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## Letter of Intent for new China CBM and Shale Gas PSCs

Dart Energy International Pte Ltd ("**Dart International**", the international operating arm of Dart Energy Limited - ASX: DTE), has entered into a Letter of Intent ("**LOI**") with Henan CBM ("**HCBM**") and Hong Kong Prosperous Clean Energy Company ("**HPEC**"). The LOI relates to the establishment of potential new foreign cooperation Production Sharing Contracts ("**PSCs**") – up to four for coal bed methane at various blocks in Henan Province, China, and one for shale gas in Sichuan Province, China.

At the same time, Dart and HPEC have entered into a Memorandum of Understanding ("**MOU**") setting out the key commercial terms for a collaboration between Dart and HPEC in relation to these potential PSCs and associated downstream activities.

HCBM is a Chinese state-owned enterprise and one of only four companies approved to enter into foreign co-operations PSCs for coal bed methane in China (the others being PetroChina, China United Coal Bed Methane, and Sinopec). HPEC is a substantial privately-owned company which primarily focuses on clean energy in Henan Province, including operation of LPG & CNG gas stations and other natural gas facilities.

Under the terms of the LOI, Dart, HCBM and HPEC will negotiate exclusively, and seek relevant Government approvals for, foreign cooperation PSCs in relation to some unconventional gas assets currently held by HCBM, being:

- Four CBMs block located in Henan Province. Total area is up to 2,000 km<sup>2</sup>.
- One shale block located in Sichuan Province. Henan CBM was awarded this licence in the first shale open-bidding round in China (which was open only to domestic Chinese entities). Total area is 2,038 km<sup>2</sup>.

The key commercial terms as set out in the LOI and MOU are:

- Dart will immediately commence a technical evaluation of the various areas, and associated due diligence.
- Subject to satisfactory technical evaluation and associated due diligence, the parties will negotiate exclusively and seek to agree foreign cooperation PSCs in respect of any one or more areas within six months, and thereafter submit those PSCs to the Chinese Ministry of Land and Resources ("**MOLAR**") and Ministry of Commerce ("**MOFCOM**") for approval. Work program commitments will be as negotiated and set out in the PSCs. The parties intend for the PSCs to be approved in 4Q 2012 so as to enable first phase exploration activities to commence before the end of 2012.

- The foreign counterparty to each PSC would be a consortium of Dart and HPEC, with the foreign equity interest being held in the ratio Dart 80% / HPEC 20%. Dart would be the operator of both projects and may in due course seek to introduce further participants.
- Subject to satisfactory due diligence and legal documentation, Dart and HPEC will also establish a separate consortium to build, own and operate associated downstream assets that will provide a market for produced gas, being one CNG “mother” station and five CNG gas stations in Henan Province, with the equity being held in the ratio of Dart 20% / HPEC 80%. HPEC would be the operator of these facilities, and may in due course seek to introduce further participants.
- Dart will pay various fees and other amounts due in relation to the execution of the PSCs, only if and when the PSCs are approved by MOLAR and MOFCOM.

Dart International Chief Executive Officer, Mr John McGoldrick, said:

*"We are extremely pleased by this important development in our Chinese business, which gives us the opportunity to significantly expand our China activities, through ground-floor entry into potentially high prospect licences – for CBM and for shale – we believe that a number of these could be multi-Tcf propositions. In relation to shale gas, this would make Dart one of the first foreign participants in the rapidly emerging Chinese shale gas industry, alongside some of the majors.*

*We believe that our global activity base and substantial specialist expertise, as well as the excellent work done and reputation built by our China team over the last several years has resulted in Dart International being the industry partner of choice for Henan CBM and Hong Kong Prosperous Clean Energy Company. We are honoured that these esteemed companies have selected Dart International for foreign cooperation, and we look forward to working closely with our new partners on unlocking the resource potential in these assets".*

**ENDS**

For and on behalf of the Board  
Paul Marshall, Company Secretary

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