# Dart Energy Limited

ABN 21 122 588 505

# Annual Financial Report
# for the year ended 30 June 2014

# Dart Energy Limited

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# Annual Financial Report - 30 June 2014

## Contents



*Important Note:*

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

| | | |
|---|---|---|
| **Directors** | Robert Neale<br>*Non-Executive Chairman*<br><br>John McGoldrick<br>*Managing Director*<br><br>Stephen Lonie<br>*Non-Executive Director*<br><br>Shaun Scott<br>*Non-Executive Director* | |
| **Company Secretary** | Paul Marshall | |
| **Principal Registered Office in Australia** | Level 9, Waterfront Place, 1 Eagle Street<br>Brisbane QLD 4000, Australia<br><br>Telephone: +61 7 3149 2100<br>Facsimile: +61 7 3149 2101<br><br>Postal Address:<br>GPO Box 3120<br>Brisbane QLD 4001, Australia | |
| **Head Office** | 152 Beach Road #19-03/04 The Gateway East<br>Singapore 189721<br><br>Telephone: +65 6508 9840<br>Facsimile: +65 6294 6904 | |
| **Share Registry** | Computershare Investor Services Pty Limited | |
| | <u>Street Address</u><br>117 Victoria Street<br>West End, Brisbane<br>Queensland 4101, Australia<br><br>Telephone +61 3 9415 4000<br>Facsimile: +61 3 9473 2500 | <u>Postal Address</u><br>GPO Box 2975<br>Melbourne, Victoria 3001<br>Australia |
| **Auditor** | PricewaterhouseCoopers<br>Riverside Centre<br>123 Eagle Street<br>Brisbane QLD 4000<br>Australia | |
| **Stock Exchange Listing** | Australian Stock Exchange Ltd<br><br>ASX Code: DTE | |
| **Website Address** | www.dartgas.com | |

## Directors' Report

Your Directors present their report on the consolidated entity consisting of Dart Energy Limited (referred to hereafter as the "Company" or "Dart Energy") and the entities it controlled at the end of, or during, the year ended 30 June 2014 (collectively, the "Group").

**Directors**

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

| | |
|---|---|
| Robert Neale | Non-Executive Chairman (appointed 26 November 2013). |
| John McGoldrick | Managing Director (appointed 31 March 2014). |
| Stephen Lonie | Non-Executive Director (appointed 26 November 2013). |
| Shaun Scott | Non-Executive Director. |
| Cam Rathie | Non-Executive Director (appointed 26 November 2013; resigned 30 June 2014). |
| Peter Forbes | Non-Executive Director (appointed 26 November 2013; resigned 28 February 2014). |
| Nicholas Davies | Non-Executive Chairman (resigned 26 November 2013). |
| Stephen Bizzell | Non-Executive Director (resigned 26 November 2013). |
| Simon Poidevin OAM | Non-Executive Director (resigned 26 November 2013). |
| Norrie Stanley | Non-Executive Director (resigned 26 November 2013). |

**Principal Activities**

The principal activities of the Group are exploration, appraisal and development of hydrocarbons with a primary focus on unconventional gas including shale gas and coal seam gas ("CSG") (also known as coal bed methane ("CBM")).

There were no significant changes in the nature of the Group's activities during the year, although the Group continues to divest non-core assets.

**Dividends - Dart Energy Limited**

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

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

**Acquisition by IGas Energy Plc**

On 9 May 2014, the Company announced agreement on the terms of a recommended acquisition by IGas Energy Plc (the "Transaction"), a company listed on the Alternative Investment Market of the London Stock Exchange, by way of a Scheme of Arrangement (the "Scheme"). Upon implementation of the Scheme, Dart shareholders will receive 0.08117 IGas shares for each Dart share ("Consideration Shares"), and will own approximately 30.5% of the enlarged Group on a fully diluted basis. The Scheme is expected to complete during October 2014. See further details on page 5 (Matters Subsequent to the End of the Financial Year).

Given the Board's support for this Transaction, the Company cancelled its previously announced listing on AIM. Upon implementation of the Scheme, the Consideration Shares will be admitted to trading on AIM.

## Directors' report *(continued)*

### Operations and Financial Review

A summary of consolidated results and assets by segment is set out in the following table:

| Region | Segment Results (Adjusted EBITDA/(LBITDA)) | | Segment Assets | |
|---|---|---|---|---|
| | **2014 $'000** | 2013 $'000 | **2014 $'000** | 2013 $'000 |
| (a) U.K. / Europe | **5,321** | (2,415) | **160,368** | 167,629 |
| (b) Australia | **(4,191)** | (5,963) | **4,000** | 52,134 |
| (c) China | **1,373** | 960 | **-** | 73 |
| (d) Indonesia | **(689)** | (148) | **-** | 22,442 |
| (e) India | **(40)** | 11 | **13** | 138 |
| (f) Singapore / Corporate | **(3,329)** | (2,493) | **11** | 214 |
| (g) Vietnam | **(4)** | 47 | **-** | - |
| **Total segment results / assets** | **(1,559)** | (10,001) | **164,392** | 242,630 |

Segment assets refer to the Group's intangible assets (goodwill and exploration), property, plant and equipment, investments in associates and financial assets at fair value through profit or loss.

Segment results are earnings/(loss) before interest, tax, depreciation and amortisation, adjusted for impairment and loss on disposal of exploration assets, goodwill and investments, which is the measure of segment result that is reported to the Board to assess the performance of the operating segments. Reconciliation of segment results and assets to loss before tax and total assets respectively is included in Note 4 to the financial statements.

Key highlights for each of the segments during the financial year are briefly discussed as follows:

- **United Kingdom / Europe**

*United Kingdom*
As of the date of this report, the Group has 24 licences in the U.K. with gross area of over 3,000 $km^2$. The gas-in-place, resources and reserves position of the Group includes CSG Original Gas-in-place (best estimate) of 8.0 Tcf, CSG 2C Contingent Resources of 3.0 Tcf, 3P Reserves of 124 Bcf and 2P Reserves of 38.4 Bcf, all net to the Group, as independently certified by NSAI. In addition, the Group has best estimate shale gas-in-place of 50.7 Tcf in the Bowland Basin in England, net to the Group, as independently certified by NSAI. The Group also has an option over an 80% interest in one additional UK licence which is considered prospective for shale gas.

During the financial year, the Group entered into farm-out agreements with two international oil and gas "majors", GDF Suez E&P UK Ltd (a wholly-owned subsidiary of GDF Suez S.A.) ("GDF") and Total E&P UK Limited (a wholly-owned subsidiary of Total S.A.) ("Total"), for the funding and execution of shale gas and CSG exploration work programmes on some of these UK licences over the next two to three years. Details regarding these arrangements are as follows:

- In November 2013, the Group entered into a farm-out agreement with GDF in respect of 13 licences in the Bowland basin in the UK. Under the terms of the agreement, GDF farmed-in to a 25% working interest in each of these licences and the Group received an initial cash consideration of US$12.3 million. In addition, GDF will fully carry the Group on a work programme to drill up to 11 CSG wells and four shale gas wells, capped at US$36 million in aggregate.

- In February 2014, the Group, along with other partners, including IGas, entered into a farm-out agreement with Total in respect of two licences in the Bowland basin in the U.K. Under the terms of the agreement, Total farmed-in to a 40% working interest in each of PEDL 139 and PEDL 140 in consideration for an agreed work programme to be funded by Total which includes the acquisition of 3D seismic data, the drilling and testing of a vertical shale gas well and associated well pad construction and, conditional on the success of the testing of the exploration well, the drilling and testing of a horizontal appraisal well subject to a cap of US$46.5 million. As part of this transaction, the Group received a cash consideration of US$1 million. Further, the licences were reorganised and, where Dart previously held a 16.5% working interest in the shale horizon and 60% in the CSG horizon, Dart now holds a 17.5% working interest across all horizons on both licences.

## Directors' report *(continued)*

In August 2012, Dart applied for planning approval to facilitate further development and commercialisation of the Airth CSG Project at PEDL 133 in Scotland, by way of drilling various production wells, deployment of surface infrastructure including pipelines to connect wells to enable efficient gas gathering and construction of compression facilities for processing of gas ahead of transportation via pipeline. Dart appealed the lack of decision by the local authorities on its planning application in June 2013 and a public inquiry to consider the proposals commenced on 18 March 2014. Dart expects the result of this appeal later in 2014. Subject to favourable appeal outcome and absent further unforeseen circumstances, the Airth CSG Project could result in Dart's first commercial gas sales before the end of 2016.

In addition, the Group progressed exploration and appraisal preparations in respect of certain other licences in the U.K., including identification of drilling locations, work on land access and local authority planning process, and drilling of certain coal seam gas wells. The Group expects to continue its drilling campaign across multiple licences during the 2015 and 2016 financial periods.

During the financial year, the Group relinquished 7 exploration licences in the U.K., by agreement with the U.K. Department of Energy & Climate Change. Consequently, a loss on disposal of $12.6 million was charged to the income statement during the financial year.

*Europe*
The Group exited from its licences in Poland. The Group considers other assets in its European portfolio, in Germany and Belgium, to be non-core. An agreed process for the relinquishment of the Group's licence in Belgium (at no cost) was agreed with the Group's partner in the asset, and is expected to be implemented during the course of the next financial year. The Group continues to seek opportunities to divest and / or exit from its assets in Germany.

- **Australia**

As of the date of this report, the Group has 7 licences in New South Wales ("NSW"), Australia with gross area of approximately 24,600 km$^2$. The gas-in-place and resource position of the Group includes CSG Original Gas-in-place (best estimate) of 8.7 Tcf, CSG Prospective Resources (best estimate) of 0.9 Tcf and CSG 2C Contingent Resources of 2.0 Tcf, all net to the Group, as independently certified by NSAI.

In January 2014, the NSW Government enacted into legislation its previously announced exclusion / "no go" zones for CSG activity, which, in the view of the Directors, makes exploration and development of CSG resources in that State presently unattractive. The Group, therefore, holds its Australian licences on 'care and maintenance' and intends to keep these licences on such a basis until the NSW regulatory regime is more conducive to unconventional gas exploration and production. For this reason, the Directors do not anticipate any further significant drilling in NSW in the near term.

In view of the ongoing uncertainty as to the possible timing for recommencement of activities in that State, the long-term carrying value of the Australian assets has been reconsidered. As a consequence, an impairment charge of approximately $20.4 million was made in the financial statements for the half-year 31 December 2013, and a further impairment charge of approximately $21 million has been made in the financial statements for the year ended 30 June 2014.

- **Asia**

*China*
During the financial year, the Group completed the divestment of its Liulin CSG asset, the agreement for which was entered into in the previous financial year. In addition, during the financial year, the Group divested its interest in the Xiushan shale gas project, to an existing partner, Hong Kong Prosperous Clean Energy Company Ltd. Consequently, the Group has no other business interests and activities in China and is in the process of closing its office in China.

*Indonesia*
No substantive work was undertaken on the Group's portfolio of licences in Indonesia. The Group is seeking to farm-out, divest or otherwise eliminate or reduce the extent of any future capital commitments to activities in Indonesia. In view of ongoing uncertainty in relation to eventual sale outcomes in Indonesia, an impairment charge of approximately $8.5 million has been made in the financial statements for the year ended 30 June 2014.

## Directors' report *(continued)*

*India*
During the year, the Group agreed to transfer a 50% working interest (out of its 60% working interest) in its only licence in India, the Assam CBM Block, to Oil India Limited, its existing partner in that licence. The transfer has been approved by the Indian Government, and consequently, the Group's interest in the licence has been reduced to 10% substantially reducing the Group's exposure to capital commitments in India.

**Financial Position**

The Group has available cash on hand as at 24 September 2014 of approximately $17.4 million (not inclusive of approximately $3.1 million in bank deposits pledged to support work programme obligations), which is a sufficient amount to enable the Group to fund its planned activities for the next twelve months.

**Going Concern**

During the year ended 30 June 2014, the Group recorded a loss before income tax of $78,551,000 (2013: loss of $136,042,000) and a net cash outflow of $21,648,000 (2013: outflow of $14,948,000) from operating activities and expenses.

These results are consistent with the initial exploration, appraisal and project development phase of the business.

The Group continually monitors its cash flow requirements to ensure that it has sufficient funds to meet its contractual commitments and adjusts its spending, particularly with respect to discretionary exploration activity and corporate overhead.

As noted in previous sections of the Directors' Report, throughout the financial year, the Group commenced and successfully completed a range of initiatives in order to secure cash resources to allow the Group to support its current business plan. In addition to these fund raising activities, the Group also successfully repaid all drawn external debt by 31 December 2013. The Group will continue to explore further capital raising activities, in order to further secure the exploration and development funding required by the Group on a long term basis.

In addition, a letter of support was issued by the Directors of IGas Energy Plc to the Directors of Dart Energy Limited stating their intention to make whatever arrangements might be necessary to enable Dart Energy Limited, whilst it remains a wholly owned subsidiary of IGas Energy Plc, to meet its liabilities and contractual commitments as they fall due. This support will commence on successful completion of the Scheme in relation to the proposed acquisition by IGas Energy Plc.

The letter of support applies for the foreseeable future and in any event, for a period of at least 12 months from the date of completion of the Scheme.

Accordingly, the financial statements have been prepared on a going concern basis.

**Significant Changes in the State of Affairs**

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

**Matters Subsequent to the end of the Financial Year**

Since the end of the financial year, the following material matter has occurred in regard to the IGas transaction.

As noted, on 9 May 2014, the Company announced agreement on the terms of a recommended acquisition by IGas Energy Plc (the "Transaction"), a company listed on the Alternative Investment Market of the London Stock Exchange, by way of a Scheme of Arrangement (the "Scheme"). Subsequent to the end of the financial year, this transaction has been substantively progressed, and is expected to complete in October 2014. Key events subsequent to the end of the financial year include:

(a) Court Approval, from the Supreme Court of Queensland, to convene a meeting of Dart shareholders to consider and vote on the Scheme was obtained on 23 July 2014 for the Scheme Meeting to be held on 1 September 2014. The Scheme Meeting was subsequently postponed to 10 September 2014;

## Directors' report *(continued)*

**Matters Subsequent to the end of the Financial Year** *(continued)*

(b) The Scheme Booklet containing information in relation to the Scheme including the notice of meeting was released on the ASX and lodged for registration with the Australian Securities and Investments Commission on 23 July 2014. The Scheme Book was despatched to shareholders on 31 July 2014;

(c) The Approval from IGas shareholders in relation to the Scheme was obtained on 1 September 2014;

(d) The Scheme Meeting was held on 10 September 2014 and the Scheme was approved by Dart shareholders; and

(e) Court Approval, from the Supreme Court of Queensland, to approve the Scheme following the approval of Dart shareholders and satisfaction and / or waiver of conditions precedent was obtained on 30 September 2014.

**Health, Safety and Environment (HSE)**

The Group is subject to and seeks to comply with environmental regulation in the various jurisdictions in which it operates. These regulations cover the Group's exploration, development and production activities. 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.

There were no reportable environmental or safety incidents in the current financial year.

**Insurance of Officers**

During the financial year, Dart Energy acquired insurance, for which the premium paid was $129,652, to cover Directors, officers and senior executives of the Group.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This cover 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.

## Directors' report *(continued)*

**Information on Directors**

**Robert Neale**
BSc.(Hons), MAICD, MAIMM.
Non-Executive Chairman. Age 69.

***Experience and expertise***

Robert is a graduate from the University of Queensland and has a First Class Honours Degree in Geology and Mineralogy. He has spent the past 45 years in the exploration and mining industries in several different countries, covering gold, base metals, synthetic fuels, coal, bulk materials and shipping as well as power generation projects.

***Other current Directorships***

Planet Gas Limited (from November 2009).

***Former Directorships in last 3 years***
Westside Corporation Limited (from May 2010 to August 2014).
New Hope Corporation Limited (from November 2008 to January 2014).
Northern Energy Corporation Limited (from February 2011 to delisting in October 2011).

***Special responsibilities***
Chairman of the Dart Energy Limited Board.

***Interests in shares and options***

16,365 ordinary shares in Dart Energy Limited.

**Stephen Lonie**
BCom, MBA, FCA, FFin, FAICD, FIMCA.
*Non-Executive Director.* Age 62.

***Experience and expertise***

Stephen is a Chartered Accountant, with more than 38 years industry experience, and a former Queensland Managing Partner of the international accounting and consulting firm, KPMG. He now practices as an independent management consultant and business adviser.

***Other current Directorships***
Corporate Travel Management Limited (from June 2010).
MyState Limited (from December 2012).
Retail Food Group Limited (from June 2013).

***Former Directorships in last 3 years***

The Rock Building Society Limited (from April 2010 to December 2011).
CMI Limited (from December 2012 to February 2013).

***Special responsibilities***

Chairman of Audit and Risk Committee and Member of Nomination and Remuneration Committee.

***Interests in shares and options***

650,000 ordinary shares in Dart Energy Limited.

**Shaun Scott**
*BBus(Accountancy) / BA (Rec Admin), CA.*
*Non-Executive Director.* Age 49.

***Experience and expertise***

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

## Directors' report *(continued)*

***Other current Directorships***
Anaeco Limited (from March 2011).
Site Group International Limited (from August 2011).
Titan Energy Services Limited (from December 2011).

***Former Directorships in last 3 years***
Acer Energy Ltd (from March 2011 to December 2012).
Buccaneer Energy Limited (from July 2013 to August 2013).

***Special responsibilities***
*Chairman of Nomination and Remuneration Committee and member of Audit and Risk Committee.*

***Interests in shares and options***
1,307,342 ordinary shares in Dart Energy Limited.

**John McGoldrick**
B Eng.
*Managing Director.* Age 57.

***Experience and expertise***
John is in charge of the overall management of Dart Energy and has more than 32 years of experience in the oil and gas industry. He joined Phillips Petroleum Co. Europe Africa in 1980 as a petroleum engineer. In 1984 he joined Enterprise Oil plc as a Petroleum Economist and subsequently served in a variety of management roles (with the last position being Area Manager, in which he served until 1997). From 1997 to 2000 he served as the Managing Director of Enterprise Energy Ireland Ltd. From 2000 to 2002 he was appointed as an Executive President of Enterprise Oil Gulf of Mexico Inc., where he served until it was acquired by Shell. From 2004 to 2006, John held the position of Executive President of Falcon Bay Energy Llc. From 2006 to 2010 he was Executive Chairman and Director of Caza Oil & Gas Inc. and is currently its Non-executive Chairman and Non-executive Director of Caza Petroleum Inc., its subsidiary.

***Other current Directorships***
None.

***Former Directorships in last 3 years***
None.

***Special responsibilities***
Managing Director.

***Interests in shares and options***
2,375,000 unlisted 30 June 2019 $0.13 options.
2,375,000 unlisted 30 June 2020 $0.14 options.

## Directors' report *(continued)*

### Former Directors

**Cam Rathie**
AM, AICD, AIE, SPE.
*Non-Executive Director.*
Cam was a Non-Executive Director of Dart Energy, a Member of the Nomination and Remuneration Committee and a Member of the Audit and Risk Committee during the year. He was appointed as a Director on 26 November 2013 and resigned on 30 June 2014.

**Peter Forbes**
FCPA, FCIB, FAICD, SA Fin.
*Non-Executive Director.*
Peter was a Non-Executive Director of Dart Energy, Chairman of the Audit and Risk Committee and a Member of the Nomination and Remuneration Committee during the year. He was appointed as a Director on 26 November 2013 and resigned on 28 February 2014.

**Nicholas Davies**
BSc (Hons Math/Eng).
*Non-Executive Chairman.*
Nicholas was the Non-Executive Chairman of Dart Energy and a Member of the Nomination and Remuneration Committee during the year. He resigned on 26 November 2013.

**Stephen Bizzell**
BCom, MAICD.
*Non-Executive Director.*
Stephen was a Non-Executive Director of Dart Energy and a Member of the Audit and Risk Committee during the year. He resigned on 26 November 2013.

**Simon Poidevin (OAM)**
BSc (Hons).
*Non-Executive Director.*
Simon was a Non-Executive Director of Dart Energy, Chairman of the Audit and Risk Committee and a Member of the Nomination and Remuneration Committee during the year. He resigned on 26 November 2013.

**Norman (Norrie) Stanley**
BSc (Hons) Chemical Engineering, MBA, Chartered Management Accountant.
*Non-Executive Director.*
Norrie was a Non-Executive Director of Dart Energy, Chairman of the Nomination and Remuneration Committee and a Member of the Audit and Risk Committee during the year. He resigned on 26 November 2013.

### Company Secretary

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

## Directors' report *(continued)*

**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 2014, and the number of meetings attended by each Director were:

| Director | Full meetings of Directors | | Meetings of committees: Audit and Risk | | Meetings of committees: Nomination and Remuneration | |
|---|---|---|---|---|---|---|
| | **A** | **B** | **A** | **B** | **A** | **B** |
| Robert Neale (appointed 26 November 2013) | 12 | 11 | ** | ** | ** | ** |
| Peter Forbes (appointed 26 November 2013, resigned 28 February 2014) | 3 | 3 | 1 | 1 | 0# | 0# |
| Stephen Lonie (appointed 26 November 2013) | 12 | 11 | 2 | 2 | 2 | 2 |
| Cam Rathie (appointed 26 November 2013, resigned 30 June 2014) | 12 | 11 | 2 | 2 | 2 | 2 |
| John McGoldrick (appointed 31 March 2014) | 6 | 6 | ** | ** | ** | ** |
| Shaun Scott | 21 | 21 | 2 | 2 | 3 | 3 |
| Nicholas Davies (resigned 26 November 2013) | 9 | 9 | ** | ** | 1 | 1 |
| Stephen Bizzell (resigned 26 November 2013) | 9 | 9 | 2 | 2 | ** | ** |
| Simon Poidevin OAM (resigned 26 November 2013) | 9 | 9 | 2 | 2 | 1 | 1 |
| Norrie Stanley (resigned 26 November 2013) | 9 | 8 | 2 | 1 | 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.
** = Not a member of the relevant Committee.
# = No meetings held during the time the Director held office.

## Remuneration Report

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

***Directors and key management personnel disclosed in this report***

*Non-executive and executive Directors* – see pages 7 to 9 of this Directors' Report.

*Other key management personnel*

| **Name** | **Position** |
|---|---|
| Eytan Uliel | Chief Financial Officer (formerly Chief Commercial Officer, commenced as Chief Financial Officer 1 August 2013). |
| Justin Walta | Chief Operating Officer (appointed 18 July 2013). |
| Martin Cooper | Chief Financial Officer (resigned 26 July 2013). |

***Role of the Nomination and Remuneration Committee***

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

- Non-executive Director fees;
- Executive remuneration (Directors and other executives); and
- The over-arching executive remuneration framework and incentive plan policies.

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

The Corporate Governance Statement on the Company's website provides further information on the role of this Committee.

***Principles used to determine the nature and amount of remuneration***

*Non-executive Directors*

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

Non-executive Directors do not receive performance based pay. However, to promote further alignment with shareholders, certain non-executive Directors were in previous financial periods granted options under the Dart Energy Limited Employee Share Option Plan.

*Directors' fees*

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

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

The following fees have applied:

| | **From 1 June 2013 to 30 June 2014** |
|---|---|
| ***Base fees*** | |
| Chair (*) | $120,000 |
| Other non-executive Directors | $75,000 |
| ***Additional fees*** | |
| Audit and Risk Committee – Chair | $12,000 |
| Audit and Risk Committee – member | $7,500 |
| Nomination and Remuneration committee – Chair | $12,000 |
| Nomination and Remuneration committee – member | $7,500 |

*(*) Robert Neale does not receive additional remuneration for chairing or being a member of the Board committees.*

## Remuneration report *(continued)*

*Retirement allowances for non-executive Directors*

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

*Executive remuneration*

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

- Competitiveness and reasonableness;
- Acceptability to shareholders;
- Performance linkage / alignment of executive compensation;
- Transparency; and
- Prudent capital management.

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

Alignment to shareholders' interests:

- Has economic profit as a core component of plan design;
- Focuses on sustained growth in shareholder wealth, consisting of growth in share price, and delivering constant return on assets, as well as focusing the executive on key non-financial drivers of value;
- Attracts and retains high calibre executives;
- Rewards capability and experience;
- Reflects competitive reward for contribution to growth in shareholder wealth;
- Provides a clear structure for earning rewards; and
- Provides recognition for contribution.

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

The executive pay and reward framework has three components:

- Base pay and benefits, including superannuation (where applicable);
- Short-term performance incentives; and
- Long-term incentives through participation in the Dart Energy Employee Option Plan.

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

*Base pay and benefits*

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

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

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

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

***Short-term incentives (STI)***

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

## Remuneration Report *(continued)*

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

Awards of STI are determined by the Nomination and Remuneration Committee for executive Directors and the CEO. Awards are determined by the CEO for senior management. Awards under STI outside of those determined under the formal metrics may be made at the discretion of the Company in the event of exceptional performance. Awards under the STI (using the metrics set out below) were determined by the Company for senior level managers.

The STI has two components:

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

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

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

| STI Component | CEO | Senior Management |
|---|---|---|
| **Individual** | 20% | 15% |
| **TSR** | 20% | 10% |

The TSR is determined by comparison of Dart Energy's TSR to the TSR of a basket of companies listed on the Australian Stock Exchange for the same period. Each year, the outlying performers (best two and worst two) are excluded from the final comparator listing. The comparable companies basket is reviewed and adjusted periodically by the Board, to ensure it remains representative of the sector in which the Company operates. TSR is calculated including share price growth, dividends and capital returns. Vesting will occur based on the Company's ranking within the peer group and the basket and peer group ranking currently comprises:

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

| Dart Energy performance vs Comparator group | Bonus entitlement |
|---|---|
| 0 – 50$^{th}$ percentile | 0% |
| 50$^{th}$ percentile | 50% |
| 60$^{th}$ percentile | 65% |
| 70$^{th}$ percentile | 80% |
| 80$^{th}$ percentile | 100% |
| 90$^{th}$ percentile | 125% |
| 100$^{th}$ percentile | 150% |

***Long-term incentives (LTI)***

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

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

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

## Remuneration Report *(continued)*

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

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

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

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

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

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

The awards under the LTI were reviewed by the Remuneration and Nomination Committee in January 2014 and it was decided that no award would be given for the performance period 1 January 2013 to 31 December 2013.

*Options*

In addition to participation in the STI and LTI, certain key management personnel have a contractual entitlement to the grant of options. Further grants of options may be made at the Board's discretion. Key management personnel also participate in the Dart Energy Option Plan. The terms of this plan are disclosed in Note 39 to the financial statements. Further details of the options granted under the Dart Energy Option Plan and to which the key management personnel are contractually entitled are included in the table on page 21.

***Performance of Dart Energy Limited***

For the performance period 1 January 2013 to 31 December 2013 the performance of the Dart Energy Limited share price has been below that of the TSR comparator group. Accordingly, no TSR bonus was payable.

## Remuneration Report *(continued)*

***Details of remuneration***

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

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

| **30 June 2014** | Short-term employee benefits | | | Post-employment benefits | Long-term benefits | | Share-based payments | | |
|---|---|---|---|---|---|---|---|---|---|
| Name | Cash salary and fees $ | Cash bonus (STI) $ | Non monetary benefits * $ | Super-annuation $ | Long service leave $ | Termination benefits $ | Options [C] $ | Shares (STI) $ | Total $ |
| ***Non-executive chairman*** | | | | | | | | | |
| Robert Neale (appointed 26 November 2013) [A] | 70,000 | - | - | 6,475 | - | - | - | - | 76,475 |
| Nicholas Davies (resigned 26 November 2013) [B] | 39,416 | - | - | 3,661 | - | - | 8,269 | - | 51,346 |
| **Non-executive Directors** | | | | | | | | | |
| Stephen Lonie (appointed 26 November 2013) | 48,071 | - | - | 4,447 | - | - | - | - | 52,518 |
| Shaun Scott | 74,627 | - | 9,240 | 6,900 | - | - | 9,157 | - | 99,924 |
| Stephen Bizzell (resigned 26 November 2013) | 32,292 | - | 3,850 | - | - | - | 14,885 | - | 51,027 |
| Peter Forbes (appointed 26 November 2013, resigned 28 February 2014) | 20,764 | - | - | 1,921 | - | - | - | - | 22,685 |
| Simon Poidevin (resigned 26 November 2013) | 34,166 | - | - | 3,157 | - | - | 500 | - | 37,823 |
| Cam Rathie (appointed 26 November 2013, resigned 30 June 2014) | 45,603 | - | - | 4,218 | - | - | - | - | 49,821 |
| Norrie Stanley (appointed 26 November 2013) | 37,292 | - | - | - | - | - | - | - | 37,292 |
| **Sub-total non-executive Directors** | **402,231** | **-** | **13,090** | **30,779** | **-** | **-** | **32,811** | **-** | **478,911** |
| ***Executive Director*** John McGoldrick (appointed 31 March 2014, previously key management) | 546,148 | 85,955 | 325,118 | - | - | - | 183,774 | - | 1,140,995 |
| **Sub-total executive Director** | **546,148** | **85,955** | **325,118** | **-** | **-** | **-** | **183,774** | **-** | **1,140,995** |
| ***Other key management personnel (Group)*** | | | | | | | | | |
| Eytan Uliel | 425,506 | 128,932 | 249,402 | - | - | - | 165,699 | - | 969,539 |
| Justin Walta (appointed 18 July 2013) | 289,626 | 57,577 | 173,774 | - | - | - | 99,212 | - | 620,189 |
| Martin Cooper (resigned 26 July 2013 | 31,449 | - | 2,882 | - | - | - | - | - | 34,331 |
| **Sub-total key management personnel** | **746,581** | **186,509** | **426,058** | **-** | **-** | **-** | **264,911** | **-** | **1,624,059** |
| **Total key management personnel compensation (Group)** | **1,694,960** | **272,464** | **764,266** | **30,779** | **-** | **-** | **481,496** | **-** | **3,243,965** |

[A] *Robert Neale does not receive additional remuneration for chairing or being a member of the Board Committees.*

[B] *Nicholas Davies did not receive additional remuneration for chairing or being a member of the Board Committees.*

## Remuneration Report *(continued)*

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

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

There is an overall year on year decrease in cash remuneration of $652,552 or 19.1% as a result of a restructuring programme, commenced March 2013, whereby the Company moved to a simplified operating structure of one Board of Directors and executives.

A bonus payment of $272,464 was made during the year ending June 2014 compared to the prior year payment of $Nil, an increase of $272,464 or 100%. This increase is a reflection of the improved performance of the Company's share price in the year.

In considering the Group's performance and benefits for shareholders' wealth, the Directors have had regard to the following financial information since the listing of the Group during the 2011 year end:

| | **30 June 2014** | **30 June 2013** | **30 June 2012** | **30 June 2011** |
|---|---|---|---|---|
| (Loss)/profit for the year attributable to Dart Energy Ltd shareholders | ($75,596,000) | ($132,888,000) | ($138,388,000) | $2,755,000 |
| (Loss)/profit after tax from continuing operations | ($75,596,000) | ($132,888,000) | ($138,690,000) | $212,000 |
| Dividends paid during the year (per share) | $nil | $nil | $nil | $nil |
| Share price as at 30 June (per share) | $0.18 | $0.083 | $0.180 | $0.615 |
| Capital and reserves attributable to Dart Energy Ltd shareholders | $173,618,000 | $223,770,000 | $327,057,000 | $458,724,000 |

The overall level of key management personnel's remuneration has been based on market conditions and the current status of the Group's strategic plan.

## Remuneration Report *(continued)*

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

| **30 June 2013** | Short-term employee benefits | | | Post-employment benefits | Long-term benefits | | Share-based payments | | |
|---|---|---|---|---|---|---|---|---|---|
| Name | Cash salary and fees $ | Cash bonus (STI) $ | Non monetary benefits * $ | Super-annuation $ | Long service leave $ | Termination benefits $ | Options (C) $ | Shares (STI) $ | Total $ |
| ***Non-Executive Chairman*** | | | | | | | | | |
| Nicholas Davies (A) (#) | 118,234 | - | - | 10,641 | - | - | 115,801 | - | 244,676 |
| **Non-executive Directors** | | | | | | | | | |
| Stephen Bizzell (re-appointed from Executive to Non-Executive Director 1 December 2012) | 86,083 | - | 9,240 | - | - | - | 208,442 | - | 303,765 |
| Simon Poidevin | 81,766 | - | - | 7,359 | - | - | 6,859 | - | 95,984 |
| Shaun Scott (re-appointed from Executive to Non-Executive Director 1 December 2012) | 166,999 | - | 9,240 | 13,590 | - | - | 128,003 | - | 317,832 |
| Norrie Stanley (appointed 2 April 2013) | 80,256 | - | - | - | - | - | - | - | 80,256 |
| Kirstin Ferguson (appointed 26 November 2012 and resigned 11 March 2013) | 18,317 | - | - | 1,649 | - | - | - | - | 19,966 |
| Sanjiv Misra (appointed 2 August 2012 and resigned 11 March 2013) | 76,717 | - | - | - | - | - | - | - | 76,717 |
| Raymond Lim Siang Keat (appointed 2 August 2012 and resigned 18 February 2013) | 81,393 | - | - | - | - | - | - | - | 81,393 |
| David Williamson (B) | 7,458 | - | - | - | - | - | - | - | 7,458 |
| **Sub-total non-executive Directors** | **717,223** | **-** | **18,480** | **33,239** | **-** | **-** | **459,105** | **-** | **1,228,047** |
| ***Other key management personnel (Group)*** | | | | | | | | | |
| John McGoldrick | 467,330 | - | 280,397 | - | - | - | - | - | 747,727 |
| Eytan Uliel | 387,627 | - | 232,576 | - | - | - | 42,777 | - | 662,980 |
| Martin Cooper (resigned 26 July 2013 | 237,563 | - | 35,638 | 7,477 | - | - | 11,415 | - | 292,093 |
| Nathan Rayner (resigned 25 June 2013) | 335,040 | - | 201,024 | - | 22,588 | 35,286 | 3,720 | - | 597,658 |
| Robbert de Weijer (resigned 30 June 2013) | 334,250 | - | 61,080 | 25,000 | - | 420,787 | 135,327 | - | 976,444 |
| Peter Roles (resigned 19 July 2012) | 31,559 | - | 9,518 | - | - | 72,518 | - | - | 113,595 |
| ***Sub-total key management personnel*** | **1,793,369** | **-** | **820,233** | **32,477** | **22,588** | **528,591** | **193,239** | **-** | **3,390,497** |
| **Total key management personnel compensation (Group)** | **2,510,592** | **-** | **838,713** | **65,716** | **22,588** | **528,591** | **652,344** | **-** | **4,618,544** |

*A) Nicholas Davies does not receive additional remuneration for chairing or being a member of the Board Committees.*

*(# ) Nicholas Davies has been in the position of Non-Executive Chairman since 26 Nov 2012 (resigned 26 November 2013).*

*(B) Directors fees of $7,458 for the month of July 2012 were paid to the estate of David Williamson.*

## Remuneration Report *(continued)*

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

*[D] Nicholas Davies, Shaun Scott, Norrie Stanley, Raymond Lim Siang Keat and Sanjiv Misra remuneration includes Non-Executive fees in connection with Dart Energy International Ltd, which ceased April 2013.*

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

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

| **Name** | **Fixed remuneration** | | **At risk - STI** | | **At risk - Options *** | |
|---|---|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 |
| ***Executive Directors of Dart Energy*** | | | | | | |
| John McGoldrick (appointed 31 March 2014, previously key management) | 76% | 100% | 8% | 0% | 16% | 0% |
| ***Non-Executive Directors of Dart Energy*** | | | | | | |
| Stephen Lonie (appointed 26 November 2013) | 100% | n/a | 0% | n/a | 0% | n/a |
| Shaun Scott | 91% | 60% | 0% | 0% | 9% | 40% |
| Stephen Bizzell (resigned 26 November 2013) | 71% | 31% | 0% | 0% | 29% | 69% |
| Peter Forbes (appointed 26 November 2013, resigned 28 February 2014) | 100% | n/a | 0% | n/a | 0% | n/a |
| Simon Poidevin (resigned 26 November 2013) | 99% | 100% | 0% | 0% | 1% | 0% |
| Cam Rathie (appointed 26 November 2013, resigned 30 June 2014)) | 100% | n/a | 0% | n/a | 0% | n/a |
| Norrie Stanley (resigned 26 November 2013) | 100% | 100% | 0% | 0% | 0% | 0% |
| ***Other key management personnel of Dart Energy*** | | | | | | |
| Eytan Uliel | 70% | 94% | 13% | 0% | 17% | 6% |
| Justin Walta (appointed COO (18 July 2013) | 75% | 0% | 9% | 0% | 16% | 0% |
| Martin Cooper (resigned 26 July 2013) | 100% | 96% | 0% | 0% | 0% | 4% |

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

### *Service agreements*

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

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

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

## Remuneration Report *(continued)*

| **Name** | **Term of agreement** | **Base salary including superannuation *** | **Significant changes to employment **** | **Termination Benefits ***** |
|---|---|---|---|---|
| Robert Neale, *Chairman* (*appointed 26 November 2013)* | Re-appointment at AGM | $120,000 | Lump sum base fee | - |
| Nicholas Davies, *Chairman* | Terminated 26 November 2013 | $95,000 | Lump sum base fee | - |
| Stephen Lonie, *Non-Executive Director* *(appointed 26 November 2013)* | Re-appointment at AGM | $70,000 | Lump sum base fee | - |
| Shaun Scott, *Non-Executive Director* | Reappointment at AGM | $70,000 | Lump sum base fee | - |
| Stephen Bizzell, *Non-Executive Director* | Terminated 26 November 2013 | $70,000 | Lump sum base fee | - |
| Peter Forbes, *Non-Executive Director* (appointed 26 November 2013) | Terminated 28 February 2014 | $70,000 | Lump sum base fee | - |
| Simon Poidevin, *Non-Executive Director* | Terminated 26 November 2013 | $70,000 | Lump sum base fee | - |
| Cam Rathie, *Non-Executive Director* (appointed 26 November 2013) | Terminated 30 June 2014 | $70,000 | Lump sum base fee | - |
| Norrie Stanley, *Non-Executive Director* | Terminated 26 November 2013 | $70,000 | Lump sum base fee | - |
| John McGoldrick, *Executive Director* | On-going, commencing 16 January 2012 | $ 561,081 (SGD 660,000) | 12 months total compensation plus accrued entitlements | 12 months wrritten notice, or payment in lieu of notice |
| Eytan Uliel, *Chief Financial Officer* | On-going, commencing 1 September 2010 | $ 457,000 (SGD 564,000) | 12 months total compensation plus accrued entitlements | 3 months written notice, or payment in lieu of notice |
| Justin Walta, *Chief Operating Officer (appointed 18 July 2013)* | On-going, commencing 18 July 2013 | $297,547 (SGD 350,000) | 12 months total compensation plus accrued entitlements | 3 months written notice, or payment in lieu of notice |
| Martin Cooper, *Chief Financial Officer (resigned 26 July 2013)* | Commenced 24 November 2010, terminated 26 July 2013 | $268,319 (SGD 314,604) | 6 months base salary + 1 month for every year of service, capped at 12 months | 3 months written notice, or payment in lieu of notice (1) |

** Base salaries quoted are per annum, as at 30 June 2014.They are reviewed annually by the Nomination and Remuneration Committee. Total Compensation refers to Base Salary plus other amounts payable to the relevant executive, including allowances and benefits.*

*** Key management personnel are entitled to treat their employment as terminated and to receive these benefits in the event of:*
- *A fundamental change in their current position; or*
- *A significant diminution in their powers, discretions and responsibilities; or*
- *A significant change in duties and tasks which lessens the significance and status of those tasks; or*
- *A significant change in reporting lines.*

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

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

## Remuneration Report *(continued)*

### *Share-based compensation*

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

| Grant date | Vesting and exercise date | Expiry date | Share Price at Grant Date | Exercise price | Value per option at grant date | Service conditions achieved | % Vested |
|---|---|---|---|---|---|---|---|
| | | | | | | | |
| 5 Aug 2010 | 29 Jul 2011 | 31 Mar 2014 | $0.77 | $0.98625 | $0.34643 | 100% | 100% |
| 23 Aug 2010 | 29 Jul 2011 | 31 Mar 2014 | $0.81 | $0.98625 | $0.37093 | 100% | 100% |
| 23 Aug 2010 | 29 Jul 2012 | 31 Mar 2014 | $0.81 | $0.98625 | $0.41375 | 100% | 100% |
| 23 Aug 2010 | 29 Jul 2013 | 31 Mar 2014 | $0.81 | $0.98625 | $0.45092 | To be determined | 0% |
| 01 Sep 2010 | 01 Sep 2010 | 31 Jul 2014 | $0.81 | $0.98625 | $0.34091 | 100% | 100% |
| 01 Sep 2010 | 31 Aug 2011 | 31 Jul 2014 | $0.81 | $0.98625 | $0.38769 | 100% | 100% |
| 01 Sep 2011 | 31 Aug 2012 | 31 Jul 2014 | $0.81 | $0.98625 | $0.42828 | 100% | 100% |
| 12 Oct 2010 | 12 Oct 2010 | 31 Jul 2014 | $1.21 | $0.98625 | $0.64160 | 100% | 100% |
| 12 Oct 2010 | 12 Oct 2011 | 31 Jul 2014 | $1.21 | $0.98625 | $0.69954 | 100% | 100% |
| 12 Oct 2010 | 12 Oct 2012 | 31 Jul 2014 | $1.21 | $0.98625 | $0.74593 | 100% | 100% |
| 24 Nov 2010 | 24 Nov 2010 | 31 Jul 2014 | $1.23 | $0.98625 | $0.65041 | 100% | 100% |
| 24 Nov 2010 | 23 Nov 2011 | 31 Jul 2014 | $1.23 | $0.98625 | $0.70983 | 100% | 100% |
| 24 Nov 2010 | 23 Nov 2012 | 31 Jul 2014 | $1.23 | $0.98625 | $0.76100 | 100% | 100% |
| 30 Nov 2010 | 29 Jul 2011 | 31 Mar 2014 | $1.18 | $0.98625 | $0.62900 | 100% | 100% |
| 30 Nov 2010 | 29 Jul 2012 | 31 Mar 2014 | $1.18 | $0.98625 | $0.68493 | 100% | 100% |
| 30 Nov 2010 | 29 Jul 2013 | 31 Mar 2014 | $1.18 | $0.98625 | $0.73294 | To be determined | 0% |
| 11 Jan 2011 | 11 Jan 2011 | 31 Jul 2014 | $1.14 | $0.98625 | $0.56928 | 100% | 100% |
| 11 Jan 2011 | 10 Jan 2012 | 31 Jul 2014 | $1.14 | $0.98625 | $0.62831 | 100% | 100% |
| 11 Jan 2011 | 10 Jan 2013 | 31 Jul 2014 | $1.14 | $0.98625 | $0.67896 | 100% | 100% |
| 5 Aug 2011 | 5 Aug 2012 | 31 Jul 2015 | $0.62 | $0.98000 | $0.14246 | 100% | 100% |
| 5 Aug 2011 | 5 Aug 2013 | 31 Jul 2015 | $0.62 | $0.98000 | $0.16850 | To be determined | 0% |
| 5 Aug 2011 | 5 Aug 2014 | 31 Jul 2015 | $0.62 | $0.98000 | $0.19265 | To be determined | 0% |
| 2 Dec 2011 | 3 Dec 2011 | 31 Mar 2014 | $0.50 | $0.98625 | $0.02652 | 100% | 100% |
| 2 Dec 2011 | 29 Jul 2012 | 31 Mar 2014 | $0.50 | $0.98625 | $0.03993 | 100% | 100% |
| 2 Dec 2011 | 29 Jul 2013 | 31 Mar 2014 | $0.50 | $0.98625 | $0.06072 | To be determined | 0% |
| 21 Mar 2014 | 31 Dec 2015 | 30 Jun 2019 | $0.11 | $0.13 | $0.03772 | To be determined | 0% |
| 21 Mar 2014 | 31 Dec 2016 | 30 Jun 2020 | $0.11 | $0.14 | $0.03966 | To be determined | 0% |

*Service condition is that the individuals awarded options must remain in the employment of the Group at the vesting date.*

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

When exercisable, each option is convertible into one ordinary share. The exercise price of all options other than those options granted on 5 August 2011 and 21 March 2014 is $0.98625, which is based on the VWAP of Dart Energy Limited shares in the first 5 days of trading on the ASX plus a premium of 25%. The exercise price of the options granted on 5 August 2011 and 21 March 2014 is based on the employee option terms.

## Remuneration Report *(continued)*

Dart Energy Limited shares in the first 5 days of trading on the ASX plus a premium of 25%. The exercise price of the options granted on 5 August 2011 is based on the employee option terms.

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

Details of options over ordinary shares in the Company provided as remuneration to each Director of Dart Energy and each of the key management personnel of the Group are set out in the following table. When exercisable, each option is convertible into one ordinary share of Dart Energy. Further information on the options is set out in Note 39 to the financial statements.

| Name | Number of options granted during the year (1) | Value of options at grant date ($) * | Number of options vested during the year | Number of options lapsed during the year | Value at lapse date ($) ** |
|---|---|---|---|---|---|
| ***Directors of Dart Energy*** | | | | | |
| Robert Neale | - | - | - | - | - |
| Nicholas Davies | - | - | 416,666 | 1,250,000 | - |
| Stephen Lonie | - | - | - | - | - |
| Shaun Scott | - | - | 750,000 | 2,250,000 | - |
| Stephen Bizzell | - | - | 750,000 | 2,250,000 | - |
| Peter Forbes | - | - | - | - | - |
| Simon Poidevin | - | - | 250,000 | 750,000 | - |
| Cam Rathie | - | - | - | - | - |
| Norrie Stanley | - | - | - | - | - |
| John McGoldrick | 4,750,000 | 522,500 | - | - | - |
| ***Other key management personnel of Dart Energy*** | | | | | |
| Eytan Uliel | 4,000,000 | 440,000 | 200,000 | - | - |
| Justin Walta | 2,500,000 | 275,000 | 50,000 | - | - |
| Martin Cooper | - | - | - | - | - |

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

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

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

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

## Remuneration Report *(continued)*

*Details of remuneration: Bonuses and share-based compensation benefits*

For each cash bonus and grant of options included in the tables on pages 15 - 17 and 21 - 22, the percentage of the available bonus or grant that was paid, or that vested, in the financial year, and the percentage that was forfeited because the person did not meet the service and performance criteria is set out in this report. No part of the bonus is payable in future years. The options vest when vesting conditions are met (see page 21). No options will vest if the conditions are not satisfied, hence, the minimum value of the option yet to vest is nil. The maximum value of the options yet to vest has been determined as the amount of the grant date fair value of the options that is yet to be expensed.

| | Bonus | | Share-based compensation benefits (options) | | | | |
|---|---|---|---|---|---|---|---|
| Name | Paid % | Forfeited % | Year granted | Vested % | Forfeited % | Date options Vest | Maximum total value of grant yet to vest $ |
| John McGoldrick | 100% | - | 2014 | - | - | 31 Dec 2015 | - |
| | | | 2014 | - | - | 31 Dec 2016 | - |
| Nicholas Davies | - | - | 2010 | 100 | 100% | 29 Jul 2011 | - |
| | | | 2010 | 100 | 100% | 29 Jul 2012 | - |
| | | | 2010 | 100 | 100% | 29 Jul 2013 | - |
| Stephen Bizzell | - | - | 2010 | 100 | 100% | 29 Jul 2011 | - |
| | | | 2010 | 100 | 100% | 29 Jul 2012 | - |
| | | | 2010 | 100 | 100% | 29 Jul 2013 | - |
| Simon Poidevin | - | - | 2011 | 100 | 100% | 3 Dec 2011 | - |
| | | | 2011 | 100 | 100% | 29 Jul 2012 | - |
| | | | 2011 | 100 | 100% | 29 Jul 2013 | - |
| Shaun Scott | - | - | 2010 | 100 | 100% | 29 Jul 2011 | - |
| | | | 2010 | 100 | 100% | 29 Jul 2012 | - |
| | | | 2010 | 100 | 100% | 29 Jul 2013 | - |
| Eytan Uliel | 100% | - | 2010 | 100 | - | 1 Sep 2010 | - |
| | | | 2010 | 100 | - | 31 Aug 2011 | - |
| | | | 2010 | 100 | - | 31 Aug 2012 | - |
| | | | 2010 | 100 | - | 1 Sep 2010 | - |
| | | | 2010 | 100 | - | 31 Aug 2011 | - |
| | | | 2010 | 100 | - | 31 Aug 2012 | - |
| | | | 2011 | 100 | - | 5 Aug 2012 | - |
| | | | 2011 | 100 | - | 5 Aug 2013 | - |
| | | | 2011 | - | - | 5 Aug 2014 | - |
| | | | 2014 | - | - | 31 Dec 2015 | - |
| | | | 2014 | - | - | 31 Dec 2016 | - |
| Justin Walta | 100% | - | 2011 | 100 | - | 26 Sept 2012 | - |
| | | | 2011 | 100 | - | 26 Sept 2013 | - |
| | | | 2011 | - | - | 26 Sept 2014 | - |
| | | | 2014 | - | - | 31 Dec 2015 | - |
| | | | 2014 | - | - | 31 Dec 2016 | - |
| Martin Cooper | - | - | 2010 | 100 | - | 24 Nov 2010 | - |
| | | | 2010 | 100 | - | 23 Nov 2011 | - |
| | | | 2010 | 100 | - | 23 Nov 2012 | - |
| | | | 2010 | 100 | - | 24 Nov 2010 | - |
| | | | 2010 | 100 | - | 23 Nov 2011 | - |
| | | | 2010 | 100 | - | 23 Nov 2012 | - |

**Share options granted to Directors and other key management personnel**
11,250,000 options were granted to key management personnel during the financial year.

**Voting and comments made at the Group's Annual General Meeting**

The Group received approximately 94.6% of "yes" votes on its remuneration report for the 2013 year end. The Group did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

## Remuneration Report *(continued)*

### Shares under option

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

| Date of options granted | Expiry date | Issue price of Shares | Number under Option |
|---|---|---|---|
| 13-Dec-10 | 10-Aug-15 | $0.7879 | 262,500 |
| 15-Dec-10 | 15-Dec-14 | $0.4000 | 32,300,000 |
| 28-Feb-11 | 15-Dec-14 | $0.0100 | 620,571 |
| 20-Apr-11 | 31-Jul-15 | $0.9800 | 250,000 |
| 16-May-11 | 31-Jul-15 | $1.1500 | 175,000 |
| 5-Aug-11 | 31-Jul-15 | $0.9800 | 975,000 |
| 1-Sep-11 | 31-Jul-15 | $0.9800 | 150,000 |
| 26-Sep-11 | 31-Jul-15 | $0.9800 | 150,000 |
| 1-Oct-11 | 31-Jul-15 | $0.9800 | 250,000 |
| 21-Mar-14 | 30-Jun-19 | $0.1300 | 8,000,000 |
| 21-Mar-14 | 30-Jun-20 | $0.1400 | 8,000,000 |
| | | | 51,133,071 |

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

### Shares issued on the exercise of the options

The following ordinary shares of Dart Energy Limited were issued during the year ended 30 June 2014 on the exercise of options granted to shareholders or Directors of Composite Energy Limited as part of the consideration payable for the acquisition of Composite Energy Limited in 2010. No amounts are unpaid on any of the shares.

| Date options granted | Issue price of Shares | Number of shares Issued |
|---|---|---|
| 28-Feb-11 | $0.01 | 501,214 |

## Directors Report *(continued)*

## 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 in the following table, 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; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants.*

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

| | **2014** <br> **$** | 2013 <br> $ |
|---|---|---|
| **(a) PwC Australia** | | |
| *(i) Audit and other assurance services* | | |
| Audit and review of financial statements | **118,000** | 175,454 |
| | | |
| Other assurance services | | |
| Accounting advice | **-** | 1,000 |
| Total remuneration for audit and other assurance services | **118,000** | 176,454 |
| | | |
| *(ii) Taxation services* | | |
| Tax compliance services | **73,650** | 225,608 |
| Total remuneration for taxation services | **73,650** | 225,608 |
| | | |
| Total remuneration of PwC Australia | **191,650** | 402,062 |
| | | |
| **(b) Related practices of PwC Australia** | | |
| *(i) Audit and other assurance services* | | |
| Audit and review of financial statements | **471,101** | 295,311 |
| | | |
| Other assurance services | | |
| Due diligence services | **202,194** | 297,768 |
| Total remuneration for audit and other assurance services | **673,295** | 593,079 |
| | | |
| *(ii) Taxation services* | | |
| Tax compliance services and advice | **104,223** | 171,893 |
| | | |
| Total remuneration of related practices of PwC Australia | **777,518** | 764,972 |
| | | |
| **(c) Non-PwC audit firms** | | |
| *(i) Audit and other assurance services* | | |
| Audit and review of financial statements | **68,514** | 134,183 |
| | | |
| Total remuneration of non-PwC audit firms | **68,514** | 134,183 |
| | | |
| **Total auditors' remuneration** | **1,037,682** | 1,301,217 |

## Directors’ Report *(continued)*

### Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 26.

### 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.

Robert Neale
Chairman

Brisbane
30 September 2014

# Auditor's Independence Declaration

As lead auditor for the audit of Dart Energy Limited for the year ended 30 June 2014, 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.

Simon Neill
Partner
PricewaterhouseCoopers

Brisbane
30 September 2014

***PricewaterhouseCoopers, ABN 52 780 433 757***
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*T: +61 7 3257 5000, F: +61 7 3257 5999, www.pwc.com.au*

## CONSOLIDATED INCOME STATEMENT

| | Notes | Consolidated 2014 $'000 | 2013 $'000 |
|---|---|---|---|
| Other income | 5 | **1,292** | 2,175 |
| Other gains | 6 | **14,681** | 8,888 |
| Consultancy cost | | **(5,699)** | (3,171) |
| Depreciation | 16 | **(393)** | (743) |
| Employee compensation | | **(6,507)** | (8,681) |
| Field related cost | | **-** | (233) |
| Impairment of exploration assets | 7 | **(50,260)** | (112,712) |
| Impairment of goodwill | 7 | **-** | (7,245) |
| Impairment of investments | 7 | **(5,200)** | - |
| Loss on disposal of exploration assets | 7 | **(12,638)** | - |
| Loss on disposal of property plant and equipment | | **(260)** | - |
| Loss on disposal of investments | 7 | **(67)** | - |
| Write-off of goodwill | 7 | **(2,282)** | - |
| Provision for loan receivable | 7 | **(5,604)** | |
| Office supplies | | **(538)** | (870) |
| Professional fees | | **(1,056)** | (894) |
| Occupancy cost | | **(825)** | (1,143) |
| Travel and accommodation | | **(766)** | (727) |
| Other expenses | | **(1,653)** | (4,273) |
| Expenses, excluding finance costs | | **(93,748)** | (140,692) |
| Finance costs | | **(776)** | (6,413) |
| Total expenses | | **(94,524)** | (147,105) |
| **Loss before income tax** | | **(78,551)** | (136,042) |
| Income tax credit | 8 | **2,955** | 3,154 |
| **Loss for the year attributable to the owners of Dart Energy Limited** | | **(75,596)** | (132,888) |

| | | 2014 Cents | 2013 Cents |
|---|---|---|---|
| **Loss per share for loss attributable to the ordinary equity holders of the Company:** | | | |
| Basic loss per share | 38(a) | **(7.2)** | (15.8) |
| Diluted loss per share | 38(b) | **(7.2)** | (15.8) |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Consolidated 2014 $'000 | 2013 $'000 |
|---|---|---|
| **Loss for the year** | **(75,596)** | (132,888) |
| **Other comprehensive income** | | |
| *Items that may be reclassified to profit and loss* | | |
| Exchange differences on translation of foreign operations | **1,874** | 8,478 |
| **Other comprehensive income for the year, net of tax** | **1,874** | 8,478 |
| **Total comprehensive loss for the year attributable to the owners of Dart Energy Limited** | **(73,722)** | (124,410) |

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

## CONSOLIDATED BALANCE SHEET

| | Notes | Consolidated 2014 $'000 | 2013 $'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 10 | **24,326** | 9,377 |
| Trade and other receivables | 11 | **3,958** | 14,127 |
| Inventories | 12 | **1,360** | 1,940 |
| Financial assets at fair value through profit or loss | 13 | **-** | 1,744 |
| | | **29,644** | 27,188 |
| Assets classified as held-for-sale | 9 | **20,584** | 28,214 |
| **Total current assets** | | **50,228** | 55,402 |
| **Non-current assets** | | | |
| Receivables | 14 | **2,972** | 9,716 |
| Investments accounted for using the equity method | 15 | **-** | 5,200 |
| Property, plant and equipment | 16 | **667** | 1,328 |
| Goodwill | 17 | **11,227** | 16,832 |
| Exploration and evaluation | 18 | **152,498** | 217,526 |
| **Total non-current assets** | | **167,364** | 250,602 |
| **Total assets** | | **217,592** | 306,004 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 19 | **7,819** | 11,110 |
| Borrowings | 20 | **18** | 18,358 |
| Current tax liabilities | 21 | **165** | 228 |
| Deferred consideration | 24 | **-** | 2,695 |
| | | **8,002** | 32,391 |
| Liabilities directly associated with assets classified as held-for-sale | 9 | **2,917** | 10,500 |
| **Total current liabilities** | | **10,919** | 42,891 |
| **Non-current liabilities** | | | |
| Borrowings | 20 | **39** | 52 |
| Deferred tax liabilities | 22 | **11,198** | 16,806 |
| Provisions | 23 | **8,579** | 10,425 |
| Deferred consideration | 24 | **13,239** | 12,060 |
| **Total non-current liabilities** | | **33,055** | 39,343 |
| **Total liabilities** | | **43,974** | 82,234 |
| **Net assets** | | **173,618** | 223,770 |
| **EQUITY** | | | |
| Contributed equity | 25 | **429,554** | 408,897 |
| Reserves | 26(a) | **116,360** | 112,164 |
| Accumulated losses | 26(b) | **(372,296)** | (297,291) |
| **Capital and reserves attributable to owners of Dart Energy Limited** | | **173,618** | 223,770 |
| **Total equity** | | **173,618** | 223,770 |

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | | Attributable to owners of Dart Energy Limited | | | |
|---|---|---|---|---|---|
| **Consolidated** | Notes | **Contributed equity $'000** | **Reserves $'000** | **Accumulated losses $'000** | **Total equity $'000** |
| **Balance at 1 July 2013** | | **408,897** | **112,164** | **(297,291)** | **223,770** |
| Loss for the year | | - | - | (75,596) | (75,596) |
| Other comprehensive income | | - | 1,874 | - | 1,874 |
| **Total comprehensive income/(loss) for the year** | | **-** | **1,874** | **(75,596)** | **(73,722)** |
| **Transactions with owners in their capacity as owners:** | | | | | |
| Contributions of equity, net of transaction costs and tax | 25 | 20,652 | **-** | **-** | 20,652 |
| Employee share options-value of employee services | 26 | 5 | 642 | **-** | 647 |
| Disposal of subsidiary | | - | 1,680 | 591 | 2,271 |
| | | **20,657** | **2,322** | **591** | **23,570** |
| **Balance at 30 June 2014** | | **429,554** | **116,360** | **(372,296)** | **173,618** |

| | Attributable to owners of Dart Energy Limited | | | |
|---|---|---|---|---|
| **Consolidated** | **Contributed equity $'000** | **Reserves $'000** | **Accumulated losses $'000** | **Total equity $'000** |
| **Balance at 1 July 2012** | **388,723** | **102,737** | **(164,403)** | **327,057** |
| Loss for the year | - | - | (132,888) | (132,888) |
| Other comprehensive income | - | 8,478 | - | 8,478 |
| **Total comprehensive income/(loss) for the year** | **-** | **8,478** | **(132,888)** | **(124,410)** |
| **Transactions with owners in their capacity as owners:** | | | | |
| Contributions of equity, net of transaction costs and tax | 15 | **-** | **-** | **15** |
| Employee share options-value of employee services | - | 949 | **-** | **949** |
| Acquisition of Greenpark | 20,159 | | **-** | **20,159** |
| | **20,174** | **949** | **-** | **21,123** |
| **Balance at 30 June 2013** | **408,897** | **112,164** | **(297,291)** | **223,770** |

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

| | Notes | Consolidated 2014 $'000 | 2013 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Loss before income tax | | **(78,551)** | (136,042) |
| | | **(78,551)** | (136,042) |
| Adjustments for : | | | |
| - Depreciation | | **393** | 743 |
| - Interest income | 5 | **(228)** | (1,072) |
| - Finance costs (including interest expense) | | **776** | 5,913 |
| - Fair value (gain)/loss on financial assets at fair value through profit or loss | | **(1,097)** | 3,136 |
| - Impairment of exploration assets | 7 | **50,260** | 112,712 |
| - Impairment of goodwill | 7 | **-** | 7,245 |
| - Impairment of investment | 7 | **5,200** | - |
| - Loss on disposal of exploration assets | 7 | **12,638** | - |
| - Loss on disposal of property, plant and equipment | | **260** | - |
| - Loss on disposal of investments | 7 | **67** | - |
| - Write-off of goodwill | 7 | **2,282** | - |
| - Provision for loan receivable | 7 | **5,604** | - |
| - Non-cash employee benefits expense -share-based payments | | **641** | 949 |
| - Translation adjustments | | **(10,094)** | (3,282) |
| **Changes in working capital, net of effects from acquisition of subsidiaries:** | | | |
| - Trade and other receivables | | **7,550** | (1,648) |
| - Inventories | | **(444)** | (699) |
| - Trade and other payables | | **(14,008)** | 5,555 |
| - Provisions | | **(144)** | (1,709) |
| - Deferred consideration | | **(2,695)** | (2,368) |
| **Cash used in operating activities** | | **(21,590)** | (10,567) |
| Income taxes refunded | | **669** | 1,125 |
| Interest received | | **49** | 907 |
| Interest paid | | **(776)** | (6,413) |
| **Net cash outflow from operating activities** | | **(21,648)** | (14,948) |
| **Cash flows from investing activities** | | | |
| Payments for property, plant & equipment | 16 | **(98)** | (238) |
| Loan to joint venture | | **(125)** | (565) |
| Investment in EDA Energy Limited | | **(67)** | - |
| Payments for exploration and evaluation expenditure | | **(12,531)** | (39,090) |
| Proceeds from disposal of exploration assets | | **14,931** | - |
| Proceeds from disposal of financial assets at fair value through profit or loss | | **2,693** | - |
| Proceeds from disposal of assets classified as held for sale | | **22,200** | - |
| Proceeds from sale of property, plant & equipment | | **135** | - |
| Net cash inflow from acquisition of subsidiaries | | **1,078** | - |
| **Net cash inflow/(outflow) from investing activities** | | **28,216** | (39,893) |
| **Cash flows from financing activities** | | | |
| Proceeds from share placement & entitlement offer | | **20,652** | - |
| Proceeds from exercise of options | | **5** | 15 |
| Repayment of borrowings | | **(18,353)** | - |
| Bank deposits refunded / (pledged) | | **5,866** | (311) |
| **Net cash inflow/(outflow) from financing activities** | | **8,170** | (296) |
| **Net increase/(decrease) in cash and cash equivalents** | | **14,738** | (55,137) |
| Cash and cash equivalents at the beginning of the financial year | | **10,155** | 64,069 |
| Effects of exchange rate changes on cash and cash equivalents | | **(274)** | 1,223 |
| **Cash and cash equivalents at the end of financial year** | | **24,619** | 10,155 |
| **Comprising:** | | | |
| Cash and bank balances on hand | 10 | **24,326** | 9,377 |
| Cash and bank balances attributable to assets held-for-sale | 9 | **293** | 778 |
| **Cash and cash equivalents at the end of the financial year** | | **24,619** | 10,155 |

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

**NOTES TO THE FINANCIAL STATEMENTS**

These financial statements are the consolidated financial statements of the consolidated entity consisting of Dart Energy Limited (the "Company", "the Group" or "Dart Energy") and its subsidiaries. Unless otherwise specified, the financial amounts appearing in these financial statements are in the Australian Dollars.

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

Level 9, Waterfront Place, 1 Eagle Street Brisbane QLD 4000, Australia.

**Principal Activities**

The principal activities of the Group are exploration, appraisal and development of hydrocarbons with a primary focus on unconventional gas including shale gas and coal seam gas ("CSG") (also known as coal bed methane ("CBM")).

There were no significant changes in the nature of the Group's activities during the year, although the Group continues to divest non-core assets.

**Authorisation of Financial Statements**

The financial statements were authorised for issue by the Directors on 30 September 2014. The Directors have the power to amend and reissue the financial statements.

## 1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out in the following note. 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 (Dart Energy) and its subsidiaries.

### (a) Basis of preparation

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

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

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

*Going concern*
The Group recorded a loss before income tax of $78,551,000 (2013: loss of $136,042,000) and a net cash outflow of $21,648,000 (2013: $14,948,000) from operating activities and expenses during the financial year. These results are consistent with the initial exploration, appraisal and project development phase of the business. Nevertheless, the Group continually monitors its cash flow requirements to ensure that it has sufficient funds to meet its contractual commitments and adjusts its spending, particularly with respect to discretionary exploration activity and corporate overhead.

During the year end, the Group has been successful in securing various cash resources to support its current business plan, specifically including:

(i) the completion of the sale of 100% of its wholly owned Singaporean subsidiary company, Dart Energy (FLG) Pte Ltd, to a third party for a cash consideration of approximately $22.2 million (net of completion adjustments);
(ii) disposal of shares in LNG Limited, a listed company in Australia, through a series of on-market transactions, with the aggregate proceeds amounting to approximately $2.7 million; and
(iii) the successful completion of a share placement on the ASX of $11.9 million (before transaction costs of approximately $0.6 million) through the issue of approximately 131.8 million ordinary shares to institutional and sophisticated investors at an issue price of $0.09 per share; and
(iv) the successful completion of an entitlement offer on the ASX of $8.8 million (before transaction costs of approximately $0.4 million) through the issue of approximately 97.6 million ordinary shares to eligible shareholders at an issue price of $0.09 per share.

In addition to these fund raising activities, the Group also successfully repaid all drawn external debt by 31 December 2013. The Group will continue to explore further capital raising activities, in order to further secure the exploration and development funding required by the Group on a long term basis.

At 30 June 2014, the Group's cash and cash equivalents amounted to $24,619,000 (2013: $10,155,000).

**NOTES TO THE FINANCIAL STATEMENTS**

## 1 Summary of significant accounting policies *(continued)*

### (a) Basis of preparation *(continued)*

A letter of support was issued by the Directors of IGas Energy Plc to the Directors of Dart Energy Limited stating their intention to make whatever arrangements might be necessary to enable Dart Energy Limited, whilst it remains a wholly owned subsidiary of IGas Energy Plc, to meet its liabilities and contractual commitments as they fall due. This support will commence on successful completion of the Scheme in relation to the proposed acquisition by IGas Energy Plc.

The letter of support applies for the foreseeable future and in any event, for a period of at least 12 months from the date of completion of the Scheme.

Accordingly, the financial statements have been prepared on a going concern basis.

At the date of this report, the Directors are of the opinion that no asset is likely to be realised for amounts less than the amount at which it is recorded in the financial report as at 30 June 2014. Accordingly, no adjustments have been made to the financial report relating to the recoverability and classification at the asset carrying amounts and classification of liabilities that might be necessary should the Group not continue as a going concern in the long-term.

### (b) Principles of consolidation

*(i) Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Dart Energy Limited (the “Company” or "parent entity") as at 30 June 2014 and the results of all subsidiaries for the year. Dart Energy and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated 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.

*(ii) Associates*

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the parent entity balance sheet using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (refer to Note 35).

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

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

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

## 1 Summary of significant accounting policies *(continued)*

### (b) Principles of consolidation *(continued)*

*(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 36.

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.

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, joint arrangement or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

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

### (c) Segment reporting

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

### (d) Foreign currency translation

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

## 1 Summary of significant accounting policies *(continued)*

***(d) Foreign currency translation*** (continued)

*(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.

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

Revenue is recognised for the major business attributes as follows:

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

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

*(iii)* Royalty income
Royalty income is recognised on an accruals basis in accordance with the substance of the relevant agreements.

### (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.

## 1 Summary of significant accounting policies *(continued)*

### (f) Income tax *(continued)*

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.

Dart Energy and its wholly owned Australian subsidiaries formed a tax consolidated group effective from 2010/2011 financial year. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set-off in the consolidated financial statements.

*Other Tax Incentives*

Companies within the Group may be entitled to claim special tax deductions in relation to certain expenditure, for example the Research and Development Tax Incentive regime in Australia. The Group accounts for such allowances as a reduction of current income tax payable and current tax expense.

### (g) Leases

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

*(i) Finance leases*

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the balance sheet as plant and equipment and borrowings respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

*(ii) 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.

### (h) Business combinations

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

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

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

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

## 1 Summary of significant accounting policies *(continued)*

**(h) Business combinations** *(continued)*

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 of disposal 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 and 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.

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

## 1 Summary of significant accounting policies *(continued)*

### (m) Investments and other financial assets *(continued)*

*(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 11) 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 if they are expected to be settled within 12 months; otherwise they are classified as non-current.

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

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

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

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

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

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

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

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

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

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

## 1 Summary of significant accounting policies *(continued)*

### (m) Investments and other financial assets *(continued)*

***Impairment***

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

*(i)* Assets carried at amortised cost

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

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

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

*(ii)* Assets classified as available-for-sale

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

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

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

### (n) Derivatives

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

### (o) Fair value estimation

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

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

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

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

## 1 Summary of significant accounting policies *(continued)*

### (p) Property, plant and equipment

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

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

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

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 1(i)). Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

### (q) Intangible assets

*(i) Goodwill*

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

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

*(ii) Exploration & evaluation*

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

- acquiring exploration rights;
- conducting geological studies, exploratory drilling and sampling;
- examining and testing extraction and treatment methods; and
- compiling pre-feasibility and feasibility studies.

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

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

Proceeds from the farm-out of exploration assets is offset against historical exploration expenditure, by licence. Excess proceeds are taken to the income statement and disclosed as a gain on farm-out of prospects (Note 6).

## 1 Summary of significant accounting policies (continued)

### (r) Trade and other payables

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

### (s) Borrowings

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

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

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

### (t) Borrowing costs

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

### (u) Provisions

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

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

### (v) Employee benefits

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

*(ii) Share-based payments*
Share-based compensation benefits are provided to employees via the Dart Energy Limited Employee Share Option Plan. Information relating to this scheme is set out in Note 39.

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

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

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

## 1 Summary of significant accounting policies *(continued)*

### (w) Contributed equity

Ordinary shares are classified as equity.

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

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

### (x) Dividends

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

### (y) Assets held-for-sale

Non-current assets (or disposal groups) are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs of disposal, except for assets such as deferred tax assets and financial assets, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

### (z) 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 (Note 38).

*(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.

### (aa) Decommissioning and site rehabilitation

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

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

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

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

## 1 Summary of significant accounting policies *(continued)*

### (ab) Goods and Services Tax (GST)

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

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included within 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.

### (ac) 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.

### (ad) New accounting standards and interpretations

The Group has applied the following standards and amendments for the first time for its annual reporting period commencing 1 July 2013:

- AASB10 Consolidated Financial Statements
- AASB 11 Joint Arrangements
- AASB 12 Disclosure of Interests in Other Entities
- AASB 128 Investments in Associates and Joint Ventures
- AASB 127 Separate Financial Statements
- AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards.
- AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13
- AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)

These standards only affected the disclosures in the notes to the financial statements.

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 reporting periods. The Group's assessment of the impact of these new standards and interpretations, to the extent that they are relevant, is set out below.

*(i) AASB 9 Financial Instruments (effective for annual reporting periods beginning on or after 1 January 2017).*

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2017 but is available for early adoption.

AASB 9 replaces the multiple classification and measurement models in AASB 139 Financial Instruments: Recognition and Measurement with a single measurement model that has only two classification categories for financial assets: amortised cost and fair value.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated as at fair value through profit or loss and the Group does not have any such liabilities.

The Group has not yet decided when to adopt AASB 9.

## 1 Summary of significant accounting policies *(continued)*

### (ad) New accounting standards and interpretations *(continued)*

*(ii) Annual improvements project – 2010-2013 cycles (effective for annual reporting periods beginning on or after 1 July 2014).*

The annual improvements project makes minor but necessary annual amendments to various accounting standards. Of note are:

- IFRS 2 – which clarifies the definition of 'vesting condition' and now distinguishes between 'performance condition' and 'service condition'.
- IFRS 3 – which clarifies that an obligation to pay contingent consideration is classified as financial liability or equity under the principles in IAS 32 and that all non-equity contingent consideration (financial and non-financial) is measured at fair value at each reporting date.
- IFRS 3 – which clarifies that IFRS 3 does not apply to the accounting for the formation of any joint arrangement
- IFRS 8 – which requires disclosure of the judgements made by management in aggregating operating segments and clarifies that a reconciliation of segment assets must only be disclosed if segment assets are reported.
- IFRS 13 – which confirms that short-term receivables and payables can continue to be measured at invoice amounts if the impact of discounting is immaterial.
- IFRS 13 – which clarifies that the portfolio exception in IFRS 13 (measuring the fair value of a group of financial assets and financial liabilities on a net basis) applies to all contracts within the scope of IAS 39 or IFRS 9
- IAS 16 and IAS 38 – which clarifies how the gross carrying amount and accumulated depreciation are treated where an entity measures its assets at revalued amounts.
- IAS 24 – which clarifies that,where an entity receives management personnel services from a third party (a management entity), the fees paid for those services must be disclosed by the reporting entity, but not the compensation paid by the management entity to its employees or Directors.

The amendments will be first applied in the financial statements for the annual reporting period ending 30 June 2015, however, will not have a significant impact.

*(iii) AASB 2012-3 Amendments to Australian Accounting Standard - Offsetting Financial Assets and Financial Liabilities (effective for annual reporting periods beginning on or after 1 January 2014).*

In June 2012, the AASB approved amendments to the application guidance in AASB 132 Financial Instruments: Presentation, to clarify some of the requirements for offsetting financial assets and financial liabilities in the balance sheet. These amendments are effective from 1 January 2014. They are unlikely to affect the accounting for any of the entity's current offsetting arrangements.

*(iv) AASB Interpretation 21 Levies (effective for annual reporting periods beginning on or after 1 January 2014).*

Interpretation 21 was issued by the AASB in June 2013. It sets out the accounting for an obligation to pay a levy imposed by a government in accordance with legislation. The interpretation clarifies that a liability must be recognised when the obligating event occurs, being the event that triggers the obligation to pay the levy. The Group has reviewed the levies it is currently paying and determined that the accounting for these levies will not be affected by the interpretation. No adjustments will therefore be necessary to any of the amounts recognised in the financial statements. The Group will apply the interpretation from 1 July 2014.

*(v) AASB 2012-3 Amendments to AASB 136 Recoverable Amount Disclosures for Non-Financial Assets (effective for annual reporting periods beginning on or after 1 January 2014).*

The AASB has made small changes to some of the disclosures that are required under AASB 136 Impairment of Assets. These may result in additional disclosures if the Group recognises an impairment loss or the reversal of an impairment loss during the period. They will not affect any of the amounts recognised in the financial statements. The Group intends to apply the amendment from 1 July 2014.

*(vi) IFRS 11 (effective for annual reporting periods beginning on or after 1 January 2016, amended AASB 11 not yet available.*

The IASB has made limited scope amendments to IFRS 11 to explicitly address the accounting for the acquisition of an interest in a joint operation. The amendments require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business in AASB 3. The Group intends to apply the amendments from 1 July 2016.

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

## 1 Summary of significant accounting policies *(continued)*

### (ae) Parent entity financial information

The financial information for the parent entity, Dart Energy Limited, disclosed in Note 40 has been prepared on the same basis as the consolidated financial statements, except as set out as follows:

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

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

## 2 Financial risk management

***Financial risk factors***

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

**(a) Market risk**

*(i) Foreign exchange risk*

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

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The Group does not utilise currency forwards or other arrangements for trading or speculative purposes.

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

| | **30 June 2014** | | | | | 30 June 2013 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Item** | **USD** | **AUD** | **GBP** | **Other** | **TOTAL** | USD | AUD | GBP | Other | TOTAL |
| | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Financial assets** | | | | | | | | | | |
| Cash and cash equivalents and financial assets, at fair value through profit or loss | **21,209** | **1,132** | **722** | **1,263** | **24,326** | 3,867 | 5,093 | 315 | 1,846 | 11,121 |
| Trade and other receivables | **1,370** | **512** | **3,757** | **258** | **5,897** | 11,858 | 388 | 2,964 | 1,680 | 16,890 |
| Loan to joint venture | **-** | **-** | **-** | **-** | **-** | 5,372 | - | - | - | 5,372 |
| **Financial liabilities** | | | | | | | | | | |
| Trade and other payables | **(1,091)** | **(1,478)** | **(4,826)** | **(424)** | **(7,819)** | (2,712) | (2,455) | (3,534) | (2,409) | (11,110) |
| Borrowings | **-** | **-** | **(57)** | **-** | **(57)** | (18,329) | - | (81) | - | (18,410) |
| Deferred consideration | **-** | **-** | **(13,239)** | **-** | **(13,239)** | (2,695) | - | (12,060) | - | (14,755) |
| **Net financial assets/(liabilities)** | **21,488** | **166** | **(13,643)** | **1,097** | **9,108** | (2,639) | 3,026 | (12,396) | 1,117 | (10,892) |
| Less: Net financial (liabilities)/assets denominated in the respective entities' functional currencies | **(20,776)** | **(166)** | **13,643** | **(999)** | **(8,298)** | 2,782 | (2,974 ) | 12,386 | (2,187) | 10,007 |
| **Currency exposure on financial assets and liabilities** | **712** | **-** | **-** | **98** | **810** | 143 | 52 | (10) | (1,070) | (885) |

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 ('USD') and Australian Dollars, which are the functional currency of the majority of Group companies.

*(ii) Interest rate risk*

The Group does not have any interest bearing liabilities as at 30 June 2014.

For the year ended 30 June 2013, the Group's bank borrowings at variable interest rates, on which hedges were not entered into, were denominated in USD. If USD interest rates had increased/decreased by 0.5% with all other variables including tax rate being held constant, the Group's profit after tax would have been lower/higher by $45,000 as a result of higher/lower interest expense on these borrowings.

The Group's exposure to interest rate risk in relation to the loan to joint venture is insignificant for both the year ended 30 June 2014 and 30 June 2013.

## 2 Financial risk management *(continued)*

*(iii) Price risk*
None of the Group's assets are currently in production and therefore the Group is currently not exposed to gas price risk. In addition, the Group was exposed to equity security price risk as the Group held certain equity securities in LNG Limited, an Australian listed entity. During the current financial year, the Group disposed of all such equity securities and is, therefore, no longer exposed to any equity security price risk.

### (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.

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 and trade and other receivables.

***Financial assets that are past due and/or impaired***

There are no classes of financial assets that are past due and/or impaired (2013: $nil). Based on the credit history of these 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 following table analyses the maturity profile of the Group's financial liabilities based on contractual undiscounted cash flows.

| Contractual maturities of financial liabilities<br>**At 30 June 2014** | Less than 1 year<br>$'000 | Between 1 and 2 years<br>$'000 | Between 2 and 5 years<br>$'000 | Over 5 years<br>$'000 | Total contractual cash flows<br>$'000 | Carrying amount<br>$'000 |
|---|---|---|---|---|---|---|
| **Non-derivatives** | | | | | | |
| Trade payables | (7,819) | - | - | - | (7,819) | (7,819) |
| Borrowings | (18) | (39) | - | - | (57) | (57) |
| **Total non-derivatives** | (7,837) | (39) | - | - | (7,876) | (7,876) |

| Contractual maturities of financial liabilities<br>**At 30 June 2013** | Less than 1 year<br>$'000 | Between 1 and 2 years<br>$'000 | Between 2 and 5 years<br>$'000 | Over 5 years<br>$'000 | Total contractual cash flows<br>$'000 | Carrying amount<br>$'000 |
|---|---|---|---|---|---|---|
| **Non-derivatives** | | | | | | |
| Trade payables | (11,110) | - | - | - | (11,110) | (11,110) |
| Borrowings | (18,358) | (29) | (23) | - | (18,410) | (18,410) |
| **Total non-derivatives** | (29,468) | (29) | (23) | - | (29,520) | (29,520) |

## 2 Financial risk management *(continued)*

### (d) Capital risk

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Management monitors capital based on total equity and debt.

| | **2014 $'000** | 2013 $'000 |
|---|---|---|
| Net debt | **(16,450)** | 20,143 |
| Total equity | **173,618** | 223,770 |
| **Total capital** | **157,168** | 243,913 |

Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents. Of the net debt at 30 June 2014, subsequent to the balance sheet date, a total of $nil (2013: $18.3 million) has been cash-backed (Note 20).

The Group was in compliance with all externally imposed capital requirements for the year ended 30 June 2014 and 30 June 2013.

### (e) Fair value measurements

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

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

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

The following tables presents the Group's financial assets and financial liabilities measured and recognised at fair value at 30 June 2014 and 30 June 2013:

| **At 30 June 2014** | **Level 1 $'000** | **Level 2 $'000** | **Level 3 $'000** | **Total $'000** |
|---|---|---|---|---|
| **Financial Assets** | | | | |
| Financial assets at fair value through profit or loss – listed investments | - | - | - | - |
| **Total financial assets** | - | - | - | - |
| **Financial Liabilities** | | | | |
| Derivative financial liabilities | - | - | - | - |
| **Total financial liabilities** | - | - | - | - |

## 2 Financial risk management *(continued)*

**(e) Fair value measurements** *(continued)*

| At 30 June 2013 | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
|---|---|---|---|---|
| **Financial Assets** | | | | |
| Financial assets at fair value through profit or loss – listed investments | 1,744 | - | - | 1,744 |
| **Total financial assets** | 1,744 | - | - | 1,744 |
| **Financial Liabilities** | | | | |
| Derivative financial liabilities | - | - | - | - |
| **Total financial liabilities** | - | - | - | - |

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

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

## 3 Critical accounting estimates and judgment

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

### (a) Critical accounting estimates and assumptions

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

*Impairment of goodwill*

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 1(q). The recoverable amounts of cash-generating units have been determined based on fair value less costs to sell calculation. Refer to Note 17.

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

*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.

## 3 Critical accounting estimates and judgment *(continued)*

### (a) Critical accounting estimates and assumptions *(continued)*

*Gas reserves*

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

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

*Rehabilitation*

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

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

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

There were no critical judgments made in applying Dart Energy's accounting policies other than as noted previously.

# 4 Segment information

## (a) Description of segments

**Geographical segments**
Management has determined a number of operating segments based on the reports reviewed by the Board that are used to make strategic decisions, being: Australia, U.K / Europe, China, Indonesia, India and Singapore.

*Australia*

Australia is the home country of the parent entity which is also the place of the parent entity listing. The segment comprises licences in Australia and certain equity investments, as well as the Australian operations of the Group, including in-country staff and office.

*U.K. / Europe*

This segment comprises licences in U.K. and Germany and includes the European operations of the Company, including in-country staff and office.

*China*

The Group is in the process of closing the in-country office having disposed of its only Production Sharing Contract (PSC) during the financial year.

*Indonesia*

This segment comprises four PSCs in Indonesia, and investment in entities that conduct activities in Indonesia and includes the Indonesian operations of the Company, including in-country staff and office.

*India*

This segment comprises licences for the extraction of CSG in India and includes the Indian operations of the Company, including in-country staff and office.

*Singapore / Corporate*

This segment comprises a head office function, including senior management staff and functions.

*Vietnam*

During the prior financial year, the Group closed the in-country office and exited its only PSC in Vietnam.

## (b) Segment information provided to the Board

The segment information for the reportable segments for the year ended 30 June 2014 is as follows:

• segment assets and capital expenditure are allocated based on where the assets are located;

• segment results are earnings/(loss) before interest, tax, depreciation and amortisation, adjusted for impairment and loss on disposal of exploration assets, goodwill and investments, which is the measure of segment result that is reported to the Board to assess the performance of the operating segments;

• segment assets refer to the measure of the Group's intangible assets (goodwill and exploration), property, plant and equipment, investments in associates and financial assets at fair value through profit or loss; and

• unallocated assets relate to cash, trade and other receivables, current tax assets, inventories and assets associated with disposal group.

• transactions amongst segments are carried out at arm's length and are eliminated on consolidation.

## 4 Segment information *(continued)*

| | U.K. / Europe $'000 | Australia $'000 | China $'000 | Indonesia $'000 | India $'000 | Singapore $'000 | Vietnam $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|
| **2014** | | | | | | | | |
| **Adjusted EBITDA / (LBITDA)** | 5,321 | (4,191) | 1,373 | (689) | (40) | (3,329) | (4) | (1,559) |
| **Segment assets** | 160,368 | 4,000 | - | - | 13 | 11 | - | 164,392 |
| Includes: | | | | | | | | |
| *Additions to:* | | | | | | | | |
| -Property, plant & equipment | 38 | 60 | - | - | - | - | - | 98 |
| -Investments | - | - | 67 | - | - | - | - | 67 |
| -Exploration assets | 5,517 | 527 | - | - | 224 | - | - | 6,268 |
| -Impairment loss on exploration assets | - | (41,546) | - | - | (224) | - | - | (41,770) |
| -Impairment loss on investments | - | (5,200) | - | - | - | - | - | (5,200) |
| *Disposals of:* | | | | | | | | |
| -Property, plant & equipment | - | (251) | (28) | - | (73) | (30) | - | (382) |
| -Goodwill | (2,282) | - | - | - | - | - | - | (2,282) |
| -Investments | - | - | (67) | - | - | - | - | (67) |
| -Exploration assets | (22,069) | - | - | - | - | - | - | (22,069) |

| | U.K / Europe $'000 | Australia $'000 | China $'000 | Indonesia $'000 | India $'000 | Singapore $'000 | Vietnam $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|
| **2013** | | | | | | | | |
| **Adjusted (LBITDA) / EBITDA** | (2,415) | (5,963) | 960 | (148) | 11 | (2,493) | 47 | (10,001) |
| **Segment assets** | 167,629 | 52,134 | 73 | 22,442 | 138 | 214 | - | 242,630 |
| Includes: | | | | | | | | |
| *Additions to:* | | | | | | | | |
| -Property, plant & equipment | 353 | 231 | - | 7 | - | 105 | - | 696 |
| -Intangible assets | 23,125 | 3,961 | - | 7,675 | 2,292 | - | - | 37,053 |
| -Exploration assets | - | - | - | (4,237) | - | - | - | (4,237) |
| -Impairment loss on goodwill | (7,425) | (73,254) | - | (5,596) | (4,252) | - | - | (90,527) |
| -Impairment loss on exploration assets | - | (95,953) | (14,120) | - | (112) | - | - | (110,185) |
| *Disposals of:* | | | | | | | | |
| -Property, plant & equipment | - | (81) | - | (3) | (2) | - | - | (86) |

## 4 Segment information *(continued)*

### (c) Reconciliations

***(i) Segment losses***

A reconciliation of adjusted LBITDA to loss before tax and discontinued operations is as follows:

| | Consolidated | |
|---|---|---|
| | **2014** | 2013 |
| | **$'000** | $'000 |
| **Adjusted LBITDA** | **(1,559)** | (10,001) |
| Interest income | **228** | 1,072 |
| Finance costs | **(776)** | (6,413) |
| Depreciation | **(393)** | (743) |
| Impairment of exploration assets | **(50,260)** | (112,712) |
| Impairment of investments | **(5,200)** | - |
| Impairment of goodwill | **-** | (7,245) |
| Loss on disposal of exploration assets | **(12,638)** | - |
| Loss on disposal of investments | **(67)** | - |
| Write-off of goodwill | **(2,282)** | - |
| Provision for loan receivable | **(5,604)** | - |
| **Loss before income tax** | **(78,551)** | (136,042) |

***(ii) Segment assets***

Segment assets are reconciled to total assets as follows:

| | Consolidated | |
|---|---|---|
| | **2014** | 2013 |
| | **$'000** | $'000 |
| **Segment assets for reportable segments** | **164,392** | 242,630 |
| Unallocated: | | |
| Assets associated with disposal group (Note 9) | **20,584** | 28,214 |
| Cash and cash equivalents (Note 10) | **24,326** | 9,377 |
| Trade and other receivables (Notes 11 & 14) | **6,930** | 23,843 |
| Inventories (Note 12) | **1,360** | 1,940 |
| | **217,592** | 306,004 |

## 5 Other income

| | Consolidated | |
|---|---|---|
| | **2014** | 2013 |
| | **$'000** | $'000 |
| *Other revenue* | | |
| Interest income – bank deposit | **49** | 894 |
| Interest income – loan to joint venture | **179** | 150 |
| Interest income – other | **-** | 28 |
| Subtotal | **228** | 1,072 |
| Royalties | **716** | 245 |
| Technical services fee | **348** | 858 |
| | **1,292** | 2,175 |

## 6 Other gains

| | Consolidated 2014 $'000 | 2013 $'000 |
|---|---|---|
| Fair value gains on financial assets at fair value through profit or loss | **1,097** | - |
| Gain on sale of subsidiary | **1,451** | - |
| Gain on farm-out of prospects | **5,005** | - |
| Foreign currency exchange gain - net | **7,128** | 8,888 |
| | **14,681** | 8,888 |

## 7 Expenses

Loss before income tax includes the following specific expenses:

| | Consolidated 2014 $'000 | 2013 $'000 |
|---|---|---|
| Rental expense under operating leases - minimum lease payments | **821** | 1,197 |
| Fair value loss on financial assets at fair value through profit or loss (Note 13) | **-** | 3,136 |
| Defined contribution superannuation expense | **300** | 585 |
| Loss on disposal of exploration assets | **12,638** | - |
| Loss on disposal of investments | **67** | - |
| Write-off of goodwill | **2,282** | - |
| Provision for loan receivable | **5,604** | - |
| | **21,712** | 4,918 |

| | Consolidated 2014 $'000 | 2013 $'000 |
|---|---|---|
| Impairment of assets: | | |
| Impairment of exploration assets (Note 18) | **50,260** | 112,712 |
| Impairment of investments (Note 15) | **5,200** | - |
| Impairment of goodwill (Note 17) | **-** | 7,245 |
| Total impairment losses | **55,460** | 119,957 |

## 8 Income tax credit

| | Consolidated 2014 $'000 | 2013 $'000 |
|---|---|---|
| **(a) Income tax credit** | | |
| Current tax | **(667)** | (103) |
| Deferred tax | **(2,288)** | (3,051) |
| | **(2,955)** | (3,154) |
| Deferred income tax credit included in income tax credit comprises: | | |
| Decrease in deferred tax assets (Note 22) | **13,009** | 20,088 |
| Decrease in deferred tax liabilities (Note 22) | **(15,297)** | (23,139) |
| | **(2,288)** | (3,051) |

## 8 Income tax credit *(continued)*

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

| | Consolidated | |
|---|---|---|
| | **2014** | 2013 |
| | **$'000** | $'000 |
| Loss before income tax expense | **(78,551)** | (136,042) |
| Tax at the Australian tax rate of 30% (2013- 30%) | **(23,565)** | (40,813) |
| Tax effect of amounts which are not (deductible) taxable in calculating taxable income: | | |
| Losses carried forward | **2,099** | 1,493 |
| Losses utilised | **672** | 378 |
| Tax on interest income | **2** | 266 |
| Deferred tax not recognised | **-** | 307 |
| Deferred tax asset recognised | **(2,287)** | (3,051) |
| Tax on deemed 5% mark-up on costs incurred by Dart Energy International Ltd | **56** | 171 |
| Expenses not deductible for tax purposes | **17,689** | 31,487 |
| Share based payments not deductible for tax purposes | **193** | 75 |
| Difference in overseas tax rate | **2,707** | 7,362 |
| Over provision prior year | **(496)** | (558) |
| Sundry items | **(25)** | (271) |
| Income not taxable for tax purposes | **(2,955)** | (3,154) |

## 9 Assets classified as held-for-sale

The assets held in Indonesia are considered non-core and as such Dart has commenced a formal divestment process and is in preliminary discussions with several parties. Dart have already received a formal expression of interest and expects to receive more in the coming months. As a consequence the entire assets and liabilities related to the Indonesian CGU were classified as a disposal group held-for-sale on the balance sheet at 30 June 2014.

On 15 July 2013, Dart Energy announced that it has entered into an agreement to sell 100% of its wholly owned Singaporean subsidiary company, Dart Energy (FLG) Pte Ltd, to Hong Kong HuiHua Global Technology Ltd, a Hong Kong subsidiary of the Shenzhen-listed China Oil HBP Science & Technology Corporation Ltd. As a consequence the entire assets and liabilities related to the FLG CGU were classified as a disposal group held-for-sale on the balance sheet at 30 June 2013. The transaction completed on 16 September 2013.

Details of the assets in disposal group classified as held-for sale are as follows:

| | Consolidated | |
|---|---|---|
| | **2014** | 2013 |
| | **$'000** | $'000 |
| Property, plant and equipment (Note 16) | **29** | 210 |
| Exploration and evaluation assets (Note 18) | **15,924** | 21,815 |
| Cash and cash equivalents | **293** | 778 |
| Trade and other receivables | **3,345** | 5,411 |
| Inventories | **993** | - |
| | **20,584** | 28,214 |

Details of the liabilities directly associated with disposal group classified as held-for-sale are as follows:

| | Consolidated | |
|---|---|---|
| | **2014** | 2013 |
| | **$'000** | $'000 |
| Trade and other payables | **2,917** | 10,500 |

## 9 Assets classified as held-for-sale *(continued)*

Cumulative expense recognised in other comprehensive income relating to disposal group classified as held-for-sale is as follows:

| | Consolidated | |
|---|---|---|
| | **2014** | 2013 |
| | **$'000** | $'000 |
| Currency translation differences | **-** | 461 |

## 10 Current assets - Cash and cash equivalents

| | Consolidated | |
|---|---|---|
| | **2014** | 2013 |
| | **$'000** | $'000 |
| Cash at bank and on hand | **24,326** | 9,377 |

## 11 Current assets - Trade and other receivables

| | Consolidated | |
|---|---|---|
| | **2014** | 2013 |
| | **$'000** | $'000 |
| Receivables from Arrow | **-** | 108 |
| Loans and advances | **-** | 81 |
| Bank deposits pledged | **1,468** | 6,871 |
| GST receivable | **428** | 2,304 |
| Prepayments | **1,033** | 1,581 |
| Other | **1,029** | 3,182 |
| | **3,958** | 14,127 |

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

There are no impaired receivables or receivables which are past due but not impaired (2013: $nil).

## 12 Current assets – Inventories

| | Consolidated | |
|---|---|---|
| | **2014** | 2013 |
| | **$'000** | $'000 |
| Inventory - at cost | **1,360** | 1,940 |

There is no inventory expense during the year ended 30 June 2014 (2013: $nil) as all inventory consumed has been capitalised as exploration assets.

## 13 Current assets - Financial assets at fair value through profit or loss

| | Consolidated 2014 $'000 | Consolidated 2013 $'000 |
|---|---|---|
| Listed securities – equity securities | **-** | 1,744 |

The listed securities as at 30 June 2013 related to investments in LNG Limited transferred to Dart Energy Limited as part of the demerger from Arrow Energy Limited. These investments were designated at fair value through profit or loss in line with the Group's investment strategy and information about investments provided to Directors.

During the current financial year, the Group disposed of these equity securities in a series of on market transactions for aggregate consideration of $2,693,249.

Information about the Group's exposure to price risk and about the methods and assumptions used in determining fair value is provided in Note 2.

## 14 Non-current assets – Receivables

| | Consolidated 2014 $'000 | Consolidated 2013 $'000 |
|---|---|---|
| Bank deposits pledged | **-** | 1,755 |
| Loans to joint venture in Indonesia (Note 32) | **-** | 5,372 |
| Other receivables | **2,972** | 2,589 |
| | **2,972** | 9,716 |

Further details of the loan are included in Note 32.

## 15 Non-current assets - Investments accounted for using the equity method

| | Consolidated 2014 $'000 | Consolidated 2013 $'000 |
|---|---|---|
| Opening balance | **5,200** | 5,200 |
| Investment in EDA Energy Company Ltd, China | **67** | - |
| Disposals | **(67)** | - |
| Impairment charge | **(5,200)** | - |
| Closing balance | **-** | 5,200 |

As at 30 June 2014, the investment in Maria's Farm Veggie's Pty Ltd has been impaired to $nil due to uncertainty over that company's performance, results and future operations.

During the year, the investment in EDA Energy Company Ltd was sold for a nominal value of $1 following the Group's decision to withdraw from the Xiushan shale gas prospect.

For further information refer to note 35.

## 16 Non-current assets - Property, plant and equipment

| | Freehold land $'000 | Plant and office equipment $'000 | Computers $'000 | Furniture and fittings $'000 | Motor vehicles $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **Year ended 30 June 2014** | | | | | | |
| Opening net book amount | 457 | 476 | 350 | 45 | - | 1,328 |
| Exchange differences | 45 | 9 | 3 | 1 | - | 58 |
| Additions | - | 64 | 34 | - | - | 98 |
| Depreciation charge | - | (110) | (276) | (7) | - | (393) |
| Disposals | - | (333) | (32) | (30) | - | (395) |
| Reclassified to disposal group | - | (14) | (8) | (7) | - | (29) |
| **Closing net book amount** | **502** | **92** | **71** | **2** | **-** | **667** |
| Cost or fair value | 502 | 344 | 974 | 12 | - | 1,832 |
| Accumulated depreciation | - | (252) | (903) | (10) | - | (1,165) |
| **Net book amount** | **502** | **92** | **71** | **2** | **-** | **667** |

| | Freehold land $'000 | Plant and office equipment $'000 | Computers $'000 | Furniture and fittings $'000 | Motor vehicles $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **Year ended 30 June 2013** | | | | | | |
| Opening net book amount | 280 | 749 | 548 | 221 | 2 | 1,800 |
| Exchange differences | 21 | 72 | 51 | 18 | - | 162 |
| Additions | 156 | 294 | 178 | 7 | 65 | 700 |
| Depreciation charge | - | (159) | (398) | (176) | (10) | (743) |
| Disposals | - | (295) | (10) | (21) | (55) | (381) |
| Reclassified to disposal group | - | (185) | (19) | (4) | (2) | (210) |
| **Closing net book amount** | **457** | **476** | **350** | **45** | **-** | **1,328** |
| Cost or fair value | 457 | 761 | 1,546 | 451 | - | 3,215 |
| Accumulated depreciation | - | (285) | (1,196) | (406) | - | (1,887) |
| **Net book amount** | **457** | **476** | **350** | **45** | **-** | **1,328** |

**Leased Assets**

Plant and office equipment includes net book amounts of $58,100 (2013: $82,000) where the Group is a lessee under a finance lease.

## 17 Non-current assets – Goodwill

| | Consolidated | |
|---|---|---|
| | **2014** | 2013 |
| | **$'000** | $'000 |
| Opening net book amount | **16,832** | 22,267 |
| Write-off on disposal of European licences | **(2,282)** | - |
| Impairment charge | **-** | (7,245) |
| Exchange differences | **1,781** | 1,810 |
| Reclassification | **(5,104)** | - |
| Closing net book amount | **11,227** | 16,832 |
| | | |
| Cost | **15,469** | 24,199 |
| Accumulated impairment | **(4,242)** | (7,367) |
| Net book amount | **11,227** | 16,832 |

**Impairment tests for goodwill**

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

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

| | Country | Consolidated | |
|---|---|---|---|
| | | **2014** | 2013 |
| | | **$'000** | $'000 |
| China | | **-** | - |
| Indonesia | | **-** | - |
| U.K. / Europe | | **11,227** | 16,832 |
| | | **11,227** | 16,832 |

As at 30 June 2014, a write-off of $2.3 million has been made against goodwill. The goodwill was created on the acquisition of Composite Energy Limited in 2011 and includes three licences in Poland and two licenses in the U.K., which were subsequently relinquished.

The Group has recognised a deferred tax asset of $5.1 million in relation to tax losses arising in the Greenpark acquisition. The recognition of these losses has resulted in a reclassification of $5.1 million from goodwill to deferred tax assets. This reclassification has not been applied against the prior period balance sheet as the quantum is not considered to be material in the context of the financial statements as a whole.

During the financial year ended 30 June 2013, Dart Energy announced its intention to rationalise their asset portfolio and divest non-core assets. On 15 July 2013, the Group entered into an agreement to sell 100% of its wholly owned subsidiary company, Dart Energy (FLG) Pte Ltd for US$20.2 million ($22.2 million) net of completion adjustments. Accordingly, the goodwill relating to the FLG CGU (China) was fully impaired ($3.0m). In addition Dart Energy identified assets in East Kalimantan that it is seeking to sell. As a result, part of goodwill amounting to $4.2 million in respect of the Indonesia CGU was impaired.

The recoverable amount of the U.K. / Europe CGU is validated by third party valuations of the U.K. assets, based on recent transactions on Dart's assets. Further information can be found in Note 18.

## 18 Non-current assets – Exploration and evaluation

| | Consolidated 2014 $'000 | 2013 $'000 |
|---|---|---|
| Opening net book amount | **217,526** | 291,879 |
| Additions | **10,642** | 44,634 |
| Impairment charge | **(50,260)** | (112,712) |
| Exchange differences | **14,590** | 15,540 |
| Disposals | **(24,076)** | - |
| Reclassified to disposal group (Note 9) | **(15,924)** | (21,815) |
| Closing net book amount | **152,498** | 217,526 |
| | | |
| Cost | **395,703** | 477,918 |
| Accumulated amortisation and impairment | **(227,281)** | (238,577) |
| Reclassified to disposal group (Note 9) | **(15,924)** | (21,815) |
| Net book amount | **152,498** | 217,526 |

Impairment test for goodwill and exploration and evaluation assets

Dart Energy's balance sheet contains items that have been subject to impairment testing during the year, as a result of Dart Energy identifying specific trigger events. As at 30 June 2014, all of the CGUs were tested for impairment.

Recent market transactions with GDF and Total, and the indicative offer from IGas, fully support the carrying value of the U.K. assets and, therefore, no impairment is required. The market valuation is in excess of the carrying amount.

The Indonesian assets are considered non-core and, as such, Dart has commenced a formal divestment process. As a consequence, the entire assets and liabilities related to the Indonesian CGU are classified as a disposal group held-for-sale on the balance sheet at 30 June 2014. Given the intention to sell the assets, it is appropriate to apply the fair value less costs of disposal methodology to assess the recoverability of the assets. The basis used to determine fair value less costs of disposal was determined by reference to an active market.

The Australian assets are currently held under "care and maintenance", the intention being to keep these licences on such a basis until the NSW regulatory regime is more conducive to unconventional gas exploration and production. Given the current political constraints, it is not clear that the assets actually have a value in use and, therefore, fair value less costs of disposal is considered an appropriate basis for valuing the assets for the purposes of the impairment review. The basis used to determine fair value less costs of disposal was determined by reference to an active market.

As a result of the impairment assessment, an impairment charge of $50,260,000 has been recorded against the carrying value of the Group assets:

| | Impairment of Goodwill $'000 | Impairment of Exploration and Evaluation Assets $'000 | Total Impairment $'000 |
|---|---|---|---|
| Australia | - | 41,546 | 41,546 |
| India | - | 224 | 224 |
| Indonesia | - | 8,490 | 8,490 |
| **Total** | **-** | **50,260** | **50,260** |

The impairment charge against the Australian assets represents the major component of the Group's impairment charge for the financial year, and reflects a reduction in the value of licenses acquired as part of the acquisition of Apollo Gas in late 2010. This script based acquisition was undertaken at a time of high share prices and strong demand for CSG assets. Since then, there has been a general deterioration in market conditions, specific policy changes in NSW that are not supportive of CSG development, and demand for these types of assets and values have moderated. During the financial year, the activity in respect of the Australian assets has thus been delayed by changes in the political and regulatory environment and increased concerns of the community around the development of CSG.

## 19 Current liabilities – Trade and other payables

| | Consolidated 2014 $'000 | 2013 $'000 |
|---|---|---|
| Trade and other payables | **3,765** | 2,780 |
| Amount due to joint ventures | **-** | 1,111 |
| Accrued operating expenses | **3,949** | 6,659 |
| Other payables | **105** | 560 |
| | **7,819** | 11,110 |

## 20 Current / Non-current liabilities – Borrowings

| | Consolidated 2014 $'000 | 2013 $'000 |
|---|---|---|
| **Non-current** | | |
| Finance lease liabilities | **39** | 52 |
| | **39** | 52 |
| **Current** | | |
| Bank borrowings | **-** | 18,329 |
| Finance lease liabilities | **18** | 29 |
| | **18** | 18,358 |
| | **57** | 18,410 |

The carrying amounts of the Group's borrowings are denominated in the following currencies:

| | Consolidated 2014 $'000 | 2013 $'000 |
|---|---|---|
| US dollar | **-** | 18,329 |
| UK pound | **57** | 81 |
| | **57** | 18,410 |

### (a) Bank borrowings

In December 2013, Tranche A, drawn as to US$7 million, and Tranche B, drawn as to US$10 million, of the US$100 million debt facility from HSBC were repaid in full, along with all associated outstanding interest and fees to 31 December 2013, such that the Group is presently debt free. Following this repayment of US$17 million in aggregate, the HSBC facility limit has reduced from US$100 million to US$90 million. Given delays to the Airth project in Scotland, the Group has also agreed with HSBC to reduce the facility limit further to US$45 million, an amount that will result in lower ongoing commitment fees but which will still enable development of the Airth project to be commenced, assuming a successful planning appeal outcome, and subject to HSBC approvals.

## 20 Current / Non-current liabilities – Borrowings *(continued)*

**(b) Finance lease liabilities**
The Group leases plant and equipment under finance leases expiring within three years.

The total of future minimum lease payments at the balance sheet date is as follows:

| | Consolidated | |
|---|---|---|
| | **2014** | 2013 |
| | **$'000** | $'000 |
| Within one year | **18** | 29 |
| Greater than 1 year but no later than 5 years | **39** | 52 |
| | **57** | 81 |

## 21 Current liabilities - Current tax liabilities

| | Consolidated | |
|---|---|---|
| | **2014** | 2013 |
| | **$'000** | $'000 |
| Income tax - current liabilities | **165** | 228 |

## 22 Non-current liabilities – Deferred tax assets/(liabilities)

| | Consolidated | |
|---|---|---|
| | **2014** | 2013 |
| | **$'000** | $'000 |
| Deferred tax assets | **1,194** | 14,203 |
| Deferred tax liabilities | **(12,392)** | (31,009) |
| Net deferred tax liabilities | **(11,198)** | (16,806) |

**(i) Deferred tax assets**

| **The balance comprises temporary differences attributable to:** | | |
|---|---|---|
| Tax losses | **544** | 13,028 |
| Capital raising | **547** | 1,159 |
| Others | **103** | 16 |
| | **1,194** | 14,203 |

| | | |
|---|---|---|
| Deferred tax assets expected to be settled within 12 months | **103** | 16 |
| Deferred tax assets expected to be settled after more than 12 months | **1,091** | 14,187 |
| | **1,194** | 14,203 |

## 22 Non-current liabilities – Deferred tax assets/(liabilities) *(continued)*

| Movements | Tax losses $'000 | Capital raising $'000 | Others $'000 | Total $'000 |
|---|---|---|---|---|
| At 1 July 2012 | **32,204** | **2,001** | **86** | **34,291** |
| Charged<br>- to profit or loss | (19,176) | (842) | (70) | (20,088) |
| **At 30 June 2013** | **13,028** | **1,159** | **16** | **14,203** |
| Charged<br>- to profit or loss | (12,484) | (612) | 87 | (13,009) |
| **At 30 June 2014** | **544** | **547** | **103** | **1,194** |

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

(ii) **Deferred tax liabilities**

| | Consolidated 2014 $'000 | 2013 $'000 |
|---|---|---|
| **The balance comprises temporary differences attributable to:** | | |
| Intangible assets | **12,392** | 30,306 |
| Unrealised exchange gains | **-** | 703 |
| Net deferred tax liabilities | **12,392** | 31,009 |
| | | |
| Deferred tax liabilities expected to be settled within 12 months | **-** | - |
| Deferred tax liabilities expected to be settled after more than 12 months | **12,392** | 31,009 |
| | **12,392** | 31,009 |

| Movements | Intangible assets $'000 | Unrealised exchange gains $'000 | Total $'000 |
|---|---|---|---|
| **At 1 July 2012** | **52,612** | **-** | **52,612** |
| Charged/(credited) | | | |
| - to profit or loss | (23,842) | 703 | (23,139) |
| - to other comprehensive income | 1,536 | - | 1,536 |
| **At 30 June 2013** | **30,306** | **703** | **31,009** |
| Charged/(credited) | | | |
| - to profit or loss | (14,594) | (703) | (15,297) |
| - to other comprehensive income | 1,784 | | 1,784 |
| - reclassification | (5,104) | - | (5,104) |
| **At 30 June 2014** | **12,392** | **-** | **12,392** |

## 23 Non-current liabilities – Provisions

| | Consolidated | |
|---|---|---|
| | **2014** | 2013 |
| | **$'000** | $'000 |
| Provision for employee benefits | **-** | 144 |
| Provision for rehabilitation | **8,579** | 10,281 |
| | **8,579** | 10,425 |

### (a) Rehabilitation Provision

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

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

### (b) Movements in provisions

Movements in the provision for rehabilitation during the financial year are set out as follows:

| | **Provision for rehabilitation $'000** |
|---|---|
| Carrying amount at start of year – 1 July 2013 | **10,281** |
| Provision utilised | **(2,907)** |
| Unwinding of the discount | **199** |
| Translation difference | **1,006** |
| Carrying amount at end of year – 30 June 2014 | **8,579** |

## 24 Current / Non-current liabilities - Deferred Consideration

| | Consolidated | |
|---|---|---|
| | **2014** | 2013 |
| | **$'000** | $'000 |
| Deferred consideration | | |
| - Current | **-** | **2,695** |
| - Non-current | **13,239** | **12,060** |
| | **13,239** | **14,755** |

The current portion of deferred consideration at 30 June 2013 related to payments due to GEL/GPEL for the acquisition of GP Energy Ltd in 2013. This was settled during the current year.

The non-current deferred consideration amount relates to the amount payable by a wholly owned subsidiary of the Group, GP Energy Ltd, to its earlier joint venture partner in certain licences contingent upon various exploration and development success outcomes. Should the relevant contingent outcomes materialise, the amounts may fall due in two equal tranches on each of 31 July 2016 and 30 June 2018.

## 25 Contributed equity

| | Consolidated | | Consolidated | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **Shares** | Shares | **$'000** | $'000 |
| **(a) Share capital** | | | | |
| Ordinary shares | | | | |
| Fully paid | **1,108,752,733** | 878,789,752 | **429,554** | 408,897 |
| **Total consolidated contributed equity** | **1,108,752,733** | 878,789,752 | **429,554** | 408,897 |

### (b) Movements in ordinary share capital

| Date | Details | Number of shares | $'000 |
|---|---|---|---|
| 30 June 2013 | Opening balance | 878,789,752 | 408,897 |
| 13 September 2013 | Share placement | 131,818,462 | 11,864 |
| 10 October 2013 | Entitlement offer | 97,643,305 | 8,788 |
| 17 January 2014 | Exercise of options by Composite shareholders | 501,214 | 5 |
| **30 June 2014** | **Balance** | **1,108,752,733** | **429,554** |

### (c) Ordinary shares

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

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

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

As at 30 June 2014, all of the issued shares were fully paid.

### (d) Capital management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

## 26 Reserves and retained losses

| | Consolidated | |
|---|---|---|
| | **2014** | 2013 |
| | **$'000** | $'000 |
| **(a) Reserves** | | |
| Foreign currency translation reserve | **(14,508)** | (18,062) |
| Merger reserve | **4,633** | 4,633 |
| Reserve arising on transactions with non-controlling interest in subsidiaries | **73,585** | 73,585 |
| Share-based payments reserve | **52,650** | 52,008 |
| Balance 30 June | **116,360** | 112,164 |

| | Consolidated | |
|---|---|---|
| | **2014** | 2013 |
| | **$'000** | $'000 |
| **Movements:** | | |
| *Foreign currency translation reserve* | | |
| Balance 1 July | **(18,062)** | (26,540) |
| Currency translation differences arising during the year | **1,874** | 8,478 |
| Disposal of subsidiary | **1,680** | - |
| Balance 30 June | **(14,508)** | (18,062) |

| | Consolidated | |
|---|---|---|
| | **2014** | 2013 |
| | **$'000** | $'000 |
| **Movements:** | | |
| *Merger reserve* | | |
| Balance 1 July 2013 and 30 June 2014 | **4,633** | 4,633 |

| | Consolidated | |
|---|---|---|
| | **2014** | 2013 |
| | **$'000** | $'000 |
| **Movements:** | | |
| Reserve arising on transactions with non-controlling interest in subsidiaries | | |
| Balance 1 July 2013 and 30 June 2014 | **73,585** | 73,585 |

| | Consolidated | |
|---|---|---|
| | **2014** | 2013 |
| | **$'000** | $'000 |
| **Movements:** | | |
| *Share-based payments reserve* | | |
| Balance 1 July | **52,008** | 51,059 |
| Employee share-based payment | **642** | 949 |
| Balance 30 June | **52,650** | 52,008 |

### (b) Accumulated losses

Movements in retained accumulated losses were as follows:

| | Consolidated | |
|---|---|---|
| | **2014** | 2013 |
| | **$'000** | $'000 |
| Balance 1 July | **(297,291)** | (164,403) |
| Net loss for the year | **(75,596)** | (132,888) |
| Disposal of subsidiary | **591** | - |
| Balance 30 June | **(372,296)** | (297,291) |

## 26 Reserves and retained losses *(continued)*

### (c) Nature and purpose of reserves

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

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

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

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

*(iii) Reserve arising on transactions with non-controlling interest in subsidiaries*
This reserve arose on the acquisition of 8.17% of the equity of DEI from B.V. Dordtsche Petroleum Maatschappij and the acquisition of 90% of the equity of Composite Energy Limited.

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

## 27 Dividends

No dividends were paid or proposed to be paid to members during or since the end of the financial year (2013: $nil).

## 28 Key management personnel disclosures

### (a) Directors

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

*(i) Chairman*
Robert Neale (appointed 26 November 2013).
Nicholas Davies (resigned 26 November 2013).

*(ii) Executive Director*
John McGoldrick, CEO (appointed 31 March 2014).

*(iii) Non-executive Directors*
Stephen Lonie (appointed 26 November 2013).
Shaun Scott
Stephen Bizzell (resigned 26 November 2013).
Peter Forbes (appointed 26 November 2013, resigned 28 February 2014).
Simon Poidevin (resigned 26 November 2013).
Cam Rathie (appointed 26 November 2013, resigned 30 June 2014).
Norrie Stanley (resigned 26 November 2013).

## 28 Key management personnel disclosures *(continued)*

### (b) Other key management personnel

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

| *Name* | *Position* |
|---|---|
| Eytan Uliel | Chief Financial Officer (appointed 31 July 2013). |
| Justin Walta | Chief Operating Officer (appointed 18 July 2013). |
| Martin Cooper | Chief Financial Officer (resigned 31 July 2013). |

### (c) Key management personnel compensation

Key management personnel compensation for the years ended 30 June 2014 and 2013 is set out in the following table. The key management personnel of Dart Energy Limited include the Directors and those executives that report directly to the Chief Executive Officer.

| | **Consolidated** | |
|---|---|---|
| | **2014** **$'000** | 2013 $'000 |
| Short-term employee benefits | **2,732** | 3,349 |
| Post-employment benefits | **31** | 66 |
| Long-term benefits | **-** | 23 |
| Termination benefits | **-** | 529 |
| Share-based payments | **481** | 652 |
| | **3,244** | 4,619 |

Detailed remuneration disclosures are presented in the Remuneration Report on pages 11 to 23.

### (d) Equity instrument disclosures relating to key management personnel

*(i) Options provided as remuneration and shares issued on exercise of such options*
Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in the remuneration report on pages 20 to 23.

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

**2014**

| **Name** | **Balance at start of the year** | **Granted as compensation** | **Exercised** | **Other changes** | **Balance at end of the year** | **Vested and exercisable** | **Unvested** |
|---|---|---|---|---|---|---|---|
| **Directors of Dart Energy** | | | | | | | |
| Robert Neale | - | - | - | - | - | - | - |
| Nicholas Davies | 1,250,000 | - | - | (1,250,000) | - | - | - |
| John McGoldrick | - | 4,750,000 | - | - | 4,750,000 | - | 4,750,000 |
| Stephen Lonie | - | - | - | - | - | - | - |
| Shaun Scott | 2,250,000 | - | - | (2,250,000) | - | - | - |
| Stephen Bizzell | 3,131,250 | - | - | (2,250,000) | 881,250 | 881,250 | - |
| Peter Forbes | - | - | - | - | - | - | |
| Simon Poidevin | 750,000 | - | - | (750,000) | - | - | - |
| Cam Rathie | - | - | - | - | - | - | - |
| Norrie Stanley | - | - | - | - | - | - | - |
| **Other key management personnel of Dart Energy** | | | | | | | |
| Eytan Uliel | 2,250,000 | 4,000,000 | - | - | 6,250,000 | 2,050,000 | 4,200,000 |
| Martin Cooper | 225,000 | - | - | - | 225,000 | 225,000 | - |
| Justin Walta | 150,000 | 2,500,000 | - | - | 2,650,000 | 150,000 | 2,500,000 |

## 28 Key management personnel disclosures *(continued)*

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

**2013**

| Name | Balance at start of the year | Granted as compensation | Exercised | Other changes | Balance at end of the year | Vested and exercisable | Unvested |
|---|---|---|---|---|---|---|---|
| **Directors of Dart Energy** | | | | | | | |
| Nicholas Davies | 1,250,000 | - | - | - | 1,250,000 | 833,334 | 416,666 |
| Stephen Bizzell | 3,131,250 | - | - | - | 3,131,250 | 2,381,250 | 750,000 |
| Simon Poidevin | 750,000 | - | - | - | 750,000 | 500,000 | 250,000 |
| Shaun Scott | 2,250,000 | - | - | - | 2,250,000 | 1,500,000 | 750,000 |
| Norrie Stanley | - | - | - | - | - | - | - |
| David Williamson | 250,000 | - | - | - | 250,000 | 250,000 | - |
| Kirstin Ferguson | - | - | - | - | - | - | - |
| Sanjiv Misra | - | - | - | - | - | - | - |
| Raymond Lim Siang Keat | - | - | - | - | - | - | - |
| **Other key management personnel of Dart Energy** | | | | | | | |
| John McGoldrick | - | - | - | - | - | - | - |
| Eytan Uliel | 2,250,000 | - | - | - | 2,250,000 | 1,850,000 | 400,000 |
| Martin Cooper | 225,000 | - | - | - | 225,000 | 225,000 | - |
| Nathan Rayner | 1,125,000 | - | - | (250,000) | 875,000 | 875,000 | - |
| Robbert de Weijer | 2,250,000 | - | - | - | 2,250,000 | 2,250,000 | - |

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

*(iii) Share holdings*

The number of shares in the Company held during the financial year by each Director of Dart Energy Limited and other key management personnel of the Group, including their personally related parties, as detailed in the following table. There were no shares granted during the reporting year as compensation.

| 2014 | Balance at start of year / appointment date | Received during the year on the exercise of options | Other changes during the year (eg. Purchases) | Balance at end of year / date of resignation |
|---|---|---|---|---|
| **Name** | | | | |
| **Directors of Dart Energy** | | | | |
| Robert Neale (appointed 26 November 2013) | 16,365 | - | - | 16,365 |
| Nicholas Davies (resigned 26 November 2014) | 8,288,501 | - | 920,944 | 9,209,445 |
| John McGoldrick (appointed as Director 31 March 2014, CEO throughout the year) | - | - | - | - |
| Stephen Lonie (appointed 26 November 2013 | - | - | 650,000 | 650,000 |
| Shaun Scott | 1,176,668 | - | 130,674 | 1,307,342 |
| Peter Forbes (appointed 26 November 2013, resigned 28 February 2014) | - | - | - | - |
| Stephen Bizzell (resigned 26 November 2013) | 4,730,033 | - | 553,460 | 5,283,493 |
| Simon Poidevin (resigned 26 November 2013) | 150,000 | - | 16,667 | 166,667 |
| Cam Rathie (appointed 26 November 2013, resigned 30 June 2014) | - | - | - | - |
| Norrie Stanley (resigned 26 November 2013) | 1,500,000 | - | 167,314 | 1,667,314 |
| **Other key management personnel of Dart Energy** | | | | |
| Eytan Uliel | 123,925 | - | 23,956 | 147,881 |
| Justin Walta | 288,993 | - | 32,111 | 321,104 |
| Martin Cooper | 78,067 | - | - | 78,067 |

## 28 Key management personnel disclosures *(continued)*

| 2013 | Balance at start of the year | Received during the year on the exercise of options | Other changes during the year (eg. Purchases) | Balance at end of the year |
|---|---|---|---|---|
| **Name** | | | | |
| **Directors of Dart Energy** | | | | |
| Nicholas Davies | 6,899,501 | - | 1,389,000 | 8,288,501 |
| Stephen Bizzell | 4,730,033 | - | - | 4,730,033 |
| Simon Poidevin | 150,000 | - | - | 150,000 |
| Shaun Scott | 576,668 | - | 600,000 | 1,176,668 |
| Norrie Stanley | - | - | 1,500,000 | 1,500,000 |
| Kirsten Ferguson | - | - | - | - |
| Sanjiv Misra | - | - | - | - |
| Raymond Lim Siang Keat | - | - | - | - |
| **Other key management personnel of Dart Energy** | | | | |
| John McGoldrick | - | - | - | - |
| Eytan Uliel | 123,925 | - | - | 123,925 |
| Martin Cooper | 78,067 | - | - | 78,067 |
| Nathan Rayner | 186,644 | - | - | 186,644 |
| Robbert de Weijer | 137,142 | - | - | 137,142 |

## 29 Remuneration of auditors

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

| | 2014 $ | 2013 $ |
|---|---|---|
| **(a) PwC Australia** | | |
| *(i) Audit and other assurance services* | | |
| Audit and review of financial statements | **118,000** | 175,454 |
| Other assurance services | | |
| Accounting advice | **-** | 1,000 |
| Total remuneration for audit and other assurance services | **118,000** | 176,454 |
| *(ii) Taxation services* | | |
| Tax compliance services | **73,650** | 225,608 |
| Total remuneration for taxation services | **73,650** | 225,608 |
| Total remuneration of PwC Australia | **191,650** | 402,062 |
| **(b) Related practices of PwC Australia** | | |
| *(i) Audit and other assurance services* | | |
| Audit and review of financial statements | **471,101** | 295,311 |
| Other assurance services | | |
| Due diligence services | **202,194** | 297,768 |
| Total remuneration for audit and other assurance services | **673,295** | 593,079 |
| *(ii) Taxation services* | | |
| Tax compliance services | **104,223** | 171,893 |
| Total remuneration of related practices of PwC Australia | **777,518** | 764,972 |
| **(c) Non-PwC audit firms** | | |
| *(i) Audit and other assurance services* | | |
| Audit and review of financial statements | **68,514** | 134,183 |
| Total remuneration of non-PwC audit firms | **68,514** | 134,183 |
| **Total auditors' remuneration** | **1,037,682** | 1,301,217 |

## 30 Contingencies

### (a) Contingent liabilities

The Group had contingent liabilities at 30 June 2014 in respect of:

*(i) Guarantees*

Dart Energy has provided bank guarantees to Governments in certain countries in which it operates for the performance under the terms of work programs (refer to Notes 11 and 14).

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

*ii) Contingent liabilities*

Dart Energy became aware of certain potential restoration work to some wells drilled on PEDL 159 prior to the acquisition of GP Energy Ltd by Dart Energy in early 2012. The Group commenced the ‘plug and abandonment’ of these wells in April 2014 and successfully completed the programme during July 2014 at a total cost of $4.3 million. In the previous financial report for the period ending 30 June 2013, the Group had assessed the potential contingent liability associated with this item as ranging from $2.5 million to $7.5 million. This item, having now been concluded in the current financial year, has been removed from the assessment of the Group’s ongoing contingent liability exposure.

During the year, the Group agreed to transfer a 50% working interest (out of its 60% working interest) in its only licence in India, the Assam CBM Block, to Oil India Limited, its existing partner in that licence. The transfer has been approved by the Indian Government, and, consequently, the Group’s interest in the licence has been reduced to 10%, substantially reducing the Group’s exposure to capital commitments in India.

The Group continues to seek to form strategic partnerships, divest, farm-out or exit from certain other licences in its portfolio outside of the U.K., especially in Indonesia, with a view to minimising the Group’s capital exposure to those licences. The Group is presently in discussions with certain parties, however, the outcome of such discussions remain uncertain. In the event that the Group is unsuccessful in one or more of its initiatives, the Group may be exposed to certain exit costs in the period 2015 – 2017, or beyond, which the Group presently assesses as ranging between $0.3 million to $12.5 million. The range of potential outcomes is wide as these potential exit costs relate to multiple licences, and will depend on the outcome of multiple individual sale or farm-out processes, negotiations with host Governments, and the specific methodology applied to calculation of any residual exit costs, if any.

# 31 Commitments

## (a) Capital commitments

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

| | Consolidated | |
|---|---|---|
| | **2014** | 2013 |
| | **$'000** | $'000 |
| *Exploration assets:* | | |
| Payable: | | |
| Within one year | **710** | 10,403 |
| | **710** | 10,403 |
| *Property, plant and equipment:* | | |
| Payable: | | |
| Within one year | **-** | 58 |
| | **-** | 58 |
| *Other:* | | |
| Payable: | | |
| Within one year | **-** | 101 |
| | **-** | 101 |
| *Total:* | | |
| Payable: | | |
| Within one year | **710** | 10,562 |
| | **710** | 10,562 |

$300,000 of the capital commitments balance as at 30 June 2014 is in relation to the Indonesian entities which are classified as held-for-sale as at this date (Note 9)

Capital commitments incurred by the Group relating to joint ventures and associates amount to $300,000 (2013: $10,328,656).

## (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 | |
|---|---|---|
| | **2014** | 2013 |
| | **$'000** | $'000 |
| Within one year | **1,293** | 1,638 |
| Later than one year but not later than five years | **827** | 2,343 |
| | **2,120** | 3,981 |

$168,000 of the operating lease commitments balance as at 30 June 2014 is in relation to the Indonesian entities which are classified as held-for-sale as at this date (Note 9).

## 32 Related party transactions

### (a) Parent entities

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

### (b) Key management personnel

Disclosures relating to key management personnel are set out in Note 28.

### (c) Transactions with other related parties

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

| | Consolidated | |
|---|---|---|
| | **2014** | 2013 |
| | **$'000** | $'000 |
| Technical service fee from associated company | **141** | 629 |
| Remuneration of key management personnel of Dart Energy (Note 28) | **3,244** | 4,619 |

In addition, from July 2013 to 26 November 2013 when Stephen Bizzell ceased to be a Director of the Company, $114,032 of operating costs incurred at Dart Energy Limited's Australian head office were re-charged to Bizzell Capital Partners Pty Ltd, a company controlled by Stephen Bizzell (2013: $354,209). As at 30 June 2014, $212,377 (2013: £141,847) was due from Bizzell Capital Partners Pty Ltd to the Company. The outstanding balance was paid in full subsequent to the year end.

### (d) Outstanding balances arising from transactions with related parties

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

| | Consolidated | |
|---|---|---|
| | **2014** | 2013 |
| | **$'000** | $'000 |
| Current receivables | **212** | 5,016 |
| Non-current receivables (loan to joint venture in Indonesia) | **-** | 5,372 |
| Current liabilities (included as held-for-sale in 2014 – Note 9) | **(1,747)** | (7,660) |

### (e) Loans to related parties

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

| | Consolidated | |
|---|---|---|
| | **2014** | 2013 |
| | **$'000** | $'000 |
| *Loans to joint venture* | | |
| Beginning of the year | **5,372** | 4,225 |
| Loan to joint venture (Sangatta West CBM Inc) | **126** | 562 |
| Interest received | **179** | 165 |
| Translation reserve | **(84)** | 420 |
| Provision | **(5,593)** | - |
| End of year | **-** | 5,372 |

## 33 Subsidiaries

The following subsidiaries are defined as significant based on the existence of underlying results, business and operations. It does not include all subsidiaries of the Group.

| Name of companies | Country of incorporation | Equity holding 2014 % | 2013 % |
|---|---|---|---|
| ***Significant subsidiaries held by Company :*** | | | |
| Dart Energy SPV No.1 Pty. Ltd.* | Australia | **100** | 100 |
| Dart Energy SPV No.2 Pty. Ltd.* | Australia | **100** | 100 |
| Dart Energy (China) Pty. Ltd.* | Australia | **100** | 100 |
| Dart Energy (Overseas) Pty. Ltd.* | Australia | **100** | 100 |
| Apollo Gas Limited* | Australia | **100** | 100 |
| Dart Energy (Bruxner) Pty. Ltd. | Australia | **100** | 100 |
| Dart Energy (Indonesia) Pty. Ltd.* | Australia | **100** | 100 |
| Dart Energy International Ltd. | Singapore | **100** | 100 |
| ***Significant subsidiaries held by subsidiaries :*** | | | |
| Macquarie Energy Pty. Ltd.* | Australia | **100** | 100 |
| Dart Energy Global CBM Pty Ltd. | Australia | **100** | 100 |
| Dart Energy (India) Pty. Ltd. | Australia | **100** | 100 |
| Dart Energy (Europe) Pte. Ltd. | Singapore | **100** | 100 |
| Dart Energy (India) Holdings Pte. Ltd. | Singapore | **100** | 100 |
| Dart Energy (Indonesia) Holdings Pte. Ltd. | Singapore | **100** | 100 |
| Dart Energy (China) Holdings Pte. Ltd. | Singapore | **100** | 100 |
| Dart Energy (India) Pte. Ltd. | Singapore | **100** | 100 |
| Dart Energy (ST) Pte. Ltd. | Singapore | **100** | 100 |
| Dart Energy (AS) Pte. Ltd. | Singapore | **100** | 100 |
| Dart Energy (Sangatta West) Pte. Ltd. | Singapore | **100** | 100 |
| Dart Energy (FLG) Pte. Ltd (sold September 2013) | Singapore | **-** | 100 |
| Dart Energy (Dajing) Pte. Ltd. | Singapore | **100** | 100 |
| Dart Energy (Tanjung Enim) Pte. Ltd. | Singapore | **100** | 100 |
| Dart Energy (Muralim) Pte. Ltd. | Singapore | **100** | 100 |
| Dart Energy (Xiushan) Pte. Ltd. | Singapore | **-** | 100 |
| Dart Energy (Bontang Bengalon) Pte. Ltd. | Singapore | **100** | 100 |
| Dart Energy Asia Holdings Pte. Ltd. | Singapore | **100** | 100 |
| Dart Energy Technology (Beijing) Company Limited | China | **100** | 100 |
| PT Dart Energy Indonesia | Indonesia | **95** | 95 |
| Dart Energy India Services Pvt. Ltd. | India | **100** | 100 |
| Dart Energy (Europe) Ltd. | Scotland | **100** | 100 |
| Dart Energy (Forth Valley) Ltd. | Scotland | **100** | 100 |
| Dart Energy (East England) Ltd. | England | **100** | 100 |
| Dart Energy (West England) Ltd. | England | **100** | 100 |
| GP Energy Ltd. | England | **100** | 100 |

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

## 34 Deed of cross guarantee

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

**Consolidated income statement, statement of comprehensive income and summary of movements in consolidated retained losses**

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

The following table presents a consolidated income statement, a consolidated statement of comprehensive income and a summary of movements in consolidated retained losses for the year ended 30 June 2014 of the closed group

| | **2014 $'000** | 2013 $'000 |
|---|---|---|
| ***Income statement*** | | |
| Other income | **11** | 966 |
| Other gains | **1,119** | 2,343 |
| Consultancy cost | **(3,068)** | (1,020) |
| Depreciation | **(62)** | (137) |
| Impairment of exploration assets | **(41,546)** | (73,254) |
| Loss on disposal of assets | **(155)** | (13) |
| Employee compensation | **(457)** | (2,443) |
| Office supplies | **(57)** | (147) |
| Professional fees | **(543)** | (408) |
| Occupancy cost | **(229)** | (421) |
| Travel and accommodation | **(86)** | (87) |
| Impairment of investment | **(69,111)** | (39,458) |
| Other expenses | **(1,324)** | (3,696) |
| Expenses, excluding finance costs | **(116,638)** | (121,084) |
| Finance costs | **(8)** | (11) |
| Total expenses | **(116,646)** | (121,095) |
| **Loss before income tax** | **(115,516)** | (117,786) |
| Income tax credit | **498** | 558 |
| **Loss for the year** | **(115,018)** | (117,228) |

| | **2014 $'000** | 2013 $'000 |
|---|---|---|
| **Loss for the year** | **(115,018)** | (117,228) |
| **Other comprehensive loss** | | |
| Exchange differences on translation of foreign operations | **-** | - |
| Total comprehensive loss for the year | **(115,018)** | (117,228) |
| ***Summary of movements in consolidated retained losses*** | | |
| **Retained losses at the beginning of the financial year** | **(196,688)** | (79,460) |
| Loss for the year | **(115,018)** | (117,228) |
| **Retained losses at the end of the financial year** | **(311,706)** | (196,688) |

The 2013 comparatives have been restated to reflect the $39,458,000 impairment of Dart Energy Limited's investment in Dart Energy International Limited in 2013 and the impairment of $14,232,000 in 2012.

## 34 Deed of cross guarantee *(continued)*

The following table presents a consolidated balance sheet of the closed group as at 30 June 2014:

| | 2014 $'000 | 2013 $'000 |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Cash and cash equivalents | 1,150 | 3,569 |
| Trade and other receivables | 124,977 | 105,226 |
| Financial assets at fair value through profit or loss | - | 1,662 |
| Total current assets | 126,127 | 110,457 |
| **Non-current assets** | | |
| Receivables | - | 154 |
| Investments in subsidiaries and associates | 42,344 | 110,847 |
| Property, plant and equipment | 19 | 272 |
| Exploration and evaluation | 3,981 | 45,000 |
| Total non-current assets | 46,344 | 156,273 |
| **Total assets** | 172,471 | 266,730 |
| **LIABILITIES** | | |
| **Current liabilities** | | |
| Trade and other payables | 2,024 | 2,511 |
| Total current liabilities | 2,024 | 2,511 |
| **Non-current liabilities** | | |
| Provisions | - | 53 |
| Total non-current liabilities | - | 53 |
| **Total liabilities** | 2,024 | 2,564 |
| **Net assets** | 170,447 | 264,166 |
| **EQUITY** | | |
| Contributed equity | 429,554 | 408,897 |
| Reserves | 52,599 | 51,957 |
| Retained losses | (311,706) | (196,688) |
| **Total equity** | 170,447 | 264,166 |

The 2013 comparatives have been restated to reflect the $39,458,000 impairment of Dart Energy Limited's investment in Dart Energy International Limited in 2013 and the impairment of $14,232,000 in 2012.

## 35 Investments in associates

| | Consolidated | |
|---|---|---|
| | 2014 $'000 | 2013 $'000 |
| **Movements in carrying amounts** | | |
| Investment in Maria's Farm Veggie's Pty Ltd, Australia | - | 5,200 |
| Investment in EDA Energy Company Ltd, China | - | - |
| | - | 5,200 |

On 21 June 2012, the Group completed a 20% equity investment in Maria's Farm Veggies Pty Ltd (MFV) which is the entity that will develop a glasshouse project at Fullerton Cove within PEL458. As at 30 June 2014, the project remained under construction and the entity does not hold any other material assets or liabilities. The share of profits for the year was $nil (2013: $nil). As at 30 June 2014, the investment in MFV has been impaired to $nil due to uncertainty over that company's performance, results and future operations.

In August 2013, the Group completed a 49% equity investment in EDA Energy Company Ltd (EDA). EDA has entered into a Shale Gas Production Sharing Contract for the exploration, development and production of shale gas in the Xiushan project area (subject to government approvals). As at 30 June 2014, the investment in EDA was sold for a nominal value of $1 following the Group's decision to withdraw from the Xiushan shale gas prospect. Also refer to Note 15.

## 36 Interests in joint ventures

Details of the joint ventures are as follows:

| | Segment | Interest | |
|---|---|---|---|
| | | **2014** | 2013 |
| | | **%** | % |
| Sangatta West CBM Inc. | Indonesia | **50** | 50 |
| Fortune Liulin Gas Company Limited ("FLG") | China | **-** | 50 |

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

During the financial year, the Group sold its interest in FLG via sale of its wholly owned subsidiary, Dart Energy (FLG) Pte Ltd, which was the immediate holding corporation of FLG.

Summary financial information for the joint ventures is as follows:

| | Consolidated | |
|---|---|---|
| | **2014** | 2013 |
| | **$'000** | $'000 |
| **Assets** | | |
| Current assets | **740** | 24,248 |
| Non-current assets | **-** | 1,328 |
| Share of assets employed in joint venture | **740** | 25,576 |
| **Liabilities** | | |
| Current liabilities | **2,856** | 18,020 |
| Non-current liabilities | **-** | 6,041 |
| Share of liabilities employed in joint venture | **2,856** | 24,061 |
| Net (liabilities)/assets | **(2,116)** | 1,515 |
| **Share of joint ventures' revenue, expenses and results** | | |
| Sales | **-** | 2 |
| Expenses | **(2,487)** | (14,397) |
| Loss before tax | **(2,487)** | (14,395) |
| Income tax | **-** | - |
| Loss after income tax | **(2,487)** | (14,395) |

The Sangatta West assets are considered non-core and, as such, Dart has commenced a formal divestment process. As a consequence, the assets and liabilities related to Sangatta West are classified as a disposal group held-for-sale on the balance sheet at 30 June 2014, as stated in Note 9.

As the Group disposed of its interest in FLG during the current financial year, the balances in relation to FLG as at 30 June 2013 are classified as held-for-sale and included in the balances stated in Note 9.

## 37 Events occurring after the reporting period

As noted, on 9 May 2014, the Company announced agreement on the terms of a recommended acquisition by IGas Energy Plc (the "Transaction"), a company listed on the Alternative Investment Market of the London Stock Exchange, by way of a Scheme of Arrangement (the "Scheme"). Subsequent to the end of the financial year, this transaction has been substantively progressed, and is expected to complete in October 2014. Key events subsequent to the end of the financial year include:

(a) Court Approval, from the Supreme Court of Queensland, to convene a meeting of Dart shareholders to consider and vote on the Scheme was obtained on 23 July 2014 for the Scheme Meeting to be held on 1 September 2014. The Scheme Meeting was subsequently postponed to 10 September 2014.

(b) The Scheme Booklet containing information in relation to the Scheme, including the notice of meeting, was released on the ASX and lodged for registration with the Australian Securities and Investments Commission on 23 July 2014. The Scheme Book was despatched to shareholders on 31 July 2014.

(c) The Approval from IGas shareholders in relation to the Scheme was obtained on 1 September 2014.

(d) The Scheme Meeting was held on 10 September 2014 and the Scheme was approved by Dart shareholders.

(e) Court Approval, from the Supreme Court of Queensland, to approve the Scheme following the approval of Dart shareholders and satisfaction and / or waiver of conditions precedent was obtained on 30 September 2014.

## 38 Loss per share

### (a) Basic loss per share

| | Consolidated | |
|---|---|---|
| | **2014 Cents** | 2013 Cents |
| Basic loss per share attributable to the ordinary equity holders of the Company | **(7.2)** | (15.8) |

### (b) Diluted loss per share

| | Consolidated | |
|---|---|---|
| | **2014 Cents** | 2013 Cents |
| Diluted loss per share attributable to the ordinary equity holders of the Company | **(7.2)** | (15.8) |

### (c) Reconciliations of loss used in calculating loss per share

| | Consolidated | |
|---|---|---|
| | **2014 $'000** | 2013 $'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 | **(75,596)** | (132,888) |

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

| | Consolidated | |
|---|---|---|
| | **2014 '000** | 2013 '000 |
| Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share | **1,054,372** | 839,452 |

### (e) Information concerning the classification of securities

Options granted to employees under the Employee Share Option Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of diluted loss per share for 2014 or 2013. Details relating to the options are set out in Note 39.

## 39 Share-based payments

### (a) Dart Energy Limited Employee Share Option Plan ("Plan")

The Plan was approved by shareholders at the 2010 annual general meeting. Under the Plan, participants (principally executives, Directors and consultants) are granted options over the ordinary shares of Dart Energy Limited which only vest if certain performance standards are met. In addition a number of executives have been engaged under contracts of employment which give them the eligibility to options in accordance with the terms and conditions of their employment contracts. The options issued are not quoted on the Australian Stock Exchange. The options are granted for no consideration. When exercisable each option is convertible into one ordinary share. Options granted under the Plan carry no dividend or voting rights.

The Plan is designed to provide long-term incentives for senior managers and above (including executive Directors) to deliver long-term shareholder returns. Participation in the Plan is at the Board's discretion.

The amount of options that will vest depends on Dart Energy Limited's total return to shareholders (TSR), including share price growth, dividends and capital returns, ranking within a peer group of selected companies that are listed on the ASX over a three year period. Once vested, the options remain exercisable for a period of two years. When exercised, each option is convertible into one ordinary share fourteen days after the release of the half-yearly and annual financial results of the Group to the market.

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

The following table presents a summary of options granted under the Plan:

| Grant Date | Expiry date | Exercise price | Balance at start of the year Number | Granted during the year Number | Exercised during the year Number | Forfeited during the year Number | Balance at end of the year Number | Vested and exercisable at end of the year Number |
|---|---|---|---|---|---|---|---|---|
| **2014** | | | | | | | | |
| 5-Aug-10 | 31-Mar-14 | $0.98625 | 1,224,161 | - | - | (1,224,161) | - | - |
| 23-Aug-10 | 31-Mar-14 | $0.98625 | 3,000,000 | - | - | (3,000,000) | - | - |
| 1-Sep-10 | 31-Jul-14 | $0.98625 | 1,650,000 | - | - | - | 1,650,000 | 1,650,000 |
| 20-Sep-10 | 31-Jul-14 | $0.98625 | 150,000 | - | - | - | 150,000 | 150,000 |
| 12-Oct-10 | 31-Jul-14 | $0.98625 | 750,000 | - | - | - | 750,000 | 750,000 |
| 18-Oct-10 | 31-Mar-14 | $0.98625 | 450,000 | - | - | (450,000) | - | - |
| 24-Nov-10 | 31-Jul-14 | $0.98625 | 225,000 | - | - | - | 225,000 | 225,000 |
| 30-Nov-10 | 31-Mar-14 | $0.98625 | 3,750,000 | - | - | (3,750,000) | - | - |
| 11-Jan-11 | 31-Jul-14 | $0.98625 | 2,460,000 | - | - | - | 2,460,000 | 2,460,000 |
| 07-Mar-11 | 31-Jul-14 | $0.98625 | 100,000 | - | - | - | 100,000 | 100,000 |
| 11-Apr-11 | 31-Jul-14 | $0.98625 | 250,000 | - | - | - | 250,000 | 250,000 |
| 20-Apr-11 | 31-Jul-15 | $0.98000 | 250,000 | - | - | - | 250,000 | 250,000 |
| 16-May-11 | 31-Jul-15 | $1.15000 | 100,000 | - | - | - | 100,000 | 100,000 |
| 5-Aug-11 | 31-Jul-15 | $0.98000 | 975,000 | - | - | - | 975,000 | 650,000 |
| 1-Sep-11 | 31-Jul-15 | $0.98000 | 150,000 | - | - | - | 150,000 | 100,000 |
| 26-Sep-11 | 31-Jul-15 | $0.98000 | 150,000 | - | - | - | 150,000 | 100,000 |
| 1-Oct-11 | 31-Jul-15 | $0.98000 | 250,000 | - | - | - | 250,000 | 166,666 |
| 2-Dec-11 | 31-Mar-14 | $0.98625 | 1,000,000 | - | - | (1,000,000) | - | - |
| 2-Mar-12 | 15-Dec-14 | $0.01000 | 216,195 | - | (194,955) | - | 21,240 | 21,240 |
| 21-Mar-14 | 30-Jun-19 | $0.13000 | - | 8,000,000 | - | - | 8,000,000 | - |
| 21-Mar-14 | 30-Jun-20 | $0.14000 | - | 8,000,000 | - | - | 8,000,000 | - |
| | | | 17,100,356 | 16,000,000 | (194,955) | (9,424,161) | 23,481,240 | 6,972,906 |
| Weighted average exercise price | | | $0.97431 | $0.135 | $0.01 | $0.98625 | $0.40562 | $0.98471 |

## 39 Share-based payments *(continued)*

| Grant Date | Expiry date | Exercise price | Balance at start of the year Number | Granted during the year Number | Exercised during the year Number | Forfeited during the year Number | Balance at end of the year Number | Vested and exercisable at end of the year Number |
|---|---|---|---|---|---|---|---|---|
| **2013** | | | | | | | | |
| 5-Aug-10 | 31-Mar-14 | $0.98625 | 1,224,161 | - | - | - | 1,224,161 | 1,224,161 |
| 23-Aug-10 | 31-Mar-14 | $0.98625 | 3,000,000 | - | - | - | 3,000,000 | 2,000,000 |
| 1-Sep-10 | 31-Jul-14 | $0.98625 | 1,650,000 | - | - | - | 1,650,000 | 1,650,000 |
| 20-Sep-10 | 31-Jul-14 | $0.98625 | 150,000 | - | - | - | 150,000 | 150,000 |
| 12-Oct-10 | 31-Jul-14 | $0.98625 | 750,000 | - | - | - | 750,000 | 750,000 |
| 18-Oct-10 | 31-Mar-14 | $0.98625 | 450,000 | - | - | - | 450,000 | 450,000 |
| 24-Nov-10 | 31-Jul-14 | $0.98625 | 225,000 | - | - | - | 225,000 | 225,000 |
| 30-Nov-10 | 31-Mar-14 | $0.98625 | 3,750,000 | - | - | - | 3,750,000 | 2,583,334 |
| 11-Jan-11 | 31-Jul-14 | $0.98625 | 2,460,000 | - | - | - | 2,460,000 | 2,460,000 |
| 07-Mar-11 | 31-Jul-14 | $0.98625 | 100,000 | - | - | - | 100,000 | 100,000 |
| 11-Apr-11 | 31-Jul-14 | $0.98625 | 250,000 | - | - | - | 250,000 | 250,000 |
| 20-Apr-11 | 31-Jul-15 | $0.98000 | 250,000 | - | - | - | 250,000 | 166,666 |
| 16-May-11 | 31-Jul-15 | $1.15000 | 100,000 | - | - | - | 100,000 | 66,666 |
| 5-Aug-11 | 31-Jul-15 | $0.98000 | 975,000 | - | - | - | 975,000 | 325,000 |
| 1-Sep-11 | 31-Jul-15 | $0.98000 | 150,000 | - | - | - | 150,000 | 50,000 |
| 26-Sep-11 | 31-Jul-15 | $0.98000 | 150,000 | - | - | - | 150,000 | 50,000 |
| 1-Oct-11 | 31-Jul-15 | $0.98000 | 250,000 | - | - | - | 250,000 | 83,333 |
| 2-Dec-11 | 31-Mar-14 | $0.98625 | 1,000,000 | - | - | - | 1,000,000 | 750,000 |
| 2-Mar-12 | 15-Dec-14 | $0.01000 | 216,195 | - | - | - | 216,195 | 216,195 |
| | | | 17,100,356 | - | - | - | 17,100,356 | 13,550,355 |
| Weighted average exercise price | | | $0.97431 | | | | $0.97431 | $0.97125 |

No options were granted or expired during the period covered by the above table. The 2013 options have been restated to remove 3,542,082 options previously disclosed forfeited during the year ended 2013.

The weighted average share price at the date of exercise of options exercised during the year ended 30 June 2014 was $0.9847 (2013 – $0.9712). The weighted average remaining contractual life of share options outstanding at the end of the period was 1 year (2013 – 1 year).

*Fair value of options granted*

The assessed fair value at grant date of options granted during the year ended 30 June 2014 and the year ended 30 June 2013 is disclosed in the remuneration report on page 20. The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

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

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

16 million options were granted during the year ended 30 June 2014 (2013 – nil).

The model inputs for options granted during the year ended 30 June 2014 included that:

(a) 16 million options are granted for no consideration and will vest in two tranches as follows: Tranche 1 will vest on 31 December 2015 and Tranche 2 will vest on 31 December 2016. The Recipient must still be employed or engaged to provide services to Dart in order for the Options to vest.
(b) 8 million options have an exercise price of $0.13 and 8 million options have an exercise price of $0.14.
(c) grant date: is as disclosed in the previous table.
(d) expiry date: 8 million option on 31 December 2015 and 8 million options on 31 December 2016.
(e) share price at grant date: 21 March 2014 ($0.11).
(f) expected price volatility of the Company's shares: 52%.
(g) expected dividend yield: 0%.
(h) risk-free interest rate: 3.42% and 3.59%.

There were no shares issued under the Plan to participating employees during the year.

## 39 Share-based payments *(continued)*

### b) Expenses arising from share-based payment transactions

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

| | Consolidated | |
|---|---|---|
| | **2014** | 2013 |
| | **$'000** | $'000 |
| Employee - Options issued under Dart Energy Limited share scheme (equity settled) | **643** | 949 |

The change in control, on completion of the IGas transaction, will trigger vesting under the terms of the share options in place. The Directors are of the opinion the deal will complete as planned and have expensed all unvested options as at 30 June 2014.

## 40 Parent entity financial information

### (a) Summary financial information

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

| | Parent entity | |
|---|---|---|
| | **2014** | 2013 |
| | **$'000** | $'000 |
| **Balance sheet** | | |
| Current assets | **145,168** | 127,271 |
| Non-current assets | **44,727** | 107,009 |
| Total assets | **189,895** | 234,280 |
| Current liabilities | **2,503** | 1,254 |
| Non-current liabilities | **5,400** | 5,454 |
| Total liabilities | **7,903** | 6,708 |
| *Shareholders' equity* | | |
| Contributed equity | **429,554** | 408,897 |
| Reserves | **52,599** | 51,957 |
| Retained losses | **(300,161)** | (233,282) |
| Capital and reserves attributable to owners of Dart Energy Limited | **181,992** | 227,572 |
| **Loss for the year** | **(66,879)** | (117,319) |
| **Total comprehensive loss** | **(66,879)** | (117,319) |

### (b) Guarantees entered into by the parent entity

These are cross guarantees given by Dart Energy Limited as described in Note 34. No deficiencies of assets exist in any of these companies. No liability was recognised by the parent entity or the consolidated entity in relation to these guarantees, as the fair value of the guarantees is immaterial.

### (c) Commitments and contingent liabilities

*Operating lease arrangements - where the parent entity is a lessee*
The parent entity leases office space from non-related parties under non-cancellable operating leases. These leases have varying terms, escalation clauses and renewal rights. The future aggregate minimum lease payments under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities are as follows:

| | Parent entity | |
|---|---|---|
| | **2014** | 2013 |
| | **$'000** | $'000 |
| Within one year | **603** | 620 |
| Later than one year but not later than five years | **789** | 1,486 |
| | **1,392** | 2,106 |

### (d) Contingencies

The parent entity has no contingent liabilities (2013: $nil).

In the Directors' opinion:

(a) the financial statements and notes set out on pages 27 to 79 are in accordance with the *Corporations Act 2001,* including:
   (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
   (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the financial year ended on that date, and

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

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in Note 34 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 34.

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.

Robert Neale
Chairman

Brisbane
30 September 2014

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

## *Report on the financial report*

We have audited the accompanying financial report of Dart Energy Limited (the company), which comprises the consolidated balance sheet as at 30 June 2014, the consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Dart Energy Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

### *Directors' responsibility for the financial report*

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

### *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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's 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 consolidated 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.

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

### *Independence*

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

***PricewaterhouseCoopers, ABN 52 780 433 757***
*Riverside Centre, 123 Eagle Street, BRISBANE QLD 4000, GPO Box 150, BRISBANE QLD 4001*
*T: +61 7 3257 5000, F: +61 7 3257 5999, www.pwc.com.au*

### *Auditor’s opinion*

In our opinion, the financial report of Dart Energy Limited is in accordance with the *Corporations Act 2001,* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

(b) complying with Australian Accounting Standards including the Australian Accounting Interpretations and the *Corporations Regulations 2001*.

## ***Report on the Remuneration Report***

We have audited the remuneration report included in pages 11 to 23 of the directors’ report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

### *Auditor’s opinion*

In our opinion, the remuneration report of Dart Energy Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

Simon Neill
Partner

Brisbane
30 September 2014

## A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding as at 12 September 2014:

| Holding | | | Ordinary shares Shares '000 | Nos of Holders |
|---|---|---|---|---|
| 1 | - | 1000 | 1,525,655 | 3,704 |
| 1,001 | - | 5,000 | 8,443,478 | 3,189 |
| 5,001 | - | 10,000 | 11,637,679 | 1,539 |
| 10,001 | - | 100,000 | 90,032,471 | 2,786 |
| 100,001 | and over | | 997,113,450 | 608 |
| | | | 1,108,752,733 | 11,826 |

There were 6,424 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 12 September 2014 are listed below:

| Name | Ordinary shares Number held | Percentage of issued shares |
|---|---|---|
| KRESTLAKE PTY LTD | 137,923,985 | 12.44 |
| J P MORGAN NOMINEES AUSTRALIA LIMITED | 135,755,249 | 12.24 |
| GRACE GREENPARK LIMITED | 99,557,942 | 8.98 |
| ELECTRA PRIVATE EQUITY PARTNERS 2001-2006 SCOTTISH LP | 56,887,336 | 5.13 |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 56,722,468 | 5.12 |
| CITICORP NOMINEES PTY LIMITED | 48,051,350 | 4.33 |
| KRESTLAKE PTY LTD | 43,293,030 | 3.90 |
| PAN AUSTRALIAN NOMINEES PTY LIMITED | 40,497,994 | 3.65 |
| BRISPOT NOMINEES PTY LTD | 29,998,019 | 2.71 |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 22,515,170 | 2.03 |
| MR MENG LUO + MRS LAN LIU | 17,600,000 | 1.59 |
| NATIONAL NOMINEES LIMITED | 11,290,034 | 1.02 |
| MR PETER LACHLAN LAMOND | 10,777,000 | 0.97 |
| SANTELLE PTY LTD | 8,355,831 | 0.75 |
| FARJOY PTY LTD | 8,333,334 | 0.75 |
| UBS NOMINEES PTY LTD | 8,083,661 | 0.73 |
| BUTTONWOOD NOMINEES PTY LTD | 7,877,430 | 0.71 |
| LUJETA PTY LTD | 6,274,595 | 0.57 |
| MR GARY JIARUI ZHOU | 6,222,223 | 0.56 |
| WATOU HOLDINGS PTY LTD | 6,062,957 | 0.55 |
| | 762,079,608 | 68.73 |

## C. Voting rights

The voting rights attaching to each class of equity securities are set out below:

(a) Ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(b) Options
No voting rights.

## D. Substantial shareholders

As at 12 September 2014:

| Name | Nos Shares | Percentage |
|---|---|---|
| KRESTLAKE PTY LTD | 181,217,015 | 16.34% |
| J P MORGAN NOMINEES AUSTRALIA LIMITED | 135,755,249 | 12.24% |
| GRACE GREENPARK LIMITED | 99,557,942 | 8.98% |