Annual Report 2010

DART ENERGY

CONTENTS

ANNUAL GENERAL MEETING

Dart Energy Limited advises that the Annual General Meeting will be held as noted below:

Date: Tuesday 30th November 2010
Time: 10.00am (Brisbane time)
Location: The Long Room, Customs House
399 Queen St, Brisbane

For further information contact:

Mr Paul Marshall, Company Secretary
Tel: +61 (0)7 3212 9212

Dart Energy shares are listed on the
Australian Securities Exchange
ASX Security Code: DTE

ACN 122 588 505

DART ENERGY SUMMARY

Dart Energy Limited ("Dart Energy") was incorporated in Australia (and registered in Victoria) on 9 November 2006 as Arrow Energy International Pty Ltd, a proprietary company limited by shares. Arrow Energy International Pty Ltd was established as a vehicle through which Arrow Energy Limited pursued international coal bed methane (CBM) activities. All international activities and assets were conducted and held via a Singaporean holding company, Arrow Energy International Pte Ltd, which was initially 100% owned by Arrow Energy International Pty Ltd, and subsequently Shell (via a subsidiary entity) acquired a 10% stake in this Singaporean entity.

During 2010, Arrow Energy International Pty Ltd was demerged from Arrow Energy Limited, pursuant to a Demerger Scheme, which was approved by the shareholders of Arrow Energy Limited and implemented in July 2010. As part of the Demerger Scheme, Arrow Energy International Pty Ltd changed from a proprietary limited company to a company limited by shares, and also changed its name to Dart Energy Limited, effective 11 June 2010. The Demerger Scheme document is available for review at www.dartenergy.com.au.

Following the implementation of the Demerger Scheme, Dart Energy was listed on the Australian Securities Exchange (ASX), on 22 July 2010 (ASX code: DTE). Dart Energy's assets consisted of Arrow Energy Limited's former international business and certain Australian assets, namely:

- the ownership of 90% of Arrow Energy International Pte Ltd (the Singaporean incorporated company that owned Arrow Energy Limited's former international assets and conducted all of Arrow Energy Limited's international business). This company has now changed its name to Dart Energy (CBM) International Pte Ltd. The remaining 10% of Dart Energy (CBM) International Pte Ltd continues to be held by a subsidiary of Shell; and
- the ownership of certain Australian assets formerly owned by Arrow Energy Limited, being:
    - 1.4% shareholding in Bow Energy Limited (a company listed on the ASX);
    - 7.5% shareholding in Liquefied Natural Gas Limited (a company listed on the ASX); and
    - 21% shareholding in Apollo Gas Limited (a company listed on the ASX) and the farmin rights to two Apollo licences, being PEL 458 and PEL 464.

Since the implementation of the Demerger Scheme, Dart Energy has also acquired or been awarded certain other assets, namely:

- On 29 July 2010, Dart Energy was awarded two CBM licences as part of the Indian Government's CBM IV bidding round. These are the Assam block (Dart Energy 60% and Oil India 40%) and the Satpura block (Dart Energy 80% and Tata Power 20%);
- Dart Energy acquired a 10 percent stake in Composite Energy Ltd ("Composite") by subscription of US$7 million. Composite is a company engaged in the CBM and shale gas business in Europe and currently holds a portfolio of 15 CBM permits in the United Kingdom and two in Poland. Dart Energy has an option to increase its stake in Composite to 20 percent prior to the end of January 2011 via subscription of an additional US$5 million. Dart Energy also has the further option to increase its ownership to 100 percent, exercisable prior to the end of June 2011, for US$56 million, payable in either cash or Dart Energy shares at the then prevailing market price, or in a combination of cash and shares at Dart Energy's election; and
- Dart Energy has reached agreement with Apollo Gas Limited ("Apollo") to make a recommended offer for all issued securities in Apollo, other than those already owned by Dart Energy. The transaction implies an enterprise value for Apollo of approximately $145 million based on the last traded price of Dart Energy on the ASX prior to the deal announcement. Apollo is a company engaged in the CBM, geothermal and shale gas business in NSW, Australia and currently holds a portfolio of seven CBM permits and two geothermal licences.

Dart Energy is headquartered in Singapore, with offices, local leadership and professional resources in each country of operation. Dart Energy has approximately 80 employees located across Singapore, China, India, Indonesia, Vietnam and Australia. Composite has approximately 25 staff located in offices in the UK and Europe. Apollo has approximately 12 staff and an office located in Sydney, Australia.

DART ENERGY

DART ENERGY'S CORPORATE VISION IS TO BECOME THE FIRST GLOBAL CBM COMPANY.

CHAIRMAN'S LETTER

Dear Shareholders,

Welcome to the first Annual Report of Dart Energy Limited as a listed company. The Board and Management of Dart Energy are excited by the outstanding mix of assets and people that the Company has and by the possibilities and potential to which that leads.

The business of coal bed methane exploration and development remains one that must be conducted by a low cost, commercially nimble and technically flexible company. Whilst, for instance, large scale LNG development is the natural home of the majors, the majority of successes in the CBM business have been at the hands of focused, energetic low cost independents. Dart Energy is already establishing itself as a clear leader in that field.

The Executive team that brought shareholders a substantial value uplift in the 10 years of Arrow Energy remains in place at Dart Energy and has been carefully augmented by some outstanding professionals from the global energy business. This team has a clear intention to take this low cost, fast moving commercially nimble business model, so successfully developed at Arrow Energy in Australia, and to reproduce it in many different geographies – including a rebuilding of the Australian portfolio.

The scope and potential of such a strategy is enormous. The quantity of CBM resources globally matches that of conventional gas but, outside of North America, there are few credible competitors chasing the prize. And out of that small group the Dart Energy team has an established track record of substantial delivery in the CBM business, as well as having a globally differentiated portfolio.

The vision of the Company to become the first global CBM company is not about being big and powerful – it is about being a first mover. In Queensland 10 years ago, the Arrow Energy founders took some very large land positions over proven coal basins – long before the oil and gas industry took notice – and were then able to build and develop those tenements rapidly as soon as the markets were established. Dart Energy wants to do the same in multiple jurisdictions.

Using our knowledge of world coal basins we are working hard to acquire strong tenement positions in the major coal producing areas of the world – before it becomes too competitive. The difference this time is that: (i) we have done it before, and track record and experience are critical; and (ii) for the most part, the markets are already in place – unlike Australia in which establishing a CBM to LNG market was a necessary precursor to unlocking the industry's potential.

As a Board, we are also very pleased that so many of our former Arrow Energy shareholders have remained with Dart Energy after the demerger. Some 18,000 shareholders of Arrow Energy received a Dart Energy allocation and today we have approximately 14,000 shareholders. This provides a very strong base for the new Company. To have loyal shareholders who have lived through the growth of Arrow Energy and now support the Dart Energy team gives a lot of confidence to management.

I would encourage our shareholders to take a close look at our overseas assets. There is a tendency for Australian investors to discount the value of these as they are far away in areas with which they are perhaps less familiar and less comfortable. Conversely management believes that the strong growth of those economies and the demand for energy means that some of these assets are our most valuable. These are quality assets with quality partners in great markets and should reward investors well. With our mixed Australian and overseas portfolio, the Board firmly believes that we have the correct foundations and building blocks to create a strong and profitable company with an exciting growth profile for shareholders.

Dart Energy currently has a Board of five, with three Executive Directors and two Non-Executive Directors. Over the coming months we will be looking to strengthen the non-executive contingent on the Board with the addition of one or more new Directors. As Chairman I will be looking to ensure that the Board is positioned to oversee the correct balance of growth orientation, risk management and mitigation, financial discipline and controls – together with the correct financial motivation and alignment of staff.

In summary, Dart Energy has all the right ingredients: a unique portfolio of quality CBM assets distributed across multiple economies and political jurisdictions; a very strong management team with an established track record of coal, CBM and oil and gas business successes in many different countries; an experienced Board with a track record of developing high growth companies across the resources sector; a deep, loyal and experienced shareholder base; adequate current funding and a well communicated future funding strategy; well established offices, systems, and exploration operations; and, most importantly, a motivated and aligned leadership determined to make this venture successful.

I thank you for staying with us and look forward to your continued participation in the future success of Dart Energy.

Nick Davies
Chairman
Dart Energy Limited

DART ENERGY IS TARGETING:

- 175 PJ of 2P and 1,500 PJ of 3P Reserves by the end of 2011
- Achievement of commercial production rates in 2011
- Gas sales commencing in 2012 or earlier
- Net production to Dart Energy of 70 PJ per annum by 2015

CEO'S REPORT

Dart Energy has established itself as a well-funded and well-managed company with experienced leadership boasting an enviable track record for delivery of shareholder value in the CBM sector. Recent transactions offer considerable portfolio growth whilst providing further optionality and upside. Risk is fundamentally mitigated through the careful choice of partners and the extensive asset base offering exposure to multiple potential high growth gas markets in a variety of jurisdictions and coal basins.

VISION – A GLOBAL COAL BED METHANE COMPANY

The demerger of Dart Energy from Arrow Energy created a company focused on value creation through early stage CBM resource development capable of rapid commercialisation, in proximity to high growth gas markets, with significant upside potential in pricing, demand and reserves augmentation.

Whilst a newly listed entity, Dart Energy is certainly not a new company, inheriting staff, offices, systems, processes and momentum from Arrow Energy International, as well as a portfolio of highly prospective assets with associated accumulated data, know-how and intellectual property. Importantly, Dart Energy also inherited strong in-country relationships via partnerships with leading state and private enterprises in each of its operations. Together, the assets, the people, the knowledge and the relationships have assured a continuity of purpose and intensity of operation.

STATED OBJECTIVES – INTO DELIVERY

Dart Energy has been listed for less than four months, but already in that time the management team has achieved many things to further establish the business whilst creating sound foundations for growth. We have:

Secured adequate funding for the near-term objectives of the business – through a A$35 million equity raising – which is in addition to the cash balance at listing of approximately A$20 million and an as yet undrawn US$25 million loan facility to be provided by Shell. We have also clearly communicated our future funding strategy.

Established a highly experienced management team – at a corporate level and in-country. This leadership team is capable of leading our dynamic, growth-oriented international business over the coming years, based on experience and a track record of delivery across all aspects of the CBM operations cycle and value chain.

Grown our asset base by securing new tenements in our existing geographies – through the award of two CBM – IV blocks in India and the Dajing PSC in China. In both areas we have already begun the necessary negotiations to allow us to commence work in the permits at the earliest possible opportunity.

Expanded the footprint of our business – by way of the investment in Composite Energy, with licence holdings in the UK and Poland, whilst looking to grow that business further by acquiring additional new licences in similar basins across Europe. Further, our interest in Composite Energy brings us a partnership with British Gas (BG) in shale gas which could then leverage additional interests in shale across the remainder of the portfolio.

Progressed assets rapidly towards commercialisation – notably with the signing of the Liulin gas sales agreement in China, but also through progressing early pilot to market programs in a number of countries of operation.

Continued with programs to grow our resource base – having announced the addition of NSAI certified resources in India, as well as those CBM and shale certified resources that will come with an anticipated Composite Energy buy-out.

Taken the next step in creating a business of scale in Australia, through the intended acquisition of Apollo Gas – this, consistent with our stated strategy of 'grow big, grow fast', will give our Australian business optionality, critical mass and momentum with which to grow further.

The combination of activities has afforded us the opportunity to establish aggressive near and medium term targets such that across the expanded portfolio by the end of 2011, Dart Energy intends to:

- Secure four new licences or production sharing contracts;
- Execute six new pilot projects; and
- Negotiate two new gas sales agreements.

This activity underpins targets of 175 and 1,500 PJ's of 2P and 3P Reserves respectively in the same timeframe, and a net production target of 70 PJ's per annum by 2015. The enlarged and combined portfolio furthers the Dart Energy ambition to be a truly global CBM company.

Our diversity of assets, established culture of innovation and a track record of delivery has allowed Dart Energy to attract the best staff. The dynamic nature of the Company and the offer of stimulating opportunities to acquire and transfer learning across different geographies, basins and jurisdictions means we are confident we will not only be able to retain our employees, but continue to develop and motivate them further whilst continuing to foster our 'can-do' culture.

Sound Asset Base

Dart Energy inherited from Arrow Energy International a differentiated asset base with a mix of Australian and international permits in carefully selected, technically high-graded basins co-located with sizeable, unsatisfied and growing gas markets. Importantly, the countries in which we are focused contain substantial coal fields, which in turn contain large, untapped gas resources aggregating to over 1,000 Tcf. Many of these basins are substantially under-explored for their potential to be sources of CBM, and indeed in many areas the basis of licensing is still emerging. This has provided, and continues to provide, a breadth of opportunities to partner with significant local enterprises to secure early acreage positions.

We believe that from here it is important to develop an asset base that is further differentiated not only by geography and geology but by relationship to the market. To that end, in each country of operation, we are developing an asset base with a blend of 'pace' and 'scale'. 'Pace assets' are those that we are able to commercialise quickly by selling gas locally with minimal infrastructure development thus providing the ability to monetise gas with little delay. By their nature, these assets will likely be smaller, lower risk developments but establish proof of concept in new CBM territories and will provide Dart Energy with early cashflow.

Examples of these kind of projects within our existing portfolio are Liulin (China), Sangatta West (Indonesia), PEL 458 (Newcastle, Australia), Hanoi (Vietnam) and CMM projects in India.

Complementing these resources are our 'scale assets' which by their nature are larger developments which will take longer to establish and bring to market, requiring significantly more investment in wells and infrastructure but have the potential to transform the enterprise. Upside in these developments is in their absolute size and likely pricing regime. Examples of these kinds of projects within our portfolio are Dajing (China), South Kalimantan (Indonesia), CBM IV and farmin opportunities in India.

Expanding the portfolio with the Composite and Apollo transactions brings in assets which further complement this approach, with 'pace' opportunities being Composite's Airth project and Apollo's coastal NSW licences and 'scale' upside for Composite in continental Europe and for Apollo in the Upper Hunter valley.

Shell remains associated with Dart Energy through their 10% ownership of Dart Energy (CBM) International (formerly Arrow Energy International). This is the company that currently holds the international assets in China, Indonesia, Vietnam and India (excluding CBM III licences). Those assets in Australia and any new additions to the portfolio, including Composite and Apollo, can be held outside of this company by Dart Energy. Further, all back-in rights that Shell previously held in regard to Arrow Energy International assets were foregone as part of the Demerger Scheme.

Adequate Funding

At the time of the Demerger Scheme, Dart Energy had cash resources of approximately A$20 million.

As advised at that time it was expected that an additional A$75 million would be sought via equity capital raisings to fund the then existing capital program to the end of 2011.

Contemporaneously with listing on the ASX, Dart Energy raised A$35 million (undertaken at A$0.69 per share), via a private placement of shares in Dart Energy to institutional investors, to leave Dart Energy with presently approximately 420 million ordinary shares on issue.

Taking into account this placement and business development activity since then, it is expected that additional funding in the range of A$50-A$75 million will be required to fund the Company's proposed 2011 work programs. As foreshadowed in the Demerger Scheme documentation, a capital raising is likely to be undertaken by way of a pro-rata entitlement offer to all Dart Energy shareholders (which, if the offer for Apollo is accepted, would at that point include Apollo shareholders).

The decision to undertake a capital raising (if any) is subject to a number of considerations including funding requirements, market conditions and a range of other factors that may be outside the control of Dart Energy. The amount to be raised, the issue price of Dart Energy shares to be issued and the structure of any capital raising are still undecided and will not be finalised until closer to the time when the capital raising is to be undertaken.

In addition, subsequent to the completion of the demerger from Arrow Energy Limited, Shell committed to provide a loan facility of US$25 million to Dart Energy, subject to Dart Energy securing at least one new licence or PSC. This facility is presently undrawn.

Progressing the Strategy

Dart Energy's strategy is leveraged by a combination of commercial, technical and execution skills, namely:

Market driven – In each of our areas of operation it is the growing and unsatisfied market demand for gas that defines the opportunity-set, the scale of the prize and the options for upside. In many of the markets in which we operate there is government policy stimulus to increase the market penetration of gas and increase usage as a contribution to a 'greener' energy mix. A combination of proximity to market (thus minimal infrastructure costs), with subsidies and fiscal relief (thus advantaged pricing), go to supporting higher margins in these areas of significant demand. It is the breadth and depth of exposure to these market fundamentals that we believe truly differentiates the quality and potential of the Dart Energy portfolio.

Application of core skills – Dart Energy derives considerable intellectual property and competitive advantage from the experience of its employee base, which was a core part of the Arrow Energy team that had drilled over 600 CBM wells and 200 surface to in-seam wells. Their innovation in development options provides confidence that we will be able to commercialise smaller volumes, increase productivity and thus underpin margins. We believe that this development technology and experience focus – advanced steering, multiple seam/lateral completions, fracture stimulation – is a key differentiator of Dart Energy with host governments and partners alike.

Competitively costed – A history and culture of being a low-cost operator is at the heart of success in the CBM 'manufacturing' business. Only a relentless focus on costs, even with the most elegant of technical solutions, will ensure progress to a successful development. CBM is an extraction industry where the capital sunk into the ground needs to be minimised for any given recovery rate of CBM. Cost or schedule overruns will not only erode margins but will sink projects.

Each of these elements is easy to describe but may not easily be replicated. The entry cost for competitors is high and often the gestation period is long. A combination of the Arrow Energy skills and experience heritage in conjunction with a persistence in the international arena over the last few years has delivered Dart Energy a unique portfolio of assets and opportunities.

Thus, in summary, despite only being listed for a matter of months:

- Dart Energy has secured adequate funding for the business and established an experienced leadership to drive growth whilst mitigating risk.
- Our declaration of resources has been extended and the portfolio expanded both within our existing countries of operation and into new geographies and markets.
- We are moving rapidly to early commercialisation of gas in a number of countries of operation through gas sales contracts and a range of pilot projects.
- We have taken the opportunity, based upon this extended, expanded and accelerated portfolio, to establish clear targets for delivery in both the short and medium term.

These are exciting times for Dart Energy.

Simon Potter
Chief Executive Officer and Managing Director
Dart Energy Limited

CORPORATE OVERVIEW

Corporate vision

Dart Energy's corporate vision is to become the first global CBM company.

Corporate purpose and objectives

Dart Energy has the following objectives:

- to create value for shareholders and key stakeholders by applying its experience and skills to discover, define and develop unconventional gas resources capable of rapid commercialisation;
- to establish its presence in high growth markets before competitors and create multiple monetisation options – both technical and commercial;
- to lead the industry sector in terms of safety and environmental care, innovation, operational and commercial excellence and profitability; and
- to make a difference for host countries by providing cleaner, safer, more cost-effective energy solutions.

Business strategy

Dart Energy's business strategy will be focused:

- in the near-term, on progressing exploration activities on its portfolio of exploration tenements, with a view to achieving near-term reserves certification, production and gas sales;
- on securing additional exploration tenements in existing countries of operation and select new geographies, sourced from the current pipeline of prospective business development opportunities; and
- in the longer term, on developing and maintaining a balanced portfolio of exploration, development and production assets.

Dart Energy's business strategy is founded on a corporate philosophy of commercialising the resource base to provide its shareholders with both ongoing growth in the portfolio and long-term, sustainable cash flow.

In order for Dart Energy to deliver on its purpose, it will pursue a business strategy undertaking CBM and unconventional gas exploration, development and production activities where those activities are risk mitigated by being:

- low cost;
- technically high-graded;
- capable of being leveraged through the application of Dart Energy's core skills and experience, preferably as operator; and
- commercially advantaged through access to high demand growth markets and higher prices.

Dart Energy's culture and core competencies are vested in the processes, systems, experience and knowledge derived from its management's prior track record in growing the Arrow Energy business in Australia (prior to the acquisition of that business by Shell and PetroChina in August 2010), and internationally.

Operational and commercial targets

Consistent with its strategy and corporate objectives, Dart Energy will undertake in the near-term a number of CBM exploration and development programs as part of its minimum work obligations under various licences and production sharing contracts (PSCs). Dart Energy is currently aiming to achieve the following commercial targets with respect to production and reserves from its portfolio of assets (including for these purposes Composite and Apollo assets):

- incremental resource and Reserves certifications during 2010 and 2011;
- a 2P Reserve target by the end of 2011 of 175 PJ (net Dart Energy share) and a 3P Reserve target by the end of 2011 of 1,500 PJ (net Dart Energy share);
- achievement of commercial production rates during 2011;
- gas sales commencing in 2012 or earlier; and
- achieving net production to Dart Energy of 70 PJ per annum by 2015.

The Dart Energy Directors believe that these targets are achievable based on current development plans of the existing portfolio (Dart Energy plus Composite plus Apollo assets), with incremental upside from potential portfolio additions that have a high probability of being granted to Dart Energy.

The international CBM landscape

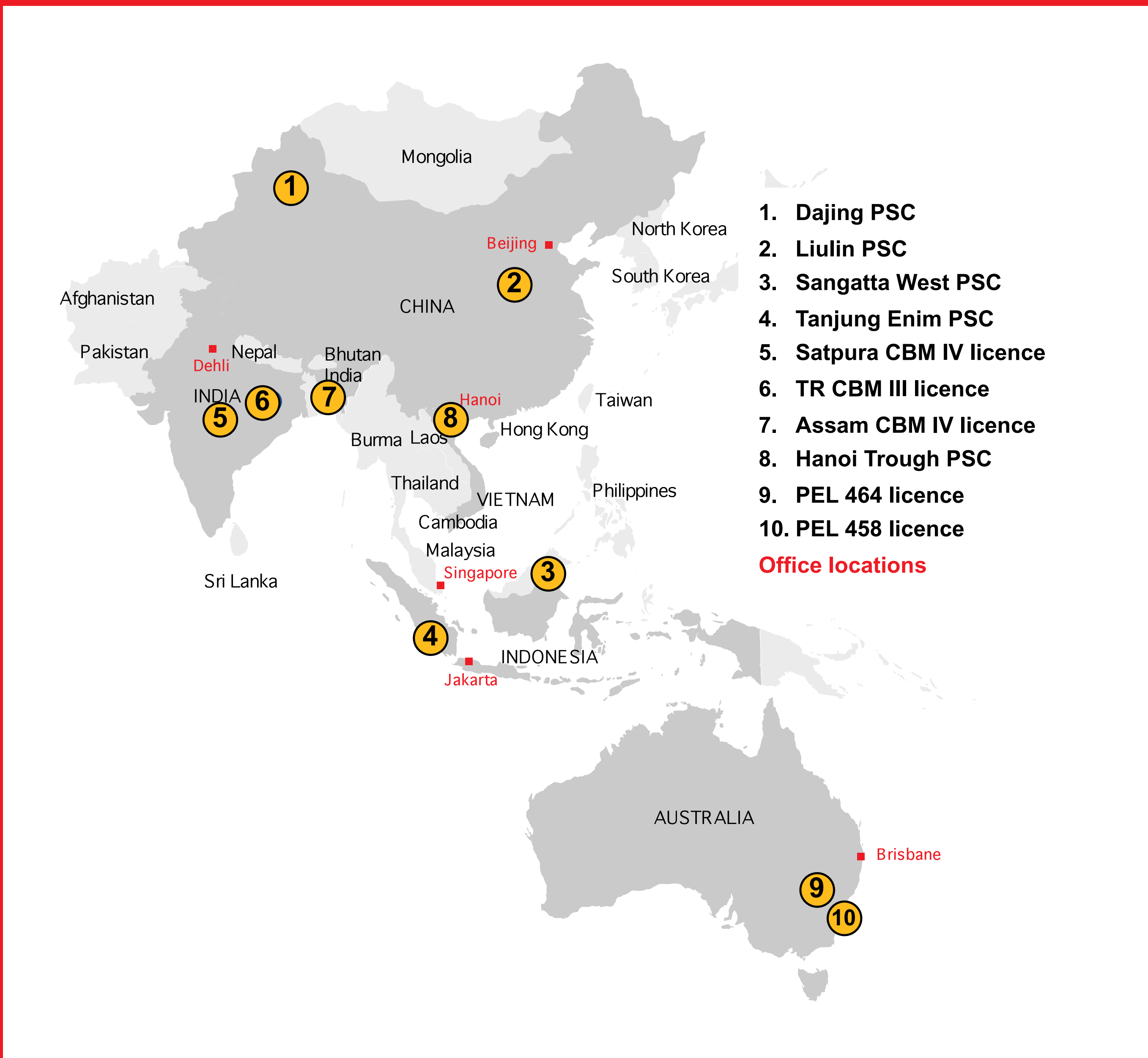
CBM has been proven as a viable energy source in North America, where commercial CBM production has been part of the North American energy mix for more than three decades. Over the last decade, CBM has been established as a commercial source of energy in eastern Australia. Outside of North America and Australia, CBM rich areas have not been explored or developed extensively, due in part to previously available conventional gas resources, lack of technical expertise for commercial CBM extraction, an inadequate contractor base and the need for infrastructure development.

Dart Energy believes that CBM is now positioned to provide an alternative source of cleaner energy into an increasingly energy constrained world. Dart Energy also believes that it will be possible to replicate the success of the Australian and the North American CBM industries in the markets of Asia, Europe and Africa. Indeed, in many respects the nature of these markets present an even more attractive commercial CBM prospect than the US and Australia.

PRINCIPAL ACTIVITIES

Dart Energy's CBM activities are currently focused in a number of countries, being Australia, China, Indonesia, India and Vietnam. Activities include exploration, appraisal and commercialisation of CBM assets in these countries.

Dart Energy's asset locations



Summary details of Dart Energy's countries of operation and relationships in each country are set out below:

Country	Relationships	Projects	Comments
China	FORTUNE, PetroChina	**Dajing PSC[1]** **Liulin PSC**	• Strong expected growth in gas demand, established supporting infrastructure and attractive netback gas pricing • Dart Energy's focus is on greenfield CBM development, farming in to existing CBM developments and CMM (mine de-gassing) • Focus on high potential Xinjiang Autonomous Region and Shanxi / Shaanxi Provinces • Credible relationships to enhance value of projects
India	TATA STEEL, ELECTROSTEEL, ongc, TATA POWER, GAIL	**TR Block** **Satpura – CBM IV** **Assam – CBM IV**	• India is characterised by a large population, energy intensive industries and substantial industrial demand and is expected to be a significant and growing market for natural gas in the future • Dart Energy's focus is on Central and Eastern Indian coalfields • Strong partnerships in place
Indonesia	EPHINDO, PERTAMINA, BukitAsam, adaro	**Sangatta West PSC** **Tanjung Enim PSC**	• Indonesia is a highly prospective CBM country with developed gas infrastructure, strong local demand and established local and export gas markets • Recent supportive Government measures are expected to accelerate development of Indonesia's CBM industry • Dart Energy's focus is on projects in the resource-rich South Sumatra and Kalimantan areas • Credible partners to enhance value of projects
Vietnam	PETROVIETNAM	**Hanoi Trough PSC**	• Vietnam has c.25 Tcf of proven natural gas resource and has a significant supply-demand imbalance, with developed gas infrastructure and strong local demand • Partnership in place with PetroVietnam
Australia	APOLLO GAS	**PEL 458** **PEL 464**	• Equity stake in Apollo (c.21%) – emerging CBM player in New South Wales, Australia. Dart Energy holds farmin rights to up to 50% of two Apollo exploration blocks and has made an offer to acquire 100% of Apollo • Equity stake in Bow Energy Ltd (1.4%) now with c.2.2 Tcf of net 3P Reserves • Equity stake in Liquefied Natural Gas Ltd (7.5%) – LNG project developers

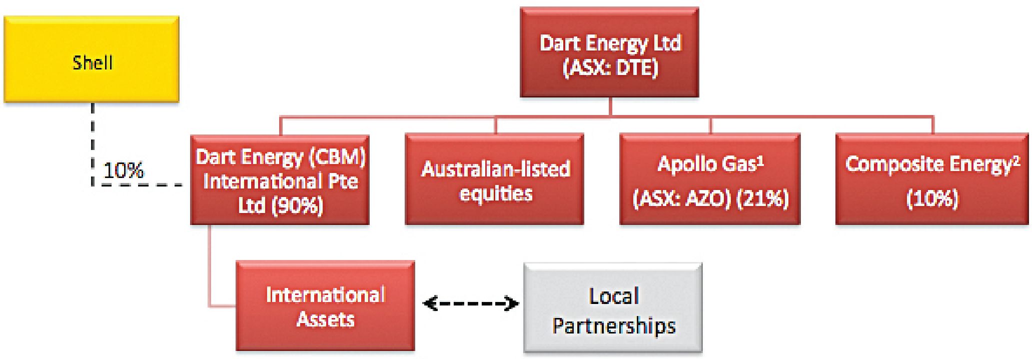
(1) Pending final regulatory approval from MOFCOM

Dart Energy's activities to date have included securing or acquiring interests in CBM exploration licences or PSCs, interests in CBM related companies or securities, establishing a local business in each country of operation and developing a strong pipeline of further business opportunities in existing countries of operation and various new geographies.

Subsequent to listing on ASX in July 2010, Dart Energy acquired a 10 percent stake in Composite Energy Limited ("Composite") in September 2010 by subscription of US$7 million. Composite is a company engaged in the CBM and shale gas business in Europe and currently holds a portfolio of 15 CBM permits in the United Kingdom and two in Poland. Dart Energy has an option to increase its stake in Composite to 20 percent prior to the end of January 2011 via subscription of an additional US$5 million with a further option to increase its ownership to 100 percent. This final option is exercisable prior to the end of June 2011, for US$56 million, payable in either cash or Dart Energy shares at the then prevailing market price, or in a combination of cash and shares at Dart Energy's election.

On 28 September 2010, Dart Energy announced it had reached agreement with Apollo Gas Limited ("Apollo") to make a recommended offer for all issued securities in Apollo, other than those already owned by Dart Energy. The offer will comprise of three Dart Energy ordinary shares for every four Apollo ordinary shares; and three comparable Dart Energy options for every four Apollo options. Apollo is engaged in the CBM, geothermal and shale gas business in NSW, Australia and currently holds a portfolio of seven CBM permits and two geothermal licences.

Dart Energy can be summarised diagrammatically as follows:



(1) Dart has made an all scrip offer to acquire those shares in Apollo it does not already own.
(2) Dart has a series of options to increase its holding in Composite Energy to 100% over time.

Dart's current portfolio of assets (inclusive of Composite and Apollo Gas) can be summarised as follows:

	DART ASIA				DART AUSTRALIA	DART EUROPE	PORTFOLIO
	CHINA	INDONESIA	INDIA	VIETNAM	APOLLO	COMPOSITE	
CURRENT BLOCKS	2	2	3	1	7	17	32
GEOGRAPHIES	1	1	1	1	1	2(+4 pending)	7+
COAL BASINS	2	2	2	1	2	4	13
CURRENT ACREAGE (km^2)[1]	4,152	385	1,285	2,601	23,600[2]	3,200	35,223
RESOURCE (all gross TCF, per NSAI)[3]							
CBM OGIP	7.4	1.1	2.6	0.8	1.3	18.1	31.3
CBM Prospective Resource	3.5	0.3	1.7	-	-	8.6	14.1
CBM 2C Resource	0.2	0.3	-	0.3	0.5	0.8	2.1
CBM 3P Reserve	0.1	-	-	-	-	-	0.1
SHALE OGIP	-	-	-	-	-	1.2	1.2

(1) The reserves and resources estimates used throughout this Report were, unless otherwise indicated, compiled by John Hattner of Netherland, Sewell & Associates, Inc., Dallas, and are consistent with the definitions of proved, probable and possible hydrocarbon reserves that appear in the Australian Securities Exchange (ASX) Listing Rules. Mr Hattner is qualified in accordance with the requirements of ASX Listing Rule 5.11 and consents to the use of the reserves and resources figures in the form and context in which they appear in this Report.
(2) In addition, Apollo has approximately 3,500 sq km of geothermal exploration licences.
(3) Working interest Resources will ultimately be the share of Resources attributable to Dart and will be net of fuel, flare and shrinkage.

Additionally, Dart Energy has and continues to explore business expansion opportunities in existing countries of operation, in new geographies and in complementary fields of activity. Going forward, Dart Energy's focus will remain on the development and commercialisation of its portfolio of CBM interests in each of the existing countries of operation, as well as selective expansion into new territories and areas of complementary activity.

Dart Energy is headquartered in Singapore, with offices, local leadership and professional resources in each country of operation. Dart Energy has approximately 80 employees located in offices across Singapore, China, India, Indonesia, Vietnam and Australia. Apollo, for whom Dart Energy has made an all scrip offer for those shares it does not already own, has an office in Sydney and approximately 12 staff. Composite, in which Dart Energy has a strategic investment and an option to move to 100% ownership, has approximately 25 staff located in offices in the UK and Europe.

Indonesia

Indonesia market overview

Indonesia has Asia's third largest population, and in areas of high population density (especially the island of Java) there is an energy supply-demand imbalance, with domestic oil and gas demand growing strongly but production declining. In other areas, significant gas intensive industries exist, such as the Bontang LNG plant in Kalimantan, which is amongst the world's largest LNG production facilities.

The Bontang LNG plant is currently operating significantly below capacity due to shortages of gas feedstock. The estimated gas shortfall in Indonesia is c.900 mmscf/day. Accordingly, Dart Energy believes that Indonesia has a significant and growing market for natural gas, including CBM, although a specific plan needs to be developed for each Indonesian "sub-market", given that Indonesia is geographically comprised of many islands, and each has unique gas demand, supply and infrastructure considerations.

Indonesia has vast coal deposits and there are many areas with potentially large gas and CBM reserves, scattered across the entire Indonesian archipelago. Gas supply prices in Indonesia have increased sharply over the last few years but still remain at levels about one third that of oil-price equivalent.

Indonesia CBM market overview

Indonesia is considered to be one of the most CBM resource rich countries in Asia. Estimates of resource base vary, although a government estimate of 453 Tcf is often quoted.

Dart Energy has focused its activities in Indonesia in two regions – South Sumatra and Kalimantan – which Dart Energy considers to represent the best prospects for establishing a successful CBM business in Indonesia. These two regions are estimated to account for 60% of Indonesia's CBM resources.

They also have developed gas infrastructure and established local and export gas markets and are, for different reasons, experiencing gas supply-demand imbalances.

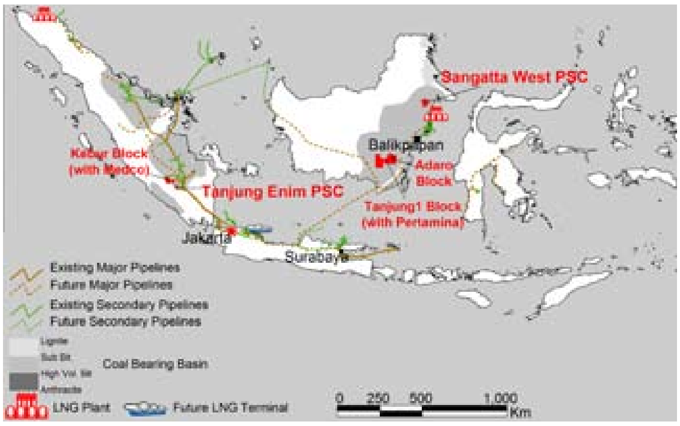
South Sumatra is proximate to Java, the main population centre of Indonesia (over 120 million people), which is energy and gas short. Pipeline infrastructure already exists to transport gas from South Sumatra to this market.

East Kalimantan is short of gas. In particular, the Bontang LNG plant is operating at well below capacity due to declining conventional gas supply. Kalimantan has highly developed coal infrastructure as well as gas pipeline infrastructure, primarily servicing the Bontang LNG plant.

Dart Energy's strategic themes for Indonesia

Dart Energy's Indonesia strategy has the following primary themes:

- a focus on two specific regions of Indonesia with extensive coal resources and attractive technical and business characteristics for CBM, being the South Sumatra and Kalimantan regions;
- a focus on establishing and maintaining partnerships with major oil, gas and coal companies who can deliver in-country expertise and assist with access to tenements;
- in Kalimantan, an LNG focused strategy given the principal user of gas in that region is the Bontang LNG plant;
- in Sumatra, a local and West Java market focused strategy where there is considerable supply/demand imbalance; and
- a long-term strategy to be an industry consolidator given the relatively high number of smaller CBM blocks awarded and the widely dispersed current ownership of those blocks.



Indonesian Assets

Sangatta West PSC

The Sangatta West block covers 77 sq km and is located in Kalimantan, Indonesia, approximately 50km north of the Bontang LNG plant. There are a number of active coal mines in proximity to the PSC area. The block is subject to a 30 year PSC under which Sangatta West CBM Inc ("SWCI") will explore the block for CBM. Under the PSC, SWCI has a 48% participating interest in the block and is the operator with PT Pertamina (Persero) holding the remaining 52% participating interest.

Dart Energy has farmed in to the block by acquiring a 50% equity interest in SWCI, such that Dart Energy has a 24% underlying interest in the Sangatta West project. The balance is held by Ephindo-Ilthabi CBM Holding Inc ("Ephindo"), a privately held Indonesian CBM company. Dart Energy and Ephindo are jointly operating the block through their joint ownership of SWCI, with Dart Energy having primary responsibility for technical and operating issues.

Exploration drilling on Sangatta West commenced in late 2009. To date, three exploration wells have been drilled and initial technical results have been encouraging. Dart Energy and Ephindo are currently evaluating a number of options to establish a pilot to power project, which would lead to early commercialisation of the resource on the block. Dart Energy is targeting reserve certification at Sangatta West during 2011. Ultimately, should there prove to be a resource of sufficient scale, export of the gas to the Bontang LNG plant would create considerable upside in both offtake volumes as well as pricing. Pertamina has estimated there will be as many as two trains of latent LNG capacity at the plant in the coming years.

The Sangatta West block currently has 0.59 Tcf of gross OGIP and 0.31 Tcf of gross 2C resource as certified by Netherland, Sewell & Associates Inc.

Tanjung Enim PSC

Dart Energy holds a 45% participating interest in the Tanjung Enim PSC in South Sumatra, over an area of approximately 308 sq km, together with partners PT Bukit Asam, a local coal mine owner and operator (27.5%) and Pertamina (27.5%). Dart Energy is the operator. The block has good gas prospects and is close to the main South Sumatra pipeline. All parties to the PSC are currently finalising the joint operating agreement.

Dart Energy plans to commence a six well exploration drilling program at Tanjung Enim during the latter half of 2010.

The Tanjung Enim block currently has 0.47 Tcf of gross OGIP and 0.31 Tcf of gross prospective resource as certified by Netherland, Sewell & Associates Inc.

Indonesia business development activity

Dart Energy is pursuing a number of business opportunities in Indonesia that include applications for new PSCs and farmin agreements.

A joint evaluation study of the Kebur block, covering 1,250 sq km in South Sumatra, was completed in the first half of 2010. This study was undertaken with Medco Energy, an Indonesian oil and gas company, and a PSC application has been made to the Indonesian Government which is currently pending.

Dart Energy expects to be awarded the PSC licence for the Kebur block, and is targeting this to occur by the end of 2010.

In South Kalimantan, Dart Energy conducted a joint evaluation study with PT Adaro covering over 3,000 sq km for three blocks – Tanjung-1, Tanjung-2 and Tanjung-3 – which overlap and are adjacent to the Adaro coal mining areas. An application for up to three PSCs covering these areas been submitted and is pending approval from the Indonesian Government.

Dart Energy expects to be awarded all or some of these PSC licences, and is targeting this to occur by the end of 2010.

China

China market overview

Natural gas is China's fastest growing major energy source. The Chinese gas market is still comparatively small, with gas consumption per capita around 0.04 thousand cubic metres (compared for example with 2.07 thousand cubic metres per capita in the US).

Given this low per capita gas consumption and the high rates of expected economic growth over the coming decades, there is large potential for growth in Chinese gas consumption as it services rapidly growing power, city gas and industrial sector demand. China presents a significant opportunity for Dart Energy with strong expected growth in gas demand, established supporting infrastructure and attractive netback gas pricing.

Currently, proved developed gas reserves in China are estimated at approximately 30 Tcf with proved developed and undeveloped reserves estimated at approximately 68 Tcf. Estimates suggest that China's undeveloped gas resource base could be in excess of 1,800 Tcf with approximately 80% found onshore. The Chinese market is state sanctioned with PetroChina holding a leading position in the upstream gas business with approximately 83% of China's reserves, followed by Sinopec with approximately 9% and CNOOC with 7%.

Gas supplies in China are primarily serviced by domestic production and supplemented by increasing Liquefied Natural Gas (LNG) and pipeline imports. Including imports, total gas supply is projected to rise to approximately 10 Tcf per annum by 2025.

Whilst China is evolving into a market economy with prices for most commodities being market set, natural gas is considered an "energy commodity" and thus the Chinese government to date has largely maintained price control with China's natural gas prices remaining comparatively low.

The Chinese Government has, however, recognised the need for price reform and it is expected that the wellhead price for natural gas will be set by the market in the future. If current international oil and gas prices are maintained, this could potentially see prices rising substantially.

The Chinese Government has shown significant interest in developing the gas market and has made considerable investments in exploration, production, pipelines and processing plants. Import projects for LNG and pipeline gas are also under development.

China CBM market overview

Compared to the other Asian markets in which Dart Energy operates, China has a relatively long history of CBM development with total CBM resources estimated at 1,250 Tcf.

Currently there are approximately 25 Chinese companies holding CBM licences including PetroChina, Sinopec, China United Coalbed Methane ("CUCBM") as well as other entities including smaller local CBM companies, coal mining companies and provincial geological bureaus. CUCBM and PetroChina own the majority of Chinese CBM licences but have limited experience in CBM exploration and development.

Whilst CBM pricing in China is not regulated and CBM producers are able to compete for market prices, CBM pricing is benchmarked to price controlled natural gas and thus pricing achievable for CBM generally mirrors natural gas pricing.

There are 13 major coal-bearing basins in China where large CBM resources are concentrated. Dart Energy has conducted extensive market studies of all the key CBM basins in China.

Dart Energy's strategic themes for China

Dart Energy's China strategy has the following primary themes:

- a focus on two specific regions of China with extensive coal resources and attractive technical and business characteristics for CBM, being Xinjiang Autonomous Region in Western China and Shanxi / Shaanxi Provinces in Central China;
- a focus on securing and maintaining relationships and partnerships with local oil, gas and coal companies, including in particular state-owned enterprises, which can deliver in-country expertise and assist with access to PSCs; and
- a multi-tiered approach to its CBM business in China, seeking greenfield CBM development via PSC participation, farming in to existing CBM projects and establishing CMM (mine de-gassing) projects.

China Assets

Dajing PSC Block

The Dajing block covers an area of approximately 3,969 sq km and is located in the East Junggar Basin in Xinjiang Province. The block is supported by existing infrastructure including the West-East pipeline (150km south of the Dajing block).

On 31 May 2010, PetroChina and Dart Energy signed a PSC to explore for natural gas within the Dajing block, whereby PetroChina will hold a 51% interest and Dart Energy will hold a 49% interest. Under the PSC, Dart Energy will act as operator.

The PSC arrangement is awaiting regulatory approval from the Chinese Ministry of Commerce ("MOFCOM"). Depending on approval timing, Dart Energy intends to commence a 14-well exploration campaign in early 2011.

The Dajing block currently has 6.59 Tcf of gross OGIP and 3.48 Tcf of gross prospective resource, as certified by Netherland, Sewell & Associates Inc.

Liulin PSC Block

The Liulin block is a CBM project covering 183 sq km and is located in the eastern part of the Ordos basin, approximately 500km southwest of Beijing. There are a number of active underground coal mines in proximity to the PSC area.

The block is currently held by CUCBM which has entered into a 30-year PSC with Fortune Liulin Gas Company ("FLG") to explore for CBM. Under the PSC, FLG has a 50% participating interest in the block and is the operator.

In December 2009, Dart Energy farmed in to the block by acquiring a 35% equity interest in FLG with a series of options to increase its equity interest in FLG ultimately to 75%.

Dart Energy's current effective interest in the Liulin block is 17.5%, which can be increased to 37.5% if all FLG options are exercised. The first such option, to increase Dart Energy's stake in FLG to 45%, must be exercised prior to 31 December 2010.

Dart Energy jointly operates the block by virtue of its shareholding in FLG, with primary responsibility for technical and operating issues.

The PSC exploration period for the block currently runs to 29 March 2012. Since January 2010, FLG and CUCBM have engaged in an extensive pilot drilling and testing campaign on the Liulin block.

In early 2010, the Liulin block was awarded Chinese reserve certification, which is a necessary precondition to the preparation of an Overall Development Plan (ODP) for the block. FLG is currently working towards an ODP application for the Liulin block being submitted during 2011.

In October 2010, an initial 15-year Gas Sales Agreement for the Liulin block was concluded, for an annual volume of 1.4 Bcf, commencing 1 July 2011, with take-or-pay arrangements commencing 1 July 2012. Initial prices for the gas under this agreement will be in the order of US$6.60 / Mcf, subject to annual review and escalation.

The Liulin block currently has 0.81 Tcf of gross OGIP, 0.24 Tcf of gross 2C resource, 85 Bcf of gross 3P Reserves and 50 Bcf of best estimate prospective Resource, as certified by Netherland, Sewell & Associates Inc.

Far East Energy Corporation Investment

In March 2009, Dart Energy invested US$10 million into Far East Energy Corporation ("FEEC"), in the form of a convertible note. FEEC is a US-listed company with five CBM PSC assets located in Shanxi and Yunnan Provinces in China. If converted, the note would make Dart Energy one of the largest shareholders in FEEC. The convertible note is redeemable in March 2011, if not converted before, and earns an 8% coupon. The convertible note is a first ranking debt obligation of FEEC.

At the same time, Dart Energy entered into a farmin agreement that would have seen Dart Energy farmin to a 75% operating position in the Qinnan block, one of FEEC's PSCs in China. The farmin is conditional on various regulatory approvals and an extension of the PSC exploration period, which have not been obtained. Dart Energy's expectation is that the Qinnan farmin will not complete and thus Dart Energy's current intention is to redeem the convertible note in March 2011.

Terminated activities

Dart Energy holds an 80% interest in an incorporated joint venture with the Urumqi Geological and Exploration Development Company of Xinjiang Geological Survey. This incorporated joint venture was set up for the purpose of CBM exploration and development in Xinjiang Province. Due to changes in the CBM regime since the establishment of this joint venture it has been unable to move forward as originally planned. Both partners have mutually agreed to terminate the venture and the process is expected to be completed by the end of 2010.

Pursuant to a heads of agreement, Dart Energy provided technical input to the two drilled CMM test wells at the Binchang mine for demonstrative degassing purposes. This project has been concluded and will not proceed to a longer-term commercial relationship.

China business development activity

Dart Energy is in the process of evaluating additional new PSC prospects and potential farmin opportunities in various regions of China. A number of prospective blocks have been identified and discussions are ongoing. Local management is also tasked with maintenance and leveraging of strategic relationships with a view to creating further business development options.

India

India market overview

The Indian market is characterised by strong energy demand driven by a large population and energy intensive industries. This strong demand and limited local energy supply has created a significant and growing market for natural gas.

Total 1P reserves of natural gas have been estimated at 38.5 Tcf with most production from the western offshore gas area. The onshore fields in Assam, Andhra Pradesh and Gujarat States are the other major producers of gas.

Recently there has been substantial development of gas infrastructure in India with a focus on city gas distribution projects and increasing gas availability to the household and transport sector. It is estimated that in the next seven to eight years over 100 cities will be converted to gas with further conversions to follow.

Other infrastructure being developed includes gas transmission pipeline networks, gas processing facilities and other supporting infrastructure.

Historically the Indian market has been supply driven with gas prices fixed via an administered pricing mechanism. There has been a gradual movement toward a more demand-led gas market and unregulated pricing, which has seen significant increases in wellhead prices.

Dart Energy believes that with these fundamental improvements the Indian market supports the prospect for development of a sizeable, profitable CBM business.

India CBM market overview

India has an estimated 200 Tcf of CBM resources. The CBM industry is still at the early exploration stage and is largely undeveloped.

The Indian Government has formulated a development strategy focused on the award of CBM blocks in a competitive bidding process. Four rounds of bidding have been successfully completed with approximately 40 blocks awarded. The fourth and most recent round of CBM bidding occurred in October 2009.

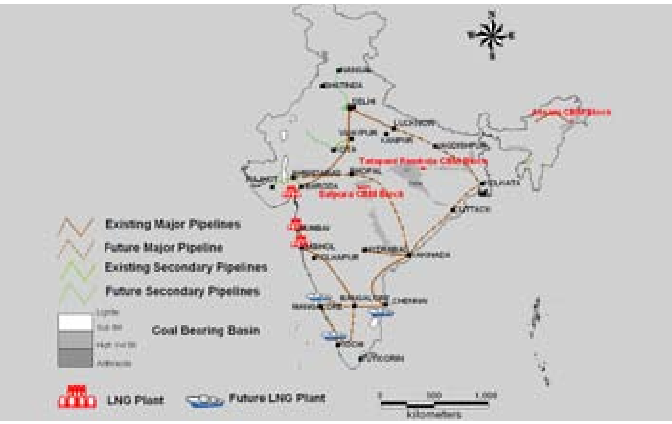
Currently there is limited production of CBM in India, however, due to increasing demand from industry, particularly manufacturing, refining and steel, this is expected to double over the next five years.

Dart Energy's operations in the region have focused primarily on its Tatapani-Ramkola block and other blocks secured in the third round of CBM bidding, and more recently on blocks awarded in the fourth round of CBM bidding.

Dart Energy's strategic themes for India

Dart Energy's India strategy has the following primary themes:

- a multi-tiered approach to its CBM business in India, seeking greenfield CBM development via direct licence participation, farming in to existing CBM projects and establishing CMM (mine de-gassing) projects; and
- leverage upon a foundation of strong government and industry relations developed by providing high levels of technical input to the Indian CBM industry to-date.



Indian Assets

CBM III Blocks

Dart Energy was awarded three CBM licences in the CBM III bidding round in 2006. These were the Tatapani Ramkola block (Dart Energy share 50%), the Mand Raigarh block (Dart Energy share 55%) and the Raj Mahal block (Dart Energy share 50%).

Dart Energy's partners in the blocks include Tata Power, Gas Authority of India and Energy Infrastructure Group. Dart Energy, as the operator, has undertaken an exploration drilling campaign on all three blocks.

Dart Energy has made a force majeure request to the Indian Government to withdraw from the Raj Mahal block due to local unrest in the area.

Separately, exploration results for the Mand Raigarh block have not indicated commercial production potential and Dart Energy has made a request to the Indian Government to relinquish this block. Both requests are currently being considered by the Indian Government.

Core drilling under phase 1 exploration on the Tatapani Ramkola block indicated potential for commercial production, and a five-well phase 2 drilling program commenced on the block in May 2010 to further assess its commercial potential. Development plans for this block will be assessed following analysis of phase 2 results.

Dart Energy estimates that the Tatapani Ramkola block currently has 0.28 Tcf of gross OGIP and 54 Bcf of gross prospective Resource.

CBM IV Blocks

On 29 July 2010, Dart Energy was awarded two CBM licences as part of the Indian Government's CBM IV bidding round. These are the Assam block (Dart Energy 60% and Oil India Limited 40%) and the Satpura block (Dart Energy 80% and Tata Power 20%).

Dart Energy is currently in the process of establishing project offices and finalising preparatory studies and other work. Phase 1 exploration drilling is expected to start in the latter half of 2011 on both blocks.

Dart Energy has proposed drilling 15 core holes and two pilot wells as part of the phase 1 exploration program on the Assam block. Contingent on the results, phase 2 would include a pilot program consisting of 30 production wells. A similar phase 1 exploration program of 15 core holes and two pilot wells has been proposed for the Satpura block. Phase 2 would include drilling 21 pilot wells.

Both phase 2 programs are based on a view towards achieving early commercial development.

The Assam block currently has 1.18 Tcf of gross OGIP and 0.79 Tcf of gross prospective resource, as certified by Netherland, Sewell & Associates Inc.

The Satpura block currently has 1.44 Tcf of gross OGIP and 0.96 Tcf of gross prospective resource, as certified by Netherland, Sewell & Associates Inc.

Indian business development activities

Dart Energy is in advanced negotiations to farm into one or more CBM blocks that were awarded to the Oil and Natural Gas Corporate – India's leading state-owned oil and gas company – during the CBM bidding round in 2003. In addition, several CMM projects are under discussion with various Indian companies.

Vietnam

Vietnam market overview

Vietnam has a sizeable population (approximately 90 million people) and is experiencing rapid and sustained economic growth.

Vietnam's oil and gas resources are mainly concentrated in offshore areas, on the continental shelf of Vietnam and in offshore deep water areas. Petroleum exploration activities in Vietnam commenced during the 1960s with gas production activities first commencing in July 1981 in the northern province of Thai Binh.

The majority of gas production is currently in Southern Vietnam, with gas reserves and production in Northern Vietnam still at an infancy stage and resources not yet fully appraised.

As at the end of 2007, estimated total recoverable natural gas reserves in Vietnam were 25 Tcf, with reserves located mainly in the basins of Southern Vietnam. PetroVietnam is the sole buyer of gas in Vietnam, and resells gas to large consumers and distribution companies.

There is no uniform gas pricing policy that is applied to the broader market in Vietnam, as the government approves/regulates sale and purchase prices on a project-by-project basis. Generally, these prices will be determined on either cost-plus or oil parity principles.

Vietnam CBM overview

CBM in Vietnam remains a very early stage industry. There are currently no proven CBM reserves in Vietnam and assessment of potential CBM sources only commenced in 2006.

Nonetheless, there is a high potential for CBM to become a supplier to the domestic gas market, particularly in Northern Vietnam where existing conventional gas sources are mature and nearing depletion and strong demand growth is expected in the short to medium term from local industrial customers. CBM is well placed to supply this growing market with the Red River Delta in Northern Vietnam containing substantial recoverable coal resource.

The Tien Hai gas pipeline is currently the only gas pipeline system in Northern Vietnam. The 20km pipeline system transports gas from three producing fields to industrial users in the Tien Hai Industrial Zone, in Thai Binh Province.

There is also a proposal for the construction of a new pipeline system which would connect offshore gas resources to the Red River Delta. It is expected that such a pipeline network will have several branches passing over or proximate to Dart Energy's CBM block in Vietnam.

Dart Energy's strategic themes for Vietnam

Dart Energy's Vietnam strategy has the following primary themes:

- the development and commercialisation of its existing asset in Vietnam, given the relatively smaller size of the prospective resource in Vietnam as a country and the relatively few number of CBM blocks available;
- exploiting local under-utilised gas infrastructure; and
- selectively consider opportunities to incrementally increase the scale and scope of the Vietnam business, focused specifically on appraisal and development of CBM to supply the growing Hanoi gas market.

Vietnam Asset

Block MVHN–01KT (Hanoi Trough)

Dart Energy holds a 30 year PSC in respect of the MVHN 01KT (Hanoi Trough) block, which covers an area of approximately 2,601 sq km in the Song Hong Basin, Northern Vietnam.

The block is in the vicinity of the Tian Hai-Thai Binh industrial area and approximately 150km southeast of Hanoi. Dart Energy is the operator of this block and holds a 70% interest, with a subsidiary of PetroVietnam holding the remaining 30%.

In 2009, Dart Energy completed phase 1 of an initial eight-well exploration drilling campaign. Results from two wells indicated increasing gas volumes with depth.

In January 2010, Dart Energy commenced a second phase of exploration drilling, focusing on deepening a number of the earlier exploration wells. Results indicated some potential for commercial CBM production, albeit at depths greater than 1,000m.

Consequently, Dart Energy is currently seeking an extension of the PSC exploration period for the purpose of enabling further technical studies and, if appropriate, pilot testing at the Hanoi Trough block.

The Hanoi Trough block currently has 0.80 Tcf of gross OGIP and 0.25 Tcf of gross 2C resource, as certified by Netherland, Sewell & Associates Inc.

Australia

Australia market overview

Australia is the ninth largest energy producer in the world, accounting for around 2.4% of world energy production. In the last 20 years, natural gas has become an increasingly important source of domestic and export energy.

Australian domestic natural gas consumption has increased at an average of 4% a year since the late 1990s with energy exports increasing at an average rate of approximately 10% a year.

This trend is expected to continue as greater volumes of conventional and unconventional sources of gas become economically viable and the increasing importance of gas as an environmentally preferred fuel. Australia's geographical location and relationship with major Asian trading partners also allows Australia to export to some of the fastest growing energy consuming economies in the world.

Australian 2P natural gas reserves are estimated to be approximately 60 Tcf, and contingent resources to be approximately 165 Tcf.

The Australian gas market is supported by significant infrastructure driven primarily through the considerable distance of Australia's gas reserves from key markets. This infrastructure includes over 25,000km of natural gas pipelines, the majority of which are owned by the private sector.

The major domestic users of gas are power stations and industrial consumers. While some major industrial users and electricity generators receive natural gas directly from the wellhead, most users receive gas via distribution networks.

Domestic gas prices on the east coast of Australia have increased significantly over the last eight years driven by higher demand from households, power generators and energy intensive industries.

LNG prices have historically been linked to world oil prices, with Japanese crude oil prices the main benchmark used in the Asia-Pacific region for setting long-term LNG contracts. Increasing oil prices has driven LNG export prices higher, with the average Australian export price increasing 12% per year in the last five years.

Australia CBM overview

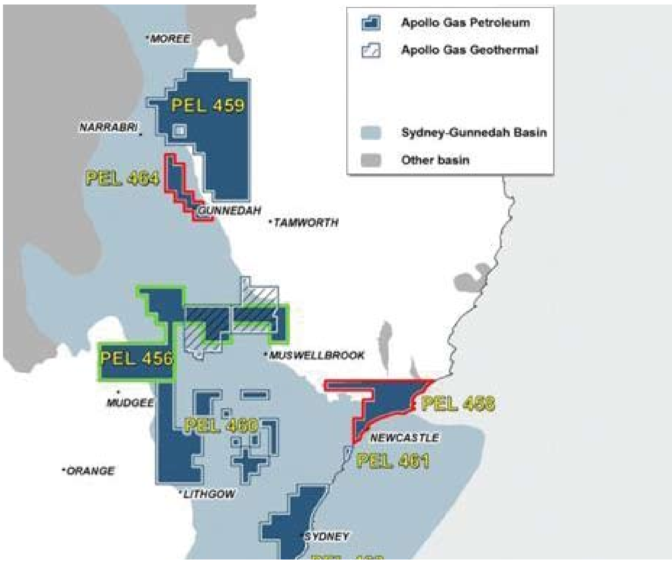
Recently there has been a significant increase in identified CBM reserves driven by the prospect of high international energy prices, and strong demand in Asian markets. Australia has approximately 15 Tcf of economic CBM resources, accounting for about 12% of the Australian total economic gas resource.

In Australia, there are currently more than 20 companies actively involved in the exploration, development and production of CBM including a number of international major oil and gas players such as Shell, PetroChina, BG, ConocoPhillips, Petronas and Total. The presence of these companies as well as a number of significant downstream contracts indicates the increasing commercial acceptance of CBM development in Australia.

Whilst the last five years have been characterised by consolidation as market participants seek to secure upstream resources, the coming years are expected to see significant production as downstream LNG export projects are developed. Exploration is expected to continue to increase reserves driven by the development success of CBM production in Queensland and success in producing CBM from low rank coals.

Dart Energy's strategic theme for Australia

Dart Energy's Australian strategy has as its primary theme building a geographically large "footprint" in New South Wales, moving rapidly to prove up reserves ahead of bringing projects into commercial production and exploiting advantaged pricing in NSW.



Australia Assets

Apollo Gas Limited Offer

In September 2010, Dart Energy reached agreement with Apollo Gas Limited to make a recommended offer for all issued securities in Apollo, other than those already owned by Dart Energy.

The Offer will comprise of three Dart Energy ordinary shares for every four Apollo ordinary shares, and three comparable Dart Energy options for every four Apollo options. The transaction implies an enterprise value for Apollo of approximately $145 million based on the last traded price of Dart Energy on the ASX prior to the deal announcement.

Apollo is a company engaged in the CBM, geothermal and shale gas business in NSW, Australia and currently holds a portfolio of seven CBM permits and two geothermal licences.

PEL 458 (Newcastle region) Farmin

Dart Energy has the right to earn up to a 50% interest in PEL 458 (a CBM licence held by Apollo) by funding two phases of an exploration work program. Dart Energy is the operator of the exploration program.

The PEL 458 block covers approximately 2,000 sq km in the locality of Newcastle, NSW, where extensive underground coal mining has taken place and a large industrial and domestic gas user base exists.

The farmin expenditure commitments of A$3 million for 15% of PEL 458 were completed by Arrow Energy Limited and transferred to Dart Energy as part of the Demerger Scheme. Results have been encouraging and Dart Energy has elected to move to phase 2 of the farmin, under which it will incur a further A$7 million of capital expenditure to earn a further 35%. As part of phase 2, Dart Energy plans to certify 2P Reserves in 2011.

PEL 458 currently has 1.34 Tcf of gross OGIP and 0.54 Tcf of gross 2C resource as certified by Netherland, Sewell & Associates Inc.

If Dart Energy is successful in acquiring Apollo, Dart Energy will own, via itself or Apollo (which will become a wholly owned subsidiary of Dart Energy), all of PEL 458.

PEL 464 - (Gunnedah region) Farmin

Dart Energy has the right to earn up to a 50% interest in PEL 464 (a CBM licence held by Apollo) by funding two phases of an exploration work program. Dart Energy is the operator of the exploration program. PEL 464 covers 958 sq km surrounding the Boggabri and Gunnedah localities. The planned Queensland-Hunter gas pipeline runs through the block.

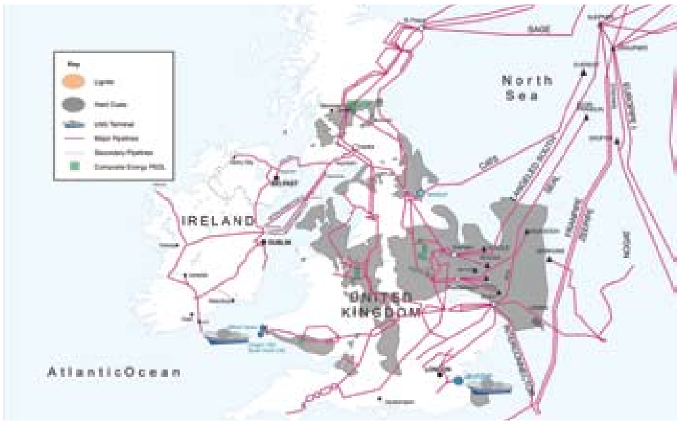
Dart Energy is currently discharging its expenditure commitments to earn a 15% interest in PEL 464. In February 2010, 36 km of 2D seismic was shot identifying coal seams in the Maules Creek formation. Two stratigraphic holes are planned to be drilled in the fourth quarter of 2010.

If Dart Energy is successful in acquiring Apollo, Dart Energy will own, via itself or Apollo (which will become a wholly owned subsidiary of Dart Energy), all of PEL 464.

Shares in listed Australian Companies

Dart Energy currently holds a 21.04% shareholding in Apollo and, as noted, has made an offer to acquire the balance of Apollo shares it does not own. Dart Energy also holds minority shareholdings in two other Australian listed companies: a 1.4% shareholding in Bow Energy Limited (ASX:BOW) and a 7.5% shareholding in Liquefied Natural Gas Limited (ASX:LNG).

INDIVIDUAL COUNTRY REVIEWS (continued)



Europe and Other Geographies

Europe market overview

The European gas market is mature with gas forming 31% of the total energy mix. The share of gas in the overall European Union market is expected to rise to 34% by 2030, underpinned by growth in the power sector.

Residential and industrial use will remain relatively stable as a high market penetration has already been achieved and population and industrial growth is negligible. Gas supply is projected as relatively stable until 2015 with long term contracts in place for gas supplies outside the region, however, concerns over security of supply have increased sharply in recent years.

Europe CBM overview

Exploration of CBM in continental Europe over the last 30 years has been sporadic given the availability of conventional gas sources. The industry can be characterised as immature and at an early stage of exploration.

CBM drilling has consisted mainly of single, vertical wells although there appears to be growing optimism that horizontal drilling could yield commercial gas flows from European coal seams.

Belgium, Germany, Poland, Ukraine and the United Kingdom are regarded as having the best potential for CBM in Europe based on information collected as part of coal mining activity in these countries.

European Assets

Composite Energy Limited

On 3 September 2010, Dart Energy acquired a 10 percent stake in Composite by subscription of US$7 million. Composite is a company engaged in the CBM and shale gas business in Europe and currently has a portfolio of 15 CBM permits in the United Kingdom and two in Poland. Composite has also submitted applications for various new CBM titles and is pursuing CMM opportunities in continental Europe.

Dart Energy has an option to increase its stake in Composite to 20 percent prior to the end of January 2011 via subscription of an additional US$5 million. All funds subscribed by Dart Energy will be used to progress Composite's ongoing work program on its existing licences in the United Kingdom and Europe, to secure additional licences for the Composite portfolio and to further evaluate shale gas potential in several of Composite's licence areas.

Dart Energy also has the further option to increase its ownership to 100 percent, exercisable prior to the end of June 2011, for US$56 million, payable in either cash or Dart Energy shares at the then prevailing market price, or in a combination of cash and shares at Dart Energy's election.

Composite's portfolio of CBM assets has 18.13 Tcf of gross OGIP and 0.77 Tcf of gross 2C resource, as certified by Netherland, Sewell & Associates Inc. In addition, Composite has approximately 1.22 Tcf of shale gas OGIP.

Dart Energy also has the ability to farmin to 50 percent non-operating stakes on any newly identified Composite projects in Europe, in the event that Dart Energy does not move to 100 percent ownership of Composite.

PORTFOLIO SUMMARY

Summary of Dart Energy's asset portfolio

Project	Location	Dart Energy Net Interest (%)	Operator	Area (Km²)	Date Awarded / Secured	Gross GIP – Best Estimate (Tcf)[7]	Gross (Bcf) Resource / Reserve[6][7]	Expected First Commercial Gas Sales[8]
Liulin	Shanxi, China	17.5%[1]	Dart & Fortune Oil	183	2009	0.8	241 / 85	2011 / 2012
Dajing[2]	XAR, China	49%	Dart	3,969	2010[5]	6.6	3,481	2014 / 2015
Sangatta West	Kalimantan, Indonesia	24%	Dart (technical operator)	77	2009	0.6	314	2012 / 2013
Tanjung Enim[3]	Sumatra, Indonesia	45%	Dart	308	2009	0.5	307	2013 / 2014
Hanoi Trough	Hanoi, Vietnam	70%	Dart	2,601	2008	0.8	252	2011 / 2012
PEL 458	NSW, Australia	60%[4]	Dart	2,000	2008	1.3	542	2013 / 2014
PEL 464	NSW, Australia	60%[4]	Dart	958	2008	n/m	n/a	n/a
TR block	Chhattisgarh, India	50%[10]	Dart	458	2006	n/m	n/a	n/a
Satpura	Satpura, India	80%	Dart	714	2010	1.8	959	2014 / 2015
Assam	Assam, India	60%	Dart	113	2010	1.2	790	2013 / 2014

(1) Dart Energy has options to increase to 22.5%, then 25% and then 37.5%
(2) PSC signed, pending regulatory approval from MOFCOM
(3) PSC awarded; JOA still being negotiated
(4) Dart Energy has farmin rights to earn up to 50% through funding of work program; Dart Energy also owns 21.04% corporate equity in Apollo, the holder of the tenements. On 28 September 2010, Dart Energy announced a recommended, all scrip bid for those shares in Apollo not already owned by Dart Energy
(5) Pending regulatory approval from MOFCOM
(6) Liulin is 2C Contingent Resource / 3P Reserve; Hanoi Trough and Sangatta West is 2C Contingent Resource; Tanjung Enim, Dajing, PEL 458, Satpura and Assam are Best Estimate Prospective Resource
(7) As per Netherland, Sewell & Associates Inc.
(8) Dart Energy internal projection, based on best current estimates of the various projects
(9) Dart Energy holds two other licences in India – the RM block and the MR block. Dart Energy is in the process of relinquishing both of the blocks
(10) Dart Energy initially had a 35% shake; Dart Energy carried the costs of 15% shareholder EIG, and has offset these costs and increased its stake to 50%

Summary of Composite's asset portfolio

Project	Location	Composite Net Interest (%)	Operator	Area (Km²)
PEDL 133	Midlands Valley, Scotland	100% CBM / 50% Shale	Composite	329
PEDLs 161 / 163	Midlands Valley, Scotland	50%	Composite	412
PEDLs 173 / 174 / 178 / 179	East Midlands, UK	50%	Composite	350
PEDL 176	East Midlands, UK	50%	Composite	200
PEDLs 200 / 207 / 210	East Midlands, UK	50%	Composite	258
PEDLs 185 / 188 / 189	Wrexham / Chester, UK	50%	Composite	400
PEDL 211	South Wales	50%	Composite	100
Chelm	Lublin Basin, Poland	50%	Composite	760
Werbkowice	Lublin Basin, Poland	50%	Composite	479

Summary of Apollo's asset portfolio

Project	Location	Apollo Net Interest (%)	Operator	Area (Km²)
PEL 456	Upper Hunter, NSW	50%[1]	Santos	5,953
PEL 458	Newcastle, NSW	50%[2]	Dart	2,000
PEL 459	Narrabri East, NSW	100%	Apollo	7,488
PEL 460	Hunter West, NSW	100%	Apollo	4,741
PEL 461	Central Coast, NSW	100%	Apollo	73
PEL 463	Sydney, NSW	100%	Apollo	2,385
PEL 464	Gunnedah, NSW	50%[2]	Dart	958
EL 7505 (Geothermal)	Murrurundi Trough, NSW	100%	Apollo	1,747
EL 7506 (Geothermal)	Murrurundi Trough, NSW	100%	Apollo	1,749

(1) Assumes completion of phase 2 Santos farmin works
(2) Assumes completion of phase 1 and phase 2 Dart Energy farmin works

NON – FINANCIAL PERFORMANCE REVIEW

ACTIVE RISK MANAGEMENT

Entering new countries, pursuing operatorships, managing partners and contractors, fulfilling statutory and social obligations as well as managing a considerable expenditure profile exposes Dart Energy to a wide variety of risks. The application of our own processes and systems to identify, mitigate and contain those risks will be fundamental to the further development of the Company.

HEALTH, SAFETY, ENVIRONMENT & SECURITY

Dart Energy is committed to providing a healthy, safe and secure workplace for all employees, consultants, contractors, service providers and visitors across all facets of our operations. Our other commercial objectives are no more important nor should our pursuit of growth be at the expense of harm to people or the environment.

We inherited adequate policies, procedures and management systems from Arrow Energy International but have taken the opportunity of a new management team to re-examine them for currency, relevance and applicability in order to positively reaffirm their context within Dart Energy.

We are ramping up for a renewed phase of activity and expansion as we incorporate new assets in different geographies where different standards may apply. We are seeking to ensure accountability for delivery of the highest standards is held locally and therefore our attention is on ensuring our systems focus on visible leadership and integration of health, safety, environment and security into all business practices. The emphasis remains focused on staff training to ensure heightened awareness of risk and to ensure that contractors meet all necessary standards.

Dart Energy is subject to regulations in each of the jurisdictions in which it operates. These regulations cover all aspects of our exploration, development and production activities. As an absolute minimum, we seek to comply with all regulations in all of the countries in which we operate. Where Dart Energy has stricter internal policies in relation to health, safety and the environment, these are applied.

There were no reportable incidents in the current review period.

We are fortunate that coal seam gas is considered a greener energy source despite being a carbon-based fossil fuel. It produces less than half the greenhouse gases of coal when used to produce electricity. On a scale that matters, gas can also be less destructive than renewable sources of energy. A natural gas combined cycle plant requires only a fraction of the green space, concrete and steel needed to generate the same amount of power from a wind farm, biomass power plant or solar cell facility.

Another aspect of CBM that is environmentally beneficial is mine de-gassing or extraction of coalmine methane (CMM); gas that unless collected would be released into the atmosphere. The risk of coalmine explosions is also dramatically reduced if mine gas levels are reduced ahead of mining, thereby making coal mining activities safer. We keenly participate in the debate on how these benefits can be maximised in each of our areas of operation.

COMMUNITY AFFAIRS

Dart Energy's licence-to-operate – especially in newer areas of operation – is to a large extent dependent on our ability to operate closely with the people living in the communities in which we operate. Dart Energy is determined to act as a good corporate citizen at all times and seeks to pursue a partnership with local communities – we believe that this will be a true source of enduring value for the Company.

Dart Energy is committed to using local suppliers and employing local workers wherever possible, supplemented only when necessary due to skills absence or shortage. To the extent that we import expertise, we also seek to train local employees so as to bring those skills permanently into the local market over time.

BOARD MEMBERS

PROFILES OF EACH BOARD MEMBER ARE AS FOLLOWS:

Nicholas Davies
BSc (Hons Math/Eng)
Non-Executive Chairman. Age 53

Experience and expertise	Nicholas Davies 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 Energy, he was CEO and Managing Director of Arrow Energy Limited. 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 directorships	Nil
Former directorships in last 3 years	Liquefied Natural Gas Limited (from 2007 to March 2010) Managing Director and CEO of Arrow Energy Limited (from September 2004 to August 2010)
Special responsibilities	Non-Executive Chairman of the Dart Energy Board Member of Audit and Financial Risk Committee
Interests in Shares and Options	3,779,520 ordinary shares. Dart Energy has agreed to issue 1,250,000 options over ordinary shares with an exercise price of $0.98625. These will be issued and granted subject to approval at the Annual General Meeting. These options will vest in three equal tranches over a three year period from issue.

Simon Potter
MSc / BSc (Hons)
Chief Executive Officer and Managing Director. Age 53

Experience and expertise	Simon has over 30 years' oil and gas industry and mining sector experience. From the Zambian Copperbelt to a 20 year career with BP he has held executive roles in companies managing oil and gas exploration, development and production, gas processing, sales and transport, LNG manufacture, marketing and contracting in Europe, Russia, America, Africa and Australasia. On leaving BP he took up the role of CEO at Hardman Resources where he oversaw growth of that listed company into an oil producer and considerable exploration success in Africa ahead of a corporate sale. Simon commenced as CEO of Arrow Energy International in April 2010 before assuming his role at Dart Energy in July 2010. Simon currently resides in Singapore.
Other current directorships	Ogre Consulting (January 2007 - Present)
Former directorships in last 3 years	Advanced Well Technologies (August 2008 to February 2009) Energy Assets Investments and its subsidiaries (July 2008 to February 2009) Whicher Range Energy (July 2008 to February 2009) Rialto Energy and its subsidiaries (July 2008 to July 2010)
Special responsibilities	Chief Executive Officer and Managing Director of Dart Energy
Interests in Shares and Options	3,672,482 options over ordinary shares. These options will vest in three equal tranches over a three year period from issue. The expiry date of the options is 31 March 2014. • 1,224,161 Unlisted Options at $0.98625 vesting on 29 July 2011 • 1,224,161 Unlisted Options at $0.98625 vesting on 29 July 2012 • 1,224,160 Unlisted Options at $0.98625 vesting on 29 July 2013

BOARD MEMBERS (continued)

Stephen Bizzell
BCom, ACA, MAICD
Executive Director. Age 42

Experience and expertise	Stephen is a Chartered Accountant and early in his career was employed in the corporate finance division of Ernst & Young and the Corporate Tax division of Coopers & Lybrand. He has had considerable experience and success in the fields of corporate restructuring, debt and equity financing, and mergers and acquisitions and has over 15 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 Energy Limited from 1999 until August 2010. He is Chairman of boutique investment banking and funds management group Bizzell Capital Partners Pty Ltd. Stephen currently resides in Brisbane.
Other current directorships	Renison Consolidated Mines N.L. (from 1996) (Chairman) Bow Energy Ltd (from 2004) Stanmore Coal Ltd (from 2009) Hot Rock Ltd (from 2009) Apollo Gas Ltd (from 2009) Diversa Ltd (from 2010)
Former directorships in last 3 years	Arrow Energy Limited (from July 1999 to August 2010) Liquefied Natural Gas Limited (Alternate Director) (from 2007 to March 2010)
Special responsibilities	Executive Director of Dart Energy Member of Audit and Financial Risk Committee
Interests in Shares and Options	1,896,253 ordinary shares Dart Energy has agreed to issue 2,250,000 options over ordinary shares with an exercise price of $0.98625. These will be issued and granted subject to approval at the Annual General Meeting. These options will vest in three equal tranches over a three year period from issue.

Shaun Scott
BBus (Accountancy) / BA (Rec Admin), ACA
Executive Director. Age 45

Experience and expertise	Shaun Scott is a Chartered Accountant with over 20 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 Energy Limited. Prior to joining Arrow Energy in 2004, Shaun held a variety of senior executive roles across the industry. Shaun currently resides in Brisbane.
Other current directorships	Nil
Former directorships in last 3 years	Pure Energy Limited (from 2007 to September 2008) APPEA (from August 2009 to August 2010)
Special responsibilities	Executive Director of Dart Energy Acting CFO – pending appointment of Martin Cooper anticipated 1/12/10
Interests in Shares and Options	299,860 ordinary shares. 2,250,000 options over ordinary shares. These options will vest in three equal tranches over a three year period from issue. The expiry date of the options is 31 March 2014. • 750,000 Unlisted Options at $0.98625 vesting on 29 July 2011 • 750,000 Unlisted Options at $0.98625 vesting on 29 July 2012 • 750,000 Unlisted Options at $0.98625 vesting on 29 July 2013

David Williamson
BCom FCA / MAICD
Non-Executive Director. Age 60

Experience and expertise	David has been registered as a Chartered Accountant for 33 years. He is principal of his own firm Williamson Chaseling Pty Ltd and has gained a wide range of experience covering business management, finance, general accounting, taxation and audit assignments. He has had considerable experience in the resources sector being a Non-Executive Director of New Hope Corporation Limited since 1999 which operates coal mines in Queensland. David is currently Chairman of the Audit Committee of New Hope Corporation Limited. David has also been a Non-Executive Director since 2001 of Australian Health and Nutrition Association Limited (Sanitarium Health Food Co), including being a member of the Finance and Business Committee which reviews all finance and business proposals.
Other current directorships	New Hope Corporation Limited (from 1999) Australian Health and Nutrition Association Limited (from 2001)
Former directorships in last 3 years	Arrow Energy Limited (until August 2010)
Special responsibilities	Chairman of Audit and Financial Risk Committee
Interests in Shares and Options	81,078 ordinary shares. Dart Energy has agreed to issue 750,000 options over ordinary shares with an exercise price of $0.98625. These will be issued and granted subject to approval at the Annual General Meeting. These options will vest in three equal tranches over a three year period from issue.

Company secretary
Paul Marshall LLB (Hons), ACA. Age 48

Experience and expertise	Paul has a Bachelor of Law degree and is a Chartered Accountant with over 20 years' experience.
Interests in Shares and Options	750,000 options over ordinary shares. These options will vest in 3 equal tranches over a 3 year period from issue. The expiry date of the options is 31 March 2014. • 250,000 Unlisted Options at $0.98625 vesting on 29 July 2011 • 250,000 Unlisted Options at $0.98625 vesting on 29 July 2012 • 250,000 Unlisted Options at $0.98625 vesting on 29 July 2013

SENIOR LEADERS

Simon Potter – Chief Executive Officer and Managing Director

Simon Potter is the Chief Executive Officer and Managing Director of Dart Energy. His profile is provided in the previous section.

Eytan Uliel – Chief Commercial Officer

Eytan Uliel joined Dart Energy in 2008. Prior to joining, Eytan was Asian regional Head of Corporate Finance for Babcock & Brown, and prior to that had a seven year career at Carnegie Wylie, a leading independent Australian private equity and financial advisory firm, including as Managing Director based in Singapore responsible for the international activities of that firm. Eytan was previously an early investor/shareholder and director of CH4 Gas, one of the two companies that were merged to create Arrow Energy Limited in 2006, and has served as a director of a number of listed and sizeable private entities in Australia and Asia. Eytan resides in Singapore.

Martin Cooper – Chief Financial Officer

Martin, who will be joining Dart Energy in December, was previously the CFO for SciGen Group, an ASX listed company based in Singapore with operations across Australia, Asia and the Middle East. Prior to that, Martin was the Group Finance Director and Company Secretary for Interregnum Group plc, a London listed company, based in London. Martin resides in Singapore.

Shaun Scott, who is currently serving as Acting Chief Financial Officer of Dart Energy, will cease in this role once Martin commences employment. Shaun will however remain an Executive Director of Dart Energy.

Nathan Rayner – Chief Operating Officer

Nathan, who joined Dart Energy in October 2010, brings valuable experience in the field of reservoir and petroleum engineering. Most recently, Nathan held the position of GM Petroleum Engineering at Arrow Energy Limited, and was responsible for field development and planning, optimisation of resources, well design selection and identifying production enhancement opportunities.

Peter Roles – Chief Technical Officer

Peter has been working with Arrow Energy International and then Dart Energy since 2009. He has over 30 years' oil and gas experience. He was the Asset General Manager for Arrow Energy's Southern Operations before relocating in 2009 to Singapore to take up the role of VP, International Operations. Peter's experience includes reservoir assessment and drilling through to transmission systems and major facilities construction. Peter previously held asset and project management roles in CH4, Santos, AGL, Central Queensland Natural Gas and CSR Petroleum.

Toby Hewitt – General Counsel

Toby, who joined Dart Energy in September, was previously a Consultant with leading law firm Herbert Smith in Singapore, specialising in oil and gas and energy work across the Asia region. Prior to that, Toby was in-house counsel with Santos in Indonesia and BHP Billiton (WMC Resources) in Australia, focused on the oil and gas and mining sectors. Toby resides in Singapore.

Shi ZhenChun – China Country Manager

Shi ZhenChun is the China country manager for Dart Energy and is responsible for leading the China business and team. ZhenChun is a Chinese national, and has had a 20 year career in the Chinese and international oil and gas and coal industry. Prior to joining Dart Energy, ZhenChun was the China Coal business unit leader for BP, having established three highly successful Joint Ventures for BP in China. ZhenChun has a deep understanding of the China coal and gas industry dynamics and an excellent network of relationships with relevant government authorities and various partners including national oil and coal companies. ZhenChun has a degree in Chemical & Refining Engineering from the Zhenzhou Industry University, China, and an MBA from the Olin Business School, Washington University, USA. ZhenChun resides in Beijing.

Sudhansu Adhikari – India Country Manager

Sudhansu Adhikhari has been the India country manager for Dart Energy since July 2009 and leads the Indian business and team. Sudhansu has over 30 years' managerial and technical experience in exploration, project initiation, and project execution in the coal and coal seam gas sectors in India. He spent 22 years of his professional career as a geologist and senior geologist in the Geological Survey of India, primarily in exploration for coal. In 2001 Sudhansu joined Reliance India as the Chief Geologist and head of exploration for CBM blocks. Sudhansu joined Dart Energy in January 2007 to open the company's office in India and has successfully managed the drilling programs on Dart Energy's Indian CBM blocks. Sudhansu has a M.Sc. in Geology from Calcutta University. Sudhansu resides in New Delhi.

Unggul Setyatmoko – Indonesia Country Manager

Unggul Setyatmoko is the Indonesia country manager for Dart Energy and leads the Indonesia business and team. Unggul has had a 20 year career in the Indonesian oil and gas industry, initially with ARCO and then with BP. Unggul's roles have included a number of leadership roles in the areas of commercial, development planning, domestic gas sales operations and marketing, LNG manufacturing (Bontang LNG Plant) and Tangguh LNG marketing. Unggul joined Dart Energy as General Manager Operations, Indonesia, in 2009, and became Indonesia Country Manager in 2010. Unggul resides in Jakarta.

Tuan Do Vuong – Vietnam Country Manager

Tuan Do is the Vietnam country manager for Dart Energy and leads the Vietnam business and team. Tuan has extensive experience in oil and gas refining, production, and power plant operations, including engineering, economic evaluation, new project development, management and country relationships. During a 30 year career with ARCO and BP, Tuan has been posted to projects in the US (mainly Alaska and Texas) and to several international projects in Russia, the South East Asia region and Vietnam. Career highlights included serving as Chief Start-Up Engineer and engineering supervisor for a multi-billion dollar facility in North Slope, Alaska; Chief Representative for ARCO in Vietnam; Project approval manager for BP in Vietnam; and general director for the Phu My 3 combined cycle power plant in Vietnam. Tuan resides in Ho Chi Minh City.

DIRECTORS' REPORT

Your Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Dart Energy Limited (or the Company) and the entities it controlled at the end of, or during, the year ended 30 June 2010. Dart Energy was incorporated in Australia (and registered in Victoria) on 9 November 2006 as Arrow Energy International Pty Ltd, a proprietary company limited by shares. On 11 June 2010, Arrow Energy International Pty Ltd changed its status to a public company limited by shares and its name to Dart Energy Limited.

DIRECTORS

The following persons were Directors of Dart Energy during the whole of the financial year and up to the date of this report unless otherwise stated:

Nicholas Davies

Simon Potter (Appointed on 10/06/2010)

Stephen Bizzell

Shaun Scott (Appointed on 20/04/2010)

David Williamson (Appointed on 21/07/2010)

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 the undertaking of coal seam gas (CSG) exploration in Australia and Asia. The Group also continued to review and acquire opportunities to participate in CSG exploration activities in Australia and Asia.

DIVIDENDS – DART ENERGY LIMITED

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

No dividends were paid to members during the financial year.

REVIEW OF OPERATIONS

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

	Segment Results (EBITDA)		Segment Assets	
	2010 $'000	***2009 $'000***	***2010 $'000***	***2009 $'000***
(a) Singapore / Corporate	(11,235)	(3,959)	313	134
(b) Australia	1,624	(67)	-	-
(c) China	(703)	(2,207)	39,026	23,995
(d) India	(5,235)	(273)	2,032	4,381
(e) Indonesia	(3,102)	(1,785)	8,320	5,695
(f) Vietnam	(36)	(506)	10,855	7,409
Total segment results / Assets	(18,687)	(8,796)	60,546	41,614

Segment Assets refers to the measure of the Group's intangible assets (goodwill and exploration), property, plant and equipment, investments in associates and financial instruments (derivative options and convertible exchange note in Far East Energy Corporation).

Segment results (EBITDA) are adjusted earnings/(loss) before interest, tax, depreciation and amortisation, which is the measure of segment result that is reported to the Board to assess the performance of the operating segments.

Comments on the operations and the results of those operations are set out below:

(a) Singapore / Corporate

Overview

Dart Energy has established a high quality portfolio of assets in five countries with an international organisation capable of developing these assets.

Dart Energy's portfolio of early stage CSG assets is located throughout Asia and Australia.

Dart Energy believes the breadth and quality of its portfolio and in-country relationships and partnerships is a unique and differentiating feature of Dart Energy's business.

(b) Australia

Shares in listed Australian Companies

Subsequent to year end, a 21.04% strategic shareholding in Apollo Gas Limited (ASX:AZO) and the following farmin rights were transferred to Dart Energy from Arrow Energy under the demerger.

Minority shareholdings in two other listed companies: a 1.4% shareholding in Bow Energy Limited (ASX:BOW) and a 7.5% shareholding in Liquefied Natural Gas Limited (ASX:LNG) were also transferred as part of the demerger.

PEL 458 (Newcastle region) Farmin:

Dart Energy has the right to earn up to a 50% interest in PEL 458 by funding two phases of work programs. Dart Energy will be the operator of the exploration program.

The farmin expenditure commitments of A$3 million for 15% of PEL 458 were completed by Arrow Energy Limited and transferred to Dart Energy. Results have been encouraging and Dart Energy has elected to move to Phase 2 of the farmin, under which it will incur a further A$7 million of capital expenditure to earn a further 35%. As part of Phase 2, Dart Energy plans to certify 2P reserves by mid-2011.

PEL 464 – (Gunnedah region) Farmin:

Dart Energy has the right to earn up to a 50% interest in PEL 464 by funding two phases of a future work program. Dart Energy will be the operator of the exploration program.

(c) China

(1) Dajing PSC Block

The Dajing block is an exploration block with an area of 3,969 sq km. The block is located in the East Junggar Basin and supported by infrastructure including the west east pipeline (150km south of Dajing block). On 31 May 2010, PetroChina and Dart Energy signed a PSC in relation to exploring the Dajing block for natural gas, whereby PetroChina will hold a 51% interest and Dart Energy will hold a 49% interest in the Dajing block. Under the PSC, Dart Energy will act as operator. The PSC arrangement is awaiting regulatory approval in China prior to work commencing.

(2) Liulin PSC Block

The Liulin block is a CSG project in China. The block is a designated foreign cooperation CSG block. The Liulin block covers 183 sq km and is located approximately 500km south west of Beijing within the South East Ordos Basin. There are a number of active underground coal mines in proximity to the PSC area. The block is currently held by CUCBM which has entered into a 30 year PSC with Fortune Liulin Gas Company (FLG) to explore the block for CSG. Under the PSC, FLG has a 50% participating interest in the block and is the operator. In December 2009, Dart Energy farmed in to the block by acquiring a 35% equity interest in FLG with a series of options to increase its interest to 75%. Dart Energy's current effective interest in the Liulin block is therefore 17.5%, but can increase to 37.5% if all FLG options are exercised. Dart Energy jointly operates the block by virtue of its shareholding in FLG with primary responsibility for technical and operating issues.

The PSC exploration period for the block currently runs to 29 March 2012. Since January 2010, FLG and CUCBM have been engaged in an extensive pilot drilling and testing campaign on the Liulin block. In early 2010, the Liulin block was awarded Chinese reserve certification, which is a necessary precondition to the preparation of an Overall Development Plan for the block. In October 2010, an initial Gas Sales Agreement for the Liulin block was concluded.

(3) Far East Energy Corporation (FEEC) Investment (Qinnan PSC Block)

In March 2009, Dart Energy invested US$10 million into Far East Energy Corporation (FEEC), in the form of a convertible note (the Note). FEEC is a US listed company with five CSG PSC assets located in two regions of China (Shanxi and Yunnan Provinces). If converted, the Note would make Dart Energy the largest shareholder in FEEC. The Note is redeemable in March 2011, if not converted before, and earns an 8% coupon. The Note is a first ranking debt obligation of FEEC.

At the same time, Dart Energy entered into a farmin agreement that would have seen Dart Energy farmin to a 75% operating position in the Qinnan block, one of FEEC's PSCs in China. The farmin is conditional on various regulatory approvals and an extension of the PSC exploration period, which have not been obtained. Dart Energy's expectation is that the Qinnan farmin will not complete and thus Dart Energy intends to redeem the Note in March 2011.

(4) Terminated Activities

Dart Energy holds an 80% interest in an incorporated joint venture with Urumuqi Geological and Exploration Development Company of Xinjiang Geological Survey, PRC in Xinjiang Province, China, for CSG exploration and development. Due to changes in the CSG regime since the establishment of this joint venture it has been unable to move forward as originally planned, so Dart Energy is currently proposing to terminate the venture.

Pursuant to a heads of agreement, Dart Energy provided technical input to the two drilled CMM test wells at the Binchang mine for demonstrative degassing purposes. This project has been concluded and will not proceed to a commercial relationship.

(d) India

(1) CBM III Blocks

Dart Energy was awarded three CSG licences in the CBM III bidding round in 2006. These were the Tatapani Ramkola block (Dart Energy share 35%), the Mand Raigarh block (Dart Energy share 40%) and Raj Mahal block (Dart Energy share 35%). Dart Energy's partners in the blocks include Tata Power, Gas Authority of India and Energy Infrastructure Group (EIG). Dart Energy has carried EIG's 15% cost in each block and has exchanged this carried cost for EIG's 15% interest, which has resulted in an increase in Dart Energy's percentage holding in each block.

Since being awarded the blocks, Dart Energy, as the operator, has undertaken an exploration drilling campaign on all three blocks. Dart Energy has made a force majeure request to the Indian Government to withdraw from the Raj Mahal block due to local unrest in the area. Separately, exploration results for the Mand Raigarh block have not indicated commercial production potential. As such, Dart Energy has made a request to the Indian Government to relinquish this block. Core drilling under Phase 1 exploration on the Tatapani Ramkola block indicated potential for commercial production, and thus a five well Phase 2 drilling program commenced on the block in May 2010 to further assess its commercial potential. Development plans for this block will be assessed following completion of the Phase 2 work.

(2) CBM IV Blocks

On 29 July 2010, Dart Energy was awarded two CSG licences as part of the Indian Government's CBM IV bidding round. These are the Assam block (Dart Energy share 60% and Oil India Limited 40%) and the Satpura block (Dart Energy 80% and Tata Power 20%). Dart Energy is currently in the process of establishing project offices and finalising preparatory studies and other work. Drilling is expected to start in the latter half of 2011.

(e) Indonesia

(1) Sangatta West PSC

The Sangatta West block covers 77 sq km and is located in Kalimantan, Indonesia, approximately 50km north of the Bontang LNG plant. There are a number of active coal mines in proximity to the PSC area. The block is subject to a 30 year PSC under which Sangatta West CBM Inc (SWCI) will explore the block for CSG. Under the PSC, SWCI has a 48% participating interest in the block and is the operator and Pertamina holds a 52% participating interest. Dart Energy has farmed in to the block by acquiring a 50% equity interest in SWCI, such that Dart Energy has a 24% underlying interest in the Sangatta West project. The balance is held by Ephindo, a privately held Indonesian CSG company. Dart Energy and Ephindo are jointly operating the block through their joint ownership of SWCI, with Dart Energy having primary responsibility for technical and operating issues.

Exploration drilling on Sangatta West commenced in late 2009. To date, three exploration wells have been drilled and initial technical results have been encouraging. Dart Energy is currently evaluating a number of options to establish a pilot to power project, which would lead to early commercialisation of the resource on the block. Dart Energy is targeting reserve certification at Sangatta West during 2011.

(2) Tanjung Enim PSC

Dart Energy holds a 45% participating interest in the Tanjung Enim PSC in South Sumatra, over an area of approximately 308 sq km, together with partners PT Bukit Asam, a local coal mine owner and operator (27.5%) and Pertamina (27.5%). Dart Energy is the operator. The block has good gas prospects and is close to the main South Sumatra pipeline. All parties to the PSC are currently finalising the joint operating agreement.

Dart Energy plans to commence a six well exploration drilling program at Tanjung Enim during the latter half of 2010.

(f) Vietnam

Block MVHN–01KT (Hanoi Trough)

Dart Energy holds a 30 year PSC in respect of the MVHN 01KT (Hanoi Trough) block which covers an area of 2,601 sq km in the Song Hong Basin, northern Vietnam, approximately 150km southeast of Hanoi. Dart Energy is the operator of this block and holds a 70% interest with a subsidiary of PetroVietnam holding the remaining 30%.

In 2009, Dart Energy completed Phase 1 of an initial eight well exploration drilling campaign. Results from two wells indicated increasing gas volumes with depth. Consequently, in January 2010, Dart Energy commenced a second phase of exploration drilling, focusing on deepening a number of the earlier exploration wells. Results indicated some potential for commercial CSG production, albeit at depths greater than 1,000m.

Consequently, Dart Energy is currently seeking an extension of the PSC exploration period for the purpose of enabling further technical studies, and if appropriate, pilot testing at the Hanoi Trough block.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

The demerger of the Group from Arrow Energy Limited took effect on 20 July 2010. As a consequence of the demerger:

- Shell agreed to cancel all back-in rights in respect of the Group's projects.
- Shell agreed to provide a US$25 million two year loan agreement with the Group subject to the Group securing at least one new CSG licence or PSC. The Group has not drawn down on this facility.
- On 22 July 2010, the Company was admitted to the official list of the Australian Securities Exchange.
- At the same time as the listing occurred, the Company raised approximately $35 million via the issue of new equity in an institutional placement.

On 3 September 2010, Dart Energy acquired a 10 percent stake in Composite Energy Ltd (Composite) by subscription of US$7 million. Composite is a company engaged in the CBM and shale gas business in Europe. Dart Energy has an option to increase its stake in Composite to 20 percent prior to the end of January 2011 via subscription of an additional US$5 million. All funds subscribed by Dart Energy will be used to progress Composite's ongoing work program on its existing tenements in the United Kingdom and Europe, to secure additional licences for the Composite portfolio and to further evaluate shale gas potential in several of Composite's licence areas. Dart Energy also has the option to increase its ownership to 100 percent, exercisable prior to the end of June 2011, for US$56 million, payable in either cash or Dart Energy shares at the then prevailing market price, or in a combination of cash and shares at Dart Energy's election. Dart Energy also has the ability to farmin to 50 percent non-operating stakes on any newly identified Composite projects in Europe, in the event that Dart Energy does not move to 100% percent ownership of Composite.

On 28 September 2010, Dart Energy announced an agreement with Apollo Gas Limited (Apollo) to make a recommended offer for all issued securities in Apollo, other than those already owned by Dart Energy. The offer will comprise:

- 3 Dart Energy ordinary shares for every 4 Apollo ordinary shares; and
- 3 comparable Dart Energy options for every 4 Apollo options.

Dart Energy currently has an approximate 21% interest in Apollo, and is currently exercising farmin rights with respect to two Apollo tenements. Given Dart Energy's current shareholding in Apollo, the consideration payable by Dart Energy to acquire the Apollo shares that it does not already own will be approximately 118 million Dart Energy shares. Assuming completion of the Offer, Apollo shareholders will hold approximately 22% of the combined Group.

The acquisition of Apollo would provide Dart Energy with control and ownership of the two existing Apollo projects in respect of which Dart Energy is currently exercising farmin rights, in addition to other Apollo licences, and will enable Dart Energy's technical expertise and development capabilities to be brought to bear across the Apollo portfolio.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Further information on likely developments in the operations of the Group and the expected results of operations have not been included because the Directors believe it would likely result in unreasonable prejudice to the Group.

The Group will continue to look for opportunities to develop its business both in Australia and its international operations.

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. Where Dart Energy has stricter internal policies in relation to health, safety and the environment, these are applied.

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

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 2010, and the number of meetings attended by each Director were:

	Full meetings of Directors	
	A	B
Nicholas Davies	1	1
Simon Potter (Appointed on 10/06/2010)	1	1
Stephen Bizzell	1	1
Shaun Scott (Appointed on 20/04/2010)	1	1

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

SHARE OPTIONS GRANTED TO DIRECTORS AND THE MOST HIGHLY REMUNERATED OFFICERS

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
Directors of Dart Energy Limited	
Simon Potter, Managing Director	3,672,482
Shaun Scott, Executive Director	2,250,000
TOTAL	5,922,482
Other executives of Dart Energy Limited	
Paul Marshall, Company Secretary	750,000
TOTAL	750,000

The options were granted under the Dart Energy Limited Employee Option Plan on 5 August 2010.

The Group has agreed to issue options over shares to Nicholas Davies (1,250,000), David Williamson (750,000) and Stephen Bizzell (2,250,000), subject to approval of such issue at the Annual General Meeting of the Company.

The Company has agreed to grant options to a number of executives of the Company under the terms of the Dart Energy Limited Employee Option Plan. As at the date of this report, the options have not yet been granted.

SHARES UNDER OPTION

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

Date options granted	Expiry date	Exercise price of options	Number under option
30 July 2010	31 March 2014	$0.99	6,672,482
			6,672,482

The options are granted for no consideration. When exercisable, each option is convertible into one ordinary share.
No option holder has any right under the options to participate in any other share issue of the Group or any other entity.

INSURANCE OF OFFICERS

During the financial year, Dart Energy Limited acquired insurance, for which the premium paid was $90,281 to cover Directors, officers and senior executives of the Group and its Australian based controlled entities, and the general managers of each of the divisions 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.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of *Corporations Act 2001*.

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 audit and non-audit services provided by the auditor of the Group and its related practices :

	Consolidated	
	2010 $	*2009* $
Audit services		
PricewaterhouseCoopers Australian firm:		
Audit of financial reports	30,000	-
Related practices of PricewaterhouseCoopers Australian firm:		
Audit and review of financial review of financial reports	140,369	157,437
Total remuneration for audit services	170,369	157,437
Non-audit services		
Other assurance services		
PricewaterhouseCoopers Australian firm:		
Other	6,100	-
Related practices of PricewaterhouseCoopers Australian firm:		
Due diligence services	134,928	-
Total remuneration for other assurance services	141,028	-
Taxation services		
Related practices of PricewaterhouseCoopers Australian firm		
Tax compliance and advice	118,292	57,818
Total remuneration for taxation services	118,292	57,818
Total remuneration for non-audit services	259,320	57,818
Total auditor's remuneration	429,689	215,255

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

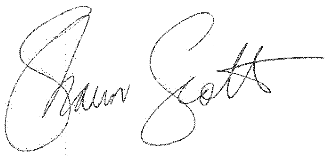
ROUNDING OF AMOUNTS

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.



Shaun Scott
Director

Brisbane
29 September 2010

AUDITOR'S INDEPENDENCE DECLARATION

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757

Riverside Centre
123 Eagle Street
BRISBANE QLD 4000
GPO Box 150
BRISBANE QLD 4001
DX 77 Brisbane
Australia
www.pwc.com/au
Telephone +61 7 3257 5000
Facsimile +61 7 3257 5999

As lead auditor for the audit of Dart Energy Limited for the year ended 30 June 2010, 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
29 September 2010

CORPORATE GOVERNANCE STATEMENT

Dart Energy Limited's (Dart Energy or the Company) Corporate Governance Statement is structured with reference to the Australian Securities Exchange ("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.

The approach that Dart Energy is taking following the implementation of the demerger from Arrow Energy in relation to corporate governance is set out below.

BOARD COMPOSITION

The Board as at the time of the demerger comprised Directors with a broad range of skills, expertise and experience from a diverse range of backgrounds. The current Board includes two Non-Executive Directors. It is intended to appoint up to two further Non-Executive Directors and the identification of appropriate persons has commenced. Accordingly, upon the ASX listing on 22 July 2010, Dart Energy did not follow the recommendation set by the ASX Corporate Governance Council that a majority of the Board are independent Non-Executive Directors. Given the size of Dart Energy upon listing, the inclusion of more independent Non-Executive Directors in order to meet that requirement was not considered to be warranted. It is considered that the initial composition of the Board will best serve shareholders' interests and that additional Directors will be appointed in the near-term.

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. 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 judgement.

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 include 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 Directors' independence are considered each time the Board meets. In accordance with the Council's definition of independence above, and the materiality thresholds set, the following Directors are considered not to be independent.

Nicholas Davies
Chairman, non-independent
Mr Davies was employed by the consolidated entity in an Executive Director capacity in the past three years in Arrow Energy Limited and therefore is not considered independent.

Simon Potter
Managing Director, non-independent
Mr Potter is employed by the consolidated entity in an Executive Director capacity and therefore is not considered independent.

Stephen Bizzell
Executive Director, non-independent
Mr Bizzell is employed by the consolidated entity in an Executive Director capacity and therefore is not considered independent.

Shaun Scott
Executive Director, non-independent
Mr Scott is employed by the consolidated entity in an Executive Director capacity and therefore is not considered independent.

David Williamson
Non-Executive Director, non-independent
Mr Williamson is a director of a company who is a substantial shareholder of the Group and therefore is not considered independent.

Dart Energy 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.

ROLE AND RESPONSIBILITIES OF THE BOARD

The Board's role and responsibilities following the demerger will be encompassed in a formal charter that will be adopted by the Board and will be published on the Company's website. The charter will be reviewed annually to determine whether any changes are necessary or desirable.

Generally, the role of the Board after the demerger will include:

- effectively representing the interests of all Shareholders;
- ensuring that the Group is properly managed; and
- monitoring the Group's performance and ensuring that Shareholders are kept informed of the Group's performance and of major developments affecting its state of affairs.

The major responsibilities of the Board after the demerger will include responsibility for:

- supervising the Group's framework of control and accountability systems to enable risk to be assessed and managed;
- the appointment and removal of the Managing Director, the Chief Financial Officer and the Company Secretary;
- monitoring senior management's performance and implementation of strategy and ensuring appropriate resources are available;
- input into and final approval of management's development of corporate strategy, goals and performance objectives;
- reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- approving and monitoring the progress of major capital expenditure, capital management, acquisitions and disposals;
- approving the annual budget;
- approving and monitoring financial and other reporting;
- overall corporate governance of the Company, including conducting regular reviews of the balance of responsibilities within the Company to ensure the division of functions remain appropriate to the needs of the Company;
- liaising with the Company's external auditors and the Audit and Financial Risk Committee;
- adopting a formal code of conduct to be followed by all the Directors, employees and contractors of the Company; and
- monitoring, and ensuring compliance with, the Group's legal obligations.

BOARD COMMITTEES

The Board will establish committees as it considers necessary or appropriate to assist it in carrying out its responsibilities. To assist in carrying out their responsibilities, the Board will establish the following standing committees following the demerger:

- Risk Committee;
- Audit and Financial Risk Committee; and
- Nomination and Remuneration Committee.

As at the date of this report, only the Audit and Financial Risk Committee has been established.

Risk Committee

The Board will establish a Risk Committee comprising of three to five Directors, with a Non-Executive Director as its chairperson. It is intended that the Risk Committee will meet at least four times a year, with additional meetings scheduled on an 'as needs' basis. The Risk Committee will have 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.

The primary function of the Risk Committee will be to assist the Board in fulfilling its responsibilities with respect to the oversight and governance control of the Company's risk management (excluding financial risks) 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 where 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 and Financial Risk Committee in order to review Audit and Financial Risk 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.

Audit and Financial Risk Committee

The Board has established an Audit and Financial Risk Committee, comprising of three Directors, all with appropriate financial experience. At least one member will have past employment experience in finance or accounting, a requisite professional certification in accounting or other comparable financial management expertise.

The members of the Audit and Financial Risk Committee are:

- David Williamson;
- Stephen Bizzell; and
- Nicholas Davies.

Given the composition of the Board upon listing, Dart Energy will not follow the recommendation set by the ASX Corporate Governance Council that the Audit and Financial Risk Committee comprise a majority of independent Directors. However, it is considered that the members of the Audit and Financial Risk Committee will have appropriate expertise and skills to effectively discharge the role of that committee. The Audit and Financial Risk Committee will meet at least four times a year, with additional meetings scheduled on an 'as needs' basis. Representatives of management and the Company's external auditor will attend Audit and Financial Risk Committee meetings at the discretion of the Committee.

The primary function of the Audit and Financial Risk Committee will be 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;
- 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 judgements 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 and Financial Risk 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.

Nomination and Remuneration Committee

The Board will establish a Nomination and Remuneration Committee comprising of not less than three Directors. The chairperson will be an Independent Director. Given the composition of the Board upon listing, Dart Energy will not follow the recommendation set by the ASX Corporate Governance Council that the Nomination and Remuneration Committee comprise a majority of independent Directors. However, it is considered that the members of the Nomination and Remuneration Committee will have appropriate expertise and skills to effectively discharge the role of that committee.

The primary function of the Nomination and Remuneration Committee will be to assist the Board in fulfilling its responsibilities with respect to remuneration of the Company's executives, determining the nominees for election to the Board and identifying and recommending candidates to fill Board vacancies. The major responsibilities of the Nomination and Remuneration Committee will include responsibility for:

- 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;
- 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.

RESOURCES AVAILABLE TO THE BOARD

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.

The chairperson of the Board will be responsible for leadership of the Board, for the efficient organisation and conduct of the Board's function and for the briefing of all Directors in relation to issues arising at Board meetings. The chairperson of the Board is also responsible for Shareholder communication and arranging Board performance evaluation.

CODE OF CONDUCT: TRADING IN COMPANY SECURITIES

The Company has 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.

The Company has a formal procedure in place to deal with the disposal or acquisition of the Company's securities. In addition, there are specific periods in which trading in the Company's securities is prohibited by Directors and staff.

CONTINUOUS DISCLOSURE AND SHAREHOLDER COMMUNICATION

The Company has a policy on information disclosure that focus on continuous disclosure of any information concerning the Company that a reasonable person would expect to have a material effect on the price of the Company's securities. These policies and procedures also include the arrangements the Company has in place to promote communication with shareholders and encourage effective participation at general meetings.

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 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.

COMPLIANCE WITH RECOMMENDATIONS

As at the date of this report the Company is not in a position to be fully compliant with all of the Council's best practice recommendations. The Company's current policies do not meet the recommended practices in the following areas due mainly to the initial composition of the Board following the completion of the demerger of Dart Energy from the Arrow Energy Group.

ASX PRINCIPLES AND RECOMMENDATIONS AS FOLLOWS:

Principle 2 – Structure the board to add value

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

Dart Energy does not meet the recommendation that a majority of the Board are independent Non-Executive Directors. Given the size of Dart Energy upon listing, the inclusion of more independent Non-Executive Directors in order to meet that requirement was not considered to be warranted. At the date of this report none of the Directors are considered to be 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 judgements in the best interest of the Company and other stakeholders notwithstanding 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 Energy (Nicholas Davies) is a Non-Executive Director, but he is not considered to be independent given his past role as an executive of Arrow Energy. Accordingly Dart Energy does not follow the recommendation set by the ASX Corporate Governance 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 Energy's activities and operations and his industry knowledge.

CORPORATE GOVERNANCE STATEMENT (continued)

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 three members

The initial Audit and Financial Risk Committee does not currently meet the recommendations that it consists only of Non-Executive Directors (as two of the members are Executive Directors) and it is chaired by a Director (David Williamson) who is not considered independent in accordance with the criteria set out. The committee will be restructured to comply with the recommendation when the Company engages other Non-Executive Directors who have the skills required to sit on the Audit and Financial Risk Committee.

Principle 8 – Remunerate fairly and responsibly

Recommendation 8.1 – The board should establish a remuneration committee

Due to the size and scale of operations and given the current composition of the Board at this stage a separate remuneration committee has not been established. The full Board currently performs the functions of a nomination committee.

FINANCIAL STATEMENTS

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
Brisbane QLD 4000

Registered postal address is:

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

ACN 122 585 505.

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

The financial statements were authorised for issue by the Directors on 30 September 2010. 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

CONSOLIDATED INCOME STATEMENT

for the year ended 30 June 2010

	Notes	Consolidated 2010 $'000	2009 $'000
Revenue	5	1,017	433
Other income	6	1,718	377
Consultancy Cost		(2,318)	(1,667)
Depreciation		(160)	(69)
Employee Compensation		(8,226)	(4,204)
Field Related Cost		(2,035)	(1,600)
Impairment of Assets & Receivables	7	(5,143)	-
Office Supplies		(287)	(254)
Professional Fees		(538)	(204)
Occupancy Cost		(416)	(578)
Travel and Accommodation		(1,521)	(856)
Other Expenses		(188)	(133)
Expenses, excluding finance costs		(20,832)	(9,565)
Finance costs		(188)	(162)
		(188)	(162)
Share of net profit of associates accounted for using the equity method		14	-
Loss before income tax		(18,271)	(8,917)
Income tax expense	8	(844)	(182)
Loss for the year		(19,115)	(9,099)
Loss is attributable to:			
Owners of Dart Energy Limited		(17,073)	(8,346)
Non-controlling interests		(2,042)	(753)
		(19,115)	(9,099)
		Cents	Cents
Loss per share attributable to the ordinary equity holders of the Company:			
Basic loss per share	37	(5.1)	(2.6)
Diluted loss per share	37	(5.1)	(2.6)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2010

		Consolidated	
	Notes	**2010 $'000**	**2009 $'000**
Loss for the year		(19,115)	(9,099)
Other comprehensive loss			
Exchange differences on translation of foreign operations	24(a)(c), 25	(4,983)	(12,222)
Other comprehensive loss for the year, net of tax		(4,983)	(12,222)
Total comprehensive loss for the year		(24,098)	(21,321)
Total comprehensive loss for the year is attributable to:			
Owners of Dart Energy Limited		(21,678)	(18,263)
Non-controlling interests		(2,420)	(3,058)
		(24,098)	(21,321)

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

CONSOLIDATED BALANCE SHEET

as at 30 June 2010

	Notes	Consolidated 2010 $'000	Consolidated 2009 $'000
ASSETS			
Current assets			
Cash and cash equivalents	9	14,713	39,345
Trade and other receivables	10	29,331	1,193
Inventories	11	401	25
Financial assets at fair value through profit or loss	12	11,733	-
Derivative financial instruments	13	812	-
Total current assets		56,990	40,563
Non-current assets			
Receivables	14	2,401	2,668
Investments accounted for using the equity method	15	14,807	-
Financial assets at fair value through profit or loss	16	-	12,324
Property, plant and equipment	17	678	342
Intangible assets	18	32,516	28,948
Total non-current assets		50,402	44,282
Total assets		107,392	84,845
LIABILITIES			
Current liabilities			
Trade and other payables	19	5,508	5,077
Current tax liabilities	20	253	366
Total current liabilities		5,761	5,443
Non-current liabilities			
Deferred tax liabilities	21	392	3
Provisions	22	773	291
Total non-current liabilities		1,165	294
Total liabilities		6,926	5,737
Net assets		100,466	79,108
EQUITY			
Contributed equity	23	45,456	-
Reserves	24(a)	78,990	83,595
Retained losses	24(b)	(28,770)	(11,697)
Capital and reserves attributable to owners of Dart Energy Limited		95,676	71,898
Non-controlling interests	25	4,790	7,210
Total equity		100,466	79,108

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2010

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 2008		-	86	(3,351)	(3,265)	-	(3,265)
Total comprehensive income for the year		-	(9,917)	(8,346)	(18,263)	(3,058)	(21,321)
Transactions with owners in their capacity as owners:							
Merger reserve arising from restructuring		-	4,633	-	4,633	-	4,633
Gain on disposal of shares	24	-	88,793	-	88,793	-	88,793
Investment by Shell		-	-	-	-	10,268	10,268
		-	93,426	-	93,426	10,268	103,694
Balance at 30 June 2009		-	83,595	(11,697)	71,898	7,210	79,108

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 2009		-	83,595	(11,697)	71,898	7,210	79,108
Total comprehensive income for the year		-	(4,605)	(17,073)	(21,678)	(2,420)	(24,098)
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs and tax	23	45,000	-	-	45,000	-	45,000
Share based payment from parent		456	-	-	456	-	456
		45,456	-	-	45,456	-	45,456
Balance at 30 June 2010		45,456	78,990	(28,770)	95,676	4,790	100,466

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2010

	Notes	Consolidated 2010 $'000	Consolidated 2009 $'000
Cash flows from operating activities			
Total loss before income tax		(18,271)	(8,917)
		(18,271)	(8,917)
Adjustments for:			
– Depreciation		160	69
– Interest income	5	(764)	(110)
– Interest expense		188	162
– Impairment loss on exploration		3,147	-
– Impairment loss on other receivables		1,996	-
– Share of profit of associated company		(14)	-
– Non-cash employee benefits expense – Share-based payments		456	-
– Translation adjustments		(1,718)	(377)
Changes in working capital, net of effects from acquisition of subsidiaries:			
– Trade and other receivables		(307)	(3,834)
– Inventories		(376)	(25)
– Trade and other payables		913	(19,796)
Cash generated from operations		**(14,590)**	**(32,828)**
Income taxes paid		(568)	-
Interest received		96	110
Interest paid		(323)	-
Net cash (outflow) from operating activities		**(15,385)**	**(32,718)**
Cash flows from investing activities			
Payments for property, plant and equipment	17	(500)	(406)
Payments for exploration expense		(7,935)	(5,496)
Payments for financial assets at fair value through profit or loss		(812)	-
Proceeds from sale of property, plant and equipment		-	303
Net cash (outflow) from investing activities		**(9,247)**	**(5,599)**
Cash flows from financing activities			
Proceeds from share transfer		-	76,499
Bank deposits pledged		622	(3,957)
Net cash inflow from financing activities		622	72,542
Net increase (decrease) in cash and cash equivalents		**(24,010)**	**34,225**
Cash and cash equivalents at the beginning of the financial year		35,388	1,163
Cash and cash equivalents at end of year	9	11,378	35,388
Non-cash financing and investing activities	36		

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 Energy Limited 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.*

Compliance with IFRS

The consolidated financial statements of the Dart Energy Limited 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.

Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement 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 Energy Limited ("Company" or "parent entity") as at 30 June 2010 and the results of all subsidiaries for the year then ended. Dart Energy Limited 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, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated balance sheet respectively.

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

(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 financials statements 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 33).

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in reserves 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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 34.

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 Energy Limited.

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 where appropriate.

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 strategic steering committee.

(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 Energy Limited's functional and presentation currency.

(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 the fair value reserve in equity.

(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 follows:

(i) Interest income

Interest income is recognised using the effective interest method.

(ii) PSC 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.

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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Tax consolidation legislation

Arrow Energy Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Arrow Energy Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Arrow Energy Limited also recognises 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 are recognised as amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

Subsequent to 30 June 2010, the Company left the Arrow Energy tax consolidated group.

(g) Leases

When the Group is the lessee: The Group leases certain office space and accommodation for staff under operating leases from non-related parties.

Lessee – Operating leases: 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.

(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 acquiree'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.

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. 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.

(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 14) 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.

(iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, 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)

(m) Investments and other financial assets (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. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss. 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.

Subsequent measurement

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.

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.

Fair value

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

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. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists 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 reclassified from equity and recognised in the profit or loss as a reclassification adjustment. Impairment losses recognised in profit or loss on equity instruments classified as available-for-sale are not reversed through profit or loss.

If there is evidence of impairment for any of the Group's financial assets carried at amortised cost, 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. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in profit or loss.

(n) 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 (for example, unlisted equity investments) 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 interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the consolidated 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.

(o) 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.

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(p)(ii)) once technical feasibility and commercial viability of an area of interest are demonstrable. All subsequent development drilling and other subsurface expenditure is 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:

- Motor vehicles 5 years
- Plant and Equipment 10 years
- Computer equipment & software 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.

(p) 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 subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised. Instead, goodwill 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).

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 having a specific nexus with a particular area of interest. Exploration and evaluation expenditure is only capitalised from the point when the rights to tenure of 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 reclassified as development assets within property, plant and equipment 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 or when other 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.

Development

The costs of coal seam gas assets in the development phase are separately accounted for within the development assets – producing area category and include costs transferred from exploration and evaluation expenditure once technical feasibility and commercial viability of an area of interest are demonstrable. All subsequent development drilling and other subsurface expenditure are capitalised in this category.

(q) 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.

(r) 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.

(s) 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.

(t) Provisions

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(y).

(u) 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.

Certain employees of the Group also participated in Arrow Energy Limited share option schemes, under which employees are granted options over Arrow Energy Limited shares by that Company. The Group recognises the fair value of these options as an employee benefit expense with a corresponding increase recognised in equity as a contribution from Arrow Energy Limited.

The fair value of options granted under the share option plan 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.

(v) 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. Incremental costs directly attributable to the issue of new shares for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

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.

(w) 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)

(x) 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.

(y) 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 are 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.

(z) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, 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.

(aa) 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.

(ab) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 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 2009-8 *Amendments to Australian Accounting Standards* – Group Cash-Settled Share-based Payment Transactions [AASB2] (effective from 1 January 2010)

The amendments made by the AASB to AASB 2 confirm that an entity receiving goods or services in a group share-based payment arrangement must recognise an expense for those goods or services regardless of which entity in the Group settles the transaction or whether the transaction is settled in shares or cash. They also clarify how the Group share-based payment arrangement should be measured, that is, whether it is measured as an equity or a cash-settled transaction. The Group will apply the amended standard from 1 July 2010. There will be no impact on the Group's financial statements.

(ii) AASB 9 Financial Instruments and AASB 2009-11 *Amendments to Australian Accounting Standards arising from* AASB 9 (effective from 1 January 2013)

AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is yet to assess its full impact. The Group has not yet decided when to adopt AASB 9.

(iii) AASB 2010-3 and AASB 2010-4 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project* (effective from 1 January 2010/1 January 2011 respectively)

The AASB made a number of amendments to Australian Accounting Standards as a result of the IASB's annual improvements project. The Group will apply the amendments from 1 July 2010. It does not expect that any adjustments will be necessary as the result of applying the revised rules.

(iv) AASB 1053 *Application of Tiers of Australian Accounting Standards* and AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements* (effective from 1 July 2013)

On 30 June 2010 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.

(ac) 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.

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) Currency risk

The Group operates principally in the Asia-Pacific region with dominant operations in Singapore, China, Vietnam, India, Australia and Indonesia. Entities in the Group regularly transact in currencies other than their respective functional currencies ("foreign currencies").

Currency risk arises when transactions are denominated in foreign currencies such as Singapore Dollar ("SGD"), US Dollar ("USD"), Vietnamese Dong ("DONG"), Chinese Renminbi ("RMB"), and India Rupees ("INR"). The Group does not utilise currency forwards or other arrangements for trading or speculative purposes.

2 FINANCIAL RISK MANAGEMENT (CONTINUED)

The Group's currency exposure based on the information provided to key management expressed in Australian Dollars, was as follows:

	30 June 2010				30 June 2009			
	USD $'000	AUD $'000	Other $'000	TOTAL $'000	USD $'000	AUD $'000	Other $'000	TOTAL $'000
Financial assets								
Cash and cash equivalents and financial assets, at fair value through profit or loss	25,359	-	1,901	27,260	47,280	3,588	801	51,669
Trade and other receivables	1,258	27,024	629	28,911	21	290	548	859
Loan to joint venture	2,401	-	-	2,401	2,668	-	-	2,668
Financial liabilities								
Trade and other payables	(861)	(2,776)	(1,871)	(5,508)	(706)	(2,265)	(2,106)	(5,077)
Net financial assets/(liabilities)	28,157	24,248	659	53,064	49,263	1,613	(757)	50,119
Less: Net financial assets/(liabilities) denominated in the respective entities' functional currencies	(28,157)	(20,779)	(773)	(49,709)	(49,263)	(1,613)	586	(50,290)
Currency exposure on financial assets and liabilities	-	3,469	(114)	3,355	-	-	(171)	(171)

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 has insignificant exposure to equity security price risk as the Group does not hold significant equity financial assets.

(iii) Cash flow and fair value interest rate risk

The Group's income is substantially independent of changes in market interest rates as its significant interest-bearing asset has a fixed interest rate of 8% per annum (Convertible Loan Note).

(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

The carrying amount of financial assets of the Group determined to be impaired amounted to $1,996,000.

The impaired financial assets arise from other receivable balances due from a joint operator of the three Indian coal seam gas blocks for exploration expenditure paid on behalf of the joint operator. The joint operator has suffered cash flow problems and the Group does not expect these receivable balances to be recoverable. The Group has made an allowance for impairment on the full amount. Refer to note 7.

There are no other 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	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying Amount (assets)/ liabilities
At 30 June 2010	***$'000***	***$'000***	***$'000***	***$'000***	***$'000***	***$'000***
Non-derivatives						
Trade payables	5,508	-	-	-	5,508	5,508
Total non-derivatives	5,508	-	-	-	5,508	5,508
At 30 June 2009						
Non-derivatives						
Trade payables	5,077	-	-	-	5,077	5,077
Total non-derivatives	5,077	-	-	-	5,077	5,077

(d) Capital risk

The Group's objective when managing capital is to ensure that the Group is adequately capitalised and funded.

Management monitors capital based on total equity.

The Group is not subjected 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.

As of 1 July 2009, Dart Energy Limited has adopted the amendment to AASB 7 *Financial Instruments: Disclosures* which 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).

2 FINANCIAL RISK MANAGEMENT (CONTINUED)

The following table presents the group's assets and liabilities measured and recognised at fair value at 30 June 2010.

At 30 June 2010	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Financial assets at fair value through profit or loss and derivative financial instruments	-	12,545	-	12,545
Total assets	-	12,545	-	12,545

At 30 June 2009	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Financial assets at fair value through profit or loss	-	12,324	-	12,324
Total assets	-	12,324	-	12,324

The valuation techniques of financial assets at fair value through profit or loss and derivative financial instruments are based on discounted cash flows and quoted prices.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. 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. The fair value of current payables approximates their carrying amount.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements 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.

Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(p). The recoverable amounts of cash-generating units have been determined based on fair value less costs to sell calculations. These calculations require the use of assumptions. Refer to note 18 for details of these assumptions and the potential impact of changes to the assumptions.

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 existing wells developed, current costs of site rehabilitation discounted using a risk free rate and an estimation of 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.

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.

4 SEGMENT INFORMATION

(a) Description of segments

Geographical segments

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

These consider the business from a geographic perspective and there are thus six reportable segments, being: Australia, China, India, Indonesia, Vietnam and Singapore.

Australia

The home country of the parent entity which is also the venue of the parent entity listing. Subsequent to year end, the segment comprises farmin assets in Australia, and holdings in various Australian listed entities.

China

Comprises a PSC 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 two 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.

India

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

Singapore / Corporate

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

(b) Segment information provided to the Board

The segment information for the reportable segments for the year ended 30 June 2010 is as follows:

- Segment assets and capital expenditure are allocated based on where the assets are located.
- Segment results (EBITDA) are adjusted earnings/(loss) before interest, tax, depreciation and amortisation, which is the measure of segment result that is reported to the Board to assess the performance of the operating segments.
- Segment Assets refers to the measure of the Group's intangible assets (goodwill and exploration), property, plant and equipment, investments in associates and financial instruments (derivative options and convertible exchange note in Far East Energy Corporation).

4 SEGMENT INFORMATION (CONTINUED)

	Segment Revenues from sales to External Customers		Segment Total Assets		Segment Results (EBITDA)	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Australia	-	-	-	-	1,624	(67)
India	-	-	2,032	4,381	(5,235)	(273)
Indonesia	-	-	8,320	5,695	(3,102)	(1,785)
China	-	-	39,026	23,995	(703)	(2,207)
Vietnam	-	-	10,855	7,409	(36)	(506)
Singapore / Corporate	-	-	313	134	(11,235)	(3,959)
	-	-	60,546	41,614	(18,687)	(8,796)
Unallocated assets			46,846	43,231		
Total assets			107,392	84,845		

(i) EBITDA reconciliation	Consolidated 2010 $'000	Consolidated 2009 $'000
EBITDA	(18,687)	(8,796)
Interest income	764	110
Finance costs	(188)	(162)
Depreciation	(160)	(69)
Loss before income tax	(18,271)	(8,917)

5 REVENUE

	Consolidated 2010 $'000	Consolidated 2009 $'000
Other revenue		
Bank Deposit Interest Income	96	110
Convertible loan note Interest	668	-
PSC fees and charges	253	323
	1,017	433
	1,017	433

6 OTHER INCOME

	Consolidated 2010 $'000	Consolidated 2009 $'000
Foreign exchange gains (net)	1,718	377

7 EXPENSES

	Consolidated 2010 $'000	Consolidated 2009 $'000
The impairment table below relates to assets included in the India segment:		
Impairment of receivables	1,996	-
Impairment of exploration assets	3,147	-
Total impairment losses – other assets	5,143	-

8 INCOME TAX EXPENSE

	Notes	Consolidated 2010 $'000	Consolidated 2009 $'000
(a) Income tax expense			
Current tax		455	182
Deferred tax		389	-
Adjustments for current tax of prior periods		-	-
		844	182
(b) Numerical reconciliation of income tax expense to prima facie tax payable			
Loss before income tax expense		(18,271)	(8,917)
Tax at the Australian tax rate of 30% (2009 – 30%)		5,481	2,675
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:			
Statutory stepped income exemption from Dart Energy International		-	52
Tax on deemed 5% mark-up on costs incurred by Dart Energy International		(117)	(73)
Expenses not deductible for tax purposes		(4,641)	(2,364)
Indonesian tax arising from the transfer of share in joint venture		-	(52)
Difference in overseas tax rate		4	(56)
Sundry items		117	-
		844	182

9 CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	Consolidated	
	2010 $'000	2009 $'000
Cash at bank & on hand	11,378	35,388
Bank deposits pledged	3,335	3,957
	14,713	39,345

(a) Reconciliation to cash at the end of the year

For the purpose of presenting the consolidated cash flow statement, the consolidated cash and cash equivalents comprise the following:

	Consolidated	
	2010 $'000	2009 $'000
Cash and bank balances (as above)	14,713	39,345
Less: Bank deposits pledged	(3,335)	(3,957)
Balances per consolidated statement of cash flows	11,378	35,388

Bank deposits pledged refer to performance bond guarantees issued to the respective countries' government, relating to drilling expenditure commitments.

10 CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	Consolidated	
	2010 $'000	2009 $'000
Related party receivables	27,751	-
	27,751	-
Other receivables		
Loans and advances	176	-
Others	984	859
	1,160	859
Prepayments		
Prepayments	420	334
	420	334
	29,331	1,193

Related party receivables refer to Dart Energy Limited's receivables from Arrow Energy Limited.

11 CURRENT ASSETS – INVENTORIES

	Consolidated	
	2010 $'000	*2009 $'000*
Inventory (casing) – at cost	401	25
	401	25

There is no inventory expense during the year ended 30 June 2010 as all inventory consumed has been capitalised under exploration cost.

12 CURRENT ASSETS – FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Convertible notes and warrants

The convertible notes and warrants relate to Far East Energy Corporation ("FEEC"), which is listed on the OTC Bulletin Board Market of the United States of America. Conversion of the convertible notes will result in the Group becoming an approximately 11.5% shareholder of FEEC. The warrants will increase the Company's shareholding in FEEC over time to 15%. The terms and conditions of the convertible notes are as follows:

– Maturity: The notes mature on 13 March 2011;
– Redemption: Redeemable any time up to maturity at holder's discretion at an exchange rate of 21,052 shares per note held; and
– Interest rate: 8% per annum.

The warrants have expired during the financial year.

The convertible notes have been reclassified to current assets during the financial year as they are expected to be realised within 12 months after the balance sheet date.

The fair value of the convertible notes has been determined using various valuation techniques based on market conditions existing at the balance sheet date.

	Consolidated	
	2010 $'000	*2009 $'000*
Convertible loan notes	11,733	-
	11,733	-

13 DERIVATIVE FINANCIAL INSTRUMENTS

	Consolidated	
	2010 $'000	*2009 $'000*
Options for acquisition of additional interest in associate	812	-
	812	-

The options allow the Group to subscribe for up to an additional 40% of the issued and paid up capital of the associated company, Fortune Gas Liulin Company Ltd.

The fair value of the convertible note had been determined using various valuation techniques based on market conditions existing at the balance sheet date.

14 NON-CURRENT ASSETS – RECEIVABLES

	Consolidated	
	2010 $'000	**2009 $'000**
Loans to related parties		
Related party loans	2,401	-
EIG loan advances	-	2,668

Loans to related parties are unsecured, interest-bearing at the LIBOR plus 3% per annum and have no fixed terms of payment. The fair value of the loans approximates carrying value.

EIG loan advances for India have been impaired during the financial year, see note 7.

15 NON-CURRENT ASSETS – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Consolidated	
	2010 $'000	**2009 $'000**
Investment in associates (note 33)	14,807	-
	14,807	-

16 NON-CURRENT ASSETS – FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Consolidated	
	2010 $'000	**2009 $'000**
Convertible loan notes (note 12)	-	12,324

17 NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

	Office equipment $'000	Motor vehicles $'000	Computers $'000	Furniture and fittings $'000	Total $'000
At 1 July 2008					
Cost	55	4	116	124	299
Accumulated depreciation	(1)	-	(9)	(9)	(19)
Net book amount	54	4	107	115	280
Year ended 30 June 2009					
Opening net book amount	54	4	107	115	280
Exchange differences	(2)	1	9	21	29
Additions	113	-	216	76	405
Disposals	(29)	(5)	(132)	(137)	(303)
Depreciation charge	(4)	-	(48)	(17)	(69)
Closing net book amount	132	-	152	58	342
Cost or fair value	137	-	193	71	401
Accumulated depreciation	(5)	-	(41)	(13)	(59)
Net book amount	132	-	152	58	342

Year ended 30 June 2010					
Opening net book amount	132	-	152	58	342
Exchange differences	(4)	-	(7)	7	(4)
Additions	89	-	109	302	500
Depreciation charge	(19)	-	(107)	(34)	(160)
Closing net book amount	198	-	147	333	678
Cost or fair value	222	-	296	381	899
Accumulated depreciation	(24)	-	(149)	(48)	(221)
Net book amount	198	-	147	333	678

18 NON-CURRENT ASSETS – INTANGIBLE ASSETS

	Exploration costs $'000	Goodwill $'000	Total $'000
At 1 July 2008			
Cost	9,420	-	9,420
Accumulated amortisation and impairment	-	-	-
Net book amount	9,420	-	9,420
Year ended 30 June 2009			
Opening net book amount	9,420	-	9,420
Additions	5,496	15,782	21,278
Derecognition of Goodwill	-	(1,919)	(1,919)
Exchange difference	1,097	(928)	169
Closing net book amount	16,013	12,935	28,948
At 30 June 2009			
Cost	16,013	12,935	28,948
Accumulated amortisation and impairment	-	-	-
Net book amount	16,013	12,935	28,948

Year ended 30 June 2010			
Opening net book amount	16,013	12,935	28,948
Additions	7,954	-	7,954
Impairment charge	(3,147)	-	(3,147)
Exchange differences	(605)	(634)	(1,239)
Closing net book amount	20,215	12,301	32,516
At 30 June 2010			
Cost	20,215	12,301	32,516
Accumulated amortisation and impairment	-	-	-
Net book amount	20,215	12,301	32,516

(a) Impairment tests for goodwill

Goodwill is allocated based on the Group's cash-generating units ("CGUs") identified which are the Production Sharing Contracts in the respective countries of operation.

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

2010	China $'000	Indonesia $'000	Vietnam $'000	Total $'000
Goodwill	6,151	4,100	2,050	12,301

2009	China $'000	Indonesia $'000	Vietnam $'000	Total $'000
Goodwill	6,468	4,312	2,155	12,935

The recoverable amounts of CGUs were determined based on fair value less costs to sell. Cash flow projections used in the fair value less costs to sell calculations were based on financial budgets approved by management covering a 20-year period which reflects the typical duration of Production Sharing Contracts and a growth rate of 3.5% per annum.

Other key assumptions:

- Estimated Gas Price in China = US$4.20/GJ
- Estimated Gas Price in Indonesia and Vietnam = US$4.50/GJ
- Discount rate used in China, Indonesia and Vietnam = 15% (Post-tax)

The above assumptions were used for the analysis of the CGU. Management determined estimated gas prices per GJ based on its expectations of gas selling prices in China, Indonesia and Vietnam, based on its review of independent gas marketing activities, market penetration and expected future costs to deliver marketable quantities of gas. The discount rate used reflects specific risks relating to China, Indonesia and Vietnam.

The amounts assigned to each of the parameters in the fair value less costs to sell assessments reflects past experience adjusted for expected changes over the business plan, but may be affected by unforeseeable changes in the political, economic or legal framework of certain countries.

19 CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Consolidated	
	2010 $'000	2009 $'000
Trade Payables	5,508	5,077

20 CURRENT LIABILITIES – CURRENT TAX LIABILITIES

	Consolidated	
	2010 $'000	2009 $'000
Income tax – current liabilities	253	366

21 NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES

	Consolidated	
	2010 $'000	2009 $'000
The balance comprises temporary differences attributable to:		
Intangible assets	3	3
Unrealised exchange gains	389	-
Set-off of deferred tax liabilities pursuant to set-off provisions	-	-
Net deferred tax liabilities	392	3

22 NON-CURRENT LIABILITIES – PROVISIONS

	Consolidated	
	2010 $'000	2009 $'000
Provision for employee benefits	745	291
Provisions for rehabilitation	28	-
	773	291

23 CONTRIBUTED EQUITY

(a) Share capital

	Consolidated		Consolidated	
	2010 Shares	2009 Shares	2010 $'000	2009 $'000
Ordinary shares				
Fully paid	45,000,001	1	45,000	-
Equity injected by Arrow Energy for settlement of share based payments	-	-	456	-
	45,000,001	1	45,456	-
Total consolidated contributed equity			45,456	-

(b) Movements in ordinary share capital:

Date	Details	Number of shares	Issue price	$'000
1 July 2008	Opening balance	1		-
30 June 2009	Balance	1		-
1 July 2009	Opening balance	1		-
	Share based payments settled through equity	-		456
	New issues of shares	45,000,000	$1.00	45,000
				45,456
30 June 2010	Balance	45,000,001		45,456

As at the balance sheet date, Dart Energy has issued a total of 45,000,001 Dart Energy shares in which Arrow Energy Limited is the legal and beneficial owner of these shares. As at the demerger date of 22 July 2010, Arrow Energy shareholders had received one Dart Energy share for every two Arrow Energy Shares they hold. This has required Dart Energy to increase its share capital from 45,000,001 shares to 367,248,184 share capital at demerger date.

On 28 July 2010, Dart Energy issued additional new ordinary shares under the Institutional Placement of 52,500,000 shares. This resulted in a total share capital of 419,748,185 ordinary shares issued as at 28 July 2010 for Dart Energy.

24 RESERVES AND RETAINED LOSSES

	Consolidated	
	2010 $'000	**2009 $'000**
(a) Reserves		
Foreign currency translation	(14,436)	(9,831)
Merger reserve	4,633	4,633
Reserve arising on disposal of non-controlling interest in subsidiary	88,793	88,793
	78,990	83,595

	Consolidated	
	2010 $'000	**2009 $'000**
Movements:		
Foreign currency translation		
Balance 1 July	(9,831)	86
Currency translation differences arising during the year	(4,605)	(9,917)
Balance 30 June	(14,436)	(9,831)

	Consolidated	
	2010 $'000	**2009 $'000**
Movements:		
Merger Reserve		
Balance 1 July	4,633	-
Restructuring of subsidiaries	-	4,633
Balance 30 June	4,633	4,633

	Consolidated	
	2010 $'000	**2009 $'000**
Movements:		
Reserve arising on disposal of non-controlling interest in subsidiary		
Balance 1 July	88,793	-
Consideration received	-	100,979
Derecognition of goodwill	-	(1,919)
Book value of international net assets sold	-	(10,267)
Balance 30 June	88,793	88,793

(b) Retained losses

Movements in retained losses were as follows:

	Consolidated	
	2010 $'000	**2009 $'000**
Balance 1 July	(11,697)	(3,351)
Net loss for the year	(17,073)	(8,346)
Balance 30 June	(28,770)	(11,697)

24 RESERVES AND RETAINED LOSSES (CONTINUED)

(c) Nature and purpose of reserves

(i) Foreign currency translation

Exchange differences arising on translation of the foreign controlled entity are taken to the foreign currency translation reserve on consolidation. The reserve is recognised in profit and loss when the net investment is disposed of.

(ii) Merger reserve

On 28 November 2008, the Group underwent a restructuring exercise whereby certain subsidiaries, Dart Energy Global CBM Pty Ltd (formerly known as "Arrow Global CBM Pty Ltd") and Dart Energy (India) Pty Ltd (formerly known as "Arrow Energy (India) Pty Ltd") which were under the common control of Arrow Energy Limited, were transferred to the Group. The restructuring exercise was accounted for using the 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

This reserve arose on the acquisition of 10% of the equity of Dart Energy (CBM) International Pte. Ltd. (formerly known as Arrow Energy International Pte. Ltd.) by Shell.

The consideration received was US$66 million of which US$16 million was paid to Arrow Energy Limited in settlement of inter-company debt.

25 NON-CONTROLLING INTERESTS

		Consolidated	
	Notes	*2010 $'000*	*2009 $'000*
Interest in:			
Arising on initial investment by Shell in Dart Energy International		10,268	10,268
Interest in foreign currency translation reserve		(2,683)	(2,305)
Interest in retained profits / (losses) – Shell		(2,844)	(822)
Interest in retained profits / (losses) – CJV		49	69
		4,790	7,210

26 DIVIDENDS

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

No dividends were paid to members during the financial year.

27 KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Directors

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

(i) Chairman – Non-Executive

Nicholas Davies

(ii) Executive Directors

Simon Potter, Chief Executive Officer and Managing Director (appointed 10/6/2010)

Shaun Scott, Executive Director / Acting CFO (appointed 20/4/2010)

Stephen Bizzell, Executive Director

(iii) Non-Executive Directors

David Williamson (appointed 21/7/2010)

(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*	*Employer*
Eytan Uliel	Chief Commercial Officer	Dart Energy (CBM) International Pte Ltd
Peter Godfrey	Vice President, Commercial	Dart Energy (CBM) International Pte Ltd

(c) Key management personnel compensation

Key management personnel compensation for the years ended 30 June 2010 and 2009 is set out below. The key management personnel of Dart Energy Limited includes the Directors and those executives that report directly to the Managing Director, whose remuneration was paid directly by Dart Energy Limited and its subsidiaries. Such Directors and Key Management in 2010 include Nicholas Davies, Simon Potter, Eytan Uliel and Peter Godfrey and in 2009 include Nicholas Davies and Peter Godfrey.

	Consolidated	
	2010 $	*2009 $*
Short-term employee benefits	2,270,300	2,335,423
Post-employment benefits	26,314	27,723
Long-term benefits	-	-
Termination benefits	-	-
Share-based payments	456,112	-
	2,752,727	2,363,146

28 REMUNERATION OF AUDITORS

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

		Consolidated	
	Notes	2010 $	2009 $
Audit services			
PricewaterhouseCoopers Australian firm:			
Audit of financial reports		30,000	-
Related practices of PricewaterhouseCoopers Australian firm:			
Audit and review of financial reports		140,369	157,437
Total remuneration for audit services		170,369	157,437
Non-audit services			
PricewaterhouseCoopers Australian firm:			
Other		6,100	-
Related practices of PricewaterhouseCoopers Australian firm:			
Due diligence services		134,928	-
Total remuneration for other assurance services		141,028	-
Taxation services			
Related practices of PricewaterhouseCoopers Australian firm:			
Tax compliance and advice		118,292	57,818
Total remuneration for taxation services		118,292	57,818
Total remuneration for non-audit services		259,320	57,818
Total auditor's remuneration		429,689	215,255

29 CONTINGENCIES

(a) Contingent liabilities

As at balance sheet date, there is a possible claim of US$700,000 (A$821,300) against Dart Energy from the Indian Government for the early exit of CBM III – MR (Mand-Raigarh) block that has indicated no commercial production potential. Dart Energy does not consider that the claim is probable and therefore no amount has been provided for this. The expenditure on this block was impaired during the year, see note 7.

30 COMMITMENTS

(a) Capital commitments

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

	Consolidated	
	2010 $'000	2009 $'000
Exploration assets & PPE:		
Payable:		
Within one year	27,535	7,701
Later than one year but not later than five years	18,457	10,631
	45,992	18,332

The exploration commitments are in relation to the explorations of the one Indian, two Indonesian and one Vietnamese coal seam gas blocks, two Australian licences, and one China PSC block.

For details of the additional funds secured by the Group to meet these capital commitments, see note 35 for further details.

(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	
	2010 $'000	2009 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	840	407
Later than one year but not later than five years	580	129
Later than five years	-	-
	1,420	536

31 RELATED PARTY TRANSACTIONS

(a) Parent entities

The Parent entity within the Group is Dart Energy Limited. The immediate and ultimate parent entity is Arrow Energy Limited, which is incorporated in Australia and owns 100% of the issued ordinary shares at 30 June 2010.

(b) Related Party Transactions

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties during the financial year:

	Consolidated	
	2010 $	2009 $
Technical service fee from associated company	202,002	-

(c) Loans to/from related parties

Loans to joint venture (Sangatta West CBM Inc) are unsecured, interest bearing at the LIBOR plus 3% per annum and have no fixed terms of payment.

Loans from the ultimate parent entity are unsecured, interest bearing at 8% per annum and have no fixed terms of payment. The loan was settled after 30 June 2010 as part of the demerger.

	Consolidated	
	2010 $	2009 $
Loans to joint venture (Sangatta West CBM Inc)		
Beginning of the year	-	-
Loan to joint venture (Sangatta West CBM Inc)	2,372,810	-
Interest received	28,332	-
End of year	2,401,142	-

	Consolidated	
	2010 $	2009 $
Loan from Ultimate Parent Entity, Arrow Energy Limited		
Beginning of the year	-	-
Issue of shares	45,000,000	-
Expenditure incurred on the Group's behalf	(17,637,525)	-
Interest charged	388,525	-
End of year	27,751,000	-

32 SUBSIDIARIES

Details of subsidiaries are as follows:

Name of companies	Country of incorporation	Principal activities	Equity holding	
			2010 %	*2009 %*
Held by Company :				
Dart Energy SPV No.1 Pty. Ltd.	Australia	Investment holding	100	-
Dart Energy SPV No.2 Pty. Ltd.	Australia	Investment holding	100	-
Dart Energy (China) Pty. Ltd. (Formerly known as "Arrow Energy (China) Pty. Ltd.")	Australia	Investment holding	100	100
Dart Energy (Indonesia) Pty. Ltd. (Formerly known as "Arrow Energy (Indonesia) Pty. Ltd.")	Australia	Investment holding	100	100
Dart Energy (Overseas) Pty. Ltd. (Formerly known as "Arrow Energy (Overseas) Pty. Ltd.")	Australia	Investment holding	100	100
Dart Energy (CBM) International Pte. Ltd. (Formerly known as "Arrow Energy International Pte. Ltd.")	Singapore	Headquarters	90	90
Dart Energy Pte. Ltd. (incorporated on 5 Jul 2010)	Singapore	Investment holding	100	-

32 SUBSIDIARIES (CONTINUED)

Name of companies	Country of incorporation	Principal activities	Equity holding 2010 %	Equity holding 2009 %
Held by subsidiaries :				
Dart Energy (India) Holdings Pte. Ltd. (Formerly known as "Arrow Energy (India) Holdings Pte. Ltd.")	Singapore	Investment holding	100	100
Dart Energy (Indonesia) Holdings Pte. Ltd. (Formerly known as "Arrow Energy (Indonesia) Holdings Pte. Ltd.")	Singapore	Investment holding	100	100
Dart Energy (Vietnam) Holdings Pte. Ltd. (Formerly known as "Arrow Energy (Vietnam) Holdings Pte. Ltd.")	Singapore	Investment holding	100	100
Dart Energy (China) Holdings Pte. Ltd. (Formerly known as "Arrow Energy (China) Holdings Pte. Ltd.")	Singapore	Investment holding	100	100
Dart Energy (India) Pte. Ltd. (Formerly known as "Arrow Energy (India) Pte. Ltd.")	Singapore	Investment holding	100	100
Dart Energy (ST) Pte. Ltd. (Formerly known as "Arrow Energy (RM) Pte. Ltd.")	Singapore	Investment holding	100	100
Dart Energy (AS) Pte. Ltd. (Formerly known as "Arrow Energy (TR) Pte. Ltd.")	Singapore	Investment holding	100	100
Dart Energy (MG) Pte. Ltd. (Formerly known as "Arrow Energy (MR) Pte. Ltd.")	Singapore	Investment holding	100	100
Dart Energy (Sangatta West) Pte. Ltd. (Formerly known as "Arrow Energy (Sangatta West) Pte. Ltd.")	Singapore	Investment holding	100	100
Dart Energy (Hanoi Basin CBM) Pte. Ltd. (Formerly known as "Arrow Energy (Hanoi Basin CBM) Pte. Ltd.")	Singapore	Investment holding	100	100
Dart Energy (FEEC) Pte. Ltd. (Formerly known as "Arrow Energy (FEEC) Pte. Ltd.")	Singapore	Investment holding	100	100
Dart Energy (FLG) Pte. Ltd. (Formerly known as "Arrow Energy (FLG) Pte. Ltd.")	Singapore	Investment holding	100	100
Dart Energy (Dajing) Pte. Ltd. (Formerly known as "Arrow Energy (Dajing) Pte. Ltd.")	Singapore	Investment holding	100	100
Dart Energy (Tanjung Enim) Pte. Ltd. (Formerly known as "Arrow Energy (Tanjung Enim) Pte. Ltd.")	Singapore	Investment holding	100	-
Dart Energy (Barito) Pte. Ltd. (Formerly known as "Arrow Energy (Barito) Pte. Ltd.")	Singapore	Investment holding	100	-
Dart Energy (CIL) Pte. Ltd. (Formerly known as "Arrow Energy (CIL) Pte. Ltd.")	Singapore	Investment holding	100	-
Dart Energy (China CMM) Pte. Ltd. (Formerly known as "Arrow Energy (China CMM) Pte. Ltd.")	Singapore	Investment holding	100	-
Dart Energy Global CBM Pty Ltd. (Formerly known as "Arrow Global CBM Pty. Ltd.")	Australia	Investment holding	100	100
Dart Energy (India) Pty. Ltd. (Formerly known as "Arrow Energy (India) Pty. Ltd.")	Australia	Investment holding	100	100
Xinjiang Arrow Jiuneng CBM and Energy Exploration and Development Limited Liability Company	China	Service Company	80	80
Arrow Energy Technology (Beijing) Company Limited	China	Service Company	100	100
PT Arrow Energy Indonesia	Indonesia	Service Company	100	100

33 INVESTMENTS IN ASSOCIATES

	Consolidated	
	2010 *$'000*	*2009* *$'000*
(a) Movements in carrying amounts		
Carrying amount at the beginning of the financial year	-	-
Acquisition during the year	14,793	-
Share of profits after income tax	14	-
Carrying amount at the end of the financial year	14,807	-

(b) Summarised financial information of associates

		Company's share of:			
	Ownership Interest %	*Assets $'000*	*Liabilities $'000*	*Revenues $'000*	*Profit $'000*
2010					
Fortune Liulin Gas Company	35	10,084	1,314	59	14
		10,084	1,314	59	14
2009					
Fortune Liulin Gas Company	-	-	-	-	-
		-	-	-	-

(c) Share of associates' expenditure commitments, other than for the supply of inventories

	2010	2009
Capital commitments – within one year	9,305	-
Capital commitments – more than one year	5,348	-
	14,653	-

34 INTERESTS IN JOINT VENTURES

(a) Jointly controlled entities

Details of the joint venture are as follows:

	% Interest held during the year 2010	% Interest held during the year 2009
Sangatta West CBM Inc.	50	50

	Consolidated	
	2010 $'000	2009 $'000
Assets		
Current assets	544	2
Non-current assets	2,695	206
	3,239	208
Share of assets employed in joint venture	3,239	208
Liabilities		
Current liabilities	771	80
Non-current liabilities	2,402	-
	3,173	80
Share of liabilities employed in joint venture	3,173	80
Net assets	66	128
Share of joint venture's revenue, expenses and results		
Sales	6	38
Expenses	(61)	(680)
Loss before tax	(55)	(642)
Income tax	-	-
Loss after income tax	(55)	(642)
Share of joint venture's capital commitments:		
Within one year	6,822	9,490
Later than one year but not later than five years	1,364	-
	8,186	9,490

35 EVENTS OCCURRING AFTER THE REPORTING PERIOD

The demerger of the Group from Arrow Energy Limited took effect on 20 July 2010. As a consequence of the demerger:

- Shell agreed to cancel all back-in rights in respect of the Group's projects.
- Shell agreed to provide a US$25 million two year loan agreement with the Group subject to the Group securing at least one new CSG licence or PSC. The Group has not drawn down on this facility.
- On 22 July 2010, the Company was admitted to the official list of the Australian Securities Exchange. At the same time as the listing occurred, the Company raised $35 million via the issue of new equity in an institutional placement.

On 3 September 2010, Dart Energy acquired a 10 percent stake in Composite Energy Ltd (Composite) by subscription of US$7 million. Composite is a company engaged in the CBM and shale gas business in Europe. Dart Energy has an option to increase its stake in Composite to 20 percent prior to the end of January 2011 via subscription of an additional US$5 million. All funds subscribed by Dart Energy will be used to progress Composite's ongoing work program on its existing tenements in the United Kingdom and Europe, to secure additional licences for the Composite portfolio and to further evaluate shale gas potential in several of Composite's licence areas. Dart Energy also has the option to increase its ownership to 100 percent, exercisable prior to the end of June 2011, for US$56 million, payable in either cash or Dart Energy shares at the then prevailing market price, or in a combination of cash and shares at Dart Energy's election. Dart Energy also has the ability to farmin to 50 percent non-operating stakes on any newly identified Composite projects in Europe, in the event that Dart Energy does not move to 100% percent ownership of Composite.

On 28 September 2010, Dart Energy announced an agreement with Apollo Gas Limited (Apollo) to make a recommended offer for all issued securities in Apollo, other than those already owned by Dart Energy. The offer will comprise:

– 3 Dart Energy ordinary shares for every 4 Apollo ordinary shares; and
– 3 comparable Dart Energy options for every 4 Apollo options.

Dart Energy currently has an approximate 21% interest in Apollo, and is currently exercising farmin rights with respect to two Apollo tenements. Given Dart Energy's current shareholding in Apollo, the consideration payable by Dart Energy to acquire the Apollo shares that it does not already own will be approximately 118 million Dart Energy shares. Assuming completion of the Offer, Apollo shareholders will hold approximately 22% of the combined group.

The acquisition of Apollo would provide Dart Energy with control and ownership of the two existing Apollo projects in respect of which Dart Energy is currently exercising farmin rights, in addition to other Apollo licences, and will enable Dart Energy's technical expertise and development capabilities to be brought to bear across the Apollo portfolio.

36 NON-CASH INVESTING AND FINANCING ACTIVITIES

	Consolidated 2010 $'000	Consolidated 2009 $'000
Acquisition of associate by means of inter-company loan	14,793	

37 EARNINGS PER SHARE

	Notes	Consolidated 2010 Cents	Consolidated 2009 Cents
(a) Basic and diluted loss per share			
Total basic and diluted loss per share attributable to the ordinary equity holders of the Company		(5.1)	(2.6)

(b) Reconciliations of loss used in calculating loss per share

	Notes	Consolidated 2010 $'000	Consolidated 2009 $'000
Basic and diluted loss per share			
Loss attributable to the ordinary equity holders of the Company used in calculating basic and diluted loss per share		(17,073)	(8,346)
		(17,073)	(8,346)

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

	Notes	Consolidated 2010 '000	Consolidated 2009 '000
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share		333,498	322,248

On 16 July 2010, the Company issued 322,248,184 ordinary shares to Arrow Energy Limited as part of the demerger of the Company from Arrow Energy Limited group. The issuance of these shares included a bonus element and consequently the weighted average number of ordinary shares outstanding for 2010 and 2009 was increased by the bonus element of the issue as if the issue had occurred at the beginning of the 2009 financial year.

38 SHARE-BASED PAYMENTS

(a) Arrow Energy Limited Employee Share Option Plan

Certain employees of the Group participated in the Arrow Energy Limited employee option plan. In accordance with the accounting policy in note 1 (u) (iii), an expense for the fair value of the options granted to employees of the Group is recognised in these financial statements over the vesting period.

The fair values of the options are independently determined using a Black-scholes option pricing model that takes into account the exercise price, the term of the options, the impact of dilution, the share price at grant date and expected price volatility of the underlying share (based on historical volatility), the expected dividend yield and the risk-free interest rate for the term of the option.

The model inputs included:

– Expected price volatility (62% – 74%);
– Expected dividend yield (nil);
– Risk-free interest rate (3.83%).

The aggregate options held by the Group's employees are as follows:

Grant Date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
Consolidated – 2010							
1 Dec 2009	31 Dec 2013	$4.25	-	50,000	-	50,000	50,000
1 Dec 2009	31 Dec 2013	$4.75	-	50,000	-	50,000	50,000
1 Dec 2009	31 Dec 2013	$5.25	-	50,000	-	50,000	50,000
1 Dec 2009	31 Dec 2013	$4.25	-	50,000	-	50,000	50,000
1 Dec 2009	31 Dec 2013	$4.75	-	50,000	-	50,000	50,000
1 Dec 2009	31 Dec 2013	$5.25	-	50,000	-	50,000	50,000
1 Dec 2009	31 Dec 2013	$4.25	-	50,000	-	50,000	50,000
1 Dec 2009	31 Dec 2013	$4.75	-	50,000	-	50,000	50,000
1 Dec 2009	31 Dec 2013	$5.25	-	50,000	-	50,000	50,000
27 Jan 2010	31 Dec 2013	$4.00	-	68,586	-	68,586	68,586
Total			-	518,586	-	518,586	518,586
Weighted average exercise price			$-	$4.65	$-	$4.65	$4.65

There were no options held at 30 June 2009. The Arrow Energy Limited employee option plan was cancelled, as part of the demerger in July 2010.

(b) Dart Energy Limited Employee Share Option Plan

After 30 June 2010, a share option scheme has been established where Directors may grant options over the ordinary shares of Dart Energy to employees or consultants engaged by the Company. In addition a number of executives have been engaged under contracts of employment which entitle them to options in accordance with the terms and conditions of their employment contracts. The options issued are not quoted on the Australian Securities Exchange. The options are granted for no consideration. When exercisable each option is convertible into one ordinary share.

The Directors' Report includes disclosure of options issued under the employee option plan since 30 June 2010. The terms and conditions of the employee option plan are subject to approval by shareholders at the Annual General Meeting.

(c) 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	
	2010 $'000	2009 $'000
Employee – Options issued under Arrow Energy Limited share scheme (equity settled)	456	-
	456	-

39 PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

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

	Parent entity	
	2010 $'000	2009 $'000
Balance sheet		
Current assets	-	-
Non-current assets	51,530	4,487
Total assets	51,530	4,487
Current liabilities	30	-
Non-current liabilities	389	-
Total liabilities	419	-
Shareholders' equity		
Contributed equity	45,456	-
Reserves	-	-
Retained earnings	5,655	4,487
Capital and reserves attributable to owners of Dart Energy Limited	51,111	4,487
Non-controlling interests	-	-
Amounts recognised directly in equity relating to disposal groups and other non-current assets classified as held for sale	-	-
	51,111	4,487
Profit for the year	1,168	4,487
Total comprehensive income	1,168	4,487

DIRECTORS' DECLARATION

In the Directors' opinion:

(a) the financial statements and notes set out on pages 42 to 83 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 Company's and consolidated entity's financial position as at 30 June 2010 and of its performance for the financial year ended on that date, and

(b) the financial statements and notes set out on pages 42 to 83 are also in accordance with the international financial reporting standards issued by the International Accounting Standards Board

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

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.

Shaun Scott
Director

Brisbane
29 September 2010

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DART ENERGY LIMITED

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757

Riverside Centre
123 Eagle Street
BRISBANE QLD 4000
GPO Box 150
BRISBANE QLD 4001
DX 77 Brisbane
Australia
www.pwc.com/au
Telephone +61 7 3257 5000
Facsimile +61 7 3257 5999

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 2010, 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 the 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 and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DART ENERGY LIMITED (continued)

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 judgement, 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.

Our audit did not involve an analysis of the prudence of business decisions made by Directors or management.

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*.

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 2010 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).

PricewaterhouseCoopers

Robert Hubbard
Partner

Brisbane
29 September 2010

SHAREHOLDER INFORMATION

A. DISTRIBUTION OF EQUITY SECURITIES

Analysis of numbers of equity security holders by size of holding as at 14 September 2010:

	Class of equity security			
	Ordinary shares		Redeemable preference shares	Convertible notes
Holding	*Shares*	*Options*		
1 – 1000	6,300	-	-	-
1,001 – 5,000	4,634	-	-	-
5,001 – 10,000	1,142	-	-	-
10,001 – 100,000	1,358	-	-	-
100,001 and over	112	3	-	-
	13,546	3	-	-

There were 4,205 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 14th September 2010 are listed below:

Name	Ordinary shares	
	Number held	*Percentage of issued shares*
MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	71,524,081	17.04
ARKDALE PTY LTD	70,863,551	16.88
NATIONAL NOMINEES LIMITED	45,877,594	10.93
CITICORP NOMINEES PTY LIMITED	40,744,433	9.71
J P MORGAN NOMINEES AUSTRALIA LIMITED	18,081,233	4.31
ANZ NOMINEES LIMITED	16,152,269	3.85
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	14,810,613	3.53
CREDIT SUISSE SECURITIES (EUROPE) LTD	9,300,000	2.22
AUSTRALIAN REWARD INVESTMENT ALLIANCE	6,547,220	1.56
UBS NOMINEES PTY LTD	6,396,036	1.52
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	6,161,422	1.47
LUJETA PTY LTD	4,511,507	1.07
J BARLOW CONSULTANTS PTY LTD	3,770,705	0.90
AUST EXECUTOR TRUSTEES NSW LTD	3,329,998	0.79
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	3,312,332	0.79
UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	3,164,412	0.75
BUTTONWOOD NOMINEES PTY LTD	2,613,678	0.62
LUJETA PTY LTD	2,480,073	0.59
BRISPOT NOMINEES PTY LTD	2,479,270	0.59
KABILA INVESTMENTS PTY LTD	2,105,586	0.50
	334,226,013	79.62

Holders of share options are disclosed on page 11 of the Directors' Report.

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.

GLOSSARY OF TERMS

2P	Proved and probable reserves.
3P	Proved, probable and possible reserves.
Basin/Sub-Basin	A basin is a depression or low area in the earth's crust which has filled with sediments. A sub-basin is a smaller indentation which has formed within the overall depression.
BCF	Billion Cubic Feet. A common hydrocarbon industry term for measuring the volume of gas likely to be contained in or recovered from a reservoir, as specified.
CBM	Coal Bed Methane.
CMM	Coalmine Methane.
Coal Seam Gas	(CBM) / Coal Seam Gas is either biogenic or thermogenic methane gas that is both generated and reservoired within coal seams.
Formation	Used to describe a particular sequence of rocks of similar character recognisable over distance. Also an oil industry term used to describe a particular layer being tested for oil and gas.
Fracture	A break in the rock that can serve as both a migration pathway and a reservoir for gas, oil and water.
GJ	Gigajoule. A measurement of the energy value of gas.
Graben	A fault bounded structural feature in the sub-surface. It may serve as a site for thick accumulation of hydrocarbon prospective rocks.
Hydrocarbon	Any liquid or gas made up of an appreciable volume of combustible organic compounds.
MCFD	One thousand cubic feet per day.
Methane	The basic component of dry gas, generated by decaying organic matter.
MM	Million.
MMCFD	One million cubic feet per day.
MOU	Memorandum of Understanding.
Operator	Runs the day to day hydrocarbon exploration and production program on behalf of the working interest holders in the project.
PEL	Petroleum Exploration Licence issued by the NSW State Government.
Permeable	A rock that allows fluid to pass through it easily is said to be permeable.
Pilot	After exploration drilling and subsequent gas analysis of cores, potentially productive CBM areas are tested for producibility by the drilling of several closely spaced holes which constitutes a "Pilot". The wells are completed with down-hole pumps and surface equipment, and gas production and water disposal facilities installed. The wells are then put on long term production in order to de-water the coal seams and establish gas production rates.
PJ	Petajoule. A measurement of the energy value of gas, equivalent to 1.076*1015 joules.
PSC	Production Sharing Contract.
Reservoir	A reservoir rock hosts the hydrocarbon accumulation in the subsurface and may consist of any number of rock types (although it is often sandstone). Also includes permeable and porous fractured rock and coal seams.
Section	A stratigraphic sequence encountered in a well.
Seismic	The seismic process records the time taken for a sound wave to travel from the surface of the earth to a sub-surface rock layer and then back again. The data collected can be processed to provide a pictorial representation of sub-surface rock layers and is used extensively in hydrocarbon exploration and production. Old 'single fold' seismic shot in the 1960's is greatly inferior to modern 'multi-fold' seismic.
Stratigraphic Well	A well drilled primarily to discover what rock strata are present.
TCF	Trillion Cubic Feet or 1,000 BCF.
TJ	Terajoule. A measurement of the energy value of gas.

CORPORATE DIRECTORY

Directors	Nicholas Davies BSc (Hons Math/Eng) Non-Executive Chairman Simon Potter MSc / BSc (Hons) Chief Executive Officer and Managing Director Stephen Bizzell BCom, ACA, MAICD Executive Director Shaun Scott BBus(Accountancy) / BA (Rec Admin), ACA Executive Director David Williamson BCom, FCA / MAICD 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 (0)7 3149 2100 Facsimile: +61 (0)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 14 Sydney South NSW 1235 Telephone: +61 (0)2 8280 7454 Facsimile: +61 (0)2 9287 0303
Auditor	PricewaterhouseCoopers Riverside Centre 123 Eagle Street Brisbane Qld 4000
Stock Exchange Listing	Australian Securities Exchange Ltd ASX Code: DTE
Website address	www.dartenergy.com.au
ACN	122 588 505

www.dartenergy.com.au