

# DART ENERGY

RECOMMENDED OFFER FOR

APOLLO  
GAS

28 September, 2010

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DART ENERGY

# DART TO ACQUIRE APOLLO

## Continuing to Deliver on Strategy

- Dart Energy Limited (Dart, ASX: DTE) and Apollo Gas Limited (Apollo, ASX: AZO) have reached agreement in relation to an all-scrip takeover offer for Apollo by Dart
- The agreed transaction is consistent with Dart's strategy to become the world's first global CBM company, and to deliver on the milestones established at the time of Dart's listing in July 2010:

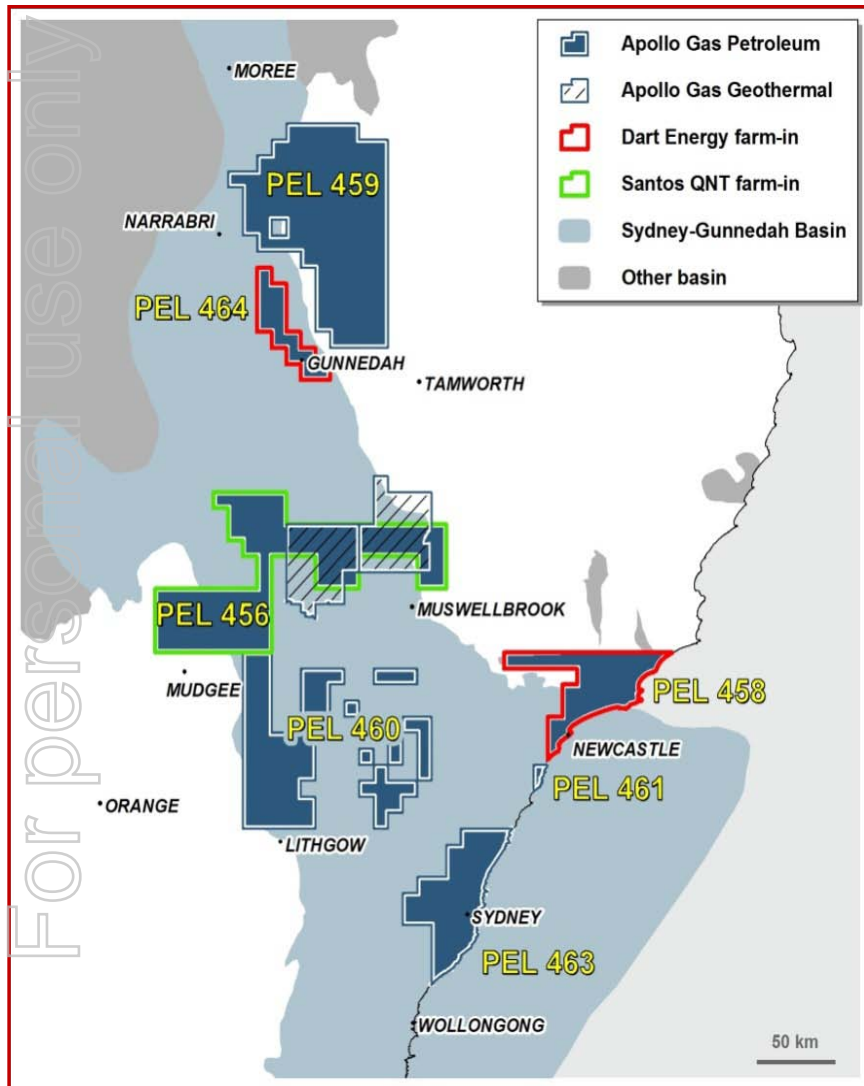
✓	<b>Raise Capital &amp; Secure the Funding Base</b>	<ul style="list-style-type: none"> <li>• A\$35m raised</li> <li>• Shell loan facility put in place (currently undrawn)</li> <li>• Future entitlement issue flagged</li> </ul>
✓	<b>Secure New Tenements in Existing Geographies</b>	<ul style="list-style-type: none"> <li>• CBM-IV blocks in India awarded</li> <li>• Dajing PSC secured</li> <li>• Ongoing business development across all geographies</li> </ul>
✓	<b>Geographic Expansion of the Business</b>	<ul style="list-style-type: none"> <li>• Composite investment adds European projects</li> <li>• Ongoing evaluation of other potential new geographies</li> </ul>
✓	<b>Progress Assets Rapidly Towards Commerciality</b>	<ul style="list-style-type: none"> <li>• Active work programs in multiple jurisdictions</li> <li>• Liulin gas sales agreement</li> <li>• Other early pilot-to-market schemes under consideration</li> </ul>
✓	<b>Build the Resource Base</b>	<ul style="list-style-type: none"> <li>• India CBM IV resource certification</li> <li>• Composite with existing NSAI certified resource position</li> <li>• Active work programs targeting resource / reserve certifications</li> </ul>
✓	<b>Create a Business of Scale in Australia</b>	<ul style="list-style-type: none"> <li>• Acquisition of Apollo</li> <li>• Build-up of professional staff base</li> </ul>

# OFFER TERMS

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- 3 Dart shares for every 4 Apollo shares held
- Apollo options to be replaced with Dart options using 3 for 4 ratio
- Values Apollo at \$0.69 per share based on Dart 1 month VWAP; which represents a 13% premium to Apollo's last traded price and a 16% premium to Apollo's 1 month VWAP
- Based on Dart's last trading price of \$1.05 this represents a 29% premium to Apollo's last traded price of \$0.61 and a 32% premium to Apollo's 1 month VWAP
- Unanimous recommendation from Apollo's independent directors, subject to there being no superior proposal and an independent expert concluding that the Offer is reasonable
- Apollo's directors and major shareholders, who together hold 54%, have indicated intention to accept the Offer in the absence of a superior proposal within 14 days of the opening of the Offer period
- Including those directors and major shareholders who intend to accept the Offer and Dart's current shareholding of 21% (originally acquired for \$5.6m), 75% of Apollo will be committed

# APOLLO HIGHLIGHTS



- Seven PELs covering 23,600km<sup>2</sup> over the prospective Sydney-Gunnedah Basin.
- Two geothermal licences covering 3,500km<sup>2</sup> overlaying the Murrurundi Trough.
- Extensive exposure to CBM plays, conventional gas and shale

- Core hole drilling program, seismic surveys and testing is currently underway in five PELs. Extensive 2 year program
- Santos QNT recently elected to proceed to the Stage 2 work program in PEL 456.
- Work programs across multiple projects will deliver further exploitation targets and accelerate reserve certification.

- Positioned to take advantage of projected new demand for cleaner more efficient energy mix in NSW through increased gas-fired power generation
- Proximal to key markets of Sydney, Newcastle & the Hunter Valley
- Overlaying and adjacent to existing and proposed gas infrastructure. Approval process underway for NSW pipeline expansions and feasibility for an LNG project at Newcastle.
- NSW 'Short Term Trading Market' commenced 1 Sept. 2010.

- Funded to mid 2012 to achieve reserve targets and initial commercial activities.
- Cash as at 30 June 2010 of \$12 million; no debt.

# ACQUISITION CONSISTENT WITH DART'S STRATEGY

## Market Drives Opportunity

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Apollo is focussed on the NSW gas market, which has much in common with other markets in which Dart is active

- **Large latent demand:** NSW is one of Australia's largest energy consumers of which only 9% is fuelled from natural gas. ACIL Tasman is forecasting eastern Australian gas demand to increase by approximately 150% by FY2030. The majority of supply to meet this demand is forecast to come from QLD and NSW CSG
- **Supply-demand imbalance / reliance on imported energy:** 96% of natural gas consumed in NSW is imported from declining conventional gas basins in SA / VIC
- **Advantaged pricing:** ACIL Tasman forecast delivered gas prices in NSW to exceed A\$5.50 / GJ by 2012; Apollo acreage position will allow access to high value markets with minimal transport costs
- **Advantaged infrastructure:** Domestic gas pipeline networks, short term trading market, existing and expanded gas-fired power capacity and co-firing options, potential export LNG development
- **Multiple commercialisation opportunities.** Options for Apollo include:
  - Early ramp up gas into the Sydney hub;
  - Supplement or replace gas from interstate;
  - Supply projected new demand for energy, particularly gas-fired generation;
  - Exploitation of Apollo's geothermal energy licences; and
  - Potential to be a major component in carbon reduction schemes.

# ACQUISITION RATIONALE

## Strategic Fit

- ✓ Strategic projects in NSW – both scale and pace options
- ✓ Consistent with Dart global strategy of operating in advantaged markets with advantaged pricing capable of rapid commercialisation
- ✓ Consolidation of existing farm-in agreements & shareholding in Apollo

## Scales Up Australian Business

- ✓ Significant acreage position in NSW (23,000 km<sup>2</sup>); 7 CBM tenements and 2 geothermal tenements
- ✓ Establishes “critical mass” for Dart in terms of Australian operations and staff base; consistent with International IPO option

## Opportunity for Dart to Value Add

- ✓ Brings Dart’s technical expertise and development expertise to bear across entire Apollo portfolio
- ✓ Apollo’s existing cash funds ongoing operations and does not alter near-term funding position for balance of Dart business

## Resource & Market Potential

- ✓ Near-term potential for establishing a substantial 3P reserve position – targeting 1,500PJ by 2012
- ✓ Multiple options for early commercialisation; limited need for high cost infrastructure development – maintains margins

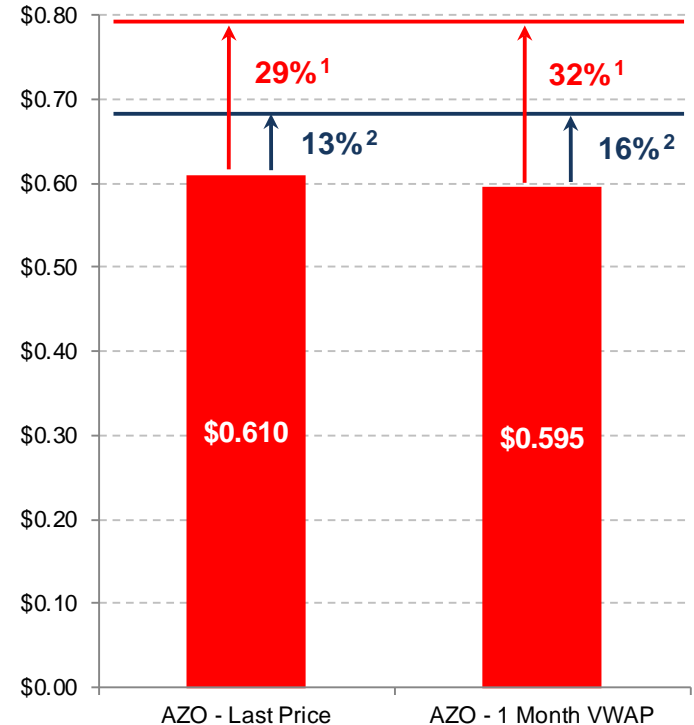
## Optionality

- ✓ Significant optionality embedded in Apollo portfolio: industry consolidation; shale gas and geothermal; resource upside

# BENEFITS TO APOLLO SHAREHOLDERS

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- Premium to current trading price of Apollo
- Enhanced management and operational capabilities to take Apollo tenements forward at enhanced pace
- Improved access to funding and greater market liquidity
- Operational diversity across multiple jurisdictions, coal basins, and gas markets
- Exposure to high growth high value international CBM activities of Dart
- Potential CGT rollover relief<sup>1</sup>



#### Graph Notes:

1. Based on Dart closing price of \$1.05 represents a 29% premium to Apollo's last traded price of \$0.61 and a 32% premium to Apollo's 1 month VWAP of \$0.595
2. Assumes offer value of \$0.69 per share based on Dart 1 month VWAP; which represents a 13% premium to Apollo's last traded price and a 16% premium to Apollo's 1 month VWAP

#### Note:

1. Shareholders should obtain their own tax advice in relation to the offer and carefully review any tax commentary in the bidder's and target's statements to be issued

# SNAPSHOT OF THE EXPANDED DART GROUP

The Apollo acquisition furthers Dart's ambition to become the world's first global CBM company

	DART ASIA				DART AUSTRALIA	DART EUROPE	PORTFOLIO
	CHINA	INDONESIA	INDIA	VIETNAM	APOLLO	COMPOSITE	
CURRENT DART BLOCKS	2	2	3	1	7	17	32
GEOGRAPHIES	1	1	1	1	1	2 (+4 pending)	7+
COAL BASINS	2	2	2	1	2	4	13
NEW TENEMENTS PROSPECTS	☑☑	☑☑☑	☑☑☑	☑	☑☑	☑☑☑	15-20
CURRENT DART ACREAGE (km2)	4152	385	1285	2601	23600	3200	35223
RESOURCE (all gross TCF, per NSAI)							
⇒ CBM OGIP	7.4	1.0	3.7	2.6	1.3	18.0	34.0
⇒ CBM Prospective Resource	3.4	0.3	1.6	-	-	8.6	13.9
⇒ CBM 2C Resource	0.2	0.3	-	0.2	0.5	0.7	1.9
⇒ CBM 3P Reserve	0.1	-	-	-	-	-	0.1
⇒ SHALE OGIP	-	-	-	-	-	1.2	1.2

An international asset focussed portfolio approach:

- ✓ Transfer of learning and experience across geographies, coal basins, and licencing / operating regimes
- ✓ Efficiency of resource allocation and optimisation of low-cost strategies
- ✓ Ability to recruit and retain the best people in the business globally

# DART – REVISED TARGETS

## Composite investment, Apollo acquisition, gas contracts progress

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Dart has revised its forward targets to end 2011, as follows:

- **Sign-up 4 new licenses (including Composite)**
- **Appraise and execute 6 new pilot projects**
- **Negotiate and execute 2 new Gas Sales Agreements**

This will underpin new reserves, production and sales targets, as follows:

- **Incremental resource and reserves certifications during 2010**
- **Sustained commercial production rates during 2011 in multiple jurisdictions in support of reserves growth**
- **Targeting 175/1,500 PJ of 2P/3P net reserves respectively by end 2011 (up from 125/500 PJ)**
- **Commercial gas sales commencing during 2012**
- **Target of 70 PJ per annum net production by 2015 (up from 50 PJ)**

# INDICATIVE OFFER TIMETABLE

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<b>28 September 2010</b>	<ul style="list-style-type: none"><li>• <b>Announcement Date</b></li></ul>
<b>25 October 2010</b>	<ul style="list-style-type: none"><li>• <b>Lodgement Date. Bidder's Statement lodged with ASIC / ASX</b></li></ul>
<b>1 November 2010</b>	<ul style="list-style-type: none"><li>• <b>Offer Date. Bidder's Statement despatched to Apollo Securityholders</b></li></ul>
<b>9 November 2010</b>	<ul style="list-style-type: none"><li>• <b>Target Statement (and Independent Expert Report) lodged with ASIC / ASX, and despatched to Apollo Securityholders</b></li></ul>
<b>2 December 2010</b>	<ul style="list-style-type: none"><li>• <b>Offer Period ends (unless extended in accordance with the Corporations Act)</b></li></ul>

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# SUMMARY

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- Agreed all-scrip takeover offer; Implies per share consideration of \$0.79 based on Dart last traded price of \$1.05 and \$0.69 based on Dart 1 month VWAP
- Represents a significant premium for Apollo shareholders
  - 16% premium to Apollo's 1 month VWAP, and a 13% premium to Apollo's last traded price, based on Dart's 1 month VWAP
  - 32% premium to Apollo's 1 month VWAP, and a 29% premium to Apollo's last traded price of \$0.61, based on Dart's closing price
- Offer well supported:
  - Unanimous recommendation from Apollo's independent directors, subject to there being no superior proposal and an independent expert concluding that the Offer is reasonable
  - Intentions from Apollo's directors and major shareholders, representing over 54%<sup>1</sup> of the register, to accept the Offer in the absence of a superior proposal within 14 days of the opening of the Offer
- Leveraging Dart's existing strategic shareholding in Apollo and existing position in Apollo tenements via farm-in agreements
- Dart ownership and application of technical and commercial expertise will enable acceleration of development across the Apollo portfolio
- Growth in the portfolio underpins optionality and revised short and longer term Dart targets

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Note:

1. 75% will be committed when taking into account the 54% held by directors and major shareholders who intend to accept the offer and 21% already owned by Dart

# DISCLAIMER AND IMPORTANT NOTICE

*The material in this presentation is a summary of the agreed takeover of Apollo Gas Limited (“Apollo”) by Dart Energy Limited (“Dart”) and is current as at the date of presentation.*

*No representation express or implied, is made as to the fairness, accuracy, completeness or correctness of information contained in this presentation, including the accuracy, likelihood of achievement or reasonableness of any forecasts, prospects, returns or statements in relation to future matters contained in the presentation (“forward-looking statements”). Such forward-looking statements are by their nature subject to significant uncertainties and risk factors and are based on a number of estimates and assumptions that are subject to change (and in many cases are outside the control of Dart, its Directors and Officers) which may cause the actual results or performance of Dart to be materially different from any future results or performance expressed or implied by such forward-looking statements – including but not limited to gas, electricity and LNG price fluctuations, actual gas demand, currency fluctuations, drilling and production results, reserve estimates, loss of customers, industry competition, environmental risks, equipment risks, legislative, fiscal and regulatory developments, economic conditions, political risks, project delay or advancement, approvals and cost estimates.*

*This presentation provides information in summary form only and is not intended to be complete. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor.*

*Due care and consideration should be undertaken when considering and analysing Dart’s financial performance. All references to dollars are to Australian Dollars unless otherwise stated.*

*To the maximum extent permitted by law, neither Dart nor its related corporations, Directors, employees or agents, nor any other person, accepts any liability, including, without limitation, any liability arising from fault or negligence, for any loss arising from the use of this presentation or its contents or otherwise arising in connection with it. This presentation should be read in conjunction with other publicly available material. Further information including historical results and a description of the activities of Dart is available on our website, [www.dartenergy.com.au](http://www.dartenergy.com.au).*

*The 2P and 3P reserves estimates and resource estimates used in this presentation were compiled by Mr. John Hattner and Mr Dan Paul Smith of Netherland, Sewell & Associated, Inc., Dallas, and are consistent with the definitions of proved, probable, and possible hydrocarbon reserves that appear in the Australian Stock Exchange (ASX) Listing Rules. Mr. Hattner and Mr Smith are qualified in accordance with the requirements of ASX Listing Rule 5.11 and consent to the use of the reserve figures in the form and context in which they appear in this presentation.*

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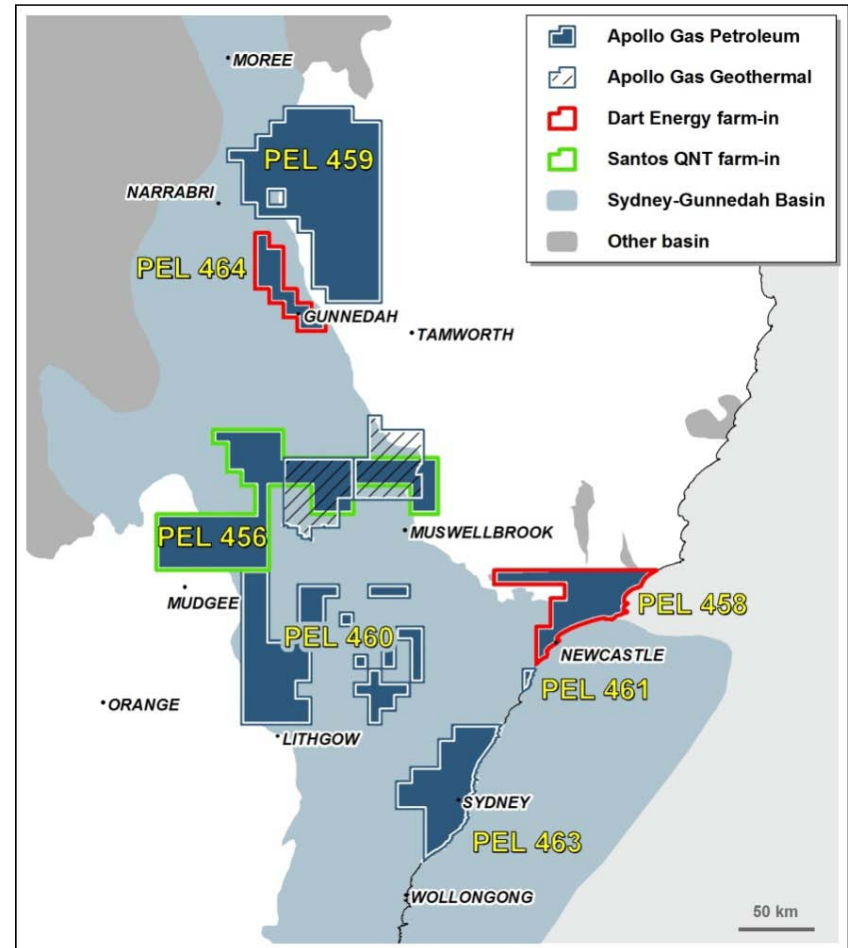
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## Additional Slides

# OVERVIEW OF APOLLO

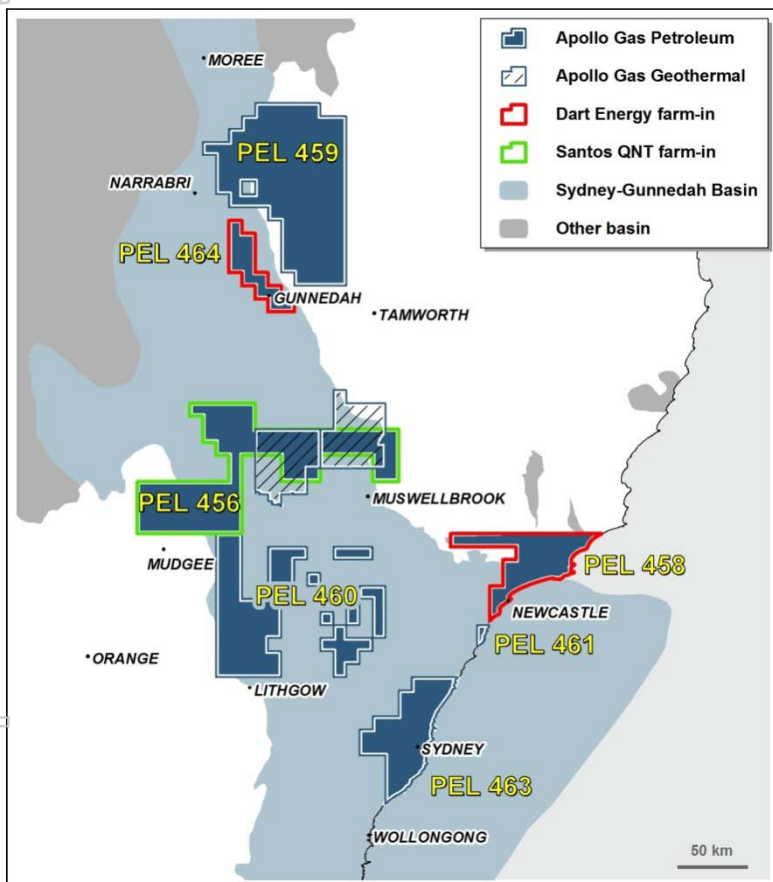
- Seven Petroleum Exploration Licences (“PEL”) and two geothermal licences in NSW, Australia
- The Petroleum licences are prospective for Coal Seam Gas (“CSG”), conventional hydrocarbons and shale gas
- Readily accessible market via the Sydney hub
- Any CSG oversupply may be fed into the Queensland LNG market
- The geothermal exploration will leverage on and in tandem with petroleum exploration
- Positioned to meet projected new demand for cleaner energy in NSW, in particular gas-fired generation
- Cash at 30 June 2010 of \$12 million; no debt
- 200m shares on issue and 52m options; Dart currently holds 21% of Apollo

Location of Apollo Gas’ PELs and Geothermal Licences



# APOLLO LICENCE OVERVIEW

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PEL No	Project name	Apollo Gas interest (%)	Area (km <sup>2</sup> )
PEL 456	Upper Hunter	85% (50% <sup>(1)</sup> )	5,953
PEL 458	Newcastle	100% (50% <sup>(2)</sup> )	2,000
PEL 459	Narrabri East	100%	7,488
PEL 460	Hunter West	100%	4,741
PEL 461	Central Coast	100%	73
PEL 463	Sydney	100%	2,385
PEL 464	Gunnedah	100% (50% <sup>(2)</sup> )	958

EL No	Project name	Apollo Gas Interest (%)	Area (km <sup>2</sup> )
EL 7505	Murrurundi Trough	100%	1,747
EL 7506	Murrurundi Trough	100%	1,749

**Notes:**

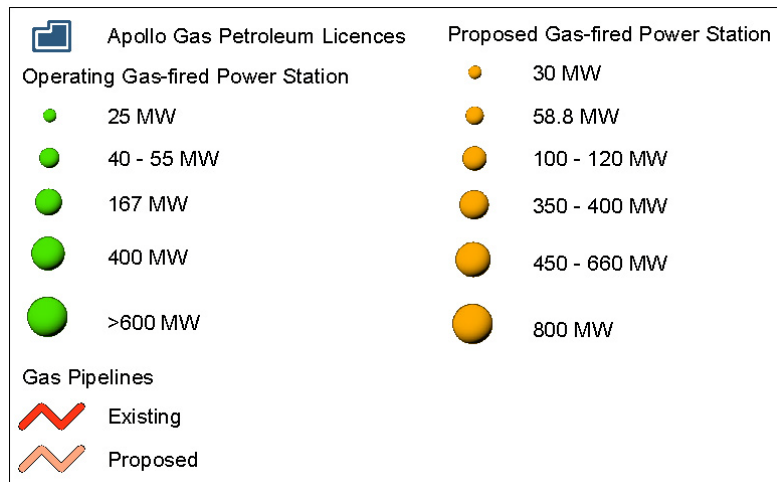
1. Assumes completion of Stage 1 and Stage 2 Santos QNT farm in work programs. Santos QNT interest applies to CSG rights only.
2. Assumes completion of Stage 1 and Stage 2 Dart Energy farm in work programs.

# ACCESS TO EXISTING INFRASTRUCTURE

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Apollo PEL's overlay key NSW markets, including:

- Domestic gas pipeline networks – existing and planned
- Short term trading market Sydney hub (day-ahead wholesale spot market for gas trading);
- Existing and planned gas fired power stations (Tomago, Colongra, Wellington);
- Potential co-firing options for existing coal fired power stations (Munmorah, Vales Point, Eraring); and
- Possible LNG developments (Newcastle).



## Proximity of Apollo's PELs to Infrastructure

