

6 November 2013

Dear Fellow Shareholders,

This is a time when I should be thanking you for supporting our recent oversubscribed capital raising and then welcoming one of the world's major energy companies, GDF Suez, as our first farm-in and strategic partner in our UK assets. Unfortunately I am, instead, writing to you about an unwarranted attempt by New Hope Corporation Limited (New Hope) from Queensland to seize control of your Board.

New Hope (through its wholly-owned subsidiary Krestlake Pty Ltd) wants to remove four current Directors and appoint a slate of four new directors - effectively replacing 80 per cent of the Board - when it currently only owns a 16.2 per cent interest in Dart.

It is the view of the Board that this is an opportunistic attempt by New Hope to take control of Dart without making a formal takeover offer to all shareholders, and without paying a control premium to other shareholders.

It should come as no surprise to you if I told you that the international oil and gas majors who we are negotiating with in the UK were bewildered by New Hope's tactics.

No Plan

The New Hope proposal for Brisbane-based board control contains no information concerning a strategy to add further value to our world-class assets in the UK, nor how to manoeuvre through the delicate politics and community involvement needed to unlock the latent value in our assets in New South Wales, Indonesia and China. Given New Hope has not provided any business plan we can only assume that this is part of a move by its parent company Washington H Soul Pattinson and Company Ltd (Soul Pattinson) to protect New Hope from low world coal prices by taking control of oil and gas companies at the expense of other shareholders. I will have more to say about this later in this letter.

Moving decisively to re-focus our efforts on UK assets.

To date you have received limited communication from Directors on the New Hope requisition to remove the Board. This is because we have been busy executing our plan to create shareholder value from our UK asset portfolio, which we have built up over the last three years. In early 2012 interest in UK unconventional gas picked up when the UK government lifted a fracking ban that had been in place since 2011. The UK Chancellor of the Exchequer also signalled a "dash for gas" in his autumn economic statement.

Since then, buoyed by a UK government strongly supportive of developing its unconventional gas resources, we have re-capitalised the company through a highly successful placement and rights issue and a farm down of 13 of our UK shale licences in a strategic partnership with GDF Suez, one of the world's largest energy companies.

This latter event was a major news story in the UK and a sample of the press is set out below and attached at the end of this letter.

A French state-backed energy giant has thrown its weight behind Britain's shale gas rush after agreeing to help fund a new drilling programme in Lancashire and Wales. GDF Suez has formed a Joint venture with Dart Energy to drill up to 14 wells exploring for both coal bed methane (CBM) — gas trapped in underground coal seams — and for shale gas. It is due to start at the end of the year.

The deal [between Dart and GDF Suez] came after the Chancellor said that environmental regulations should not be used as an excuse to delay decisions over applications for fracking. George Osborne said it was part of the UK's "history and tradition" to be at the forefront of technological developments such as fracking.

The Times 23 October 2013

Britain must simplify regulations governing shale gas extraction or fracking to speed up the development of an energy source that has helped to transform the U.S. market, Prime Minister David Cameron said on Friday.

"On fracking, we do need to take action across the board to help enable this technology to go ahead," Cameron told a news conference in Brussels after a meeting of European leaders.

"There is a worry people are going to have to go through so many different permits in order to start fracking that they simply won't bother, so we need a simplified system."

Reuters 25 Oct 2013

This farm-out and co-operation with GDF Suez was made possible because Dart had adopted a similar strategy in the UK to that of our predecessor company, Arrow Energy, in Queensland in the early 2000's, where we accumulated large swathes of unconventional gas acreage before the rest of the industry became engaged. This allowed Arrow Energy to farm down its interest for large amounts of cash and work programs to one of the world's top energy companies – Royal Dutch Shell – much as Dart has now done with GDF Suez.

Earlier this year, following the news from the New South Wales Government that they were going to stifle Coal Seam Gas development in that State, the Board seriously revisited the Company's strategy and structure. To that end we took decisive and significant action. We reduced staff by two thirds, cut costs by more than half, rationalised our portfolio and focused all of our efforts on our considerable and highly prospective UK asset base. In doing so we successfully sold our project in China, Liulin, put the Australian business in care and maintenance mode, began processes for the sale or exit from other non-core businesses, and at least for the moment, switched most of our resources to the UK.

I want to emphasise, however, that this does not mean we have walked away from our highly prospective acreage in Australia. We will be ready to resume work once regulatory conditions become reasonable and believe Dart can play a valuable role in the looming gas shortage in New South Wales.

We are also continuing to pursue our high quality portfolio in South Sumatra, Indonesia, as that country moves from a net exporter of gas to an importer, as well as our pending shale licence in China.

A Rejuvenated Company

We now have over \$35m in cash, a strategic alliance with one of the world's major energy players, a fit for purpose cost and staff base, and a business focused on a geography where government policies are pushing for a successful unconventional gas business. As the CEO of one of our competitors recently put it to me, "Dart has been man-of-the-match in the industry in 2013!"

Recruiting the Right Team

In conjunction with this strategy Dart has spent much of the last 18 months continuing the process of internationalising our Board and Senior Executive team to reflect our growth opportunities with plans in place to continue that process.

Our CEO Mr John McGoldrick was hired because of his considerable experience in the UK market. Non-

executive director Norrie Stanley was recruited due to his 40 years of experience in the UK and International gas industry, and I am splitting my time between the UK and Singapore to reflect the growing importance of the UK business.

As a result of this growth and the UK Government's keenness to remove roadblocks to gas development to lower energy and industry feedstock prices, Dart has been considering the possibility of a dual listing on AIM in London.

This is not to dilute our Australian investor base, but rather an AIM listing would meet the needs of our growing UK investor base and the considerable interest in our business in the UK - evidenced by the fact that nearly every major UK newspaper carried extensive coverage of the recent GDF farm in to our acreage.

Along with the AIM listing, Dart has been planning to evolve the Board to meet the norms of UK business and corporate governance. In particular some of our senior executives are likely join the Board, and we have planned to hire at least one additional UK director. Over the short to medium term it is likely that at least one of the existing Australian based directors will elect to retire.

That would leave us with at least four UK nationals on the Board, a likely listing on AIM and a heavily UK focused business and investor base. But this has to be done in the right way and at the right time, using a careful selection process to ensure we get complimentary skill sets – cross-border gas, energy markets, finance, and regulatory experience – on the board. It is a key role for any board to effectively plan its own evolution.

The Wrong Team at the Wrong Time

As we have been working so hard to monetise our UK assets it is disappointing that a major shareholder now seeks to remove the majority of the current board and replace them with nominees who are Brisbane based with limited international and unconventional gas industry experience.

New Hope has been an investor and shareholder in firstly Arrow Energy and then the demerged entity Dart Energy for approximately seven years. Along the way it has made in excess of \$400 million in profits from its investment in Arrow. None of this profit was the result of any fresh insight from New Hope.

For six of those seven years New Hope had a Board representative, at Arrow and then Dart, in David Williamson – who played an important role in communication between the Arrow/Dart Boards and the Soul Pattinson / New Hope Boards. David passed away in 2012 and has been greatly missed both as a friend and Board colleague. We have repeatedly, since that time, suggested to New Hope that they find a successor for David. To date they have not proposed anyone.

Three of the current Board of Dart were integral to the success of Arrow Energy and agreed to lead the demerged company Dart Energy after the successful sale of Arrow Energy in 2010. Shaun Scott, Stephen Bizzell and I held the roles of CEO, founder/Executive Director and MD/Chairman respectively at the time of the sale. We were later joined by Simon Poidevin (who had worked closely with the company from an Investment Banking/Broker perspective for many years) and more recently by Norrie Stanley for his UK/Gas experience as we swung our focus to our UK assets.

The Dart Board

The Board collectively and the directors individually are supportive of the evolution and refreshing of boards generically, and specifically in Dart's case, as the emphasis and geography of the business changes. As previously stated, a plan is in place to achieve this.

What we are not supportive of is a majority change of the Board at a critical time for the company, for a

new slate of Brisbane based directors with little international and unconventional gas experience.

To reiterate what the three directors who New Hope have proposed to be removed bring to the table:

Stephen Bizzell is an entrepreneur, who qualified as a chartered accountant, and a co-founder of Arrow Energy (together with many other companies). His core skills that he brings to Dart Energy are his exceptional commercial ability and his connection with the Australian capital markets. Stephen was the key player in the recent successful capital raising – as he has been on many previous occasions. This will remain an essential skill set for Dart Energy as an Australian listed company. He has 15 years' experience in the unconventional gas business.

Simon Poidevin, through his long history in investment banking and institutional broking, brings strong connectivity with Australian investors and financial institutions. He has worked alongside the unconventional gas business for the last 10 years. Simon also has exceptional relationships across the breadth of NSW and Federal Government decision makers.

I (Nick Davies) am a UK North Sea trained petroleum reservoir engineer, with 34 years oil and gas experience, who led Arrow Energy as Managing Director through its major growth spell and, consequently, have an in-depth knowledge of the physical, technical and commercial drivers of the unconventional gas business. I have worked in at least 10 different oil and gas provinces in 7 different countries during my career.

In addition, Norrie Stanley, whose re-election New Hope have indicated they will oppose, has had 40 years of international oil and gas and LNG experience and is an expert in gas sales agreements, joint operating agreements and the UK gas industry.

Shaun Scott, who has not been challenged by New Hope, remains a key board member with his Australian investor connections, his International experience with ARCO and his strong commercial skills. Shaun has 20 years' experience in the energy and oil and gas industries.

New Hope Motives?

New Hope is proposing to remove Stephen, Simon and myself and not support the re-election of Norrie whilst proposing a slate of alternative directors. However, they have not given any guidance on their proposed business direction or on any change in strategy. In fact, in shareholder meetings with New Hope they have indicated support of the current strategy.

It was only in March last year that New Hope tried and failed to sell its coal assets – dropping the sale because it failed to attract adequate offers. In 2012, apparently anticipating a down turn in the coal business, Soul Pattinson decided to change their previous oil and gas strategy of passive investment in a spread of companies by having New Hope directly acquire Cooper Basin energy company Bridgeport Energy and stating that it wanted to move to having its own oil and gas business embedded within New Hope because the oil and gas business had better margins than the coal industry. We believe that the next stage in the strategy is to gain effective control of Dart (without adopting the normal approach of a formal offer to shareholders at a premium price) by gaining a majority position on Dart' Board. This is clearly not in the best interest of shareholders.

You may also be aware that Soul Pattinson is itself currently facing intense criticism from its large shareholders M.H.Carnegie & Co and Perpetual Investment Management Ltd who are seeking greater transparency and that shareholders be treated equally and are critical of the current control of the Soul Pattinson board from a minority shareholder position.

The new directors proposed by New Hope and Soul Pattinson - led by New Hope's current CEO Rob Neale who steps down in January and who has just become Chairman of Dart's competitor WestSide Corporation Limited in which Soul Pattinson also has a substantial shareholding - are entirely Brisbane based and appear to have limited unconventional gas and international experience.

The Way Forward

For these reasons, the Board of Dart Energy believes that this approach by New Hope is wrong for shareholders. It brings in the wrong skills set for Dart at the wrong time with the wrong motives and will deliver the wrong outcome for shareholders.

We urge you to vote **AGAINST** the appointment of the four directors proposed by New Hope, vote **AGAINST** the removal of the three existing Directors, Stephen Bizzell, Simon Poidevin and myself and vote **FOR** the re-election of Norrie Stanley.

Whilst recognizing that the Industry and Dart has suffered over the last 18 months from continued opposition to unconventional gas in New South Wales we believe the refreshing approach being shown by national governments in other countries and the ultimate differential threat to Australian domestic energy prices means that Dart is now well positioned to enjoy high levels of growth in the UK in the near term and in Australia and Indonesia in the longer term.

We urge you to allow the incumbent board to continue its work and to deliver on its plan. We are well on the way!

Thank you for your time.

To be clear, if you plan to follow the Board recommendations and reject the New Hope proposals you should vote **for** Resolutions 3a and 3b and **against** Resolutions 6a to 6g:

STEP 2		VOTING DIRECTIONS							
Resolutions		For	Against	Abstain*	Directors recommend that Shareholders vote AGAINST all resolutions proposed in Item 6a-g		For	Against	Abstain*
2 Remuneration Report	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	6a That Stephen Bizzell be removed as a director of the Company with immediate effect	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3a Re-election of Nicholas (Nick) Davies as Director	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	6b That Nicholas Davies be removed as a director of the Company with immediate effect	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3b Re-election of Norman (Norrie) Stanley as Director	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	6c That Simon Poidevin be removed as a director of the Company with immediate effect	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Approval of previous Share placement	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	6d That, Robert Charles Neale, be appointed as a Director	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 Approval of issues under the Option Plan	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	6e That, Stephen Edward Lonie, be appointed as a Director	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
					6f That, Peter William Forbes, be appointed as a Director	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
					6g That, Lester Campbell Rathie, be appointed as a Director	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

i * If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

Nick Davies
 Chairman

For further information contact:
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ATTACHMENT – RECENT UK PRESS ARTICLES

French energy group Joins the UK rush to get fracking

Tim Webb ; Ben Webster
The Times (UK)
23 October 2013

A French state-backed energy giant has thrown its weight behind Britain's shale gas rush after agreeing to help fund a new drilling programme in Lancashire and Wales.

GDF Suez has formed a Joint venture with Dart Energy to drill up to 14 wells exploring for both coal bed methane (CBM) — gas trapped in underground coal seams — and for shale gas. It is due to start at the end of the year.

The company, which is 36.7 per cent owned by the French Government, was accused of hypocrisy because fracking is banned in France.

A spokesman for Greenpeace, which is opposed to shale gas production, said: "If fracking is wrong in the Loire then it's equally wrong in Lancashire."

The deal came after the Chancellor said that environmental regulations should not be used as an excuse to delay decisions over applications for fracking. George Osborne said it was part of the UK's "history and tradition" to be at the forefront of technological developments such as fracking.

Under the deal, the French company will secure a 25 per cent stake in almost 1,400 square kilometres of Dart Energy's acreage in North West England and North Wales. In return, GDF Suez will pay \$12 million cash and fund up to \$27 million of its partner's costs.

Meanwhile, a scientist has told the House of Lords that public attitudes towards fracking have been influenced by "terrible exaggeration" of the risks to water supplies.

Richard Muller, Professor of Physics at the University of California, Berkeley, said that the documentary Gasland, which showed tap water being ignited, had made it very difficult to make rational decisions about fracking. He told the Lords Economic Affairs Committee that fracking, which has already reduced energy bills in the US, would become twice as efficient in the next few years and its efficiency would double again within ten years.

"The UK ... has this enormous advantage that you can build on our 15 years of horizontal drilling in the US," he said.

Craig Bennett, from Friends of the Earth, told the committee that regulatory bodies in the UK, such as the Environment Agency, lacked the capacity to regulate fracking properly.

French energy giant evades fracking ban – by heading to the UK

Emily Gosden
23 October 2013
The Daily Telegraph (UK)

FRANCE'S GDF Suez has delivered a major vote of confidence in the nascent UK shale gas industry, with a \$39m (£24m) deal to explore a 530sq mile area of northern England and Wales.

GDF is partly owned by the French government, which has banned fracking, the controversial process used to extract shale gas, in France.

But the company yesterday announced it was buying a 25pc stake in 13 UK exploration licences owned by Dart Energy, stretching across the Bowland Basin, from Wrexham in the west to areas around Doncaster in the east.

GDF declared it was "very confident about the potential of shale gas in the UK, and its anticipated contributions to UK energy security".

It will pay \$12m cash and the first \$27m of a joint drilling programme, which could see the companies drill four shale gas exploration wells over the next three years. It could also see the companies drill up to 10 wells to explore for coal bed methane, another kind of unconventional gas.

GDF and Dart also established a broader "strategic co-operation" agreement focused on shale gas, which will see GDF provide water management and environmental expertise. Fracking involves pumping water,

sand and chemicals into the ground at high pressure to hydraulically fracture the rocks and extract gas trapped within them. It has been banned in France amid fears about water contamination and environmental damage.

John McGoldrick, chief executive of Dart, which is listed in Australia, said: "The level of interest in UK unconventional gas is growing almost daily. Dart holds one of the UK's largest unconventional acreage positions, and today's agreement represents a significant development for Dart."

The company had been looking for partners to help fund drilling for some time. Mr McGoldrick said that GDF brought "valuable expertise at a critical time for the gas industry in this country".

Jean-Marie Dauger, executive vicepresident of GDF Suez, said: "GDF Suez is pleased to enter this first investment in UK shale gas, as it complements the large presence of the group in the UK. We look forward to working with our partner, Dart Energy, to unlock the potential of these licences".

Earlier this year British Gas owner Centrica became the first major to take a punt on UK shale, buying into shale gas licences in north-west England held by fracking firm Cuadrilla in a £160m deal.

Another French energy giant, Total, has said it is eyeing opportunities to enter the UK shale market. It may bid for exploration rights in a UK onshore licensing round next year and is also in talks to take a stake in a project in the UK, it said earlier this month.

£24m Value of deal between GDF Suez and Dart Energy, that will see the French company part-fund joint shale gas drilling.

Britain's PM Cameron says shale gas rules must be simplified

Reuters Limited

26 October 2013

LONDON, Oct 25 (Reuters) - Britain must simplify regulations governing shale gas extraction or fracking to speed up the development of an energy source that has helped to transform the U.S. market, Prime Minister David Cameron said on Friday.

"On fracking, we do need to take action across the board to help enable this technology to go ahead," Cameron told a news conference in Brussels after a meeting of European leaders.

"There is a worry people are going to have to go through so many different permits in order to start fracking that they simply won't bother, so we need a simplified system."

Under pressure to do more to bring down rising consumer energy costs, Cameron has repeatedly urged the country to "get behind fracking", a technology he says would bring down bills and create tens of thousands of jobs.

Britain is thought to have big shale gas reserves, but opponents of the process say it can trigger small earthquakes, cause pollution and contaminate the water supply.

Operators who want to drill a well to look for gas need a licence from the energy ministry, permission from the Mineral Planning Authority and an Environment Agency permit. They must go through the process again if they decide to start production.

Hydraulic fracturing, or fracking, retrieves gas and oil trapped in tight-layered rock formations by injecting high-pressure water, sand and chemicals. There have been protests this year in southern England over fracking.

High energy costs have also prompted a political debate in Britain over whether the government is doing enough to help squeezed households.