the Group's near term projects. The initial borrowing base assets will be PEDL133 (Scotland), Liulin PSC (China) and Sangatta West PSC (Indonesia). The facility documentation was entered into on 29 August 2012 and financial close / first drawdown is expected in September 2012.

Dividends - Dart Energy Limited

Dart does not currently have any cash generating business units or assets, nor does it have a Board approved dividend policy. All of Dart's assets are in exploration, appraisal or pilot production stage and thus are cash consuming rather than cash generating. Accordingly, it is unlikely that a dividend will be paid by Dart in the short-term.

No dividends were paid or proposed to be paid to members during or since the end of the financial year.

Review of operations

A summary of consolidated results and assets by segment is set out below:

	Segment Results (EBITDA)		Segment Assets	
	2012 $'000	2011 $'000	**2012 $'000**	2011 $'000
(a) Australia	**(107,932)**	27,451	**123,023**	221,152
(b) China	**(18,383)**	(322)	**37,225**	32,943
(c) India	**(2,751)**	(3,312)	**2,035**	161
(d) Indonesia	**(175)**	(528)	**22,570**	11,407
(e) Vietnam	**(683)**	(10,497)	**-**	-
(f) Europe	**(3,100)**	(8,480)	**140,771**	67,099
(g) Singapore / Corporate	**(13,855)**	(7,463)	**403**	3,332
Total segment results / assets	**(146,879)**	(3,151)	**326,027**	336,094

Segment assets refer to the Group's intangible assets (goodwill and exploration), property, plant and equipment, investments in associates and derivative options.

Segment results (EBITDA) are 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 segments. Reconciliation of segment results and assets to profit/(loss) before tax and total assets respectively is included in note 4 to the financial statements.

Business Review

During the financial year ended 30 June 2012, Dart has continued to successfully expanded its portfolio. Operationally, Dart undertook exploration and appraisal activities across multiple assets in the portfolio and successfully implemented several business development initiatives which are briefly discussed in the sections corresponding to their respective geographies below.

- **Australia**

It is noted in the above summary of segment result and assets that value for Australia in 2012 have been impacted by an impairment expense valued at $101.8 million reflecting a reduction in the assets value of licences acquired as part of the acquisition of Apollo Gas in late 2010. More detailed commentary can be found in note 17 of the financial statements. Operationally, current work is focusing on licences PEL 456, PEL 458 and PEL 463. Potential drilling locations have been identified in all three licences and land access agreements are in various stages of negotiations. Efforts continue to identify additional site locations as potential exploration targets. Industrial gas users in NSW continue to face challenges to renew long term gas supply contracts at attractive pricing. Dart Energy believes it is well positioned to supply this domestic market shortfall providing clear benefits to the NSW economy.

Following the 2011 election of a new State Government in NSW, approval and renewal of petroleum licences and exploration activities were suspended pending the government's review of the regulatory framework. During this time new draft operating frameworks have been released to address concerns raised by the community regarding the safety and environmental sustainability of CSG development in NSW. These include a draft Strategic Regional Land Use Policy for the Upper Hunter and New England North West regions, Aquifer Interference Policy and draft Code of Practice for Coal Seam Gas Exploration. Ratification of these is expected to unlock the recent hiatus in exploration activity within NSW.

Whilst the new rules announced are in line with Dart's position statements for NSW, the suspension has caused delays to the implementation of Dart Energy's exploration and appraisal activities in NSW and renewal of licences. Licences remain current pending formal advice from the State Government.

The resource position for Dart Energy's NSW portfolio on an aggregated net basis, is to a best estimate of gas-in-place 32.5 Tcf, a prospective resource of 12.3 Tcf, a 1C contingent resource of 0.3 Tcf, a 2C contingent resource of 0.5 Tcf and a 3C contingent resource of 1.5Tcf.

A brief summary of main activities in Australia is set out below.

PEL 456
Location: Liverpool Ranges, Upper Hunter, NSW
Interest: Dart 85%, Santos 15% (operator)
Gross Resource (MBA): OGIP 30,170Bcf, Prospective resource 1,090Bcf, 3C resource 939 Bcf

PEL 456 is located in the Upper Hunter Valley of New South Wales covering an area of 5,953 km^2. Dart Energy holds an

85% interest in the licence with Santos holding the remaining 15%. Santos has elected to exercise its farm-in rights for a further 35% by funding additional exploration and appraisal activities. In May 2012, Dart Energy informed Santos that in accordance with the Farm-in agreement, Dart Energy would prepare and submit the Review of Environmental Factors (REF) required by the State Government for the drilling of a bore hole. Preparation of the REF is underway with submission expected during October.

The Central Ranges Gas Pipeline (CRGP) and Queensland Hunter Gas Pipeline (QHGP) traverse the exploration licence in addition to nearby high capacity power transmission lines, both of which present commercialisation opportunities for regional gas-fired power generation.

PEL 458
Location: Newcastle, NSW
Interest: Dart 100%
Gross Resource (NSAI): OGIP 1,342 Bcf, 2C resource 542 Bcf

PEL 458 covers 2,000km^2 in the locality of Newcastle, NSW.

In June 2012, Dart Energy gained regulatory approval for a pilot project at Fullerton Cove, north of Newcastle, assessing the prospective Medowie and Border seams at approximate depths of 650 metres and 700 metres respectively. Site preparation is to be undertaken during August/September.

In early September the Fullerton Cove Residents Action Group initiated legal proceeding against Dart Energy to prevent work proceeding on the pilot project. The NSW Land and Environment Court granted an injunction with respect to drilling activities pending the hearing of the case. This is expected to be heard in October.

During the 2nd quarter of 2012, an A$65million glasshouse project being undertaken by Maria's Farm Veggies Pty Ltd (MFV) achieved financial close. Dart Energy has taken a 20% equity interest in the project. MFV has also executed a Gas Sales Agreement (GSA) with Dart Energy for gas supply from the Fullerton Cove project. The GSA is for a 10-year term at A$7.50/GJ linked to CPI.

PEL 460
Location: Hunter West*, NSW*
Interest: Dart 100%
Gross Resource (MBA): OGIP 1,132 Bcf, Prospective resource 527 Bcf

PEL 460 is located in the Hunter West region of New South Wales covering 4,741km^2.

Analysis laboratory results from the Putty-1 well, completed in late 2011, indicate saturation is relatively high and that gas should readily desorb from the coal. Permeability is relatively low, which will ultimately influence well design and this will be tested in the next round of drilling.

PEL 463
Location: Cumberland / Sydney*, NSW*
Interest: Dart 100%
Gross Resource (MBA): OGIP 13,641 Bcf, Prospective resource 4,615 Bcf, 3C resource 143 Bcf

PEL 463 is located in the Cumberland region of New South Wales covering 2,385km^2 and extends south to include the Sydney metropolitan area.

Dart Energy is undertaking a land use study of the PEL 463 Cumberland area to identify areas appropriate for CSG exploration and to demonstrate the long term benefits for existing land uses through local energy production. The study is likely to identify a number of industrial areas where such benefits can be realised.

Land access agreements are required to be negotiated prior to seeking regulatory approval to undertake any drilling activities.

- **Europe**

Following completion of the acquisition of Greenpark, the restructure of arrangement with BG Group, the assets base consists of 32 licences across the United Kingdom, three licences in Poland, two in Germany (subject to regulatory approval) and one in Belgium.

United Kingdom

PEDL 133 (Airth)
Location: Midlands Valley, Scotland
Interest: Dart Energy 100%
Area: 367 Km^2
Gross Resource (NSAI) (CBM): OGIP 1,09 Bcf, 2C resource 597 Bcf, 3P reserves 72 Bcf, 2P reserves 38 Bcf
Gross Resource (NSAI) (Shale): OGIP 2,548 Bcf, Prospective resource 370 Bcf

PEDL 133 is the most advanced licence in the Group's portfolio with both CBM and shale gas potential. In addition, CBM reserves have been certified to-date in a small portion of the licence area.

The Group has a 5-year gas sales agreement ("GSA") in place with Scottish and Southern Energy ("SSE"), a U.K. FTSE 100 utility company. The GSA is sized to deliver the current 2P reserves during the term and has no minimum delivery requirement. SSE is one of the largest utilities company in the U.K. with an extensive pipeline network that also runs in proximity to PEDL 133 licence area. Under the GSA, SSE Energy will purchase gas delivered from 2H 2013 at prevailing U.K. gas prices.

In March 2012, an amendment was agreed between Dart Energy and SSE to introduce a second phase to the GSA whereby for 5 years commencing April 2015, Dart Energy will be able to deliver additional gas to SSE on otherwise identical terms to the existing GSA. Subject to successful development of Airth project in PEDL 133, this provides the Group forward visibility on potential sales of over 60bcf of gas from this licence, representing approximately 10% of the contingent resource on the block.

During the year, the production well pair of Airth-1 and Airth-12 was put on pump and flowed gas. Water treatment facilities were completed and power generation equipment was commissioned. Produced gas commenced powering a 375 KW gas turbine generator and electricity was exported to the local grid.

The Field Development Plan and Front End Engineering Design Study for full development of the project were completed and submitted to the Department of Energy and Climate Change ("DECC") for approval. Tendering for field development design and long lead equipment also commenced. Initial work on the Environmental Impact Study also commenced and a public consultation process was initiated. In addition, Dart Energy is engaging the local communities through a series of exhibitions across Scotland to promote awareness and understanding of the Airth project.

In addition to PEDL 133, the Group has interests in several other onshore hydrocarbon licences in the U.K. with a combined OGIP of 9,838 Bcf (CBM) and 63,010 Bcf (Shale), 2C Contingent Resources of 4,069 Bcf and 3P reserves in one of those licences of 47 Bcf. The Group is currently in the process of planning an exploration and appraisal work program for these licences.

Poland

USCB
Location: Upper Silesia, Southern Poland
Interest: Dart Energy 100%
Area: 323 Km^2
Gross Resource (NSAI): OGIP 526 Bcf, Prospective 108 Bcf

During early 2012, core data retrieved indicated a good net coal thickness (in excess of 10 metres) and good gas content (in excess of 10m^3/ton). Conversion of the hybrid / production well to enable testing was completed in July 2012. This involved drilling a horizontal inseam section that intersected the existing vertical core hole. Well completion equipment is expected to be installed in Q3 2012 with testing to commence immediately after. The well has been designed to eventually become a lateral pilot to enable production testing, similar to the Airth pilot well in Scotland.

Milejow
Location: Lublin Basin, Eastern Poland
Interest: Dart Energy 100%
Area: 372 Km^2
Gross Resource (NSAI) (CBM): OGIP 265 Bcf, Prospective Resource 36 Bcf
Gross Resource (NSAI) (Shale): OGIP 9,485 Bcf

The Milejow concession is proximate to the existing Chelm concession owned by Dart Energy. A seismic acquisition program was completed during the second half of 2011 and is now the subject of interpretation and further review. The program focused on imaging the shale potential of this block and assessing a possible extension of the existing coal seam gas fairway into this block.

- **China**

Liulin PSC
Location: Shanxi province, China
Interest: Dart Energy 25.0% (joint operator), Fortune Oil 25.0% (joint operator), CUCBM 50%
Area: 183 Km^2
Gross Resource (NSAI): OGIP 571Bcf, 2C resource 87 Bcf, 3P reserves 49 Bcf, 2P reserves 29 Bcf

The Liulin PSC is located in the eastern part of the Ordos basin covering 183 km^2. Dart Energy is joint operator of the block with Fortune Oil through a joint venture company, Fortune Liulin Gas Company Ltd ("FLG").

In December 2011, Dart exercised its option to increase its stake in FLG from 45% to 50% for additional investment of US$4 million in FLG to fund the ongoing work program at Liulin PSC. Consequently, Dart's effective interest in Liulin PSC increased from 22.5% to 25%.

During the year, Liulin CBM project made significant progress with production testing providing encouraging initial results with flow rates of over 700 mcfd as of July 2012. In addition, the project is now ready to deliver gas into a third party gas sales agreement subject to the approval by relevant authorities for the installation of necessary surface facilities.

Production testing has been undertaken from multiple multilateral inseam wells designed to maximise the 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 has over 6,500 metres of combined lateral intersection with two independent coal seams designed for maximum gas extraction.

In Q2 2012, an extension of the Liulin exploration period was approved by the authorities allowing for continued appraisal of the full field area as well as the preparation and approval of an overall development plan.

The engineering procurement and construction contract for the northern gathering system and nodal facilities was signed and is pending approval from the Chinese authorities. Once approved, construction on the gathering system is expected to take between six and nine months with a break between December and March winter period. During this time, production from pilot wells will be kept below their ultimate potential to minimise flaring.

Construction of downstream Compressed Natural Gas (CNG) facilities was completed in July 2012 and is awaiting final approval from local authorities and commissioning. The CNG facility is independently owned by China Shanxi Coalbed Methane Co Ltd, the buyer of the existing GSA with Dart.

In addition to the Liulin PSC, Dart Energy holds a 49% working interest in Dajing PSC, located in Xinjiang Autonomous Region of western China. During the year, the Group carried out an exploration program of 10 wells which was completed safely with successful drilling, coring and logging of each well as per the technical plans and on budget, within eight weeks. The well results however were below the pre-drill estimates with low gas volumes found in the coal seams. The Group therefore made the decision not to proceed with further exploration on the block and initiated the relinquishment process, which is currently underway. It is noted in the summary of segment results and assets that value for China in 2012 have been impacted by an impairment expense in Dajing PSC valued at $18.5 million. More detailed commentary can be found in note 16 of the financial statements.

- **Indonesia**

Sangatta West PSC
Location: East Kalimantan, Indonesia
Area: 1,301 km^2
Interest: Dart Energy 24% (joint-operator), Ephindo 24% (joint-operator), Pertamina 52%
Gross Resource (NSAI): OGIP 1,041 Bcf, 2C resource 273 Bcf

The Sangatta West PSC is located in East Kalimantan, 50 km north of the Bontang LNG facility. There are a number of active coal mines in proximity to the PSC area. Dart farmed into the block by acquiring a 50% equity interest in Sangatta West CBM Inc. ("SWCI"), which itself has a 48% stake in the PSC. Pertamina holds the other 52%.

Dart and Ephindo are jointly operating the block through ownership of SWCI, with Dart having primary responsibility for technical and operating issues.

To date, three exploration wells and four pilot wells have been completed in the western section of the block. The four pilot wells will supply gas for conversion into electricity for the local Sangatta township. Preparations for well workovers to bring these wells into production were progressed and rig contracts were tendered in Q2 2012. Planning and design of production and water handling facilities have been completed and construction is expected to commence later in 2012. Approval was received from the Minister of Energy and Mineral Resources for the pilot to power gas price of US$7.90/mmbtu.

Tanjung Enim PSC
Location: South Sumatra, Indonesia
Interest: Dart Energy 45% (operator), PT Bukit Asam 27.5%, Pertamina 27.5%
Area: 308 km^2
Gross Resource (NSAI): OGIP 874 Bcf, Prospective resource 205 Bcf

The Tanjung Enim PSC covers 308 km^2 in the South Sumatra basin. During the year two core wells and three pilot wells were completed.

In February 2012, BP MIGAS, the Indonesian regulatory authority, approved amendments to the Tanjung Enim PSC to allow for the sale of gas prior the approval of the Plan of Development. This is an important regulatory milestone to facilitate pilot gas sales before full commercial development and underscores the Government of Indonesia's commitment for early development of the CBM resources.

Dart Energy expects to be complete testing of the three pilot wells during the financial year ending 30 June 2013. The wells will undergo long-term production testing via a pilot to power project, which targets to produce up to 2MW of electricity for distribution into the local grid.

Muralim PSC
Location: South Sumatra, Indonesia
Interest: Dart Energy 50% (operator), Medco Energi 50%
Area: 983 km^2
Gross Resource (NSAI): OGIP 2,713 Bcf, Prospective resource 1,436 Bcf

Muralim is proximate to the Tanjung Enim block as well as the South Sumatra West Java pipeline that connects to Java the main gas demand centre in Indonesia.

During the year the Group's four core well program received environmental approval. The first core hole was spud in June 2012 and drilling is expected to continue during the remainder of 2012. Subject to results the core hole program will be followed by an appraisal program consisting of three pilot wells.

- **India**

Satpura
Location: Madhya Pradesh Interest: Dart Energy 80% Tata Power 20%
Area: 714 km^2
Gross Resource (NSAI):; Satpura – OGIP 1,438 Bcf, Prospective 959 Bcf

In July 2010, Dart Energy was awarded the Satpura CBM licence in the Indian Government's CBM IV licensing round. Following successful public hearings, the petroleum exploration licence was issued and relevant regulatory and environmental approvals were received.

The Group then commenced an exploration drilling campaign of 15 core wells. By June 2012, 12 of these core wells have been completed, intersecting coals from Pench valley, Kanhan valley and Tawa valley. The Group expects to complete the balance of the work program before the end of 2012. Analysis of core samples and gathered geological data is underway, which will be used for planning further appraisal / pilot testing in 2013.

Assam
Location: Assam
Interest: Assam – Dart Energy 60% Indian Oil 40%
Area: 113 km^2
Gross Resource (NSAI): Assam – OGIP 1,177 Bcf, Prospective 790 Bcf

In July 2010, Dart Energy was awarded to Assam CBM licence in the Indian Government's CBM IV licensing round. Following successful public hearings the petroleum exploration licence was issued from the State Government authorities which allows for the conduct of drilling operations. Final environmental approvals are awaited before the commencement of an exploratory drilling program comprising 15 core wells.

Significant changes in the state of affairs

Other than as disclosed in this report, there are no significant changes in the business operations of Dart during the year.

Matters subsequent to the end of the financial year

On 29 August 2012, Dart Energy International Pte Ltd. the international operating arm of Dart, executed agreements for a US$100 million senior secured reserves based lending facility with Hong Kong and Shanghai Banking Corporation Limited, Singapore Branch ("HSBC"), to provide development funding for International's near term development projects. Financial close / first draw-down is expected in September 2012.

The Facility is structured so as to provide funds for the development of certain advanced projects in International's portfolio. Initially, the projects are PEDL 133 (UK), Liulin (China) and Sangatta West (Indonesia). The facility is split into a working capital funding of up to US$10 million and up to a further US$90 million over the next two years subject to the achievements of certain milestones.

On 5 September 2012, the board of the FLG Joint Venture and Liulin PSC Joint Management Committee approved the construction of the field gas gathering system and nodal station at the Liulin CBM gas project in Shanxi province, China, and a contract has been entered into for the final phase of construction. This infrastructure (field gas gathering system) will connect the in-field multi-lateral production well to the recently completed CNG station. This will provide the route to the market and enable initial revenue generation from the Liulin block.

Production from the field has continued to improve on a weekly basis. Since May, gas rates from existing well have been steadily improving. The base well in the field (H-4) has a peak production in excess of 400 Mscf/d with two other wells (H-3 and H-6) also already exceeding 200 Mscf/d. Total field production is now approximately 1 MMscf/d.

On 7 September 2012, Dart was awarded the Bontang Bengalon coal bed methane block in East Kalimantan, Indonesia. A production sharing contract (PSC) for the block is expected to be agreed with the Indonesian government within 1-2 months.

Dart will be the operator of the block with a 100% working interest. The PSC term will be for 30 years. In the initial three year exploration period, Dart intends an exploration work program consisting of 3 core wells and 1 pilot well. First work is expected to commence in mid to late 2013.

Dart considers the Bontang Bengalon block to be highly prospective, given the significant exploration and pilot appraisal work undertaken at the neighbouring Sangatta West block, where CBM reserves and commercial viability have already been established. The Bontang Bengalon block increases Dart's net acreage in East Kalimantan and provides enhanced ability to access significant market opportunity in the area. A 100% working interest provides Dart with the flexibility to introduce new partners to the project over time.

Health, Safety and Environment (HSE)

The Group is subject to environmental regulation in the various jurisdictions in which it operates. These regulations cover the Group's exploration, development and production activities. There were no reportable incidents in the current financial year.

As a minimum, the Group seeks to comply with environmental regulation in all of the countries in which it operates.

Safety is a core value to Dart and the Group strives for a zero injury workplace for all employees, contractors and visitors to its operations.

Insurance of Officers

During the financial year, Dart acquired insurance, for which the premium paid was $122,353 to cover directors, officers and senior executives of the Group.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Group. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Information on directors

Nicholas Davies ***BSc (Hons Math/Eng).*** *Executive Chairman.* Age 54.

Experience and expertise

Nicholas has over 30 years oil and gas industry experience in upstream development, strategic planning, new business development and marketing. Prior to becoming Chairman of Dart, he was CEO and Managing Director of Arrow. Before this, he was President of BP's Asia Pacific Gas and Power business headquartered in Tokyo and immediately prior to that was President of Atlantic Richfield Company South East Asia, based in Singapore. Nicholas currently resides in Singapore.

Other current ASX listed directorships

Acer Energy Ltd (from 2011)

Former directorships in last 3 years

Liquefied Natural Gas Limited (from 2007 to March 2010)
Arrow Energy Limited (from 2004 to August 2010)

Special responsibilities

Chairman of the Dart Energy Limited Board
Member of Remuneration Committee
Member of Risk Committee

Interests in shares and options

6,899,501 ordinary shares in Dart Energy Limited.

416,667 31 March 2014 Unlisted Options at $0.98625
416,667 31 March 2014 Unlisted Options at $0.98625 exercisable on or after 29 July 2012
416,666 31 March 2014 Unlisted Options at $0.98625 exercisable on or after 29 July 2013

Stephen Bizzell ***BCom, MAICD*** *Executive Director.* Age 44.

Experience and expertise

Stephen early in his career was employed in the corporate finance division of Ernst & Young and the corporate tax division of Coopers & Lybrand and qualified as a Chartered Accountant. He has had considerable experience and success in the fields of corporate restructuring, debt and equity financing, and mergers and acquisitions and has over 20 years corporate finance and public company management experience in the resources sector in Australia and Canada with various public companies. Stephen was an Executive Director of Arrow from 1999 till August 2010. He is Chairman of boutique corporate advisory and funds management group, Bizzell Capital Partners Pty Ltd. Stephen currently resides in Brisbane.

Other current ASX listed directorships

Renison Consolidated Mines N.L. (from 1996)
Stanmore Coal Ltd (from 2009)
Hot Rock Ltd (from 2009)
Diversa Ltd (from 2010)
Renaissance Uranium Ltd (from 2010)
Titan Energy Services Ltd (from 2011)
Armour Energy Limited (from 2012)

Former directorships in last 3 years

Arrow Energy Limited (from 1999 to August 2010)
Liquefied Natural Gas Limited (Alternate Director) (from 2007 to March 2010)
Apollo Gas Ltd (from 2009 to January 2011)
Bow Energy Ltd (from 2004 to January 2012)

Special responsibilities

Executive Director of Dart Energy Limited
Member of Risk Committee

Interests in shares and options

4,730,033 ordinary shares in Dart Energy Limited.

750,000 31 March 2014 Unlisted Options at $0.98625
750,000 31 March 2014 Unlisted Options at $0.98625 exercisable on or after 29 July 2012
750,000 31 March 2014 Unlisted Options at $0.98625 exercisable on or after 29 July 2013
881,250 15 December 2014 Unlisted Options at $0.40

Shaun Scott ***BBus(Accountancy) / BA (Rec Admin), CA.*** *Executive Director.* Age 47.

Experience and expertise
Shaun is a Chartered Accountant with over 25 years of experience in upstream and downstream projects, mergers and acquisitions and finance in the energy sector in Australia, Asia, and the United States. He previously held the roles of Chief Commercial Officer, Chief Financial Officer and Chief Executive Officer of Arrow. Prior to joining Arrow in 2004, Shaun held a variety of senior executive roles across the industry. Shaun currently resides in Brisbane.

Other current ASX listed directorships
Acer Energy Ltd (from March 2011)
Anaeco Limited (from March 2011)
Site Group International Limited (from August 2011)
Titan Energy Services Limited (from December 2011)

Former directorships in last 3 years
None

Special responsibilities
Executive Director of Dart Energy Limited
Chairman of Risk Committee
Member of Nomination Committee

Interests in shares and options
576,668 ordinary shares in Dart Energy Limited.
750,000 31 March 2014 Unlisted Options at $0.98625
750,000 31 March 2014 Unlisted Options at $0.98625 exercisable on or after 29 July 2012
750,000 31 March 2014 Unlisted Options at $0.98625 exercisable on or after 29 July 2013

Simon Poidevin ***BSc (Hons)*** *Non-Executive Director.* Age 53

Experience and expertise
Simon is an Executive Director of Bizzell Capital Partners Pty Ltd, a boutique corporate advisory and funds management group. He was previously an Executive Director of Pengana Capital and before that he had 14 years with Citigroup in Australia, where he was a Managing Director and jointly headed the firm's Corporate Broking business. Simon is also a former Wallaby who represented Australia in 59 Rugby Union Tests. He was awarded an OAM in 1988, inducted into the Australian Sports Hall of Fame in 1991 and honoured with a Centenary Medal in 2003. He is also on the Board of the University of NSW Foundation. Simon currently resides in Sydney.

Other current ASX listed directorships
Diversa Limited (from October 2011)

Former directorships in last 3 years
None

Special responsibilities
Chairman of Audit Committee
Member of Remuneration Committee.

Interests in shares and options
150,000 ordinary shares in Dart Energy Limited
250,000 31 March 2014 Unlisted Options at $0.98625
250,000 31 March 2014 Unlisted Options at $0.98625 exercisable on or after 29 July 2012
250,000 31 March 2014 Unlisted Options at $0.98625 exercisable on or after 29 July 2013

Raymond Lim ***BEcon (Hons) / BA (Jurisprudence) (Hons), LL.M.*** *Non-Executive Director.* Age 53

Experience and expertise
Raymond is a former Singapore government minister and currently a Member of Parliament. He has extensive experience in the public sector as well as the financial industry. Raymond sits on the board of the Government of Singapore Investment Corporate (GIC) and is currently a Senior Adviser to the Swire Group. He also serves as independent director at fund manager APS Asset Management, Hong Leong Finance Ltd and non-executive Chairman of Investec Singapore Aviation Management Pte Ltd. Raymond currently resides in Singapore.

Other current ASX listed directorships
None

Former directorships in last 3 years
None

Special responsibilities
Chairman of Nomination Committee
Member of Audit Committee.

Interests in shares and options
Nil

Sanjiv Misra **BA (Hons Econ), Post Graduate Diploma in Management, Master of Management.** Non-Executive Director. Age 52

Experience and expertise
Sanjiv worked for more than ten years at Goldman Sachs in the Investment Banking Division, in New York, Hong Kong and Singapore before eleven years in senior executive roles with Citigroup most recently as Head of the Asia Pacific Corporate Bank (APCB) from June 2004 till May 2008. He is currently the President of Phoenix Advisers Pte Ltd, a boutique advisory and principal investing business. Mr. Misra is also a member of the Board of Trustees of Singapore Management University (SMU), the SMU Enterprise Board, the Board of Directors of the National University Health System (NUHS) and the Investment Committee of SMU. He is a member of the Board of Directors of Edelweiss Financial Services Limited, a BSE-listed company; and Invenio Financial Services Pte Ltd, a subsidiary of Olam International Ltd. Sanjiv currently resides in Singapore.

Other current ASX listed directorships
None

Former directorships in last 3 years
None

Special responsibilities
Chairman of Remuneration Committee
Member of Audit Committee
Member of Nomination Committee.

Interests in shares and options
Nil

Former Directors

Simon Potter ***MSc / BSc (Hons).***.
Simon was Managing Director and CEO of Dart until his resignation on 18 October 2011.

David Williamson BCom FCA / MAICD. *Non-Executive Director.*
David was a Non-Executive Director of Dart, a member of the Audit Committee and Chairman of the Risk Committee up until his death on 11 July 2012.

Peter Clarke ***HND Business Studies.*** *Non-Executive Director.*
Peter was a Non-Executive Director of Dart, Chairman of the Audit Committee and a Member of the Remuneration and Nomination Committee throughout the year until his resignation on 8 May 2012.

Company Secretary
The company secretary is Paul Marshall LLB (Hons), ACA. Paul has a Bachelor of Law degree and is a Chartered Accountant with over 25 years' experience.

Meetings of directors

The number of meetings of the Company's board of directors and of each board committee held during the year ended 30 June 2012, and the number of meetings attended by each director were:

	Full meetings of directors		Meetings of committees					
			Audit		Risk		Nomination and Remuneration	
	A	**B**	**A**	**B**	**A**	**B**	**A**	**B**
Nicholas Davies	14	14	**	**	3	3	3	3
Simon Potter (Resigned 18 October 2011)	3	3	**	**	**	**	**	**
Stephen Bizzell	14	14	**	**	3	3	**	**
Shaun Scott	14	14	**	**	3	3	**	**
David Williamson	14	14	5	5	3	3	**	**
Peter Clarke (Resigned on 8 May 2012)	10	10	4	4	**	**	3	3
Simon Poidevin	14	14	5	5	**	**	3	3

Raymond Lim and Sanjiv Misra were both appointed after the end of the financial year
A = Number of meetings held during the time the director held office or was a member of the committee during the year
B = Number of meetings attended
** = Not a member of the relevant committee

Remuneration report (Audited)

This remuneration report sets out remuneration information for Dart's non-executive directors, executive directors and other key management personnel.

Directors and key management personnel disclosed in this report

Non-executive and executive directors – see pages 10 to 13 above

Other key management personnel

Name	**Position**
Eytan Uliel	Chief Commercial Officer
Martin Cooper	Chief Financial Officer
Nathan Rayner	Chief Operating Officer
Peter Roles	Chief Technical Officer (resigned 19 July 2012)
John McGoldrick	Chief Executive Officer - International (appointed 16 Jan 2012)
Robbert de Weijer	Chief Executive Officer - Australia

Role of the nomination and remuneration committee

The nomination and remuneration committee is a committee of the board in relation to remuneration. It is primarily responsible for making recommendations to the board on:

- non-executive director fees
- executive remuneration (directors and other executives), and
- the over-arching executive remuneration framework and incentive plan policies.

Its objective is to ensure that remuneration policies and structures are fair and competitive and aligned with the long-term interests of the Company.

The Corporate Governance Statement provides further information on the role of this committee.

Remuneration report (Audited) (continued)

Principles used to determine the nature and amount of remuneration

Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the board. The Chair's fees are determined independently to the fees of non-executive directors based on comparative roles in the external market. The Chair is not present at any discussions relating to determination of his own remuneration.

Non-executive directors do not receive performance based pay. However, to promote further alignment with shareholders, non-executive directors have been granted options under the Dart Energy Limited Employee Share Option Plan.

Directors' fees

There is no change in the current base fee for the past year. The Chair's remuneration is inclusive of committee fees while other non-executive directors who chair, or are a member of, a committee receive additional yearly fees.

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at $750,000 per annum.

The following fees have applied:

	From 1 April 2011 to 30 June 2012
Base fees	
Chair	$120,000
Other non-executive directors	$70,000
Additional fees	
Audit committee – Chair	$12,000
Audit committee – member	$7,500
Nomination and remuneration committee – Chair (*)	$12,000
Nomination and remuneration committee – member	$7,500
Risk committee – Chair	$12,000
Risk committee – member (*)	$7,500

(*) Nicholas Davies does not receive additional remuneration for chairing or being a member of the board committees.

Retirement allowances for non-executive directors
There are no retirement allowances for non-executive directors. For Australian resident non-executive directors, superannuation contributions required under the Australian superannuation guarantee legislation continue to be made and are deducted from the directors' overall fee entitlements.

Executive pay
The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms with market practice for delivery of reward. The board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency
- capital management.

The Group has structured an executive remuneration framework that is market competitive and complimentary to the reward strategy of the organisation.

Alignment to shareholders' interests:

- has economic profit as a core component of plan design
- focuses on sustained growth in shareholder wealth, consisting of growth in share price, and delivering constant return on assets as well as focusing the executive on key non-financial drivers of value
- attracts and retains high calibre executives.

Remuneration report (Audited) (continued)

- rewards capability and experience
- reflects competitive reward for contribution to growth in shareholder wealth
- provides a clear structure for earning rewards
- provides recognition for contribution.

The framework provides a mix of fixed and variable pay, and a blend of short-term and long-term incentives. As executives gain seniority with the Group, the balance of this mix shifts to a higher proportion of "at risk" rewards.

The executive pay and reward framework has three components:

- base pay and benefits, including superannuation(where applicable)
- short-term performance incentives, and
- long-term incentives through participation in the Dart Employee Option Plan.

The combination of these comprises an executive's total remuneration. The group reviewed its TSR comparators during the year and has updated the TSR companies to ensure continued alignment with financial and strategic objectives.

Base pay and benefits
These are structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' discretion.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. Base pay for executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion.

There are no guaranteed base pay increases included in any executive's contract.

Executives receive benefits including health insurance and housing allowances and superannuation (where applicable).

Short-term incentives (STI)

Subject to personal performance, executives and other participants are eligible for reward through the Short-Term Incentive scheme (STI). The STI will be paid in either cash or fully paid unrestricted and fully vested shares of Dart Energy Limited, at the sole discretion of the Company.

The number of shares allocated in respect of any STI will be based on the value of STI divided by the volume weighted average price for shares of Dart Energy Limited in the ten trading days immediately prior to the STI award. The shares will vest immediately after they are allocated.

Awards of STI are determined by the nomination and remuneration committee for executive directors and the CEO. Awards are determined by the CEO for senior management. Awards under STI outside of those determined under the formal metrics may be made at the discretion of the Company in the event of exceptional performance. Awards under the STI (using the metrics set out below) were determined by the Company for the first time in January 2012.

The STI has two components:

- Individual component – assessed and paid on achievement of individual key performance indicators, which are in line with company objectives
- Group component – assessed on Total Shareholder Return (TSR).

Remuneration report (Audited) (continued)

In relation to the individual component, key management personnel have annual KPI's set at the beginning of each year. The individual KPI's are set to ensure alignment between the individual and the Company.

The split of the components are as follows (% of base salary):

STI Component	Executive Directors	CEO	Senior Management
Individual	12.5%	20%	15%
TSR	12.5%	20%	10%

The TSR is determined by comparison of Dart's TSR to the TSR of the following companies listed on the Australian Stock Exchange for the same period. Each year, the outlying performers (best two and worst two) will be excluded from the final comparator listing. The amount of incentive will then be paid based on the Company's ranking relative to the remaining nine companies in the Comparator index.

Company name	ASX Ticker
AWE	AWE
Beach Energy	BPT
Buru Energy	BRU
Blue Energy	BUL
Galilee Energy	GLL
Icon Energy	ICN
Karoon Gas	KAR
Metgasco	MEL
Molopo Energy	MPO
Origin Energy	ORG
Oil Search	OSH
Santos	STO
Woodside Petroleum	WPL

TSR is calculated including share price growth, dividends and capital returns. Vesting will occur based on the Company's ranking within the peer group as follows:

Dart performance vs Comparator group	Bonus entitlement
0 – 50th percentile	0%
50th percentile	50%
60th percentile	65%
70th percentile	80%
80th percentile	100%
90th percentile	125%
100th percentile	150%

Long-term incentives (LTI)

The long-term incentive scheme is designed to provide long-term incentives for executives and other participants to deliver long term shareholder returns. The payout will be dependent on the performance of Dart against the comparator group as defined above.

The split of the components are as follows (% of base salary):

LTI Component	Executive Directors	CEO	Senior Management
TSR	-	40%	25%

In exceptional circumstances there is the possibility of awards above these entitlements.

Remuneration report (Audited) (continued)

The LTI will be paid in the form of an equity interest in Dart Energy Limited (either in fully paid shares, options, or some other form of equity instrument).

The quantum of equity interests allocated in respect of the LTI will be based on the value of the LTI divided by the volume weighted average price for shares of Dart Energy Limited in the ten (10) trading days immediately prior to the LTI award date. The LTI may, at the sole discretion of the Company, be paid in cash (all or part).

For the avoidance of doubt, the Company is not obliged to make payment of any LTI in any period and the payment of any LTI is at the discretion of the Company.

Any LTI will vest in three equal instalments over the three years following the award of the LTI, provided the employees are still employed by the Group at the end of the vesting period.

Any LTI awarded in the form of options, will be exercisable at any time in the three years following the date on which the options vest.

The awards under the LTI will be determined by the remuneration and nomination committee in January 2013.

Options

In addition to participation in the STI and LTI, certain key management personnel have a contractual entitlement to the grant of options. Further grants of options may be made at the board's discretion. Key management personnel also participate in the Dart Option plan. The terms of this plan are disclosed in note 38 to the financial statements. Further details of the options granted under the Dart option plan and to which the key management personnel are contractually entitled are included in the table on page 26.

Performance of Dart Energy Limited

During the year, while significant operational progress has been made, the performance of the share price has been below that of the TSR comparator Group. Accordingly, while no TSR bonus is payable, bonuses were paid based upon individual performance. The remuneration of key management personnel fairly reflects that performance.

Remuneration report (Audited) (continued)

Cash remuneration

The cash remuneration actually received by the directors and the other key management personnel in respect of the year ended 30 June 2012 is shown in the table below. The remuneration details prepared in accordance with the accounting standards are included on page 21.

30 June 2012

Name	Cash salary and fees $	Cash bonus $	Benefits* $	Super-annuation $	Total $
Nicholas Davies	246,759	-	-	-	246,759
David Williamson	82,110	-	-	7,390	89,500
Simon Poidevin	77,982	-	-	7,018	85,000
Peter Clarke (resigned 8 May 2012)	85,000	-	-	-	85,000
Simon Potter (resigned 18 October 2011)	172,958	-	71,839	-	244,797
Stephen Bizzell	195,383	-	-	-	195,383
Shaun Scott	238,500	-	3,297	26,325	268,122
Eytan Uliel	360,277	57,709	216,173	-	634,160
Nathan Rayner	317,336	-	190,404	-	507,740
Martin Cooper	228,145	-	34,224		262,369
Peter Roles (resigned 19 July 2012)	250,627	29,149	134,195	-	413,970
John McGoldrick (appointed 16 January 2012)	213,349	-	128,010	-	341,359
Robbert de Weijer	417,915	9,000	17,720	28,350	472,985
Total remuneration	**2,886,341**	**95,858**	**795,862**	**69,083**	**3,847,144**

*These benefits are non-monetary benefits settled by Dart in cash on behalf of the key management personnel.

There is an overall year on year increase in cash remuneration of $249,012 or 6.9%. This is as a result of a number of directors and key management personnel who were employed for only part of the year ending 2011 but for the full year ending June 2012.

The bonus payments made during the year ending June 2012 of $95,858 compares to the prior year payment of $407,361. This is a reduction of $311,503 or 76%. This reduction is a reflection of the continued slide in the company's share price.

Remuneration report (Audited) (continued)

30 June 2011

Name	Cash salary and fees $	Cash bonus $	Benefits* $	Super-annuation $	Total $
Nicholas Davies	98,203	-	-	12,213	110,416
David Williamson	66,778	-	-	6,010	72,788
Simon Poidevin (appointed 2 March 2011)	14,167	-	-	-	14,167
Peter Clarke (appointed 8 Feb 11)	18,752	-	-	-	18,752
Simon Potter	501,247	161,331	287,827	-	950,405
Stephen Bizzell	192,661	-	649	17,339	210,649
Shaun Scott	265,000	-	2,718	22,140	289,858
Eytan Uliel	338,267	133,632	202,102	-	674,001
Martin Cooper (appointed 24 Nov 2010)	133,531	-	20,030	4,339	157,900
Nathan Rayner (appointed 12 October 2010)	213,482	32,971	89,384	6,000	341,837
Peter Roles	277,553	79,427	152,862	-	509,842
Peter Godfrey	37,921	-	22,271	4,318	64,510
Robbert de Weijer (appointed 11 Jan 2011)	164,505	-	5,595	12,877	182,977
Total remuneration	**2,322,067**	**407,361**	**783,438**	**85,236**	**3,598,102**

*These benefits are non-monetary benefits settled by Dart in cash on behalf of the key management personnel.

Remuneration report (Audited) (continued)

Details of remuneration

Details of the remuneration of the directors and the key management personnel of the Group (as defined in AASB 124 *Related Party Disclosures)* are set out in the following tables.

Key management personnel of the Group and other executives of the Company and the Group

30 June 2012	Short-term employee benefits			Post-employment benefits	Long-term benefits		Share-based payments		
Name	Cash salary and fees $	Cash bonus (STI) $	Non monetary benefits $	Super-annuation $	Long service leave $	Termination benefits $	Options [C] $	Shares (STI) $	Total $
Executive Chairman									
Nicholas Davies [A] [#]	**246,759**	**-**	**-**	**12,698**	**-**	**-**	**274,667**	**-**	**534,124**
Non-executive directors									
David Williamson [B]	82,110	-	-	7,390	-	-	164,800	-	254,300
Simon Poidevin	77,982	-	-	7,018	-	-	(644)	-	84,356
Peter Clarke (resigned 8 May 12)	85,000	-	-	-	-	-	(21,821)	-	63,179
Sub-total non-executive directors	**245,092**	**-**	**-**	**14,408**	**-**	**-**	**142,335**	**-**	**401,835**
Executive directors									
Simon Potter (resigned 18 October 2011)	172,958	-	71,839	-	-	-	(492,058)	-	(247,261)
Stephen Bizzell	195,383	-	-	-	-	-	494,401	-	689,784
Shaun Scott	238,500	-	3,297	26,325	-	-	300,170	-	568,292
Other key management personnel (group)									
Eytan Uliel	360,277	57,709	216,173	-	-	-	220,462	50,809	905,431
Martin Cooper	228,145	-	34,224	7,230	-	-	49,969	32,007	351,575
Nathan Rayner	317,336	-	190,404	-	-	-	183,962	45,774	737,476
Peter Roles (resigned 19 July 2012)	250,627	29,149	134,195	-	-	-	-	-	413,970
John McGoldrick (appointed 16 January 2012)	213,349	-	128,010	-	-	-	-	-	341,359
Robbert de Weijer	417,915	9,000	17,720	28,350	-	-	506,459	43,764	1,023,208
Total key management personnel compensation (group)	**2,886,341**	**95,858**	**795,862**	**89,011**	**-**	**-**	**1,680,367**	**172,354**	**5,719,793**

[A] *Nicholas Davies does not receive additional remuneration for chairing or being a member of the board committees.*

[#] *Nicholas Davies has been in the role of Executive Chairman since 18 October 2011.*

[B] *Directors fees of $7,458 for the month of July 2012 have been paid to the estate of David Williamson subsequent to the year-end.*

[C] *The remuneration disclosed with respect to options granted on STI is calculated based upon the fair value of the options at grant date and the expectation of the number of options that vest with the calculated value spread over the period that the options vest. The fair value calculation is based upon the Black-Scholes model using the share price at grant date. In the event of resignation, any unvested options will be forfeit and may result in a reversal of amounts previously disclosed as remuneration*

Remuneration report (Audited) (continued)

Key management personnel of the Group and other executives of the Company and the Group

30 June 2011	Short-term employee benefits			Post-employment benefits	Long-term benefits		Share-based payments		
Name	Cash salary and fees $	Cash bonus (STI) $	Non monetary benefits* $	Super-annuation $	Long service leave $	Termination benefits $	Options [B] $	Shares [c] (STI) $	Total $
Non-executive directors									
Nicholas Davies [A]	98,203	-	-	12,213	-	-	454,127	-	564,543
David Williamson	66,778	-	-	6,010	-	-	272,476	-	345,264
Simon Poidevin (appointed 2 March 2011)	14,167	-	-	-	-	-	25,078	-	39,245
Peter Clarke (appointed 8 Feb 2011)	18,752	-	-	-	-	-	28,452	-	47,204
Sub-total non-executive directors	**197,900**	**-**	**-**	**18,223**	**-**	**-**	**780,133**	**-**	**996,256**
Executive directors									
Simon Potter ^#	501,247	161,331	287,827	-	-	-	920,314	42,370	1,913,089
Stephen Bizzell ^#(B)	192,661	-	649	17,339	-	-	817,427	52,500	1,080,576
Shaun Scott ^#	265,000	-	2,718	22,140	-	-	489,367	66,250	845,475
Other key management personnel(Group)									
Eytan Uliel ^#	338,267	133,632	202,102	-	-	-	461,860	-	1,135,861
Martin Cooper (appointed 24 Nov 2010)	133,531	-	20,030	4,339	-	-	97,709	-	255,609
Nathan Rayner (appointed 12 October 2010)	213,482	32,971	89,384	6,000	-	-	352,794	-	694,631
Peter Roles	277,553	79,427	152,862	-	-	-	-	-	509,842
Peter Godfrey	37,921	-	22,271	4,318	-	-	-	-	64,510
Robbert de Weijer (appointed 11 Jan 2011) ^#	164,505	-	5,595	12,877	-	-	765,626	-	948,603
Total key management personnel compensation (group)	**2,322,067**	**407,361**	**783,438**	**85,236**	**-**	**-**	**4,685,230**	**161,120**	**8,444,452**

^,# denotes one of the 5 highest paid executives of the Group (^) and/or Company (#), as required to be disclosed under the Corporations Act 2001.

** Includes housing allowances for all other key management personnel except for Robbert de Weijer.*

[A] Nicholas Davies does not receive additional remuneration for chairing or being a member of the board committees.

[B] Stephen Bizzell also received options over shares in Dart in replacement of options held by him over Apollo Gas Limited shares granted to him in his capacity as a director of that company. The value of the options received was $726,217 and these options vested on completion of Dart's acquisition of Apollo Gas Limited.

[c] Accrual for STI in relation to the 2011 financial year. Any shares to be issued will be subject to shareholder approval.

Remuneration report (Audited) (continued)

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

Name	Fixed remuneration		At risk - STI		At risk - Options *	
	2012	2011	**2012**	2011	**2012**	2011
Executive directors of Dart						
Simon Potter	60%	41%	40%	8%	-121%	51%
Stephen Bizzell	28%	19%	0%	5%	72%	76%
Shaun Scott	43%	34%	9%	8%	48%	58%
Other key management personnel of the Group						
Eytan Uliel	64%	48%	12%	8%	24%	44%
Martin Cooper	77%	62%	9%	0%	14%	38%
Nathan Rayner	69%	38%	6%	3%	25%	59%
Peter Roles	93%	85%	7%	9%	-%	6%
John McGoldrick	100%	n/a	-	n/a	-	n/a
Robbert de Weijer	45%	19%	5%	0%	50%	81%

* Since the long-term incentives are provided exclusively by way of options, the percentages disclosed also reflect the value of remuneration consisting of options, based on the value of options expensed during the year. Negative amounts indicate expenses reversed during the year due to a failure to satisfy the vesting conditions

Service agreements

On appointment to the board, all non-executive directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the board policies and terms, including compensation, relevant to the office of director.

Remuneration and other terms of employment for the executive directors and the other key management personnel are also formalised in service agreements. Each of these agreements provide for the provision of performance related cash bonuses, other benefits including health insurance, car allowances and tax advisory services, and participation, when eligible, in the Dart Energy Limited Employee Share Option Plan. Other major provisions of the agreements relating to remuneration are set out below.

All contracts with executives may be terminated early by either party with written notice, subject to termination payments as detailed below.

Name	Term of agreement	Base salary including superannuation *	Significant changes to employment **	Termination Benefits ***
Nicholas Davies, *Chairman*	Re-appointment at AGM	$130,800	-	-
Simon Poidevin, *Non-Executive Director*	Re-appointment at AGM	$70,000	-	-
Stephen Bizzell, *Executive Director*	On-going, commencing 23 August 2010	$3,270/day. Minimum $8,175/mth,	12 months base salary	12 months base salary
Shaun Scott, *Executive Director*	On-going, commencing 23 August 2010	$3,000/day. Minimum $7,500/mth, plus 9% superannuation	12 months base salary	12 months base salary
John McGoldrick, *CEO International*	On-going, commencing 16 January 2012	$ 461,538 (SGD 600,000)	12 months base salary	12 months base salary
Eytan Uliel, *Chief Commercial Officer*	On-going, commencing 1 September 2010	$ 371,225 (SGD 482,592)	12 months base salary	3 months written notice, or payment in lieu of notice
Martin Cooper, *Chief Financial Officer*	On-going, commencing 24 November 2010	$242,003 (SGD 314,604)	6 months base salary + 1 month for every year of service, capped at 12 months	3 months written notice, or payment in lieu of notice (1)
Nathan Rayner, *Chief Operating Officer*	On-going, commencing 12 October 2010	$334,615 (SGD 435,600)	6 months base salary + 1 month for every year of service, capped at 12 months	4 weeks written notice, or payment in lieu of notice (2)
Robbert de Weijer, *CEO Australia*	On-going, commencing 11 January 2011	$330,000	6 months base salary + 1 month for every year of service, capped at 12 months	4 weeks written notice, or payment in lieu of notice (2)

Remuneration report (Audited) (continued)

** Base salaries quoted are for the year ended 30 June 2012.They are reviewed annually by the nomination and remuneration committee.*

*** Key management personnel are entitled to treat their employment as terminated and to receive these benefits in the event of:*

- *a fundamental change in their current position; or*
- *a significant diminution in their powers, discretions and responsibilities; or*
- *a significant change in duties and tasks which lessens the significance and status of those tasks; or*
- *a significant change in reporting lines.*

**** Termination benefits are payable on early termination by the Company, other than for gross misconduct, unless otherwise indicated, they are equal to the base salary for the remaining term of the agreement.*

(1) Additional termination benefits are subject to the Singapore Employment Act. The Act allows for discretionary payments to be made to employees with a minimum three years of service with the Company. Dart Singapore follows the common practice of payment of one month per one year of service with the Company, up to maximum of 12 months.

(2) Additional termination benefits are subject to the Australian National Employment Standards. The standards provide for an entitlement to termination payments based on the number of years of continuous service. Payment may range from 4 weeks up to a maximum of 12 weeks.

Remuneration report (Audited) (continued)

Share-based compensation

The terms and conditions of each grant of options affecting remuneration in the current or a future reporting period are as follows:

Grant date	Vesting and exercise date	Expiry date	Share Price at Grant Date	Exercise price	Value per option at grant date	Service conditions achieved	% Vested
5 Aug 2010	29 Jul 2011	31 Mar 2014	$0.77	$0.98625	$0.34643	100%	100%
23 Aug 2010	29 Jul 2011	31 Mar 2014	$0.81	$0.98625	$0.37093	100%	100%
23 Aug 2010	29 Jul 2012	31 Mar 2014	$0.81	$0.98625	$0.41375	To be determined	0%
23 Aug 2010	29 Jul 2013	31 Mar 2014	$0.81	$0.98625	$0.45092	To be determined	0%
01 Sep 2010	01 Sep 2010	31 Jul 2014	$0.81	$0.98625	$0.34091	100%	100%
01 Sep 2010	31 Aug 2011	31 Jul 2014	$0.81	$0.98625	$0.38769	100%	100%
01 Sep 2011	31 Aug 2011	31 Jul 2014	$0.81	$0.98625	$0.42828	To be determined	0%
12 Oct 2010	12 Oct 2010	31 Jul 2014	$1.21	$0.98625	$0.64160	100%	100%
12 Oct 2010	12 Oct 2011	31 Jul 2014	$1.21	$0.98625	$0.69954	100%	100%
12 Oct 2010	12 Oct 2012	31 Jul 2014	$1.21	$0.98625	$0.74593	To be determined	0%
24 Nov 2010	24 Nov 2010	31 Jul 2014	$1.23	$0.98625	$0.65041	100%	100%
24 Nov 2010	24 Nov 2010	31 Jul 2014	$1.23	$0.98625	$0.70983	100%	100%
24 Nov 2010	23 Nov 2011	31 Jul 2014	$1.23	$0.98625	$0.76100	To be determined	0%
30 Nov 2010	29 Jul 2011	31 Mar 2014	$1.18	$0.98625	$0.62900	100%	100%
30 Nov 2010	29 Jul 2012	31 Mar 2014	$1.18	$0.98625	$0.68493	100%	100%
30 Nov 2010	29 Jul 2013	31 Mar 2014	$1.18	$0.98625	$0.73294	To be determined	0%
11 Jan 2011	11 Jan 2011	31 Jul 2014	$1.14	$0.98625	$0.56928	100%	100%
11 Jan 2011	10 Jan 2012	31 Jul 2014	$1.14	$0.98625	$0.62831	100%	100%
11 Jan 2011	10 Jan 2013	31 Jul 2014	$1.14	$0.98625	$0.67896	To be determined	0%
5 Aug 2011	5 Aug 2012	31 Jul 2015	$0.62	$0.98000	$0.14246	To be determined	0%
5 Aug 2011	5 Aug 2013	31 Jul 2015	$0.62	$0.98000	$0.16850	To be determined	0%
5 Aug 2011	5 Aug 2014	31 Jul 2015	$0.62	$0.98000	$0.19265	To be determined	0%
2 Dec 2011[(A)]	3 Dec 2011[(A)]	31 Mar 2014	$0.50	$0.98625	$0.02652	100%	100%
2 Dec 2011[(A)]	29 Jul 2012[(A)]	31 Mar 2014	$0.50	$0.98625	$0.03993	To be determined	0%
2 Dec 2011[(A)]	29 Jul 2013[(A)]	31 Mar 2014	$0.50	$0.98625	$0.06072	To be determined	0%

(A) Certain estimated terms and conditions presented in the prior year have been amended to reflect the actual terms on grant of the share options in the current financial year.

(B) Service condition is that the individuals awarded options must remain in the employment of the Group at the exercise date.

Options granted under the plan carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share.

The exercise price of all options other than those granted on 5 August 2011 is $0.98625 which is based on the VWAP of Dart Energy Limited shares in the first 5 days of trading on the ASX plus a premium of 25%. The exercise price of the options

Remuneration report (Audited) (continued)

granted on 5 August 2011 is based on the employee option terms.

The plan rules contain a restriction on removing the 'at risk' aspect of the instruments granted to executives. Plan participants may not enter into any transaction designed to remove the 'at risk' aspect of an instrument before it vests.

Details of options over ordinary shares in the Company provided as remuneration to each director of Dart and each of the key management personnel of the Group are set out below. When exercisable, each option is convertible into one ordinary share of Dart. Further information on the options is set out in note 38 to the financial statements.

Name	Number of options granted during the year	Value of options at grant date ($) *	Number of options vested during the year	Number of options lapsed during the year	Value at lapse date ($) **
Directors of Dart					
Nicholas Davies	-	-	416,667	-	-
David Williamson	-	-	250,000	500,000	-
Peter Clarke	-	-	250,000	500,000	-
Simon Poidevin	-	-	250,000	-	-
Simon Potter	-	-	1,224,161	2,448,321	-
Stephen Bizzell	-	-	750,000	-	-
Shaun Scott	-	-	750,000	-	-
Other key management personnel of the Group					
Eytan Uliel (1)	600,000	100,723	550,000	-	-
Martin Cooper	-	-	75,000	-	-
Nathan Rayner(1)	375,000	62,952	250,000	-	-
Peter Roles	-	-	-	-	-
John McGoldrick	-	-	-	-	-
Robbert de Weijer	-	-	750,000	-	-

* The value at grant date calculated in accordance with AASB 2 *Share-based Payment* of options granted during the year as part of remuneration.
** The value at lapse date of options that were granted as part of remuneration and that lapsed during the year because a vesting condition was not satisfied. The value is determined at the time of lapsing, but assuming the condition was satisfied.

(1) Options granted as part of remuneration for the period.

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

No options were exercised by the Directors and key management personnel during the year.

Remuneration report (Audited) (continued)

Details of remuneration: Bonuses and share-based compensation benefits
For each cash bonus and grant of options included in the tables on pages 21 - 22 and 25 - 26, the percentage of the available bonus or grant that was paid, or that vested, in the financial year, and the percentage that was forfeited because the person did not meet the service and performance criteria is set out below. No part of the bonus is payable in future years. The options vest when vesting conditions are met (see page 26 above). No options will vest if the conditions are not satisfied, hence the minimum value of the option yet to vest is nil. The maximum value of the options yet to vest has been determined as the amount of the grant date fair value of the options that is yet to be expensed.

	Bonus		Share-based compensation benefits (options)				
Name	**Paid %**	**Forfeited %**	**Year granted**	**Vested %**	**Forfeited %**	**Date options Vest**	**Maximum total value of grant yet to vest $**
Nicholas Davies	-	-	2010	100	-	29 Jul 2011	-
			2010	-	-	29 Jul 2012	11,723
			2010	-	-	29 Jul 2013	112,348
David Williamson	-	-	2010	100	-	29 Jul 2011	-
			2010	-	100	29 Jul 2012	-
			2010	-	100	29 Jul 2013	-
Peter Clarke	-	-	2011	100	-	3 Dec 2011	-
			2011	-	100	29 Jul 2012	-
			2011	-	100	29 Jul 2013	-
Simon Poidevin	-	-	2011	100	-	3 Dec 2011	-
			2011	-	-	29 Jul 2012	562
			2011	-	-	29 Jul 2013	6,797
Simon Potter	-	-	2010	100	-	29 Jul 2011	-
			2010	-	100	29 Jul 2012	-
			2010	-	100	29 Jul 2013	-
Stephen Bizzell	-	-	2010	100	-	29 Jul 2011	-
			2010	-	-	29 Jul 2012	21,101
			2010	-	-	29 Jul 2013	202,226
Shaun Scott	-	-	2010	100	-	29 Jul 2011	-
			2010	-	-	29 Jul 2012	12,746
			2010	-	-	29 Jul 2013	124,414
Eytan Uliel	-	-	2010	100	-	1 Sep 2010	-
			2010	100	-	31 Aug 2011	-
			2010	-	-	31 Aug 2012	18,187
			2010	100	-	1 Sep 2010	-
			2010	100	-	31 Aug 2011	-
			2010	-	-	31 Aug 2012	1,819
			2011	-	-	5 Aug 2012	1,457
			2011	-	-	5 Aug 2013	12,642
			2011	-	-	5 Aug 2014	20,582
Martin Cooper	-	-	2010	100	-	24 Nov 2010	-
			2010	100	-	23 Nov 2011	-
			2010	-	-	23 Nov 2012	7,610
			2010	100	-	24 Nov 2010	-
			2010	100	-	23 Nov 2011	-
			2010	-	-	23 Nov 2012	3,805
Nathan Rayner	-	-	2010	100	-	12 Oct 2010	-
			2010	100	-	11 Oct 2011	-
			2010	-	-	11 Oct 2012	26,439
			2011	-	-	5 Aug 2012	967
			2011	-	-	5 Aug 2013	8,216
			2011	-	-	5 Aug 2014	13,242
Robbert de Weijer	-	-	2011	100	-	11 Jan 2011	-
			2011	100	-	10 Jan 2012	-
			2011	-	-	10 Jan 2013	135,327

Remuneration report (Audited) (continued)

Share options granted to directors and other key management personnel

Options over unissued ordinary shares of Dart Energy Limited granted during or since the end of the financial year to the officers of the Company as part of their remuneration were as follows:

	Options granted
Other key management personnel of Dart Energy Limited	
Eytan Uliel, Chief Commercial Officer	600,000
Nathan Rayner, Chief Operating Officer	375,000
Total	**975,000**

The options were granted in accordance with the Dart Energy Limited Employee Option Plan on 5 August 2011.

Remuneration report (Audited) (continued)

Shares under option

Unissued ordinary shares of Dart Energy Limited under option at the date of this report are as follows:

Date of options granted	Expiry date	Issue price of Shares	Number under option
5-Aug-10	31-Mar-14	$0.98625	1,224,161
23-Aug-10	31-Mar-14	$0.98625	3,000,000
1-Sep-10	31-Jul-14	$0.98625	1,650,000
20-Sep-10	31-Jul-14	$0.98625	150,000
12-Oct-10	31-Jul-14	$0.98625	750,000
18-Oct-10	31-Mar-14	$0.98625	450,000
24-Nov-10	31-Jul-14	$0.98625	225,000
30-Nov-10	31-Mar-14	$0.98625	3,750,000
15-Dec-10	10-Aug-14	$0.79000	262,500
15-Dec-10	15-Dec-14	$0.40000	32,956,250
11-Jan-11	31-Jul-14	$0.98625	2,460,000
28-Feb-11	15-Dec-14	$0.01000	2,402,181
07-Mar-11	31-Jul-14	$0.98625	100,000
11-Apr-11	31-Jul-14	$0.98625	250,000
20-Apr-11	31-Jul-15	$0.98000	250,000
16-May-11	31-Jul-15	$1.15000	100,000
5-Aug-11	31-Jul-15	$0.98000	975,000
1-Sep-11	31-Jul-15	$0.98000	150,000
26-Sep-11	31-Jul-15	$0.98000	150,000
1-Oct-11	31-Jul-15	$0.98000	250,000
8-Nov-11	31-Mar-14	$0.59100	15,251,958
2-Dec-11	31-Mar-14	$0.98625	1,000,000
2-Mar-12	15-Dec-14	$0.01000	216,195
			67,973,245

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

Shares issued on the exercise of the options

The following ordinary shares of Dart Energy Limited were issued during the year ended 30 June 2012 on the exercise of options granted to shareholders or directors of Composite Energy Limited.

Since the end of the financial year a further 71,082 shares have been issued following the exercise on 18/7/12 of 71,082 $0.01 15 December 2014 options. No amounts are unpaid on any of the shares.

Date options granted	Issue price of Shares	Number of shares issued
28/2/2011	$0.01	200,457
28/2/2011	$0.01	100,000
28/2/2011	$0.01	50,000
28/2/2011	$0.01	523,670
		874,127

Non-audit services

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important.

The board of directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001.* The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants.*

During the year, the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2012 **$**	2011 $
(a) PwC Australia		
(i) Audit and other assurance services		
Audit and review of financial statements	**198,636**	170,600
Other assurance services		
Agreed-upon procedures	**-**	8,575
Accounting advice	**5,949**	11,000
Due diligence services	**-**	188,088
Total remuneration for audit and other assurance services	**204,585**	378,263
(ii) Taxation services		
Tax compliance services	**247,608**	52,140
Total remuneration for taxation services	**247,608**	52,140
Total remuneration of PwC Australia	**452,193**	430,403
(b) Related practices of PwC Australia		
(i) Audit and other assurance services		
Audit and review of financial statements	**376,062**	275,000
Other assurance services		
Accounting advice	**-**	1,500
Agreed-upon procedures	**18,644**	17,850
Due diligence services	**461,497**	28,500
Total remuneration for audit and other assurance services	**856,203**	322,850
(ii) Taxation services		
Tax compliance and advice	**113,768**	87,295
Total remuneration of related practices of PwC Australia	**969,971**	410,145
(c) Non-PwC audit firms		
(i) Audit and other assurance services		
Audit and review of financial statements	**142,497**	150,000
Total remuneration of non-PwC audit firms	**142,497**	150,000
Total auditors' remuneration	**1,564,661**	990,548

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 32.

Rounding of amounts

The Group 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. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

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

Nicholas Davies
Chairman

Brisbane
13 September 2012

Auditor's Independence Declaration

As lead auditor for the audit of Dart Energy Limited for the year ended 30 June 2012, 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 audit; and

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

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

Robert Hubbard
Partner
PricewaterhouseCoopers

Brisbane
13 September 2012

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Corporate governance statement

Dart's Corporate Governance Statement is structured with reference to the ASX Corporate Governance Council's (the "Council") "Corporate Governance Principles and Recommendations, 2nd Edition", which are as follows:

Principle 1 : Lay solid foundations for management and oversight
Principle 2 : Structure the board to add value
Principle 3 : Promote ethical and responsible decision making
Principle 4 : Safeguard integrity in financial reporting
Principle 5 : Make timely and balanced disclosure
Principle 6 : Respect the rights of shareholders
Principle 7 : Recognise and manage risk
Principle 8 : Remunerate fairly and responsibly

A copy of the Corporate Governance Principles and Recommendations can be found on the ASX's website at www.asx.com.au.

Dart's position in relation to each of these items set out below.

Principle 1 - Foundations for management and oversight

The Board's role and responsibilities are encompassed in a formal charter, which is able to be viewed on the Company website, adopted by the Board. The charter will be reviewed annually to determine whether any changes are necessary or desirable.

The role of the Board is to provide strategic guidance to the Group, effective oversight of management and a sound base for a culture of good corporate governance within the Group. The Board will always retain ultimate authority over the management and staff of the Group.

In performing its role, the Board should act, at all times:

(a) in recognition of its overriding responsibility to act honestly, fairly and in accordance with the law in serving the interests of the Company, all of its shareholders, as well as its employees, customers and the community;
(b) in a manner designed to create and continue to build sustainable value for shareholders;
(c) in accordance with the duties and obligations imposed upon them by the Company's constitution and applicable law; and
(d) with integrity and objectivity, consistently with the ethical, professional and other standards set out in the Company's corporate governance policies.

The responsibilities of the Board include:

(a) input into and final approval of management's development of corporate strategy, goals and performance objectives;
(b) liaising with the Company's auditors and the Audit Committee;
(c) reviewing and ratifying systems of risk management, accountability, internal compliance and control, codes of conduct and legal compliance;
(d) the appointment and removal of the Chief Executive Officer and Managing Director, the Chief Financial Officer and the Company Secretary;
(e) ratifying the terms of appointment of senior executives of the Company, including in relation to the terms of remuneration;
(f) monitoring senior management's performance and their implementation of strategies and budgets and ensuring appropriate resources are available;
(g) approving the annual budget;
(h) approving and monitoring the progress of major capital expenditure, capital management and acquisitions and disposals;
(i) approving and monitoring financial and other reporting;
(j) overall corporate governance of the Group, including conducting regular reviews of the balance of responsibilities within the Group to ensure the division of functions remains appropriate to the needs of the Group; and
(k) deciding on any matter which is in excess of the discretions or limits that have been delegated from time to time to senior management.

In performing its responsibilities and functions, the Board may delegate any of its powers to a Board committee or to other persons in accordance with the Company's constitution. The Company as at the date of this report has established four Board committees namely Audit, Nomination, Remuneration and Risk.

The performance of senior executives is reviewed against both measurable and qualitative indicators. Individual executives have set key performance objectives targets as part of their employment contracts. The performance criteria, against which these executives are assessed, are aligned with the financial and non-financial objectives of Dart. Formal performance evaluation of the senior executives was undertaken during the year ended 30 June 2012.

Principal 2 – Structure the Board to add value

The Board comprises directors with a broad range of skills, expertise and experience from a diverse range of backgrounds. The skills, experience and expertise relevant to the position of director held by each Director in office at the date of the Annual Report is included in the Directors' Report.

Dart listed on the ASX in July 2010 following a demerger from Arrow Energy Ltd and at the time of listing Dart did not follow the recommendation set by the ASX Corporate Governance Council that a majority of the Board be independent Non-Executive Directors. Given the size of Dart upon listing, the inclusion of more independent Non-Executive Directors in order to meet this specific requirement at the time of the demerger from Arrow was not considered to be warranted. The Board has since its listing appointed four new Independent Non-Executive Directors (one of whom has since resigned) as the company has identified individuals who could fill the role and add value to the company.

Corporate Governance Council Recommendation 2.1 requires a majority of the Board should be independent Directors. The Corporate Governance Council defines an independent Director as a Non-Executive Director who is not a member of management and who is free of any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the independent exercise of their judgment.

In the context of Director independence, “materiality” is considered from both the Company and the individual Director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal or less than 10% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered included whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point to the actual ability of the Director in question to shape the direction of the Company’s loyalty.

Factors that may impact on a Director’s independence are considered each time the Board meets. In accordance with the Council’s definition of independence the following is the position of the current Board of Directors.

Nicholas Davies, Non-Executive Chairman, non-independent. Mr Davies has been a director since the Company listed in July 2010. Mr Davies was employed by the consolidated entity in an Executive Director capacity in the past 3 years as he was Managing Director of Arrow Energy Limited and therefore is not considered independent.

Stephen Bizzell, Executive Director, non-independent. Mr Bizzell has been a director since the Company listed in July 2010. Mr Bizzell is employed in an Executive Director capacity and therefore is not considered independent.

Shaun Scott, Executive Director, non-independent. Mr Scott has been a director since the Company listed in July 2010. Mr Scott is employed in an Executive Director capacity and therefore is not considered independent.

The following Directors are independent in accordance with the guidelines:
Raymond Lim, Non-Executive Director. Mr Lim was appointed as a director in August 2012.
Sanjiv Misra, Non-Executive Director. Mr Misra was appointed as a director in August 2012.
Simon Poidevin, Non-Executive Director. Mr Poidevin was appointed as a director in March 2011.

Dart considers industry experience and specific expertise, as well as general corporate experience, to be important attributes of its Board members. The Directors noted above have been appointed to the Board due to their considerable industry and corporate experience.

In executing its role and responsibilities, the Board has unlimited access to senior management. It also has the authority to seek information it requires from employees and external parties, to obtain outside legal or other professional advice at the expense of the Company and to ensure Company officers attend Board meetings as appropriate.

Nomination Committee
The Board has established a Nomination Committee. The committee complies with the recommendations as to the composition of Nomination committees as set out in the guidelines.

The members of the Nomination Committee are:
Raymond Lim (Chairman);
Sanjiv Misra; and
Shaun Scott.

The primary functions of the Nomination Committee are to assist the Board in fulfilling its responsibilities with respect to determining the nominees for election to the Board and identifying and recommending candidates to fill Board vacancies. The major responsibilities of the Nomination Committee includes the following:

- implementing processes to assess the necessary and desirable competencies of Board members including

experience, expertise, skills and performance of the Board and its Committees;
- reviewing succession plans for the Board;
- providing Directors with access to ongoing education relevant to their position in the Company;
- annually evaluating the performance and effectiveness of the Board to facilitate the Directors fulfilling their responsibilities in a manner that serves the interests of Shareholders;
- assisting in identifying, interviewing and recruiting candidates for the Board, including reviewing the qualifications, capability, independence, availability to serve, conflicts of interest and other relevant factors of incumbent, replacement or additional Directors;
- reviewing annually the composition of each Committee and presenting recommendations for Committee memberships to the Board as needed; and
- ensuring that the performance of senior executives is evaluated at least annually.

The Chairman undertakes an on-going evaluation of the performance of the Board and its Committees. The evaluation encompasses consideration of the structure and operation of the Board, and the skills and characteristics required by the Board to maximise its effectiveness, and the appropriateness of the Board's practices and procedures to meet the present and future needs of the Company. No formal evaluation of the Board has been undertaken since the company listed in 2010.

Principle 3 – Promote ethical and responsible decision-making

Code of Conduct
The Company has established a code of conduct that sets out standards which the Board, management and employees of the Company are encouraged to comply with when dealing with each other, shareholders and the broader community.

The Company requires that all Directors, managers and employees perform their duties professionally and act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

The code of conduct gives guidance to the Directors and other key executives about:

- the practices necessary to maintain confidence in the integrity of the Company; and
- the right of employees to alert management and the board in good faith to potential misconduct without fear of retribution, and, where necessary, recording and investigation of such alerts.

Diversity
The Company has established and approved a diversity policy. Dart Energy appreciates the value inherent in a diverse workforce. Diversity may result from a range of factors; origin, age, gender, race, religion, cultural heritage, lifestyle, education, physical ability, appearance, language or other factors. Dart values the differences between people and the contribution these differences make to our business.

Dart will actively manage diversity, finding ways of utilising the differences that exist, in order to improve our business. This requires that we actively and flexibly seek to accommodate the unique needs of many different employees. Above all, Dart is committed to ensuring that all employees are treated with respect and dignity.

Although the Board retains ultimate accountability for this policy, the Board has delegated the responsibility for policy implementation of measurable objectives & targets and responsibilities to the Chief Executive Officer (CEO). The CEO will proactively monitor company performance in meeting these standards and policies, and set targets for the achievement and maintenance of this policy. The measureable objectives are as at the date of this report being established for implementation in the 2013 financial year.

As at the date of this report

- Of the six board positions none are held by females
- Of the 17 senior executive positions one (6%) is held by a female and
- Of the 180 full time employees across the group 50 (28%) positions are held by females.

Principle 4 – Safeguard integrity in financial reporting

Audit Committee
The Board has established an Audit Committee which operates under a formal charter. The committee is composed of three Directors, all with appropriate financial experience. At least one member is required to have past employment experience in finance or accounting, a requisite professional certification in accounting or other comparable financial management expertise.

Following recent changes to the Board the Audit Committee has been restructured to ensure it complies with the ASX listing rule requirements. The members of the new committee are:
- Simon Poidevin (Chairman);
- Raymond Lim; and

- Sanjiv Misra.

The primary function of the Audit Committee is to assist the Board in fulfilling its responsibilities with respect to the oversight of the Company's accounting and financial reporting practices, its compliance with law and regulatory requirements, and its financial risk management by:

- overseeing and recommending to the Board matters in relation to the external auditor, including their nomination for approval by Shareholders, the terms of their engagement and their compensation;
- monitoring and reviewing the external auditor's performance and independence including appropriate rotation of engagement partners in line with recommended practices;
- reviewing annually the external audit scope, audit plans and relevant processes, the results of the external audit and implementation of recommendations;
- discussing with the external auditors the results of their audits, including any unusual items or disclosures contained in the audits;
- reviewing the appropriateness, adequacy and effectiveness of the Company's accounting policies and financial controls;
- monitoring the adequacy and integrity of financial reporting, including reviewing financial statements to ensure compliance with applicable accounting standards, to understand significant transactions and unusual items and to consider the appropriateness of qualitative judgments used in those financial statements;
- reviewing the status of compliance with the Company's legal obligations and monitoring regulatory developments that may have a significant impact on the Company;
- reviewing and ensuring that the financial risk management, internal control and information systems are operating effectively to produce accurate, appropriate and timely management and financial information;
- interfacing with the Risk Committee in order to review Audit Committee reports, give guidance and direction to the Board on the conduct of risk management and to review significant risks or exposures the Company may face;
- reviewing compliance Company policies designated by the Board from time to time, including the Company's code of conduct and the insider trading policy; and
- establishing procedures in respect of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and submissions by employees of concerns regarding such matters.

Principle 5 – Make timely and balanced disclosure

The Company Secretary has been nominated as the person responsible for communications with the Australian Securities Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules. All information disclosed to the ASX is posted on the Company's website as soon as it is disclosed to the ASX. When investors or analysts are briefed on aspects of the Company's operations, the material used in the presentation is released to the ASX and posted on the Company's website. In accordance with ASX Listing Rules the Company immediately notifies the ASX of information concerning the Company:

(a) that a reasonable person would or may expect to have a material effect on the price or value of the Company's securities; and
(b) that would, or would be likely to influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

Trading in Company securities
The Company has a formal procedure in place that complies with the revised Listing Rule requirements that were implemented on 1 January 2011, to deal with the disposal or acquisition of the Company's securities. There are specific periods that trading in the Company's securities are prohibited by Directors' and staff.

Principle 6 – Respect the rights of shareholders

The Company respects the rights of its shareholders, and to facilitate the effective exercise of the rights, the Company is committed to:

(a) communicating effectively with shareholders through ongoing releases to the market via ASX information and general meetings of the Company;
(b) giving shareholders ready access to balanced and understandable information about the Company and corporate proposals;
(c) making it easy for shareholders to participate in general meetings of the Company by giving them the opportunity to lodge questions in writing before the meeting; and
(d) requesting the external auditor to attend the Annual General Meeting and be available to answer shareholder's questions about the conduct of the audit, and the preparing and content of the Auditor's Report.

Any shareholder wishing to make inquiries of the Company is advised to contact the registered office. All public announcements made by the Company can be obtained from the ASX's website www.asx.com.au.

Principle 7 – Recognise and manage risk

The Board has established a Risk Committee. The current members of the Risk Committee are:

- Shaun Scott (Chairman);
- Nicholas Davies; and
- Stephen Bizzell.

The Risk Committee will meet at least four times a year, with additional meetings scheduled on an 'as needs' basis. The Risk Committee has overview and governance control responsibilities for domestic and international strategic, operational, project, market and legal risk management, which is to be exercised through reports from and discussions with management who are required to design and implement the risk management and internal control system to manage the business risks.

The primary function of the Risk Committee is to assist the Board in fulfilling its responsibilities with respect to the oversight and governance control of the Company's risk management by:

- reviewing, overseeing and recommending to the Board matters in relation to the Company's risk management policy and the Company's risk management framework, including compliance effectiveness;
- reviewing and overseeing the Company's risk profiles as developed and reported by management;
- reviewing and overseeing unusual and/or high risk transactions as reported by management;
- monitoring emerging risks and changes in the Company's risk profile;
- monitoring and reviewing the risk management performance of the Company, including conducting specific investigations were deemed necessary;
- reviewing and recommending to the Board matters in relation to the Company's insurance strategy, including the coverage and limits of the Company's insurance policies;
- reviewing and recommending to the Board matters in relation to expenditure authorisations; and
- interfacing with the Audit Committee in order to review Audit Committee reports, give guidance and direction to the Board on the conduct of risk management and to review significant risks or exposures the Company may face.

Risk Management
As required by Recommendation 7.3, the Board has received written assurances from the Chief Executive Officer and Chief Financial Officer that to the best of their knowledge and belief, the declaration provided by them 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.

Principle 8 – Remunerate fairly and responsibly

It is the Company's objective to maintain a high quality Board and executive team by remunerating Directors and executives at relevant market conditions. To assist in achieving this objective the Remuneration Committee remunerates Directors and executives having regard to their performance and the performance of the Company.

The expected outcomes of the remuneration policies and practices are to enable the Company to motivate, retain and attract Directors and executives who will create value for shareholders.

Details relating to the policy for performance evaluation and the amount of remuneration (monetary and nonmonetary) paid to each Director and to each of the highest-paid (non-director) executives during the year, are set out in the Directors' Report under the section headed 'Remuneration Report'.

Remuneration Committee
The Board has established a Remuneration Committee. The committee complies with the recommendations as to the composition of Remuneration committees as set out in the guidelines.

The members of the Remuneration Committee are:
- Sanjiv Misra (Chairman);
- Nicholas Davies; and
- Simon Poidevin.

The primary function of the Remuneration Committees is to assist the Board in fulfilling its responsibilities with respect to remuneration of the Company's executives and the major responsibilities of the Remuneration Committee includes the following:

- reviewing, overseeing and recommending to the Board matters in relation to the competitiveness of the Company's executive compensation programs;
- reviewing trends in management compensation, overseeing the development of new compensation plans and when necessary, approving the revision of existing plans;
- reviewing and approving the compensation packages for all senior executives, including superannuation arrangements and termination policies;

- reviewing and recommending to the Board matters in relation to long-term incentive compensation plans, including the use of share options and other equity-based plans;
- reviewing and recommending to the Board fees for remuneration of Directors;

Compliance with Recommendations

At different periods during the 2012 year the Company was not in a position to be fully compliant with all of the Council's best practice recommendations mainly due to the resignation of two directors during the year. The non-compliant areas are set out below.

Principle 2 - Structure the board to add value

Recommendation 2.1 – A majority of the board should be independent directors

Dart does not meet the recommendation that a majority of the Board are independent Non-Executive Directors. At the date of this report three (out of six) of the Directors are classified as independent in accordance with the criteria set out in recommendation 2.1. The Board believes that the individuals on the Board can and do make quality and independent judgments in the best interest of the Company and other stakeholders not withstanding that they are not independent directors in accordance with the criteria set out in the recommendations.

Recommendation 2.2 – The chair should be an independent director

The Chairman of Dart (Nicholas Davies) is not considered to be independent given his past role as an executive of Arrow. Accordingly Dart does not follow the recommendation set by the council that the Chairman be independent. However, it is considered that Nicholas Davies is the most appropriate person to fulfil the role of Chairman given his experience in Dart's activities and operations and his industry knowledge.

Recommendation 2.3 – The roles of chair and chief executive officer are not exercised by the same individual

Following the resignation of Mr Simon Potter in October 2011, until the appointment of Dart International CEO John McGoldrick in January 2012 the Chairman (Nicholas Davies) was in the position of acting chief executive. Nicholas Davies has been in the position of Executive Chairman since October 2011. It was considered that Nicholas Davies was the most appropriate person to fulfil the role of acting chief executive officer given his experience in Dart's activities and operations and his industry knowledge. Mr Davies will remain as Executive Chairman until the company reaches an outcome in relation to the proposed listing of Dart International on an overseas exchange at which time he will likely revert to a non executive position.

Principle 4 - Safeguard integrity in financial reporting

Recommendation 4.2 – The audit committee should be structured so that it:
-Consists only of non-executive directors
-Consists of a majority of independent directors
-Is chaired by an independent chair, who is not chair of the board
-Has at least 3 members

The Audit Committee did not meet the recommendations during the 2012 financial year from 8 May onwards due to the resignation of the Committee Chairman Mr Peter Clarke on that date. Following Mr Clarke's resignation there were insufficient non-executive directors on the board to meet the requirement that there be at least 3 members. With the recent new appointments of Mr Raymond Lim and Mr Sanjiv Misra to the board and to the Audit Committee the Committee now complies with the requirements noted above.

Principle 8 - Remunerate fairly and responsibly

Recommendation 8.2 – The remuneration committee should be structured so that it
-Consists of a majority of independent directors
-Is chaired by an independent chair
-Has at least 3 members

The committee complied with the recommendations as to the composition of a Remuneration committee except that in 2012 it was being chaired by Nicholas Davies who, as noted above, is not classified as an independent director due to his previous position as an executive of Arrow. The Board believe that Nicholas Davies was the best person to chair this committee given his industry experience. With the recent new appointment of Mr Sanjiv Misra to the board and to the position of Chair of the Remuneration Committee the Committee now complies with the requirements noted above.

Contents

These financial statements are the consolidated financial statements of the consolidated entity consisting of Dart Energy Limited and its subsidiaries. The financial statements are presented in the Australian currency.

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

Dart Energy Limited
Level 11, Waterfront Place, 1 Eagle Street
GPO Box 3120
Brisbane QLD 4000

A description of the nature of the consolidated entity's operations and its principal activities is included in the director's report, which does not form part of these financial statements.

The financial statements were authorised for issue by the directors on 12 September 2012. The directors have the power to amend and reissue the financial statements.

Through the use of the internet, we have ensured that our corporate reporting is timely and complete. All press releases financial reports and other information are available on our website: www.dartenergy.com.au.

	Notes	Consolidated 2012 $'000	2011 $'000
Other income	5	**5,293**	2,608
Other gains	6	**2,477**	39,129
Consultancy cost		**(6,413)**	(2,486)
Depreciation		**(701)**	(390)
Employee compensation		**(12,353)**	(15,379)
Field related cost		**(498)**	(150)
Impairment of assets & receivables	7	**(120,355)**	(14,496)
Professional fees		**(1,983)**	(1,062)
Occupancy cost		**(1,068)**	(1,409)
Travel and accommodation		**(1,157)**	(1,217)
Foreign exchange losses (net)		**(2,145)**	(3,346)
Other expenses		**(4,243)**	(3,058)
Expenses, excluding finance costs		**(150,916)**	(42,993)
Finance costs		**(83)**	(302)
Total expenses		**(150,999)**	(43,295)
Share of net loss of associates accounted for using the equity method		**-**	(105)
Loss before income tax		**(143,229)**	(1,663)
Income tax credit	8	**4,539**	1,875
(Loss)/profit for the year		**(138,690)**	212
(Loss)/profit is attributable to:			
Owners of Dart Energy Limited		**(138,388)**	2,755
Non-controlling interests		**(302)**	(2,543)
		(138,690)	212

		2012 Cents	2011 Cents
(Loss)/earnings per share for (loss)/profit attributable to the ordinary equity holders of the Company:			
Basic (loss)/earnings per share	37(a)	**(18.8)**	0.5
Diluted (loss)/earnings per share	37(b)	**(18.8)**	0.5

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

	Consolidated	
	2012	2011
	$'000	$'000
(Loss)/profit for the year	**(138,690)**	212
Other comprehensive income/(loss)		
Exchange differences on translation of foreign operations	**6,060**	(19,651)
Other comprehensive income/(loss) for the year, net of tax	**6,060**	(19,651)
Total comprehensive loss for the year	**(132,630)**	(19,439)
Total comprehensive loss for the year is attributable to:		
Owners of Dart Energy Limited	**(132,328)**	(15,409)
Non-controlling interests	**(302)**	(4,030)
	(132,630)	(19,439)

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

	Notes	Consolidated 2012 $'000	2011 $'000
ASSETS			
Current assets			
Cash and cash equivalents	9	**64,069**	133,352
Trade and other receivables	10	**16,677**	14,035
Current tax assets	19	**904**	-
Inventories	11	**1,129**	279
Financial assets at fair value through profit or loss	12	**4,880**	12,651
Total current assets		**87,659**	160,317
Non-current assets			
Receivables	13	**8,060**	8,713
Investments accounted for using the equity method	14	**5,200**	-
Property, plant and equipment	15	**1,800**	1,552
Goodwill	16	**22,267**	26,389
Exploration and evaluation	17	**291,879**	295,502
Total non-current assets		**329,206**	332,156
Total assets		**416,865**	492,473
LIABILITIES			
Current liabilities			
Trade and other payables	18	**25,351**	9,093
Current tax liabilities	19	**129**	357
Derivative financial instruments		**-**	242
Deferred consideration	31(i)	**25,341**	-
Total current liabilities		**50,821**	9,692
Non-current liabilities			
Deferred tax liabilities	20	**18,321**	16,727
Provisions	21	**9,450**	6,626
Deferred consideration	31(i)	**11,216**	-
Total non-current liabilities		**38,987**	23,353
Total liabilities		**89,808**	33,045
Net assets		**327,057**	459,428
EQUITY			
Contributed equity	22	**388,723**	370,856
Reserves	23(a)	**102,737**	113,883
Accumulated losses	23(b)	**(164,403)**	(26,015)
Capital and reserves attributable to owners of Dart Energy Limited		**327,057**	458,724
Non-controlling interests	24	**-**	704
Total equity		**327,057**	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	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 year		-	-	(138,388)	(138,388)	(302)	(138,690)
Other comprehensive income		-	6,060	-	6,060	-	6,060
Total comprehensive loss/(profit) for the year		-	6,060	(138,388)	(132,328)	(302)	(132,630)
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs and tax	22	97	-	-	97	-	97
Employee share options-value of employee services	23	404	4,294	-	4,698	-	4,698
Acquisition of Greenpark	31 (i)	9,059	-	-	9,059	-	9,059
Transactions with non-controlling interest	22, 23	8,307	(21,500)	-	(13,193)	(402)	(13,595)
		17,867	(17,206)	-	661	(402)	259
Balance at 30 June 2012		388,723	102,737	(164,403)	327,057	-	327,057

Consolidated	Notes	Attributable to owners of Dart Energy Limited: Contributed equity $'000	Reserves $'000	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/ (loss) for the year		-	-	2,755	2,755	(2,543)	212
Other comprehensive loss		-	(18,164)	-	(18,164)	(1,487)	(19,651)
Total comprehensive loss for the year		-	(18,164)	2,755	(15,409)	(4,030)	(19,439)
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs and tax	22	325,400	-	-	325,400	-	325,400
Employee share options-value of employee services	23	-	6,051	-	6,051	-	6,051
Liquidation of a subsidiary		-	-	-	-	(56)	(56)
Acquisition of Composite (net)	24,32(b)	-	-	-	-	56,329	56,329
Transactions with non-controlling interest	23	-	6,292	-	6,292	(56,329)	(50,037)
Acquisition of Apollo options	23	-	35,044	-	35,044	-	35,044
Issue of options to Composite shareholders	23	-	5,670	-	5,670	-	5,670
		325,400	53,057	-	378,457	(56)	378,401
Balance at 30 June 2011		370,856	113,883	(26,015)	458,724	704	459,428

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

	Notes	Consolidated 2012 $'000	2011 $'000
Cash flows from operating activities			
Loss before income tax		**(143,229)**	(1,663)
		(143,229)	(1,663)
Adjustments for :			
- Depreciation		**701**	390
- Interest income	5	**(4,434)**	(2,180)
- Interest income resulting from difference in discount rate used for Marathon deferred consideration		**(195)**	-
- Interest expense		**83**	302
- Loss on liquidation of a subsidiary		**-**	1
- Gain on revaluation of existing interest in acquired entity		**-**	(37,345)
- Fair value gains on financial assets at fair value through profit or loss		**(2,092)**	(1,362)
- Fair value gains on derivative financial instruments		**(190)**	(422)
- Fair value loss on derivative financial instruments –forward contract		**-**	242
- Loss on disposal of financial assets at fair value through profit or loss		**-**	236
- Impairment loss on exploration		**110,185**	10,870
- Impairment loss on goodwill		**10,170**	1,802
- Impairment loss on other receivables		**-**	1,823
- Impairment loss on inventory		**-**	142
- Share of profit of associated company		**-**	105
- Non-cash employee benefits expense -share-based payments		**2,339**	6,051
- Translation adjustments		**3,591**	(3,715)
Changes in working capital, net of effects from acquisition of subsidiaries:			
- Trade and other receivables		**782**	3,090
- Inventories		**(835)**	(20)
- Trade and other payables		**(1,276)**	1,762
- Provisions		**(263)**	272
Cash (used in)operating activities		**(24,663)**	(19,619)
Income taxes paid		**(61)**	(230)
Interest received		**5,498**	1,368
Interest paid		**(83)**	(302)
Net cash outflow from operating activities		**(19,309)**	(18,783)
Cash flows from investing activities			
Payments for property, plant and equipment	15	**(915)**	(638)
Loan to joint venture		**(456)**	(1,539)
Payments for exploration and evaluation expenditure		**(36,263)**	(12,964)
Proceeds from sale of property, plant and equipment		**-**	21
Proceeds from disposal of financial assets at fair value through profit or loss		**9,101**	8,222
Investment in associates		**-**	(8,101)
Net cash (outflow)/inflow from acquisition of subsidiaries		**(24,532)**	7,510
Net cash inflow from acquisition of joint venture		**-**	1,816
Net cash outflow from liquidation of a subsidiary		**-**	(48)
Net cash outflow from investing activities		**(53,065)**	(5,721)
Cash flows from financing activities			
Repayment of long term borrowings		**-**	(3,109)
Proceeds from capital injections, net of transaction costs		**-**	158,535
Proceeds from exercise of options		**9**	327
Bank deposits pledged		**1,947**	(6,927)
Net cash inflow from financing activities		**1,956**	148,826
Net (decrease)/ increase in cash and cash equivalents		**(70,418)**	124,322
Cash and cash equivalents at the beginning of the financial year		**133,352**	11,378
Effects of exchange rate changes on cash and cash equivalents		**1,135**	(2,348)
Cash and cash equivalents at end of financial year	9	**64,069**	133,352

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

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Dart and its subsidiaries.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001.* Dart is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS
The consolidated financial statements of the Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention
These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative financial instruments) at fair value through profit or loss.

Going concern
As at 30 June 2012 the Company held cash and cash equivalents of $64.1 million (2011: $133.4 million). The Company is an exploration and development company that relies on the availability of external funding to finance its activities. The ongoing development of the Group's assets is in part dependent upon the Company being successful in raising additional funds. There are several means of achieving this, including the contribution of new equity through an IPO of the International operations (if completed) and draw down of the existing debt facilities (subject to satisfying conditions to drawdown). Should the IPO be delayed or not proceed there are alternative strategic options available to the Company including the sale of interests in the Group's exploration permits, the curtailment of the current rate of exploration activity and further equity placement and rights issues. The Directors believe that the Company will be successful in achieving its strategic options and meet its debts and commitments as they fall due and, accordingly, have prepared the Financial Report on a going concern basis.

Critical accounting estimates
The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Where appropriate, comparative amounts have been reclassified to align with changes made to current year presentation in order to improve relevance and comparability.

(b) Principles of consolidation

(i) Subsidiaries
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Dart (the “Company” or "parent entity") as at 30 June 2012 and the results of all subsidiaries for the year then ended. Dart and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 1(h)).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

1 Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the parent entity balance sheet using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (refer to note 34).

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's profit or loss while in the consolidated financial statements they reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(iii) Joint ventures
The proportionate interests in the assets, liabilities and expenses of a joint venture activity (jointly controlled assets and joint venture entities) have been incorporated in the financial statements under the appropriate headings. Details of the joint venture are set out in note 35.

Profits or losses on transactions establishing the joint venture partnership and transactions with the joint venture are eliminated to the extent of the Group's ownership interest until such time as they are realised by the joint venture partnership on consumption or sale. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

(iv) Changes in ownership interests
The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Dart.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a jointly-controlled entity or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board.

(d) Foreign currency translation

(i) Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Dart's functional and presentation currency.

1 Summary of significant accounting policies (continued)

(d) Foreign currency translation (continued)

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are included in other comprehensive income.

(iii) Group companies
The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each consolidated balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each consolidated income statement and consolidated statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specific of each arrangement.

Revenue is recognised for the major business attributes as follows:

(i) Interest income
Interest income is recognised using the effective interest method.

(ii) Production sharing contracts fees and charges
Revenue from technical services is recognised when the services are rendered based on the actual hours incurred by the technical consultants.

(f) Income tax

The income tax expense or revenue for the period is the tax payable or receivable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

1 Summary of significant accounting policies (continued)

(f) Income tax (continued)

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Arrow Energy Limited and its wholly-owned Australian controlled entities (of which Dart was one until 20 July 2010) applied the tax consolidation legislation. As a consequence, these entities were taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

At 30 June 2010, the head entity, Arrow Energy Limited (“Arrow”), and the controlled entities in the tax consolidated group accounted for their own current and deferred tax amounts. These tax amounts were measured as if each entity in the tax consolidated group continued to be a standalone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Arrow also recognised at 30 June 2010 the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities at 30 June 2010 are recognised as amounts receivable from or payable to other entities in the Arrow tax consolidated group. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement were recognised at 30 June 2010 as a contribution to (or distribution from) wholly-owned tax consolidated entities.

Subsequent to 30 June 2010, the Company left the Arrow tax consolidated group. Dart and its wholly owned Australian subsidiaries formed a tax consolidated group effective from 2010/2011 financial year.

(g) Leases

The Group leases certain office space and accommodation for staff under operating leases from non-related parties.

Leases of office space and accommodation for staff where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

The Group has no finance leases.

1 Summary of significant accounting policies (continued)

(h) Business combinations

The acquisition method of accounting is used to account for all business combinations, other than business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquirer's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

Business combinations involving entities under common control are accounted for using predecessor accounting. Under predecessor accounting, the assets and liabilities of acquired subsidiaries are combined at their existing carrying values as at the date of combination. The difference between the consideration paid and the carrying value of the assets and liabilities acquired is recognised in equity in the merger reserve.

(i) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(j) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated balance sheet.

(k) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days.

1 Summary of significant accounting policies (continued)

(k) Trade receivables (continued)

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(l) Inventories

Drillhole casing and consumables are recorded at the lower of cost or net realisable value. Costs are assigned to individual items of stock on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(m) Investments and other financial assets

Classification
The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting date.

(i) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets held for trading or financial assets designated as such on initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to be settled within 12 months, otherwise they are classified as non-current.

(ii) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in trade and other receivables (note 10) and receivables (note 13) in the consolidated balance sheet.

(iii) Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets if they are expected to be settled within 12 months; otherwise they are classified as non-current.

(iv) Available-for-sale financial assets
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long-term.

1 Summary of significant accounting policies (continued)

Financial assets - reclassification
The Group may choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

Recognition and derecognition
Regular purchases and sales of financial assets are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

Measurement
At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in profit or loss within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of revenue from continuing operations when the Group's right to receive payments is established. Interest income from these financial assets is included in the net gains/(losses).

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

Details on how the fair value of financial instruments is determined are disclosed in note 2.

Impairment
The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial assets or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the assets (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

1 Summary of significant accounting policies (continued)

(i) Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observant market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

Impairment testing of trade receivables is described in note 1(k).

(ii) Assets classified as available-for-sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increased in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

(n) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value at the end of each reporting period. The Group does not apply hedge accounting for its derivatives and therefore all gains and losses on remeasuring derivatives are recognised in profit or loss.

(o) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at the consolidated balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(p) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

1 Summary of significant accounting policies (continued)

Development

The costs of coal seam gas assets in the development phase are separately accounted for within development assets and include costs transferred from exploration and evaluation expenditure (see note 1(q)(ii)) once technical feasibility and commercial viability of an area of interest are demonstrable. No development assets have yet been recognised. All subsequent development drilling and other subsurface expenditure are capitalised in this category. Any associated land and buildings are included in the relevant category below.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

- Plant & office equipment	3 years
- Motor vehicles	5 years
- Computers	3 years
- Furniture and fittings	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(i)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

(q) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised but is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments (note 4).

(ii) Exploration & evaluation

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest and comprises costs which are attributable to:

-acquiring exploration rights;

-conducting geological studies, exploratory drilling and sampling;

-examining and testing extraction and treatment methods; and

-compiling pre-feasibility and feasibility studies.

Such expenditures comprise net direct costs and an appropriate portion of related overhead expenditure but do not include overheads or administration expenditure not attributable to a particular area of interest. Exploration and evaluation expenditure is only capitalised from the point when the rights to explore the area are granted. All exploration and evaluation costs are capitalised to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and active or significant operations in relation to the area are continuing.

The probability of expected future economic benefits is assessed using reasonable and supportable assumptions that represent management’s best estimate of the set of economic conditions that will exist over the useful life of the asset. In this assessment, greater weighting is given to available external evidence. Exploration and evaluation assets are assessed for impairment, and any impairment loss recognised, when facts and circumstances suggest that the carrying amount of the assets may exceed their recoverable amount. Accumulated costs in relation to an abandoned area are written off in full against profit in the year which the decision to abandon is made.

1 Summary of significant accounting policies (continued)

(r) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payments is not due within 12 months from the reporting date. They are recognised initially at their fair values and subsequently measured at amortised cost using the effective interest method.

(s) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Borrowings are removed from the consolidated balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(t) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

(u) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past results, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense. Refer to note 1(z).

1 Summary of significant accounting policies (continued)

(v) Employee benefits

(i) Short-term obligations
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations
The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Share-based payments
Share-based compensation benefits are provided to employees via the Dart Energy Limited Employee Option Plan. Information relating to this scheme is set out in note 38.

The fair value of options granted under share option plans is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Under the employee share scheme, shares are issued to employees for no cash consideration and vest over a period of up to three years.

(w) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

If the entity reacquires its own equity instruments, for example as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

(x) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

1 Summary of significant accounting policies (continued)

(y) Earnings per share

(i) Basic earnings per share
Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares (note 37).

(ii) Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(z) Decommissioning and site rehabilitation

An obligation to incur decommissioning and site rehabilitation costs occurs when environmental disturbance is caused by exploration, development or ongoing production. Costs are estimated on the basis of a formal closure plan and are subject to regular review.

Such costs arising from the installation of plant and other site preparation work, discounted to their net present value, are provided and capitalised at the start of each project, as soon as the obligation to incur such costs arises. These decommissioning costs are charged against profits over the life of the mine, through depreciation of the asset and unwinding of the discount on the provision. Depreciation is included in operating costs while the unwinding of the discount is included as financing costs. Changes in the measurement of a liability relating to the decommissioning of plant or other site preparation work are added to, or deducted from, the cost of the related asset in the current period.

The costs for restoration of site damage, which is created on an ongoing basis during production, are provided at their net present values and charged against operating profits as extraction progresses. Changes in the measurement of a liability relating to site damage created during production is charged against operating profit.

The discount rate used to measure the net present value of the obligations is the pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the obligation.

(aa) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST or other consumption related taxes, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(ab) 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 financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(ac) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2012 reporting periods. The Group's assessment of the impact of these new standards and interpretations, to the extent that they are relevant, is set out below.

(i) AASB 9 Financial Instruments, AASB 2009 - 11 and AASB 2010 - 07 Amendments to Australian Accounting Standards arising from AASB 9 (effective for annual reporting periods beginning on or after 1 January 2013)

The standard is not expected to affect the Group's accounting for financial assets and liabilities based on the Group's current position. The Group has not yet decided when to adopt AASB9 and the related amendments.

(ii) AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements (effective for annual reporting periods beginning on or after 1 July 2013)

On 30 June 2011 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. Dart Energy Limited is listed on the ASX and is therefore not eligible to adopt the new Australian Accounting Standards - Reduced Disclosure Requirements. The two standards will have no impact on the financial statements of the Group.

(iii) AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets (effective for annual reporting periods beginning on or after 1 July 2011)

In November 2010, the AASB made amendments to AASB 7 Financial Instruments: Disclosures which introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. They are not expected to have any significant impact on the group's disclosures.

(iv) AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective 1 January 2013)

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation – Special Purpose Entities. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. There is also new guidance on participating and protective rights and on agent/principal relationships. While the Group does not expect the new standard to have a significant impact on its composition.

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control. The Group is yet to evaluate its joint arrangements in light of the new guidance.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 128. Application of this standard by the Group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's investments.

AASB 127 is renamed Separate Financial Statements and is now a standard dealing solely with separate financial statements. Application of this standard by the Group will not affect any of the amounts recognised in the financial statements.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a “partial disposal” concept. The Group is still assessing the impact of these amendments.

The Group does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

(v) AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13(effective 1 January 2013)

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The Group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The Group does not intend to adopt the new standard
before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

(vi) Amendment to IAS1 Financial statement presentation (effective for annual periods beginning on or after 1 July 2012)

The main change resulting from these amendments is a requirement for entities to group items presented in other comprehensive income on the basis of whether they are potentially recycled to profit or loss. The Group intends to apply the amendment from 1 July 2012 and may result in reclassification adjustments.

(vii) Revised AASB 119 Employee Benefits, AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) and AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements (effective 1 January 2013)

In September 2011, the AASB released a revised standard on accounting for employee benefits. It requires the recognition of all remeasurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called 'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset. This replaces the expected return on plan assets that is currently included in profit or loss. The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits. The amendments will have to be implemented retrospectively. The group does not expect that any adjustments will be necessary as the result of applying the revised standards.

(viii) AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income(effective 1 July 2012)

In September 2011, the AASB made an amendment to AASB 101 Presentation of Financial Statements which requires entities to separate items presented in other comprehensive income into two groups, based on whether they may be recycled to profit or loss in the future. This will not affect the measurement of any of the items recognised in the balance sheet or the profit or loss in the current period. The group intends to adopt the new standard from 1 July 2012.

(ix) AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (effective 1 July 2013)

In July 2011 the AASB decided to remove the individual key management personnel (KMP) disclosure requirements from AASB 124 Related Party Disclosures, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the Corporations Act 2001. While this will reduce the disclosures that are currently required in the notes to the financial statements, it will not affect any of the amounts recognised in the financial statements. The amendments apply from 1 July 2013 and cannot be adopted early. The Corporations Act requirements in relation to remuneration reports will remain unchanged for now, but these requirements are currently subject to review and may also be revised in the near future.

(x) AASB 2012-3 Amendments to Australian Accounting Standard - Offsetting Financial Assets and Financial Liabilities and AASB 2012-2 Disclosures -Offsetting Financial Assets and Financial Liabilities (effective 1 January 2014 and 1 January 2013 respectively)

In June 2012, the AASB approved amendments to the application guidance in AASB 132 Financial Instruments: Presentation, to clarify some of the requirements for offsetting financial assets and financial liabilities in the balance sheet. These amendments are effective from 1 January 2014. They are unlikely to affect the accounting for any of the entity's current offsetting arrangements. However, the AASB has also introduced more extensive disclosure requirements into AASB 7 which will apply from 1 January 2013. When they become applicable, the group will have to provide a number of additional disclosures in relation to its offsetting arrangements. The group intends to apply the new rules for the first time in the financial year commencing 1 July 2013.

(xi) AASB 2012-5 Amendments to Australian Accounting Standard arising from Annual Improvements 2009-2011 cycle (effective for annual periods beginning on or after 1 January 2013)

In June 2012, the AASB approved a number of amendments to Australian Accounting Standards as a result of the 2009-2011 annual improvements project. The group does not expect that any adjustments will be necessary as the result of applying the revised rules.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(ad) Parent entity financial information

The financial information for the parent entity, Dart Energy Limited, disclosed in note 39 has been prepared on the same basis as the consolidated financial statements, except as set out below:

(i) Investments in subsidiaries
Investments in subsidiaries are accounted for at cost in the balance sheet of Dart Energy Limited.

(ii) Share-based payments
The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

2 Financial risk management

Financial risk factors

The Group's activities expose it to market risk (including currency risk, interest rate risk and price risk), credit risk, capital risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group's risk management policies and guidelines are set to monitor and control the potential material adverse impact of these exposures and are carried out by a central treasury function.

(a) Market risk

(i) Foreign exchange risk

The Group operates in Singapore, China, Vietnam, India, Australia, Indonesia, UK and Europe. Entities in the Group regularly transact in currencies other than their respective functional currencies ("foreign currencies").

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency.

The Group uses forward currency contracts to fix the translation rate of cash held by the parent entity in Australian dollars. The contracts minimise the risk to the Group's exploration funding plans due to fluctuations in the exchange rate of the Australian dollar against the currencies in which Group entities will incur expenditure (principally US dollars and pound sterling). The maturity and currency of the contracts are designed to match up to 80% of the Group's forecast expenditure in the relevant currency across the Group's operations.

The Group's currency exposure at the end of the reporting period, based on the information provided to key management expressed in Australian dollars, was as follows:

	30 June 2012					30 June 2011				
	USD $'000	**AUD $'000**	**GBP $'000**	**Other $'000**	**TOTAL $'000**	USD $'000	AUD $'000	GBP $'000	Other $'000	TOTAL $'000
Financial assets										
Cash and cash equivalents and financial assets, at fair value through profit or loss	**5,089**	**56,080**	**1,506**	**6,274**	**68,949**	23,541	116,312	695	5,455	146,003
Trade and other receivables	**11,139**	**1,253**	**7,714**	**406**	**20,512**	12,416	980	3,225	1,983	18,604
Loan to joint venture	**4,225**	**-**	**-**	**-**	**4,225**	3,444	-	-	-	3,444
Financial liabilities										
Trade and other payables	**(10,364)**	**(7,739)**	**(2,383)**	**(4,865)**	**(25,351)**	(1,889)	(2,646)	(1,077)	(3,481)	(9,093)
Deferred consideration	**(25,341)**	**-**	**(11,216)**	**-**	**(36,557)**	-	-	-	-	-
Forward exchange contracts – sell foreign currency	**-**	**-**	**-**	**-**	**-**	(167)	-	(46)	(29)	(242)
Net financial assets/(liabilities)	**(15,252)**	**49,594**	**(4,379)**	**1,815**	**31,778**	37,345	114,646	2,797	3,928	158,716
Less: Net financial assets/(liabilities) denominated in the respective entities' functional currencies	**15,293**	**(49,498)**	**4,446**	**2,663**	**(27,096)**	(37,124)	(114,811)	(2,844)	(564)	(155,343)
Currency exposure on financial assets and liabilities	**41**	**96**	**67**	**4,478**	**4,682**	221	(165)	(47)	3,364	3,373

The exposure of the Group to foreign currency risks is not expected to be significant given that financial assets and liabilities are denominated principally in United States Dollars and Australian Dollars, which are the functional currency of the majority of Group companies.

(ii) Price risk

The Group is exposed to equity security price risk in shares held in Australian listed entity, LNG Limited, classified in the balance sheet as at fair value through profit or loss. At 30 June 2012, if the share prices of the Group's equity investments had increased or decreased by 10% with all other variable held constant, post tax profit for the year would have been $474,210 higher/lower (2011 - $859,000 higher/lower).

2 Financial risk management(continued)

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history, and obtaining sufficient collateral where appropriate to mitigate credit risk.

As the Group does not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet.

The Group's major classes of financial assets are bank deposits, trade and other receivables and financial assets at fair value through profit or loss.

Financial assets that are past due and/or impaired

There are no classes of financial assets that are past due and/or impaired. Based on the credit history of these other classes, it is expected that these amounts will be received when due. The Group does not hold any collateral for these financial assets.

(c) Liquidity risk

The Group manages liquidity risk by maintaining sufficient cash to enable it to meet its normal operating commitments and by having an adequate amount of committed credit facilities.

Maturities of financial liabilities
The table below analyses the maturity profile of the Group's financial liabilities based on contractual undiscounted cash flows.

Contractual maturities of financial liabilities **At 30 June 2012**	Less than 1 year $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total contractual cash flows $'000	Carrying amount (assets)/ liabilities $'000
Non-derivatives						
Trade payables	(25,351)	-	-	-	(25,351)	(25,351)
Intercompany payables	-	-	-	-	-	-
Total non-derivatives	(25,351)	-	-	-	(25,351)	(25,351)
Derivative						
Gross settled (forward foreign exchange contracts)						
- (inflow)	-	-	-	-	-	-
- outflow	-	-	-	-	-	-
	-	-	-	-	-	-

2 Financial risk management (continued)

(c) Liquidity risk (continued)

Contractual maturities of financial liabilities At 30 June 2011	**Less than 1 year $'000**	**Between 1 and 2 years $'000**	**Between 2 and 5 years $'000**	**Over 5 years $'000**	**Total contractual cash flows $'000**	**Carrying amount (assets)/ liabilities $'000**
Non-derivatives						
Trade payables	9,009	-	-	-	9,009	9,009
Total non-derivatives	9,009	-	-	-	9,009	9,009
Derivative						
Gross settled (forward foreign exchange contracts)						
- (inflow)	(9,532)	-	-	-	(9,532)	(9,532)
- outflow	9,774	-	-	-	9,774	9,774
	242	-	-	-	242	242

(d) Capital risk

Management's objective when managing capital is to ensure that the Group is adequately capitalised and funded to meet targets for exploration and development activity.

Management monitors capital based on total equity.

The Group is not subject to any externally imposed capital requirements.

(e) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) (Level 1) Quoted prices (unadjusted) in active markets for identical assets or liabilities
(b) (Level 2) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices), and
(c) (Level 3) Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 30 June 2012.

At 30 June 2012	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial Assets				
Financial assets at fair value through profit or loss – listed investments	4,802	-	-	4,802
Financial assets at fair value through profit or loss – convertible loan note	-	78	-	78
Total financial assets	4,802	78	-	4,880
Financial Liabilities	-	-	-	-
Derivative financial liabilities	-	-	-	-
Total financial liabilities	-	-	-	-

2 Financial risk management (continued)

(e) Fair value measurements (continued)

At 30 June 2011	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial Assets				
Financial assets at fair value through profit or loss – listed investments	8,665	-	-	8,665
Financial assets at fair value through profit or loss – convertible loan note	-	3,986	-	3,986
Total financial assets	8,665	3,986	-	12,651
Financial Liabilities				
Derivative financial liabilities	-	242	-	242
Total financial liabilities	-	242	-	242

The fair value of listed investments classified as financial assets at fair value through profit or loss is based on quoted market prices at the end of the reporting period. The quoted market price used is the bid price. The valuation techniques of other financial assets at fair value through profit or loss and derivative financial instruments are based on market conditions existing at the balance sheet and quoted prices.

The carrying value of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

3 Critical accounting estimates and judgment

Estimates and judgment are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Business combinations and goodwill

The Group made two acquisitions during the year. Judgment and estimates are made in respect of the measurement of the fair values of assets and liabilities acquired and consideration transferred. The portion of the purchase price not allocated to assets and liabilities has been attributed to goodwill.

Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(q). The recoverable amounts of cash-generating units have been determined based on fair value less costs to sell calculation. These calculations require the use of assumptions. Refer to note 16 for details of these assumptions and the potential impact of changes to the assumptions.

The application of this policy requires judgment in determining whether it is likely that future economic benefits will arise where activities have not reached a stage which permits a reasonable assessment of reserves.

3 Critical accounting estimates and judgment (continued)

Recoverability of exploration, evaluation and development costs

All exploration, evaluation and development costs are capitalised to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and active or significant operations in relation to the area are continuing. The probability of expected future economic benefits is assessed using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset. In this assessment, greater weighting is given to available external evidence.

Exploration and evaluation assets are reclassified as development assets at the point in which technical feasibility and commercial viability of extracting gas are demonstrated or a Petroleum Lease is granted. Exploration and evaluation assets are assessed for impairment, and any impairment loss recognised, before reclassification.

Gas reserves

Estimates of proved reserves are used in the determination of depreciation charges. Costs relating to exploration activity are capitalised pending the results of further appraisal which may take several years before any reserves are proved.

Proved reserves are estimated by reference to information compiled by appropriately qualified persons requiring complex geological judgment. Estimates are based upon factors such as product prices, foreign exchange rates, capital requirements and production costs.

Rehabilitation

The Group assesses rehabilitation requirements at each reporting date by evaluating costs both for close down, restoration and for environmental clean-up costs. These costs are estimated internally based on engineering and feasibility studies to determine the extent of rehabilitation activity. Costs of site rehabilitation are discounted using a risk free rate taking into account an estimation of the timing of rehabilitation based on current well life.

Provision is made in the accounting period when the related disturbance occurs, based on the net present value of estimated future costs. The cost of any provision is capitalised as development costs and amortised over the life of the area of interest.

(b) Critical judgments in applying the entity's accounting policies

These were no critical judgments made in applying Dart's accounting policies other than as noted above.

4 Segment information

(a) Description of segments

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

These consider the business from a geographic perspective and there are thus six reportable segments, being: Australia, China, India, Indonesia, 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 investments in LNG Limited (a listed Australian entity) and Maria's Farm Veggies Pty Ltd.

China

Comprises two 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.

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

Comprises a PSC in Vietnam. Also, this comprises the Vietnamese operations of the Company, including in-country staff and office. However, the Group is currently in the process of closing the in-country office and exit from the PSC.

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.

Europe

Comprises licences in Poland and the UK, Belgium JV. Also, this comprises the European operations of the Company, including in-country staff and office.

Singapore / Corporate

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

4 Segment information (continued)

(b) Segment information provided to the Board

The segment information for the reportable segments for the year ended 30 June 2012 is as follows:

• Segment assets and capital expenditure are allocated based on where the assets are located.

• Segment results (EBITDA) are 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 assets refer to the measure of the Group's intangible assets (goodwill and exploration), property, plant and equipment, investments in associates and derivative options.

• Unallocated assets relate to cash, trade and other receivables current tax assets and inventories.

	Segment revenues from sales to external customers		**Segment total assets**		**Segment results (EBITDA)**	
	2012 $'000	2011 $'000	**2012 $'000**	2011 $'000	**2012 $'000**	2011 $'000
Australia	**-**	-	**123,023**	221,152	**(107,932)**	27,451
China	**-**	-	**37,225**	32,943	**(18,383)**	(322)
India	**-**	-	**2,035**	161	**(2,751)**	(3,312)
Indonesia	**-**	-	**22,570**	11,407	**(175)**	(528)
Vietnam	**-**	-	**-**	-	**(683)**	(10,497)
Europe	**-**	-	**140,771**	67,099	**(3,100)**	(8,480)
Singapore / Corporate	**-**	-	**403**	3,332	**(13,855)**	(7,463)
	-	-	**326,027**	336,094	**(146,879)**	(3,151)
Unallocated assets			**90,838**	156,379		
Total assets			**416,865**	492,473		

(i) EBITDA reconciliation

	Consolidated	
	2012 $'000	2011 $'000
EBITDA	**(146,879)**	(3,151)
Interest income	**4,434**	2,180
Finance costs	**(83)**	(302)
Depreciation	**(701)**	(390)
Loss before income tax	**(143,229)**	(1,663)

5 Other income

	Consolidated	
	2012 $'000	2011 $'000
Other revenue		
Interest income - bank deposit	**4,246**	1,368
Interest income - convertible loan note	**188**	812
Subtotal	**4,434**	2,180
Technical services fee	**859**	428
	5,293	2,608

6 Other gains

	Consolidated	
	2012	2011
	$'000	$'000
Fair value gains on financial assets at fair value through profit or loss (note 12)	**2,092**	1,362
Gain on revaluation of existing interest in acquired entity (note 31(iii))	**-**	37,345
Fair value gains from derivative financial instruments	**190**	422
Interest income resulting from in difference in discount rate used for Marathon deferred consideration	**195**	-
	2,477	39,129

The gain on revaluation of existing interest in acquired entity, Apollo Gas Limited, is not taxable.

7 Expenses

Loss before income tax includes the following specific expenses:

	Consolidated	
	2012	2011
	$'000	$'000
Rental expense relating to operating leases		
Minimum lease payments	**997**	922
Acquisition costs relating to the acquisitions of Composite, Apollo and Greenpark	**200**	712
Defined contribution superannuation expense	**623**	1,128
	1,820	2,762

	Consolidated	
	2012	2011
	$'000	$'000
Loss on disposal of financial assets at fair value through profit and loss (note 12 (a)")	**-**	(236)
Total impairment- other assets	**-**	(236)

	Consolidated	
	2012	2011
	$'000	$'000
Impairment of assets included in the India segment:		
Impairment of receivables (a)	**-**	1,824
Impairment of goodwill (note 16)	**10,170**	1,802
Impairment of exploration assets (note 17)	**110,185**	10,870
Total impairment losses - other assets	**120,355**	14,496

(a) Relates to EIG receivables which were fully impaired in 2011

8 Income tax expense/ (credit)

(a) Income tax expense/ (credit)

	Consolidated 2012 $'000	Consolidated 2011 $'000
Current tax	**(787)**	334
Deferred tax	**(3,752)**	(2,209)
	(4,539)	(1,875)
Deferred income tax (credit)/ expense included in income tax expenses comprises:		
Decrease/ (increase) in deferred tax assets (note 20)	**24,083**	(56,781)
(Decrease)/ increase in deferred tax liabilities (note 20)	**(27,835)**	54,572
	(3,752)	(2,209)

(b) Numerical reconciliation of income tax credit/ (expense) to prima facie tax payable

	Consolidated 2012 $'000	Consolidated 2011 $'000
Loss before income tax expense	**(143,229)**	(1,663)
Tax at the Australian tax rate of 30% (2011- 30%)	**(42,969)**	499
Tax effect of amounts which are not (deductible) taxable in calculating taxable income:		
Losses carried forward	**85**	-
Losses utilised	**721**	-
Tax on interest income	**1,264**	-
Deferred tax not recognised	**3,025**	-
Deferred tax asset recognised	**(3,833)**	-
Gain on revaluation of existing interest in acquired entity, not taxable	**-**	11,204
Tax on deemed 5% mark-up on costs incurred by Dart Energy International Pte Ltd	**121**	53
Expenses not deductible for tax purposes	**32,664**	(12,029)
Share based payments not deductible for tax purposes	**-**	(1,815)
Difference in overseas tax rate	**5,469**	-
Recognise R&D Tax Offset receivable	**(904)**	-
Sundry items	**(182)**	213
Income not taxable for tax purposes	**(4,539)**	(1,875)

9 Current assets - Cash and cash equivalents

	Consolidated 2012 $'000	Consolidated 2011 $'000
Cash at bank and on hand	**64,069**	133,352

9 Current assets - Cash and cash equivalents (continued)

Liquidation of a subsidiary

On 19 April 2011, the Group completed the liquidation of a subsidiary, Xinjiang Arrow Jiuneng CBM and Energy Exploration and Development Limited Liability Company. The details of the subsidiary are set out in note 32. The effects of the liquidation on the cash flows of the Group in the prior year were:

	Consolidated
	2011
	$'000
Carrying amount of assets and liabilities	
Cash and cash equivalents	(296)
Trade and other receivables	(1)
Total assets	(297)
Trade and other payables	2
Total liabilities	2
Net assets derecognised	(295)
Less: Non-controlling interest	56
Net assets disposed	(239)

The aggregated cash inflows arising from the liquidation were:

	$'000
Net assets disposed (as above)	239
- Reclassification of currency translation reserve	10
	249
Loss on liquidation	(1)
Cash proceeds from liquidation	248
Less: Cash and cash equivalents in subsidiary liquidated	(296)
Net cash outflow on liquidation	(48)

10 Current assets - Trade and other receivables

	Consolidated	
	2012	2011
	$'000	$'000
Receivables from Arrow	**97**	145
Receivables from Fortune Gas Investment Holdings Ltd	**-**	670
Receivables from JV partners	**1,209**	702
	1,306	1,517
Other receivables		
Loans and advances	**74**	873
Bank deposits pledged	**6,843**	4,993
Other receivables	**5,492**	3,076
Others	**1,835**	2,876
	14,244	11,818
Prepayments		
Prepayments	**1,127**	700
	1,127	700
	16,677	14,035

Bank deposits pledged refer to performance bond guarantees issued to Governments for the performance under the terms of work programs.

There are no impaired receivables or receivables which are past due but not impaired (30 June 2011: nil).

11 Current assets – Inventories

	Consolidated	
	2012	2011
	$'000	$'000
Inventory (casing) - at cost	**1,129**	279

There is no inventory expense during the year ended 30 June 2012 (2011: nil) as all inventory consumed has been capitalised as exploration assets.

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

	Consolidated	
	2012	2011
	$'000	$'000
Convertible loan notes (a)	**-**	2,980
Listed securities – equity securities (b)	**4,802**	8,665
Options (c)	**78**	1,006
	4,880	12,651

The above instruments have been designated at fair value through profit or loss.

(a) Convertible loan notes

The convertible notes relate to Far East Energy Corporation ("FEEC"), which is listed on the OTC Bulletin Board Market of the United States of America. The convertible notes were fully redeemed on 14 March 2011.

(b) Listed securities – equity securities

These relate to investments in Bow Energy Limited and LNG Limited transferred to Dart Energy Limited as part of the demerger from Arrow Energy Limited as well as the unsold converted FEEC shares (note a). These investments have been designated at fair value through profit or loss in line with the Group's investment strategy and because this is the basis on which information about the investments is provided to the directors. The entire investment in Bow Energy of 3.9 million shares was fully sold at a share price of $1.52 for proceeds of $5,959k . A fair value gain of $2,431k has been recorded with respect to Bow Energy.

Information about the Group's exposure to price risk and about the methods and assumptions used in determining fair value is provided in note 2. None of the change in fair value of financial assets at fair value through profit or loss is attributable to changes in credit risk (2011: nil)

(c) Options

The options allow the Group to subscribe for up to an additional 25% (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.

13 Non-current assets – Receivables

	Consolidated	
	2012 **$'000**	2011 $'000
Bank deposits pledged	**1,472**	5,269
Loans to joint venture	**4,225**	3,444
Other receivables	**2,363**	-
	8,060	8,713

The fair value of the loan approximates its carrying value. The loan is not impaired or past due. Further details of the loan are included in note 30.

14 Non-current assets - Investments accounted for using the equity method

	Consolidated	
	2012 **$'000**	2011 $'000
Investment in associate (note 34)	**5,200**	-

15 Non-current assets - Property, plant and equipment

	Freehold land $'000	Plant and office equipment $'000	Computers $'000	Furniture and fittings $'000	Motor vehicles $'000	Total $'000
Year ended 30 June 2012						
Opening net book amount	273	439	452	384	4	1,552
Exchange differences	7	4	13	10	-	34
Additions	-	399	509	7	-	915
Depreciation charge	-	(93)	(426)	(180)	(2)	(701)
Closing net book amount	**280**	**749**	**548**	**221**	**2**	**1,800**
Cost or fair value	280	1,041	1,438	572	21	3,352
Accumulated depreciation	-	(292)	(890)	(351)	(19)	(1,552)
Net book amount	**280**	**749**	**548**	**221**	**2**	**1,800**

	Freehold land $'000	Plant and office equipment $'000	Computers $'000	Furniture and fittings $'000	Motor vehicles $'000	Total $'000
Year ended 30 June 2011						
Opening net book amount	-	198	147	333	-	678
Exchange differences	(45)	(47)	(43)	(55)	-	(190)
Acquisition of subsidiaries/ joint venture	318	268	230	17	4	837
Additions	-	74	313	251	-	638
Depreciation charge	-	(52)	(195)	(143)	-	(390)
Disposals	-	(2)	-	(19)	-	(21)
Closing net book amount	273	439	452	384	4	1,552
Cost or fair value	273	515	796	575	4	2,163
Accumulated depreciation	-	(76)	(344)	(191)	-	(611)
Net book amount	**273**	**439**	**452**	**384**	**4**	**1,552**

16 Non-current assets – Goodwill

	Consolidated	
	2012 **$'000**	2011 $'000
Opening net book amount	**26,389**	12,301
Acquisition of subsidiaries/ joint venture interests		
- Composite Energy Limited	**-**	12,962
- Apollo Gas Limited	**-**	5,400
- Fortune Liulin Gas Company Limited	**844**	1,732
- Greenpark Energy Limited	**4,398**	-
Impairment charge	**(10,170)**	(1,802)
Exchange differences	**806**	(4,204)
Closing net book amount	**22,267**	26,389
Cost	**34,239**	28,191
Accumulated impairment	**(11,972)**	(1,802)
Net book amount	**22,267**	26,389

(a) Impairment tests for goodwill

Goodwill is allocated based on the Group's cash-generating units ("CGUs") identified which are the coal seam gas tenements in the respective countries of operation.

A segment-level summary of the goodwill allocation is presented below.

2012	**Australia $'000**	**Europe $'000**	**China $'000**	**Indonesia $'000**	**Vietnam $'000**	**Total $'000**
Goodwill	**-**	**15,653**	**2,693**	**3,921**	**-**	**22,267**
2011						
Goodwill	5,826	11,172	6,267	3,124	-	26,389

The recoverable amounts of CGUs in China, Indonesia and Vietnam were determined based on discounted cash flows models using fair value less costs to sell assumptions. Cash flow projections used in the fair value less costs to sell calculations were based on financial budgets approved by management covering periods of up to 20 years which reflects the expected duration of production from tenements.

The additions to goodwill during the financial year ended 30 June 2012 arises from the acquisition of FLG (note 35) and GP Energy Limited (note 31(i)).

The addition to goodwill during the financial year ended 30 June 2011 arose from the acquisition of Composite Energy Limited (note 31(ii)).

During the year ended 30 June 2012, management concluded that Dajing PSC in China is not commercially viable for Coal Bed Methane development. Accordingly, the goodwill relating to the China CGU is impaired due to a decrease in recoverable amount.

Other key assumptions:

	Estimated gas price		**Discount rate (post tax)**	
	2012 **$/GJ**	**2011** **$/GJ**	**2012** **%**	**2011** **%**
China	**US$7.00**	US$6.44	**10%**	10%
Indonesia	**US$7.90**	US$5.00	**10.5%**	10%
Australia	**A$7.00, A$9.00**	A$7.00	**11%**	10%

Management determined estimated gas prices per GJ based on its GSA signed in China and Government approved price in Indonesia, market penetration and expected future costs to deliver marketable quantities of gas. The discount rate used reflects specific risks relating to each country.

The recoverable amount of the Europe CGU is determined based on estimated valuations for the reserves and resources proven to date for the tenements. The valuations vary depending on the various categories and reserves and resources assessed and / or certified, and range between A$0.08 – A$0.13 per GJ.

The recoverable amount of CGU in Australia for 2012 has been determined based on DCF method. In 2011, the recoverable amount was based on estimated market prices for the reserves & resources for the tenants.

17 Non-current assets – Exploration and evaluation

	Notes	**Consolidated**	
		2012	2011
		$'000	$'000
Opening net book amount		**295,502**	20,215
Acquisition of subsidiaries/ joint venture			
- Composite Energy Limited	31(ii)	**-**	61,604
- Apollo Gas Limited	31(iii)	**-**	198,610
- Fortune Liulin Gas Company Limited	35(b)	**3,373**	20,576
- Greenpark Energy Limited		**53,559**	-
Additions		**47,845**	13,594
Assets transferred from Arrow Energy Limited during demerger		**-**	4,385
Impairment charge		**(110,185)**	(10,870)
Exchange differences		**1,785**	(12,612)
Closing net book amount		**291,879**	295,502
Cost		**414,795**	308,937
Accumulated amortisation and impairment		**(122,916)**	(13,435)
Net book amount		**291,879**	295,502

<u>Impairment test for goodwill and E&E assets</u>

Dart's balance sheet contains items that have been subject to impairment testing during the year, as a result of Dart identifying specific trigger events.

These trigger events include a significant deterioration of market conditions for CBM assets which has led to a significant and prolonged deterioration in the Dart share price. As a result, the market capitalisation of the group on the Australian Securities Exchange (ASX) is below net assets at year end.

As at 30 June 2012, all of the CGUs were tested for impairment in accordance. In applying the fair value less costs to sell methodology, the recoverable amount of a CGU has been assessed using market based valuation techniques such as discounted cash flow analyses, comparable transactions and observable trading multiples.

The fair value less costs to sell for the Australian, China and Indonesia CGUs have been determined based upon discounted cash flow modelling. The fair value less costs to sell for the Europe CGU has been determined based upon observable trading multiples.

As a result of the impairment assessment, an impairment charge of $120.4m has been recorded against the carrying value of the group assets:

	Impairment of Goodwill $'000	**Impairment of Exploration and Evaluation Assets $'000**	**Total Impairment $'000**
Australia	5,826	95,953	101,779
India	-	112	112
Indonesia	-	-	-
China	4,344	14,120	18,464
Vietnam	-	-	-
Europe	-	-	-
Singapore/Corporate	-	-	-
Total	**10,170**	**110,185**	**120,355**

The impairment charge against the Australian assets represents the major component of the group impairment write down for the year and reflects a reduction in the value of licenses acquired as part of the acquisition of Apollo Gas in late 2010. This script based acquisition was undertaken at a time of high share prices and strong demand for CBM assets. Since then there has been a general deterioration in market conditions and demand for these types of assets and values have moderated. During the period the development of the Australian assets has also been delayed by changes in the political and regulatory environment and increased concerns of the community around the development of coal seam gas.

Following completion of the analysis of drilling results for 10 wells drilled at the Dajing PSC in China during the financial year ended 30 June 2012, management concluded that the areas not commercially viable for Coal Bed Methane

a) Key assumptions used

Discounted cash flows have been based on the business plans for each CGU which project forecast profitability and cashflows over the life of the wells. The following key assumptions have been used in the calculations:

- resource potential, based on independently accredited resource for each CGU. The calculation is based on proven reserves and resources
- market prices, based on management assessment of the commercial potential for each CGU.
- discount rate, a discount rate of 10% has been used. Where appropriate, the discount rate has been increased by up to 1% to reflect additional risk for countries with a higher risk profile.
- capital and production costs are based on financial budgets approved by management covering periods of up to 25 years which reflects the expected duration of production from the CGUs.

Dart makes estimates and assumptions in regard to impairment which are subject to risk and uncertainly. Changes in circumstances may affect these estimates and the recoverable amount.

b) Sensitivity

The estimates and judgments included in the impairment assessment are based on historical experience and other factors, including management's and the Board's expectations of future events that are believed to be reasonable market participant assumptions under the current circumstances.

The inherent nature of future projected results means that the resulting accounting estimates will seldom equal the related actual results. The recoverable amount is particularly sensitive to key assumptions including:

- resource and development potential,
- future market prices,
- capital and production costs, and
- discount rate.

Recoverable amounts that would arise from a possible change in key assumptions (all other assumptions remaining the same) are shown below:

• A 5% reduction in assumed production volumes would decrease the recoverable amount by around $52.8 million and would result in a further impairment charge of $42.6 million. Dart has announced that it will progress with exploration and development activities across its portfolio and the forecast cashflows assume successful completion of the exploration programs. This includes assumptions around regulatory or stakeholder approvals for further development potential. Should this not occur it is likely that further impairment charges will arise.
• A 5% decline in the long term gas prices would decrease the recoverable amount by around $52.4 million and would result in a further impairment charge of $44.0 million.
• A 5% increase in capital and production costs would decrease the recoverable amount by around $43.3 million and would result in a further impairment charge of $37.2 million.
• A 1 percentage point increase in the discount rate % would decrease the recoverable amount by around $51.5 million and would result in a further impairment charge of $43.9 million.

The Directors remain of the view that the development of these assets is expected to create substantial long-term shareholder value. The assets remain of a high quality and are expected to generate good long term returns for shareholders.

18 Current liabilities - Trade and other payables

	Consolidated	
	2012	2011
	$'000	$'000
Trade and other payables	**6,113**	4,507
Amounts due to related party – Maria's Farm Veggies Pty Ltd	**5,200**	-
Amount due to joint ventures	**3,777**	518
Accrued operating expenses	**10,261**	4,068
	25,351	9,093

19 Current liabilities - Current tax liabilities/(assets)

	Consolidated	
	2012	2011
	$'000	$'000
Income tax - current liabilities	**129**	357
Income tax - current assets	**(904)**	-
	(775)	357

Current income tax assets relate to amounts receivable as Research and Development tax credits.

20 Non-current liabilities – Deferred tax assets/ (liabilities)

	Consolidated	
	2012	2011
	$'000	$'000
Deferred tax assets	**34,291**	58,286
Deferred tax liabilities	**(52,612)**	(75,013)
Net deferred tax liabilities	**(18,321)**	(16,727)

(i) <u>Deferred tax assets</u>

The balance comprises temporary differences attributable to:		
Tax losses	**32,133**	56,781
Capital raising	**1,771**	1,505
Others	**387**	-
	34,291	58,286
Deferred tax assets expected to be settled within 12 months	**387**	-
Deferred tax assets expected to be settled after more than 12 months	**33,904**	58,286
	34,291	58,286

Movements	**Tax losses $'000**	**Capital raising $'000**	**Others $'000**	**Total $'000**
At 1 July 2009 and 30 June 2010	-	-	-	-
Charged				
- to profit or loss	56,781	-	-	56,781
- directly to equity	-	1,505	-	1,505
At 30 June 2011	56,781	1,505	-	58,286
Charged				
- to profit or loss	(24,577)	408	86	(24,083)
- directly to equity	-	88	-	88
At 30 June 2012	**32,204**	**2,001**	**86**	**34,291**

The recognition of a deferred tax asset is considered appropriate because it is expected that the taxable temporary differences will reverse in the same periods in which the deductible temporary differences are realised.

(ii) **Deferred tax liabilities**

	Consolidated	
	2012	2011
	$'000	$'000
The balance comprises temporary differences attributable to:		
Intangible assets	**52,612**	73,977
Unrealised exchange gains	**-**	1,036
Net deferred tax liabilities	**52,612**	75,013
Deferred tax liabilities expected to be settled within 12 months	**-**	-
Deferred tax liabilities expected to be settled after more than 12 months	**52,612**	75,013
	52,612	75,013

Movements	**Intangible assets $'000**	**Unrealised exchange gains $'000**	**Other $'000**	**Total $'000**
At 1 July 2010	3	389	-	392
Charged/(credited)				
- to profit or loss	53,925	647	-	54,572
- to other comprehensive income	716	-	(761)	(45)
Acquisition of subsidiaries/joint venture	20,094	-	-	20,094
At 30 June 2011	**74,738**	**1,036**	**(761)**	**75,013**
Charged/(credited)				
- to profit or loss	(27,560)	(1,036)	761	(27,835)
- to other comprehensive income	192	-	-	192
Acquisition of subsidiaries/joint venture	5,242	-	-	5,242
At 30 June 2012	**52,612**	**-**	**-**	**52,612**

21 Non-current liabilities – Provisions

	Consolidated	
	2012	2011
	$'000	$'000
Provision for employee benefits	**1,853**	2,059
Provision for rehabilitation	**7,597**	4,567
	9,450	6,626

(a) Rehabilitation Provision

The Group makes full provision for the future cost of restoration of exploration and evaluation facilities on a discounted basis on the installation of those facilities. The decommissioning and restoration provision relates to the total costs of cementing and plugging the existing wells and related facilities, the disposal of surfacing material and any costs associated with the return of the sites to their original use. The obligation is expected to be incurred at the end of a well's life which is estimated at 5 to 20 years from the balance sheet date.

The provision has been created based on the Group's internal estimates. Assumptions, based on the current economic environment, have been made which management believe are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account of any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning is likely to depend on when the fields cease to produce at economically viable rates. This in turn will depend upon future oil and gas prices, which are inherently uncertain.

(b) Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

	Provision for rehabilitation $'000	Total $'000
Carrying amount at start of year – 1 July 2011	**4,567**	**4,567**
Additional provision recognised – charged to exploration and evaluation	**2,932**	**2,932**
Translation difference	**98**	**98**
Carrying amount at start of year – 30 June 2012	**7,597**	**7,597**

22 Contributed equity

	Consolidated		Consolidated	
	2012 Shares	2011 Shares	**2012 $'000**	2011 $'000
(a) Share capital				
Ordinary shares				
Fully paid	**769,169,324**	720,674,545	**388,723**	370,856
Total consolidated contributed equity	**769,169,324**	720,674,545	**388,723**	370,856

(b) Movements in ordinary share capital:

Date	Details	Number of shares	$'000
30 June 2011	Opening balance	720,674,545	370,856
16 Aug 2011	Exercise options by Composite shareholders	200,457	2
8 Nov 2011	Issue shares to acquire 8.17% of Dart Energy International Pte Ltd from Shell	14,056,468	8,307
2 Mar 2012	Issue shares - Employee Share Ownership Plan	1,210,066	404
30 Apr 2012	Issue shares to acquire tranche 1 of 100% Greenpark Energy Limited	32,354,118	9,059
30 Apr 2012	Exercise options by Composite shareholders	100,000	1
25 May 2012	Exercise options by Composite shareholders	50,000	1
29 June 2012	Exercise options by Composite shareholders	523,670	5
	Share bonus transaction cost	-	88
30 June 2012	Balance	769,169,324	388,723

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

As at 30 June 2012, all of the issued shares were fully paid.

23 Reserves and retained losses

	Consolidated	
	2012	2011
	$'000	$'000
(a) Reserves		
Foreign currency translation reserve	**(26,540)**	(32,600)
Merger reserve	**4,633**	4,633
Reserve arising on disposal of non-controlling interest in subsidiary	**67,293**	88,793
Reserve arising on acquisition of non-controlling interest in Composite Energy Limited	**6,292**	6,292
Share-based payments reserve	**51,059**	46,765
Balance 30 June	**102,737**	113,883

	Consolidated	
	2012	2011
	$'000	$'000
Movements:		
Foreign currency translation reserve		
Balance 1 July	**(32,600)**	(14,436)
Currency translation differences arising during the year	**6,060**	(18,164)
Balance 30 June	**(26,540)**	(32,600)

	Consolidated	
	2012	2011
	$'000	$'000
Movements:		
Merger reserve		
Balance 1 July 2011 and 30 June 2012	**4,633**	4,633

	Consolidated	
	2012	2011
	$'000	$'000
Movements:		
Reserve arising on disposal of non-controlling interest in subsidiary		
Balance 1 July	**88,793**	88,793
Acquire 8.17% interest in Dart Energy International Pte Ltd from Shell (note 32(b))	**(21,500)**	
Balance 30 June	**67,293**	88,793

	Consolidated	
	2012	2011
	$'000	$'000
Movements:		
Reserve arising on acquisition of non-controlling interest in Composite Energy Limited		
Balance 1 July	**6,292**	-
Acquisition of non-controlling interest (note 32 (b))	**-**	6,292
Balance 30 June	**6,292**	6,292

	Consolidated	
	2012	2011
	$'000	$'000
Movements:		
Share-based payments reserve		
Balance 1 July	**46,765**	-
Employee share-based payment	**4,294**	6,051
Acquisition of Composite options	**-**	5,670
Acquisition of Apollo options	**-**	35,044
Balance 30 June	**51,059**	46,765

(b) Accumulated losses

Movements in retained accumulated losses were as follows:

	Consolidated	
	2012 **$'000**	2011 $'000
Balance 1 July	**(26,015)**	(28,770)
Net profit/ (loss) for the year	**(138,388)**	2,755
Balance 30 June	**(164,403)**	(26,015)

(c) Nature and purpose of reserves

(i) Foreign currency translation
Exchange differences arising on translation of foreign controlled entities are taken to the foreign currency translation reserve on consolidation. The reserve is reclassified to profit and loss when the net investment is disposed of.

(ii) Merger reserve
On 8 February 2012, the Group underwent a restructuring exercise whereby certain subsidiaries, Dart Energy (Europe) Pte Ltd and Dart Energy (Shale) Pte Ltd which were under the common control of Dart Energy Limited, were transferred to the International Group (DEI). The restructuring exercise was accounted for using a predecessor values method.

Under the predecessor values method, the assets (including goodwill and exploration assets) and liabilities of the acquired subsidiaries have been brought into the Group's consolidated balance sheet at their existing carrying values as at the dates of transfer.

The difference between the consideration paid and the carrying values of the assets and liabilities acquired has been recorded as a merger reserve.

(iii) Reserve arising on disposal of non-controlling interest in subsidiary
On 8 November 2011, Dart acquired 8.17% of equity of DEI from B.V. Dordtsche Petroleum Maatschappij (“Shell”) resulting in a $21.5 million movement in this reserve. The consideration paid to Shell was US$12 million, 14,056,468 fully paid ordinary shares and 15,251,958 unlisted options.

(iv) Reserve arising on acquisition of non-controlling interest in Composite Energy Limited
This reserve arose on the acquisition of 90% of the equity of Composite Energy Limited. See note 32(b).

(v) Share-based payments
The share-based payments reserve is used to recognise the fair value of share-based payments.

24 Non-controlling interests

	Consolidated	
	2012 **$'000**	2011 $'000
Interest in:		
Arising on initial investment by Shell in DEI	**-**	10,268
Interest in foreign currency translation reserve (excluding Composite)	**-**	(5,844)
Interest in accumulated losses - Shell	**-**	(3,720)
	-	704

25 Dividends

No dividends were paid or proposed to be paid to members during or since the end of the financial year.

26 Key management personnel disclosures

(a) Directors

The following persons were directors of Dart Energy Limited during the financial year:

(i) Chairman - Non-Executive to 18 October 2011 then Executive Chairman
Nicholas Davies

(ii) Executive directors
Simon Potter, Managing Director and Chief Executive Officer (resigned 18 October 2011)
Shaun Scott, Executive Director
Stephen Bizzell, Executive Director

(iii) Non-executive directors
David Williamson (deceased 11 July 2012)
Peter Clarke (resigned 8 May 2012)
Simon Poidevin

(b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

Name	*Position*
Eytan Uliel	Chief Commercial Officer
Martin Cooper	Chief Financial Officer
Peter Roles	Chief Technical Officer
John McGoldrick	Chief Executive Officer - International (appointed 16 Jan 2012)
Robbert de Weijer	Chief Executive Officer - Australia

(c) Key management personnel compensation

Key management personnel compensation for the years ended 30 June 2012 and 2011 is set out below. The key management personnel of Dart Energy Limited include the directors and those executives that report directly to the Managing Director.

	Consolidated	
	2012	2011
	$'000	$'000
Short-term employee benefits	**3,778**	3,513
Post-employment benefits	**89**	85
Long-term benefits	**-**	-
Share-based payments	**1,853**	4,846
	5,720	8,444

Detailed remuneration disclosures are presented in the remuneration report on pages 14 to 29.

(d) Equity instrument disclosures relating to key management personnel

(i) Options provided as remuneration and shares issued onexercise of such options
Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in the remuneration report on pages 27 to 29.

(ii) Option holdings
The numbers of options over ordinary shares in the Company held during the financial year by each director of Dart Energy Limited and other key management personnel of the Group are set out below.

2012

Name	Balance at start of the year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Directors of Dart Energy Limited							
Nicholas Davies	1,250,000	-	-	-	1,250,000	416,667	833,333
David Williamson	750,000	-	-	(500,000)	250,000	250,000	-
Simon Poidevin	750,000	-	-	-	750,000	250,000	500,000
Peter Clarke	750,000	-	-	(500,000)	250,000	250,000	-
Simon Potter	3,672,482	-	-	(2,448,321)	1,224,161	1,224,161	-
Stephen Bizzell	3,131,250	-	-	-	3,131,250	1,631,250	1,500,000
Shaun Scott	2,250,000	-	-	-	2,250,000	750,000	1,500,000
Other key management personnel of the Group							
Eytan Uliel	1,650,000	600,000	-	-	2,250,000	1,100,000	1,150,000
Martin Cooper	225,000	-	-	-	225,000	150,000	75,000
Nathan Rayner	750,000	375,000	-	-	1,125,000	500,000	625,000
John McGoldrick	-	-	-	-	-	-	-
Robbert de Weijer	2,250,000	-	-	-	2,250,000	1,500,000	750,000

All vested options are exercisable at the end of the year.

2011

Name	Balance at start of the year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Directors of Dart Energy Limited							
Nicholas Davies	-	1,250,000	-	-	1,250,000	-	1,250,000
David Williamson	-	750,000	-	-	750,000	-	750,000
Simon Poidevin	-	750,000	-	-	750,000	-	750,000
Peter Clarke	-	750,000	-	-	750,000	-	750,000
Simon Potter	-	3,672,482	-	-	3,672,482	-	3,672,482
Stephen Bizzell	-	2,250,000	-	881,250	3,131,250	881,250	2,250,000
Shaun Scott	-	2,250,000	-	-	2,250,000	-	2,250,000
Other key management personnel of the Group							
Eytan Uliel	-	1,650,000	-	-	1,650,000	550,000	1,100,000
Martin Cooper	-	225,000	-	-	225,000	75,000	150,000
Nathan Rayner	-	750,000	-	-	750,000	250,000	500,000
Robbert de Weijer	-	2,250,000	-	-	2,250,000	750,000	1,500,000

All vested options are exercisable at the end of the year.

(iii) Share holdings
The number of shares in the company held during the financial year by each director of Dart Energy Limited and other key management personnel of the group, including their personally related parties. There were no shares granted during the reporting period as compensation.

2012	**Balance at start of the year**	**Received during the year on the exercise of options**	**Other changes during the year (eg. Purchases)**	**Balance at end of the year (shares)**
Name				
Directors of Dart Energy Limited				
Nicholas Davies	5,899,501	-	1,000,000	6,899,501
David Williamson	100,000	-	-	100,000
Simon Poidevin	122,728	-	27,272	150,000
Peter Clarke (resigned May 2012)	100,000	-	(100,000)	-
Simon Potter	-	-	-	-
Stephen Bizzell	4,730,033	-	-	4,730,033
Shaun Scott	576,668	-	-	576,668
Other key management personnel of the Group				
Eytan Uliel	-	-	123,925	123,925
Martin Cooper	-	-	78,067	78,067
Nathan Rayner	72,100	-	114,544	186,644
Peter Roles	107,721	-	-	107,721
John McGoldrick	-	-	-	-
Robbert de Weijer	30,400	-	106,742	137,142

2011	**Balance at start of the year**	**Received during the year on the exercise of options**	**Other changes during the year (eg. Purchases)**	**Balance at end of the year (shares)**
Name				
Directors of Dart Energy Limited				
Nicholas Davies	-	-	5,899,501	5,899,501
David Williamson	-	-	100,000	100,000
Simon Poidevin	-	-	122,728	122,728
Peter Clarke	-	-	100,000	100,000
Simon Potter	-	-	-	-
Stephen Bizzell	-	-	4,730,033	4,730,033
Shaun Scott	-	-	576,668	576,668
Other key management personnel of the Group				
Eytan Uliel	-	-	-	-
Martin Cooper	-	-	-	-
Nathan Rayner	-	-	72,100	72,100
Peter Roles	-	-	107,721	107,721
Peter Godfrey	-	-	-	-
Robbert de Weijer	-	-	30,400	30,400

There are no changes in shareholding during the previous year and no outstanding shares as at the start and end of the previous year.

27 Remuneration of auditors

During the year, the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2012 $	2011 $
(a) PwC Australia		
(i) Audit and other assurance services		
Audit and review of financial statements	**198,636**	170,600
Other assurance services		
Agreed-upon procedure	**-**	8,575
Accounting advice	**5,949**	11,000
Due diligence services	**-**	188,088
Total remuneration for audit and other assurance services	**204,585**	378,263
(ii) Taxation services		
Tax compliance services	**247,608**	52,140
Total remuneration for taxation services	**247,608**	52,140
Total remuneration of PwC Australia	**452,193**	430,403
(b) Related practices of PwC Australia		
(i) Audit and other assurance services		
Audit and review of financial statements	**376,062**	275,000
Other assurance services		
Accounting advice	**-**	1,500
Agreed-upon procedures	**18,644**	17,850
Due diligence services	**461,497**	28,500
Total remuneration for audit and other assurance services	**856,203**	322,850
(ii) Taxation services		
Tax compliance and advice	**113,768**	87,295
Total remuneration of related practices of PwC Australia	**969,971**	410,145
(c) Non-PwC audit firms		
(i) Audit and other assurance services		
Audit and review of financial statements	**142,497**	150,000
Total remuneration of non-PwC audit firms	**142,497**	150,000
Total auditors' remuneration	**1,564,661**	990,548

28 Contingencies

(a) Contingent liabilities

The Group had contingent liabilities at 30 June 2012 in respect of:

(i) Guarantees

Dart has provided bank guarantees to Governments in certain countries in which it operates for the performance under the terms of work programs (refer to notes 10 and 13).

No liability was recognised by Group in relation to these guarantees, as the fair value of the guarantee is immaterial.

29 Commitments

(a) Capital commitments

Capital expenditure contracted for at the balance sheet date but not recognised in the financial statements is as follows:

	Consolidated (i)	
	2012	2011
	$'000	$'000
Exploration assets:		
Payable:		
Within one year	**3,573**	1,599
Later than one year but not later than five years	**2,376**	4,567
	5,949	6,166

(i) Capital commitments incurred by the Group relating to joint ventures and associates amount to $nil (2011: $329,221). Capital commitments incurred jointly with other joint ventures (the Group's share) relating to joint ventures amount to $nil (2011: $nil).

(b) Non-cancellable operating leases

Operating lease arrangements - where the Group is a lessee

The Group leases office space and accommodation for staff from non-related parties under non-cancellable operating leases agreements. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payments payable under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities are as follows:

	Consolidated	
	2012	2011
	$'000	$'000
Within one year	**2,323**	1,699
Later than one year but not later than five years	**2,704**	1,122
	5,027	2,821

30 Related party transactions

(a) Parent entities

The ultimate parent entity within the Group is Dart Energy Limited.

(b) Key management personnel

Disclosures relating to key management personnel are set out in note 26.

(c) Transactions with other related parties

The following transactions took place between the Group and related parties at terms agreed between the parties during the financial year:

	Consolidated	
	2012 **$'000**	2011 $'000
Technical service fee from associated company	**734**	306
Remuneration of key management personnel of Dart	**5,691**	8,444

In addition, $481,936 of operating costs incurred at Dart's Australian head office were re-charged to Bizzell Capital Partners Pty Ltd, a company controlled by Stephen Bizzell, a director of the Company. (2011: $145,000)

(d) Outstanding balances arising from transactions with related parties

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	Consolidated	
	2012 **$'000**	2011 $'000
Current payables/receivables (technical service fee)	**788**	260
Current receivables (various, see note 10)	**1,306**	1,517
Non-current receivables (loan to joint venture)	**4,225**	3,444

(e) Loans to/from related parties

Loans to joint venture are based on commercially agreed terms with other shareholders.

In the prior financial year, loans from the previous ultimate parent entity, Arrow Energy Limited, were unsecured, interest bearing at 8% per annum and had no fixed terms of payment. The loan was settled on 22 July 2010 as part of the demerger.

	Consolidated	
	2012 **$'000**	2011 $'000
Loans to joint venture		
Beginning of the year	**3,444**	2,401
Loan to joint venture (Sangatta West CBM Inc)	**460**	1,451
Interest received	**137**	86
Translation reserve	**184**	(494)
End of year	**4,225**	3,444

	Consolidated	
	2012 **$'000**	2011 $'000
Loan from previous ultimate parent entity, Arrow Energy Limited		
Beginning of the year	**-**	27,751
Interest charged	**-**	1,110
Loan repayment through capital injection	**-**	(28,722)
Translation reserve	**-**	(139)
End of year	**-**	-

There is no allowance for impaired receivables in relation to any outstanding balances, and no expense has been recognised in respect of impaired receivables due from related parties.

31 Business combinations

During the year, Greenpark Energy was acquired. During the year ended 30 June 2011, Composite Energy Limited and Apollo Gas Limited were acquired by Dart group.

(i) Greenpark Energy

Greenpark acquisition

In December 2011, the Group agreed to acquire the unconventional gas business of Greenpark Energy Ltd, comprising certain onshore licences in the UK for a consideration of US$42 million. The consideration was payable in two tranches and made up of a mixture of cash and shares in Dart Energy and potentially in the intended to be listed DEI.

The first tranche comprising US$6 million cash and US$10 million in newly issued Dart Energy shares was paid in May 2012. In aggregate, 31,354,118 shares were issued which, post-issue represented 4.1% of the enlarged shares in issue of the Company at that time.

Deferred consideration of $25.3 million (current liability) relates to the second tranche, comprising payment of US$21.0 million due to Greenpark Energy Limited, for the acquisition of GP Energy Ltd. The amount is payable by 30 September 2012 either in the form of cash and shares, or fully in shares. A further US$5.0 million was placed in a retention account and will be released in 2 tranches, 18 October 2012 and 18 February 2013, subject to there being no claims.

Deferred consideration of $11.2 million (non-current liability) relates to a payment for Marathon licences acquired in GP Energy Ltd that is expected to be due in 2 tranches on 31 July 2014 and 30 June 2016 respectively.

	$'000
Acquisition value	
Shares issued	9,059
Cash paid	10,794
Deferred consideration	21,216
Translation differences	756
Total	41,825
Fair value of net identifiable assets acquired	37,427
Goodwill	4,398

Goodwill arising on acquisition relates to the amount calculated in accordance with AASB 3 (revised) *Business Combinations* to recognise a deferred tax liability on the difference between the fair value of acquired assets and liabilities and their tax base.

(a) Cash flow information

	Consolidated 30 June 2012 $'000
Outflow of cash to acquire business	
Cash consideration	**10,794**
Less: Cash acquired	**-**
Outflow of cash	**10,794**

(b) Assets and liabilities acquired

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount $'000	Fair value $'000
Trade and other receivables		
Intangible assets - exploration uplift	-	18,051
Intangible assets - exploration asset	37,890	37,890
Trade and other payables	(14,115)	(14,116)
Deferred tax liability	-	(4,398)
Net identifiable assets acquired	23,774	37,427

<u>BG Group licence acquisition</u>

In December 2012, the Group restructured its arrangements with BG Group whereby the Group acquired 50% working interest it did not already own in the 14 onshore hydrocarbon licences in the UK. These licences had previously been awarded to a consortium of Dart Energy's subsidiary in Europe, Dart Energy Europe (previously Composite Energy) and BG Group in the U.K.'s 13th hydrocarbon licensing round. In March 2012, DECC approved this transaction.

In addition, as part of the arrangement with BG Group, the Group was granted an option over two prospective hydrocarbon licences in Germany, exercisable at nil consideration. In May 2012 the Group exercised options over these two licences held by the BG Group. The Group now has a 100% interest in both licences.

(ii) Composite Energy Limited (currently known as Dart Energy Europe Limited)

On 2 September 2010, Dart Energy Limited (Dart) acquired 10% of the shares in Composite Energy Limited (Composite). The purchase and sales agreement included options in respect of the remaining 90% interest in Composite. The existence of Dart's call options, which were exercisable on 2 September 2010, resulted in Dart having the capacity to control Composite. Therefore, this acquisition has been accounted for as a business combination in accordance with AASB 3 (revised) *Business Combinations* and Composite is included in the consolidated financial statements of Dart from 2 September 2010.

On 28 February 2011 Dart announced that it had reached agreement to acquire the 90% of Composite that it did not already own for approximately $50.0 million. The impact of the acquisition of the remaining 90% of the shares is disclosed in note 32(b).

This transaction represented an acceleration and replacement of the previous arrangement entered into in August 2010 whereby Dart had an option to inject US$5 million into Composite in January 2011 for an additional 10% of Composite, and then an option to acquire the remaining 80% of Composite prior to June 2011 for US$56 million payable in Dart shares, or cash or a mix of both.

The acquired business contributed revenues of $nil and net loss $1,655,390 to the Group for the period from 2 September to 30 June 2011. If the acquisition had occurred on 1 July 2010, consolidated revenue and profit for the year ended 30 June 2011 would have been $229,540 higher and $173,142 lower respectively. These amounts have been calculated using the Group's accounting policies. Acquisition costs amounting to $304,660 have been recognised in the income statement.

	$'000
Acquisition value	
Cash paid	7,872
Value of non-controlling interests (see note 24)	62,122
Total	69,994
Fair value of net identifiable assets acquired	57,032
Goodwill	12,962

Goodwill arising on acquisition relates to the amount calculated in accordance with AASB 3 (revised) *Business Combinations* to recognise a deferred tax liability on the difference between the fair value of acquired assets and liabilities and their tax base.

(a) Cash flow information

	Consolidated 30 June 2011 $'000
Outflow of cash to acquire business	
Cash consideration	**7,872**
Less: Cash acquired	**(8,364)**
Inflow of cash	**(492)**

(b) Assets and liabilities acquired

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount $'000	Fair value $'000
Cash	8,364	8,364
Trade and other receivables	9,055	9,055
Property, plant and equipment	579	579
Exploration and evaluation (refer to note 17)	11,880	61,604
Investments accounted for using the equity method	274	274
Trade and other payables	(1,192)	(1,192)
Provisions and other liabilities	(5,581)	(5,581)
Borrowings	(3,109)	(3,109)
Deferred tax liability	-	(12,962)
Net identifiable assets acquired	20,270	57,032

Acquired receivables
The fair value of trade and other receivables is $9,055,000 which is equal to their gross contractual cash flows. All the receivables are expected to be collectible.

Non-controlling interests
In accordance with the accounting policy set out in note 1(h), the Group elected to recognise the non-controlling interest in Composite Energy Limited at its fair value.

(iii) Apollo Gas Limited

On 13 December 2010, Dart acquired a further 78.96% of the shares in Apollo Gas Limited (Apollo). This acquisition, together with 21.04% of the shares already owned gave Dart a total interest of 100% of the shares in Apollo.

Consideration for the shares acquired was $127,318,000 which is attributable to a swap of 3 ordinary Dart shares for every 4 ordinary Apollo shares. 118,434,384 Dart shares were issued and were valued at the share price on 13 December 2010. In addition, options with a value of $35,045,000 were issued to Apollo option holders. The options were valued using a Black Scholes option pricing model. A fair value gain on the initial 21.04% investment held by Dart amounting to $37,345,000 (refer to note 6) was recognised, valuing the original 21.04% at $43,095,000.

The acquired business contributed revenues of $Nil and net loss of $1,498,309 to the Group for the period from 13 December 2010 to 30 June 2011. If the acquisition had occurred on 1 July 2010, consolidated revenue and profit for the year ended 30 June 2011 would have been $472,000 higher and $2,949,000 lower respectively. These amounts have been calculated using the Group's accounting policies. Acquisition costs amounting to $407,000 had been recognised in the income statement.

	$'000
Acquisition value	
Fair value of shares and options issued	204,827
Fair value of net identifiable assets acquired	199,427
Goodwill	5,400

Goodwill arising on acquisition relates to the amount calculated in accordance with AASB 3 (revised) *Business Combinations* to recognise a deferred tax liability on the difference between the fair value of acquired assets and liabilities and their tax base.

(a) Cash flow information

	Consolidated 30 June 2011 $'000
Outflow of cash to acquire business	
Cash consideration	-
Less: Balances acquired	
Cash	7,018

(Inflow) of cash	(7,018)

(b) Assets and liabilities acquired

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount $'000	**Fair value $'000**
Cash	7,018	7,018
Trade and other receivables	439	439
Property, plant and equipment	23	23
Exploration and evaluation (refer to note 17)	4,154	198,610
Trade and other payables	(1,263)	(1,263)
Deferred tax liability	-	(5,400)
Net identifiable assets acquired	10,371	199,427

Acquired receivables
The fair value of trade and other receivables is $439,000 which is equal to their gross contractual cash flows. All the receivables are expected to be collectible.

32 Significant subsidiaries and transactions with non-controlling interests

(a) Significant investments in subsidiaries

Details of subsidiaries are as follows:

Name of companies	Country of incorporation	Principal activities	Equity holding 2012 %	Equity holding 2011 %
Held by Company :				
Dart Energy SPV No.1 Pty. Ltd.*	Australia	Investment holding	**100**	100
Dart Energy SPV No.2 Pty. Ltd.*	Australia	Investment holding	**100**	100
Dart Energy (China) Pty. Ltd.*	Australia	Investment holding	**100**	100
Dart Energy (Overseas) Pty. Ltd.*	Australia	Investment holding	**100**	100
Apollo Gas Limited*	Australia	Exploration	**100**	100
Dart Energy (Asia) Pte Ltd	Singapore	Investment holding	**100**	100
Dart Energy International Pte. Ltd. (previously known as Dart Energy (CBM) International Pte Ltd)	Singapore	Corporate	**100**	91.83
Dart Energy (Indonesia) Pty. Ltd.*	Australia	Investment holding	**100**	100
Held by subsidiaries :				
Dart Energy (Europe) Pte. Ltd.	Singapore	Investment holding	**100**	100
Dart Energy Europe Limited	Scotland	Investment holding	**100**	100
Dart Energy (India) Holdings Pte. Ltd.	Singapore	Investment holding	**100**	100
Dart Energy (Indonesia) Holdings Pte. Ltd.	Singapore	Investment holding	**100**	100
Dart Energy (Vietnam) Holdings Pte. Ltd.	Singapore	Investment holding	**100**	100
Dart Energy (China) Holdings Pte. Ltd.	Singapore	Investment holding	**100**	100
Dart Energy (India) Pte. Ltd.	Singapore	Investment holding	**100**	100
Dart Energy (ST) Pte. Ltd.	Singapore	Investment holding	**100**	100
Dart Energy (AS) Pte. Ltd.	Singapore	Investment holding	**100**	100
Dart Energy (MG) Pte. Ltd.	Singapore	Investment holding	**100**	100
Dart Energy (Sangatta West) Pte. Ltd.	Singapore	Investment holding	**100**	100
Dart Energy (Hanoi Basin CBM) Pte. Ltd.	Singapore	Investment holding	**100**	100
Dart Energy (FEEC) Pte. Ltd.	Singapore	Investment holding	**100**	100
Dart Energy (FLG) Pte. Ltd.	Singapore	Investment holding	**100**	100
Dart Energy (Dajing) Pte. Ltd.	Singapore	Investment holding	**100**	100
Dart Energy (Tanjung Enim) Pte. Ltd.	Singapore	Investment holding	**100**	100
Dart Energy (Muralim) Pte. Ltd.	Singapore	Investment holding	**100**	100
Dart Energy (CIL) Pte. Ltd.	Singapore	Investment holding	**100**	100
Dart Energy (China CMM) Pte. Ltd.	Singapore	Investment holding	**100**	100
Dart Energy International Shale Pte. Ltd. (previously known as Dart Energy (Singapore) Pte Ltd)	Singapore	Investment holding	**100**	100
Dart Energy (CBM Power Indonesia) Pte Ltd	Singapore	Investment holding	**100**	-
Macquarie Energy Pty. Ltd.*	Australia	Exploration	**100**	100
Dart Energy Global CBM Pty Ltd.	Australia	Investment holding	**100**	100
Dart Energy (India) Pty. Ltd.	Australia	Investment holding	**100**	100
Dart Energy Technology (Beijing) Company Limited	China	Service Company	**100**	100
PT Dart Energy Indonesia	Indonesia	Service Company	**100**	100

* These subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission. For further information refer to note 33.

(b) Transactions with non-controlling interests

On 8 November 2011, Dart acquired 8.17% of equity of DEI from B.V. Dordtsche Petroleum Maatschappij ("Shell") resulting in a $21.5 million movement in this reserve. The consideration paid to Shell was US$12,000,000, 14,056,468 fully paid ordinary shares and 15,251,958 unlisted options.

On 28 February 2011, Dart Energy Limited acquired the 90% of the issued shares of Composite Energy Limited (Composite) that it did not already own for a purchase consideration of $50.0 million. The consideration was satisfied by way of issue of 35.9 million new shares in Dart Energy Limited to the shareholders of Composite, the issue of 5.6 million options over Dart Energy Limited shares to Composite option holders and cash of $4.6 million. The carrying amount of the non-controlling interests in Composite Energy Limited on the date of acquisition was $56.3 million. The Group recognised a decrease in non-controlling interests of $56.3 million and an increase of $6.3 million in equity attributable to owners of the parent. The effect of changes in the ownership interest of Composite on the equity attributable to owners of Dart Energy Limited during the year is summarised as follows:

	2012 $'000	2011 $'000
Carrying amount of non-controlling interests acquired	**941**	56,329
Consideration paid to non-controlling interests	**(22,441)**	(50,037)
Deficit of consideration paid recognised as a (loss)/gain on transactions with non-controlling interests within equity	**(21,500)**	6,292

33 Deed of cross guarantee

Dart Energy Limited, Dart Energy (China) Pty, Ltd, Dart Energy (Overseas) Pty Ltd, Dart Energy SPV No. 1 Pty Ltd, Dart Energy SPV No. 2 Pty Ltd, Apollo Gas Limited and Macquarie Energy Pty Ltd are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

(a) Consolidated income statement, statement of comprehensive income and summary of movements in consolidated retained earnings

The above companies represent a 'closed group' for the purposes of the Class Order, and as there are no other parties to the deed of cross guarantee that are controlled by Dart Energy Limited, they also represent the 'extended closed group'.

Set out below is a consolidated income statement, a consolidated statement of comprehensive income and a summary of movements in consolidated retained earnings for the year ended 30 June 2012 of the closed group

	2012 $'000	**2011 $'000**
Income statement		
Other income	**4,213**	-
Other gains	**2,146**	36,151
Consultancy cost	**(843)**	(866)
Depreciation	**(107)**	(51)
Impairment of assets	**(101,779)**	-
Employee compensation	**(4,796)**	(6,364)
Office supplies	**(186)**	(379)
Professional fees	**(594)**	(416)
Occupancy cost	**(260)**	(224)
Travel and accommodation	**(286)**	(323)
Other expenses	**(1,307)**	(1,192)
Expenses, excluding finance costs	**(110,158)**	(9,815)
Finance costs	**(10)**	(21)
Total expenses	**(110,168)**	(9,836)
(Loss)/profit before income tax	**(103,809)**	26,315
Income tax credit	**4,737**	1,874
(Loss)/profit for the year	**(99,072)**	28,189

	2012 $'000	2011 $'000
(Loss)/profit for the year	**(99,072)**	28,189
Other comprehensive (loss)/income	**-**	-
Exchange differences on translation of foreign operations	**-**	-
Total comprehensive (loss)/income for the year is attributable to:	**(99,072)**	28,189
Summary of movements in consolidated retained profits		
Retained earnings at the beginning of the financial year	**33,845**	5,656
(Loss)/profit for the year	**(99,072)**	28,189
Retained (loss)/earnings at the end of the financial year	**(65,227)**	33,845

Set out below is a consolidated balance sheet of the closed group as at 30 June 2012

	2012 $'000	2011 $'000
ASSETS		
Current assets		
Cash and cash equivalents	**53,903**	108,031
Trade and other receivables	**1,059**	908
Financial assets at fair value through profit or loss	**4,742**	8,557
Current tax assets	**904**	-
Total current assets	**60,608**	117,496
Non-current assets		
Receivables	**43,686**	45,608
Investments accounted for using the equity method	**164,410**	83,673
Property, plant and equipment	**258**	218
Goodwill	**-**	5,827
Exploration and evaluation	**114,293**	206,550
Total non-current assets	**322,647**	341,876
Total assets	**383,255**	459,372

	2012 $'000	2011 $'000
LIABILITIES		
Current liabilities		
Trade and other payables	**7,580**	2,680
Derivative financial instruments	**-**	242
Current tax liabilities	**-**	58
Total current liabilities	**7,580**	2,980
Non-current liabilities		
Deferred tax liabilities	**-**	3,922
Provisions	**1,121**	1,003
Total non-current liabilities	**1,121**	4,925
Total liabilities	**8,701**	7,905
Net assets	**374,554**	451,467
EQUITY		
Contributed equity	**388,723**	370,856
Reserves	**51,059**	46,766
Retained (losses)/profits	**(65,228)**	33,845
Total equity	**374,554**	451,467

34 Investments in associates

	Consolidated	
	2012	2011
	$'000	$'000
Movements in carrying amounts		
Carrying amount at the beginning of the financial year	**-**	14,807
Acquisition during the year (i)	**5,200**	8,101
Share of losses after income tax	**-**	(105)
Exchange differences	**-**	(3,073)
Transfer of Apollo Gas Limited from Arrow Energy Limited on demerger (ii)	**-**	5,750
Disposal of Apollo Gas Limited (ii)	**-**	(5,750)
Reclassification to joint venture	**-**	(19,730)
Carrying amount at the end of the financial year	**5,200**	-

(i) On 21 June 2012, the Group completed a 20% equity investment in the newly created Maria's Farm Veggies Pty Ltd (MFV) which is the entity that will develop a glasshouse project at Fullerton Cove within PEL458. As at 30 June 2012, the equity funds are yet to be drawn down by MFV and the entity does not hold any other material assets or liabilities. MFV also executed a Gas Sales Agreement for gas supply from Dart's wells located in the licence area.

(ii) On 17 December 2010, the Group exercised one of its options (Option 1A) in Fortune Gas Liulin Company Ltd ("FLG") in consideration for cash of $8.7 million resulting in an increase in shareholding in FLG from 35% to 45%. Pursuant to the sale and purchase agreement dated 18 December 2009, another option (Option 1B) which allows the Group to subscribe for an additional 5% of the issued capital of FLG became exercisable as at 30 June 2011. Hence, with the additional potential 5% interest, the Group is deemed to have joint control in FLG with effect from 30 June 2011. Accordingly, FLG was proportionally consolidated as at 30 June 2011 (note 35).

35 Interests in joint ventures

Details of the joint ventures are as follows:

	Segment	Interest	
		2012	2011
		%	%
Sangatta West CBM Inc.	Indonesia	**50**	50
Fortune Liulin Gas Company Limited	China	**50**	45

The principal activities of all of the above joint ventures are the exploration and evaluation of coal seam gas targets.

Summary financial information for the joint ventures is as follows:

	Consolidated	
	2012	2011
	$'000	$'000
Assets		
Current assets	**3,290**	2,959
Non-current assets	**25,470**	17,606
Share of assets employed in joint venture	**28,760**	20,565
Liabilities		
Current liabilities	**7,966**	3,973
Non-current liabilities	**4,628**	3,444
Share of liabilities employed in joint venture	**12,594**	7,417
Net assets	**16,166**	13,148
Share of joint ventures' revenue, expenses and results		
Sales	**127**	2
Expenses	**(522)**	(96)
Loss before tax	**(395)**	(94)
Income tax	**-**	-
Loss after income tax	**(395)**	(94)

Details of the consideration paid, the assets acquired and liabilities assumed, the goodwill recognised and effects on the cash flows of the Group arising from the proportionate consolidation of FLG are as follows:

	Consolidated 30 June 2011 $'000
Acquisition value	19,730
Proportionate share of net identifiable assets acquired at 45%	17,998
Goodwill	1,732

Goodwill arising on acquisition relates to the amount calculated in accordance with AASB 3 Business Combinations to recognise a deferred tax liability on the difference between the fair value of acquired assets and liabilities and their tax base.

(a) Cash Flow information

	Consolidated 30 June 2011 $'000
Cash consideration	-
Less: Cash required	(1,816)
(Inflow) of cash	(1,816)

(b) Assets and liabilities acquired

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount $'000
Cash	1,816
Trade and other receivables	583
Property, plant and equipment	235
Exploration and evaluation	20,576
Trade and other payables	(3,443)
Provisions and other liabilities	(37)
Deferred tax liability	(1,732)
Net identifiable assets acquired	(17,998)

36 Events occurring after the reporting period

On 29 August 2012, Dart Energy International Pte Ltd. the international operating arm of Dart, executed agreements for a US$100 million senior secured reserves based lending facility with Hong Kong and Shanghai Banking Corporation Limited, Singapore Branch ("HSBC"), to provide development funding for International's near term development projects. Financial close / first draw-down is expected in September 2012.

The Facility is structured so as to provide funds for the development of certain advanced projects in International's portfolio. Initially, the projects are PEDL 133 (UK), Liulin (China) and Sangatta West (Indonesia). The facility is split into a working capital funding of up to US$10 million and up to a further US$90 million over the next two years subject to the achievements of certain milestones.

On 5 September 2012, the board of the FLG Joint Venture and Liulin PSC Joint Management Committee approved the construction of the field gas gathering system and nodal station at the Liulin CBM gas project in Shanxi province, China, and a contract has been entered into the final phase of construction. This infrastructure (field gas gathering system) will connect the in-field multi-lateral production well to the recently completed CNG station. This will provide the route to the market and enable initial revenue generation from the Liulin block.

Production from the field has continued to improve on a weekly basis. Since May, gas rates from existing well have been steadily improving. The base well in the field (H-4) has a peak production in excess of 400 Mscf/d with two other wells (H-3 and

H-6) also already exceeding 200 Mscf/d. Total field production is now approximately 1 MMscf/d.

On 7 September 2012, Dart was awarded the Bontang Bengalon coal bed methane block in East Kalimantan, Indonesia. A production sharing contract (PSC) for the block is expected to be agreed with the Indonesian government within 1-2 months.

Dart will be the operator of the block with a 100% working interest. The PSC term will be for 30 years. In the initial three year exploration period, Dart intends an exploration work program consisting of 3 core wells and 1 pilot well. First work is expected to commence in mid to late 2013.

Dart considers the Bontang Bengalon block to be highly prospective, given the significant exploration and pilot appraisal work undertaken at the neighbouring Sangatta West block, where CBM reserves and commercial viability have already been established. The Bontang Bengalon block increases Dart's net acreage in East Kalimantan and provides enhanced ability to access significant market opportunity in the area. A 100% working interest provides Dart with the flexibility to introduce new partners to the project over time.

37 Loss per share

(a) Basic (loss)/earnings per share

	Consolidated	
	2012	2011
	Cents	Cents
Basic (loss)/earnings per share attributable to the ordinary equity holders of the Company	**(18.8)**	0.5

(b) Diluted (loss)/earnings per share

	Consolidated	
	2012	2011
	Cents	Cents
Diluted (loss)/earnings per share attributable to the ordinary equity holders of the Company	**(18.8)**	0.5

(c) Reconciliations of (loss)/profit used in calculating (loss)/earnings per share

	Consolidated	
	2012	2011
	$'000	$'000
Basic and diluted (loss)/profit per share		
(Loss)/profit attributable to the ordinary equity holders of the Company used in calculating basic and diluted (loss)/earnings per share	**(138,388)**	2,755

(d) Weighted average number of shares used as the denominator

	Consolidated	
	2012	2011
	'000	'000
Weighted average number of ordinary shares used as the denominator in calculating basic (loss)/earnings per share	**735,654**	517,042
Adjustments for calculation of diluted (loss)/earnings per share:		
Options	**-**	27,018
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**735,654**	544,060

(e) Information concerning the classification of securities

Options granted to employees under the Employee Share Option Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share for 2012. Details relating to the options are set out in note 38.

38 Share-based payments

(a) Dart Energy Limited Employee Share Option Plan

Under the plan, participants (principally executives, directors and consultants) are granted options over the ordinary shares of Dart Energy Limited which only vest if certain performance standards are met. In addition a number of executives have been engaged under contracts of employment which give them the eligibility to options in accordance with the terms and conditions of their employment contracts. The options issued are not quoted on the Australian Stock Exchange. The options are granted for no consideration. When exercisable each option is convertible into one ordinary share. Options granted under the plan carry no dividend or voting rights.

The Employee Share Option Plan is designed to provide long-term incentives for senior managers and above (including executive directors) to deliver long-term shareholder returns. Under the plan, participants are granted options which only vest if certain performance standards are met. Participation in the plan is at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

Options granted under the plan carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary.

The exercise price of options is based on the weighted average price at which the Company's shares are traded on the Australian Securities Exchange (ASX) during the week up to and including the date of the grant.

Set out below are summaries of options granted under the plan:

Grant Date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
2012								
5-Aug-10	31-Mar-14	$0.98625	3,672,482	-	-	(2,448,321)	1,224,161	1,224,161
23-Aug-10	31-Mar-14	$0.98625	3,000,000	-	-	-	3,000,000	1,000,000
1-Sep-10	31-Jul-14	$0.98625	1,650,000	-	-	-	1,650,000	1,100,000
20-Sep-10	31-Jul-14	$0.98625	150,000	-	-	-	150,000	150,000
12-Oct-10	31-Jul-14	$0.98625	750,000	-	-	-	750,000	500,000
18-Oct-10	31-Mar-14	$0.98625	450,000	-	-	-	450,000	300,000
24-Nov-10	31-Jul-14	$0.98625	225,000	-	-	-	225,000	150,000
30-Nov-10	31-Mar-14	$0.98625	4,250,000	-	-	(500,000)	3,750,000	1,416,662
11-Jan-11	31-Jul-14	$0.98625	2,460,000	-	-	-	2,460,000	1,640,000
07-Mar-11	31-Jul-14	$0.98625	100,000	-	-	-	100,000	66,666
01-Apr-11	31-Jul-15	$1.15000	75,000	-	-	(75,000)	-	-
11-Apr-11	31-Jul-14	$0.98625	250,000	-	-	-	250,000	166,666
20-Apr-11	31-Jul-15	$0.98000	250,000	-	-	-	250,000	83,333
16-May-11	31-Jul-15	$1.15000	100,000	-	-	-	100,000	33,333
5-Aug-11	31-Jul-15	$0.98000	-	975,000	-	-	975,000	-
1-Sep-11	31-Jul-15	$0.98000	-	150,000	-	-	150,000	-
26-Sep-11	31-Jul-15	$0.98000	-	150,000	-	-	150,000	-
1-Oct-11	31-Jul-15	$0.98000	-	250,000	-	-	250,000	-
2-Dec-11	31-Mar-14	$0.98625	1,500,000	-	-	(500,000)	1,000,000	500,000
2-Mar-12	15-Dec-14	$0.01000	-	234,956	-	(18,761)	216,195	216,195
			18,882,482	1,759,956	-	(3,542,082)	17,100,356	8,547,021
Weighted average exercise price				$0.8505		$0.98455	$0.97422	$0.9621

There are no options granted during the previous year.

No options expired during the periods covered by the above tables.

Grant Date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
2011								
23-Aug-10	31-Mar-14	$0.98625	-	6,672,482	-	-	6,672,482	-
01-Sep-10	31-Jul-14	$0.98625	-	1,650,000	-	-	1,650,000	550,000
20-Sep-10	31-Jul-14	$0.98625	-	150,000		-	150,000	150,000
12-Oct-10	31-Jul-14	$0.98625	-	750,000		-	750,000	250,000
18-Oct-10	31-Mar-14	$0.98625	-	450,000		-	450,000	150,000
24-Nov-10	31-Jul-14	$0.98625	-	225,000	-	-	225,000	75,000
30-Nov-10	31-Mar-14	$0.98625	-	4,250,000	-	-	4,250,000	-
11-Jan-11	31-Jul-14	$0.98625	-	2,460,000	-	-	2,460,000	820,000
07-Mar-11	31-Jul-14	$0.98625	-	100,000	-	-	100,000	33,333
01-Apr-11	31-Jul-15	$1.15000	-	75,000	-	-	75,000	-
11-Apr-11	31-Jul-14	$0.98625	-	250,000	-	-	250,000	83,333
20-Apr-11	31-Jul-15	$0.98625	-	250,000	-	-	250,000	-
16-May-11	31-Jul-15	$1.15000	-	100,000	-	-	100,000	-
29-Jun-11	31-Mar-14	$0.98625	-	1,500,000	-	-	1,500,000	-
			-	18,882,482	-	-	18,882,482	2,111,666
Weighted average exercise price				$0.9877	-		$0.9877	$0.9863

No options expired during the periods covered by the above tables.

The weighted average share price at the date of exercise of options exercised during the year ended 30 June 2012 was $0.9621 (2011 – $0.9863).The weighted average remaining contractual life of share options outstanding at the end of the period was 2 years (2011 – 3 years).

Fair value of options granted
The assessed fair value at grant date of options granted during the year ended 30 June 2012 and the year ended 30 June 2011 is disclosed in the remuneration report on page 25. The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The expected price volatility is based on the historical volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

Where options are issued to employees of subsidiaries within the Group, the subsidiaries compensate Dart Limited for the amount recognised as expense in relation to these options.

The model inputs for options granted during the year ended 30 June 2012 included:

(a) options are granted for no consideration and vest over a three year period. Vested options are exercisable for a period of two years after vesting
(b) exercise price: $0.98000 (2011 – $0.98625)
(c) grant date: as disclosed in the tables above
(d) expiry date: various dates between 31 March 2014 and 31 July 2015 (2011 – various dates between 31 March 2014 and 31 July 2014)
(e) share price at grant date: 05 August 2011 ($0.62), 01 September 2011 ($0.7), 26 September 2011 ($0.49), 01 October 2011 ($0.5), 08 November 2011 ($0.6), 02 December 2011 ($0.5), 2 March 2012 ($0.4) (2011 – 23 August 2010 ($0.81), 01 September 2010 ($0.81), 12 October 2010 ($1.21), 24 November 2010 ($1.23), 30 November 2010 ($1.18), 11 January 2011 ($1.14) and 29 June 2011 ($0.58))
(f) expected price volatility of the Company's shares: 52% (2011 – 80%)
(g) expected dividend yield: 0% (2011 – 0%)
(h) risk-free interest rate: 4.73% (2011 – 4.73%)

There are no shares issued under the plan to participating employees during the year.

(b) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	Consolidated	
	2012 $'000	2011 $'000
Employee - Options issued under Dart Energy Limited share scheme (equity settled)	**1,927**	6,051

39 Parent entity financial information

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	Parent entity	
	2012 $'000	2011 $'000
Balance sheet		
Current assets	**55,188**	116,177
Non-current assets	**385,896**	303,437
Total assets	**441,084**	419,614
Current liabilities	**744**	1,301
Non-current liabilities	**6,521**	5,937
Total liabilities	**7,265**	7,238
Shareholders' equity		
Contributed equity	**388,723**	370,856
Reserves	**51,059**	46,765
Retained losses	**(5,963)**	(5,246)
Capital and reserves attributable to owners of Dart Energy Limited	**433,819**	412,375
Amount recognised directly in equity relating to disposal groups and other non-current assets classified as held for sale	**433,819**	412,375
Loss for the year	**(717)**	(10,903)
Total comprehensive loss	**(717)**	(10,903)

(b) Guarantees entered into by the parent entity

These are cross guarantees given by Dart Energy Limited as described in note 33. No deficiencies of assets exist in any of these companies. No liability was recognised by the parent entity or the consolidated entity in relation to these guarantees, as the fair value of the guarantees is immaterial.

(c) Commitments and contingent liabilities

The parent entity has no other commitments or contingent liabilities (2011: nil).

In the directors' opinion:

(a) the financial statements and notes set out on pages 39 to 99 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 30 June 2012 and of its performance for the financial year ended on that date, and

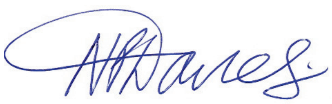
(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 33 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 33.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001.*

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



Nicholas Davies
Director

Brisbane
13 September 2012

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

Report on the financial report

We have audited the accompanying financial report of Dart Energy Limited (the company), which comprises the balance sheet as at 30 June 2012, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Dart Energy group (the consolidated entity). The consolidated entity comprises 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1 (a), the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply 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 judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

Independence

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

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Independent auditor's report to the members of Dart Energy Limited (continued)

Auditor's opinion

In our opinion:

(a) the financial report of Dart Energy Limited is in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in note 1(a).

Report on the Remuneration Report

We have audited the remuneration report included in pages 14 to 29 of the directors' report for the year ended 30 June 2012. 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 Dart Energy Limited for the year ended 30 June 2012, complies with section 300A of the Corporations Act 2001.

PricewaterhouseCoopers

Robert Hubbard
Partner

Brisbane
13 September 2012

A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding as at 22 August 2012:

Holding	Ordinary shares Shares '000	Nos of Holders
1 - 1000	1,980	4,514
1,001 - 5,000	12,409	4,556
5,001 - 10,000	18,089	2,269
10,001 - 100,000	140,484	4,332
100,001 and over	596,278	555
	769,240	16,226

There were 7,566 holders of less than a marketable parcel of ordinary shares.

B. Equity security holders

The names of the twenty largest holders of quoted equity securities as at 22 August 2012 are listed below:

Name	Ordinary shares Number held	Percentage of issued shares
KRESTLAKE PTY LTD	109,367,037	14.22
NATIONAL NOMINEES LIMITED	58,263,587	7.57
GEL/GPEL LIMITED	32,354,118	4.21
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	31,953,963	4.15
J P MORGAN NOMINEES AUSTRALIA LIMITED	31,430,951	4.09
AUST EXECUTOR TRUSTEES SA LTD	29,862,861	3.88
CITICORP NOMINEES PTY LIMITED	22,843,136	2.97
SANTELLE PTY LTD	17,057,161	2.22
B.V DORDTSCHE PETROLEUM MAATSCHAPPIJ	14,056,468	1.83
MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	12,370,342	1.61
JP MORGAN NOMINEES AUSTRALIA LIMITED	10,446,269	1.36
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	10,409,149	1.35
LUJETA PTY LTD	8,000,000	1.04
UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	6,553,403	0.85
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	5,874,175	0.76
WATOU HOLDINGS PTY LTD	5,785,180	0.75
MR STANLEY THOMSON FRASER	4,710,000	0.61
J BARLOW CONSULTANTS PTY LTD	4,627,684	0.60
MR HUGO CHARLES KEARNEY	4,283,260	0.56
CS FOURTH NOMINEES PTY LTD	4,162,313	0.54
	424,411,057	55.17

C. Voting rights

The voting rights attaching to each class of equity securities are set out below:

(a) Ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(b) Options
No voting rights.

D. Substantial shareholders

As at 30 August 2012

Name	Nos Shares	Percentage
Krestlake Pty Ltd	109,367,037	14.22%
Bank of America Corporation	46,939,749	6.10%