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CEO on Strategic Outlook

DART ENERGY

Open Briefing with CEO Simon Potter

Dart Energy Limited
Level 11, Waterfront Place
1 Eagle Street
BRISBANE, QLD, 4000

In this Open Briefing®, CEO Simon Potter discusses

- **First 2P reserve certification at PEDL 133 in Scotland**
- **Global portfolio of coal bed methane projects in high demand growth regions**
- **100 well drilling program underway for exploration, appraisal and pilot wells**

Open Briefing interview:

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Dart Energy has just announced its first coal bed methane (CBM) reserve certification in the UK, at your PEDL 133 permit in Scotland. What is the significance of this for Dart Energy?

CEO Simon Potter
This certification confirms our belief in the commerciality of CBM production from PEDL 133 and allows us to now move quickly to gas sales agreements and field development. For Dart Energy the PEDL 133 reserves certification also represents what we expect to be the first of many demonstrations of project commerciality across our portfolio.

We acquired Composite Energy in early 2011 to secure a position in the European CBM market. Europe has all the attributes attractive to us in a CBM market: extensive, unexploited coal basins, a big population of 450 million people that to a large extent is reliant on imports for its gas needs, abundant gas infrastructure and a policy structure which leans in favour of gas, particularly important in light of Germany and Italy's decisions to abandon nuclear power.

This market dynamic is driving some of the highest gas prices in the world – around US$11 per gigajoule – creating the potential for a CBM producer like Dart Energy to earn very high margins. In Europe we expect to be able to retain up to US$5 per unit of gas sold, possibly more if we can achieve breakthroughs in terms of cost of development and operations.

At PEDL 133 in Scotland we are planning a pilot project that will enable early gas commercialisation, and conducting geological and engineering studies so that full field development can start from as early as 2012.

The world's leading independent certifier of CBM resources, Netherland Sewell & Associates Inc (NSAI), of Dallas, has reviewed the PEDL 133 licence and our initial development plans, and based on that review has assessed net 2P reserves of 43 BCF and 3P reserves of 81 BCF.

This required NSAI to conclude that not only is the gas resource present but also that Dart Energy's current development plan renders it economically recoverable. Commerciality is an essential requirement for 2P and 3P reserve certification.

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What does the certification imply in relation to the net present value of PEDL 133 and to the value of Dart's overall portfolio?

CEO Simon Potter
Based on current European gas prices and conservative assessments about the cost of extraction, NSAI's view of the NPV for the initial part of a PEDL 133 development was around two times the US$50 million we paid for Composite as a whole. PEDL 133 is just one licence in our European portfolio, meaning that the value upside embedded in the rest of our European asset base is substantial.

The implication is the same across the rest of our international portfolio. For example, Liulin in China, Sangatta West in Indonesia, Electrosteel in India, LRM in Belgium – each of these has the potential to be similar in scope and size, even in just the initial stage of development, to this first declaration on PEDL 133. Liulin has a certified 3P reserve position almost identical to that in PEDL 133, and we've already established the ability to sell this gas at the equivalent of around US$7.00 per gigajoule with our initial gas sales agreement in China.

This is all before even considering the scale possibilities afforded by our bigger licence prospects such as Dajing in China, USCB in Poland, our two licences in South and Central Sumatra, Indonesia, and the Assam and Satpura licences in India. On top of that there is the entire Australian portfolio, and the targeted new licences that we continue to consider.

We now intend to move swiftly to put in place gas sales agreements for these newly certified reserves in Scotland, to continue to pursue our promise to the market of an ongoing resource maturation program over the next 12-18 months, and to drill the wells and build the infrastructure to allow the gas to be sold and generate revenue.

To our knowledge the PEDL 133 certification is among the first, and certainly the most sizable, CBM reserves certifications achieved in Europe to date. The fact that we achieved this less than six months after we took full control of Composite shows our capacity to be an industry leader in those international markets in which we operate and our ability to create sustainable value.

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In addition to considering the CBM reserves of PEDL 133, NSAI also evaluated the shale gas potential of PEDL 133 and both the CBM and shale gas potential of two of your licences in Poland. What was the outcome of that evaluation?

CEO Simon Potter
NSAI evaluated for the first time the potential of the two licences in Poland recently acquired into the European portfolio – Milejow and USCB – and revisited the shale gas potential of PEDL 133 in Scotland, which it had last considered in 2008. The results were incredibly encouraging. Most notably, initial views on the Dart share of PEDL 133 shale is that a shale gas resource of up to 2.5 Tcf is present, and Milejow represents a potential shale gas play of

up to 25 Tcf. We still need to do further work on this aspect of our portfolio, but these are exciting numbers, by any measure.

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Speaking more broadly than just PEDL 133, Dart Energy Limited has significantly expanded its portfolio of CBM projects since its demerger from Arrow Energy in July 2010. The projects are in a range of locations around the world and at different stages of development. What is the strategic rationale behind the structure of the portfolio?

CEO Simon Potter
The strategic rationale has been to build a sizeable portfolio of highly prospective, but unexploited, CBM assets close to thriving gas markets where there is upside in demand and price.

At the core of our strategy is the ability to access higher margins – the cash per unit of gas production we can retain after taking into account the costs of development, production and fiscal-take. We look for opportunities where there is constrained supply and unfulfilled demand, which leads to higher prices. We look for and have pre-selected project areas that are close to the customer base and/or existing infrastructure, resulting in significantly lower development costs. These two components – higher prices and reduced costs – underpin our access to enhanced margins.

Enhanced margins means that in each of our international areas of operation we expect unit profitability to be higher than is typically realised by CBM producers in Australia, and significantly in excess of that currently being achieved against depressed gas prices in North America, the original cradle of CBM exploitation.

We keep costs low by having an office in each country of operation, managed very much as a local business with direct accountability for local resourcing and performance delivery. We transfer global best practice and technical expertise throughout our operations so as to get maximum value from our experienced CBM staff base. And, with assets close to infrastructure and customers, the time it takes to get gas to market is shorter and smaller volumes of gas can be commercialised than is typical in Australia.

Our broad asset base protects us from risks like prospectivity, appraisal results, pace of commercialisation and the attitudes of partners, authorities and governments. Risk is further mitigated by our ability to move capital swiftly from project to project.

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Shortly after its demerger, Dart Energy acquired Apollo Gas Limited, which gave you a significant CBM acreage position in New South Wales, Australia. Where does Australia fit within your plans?

CEO Simon Potter
Our Australian licences are an important part of our portfolio. The assets have already been assessed to have a substantial resource base, and Australia has an active and advanced CBM sector. But, more than 80% of our licences are outside Australia. In these international markets, the market dynamics, gas prices, ability to generate cash flows and the supply and demand equation are generally more favourable to CBM producers than in Australia.

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Recently there has been considerable debate about the environmental impact of CBM in New South Wales. Can you comment?

CEO Simon Potter
As we see it, CBM should be a part of New South Wales' energy future. CBM is a cleaner source of energy than the predominant fuel of choice, coal, and CBM is a resource that New South Wales has in abundance. New South Wales is committed to reducing its reliance on coal-fired energy, but the state depends almost entirely on importing gas from other states. Renewable energy sources are not yet capable of viably meeting the growing demand for energy in New South Wales, so like in many other parts of the world, CBM is a logical energy source that can bridge as the state's dependence on coal is reduced. CBM can provide New South Wales with a greener energy mix, wealth and job creation opportunities, and a degree of energy self-sufficiency.

The concern in New South Wales about CBM relates primarily to the practice of fraccing, and the potential impact that this might have on water supplies. The CBM industry must work proactively with local communities to allay those concerns, and with regulators to ensure that all CBM participants are subject to appropriate drilling and safety requirements. Our view is that an open and transparent industry operating professionally in accordance with appropriate regulations is the best way to miminise the risks and maximise the benefits for all stakeholders.

We have previously committed to not frac in New South Wales unless deemed acceptable and approved by the relevant authorities, and unless there has been adequate community dialogue. We stand by that commitment. We've also committed to being entirely transparent in our operations and to share information openly with local communities and regulators alike, as we do in all of our international operations.

As I previously stated, one of the benefits of our considerable portfolio is that if our program in New South Wales progresses more slowly than expected we can continue to create value elsewhere in the portfolio by reallocating resources and picking up the pace at some of our other projects. A portfolio strategy will work to our benefit, enabling us to mitigate and manage risk.

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How is Dart's portfolio expected to develop over the nearer term? What progress do you expect to make in terms of reserve certification and production, and in executing your high margin focused strategy?

CEO Simon Potter
The initial phase of our strategy has been realised since we demerged from Arrow Energy about one year ago. We have deepened our asset portfolio, developed a global staff base with effective organisational processes, and secured the funding needed to execute our plans. So far we've delivered on promises we've made in this regard.

As we move into the next stage of our corporate evolution, we will focus on operational matters, undertaking extensive exploration and appraisal activity across the portfolio to rapidly mature the resource base and establish commerciality at multiple projects.

In the immediate future, we have started an aggressive work campaign across our entire licence base. We're planning to spend over $100 million, drilling over 100 wells in the next 12 to 18 months. Nearly half will be exploration wells, and the rest appraisal and pilot test wells. Both are important to ensure we continue to grow the resource base and to mature reserves as a precursor to gas sales.

In the next 12 to 18 months you can also expect to see us starting to spend money on early development activities at our most advanced licences – not just in Scotland, but in China, Indonesia and India as well. This will enable us to generate initial cash flows by mid 2012 and at the same time demonstrate the advantaged levels of margin capture we can achieve.

We also expect to see rapid reserves maturation, with material increases in our 2P and 3P reserve position over the same 12 to 18 month period. But you won't see these reserves languishing on our balance sheet – if there is a commercial development scheme we'll get on and exploit it.

And, we're expecting that exploration activities at our bigger licences, shortly to commence at Dajing in China and then to be rolled out by year end to Indonesia, India and Poland, will start to establish the scale potential of these larger opportunities. Scale and profitability are a compelling combination.

In less than a year since the demerger from Arrow Energy, Dart Energy has deepened its asset base from seven to 36 licences. We have secured a controlling or equal shareholding in 31 of those 36 licences, and we are effectively the operator in all of the licences in which we hold an interest. We have raised capital to fund our accelerated work program, now underway, and we have put in place our first gas sales contract.

In that time we have multiplied seven-fold our certified CBM gas-in-place resource to over 77 Tcf, multiplied eightfold our prospective resource position to over 32 Tcf, and as the certification at PEDL 133 shows, we have begun the process of maturing that substantial resource to saleable reserves.

We expect Dart Energy, come June 2012, to be a company very much further along the path to becoming a significant producer and seller of CBM in multiple markets around the world. This can only be a good thing for our shareholders.

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Thank you Simon.

For more information on Dart Energy, visit www.dartenergy.com.au or call Simon Potter on +65 6508 9840, CEO Australia Robbert de Weijer on +61 7 3149 2100, or Chief Commercial Officer Eytan Uliel on +65 6508 9840.

The reserve and resource estimates used in this announcement were, where indicated, compiled by Dan Paul Smith and John Hattner of Netherland, Sewell & Associated, Inc., 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 Smith and Mr Hattner are qualified in accordance with the requirements of ASX listing rule 5.11 and have consented to the use of the resource figures in the form and context in which they appear in this announcement