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## **SCHEME BOOKLET**

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In relation to a recommended acquisition by IGas Energy plc

The Dart Directors unanimously recommend that you

# **VOTE IN FAVOUR**

of the Scheme Resolution

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. YOU SHOULD READ THE DOCUMENT IN ITS ENTIRETY BEFORE YOU DECIDE WHETHER OR NOT TO VOTE IN FAVOUR OF THE SCHEME RESOLUTION. IF YOU ARE IN DOUBT AS TO WHAT YOU SHOULD DO, YOU SHOULD CONSULT YOUR LEGAL, FINANCIAL OR OTHER PROFESSIONAL ADVISER.

If, after reading this Scheme Booklet, you have any questions about the Scheme, please call the Shareholder Information Line on 1300 580 460 (in Australia) or +61 3 9415 4383 (outside Australia) Monday to Friday between 8.30am and 5.00pm (AEST).

If you have recently sold all of your Dart Shares, please disregard this document.

Financial advisor



Legal advisor

**CORR  
CHAMBERS  
WESTGARTH**  
lawyers



## Reading this Scheme Booklet

This Scheme Booklet is important. You should carefully read this Scheme Booklet in its entirety before making a decision as to how to vote on the Scheme Resolution to be considered at the Scheme Meeting. If you have any questions or require further information please contact the Shareholder Information Line on 1300 580 460 (in Australia) or +61 3 9415 4383 (outside Australia) on weekdays between 8.30am and 5.00pm (AEST). If you are in any doubt about anything in this Scheme Booklet, please contact your legal, financial or other professional adviser.

Capitalised terms used in this Scheme Booklet are defined in the Glossary in **section 10**.

## Purpose of this Scheme Booklet

This Scheme Booklet sets out the effects of the Scheme, certain information required by law and all other information known to the Dart Directors which is material to your decision to vote in favour of, or against, the Scheme Resolution (other than information previously disclosed to Dart Shareholders) and includes the Explanatory Statement, as required by Part 5.1 of the Corporations Act, in relation to the Scheme.

## Responsibility for information

Other than as set out below, this Scheme Booklet has been prepared by Dart and is the responsibility of Dart.

The IGas Information has been prepared by IGas and is the responsibility of IGas.

Deloitte Corporate Finance Pty Limited has prepared the Independent Expert's Report (other than NSAI's report annexed to the Independent Expert's Report) which is reproduced in **annexure A**. Deloitte Corporate Finance Pty Limited takes responsibility for the Independent Expert's Report and references it in this Scheme Booklet (other than NSAI's report). Deloitte Corporate Finance Pty Limited does not assume any responsibility for the accuracy or completeness of any other statements in this Scheme Booklet.

NSAI has prepared the letter in appendix F of the Independent Expert's Report. NSAI takes responsibility for that letter and references it in this Scheme Booklet. Except as set out in **section 9.5**, NSAI does not assume any responsibility for the accuracy or completeness of any other statements in this Scheme Booklet.

PricewaterhouseCoopers Securities Limited has prepared the Investigating Accountant's Report relating to Dart and takes responsibility for that report. A copy of this report is reproduced in **annexure B**. PricewaterhouseCoopers Securities Limited does not assume any responsibility for the accuracy or completeness of the information contained in this Scheme Booklet other than that reproduced in **annexure B**.

## ASIC

A copy of this Scheme Booklet was registered by ASIC in accordance with section 412(6) of the Corporations Act. ASIC has been requested to provide a statement, in accordance with section 411(17)(b) of the Corporations Act, that ASIC has no objection to the Scheme. If ASIC provides the no objection statement, the statement will be produced to the Court on the Second Court Date. Neither ASIC nor any of its officers take any responsibility for the contents of this Scheme Booklet.

## AIM

Shares in IGas are admitted to trading on AIM. Application will be made for all New IGas Shares to be issued as Scheme Consideration to be admitted to trading on AIM. If the Scheme does not proceed, Dart Shares will continue to be quoted on ASX and Dart intends to re-apply for admission of Dart Shares to trading on AIM (so that Dart Shares can be traded on both ASX and AIM).

## ASX

A copy of this Scheme Booklet has been lodged with ASX. Neither ASX nor any of its officers take any responsibility for the contents of this Scheme Booklet.

## Important notice associated with Court order under subsection 411(1) of the Corporations Act

A copy of this Scheme Booklet has been submitted to the Court to obtain an order of the Court approving the convening of the Scheme Meeting.

The fact that under subsection 411(1) of the Corporations Act, the Court has ordered that a meeting be convened and has approved the Explanatory Statement required to accompany the Notice of Scheme Meeting does not mean that the Court:

- a. has formed any view as to the merits of the Scheme or as to how you should vote (on this matter, you must reach your own decision); or
- b. has prepared, or is responsible for the content of, the Explanatory Statement.

## Investment decisions

This Scheme Booklet does not take into account your individual investment objectives, financial situation or needs. The information in this Scheme Booklet should not be relied on as the sole basis for any investment decision. You should seek independent legal, financial and other professional advice before making any investment decision.

## Forward looking statements

Certain statements in this Scheme Booklet are about the future. You should be aware that there are a number of risks (both known and unknown), uncertainties, assumptions and other important factors that could cause the actual conduct, results, performance or achievements of the Combined Group, following implementation of the Scheme, to be materially different from the future conduct, results, performance or achievements expressed or implied by such statements or that could cause the future conduct to be materially different from historical conduct. Such risks, uncertainties, assumptions and other important factors include, among other things, the risks described in **section 6**. Changes to future matters are both normal and to be expected.

None of Dart, IGas or their respective directors, officers and advisers, nor any other person gives any assurance that the occurrence of the events expressed or implied in any forward-looking statement in this Scheme Booklet will actually occur.

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The forward-looking statements in this Scheme Booklet reflect views held only as of the date of this Scheme Booklet. Subject to the Corporations Act and any other applicable laws or regulations, Dart will not update these statements other than with respect to information that it becomes aware of prior to the Scheme Meeting which is material to your decision whether or not to vote in favour of the Scheme Resolution.

### **Status of this Scheme Booklet**

This Scheme Booklet is not a prospectus lodged under Chapter 6D of the Corporations Act although it may contain similar information to a prospectus. Section 708(17) of the Corporations Act provides that Chapter 6D of the Corporations Act does not have effect in relation to any offer of securities if it is made under a compromise or arrangement under Part 5.1 of the Corporations Act, approved at a meeting held as a result of an order made by the Court in accordance with section 411(1) or (1A) of the Corporations Act.

### **Privacy and personal information**

Dart is required to collect personal information about you to implement the Scheme. That personal information may include your name, contact details and details of your holding, together with contact details of individuals appointed as proxies, representatives of bodies corporate or attorneys at the Scheme Meeting. The collection of some of this information is required or authorised by the Corporations Act.

If you are an individual, you have certain rights to access the personal information collected about you. You may contact the Registry if you wish to exercise those rights.

The information may be disclosed to Dart, IGas and their respective Related Bodies Corporate and advisers, print and mail service providers, share registries, securities brokers and any other service provider to the extent necessary to implement the Scheme.

If the information outlined above is not collected, Dart and IGas may be hindered in, or prevented from, conducting the Scheme Meeting or implementing the Scheme effectively, or at all.

If you appoint an individual as your proxy, corporate representative or attorney to vote at the Scheme Meeting you should inform that individual of the matters outlined above.

### **Entitlement to inspect Share Register**

It is noted that all persons are entitled, under section 173 of the Corporations Act, to inspect and obtain a copy of the Share Register, subject to certain limitations. This register contains personal information about you.

### **Notice to Dart Shareholders outside Australia**

This Scheme Booklet has been prepared in compliance with the disclosure requirements of Australia which may be different to those in other jurisdictions. This Scheme Booklet and the Scheme does not in any way constitute an offer of securities or a solicitation of an offer to purchase securities in any place in which, or to any person to whom, it would not be lawful to make such an offer or solicitation. Dart Shareholders in jurisdictions outside Australia and its external territories should refer to **section 9.3**.

### **Date of this Scheme Booklet**

This Scheme Booklet is dated 23 July 2014.

### **Interpretation**

Capitalised terms used in this Scheme Booklet are defined in the Glossary in **section 10**.

The documents reproduced in this Scheme Booklet have their own defined terms, which are sometimes different from those in the Glossary.

All numbers are rounded unless otherwise indicated.

A reference to A\$ and cents is to Australian currency, unless otherwise stated.

A reference to £, GBP, p and pence is to the currency of the United Kingdom.

All times referred to in this Scheme Booklet are references to Australian Eastern Standard Time (being the time in Brisbane, Australia) unless otherwise stated.

A reference to a section is to a section in this Scheme Booklet unless stated otherwise.

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## Other documents accompanying this Scheme Booklet

Proxy Form for the Scheme Meeting

Small Shareholder Sale Facility Booklet and Small Shareholder Election Form

## Important dates

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Event	Indicative date
Latest time and date for receipt by the Registry of completed Proxy Forms for the Scheme Meeting	9.30am on 30 August 2014
Time and date for determining eligibility to vote at the Scheme Meeting	7.00pm on 30 August 2014
Scheme Meeting	9.30am on 1 September 2014
IGas Shareholder meeting	1 September 2014
Second Court Date	5 September 2014
Effective Date (Dart Shares suspended on ASX from close of trade)	8 September 2014
Latest time and date for receipt by Registry of completed Small Shareholder Election Form or online election to participate in the Small Shareholder Sale Facility	5.00pm on 15 September 2014
Record Date for determining eligibility to participate in the Scheme	7.00pm on 15 September 2014
Implementation Date	22 September 2014
New IGas Shares admitted to trading on AIM	23 September 2014

All times set out above are AEST. The dates and time set out above are indicative only and are subject to the Court approval process, regulatory approvals and the timing of conditions to the Scheme being satisfied or waived. Dart will announce any changes to the above timetable to ASX.

# Letter from the Chairman

Dear Dart Shareholders,

On behalf of Dart, I am pleased to present you with this Scheme Booklet to assist you to make a decision on how to vote on the Scheme. If implemented, the Scheme will result in IGas Energy plc (**IGas**) acquiring all of your Dart Shares and IGas issuing to you 0.08117 New IGas Shares for every Dart Share held.

For the reasons set out in this Scheme Booklet, the Dart Directors recommend that you vote in favour of the Scheme Resolution at the Scheme Meeting to be held at 9.30am (AEST) on 1 September 2014, in the absence of a Superior Proposal. Each Dart Director who holds or controls Dart Shares intends to vote in favour of the Scheme Resolution, in the absence of a Superior Proposal.

## Potential benefits of the Scheme to Dart Shareholders

The Scheme is anticipated to be beneficial to you, as a Dart Shareholder, for a number of reasons including:

- **Significant premium:** The Scheme Consideration of 0.08117 New IGas Shares for each Dart Share provides a significant premium to the recent trading prices of Dart Shares. On the date the Scheme was announced (9 May 2014), the Scheme Consideration had an implied value of A\$0.1898<sup>1</sup> which represented a premium of:
  - 62.8% over the average closing price of Dart Shares on ASX over the one month period before the announcement of the Scheme; and
  - 59.8% over the average closing price of Dart Shares on ASX over the three month period before the announcement of the Scheme.

As at 17 July 2014, being the last practicable date prior to the publication of this Scheme Booklet, the Scheme Consideration (adjusting for changes in the price of IGas Shares and the A\$:£ exchange rate since the Scheme was announced) had an implied value of A\$0.1773.<sup>2</sup>

- **Complementary portfolios:** The combination of IGas with Dart will create a:
  - market leading onshore British oil and gas company, which will provide Dart Shareholders with exposure to a portfolio holding the largest area in Britain under licence of over one million net acres, including a presence in each of Britain's major shale basins; and
  - financially strengthened group, complemented by the underlying core cash flows from current production, cash balances and unused debt capacity, and a work programme for 13 licences funded by GDF SUEZ E&P UK Ltd and two funded by Total E&P UK Limited.
- **Operational strength:** A combined entity that would possess a team of over 200 staff including subsurface, drilling, commercial and legal experts well positioned to lead the UK shale gas industry.
- **Enhanced scale:** The Combined Group will provide potential benefits from increased scale, including due to its greater and more diverse asset base, access to capital and operating capability.
- **CGT:** You may be eligible for CGT rollover relief (see **section 8**).

The Independent Expert considers that the advantages of the Scheme outweigh the disadvantages and that the Scheme is in the best interests of Dart Shareholders. The Independent Expert's Report is reproduced in **annexure A**, and I encourage you to read it before voting on the Scheme.

## Potential disadvantages of the Scheme to Dart Shareholders

There are also reasons you may decide to vote against the Scheme (set out in **section 2**). For example, IGas Shares may not be attractive to you as it may be more difficult for you to trade IGas Shares on AIM than Dart Shares on ASX, and there will be risks associated with the Scheme and the Combined Group (set out in **section 6**) which you may consider outweigh the potential advantages of the Scheme. Some key risks that may materially affect the financial performance of the Combined Group include:

- the impact of extensive regulations and permitting requirements, and exposure to regulatory risk relating to unconventional oil and gas;
- the volatility of oil and gas prices; and
- the high risk nature of exploration and development projects, the results of which are inherently uncertain.

Although as a Dart Shareholder you already have exposure to these key risks in relation to Dart's assets, you should read **section 6** (Risk factors) in its entirety before voting on the Scheme.

## Conditions to the Scheme

The Scheme is subject to a number of conditions including Court, Dart Shareholder and IGas Shareholder approval. These conditions are summarised in **section 1.3A** and set out in full in clause 4.1 of the Scheme Implementation Agreement (**SIA**) reproduced in **annexure C** and clause 3.1 of the Scheme reproduced in **annexure D**.

<sup>1</sup> Based on the closing price of IGas Shares on AIM of £1.295 and an A\$:£ exchange rate of 0.554 in each case on 8 May 2014.

<sup>2</sup> Based on the closing price of IGas Shares on AIM of £1.195 and an A\$:£ exchange rate of 0.547 in each case on 17 July 2014.

## **Letter from the Chairman**

### *Continued*

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#### **Trading in IGas Shares after implementation of the Scheme**

Your New IGas Shares will be quoted on AIM, a market of the London Stock Exchange. You will need to instruct your bank or broker to take certain steps if you wish to trade your IGas Shares on AIM. **Section 5.2C** provides further information on this process.

If you are an Ineligible Foreign Shareholder, New IGas Shares that would have been issued to you will be sold on AIM by the Foreign Nominee Sale Agent (and the net proceeds remitted to you) in accordance with the process set out in **section 1.7**.

#### **Small Shareholder Sale Facility**

In recognition of the fact that after implementation of the Scheme, many former Dart Shareholders will have a small holding of New IGas Shares, Small Shareholders<sup>3</sup> are, separately to the Scheme, being offered the opportunity to elect to have their New IGas Shares sold on AIM after the Implementation Date by a broker appointed by IGas (free of brokerage costs). Enclosed with this Scheme Booklet is a Small Shareholder Sale Facility Booklet that explains the terms and conditions of that sale facility.

Participation in the Small Shareholder Sale Facility is optional, and I encourage Small Shareholders to read the Small Shareholder Sale Facility Booklet before making a decision on whether to participate. There is no guarantee of the price Small Shareholders who elect to participate will receive. Proceeds of sales under the Small Shareholder Sale Facility will be returned to participants within eight weeks of the later of the date of receipt of elections and the Implementation Date.

Ineligible Foreign Shareholders will not be able to participate in the Small Shareholder Sale Facility. Instead, they will have the New IGas Shares that would have been issued to them sold on AIM by the Foreign Nominee Sale Agent (and have the net proceeds remitted to them).

If the Scheme does not proceed, Dart intends to conduct a sale process for Dart Shareholders who hold less than A\$500 worth of Dart Shares in accordance with Dart's constitution and the Listing Rules. This will ensure small Dart Shareholders will have the opportunity to sell their Dart Shares free of brokerage costs, regardless of the outcome of the Scheme.

#### **Further information**

Important details of the Scheme, and the steps associated with its implementation, are set out in this Scheme Booklet, which I encourage you to read carefully before voting on the Scheme Resolution.

If you have any questions, please call the Shareholder Information Line on 1300 580 460 (in Australia) or +61 3 9415 4383 (outside Australia) on weekdays between 8.30am and 5.00pm (AEST). Alternatively, contact your legal, financial or other professional adviser.

Yours sincerely,



Robert Neale

Chairman, Dart Energy Limited

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<sup>3</sup> A Small Shareholder is a Dart Shareholder whose holding of Dart Shares is valued at A\$500 or less on the Effective Date (determined by reference to the closing price of Dart Shares on ASX on that date).

# Important information about the Scheme

This section provides a summary only of important information about the Scheme and should be read in conjunction with the entire Scheme Booklet before you decide how to vote on the Scheme Resolution.

Question	Answer	Further details
<b>Questions about the Scheme and what you will receive</b>		
<b>What is the Scheme?</b>	<p>The Scheme is a members' scheme of arrangement under Part 5.1 of the Corporations Act between Dart and Scheme Shareholders.</p> <p>Members' schemes of arrangement are commonly used to enable one company to acquire another company.</p> <p>If the Scheme becomes Effective, IGas will acquire all Dart Shares from Scheme Shareholders on the Implementation Date for the Scheme Consideration and Dart will become a wholly-owned subsidiary of IGas.</p>	<b>Section 1 on page 17</b>
<b>Are there any conditions to the Scheme?</b>	<p>Yes, the key conditions that must be satisfied in order for the Scheme to become Effective are:</p> <ul style="list-style-type: none"> <li>Dart Shareholders approving the Scheme Resolution at the Scheme Meeting;</li> <li>IGas Shareholders approving the IGas Directors' authority to allot the New IGas Shares;</li> <li>the Court approving the Scheme;</li> <li>no material adverse change occurring to Dart or IGas; and</li> <li>various other regulatory and material third party approvals customary for a transaction of this nature.</li> </ul> <p>These are not the only conditions. Each of the conditions is summarised in <b>section 1.3A</b> and set out in full in clause 4.1 of the SIA which is reproduced in <b>annexure C</b>.</p>	<b>Section 1.3A on page 17</b>
<b>What is the timetable for the Scheme?</b>	The key indicative dates for the Scheme are set out on <b>page 4</b> .	<b>'Important dates' on page 4</b>
<b>What will I receive under the Scheme?</b>	<p>If the Scheme becomes Effective, on the Implementation Date you will receive 0.08117 New IGas Shares for each Dart Share you hold on the Record Date.</p> <p>If you are an Ineligible Foreign Shareholder, New IGas Shares that would have been issued to you will be sold on AIM by the Foreign Nominee Sale Agent (with the net proceeds to be remitted to you) in accordance with the process set out in <b>section 1.7</b>.</p>	<b>Section 1.2 on page 17 and section 1.7 on page 23</b>
<b>What is the premium of the Scheme Consideration compared to the recent trading prices of my Dart Shares?</b>	<p>On the date the Scheme was announced (9 May 2014), the Scheme Consideration had an implied value of A\$0.1898<sup>4</sup> which represented a premium of:</p> <ul style="list-style-type: none"> <li>40.6% over the closing price of Dart Shares on ASX on 8 May 2014, being A\$0.135;</li> <li>62.8% over the average closing price of Dart Shares on ASX over the month prior to 8 May 2014, being A\$0.117; and</li> <li>59.8% over the average closing price of Dart Shares on ASX over the three months prior to 8 May 2014, being A\$0.119.</li> </ul> <p>As at 17 July 2014, being the last practicable date prior to the publication of this Scheme Booklet, the Scheme Consideration (adjusting for changes in the price of IGas Shares and the A\$:£ exchange rate since the Scheme was announced) had an implied value of A\$0.1773.<sup>5</sup></p>	<b>Section 2.1C on page 25</b>

<sup>4</sup> Based on the closing price of IGas Shares on AIM of £1.295 and an A\$:£ exchange rate of 0.554 in each case on 8 May 2014.

<sup>5</sup> Based on the closing price of IGas Shares on AIM of £1.195 and an A\$:£ exchange rate of 0.547 in each case on 17 July 2014.

## Important information about the Scheme

### Continued

Question	Answer	Further details
How will fractional entitlements to New IGas Shares be dealt with?	Fractional entitlements to New IGas Shares will be rounded up (if 0.5 or greater) or down (if less than 0.5) to the nearest whole number of New IGas Shares.	Section 1.2 on page 17
Can I sell my Dart Shares?	<p>Yes, you can sell your Dart Shares on ASX at any time on or before the Effective Date. However, you will not be able to do so after the Effective Date.</p> <p>If you sell your Dart Shares on ASX:</p> <ul style="list-style-type: none"> <li>• you may pay brokerage on the sale;</li> <li>• you will not share in any potential ongoing benefits of owning shares in the Combined Group; and</li> <li>• there may be different tax consequences for you compared to those that would arise under the implementation of the Scheme.</li> </ul>	Section 1.2 on page 17
When can I start to trade my New IGas Shares?	<p>If the Scheme becomes Effective you will be issued New IGas Shares on the Implementation Date.</p> <p>Share certificates will be despatched to relevant Scheme Shareholders as soon as practicable after the Implementation Date.</p> <p>New IGas Shares can be transferred off-market immediately after the share certificate is received by completing and returning a stock transfer form and the share certificate to IGas' share registrar.</p> <p>In order for New IGas Shares to be traded on AIM, they will first need to be admitted to trading by AIM. This is expected to occur on or about 23 September 2014.</p> <p>However, due to the requirement for your New IGas Shares to be dematerialised into CREST before they can be traded on AIM, you may not be able to sell your New IGas Shares on AIM until a later date.</p>	Section 1.2 on page 17 and section 5.2C on page 56
What happens if the Scheme does not proceed?	<p>If the Scheme does not proceed (technically, not becoming Effective), you will not receive the Scheme Consideration, you will retain your Dart Shares and Dart will continue to be listed on ASX.</p> <p>In these circumstances Dart intends to:</p> <ul style="list-style-type: none"> <li>• re-apply for admission of its shares to trading on AIM (so that Dart Shares can be traded on both ASX and AIM); and</li> <li>• undertake an on-market sale process for Dart Shareholders who hold less than A\$500 worth of Dart Shares to provide them with an opportunity to have their Dart Shares sold free of brokerage costs.</li> </ul>	Section 1.4 on page 21
What are the tax implications of the Scheme?	<p>A general summary of the Australian tax implications for Australian tax residents only is set out in <b>section 8</b>.</p> <p>You should seek your own professional advice on the tax consequences of the Scheme applicable to you.</p>	Section 8 on page 76
Will I have to pay brokerage fees or duty in relation to the Scheme?	<p>Unless you are an Ineligible Foreign Shareholder, you will not have to pay brokerage fees or duty in connection with the issue of the Scheme Consideration.</p> <p>Ineligible Foreign Shareholders will have some brokerage costs deducted from the proceeds of sale of the New IGas Shares constituting the Scheme Consideration under the nominee sale process referred to in <b>section 1.7</b>.</p>	Section 1.7 on page 23

## Important information about the Scheme

### Continued

Question	Answer	Further details
<b>How are the Dart Options being treated?</b>	<p>Dart Options will not be acquired under the Scheme.</p> <p>Instead, IGas intends to make offers to holders of Dart Options to cancel their Dart Options in consideration for either options over IGas Shares, New IGas Shares or cash.</p> <p>The type and value of the consideration under such offers will depend on whether the Dart Options are held by current employees of Dart or other persons, as well as the assessed value of those Dart Options.</p> <p>Alternatively, if a Dart Option holder does not accept IGas' offer and instead is eligible and wishes to and exercises their Dart Options before the Record Date and the Scheme becomes Effective, the Dart Option holder will participate in the Scheme as a Scheme Shareholder.</p>	<b>Section 1.8 on page 23</b>
<b>What is the Small Shareholder Sale Facility?</b>	<p>In recognition of the fact that after implementation of the Scheme, many former Dart Shareholders will have a small holding of New IGas Shares, Small Shareholders are being offered the opportunity to elect to have their New IGas Shares sold on AIM after the Implementation Date by a broker appointed by IGas.</p> <p>The Small Shareholder Sale Facility is being offered separately to the Scheme and will operate only after the Scheme has been implemented. There is no guarantee of the price Small Shareholders who elect to participate will receive. Proceeds of sales under the Small Shareholder Sale Facility will be returned to participants within eight weeks of the later of the date of receipt of elections and the Implementation Date.</p> <p>If you are a Small Shareholder, you may elect to have your New IGas Shares sold under the Small Shareholder Sale Facility by completing and returning the Small Shareholder Election Form which accompanies the Small Shareholder Sale Facility Booklet to the Registry, or by making an online election in the manner described in that booklet, by 5.00pm (AEST) on 15 September 2014.</p> <p>Ineligible Foreign Shareholders will not be able to participate in the Small Shareholder Sale Facility. Instead they will have the New IGas Shares that would have been issued to them sold on AIM by the Foreign Nominee Sale Agent (and have the net proceeds remitted to them).</p>	<b>The Small Shareholder Sale Facility Booklet that accompanies this Scheme Booklet</b>
<b>Questions about why you should vote in favour of or against the Scheme Resolution</b>		
<b>What do the Dart Directors recommend?</b>	The Dart Directors consider the Scheme to be in the best interests of Dart Shareholders, in the absence of a Superior Proposal. Each Dart Director recommends that you vote in favour of the Scheme Resolution, in the absence of a Superior Proposal.	<b>Section 2.1A on page 25</b>
<b>How do the Dart Directors intend to vote their Dart Shares?</b>	Each Dart Director intends to vote all of the Dart Shares owned or controlled by them in favour of the Scheme Resolution, in the absence of a Superior Proposal.	<b>Section 2.1A on page 25</b>
<b>What is the Independent Expert's opinion?</b>	<p>The Independent Expert has considered the merits of the Scheme and has concluded that the Scheme is in the best interests of Dart Shareholders.</p> <p>The Independent Expert's Report is reproduced in <b>annexure A</b>.</p>	<b>Annexure A on page 88</b>
<b>What are the prospects of a Superior Proposal?</b>	<p>Since the Scheme was announced on 9 May 2014, there has been a significant period of time and ample opportunity for an alternative proposal to emerge.</p> <p>The Dart Board is not currently aware of any Superior Proposal.</p>	<b>Section 2.2C on page 27</b>

## Important information about the Scheme

### Continued

Question	Answer	Further details
Do Dart's major shareholders support the Scheme?	Significant shareholders of Dart, holding voting rights over a total of 337,662,293 Dart Shares, representing 30.45% of the total voting rights of Dart (made up of 16.34% held by a subsidiary of New Hope Corporation Limited and 14.11% held by GEL/GPEL Limited) have indicated their intention to support the Scheme in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Dart Shareholders.	Section 2.1G on page 26
What other reasons are there to vote in favour of the Scheme Resolution?	<p>The reasons why you might vote in favour of the Scheme Resolution include:</p> <ul style="list-style-type: none"> <li>• The implied value of the Scheme Consideration represents a significant premium to the recent trading prices of Dart Shares.</li> <li>• You may be eligible for CGT rollover relief.</li> <li>• You can participate in the potential benefits of the Combined Group (which include potential benefits from increased scale, including due to its greater and more diverse asset base, access to capital and operating capability).</li> <li>• The Scheme provides the best value available at the current time as no Superior Proposal has been received by the Dart Board.</li> </ul>	Section 2.1 on page 25
What reasons are there to vote against the Scheme?	<p>The reasons why you might vote against the Scheme include:</p> <ul style="list-style-type: none"> <li>• You may not want to own IGas Shares. For example, because you: <ul style="list-style-type: none"> <li>▪ disagree with the value attributed to IGas Shares by the Independent Expert or the prices traded on AIM;</li> <li>▪ are not interested in holding shares in a foreign company which cannot be traded on ASX; or</li> <li>▪ consider that the risks inherent in an investment in the Combined Group outweigh the advantages of the Scheme.</li> </ul> </li> <li>• You will have smaller percentage voting interests in the Combined Group than your current percentage voting interests in Dart.</li> <li>• You may consider that a Superior Proposal may emerge.</li> <li>• There may be unfavourable taxation consequences for you.</li> </ul>	Section 2.2 on page 26
What are the risks associated with the Scheme and the Combined Group?	<p>If the Scheme is implemented, Dart Shareholders will receive New IGas Shares as Scheme Consideration. There are a number of factors that may influence the price of IGas Shares and the future operating and financial performance of the Combined Group.</p> <p><b>Section 6</b> outlines the key, but not all, risks associated with an investment in IGas and the value of its shares and other risks that Dart Shareholders should be aware of.</p> <p>Some of the most material key risks that may materially affect the financial performance of the Combined Group include:</p> <ul style="list-style-type: none"> <li>• the impact of extensive regulations and permitting requirements, and exposure to regulatory risk relating to unconventional oil and gas;</li> <li>• the volatility of oil and gas prices; and</li> <li>• the high risk nature of exploration and development projects, the results of which are inherently uncertain.</li> </ul> <p>Dart Shareholders should read <b>section 6</b> carefully in its entirety before making any decision on how to vote on the Scheme Resolution.</p>	Section 6 on page 61

## Important information about the Scheme Continued

Question	Answer	Further details
<b>What happens if the Scheme is not approved by Dart Shareholders?</b>	<p>If the Scheme is not approved by Dart Shareholders at the Scheme Meeting, the Scheme will not become Effective. This means that Dart Shareholders will continue to hold Dart Shares and Dart will remain listed on ASX.</p> <p>Although a break fee may be payable by Dart to IGas in certain circumstances, no break fee is payable merely because Dart Shareholders do not approve the Scheme Resolution.</p>	<b>Section 1.4 on page 21</b>
<b>Questions about the Scheme Meeting</b>		
<b>When and where will the Scheme Meeting be held?</b>	The Scheme Meeting is scheduled to be held at 9.30am (AEST) on 1 September 2014 in the Kingston Room, Level 2, Brisbane Polo Club, Naldham House, 1 Eagle Street, Brisbane, Queensland 4000.	<b>'What to do now and how to vote' on page 15</b>
<b>Who is entitled to vote?</b>	Each Dart Shareholder on the Share Register at 7.00pm (AEST) on 30 August 2014.	<b>'What to do now and how to vote' on page 15</b>
<b>What voting majorities are required to approve the Scheme?</b>	<p>For the Scheme to become Effective, votes in favour of the Scheme Resolution must be received from:</p> <ul style="list-style-type: none"> <li>a majority in number (more than 50%) of Dart Shareholders present and voting at the Scheme Meeting (whether in person, by proxy, by attorney or by corporate representative); and</li> <li>at least 75% of the total number of votes cast on the Scheme Resolution (whether in person, by proxy, by attorney or by corporate representative).</li> </ul> <p>The Court has the discretion to waive the first of these two requirements if the Court considers it appropriate to do so.</p>	<b>'What to do now and how to vote' on page 15</b>
<b>How do I vote if I am not able to attend the Scheme Meeting?</b>	<p>If you would like to vote at the Scheme Meeting but cannot attend in person, you should:</p> <ul style="list-style-type: none"> <li>vote online by visiting <a href="http://www.investorvote.com.au">www.investorvote.com.au</a> and following the instructions to submit your voting intentions. Custodians and nominees can vote online at <a href="http://www.intermediaryonline.com">www.intermediaryonline.com</a>. Online voting closes at 9.30am (AEST) on 30 August 2014;</li> <li>appoint a proxy to vote on your behalf by completing, signing and returning the personalised Proxy Form accompanying this Scheme Booklet to the Registry by 9.30am (AEST) on 30 August 2014;</li> <li>appoint an attorney to vote on your behalf by sending the original (or certified copy) of the power of attorney to the Registry by 9.30am (AEST) on 30 August 2014; or</li> <li>in the case of a body corporate, appoint a duly appointed corporate representative. A copy of the certificate of appointment of the representative should be lodged with the Registry before the Scheme Meeting or brought to the meeting.</li> </ul>	<b>'What to do now and how to vote' on page 15</b>
<b>When will the result of the Scheme Meeting be known?</b>	<p>The result will be announced to ASX shortly after the conclusion of the Scheme Meeting, accessible from the ASX's website (<a href="http://www.asx.com.au">www.asx.com.au</a>) and on Dart's website (<a href="http://www.dartgas.com">www.dartgas.com</a>).</p> <p>Even if the Scheme Resolution is approved at the Scheme Meeting, the Scheme will not become Effective unless it is approved by the Court at the Second Court Hearing.</p>	-

## Important information about the Scheme

### Continued

Question	Answer	Further details
<b>What happens if I do not vote or I vote against the Scheme?</b>	<p>If you do not vote then you will not be counted in determining the necessary majorities for the Scheme Resolution to be passed.</p> <p>If the Scheme is approved by Dart Shareholders and becomes Effective, and you are a Dart Shareholder as at the Record Date, then all of your Dart Shares will be transferred to IGas and you will receive the Scheme Consideration in accordance with the Scheme (and no further action will be required by you). This will apply to all such Dart Shareholders, including those who may have voted against the Scheme or not at all.</p>	<b>Section 1 on page 17</b>
<b>Questions about IGas</b>		
<b>Who is IGas?</b>	<p>IGas is an independent energy company listed on AIM, with a market capitalisation of approximately £247 million (equivalent to approximately A\$451 million).<sup>6</sup></p> <p>IGas is engaged in the exploration, development and production of crude oil and natural gas. Its fields and reserves are located in onshore Britain covering the UK's Weald Basin, the East Midlands, North West England and Northern Scotland.</p> <p>IGas possesses a portfolio of assets categorised as either conventional or unconventional.</p> <p>IGas' production activities produce approximately 1.0mm barrels of oil and gas equivalent per year from over 100 sites across the UK.</p> <p>IGas' exploration and development activities include operation of the UK's only currently producing CSG pilot site at Warrington in the North West of England, and the appraisal and exploration of its North West England and East Midlands acreage for its shale and CSG potential.</p> <p>IGas' assets are predominantly 100% owned and operated by IGas.</p> <p>IGas is registered and domiciled in England and Wales.</p>	<b>Section 4 on page 39</b>
<b>Why does IGas wish to acquire Dart?</b>	<p>As part of its strategy to secure access to more resources, IGas believes that the acquisition of Dart will create a market-leading onshore British oil and gas company with the largest area in Britain under licence of over one million net acres, including a presence in each of Britain's major shale basins.</p> <p>The acquisition will create a British energy company with a track record of drilling wells safely and on budget, placing the Combined Group in a strong position to deliver on its existing asset base and for future licensing rounds.</p> <p>IGas believes that this combination would create a British national energy champion, with potential benefits from increased scale, including due to the Combined Group's greater and more diverse asset base, access to capital and operating capability.</p>	<b>Section 7.2 on page 67</b>

<sup>6</sup> Based on the closing price of IGas Shares on AIM of £1.195 and the A\$:£ exchange rate of 0.547 in each case on 17 July 2014.

Question	Answer	Further details
<b>What are IGas' intentions for Dart and the Combined Group?</b>	<p>IGas intends that the strategy for the Combined Group will be an extension of its current strategy for the IGas Group.</p> <p>IGas' central business focus is to become the leading onshore independent company developing and producing discovered hydrocarbons in Britain. IGas intends to integrate the UK business of Dart in the Combined Group in furtherance of this objective, including opportunities for PEDL 133 – dependent on the outcome of an ongoing planning appeal in Scotland.</p> <p>IGas intends for the Combined Group to continue being a UK operating onshore hydrocarbon producer and intends that the Combined Group will be focused on three areas:</p> <ul style="list-style-type: none"> <li>• increasing its current oil and gas production by maximising the potential from its existing assets;</li> <li>• developing the wider potential in its asset portfolio through a drilling programme to explore, appraise and develop those assets and thereby create long-term value for shareholders; and</li> <li>• supplementing organic growth with acquisitions that have a complementary fit to the business.</li> </ul> <p>The Combined Group's strategy for Dart's non-UK assets is consistent with the strategy announced by Dart in March 2014 to accelerate plans to divest non-core assets, with the overall objective of eliminating future capital and operational commitments to all non-UK activities.</p> <p>IGas intends that the Combined Group will divest such other non-UK assets where it is commercially attractive to do so, but has no intention at present to operate such assets, other than to fulfil any ongoing contractual obligations.</p>	<b>Sections 7.2 to 7.10 commencing on page 67</b>
<b>Who will be the directors and CEO of the Combined Group?</b>	<p>If the Scheme is implemented:</p> <ul style="list-style-type: none"> <li>• the IGas Board will then comprise each of the IGas Directors listed in <b>section 4.6</b> along with current Dart Chairman, Robert Neale, who will be invited to join the IGas Board;</li> <li>• Andrew Austin, the CEO of IGas, will remain as the CEO of the Combined Group; and</li> <li>• the Dart Board will be replaced by nominees of IGas, so that the Dart Board will include certain Combined Group executives.</li> </ul>	<b>Sections 7.6 and 7.7 on page 68</b>
<b>What rights will attach to IGas Shares?</b>	<p>IGas is currently admitted to trading on AIM. New IGas Shares will, once issued, rank equally with all existing IGas Shares.</p> <p>The rights and liabilities attaching to New IGas Shares are:</p> <ul style="list-style-type: none"> <li>• set out in the articles of association of IGas, which can be obtained from the IGas website (<a href="http://www.igasplc.com">www.igasplc.com</a>); and</li> <li>• regulated by the Companies Act, the AIM Rules and the common law applicable in England.</li> </ul>	<b>Section 5 on page 52</b>

## Important information about the Scheme

### Continued

Question	Answer	Further details
<b>What will I need to do to be able to trade IGas Shares?</b>	<p>Scheme Shareholders will receive their New IGas Shares in certificated form, other than those Scheme Shareholders who elect to participate in the Small Shareholder Sale Facility (whose New IGas Shares will be provided in uncertificated form directly to the CREST account of the broker appointed to administer the Small Shareholder Sale Facility).</p> <p>Share certificates will be despatched to the relevant Scheme Shareholders as soon as practicable after the Implementation Date.</p> <p>If you wish to be able to sell your New IGas Shares on AIM then you will first need to send your share certificate to your bank or stockbroker with a request that the holding be dematerialised into your bank or stockbroker's CREST account (effectively turning them into an electronic ownership interest capable of participating in CREST, which is a settlements system for UK stock markets). Accordingly, IGas Shareholders wishing to dispose of all or some of their shares should contact their local bank or stockbroker.</p> <p>Please note that not all Australian stockbrokers are able to trade securities on AIM.</p> <p>If you retain your share certificate, your IGas Shares will not be able to be traded on AIM. Rather, you will only be able to transfer your IGas Shares by completing and returning a stock transfer form and share certificate to IGas' share registrar.</p>	<b>Section 5.2C on page 56</b>
<b>A condition to the Scheme is the approval of IGas Shareholders. What are the requirements for this approval and when will the meeting of IGas Shareholders be held?</b>	<p>Under the Companies Act, IGas is required to obtain the approval of IGas Shareholders to provide the IGas Directors with authority to allot the New IGas Shares. This is also a condition to the Scheme.</p> <p>The resolution to approve the IGas Directors' authority to allot the New IGas Shares will be voted on at IGas' 2014 Annual General Meeting which is expected to be held on or around 1 September 2014.</p> <p>To satisfy the requirement in the Companies Act and the condition to the Scheme, votes in favour of the resolution must be received from a simple majority (ie more than 50%) of the total number of votes cast on the resolution by IGas Shareholders (whether in person, by proxy, by attorney or by corporate representative).</p>	<b>Section 1.3C on page 18</b>
<b>Further questions</b>		
<b>What should I do if I have further questions about the Scheme, Dart or IGas?</b>	<p>You can visit the Dart website (<a href="http://www.dartgas.com">www.dartgas.com</a>), the IGas website (<a href="http://www.igasplc.com">www.igasplc.com</a>) or call the Shareholder Information Line on:</p> <ul style="list-style-type: none"> <li>• 1300 580 460 (within Australia); or</li> <li>• +61 3 9415 4383 (outside Australia),</li> </ul> <p>between 8.30am and 5.00pm Monday to Friday (AEST).</p>	-

# What to do now and how to vote

## 1. Carefully read this Scheme Booklet

This Scheme Booklet is an important document and you should read it carefully in its entirety, including:

- 'Important information about the Scheme' on **page 6** which contains answers to a number of questions you may have about the Scheme;
- the reasons to vote in favour of or against the Scheme Resolution in **sections 2.1** and **2.2**, along with other relevant considerations in **section 2.3**; and
- the risks in **section 6**,

before making any decision on how to vote on the Scheme Resolution.

If after reading this Scheme Booklet you have any additional questions, please call the Shareholder Information Line on 1300 580 430 (in Australia) or +61 3 9415 4383 (outside Australia) on weekdays between 8.30am and 5.00pm (AEST).

If you are in any doubt about anything contained in this Scheme Booklet, please contact your legal, financial or other professional adviser.

## 2. Vote on the Scheme Resolution

### A. Who is entitled to vote

If you are registered on the Share Register as a Dart Shareholder at 7.00pm (AEST) on 30 August 2014, you will be entitled to attend the Scheme Meeting and vote on the Scheme Resolution (or appoint a proxy, attorney or, if applicable, a corporate representative to vote on your behalf).

### B. Your vote is important

In order for the Scheme to be implemented, the Scheme Resolution must be approved by Dart Shareholders at the Scheme Meeting. This means votes in favour of the Scheme Resolution must be received from:

- a majority in number (more than 50%) of Dart Shareholders present and voting at the Scheme Meeting (whether in person, by proxy, by attorney or by corporate representative), unless the Court orders otherwise; and
- at least 75% of the total number of votes cast on the Scheme Resolution (whether in person, by proxy, by attorney or by corporate representative).

The Dart Directors unanimously recommend that you vote in favour of the Scheme Resolution, in the absence of a Superior Proposal.

### C. Details of the Scheme Meeting

The notice convening the Scheme Meeting is contained in **annexure F**.

The details of the Scheme Meeting are as follows:

Location	Kingston Room Level 2, Brisbane Polo Club Naldham House 1 Eagle Street Brisbane Queensland 4000
Date	1 September 2014
Time	9.30am (AEST)

Please note the venue has the following dress requirements. Gentlemen are required to wear smart business attire - jacket and tie are optional. Ladies are to wear smart or business attire. Denim, shorts, polo shirts, tee shirts and sports wear of any nature is considered unsuitable.

### D. How to vote on the Scheme Resolution

You can vote:

- **in person**, by attending the Scheme Meeting;
- **by mailing** the attached Proxy Form to the Registry at GPO Box 1282, Melbourne Victoria 8060 (using the reply paid envelope provided if in Australia or, if outside Australia, by affixing the appropriate postage to the envelope) so that it is received by 9.30am (AEST) on 30 August 2014;
- **by faxing** the attached Proxy Form to the Registry on 1800 783 447 (in Australia) or +61 3 9473 2555 (outside Australia) so that it is received by 9.30am (AEST) on 30 August 2014;
- **online**, by visiting [www.investorvote.com.au](http://www.investorvote.com.au) and following the instructions to submit your voting intentions. Custodians and nominees can vote online at [www.intermediaryonline.com](http://www.intermediaryonline.com). Online voting closes at 9.30am (AEST) on 30 August 2014;
- **by attorney**, by having your attorney attend the Scheme Meeting to vote on your behalf. An original (or certified copy) of the power of attorney needs to be received by the Registry by 9.30am (AEST) on 30 August 2014; or
- **by corporate representative** (for body corporate shareholders). A copy of the certificate of appointment of the representative should be lodged with the Registry before the Scheme Meeting or brought to the meeting.

### 3. Small Shareholders who would like to sell their New iGas Shares under the Small Shareholder Sale Facility after the Implementation Date

Each Dart Shareholder has been sent a Small Shareholder Sale Facility Booklet together with this Scheme Booklet. Please call the Shareholder Information Line if you require a replacement or additional booklet.

## ***What to do now and how to vote***

### ***Continued***

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Small Shareholders (ie those Dart Shareholders who expect to hold less than A\$500 worth of Dart Shares on the Effective Date) who wish to have their New IGas Shares sold under the Small Shareholder Sale Facility should read the Small Shareholder Sale Facility Booklet and complete the Small Shareholder Election Form that accompanies that booklet. If you have multiple holdings of Dart Shares and have received multiple Small Shareholder Election Forms, you need to complete a form for each relevant holding.

Alternatively, Small Shareholders can make an election online by visiting the Dart website ([www.dartgas.com](http://www.dartgas.com)) and following the relevant instructions.

You should only complete and return the Small Shareholder Election Form (in accordance with the instructions on the form) or make an election online if you:

- expect to be a Small Shareholder on the Effective Date; and
- would like all of your New IGas Shares to be sold by a broker appointed by IGas on AIM after the Implementation Date and have the net proceeds remitted to you.

If the Scheme becomes Effective but you:

- do not return a Small Shareholder Election Form by 5.00pm (AEST) on 15 September 2014 or make an online election in accordance with the instructions in the Small Shareholder Sale Facility Booklet by that time;
- return a Small Shareholder Election Form or make an online election, but are not a Small Shareholder on the Effective Date; or
- return an invalid, incomplete or incorrectly completed Small Shareholder Election Form,

your New IGas Shares will not be sold under the Small Shareholder Sale Facility.

The Small Shareholder Sale Facility is being offered separately to the Scheme and will operate only after the Scheme has been implemented. There is no guarantee of the price Small Shareholders who elect to participate will receive. Proceeds of sales under the Small Shareholder Sale Facility will be returned to participants within eight weeks of the later of the date of receipt of elections and the Implementation Date.

Ineligible Foreign Shareholders will not be able to participate in the Small Shareholder Sale Facility. Instead, they will have the New IGas Shares that would have been issued to them sold on AIM by the Foreign Nominee Sale Agent (and have the net proceeds remitted to them) in accordance with the process set out in **section 1.7**.

Please refer to the Small Shareholder Sale Facility Booklet for further information on the Small Shareholder Sale Facility.

# 1 Overview of the Scheme

This section provides a summary of the Scheme, including implementation of the Scheme and the key terms of the SIA.

## 1.1 Background

On 9 May 2014, Dart announced that it had entered into the SIA with IGas under which Dart agreed to propose the Scheme to Dart Shareholders.

If the Scheme becomes Effective, on the Implementation Date IGas will acquire all Dart Shares and Scheme Shareholders will be provided with the Scheme Consideration. Subsequently, Dart will be delisted from ASX and become a wholly-owned subsidiary of IGas.

## 1.2 What will I receive if the Scheme becomes Effective?

You will receive 0.08117 New IGas Shares for each Dart Share you hold on the Record Date. Fractional entitlements to New IGas Shares will be rounded up (if 0.5 or greater) or down (if less than 0.5) to the nearest whole number of New IGas Shares.

Share certificates for your New IGas Shares will be sent to your address shown on the Share Register as soon as practicable after the Implementation Date, unless you are a Small Shareholder who elects to participate in the Small Shareholder Sale Facility (in which case your New IGas Shares will be provided in uncertificated form directly to the CREST account of the broker appointed to administer the Small Shareholder Sale Facility).

It is anticipated that the New IGas Shares will commence trading on AIM on 23 September 2014. You should read **section 5.2C** which provides information on the steps you will need to take to be able to trade your New IGas Shares on AIM after the Implementation Date.

If you are an Ineligible Foreign Shareholder, the New IGas Shares that would have been issued to you will be sold on AIM by the Foreign Nominee Sale Agent (and the net proceeds remitted to you) in accordance with the process set out in **section 1.7**.

## 1.3 Implementation of the Scheme

### A. Scheme conditions

The Scheme will not become Effective unless the following outstanding conditions are satisfied or, where applicable, waived:

- **Scheme Resolution approval:** Dart Shareholders approve the Scheme Resolution at the Scheme Meeting by the requisite majorities under the Corporations Act (see **section 1.3B**);
- **IGas Shareholder approval:** IGas Shareholders grant the IGas Directors the authority to allot the New IGas Shares by a simple majority (ie more than 50%) under the Companies Act (see **section 1.3C**);
- **Court approval:** the Court approves the Scheme in accordance with section 411(4)(b) of the Corporations Act (see **section 1.3D**);
- **FIRB approval:** IGas obtains the approval of the Australian Foreign Investment Review Board to acquire Dart;
- **Independent Expert:** the Independent Expert does not publicly change, withdraw or qualify its opinion that the Scheme is in the best interests of Dart Shareholders;
- **ASIC and ASX:** ASIC and ASX provide all necessary approvals and consents for IGas to acquire all Dart Shares under the Scheme;
- **Other regulatory approvals:** Confirmation from the DECC that they will not raise an objection to the change of control with respect to the UK licences held by Dart and clearance of the transaction from the UK Competition and Markets Authority;
- **AIM admission:** an application is made for the New IGas Shares to be admitted to trading on AIM and AIM has not indicated that admission may be withheld, restricted, delayed or subject to non-customary conditions;
- **Change of control consents under Australian exploration licences:** all government approvals required under the terms of the Australian exploration licences held by Dart are obtained for the change of control in, and/or foreign acquisition of, Dart which will occur as a result of the Scheme. This includes Ministerial approval through the Office of Coal Seam Gas in New South Wales;
- **Third party consents:** consents of certain contractual counterparties of Dart agreed between IGas and Dart;
- **No prescribed occurrences:** no prescribed occurrence listed in the SIA for either Dart or IGas occurs;
- **No restraints:** no legal restraint issued by a court or governmental agency preventing the Scheme is in effect at 8.00am on the Second Court Date;
- **No material adverse change:** no material adverse change occurs in relation to Dart or IGas before 8.00am on the Second Court Date. In particular, the current planning appeal in relation to Dart's Airth CSG Project (PEDL 133) in Scotland is not decided in a manner that renders that project impracticable or impossible;

# 1 Overview of the Scheme

## Continued

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- **Warranties:** the warranties given by each of Dart and IGas in the SIA are true and correct in all material respects up until 8.00am on the Second Court Date; and
- **No termination of SIA and Deed Poll:** the SIA and Deed Poll are not terminated.

The above conditions must be satisfied or waived by the End Date and are set out in full in clause 4.1 of the SIA reproduced in **annexure C** and clause 3.1 of the Scheme reproduced in **annexure D**.

As at the date of this Scheme Booklet, Dart and IGas are not aware of any circumstances which would cause the above conditions not to be satisfied or waived (if they are capable of being waived). An update of the status of the conditions will be provided at the Scheme Meeting.

### B. Scheme Meeting

On or about the date of this Scheme Booklet, the Court ordered that the Scheme Meeting be convened in accordance with the Notice of Scheme Meeting reproduced in **annexure F** and appointed Robert Neale or, in his absence, Stephen Lonie to chair the Scheme Meeting.

Each Dart Shareholder who is registered on the Share Register at 7.00pm (AEST) on 30 August 2014 is entitled to attend and vote on the following Scheme Resolution at the Scheme Meeting, either in person or by proxy or attorney or, in the case of a body corporate, by its corporate representative appointed in accordance with section 250D of the Corporations Act:

*That, pursuant to and in accordance with section 411 of the Corporations Act, the Scheme proposed to be entered into between Dart and holders of its ordinary shares (which is described in the Scheme Booklet which contains this Notice of Scheme Meeting) is agreed to with or without such modifications or conditions as may be approved by the Court.*

Voting at the Scheme Meeting will be by poll.

Instructions on how to attend and vote at the Scheme Meeting (in person or by proxy), are set out on **page 15** 'What to do now and how to vote' and in the notes for the Notice of Scheme Meeting contained in **annexure F**.

### C. Approval of IGas Shareholders

Under the Companies Act, IGas is required to obtain the approval of IGas Shareholders to provide authority to the IGas Directors to allot the New IGas Shares.

On or around 1 September 2014, IGas will hold its 2014 Annual General Meeting at which it will put this resolution to IGas Shareholders. A simple majority (ie more than 50%) of the IGas Shareholders voting at the meeting (whether in person, by proxy, by attorney or by corporate representative) will be required to pass the resolution.

The IGas Board has recommended that IGas Shareholders support the transaction and grant approval for the IGas Directors' authority to allot the New IGas Shares. The IGas Directors, together with each of the substantial shareholders of IGas set out in **section 4.7F** who hold voting rights over a total of 86,234,524 IGas Shares representing 41.80% of the total voting rights of IGas, have already indicated their support for the transaction.

### D. Court approval of the Scheme

In the event that:

- the Scheme Resolution is approved by the requisite majorities of Dart Shareholders at the Scheme Meeting; and
- all conditions to the Scheme becoming Effective are satisfied or waived (if they are capable of being waived),

Dart will apply to the Court for orders approving the Scheme on the Second Court Date.

Each Dart Shareholder has the right to appear at the Second Court Hearing.

### E. Effective Date

The Scheme will become Effective on the Effective Date, being the date an office copy of the Court order from the Second Court Hearing approving the Scheme is lodged with ASIC. Dart will, on the Scheme becoming Effective, give notice of that event to ASX.

Dart intends to apply to ASX for Dart Shares to be suspended from official quotation on ASX from the close of trading on the Effective Date.

### F. Record Date

Those Dart Shareholders on the Share Register on the Record Date (ie at 7.00pm (AEST) on the fifth Business Day after the Effective Date, currently expected to be 15 September 2014) will become entitled to the Scheme Consideration in respect of the Dart Shares they hold at that time.

## G. Dealings on or before the Record Date

For the purposes of calculating entitlements to Scheme Consideration, any dealing in Dart Shares will only be recognised if:

- in the case of dealings of the type to be effected by CHESS, the transferee is registered in the Share Register as the holder of the relevant Dart Shares on or before the Record Date; and
- in all other cases, registrable transmission applications or transfers in respect of those dealings are received on or before the Record Date at the Registry.

Subject to the Corporations Act, Listing Rules and Dart's constitution, Dart must register registrable transmission applications or transfers which it receives by the Record Date. Dart will not accept for registration or recognise for any purpose any transmission application or transfer of Dart Shares received after the Record Date.

## H. Dealings after the Record Date

For the purposes of determining the Scheme Shareholders' entitlement to Scheme Consideration, Dart will, subject to the comments in **section 1.3G**, maintain the Share Register in its form as at the Record Date until the Scheme Consideration has been provided. The Share Register in this form will solely determine entitlements to Scheme Consideration.

From the Record Date:

- all statements of holding for Dart Shares cease to have effect as documents of title for such Dart Shares; and
- each entry on the Share Register will cease to be of any effect except as evidence of entitlement to Scheme Consideration for the Dart Shares relating to that entry.

## I. Implementation Date

The Scheme will be implemented on the Implementation Date, being the fifth Business Day after the Record Date or such other date as Dart and IGas agree in writing. The Implementation Date is currently expected to be 22 September 2014.

## J. SIA

The SIA sets out Dart's and IGas' obligations in connection with the implementation of the Scheme. The key terms of the SIA include the following:

- **Conditions to the Scheme becoming Effective:** the Scheme will not become Effective until the conditions set out in **section 1.3A** are satisfied or waived (if they are capable of being waived);
- **No shop:** up until the End Date or termination of the SIA, Dart has agreed not to solicit, invite, initiate or encourage any competing proposal to the Scheme;
- **No talk and no due diligence:** up until the End Date or termination of the SIA, Dart has agreed not to:
  - i. communicate or negotiate with any person, directly or indirectly, in relation to a potential competing proposal to the Scheme; or
  - ii. solicit, invite, initiate, encourage, facilitate or permit a person to undertake due diligence investigations on Dart in relation to a potential Competing Proposal, or permit a person to be provided with non-public information about Dart in relation to such a proposal,

unless Dart receives a bona fide Competing Proposal which, subject to certain conditions, the Dart Board considers:

- iii. may result in a Superior Proposal; and
- iv. that failing to take the action or refuse to take the action (as the case may be) referred to in **paragraph (i) or (ii)** would be likely to constitute a breach of the fiduciary or statutory obligations of the Dart Board or would otherwise be unlawful;
- **Matching right:** if a Competing Proposal to the Scheme emerges which is a Superior Proposal, Dart must ensure that no Dart Director recommends the Competing Proposal unless Dart provides IGas with three Business Days' notice of the Competing Proposal and IGas has not, in that time, made a counter proposal that is superior to the Competing Proposal;
- **Break fee payable by Dart to IGas:** no break fee is payable by Dart to IGas if the Scheme Resolution is not approved by Dart Shareholders at the Scheme Meeting. However, a break fee of A\$2,115,000 is payable by Dart to IGas if any of the following events occur before the earlier of the Effective Date, the End Date or any earlier date referred to below:
  - i. **Unfavourable Dart Director recommendation:** any Dart Director, before the SIA is terminated:
    - a. fails to recommend the Scheme; or
    - b. withdraws or adversely changes or modifies his recommendation of the Scheme or makes any public statement, or takes any other action that is inconsistent with a recommendation of the Scheme, including where a Competing Proposal is announced and is recommended by any Dart Director,other than as a result of the Independent Expert concluding in the Independent Expert's Report that the Scheme is not in the best interests of Dart Shareholders (other than because of a Competing Proposal);

# 1 Overview of the Scheme

## Continued

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- ii. **Competing Proposal:** a Competing Proposal is announced before the End Date and, within 12 months of the Competing Proposal being announced, the Competing Proposal results in a third party obtaining control of Dart, or acquiring (directly or indirectly) an interest in all or a substantial part of the business or assets of Dart; or
- iii. **Material breach by Dart:** IGas terminates the SIA due to a material breach of the SIA by Dart which cannot be (or is not) remedied by Dart.

Any break fee paid by Dart to IGas must be refunded to Dart if IGas acquires 50% or more of Dart Shares before the End Date;

- **Break fee payable by IGas to Dart:** a break fee of A\$1,057,500 is payable by IGas to Dart if any of the following events occur before the earlier of the Effective Date and the End Date:
  - i. **Unfavourable IGas Director recommendation:** any IGas Director:
    - a. fails to recommend that IGas Shareholders vote in favour of the resolution to grant approval for the IGas Directors' authority to allot the New IGas Shares; or
    - b. withdraws or adversely changes or modifies his recommendation or makes any public statement, or takes any other action that is inconsistent with that recommendation; or
  - ii. **Material breach by IGas:** Dart terminates the SIA due to a material breach of the SIA by IGas which cannot be (or is not) remedied by IGas;
- **Termination by either Dart or IGas:** either Dart or IGas can terminate the SIA if:
  - i. a condition to the Scheme becoming Effective (see **section 1.3A**) is not:
    - a. satisfied;
    - b. waived (if it is capable of being waived); or
    - c. becomes incapable of being satisfied,then, depending on the relevant condition, either Dart, IGas or both of them may terminate the SIA by giving the other party notice;
  - ii. the other party has materially breached their obligations under the SIA which cannot be remedied, or is not remedied within five Business Days (or by 5.00pm on the day before the Second Court Date, if earlier);
  - iii. the other party or any subsidiary of the other party becomes insolvent; or
  - iv. the Scheme has not become Effective before the End Date;
- **Termination by Dart:** Dart can terminate the SIA if:
  - i. a Dart Director publicly recommends a Superior Proposal and does not, within three Business Days, reinstate their recommendation of the Scheme; or
  - ii. an IGas Director does not recommend (or acts inconsistently with their recommendation) that IGas Shareholders vote in favour of the resolution to grant approval for the IGas Directors' authority to allot the New IGas Shares;
- **Termination by IGas:** IGas can terminate the SIA if a Dart Director:
  - i. fails to recommend that Dart Shareholders vote in favour of the Scheme Resolution in the absence of a Superior Proposal and the Independent Expert concluding that the Scheme is in the best interests of Dart Shareholders; or
  - ii. withdraws or adversely changes or modifies their recommendation of the Scheme or acts inconsistently with a recommendation of the Scheme, including where a Competing Proposal is announced and is recommended by any Dart Director.

The rights to terminate are set out in full in clauses 4.7, 4.8 and 16 of the SIA reproduced in **annexure C**;

- **Termination if Scheme voted down:** the SIA will automatically terminate if the Scheme is not approved by Dart Shareholders at the Scheme Meeting by the requisite majorities under the Corporations Act, unless Dart or IGas determine that Dart should apply for an order of the Court approving the Scheme on the basis that some abusive or improper conduct may have caused or contributed to the majority of Dart Shareholders (by number) voting at the Scheme Meeting failing to approve the Scheme Resolution (even though at least 75% of votes cast on the Scheme Resolution were in favour);
- **Withdrawal of AIM listing:** Dart agreed to withdraw its application for the admission of Dart Shares to trading on AIM which was scheduled to commence on 12 May 2014.

The SIA is reproduced in full in **annexure C**, while the Scheme is reproduced in full in **annexure D**.

## 1.4 What are the consequences if the Scheme does not proceed?

If the Scheme does not become Effective (for example, if Dart Shareholders do not approve the Scheme by the requisite majorities at the Scheme Meeting or another condition to the Scheme is not satisfied or waived), Dart Shareholders will continue to hold Dart Shares and Dart will continue to be listed on ASX.

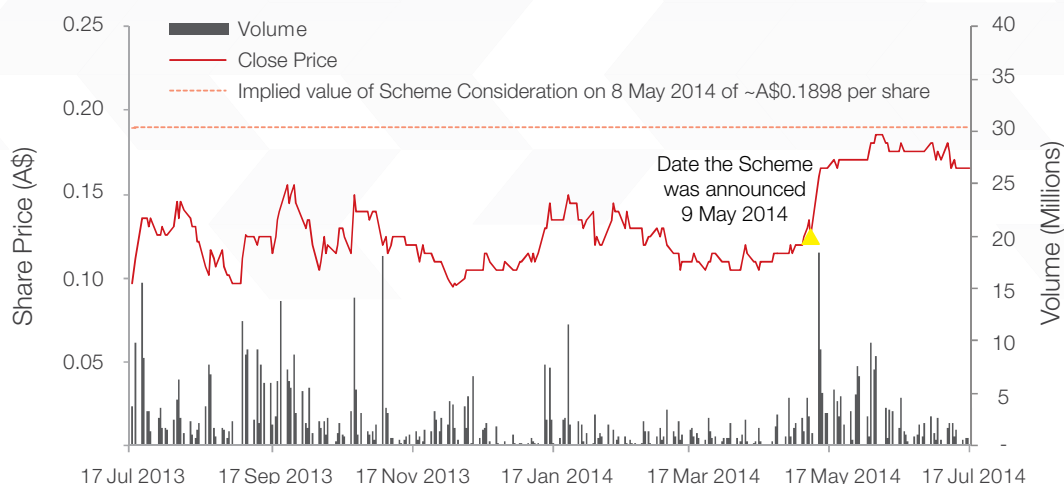
In the absence of any alternative or competing proposal to the Scheme, Dart will continue as a stand-alone entity and Dart Shareholders will continue to be exposed to the risks associated with an investment in Dart.

Below is a summary of the consequences of the Scheme not proceeding based on the current intentions and expectations of the Dart Board.

### A. The trading price of Dart Shares is likely to fall

Without support from the existence of the Scheme or an alternative or competing proposal, the trading price of Dart Shares is likely to fall below current levels and the implied value of the Scheme Consideration, subject to adjustment for market factors. For example, the trading price of Dart Shares may fall to a level similar to before the announcement of the Scheme, or lower.

The trading price of Dart Shares over 12 months to and including 17 July 2014, being the last practicable date before publication of this Scheme Booklet is shown in the chart below.



### B. What will happen to Dart's existing operations?

Within the UK, Dart has a number of key projects at various stages of maturity which will form the focus of Dart's activities for the next two to three years.

These include the further exploration and appraisal of assets in the Bowland Basin as part of Dart's farm-out agreements with GDF and Total, and the planned development of the Airth CSG Project (PEDL 133) in Scotland (subject to the outcome of an ongoing planning appeal). See **section 3.2A** for further information. Other projects in the UK include the Solway Basin CSG Project and the Luddington Project.

Dart's remaining seven licences in NSW are on 'care and maintenance' and Dart intends to keep these licences on such basis until the NSW regulatory regime is more conducive to unconventional gas exploration and production. Dart would continue with its strategy for the divestment of its other non-UK assets, with the overall objective of eliminating future capital and operational commitments to all non-UK activities. See **section 3.2** for further information on Dart's present business and operations.

### C. What will happen to Dart's proposed AIM listing?

If the Scheme does not become Effective, Dart intends to re-apply for admission of its shares to trading on AIM. However, that process would likely take several months. Assuming Dart Shares are admitted to AIM, the liquidity of Dart Shares traded on AIM is likely to be significantly less than the current liquidity of IGas Shares due primarily to IGas' larger market capitalisation and larger UK shareholder base.

### D. What key risks will Dart Shareholders be exposed to?

Dart Shareholders will continue to be exposed to all of the current risks associated with an investment in Dart including the following key risks.

# 1 Overview of the Scheme

## Continued

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### *a. Higher exposure to individual asset and regulatory risk than the Combined Group*

Dart's focus is on exploration and production in the unconventional gas industry, with a focus on the UK. Any regulatory changes affecting unconventional exploration and production in the UK will adversely affect the prospects and future profitability of Dart. IGas has a more diverse UK asset portfolio than Dart, including conventional exploration and production, which reduces IGas' (and therefore the Combined Group's) relative exposure to this regulatory risk.

One of Dart's most advanced projects, the Airth CSG Project (PEDL 133) in Scotland, is ready for development activity but is subject to the outcome of an ongoing planning appeal. A planning enquiry is underway and the proposals have faced opposition from local residents. Although a condition of the Scheme is that the planning appeal not be decided in a manner that renders the project impracticable or impossible before the Second Court Date, it may be the case that the Scheme is implemented before the planning appeal is decided. If the Scheme does not proceed and Dart is unable to obtain planning permission, it will adversely affect the prospects and future profitability of Dart. However, if the Scheme does proceed but Dart is subsequently unable to obtain planning permission, it would have less of an overall effect on the Combined Group because of its larger asset portfolio.

### *b. Contingent liabilities and provisions*

Dart is presently seeking to farm-out, divest or otherwise exit from certain of its assets outside of the UK, although the outcomes of these initiatives remain uncertain.

In the event Dart is unsuccessful in one or more of these initiatives, it may be exposed to certain exit costs in the period 2015–2017, or beyond, the estimated total of which currently range from A\$0.4 million to A\$12.5 million.

The range of potential outcomes is wide as these potential exit costs relate to multiple licences in several different jurisdictions and the final exit costs, if any, will depend on the outcome of multiple individual sale or farm-out negotiations and negotiations with host governments among other factors.

### *c. Funding risks*

Dart's funding requirements for the UK shale gas and CSG exploration work programmes will be primarily funded by existing cash resources and the existing farm-out agreements with GDF and Total, which extend over the next two to three years. These farm-outs are subject to gross expenditure caps of US\$36 million and US\$46.5 million respectively, and in the event of cost over-runs Dart will be required to fund its share of expenditure on the licences.

Dart expects to meet funding requirements for the Airth CSG Project through debt funding, potential sale or farm-down of an interest in the Airth CSG Project (Dart currently holds a 100% interest) and/or equity. In relation to debt funding, Dart has in place a US\$45 million undrawn credit facility with HSBC. This facility is presently not capable of being utilised due to delays in securing PEDL 133 planning permissions for which an appeal process is underway. Even assuming a successful appeal outcome, before being able to utilise this facility Dart will need to renegotiate certain terms of the facility with HSBC, and there is no assurance that this renegotiation would be successful. Alternatively, Dart could seek credit facilities from other financial institutions.

In Australia, the Dart Directors do not anticipate any further significant drilling in NSW in the near term.

Should Dart require additional financing over its anticipated requirements, which does not include the anticipated draw down of any debt facilities, and should Dart be unable to obtain such additional financing on commercially satisfactory terms, or at all, it may be required to curtail its existing operations or expansion plans and/or forego opportunities that it would otherwise have pursued.

Dart may then have to potentially sell exploration licences or other assets, any of which could limit the growth potential of Dart and adversely affect its prospects, results of operation and financial condition.

## **E. Break fees and transaction costs**

Depending on the reasons why the Scheme does not proceed, either Dart or IGas may be liable to pay a break fee to the other party. A break fee is not payable by Dart to IGas if the Scheme does not proceed merely because Dart Shareholders do not approve the Scheme Resolution at the Scheme Meeting. Each of the Dart Directors and IGas Directors consider the break fees agreed to be reasonable and appropriate in amount, structure and effect. Further information in relation to the break fees is set out in **section 1.3J**.

Dart will also be liable to pay certain transaction costs in relation to the Scheme, regardless of whether the Scheme is implemented. See **section 9.7** for further information about these costs.

## **F. Sale of holdings of small shareholders**

If the Scheme does not become Effective, Dart intends to conduct an on market sale process for Dart Shareholders who hold less than A\$500 worth of Dart Shares in accordance with Dart's constitution and the Listing Rules. This on market sale process (which will only apply if the Scheme does not proceed) is not to be confused with the Small Shareholder Sale Facility (which will only apply if the Scheme does proceed).

The sale process will involve Dart writing to all Dart Shareholders who hold less than A\$500 worth of Dart Shares. Those Dart Shareholders whose Dart Shares are subsequently sold on market by a broker appointed by Dart will receive the sale proceeds free of brokerage costs.

If the Scheme does not become Effective, Dart Shareholders who hold A\$500 or more of Dart Shares when the sale process is undertaken will not be able to participate in this process.

### 1.5 No brokerage

No brokerage will be payable by Scheme Shareholders on the transfer of their Dart Shares to IGas under the Scheme or the issue by IGas to them of the New IGas Shares as Scheme Consideration.

However, Ineligible Foreign Shareholders will have some brokerage costs deducted from the proceeds of sale of the New IGas Shares constituting the Scheme Consideration (if any) under the nominee sale process explained in **section 1.7**.

### 1.6 Warranties by Scheme Shareholders

Each Scheme Shareholder is taken to have warranted to Dart, in its own right and for the benefit of IGas, that:

- all of their Dart Shares (including any rights and entitlements attaching to those shares) which are transferred to IGas under the Scheme will, at the date of transfer, be free from all mortgages, charges, liens, encumbrances, pledges, security interests and other interests of third parties of any kind, whether legal or otherwise (but acknowledging that a security interest holder may potentially have an interest in the Scheme Consideration in accordance with the terms of such Dart Shares); and
- that they have full power and capacity to sell and to transfer their Dart Shares to IGas under the Scheme together with any rights attaching to those Dart Shares.

### 1.7 Ineligible Foreign Shareholders

#### A. Treatment of Ineligible Foreign Shareholders under the Scheme

Ineligible Foreign Shareholders, being Scheme Shareholders whose address on the Share Register as at the Record Date is a place outside Australia and its external territories, New Zealand, the United Kingdom, Hong Kong and Singapore, will not receive New IGas Shares under the Scheme.

Instead, the New IGas Shares that would otherwise have been issued to Ineligible Foreign Shareholders will be issued to the Foreign Nominee Sale Agent on the Implementation Date.

IGas will:

- procure that the Foreign Nominee Sale Agent sells or procures the sale of all the New IGas Shares issued to the Foreign Nominee Sale Agent; and
- remit to the Ineligible Foreign Shareholders their proportion of the net proceeds (ie after deducting any selling costs and taxes), in full satisfaction of the rights of each Ineligible Foreign Shareholder to the Scheme Consideration.

#### B. Payment of net proceeds to Ineligible Foreign Shareholders

The net proceeds attributable to Ineligible Foreign Shareholders from the sale of New IGas Shares by the Foreign Nominee Sale Agent will be paid by cheque in, at the discretion of Dart (which at that time will be controlled by IGas), A\$, £ or the currency of the country of the relevant Scheme Shareholder shown on the Share Register.

Dart, IGas and the Foreign Nominee Sale Agent give no assurance as to the price that will be achieved for the sale of New IGas Shares described above. The net proceeds may be more or less than the market value of IGas Shares at the time of payment.

The sale of the New IGas Shares by the Foreign Nominee Sale Agent may result in a number of New IGas Shares being offered for sale at the same time. Although the quantum of shares being sold is not expected to be material, this may have the effect of depressing the sale price of those shares.

### 1.8 What will happen to the Dart Options?

Dart Options will not be acquired under the Scheme.

Instead, IGas intends to make an offer to holders of Dart Options who are employees of Dart to cancel their Dart Options in consideration for either:

- receiving substantially equivalent value of new options to be issued IGas Shares, with the same expiry date and an exercise price derived from the value of the Scheme Consideration; or
- being issued New IGas Shares (provided IGas is reasonably satisfied that this can be achieved without the need for any prospectus in a relevant jurisdiction) or an amount of cash, in both cases equivalent to the assessed value of those Dart Options.

# 1 Overview of the Scheme

## Continued

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Further, IGas intends to make an offer to holders of Dart Options who are not employees of Dart to cancel their Dart Options in consideration for New IGas Shares (provided IGas is reasonably satisfied that this can be achieved without the need for any prospectus in a relevant jurisdiction) or an amount of cash, in both cases equivalent to the assessed value of those Dart Options.

Alternatively, if a Dart Option holder does not accept IGas' offer and instead is eligible to and exercises their Dart Options before the Record Date and the Scheme becomes Effective, the Dart Option holder will participate in the Scheme as a Scheme Shareholder. That is, the Dart Shares that are issued before the Record Date as a result of the exercise of Dart Options will be acquired under the Scheme on the Implementation Date for the Scheme Consideration.

Dart will update Dart Shareholders by way of ASX announcement of any material developments in relation to the treatment of Dart Options in connection with the Scheme.

See **section 3.5E** for a detailed list of the Dart Options on issue.

### 1.9 Delisting of Dart from ASX after the Implementation Date

On a date after the Implementation Date to be determined by IGas, Dart will apply:

- for termination of the official quotation of Dart Shares on the ASX; and
- to have itself removed from the official list of the ASX.

### 1.10 Trading in IGas Shares after implementation of the Scheme

Scheme Shareholders will receive their New IGas Shares in certificated form other than those Scheme Shareholders who elect to participate in the Small Shareholder Sale Facility (whose New IGas Shares will be provided in uncertificated form directly to the CREST account of the broker appointed to administer the Small Shareholder Sale Facility). Share certificates will be despatched to relevant Scheme Shareholders as soon as practicable after the Implementation Date.

If you wish to be able to sell your New IGas Shares on AIM then you will first need to send your share certificate to your bank or stockbroker with a request that the holding be dematerialised into your bank or stockbroker's CREST account.

If you retain your share certificate, your IGas Shares will not be able to be traded on AIM. Rather, you will only be able to transfer your IGas Shares by completing and returning a stock transfer form and share certificate to IGas' share registrar.

**Section 5.2C** provides further information about trading in IGas Shares.

### 1.11 Small Shareholder Sale Facility

In recognition of the fact that after implementation of the Scheme, many former Dart Shareholders will have a small holding of New IGas Shares, Small Shareholders<sup>7</sup> are being offered the opportunity to elect to have their New IGas Shares sold on AIM after the Implementation Date by a broker appointed by IGas.

The Small Shareholder Sale Facility is being offered separately to the Scheme and will operate only after the Scheme has been implemented. There is no guarantee of the price Small Shareholders who elect to participate will receive. Proceeds of sales under the Small Shareholder Sale Facility will be returned to participants within eight weeks of the later of the date of receipt of elections and the Implementation Date.

Small Shareholders may elect to have their New IGas Shares sold under the Small Shareholder Sale Facility by making an online election by visiting the Dart website ([www.dartgas.com](http://www.dartgas.com)) and following the relevant instructions, or by completing and returning the Small Shareholder Election Form which accompanies the Small Shareholder Sale Facility Booklet to the Registry by 15 September 2014.

If you have multiple holdings of Dart Shares and have received multiple Small Shareholder Election Forms, you need to complete a form for each relevant holding. Please call the Shareholder Information Line if you require a replacement or additional Small Shareholder Election Form.

Ineligible Foreign Shareholders will not be able to participate in the Small Shareholder Sale Facility. Instead they will have the New IGas Shares that would have been issued to them sold on AIM by the Foreign Nominee Sale Agent (and have the net proceeds remitted to them) in accordance with the process set out in **section 1.7**.

Further information on the Small Shareholder Sale Facility is set out in the accompanying Small Shareholder Sale Facility Booklet.

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<sup>7</sup> A Small Shareholder is a Dart Shareholder whose holding of Dart Shares is valued at A\$500 or less on the Effective Date (determined by reference to the closing price of Dart Shares on ASX on that date).

## 2 Considerations relevant to your vote

This section sets out:

- the principal reasons to vote in favour of or against the Scheme Resolution, including key risks associated with the Scheme and the Combined Group;
- the Dart Directors' recommendation; and
- other relevant considerations.

You should note that this section is not an exhaustive list of the reasons to vote in favour of or against the Scheme Resolution, or the risks associated with the Scheme and the Combined Group, and should be considered in conjunction with the entire Scheme Booklet.

You should carefully consider the information in this section in light of your personal circumstances and seek advice from your legal, financial or other professional adviser before deciding how to vote on the Scheme Resolution.

### 2.1 Reasons to vote in favour of the Scheme Resolution

#### A. Each Dart Director recommends that Dart Shareholders vote in favour of the Scheme Resolution, in the absence of a Superior Proposal

The Dart Directors believe that the advantages of the Scheme outweigh its disadvantages and risks. Each Dart Director recommends that Dart Shareholders vote in favour of the Scheme Resolution, in the absence of a Superior Proposal.

The Dart Directors intend to vote the Dart Shares they hold or control in favour of the Scheme Resolution, in the absence of a Superior Proposal.

In making their recommendation, the Dart Directors have considered the:

- other reasons to vote in favour of or against the Scheme Resolution in this **section 2.1** and **section 2.2**;
- risks associated with the Scheme and the Combined Group referred to in this **section 2** and in **section 6**; and
- opinion of the Independent Expert, whose report is reproduced in **annexure A**.

#### B. In the view of the Independent Expert, the Scheme is in the best interests of Dart Shareholders

The Dart Directors have commissioned the Independent Expert to prepare the Independent Expert's Report. In the Independent Expert's Report, the Independent Expert has concluded that the Scheme is in the best interests of Dart Shareholders.

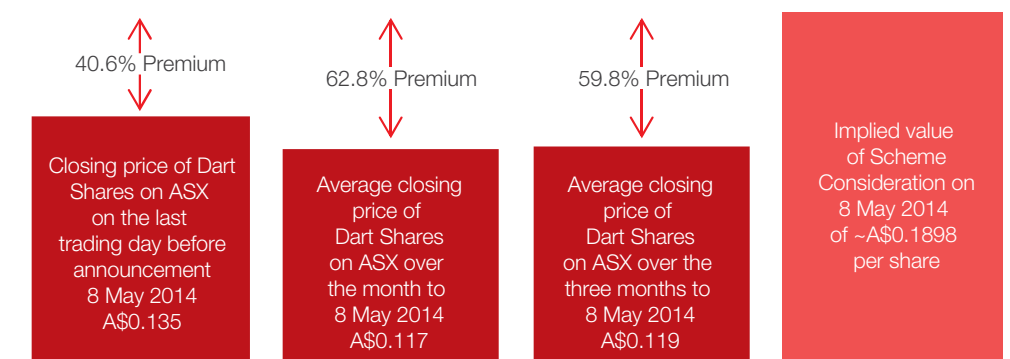
The Independent Expert estimated the value of Dart Shares to be A\$0.15 to A\$0.19 and the value of the Scheme Consideration to be A\$0.19 to A\$0.20.

The Independent Expert's Report is reproduced in **annexure A**.

#### C. The Scheme Consideration represents a significant premium to the recent trading prices of Dart Shares

On the date the Scheme was announced (9 May 2014), the Scheme Consideration had an implied value of A\$0.1898<sup>8</sup> which represented a premium of:

- 40.6% over the closing price of Dart Shares on ASX on 8 May 2014, being A\$0.135;
- 62.8% over the average closing price of Dart Shares on ASX over the month prior to 8 May 2014, being A\$0.117; and
- 59.8% over the average closing price of Dart Shares on ASX over the three months prior to 8 May 2014, being A\$0.119.



<sup>8</sup> Based on the closing price of IGas Shares on AIM of £1.295 and an A\$:£ exchange rate of 0.554 in each case on 8 May 2014.

## 2 Considerations relevant to your vote

### Continued

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As at 17 July 2014, being the last practicable date prior to publication of this Scheme Booklet, the Scheme Consideration (adjusting for changes in the price of IGas Shares and the A\$:£ exchange rate since the Scheme was announced) had an implied value of A\$0.1773.<sup>9</sup>

#### D. You may be eligible for CGT rollover relief

Subject to your individual circumstances, you may benefit from scrip for scrip roll-over relief (ie the ability to disregard any capital gain made on the disposal of Dart Shares in exchange for New IGas Shares under the Scheme). Further information about the potential Australian tax implications of the Scheme for Australian resident Scheme Shareholders is set out in **section 8**.

#### E. You can participate in the potential benefits of the Combined Group

##### a. Market-leading onshore British oil and gas company with increased financial strength

The Dart Directors and IGas Directors believe the combination of IGas and Dart will create a market-leading onshore British oil and gas company. The Combined Group will have the largest area in Britain under licence of over one million net acres, including a presence in each of Britain's major shale basins.

The Combined Group will have increased financial strength, complemented by the underlying core cash flows from current production, cash balances and unused debt capacity, and a work programme for 13 licences funded by GDF and two funded by Total.

##### b. Increased scale

The Combined Group provides potential benefits from increased scale, including due to its greater and more diverse asset base, access to capital and operating capability.

The Combined Group will be significantly larger than each of Dart or IGas on a standalone basis. Also, the risks associated with standalone development of Dart's assets may be mitigated by the potential benefits of IGas' complementary and more diversified oil and gas assets.

The Combined Group will have increased operating capability, with a team of over 200 staff including subsurface, drilling, commercial and legal experts well positioned to lead the UK shale gas industry.

#### F. The Scheme provides the best value available at the current time as no Superior Proposal has been received by the Dart Board

The Dart Directors believe the Scheme provides the best value available to Dart Shareholders at the current time. The announcement of the Scheme followed considerable negotiations between Dart and IGas as to price and terms.

No Superior Proposal has been received by the Dart Board since the announcement of the Scheme on 9 May 2014.

The Dart Board is not currently aware of any alternative proposal and notes that since Dart announced the Scheme, there has been a significant period of time and ample opportunity for an alternative proposal to emerge.

#### G. Major shareholder support

Significant shareholders of Dart, holding voting rights over a total of 337,662,293 Dart Shares, representing 30.45% of the total voting rights of Dart (made up of 16.34% held by a subsidiary of New Hope Corporation Limited and 14.11% held by GEL/GPEL Limited), have indicated their intention to support the Scheme in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Dart Shareholders.

## 2.2 Reasons to vote against the Scheme Resolution

#### A. You may not want to own IGas Shares

IGas Shares may not be attractive to you for a number of reasons. These include:

- You might disagree with the value attributed to IGas Shares by the Independent Expert.
- It may be more difficult for you to trade IGas Shares on AIM than Dart Shares on ASX. For example, you may require a new broker to allow you to trade on AIM. In addition, AIM trading hours are 8.00am to 4.30pm GMT which is 6.00pm to 2.30am AEST.
- If you do not reside in the UK, it may be more difficult for you to keep abreast of news about IGas and its industry.
- Participation in any future IGas capital raisings will likely be in £ (rather than Australian dollars), requiring currency exchange and costs for non-UK shareholders.

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<sup>9</sup> Based on the closing price of IGas Shares on AIM of £1.195 and an A\$:£ exchange rate of 0.547 in each case on 17 July 2014.

- There will be risks inherent in an investment in the Combined Group and you may consider that these risks outweigh the advantages of the Scheme. **Section 6** outlines the key, but not all, risks associated with an investment in IGas and the value of its shares and other risks that Dart Shareholders should be aware of. Dart Shareholders should read **section 6** carefully in its entirety before making any decision on how to vote on the Scheme Resolution. Some of the most material key risks that may materially affect the financial performance of the Combined Group include:
  - the impact of extensive regulations and permitting requirements, and exposure to regulatory risk relating to unconventional oil and gas;
  - the volatility of oil and gas prices; and
  - the high risk nature of exploration and development projects, the results of which are inherently uncertain.

The Dart Directors believe that the advantages of the Scheme outweigh the risks and disadvantages of the Scheme, and unanimously recommend that all Dart Shareholders vote in favour of the Scheme Resolution, in the absence of a Superior Proposal.

**B. You will have smaller percentage voting interests in the Combined Group than your current percentage voting interests in Dart**

If implemented, the Scheme will result in Scheme Shareholders having smaller percentage voting interests in the Combined Group than their current percentage voting interests in Dart. Assuming there are no Ineligible Foreign Shareholders, Scheme Shareholders will, collectively, go from holding 100% of Dart Shares to holding approximately 30.7% of IGas Shares. This will give Scheme Shareholders, collectively, less influence over the future direction of Dart and its assets (which will be owned by IGas).

**C. You may consider that a Superior Proposal may emerge**

You may consider that a Superior Proposal may emerge in the future which is more attractive for Dart Shareholders than the Scheme. The implementation of the Scheme would mean that Dart Shareholders would not obtain the benefit of any such proposal.

The Dart Board is not currently aware of any such proposal and notes that since Dart announced the Scheme, there has been a significant period of time and ample opportunity for an alternative proposal to emerge.

**D. There may be unfavourable taxation consequences for you**

Depending on your taxation position, the Scheme may have unfavourable taxation consequences for you.

A general outline of the potential Australian tax implications of the Scheme for Dart Shareholders is set out in **section 8**.

## 2.3 Other considerations

**A. The value of the Scheme Consideration may fluctuate before New IGas Shares are issued under the Scheme**

The Scheme Consideration consists solely of New IGas Shares. Also, the number of New IGas Shares that Scheme Shareholders will receive as Scheme Consideration is a fixed number of IGas Shares, being 0.08117 IGas Shares for each Dart Share, rather than a number of IGas Shares with a specified market value.

As a result, the value of the Scheme Consideration will fluctuate with any movements in the trading price of IGas Shares on AIM.

The trading price of IGas Shares on AIM is subject to fluctuations due to a number of different factors, including but not limited to general economic conditions, changes in the value of underlying assets, fluctuations in domestic and international financial markets, movements in interest rates and market expectations. Any fluctuation in price will directly impact the value of the Scheme Consideration to which Scheme Shareholders will be entitled.

Further, the Australian dollar value of the Scheme Consideration will (in addition to the trading price of the IGas Shares on AIM) be dependent on the prevailing A\$:£ exchange rate.

Importantly, if the trading price of IGas Shares on AIM or the prevailing A\$:£ exchange rate falls materially, the implied value of the IGas Shares to be issued under the Scheme may fall outside the valuation range of the Independent Expert of A\$0.15 to A\$0.19 per Dart Share.

Given this, Dart Shareholders should carefully consider the then current trading price of IGas Shares on AIM, as well as the potential for that price to fall or rise before the New IGas Shares are issued under the Scheme, before deciding whether to vote in favour of the Scheme Resolution. Dart Shareholders should also read and consider the important information regarding IGas Shares set out in **section 5** and the risks associated with owning IGas Shares set out in **section 6**.

## 3 Information on Dart

This section provides information on Dart, including historical financial information.

### 3.1 Overview and history

Dart is an ASX-listed Australian public company (ASX:DTE) focused on exploration for and production of unconventional gas, including shale gas and CSG, principally in the UK. It also has a portfolio of both CSG and shale gas assets, prospects and activities in Australia and in certain other countries in Asia and Continental Europe.

As at 17 July 2014, being the last practicable date prior to the publication of this Scheme Booklet, Dart had a market capitalisation of approximately A\$183 million.

#### A. Dart's formation

Between 2006 and 2010, Arrow Energy Limited (**Arrow**), then an ASX-listed entity with substantial CSG activities in Queensland, Australia, made a number of CSG-related acquisitions throughout Asia. Arrow initially focused on applying for or acquiring interests in CSG licences in China, India, Indonesia and Vietnam with a view to replicating internationally the success Arrow had enjoyed with CSG in Queensland.

In August 2010, Arrow was acquired via a public market takeover by Shell and PetroChina for A\$3.5 billion. Immediately prior to the takeover, the international (ie non-Australian) asset portfolio of Arrow, and certain assets of Arrow in NSW, were moved into Dart which was, at that time, called Arrow Energy International Pty Limited. In July 2010, Dart was demerged from Arrow and, at the same time, changed its name to Dart Energy Limited. Dart was admitted to the ASX on 22 July 2010.

#### B. Dart's development

From July 2010 to early 2013, Dart continued to develop its international portfolio of unconventional gas assets and secured a number of additional assets in China, Indonesia and India (as well as relinquishing one licence in China and withdrawing from Vietnam), and secured a larger portfolio of CSG assets in New South Wales, Australia, primarily via the takeover of ASX-listed Apollo Gas Limited, which completed in February 2011.

In addition, a number of European assets were also added to the portfolio during this time (in the UK, Belgium, Poland and Germany) through the following transactions:

- Between September 2010 and February 2011, Dart acquired a 100% stake in Composite for a total consideration of approximately US\$53.7 million. In acquiring Composite, Dart acquired a 100% interest in PEDL 133, a 50% interest in 14 other onshore licences in the UK (the other 50% was then held by BG Group plc (**BG**)) and three licences in Poland (which have subsequently been relinquished). In December 2011, Dart and BG entered into an agreement whereby Dart acquired the remaining 50% interest held by BG in these 14 onshore licences, thereby giving Dart 100% ownership, along with an option over two of BG's licences in Germany. Dart exercised the option to acquire the two German licences from BG in May 2012 (Saxon I West and Saxon II).
- In December 2011, Dart entered into an agreement with Greenpark to acquire GP Energy, an entity holding 17 onshore licences in the UK (some of which have subsequently been relinquished), for a total consideration of approximately US\$42 million. This acquisition completed in April 2012.

#### C. Restructuring

In March 2013, Dart initiated a restructuring of its portfolio and operations, with a view to focusing its activities on those assets which offered the greatest near term opportunities to create value, being its UK assets and to rationalise Dart's international asset portfolio, offices and headcount.

The restructuring undertaken included the following key actions:

##### a. Asset sales and portfolio rationalisation

- In India and Indonesia, Dart has, during the course of 2013 and 2014, initiated a process to farm-out, divest, or otherwise exit entirely of all business and activities in both countries. Dart has agreed to transfer a 50% stake in its only licence in India, the Assam CBM Block, to Oil India Limited, its existing partner in the licence. The transfer is subject to relevant regulatory approvals and, once completed, this will substantially reduce Dart's exposure to capital commitments in India leaving it with only a 10% interest in the licence. The process in relation to Indonesia is currently still being progressed.
- In July 2013, Dart sold its interest in a part of one UK licence considered non-prospective (subsequently relinquishing the remainder of the licence) and in July and August 2013 divested its shares held in LNG Limited, an ASX-listed entity.
- In September 2013, Dart completed the sale of its Chinese Liulin CSG asset for a consideration of US\$20.2 million. In April 2014, Dart completed sale of 100% of Dart Energy (Xiushan) Pte. Ltd., a company which indirectly held an interest in Dart's shale gas PSC in China (which then remained subject to Chinese regulatory approvals), to Hong Kong Prosperous Clean Energy Company Ltd, for nominal consideration. Following these two transactions, Dart does not hold any assets in China and is in the process of closing its Chinese office.

- In September 2013, Dart entered into an option agreement to acquire an 80% interest in a UK licence, PEDL 169, which is prospective for shale gas. While no decision has been made to exercise this option, it is possible Dart may exercise this option before the Implementation Date. If the option is exercised by Dart, GDF will be entitled to exercise a separate option to acquire a 25% interest in PEDL 169 from Dart.
- In October 2013, Dart entered into an agreement to sell its interest in licence PEL 461 in NSW for an initial consideration of A\$250,000 and a potential second payment of A\$250,000. Due to outstanding conditions, this sale is yet to complete. Dart has placed its remaining seven licences in NSW on 'care and maintenance' and intends to keep these licences on such basis until the NSW regulatory regime is more conducive to unconventional gas exploration and production. In addition, Dart has a minority 20% equity investment in the Maria's Farm Veggies horticulture project in NSW and has fully written down the carrying value of this investment.
- In October 2013, Dart relinquished all licences, closed its offices and ceased all activities in Poland. Elsewhere in Continental Europe, Dart has initiated a process to farm-out or divest of its licences in Belgium and Germany by their respective expiry dates, failing which those licences will be relinquished at no cost to Dart.
- In February 2014, Dart agreed to the relinquishment of seven UK licences with DECC (PEDLs 176, 195, 196, 198, 211, EXL290 and AL010), all of which were considered non-prospective.

*b. Recapitalisation*

- In September 2013, Dart undertook a placement and rights issue on ASX, raising A\$20.7 million in aggregate.
- In December 2013, Dart repaid US\$17 million to HSBC, being all amounts owed under its facility with HSBC. At the same time, it cancelled the working capital portion of this facility and reduced the remaining reserve based lending element to US\$45 million.

*c. Farm-outs*

- In November 2013, Dart entered into the farm-out agreement with GDF in respect of 13 licences in the Bowland basin in the UK. Under the terms of the agreement, GDF will earn a 25% working interest in each of these licences and Dart received an initial cash consideration of US\$12.3 million. GDF will fully carry Dart 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, Dart (along with other partners, including IGas) entered into the farm-out agreement with Total in respect of two licences in the Bowland basin in the UK. 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 will include 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, Dart 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.

*d. Operational restructuring*

Over the course of 2013 and 2014, a significant operational restructuring is being undertaken to better align the assets and operations of Dart to its revised, predominantly UK focused strategy. As part of this reorganisation, Dart closed its offices in Poland, significantly downsized its offices in Singapore, Australia and Indonesia, and is in the process of closing its offices in China. Global staff numbers were reduced from a peak of approximately 190 to 64 (including full time consultants) as at 31 December 2013, with an intention to further reduce these numbers as operations are scaled back in Asia.

*e. Dual-listing on AIM*

As a final step in the restructuring process, Dart was seeking admission to the AIM, reflecting the increasingly UK focused business and operations of Dart and had made necessary submissions to the AIM with a target listing date of 12 May 2014. The intention was for Dart's shares to continue to be listed and traded on the ASX. Dart abandoned this intended dual-listing on AIM on 9 May 2014 upon the announcement of the Scheme.

## 3.2 Dart's current operations

### A. Overview

Dart's primary focus is on its UK business and assets which comprise 24 licences considered prospective for shale gas and/or CSG and which have sizeable independently assessed shale gas and CSG resources and reserves. Dart also has an option over an 80% interest in one additional UK licence which is considered prospective for shale gas. While no decision has been made to exercise this option, it is possible Dart may exercise this option before the Implementation Date.

As noted in **section 3.1C(c)**, Dart has, to date, 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.) and Total E&P UK Limited (a wholly-owned subsidiary of Total S.A.), 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.

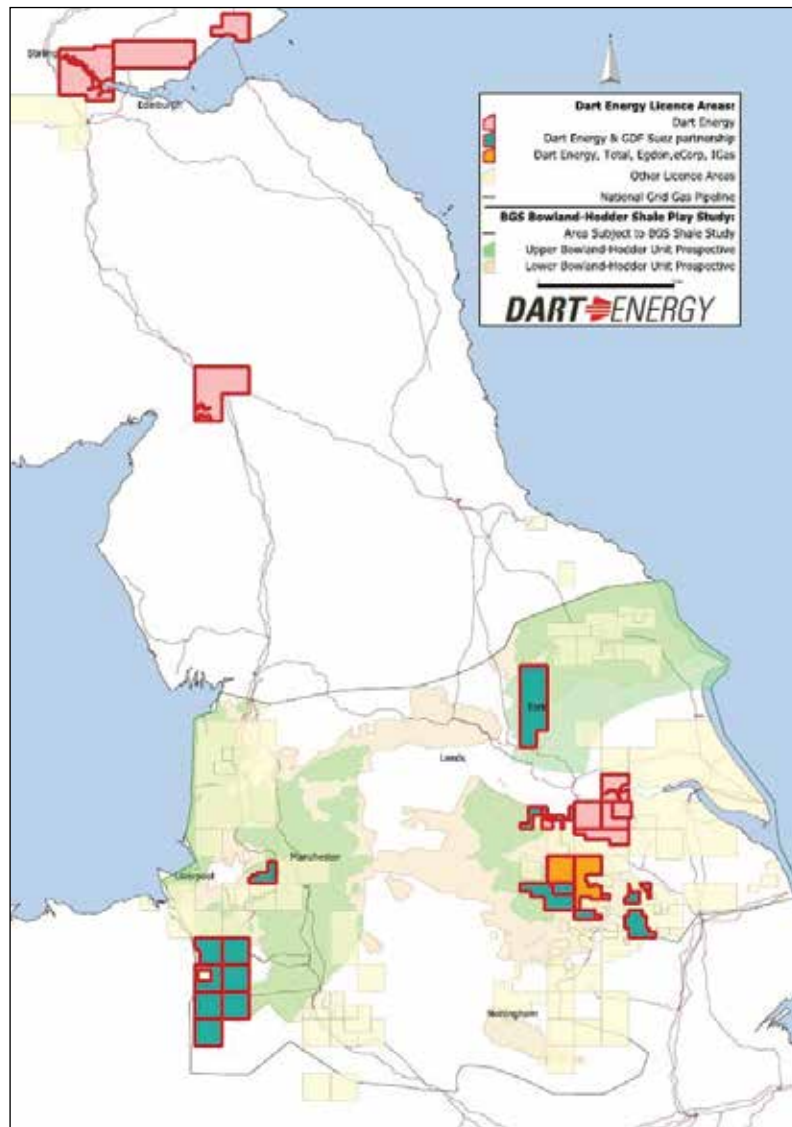
### 3 Information on Dart

Continued

In addition, Dart's flagship Airth CSG project at PEDL 133 in Scotland is development-ready, subject to the outcome of an ongoing planning appeal. In August 2012, Dart applied for planning approval to facilitate further development and commercialisation of the Airth CSG Project 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.

A map of Dart's UK licences is set out below.



Dart's current non-UK assets comprise seven licences in Australia, two in Germany, one in Belgium, four in Indonesia and one in India, all of which are not considered core to Dart's current strategy.

### 3 Information on Dart Continued

#### B. List of assets

Dart's assets are summarised below:

Licence/contract	Interest (%)	Phase	Operator	Anticipated expiry date	Area (gross km <sup>2</sup> )	Unconventional gas type
<b>UK</b> <sup>[a],[c]</sup>						
PEDL 133 CSG	100	Development	Dart	30 June 2035	330	CSG
PEDL 133 Black Metal shale	100	Development	Dart	30 June 2035	[b]	Shale
PEDL 133 Lothian (Broxburn shale)	49	Development	Dart	30 June 2035	[b]	Shale
PEDL 159	100	Development	Dart	30 September 2035	295	CSG
PEDLs 161/163	100	Exploration	Dart	30 June 2039	397	CSG
PEDL 012	75	Development	Dart	3 April 2027	33	CSG/Shale
PEDL 139	17.5	Development	IGas	30 September 2037	100	CSG/Shale
PEDL 140	17.5	Development	IGas	30 September 2037	142	CSG/Shale
PEDL 146	75	Development	Dart	30 September 2035	276	CSG
PEDL 147	75	Development	Dart	30 September 2035	89	CSG/Shale
PEDLs 173/174/178/ 179	100	Exploration	Dart	30 June 2039	341	CSG/Oil
PEDLs 185/188/189	75	Exploration	Dart	30 June 2039	400	CSG/Shale
PEDLs 186/187	75	Exploration	Dart	30 June 2039	180	CSG/Shale
PEDLs 200/207/210	75	Exploration	Dart	30 June 2039	258	CSG/Shale
EXL 273	75	Development	Dart	29 October 2025	48	CSG
EXL 288	75	Development	Dart	30 September 2024	75	CSG/Shale
PL 162-1	100	Development	Dart	1 June 2017	42	CSG
<b>Australia</b> <sup>[c]</sup>						
PEL 445	100	Exploration	Dart	18 March 2019	5,868	CSG
PEL 456	50 <sup>[d]</sup>	Exploration	Santos	5 March 2018	5,023	CSG
PEL 458	100	Exploration	Dart	6 June 2016	2,003	CSG
PEL 459	100	Exploration	Dart	8 July 2015	5,560	CSG
PEL 460	100	Exploration	Dart	8 July 2015	3,533	CSG
PEL 463	100	Exploration	Dart	22 October 2015	1,897	CSG
PEL 464	100	Exploration	Dart	22 October 2015	738	CSG
<b>Belgium</b>						
Limburg	80	Exploration	Dart	19 April 2019	363	CSG
<b>Germany</b>						
Saxon I West	100	Exploration	Dart	11 March 2059	1,510	CSG/Shale
Saxon II	100	Exploration	Dart	30 October 2058	391	CSG/Shale
<b>India</b>						
Assam	60	Exploration	Dart	27 April 2047	113	CSG
<b>Indonesia</b>						
Bontang Bengalon	100	Exploration	Dart	9 October 2042	411	CSG
Tanjung Enim PSC	45	Exploration	Dart	4 August 2039	308	CSG
Muralim PSC	50	Exploration	Dart	3 September 2040	983	CSG
Sangatta West PSC	24	Exploration and appraisal	Dart / Ephindo	12 November 2038	1,168	CSG

Source: NSAI CPR, Dart

### 3 Information on Dart

#### Continued

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Notes:

- a. Dart also has an option, which expires on 30 June 2016, to farm-in to an 80% interest in the shale horizon of a further licence (PEDL 169). While no decision has been made to exercise this option, it is possible Dart may exercise this option before the Implementation Date. If the option is exercised by Dart, GDF will be entitled to exercise a separate option to acquire a 25% interest in PEDL 169 from Dart.
- b. Included in acreage for CSG horizon.
- c. Excludes seven licences in the UK (PEDLs 176, 195, 196, 198, 211, EXL 290 and AL010) which have been relinquished, or are currently in the process of being relinquished, and one licence in Australia (PEL 461) for which Dart entered into an agreement to sell in October 2013 but which remains subject to outstanding conditions.
- d. Dart's interest in PEL 456 is currently 85% although Dart's farm-in partner has elected to earn a 35% interest which, once completed under the terms of the farm-in agreement, will reduce Dart's interest to 50%.

#### C. Reserves and resources

##### a. Background

Dart engaged NSAI to independently assess and certify resources and reserves across Dart's assets in the UK and Australia as of 28 February 2014. Reserves and resources included in this section are extracted from the NSAI CPR which is available on Dart's website ([www.dartgas.com](http://www.dartgas.com)). The NSAI CPR has been prepared in accordance with SPE-PRMS, the 2007 Petroleum Resources Management System (PRMS) prepared by the Oil and Gas Reserves Committee of the Society of Petroleum Engineers (SPE). NSAI's assessment of the resources and reserves is based on comprehensive technical information provided by the Company to NSAI.

The reserves set out in this section have been classified as reserves based on Dart's declared intent to develop the relevant projects, and are based on certain gas price assumptions and thus can vary with changes in price. The 2P reserves include Proved and Probable reserves estimates, and 3P reserves include Proved, Probable and Possible reserves estimates. The estimates of reserves set out in this section have not been adjusted for risk.

The contingent resources set out in this section have been estimated using deterministic methods. Once all contingencies have been successfully addressed, the approximate probability that the quantities of contingent resources actually recovered will actually equal or exceed the estimated amounts is generally inferred to be 90% for the low estimate, 50% for the best estimate and 10% for the high estimate, referred to as 1C, 2C and 3C respectively. The estimates of contingent resources set out in this section have not been adjusted for risk.

The prospective resources in this section are those quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects and are highly speculative estimates beyond reserves and contingent resources where geological and geophysical data suggests the potential for discovery of hydrocarbons but where the level of proof is insufficient for classification as reserves or contingent resources. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons. The prospective resources have been estimated using deterministic methods and are dependent upon discoveries being made. If a discovery is made and a development is undertaken, the approximate probability that the recoverable volumes will equal or exceed the estimated amounts is generally inferred to be 90% for the low estimate, 50% for the best estimate and 10% for the high estimate. The estimates of prospective resources in this section have not been adjusted for risk.

##### b. UK shale net resource estimates

The Bowland basin in the UK is a shale basin in respect of which the British Geological Society, in association with DECC, undertook a study in June 2013 and estimated a shale gas resource at 1,329 tcf (best estimate). By comparison, the UK consumes approximately 2.5 tcf of gas annually.

Within Dart's UK portfolio, several licences in the Bowland basin are considered prospective for shale gas. In addition, one licence in Scotland is also considered prospective for shale gas.

A summary of Dart's shale gas resources in the UK as certified by NSAI as at 28 February 2014 is set out as follows:

### 3 Information on Dart Continued

Licence/contract	Region	Interest (%)	Area (gross km <sup>2</sup> )	OGIP, Gross (best) (Bcf)	OGIP, Net (best) (Bcf)	Prospective Resources (best) (Bcf)
PEDLs 147/186/187	Chester Basin	75	269	19,277	14,458	-
PEDLs 185/188/189	Chester Basin	75	400	11,273	8,455	-
EXL 288	East Midlands	75	75	4,016	3,012	-
PEDL 012	East Midlands	75	33	6,426	4,819	-
PEDLs 200/207/210	East Midlands	75	258	19,036	14,278	-
PEDLs 139/140	Gainsborough Trough	17.5	242	18,073	3,162	-
PEDL 133 (Black Metal Shale)	Scottish Midlands	100		795	795	116
PEDL 133 (Broxburn shale)	Valley	49	330	3,577	1,753	255
<b>Total</b>				<b>82,473</b>	<b>50,731</b>	<b>371</b>

Source: NSAI CPR, Dart

Note: Net prospective resources are those attributable to Dart after the deductions, which vary by project, for shrinkage due to estimated system use gas.

#### c. UK and Australia CSG net resources and reserves estimates

In addition, Dart has CSG resources and reserves in the UK and Australia. A summary of Dart's CSG resources as certified by NSAI as at 28 February 2014 and Dart's CSG reserves as certified by NSAI as at 2 July 2014 are set out as follows, reflecting Dart's net economic interest in the relevant licences:

Licence	Interest (%)	Area (gross km²)	Undiscovered	Prospective	Discovered	Contingent Resources <sup>(c)</sup>			Reserves <sup>(c)</sup>	
			OGIP, Net (best) (Bcf)	Resources <sup>(c)</sup> (best) (Bcf)	OGIP, Net (best) (Bcf)	1C (Bcf)	2C (Bcf)	3C (Bcf)	2P (Bcf)	3P (Bcf)
UK										
PEDL 133	100	330	-	-	1,231	192	743	1,544	38.4	75.8
PEDL 161 <sup>[c]</sup>	100	101	-	-	33	0	10	44	-	-
PEDL 163 <sup>[c]</sup>	100	296	-	-	107	1	31	140	-	-
PEDL 159	100	295	66	35	222	54	119	189	-	48.24
PEDL 012	75	33	-	-	19	5	10	19	-	-
PEDL 139	17.5	100	-	-	11	3	6	10	-	-
PEDL 140	17.5	142	-	-	52	12	28	49	-	-
PEDL 146	75	276	-	-	376	80	201	334	-	-
PL 162-1	100	42	-	-	13	3	7	12	-	-
PEDL 173	100	86	-	-	336	7	98	334	-	-
PEDL 174	100	100	-	-	433	9	126	436	-	-
PEDL 178	100	64	-	-	250	6	73	249	-	-
PEDL 179	100	91	53	15	295	7	86	293	-	-
PEDL 200	75	114	-	-	269	5	91	305	-	-
PEDL 207	75	28	-	-	72	1	24	81	-	-
PEDL 210	75	116	88	47	278	40	148	362	-	-
EXL 288	75	75	-	-	13	3	7	12	-	-
PEDL 147	75	89	-	-	265	70	141	217	-	-
PEDL 185	75	200	160	85	568	94	303	649	-	-
PEDL 188	75	100	-	-	370	62	197	418	-	-
PEDL 189	75	100	-	-	427	72	228	479	-	-
PEDL 186	75	100	-	-	351	98	188	274	-	-
PEDL 187	75	80	-	-	219	61	117	171	-	-
EXL 273	75	48	-	-	14	4	7	11	-	-
Total UK <sup>[a]</sup>		3,006	367	183	6,225	890	2,988	6,634	38.4	124.0

### 3 Information on Dart Continued

Licence	Interest (%)	Area (gross km <sup>2</sup> )	Undiscovered OGIP, Net (best) (Bcf)	Prospective Resources <sup>(c)</sup> (best) (Bcf)	Discovered OGIP, Net (best) (Bcf)	Contingent Resources <sup>(c)</sup>			Reserves <sup>(c)</sup>	
						1C (Bcf)	2C (Bcf)	3C (Bcf)	2P (Bcf)	3P (Bcf)
Australia										
PEL 445	100	5,868	-	-	986	146	453	1,466	-	-
PEL 456	50	5,023	-	-	4,587	518	1,266	2,975	-	-
PEL 458	100	2,003	-	-	778	87	286	632	-	-
PEL 459	100	5,560	98	32	-	-	-	-	-	-
PEL 460	100	3,533	1,827	672	-	-	-	-	-	-
PEL 463	100	1,897	423	156	-	-	-	-	-	-
PEL 464	100	738	33	11	-	-	-	-	-	-
Total Australia <sup>[a]</sup>		24,622	2,380	870	6,350	752	2,006	5,073	-	-
Grand Total <sup>[a]</sup>		27,628	2,747	1,053	12,575	1,641	4,994	11,707	38.4	124.0

Sources: Reserves only – NSAI report contained in appendix F of the Independent Expert's Report Balance – NSAI CPR, Dart

Notes:

- Numbers in this table have been rounded and small rounding differences may have occurred.
- Dart's interest in PEL 456 is currently 85% although Dart's farm-in partner has elected to earn a 35% interest which, once completed under the terms of the farm-in agreement, will reduce Dart's interest to 50%.
- Net resources and reserves are those attributable to Dart after the deductions, which vary by project, for shrinkage due to estimated system use gas.
- Dart is in the process of relinquishing PEDL 161 and the majority of PEDL 163, although the timing of the relinquishments is uncertain.

Dart also has an independently certified gross oil prospective resource (best estimate) of 698 Mbbbl at PEDL 178 in the UK (source: NSAI CPR) and the Dart Directors consider that there is potential for oil and/or gas contained within tight sands across PEDLs 173, 174, 178 and 179 in the UK.

Although Dart has independently assessed reserves and resources at certain of its licences in Indonesia, India, Germany and Belgium, they have not been included in the table above as they are not considered material.

### 3.3 Who are the Dart Directors?

The Dart Directors as at the date of this Scheme Booklet are set out below:

- Robert Neale, Non-Executive Chairman;
- John McGoldrick, Chief Executive Officer and Managing Director;
- Shaun Scott, Non-Executive Director; and
- Stephen Lonie, Non-Executive Director.

If the Scheme is implemented, it is proposed that Robert Neale will be appointed to the IGas Board while all other Dart Directors will resign and be replaced by IGas nominees. See **section 7.6** for further information on the current and proposed directors of the Combined Group.

Further information about the Dart Directors is included on Dart's website ([www.dartgas.com](http://www.dartgas.com)) and in the 2013 Annual Report (accessible from Dart's website).

### 3.4 Who are the key members of Dart management?

In addition to John McGoldrick, Dart's other key managers are Eytan Uliel (Chief Financial Officer) and Justin Walta (Chief Operating Officer). Further information about the Dart management team is included on Dart's website ([www.dartgas.com](http://www.dartgas.com)) and in the 2013 Annual Report (accessible from Dart's website).

### 3.5 Capital structure and ownership

As at 17 July 2014, being the last practicable date prior to the publication of this Scheme Booklet, there were a total of 1,108,752,733 Dart Shares on issue held by 12,869 Dart Shareholders. There were also 57,168,071 Dart Options in issue.<sup>10</sup>

As at 17 July 2014, the top 20 Dart Shareholders held approximately 65.10% of all issued Dart Shares.

Apart from Dart Shares and Dart Options, Dart does not have any other type of securities on issue.

<sup>10</sup> 6,035,000 of these Dart Options are due to expire on 31 July 2014 unless exercised before that date.

#### A. Substantial holders

As at 17 July 2014, being the last practicable date prior to the publication of this Scheme Booklet, Dart's substantial holders (excluding nominee holders) were:

Name	Number of Dart Shares held	% of Dart Shares
New Hope Corporation Limited	181,217,015	16.34%
GEL/GPEL Ltd	156,445,278	14.11%

#### B. Interests of Dart Directors in Dart Shares and Dart Options

As at 17 July 2014, being the last practicable date prior to the publication of this Scheme Booklet, the Dart Directors held the following interests in Dart Shares:

Name	Number of Dart Shares held	% of Dart Shares	Details of Dart Options held
Robert Neale	16,365	0.0015%	Nil
Shaun Scott	1,307,342	0.1179%	Nil
Stephen Lonie	650,000	0.0586%	Nil
John McGoldrick	Nil	0%	4,750,000

#### C. Interests of Dart Directors in IGas Shares

As at 17 July 2014, being the last practicable date prior to the publication of this Scheme Booklet, no Dart Director held any interests in IGas Shares.

#### D. Dart's interests in IGas Shares

As at 17 July 2014, being the last practicable date prior to the publication of this Scheme Booklet, Dart held no interest in any IGas Shares.

#### E. Details of Dart Options

As at 17 July 2014, being the last practicable date prior to the publication of this Scheme Booklet, there were 57,168,071 Dart Options in issue as follows.

Description	Number	Exercise price	Expiry date
Unlisted Executive options	6,035,000	\$0.98625	31/07/2014
Unlisted Executive options	1,775,000	\$0.98	31/07/2015
Unlisted Executive options	175,000	\$1.15	31/07/2015
Unlisted A-Class options	9,462,500	\$0.40	15/12/2014
Unlisted B-Class options	18,375,000	\$0.40	15/12/2014
Unlisted C-Class options	2,137,500	\$0.40	15/12/2014
Unlisted D-Class options	1,147,500	\$0.40	15/12/2014
Unlisted E-Class options	765,000	\$0.40	15/12/2014
Unlisted F-Class options	412,500	\$0.40	15/12/2014
Unlisted G-Class options	131,250	\$0.7879	10/08/2015
Unlisted H-Class options	78,750	\$0.7879	10/08/2015
Unlisted I-Class options	52,500	\$0.7879	10/08/2015
Unlisted J-Class options	620,571	\$0.01	15/12/2014
Unlisted Employee options	8,000,000	\$0.13	30/6/2019
Unlisted Employee options	8,000,000	\$0.14	30/6/2020

### 3.6 Historical financial information

This section sets out summary historical financial information in relation to Dart. This information has been extracted from Dart's interim report for the half-year ended 31 December 2013 and its audited financial statements for the 2013 and 2012 financial years and does not take into account the effects of the Scheme. Pro forma historical financial information for the Combined Group is set out in **section 7.11** which includes additional financial information of Dart to 31 March 2014 (prepared on the basis set out in that section).

You can obtain a copy of Dart's interim report for the half-year ended 31 December 2013, as well as Dart's annual reports which contain the complete audited financial information for the 2013 and 2012 financial years, from Dart's website ([www.dartgas.com](http://www.dartgas.com)). Shareholders without internet access can obtain copies of these reports by contacting Dart.

### 3 Information on Dart

Continued

All amounts disclosed are presented in Australian dollars and rounded to the nearest thousand dollars, except earnings per share which are disclosed in cents.

#### A. Dart's consolidated income statements

Financial period / Year ended	HY14 \$'000	FY13 \$'000	FY12 \$'000
Revenue	-	-	-
Realised gains/(losses) on financial assets at fair value through profit and loss	1,097	-	-
Unrealised gains/(losses) on financial assets at fair value through profit and loss	-	(3,136)	2,092
Expenses	(33,783)	(132,906)	(145,321)
<b>Loss before income tax</b>	<b>(32,686)</b>	<b>(136,042)</b>	<b>(143,229)</b>
Income tax benefit	2,235	3,154	4,539
<b>Loss after tax</b>	<b>(30,451)</b>	<b>(132,888)</b>	<b>(138,690)</b>
Other comprehensive income	3,020	8,478	6,060
<b>Total comprehensive loss for the year</b>	<b>(27,431)</b>	<b>(124,410)</b>	<b>(132,630)</b>
Basic loss per share (cents per share)	(3.0)	(15.8)	(18.8)
Diluted loss per share (cents per share)	(3.0)	(15.8)	(18.8)

#### B. Dart's consolidated balance sheets

Financial period / Year ended	HY14 \$'000	FY13 \$'000	FY12 \$'000
Cash and equivalents	32,625	9,377	64,069
Trade and other receivables	19,485	23,843	24,737
Financial assets	-	1,744	4,880
Assets classified as held-for-sale	-	28,214	-
Other current assets	2,194	1,940	2,033
Investments accounted for using the equity method	-	5,200	5,200
Exploration and Evaluation	195,271	217,526	291,879
Goodwill	11,440	16,832	22,267
Property, Plant & Equipment	808	1,328	1,800
<b>Total assets</b>	<b>261,823</b>	<b>306,004</b>	<b>416,865</b>
Trade and other payables	6,166	11,338	25,480
Liabilities directly associated with assets classified as held-for-sale	-	10,500	-
Borrowings	74	18,410	-
Provisions	11,372	10,425	9,450
Deferred consideration	13,488	14,755	36,557
Deferred tax liabilities	11,410	16,806	18,321
<b>Total liabilities</b>	<b>42,510</b>	<b>82,234</b>	<b>89,808</b>
Net assets	219,313	223,770	327,057
Contributed equity	429,549	408,897	388,723
Retained earnings	(210,236)	(185,127)	(61,666)
<b>Total equity</b>	<b>219,313</b>	<b>223,770</b>	<b>327,057</b>

#### C. Dart's consolidated statement of cash flows

Financial period / Year ended	HY14	FY13	FY12
	\$'000	\$'000	\$'000
Net cash used in operating activities	(5,263)	(14,948)	(19,309)
Net cash provided by / (used in) investing activities	27,521	(39,893)	(53,065)
Net cash provided by financing activities	1,080	(296)	1,956
<b>Cash and cash equivalents at the end of the year</b>	<b>32,625</b>	<b>10,155</b>	<b>64,069</b>

#### 3.7 Dart's group structure

The Dart group comprises the following undertakings, all of which are, directly or indirectly, held by Dart.

Name	Principal activities	Country of Incorporation (Principal place of business, if different)	Proportion of ownership interest (%)	Proportion of voting power held (%)
Held directly				
Apollo Gas Limited	Investment holding	Australia	100	100
Dart Energy (Bruxner) Pty Ltd	Investment holding	Australia	100	100
Dart Energy (China) Pty Ltd	Dormant	Australia	100	100
Dart Energy International Limited	Investment holding	Singapore	100	100
Dart Energy (Overseas) Pty Ltd	Dormant	Australia	100	100
Dart Energy SPV No. 1 Pty Ltd	Dormant	Australia	100	100
Dart Energy SPV No. 2 Pty Ltd	Dormant	Australia	100	100
Held indirectly				
Chelm LLP	Exploration, development and production of CSG	England (Poland)	100	100
Dart Energy (AS) Pte. Ltd.	Investment holding	Singapore (India)	100	100
Dart Energy Asia Holdings Pte. Ltd.	Investment holding	Singapore	100	100
Dart Energy (Bontang Bengalton) Pte. Ltd.	Investment holding	Singapore (Indonesia)	100	100
Dart Energy (Carbon Storage) Limited	Development of CSG	Scotland	100	100
Dart Energy (CBM Power Indonesia) Pte. Ltd.	Investment holding	Indonesia	100	100
Dart Energy (China) Holdings Pte. Ltd.	Investment holding	Singapore (China)	100	100
Dart Energy (CIL) Pte Ltd.	Investment holding	Singapore	100	100
Dart Energy (Dajing) Pte Ltd.	Investment holding	Singapore (China)	100	100
Dart Energy (East England) Limited	Exploration, development and production of hydrocarbons	England	100	100
Dart Energy (Europe) Limited	Investment holding	Scotland	100	100
Dart Energy (Europe) Pte. Ltd.	Investment holding	Singapore (UK)	100	100
Dart Energy (Forth Valley) Limited	Exploration, development and production of hydrocarbons	Scotland	100 <sup>(a)</sup>	100
Dart Energy Global CBM Pty Ltd.	Dormant	Australia	100	100
Dart Energy (Hanoi Basin CBM) Pte. Ltd.	Investment holding	Singapore (Vietnam)	100	100
Dart Energy (India CMM) Pte Ltd.	Investment holding	Singapore (India)	100	100
Dart Energy (India) Holdings Pte. Ltd.	Investment holding	Singapore (India)	100	100
Dart Energy (India) Pte. Ltd.	Investment holding	Singapore (India)	100	100
Dart Energy (India) Pty Ltd.	Investment holding	Australia (India)	100	100

### 3 Information on Dart Continued

Name	Principal activities	Country of Incorporation (Principal place of business, if different)	Proportion of ownership interest (%)	Proportion of voting power held (%)
Dart Energy India Services Private Ltd.	Service Company	India	100	100
Dart Energy (Indonesia) Holdings Pte. Ltd.	Investment holding	Singapore (Indonesia)	100	100
Dart Energy (Lothian) Limited	Investment holding	Scotland (Poland)	100	100
Dart Energy (Muralim) Pte. Ltd.	Investment holding	Singapore (Indonesia)	100	100
Dart Energy (MG) Pte. Ltd.	Investment holding	Singapore (India)	100	100
Dart Energy Poland Sp. Z.o.o	Exploration of natural gas	Poland	100	100
Dart Energy (Sangatta West) Pte. Ltd.	Investment holding	Singapore (Indonesia)	100	100
Dart Energy (ST) Pte. Ltd.	Investment holding	Singapore (India)	100	100
Dart Energy (Tanjung Enim) Pte. Ltd.	Investment holding	Singapore (Indonesia)	100	100
Dart Energy Technology (Beijing) Company Limited	Service company	China	100	100
Dart Energy (Vietnam) Holdings Pte. Ltd.	Investment holding	Singapore (Vietnam)	100	100
Dart Energy (West England) Limited	Exploration, development and production of hydrocarbons	England	100	100
GP Energy Limited	Investment holding	England	100	100
Greenpark Energy Transportation Limited	Dormant	England	100	100
Macquarie Energy Pty Ltd.	Investment holding	Australia	100	100
Milejow LLP	Dormant	England (Poland)	100	100
NV Limburg Gas	Exploration, development and production of CSG	Belgium	80	80
PT Coal Bed Methane Power Indonesia	Investment holding	Indonesia	95	100
PT Dart Energy Indonesia	Service company	Indonesia	95	100
Sangatta West CBM Inc.	Investment holding BVI	British Virgin Islands (Indonesia)	49.99	49.99
Werbkowice LLP	Dormant	England (Poland)	100	100

Notes:

- a. Under a Scottish law share pledge dated 6 October 2012 granted by Dart Energy (Europe) Limited in favour of HSBC, the Hong Kong and Shanghai Banking Corporation Limited is the registered owner of the issued share capital of Dart Energy (Forth Valley) Limited.

### 3.8 Material changes to Dart's financial position

The financial position of Dart has not, within the knowledge of the Dart Directors, materially changed since 31 December 2013.

### 3.9 Further information

Dart is subject to regular reporting and disclosure obligations under the Listing Rules and as a 'disclosing entity' under the Corporations Act. These require Dart to announce information that would have a material effect on the price of Dart Shares as soon as it becomes aware of the information, subject to exceptions for certain confidential information.

Dart's recent announcements are available from its website ([www.dartgas.com](http://www.dartgas.com)) or from the ASX website ([www.asx.com.au](http://www.asx.com.au)). Dart will continue to make public announcements as required on these websites after the date of this Scheme Booklet.

Dart is required to prepare and lodge with ASIC and ASX both annual and half year financial statements accompanied by a statement and report from Dart's Directors and an audit or review report. Dart also lodges quarterly activity reports with ASX.

Copies of these and other documents lodged with ASIC and ASX may be obtained from or inspected at an ASIC office and are accessible from the ASX website ([www.asx.com.au](http://www.asx.com.au)). Copies of these documents will also be made available to Dart Shareholders free of charge on request at any time before the Scheme Meeting by contacting the Registry.

This section provides information on IGas, including historical financial information.

### 4.1 Who is IGas?

IGas is an independent energy company listed on AIM.

IGas is engaged in the exploration, development and production of crude oil and natural gas. Its fields and reserves are located in onshore Britain covering the UK's Weald Basin, the East Midlands, North West England and Northern Scotland.

IGas possesses a portfolio of assets categorised as either conventional or unconventional, ranging from mature discoveries made more than 50 years ago to unconventional resources including shale gas and CSG which have only recently become potentially recoverable as a result of technical advances in oil field practices.

IGas' production activities produce approximately 1.0mm barrels of oil and gas equivalent per year from over 100 sites across the UK.

IGas' exploration and development activities include operation of the UK's only currently producing CSG pilot site at Warrington in the north west of England, and the appraisal and exploration of its North West England and East Midlands acreage for shale and CSG potential.

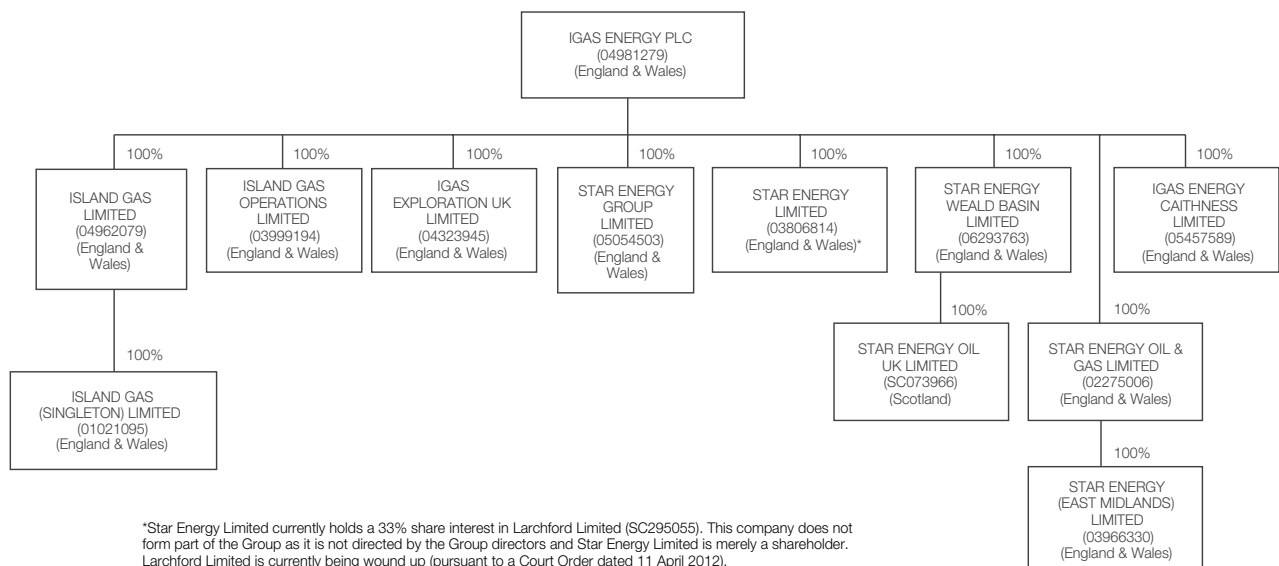
IGas' assets are predominantly 100% owned and operated by IGas.

IGas is registered and domiciled in England and Wales, having been incorporated on 1 December 2003 under the Companies Act as a public company limited by shares with registered number 04981279. The principal legislation under which IGas operates is the Companies Act and regulations made under it.

### 4.2 IGas' ownership and group structure

IGas is a holding company and directly or indirectly owns all of the subsidiaries in the IGas Group. Information about IGas' capital structure and ownership is set out in **section 4.7**.

The IGas Group structure is as set out below:



### 4.3 IGas' operations

#### A. Background and overview

IGas was incorporated on 1 December 2003.

Island Gas Limited, a wholly owned subsidiary of IGas, historically had varying ownership interests in various PEDLs and offshore blocks held under a seaward petroleum productions licence in the UK.<sup>11</sup> Island Gas Limited's former joint venture partner, Nexen Exploration UK Limited, held the balance of the ownership interests in these PEDLs until IGas acquired the entire issued share capital of Nexen Exploration UK Limited in early March 2011.

<sup>11</sup> This licence has since been relinquished.

4 Information on IGas  
Continued

IGas acquired Star Energy Group Limited in December 2011. IGas acquired Island Gas (Singleton) Limited (formerly P.R. Singleton Limited) in February 2013 and IGas Energy (Caithness) Limited (formerly Caithness Oil Limited) in December 2013. IGas’ exploration, drilling and production of oil and gas operations are carried out by Island Gas Limited, IGas Exploration UK Limited, Island Gas (Singleton) Limited and IGas Energy (Caithness) Limited. Island Gas Operations Limited purchases gas from Island Gas Limited and uses its own generator to turn this gas into electricity for sale to third parties. Star Energy Group Limited, Star Energy Oil & Gas Limited and Star Energy Limited provide management services to its subsidiaries. Star Energy Weald Basin Limited acts as an agent and sells oil on behalf of third parties and other IGas Group companies. Star Energy (East Midlands) Limited is dormant and does not provide any intragroup services. IGas provides the IGas Group with its overall head office function.

B. Overview of IGas’ assets

- a. Map of IGas’ UK licences
- A map of IGas’ UK licences is set out below.



- b. Overview of IGas’ conventional assets
- IGas explores and develops gas and oil reserves at onshore locations in the East Midlands, the Weald Basin in southern England, the north west of England and the northern coastal area of the Inner Moray Firth in Scotland.
- c. The East Midlands
- The East Midlands area is comprised of two primary production centres: Welton and Gainsborough.

The Welton area is made up of six fields and a gathering centre where produced oil, gas and water are separated. The produced oil is typically transported to Conoco Immingham via road tanker. Gas is used for power generation and exported to the UK National Grid and produced water is pumped for reinjection.

*d. Weald Basin*

There are 11 fields ranging from Stockbridge, near Winchester, in the west to Palmers Wood near Gatwick in the east and now includes the Singleton field. The area has produced more than 29 million barrels of oil to date.

Oil is collected by tanker from IGas' sites and transported to IGas' processing facilities at Holybourne. Here IGas has storage for more than 20,000 barrels and a rail terminal allowing IGas to transport its products to local refineries by train. IGas also handles oil on behalf of other operators in the area, providing IGas with an additional revenue stream.

*e. North West England*

In North West England, IGas has seven onshore licences, located in the counties of Cheshire, Flintshire and Staffordshire, that contain the Carboniferous Coal Measures and Bowland-Hodder shales. The total area under licence in this region is 1,020km<sup>2</sup> (approximately 252,000 acres), where IGas owns a 100% working interest in all licences.

*f. Caithness, Scotland*

In September 2013, IGas acquired Caithness Petroleum Limited, a privately-owned British independent oil and gas exploration and production company. IGas currently produces around 100 bopd from a single well.

### C. IGas' conventional reserves and resources

IGas appointed Senergy as a competent person to independently evaluate and report on the recoverable hydrocarbons in respect of the interests IGas holds in its onshore UK conventional oil and gas producing assets, including interests that were acquired by IGas in 2013. Senergy evaluated IGas' conventional reserves and resources as at 1 January 2014 and published its report on 18 June 2014 (**Senergy 2014 CPR**). A copy of the Senergy 2014 CPR is available on IGas' website at [www.igasplc.com/investors/igas-proposed-acquisition-of-dart](http://www.igasplc.com/investors/igas-proposed-acquisition-of-dart).

The assets evaluated comprise producing and non-producing fields. IGas holds a working interest in most licenses of 100% and has operatorship of all licences (for a full list of IGas' licence interests, see **section 4.3E**). IGas also owns CSG and shale gas assets in UK licences which were not included as part of the Senergy 2014 CPR but are discussed in **section 4.3D**.

The volumes reported in the summary tables below are those attributable to the production share of IGas in the relevant licences as at 1 January 2014. Where appropriate, gas resources have been converted to an oil equivalent using 5.8Mscf = 1 boe.

The assets reviewed in the Senergy 2014 CPR comprise 25 producing oil and gas fields in the Weald Basin, the East Midlands area and 2013 additions in the Weald Basin and Northeast Scotland. A further two non-producing fields in the Weald Basin are included.

The East Midlands area stretches from the East Midlands Shelf to the Gainsborough Trough and the Widmerpool Gulf. The reservoirs are found within the upper and Basal successions of the Carboniferous era with Westphalian and Namurian sandstones being the main reservoir horizons.

The Weald Basin is located onshore in southern England, north of the Isle of Wight. The earliest phase of oil migration occurred towards the end of the Lower Cretaceous and the reservoirs are sealed by the Purbeck anhydrite, the Kimmeridge Clay and Oxford Clay (in respect of the Portland Beds), and the Corallian and Great Oolite reservoirs, respectively. The Great Oolite interval is by far the dominant reservoir in the Weald Basin. All producing fields are mature producing assets and may have a water cut of 50% or more.

## 4 Information on IGas

### Continued

Asset	Resources Net to IGas <sup>1</sup>	
	Proved plus Probable (2P) Reserves	2C <sup>2</sup> Contingent Resources
<b>Volume Oil (MMstb)</b>		
UK producing assets	12.48	9.42
<b>Total Oil (MMstb)</b>	<b>12.48</b>	<b>9.42</b>
<b>Volume Gas (Bscf)<sup>3</sup></b>		
Gainsborough/Beckingham	2.63	N/A
Albury	2.64	N/A
Godley Bridge	0.00	5.60
Singleton	0.65	N/A
<b>Total Gas (Bscf)</b>	<b>5.92</b>	<b>5.60</b>
<b>Total Hydrocarbons (MMboe)</b>	<b>13.50</b>	<b>10.38</b>

Notes:

- <sup>1</sup> The proportion of gross commercial reserves, resources or value for the attributable interests of IGas.
- <sup>2</sup> In a resource size distribution this is the base case or P50 (50% probability) or mean volume.
- <sup>3</sup> Commercial gas reserves are calculated on the basis of the gas being used as fuel to generate electricity, and this electricity being sold in the market.

Asset	Reserves Net to IGas		
	Proved (1P)	Proved plus Probable (2P)	Proved plus Probable plus Possible (3P)
<b>Volume Oil (MMstb)</b>			
UK producing assets	7.77	12.48	17.20
<b>Total Oil (MMstb)</b>	<b>7.77</b>	<b>12.48</b>	<b>17.20</b>
<b>Volume Gas (Bscf)</b>			
Gainsborough/Beckingham	1.45	2.63	3.24
Albury	1.58	2.64	3.02
Singleton	0.42	0.65	1.48
<b>Total Gas (Bscf)</b>	<b>3.45</b>	<b>5.92</b>	<b>7.74</b>
<b>Total Hydrocarbons (MMboe)</b>	<b>8.37</b>	<b>13.50</b>	<b>18.54</b>

Most of the produced gas is currently used to generate electricity for internal consumption, with a proportion at Gainsborough / Beckingham and Singleton utilised to generate electricity for sale into the UK grid. Due to electricity generation capacity limitations, fairly constant amounts of gas have been produced and converted to electricity for sale to the UK grid in the recent past. Only the gas produced for sale as electricity has been included in the gas Reserves.

The technically recoverable volumes presented in the Senenergy 2014 CPR are based on a review of the independent interpretations conducted on the assets.

Reserves and resources have been prepared using the deterministic method and are reported at estimated economic or technical cut-off rates agreed with IGas and are otherwise derived according to the 2007 Petroleum Resources Management System prepared by the Oil and Gas Reserves Committee of the Society of Petroleum Engineers and reviewed and jointly sponsored by the World Petroleum Council, the American Association of Petroleum Geologies and the Society of Petroleum Evaluation Engineers.

#### D. IGas' unconventional reserves and resources

Shale oil and gas are hydrocarbons contained within underground shale beds, a type of sedimentary rock laid down millions of years ago. This shale rock acts as the hydrocarbon source rock. Shales containing the right quantities of gas for extraction have a number of common properties such as being rich in organic material and being in an area of high heat and pressure which has allowed oil to be converted into gas.

Conventional gas reservoirs are formed when shale gas migrates into more permeable rocks from which it can naturally flow.

The gas can be held in natural fractures, open pore spaces or absorbed into organic material. Shale rock doesn't usually have the right permeability to allow significant flow of gas. Unlike drilling into a conventional reservoir where there is at least some flow of oil and gas immediately, an accumulation of shale oil or gas is produced directly from the source rock and must be stimulated in some way before it will begin to flow.

Shale gas has been produced for many years from places with natural fractures but hydraulic fracturing allows the fractures to be extended and to stimulate the oil or gas either to begin or continue flowing.

IGas has a portfolio of licences which are identified as having the potential of generating shale gas. Earlier this year IGas, along with its partners Egdon Resources, Dart and eCorp, signed a Farm-out Agreement with Total E&P UK Limited for a fully funded work programme of up to US\$46.5m on two of IGas' licence areas in the Gainsborough Trough in Lincolnshire. IGas became operator of the licences on completion of the deal in February and, unusually increased its interest in the licence through the transaction.

The entry of the first super major into British shale gas licences is a further endorsement of the potential that exists following the commitments by Centrica and GDF Suez to other UK acreage (including to Dart's acreage), and demonstrates strong support for IGas' operating capability.

IGas completed drilling operations at its exploration well at Barton Moss in Eccles in a safe and environmentally responsible manner. The well encountered the coal measures at anticipated depths and also found a package comprising the Sabden and Bowland Shale formations.

With three decades of experience of onshore exploration and developments in Britain, the IGas Group is well aware of the challenge of managing both above and below ground risks. The former, in particular, have grown in complexity more recently as IGas is rightly being held ever more accountable for the impact of IGas' operations.

IGas is investing heavily in building its organisational capabilities, continuously seeking to improve its understanding, engagement and social performance. IGas is determined to maximise local business opportunities and is committed to engaging with the communities in which it operates with integrity and transparency.

#### E. Summary of IGas' key licences and locations

IGas' fields are located onshore UK with the exception of Lybster which is an offshore field drilled from onshore. The table below provides the licence number and the name of fields held by IGas. It also sets out the duration of each licence.

Licence	Fields	Expiry
<b>East Midlands</b>		
PL179	East Glentworth	16/11/2014
PL 179-2	Welton	16/11/2014
PL179-2	Scampton & Scampton North	16/11/2014
PL179-2	Stainton	16/11/2014
PL179-2	Nettleham	16/11/2014
PEDL 006	Cold Hanworth	04/04/2027
ML004-1/2	Gainsborough/Beckingham	31/03/2015
ML004-3	Corringham/Glentworth	31/03/2015
PL220-1	Long Clawson	08/08/2016
PL220-2	Rempstone	08/08/2016
ML006	Bothamsall	31/03/2015
ML003	Egmanton	30/12/2033
ML007	South Leverton	31/03/2015
PL 178	West Beckingham	01/11/2014
PL 199	Near Nettleham	11/2015
AL 009	Dunholme	07/04/2025
PEDL 139	Everton West <sup>1</sup>	01/10/2037
PEDL 140	Everton <sup>1</sup>	01/10/2037

## 4 Information on IGas

### Continued

Licence	Fields	Expiry
<b>North West England</b>		
PEDL 40	Swallowcroft- The Potteries	17/03/2029
PEDL 56	Swallowcroft- The Potteries/Keele Park	17/03/2029
PEDL 78-1	Willoughbridge – Greater Swallowcroft, The Potteries)	08/09/2031
PEDL 78-2	Coalbrookdale	08/09/2031
PEDL 145	Four Oaks/Doe Green	29/09/2035
PEDL 184	North dee-Ellesmere Port	30/06/2039
PEDL 190	North Dee-Ince Marsh	30/06/2039
PEDL 193	Parkside – Irlam & J21	30/06/2039
<b>Northern Scotland</b>		
P1270	Lybster (Offshore)	21/12/2031
PEDL158	Caithness	30/09/2035
<b>Weald</b>		
DL004	Albury	30/11/2020
PL205	Storrington	14/02/2016
PL182	Palmers Wood	17/11/2014
PL211	Horndean <sup>2</sup>	04/04/2016
PL233	Stockbridge	27/10/2017
PL249	Stockbridge	01/12/2017
DL002	Stockbridge	31/12/2019
PEDL021	Goodworth	04/04/2027
PEDL070	Avington <sup>3</sup>	08/09/2031
ML 018	Bletchingly <sup>4</sup>	11/01/2017
ML 021	Bletchingly <sup>4</sup>	01/04/2017
PEDL 235	Godley Bridge	01/07/2039
<b>Singleton</b>		
PL240	SU/81B & SU/91b	02/12/2017
PEDL233	Baxters Copse/ Burton Down <sup>5</sup>	30/06/2039

Notes:

- <sup>1</sup> IGas has a 14.5% share in the two Everton licences. The remaining 85.5% owned by Egdon, Dart, e-CORP and Total.
- <sup>2</sup> Horndean is owned 90% by IGas with the remaining 10% owned by Northern Petroleum (UK) Limited, NP Oil & Gas Holdings Limited, Northern Petroleum (GB) Limited.
- <sup>3</sup> Avington is owned 50% by IGas with the remaining 50% owned by Egdon Resources Avington Limited, Edgon Resources U.K. Limited, Aurora Production (UK) Limited, Northern Petroleum (GB) Limited, Brigantes Energy Limited, and Corfe Energy Limited.
- <sup>4</sup> The average monthly production figures for Bletchingly ML018 and ML021 are aggregate figures produced under both licences.
- <sup>5</sup> Baxters Copse is owned 50% by IGas with the remaining 50% owned by NP Weald Limited.

For those licences whose term is due to expire in the next 12 months, IGas intends to comply with its obligations under the relevant licence and has made or will make application to DECC to renew such licence into its next term. For the mature producing fields with licence terms nearing the end of the original licence term (ie those licences with an expiry date within one year), IGas will seek extensions or has already made applications to extend the licence term accordingly.

DECC has historically extended the licence term of producing fields to the existing operator provided that the field continues in production, and as all of IGas' fields are currently producing (and a number of the licences will expire before the expected end of economic field life), the licences will be extended in line with the UK Secretary of State's stated policy and practice designed to maximise production from producing fields.

The licences held by the IGas Group have been granted on standard terms, and a summary of the main terms is contained below:

*a. The Petroleum Exploration and Development Licence (PEDL)*

Since 1996, all modern production licences (including PEDLs) run for the following three successive periods (terms):

- initial term – may continue into a second term if the agreed work programme has been completed and a minimum amount of acreage has been relinquished;
- second term – may continue into a third term if a development plan has been approved and all acreage outside the development has been relinquished; and
- third term – runs for an extended period to allow production.

Under a PEDL, the initial term lasts for six years, the second term lasts for five years and the third term lasts for 20 years. To progress to the third term, applicants must prove technical, environmental and financial capacity to DECC. The mandatory relinquishment at the end of the initial term is 50%.

The licence conveys a right upon holder(s) to search and bore for and to get petroleum in the licensed area. Payments under the licence are specified in the licence terms and are made to DECC in consideration of the grant and continuance of the licence by DECC. The licence contains obligations on the licence holder to, amongst other things:

- use methods of measurement of petroleum from the licensed area as from time to time approved by DECC;
- keep accounts of:
  - the quantity of petroleum recovered, in gas or otherwise; and
  - the name of persons to whom petroleum is supplied and quantity etc. of the same; and
- keep accurate records of drilling, deepening, plugging or abandonment of all wells and of any alterations in the casing thereof, including certain prescribed particulars of the same (as set out in more detail in the licence).

During the initial term, the licence holder must comply with a work programme which is scheduled to the licence and is the programme of exploration activity that DECC and licence holder will have agreed as part of the licence application process. The licence holder must comply with certain conditions when proposing or conducting seismic surveys. DECC may serve notice on the licence holder requiring it to submit a programme for exploration in the licensed area. All relevant works relating to petroleum from the licensed area must be conducted pursuant to a programme approved by DECC.

Commencement of drilling of wells and abandonment of wells requires the written consent of DECC. Any plugging of wells must be done in accordance with a specification approved by DECC and carried out in an efficient and workmanlike manner. Wells must be plugged and sealed at least one month prior to the expiry of the licence holder's rights to the licensed area (or as soon as reasonably practicable in the case of a revocation of licence).

The licence holder indemnifies DECC against all actions, proceedings, costs, charges, claims and demands whatsoever which may be made or brought against DECC by any third party in relation to the licence.

The licence or interest therein may only be assigned with the consent of DECC. Agreements for the sale of petroleum from the licensed area require the consent of DECC unless:

- the sale is for a price payable after the petroleum is won and saved; or
- the agreement is to provide the petroleum in exchange for petroleum recovered other than from the licensed area.

DECC may revoke the licence if:

- payments due under the licence are in arrears for two months;
- the licence holder breaches or fails to observe the licence conditions;
- an insolvency or bankruptcy event of the licence holder occurs (including the making of an arrangement with creditors);
- a change of control of operations under the licence, or commercial activities in connection with those operations, occurs;
- a change of control of the licence holder occurs; or
- the licence holder fails to comply with a notice of change served by DECC.

*b. Development Licence (DL)*

DLs are granted on essentially the same main terms as a PEDL (as described above) except that under a DL, the term is 20 years.

*c. Seaward Production Licence (PL)*

PLs are granted on essentially the same main terms as a PEDL (as described above) except that under a PL, the initial term is four years following which the term can be extended for 18 or 20 years. The third term may be extended by the UK Secretary of State, however DECC reserves the right to reconsider provisions of the licence prior to any extension, in particular with regard to the acreage and rentals.

## 4 Information on IGas

### Continued

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#### d. Mining Licence (ML)

MLs are the oldest type of licence issued by DECC (or its statutory predecessor) and allow the licence holder to search for, bore for and get petroleum within a licensed area. MLs are granted on essentially the same main terms as a PEDL (as described above) except that the initial term of a ML is 50 years and the second term is 25 years, and that an assignment of a ML may only be made to a company incorporated in Great Britain or Northern Ireland and only with the consent of DECC. To progress to the second term, the licence holder must give DECC 12 months' notice of the renewal in writing.

#### e. Appraisal Licence (AL)

ALs are granted on essentially the same terms as a PEDL (as described above) except that the initial term of an AL is five years following which the term can be extended at the discretion of DECC, and that an AL is granted for the purpose of allowing the licensee time to appraise any discovery of petroleum and, if appropriate, prepare a development programme and gain long term planning permission. IGas only holds one AL which is AL009 in respect of the Dunholme field. In this case, the licensee satisfied the necessary conditions such that the term was extended by DECC until 7 April 2025.

## 4.4 Ownership of IGas

IGas Shares are traded on AIM and IGas has a market capitalisation on AIM of approximately £247 million as at 17 July 2014 (equivalent to approximately A\$451 million)<sup>12</sup>, being the last practicable date prior to the publication of this Scheme Booklet.

Significant IGas Shareholders are further described in **section 4.7F**.

## 4.5 Financing

The IGas Group has historically been financed by the issue of equity; historic acquisitions have been financed with a combination of equity, acquisition finance, and more recently by accessing debt capital markets. IGas expects that the Combined Group's operations will be financed out of the operating cash-flows from producing assets, with more significant exploration and development expenditure being financed through farm-in arrangements, a standard industry model for the financing and risk sharing of significant capital expenditure.

## 4.6 Who are the IGas Directors?

### Francis Gugen

*Non-Executive Chairman*

Francis is a founder and non-executive chairman and has over 40 years' oil and gas industry experience. Between 1982 and 2000 he helped grow Amerada Hess in North West Europe, ultimately becoming CEO. Currently he is also non-executive chairman of Petroleum Geophysical Services ASA and of Chrysaor Limited and a board member of SBM Offshore NV, all involved in conventional oil & gas. Until 2006 he served as non-executive chairman of the start up North Sea gas fields and pipelines operator CH4 Energy Limited, which was then disposed of for €224 million.

### Andrew Austin

*Chief Executive Officer*

Andrew is a founder of IGas and has been an executive director since 2004 and the CEO for the last five years with responsibility for the day to day operations and business development. Andrew is responsible for the transformation of IGas from a non-operating partner to delivering material hydrocarbon production to Britain's energy market.

Prior to joining IGas, Andrew was involved in a number of ventures as principal, specialising in energy projects in the gas, electricity and renewable sectors.

### John Blaymires

*Chief Operating Officer*

John has 30 years of international experience in the oil and gas industry gained with Hess Corporation and Shell International. Before joining IGas he was director of Technology Development for Hess based in Houston, where he helped develop a global engineering and geoscience technology group responsible for providing support across the E&P business, from deepwater to unconventional resources. Before that John was Technical Director for Hess' operations in West Africa, and subsequently South East Asia with responsibility for several major oil and gas developments. John has a BSc and PhD in Mining Engineering from Leeds University.

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<sup>12</sup> Based on the A\$:£ exchange rate of 0.547 on 17 July 2014.

### Stephen Bowler

*Chief Financial Officer*

Steve started his career at Touche Ross, now Deloitte, where he qualified as a chartered accountant having spent time in both their audit and corporate finance divisions. In 1999, Steve joined ABN Amro Hoare Govett, now Jefferies Hoare Govett, where he acted as adviser and broker to a wide range of companies with a particular focus on E&P. Steve joined IGas on 1 November 2011. Since Steve joined IGas, the IGas Group has, among other things, successfully completed three acquisitions, two bond raisings and an equity issue.

### John Bryant

*Senior Independent Non-Executive Director*

John is the Chairman of AIM-listed Weatherley International plc, and a board member of AIM-listed China Africa Resources Plc. He was until recently a board member of the Attiki Gas Company, which supplies natural gas to Athens and the surrounding districts. John previously served as president of Cinergy Global Resources Corp, responsible for all international business and global renewable power operations of this US based electricity and gas utility provider.

### Robin Pinchbeck

*Independent Non-Executive Director*

Robin has 40 years of international experience in the oil and gas sector, having held leadership positions in both oil and oil-services sectors with BP, Atlantic Power, PGS and most recently, with Petrofac Limited where he founded and led the Operations Services division, and served as Group Director of Strategy.

Rob's past Non-Executive positions include Sondex plc, SLR Consulting Ltd, Enquest plc and Sparrows Offshore Ltd, (where he was Chairman). He is currently a Non-Executive Director at Enteq Upstream plc, Seven Energy International Limited and Sarn Energy Services Limited and is Chairman at PTS Consulting Limited.

### Cuthbert McDowell

*Independent Non-Executive Director*

Cuth has 33 years of international experience in the oil and gas sector, having held a range of leadership positions in Exploration and Production. He began his career with BP where he held various commercial and management roles over eight years. Cuth then joined Clyde Petroleum plc, initially as Senior Economist, subsequently becoming Group Commercial Manager before Clyde was bought by Gulf Canada. In 1997, Cuth joined Paladin Resources plc, where he served primarily as Finance Director. The company raised £120 million in four separate primary offerings before it was sold to Talisman Energy Inc. for approximately £1.2 billion in 2006. Cuth is currently a non-executive director at Pitkin Petroleum, a privately owned international upstream oil and gas company.

## 4.7 Capital structure and ownership

### A. Ordinary shares

As at the close of trading on AIM on 17 July 2014, being the last practicable date prior to the publication of this Scheme Booklet, IGas had in issue 206,316,001 ordinary shares of 10p each.

The 10p figure represents the nominal (or par) value of the IGas Shares. Under English law, a share cannot be issued fully paid for anything less than its nominal value (ie it cannot be issued at a discount). Shares can, however, be issued in excess of their nominal value, and the price paid is the premium. The nominal value is only the minimum price at which shares can be issued.

Information on the recent trading prices of IGas Shares is provided in **section 5.4**.

### B. Options

As at the close of trading on AIM on 17 July 2014, being the last practicable date prior to the publication of this Scheme Booklet, there were 3,964,060 options over IGas Shares. These options were issued under the IGas LTIP (see **section 5.3**).

### C. Senior Secured Guaranteed Callable Bonds

IGas entered into a bond agreement with Norsk Tillitsmann, the bond trustee (the **Bond Trustee**) on 21 March 2013 (the **Bond Agreement**). Pursuant to the Bond Agreement, IGas issued US\$165 million (equivalent to approximately A\$176 million)<sup>13</sup> of senior secured guaranteed bonds due 22 March 2018 to holders registered (directly or indirectly) with the Verdisentralen (**VPS**), the securities depository. The Bond Agreement contains representations, warranties and covenants from IGas to the Bond Trustee. The bonds carry a fixed interest rate of 10% p.a. and semi-annual amortisation of 2.5% of the initial loan amount. The bonds are listed on the main market of the Oslo Stock Exchange.

<sup>13</sup> Based on the A\$:US\$ exchange rate of 0.938 on 17 July 2014.

## 4 Information on IGas

### Continued

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IGas and its material subsidiaries entered into a security agreement with the Bond Trustee (as security agent) on 10 April 2013 securing, among other things, the payments due under the Bond Agreement in favour of the security agent (the **Security Agreement**). Under the Security Agreement, IGas and each of its material subsidiaries provides security to the Bond Trustee, on behalf of the bondholders, over all of its present and future business, assets and undertaking, which includes:

- all estates and interests in freehold and leasehold property (whether registered or unregistered) held by IGas and each material subsidiary, together with (a) all buildings, fixtures and fixed plant and machinery at any time thereon; (b) all easements, rights and agreements in respect thereof; and (c) the benefit of all covenants given in respect thereof;
- the hydrocarbon licences;
- all pipelines, plant, machinery, fixtures, fittings, computers, vehicles, office equipment, other equipment and any other infrastructure related to the use, possession, ownership, exploration, development, construction, operation and/or exploitation of any hydrocarbon field by IGas or any material subsidiary;
- the securities held by IGas and each of the material subsidiaries in each of the other group companies;
- all accounts held by IGas and each material subsidiary at any time, and all monies at any time standing to the credit of such accounts;
- all acquisition contracts and the other commercial contracts of IGas and its material subsidiaries; and
- all policies of insurance which are at any time held by or written in favour of IGas or any of its material subsidiaries, or in which IGas or any material subsidiary from time to time has an interest, excluding, in each case, to the extent such contracts and policies of insurance or assurance relate to liabilities to third parties.

The Security Agreement is not a guarantee. If the security agent enforces the security, the net proceeds of the sale of the assets subject to the Security Agreement will be applied towards the repayment of the bonds, after deduction of the expenses of the Bond Trustee. Pursuant to the Bond Agreement, each material IGas subsidiary has also entered into an unconditional on-demand guarantee on a joint and several basis extending to the ultimate balance of all amounts payable by IGas under all finance documents entered into in connection with the issue of the bonds (including interest, costs and expenses), regardless of any immediate payment or discharge in whole or in part. Once the Scheme has become Effective, Dart and its Subsidiaries will also accede to these security arrangements as additional guarantors.

The provisions of the UK Listing Authority's Disclosure and Transparency Rules do not apply to the bonds and accordingly IGas has no transparency as to the ultimate holders of the instruments nor are such holders obligated to disclose any level of holding, acquisition or disposal.

#### D. Senior Unsecured Bonds

IGas entered into a second bond agreement with the Bond Trustee on 10 December 2013 (the **Second Bond Agreement**). Pursuant to the Second Bond Agreement, IGas issued US\$30 million (equivalent to approximately A\$32 million)<sup>14</sup> in senior unsecured bonds due 11 December 2018 to holders registered (directly or indirectly) with the VPS. The Second Bond Agreement contains representations, warranties and covenants from IGas to the Bond Trustee. The bonds carry a fixed interest of 10% p.a., payable semi-annually. Further senior secured bonds may be issued up to an aggregate borrowing limit of US\$60 million (equivalent to approximately A\$64 million).<sup>15</sup> The unsecured bonds contain customary covenants on debt/equity ratio, which may restrict or limit further borrowing.

The provisions of the UK Listing Authority's Disclosure and Transparency Rules do not apply to the bonds and accordingly IGas has no transparency as to the ultimate holders of the instruments nor are such holders obligated to disclose any level of holding, acquisition or disposal.

Under the Bond Agreement and the Second Bond Agreement, whilst the secured (and any related finance documents) and unsecured bonds remain outstanding, IGas has undertaken not to make any dividend payments, repurchase of shares or make other distributions to the IGas Shareholders.

#### E. Warrants

IGas entered into a warrant instrument (the **Warrant Instrument**) on 14 December 2011 under the terms of which Macquarie Bank were entitled to exercise warrants (the **Warrants**) to acquire up to 21,286,646 IGas Shares at a price of 55.8 pence per share. The principal terms of the Warrant Instrument are as follows:

- the Warrants may be exercised at any time until the earlier of:
  - i. the date on which all Warrants have been exercised;
  - ii. the date of termination of the Warrants pursuant to a takeover offer for IGas; and
  - iii. 14 December 2017 (or, if on the applicable end date, the holder would be considered to have non-public price sensitive information relating to IGas, 90 days following the date on which the holder is no longer considered to hold such information).

<sup>14</sup> Based on the A\$:US\$ exchange rate of 0.938 on 17 July 2014

<sup>15</sup> Based on the A\$:US\$ exchange rate of 0.938 on 17 July 2014.

- IGas Shares issued on the exercise of the Warrants will rank in all respects equally with existing IGas Shares;
- the holder of the Warrants can elect to exercise all or some of the Warrants according to four completion methods of which the following three remain relevant:
  - i. regular exercise, whereby the holder makes remittance to IGas on the date of exercise of an amount equal to the aggregate Subscription Price (as defined in the Warrant Instrument, being 55.98 pence unless nominal exercise applies – see sub-paragraph below);
  - ii. nominal exercise, whereby the holder can elect to exercise the Warrants at an exercise price of the par value of the shares. The number of Warrants which can be exercised in this way is calculated in accordance with a formula contained in the Warrant Instrument; and
  - iii. cashless exercise, whereby the holder can exercise a proportion of the Warrants when the IGas Share price is equal to the Cashless Exercise Price (as calculated in accordance with the Warrant Instrument). The remaining Warrants to be exercised using this method are then cancelled and discharged by the holder in consideration of the payment by IGas of an amount equal to the aggregate strike price for the shares to be issued pursuant to the exercise of the Warrants. The obligation of IGas to pay such amount is offset against the obligation of the holder to pay the subscription price in respect of the ordinary shares issued pursuant to this completion method.

The Warrant Instrument contains provisions for the appropriate adjustment of the number of IGas Shares issued on the exercise of the Warrants and the subscription price upon a subdivision, consolidation, capitalisation of profits or reserves or other reorganisation of share capital.

Macquarie Bank has exercised 13,786,646 Warrants and transferred 5,500,000 Warrants to Rock (Nominees) Limited and there remain only 7,500,000 Warrants capable of being exercised as at 17 July 2014, being that latest practicable date prior to the publication of this Scheme Booklet.

### F. Substantial holders

As at the close of trading on the AIM on 17 July 2014, being the last practicable date prior to the publication of this Scheme Booklet, IGas' substantial shareholders were:

Name	Number of IGas Shares held	% of IGas Shares
Nexen Petroleum UK Limited	39,714,290	19.25
Francis Gugen	27,615,764	13.39
Andrew Austin	10,969,226 <sup>16</sup>	5.32
Brent Cheshire	7,625,253	3.70

Nexen Petroleum UK Limited is a wholly owned subsidiary of CNOOC Limited. Nexen Petroleum UK Limited became a significant shareholder in IGas as a result of a transaction in March 2011 when Nexen Petroleum UK Limited transferred to IGas its interests in certain licences which were held in common with IGas in exchange for shares in IGas.

Brent Cheshire was a co-founder of IGas (when it was a private company) and was a director of IGas until 20 June 2011, when he decided to retire from the IGas Board.

### G. Interests of IGas Directors in IGas Shares and options

As at the close of trading on the AIM on 17 July 2014, being the last practicable date prior to the publication of this Scheme Booklet, the IGas Directors held the following interests in IGas Shares and options:

Name	Class of security	Number held	% of IGas Shares
Francis Gugen	Shares	27,615,764	13.39
Andrew Austin	Shares	10,969,226 <sup>17</sup>	5.32
	Options	1,029,702	N/A
Stephen Bowler	Shares	79,973 <sup>18</sup>	0.04
	Options	681,743	N/A
John Blaymires	Shares	29,973 <sup>19</sup>	0.01
	Options	681,743	N/A
John Bryant	Shares	59,045	0.029
Robin Pinchbeck	Shares	141,000	0.07
<b>Total excluding options</b>			<b>18.85%</b>

<sup>16</sup> This number includes IGas Shares awarded pursuant to the IGas Share Incentive Plan (see section 5.3C).

<sup>17</sup> This number includes IGas Shares awarded pursuant to the IGas Share Incentive Plan (see section 5.3C).

<sup>18</sup> This number includes IGas Shares awarded pursuant to the IGas Share Incentive Plan (see section 5.3C).

<sup>19</sup> This number includes IGas Shares awarded pursuant to the IGas Share Incentive Plan (see section 5.3C).

## 4 Information on IGas

### Continued

#### H. Interests of IGas Directors in Dart Shares

As at 17 July 2014, being the last practicable date prior to the publication of this Scheme Booklet, no IGas Director held any interests in Dart Shares.

#### I. IGas' interests in Dart Shares

As at 17 July 2014, being the last practicable date prior to the publication of this Scheme Booklet, IGas held no interest in any Dart Shares.

In the four months before the date of this Scheme Booklet, neither IGas nor an associate of IGas:

- provided, or agreed to provide, consideration for any Dart Shares; or
- gave, offered to give or agreed to give a benefit to another person which was likely to induce the other person, or an associate of the other person, to vote in favour of the Scheme Resolution or to dispose of Dart Shares, which benefit is not offered to all Dart Shareholders under the Scheme.

### 4.8 Dividend History

IGas has not historically paid dividends to shareholders. There is no present intention to commence a dividend payment strategy with IGas instead applying free cash-flows for reinvestment within the business. Whilst the secured bonds (and any related finance documents) and unsecured bonds remain outstanding, IGas has undertaken not to make any dividend payments, repurchase of shares or make other distributions to its shareholders (see **sections 4.7C** and **4.7D** for further information on the secured and unsecured bonds).

### 4.9 Historical financial information

#### A. Basis of preparation

This section sets out summary historical financial information in relation to IGas.

The IGas historical financial information has been extracted from:

- the audited financial statements of IGas for the year ended 31 March 2013; and
- the audited financial statements of IGas for the year ended 31 March 2014.

IGas historical financial information does not take into account the effects of the Scheme. Pro forma historical financial information for the Combined Group is set out in **section 7.11**.

IGas' financial statements for the year ended 31 March 2014 and the year ended 31 March 2013 have each been audited by Ernst & Young LLP (**EY**) in accordance with International Standards of Auditing (UK & Ireland). EY issued unqualified opinions on these financial statements.

The IGas historical information is presented in an abbreviated form and does not contain all of the presentation and disclosures that are usually provided in an annual report in the United Kingdom. In particular, it does not include the notes to, and forming part of, the financial statements of IGas.

You can obtain a copy of IGas' complete Annual Report and Accounts, including the audited financial statements, for the year ended 31 March 2014 from IGas' website ([www.igasplc.com](http://www.igasplc.com)). Shareholders without internet access can obtain copies of these reports by contacting IGas on +44 (0) 20 7993 9899.

All amounts disclosed are presented in GBP and rounded to the nearest thousand (£000), except where otherwise indicated.

#### B. IGas' consolidated income statements

Financial Year ended	FY14 (31 March)	FY13
	£000	£000
Revenue	75,917	68,304
Gross profit	27,977	30,262
Operating profit	14,922	21,981
Costs relating to acquisitions	(47)	(59)
Finance income	7,893	26
Finance costs	(20,422)	(27,947)
Net finance costs	(12,529)	(27,921)
<b>Profit/(loss) on ordinary activities before tax</b>	<b>2,346</b>	<b>(5,999)</b>
Income tax charge	(10,277)	(12,356)
<b>Loss from continuing operations</b> <b>(attributable to equity shareholders of the IGas Group)</b>	<b>(7,931)</b>	<b>(18,355)</b>

### C. IGas' consolidated balance sheets

Financial Year ended	FY14 (31 March)	FY13
	£000	£000
Non-current assets	245,702	238,579
Current assets	41,048	122,321
Current liabilities	(22,762)	(130,447)
Net current assets/(liabilities)	18,286	(8,126)
Non-current liabilities	(189,666)	(171,335)
<b>Net assets</b>	<b>74,322</b>	<b>59,118</b>
Share capital and reserves	116,731	93,596
Accumulated losses	(42,409)	(34,478)
<b>Shareholders' funds</b>	<b>74,322</b>	<b>59,118</b>

### D. IGas' consolidated statement of cash flows

Financial Year ended	FY14 (31 March)	FY13
	£000	£000
Net cash from operating activities	25,150	28,880
Net cash used in investing activities	(14,285)	(17,428)
Net cash from (used in) financing activities	9,570	(10,132)
<b>Cash and cash equivalents at the end of the year</b>	<b>28,301</b>	<b>9,831</b>

## 4.10 Material changes in IGas' financial position

Apart from the announcement of the Scheme and the associated financial obligations incurred by IGas in connection with the Scheme, there have been no material changes in the financial position of IGas since 31 March 2014.

## 4.11 Further information

IGas is a public limited company incorporated under the laws of England and Wales and its shares are admitted to trading on AIM. Further information about IGas is available from IGas' website ([www.igasplc.com](http://www.igasplc.com)) and on the London Stock Exchange website ([www.londonstockexchange.com](http://www.londonstockexchange.com)) (information available on the London Stock Exchange website does not constitute part of this Scheme Booklet).

Further announcements concerning IGas will continue to be made available on its website and the London Stock Exchange website after the date of this Scheme Booklet.

## 5 Information on IGas Shares

This section provides information about IGas Shares, including the issue of New IGas Shares and the trading of IGas Shares on AIM.

### 5.1 Information about New IGas Shares

#### A. Overview of rights and liabilities attaching to the IGas Shares

Shares in IGas are currently admitted to trading on AIM. New IGas Shares will, once issued, rank equally with all existing IGas Shares.

The rights and liabilities attaching to New IGas Shares are:

- set out in the articles of association of IGas (the **IGas Articles**), which can be obtained from the IGas website ([www.igasplc.com](http://www.igasplc.com)); and
- regulated by the Companies Act, the AIM Rules and the common law applicable in England.

Dart Shareholders should note that, as Dart is incorporated under the laws of Australia and listed on ASX, the rights and liabilities attaching to Dart Shares are governed by Dart's constitution, the Listing Rules, the Corporations Act and the common law applicable in Australia. Accordingly, those rights and liabilities will be different to the rights and liabilities attaching to New IGas Shares. Dart Shareholders should consult with their own financial, legal or other professional adviser if they require further information about those differences and their effect.

This **section 5.1** summarises the more significant rights and liabilities attaching to the IGas Shares. This summary does not purport to be exhaustive or constitute a definitive statement of the rights and liabilities attaching to IGas Shares, and is intended as a general guide only. Dart Shareholders should consult with their own financial, legal or other professional adviser if they require further information.

#### B. Meetings of Shareholders

##### a. Annual General Meetings

English law provides that:

- the IGas Board has the power to call a general meeting; and
- every public company must hold a general meeting as its annual general meeting within a period of six months beginning with the day following its accounting reference date (31 March in the case of IGas).

##### b. Notice of meetings

Under the IGas Articles and English law, an annual general meeting shall be called by not less than 21 clear days' notice in writing and all other general meetings other than an annual general meeting shall be called on not less than 14 clear days' notice in writing. A notice of such meeting must:

- specify the time, date and place of the meeting;
- inform members of their right to appoint proxies;
- specify the general nature of the business to be transacted at the meeting; and
- include the text of any special resolutions and the intention to propose a resolution as a special resolution.

The IGas Articles provide for members to receive notices by electronic communication.

##### c. Quorum of shareholders

The IGas Articles provide that the quorum for any general meeting shall be two persons who are entitled to vote, such persons being either members who are personally present, or proxies of members or a combination of both.

##### d. Voting

Subject to the IGas Articles, at meetings of IGas Shareholders:

- each IGas Shareholder entitled to vote may vote in person, by proxy or, where the IGas Shareholder is a corporate member, by authorised representative;
- on a show of hands every person present who is an IGas Shareholder, or a proxy, or authorised representative of an IGas Shareholder has one vote; and
- on a poll every person present who is an IGas Shareholder, or a proxy, or authorised representative of an IGas Shareholder, has one vote for every IGas Share that person holds.

##### e. How to appoint proxies

An eligible IGas Shareholder may appoint one or more proxies (provided that, in the case of multiple proxies, each proxy is appointed to exercise the rights attached to a different share or shares held by such member) to attend and vote at the meeting on the IGas Shareholder's behalf.

An appointment of a proxy is only effective if IGas receives the appointment not less than 48 hours before the scheduled commencement of the meeting and is in the form specified by the IGas Articles. An IGas Shareholder may appoint an individual or a corporation to act as its representative.

*f. Special resolutions*

Under English law, a special resolution is passed on a show of hands by a majority of not less than 75% of members and proxies who vote at the meeting or, on a poll, by members representing not less than 75% of the total voting rights of those voting in person or by proxy on the resolution.

A special resolution is required for a company to, amongst other things:

- amend its articles of association;
- make an off-market purchase of its own shares;
- re-register from being a public company to a private company;
- disapply pre-emption rights on an allotment of shares; or
- reduce its share capital.

*g. Shareholders' rights to bring resolution before a meeting*

Under English law, members holding at least 5% of the paid-up voting share capital of a company may request a general meeting of the company.

The directors of the company have a duty to call a general meeting within 21 days from the date they received the request, such general meeting to be held not more than 28 days after the date of the notice convening the meeting. Where the directors of the company have not called a general meeting within 21 days of being requested to do so, the requesting members holding not less than half of the total voting rights of the original requesting members may call a general meeting at the company's expense. The meeting must be called for a date not more than three months after the date on which the directors of the company became subject to the requirement to call a general meeting.

The members' request for a general meeting may include the text of a resolution intended to be moved by the members at the general meeting. Where the request includes a resolution, the notice of the meeting must include notice of the resolution.

### C. Directors

*a. Directors' management of the business of the company*

Under English law, subject to the IGas Articles and subject to any direction given by IGas Shareholders in a general meeting by special resolution, the business of IGas shall be managed by the IGas Board, which can exercise all of the powers of IGas.

*b. Number and election of directors*

Unless and until otherwise determined by ordinary resolution of IGas Shareholders, the number of IGas Directors (disregarding alternate IGas Directors) shall not be less than four or not more than ten in number.

*c. Removal of directors*

IGas Shareholders may, by special resolution, or, by ordinary resolution of which special notice has been given in accordance with the Companies Act, remove any IGas Director before the expiration of their office, and may, by ordinary resolution, appoint another person in their place.

IGas Directors are required to retire by rotation in accordance with the IGas Articles. At every annual general meeting of IGas, all Directors holding office at the start of business on the day of the notice convening such meeting and who also held office at the time of both of the two immediately preceding annual general meetings and did not retire at such, are put up for re-appointment where such re-appointment must be approved by an ordinary resolution.

*d. Remuneration of directors*

The IGas remuneration committee has responsibility for making recommendations to the IGas Board on IGas' policy for the remuneration of the IGas chairman, executive directors and other senior executives and for determining, within agreed terms of reference, specific remuneration packages for each of them, including pension rights, any compensation payments and the implementation of executive incentive schemes.

Information regarding how the IGas remuneration committee considers director remuneration is set out in **section 5.6B(b)**.

*e. Duties of Directors*

Under English law, directors have certain fiduciary duties. A separate statutory regime for directors' duties contained in the Companies Act overlays the common law duties of care.

The statutory duties upon directors are:

- to act within their powers;
- to promote the success of the company;

## 5 Information on IGas Shares

### Continued

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- to exercise independent judgement;
- to exercise reasonable skill, care and diligence;
- to avoid conflicts of interest;
- not to accept benefits from third parties; and
- to disclose interests in existing and proposed transactions or arrangements.

#### *f. Transactions with directors*

The AIM Rules provide that transactions between a company whose securities are traded on AIM and any of its directors, where the size of transaction exceeds a materiality threshold (on one of a number of tests), must be disclosed to the market, with a statement that the directors consider, having consulted with the company's nominated adviser, that the terms of the transaction are fair and reasonable so far as shareholders are concerned.

English law requires directors to avoid conflicts of interest and to disclose to their company their interests in transactions with the company. Certain substantial property transactions may require the approval of shareholders in general meeting.

The IGas Articles contain provisions enabling conflicts of interests to be authorised by the IGas Board, and provide that an IGas Director may not vote as a director on any matter in which they have a material interest, subject to certain exceptions.

Subject to disclosure to (and authorisation by) IGas, an IGas Director is not required, by reason of being a director, to account to IGas for any benefit derived from a conflict of interest, or from a transaction in which IGas has an interest, nor are they prevented from acting in a professional capacity (other than auditor) for IGas.

#### **D. Issues of shares**

Subject to the provisions of the Companies Act and without prejudice to any rights attached to existing shares, any share may be issued with such rights or restrictions as IGas may by ordinary resolution determine or as determined by the IGas Directors if no such resolution has been passed and so long as there is no conflict with any resolution passed by the IGas Shareholders.

Subject to the IGas Articles and to the provisions of the Companies Act and the receipt of the necessary IGas Shareholder approvals, IGas may issue any shares which can be redeemed, including shares which can be redeemed if the IGas shareholders want to do so, as well as shares which IGas insists on redeeming. The IGas Directors can decide on the terms and conditions and the manner of redemption of any redeemable share.

Under the IGas Articles, the IGas Directors have authority to decide how to deal with any shares in the company and can offer the shares for sale, grant options to acquire the shares, allot shares or dispose of the shares in any other way. The IGas Directors are free to decide who they deal with, when they deal with the shares and the terms on which they deal with the shares, however in making their decision, the IGas Directors must take account of:

- any provisions in English law relating to authority, pre-emption rights and other matters;
- the provisions of the IGas Articles;
- any resolution passed by the IGas Shareholders; and
- any rights attaching to existing shares.

Subject to the IGas Articles and resolutions passed from time to time, IGas Shareholders have the rights of pre-emption conferred on them by the Companies Act.

#### **E. Buy backs**

Under the English law, a public company may purchase its own shares subject to any restrictions in the company's articles of association (the IGas Articles permit IGas to purchase its own shares), and provided that the shares are paid for out of distributable reserves or the proceeds of a fresh issue of shares made for the purpose of financing the purchase.

Purchases must first be authorised by a resolution of the company in general meeting, specifying the maximum number of shares authorised to be acquired, the maximum and minimum prices that can be paid, and the date of expiry of the authority which must be not later than 18 months after the date of the resolution.

#### **F. Variation of rights**

Under the Companies Act, if at any time the share capital of IGas is divided into different classes of shares, the rights attached to any class may (unless otherwise provided by the terms of issue of the shares of that class), whether or not IGas is being wound up, be varied or abrogated in any way with the consent in writing of the holders of not less than three-quarters in nominal value of the shares of that class (excluding treasury shares) or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares in that class.

#### **G. Inspection of books**

Under English law, certain company records (including registers of directors, secretaries, members, interests in shares disclosed, and records of shareholders meetings and decisions) must be open to the inspection of any member or any other person.

Under the IGas Articles, no member (other than a director) has any right to inspect any accounting records except as conferred by law or authorised by the IGas Board.

### H. Dividends

Under the IGas Articles:

- IGas may, by ordinary resolution from time to time, declare dividends to be made to the IGas Shareholders according to their rights and interests in the profits available for distribution. No dividend shall be declared in excess of the amount recommended by the IGas Board.
- Insofar as the profits of IGas justify such payments, the IGas Board may pay fixed dividends on any class of shares carrying a fixed dividend expressed to be payable on fixed dates on the half-yearly, or other dates prescribed for the payment thereof, and may also, from time to time, pay interim dividends on shares of any class of such amounts and on such dates and in respect of such periods as the IGas Board thinks fit.

Under English law, a company may only pay a dividend if it has sufficient distributable profits available for that purpose (that is to say, out of its accumulated, realised profits, so far as not previously utilised by distribution or capitalisation, less its accumulated, realised losses, so far as not previously written off in a reduction or reorganisation of capital duly made).

Under the Bond Agreement and the Second Bond Agreement, whilst the Bond Agreement (and any related finance documents) and Second Bond Agreement remain outstanding, IGas has undertaken not to make any dividend payments, repurchase of shares or make other distributions to its shareholders.

### I. Liens and forfeiture

If IGas issues partly-paid shares and a call made on those shares is unpaid, IGas will have a lien over the shares on which the call is unpaid. If the call remains unpaid after 14 clear days' notice have been given demanding payment, the lien may be enforced by a sale of those shares.

### J. Winding up

English law provides that a company may be wound up voluntarily:

- by its members, where the company is solvent and the directors of the company are willing to swear a declaration of solvency and the members of the company resolve by special resolution that the company be wound up voluntarily; or
- by the company's creditors, where the directors are unwilling to swear a declaration of solvency, and the members of the company resolve by special resolution that the company be wound up voluntarily because it cannot by reason of its liabilities continue its business and that it is advisable to wind up.

On a winding-up of IGas and subject to the IGas Articles, the rights of IGas Shareholders to participate in the distribution of the assets of IGas available for distribution shall rank equally amongst themselves.

### K. Transfer of shares

Subject to the IGas Articles, IGas Shares are freely transferable (as required by the AIM Rules).

The IGas Board may, in its absolute discretion, decline to register any transfer of any share in the circumstances set out in the IGas Articles.

See **section 5.2C** for further information on the trading of IGas Shares.

### L. Alterations of capital

IGas may reduce or otherwise alter its capital including buying back its shares in any manner authorised by the Companies Act and the IGas Articles.

### M. Capital raisings

Subject to compliance with English law, there are no market rules limiting the number of securities which may be issued by a company whose securities are traded on AIM.

### N. Insider trading

English law prohibits the criminal offence of insider dealing and the civil offence of market abuse. Both regimes prohibit persons from dealing in securities on the basis of inside information, and disclosing inside information to other persons. The market abuse regime also prohibits the giving of a false or misleading impression as to the supply, demand, price or value of securities, and prohibits behaviour which would be regarded as a failure to observe standards of behaviour reasonably expected.

It is also a criminal offence to deliberately or recklessly make a statement, promise or forecast which is known to be misleading, false or deceptive or to dishonestly conceal any material facts for the purpose of inducing (or being reckless as to whether it may induce) any person to deal in securities.

## 5 Information on IGas Shares

### Continued

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#### O. Takeovers

IGas is subject to the City Code on Takeovers and Mergers in the UK (the **Code**) which is regulated by the Panel on Takeovers and Mergers (the **Panel**). The Code applies, among other things, to all public companies having their registered office in the UK or which are considered by the Panel to have their place of central management and control in the UK and any of their securities are admitted to trading on a regulated market in the UK. The Code contains timetable and disclosure requirements regulating takeovers.

The Code is designed:

- to ensure that all shareholders are afforded equal treatment;
- to protect other shareholders where a person acquires control of a company;
- to ensure that all shareholders have sufficient time and information to enable them to reach a properly informed decision on a takeover offer;
- to ensure that the directors of offeree companies must act in the interests of the company as a whole and must not deny shareholders an opportunity to decide on the merits of a takeover offer;
- to ensure that an offeree company must not be hindered in the conduct of its affairs for longer than is reasonable by a takeover bid; and
- that false markets are not created in the securities of offeree companies.

Except with the consent of the Panel, when any person:

- acquires shares which carry 30% or more of the voting rights of a company; or
- is already interested in shares which carry more than 30% but less than 50% of the voting rights of a company and acquires further shares which increase the percentage of shares carrying voting rights in which that person is interested,

that person is required to extend offers to acquire all other shares in the company.

## 5.2 Information about AIM and trading in New IGas Shares

#### A. AIM listing

IGas will apply for admission to trading on AIM of all New IGas Shares that will be issued as Scheme Consideration. IGas Shares are currently admitted to trading on AIM under the code IGAS.

Subject to the number of Ineligible Foreign Shareholders on the Share Register on the Record Date and adjustments for rounding, IGas expects to issue approximately 91,346,551 New IGas Shares to Scheme Shareholders on the Implementation Date.

The Combined Group's indicative capital structure is shown in **section 7**.

#### B. What is AIM?

AIM is London Stock Exchange's market for smaller and growing companies. Launched in 1995, it is now firmly established as a leading growth market with the critical mass to provide firms from a wide range of countries and sectors with access to a diverse set of investors, who genuinely understand the needs of entrepreneurial businesses. AIM serves as a mechanism for companies seeking access to capital to realise their growth and innovation potential and since its launch has helped over 3,100 companies raise over £67 billion through new and further capital raisings. AIM plays a vital role in the funding environment for small and medium-sized enterprises as they develop their businesses.

#### C. Transfer of IGas Shares

##### a. Holdings of New IGas Shares after implementation of the Scheme

Scheme Shareholders will receive their New IGas Shares in certificated form. Share certificates will be despatched to Scheme Shareholders as soon as practicable after the Implementation Date, other than to Scheme Shareholders who elect to participate in the Small Shareholder Sale Facility (whose New IGas Shares will be provided in uncertificated form directly to the CREST account of the broker appointed to administer the Small Shareholder Sale Facility).

If you wish to be able to sell your New IGas Shares on AIM then you will first need to send your share certificate to your bank or stockbroker with a request that the holding be dematerialised into your bank or stockbroker's CREST account (effectively turning them into an electronic ownership interest capable of participating in CREST, which is settlements system for UK stock markets). Accordingly, holders of New IGas Shares wishing to sell all or some of their shares on AIM should contact their local bank or stockbroker.

Please note that not all Australian stockbrokers can be used to trade securities on AIM.

If you retain your share certificate, your IGas Shares will not be able to be traded on AIM. Rather, you will only be able to transfer your IGas Shares by completing and returning a stock transfer form and share certificate to IGas' share registrar.

Further details on how to transfer IGas Shares in certificated and uncertificated form are set out below.

*b. Dematerialisation of IGas Shares so that they can be sold on AIM*

All trades of IGas Shares on AIM must be undertaken through a stockbroker which is a member of the London Stock Exchange.

In order to trade IGas Shares on AIM the holding must first be dematerialised into the CREST system. CREST is a computerised share transfer and settlement system enabling securities to be held in electronic uncertificated form and forms the basis of transaction settlement for shares listed on UK stock markets.

IGas Shares in certificated form are dematerialised into CREST using a very simple stock transfer form for this purpose, the relevant form and guidance on completing the form will be enclosed with your share certificate and further copies can be obtained from Computershare Investor Services PLC on +44 (0) 870 707 1106. You may wish to contact your bank or stockbroker ahead of receiving your share certificate and show them a copy of this document so that they can advise you of the specific steps that you will need to take. IGas Shares have the SEDOL Number B29PWM5 and the ISIN number GB00B29PWM59.

Note that CREST is a voluntary system and holders of New IGas Shares who wish to receive and retain share certificates will be able to do so. However, in these circumstances you will only be able to transfer your IGas Shares in the manner described in **section 5.2C(c)**.

*c. Transfer of IGas Shares in certificated form*

Any IGas Shareholder who holds IGas Shares in certificated form (that is, paper form) can transfer some or all of those IGas Shares to another person.

To transfer certificated IGas Shares, an IGas Shareholder will need to complete a stock transfer form and return the completed stock transfer form and relevant share certificate to IGas' share registrar, Computershare Investor Services PLC, at The Pavilions, Bridgwater Road, Bristol, BS99 6ZZ, United Kingdom.

A stock transfer form and guidance on completing the stock transfer form will be enclosed with your share certificate and further copies can be obtained from Computershare Investor Services PLC on +44 (0) 870 707 1106.

Fees may be payable if a share certificate has been lost or destroyed and an indemnity may be required.

On receipt of a validly completed stock transfer form and the relevant share certificate, Computershare Investor Services PLC will update the IGas register of members and send the new share certificate to the transferee at the address quoted and any balance share certificate back to the transferor.

No transfer taxes are currently payable in the UK on the transfer of IGas Shares by private investors.

**D. Continuous disclosure under the AIM Rules**

Companies whose securities are traded on AIM, such as IGas, are required by the AIM Rules to disclose to the market without delay all new developments which are not public knowledge concerning any change in, among other things, its financial condition, sphere of activity, performance or expectation of its performance which, if made public, would be likely to lead to substantial movement in the price of the securities.

The AIM Rules also require the disclosure to the market of various specific information including changes in directors' interests, the issue of shares and interests of significant shareholders.

### 5.3 IGas employee incentive plans

**A. Long Term Incentive Plan (LTIP)**

In November 2011, IGas adopted the LTIP for certain key employees of the IGas Group. Under the LTIP, participants can each be granted nil cost options over up to 300% of remuneration for the 'Initial Award' and up to 150% of remuneration for the 'Annual Award' (subject to an overall plan limit of 10% of the issued share capital of IGas for all participants). The LTIP has a three-year performance period and awards vest subject to share price performance exceeding IGas' weighted average cost of capital of 10%.

**B. Executive Directors' incentive awards**

IGas intends to implement the following changes to the long term incentive rewards for its executive directors.

To compensate the executive directors for the absence of regular annual LTIP awards over recent years, a one-off award equal to 200% of base salary is planned to be made to each director following any necessary variations to the LTIP. These awards will vest at the end of a three-year performance period provided that IGas' share price performance exceeds its weighted average cost of capital of 10%. No further LTIP awards will be made to executive IGas Directors following this award.

## 5 Information on IGas Shares Continued

To recognise the changing requirements of the business and to support the achievement of IGas' growth objectives over the medium to long term, a new long-term incentive award will be introduced for executive IGas Directors, namely the IGas 2014 Value Creation Plan (VCP). Under the VCP, performance units will be granted which convert into a certain number of shares at the end of a three-year performance period. The VCP requires creation of shareholder value in excess of a threshold hurdle being 10% annualised share price growth from 1 April 2014. If this hurdle is met at the end of the performance period, participants will receive in aggregate 12.5% of the shareholder value created above the hurdle; 50% of this value will vest in shares of equivalent value at end of the performance period and 25% at the end of each of the following two years.

An overall limit will be put in place on the number of new issue shares that can be issued under all the share schemes together of 10% of the issued share capital in any rolling 10 year period (in line with best practice UK corporate governance guidelines).

### C. Share Investment Plan (SIP)

In 2013, IGas adopted an Inland Revenue approved SIP for all employees of the IGas Group. The scheme is a tax efficient incentive plan under which all IGas employees are eligible to acquire up to £125 (or 10% of salary, if less) worth of IGas Shares per month or £1,500 per annum. From April 2014, IGas employees are eligible to acquire up to £150 (or 10% of salary, if less) worth of IGas Shares per month or £1,800 per annum. An initial lump sum purchase was offered in March 2013 to allow participants to acquire up to £1,500 of IGas Shares, which IGas matched on a 2 to 1 basis.

Employees can acquire IGas Shares on a quarterly basis. IGas will match the shares purchased on a 1 to 1 basis and, subject to IGas having met pre-defined quarterly production targets, will increase the matching element of that quarter to 2 to 1. To receive their allocation of matching shares, employees must ordinarily remain employed by IGas for a period of three years from the date of grant of the matching award.

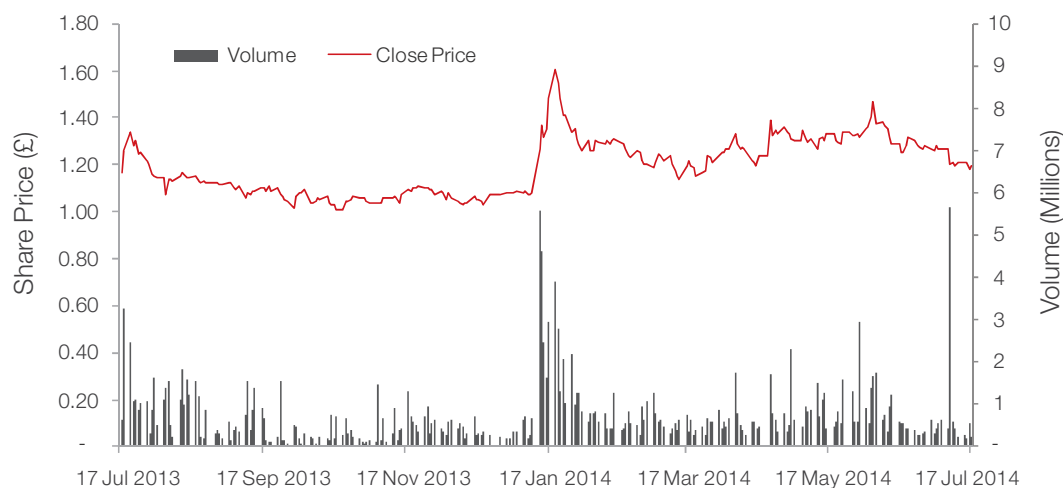
## 5.4 Recent prices of IGas Shares

The closing price of IGas Shares on 8 May 2014, the day before the announcement of the Scheme, was £1.295 (equivalent to A\$2.34 on that date).<sup>20</sup>

As at 17 July 2014, being the last practicable date prior to the publication of this Scheme Booklet, the latest recorded sale price of IGas Shares was £1.195 (equivalent to A\$2.18 on that date).<sup>21</sup>

The highest and lowest recorded sale price of IGas Shares during the three months immediately before 17 July 2014 was £1.50 and £1.17 respectively (equivalent to A\$2.70 and A\$2.14 using the prevailing exchange rate on that date).<sup>22</sup> The volume weighted average price of IGas Shares during the three months immediately before 17 July 2014 was £1.31 (equivalent to A\$2.39 using the prevailing exchange rate on 17 July 2014).<sup>23</sup>

The trading price of IGas Shares over 12 months to and including 17 July 2014 is shown in the chart below.



## 5.5 IGas share registry information

IGas' registrar is Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZZ, United Kingdom.

<sup>20</sup> Using an A\$:£ exchange rate of 0.554 on 8 May 2014.

<sup>21</sup> Using an A\$:£ exchange rate of 0.547 on 17 July 2014.

<sup>22</sup> See Note 22.

<sup>23</sup> See Note 22.

### 5.6 Corporate governance

#### A. Overview

The IGas Board support high standards of corporate governance and the guidance set out in the UK Corporate Governance Code published in September 2012 (the **Combined Code**). As an AIM-listed company, IGas is not obliged to comply with the Combined Code but instead uses its provisions as a guide only, as considered appropriate to the circumstances of IGas.

#### B. Board composition and committees

The IGas Board consists of three executive directors and four non-executive directors; with John Bryant, Robin Pinchbeck and Cuth McDowell being considered to be independent.

The Combined Code provides that the board of a public company should appoint one of its independent non-executive directors to be the senior independent director. Customarily the senior independent director acts as an alternative point of contact for major shareholders who may have made little headway in discussions with the chairman, chief executive officer or chief financial officer, or who may have concerns about the performance of such individuals.

Senior independent non-executive directors also serve as a sounding board for the chairman and act as an intermediary for the other directors. The senior independent director also takes the lead in annual appraisals of the chairman. The senior independent non-executive director of IGas is John Bryant.

The IGas Board retains full and effective control over the IGas Group. The IGas Board meets regularly (at least eight times a year) to consider reports on the operational and financial performance of the IGas Group and to decide on matters reserved unto itself, which include reviewing and approving the IGas Group's strategy, budgets, major items of capital expenditure and senior personnel appointments.

The IGas Directors have established separate committees each chaired by a non-executive director as follows:

##### a. Audit Committee

The committee comprises only non-executive directors; being chaired by Cuth McDowell and having as other members John Bryant and Robin Pinchbeck. The IGas chairman and the executive directors may attend only at the invitation of the committee.

The committee receives and reviews reports from management and the IGas Group's auditors relating to the IGas Group's annual report and accounts and to interim results announcements. The committee focuses particularly on compliance with legal requirements, accounting standards and the AIM Rules and on ensuring that effective systems of internal financial and non-financial controls (including for the management of risk and whistle-blowing) are maintained. However, the ultimate responsibility for reviewing and approving the annual report and accounts remains with the IGas Board. The committee is also responsible for making recommendations to the IGas Board on the appointment of the external auditors and their remuneration. The committee keeps under review the external auditors' independence and considers the nature, scope, and results of the auditor's work and develops policy on and reviews (reserving the right to approve) any non-audit services that are provided by the external auditors.

The committee normally meets at least three times a year and meets the external auditors at least annually without the presence of the executive directors.

##### b. Remuneration Committee

The committee comprises only non-executive directors, being chaired by John Bryant and having as other members Robin Pinchbeck and Cuth McDowell. The committee, which normally meets at least twice a year, has responsibility for making recommendations to the IGas Board on IGas' policy on the remuneration of the IGas chairman, executive directors and other senior executives (as are delegated to the committee to consider) and for determining, within agreed terms of reference, specific remuneration packages for each of them, including pension rights, any compensation payments and the implementation of executive incentive schemes. In accordance with the committee's terms of reference, no IGas Director may participate in discussions relating to their own terms and conditions of service or remuneration.

##### c. Nomination Committee

The committee is chaired by the IGas chairman, Francis Gugen, and its other member is the senior independent non-executive director, John Bryant. The committee, which meets as required throughout the year, has responsibility for considering the size, structure and composition of the IGas Board, retirements and appointments of additional and replacement IGas Directors and making appropriate recommendations to the IGas Board. The committee is also tasked with ensuring that plans are in place for orderly succession to the IGas Board and senior management positions, so as to maintain an appropriate balance of skills and experience within the IGas Group and the IGas Board. The Chief Executive Officer of IGas is invited to attend meetings of the committee when the committee is discussing matters related to executive management and such other matters as the committee chairman deems appropriate.

## 5 Information on IGas Shares

### Continued

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At each annual general meeting of IGas, at least one-third of the IGas Directors shall retire from office by rotation. The IGas Directors to retire by rotation shall include, firstly, any IGas Director who wishes to retire at the meeting and not offer himself for re-election and, secondly, those IGas Directors who have been longest in office since their last appointment or reappointment, provided always that each IGas Director shall be required to retire and offer himself for re-election at least every three years. IGas Directors appointed by the IGas Board hold office only until the dissolution of the annual general meeting of IGas next following such appointment.

#### *d. Internal control*

The IGas Board acknowledges that it is responsible for establishing and maintaining the IGas Group's system of internal controls and reviewing its effectiveness. The procedures that include, among other things, financial, operational, health & safety, compliance matters and risk management are reviewed on an ongoing basis. The IGas Group's internal control procedures include IGas Board approval for all significant projects, including corporate transactions and major capital projects. The IGas Board receives and reviews regular reports covering both the technical progress of projects and the IGas Group's financial affairs to facilitate its control.

The IGas Group has in place internal control and risk management systems in relation to the IGas Group's financial reporting process and the IGas Group's process for preparing consolidated accounts. These systems include policies and procedures to ensure that adequate accounting records are maintained and transactions are recorded accurately and fairly to permit the preparation of consolidated financial statements in accordance with IFRS. The Audit Committee reviews draft annual and interim reports before recommending their publication to the IGas Board. The Audit Committee discusses with the IGas Chief Executive Officer, Chief Financial Officer and external auditors the significant accounting policies, estimates and judgments applied in preparing these reports.

The internal control system can only provide reasonable and not absolute assurance against material misstatement or loss. The IGas Board has considered the need for a separate internal audit function but, bearing in mind the present size and composition of the IGas Group, does not consider it necessary at the current time.

#### **C. UK Bribery Act**

IGas has reviewed the appropriate policies and procedures to ensure compliance with the UK Bribery Act. IGas continues actively to promote good practice throughout the IGas Group and has initiated a rolling programme of anti-bribery and corruption training for all relevant IGas employees.

#### **D. Relations with shareholders**

Communications with IGas Shareholders is considered important by the IGas Directors.

The primary contact with IGas Shareholders, investors and analysts is the IGas Chief Executive Officer. The other executive directors, however, regularly speak to investors and analysts during the year. IGas circulars and press releases have also been issued throughout the year for the purpose of keeping investors informed about the IGas Group's progress.

IGas also regularly updates its website ([www.igasplc.com](http://www.igasplc.com)) which contains a wide range of information about the IGas Group.

**Before deciding how to vote on the Scheme Resolution, you should carefully consider the risk factors discussed in this section, as well as other information contained in this Scheme Booklet and seek independent professional advice.**

**This section provides a summary of risks only. It does not take into account the investment objectives, financial situation, taxation position nor particular needs of Scheme Shareholders.**

**Additional risks and uncertainties not currently known to IGas or Dart, or which IGas and Dart consider to be immaterial, may also have an adverse effect on the value of the IGas Shares. The information set out below does not purport to be, nor should it be construed as representing, an exhaustive summary of all possible risks.**

### A. Introduction

If the Scheme is implemented, Scheme Shareholders will receive New IGas Shares as Scheme Consideration. There are a number of factors that may influence the price of IGas Shares and the future operating and financial performance of the Combined Group. Many of these factors will remain beyond the control of the IGas Group.

This section outlines the key, but not all, risks associated with an investment in IGas and the value of its shares and other risks that Dart Shareholders should be aware of. These risks include:

- risks specific to the Scheme;
- risks specific to Dart's business which will be material to the Combined Group;
- risks specific to IGas' business;
- risks common to IGas' and Dart's businesses; and
- risks relating to an investment in shares.

### B. Risks specific to the Scheme

#### a. Conditional Scheme

The Scheme is subject to a number of conditions which are summarised in **section 1.3A**. Some of these conditions require regulatory bodies or third parties to provide their approval to IGas' acquisition of Dart, which cannot be guaranteed.

A failure to satisfy conditions in a timely manner has the potential to delay the Scheme (or even prevent the Scheme from becoming Effective).

The Scheme is also conditional on IGas Shareholders granting to the IGas Directors authority to allot the New IGas Shares. This requires an ordinary resolution to be passed by IGas Shareholders (ie more than 50% of votes cast in favour at the meeting (whether in person, by proxy, by attorney or by corporate representative)). There is a risk that IGas Shareholders may not vote in favour of the relevant resolution, and therefore a risk that the Scheme does not proceed.

#### b. Integration risks

It is possible that the integration of Dart and IGas will be more difficult or take more time than currently anticipated, and could delay the realisation of any synergy benefits that may result from the Scheme.

### C. Risks specific to Dart's business which will be material to the Combined Group

The Combined Group will continue to be exposed to certain risks associated with an investment in Dart including the following key risks.

#### a. Exposure to regulatory risk relating to unconventional oil and gas

Dart's focus is on exploration and production in the unconventional gas industry, with a focus on the UK. Any adverse regulatory changes affecting unconventional exploration and production in the UK will adversely affect the prospects and future profitability of Dart and therefore, the Combined Group.

One of Dart's most advanced projects, the Airth CSG Project (PEDL 133) in Scotland, is ready for development activity but is subject to the outcome of an ongoing planning appeal. A planning enquiry is underway and the proposals have faced opposition from local residents. There can therefore be no guarantee that planning permission will be obtained. Failure to obtain planning permission will adversely affect the prospects and future profitability of the Combined Group.

Dart has placed its seven licences in Australia on 'care and maintenance' and intends to keep these licences on such basis until the NSW regulatory regime is more conducive to unconventional gas exploration and production. For this reason the Dart Directors do not anticipate any further significant drilling in NSW in the near term.

#### b. Contingent liabilities and provisions

Dart is presently in discussions with parties who have expressed an interest in acquiring certain of its assets in Indonesia and India, although the outcome of these discussions remain uncertain.

In the event the Combined Group is unsuccessful in one or more of these initiatives, it may be exposed to certain exit costs in the period 2015–2017, or beyond, the current estimated total of which ranges from A\$0.4 million to A\$12.5 million.

The range of potential outcomes is wide as these potential exit costs relate to multiple licences in several different jurisdictions and the final exit costs, if any, will depend on the outcome of multiple individual sale or farm-out negotiations and negotiations with host governments among other factors.

## 6 Risk factors

### Continued

#### D. Risks specific to IGas' business

##### a. *Acquisitions, future funding and shareholder dilution*

IGas intends to continue to assess acquisitions that complement its existing business as part of its growth strategy. If IGas makes an acquisition it will be exposed to the risks commonly associated with acquisitions of companies or businesses. These risks include the difficulty of integrating the operations and personnel of the acquired business, the potential disruption to the business of IGas and risks arising from the contracts and legal processes associated with the acquisition. Furthermore, the value of any business that IGas acquires or invests in may be less than the purchase price paid by IGas.

In acquiring producing properties, IGas assesses the recoverable reserves, future oil and gas prices, operating costs, potential liabilities and other factors relating to the properties. These assessments are necessarily inexact and their accuracy is inherently uncertain. The review of a subject property in connection with an acquisition assessment will not reveal all existing or potential problems or permit IGas to become sufficiently familiar with the property to assess fully its deficiencies and capabilities. IGas may not inspect every well, and it may not be able to observe structural and environmental problems even when it does inspect a well. If problems are identified, the seller may be unwilling or unable to provide effective contractual protection against all or part of those problems. Any acquisition of property interests may not be economically successful, and unsuccessful acquisitions may have a material adverse effect on the Combined Group's financial position and future results of operations.

##### b. *Debt*

The IGas Group currently has a substantial amount of indebtedness. As at 31 March 2014, the IGas Group had £108.7 million (A\$198.7 million) of outstanding borrowings which includes £92.1 million (A\$168.4 million) pursuant to the Bond Agreement whereby IGas issued 165 million US\$1 secured bonds and £16.6 million (A\$30.3 million) pursuant to the Second Bond Agreement whereby IGas issued US\$30 million (A\$32 million) in unsecured bonds.<sup>24</sup>

The secured bonds carry a coupon of 10% per annum (where interest is payable semi-annually in arrears) and semi-annual amortisation of 2.5% of initial loan amount. Final maturity on the secured bonds will be 22 March 2018. The unsecured bonds carry a coupon of 10% per annum (where interest is payable semi-annually in arrears). Final maturity on the unsecured bonds is 11 December 2018. The IGas Group must use a substantial portion of its cash flow to pay interest and principal on the secured bonds and interest on the unsecured bonds, which will reduce the funds available for future operational purposes and the IGas Group may be at a competitive disadvantage relative to its competitors who operate on a less leveraged basis.

#### E. Risks common to IGas' and Dart's businesses

##### a. *Each company's activities are subject to extensive regulations and permitting requirements. New legislation or regulations or failure to comply with such requirements could have a materially adverse impact on IGas and Dart's business.*

Each company's current and anticipated future operations, including further exploration, appraisal, development, production and ultimately decommissioning activities, require numerous permits and approvals from various national and local governmental authorities. The permits that may be required for construction of development and/or production facilities and conduct of development and/or production operations must be obtainable on reasonable terms which would allow the company to carry out economically viable production. Unfavourable amendments to current laws, regulations and permits governing operations and activities of development and/or production companies, or more stringent implementation thereof, could have a materially adverse impact on the business of the company and cause increases in capital expenditures which could adversely affect the company's financial condition, and lead to a reduction or cessation of affected operations.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including civil or criminal fines or penalties, orders issued by regulatory or judicial authorities causing operations to cease or be reduced, and may include corrective measures requiring capital expenditure, installation of additional equipment or remedial actions. If such penalties were significant, they could adversely affect the company's financial condition.

The government extensively regulates the company's operations, which imposes significant costs and future regulations (or judicial interpretations of existing laws and regulations) could increase those costs or reduce or limit its ability to produce hydrocarbons. Substantial increases in the costs sustained over a long period of time could reduce the available cash flow of the company in the long term, which could affect the company's ability to meet payment of its debts (if any). Each company is subject to extensive regulations with respect to matters such as but not only:

- i. employee health and safety;
- ii. permitting and licensing requirements;
- iii. environmental issues such as air quality standards, water quality standards, and the effects of development and/or production operations on groundwater quality and availability;
- iv. plant and wildlife protection;
- v. reclamation/restoration of properties after production completed;
- vi. discharge of materials into the environment, including, among other things, water disposal and gas flaring; and
- vii. surface subsidence from underground production.

<sup>24</sup> Each A\$ amount in this paragraph being calculated based on the A\$:£ exchange rate of 0.547 and the A\$:US\$ exchange rate of 0.938, as appropriate, in each case on 17 July 2014.

Hydraulic Fracturing can be used to increase or restore the production from subterranean reservoirs. Hydraulic Fracturing is achieved by injecting a fluid into the rock structure, typically consisting of water, proppants and chemical additives. The process of Hydraulic Fracturing is currently under review by a number of governmental and non-governmental environmental agencies around the world. Whilst IGas does not currently use Hydraulic Fracturing as an exploration or development tool for shale gas if the results from its current exploratory drilling confirms that production from its shale gas resources are commercially viable, IGas may seek such consents in the future. The results of environmental assessments may ultimately curtail the company's potential use of Hydraulic Fracturing as an exploration and development tool, to enhance recovery of its shale gas resources which in turn may impact IGas' ability to recover its resources in the future.

#### *b. Political risk*

IGas and Dart are exposed to political risk. This can include changes in government or the effect of local or national referenda. For example, IGas and Dart both hold assets in Scotland which is holding an independence referendum in September 2014.

These political risks can result in changes to regulatory or fiscal environment (including taxation) which could affect the Combined Group's ability to deliver its strategy. However, through the United Kingdom Onshore Operators Group (UKOOG) (the representative body for the UK onshore oil and gas industry) and other industry associations, Dart and the IGas Group engage with government and other appropriate organisations to ensure they are kept abreast of expected potential changes and take an active role in making appropriate representations.

#### *c. Unconventional gas exploration and development are highly speculative activities*

Unconventional gas exploration is a highly speculative activity and there are a number of risks which may impact the businesses of IGas and Dart. There is no certainty that the expenditures IGas or Dart make towards the search and evaluation of unconventional gas deposits will result in discoveries of commercial quantities. IGas and Dart's longer-term profitability is directly related to the success of its project development and exploration activities. In the event that an exploration project is unsuccessful, the value of IGas and Dart's business and any associated exploration licences may be diminished.

#### *d. A substantial or extended decline in oil and natural gas prices or consumption may adversely affect IGas' and Dart's businesses, financial condition and results of operations.*

Historically, hydrocarbon prices have been subject to large fluctuations in response to a variety of factors beyond IGas' and Dart's control, including operational issues, natural disasters, weather, political instability or conflicts, economic conditions or actions by major oil-exporting countries. Price fluctuations can affect the business assumptions, investment decisions and financial position of the companies. In particular, a substantial or

extended decline in the price or consumption of oil and gas could have a short or long term effect on either or both of the company's financial condition. Lower hydrocarbon prices or reduced demand for oil and gas could reduce the economic viability of the companies' projects, result in a reduction in revenues or net income, adversely affect the companies' ability to maintain working capital requirements, impair their ability to make planned expenditures and could materially adversely affect their prospects, financial condition and results of operations. The degree to which the crystallisation of these risks may affect the financial condition of IGas and Dart would depend on the degree and period of decline.

#### *e. Estimation of resources, reserves and production profiles are based on judgements and assumptions.*

In general, there is inherent risk in estimates of oil and gas reserves, and their anticipated production profiles, because they involve subjective judgments and determinations based on available geological, technical, contractual and economic information. They are not exact determinations and the actual resources, reserves and production may be greater or less than those calculated. In addition, these judgments may change based on new information from production or drilling activities or changes in economic factors, as well as from developments such as acquisitions and disposals, new discoveries and extensions of existing fields and the application of improved recovery techniques.

If any estimates of hydrocarbon resources, reserves or production profiles (including any competent persons' reports which IGas and Dart each relies upon in making any operational decision) prove to be substantially incorrect, IGas and Dart may be unable to recover and produce the estimated levels or quality of hydrocarbons set out in such estimates and the business, prospects, financial condition or results of operations of IGas and Dart could be materially adversely affected. Data obtained from exploratory drilling and production data from producing wells, together with seismic models produced by IGas and Dart, are used to supplement and verify estimates of resources, reserves and production profiles.

#### *f. The production plans are subject to geological and operational obstacles and risks.*

The delivery of production plans is dependent on the successful continuation of existing field production operations and the development of key projects. Both of these involve risks normally inherent to such activities including blowouts, oil spills, explosions, fires, equipment damage or failure, natural disasters, geological uncertainties, unusual or unexpected rock formations, abnormal pressures, availability of technology and engineering capacity, availability of skilled resources, maintaining project schedules and managing costs, as well as technical, fiscal, regulatory, political and other conditions. Such potential obstacles may impair the continuation of existing field production and delivery of key projects and, in turn, IGas and Dart's operational performance and financial position (including the financial impact from failure to fulfill contractual commitments related to project delivery).

## 6 Risk factors

### Continued

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IGas and Dart may face interruptions or delays with respect to future exploration and production activities in relation to the availability of infrastructure, including pipelines and storage tanks, on which exploration and production activities are dependent. The production performance of reservoirs and wells developed in the future may also be different to that forecast due to normal geological or mechanical uncertainties. Such interruptions, delays or performance differences could result in disruptions or changes to IGas and Dart's future production and projects by lowering production and increasing costs, and may have an adverse effect on IGas and Dart's future profitability.

*g. The Combined Group's longer-term success is dependent on accessing new oil and gas reserves and resources and efficiently developing and exploiting current reserves.*

Future hydrocarbon production will depend on IGas and Dart's access to new resources through exploration, negotiations with governments and other owners of known reserves, and acquisitions. Failures in exploration or in identifying and finalising transactions to access potential reserves and resources could slow the Combined Group's oil and gas production growth and replacement of reserves. This could have an adverse effect on the Combined Group's turnover and profits.

In addition, the results of appraisal of discoveries are uncertain and may involve unprofitable efforts, not only from dry wells, but also from wells that are productive but uneconomic to develop. Appraisal and development activities may be subject to delays in obtaining governmental approvals or consents, shut-ins of connected wells, insufficient storage or transportation capacity or other geological and mechanical conditions all of which may variously increase the Combined Group's costs of operations. If exploration activities prove unsuccessful over a prolonged period of time this, in the long term, this could have an adverse effect on the respective Group's turnover and profits. Producing natural gas reservoirs are typically characterised by declining production rates that vary depending upon reservoir characteristics and other factors. The rate of decline from IGas' existing wells may change in a manner different than what it has estimated. This could affect the respective Group's long term hydrocarbon reserves and production and, therefore, its cash flow and income. In addition, each Group may not be able to economically develop, find, or acquire future reserves to replace its current and future production at acceptable costs. This could directly affect each Group's results and financial condition.

*h. Industry competition*

The oil and gas industry is highly competitive. Major and independent oil and gas companies, drilling and production acquisition programs and individual producers and operators are active bidders for desirable oil and gas properties, as well as the equipment and labour required to operate those properties. There is a risk that increased industry competition will result in increased costs in the carrying on of IGas and Dart's long term activities and reduced available growth opportunities.

*i. The Combined Group's actual future exploration costs may differ materially from its estimates, which may materially and adversely affect its viability in the long term.*

Exploration expenditure estimates are based on certain assumptions with respect to the method and timing of exploration. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions. Additionally, shale gas and CSG sometimes require unconventional methods of exploration which can be more expensive than conventional exploration methods. Further, shale gas and CSG by their nature are often also produced with a significant amount of water and hence the environmental implications of carrying out both the drilling and dewatering operations in the future can be costly and time consuming for IGas and Dart which could materially and adversely affect IGas and Dart's viability and long term.

*j. The expense of meeting environmental regulations could cause a significantly negative effect on the Combined Group's long term profitability, as could failure to obtain certain necessary environmental permits.*

While certain planning authorities currently appear supportive of the type of projects that IGas and Dart are pursuing, when considering the grant of planning permission for such projects there can be no guarantee that as local structure plans are revised that this policy is not changed, modified or reversed and there can be no assurance that planning might ever be obtained in those areas where authorities are less supportive. Opposition to IGas and Dart's respective future projects could lead to the involvement in appeals or public enquiries where costs to IGas and Dart could be potentially large and the ultimate outcome uncertain including failure to obtain the permissions necessary to pursue development and/or production or, if granted, to enable development and/or production to be pursued economically.

*k. IGas and Dart may suffer material losses from uninsurable or uninsured risks or insufficient insurance coverage.*

IGas and Dart may be subject to substantial liability claims due to the inherently hazardous nature of its business or for acts and omissions of subcontractors, operators or joint venture partners. Any contractual indemnities it may receive from such parties may be difficult to enforce if such sub-contractors, operators or joint venture partners lack adequate resources. There can be no assurance that the proceeds of insurance applicable to covered risks will be adequate to cover related losses or liabilities. In addition, IGas and Dart may also suffer material losses from uninsurable or uninsured risks. The occurrence of any of these risks could adversely affect IGas and Dart's respective financial performance.

*l. Landholder access and tenure*

IGas' and Dart's land access and tenure may be disputed by various parties such as community action groups resulting in disruption and/or impediment in the operation or development of a resource. Any new well development or expansion of existing operations will require landholder issues to be addressed, which can have significant timing and cost implications.

*m. If the Combined Group's licences are withdrawn or not renewed, it could have a material adverse effect on its reserves, business, operations and prospects.*

In the future IGas and Dart may be unable or unwilling to comply with the terms or requirements of a licence in circumstances that entitle the relevant authority to suspend or withdraw the terms of such licence. Moreover, some of the exploration and production licences which IGas and Dart hold expire or may expire before the end of what might be the productive life of the licenced fields. There can be no assurance that extensions will be granted and any failure to receive such extensions or any premature termination, suspension or withdrawal of licences may have a material adverse effect on the Combined Group's reserves, business, results of operations and prospects if the terminated licence relates to material assets of IGas and Dart.

*n. Litigation risk*

Exposure to litigation brought by third parties such as customers, regulators, employees or business associates could negatively impact on IGas' and Dart's financial performance through increased costs, payments for damages and damage to reputation.

*o. IGas and Dart are subject to currency, commodity price and interest rate fluctuations and related risks associated with its hedging strategy.*

IGas and Dart operate principally in the UK, where costs are principally denominated in GBP. However, a number of key inputs into IGas' and Dart's businesses are often denominated in other currencies, most typically US dollars. Further, Dart has certain assets located in other jurisdictions (eg Indonesia, India and Australia) and thus has ongoing expenses denominated in the currencies of those countries. For this reason, IGas and Dart are subject to the risk currency, commodity price and interest rate fluctuations, which may adversely impact their business.

Dart does not presently employ any hedging instruments to manage the impact of such risk. IGas uses hedging instruments to manage the impact of currency and commodity price fluctuations. IGas believes that the extent of hedging currently in place offers some protection against currency, commodity and interest rate fluctuations for at least 12 months from the date of this Scheme Booklet. In the event of any counterparty to such a hedging instrument failing to satisfy any of its payment or delivery obligations under such instrument, IGas' ability to manage commodity price risk may be adversely affected and this could in turn materially adversely affect its business, financial condition and results of operations, in accordance with the duration of IGas' current hedging arrangements.

*p. Credit market conditions could increase IGas and Dart's finance costs or restrict its ability to take advantage of opportunities in the long term.*

All of the projects which are intended to be developed by IGas and Dart are highly capital intensive. Whilst IGas and Dart have sufficient working capital for at least the next 12 months, recent events in the credit markets have significantly restricted the supply of credit, as financial

institutions have applied more stringent lending criteria or exited the market entirely. Consequently, the funding available to IGas and Dart in the future to allow it to complete some of the longer term projects or to commence others in the medium term may be more costly to obtain or may not be obtainable.

An increase in the cost of future debt would increase IGas and Dart's future costs and make future projects less economically viable. This could adversely affect the financial condition of IGas and Dart.

#### F. Risks relating to an investment in shares

*a. Economic conditions*

The Combined Group's funding position, financial performance and ability to execute its strategy is impacted by a variety of general global economic, political, social and business conditions. In addition to oil and gas prices and currency fluctuations (see below), factors that have the potential to impact the Combined Group's business include inflation, interest rates and other general economic factors. Deterioration in any of these conditions could have an adverse impact on the Combined Group's financial position and / or financial performance.

*b. Share market conditions*

Dart Shareholders should be aware that there are risks associated with an investment in financial products on a stock exchange. Share price movements could affect the value of the Scheme Consideration and the value of any investment in IGas.

The value of IGas Shares can be expected to fluctuate depending on various factors including general worldwide economic conditions, changes in government policies, investor perceptions, movements in interest rates and stock markets, prices of IGas' products, variations in the operating costs and development and sustaining capital expenditure which IGas will require in the future.

*c. Liquidity*

There can be no guarantee that there will continue to be an active market for IGas Shares or that the price of IGas Shares will increase. There may be relatively few buyers or sellers of IGas Shares on AIM at any given time. This may affect the volatility of the trading price of IGas Shares on AIM. It may also affect the prevailing trading price at which IGas Shareholders are able to sell their IGas Shares on AIM.

## 7 Information on the Combined Group

This section provides information about the Combined Group, including pro forma historical financial information.

### 7.1 Overview of the Combined Group

Upon implementation of the Scheme, Dart will become a wholly-owned subsidiary of IGas and the Combined Group would have the following key characteristics:

	Dart	IGas	Combined Group including pro forma adjustments
Shares on issue	1,108,752,733	206,316,001	297,662,552 <sup>1</sup>
Market capitalisation <sup>2</sup>	A\$183 million	A\$451 million	N/A <sup>5</sup>
Cash <sup>3</sup>	A\$29.9 million	A\$50.9 million	A\$71.7 million
Debt <sup>4</sup>	A\$0.1 million	A\$195.4 million	A\$195.4 million

<sup>1</sup> Subject to adjustments from the rounding of Scheme Consideration. It also assumes Dart Options that are in the money (see **section 7.11C**) will be exercised and the holders issued Scheme Consideration.

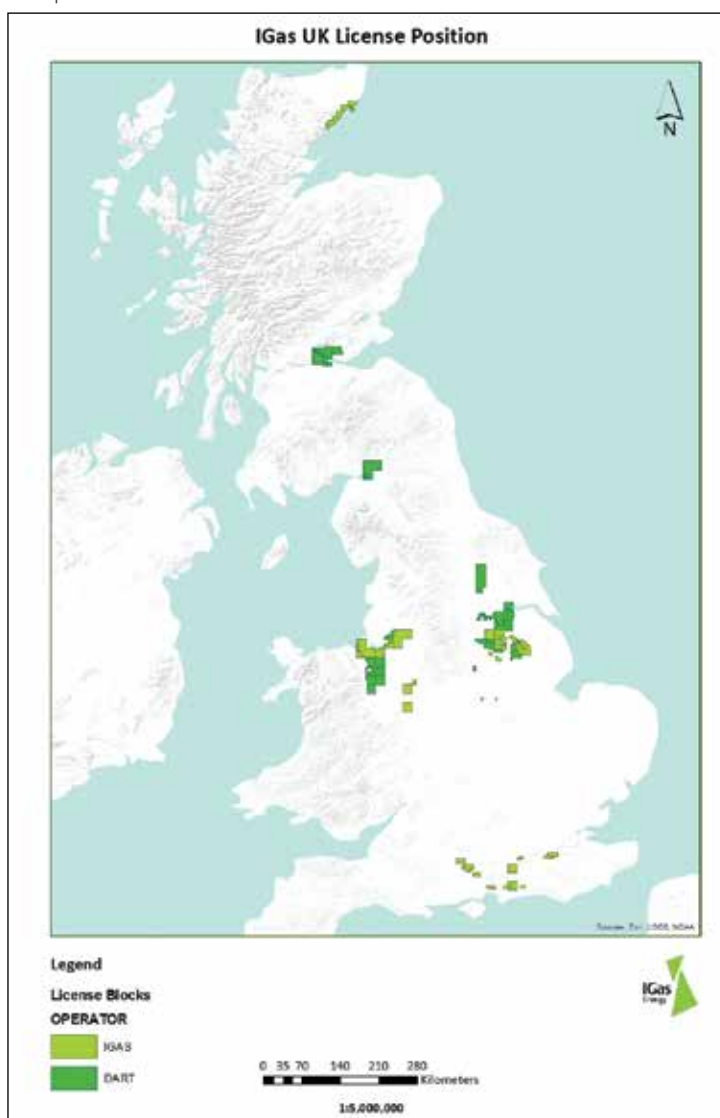
<sup>2</sup> Calculated as at 17 July 2014.

<sup>3</sup> Cash balance as at 31 March 2014. See **section 7.11D** for further information.

<sup>4</sup> Debt as at 31 March 2014. See **section 7.11D** for further information.

<sup>5</sup> No Combined Group market capitalisation figure has been included as this will depend on the trading price of IGas Shares on the Implementation Date, the total number of New IGas Shares issued and the prevailing A\$:£ exchange rate at that time.

A map of the Combined Group's UK licences is set out below.



### 7.2 What is the rationale for the Scheme?

As part of its strategy to secure access to more resources, IGas believes that the acquisition of Dart will create a market-leading onshore British oil and gas company with the largest area in Britain under licence of over one million net acres, including a presence in each of Britain's major shale basins.

IGas believes that this combination would create British national energy champion, with potential benefits from increased scale, including due to the Combined Group's greater and more diverse asset base, access to capital and operating capability.

IGas believes that the key features of the Combined Group would include:

- Increased financial strength complemented by the underlying core cash flows from current production, cash balances and unused debt capacity, and a work programme for 13 licences funded by GDF and two funded by Total.
- Proven operational capabilities in the UK onshore sector with a track record of drilling wells safely and on budget, placing the Combined Group in a strong position to deliver on its existing asset base and for future licensing rounds.
- A team of over 200 staff including subsurface, drilling, commercial and legal experts well positioned to lead the UK shale gas industry.

### 7.3 Strategy of the Combined Group

IGas intends that the strategy for the Combined Group will be an extension of its current strategy for the IGas Group.

IGas' central business focus is to become the leading onshore independent company developing and producing discovered hydrocarbons in Britain. IGas intends to integrate the UK business of Dart in the Combined Group in furtherance of this objective, including opportunities for PEDL 133 – dependent on the outcome of an ongoing planning appeal in Scotland.

IGas intends for the Combined Group to continue being a UK operating onshore hydrocarbon producer and intends that the Combined Group will be focused on three areas:

- increasing its current oil and gas production by maximising the potential from its existing assets;
- developing the wider potential in its asset portfolio through a drilling programme to explore, appraise and develop those assets and thereby create long-term value for shareholders; and
- supplementing organic growth with acquisitions that have a complementary fit to the business.

The Combined Group's strategy for Dart's non-UK assets is consistent with the strategy announced by Dart in March 2014 to accelerate plans to divest non-core assets, with the overall objective of eliminating future capital and operational commitments to all non-UK activities. IGas intends that the Combined Group will divest such other overseas assets where it is commercially attractive to do so, but has no intention at present to operate such assets, other than to fulfill any ongoing contractual obligations.

### 7.4 Financing

IGas expects that the Combined Group's operations will be financed out of the operating cash-flows from producing assets, with more significant exploration and development expenditure being financed through farm-in arrangements, a standard industry model for the financing and risk sharing of significant capital expenditure.

### 7.5 What will be the Combined Group's capital structure immediately upon implementation of the Scheme?

As at the date of this Scheme Booklet, there are 206,316,001 IGas Shares on issue. If the Scheme is implemented, IGas will issue approximately 91,346,551 additional shares to acquire a 100% interest in Dart pursuant to the Scheme.

If the Scheme is implemented, current Dart Shareholders will own approximately 30.7% of IGas.

The table below represents the expected substantial shareholders in IGas following implementation of the Scheme:

Name	Number of IGas Shares	% of IGas Shares
Nexen Petroleum UK Limited	39,714,290	13.34
Francis Gugen	27,615,764	9.28
New Hope Corporation Limited	14,709,385	4.94
GEL/GPEL Ltd	12,698,663	4.27
Andrew Austin	10,969,226 <sup>25</sup>	3.69
Brent Cheshire	7,625,253	2.56

<sup>25</sup> This number includes IGas Shares awarded pursuant to the IGas Share Incentive Plan (see section 5.3C).

## 7 Information on the Combined Group

### Continued

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#### 7.6 Who will be the directors of the Combined Group?

If the Scheme is implemented, Dart Chairman Robert Neale will be invited to join the IGas Board. The remaining Dart Directors will be replaced by IGas nominees.

The IGas Board will then comprise each of the IGas Directors listed in **section 4.6** along with Robert Neale.

Robert Neale's current remuneration as Dart Chairman is A\$120,000 per annum (inclusive of superannuation). Upon appointment to the IGas Board, his annual remuneration will change to £45,000 (equivalent to approximately A\$82,267).<sup>26</sup>

Robert Neale has confirmed that he shares the intentions of IGas and the current IGas Directors in relation to the Combined Group as set out in this **section 7**.

#### 7.7 Who will be the CEO of the Combined Group?

Andrew Austin, the CEO of IGas, will remain as the CEO of the Combined Group.

#### 7.8 What are IGas' other intentions for the Combined Group

The statements set out in this section are statements of current intentions only which may change as new information becomes available or circumstances change. Any decisions will only be reached after implementation when all material facts and circumstances are known to the board of the Combined Group.

##### A. Overview

This **section 7.8** sets out a summary of IGas' intentions in relation to:

- the continuation of the businesses of Dart;
- any major changes to be made to the businesses of Dart, including any redeployment of the fixed assets of Dart; and
- the future employment of the present employees of Dart,

in circumstances where the Scheme is implemented.

The statements of intention contained in this **section 7.8** are based on information concerning Dart and its businesses that is known to IGas as at the date of this Scheme Booklet, either from publicly available information or the limited due diligence review by IGas of certain non-public information provided by Dart.

Final decisions regarding the matters set out below will only be made by IGas in the light of all such material information, facts and circumstances at the relevant time. Accordingly, it is important to recognise that the statements set out in this **section 7.8** are statements of current intentions only, which may change as new information becomes available or circumstances change.

##### B. Removal from ASX

IGas intends to arrange for Dart to be removed from the official list of the ASX after the Implementation Date.

##### C. Dart Board

After Dart becomes a wholly owned subsidiary of IGas, IGas intends to reconstitute the Dart Board with its own nominees, such that the Dart Board will include certain Combined Group executives. The final decision on the selection of nominees will be made in light of the relevant circumstances at the time.

The composition of the Board of the Combined Group is discussed in **section 7.6**.

##### D. Business continuity / major changes

As noted in **section 7.3**, if the Scheme is implemented, IGas' main strategic intention is to divest all of Dart's non-UK assets in an orderly process, with a view to maximising cash return and enabling all resources and opportunities to be applied to the UK unconventional gas opportunity. Otherwise, IGas intends to integrate the UK business of Dart in the Combined Group and to explore, appraise and develop Dart's UK assets through a drilling programme.

##### E. Employees

IGas does not presently envisage that any existing roles in the United Kingdom currently fulfilled by Dart employees would be lost or made redundant as a direct consequence of the Scheme. One of the reasons for this is, given the geographic diversity of IGas' activities across the mainland United Kingdom, a direct overlap between such roles and roles currently performed by IGas' own employees is not readily apparent.

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<sup>26</sup> Based on an A\$:£ exchange rate of 0.547 on 17 July 2014.

IGas understands that Dart has employees in Indonesia, India and Australia whose roles focus on Dart's non-UK assets. Given IGas' strategic intention to divest all of Dart's non-UK assets, which is a continuation of the strategy announced by Dart in March 2014, there may be impacts on the positions of those Dart employees. It is not possible for IGas to predict or control those impacts, as they will ultimately depend on the intentions of the respective acquirers of Dart's non-UK assets, but the divestment of those assets could potentially lead to those positions becoming lost or redundant.

Pending the divestment of Dart's non-UK assets, IGas intends to operate those assets on a 'care and maintenance' basis only, which again is consistent with Dart's current strategy for those assets. IGas does not presently envisage that, during such period, the roles of those Dart employees who focus on Dart's non-UK assets would be lost or made redundant as a direct consequence of the Scheme.

### 7.9 Corporate Governance of the Combined Group

The corporate governance policies and practices of the Combined Group will be the same as IGas' existing policies and practices, as set out in **section 5.6**.

### 7.10 Dividend policy of the Combined Group

Neither Dart nor IGas have historically paid dividends to shareholders. The Combined Group has no present intention to commence a dividend payment strategy with the intention being that free cash-flows are reinvested within the business. Further, whilst the secured bonds (and any related finance documents) and unsecured bonds remain outstanding, IGas has undertaken not to make any dividend payments, repurchase of shares or make other distributions to its shareholders (see **sections 4.7C and 4.7D** for further information on the secured and unsecured bonds).

### 7.11 Pro forma historical financial information for the Combined Group

#### A. Overview

The pro forma historical financial information of the Combined Group disclosed in this section includes the following:

- the pro forma historical balance sheet of the Combined Group as at 31 March 2014 (**Pro Forma Historical Balance Sheet**) and any underlying Pro Forma Adjustments; and
- the pro forma historical income statement of the Combined Group for the 12 months ended 31 March 2014 (**Pro Forma Historical Income Statement**) including any underlying Pro Forma Adjustments,

(together the **Pro Forma Historical Financial Information**).

The Investigating Accountant has prepared an Investigating Accountant's Report in respect of the Pro Forma Historical Financial Information included in this section. A copy of this report is reproduced in **annexure B**.

#### B. Basis of preparation

The financial year end of Dart is 30 June whilst the financial year end of IGas is 31 March. Financial information included in this section for Dart has been prepared for the 12 months ended 31 March 2014 to align to the financial year end of IGas.

The Dart historical financial information for the 12 months ended 31 March 2014 has been derived from:

- the reviewed financial statements of Dart for the half year ended 31 December 2013;
- the unaudited financial information of Dart for the three months ended 30 June 2013; and
- the unaudited financial information of Dart for the three months ended 31 March 2014.

The financial statements for the half year ended 31 December 2013 have been reviewed by PricewaterhouseCoopers in accordance with Australian Auditing Standards. PricewaterhouseCoopers issued an unqualified opinion.

The IGas historical financial information has been derived from the audited financial statements of IGas for the year ended 31 March 2014. The financial statements for the year ended 31 March 2014 have been audited by Ernst & Young LLP in accordance with International Standards of Auditing (UK & Ireland). Ernst & Young LLP issued an unqualified opinion on these financial statements.

The Pro Forma Historical Financial Information is provided for illustrative purposes and is prepared in accordance with the recognition and measurement requirements of applicable Australian Accounting Standards on the assumption that the proposed Scheme was implemented on 1 April 2013. A going concern basis has been adopted in preparing the Pro Forma Financial Information contained in this section.

The Pro Forma Historical Financial Information is presented in an abbreviated form and does not contain all of the presentation and disclosures that are usually provided in an annual report prepared in accordance with the Corporations Act. In particular, it does not include the notes to and forming part of the financial statements of Dart and IGas.

## 7 Information on the Combined Group

### Continued

The accounting policies of the Combined Group used to prepare the Pro Forma Historical Financial Information are based on the accounting policies of Dart contained in its audited financial statements for the year ended 30 June 2013, available on the ASX website at [www.asx.com.au](http://www.asx.com.au) or on the "Investors" section of the Dart website at [www.dartgas.com](http://www.dartgas.com).

All numbers are presented in Australian dollars unless otherwise stated, and rounded to the nearest thousand.

Following the implementation of the Scheme, IGas will be the reporting entity and Dart Shareholders will receive IGas financial statements and information presented in Pounds Sterling.

#### C. Summary of acquisition

Accounting standard AASB 3 Business Combinations requires IGas to measure the cost of the aggregate fair value of assets, liabilities and equity issued by IGas in exchange for control of Dart at the date on which the exchange occurs.

IGas Shares form the basis of the cost of acquisition. In accordance with accounting standards, the fair value of the New IGas Shares will be determined as the published market price on the date of the Dart acquisition (the Implementation Date).

For the purposes of the Pro Forma Historical Balance Sheet, the provisional cost of the acquisition is \$199,523,000, reflecting the issue of 91,346,551 New IGas Shares as consideration to Scheme Shareholders under the Scheme comprising:

- 89,997,459 New IGas Shares as consideration for existing issued shares in Dart, and
- 1,349,092 New IGas Shares as consideration to Dart Option holders. This assumes that Dart Options on issue as at 17 July 2014 with an exercise price equivalent to or lower than the closing share price of Dart Shares on 17 July 2014 of \$0.165 (16,620,571 Dart Options) are exercised before the Record Date. Accordingly, it is assumed that these Dart Option holders will participate in the Scheme as Scheme Shareholders. All remaining Dart Options on issue as at 17 July 2014 (40,547,500) are assumed to lapse for the purposes of the Pro Forma Historical Financial Information included in this section.

The consideration is based on the Scheme ratio of 0.08117 New IGas Shares for every Dart Share, at the IGas closing share price on 17 July 2014 of £1.195 per share, and the A\$:£ exchange rate at 17 July 2014 of 0.547.

To the extent the price or number of New IGas Shares issued under the Scheme changes in the period to the Implementation Date, the cost of acquisition and accordingly the value of tangible and intangible assets acquired (discussed below) will change.

	New IGas Shares	\$000s
Fair value of consideration – Dart Shareholders	89,997,459	196,576
Fair value of consideration – Dart Option holders <sup>1</sup>	1,349,092	2,947
<b>Fair value of consideration deemed transferred on acquisition</b>	<b>91,346,551</b>	<b>199,523</b>
<b>Fair value of Dart's net assets acquired</b>		
<b>Book value of Dart Group net assets as at 31 March 2014</b>		<b>211,789</b>
Add: change in net assets on exercise of Dart Options (discussed above)		2,166
Less: Goodwill		(11,201)
<b>Adjusted book value of Dart Group net assets acquired excluding goodwill</b>		<b>202,754</b>
Fair value adjustments:		
- Bargain purchase		(3,231)
<b>Total fair value of Dart's net assets acquired</b>		<b>199,523</b>

<sup>1</sup> **Section 1.8** outlines the potential treatment of Dart Options under the Scheme. An offer is yet to be agreed between IGas and Dart Option holders, and therefore the actual consideration provided to Dart Option holders may differ to that reflected in the table above and in the Pro Forma Historical Financial Information. In the event that Dart Option holders receive cash or IGas Options as consideration for outstanding shares, this may result in a reduction in the cash and equity balances recognised following the implementation of the Scheme. Dart will update Dart Shareholders by way of ASX announcement of any material developments in relation to the treatment of Dart Options in connection with the Scheme.

The fair value of consideration offered under the Scheme (\$199,523,000) is less than the carrying value of Dart's net assets acquired excluding goodwill (\$202,754,000). The shortfall of \$3,231,000 has been reflected as a bargain purchase, recognised as a credit to the income statement on the date of acquisition. This represents a preliminary assessment of the purchase price allocation arising under the Scheme. Accounting standards allow a period of 12 months to finalise provisional accounting adjustments from the date of acquisition. Should the fair value of consideration under the Scheme exceed the Adjusted book value of Dart Group net assets acquired (excluding goodwill), no amount would be recognised in the income statement and the surplus would be allocated to the assets acquired.

## 7 Information on the Combined Group

Continued

### D. Pro Forma Historical Balance Sheet

As at 31 March 2014	Dart Historical (Unaudited)	IGas Historical	Pro forma adjustments			Pro forma Historical Combined Group
	\$'000	\$'000	Impact of subsequent events \$'000	New capital structure \$'000	Provisional acquisition accounting \$'000	\$'000
Cash and equivalents	29,858	50,865	1,504	(10,513)	-	71,714
Trade and other receivables	9,025	20,495	-	-	-	29,520
Inventories	2,141	2,416	-	-	-	4,557
<b>Total current assets</b>	<b>41,024</b>	<b>73,776</b>	<b>1,504</b>	<b>(10,513)</b>	<b>-</b>	<b>105,791</b>
Receivables	10,149	-	-	-	-	10,149
Investment in subsidiaries	-	-	-	199,523	(199,523)	-
Property, plant and equipment	721	207,549	-	-	-	208,270
Goodwill	11,201	70,503	-	-	(11,201)	70,503
Exploration and evaluation	193,222	163,548	-	-	-	356,770
<b>Total non-current assets</b>	<b>215,293</b>	<b>441,600</b>	<b>-</b>	<b>199,523</b>	<b>(210,724)</b>	<b>645,692</b>
<b>Total assets</b>	<b>256,317</b>	<b>515,376</b>	<b>1,504</b>	<b>189,010</b>	<b>(210,724)</b>	<b>751,483</b>
Trade and other payables	(8,712)	(19,698)	-	-	-	(28,410)
Borrowings	(32)	(8,893)	-	-	-	(8,925)
Current tax liabilities	(229)	-	-	-	-	(229)
Other liabilities	-	(12,229)	2,191	-	-	(10,038)
Derivative financial instruments	-	(90)	-	-	-	(90)
<b>Total current liabilities</b>	<b>(8,973)</b>	<b>(40,910)</b>	<b>2,191</b>	<b>-</b>	<b>-</b>	<b>(47,692)</b>
Borrowings	(32)	(186,475)	-	-	-	(186,507)
Deferred tax liabilities	(11,172)	(103,642)	-	-	-	(114,814)
Provisions	(11,143)	(50,770)	-	-	-	(61,913)
Deferred consideration	(13,208)	-	-	-	-	(13,208)
<b>Total non-current liabilities</b>	<b>(35,555)</b>	<b>(340,887)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(376,442)</b>
<b>Total liabilities</b>	<b>(44,528)</b>	<b>(381,797)</b>	<b>2,191</b>	<b>-</b>	<b>-</b>	<b>(424,134)</b>
<b>Net assets</b>	<b>211,789</b>	<b>133,579</b>	<b>3,695</b>	<b>189,010</b>	<b>(210,724)</b>	<b>327,349</b>
Contributed equity	429,549	210,999	3,513	201,689	(431,715)	414,035
Reserves	115,418	(1,199)	-	-	(115,418)	(1,199)
Accumulated losses	(333,178)	(76,221)	182	(12,679)	336,409	(85,487)
<b>Total equity</b>	<b>211,789</b>	<b>133,579</b>	<b>3,695</b>	<b>189,010</b>	<b>(210,724)</b>	<b>327,349</b>

## 7 Information on the Combined Group

### Continued

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The Pro Forma Historical Balance Sheet reflects the following:

*a. Dart balance sheet as at 31 March 2014*

Represents the unaudited balance sheet of Dart and its subsidiaries as at 31 March 2014, which has been prepared by Dart in accordance with the recognition and measurement requirements of applicable Australian Accounting Standards and Dart's accounting policies contained in its audited financial statements for the year ended 30 June 2013.

*b. IGas balance sheet as at 31 March 2014*

Has been derived from the audited balance sheet of IGas (as outlined in **section 4.9**), translated into Australian dollars based on the A\$:£ exchange rate at 31 March 2014 of 0.5564.

No material differences have been identified to date between the accounting policies of Dart and IGas and therefore no pro forma historical adjustments in respect of accounting policies have been made to the Pro Forma Historical Balance Sheet. A full and detailed review of the application of accounting policies will be undertaken after completion of the Scheme and may result in further adjustments.

*c. Impact of subsequent events*

Subsequent to 31 March 2014, Macquarie Bank exercised warrants over 1,500,000 ordinary 10p (\$0.18) shares in IGas. The warrants were exercised at 55.8p (\$1.00) per share. The following adjustments have been included in the Pro Forma Historical Balance Sheet:

- an increase in cash and cash equivalents of \$1,504,000 (£837,000) reflecting the cash consideration received on exercise of the warrants;
- a decrease in other liabilities of \$2,191,000 (£1,117,000) reflecting the exercise of the warrants which were included as a liability in the audited net assets of IGas as at 31 March 2014, and
- a decrease in accumulated losses of \$182,000 (£102,000) to reflect the fair value movement in the warrants between 31 March 2014 and the date of exercise (8 April 2014).

*d. New capital structure (including costs related to or arising following the Scheme)*

The proposed funding of the Scheme and the capital structure of the Combined Group (refer to **section 7.5**) have the following impact on the Pro Forma Historical Balance Sheet:

- a net reduction in cash of \$10,513,000 to reflect:
  - i. the receipt of \$2,166,000 on the exercise of Dart Options as outlined in **section 7.11C**,
  - ii. the payment of transaction costs related to the Scheme (\$9,384,000), including costs incurred by IGas. Transaction costs are shown net of GST or VAT and are expensed as incurred,
  - iii. termination payments arising due to changes in circumstances following the Scheme (\$3,295,000). Details of the termination payments are outlined in **section 9.2**, and are expensed as incurred; and
- an increase in contributed equity of \$201,689,000 to reflect:
  - i. the fair value of Dart Shares issued on the exercise of Dart Options (\$2,166,000) as outlined in **section 7.11C** above, and
  - ii. the fair value of New IGas Shares issued as consideration under the Scheme (\$199,523,000) as outlined in **section 7.11C**.

*e. Provisional acquisition accounting*

Reflects the adjustments to Dart's net book values as outlined in **section 7.11C**, as well as the following adjustments:

- a decrease in contributed equity of \$431,715,000 to reflect the elimination of Darts issued share capital;
- a decrease in reserves of \$115,418,000 to reflect the elimination of Dart's foreign currency translation reserve; and
- a decrease in accumulated losses of \$336,409,000 to reflect the elimination of Dart's pre-acquisition accumulated losses (\$333,178,000) and the bargain purchase adjustment (\$3,231,000) outlined in **section 7.11C**.

Tax losses have been recognised to the extent of any potential deferred tax liabilities arising under the transaction. The ultimate availability of the tax losses is subject to Dart, IGas and/or the Combined Group meeting any tax loss integrity tests up to the end of the income year in which they are sought to be utilised.

## 7 Information on the Combined Group

Continued

### E. Pro Forma Historical Income Statement

Period end	Dart 6 months ended 31 December 2014 (Reviewed) \$'000	Dart 3 months ended 30 June 2013 (Unaudited) \$'000	Dart 3 months ended 31 March 2014 (Unaudited) \$'000	Dart 12 months ended 31 March 2014 (Unaudited) \$'000	IGas 12 months ended 31 March 2014 (Audited) \$'000	Pro forma adjustments \$'000	Pro forma \$'000
Revenue	-	-	-	-	123,593	-	123,593
Cost of sales	-	-	-	-	(78,046)	-	(78,046)
<b>Gross profit</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>45,547</b>	<b>-</b>	<b>45,547</b>
Other income	1,281	442	(90)	1,633	283	-	1,916
Other gains / (losses)	18,555	12,239	(3,103)	27,691	-	(20,442)	7,249
Administrative costs	(6,912)	96	(2,675)	(9,491)	(12,821)	-	(22,312)
Profit / (loss) on oil price swaps	-	-	-	-	(3,411)	-	(3,411)
Other expenses	(1,383)	(3,068)	(445)	(4,896)	-	-	(4,896)
Costs relating to acquisitions	-	-	-	-	(77)	-	(77)
Impairment of exploration and evaluation assets	(35,925)	(112,712)	-	(148,637)	(5,306)	-	(153,943)
Impairment of investments	(5,267)	-	-	(5,267)	-	-	(5,267)
Impairment of goodwill	(2,282)	(7,245)	-	(9,527)	-	-	(9,527)
Finance income	-	-	-	-	12,850	20,442	33,292
Finance costs	(754)	(4,506)	75	(5,186)	(33,247)	-	(38,433)
<b>Net finance costs</b>	<b>(754)</b>	<b>(4,506)</b>	<b>75</b>	<b>(5,186)</b>	<b>(20,397)</b>	<b>20,442</b>	<b>(5,141)</b>
<b>Profit/(loss) on ordinary activities before tax</b>	<b>(32,687)</b>	<b>(114,754)</b>	<b>(6,238)</b>	<b>(153,680)</b>	<b>3,818</b>	<b>-</b>	<b>(149,862)</b>
Income tax charge	2,235	3,481	213	5,929	(16,731)	-	(10,802)
<b>Loss from continuing operations</b>	<b>(30,452)</b>	<b>(111,273)</b>	<b>(6,025)</b>	<b>(147,751)</b>	<b>(12,913)</b>	<b>-</b>	<b>(160,664)</b>

The Pro Forma Historical Income Statement reflects the following:

a. *Dart income statement for the 12 months ended 31 March 2014*

Represents the unaudited income statement of Dart and its subsidiaries for the 12 months ended 31 March 2014, which has been derived from:

- the reviewed statutory income statement for the six months ended 31 December 2013;
- the unaudited income statement for the three months ended 30 June 2013; and
- the unaudited income statement for the three months ended 31 March 2014.

## 7 Information on the Combined Group

### Continued

This information has been prepared by Dart in accordance with the recognition and measurement requirements of applicable Australian Accounting Standards and Dart's accounting policies contained in its audited financial statements for the year ended 30 June 2013.

*b. IGas income statement for the 12 months ended 31 March 2014*

Has been derived from the audited income statement of IGas (as outlined in **section 4.9**), translated into Australian dollars based on the average A\$:£ exchange rate for the 12 months to 31 March 2014 of 0.614.

No material differences have been identified to date between the accounting policies of Dart and IGas and therefore no pro forma historical adjustments in respect of accounting policies have been made to the Pro Forma Historical Income Statement. A full and detailed review of the application of accounting policies will be undertaken after completion of the Scheme and may result in further adjustments.

*c. Pro forma adjustments*

The following material adjustment has been made to the results of Dart to align the presentation of financial information with that of IGas.

Dart recognised a net foreign exchange gain of \$20,442,000 in the 12 months ended 31 March 2014. For the purposes of the Pro Forma Historical Income Statement, this has been reclassified to Finance Income to align to the presentation of foreign currency gains adopted by IGas in their audited accounts for the 12 months ended 31 March 2014.

This adjustment relates only to the presentation of financial information and has no impact on net profit.

#### F. Other information

*a. Capital commitments*

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

As at 31 March 2014	Dart \$'000	IGas \$'000	Combined Group \$'000
Exploration assets:			
Payable:			
Within one year	815	2,374	3,189
Later than one year but not later than five years	-	-	-
	815	2,374	3,189

*b. Operating lease commitments*

The Combined Group leases office space and accommodation for staff from non-related parties under non-cancellable operating lease arrangements. The leases have varying terms, escalation clauses and renewal rights.

As at 31 March 2014	Dart \$'000	IGas \$'000	Combined Group \$'000
Not later than one year	776	908	1,684
Later than one year but not later than five years	938	2,237	3,175
More than five years	-	-	-
	1,714	3,145	4,859

*c. Contingent assets and liabilities*

Dart is presently in discussions with parties who have expressed an interest in acquiring certain of its assets in Indonesia and India, although the outcomes of these discussions remain uncertain. In the event Dart is unsuccessful in one or more of these initiatives, it may be exposed to certain exit costs in the period 2015–2017, or beyond, the estimated total of which currently range from \$0.4 million to \$12.5 million. The range of potential outcomes is wide as these potential exit costs relate to multiple licences in several different jurisdictions and the final exit costs, if any, will depend on the outcome of multiple individual sale or farm-out negotiations and negotiations with host Governments among other factors.

### 7.12 Financing

No changes in the current financing arrangements are anticipated following implementation of the Scheme. Refer to **section 4.7** for details of IGas' existing financing arrangements.

### 7.13 Forecast financial information

This Scheme Booklet does not contain earnings forecasts in relation to IGas or the Combined Group.

IGas and Dart have given careful consideration as to whether a reasonable basis exists to produce reliable and meaningful forecast financial information for the Combined Group. IGas and Dart have concluded that, as at the date of this Scheme Booklet, and given the development stage of many of the Combined Group's asset portfolio, it would be misleading to provide forecast financial information, as a reasonable basis does not exist for providing forecasts that would be sufficiently meaningful and reliable as required by applicable law, policy and market practice.

The financial performance of the Combined Group in any period will be influenced by various factors that are outside the control of the IGas Directors and that cannot, at this time, be predicted with a high level of confidence. In particular, the financial performance of the Combined Group will be materially affected by:

- the volatility of oil and gas prices and their impact on the financial performance of the Combined Group; and
- the high risk nature of exploration and development projects, the results of which are inherently uncertain.

## 8 Taxation considerations

### This section:

- provides a general overview of the Australian income tax, GST and stamp duty consequences for Scheme Shareholders if the Scheme is implemented;
- is based on Australian income tax legislation, public taxation rulings, determinations and administrative practice as at the date of this Scheme Booklet; and
- does not take into account Scheme Shareholders' individual circumstances and is not intended to be exhaustive or a substitute for or to constitute specific taxation advice.

The application of the taxation legislation may vary according to a Scheme Shareholder's individual circumstances. As such, you are advised to obtain professional taxation advice that takes into account your individual circumstances before deciding how to vote in relation to the Scheme.

### 8.1 Introduction

The information contained in this section is applicable only to Australian resident Scheme Shareholders who hold their Dart Shares on capital account for income tax purposes.

Scheme Shareholders who are Foreign Residents should obtain their own independent tax advice regarding the tax implications of the Scheme in Australia and in their country of residence.

This section does not consider the Australian tax consequences for Scheme Shareholders who:

- hold their Dart Shares on revenue account or as trading stock;
- are Australian tax residents that hold their Dart Shares as part of an enterprise carried on, at, or through a permanent establishment in a foreign country;
- are financial institutions, insurance companies, partnerships, tax exempt organisations, trusts (except where expressly stated), superannuation funds (except where expressly stated) or temporary residents;
- are subject to the taxation of financial arrangements provisions in Division 230 of the Tax Act in relation to gains and losses on their Dart Shares; or
- acquired their Dart Shares through an employee share scheme.

The information contained in this section is based on the tax law at the date of this Scheme Booklet. The tax consequences outlined in this section may alter if there is a change in the tax law after the date of this Scheme Booklet.

The information contained in this section is general in nature and should not be relied upon by Scheme Shareholders as tax advice. This section is not intended as an authoritative or complete statement of the tax law applicable to the circumstances of every Scheme Shareholder. Scheme Shareholders should obtain their own independent professional advice in relation to the tax consequences arising under the Scheme.

This section should be read with the remainder of this Scheme Booklet.

### 8.2 Australia income tax implications

#### A. Disposal of Dart Shares

In the event the Scheme becomes Effective, IGas will acquire 100% of the Dart Shares on issue.

The Australian income tax implications relevant for Scheme Shareholders who are Australian residents for tax purposes are outlined below.

#### a. CGT event

The disposal of Dart Shares to IGas under the Scheme will be a "CGT event" within the meaning of the Tax Act.

Subject to the availability of CGT roll-over relief (discussed below), Scheme Shareholders should make either:

- a capital gain from the CGT event if the capital proceeds from the disposal of their Dart Shares exceed their cost base; or
- a capital loss if the capital proceeds from the disposal of their Dart Shares are less than the reduced cost base of the shares.

The capital proceeds received on the disposal of the Dart Shares should be equal to the market value of property received in the form of IGas Shares in exchange for the Dart Shares. The market value of the capital proceeds should be worked out as at the date of the relevant CGT event, being the Implementation Date for the Scheme. For this purpose, the value of IGas Shares will need to be translated into Australian currency at the relevant daily foreign exchange rate.

The cost base (or reduced cost base) of the Dart Shares disposed should generally be the amount paid to acquire the Dart Shares plus incidental costs of ownership (ie acquisition costs and other costs relating to the holding and disposal of the Dart Shares, provided the costs have not previously been claimed as a tax deduction).

The cost base and reduced cost base of each Dart Share will depend on the individual circumstances of each Scheme Shareholder.

#### b. CGT discount

Scheme Shareholders who are individuals, trusts or complying superannuation funds should be able to apply the CGT discount where they have held their Dart Shares for at least 12 months before their disposal under the Scheme.

The CGT discount reduces the capital gain otherwise assessable on the disposal of the Dart Shares (after the application of any current year or prior year capital losses) by:

- 50% for individuals and trusts; or
- 33 and 1/3% for complying superannuation funds.

The CGT discount is not available to Scheme Shareholders that are companies.

Scheme Shareholders that are trusts should obtain their own tax advice regarding the implications of the CGT discount, as the discount rules for trusts are complex and certain beneficiaries may be required to include additional amounts in their assessable income upon distribution by the trustee of a discounted capital gain.

#### c. Capital losses

A capital loss may be used to offset capital gains derived by the Scheme Shareholders in the current year or may be carried forward and offset against capital gains derived in future income years. Specific loss recoupment rules apply to companies and trusts that may restrict their ability to utilise capital losses in future years. Scheme Shareholders should seek their own independent tax advice in relation to the operation of these rules.

### B. Scrip for scrip roll-over relief

Scheme Shareholders who would otherwise make a capital gain in respect of the disposal of their Dart Shares may choose to obtain scrip for scrip roll-over relief (if eligible) on the basis that their Dart Shares are exchanged for IGas Shares.

#### a. Eligibility for scrip for scrip roll-over relief

There are a number of conditions which must be satisfied in order for scrip for scrip roll-over relief to be obtained. Broadly, roll-over relief is available where a shareholder exchanges shares in an original entity (Dart) for shares in a replacement entity (IGas) and the following conditions are satisfied:

- *The acquiring company (IGas) must become the owner of 80% or more of voting shares in the original entity (Dart).*

This condition should be satisfied on the basis that the scheme will only proceed if a Court order is granted.

- *The Dart Shares must not have been acquired prior to 20 September 1985.*

This condition should be satisfied on the basis that Dart was registered with ASIC on 9 November 2006 and listed on the Australian Securities Exchange in 22 July 2010 and, therefore, should not have any pre-CGT shares on issue.

- *Apart from the roll-over relief, Scheme Shareholders must make a capital gain from the arrangement.*

The satisfaction of this condition will need to be assessed on a shareholder-by-shareholder basis. Only Scheme Shareholders who make a capital gain from the disposal of Dart Shares in exchange for IGas Shares (prior to the application of any roll-over relief) will be eligible to choose to obtain a roll-over relief.

- *The Scheme Shareholders must choose to obtain roll-over relief.*

As above, the satisfaction of this condition will need to be assessed on a shareholder-by-shareholder basis. No formal election notice is required to be lodged with the Australian Taxation Office to choose to obtain the roll-over relief. However, if the relief is chosen, the Scheme Shareholder's income tax return should be prepared in a manner consistent with scrip for scrip rollover relief.

Additional conditions may apply in circumstances where neither IGas nor Dart have at least 300 members, or where IGas and Dart are members of the same linked group, just before the Scheme. However, on the basis that Dart and IGas have greater than 300 members and are not members of the same linked group, these conditions should not be applicable.

Based on the above, it is expected that the conditions for the choosing of roll-over relief should be satisfied in relation to the Scheme (subject to Scheme Shareholder realising a capital gain in relation to the Scheme and electing to choose roll-over relief).

#### b. Income tax consequences of choosing scrip for scrip roll-over relief

The income tax consequences of choosing scrip for scrip roll-over relief include capital gains and cost base consequences, as discussed below.

If a Scheme Shareholder chooses roll-over relief, a capital gain arising in relation to the disposal of the Dart Shares in exchange for IGas Shares should be disregarded.

Further, the cost base of the IGas Shares received will include an amount equal to the Scheme Shareholder's cost base in relation to the Dart Shares for which they were exchanged.

For the purpose of determining whether or not the IGas shares have been held for at least 12 months as a condition of eligibility for the CGT discount (discussed above), if the relevant shareholder has obtained scrip for scrip roll-over relief, then the shareholder is taken to have acquired the IGas Shares on the date that the original Dart Shares were acquired.

#### c. Income tax consequences if scrip for scrip roll-over relief is not, or cannot, be chosen

Scheme Shareholders who are Australian residents and are not eligible to choose scrip for scrip roll-over relief (including in circumstances where a capital loss arises in respect of the disposal of their Dart Shares), or do not elect to choose scrip for scrip roll-over relief, should calculate whether a capital gain or loss arises from the disposal of their Dart Shares.

As stated above, Scheme Shareholders should make a capital gain if the capital proceeds from the disposal of their Dart Shares exceed their cost base. This capital gain should be treated as assessable and may be reduced by the CGT discount in certain circumstances described above. If the capital proceeds are less than the reduced cost base of the Dart Shares, they should make a capital loss.

## 8 Taxation considerations

### Continued

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The first element of the cost base (and reduced cost base) of the IGas Shares will be the market value of the total number of Dart Shares exchanged by that Scheme Shareholder (as at the Implementation Date). This should be equal to the market value of the total number of IGas Shares to which the shareholder is entitled, translated into Australian currency at the relevant daily foreign exchange rate as at Implementation Date.

### 8.3 Stamp duty

No stamp duty should be payable by the Scheme Shareholders in respect of the disposal of their Dart Shares.

No Australian stamp duty should be payable in respect of the Scheme Shareholders' acquisition of IGas Shares under the Scheme on the basis that:

- IGas is currently, and will remain after the Scheme, a foreign company; and
- no single Scheme Shareholder or group of associated Scheme Shareholders should have acquired (through the Scheme and/or any associated transactions) an interest of 50% or more in IGas.

### 8.4 GST

No GST should be payable by a Scheme Shareholder in respect of the disposal of their Dart Shares or the acquisition of the IGas Shares under the Scheme, regardless of whether the Scheme Shareholder is registered for GST.

Dart Shareholders should seek their own independent tax advice in relation to the GST implications of their participation in the Scheme and to determine what input tax credits, if any, they are entitled to claim for the GST included in the costs that they may incur in relation to the Scheme.

### 8.5 Tax implications of holding IGas Shares

Australian tax residents generally are required to include as assessable income for the relevant year income derived from all sources within and outside of Australia. The Australian income tax consequences relevant for Scheme Shareholders who are Australian tax residents and who hold IGas Shares are outlined below.

#### A. Receipt of dividends

Dividends paid from profits of IGas should be included in the assessable income of the Australian tax resident shareholder for the income year in which the dividend payment is received.

#### B. Disposal of shares

The disposal of IGas Shares by an Australian tax resident that holds the shares on capital account should be subject to Australian CGT.

Subject to any scrip for scrip roll-over relief, the IGas Shareholder will make either:

- a capital gain where the capital proceeds received from the disposal of the IGas Shares exceed their cost base; or

- a capital loss where the capital proceeds received are less than the reduced cost base of the shares.

The method of calculation of the cost base of the IGas shares will be dependant upon whether or not the Scheme Shareholder obtained scrip for scrip roll-over in relation to the Scheme. This matter is discussed above.

Net capital gains made by the Australian tax resident should be treated as assessable income, and the tax payable will be dependent upon the nature of the shareholder.

The disposal of IGas Shares may be eligible for the CGT discount on the same basis, and subject to comparable conditions, as described above in relation to Dart Shares. For the purpose of determining whether or not the IGas Shares have been held for at least 12 months as a condition of eligibility for the CGT discount, Scheme Shareholders that have obtained scrip for scrip roll-over relief in relation to the Scheme should treat the IGas Shares as having been acquired at the time that the relevant Dart Shares were acquired.

### 8.6 Tax implications for Small Shareholders who elect to participate in the Small Shareholder Sale Facility

As previously described, Scheme Shareholders that are Small Shareholders may elect to have their IGas Shares sold on AIM under the Small Shareholder Sale Facility after the Implementation Date (**Electing Small Shareholders**).

In these circumstances, Electing Small Shareholders will still be taken to have acquired the IGas Shares in exchange for Dart Shares for tax purposes and will be taken to have disposed of the IGas Shares when those shares are sold under the Small Shareholder Sale Facility on their behalf.

Accordingly, the Australian tax comments in this Scheme Booklet will remain applicable for Electing Small Shareholders in respect of the disposal of Dart Shares, and the acquisition and subsequent disposal of IGas Shares.

For CGT purposes, the capital proceeds received for the disposal of IGas Shares will be equal to the proceeds obtained under the Small Shareholder Sale Facility and paid to the Electing Small Shareholder.

Electing Small Shareholders that would otherwise make a capital gain with respect to the exchange of Dart Shares for IGas Shares may be entitled to choose scrip for scrip roll-over relief in relation to the Scheme as described above. If an Electing Small Shareholder obtains roll-over relief in relation to the Scheme, then for the purpose of determining whether or not the IGas Shares have been held for at least 12 months prior to disposal under the Small Shareholder Sale Facility (as a condition of eligibility for the CGT discount), the IGas Shares will be taken to have been acquired on the date that the relevant Dart Shares were originally acquired by that Electing Small Shareholder.

## 9 Additional information

**This section provides you with additional information regarding the Scheme, including for the purposes of section 412(1) of the Corporations Act.**

### 9.1 Appointment of Robert Neale to the IGas Board

If the Scheme is implemented, Robert Neale will be appointed to the IGas Board. Mr Neale is also the immediate past CEO of one of Dart's substantial shareholders, New Hope Corporation Limited. Despite these roles, the remaining Dart Directors consider Robert Neale to be independent because:

- he is a non-executive Dart Director, and has never been an executive of either Dart or IGas;
- he has never been a material professional adviser or consultant to Dart or IGas;
- he is not a material supplier or customer of Dart or IGas; and
- he does not have any material contractual relationship with Dart or IGas other than as a non-executive Dart Director.

The seat on the IGas Board was considered by the remaining Dart Directors only in relation to the benefit that it would bring to Scheme Shareholders by providing continuity of management. The Dart Directors do not consider that it, or Mr Neale's previous role with New Hope Corporation Limited, would materially interfere with his independent exercise of judgement in relation to assessing the Scheme and determining whether it is in the best interests of Dart Shareholders, in the absence of a Superior Proposal.

### 9.2 Other benefits to Dart Directors and officers

The Dart Directors and Dart's company secretary will not be receiving any compensation for loss of office in relation to the Scheme.

Other than as disclosed elsewhere in this Scheme Booklet, the Scheme will not affect the Dart Directors any differently to the effect on the like interests of Dart Shareholders.

Following implementation of the Scheme, if the employment of any of the CEO, CFO and COO of Dart is terminated or they are entitled to treat their employment as having been terminated (eg due to a significant change in the conditions of their employment) then they will be entitled to receive a cash payment in accordance with the terms stipulated in that employee's employment contract with Dart and applicable law and company policy. The amounts of such potential payments, which incorporate expected accrued entitlements as at the anticipated Implementation Date but not beyond this, are not expected to exceed the approximate amounts set out below:

Position	Name	Maximum payment
Chief Executive Officer	John McGoldrick	A\$1,396,372
Chief Financial Officer	Eytan Uliel	A\$1,088,290
Chief Operating Officer	Justin Walta	A\$810,371
<b>Total</b>		<b>A\$3,295,033</b>

### 9.3 Foreign selling restrictions

The distribution of this Scheme Booklet outside of Australia may be restricted by law and persons who come into possession of it should seek advice and observe any such restrictions. Any failure to comply with such restrictions may contravene applicable securities laws. Dart disclaims all liabilities to such persons. If you are a Dart Shareholder who is a nominee, trustee or custodian you are advised to seek independent advice as to how you should proceed.

No action has been taken to register or qualify this Scheme Booklet, the Scheme or the New IGas Shares, or otherwise permit a public offering of the New IGas Shares, in any jurisdiction outside of Australia and its external territories.

#### A. New Zealand

New IGas Shares will be issued to Scheme Shareholders in New Zealand in reliance on the Securities Act (Overseas Companies) Exemption Notice 2013 (NZ). On this basis, Dart Shareholders in New Zealand will not be classified as Ineligible Foreign Shareholders for the purposes of the Scheme.

This Scheme Booklet is not a New Zealand prospectus or an investment statement and has not been registered, filed with or approved by any New Zealand regulatory authority under or in accordance with the Securities Act 1978 (NZ) (or any other relevant New Zealand law). It follows that this Scheme Booklet may not contain all the information that a prospectus or investment statement is required to contain under New Zealand law.

## 9 Additional information

### Continued

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#### B. Hong Kong

New IGas Shares will be issued to Scheme Shareholders in Hong Kong in circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) and which do not constitute an offer to the public within the meaning of that Ordinance or the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong). On this basis, Dart Shareholders in Hong Kong will not be classified as Ineligible Foreign Shareholders for the purposes of the Scheme. This Scheme Booklet is not an advertisement making an offer, or calling attention to an offer or intended offer, in connection with the New IGas Shares. No other advertisement, invitation or document relating to the New IGas Shares which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) has been issued or will be issued in Hong Kong.

This Scheme Booklet has not been approved by or registered with the Securities and Futures Commission of Hong Kong or the Registrar of Companies of Hong Kong. It follows that this Scheme Booklet may not contain all the information that a prospectus is required to contain under Hong Kong law.

#### C. Singapore

New IGas Shares will be issued to Scheme Shareholders in Singapore in reliance on Section 272B of the Securities and Futures Act (Chapter 289 of Singapore). On this basis, Dart Shareholders in Singapore will not be classified as Ineligible Foreign Shareholders for the purposes of the Scheme. This Scheme Booklet is not an advertisement making an offer, or calling attention to an offer or intended offer, in connection with the New IGas Shares.

This Scheme Booklet is not a Singapore prospectus and has not been registered with the Monetary Authority of Singapore under or in accordance with the Securities and Futures Act (Chapter 289 of Singapore), or registered, filed with or approved by any Singapore regulatory authority under or in accordance with any other relevant Singapore law. It follows that this Scheme Booklet may not contain all the information that a prospectus is required to contain under Singapore law.

#### D. United Kingdom

New IGas Shares will be issued to Scheme Shareholders in the United Kingdom in reliance on the *Financial Services and Markets Act 2000*. On this basis, Dart Shareholders in the United Kingdom will not be classified as Ineligible Foreign Shareholders for the purposes of the Scheme.

This Scheme Booklet is not a United Kingdom prospectus or an investment statement and has not been registered, filed with or approved by any United Kingdom regulatory authority. It follows that this Scheme Booklet may not contain all the information that a prospectus or investment statement is required to contain under English law.

### 9.4 ASIC modifications

Clause 8302(h) of Schedule 8 of the *Corporations Regulations 2001* (Cth) requires this Scheme Booklet to disclose the extent to which, within the knowledge of the Dart Directors, the financial position of Dart has materially changed since the date of the last balance sheet laid before Dart’s general meeting (being its financial statements for the financial year ending on 30 June 2013).

ASIC has allowed Dart to confine its disclosure to all material changes to Dart’s financial position between 31 December 2013 (being the date of Dart’s half-year balance sheet set out in **section 3.6B**) and the lodgment of this Scheme Booklet for registration by ASIC, on condition that:

- Dart complies or has complied with Division 2 of Part 2M.3 of the Corporations Act in respect of the half-year ended 31 December 2013;
- this Scheme Booklet states that Dart will give a copy of the financial statements for the half-year ended 31 December 2013 free-of-charge to anyone who asks for them before the Scheme is approved by the Court. Dart confirms that it will do so. Copies can be requested by contacting the Registry;
- the Scheme Booklet sets out whether, within the knowledge of the Dart Directors, the financial position of Dart has materially changed since 31 December 2013. This information is provided in **section 3.8**;
- Dart discloses in announcements to the ASX any material changes to its financial position that occur after the date of lodgment of the Scheme Booklet for registration by ASIC but before the Scheme being approved by the Court; and
- the Scheme Booklet sent to Dart Shareholders is substantially in the form given to ASIC on or about 21 July 2014.

### 9.5 Consents and disclaimers

The following persons have given and have not, before lodgment of this Scheme Booklet with ASIC for registration, withdrawn their consent to be named in this Scheme Booklet in the form and context in which they are named:

Role	Person
Dart's financial adviser	Macquarie Capital (Australia) Limited
Dart's Australian legal adviser	Corrs Chambers Westgarth
Dart's UK legal adviser	Pinsent Masons LLP
Dart's auditor	PricewaterhouseCoopers
Registry	Computershare Investor Services Pty Limited
IGas' share registry	Computershare Investor Services PLC
IGas' auditor	Ernst & Young LLP

In addition to consenting to be named in this Scheme Booklet, the following persons have given and have not, before lodgement of this Scheme Booklet with ASIC for registration, withdrawn their consent to the inclusion in this Scheme Booklet of the following statements and references to those statements in the form and context in which they are included:

Person	Statements
IGas	IGas Information
Deloitte Corporate Finance Pty Limited	Independent Expert's Report reproduced in <b>annexure A</b>
PricewaterhouseCoopers Securities Limited	Investigating Accountant's Report reproduced in <b>annexure B</b>
Netherland, Sewell & Associates, Inc.	<ul style="list-style-type: none"> <li>NSAI CPR</li> <li>letter included as annexure F to the Independent Expert's Report</li> </ul>
New Hope Corporation Limited	Qualified support for the Scheme in <b>section 2.1G</b>
GEL/GEPL Limited	Qualified support for the Scheme in <b>section 2.1G</b>
Nexen Petroleum UK Limited	Support for the transaction in <b>section 1.3C</b>
Brent Cheshire	Support for the transaction in <b>section 1.3C</b>
Senergy	2014 CPR

Each person referred to in this **section 9.5**:

- has not authorised or caused the issue of this Scheme Booklet;
- does not make, or purport to make, any statement in this Scheme Booklet or any statement on which a statement in this Scheme Booklet is based other than as specified in this **section 9.5**; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Scheme Booklet except for those statements to which they have consented as specified in this **section 9.5**.

### 9.6 Disclosure of fees and benefits received by certain persons

No amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given for services provided by any person referred to in **section 9.5** in connection with the formation or promotion of Dart or the offer of New IGas Shares under the Scheme.

Those persons listed in **section 9.5** are the only persons who have performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Scheme Booklet.

### 9.7 Scheme costs

The persons named in this Scheme Booklet as performing a function in a professional or advisory capacity in connection with the Scheme and with the preparation of this Scheme Booklet on behalf of Dart are set out below, together with the estimated fees payable to them assuming the Scheme proceeds (all amounts excluding GST and VAT).

## 9 Additional information

### Continued

Role	Adviser	Fees
Independent Expert	Deloitte Corporate Finance Pty Limited	A\$180,000
Technical expert to the Independent Expert	Netherland, Sewell & Associates Inc.	US\$120,000
Investigating Accountant	PricewaterhouseCoopers Securities Limited	A\$200,000
Registry (including administration, registry functions, print and mail, call centre and other related services)	Computershare Investor Services Pty Limited	A\$175,000
Dart's financial advisers	Macquarie Capital (Australia) Limited	A\$4,500,000
Dart's Australian legal adviser	Corrs Chambers Westgarth	A\$450,000
Dart's UK legal adviser	Pinsent Masons LLP	A\$140,000

The total transaction costs of A\$9,384,000 disclosed in **section 7.11D(d)(ii)** include the above costs. The balance of transaction costs (A\$3,607,000 including GST and VAT) primarily relate to costs expected to be incurred by IGas.

### 9.8 Documents available

An electronic version of this Scheme Booklet is available for viewing and downloading online at Dart's website ([www.dartgas.com](http://www.dartgas.com)). Further information about IGas is available at IGas' website ([www.igasplc.com](http://www.igasplc.com)).

### 9.9 Other material information

Except as set out in this Scheme Booklet, there is no other information material to the making of a decision in relation to the Scheme being information that is within the knowledge of any Dart Director, or any director of any Related Body Corporate of Dart, which has not previously been disclosed to Dart Shareholders.

### 9.10 Supplementary information

Dart will issue a supplementary document to this Scheme Booklet if it becomes aware of any of the following between the date of lodgment of this Scheme Booklet for registration with ASIC and the Effective Date:

- a material statement in this Scheme Booklet is or becomes false or misleading;
- a material omission from this Scheme Booklet;
- a significant change affecting a matter included in this Scheme Booklet; or
- a significant new matter has arisen and it would have been required to be included in this Scheme Booklet if it had arisen before the date of lodgment of this Scheme Booklet for registration by ASIC.

Depending on the nature and timing of the changed circumstances and subject to obtaining any relevant approvals, Dart may circulate and publish any supplementary document by:

- placing an advertisement in a prominently published newspaper which is circulated generally throughout Australia;
- posting the supplementary document on Dart's website; or
- making an announcement to the ASX.

## 10 Glossary of terms

In this Scheme Booklet (including the annexures), unless the context requires otherwise:

<b>AEST</b>	Australian Eastern Standard Time.
<b>AIM</b>	the AIM market of the London Stock Exchange.
<b>AIM Rules</b>	the AIM Rules for Companies.
<b>Arrow</b>	Arrow Energy Limited.
<b>ASIC</b>	Australian Securities and Investments Commission.
<b>ASX</b>	ASX Limited ACN 008 624 691 or, as the context requires, the financial market operated by it.
<b>boe</b>	Barrel of oil equivalent.
<b>bopd</b>	Barrels per day.
<b>Bscf</b>	Billions of standard cubic feet.
<b>Business Day</b>	A day that is not a Saturday, Sunday or a public holiday or bank holiday in Brisbane, Australia or in London, England.
<b>CGT</b>	Capital gains tax.
<b>CHES</b>	The Clearing House Electronic Subregister System for the electronic transfer of securities and other financial products operated by ASX Settlement Pty Ltd ACN 008 504 532.
<b>Combined Group</b>	The combined groups of Dart and IGas that will exist after implementation of the Scheme, with IGas being the parent company of the group.
<b>Companies Act</b>	<i>Companies Act 2006</i> (UK).
<b>Competing Proposal</b>	Any third party alternative proposal, offer or transaction to the Scheme as defined in the SIA.
<b>Corporations Act</b>	<i>Corporations Act 2001</i> (Cth).
<b>Court</b>	The Supreme Court of Queensland.
<b>CPR</b>	Competent person's report.
<b>CREST</b>	The relevant system (as defined in the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755) (as amended) and any applicable rules made under those regulations) which enables title to securities to be evidenced and transferred without a written instrument and which is operated by Euroclear UK & Ireland Limited.
<b>CSG</b>	Coal seam gas.
<b>Dart</b>	Dart Energy Limited ABN 21 122 588 505.
<b>Dart Board</b>	The board of directors of Dart as constituted from time to time (or any committee of that board constituted from time to time to consider any aspect of the Scheme on behalf of Dart).
<b>Dart Directors</b>	A director of Dart from time to time.
<b>Dart Options</b>	The unlisted options to subscribe for Dart Shares granted by Dart and detailed in <b>section 1.8</b> .
<b>Dart Share</b>	A fully paid ordinary share in the capital of Dart.
<b>Dart Shareholder</b>	A person who is registered in the Share Register maintained by Dart under section 168(1) of the Corporations Act as the holder of a Dart Share.
<b>DECC</b>	The Department of Energy & Climate Change (UK).
<b>Deed Poll</b>	The deed poll executed by IGas in favour of Scheme Shareholders in the form contained in <b>annexure E</b> .
<b>Effective</b>	When used in relation to this Scheme, the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the Scheme.
<b>Effective Date</b>	With respect to the Scheme, the date on which the Scheme becomes Effective.

## 10 Glossary of terms

### Continued

<b>End Date</b>	12 November 2014 or such later date as Dart and IGas may agree in writing.
<b>Explanatory Statement</b>	The statement in accordance with section 412 of the Corporations Act which has been, or will be, registered by ASIC in relation to the Scheme, included in this Scheme Booklet.
<b>Foreign Nominee Sale Agent</b>	Nominee third party brokers to be appointed by IGas who will, for each Ineligible Foreign Shareholder, sell the New IGas Shares attributable to them under the Scheme on AIM and remit the proceeds from that sale (after deducting any selling costs and taxes) to them.
<b>Foreign Resident</b>	A person who is not a resident of Australia for the purposes of the Tax Act.
<b>GDF</b>	GDF Suez S.A., its wholly-owned subsidiary GDF SUEZ E&P UK Ltd or any Related Body Corporate of them (as applicable).
<b>GST</b>	The meaning given to that term in the <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth).
<b>Hydraulic Fracturing</b>	Stimulation of a formation by way of injection of fluids, for the purposes of artificial stimulation of a flow of petroleum.
<b>IGas</b>	IGas Energy plc, a company registered in England and Wales and listed on AIM.
<b>IGas Articles</b>	The meaning given to it in <b>section 5.1</b> .
<b>IGas Board</b>	The board of directors of IGas as constituted from time to time (or any committee of that board constituted from time to time to consider the relevant matter).
<b>IGas Director</b>	A director of IGas from time to time.
<b>IGas Information</b>	<p>The information set out in:</p> <ul style="list-style-type: none"> <li>a. to the extent that it has been prepared based on information provided by IGas, <b>section 1.3C</b> (Approval of IGas Shareholders);</li> <li>b. to the extent that it has been prepared based on information provided by IGas, <b>section 1.7</b> (Ineligible Foreign Shareholders);</li> <li>c. <b>section 4</b> (Information on IGas);</li> <li>d. <b>section 5</b> (Information on IGas Shares);</li> <li>e. <b>section 6</b> (Risk factors), other than <b>section 6C</b> (Risks specific to Dart's business which will be material to the Combined Group);</li> <li>f. <b>section 7</b> (Information on the Combined Group);</li> <li>g. to the extent that it has been prepared based on information provided by IGas, <b>section 10</b> (Glossary of terms);</li> <li>h. the information contained elsewhere in this Scheme Booklet repeating or based on the information referred to in the paragraphs above; and</li> <li>i. the Small Shareholder Sale Facility Booklet and Small Shareholder Election Form.</li> </ul>
<b>IGas Group</b>	IGas and its Subsidiaries.
<b>IGas Share</b>	A fully paid ordinary share of 10p each in the capital of IGas.
<b>IGas Shareholder</b>	A person who is registered as a holder of an IGas Share.
<b>Implementation Date</b>	The fifth Business Day after the Record Date or such other date as Dart and IGas agree in writing.
<b>Independent Expert</b>	Deloitte Corporate Finance Pty Limited.
<b>Independent Expert's Report</b>	The report prepared by the Independent Expert, providing an opinion as to whether the Scheme is in the best interests of Dart Shareholders, reproduced in <b>annexure A</b> , and includes any update on that report by the Independent Expert.
<b>Ineligible Foreign Shareholder</b>	A Scheme Shareholder whose address on the Share Register as at the Record Date is a place outside Australia and its external territories, New Zealand, the United Kingdom, Hong Kong, Singapore and any other jurisdictions as may be agreed in writing by Dart and IGas (unless IGas is satisfied that it is permitted to allot and issue New IGas Shares to that Scheme Shareholder under the Scheme by the laws of that place).
<b>Investigating Accountant</b>	PricewaterhouseCoopers Securities Limited.

<b>Investigating Accountant's Report</b>	The report prepared by the Investigating Accountant, reproduced in <b>annexure B</b> .
<b>Listing Rules</b>	The official listing rules of the ASX, as amended from time to time.
<b>London Stock Exchange</b>	London Stock Exchange plc (company number 02075721).
<b>Macquarie Bank</b>	Macquarie Bank Limited.
<b>MMboe</b>	Millions of barrels of oil equivalent.
<b>MMstb</b>	Millions of barrels of stock tank oil.
<b>New IGas Share</b>	An IGas Share to be issued under the Scheme to Scheme Shareholders as Scheme Consideration.
<b>Notice of Scheme Meeting</b>	The notice of the Court ordered Scheme Meeting attached as <b>annexure F</b> .
<b>NSAI</b>	Netherland, Sewell & Associates, Inc., the author of the NSAI CPR, registered to perform consulting petroleum engineering services under Texas Board of Professional Engineers Registration No. F-2699 and a Competent Person as defined by the AIM Note for Mining and Oil & Gas Companies published by the London Stock Exchange.
<b>NSAI CPR</b>	The report entitled 'Estimates of reserves and future revenue, contingent resources, and prospective resources to the Dart Energy Limited interest in certain coal seam gas, shale gas and oil properties located in Australia and the United Kingdom as of 28 February 2014' prepared by NSAI in accordance with SPE-PRMS guidelines and available on the Dart website ( <a href="http://www.dartgas.com">www.dartgas.com</a> ).
<b>NSW</b>	New South Wales, Australia.
<b>OGIP</b>	Original gas in place, being the quantity of gas that is estimated to exist originally in naturally occurring accumulations in the ground, comprising: <ul style="list-style-type: none"> <li>a. that quantity of gas that is estimated, as at a given date, to be contained in known accumulations prior to production; plus</li> <li>b. those estimated quantities in accumulations yet to be discovered.</li> </ul> This estimation makes no reference to the percentage that is potentially recoverable.
<b>Proved</b>	Proved Reserves are those quantities of petroleum, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations. If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate.
<b>Proved plus Probable</b>	Probable Reserves are those additional Reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate.
<b>Proved plus Probable plus Possible</b>	Possible Reserves are those additional Reserves which analysis of geoscience and engineering data suggest are less likely to be recoverable than Probable Reserves. The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved plus Probable plus Possible (3P) Reserves, which is equivalent to the high estimate scenario. In this context, when probabilistic methods are used, there should be at least a 10% probability that the actual quantities recovered will equal or exceed the 3P estimate.
<b>Proxy Form</b>	The personalised form for appointing a proxy accompanying this Scheme Booklet.
<b>Record Date</b>	7.00pm (AEST) on the fifth Business Day (or such other Business Day as Dart and IGas agree in writing) after the Effective Date (currently expected to be 15 September 2014).

## 10 Glossary of terms

### Continued

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<b>Registry</b>	Computershare Investor Services Pty Limited (ABN 48 078 279 277).
<b>Related Bodies Corporate</b>	Has the meaning given in the Corporations Act.
<b>Reserves</b>	Reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria: they must be discovered, recoverable, commercial, and remaining (as of the evaluation date) based on the development project(s) applied. Reserves are further categorised in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterised by development and production status.
<b>Scheme</b>	The proposed scheme of arrangement pursuant to Part 5.1 of the Corporations Act between Dart and Scheme Shareholders in respect of all Dart Shares held on the Record Date, reproduced in <b>annexure D</b> , subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and approved in writing by Dart and IGas.
<b>Scheme Booklet</b>	This document.
<b>Scheme Consideration</b>	0.08117 New IGas Shares per Dart Share held on the Record Date.
<b>Scheme Meeting</b>	The meeting of Dart Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act to consider and vote on the Scheme Resolution and includes any meeting convened following any adjournment or postponement of that meeting.
<b>Scheme Resolution</b>	The resolution that Dart Shareholders are asked to vote on at the Scheme Meeting, set out in <b>section 1.3B</b> and in the Notice of Scheme Meeting.
<b>Scheme Shareholder</b>	Each Dart Shareholder (other than IGas and any entity holding Dart Shares on behalf of IGas) on the Record Date.
<b>Second Court Date</b>	The first day on which the application made to the Court for an order for the purposes of section 411(4)(b) of the Corporations Act approving the Scheme is heard or scheduled to be heard, or if the application is adjourned for any reason, the first day on which the adjourned application is heard or scheduled to be heard.
<b>Second Court Hearing</b>	The hearing of the application made to the Court for an order for the purposes of section 411(4)(b) of the Corporations Act approving the Scheme.
<b>Senergy</b>	Senergy (GB) Limited.
<b>Share Register</b>	The register of members of Dart.
<b>Shareholder Information Line</b>	<ul style="list-style-type: none"><li>• 1300 580 460 (in Australia); or</li><li>• +61 3 9415 4383 (outside Australia),</li></ul> Monday to Friday between 8.30am and 5.00pm (AEST).
<b>SIA</b>	The scheme implementation agreement between Dart and IGas dated 9 May 2014 and reproduced in <b>annexure C</b> under which Dart agreed to propose the Scheme to Dart Shareholders.
<b>Small Shareholder</b>	A Scheme Shareholder (other than an Ineligible Foreign Shareholder) whose holding of Dart Shares is valued at A\$500 or less on the Effective Date (determined by reference to the closing price of Dart Shares on ASX on that date). See the Small Shareholder Sale Facility Booklet for further details on the election available to Small Shareholders in relation to the New IGas Shares to be issued to them under the Scheme.
<b>Small Shareholder Election Form</b>	The personalised form accompanying the Small Shareholder Sale Facility Booklet that Small Shareholders can complete and return to the Registry if they want the New IGas Shares issued to them under the Scheme to be sold in the Small Shareholder Sale Facility.
<b>Small Shareholder Sale Facility</b>	The facility under which Small Shareholders can have their New IGas Shares sold on AIM after the Implementation Date by a broker appointed by IGas, described in further detail in the Small Shareholder Sale Facility Booklet.

<b>Small Shareholder Sale Facility Booklet</b>	The booklet accompanying this Scheme Booklet that provides information on the Small Shareholder Sale Facility and instructions on how Small Shareholders can participate in the Small Shareholder Sale Facility.
<b>Subsidiary or Subsidiaries</b>	The meaning given to it in the Corporations Act.
<b>Superior Proposal</b>	A bona fide Competing Proposal which the Dart Board determines, acting in good faith and in order to satisfy what the Dart Board reasonably considers to be its fiduciary or statutory duties, would, if completed substantially in accordance with its terms, be likely to result in a transaction more favourable to Dart Shareholders than the Scheme having regard to matters including consideration, conditionality, funding, certainty and timing.
<b>Tax Act</b>	The <i>Income Tax Assessment Act 1997</i> (Cth) and the <i>Income Tax Assessment Act 1936</i> (Cth).
<b>Total</b>	Total S.A., its wholly-owned subsidiary Total E&P UK Limited or any Related Body Corporate of them (as applicable).



### **Dart Energy Limited**

Independent expert's report and Financial Services Guide

21 July 2014



## Financial Services Guide

### What is a Financial Services Guide?

This Financial Services Guide (FSG) provides important information to assist you in deciding whether to use our services. This FSG includes details of how we are remunerated and deal with complaints.

Where you have engaged us, we act on your behalf when providing financial services. Where you have not engaged us, we act on behalf of our client when providing these financial services, and are required to give you an FSG because you have received a report or other financial services from us.

### What financial services are we licensed to provide?

We are authorised to provide financial product advice and to arrange for another person to deal in financial products in relation to securities, interests in managed investment schemes, government debentures, stocks or bonds and related regulated emissions units (i.e., carbon) to retail and wholesale clients. We are also authorised to provide general financial product advice relating to derivatives to retail clients and personal financial product advice relating to derivatives to wholesale clients.

### Our general financial product advice

Where we have issued a report, our report contains only general advice. This advice does not take into account your personal objectives, financial situation or needs. You should consider whether our advice is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If our advice is provided to you in connection with the acquisition of a financial product you should read the relevant offer document carefully before making any decision about whether to acquire that product.

### How are we and all employees remunerated?

We will receive a fee of approximately \$180,000 exclusive of GST in relation to the preparation of this report. This fee is not contingent upon the success or otherwise of the proposed transaction between Dart Energy Limited and IGas Energy Plc executed via a scheme of arrangement (the Proposed Scheme).

Other than our fees, we, our directors and officers, any related bodies corporate, affiliates or associates and their directors and officers, do not receive any commissions or other benefits.

All employees receive a salary and while eligible for annual salary increases and bonuses based on overall performance they do not receive any commissions or other benefits as a result of the services provided to you. The remuneration paid to our directors reflects their individual contribution to the organisation and covers all aspects of performance.

We do not pay commissions or provide other benefits to anyone who refers prospective clients to us.

### Associations and relationships

We are ultimately controlled by the Deloitte member firm in Australia (Deloitte Touche Tohmatsu). Please see [www.deloitte.com/au/about](http://www.deloitte.com/au/about) for a detailed description of the legal structure of Deloitte Touche Tohmatsu.

### What should you do if you have a complaint?

If you have any concerns regarding our report or service, please contact us. Our complaint handling process is designed to respond to your concerns promptly and equitably. All complaints must be in writing to the address below.

If you are not satisfied with how we respond to your complaint, you may contact the Financial Ombudsman Service (FOS). FOS provides free advice and assistance to consumers to help them resolve complaints relating to the financial services industry. FOS' contact details are also set out below.

The Complaints Officer Services PO Box N250 Grosvenor Place Sydney NSW 1220 <a href="mailto:complaints@deloitte.com.au">complaints@deloitte.com.au</a> Fax: +61 2 9255 8434	Financial Ombudsman GPO Box 3 Melbourne VIC 3001 <a href="mailto:info@fos.org.au">info@fos.org.au</a> <a href="http://www.fos.org.au">www.fos.org.au</a> Tel: 1300 780 808 Fax: +61 3 9613 6399
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### What compensation arrangements do we have?

Deloitte Australia holds professional indemnity insurance that covers the financial services provided by us. This insurance satisfies the compensation requirements of the Corporations Act 2001 (Cth).

1 February 2013

Deloitte Corporate Finance Pty Limited, ABN 19 003 833 127, AFSL 241457 of Level 1 Grosvenor Place, 225 George Street, Sydney NSW 2000

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21 July 2014

Dear Directors

## Independent expert's report

### Introduction

On 9 May 2014, Dart Energy Limited (Dart or the Company), together with IGas Energy Plc (IGas), announced a proposal under which IGas would acquire 100% of the issued shares in Dart via a scheme of arrangement (the Proposed Scheme). If the Proposed Scheme is approved, holders of Dart shares (Shareholders) will receive 0.08117 IGas shares for each Dart share, upon completion, which is expected to occur in September 2014. Subsequent to the implementation of the Proposed Scheme, Shareholders will hold approximately 30.7% of the enlarged company (the Proposed Merged Entity).

Upon completion of the Proposed Scheme, Dart will become a wholly owned subsidiary of IGas and will subsequently be delisted from the Australian Securities Exchange (ASX).

The Board of Dart have prepared a scheme booklet containing the detailed terms of the Proposed Scheme (the Scheme Booklet) and an overview of the Proposed Scheme is provided in Section 1 of our detailed report.

### Purpose of the report

Section 411 of the Corporations Act 2001 (Cwlth) (Corporations Act) regulates schemes of arrangement between companies and their shareholders. Section 411 (3) of the Corporations Act prescribes the information to be provided to shareholders in relation to schemes of arrangement.

Whilst an independent expert's report in respect of the Proposed Scheme is not required to be prepared to meet any statutory obligations, the directors of Dart (the Directors) have requested that Deloitte Corporate Finance Pty Limited (Deloitte Corporate Finance) provide an independent expert's report advising whether, in our opinion, the Proposed Scheme is in the best interests of Shareholders.

This independent expert's report has been prepared in a manner consistent with Part 3 of Schedule 8 of the Corporations Regulations 2001 (Cwlth) to assist Shareholders in their consideration of the Proposed Scheme. We have also prepared this report having regard to Australian Securities and Investments Commission (ASIC) Regulatory Guide 111 and ASIC Regulatory Guide 112.

This report is to be included in the Scheme Booklet to be sent to Shareholders and has been prepared for the exclusive purpose of assisting Shareholders in their consideration of the Proposed Scheme. Neither Deloitte Corporate Finance, Deloitte Touche Tohmatsu, nor any member or employee thereof, undertakes responsibility to any person, other than the Shareholders and Dart, in respect of this report, including any errors or omissions however caused.

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### **Basis of evaluation**

In undertaking the work associated with this report, we have had regard to ASIC Regulatory Guide 111 in relation to the content of expert's reports and ASIC Regulatory Guide 112 in respect of the independence of experts.

Schemes of arrangement can include many different types of transactions, including being used as an alternative to a Chapter 6 takeover bid. The basis of evaluation selected by the expert must be appropriate for the nature of each specific transaction.

Section 640 of the Corporations Act (Section 640) requires an independent expert's report in connection with a takeover offer to state whether, in the expert's opinion, the takeover offer is fair and reasonable. Where the scheme of arrangement has the same effect as a takeover, the form of analysis used by the expert should be substantially the same as for a takeover bid, however, the opinion reached should be whether the proposed scheme is 'in the best interests of the members of the company'. Accordingly, if an expert were to conclude that a proposal was 'fair and reasonable' if it was in the form of a takeover bid, it will also be able to conclude that the proposed scheme is in the best interests of the members of the company.

### **ASIC Regulatory Guide 111**

This regulatory guide provides guidance in relation to the content of independent expert's reports prepared for a range of transactions.

ASIC Regulatory Guide 111 refers to a 'control transaction' as being the acquisition (or increase) of a controlling stake in a company that could be achieved, for example, by way of a takeover offer, scheme of arrangement, approval of an issue of shares using item 7 of Section 611 of the Corporations Act, a selective capital reduction or selective buy back under Chapter 2J of the Corporations Act. In our opinion the Proposed Scheme is a control transaction from the perspective of Shareholders as envisaged by Regulatory Guide 111.

In respect of control transactions, under ASIC Regulatory Guide 111 an offer is:

- fair, when the value of the consideration is equal to or greater than the value of the securities subject to the proposed scheme. The comparison must be made assuming 100% ownership of the target company (i.e. including a control premium)
- reasonable, if it is fair, or, despite not being fair, after considering other significant factors, shareholders should accept the offer under the proposed scheme, in the absence of any higher bids before the close of the offer.

To assess whether the Proposed Scheme is in the best interests of Shareholders, we have adopted the tests of whether the Proposed Scheme is either fair and reasonable, not fair but reasonable, or neither fair nor reasonable, as set out in ASIC Regulatory Guide 111.

### **Fairness**

The Dart shares and shares in the Proposed Merged Entity have been valued at fair market value, which we have defined as the amount at which the shares would be expected to change hands between a knowledgeable and willing but not anxious buyer and a knowledgeable and willing but not anxious seller, neither of whom is under any compulsion to buy or sell. Special purchasers may be willing to pay higher prices to reduce or eliminate competition, to ensure a source of material supply or sales, or to achieve cost savings or other synergies arising on business combinations, which could only be enjoyed by the special purchaser. Our valuation of a Dart share and a share in the Proposed Merged Entity has not been premised on the existence of a special purchaser.

We have assessed whether the Proposed Scheme is fair by comparing the value of a Dart share with the value of the consideration to be received from IGas, being shares in the Proposed Merged Entity. We have assessed the value of each Dart share by estimating the current value of Dart on a control basis and dividing this value by the number of shares on issue. We have assessed the value of the consideration by estimating the value of a share in the Proposed Merged Entity on a minority basis and applying the ratio of IGas shares to be received for each Dart share.

### **Reasonableness**

ASIC Regulatory Guide 111 considers an offer in respect of a control transaction, to be reasonable if either:

- the offer is fair
- despite not being fair, but considering other significant factors, shareholders should accept the offer in the absence of any higher bid before the close of the offer.



To assess the reasonableness of the Proposed Scheme we considered the following significant factors in addition to determining whether the Proposed Scheme is fair:

- the likely market price and liquidity of Dart shares in the absence of the Proposed Scheme
- any special value of Dart to IGas or other benefits available to IGas upon achieving 100% ownership of Dart
- the likelihood of an alternative offer being made
- other implications associated with Shareholders voting against the Proposed Scheme.

### Summary and conclusion

In our opinion the Proposed Scheme is fair and reasonable and therefore in the best interests of Shareholders. In arriving at this opinion, we have had regard to the following factors.

### The Proposed Scheme is fair

According to ASIC Regulatory Guide 111, in order to assess whether the Proposed Scheme is fair, the independent expert is required to compare the fair market value of a share in Dart on a control basis with the fair market value of the consideration under the Proposed Scheme. The Proposed Scheme is fair if the value of the consideration is equal to or greater than the value of the securities subject to the offer.

Set out in the table below is a comparison of our assessment of the fair market value of a Dart share with the consideration offered by IGas.

**Table 1**

	Low (\$)	High (\$)
Estimated fair market value of a Dart share (Section 7)	0.15	0.19
Estimated fair market value of consideration offered (Section 8)	0.19	0.20

*Source: Deloitte Corporate Finance analysis*

Note:

1. All amounts stated in this report are in Australian dollars (\$) or AUD) unless otherwise stated and may be subject to rounding

The consideration offered by IGas is above the range of our estimate of the fair market value of a Dart share, albeit equal at the high end of our estimated value of a Dart share. Accordingly it is our opinion that the Proposed Scheme is fair.

### Valuation of Dart

We have estimated the fair market value of Dart on a control basis by applying a sum of the parts methodology, which requires the aggregation of the fair market value of the interest held by Dart in various development, exploration and corporate assets and reflecting corporate costs, before adding net cash and adding or subtracting any surplus assets and liabilities of Dart.

We have estimated the value of the development assets held by Dart (being Petroleum Exploration Development Licence (PEDL) 133 and PEDL 159) utilising a discounted cash flow method, which estimates the value of these assets by discounting the estimated future cash flows to be generated from these assets to their present value at an appropriate discount rate. We selected a nominal after tax discount rate in the range of 12.0% to 14.0%, and 14.0% to 15.0%, to discount the estimated future cash flows of PEDL 133 and PEDL 159, respectively, to their present value. A financial model prepared by the management of Dart formed the basis of our valuation of the development assets.

We have undertaken sufficient work to assess whether the financial projections and the underlying model are suitable for the purposes of assessing the value of the development assets of Dart in accordance with ASIC Regulatory Guide 111.

We have estimated the value of the exploration assets held by Dart, located predominantly in the United Kingdom (UK) and Australia, having regard to comparable resource multiples (on a United States dollar (USD \$) per billion cubic feet (bcf) basis) achieved in recent farm-in transactions in tenements in which Dart has an interest, and the historical exploration costs incurred to date.



Below is a summary of our assessment of the value of a share in Dart on a sum of the parts basis.

**Table 2**

	Section	Unit	Low	High
Value of the development assets	7.2	USD \$'000	50.0	70.0
Value of the exploration assets	7.3	USD \$'000	137.2	137.2
Corporate costs	7.4	USD \$'000	(32.3)	(28.7)
Net surplus assets/(liabilities)	7.5	USD \$'000	(15.9)	(4.0)
Net cash	7.6	USD \$'000	26.1	26.1
<b>Equity value of Dart (on a control basis)</b>		<b>USD \$'000</b>	<b>165.1</b>	<b>200.6</b>
<i>Number of shares on issue<sup>2</sup></i>	7.7	<i>'million</i>	<i>1,125.4</i>	<i>1,125.4</i>
<b>Value per Dart share (on a control basis)</b>		<b>USD \$</b>	<b>0.15</b>	<b>0.18</b>
<b>Value per Dart share (on a control basis) – AUD</b>		<b>\$</b>	<b>0.15</b>	<b>0.19</b>

Source: Deloitte Corporate Finance analysis

Notes:

1. Converted to Australian dollars at an exchange rate of AUD:USD of 0.95 as at 1 July
2. Including the exercise of 'in the money' options, on a diluted basis

To provide additional evidence of the fair market value of a share in Dart, we have cross-checked the total equity value estimated for Dart to that implied by trading in Dart shares prior to the announcement of the Proposed Scheme after adjusting for a notional premium for control.

### *Valuation of Proposed Merged Entity*

We have assessed the value of a share in the Proposed Merged Entity based on an analysis of recent share trading in IGas shares subsequent to the announcement of the Proposed Scheme on 9 May 2014. Trading in IGas' shares, post the announcement of the Proposed Scheme, is likely to incorporate the market's view of the prospects of the Proposed Merged Entity to the extent that market participants expect the Proposed Scheme to proceed.

### *Valuation of the consideration*

We have valued the consideration offered to Shareholders under the Proposed Scheme at between \$0.19 and \$0.20 per share, which is set out in the table below.

**Table 3**

	Value of consideration	
Value of a share in the Proposed Merged Entity (on a minority basis)	GBP 1.30	GBP 1.35
Exchange rate (AUD:Great British pounds sterling (GBP))	1.81	1.81
Value of a share in the Proposed Merged Entity	\$2.35	\$2.44
Ratio of IGas shares to be issued to Shareholders (per Dart share)	0.08117	0.08117
<b>Consideration per Dart share - AUD</b>	<b>\$0.19</b>	<b>\$0.20</b>

Source: Deloitte Corporate Finance analysis

Regardless of the outcome of the Proposed Scheme, the price of IGas shares will vary in the future, based on market movements, fluctuations in the oil and gas price and volumes produced by IGas, developments in the oil and gas industry (including any regulatory changes) and changes in IGas' specific circumstances.

The valuation of a share in the Proposed Merged Entity has been assessed on a minority interest basis because, if the Proposed Scheme is approved, Shareholders will hold a portfolio interest and therefore will become minority shareholders in the Proposed Merged Entity.



### The Proposed Scheme is reasonable

In accordance with ASIC Regulatory Guide 111 an offer is reasonable if it is fair. On this basis, in our opinion the Proposed Scheme is reasonable. We have also considered the following factors in assessing the reasonableness of the Proposed Scheme.

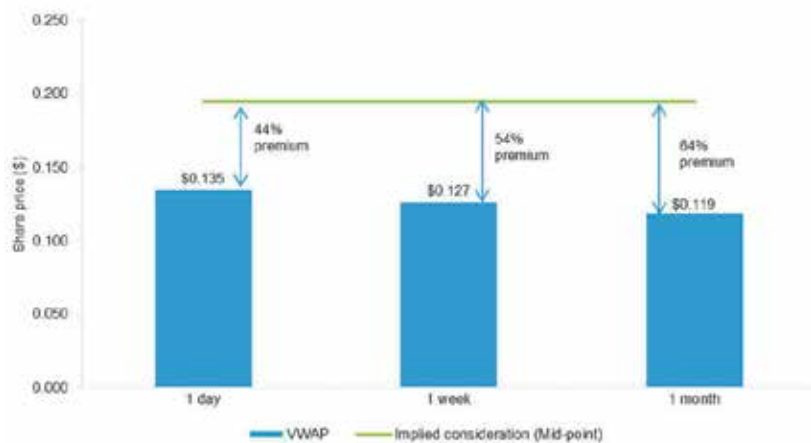
#### Advantages of the Proposed Scheme

The likely advantages to Shareholders if the Proposed Scheme is approved include:

#### Shareholders are receiving a premium to Dart's share price prior to the announcement of the Proposed Scheme

The consideration offered under the Proposed Scheme of \$0.19 to \$0.20 per share, represents a premium to recent traded prices of Dart shares prior to the announcement of the Proposed Scheme, as set out below:

**Figure 1**



Source: Deloitte Corporate Finance analysis, CapitalIQ

The volume weighted average price (VWAP) of a share in Dart one week prior to the announcement of the Proposed Scheme was \$0.127, and the one month VWAP was \$0.119 per Dart share. The consideration (midpoint) represents a premium to share trading in Dart shares for one week and one month prior to the announcement of the Proposed Scheme of between 54% and 64%.

#### In the absence of the Proposed Scheme shares in Dart may trade significantly below current levels

Over the past six months to the date of the announcement of the Proposed Scheme, Dart shares have traded with a daily VWAP in the range of \$0.101 per share to \$0.155 per share. The closing share price on the day prior to the announcement of the Proposed Scheme was \$0.135 per share. Since the announcement of the Proposed Scheme, Dart's shares have traded (including interday trades) in the range of \$0.158 to \$0.190 per share, an increase of 17% to 41% compared to the closing share price prior to the announcement of the Proposed Scheme.

It is common for the share price of a target company the subject of a takeover offer or a change of control transaction to trade at or around the offer price during the offer period, particularly if the market has formed the view that the transaction will proceed at that price. It is also not uncommon for the share price to fall back to pre-announcement levels or lower in the event that the offer is unsuccessful.

In the absence of an alternative offer and in the event that the Proposed Scheme is unsuccessful, Dart's share price may decline to the levels achieved prior to the announcement of the Proposed Scheme.

#### The Proposed Merged Entity will be operationally more diversified, and have increased scale, compared to Dart on a standalone basis

Dart currently has a portfolio of unconventional gas development and exploration assets, with concentration in the UK. The Proposed Merged Entity will have exposure to a more diversified portfolio of assets than Dart on a standalone basis, with the addition of the conventional oil and gas assets held by IGas.



The Proposed Merged Entity will create a market leading onshore UK oil and gas company, holding over one million net acres (including acreage in all major UK shale basins). In addition, the Proposed Merged Entity will have 2P (proved and probable) reserves of 120 bcf, based on Dart and IGas' certified oil and gas reserves.

Notwithstanding the increased scale and diversification, the Proposed Merged Entity will hold a portfolio of assets based principally in the UK. IGas has announced its intention to divest all of Dart's non-UK assets in an orderly process, if the Proposed Scheme is approved, and use the proceeds from the sale of these assets to develop the Proposed Merged Entity's UK unconventional gas opportunities. Dart has announced that it intends to divest, or exit from, non-core assets located in Europe, Indonesia and India.

The portfolio mix of the Proposed Merged Entity may, therefore, not be suitable for individual Shareholders who wish to remain invested principally in unconventional gas assets which are at an exploration and development stage, or in a portfolio of assets including assets in Australia.

*The Proposed Merged Entity will have greater operating cash flows*

The Proposed Merged Entity will generate greater operating cash flows than Dart on a standalone basis due to its increased scale and diversification, and because IGas holds producing conventional oil and gas assets which currently generate positive cash flows. IGas produced approximately one million barrels of oil equivalent and generated an operating profit of GBP 14.9 million in the financial year (FY) 31 March 2014.

Positive operating cash flows will allow the Proposed Merged Entity to undertake greater exploration and development activities which Dart may not be able to achieve on its own, or at least not in the near future. In addition, the Proposed Merged Entity may be able to self-fund its exploration and development activities through the positive operating cash flows, or through debt facilities. This may reduce the need for the Proposed Merged Entity to source equity funding and limit the potential dilution of shareholders in the Proposed Merged Entity compared to Dart on a standalone basis.

*Potentially enhanced liquidity and broker coverage and access to capital markets*

Assuming the Proposed Scheme is approved by Shareholders, the Proposed Merged Entity is likely to have a market capitalisation in the range of GBP 385 million to GBP 400 million (AUD 697 million to AUD 723 million), based on a valuation range for a share in the Proposed Merged Entity of GBP 1.30 to GBP 1.35 (AUD 2.35 to AUD 2.44).

The increased market capitalisation of the Proposed Merged Entity and enlarged shareholder base may attract additional analyst coverage and may enhance the share market profile of the Proposed Merged Entity. These factors may provide increased liquidity and greater trading depth than currently experienced by Shareholders.

As a result of the increased market capitalisation and scale of the business, the Proposed Merged Entity may also have improved access to both debt and equity funds on possibly more attractive terms, compared to those currently available to Dart on a standalone basis.

*Disadvantages of the Proposed Scheme*

The likely disadvantages to Shareholders if the Proposed Scheme is approved include:

*Investment in a London Stock Exchange AIM listed entity*

If the Proposed Scheme is implemented, Dart will become a wholly owned subsidiary of IGas and will subsequently be delisted from the ASX. IGas shares issued to Shareholders as consideration for the Proposed Scheme will be admitted to the AIM market of the London Stock Exchange (the AIM).

If Shareholders wish to trade their IGas shares on the AIM they will be required to use a UK based share broker, or an Australian broker that is able to trade their shares on the AIM (as not all Australian brokers are able to). However, a facility will be put in place if the Proposed Scheme is approved to allow small shareholders (defined as a holding of \$500 or less of Dart shares) the opportunity to elect to have their new IGas shares sold on the AIM by a broker appointed by IGas without incurring broker commission.

Prior to the announcement of the Proposed Scheme, Dart had lodged a 'Pre-Admission Announcement' for the admission of Company's ordinary shares to trade on the AIM. In addition to this intended admission to the AIM (which was cancelled following the announcement of the Proposed Scheme), Dart intended to retain its ASX listing. If the Proposed Scheme is not implemented, Dart intends to reapply for admission to the AIM.



#### *Diluted participation in future growth of Dart's asset portfolio*

If the Proposed Scheme is accepted, Shareholders will hold approximately 30.7% of the total issued shares in the Proposed Merged Entity. Shareholders will have their exposure to the potential upside from Dart's current development and exploration portfolio significantly diluted, as that upside will be shared by all shareholders in the Proposed Merged Entity. In addition, Shareholders will not be able to benefit from any potential upside from further development of Dart's non-UK assets which IGas intends to divest if the Proposed Scheme is approved.

This dilution will be mitigated as Shareholders will participate in any upside attributable to IGas' assets and earnings. In addition, Dart has announced that it intends to divest, or exit from, non-core assets located in Europe, Indonesia and India.

#### *Other matters*

##### *The intentions of the Directors and significant Shareholders*

It is the intention of the Dart Board of Directors to unanimously recommend Shareholders vote in favour of the Proposed Scheme, in the absence of a superior proposal and if the independent expert concludes that the Proposed Scheme is the best interests of Shareholders.

Significant shareholders of Dart<sup>1</sup>, representing 30.5% of the total voting rights of Dart, have indicated their intention to support the transaction in the absence of a superior proposal.

##### *Ineligible foreign Shareholders unable to participate in the Proposed Scheme*

Ineligible foreign Shareholders are not entitled to receive IGas shares as consideration for their Dart shares. Securities of ineligible foreign Shareholders will be sold under a nominee sale procedure set out in section 1.7 of the Scheme Booklet. Consequently, these foreign Shareholders will be unable to participate in the future growth associated with the Proposed Merged Entity, unless they subsequently purchase shares in the Proposed Merged Entity on market.

##### *No alternative offers*

As at the date of our independent expert's report, Dart has not received any alternative offers for its issued capital.

##### *Tax implications*

If the Proposed Scheme is approved, Shareholders may incur a tax expense or realise a capital tax gain/loss. However, subject to individual circumstances, Shareholders may benefit from scrip for scrip roll-over relief. Individual Shareholders should consult their tax advisor in relation to their personal circumstances, as a result of the Proposed Scheme. Further details in respect of the potential taxation implications are provided in section 8 of the Scheme Booklet.

##### *Break fees*

Depending on the reasons why the Proposed Scheme does not proceed, either Dart or IGas may be liable to pay a break fee to the other party. A break fee is not payable by Dart to IGas if the Proposed Scheme does not proceed merely because Shareholders do not approve the Proposed Scheme.

##### *Dart options*

The outstanding Dart options will not be acquired under the Proposed Scheme. However, IGas and Dart have agreed in the Scheme Implementation Agreement to determine a strategy to ensure that all the outstanding options in Dart will be the subject of offers to either be acquired by IGas or cancelled.

##### *Conclusion on reasonableness*

In accordance with ASIC Regulatory Guide 111 an offer is reasonable if it is fair. On this basis, in our opinion the Proposed Scheme is reasonable. In addition, in our opinion, the advantages of the Proposed Scheme outweigh the disadvantages.

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<sup>1</sup> The Shareholders who intend to support the Proposed Scheme have not been disclosed, with the exception of a subsidiary of New Hope Corporation Limited holding a 16.3% interest in Dart



**Opinion**

In our opinion, the Proposed Scheme is fair and reasonable to Shareholders. It is therefore in the best interests. An individual Shareholder's decision in relation to the Proposed Scheme may be influenced by his or her particular circumstances. If in doubt the Shareholder should consult an independent adviser, who should have regard to their individual circumstances.

This opinion should be read in conjunction with our detailed report which sets out our scope and findings.

Yours faithfully

DELOITTE CORPORATE FINANCE PTY LIMITED

A handwritten signature in black ink, appearing to be "R. Polson", written over a horizontal line.

**Robin Polson**  
Director

A handwritten signature in black ink, appearing to be "Stephen Reid", written in a cursive style.

**Stephen Reid**  
Director



## Glossary

Reference	Definition
\$ or AUD	Australian dollars
AFSL	Australian Financial Services Licence
AIM	AIM market of the London Stock Exchange
APPI	Asia Petroleum Price Index
Arrow	Arrow Energy Limited
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
AUASB	Auditing and Assurance Standards Board
bcf	Billion cubic feet
bcm	Billion cubic metres
boepd	Barrels of oil equivalent per day
CAPM	Capital Asset Pricing model
CBM	Coal bed methane or CSG
Composite	Composite Energy Limited
Corporations Act	Corporations Act 2001
CSG	Coal seam gas or CBM
Dart or the Company	Dart Energy Limited
Dart International	Dart Energy International (CBM) Limited
DECC	Department of Energy and Climate Change
Deloitte Corporate Finance	Deloitte Corporate Finance Pty Limited
Directors, the	The directors of Dart
D/V	Proportion of enterprise funded by debt
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
Egdon	Egdon Resources UK Limited
EMRP	Equity Market Risk Premium
EUR	Estimated ultimate recovery
E/V	Proportion of enterprise funded by equity
EXL	Exploration Licence
FICS	Financial Industry Complaints Service
FOS	Financial Ombudsman Service
FSG	Financial Services Guide
FY	Financial year
GBP	Great British pounds sterling
GDF SUEZ	GDF SUEZ E&P UK Limited
GP Energy	GP Energy Limited
Greenpark	Greenpark Energy Limited
GSA	Gas sales agreement
HY	Half-year
IBISWorld	IBIS World Pty Limited
ICE	Intercontinental Exchange
IEA	International Energy Agency
IGas	IGas Energy Plc
IRAC	Imported Refiner Acquisition Cost
JV	Joint venture
$K_d$	Cost of debt capital
$K_e$	Cost of equity capital
$\text{Km}^2$	Square kilometres
LNG	Liquefied natural gas
LTIP	Long term incentive plan
Macquarie	Macquarie Bank Limited
Metgasco	Metgasco Limited
mmbtu	Million British thermal unit



Reference	Definition
Models, the	Dart prepared cash flow models for PEDL 133 and PEDL 159
Mtoe	million tonne of oil equivalent
NBP	National Balancing Point
Nexen	Nexen Exploration UK Limited
NSAI	Netherland, Sewell & Associates, Inc.
NSW	New South Wales
NTS	National Transmission System
NVM	NV Mijnen
NYMEX	New York Mercantile Exchange
OECD	Organization for Economic Cooperation and Development
OGIP	Original gas in place
OPEC	Organisation of the Petroleum Exporting Countries
p.a.	Per annum
PDS	Product Disclosure Statement
PEDL	Petroleum Exploration Development Licence
PEL	Petroleum Exploration Licence
PL	Petroleum Licence
Proposed Merged Entity, the	The enlarged IGas group, being Dart and IGas
Proposed Scheme, the	A proposal under which IGas would acquire 100% of the issued shares in Dart via a scheme of arrangement
PSC	Production Sharing Contract
$R_f$	Risk free rate of return
$R_m$	Expected return on the market portfolio
Scheme Booklet	A scheme booklet containing the detailed terms of the Proposed Scheme
Section 640	Section 640 of the Corporations Act 2001
SGX	Singapore Stock Exchange
Shareholders	The shareholders of Dart
Star Energy	Star Energy Group Limited
tcf	Trillion cubic feet
Total	Total E&P UK Limited
TPES	Total primary energy supply
UK	United Kingdom
USD \$	United States dollar
VWAP	Volume weighted average price
WACC	Weighted average cost of capital
WestSide	WestSide Corporation Limited
WTI	West Texas Intermediate
$\alpha$	Specific company risk premium
$\beta$	Beta



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## 1 Overview of the Proposed Scheme

### 1.1 Summary

On 9 May 2014, Dart announced that it had entered into a conditional agreement with IGas, under which IGas would acquire all of the outstanding Dart shares via a scheme of arrangement. If the Proposed Scheme is approved, Shareholders will receive consideration of 0.08117 IGas shares for each Dart share held and hold approximately 30.7% of the Proposed Merged Entity on a fully diluted basis.

The Dart Board unanimously recommends that Shareholders vote in favour of the Proposed Scheme in the absence of a superior proposal and if the independent expert concludes that the Proposed Scheme is the best interests of Shareholders. Further to this, the significant Shareholders of Dart<sup>2</sup>, representing 30.5% of the total voting rights of Dart, have indicated their intention to support the transaction in the absence of a superior proposal.

The IGas Board unanimously recommends that IGas shareholders support the transaction, and along with significant shareholders representing 43.5% of the total voting rights of IGas<sup>3</sup>, have indicated their support for the transaction.

### 1.2 Intentions if the Proposed Scheme is approved

Upon completion of the Proposed Scheme, Dart would become a wholly owned subsidiary of IGas and would subsequently be delisted from the ASX. IGas is listed on the AIM with a market capitalisation of GBP 261 million as at 1 July 2014<sup>4</sup>. An overview of IGas is presented in Section 3.

If the Proposed Scheme is approved, consistent with the strategy announcement by Dart in March 2014, IGas has stated its intention to divest all the non-core assets of Dart (i.e. assets of Dart located outside of the UK), with a view to maximising cash returns and enabling all resources to be applied to the pursuit of UK opportunities.

Subsequent to the implementation of the Proposed Scheme, IGas shares issued to Shareholders as consideration will be admitted to trading on the AIM.

As noted in Section 2.4, there are a number of options outstanding in relation to Dart shares. IGas and Dart have agreed in the Scheme Implementation Agreement to determine a strategy to ensure that all the outstanding options in Dart will be the subject of offers to either be acquired by IGas or cancelled.

### 1.3 Key conditions of the Proposed Scheme

The Proposed Scheme is subject to various conditions as detailed in section 4 of the Scheme Implementation Agreement, the most significant being:

- Australian Foreign Investment Review Board approval
- no material adverse change arising in respect of either the business or assets of Dart or IGas
- approval by IGas shareholders for the IGas directors' authority to allot the consideration shares
- Shareholder and court approval of the Proposed Scheme
- other regulatory approvals, including ASX and ASIC regulatory approval
- admission of consideration shares to the AIM market, and other customary conditions.

<sup>2</sup> The Shareholders who intend to support the Proposed Scheme have not been disclosed, with the exception of a subsidiary of New Hope Corporation Limited holding a 16.3% interest in Dart

<sup>3</sup> The IGas shareholders who intend to support the Proposed Scheme have not been disclosed

<sup>4</sup> The market capitalisation of IGas on the day before the announcement of the Proposed Scheme on 8 May 2014 was GBP 267 million



## 2 Profile of Dart

Dart is an ASX listed company involved in the exploration for, and development of, unconventional gas projects, principally shale gas and coal seam gas (CSG) projects. The Company has a market capitalisation of approximately \$200 million as at 1 July 2014<sup>5</sup>. The key assets of Dart include shale and CSG acreage in the UK and Australia. Dart also holds interests in assets in Indonesia, India and continental Europe.

Dart was previously known as Arrow Energy International Pty Limited before being renamed in June 2010. The Company was formed following the demerger of certain assets and liabilities (and associated business interests) located outside of Queensland, from Arrow Energy Limited (Arrow) in July 2010, and was subsequently listed on the ASX in July 2010.

### 2.1 Company history

An overview of the company history of Dart since its demerger from Arrow is set out below.

**Table 4**

2010	<ul style="list-style-type: none"> <li>Dart (erstwhile Arrow) completed Phase 1 of the farm-in work program for Petroleum Exploration Licence (PEL) 458 located in New South Wales (NSW) and earned a 15.0% interest. Dart committed to proceed to Phase 2 of the work program in July 2010, after which Dart had a 50.0% direct interest in PEL 458 and a 10.5% indirect interest through its 21.04% investment in Apollo Gas Limited</li> <li>Dart completed an institutional placement of 52.5 million ordinary shares at \$0.69 per share to raise approximately \$36.2 million in August 2010</li> <li>Dart was awarded an interest in two CSG licences in July 2010 as part of the Indian Government's coal bed methane (CBM) IV bidding round. These included the Assam block (60.0%) and the Satpura block (80.0%)</li> <li>Dart acquired a 10.0% stake in Composite Energy Limited (Composite) for USD \$7.0 million in September 2010, along with staged options to increase Dart's ownership of Composite to a 100%. Composite owned 15 licences including PEDL 133 consisting of its flagship CSG project, the Airth CSG project</li> <li>Dart entered into an agreement to acquire the remaining 78.96% stake in Apollo Gas Limited which it did not currently own for approximately \$124.4 million in December 2010</li> <li>Dart subscribed for shares in Fortune Liulin Gas Limited for approximately \$8.7 million. On completion of this transaction, Dart's shareholding in Fortune Liulin Gas Limited increased from 35.0% to 45.0%, providing Dart with an increase in its underlying interest in the Liulin CSG project in China to 22.5%</li> </ul>
2011	<ul style="list-style-type: none"> <li>Dart acquired the remaining 90.0% stake in Composite for USD \$46.7 million in February 2011, giving Dart 100% ownership of Composite. Dart issued approximately 35.94 million new Dart shares to Composite shareholders and approximately 5.61 million new, fully vested \$0.01 exercise price Dart-J Class options to Composite option holders</li> <li>Dart entered into a CBM joint venture (JV) with NV Mijnen (NVM) in Belgium in April 2011, named NV Limburg Gas, and owned 80.0% by Dart and 20.0% by NVM</li> <li>Dart completed a fully underwritten 5 for 22 accelerated non-renounceable entitlement offer, at \$0.75 per share, representing a 10.7% discount to the theoretical ex-rights price and a 12.8% discount to the closing price of Dart shares of \$0.86 per share on 15 April 2011. The entitlement offer raised approximately \$100 million</li> <li>Dart signed a gas sales agreement (GSA) with SSE Energy Supply Limited, in respect of the PEDL 133 (CSG) project in Scotland in July 2011. The agreement was for a five-year term, commencing April 2013, extendable by mutual agreement</li> <li>Dart announced in August 2011 intentions to list all of its business interests outside of Australia on the Singapore Stock Exchange (SGX) via a listing of its Singaporean subsidiary, Dart Energy International (CBM) Limited (Dart International)</li> <li>Dart invested a further \$4.0 million in Fortune Liulin Gas Company Limited in November 2011, increasing its stake from 45.0% to 50.0% in the company, and increasing its underlying interest in the Liulin CSG project to 25%</li> <li>Dart acquired the remaining 8.17% stake in Dart International it did not own from Royal Dutch Shell plc in November 2011</li> </ul>

<sup>5</sup> The market capitalisation of Dart on the day prior to the announcement of the Proposed Scheme on 8 May 2014 was \$150 million



2012	<ul style="list-style-type: none"> <li>Dart restructured its arrangements with BG Group plc to increase its interest in 14 UK onshore licences (owned by Composite) from 50% to 100% in exchange for carrying the work obligations on those licences. In addition, Dart was given an option to acquire an interest in two licences in Germany held by BG Group plc for nil consideration</li> <li>In April 2012, Dart announced the acquisition of GP Energy Limited (GP Energy), the subsidiary of Greenpark Energy Limited (Greenpark) which owns all of the unconventional gas assets of Greenpark, for USD \$42 million. GP Energy owned 22 onshore licences in the UK with shale and CSG potential</li> <li>Dart exercised an option to acquire two German licenses from BG Group Plc in May 2012</li> <li>In May 2012, Dart deferred the proposed listing of Dart International on the SGX</li> <li>In September 2012, Dart announced plans to list Dart International on the AIM, along with an equity raising of at least GBP 30.0 million. It was intended that Dart would retain a majority stake in Dart International which was expected to list in November 2012</li> <li>In November 2012, Dart announced the deferral of the proposed listing of Dart International on the AIM to 2013</li> </ul>
2013	<ul style="list-style-type: none"> <li>In January 2013, a three month production test at the Airth CSG Project (PEDL 133 in Scotland) was successfully completed, with commercial gas flow rates demonstrated</li> <li>In April 2013, Dart abandoned its plan of a listing of Dart International and announced plans to substantially restructure its business, including refocusing its strategy exclusively on the UK and Australia gas markets, divest non-core assets, and reducing overheads and headcount. During the year Dart exited from non-core investments in Vietnam, Poland and China</li> <li>In September 2013, Dart completed an institutional placement of 131.8 million new ordinary shares at \$0.09 per share, representing a 10.0% discount to the closing price of Dart shares of \$0.10 per share on 30 August 2013, raising a total of \$11.9 million</li> <li>Dart completed the sale of its entire interest in Fortune Liulin Gas Limited in September 2013, for USD \$20.2 million in cash</li> <li>The transfer of PEL 445 from Arrow Energy Group Pty Limited was completed in September 2013 for consideration of \$200,000. Dart also agreed the sale of its entire interest in PEL 461 to Our Energy Group Pty Limited, which remains subject to regulatory approvals</li> <li>In October 2013, Dart completed a fully underwritten 1 for 9 non-renounceable entitlement offer raising \$8.8 million. The issue price of the new shares was \$0.09, representing a 10.0% discount to the closing price of Dart shares of \$0.10 on 30 August 2013</li> <li>In October 2013, Dart executed a farm-out agreement (completed in November 2013) with GDF SUEZ E&amp;P UK Limited (GDF SUEZ) in respect of a 25% participating interest in 13 of Dart's UK licences</li> <li>Dart's Board composition changed following shareholder approval at the Company's Annual General Meeting on 26 November 2013. Four Board members resigned, and four new Board members were appointed</li> </ul>
2014	<ul style="list-style-type: none"> <li>In January 2014, Dart completed a farm-out agreement with Total E&amp;P UK Limited (Total) in January 2014 in respect of PEDL 139 and PEDL 140, with Dart consequently holding a 17.5% interest in both licences (through its subsidiary GP Energy) and Total holding a 40.0% interest. The remaining interest is split between Egdon Resources UK Limited (Egdon), IGas (the Operator) and eCORP Oil &amp; Gas UK Limited</li> <li>Dart announced its dual listing application and submission of admission documentation to the AIM. Dart's admission on the AIM was expected to complete on 12 May 2014</li> <li>Dart agreed relinquishment of seven UK licences with the Department of Energy and Climate Change (DECC)</li> <li>In May 2014, the Proposed Scheme was announced and, as a result, Dart cancelled its planned listing on the AIM.</li> </ul>

Source: Dart, ASX Announcements

Note:

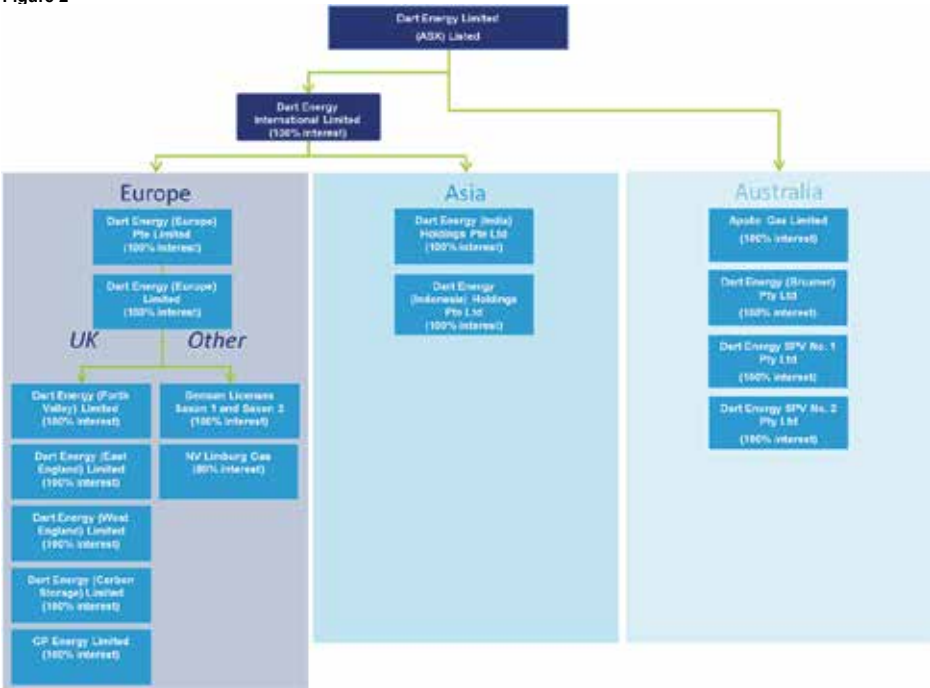
1. This company history focuses on Dart's corporate history and the history of the assets Dart still owns



2.2 Corporate structure

The following figure presents a high level corporate structure of Dart.

Figure 2



Source: Dart

Notes:

1. The above corporate structure does not include certain investment holding companies which hold underlying licences, and certain dormant or inactive companies
2. Dart and NVM as JV partners are in the process of winding-up NV Limburg Gas

2.3 Major assets

The major assets of Dart include its 25 licences in the UK, including an option over an 80.0% interest in the shale horizon of one additional UK licence (which may be exercised in the near future). Dart has seven licences in Australia which are currently retained on a “care and maintenance” basis. The Company holds a further four licences in Indonesia, two licences in Germany, one licence in Belgium through a company investment (which is currently being relinquished) and a residual 10% economic interest in one licence in India (pending Government approval).



### 2.3.1 UK assets

The map below shows the key areas throughout the UK where Dart's assets are located.

Figure 3



Source: Dart website

The following table provides an overview of the key UK assets held by Dart as at the date of our report. The resources and reserves attributed to the UK based assets of Dart, certified by Netherland, Sewell & Associates, Inc. (NSAI), are set out in Table 6.

Table 5

Licence	Location	Current Dart interest (%)	Gross area (km <sup>2</sup> )	Anticipated expiry date	Gas type	Discovered CSG OGIP (best est.) <sup>4</sup> (bcf)	Undiscovered shale OGIP (best est.) <sup>4</sup> (bcf)
<b>Scotland</b>							
PEDL 133 (CSG)	Scottish Midland Valley	100.0	330	30-Jun-35	CSG	1,231	-
PEDL 133 (Black Metal Shale) <sup>1</sup>	Scottish Midland Valley	100.0	-	30-Jun-35	Shale	-	795
PEDL 133 (Brockburn shale) <sup>1</sup>	Scottish Midland Valley	49.0	-	30-Jun-35	Shale	-	1,753
PEDL 161 <sup>5</sup>	Scottish Midland Valley	100.0	101	30-Jun-39	CSG	33	-
PEDL 163 <sup>5</sup>	Scottish Midland Valley	100.0	296	30-Jun-39	CSG	107	-
<b>Solway Basin</b>							
PEDL159	Solway	100.0	295	30-Sep-35	CSG	222	-
<b>Bowland Basin</b>							
PEDL 012	East Midlands	75.0	33	3-Apr-27	CSG/Shale	19	4,819
PEDL 139	East Midlands	17.5	100	30-Sep-37	CSG/Shale	11	3,163
PEDL 140	East Midlands	17.5	142	30-Sep-37	CSG/Shale	52	-
PEDL 146	East Midlands	75.0	276	30-Sep-35	CSG	376	-
PL 162-1	East Midlands	100.0	42	1-Jun-17	CSG	13	-
PEDL 173	East Midlands	100.0	86	30-Jun-39	CSG/Oil	336	-
PEDL 174	East Midlands	100.0	100	30-Jun-39	CSG/Oil	433	-
PEDL 178	East Midlands	100.0	64	30-Jun-39	CSG/Oil	250	-
PEDL 179	East Midlands	100.0	91	30-Jun-39	CSG/Oil	295	-
PEDL 200	East Midlands	75.0	114	30-Jun-39	CSG/Shale	269	-
PEDL 207	East Midlands	75.0	28	30-Jun-39	CSG/Shale	72	14,277
PEDL 210	East Midlands	75.0	116	30-Jun-39	CSG/Shale	278	-

## Annexure A - Independent Expert's Report

### Continued



Licence	Location	Current Dart interest (%)	Gross area (km <sup>2</sup> )	Anticipated expiry date	Gas type	Discovered CSG OGIP (best est.) <sup>4</sup> (bcf)	Undiscovered shale OGIP (best est.) <sup>4</sup> (bcf)
EXL 288	East Midlands	75.0	75	30-Sep-24	CSG/Shale	13	3,012
PEDL 147	Cheshire	75.0	89	30-Sep-35	CSG/Shale	265	
PEDL 186	Cheshire	75.0	100	30-Sep-35	CSG/Shale	351	14,458
PEDL 187	Cheshire	75.0	80	30-Sep-35	CSG/Shale	219	
PEDL 185	Cheshire	75.0	200	30-Jun-39	CSG/Shale	568	
PEDL 188	Cheshire	75.0	100	30-Jun-39	CSG/Shale	370	8,455
PEDL 189	Cheshire	75.0	100	30-Jun-39	CSG/Shale	427	
EXL 273	Cheshire	75.0	48	29-Oct-25	CSG	14	-
<b>Total</b>			<b>3,006</b>			<b>6,225</b>	<b>50,731</b>

Source: Dart AIM Admission Appendix

Notes:

1. Included in the acreage for PEDL 133 (CSG)
2. Dart is in the process of relinquishing seven licences in the UK, being PEDL 176, 195, 196, 198, 211, EXL 290 and AL010. These relinquishments have been agreed with the DECC, and the process is expected to be formally completed in the near future. These licenses have not been reflected in the above table
3. Dart also has an option, which expires on 30 June 2016, to farm-in to an 80.0% interest in PEDL 169. Dart intends to exercise this option in due course as it is at no cost
4. The OGIP quoted above is on a net basis (i.e. reflecting Dart's net economic interest in the relevant licences) and were certified by NSAI as of 28 February 2014
5. Dart is in the process of relinquishing PEDL 161 and the majority of PEDL 163, although the timing of the relinquishments is uncertain
6. Original Gas in Place (OGIP); square kilometres (km<sup>2</sup>); Petroleum Licence (PL); Exploration Licence (EXL)
7. Amounts stated in the table above may be subject to rounding.

**Table 6**

Licence	Contingent resources (bcf) <sup>1</sup>			Reserves (bcf) <sup>1</sup>	
	Low estimate (1C)	Best estimate (2C)	High estimate (3C)	Proved and probable (2P)	Proved, probable and possible (3P)
PEDL133	192	743	1,544	38.4	75.8
PEDL159	54	119	189	-	48.2
PEDL161	-	10	44	-	-
PEDL163	1	31	140	-	-
PEDL012	5	10	19	-	-
PEDL139	3	6	10	-	-
PEDL140	12	28	49	-	-
PEDL146	80	201	334	-	-
PL162-1	3	7	12	-	-
PEDL173	7	98	334	-	-
PEDL174	9	126	436	-	-
PEDL178	6	73	249	-	-
PEDL179	7	86	293	-	-
PEDL200	5	91	305	-	-
PEDL207	1	24	81	-	-
PEDL210	40	148	362	-	-
EXL288	3	7	12	-	-
PEDL147	70	141	217	-	-
PEDL185	94	303	649	-	-
PEDL188	62	197	418	-	-
PEDL189	72	228	479	-	-
PEDL186	98	188	274	-	-
PEDL187	61	117	171	-	-
EXL273	4	7	11	-	-
<b>Total - UK</b>	<b>890</b>	<b>2,988</b>	<b>6,634</b>	<b>38.4</b>	<b>124.0</b>

Source: Dart AIM Admission Appendix

Notes:

1. The reserves and resources quoted above are on a net basis (i.e. reflecting Dart's net economic interest in the relevant licences) and were certified by NSAI (as of 28 February 2014 in relation to resources and 2 July 2014 in relation to reserves)
2. Amounts stated in the table above may be subject to rounding

Dart's CSG projects include the Airth CSG Project (Scotland) in PEDL 133 which is ready for development, subject to the planning appeal decision; and the Solway Basin CSG Project (Scotland) in PEDL 159 for which Dart intends to undertake further testing to establish commercial flow rates. Dart also holds numerous assets

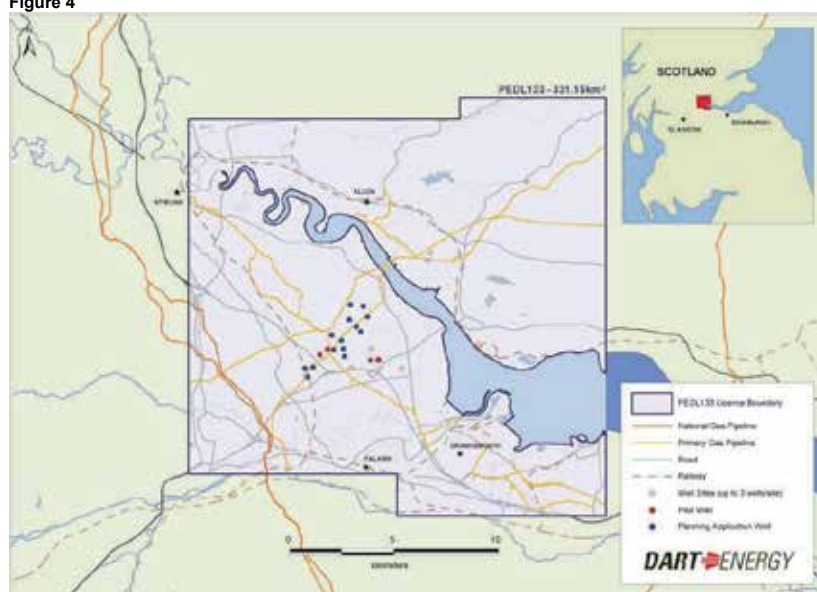


prospective for shale in the Bowland Basin; and an oil prospect, the Luddington Project (in PEDL 173, 174, 178 and 179 also in the Bowland Basin). Each of these projects are briefly discussed below.

#### *The Airth CSG Project, Scotland (PEDL 133)*

PEDL 133 was acquired by Dart through the acquisition of Composite and is located in the Central Lowlands of Scotland. The licence is stratigraphically divided into a CSG horizon, the Black Metal shale horizon and the Lothian (Broxburn) shale horizon. Dart is the operator of the licence, including the Lothian (Broxburn) shale horizon in which Dart has a 49.0% interest with the remaining 51.0% held by BG Group Plc.

**Figure 4**



Source: Dart website

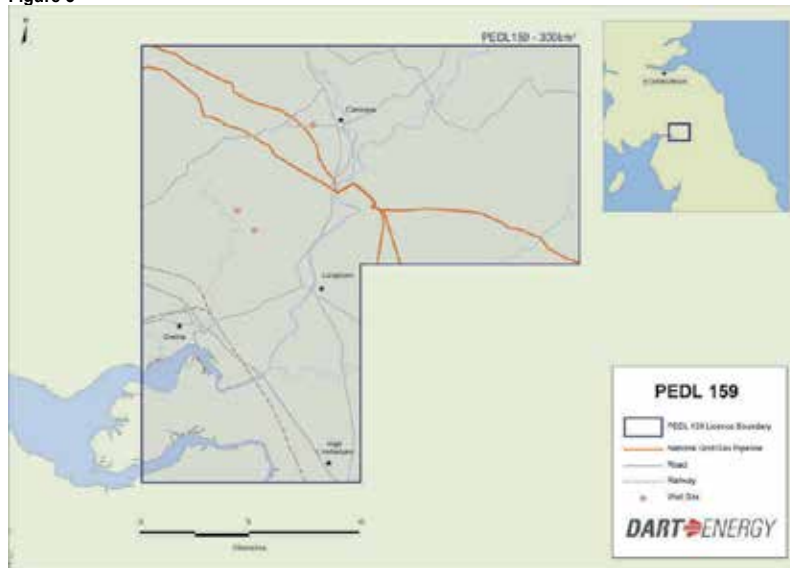
To date, five exploration wells and 11 pilot wells of various vertical and multi-lateral designs have been drilled on PEDL 133. A three month production test was successfully completed in January 2013, demonstrating commercial gas flow rates. As of 28 February 2014, NSAI had estimated that PEDL 133 contained 39.3 bcf of 2P CSG reserves and 76.7 bcf of 3P CSG reserves, both net to Dart. In addition NSAI estimated 743 bcf of net 2C CSG resources in the licence area relating to CSG.

In July 2012, Dart applied for planning approval to facilitate further development and commercialisation of the Airth Project 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. If planning permission is obtained in 2014, Dart will seek to obtain project finance to recommence development of the project during 2015 and, potentially, commercialise gas sales by 2016. If planning permission is significantly delayed beyond 2014, then Dart will consider a number of alternative options to commercialise the gas on PEDL 133 including, potentially, the generation of electricity through small scale power generation units, a commercialisation route which has previously been successfully demonstrated on this site.

***The Solway Basin CSG Project***

The Solway Basin CSG Project is located in the Canonbie area of Scotland. It is part of the PEDL 159 licence area and was acquired by Dart as part of the acquisition of GP Energy in April 2012.

**Figure 5**



Source: Dart website

The PEDL 159 (Solway Basin) project is currently at the appraisal stage. To date, four exploration and four separate lateral wells have been drilled via, but in a different direction to, a single larger vertical well. Three of these wells were horizontal pilot laterals and two were put on long-term flow testing. The pilot wells were at the Broadmeadows test site and commercial gas rates were observed. Dart currently has 19 well sites with full planning consent and one site with planning consent for a gas delivery site on PEDL 159.

As of 28 February 2014, NSAI had estimated (on a net basis) that Dart had 46.9 bcf of 3P CSG reserves, 119 bcf of 2C CSG resources and 35 bcf of CSG prospective resources (best estimate) in the PEDL 159 (Solway Basin) licence area. Dart is currently undertaking early stage work necessary for the planning and regulatory applications to be made in 2015 for further testing and, subject to results, a field development programme.

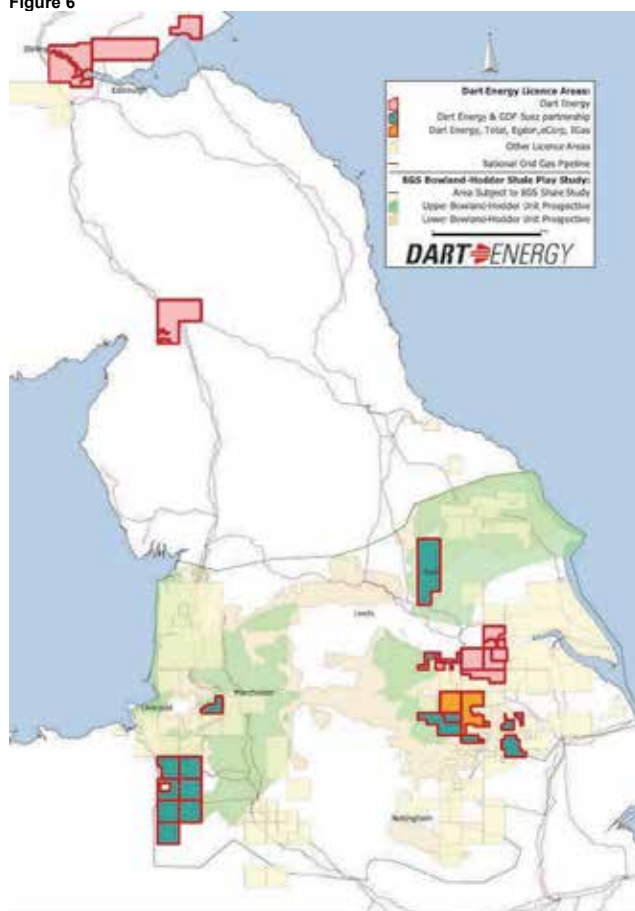
***Bowland Basin - shale***

The Bowland Basin is the focus of much of Dart's exploration for shale gas, which stretches across the north of England and includes the sites noted in the East Midlands and Cheshire. Within Dart's UK portfolio, 13 licences within the Bowland Basin are considered prospective for shale gas.



The British Geological Society, in association with DECC, undertook a study of the Bowland Basin in June 2013 and estimated a shale gas-in-place resource at 1,329 trillion cubic feet (tcf) (best estimate). By comparison, the UK consumes approximately 2.5 tcf of gas annually. NSAI has estimated the undiscovered shale gas OGIP potential (best estimate) of Dart's assets in the Bowland Basin to be 48.2 tcf (net to Dart) without risking for discovery and development or economics.

**Figure 6**



Source: Dart website

Dart entered into a farm-out agreement with GDF SUEZ in November 2013 in respect of 13 UK licences in the Bowland Basin (being PEDL 185, 186, 187, 188, 189, 147 and EXL 273 in the west and PEDL 012, 146, 200, 207, 210 and EXL288 in the east). Under the terms of the agreement, GDF SUEZ will earn a 25.0% interest in each licence and will fully fund a work program of up to USD \$36 million.

Dart (and its other JV partners) entered into a farm-out agreement with Total in January 2014 in respect of PEDL 139 and PEDL 140, with Dart consequently holding a 17.5% interest in both licenses (through its subsidiary GP Energy). Total will earn a 40.0% interest in each licence and fully fund a work program of up to USD \$46.5 million.

#### *The Luddington Project (Bowland Basin)*

Dart has identified an area within its East Midlands portfolio (comprising PEDL 173, 174 178 and 179) which may have significant potential for oil and/or gas contained within tight sands. Following the completion of evaluation work and subject to planning permission, Dart intends to drill an exploration well in this area in late 2014 or early 2015. NSAI has independently assessed that the Group has certified undiscovered original oil in

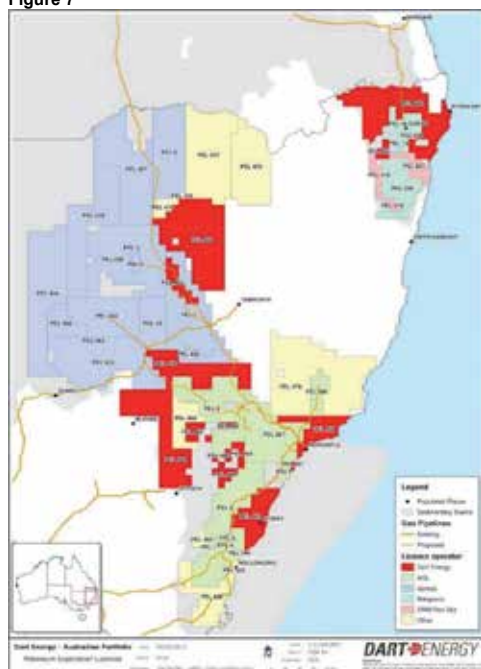
place of up to 17.0 million barrels and prospective oil resources of up to 2.6 million barrels (with a best estimate of 698,000 barrels) at PEDL 178, without risking for discovery and development or economics.

### 2.3.2 Australian assets

In Australia, Dart has a portfolio of seven petroleum exploration licences, all located in NSW, targeting CSG.

The location of Dart's assets in Australia are represented below:

**Figure 7**



Source: Dart website

A summary of Dart's exploration assets in Australia, and associated resources estimated by NSAI, is set out in the table below.

**Table 7**

Licence	Current Dart interest	Gross area (km <sup>2</sup> )	Discovered and undiscovered OGIP (best est.) (bcf)	Prospective resources (unrisked best est.) (bcf)	Contingent resources (unrisked) (bcf)		
					1C	2C	3C
PEL445	100.0	5,868	986	-	146	453	1,466
PEL456	50.0 <sup>1</sup>	5,023	4,587	-	518	1,266	2,975
PEL458	100.0	2,003	778	-	87	286	632
PEL459	100.0	5,560	98	32	-	-	-
PEL460	100.0	3,533	1,827	672	-	-	-
PEL463	100.0	1,897	423	156	-	-	-
PEL464	100.0	738	33	11	-	-	-
<b>Total - Australia</b>		<b>24,622</b>	<b>8,730</b>	<b>870</b>	<b>752</b>	<b>2,006</b>	<b>5,073</b>

Source: Dart AIM Admission Appendix

Note:

1. PEDL 456 is subject to a farm-in agreement with Santos Limited, which is yet to be completed. The interest noted above, reflects the interest Dart will hold on completion of the farm-in agreement



There has been significant uncertainty in the regulatory regime governing unconventional gas exploration in NSW, due to continued and sudden changes in the regulations imposed by the NSW and Federal Governments. A recent change in regulation by the NSW Government has included the concept of exclusion zones in which CSG activity is prohibited. These exclusion zones have had a further negative impact Dart's ability to successfully undertake CSG exploration and development in NSW.

Due to the constantly changing regulatory regime in NSW, Dart decided to suspend its exploration activity in NSW in April 2013. It is not anticipated that any further drilling, by Dart, will take place in NSW before 2016 and until Dart considers there is certainty in the regulatory regime in NSW.

As a result of the suspension of exploration activities in NSW, Dart recognised an impairment of \$73.25 million in relation to the exploration and evaluation assets in NSW during the year ended 30 June 2013 and a further impairment of \$20.3 million in the half year to 31 December 2013 reducing the carrying value of these assets to approximately \$28 million.

Dart also holds an investment in the Maria Farm Veggies horticulture project in Australia and has written down the carrying value of this investment to nil.

### 2.3.3 Other international assets

#### Indonesia

Dart has four CSG assets in Indonesia, comprising:

- two assets in East Kalimantan, including: a 100.0% working interest in the Bontang Bengalon Production Sharing Contract (PSC) and a 24.0% working (non-operating) interest in the Sangatta West PSC
- two assets in South Sumatra, including: a 45.0% working interest in the Tanjung Enim PSC and a 50.0% working interest in the Muralim PSC. Dart is the operator of both of these assets.

To date, Dart has drilled eight wells and produced pilot gas on the Sangatta West PSC. Dart has also drilled five pilot wells to date across the Tanjung Enim (three) and Muralim (two) PSCs. In line with Dart's overall strategic plan, the Company has initiated a process, which is currently ongoing, to farm-out, divest or otherwise exit from its licences held in Indonesia.

#### Germany

Dart has a 100.0% working interest in two licences in Germany (Saxon I and Saxon II), located in the North Rhine-Westphalia, which are prospective for shale gas as well as CSG. The licence terms have been extended to 12 March 2017 and 31 October 2016 respectively, with a requirement to drill a well on each licence to retain the tenements, or forfeit the licence without any penalty.

Dart is seeking strategic cooperation and or divestment opportunities in relation to its German assets.

#### Belgium

Dart entered into a CBM JV with NVM in Belgium in April 2011. The JV operates under the name NV Limburg Gas, with Dart having an 80.0% shareholding in the JV which has a 100.0% working interest in a licence in the Limburg area of Belgium. This licence requires the drilling of one CSG well to a minimum depth of 500 metres by 19 April 2019 to retain the tenement. NVM and Dart as JV partners have, however, decided to wind up NV Limburg Gas and relinquish all assets (this process is currently ongoing).

#### India

Dart presently has a 60.0% working interest in one licence in Assam, India. In addition, applications to relinquish four other licences in India (dating back to 2010) have been made. In relation to the Assam licence, Dart has recently agreed with Oil India Limited, the other interest holder in the Assam licence, to reduce Dart's working interest in the tenement to 10.0% and increase Oil India Limited's interest to 90.0%. This agreement is currently pending regulatory approval. Capital commitments will be borne largely by Oil India Limited, in line with the new working interest. As such, Dart's capital commitments to this asset are expected to be minimal.



## 2.4 Capital structure and shareholders

As at 31 May 2014, Dart had the following securities on issue:

- 1,108,752,733 fully paid ordinary shares
- 57,168,071 unlisted options (detailed per Table 9).

The following table lists the top ten ordinary shareholders in Dart as at 31 May 2014.

**Table 8**

Fully paid ordinary shareholder	Number of shares held ('000)	Percentage of issued shares
New Hope Corporation Limited	181,217	16.3%
GP Energy	156,445	14.1%
Paradise Investment Management	31,668	2.9%
UBS	26,736	2.4%
M&G Investment Management	22,500	2.0%
Dimensional Fund Advisors	19,211	1.7%
Mr Meng Luo & Mrs Lan Liu	17,600	1.6%
Mr William Paterson	16,667	1.5%
AA Guernsey	15,854	1.4%
Deutsche Bank	13,385	1.2%
<b>Top ten shareholders</b>	<b>501,283</b>	<b>45.2%</b>
Other	607,470	54.8%
<b>Total shares on issue</b>	<b>1,108,753</b>	<b>100.0%</b>

Source: CapitalIQ

The following table lists the various unlisted options in Dart as at 31 May 2014.

**Table 9**

Option type	Number of options outstanding ('000)	Exercise price (\$)	Expiry date
Executive	6,035	0.98625	31/07/2014
Executive	1,775	0.98	31/07/2015
Executive	175	1.15	31/07/2015
A-Class	9,463	0.40	15/12/2014
B-Class	18,375	0.40	15/12/2014
C-Class	2,138	0.40	15/12/2014
D-Class	1,148	0.40	15/12/2014
E-Class	765	0.40	15/12/2014
F-Class	413	0.40	15/12/2014
G-Class	131	0.7879	10/08/2015
H-Class	79	0.7879	10/08/2015
I-Class	53	0.7879	10/08/2015
J-Class	621	0.01	15/12/2014
Employee options – Tranche 1	8,000	0.13	30/06/2019
Employee options – Tranche 2	8,000	0.14	30/06/2020
<b>Total</b>	<b>57,168</b>		

Source: ASX Announcements – Appendix 3B

In March 2014, the Company issued 16.0 million unlisted employee options as part of senior management remuneration. These options were issued in two equal tranches, with Tranche 1 vesting on 31 December 2015 and Tranche 2 vesting on 31 December 2016, at an exercise price of \$0.13 and \$0.14 respectively. In accordance with the terms and conditions of the options, in the event of a 'change in control' transaction, all outstanding options will vest and be able to be exercised or disposed.



In relation to the other options noted above, with the exception of the unlisted J-class options and Employee Options, all options have an exercise price significantly in excess of the current share price and are therefore 'out of the money'. As such, it is unlikely any of these options will be exercised as part of the Proposed Scheme. IGas and Dart have agreed in the Scheme Implementation Agreement to determine a strategy to ensure that all the outstanding options in Dart will be the subject of offers to either be acquired by IGas or cancelled.

## 2.5 Share price performance

A summary of Dart's quarterly share price performance, from 1 January 2012 to the day prior to the announcement of the Proposed Scheme on 8 May 2014 is set out below.

Table 10

Quarter end date	Last trade (\$)	Quarterly VWAP (\$)	Volume ('000)
30 March 2012	0.30	0.30	6,256
29 June 2012	0.18	0.17	5,964
28 September 2012	0.17	0.17	2,822
31 December 2012	0.16	0.16	1,605
28 March 2013	0.11	0.10	2,514
28 June 2013	0.08	0.09	13,643
30 September 2013	0.14	0.14	5,239
31 December 2013	0.11	0.11	116
31 March 2014	0.11	0.11	436
8 May 2014 <sup>1</sup>	0.14	0.13	2,836

Source: CapitalIQ

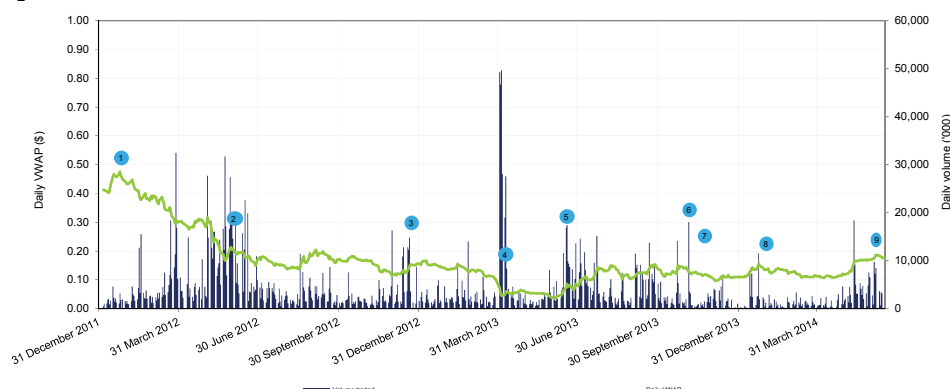
Note:

1. To the date prior to the announcement of the Proposed Scheme

From early 2012, the share price of Dart has steadily declined. In the period from 1 January 2014 to the day prior to the announcement of the Proposed Scheme, approximately 17.5 million Dart shares were traded on a weekly basis, representing 1.6% of shares on issue. The VWAP for the period from 1 January 2014 up to the announcement was \$0.12 per Dart share. Since the announcement of the Proposed Scheme, the VWAP has been \$0.17 per share, representing an increase of 41.7%.

Movement in the daily VWAP and trading volumes of Dart shares since 1 January 2012 are shown in Figure 8, with key movements discussed in Table 11 below.

Figure 8



Source: CapitalIQ

## Annexure A - Independent Expert's Report

### Continued



**Table 11**

Notes	Date	Description
1	December 2011	Dart Energy (CBM) International Pte Limited agree to acquire all of the unconventional gas assets of Greenpark, comprising 22 onshore licences in the UK
2	May 2012	Dart announced the deferral of the previously proposed listing of Dart Energy (CBM) International Pte Limited on the SGX
3	December 2012	Maria's Farm Veggies Pty Limited secured development approval to construct a horticultural glasshouse at Fullerton Cove. Dart holds a 20% equity investment in Maria's Farm Veggies Pty Limited and has since written off its investment in this project
4	April 2013	Dart abandoned its plan of a listing of Dart International and announced plans to substantially restructure its business, including refocusing its strategy exclusively on the UK and Australia gas markets, divest non-core assets, and reducing overheads and headcount
5	June 2013	Centrica plc announced it had become a 25.0% investment partner in the Cuadrilla Resources Limited operated shale gas exploration licence area in the Bowland Basin. Dart holds considerable acreage in the Bowland Basin
6	October 2013	Dart announced a farm-out agreement with GDF SUEZ under which GDF SUEZ will earn a 25% interest in 13 of Dart's UK licences
7	October 2013	Dart issued shares in accordance with the pro-rata non renounceable entitlement offer announced in September 2013
8	January 2014	Dart announced a farm-out agreement with Total under which Total will earn a 40% interest in PEDL 139 and PEDL 140
9	May 2014	The Proposed Scheme between Dart and IGas was announced

Source: ASX announcements, Deloitte Analysis



## 2.6 Financial performance

The audited consolidated income statement of Dart for the years ended 30 June 2011, 2012 and 2013 and the unaudited (reviewed) consolidated income statement for the six months ended 31 December 2013 are summarised in the table below.

**Table 12**

\$'000	Audited 30 June 2011	Audited 30 June 2012	Audited 30 June 2013	Reviewed 31 December 2013
Other revenue, excluding interest	428	859	1,103	952
Other gains	39,129	2,477	8,888	18,845
<b>Total revenue</b>	<b>39,557</b>	<b>3,336</b>	<b>9,991</b>	<b>19,797</b>
Revenue growth (%)	n/c	(91.6%)	199.5%	98.1%
Consultancy cost	(2,486)	(6,413)	(3,171)	(2,709)
Employee compensation	(15,379)	(12,353)	(8,681)	(2,825)
Impairment of assets and receivables	(14,496)	(120,355)	(119,957)	(43,474)
Other expenses	(10,242)	(11,094)	(8,140)	(2,783)
<b>Total expenses, excluding depreciation amortisation and finance costs</b>	<b>(42,603)</b>	<b>(150,215)</b>	<b>(139,949)</b>	<b>(51,791)</b>
<b>EBITDA<sup>1</sup></b>	<b>(3,046)</b>	<b>(146,879)</b>	<b>(129,958)</b>	<b>(31,994)</b>
EBITDA margin (%)	n/m	n/m	n/m	n/m
Depreciation and amortisation	(390)	(701)	(743)	(267)
<b>EBIT<sup>2</sup></b>	<b>(3,436)</b>	<b>(147,580)</b>	<b>(130,701)</b>	<b>(32,261)</b>
EBIT margin (%)	n/m	n/m	n/m	n/m
Net interest revenue (expense)	1,878	4,351	(5,341)	(425)
<b>Loss before tax</b>	<b>(1,558)</b>	<b>(143,229)</b>	<b>(136,042)</b>	<b>(32,686)</b>
Share of net profit / (loss) of associates	(105)	-	-	-
<b>Loss before tax</b>	<b>(1,663)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Income tax credit	1,875	4,539	3,154	2,235
<b>Loss for the year</b>	<b>212</b>	<b>(138,690)</b>	<b>(132,888)</b>	<b>(30,451)</b>

Source: Annual reports for FY 2011, 2012 and 2013; Half-year (HY) 2013 interim financial report

Notes:

1. EBITDA - Earnings before interest, tax, depreciation and amortisation
2. EBIT - Earnings before interest and tax

We note the following in relation to the financial performance of Dart presented above:

- Dart is an exploration company and does not currently generate operating revenue. Other revenue consists of technical service fees
- other gains relate mainly to foreign exchange gains realised during the period. In FY 2011 however, there was also a \$37.3 million fair value gain made in relation to the acquisition of the remaining 78.96% of Apollo Gas Limited in December 2010
- in March 2013, Dart initiated a restructuring of the group's portfolio and operations to rationalise the Company's international asset portfolio, offices and headcount. As part of this reorganisation, in FY 2013 the Company closed its offices in Poland and significantly downsized its offices in Singapore, Australia and Indonesia. Global staff numbers were reduced from a peak of approximately 190 to 64 (including full time consultants) as at 31 December 2013. This resulted in a significant decrease in employee compensation in comparison to FY 2011. The associated restructuring costs were estimated by management to be in the region of \$2.0 million, including expenses such as redundancy costs and lease exits
- impairments of assets and receivables in FY 2012 and FY 2013 related largely to the impairment of Dart's Australian exploration assets, as noted in Section 2.3.2



- share of net profit/ (loss) of associates in FY 2011 relate to Dart's investment in Fortune Gas Liulin Company Limited. Fortune Gas Liulin Company Limited was an associate of Dart until 30 June 2011, when Dart exercised an option to subscribe for additional shares in the company, which took Dart's total shareholding in the company to 50%. At this time, Dart was deemed to have joint control of the company, with the company proportionally consolidated as at June 2011.

## 2.7 Financial position

The audited consolidated balance sheet of Dart as at 30 June 2012 and 2013 and the unaudited (reviewed) consolidated balance sheet as at 31 December 2013 are summarised in the table below.

**Table 13**

\$'000	Audited 30 June 2012	Audited 30 June 2013	Reviewed 31 December 2013
Cash and cash equivalents	64,069	9,377	32,625
Trade and other receivables	16,677	14,127	8,981
Current tax assets	904	-	-
Inventories	1,129	1,940	2,194
Financial assets at fair value	4,880	1,744	-
Assets classified as held-for-sale	-	28,214	-
<b>Total current assets</b>	<b>87,659</b>	<b>55,402</b>	<b>43,800</b>
Receivables	8,060	9,716	10,504
Investments accounted for using the equity method	5,200	5,200	-
Property, plant and equipment	1,800	1,328	808
Goodwill	22,267	16,832	11,440
Exploration and evaluation	291,879	217,526	195,271
<b>Total non-current assets</b>	<b>329,206</b>	<b>250,602</b>	<b>218,023</b>
<b>Total assets</b>	<b>416,865</b>	<b>306,004</b>	<b>261,823</b>
Trade and other payables	25,351	11,110	5,931
Borrowings	-	18,358	33
Current tax liabilities	129	228	235
Deferred consideration	25,341	2,695	-
Liabilities directly associated with assets classified as held-for-sale	-	10,500	-
<b>Total current liabilities</b>	<b>50,821</b>	<b>42,891</b>	<b>6,199</b>
Borrowings	-	52	41
Deferred tax liabilities	18,321	16,806	11,410
Provisions	9,450	10,425	11,372
Deferred consideration	11,216	12,060	13,488
<b>Total non-current liabilities</b>	<b>38,987</b>	<b>39,343</b>	<b>36,311</b>
<b>Total liabilities</b>	<b>89,808</b>	<b>82,234</b>	<b>42,510</b>
<b>Net assets</b>	<b>327,057</b>	<b>223,770</b>	<b>219,313</b>

Source: Annual reports for FY 2012 and 2013; HY 2013 interim financial report

We note the following in relation to the financial position of Dart presented above:

- in FY 2013, the cash balance decreased by \$55 million in comparison to 30 June 2012 largely as a result of \$39.1 million being spent on exploration activities and approximately \$10 million being used for working capital during the year. Dart raised \$11.9 million via an institutional placement in September 2013 and a further \$8.8 million in October 2013 via a fully underwritten non-renounceable entitlement offer. Completion of the sale of Dart's interest in Fortune Liulin Gas Limited (classified as a held for sale asset)



occurred in September 2013, with a payment of approximately \$19.0 million in cash received. These cash receipts contributed to the cash balance as at 31 December 2013 increasing to \$32.6 million

- during the six month period to 31 December 2013, Dart disposed of listed equity securities in Liquefied Natural Gas Limited, classified as financial assets, in a series of market transactions for aggregate consideration of \$2.7 million
- in FY 2012, goodwill included amounts in relation to acquisitions in UK/Europe (\$15.7 million), China (\$2.7 million) and Indonesia (\$3.9 million). The goodwill in relation to China and Indonesia was subsequently impaired in FY 2013 as the Company sought to exit both these areas, through the planned divestment of the Indonesian operations and the planned sale of Dart's interest in Fortune Liulin Gas Limited which completed in September 2013. Goodwill as at 31 December 2013 related to the UK/European assets, with an impairment due to the relinquishment of three licences in Poland and also the planned relinquishment of two further licences in the UK
- borrowings related to a USD debt facility held by Dart with HSBC; the facility was designed to provide development finance capital for certain projects in Europe, China and Indonesia and was secured over the Company's interest in these projects. As at 30 June 2013, the facility was drawn down to USD \$17.0 million (\$18.3 million). This amount was repaid by 31 December 2013, largely due to the completed sale of Dart's interest in Fortune Liulin Gas Limited in September 2013
- deferred consideration (current liability) in FY 2012 and FY 2013 related to payments due to Greenpark, for the acquisition of GP Energy in 2012. The deferred consideration (non-current liability) portion related to the amount payable by GP Energy to an earlier JV partner for certain licenses, contingent upon various exploration and development success outcomes. Should the relevant outcomes materialise, these amounts will fall due in two equal tranches, payable in July 2015 and June 2017 respectively
- provisions relate largely to the provision for rehabilitation in relation to the decommissioning and restoration of exploration assets of the Company with the majority of this balance relating to the provision to restore suspended Airth wells in relation to PEDL 133.



## 3 Profile of IGas

IGas is a UK onshore oil producing company, with associated gas production, and exploration and development activities. IGas' assets are located in North West England, East Midlands, Weald Basin in Southern England and Lybster in Scotland. IGas is based in London and has been listed on the AIM since December 2007 with a market capitalisation of approximately GBP 261 million as at 1 July 2014.

### 3.1 Company History

An overview of the company history of IGas is set out below.

**Table 14**

2003	<ul style="list-style-type: none"> <li>Island Gas Limited was incorporated in the UK in July 2003</li> </ul>
2007	<ul style="list-style-type: none"> <li>Island Gas Limited was acquired by KP Renewable Plc in December 2007 via a scheme of arrangement. Island Gas Limited shareholders received shares in KP Renewable Plc worth approximately GBP 50 million. Pursuant to the AIM Rules, the acquisition was deemed to be a reverse takeover</li> <li>Upon completion of the acquisition, Island Gas Resources plc was listed on the AIM and subsequently changed its name to IGas</li> </ul>
2008	<ul style="list-style-type: none"> <li>IGas was granted three on-shore licences: PEDL 193, PEDL 184 and PEDL 190</li> <li>IGas announced a placement of 3,222,460 new ordinary shares. The shares were issued at 65 pence per share to institutional investors. The placement raised approximately GBP 2.1 million</li> <li>IGas, together with partner Nexen Exploration UK Limited (Nexen), announced an agreement with Peel Environmental Limited to provide access to its entire land holdings in the north west of England for the purpose of identifying those CBM sites suitable for IGas/Nexen operations</li> </ul>
2009	<ul style="list-style-type: none"> <li>The contingent resources of IGas were assessed to be up to 733 bcf (3C)</li> <li>IGas received approval of its plans for commercial production of CBM from its Doe Green site in Cheshire</li> <li>IGas in conjunction with its JV partner Nexen successfully commenced electricity generation from its domestic CBM gas at the Doe Green site</li> <li>IGas announced a placement of 5,766,666 new ordinary shares. The shares were issued at 60 pence per share to institutional investors. The placement raised approximately GBP 3.5 million. The proceeds from the share placement were used to fund the company's working capital requirements</li> <li>IGas announced an increase in equity ownership of the Swallowcroft area through a farm-in agreement with its JV partner Nexen. The company increased its interest in the Swallowcroft area by 20% to 35%</li> <li>IGas announced a GBP 13.75 million fully underwritten placement at 60 pence per share to Peter Levine and Levine Capital Management. The placement increased Peter Levine's stake in IGas from 3.7% to 12.5%</li> </ul>
2010	<ul style="list-style-type: none"> <li>IGas announced the construction and completion of a second pilot production site at Keele University Science Park in North Staffordshire</li> <li>OGIP estimates were increased across the IGas acreage to a mid-case of over 3.8 tcf</li> <li>IGas issued 82,500 shares pursuant to a warrant agreement at an exercise price of 55 pence per share</li> <li>IGas announced a 40% increase in the average gas production at the Doe Green site, as a result of implementing new measures to optimise the de-watering process</li> </ul>
2011	<ul style="list-style-type: none"> <li>IGas announced the acquisition of Nexen for GBP 25.6 million resulting in IGas becoming the operator and sole owner of each of the licences in which Nexen was a JV partner. Nexen received 39,714,290 IGas shares, equivalent to 29.9% of the enlarged issued share capital as consideration. As a result of this transaction, the contingent resources (2C) of IGas increased to 1,736 bcf</li> <li>IGas announced a JV agreement with Meehan Drilling, which provided IGas with direct access to rig equipment and personnel</li> <li>IGas announced a placement of 27,500,000 new ordinary shares at 75 pence per share, which represented a 29.5% increase in issued shares and raised GBP 20.6 million. The proceeds were used to fund the company's working capital requirements</li> <li>IGas announced the acquisition of Star Energy Group Limited (Star Energy) from PETRONAS International Corporation Limited for GBP 110.0 million, funded principally by a new debt facility provided by Macquarie Bank Limited (Macquarie). At the time of acquisition, Star Energy had production of more than 2,500 barrels of oil equivalent per day (boepd)</li> </ul>
2012	<ul style="list-style-type: none"> <li>IGas announced the acquisition of PR Singleton Limited from Providence Resources Plc for GBP 40.9 million. As a result of the acquisition, IGas acquired a 100% interest in PL 240 and 50% of PEDL 233. Production at the Singleton field (part of PL 240) was 700 boepd</li> </ul>



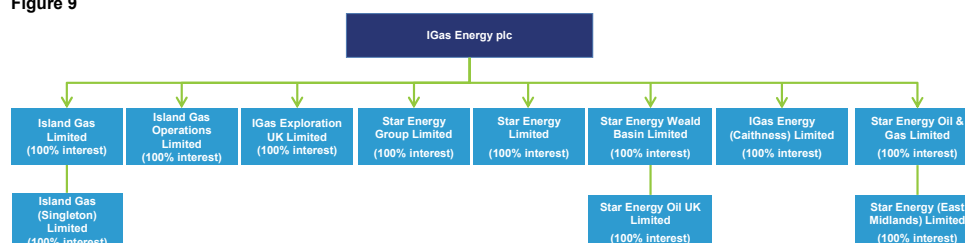
2013	<ul style="list-style-type: none"> <li>IGas announced a placement of 24,330,730 new ordinary shares at 95 pence per share. The placement represented approximately 15% of the enlarged issued ordinary share capital and raised GBP 23.1 million. The proceeds from the share placement were primarily to be used to fund work programmes</li> <li>IGas announced the arrangement of a five year USD \$165 million senior secured bond issue. The bond issue carries a fixed interest rate of 10% per annum (p.a.) and semi-annual amortisation of 2.5% of the initial loan amount. The bond issue was to refinance the company's existing debt and for general corporate purposes</li> <li>IGas announced plans to drill two wells to further appraise the potential resources it has in the Bowland shale</li> <li>IGas announced the issuance of 3,000,000, 2,975,656 and 2,000,000 ordinary shares during the period of June to August 2013 pursuant to a warrant agreement with Macquarie</li> <li>IGas announced the acquisition of Caithness Oil Limited, an independent oil and gas exploration and production company, for GBP 8.95 million through an allotment of 7,789,382 IGas shares. IGas acquired 100% of the licences located in the northern coastal area of Scotland including the Lybster field</li> <li>IGas announced the arrangement of a USD \$30 million senior unsecured bond issue which carries a fixed interest of 10% p.a., payable semi-annually, and the establishment of a borrowing facility of USD \$60 million. The proceeds of the bond issue was for general corporate purposes, including gas monetisation and is listed on the Nordic ABM in Oslo</li> </ul>
2014	<ul style="list-style-type: none"> <li>IGas announced a farm-out agreement with Total in PEDL 139 and PEDL 140. Dart is also a JV participant in these tenements. Total will acquire a 40% interest in PEDL 139 and PEDL 140 located in the Gainsborough Trough in Nottinghamshire and South Yorkshire. IGas became the operator of the licences upon completion of the farm-out agreement on 4 February 2014</li> <li>IGas announced the issuance of 1,500,000 ordinary shares pursuant to a warrant agreement with Macquarie</li> <li>IGas announced the proposed acquisition of Dart via a scheme of arrangement.</li> </ul>

Source: IGas announcements

## 3.2 Corporate structure

The following figure presents the corporate structure of IGas.

Figure 9



Source: IGas

3.3 Principal assets

The primary assets of IGas are located across the UK, as illustrated below.

Figure 10



Source: IGas



The portfolio of licences held and operated by IGas is summarised in the following table.

**Table 15**

Asset	Location	% ownership	Other owners
AL9	Dunholme	100%	-
ML3	Egmanton	100%	-
ML4	Gainsborough /Beckingham / Corringham / Glentworth	100%	-
ML6	Bothamsall	100%	-
ML7	South Leverton	100%	-
PEDL6	Cold Hanworth	100%	-
PL178	West Beckingham	100%	-
PL179	Welton / Nettleham / Scampton North / Stainton	100%	-
	East Glentworth	100%	-
PL199	Near Nettleham	100%	-
PL220	Long Clawson	100%	-
	Rempstone	100%	-
P1270	Lybster (offshore)	100%	-
PEDL158	Caithness	100%	-
DL2	Stockbridge	100%	-
ML18	Bletchingley	100%	-
ML21	Bletchingley	100%	-
PEDL21	Goodworth	100%	-
PEDL233	Baxters Copse/ Burton Down	50%	Northern Petroleum (50%)
PEDL70	Avington	50%	Egdon (26.67%), Corle Energy (5%), Brignates Energy (5%), Aurora Production (8.33% and Northern Petroleum (5%)
PL182	Palmers Wood	100%	-
PL205	Storrington	100%	-
PL211	SU 81B/ SU 91b	90%	Northern Petroleum (via three of its subsidiaries) (10%)
PL240	Stockbridge	100%	-
PL249	Larkwhistle Farm	100%	-
DL4	Albury	100%	-
PEDL235	Godley Bridge	100%	-
PL233	Stockbridge	100%	-
PEDL145	Four Oaks (Doe Green)	100%	-
PEDL184	North Dee (Ellesmere Port)	100%	-
PEDL190	North Dee (Ince Marsh)	100%	-
PEDL193	Parkside (Irlam & J21)	100%	-
PEDL40	Swallowcroft, the Potteries	100%	-
PEDL56	Swallowcroft, the Potteries (Keele Park)	100%	-
PEDL78	Willoughbridge (Greater Swallowcroft, the Potteries)/ Coalbrookdale	100%	-
PEDL139	Everton West	14.50%	Total (40%); Dart (17.5%), Egdon (14.5%) and eCORP Oil & Gas UK Limited (13.5%)
PEDL140	Everton	14.50%	Total (40%); Dart (17.5%), Egdon (14.5%) and eCORP Oil & Gas UK Limited (13.5%)

Source: IGas



An estimate of the net reserves of IGas as at January 2014 is set out in the table below.

**Table 16**

Million barrels of oil equivalent	Proved (1P)	Proved and probable (2P)	Proved, probable and possible (3P)
<b>Total reserves</b>	<b>8.37</b>	<b>13.50</b>	<b>18.54</b>

*Source: Senergy Competent Person's Report January 2014*

### 3.3.1 East Midlands

The East Midlands area has produced oil and gas for over 50 years. The East Midlands licence covers an area of 1,488 km<sup>2</sup> and has produced more than 48 million barrels of oil to date. IGas holds an interest in 17 oil fields comprising 80 sites, with the Welton and Gainsborough oil fields representing the principal assets in the region.

The Welton area comprises six fields and a gathering centre where collected oil, gas and water are separated. Separated oil is transported via road tanker to Phillips 66. The separated gas is used for power generation and water is reinjected into the field.

The Gainsborough area consists of 11 fields and a processing facility. Oil is also transported to Phillips 66 via road tanker, with separated gas piped to Gainsborough-1 for power generation and water reinjected into the field.

### 3.3.2 North West

IGas holds a 100% interest in seven onshore licences in the North West region of the UK. The total licence area is approximately 1,020 km<sup>2</sup> and covers the counties of Cheshire, Flintshire and Staffordshire that contain the Carboniferous Coal Measures and the Bowland-Hodder shales.

IGas recently conducted an extensive evaluation program in the North West region, focusing on potential shale gas development. This work included detailed seismic analysis, including reprocessing existing 2D seismic, biostratigraphic and chemostratigraphic studies, basin modelling as well as petrophysical and geomechanical studies using data from existing wells across the North West. Based on this analysis, IGas has estimated OGIP volumes within the shales in the North West, including the Bowland shales, of up to 170 tcf.

### 3.3.3 Weald Basin

The Weald Basin licence area spans from Stockbridge in the west to Palmers Wood in the east and has produced over 21 million barrels of oil to date. The Weald Basin consists of 11 fields and 18 production sites; of which IGas holds a 100% interest in all but three licences. The Weald Basin is responsible for approximately 50% of the current production of IGas.

IGas transports oil, via tanker, from the Weald Basin to its processing facilities at Holybourne. At the processing facility, IGas has storage facilities of up to 20,000 barrels and a rail terminal allowing transport of oil to local refineries by train. In addition, IGas also handles oil on behalf of other operators in the area, providing an alternative revenue stream.

### 3.3.4 Scotland (Lybster Field)

Lybster Field was acquired by IGas in December 2013 through the acquisition of Caithness Oil Limited, which owned and operated the field. The Lybster Field was discovered by Premier Oil Plc in 1996, and commenced production in May 2012. Prior to the acquisition by IGas, the field produced approximately 200 barrels of oil per day and more than 2 million standard cubic feet per day of associated gas. Oil and water is transported to the Nigg oil terminal where the oil is sold.



### 3.4 Capital structure and shareholders

IGas had the following securities in issue as at 22 April 2014:

- 206,316,001 fully paid ordinary shares (including shares awarded pursuant to the IGas Share Incentive Plan)
- 4,004,060 unlisted share options (awarded pursuant to the IGas Long Term Incentive Plan (LTIP))
- 7,500,000 unlisted share warrants.

The following table lists the substantial shareholders of IGas as at 22 April 2014:

Table 17

Shareholder	Number of shares held <sup>1</sup>	Percentage of issued shares
Nexen Petroleum UK Limited	39,714,290	19.2%
Francis Robert Gugen	27,615,764	13.4%
Brent Cheshire	11,429,253	5.5%
Andrew Phillip Austin	10,969,226	5.3%
Henderson Global Investors	9,002,036	4.4%
Baillie Gifford	8,088,217	3.9%
Peter Levine/PLLG Investments Limited	6,069,636	2.9%
<b>Top seven shareholders</b>	<b>112,888,422</b>	<b>54.7%</b>
Other	93,427,579	45.3%
<b>Total shares on issue</b>	<b>206,316,001</b>	<b>100.0%</b>

Source: IGas website

Note:

1. Includes shares awarded pursuant to the IGas Share Incentive Plan

IGas issued shares to employees under a LTIP. It has also issued warrants to third parties referred to as General Warrants.

The following table summarises the unlisted share options and warrants on issue as at 31 March 2014:

Table 18

Issue date	Number of options outstanding	Exercise price (GBP)	Expiry date
Employee Options <sup>1</sup>	4,004,060	0.000	Various, but to a maximum of 30 September 2023
General Warrants – Rock (Nominees) Limited <sup>2</sup>	5,500,000	0.558	14 December 2017
General Warrants – Macquarie <sup>2</sup>	2,000,000	0.558	14 December 2017
<b>Total unlisted options and warrants</b>	<b>11,504,060</b>		

Source: IGas

Notes:

1. Employee options relate to options issued to employees under IGas' LTIPs
2. General warrants relate to warrants issued to Macquarie under the Facilities Agreement. On 19 August 2013, Rock (Nominees) Limited acquired 5.5 million warrants from Macquarie

In relation to the Employee Options:

- participants of the LTIP can be granted nil cost options of up to 300% of their remuneration for the initial award, and up to 200% of their remuneration for the annual award (subject to an overall plan limit of 10% of the issued share capital of the company for all applicants)
- the LTIP has a three year performance period, and options vest if the share price performance exceeds a hurdle of 10% over the performance period



- there is an unapproved option scheme where certain employees have agreed to settle bonuses in share options.

The General Warrants were issued to Macquarie in relation to debt facilities utilised for the acquisition of Star Energy. Macquarie sold a portion of its original warrants to Rock (Nominees) Limited in 2013 as set out above.

### 3.5 Share price performance

A summary of IGas' quarterly share price performance, from 1 January 2012 to the day prior to the announcement of the Proposed Scheme on 8 May 2014 is set out below.

**Table 19**

Quarter end date	Last trade (\$)	Quarterly VWAP (\$)	Volume ('million)
30 March 2012	0.466	0.484	14.0
29 June 2012	0.180	0.475	18.1
28 September 2012	0.170	0.625	22.0
31 December 2012	1.257	0.871	14.4
28 March 2013	0.830	1.066	55.1
28 June 2013	1.212	1.017	63.6
30 September 2013	1.018	1.155	55.4
31 December 2013	1.081	1.062	25.6
31 March 2014	1.202	1.306	63.7
8 May 2014 <sup>1</sup>	1.313	1.297	19.4

Source: CapitalIQ

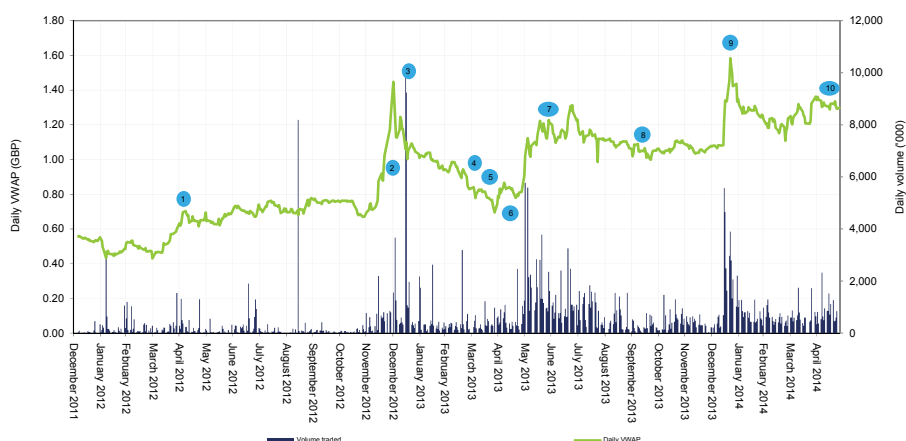
Note:

1. To the date prior to the announcement of the Proposed Scheme

From early 2012, the share price of IGas has increased during a period in which the company made various acquisitions and increases in production and resources. In the period from 1 January 2014 to the day prior to the announcement of the Proposed Scheme, approximately 4.7 million IGas shares were traded on a weekly basis, representing 1.4% of shares on issue. The VWAP for the period from 1 January 2014 up to the announcement was GBP 1.31 per IGas share. Since the announcement of the Proposed Scheme, the VWAP has been GBP 1.33 per share, representing an increase of 1.6%.

Movement in the daily VWAP and trading volumes of IGas shares since 1 January 2012 are shown in the Figure below, with key movements discussed in the Table below.

**Figure 11**



Source: Capital IQ



**Table 20**

Notes	Date	Comments
1	18 April 2012	IGas announced its support of the DECC's publication of an independent expert's report into the impacts of shale gas operations on seismic activity. This study was commissioned after two small earthquakes were recorded near a shale gas drilling site. IGas supports the recommendation of the DECC for an effective monitoring system and a traffic light control regime
2	13 December 2012	IGas commented on the UK Government's announcement regarding the recommencement of shale exploration in the UK
3	15 January 2013	IGas completed a placement of 24,330,730 at a price of 95 pence per ordinary shares raising GBP 23.11 million
4	1 March 2013	IGas announced that it had completed the acquisition of P.R. Singleton Limited from Providence Resources plc for USD \$ 66 million
5	14 March 2013	IGas announced the arrangement of a five year, USD \$165 million senior secured bond issue. The bond issue carried a fixed interest rate of 10% p.a. and the purpose of the bond issue was to refinance IGas' existing debt and for general corporate purposes
6	26 April 2013	IGas confirmed the drilling of two additional wells to appraise potential shale resources in Bowland shale
7	3 June 2013	IGas announced shale OGIP volumes of up to 170 tcf from exploration studies in its North West licences
8	9 September 2013	IGas announced it entered into an agreement to acquire Caithness Oil Limited from Caithness Petroleum Limited for GBP 8.95 million through an allotment of 7.79 million shares in IGas
9	13 January 2014	IGas announced a farm-out agreement with Total under which Total will earn a 40% interest in PEDL 139 and PEDL 140
10	9 May 2014	IGas announced the signing of an agreement to acquire Dart via a scheme of arrangement.

*Source: IGas announcements*



### 3.6 Financial performance

The audited consolidated income statements of IGas for the periods ending 31 March 2012, 2013 and 2014 are summarised in the table below.

**Table 21**

GBP'000	Audited 31 March 2012	Audited 31 March 2013	Audited 31 March 2014
Revenue	22,120	68,304	75,917
Revenue growth (%)	n/a	209%	11%
Cost of sales (excluding depletion, depreciation and amortisation)	(8,838)	(28,067)	(34,062)
<b>Gross Profit</b>	<b>13,282</b>	<b>40,237</b>	<b>41,855</b>
Administration costs	(4,956)	(8,351)	(7,875)
Costs relating to acquisitions	(2,986)	(59)	(47)
Other income	235	225	174
Profit/(loss) on oil price swaps	(18,512)	938	(2,095)
Relinquishment of exploration and evaluation assets	(42)	(1,093)	(3,259)
<b>EBITDA</b>	<b>(12,979)</b>	<b>31,897</b>	<b>28,753</b>
EBITDA margin (%)	(59%)	47%	38%
Depreciation and amortisation	(3,203)	(9,975)	(13,878)
<b>EBIT</b>	<b>(16,182)</b>	<b>21,922</b>	<b>14,875</b>
EBIT margin (%)	(73%)	32%	20%
Net finance costs	(1,715)	(27,921)	(12,529)
<b>Loss before tax</b>	<b>(17,897)</b>	<b>(5,999)</b>	<b>2,346</b>
Income tax (charge)/credit	5,773	(12,356)	(10,277)
<b>Loss for the year</b>	<b>(12,124)</b>	<b>(18,355)</b>	<b>(7,931)</b>

Source: IGas Annual Report 2013 and FY 2014 preliminary results

We note the following in relation to the financial performance of IGas presented above:

- FY 2012 reported financial results reflected 15 months of the financial performance of IGas following a change in the reporting period. In addition, the Star Energy acquisition completed on 14 December 2011 and therefore the FY 2012 results only represent three months of financial performance of Star Energy. The FY 2013 financial results of IGas reflect approximately one month of the financial results attributable from PR Singleton Limited following its acquisition on 28 February 2013. The FY 2014 financial results of IGas reflect approximately four months of the financial results attributable from Caithness Oil Limited following its acquisition on 6 December 2013
- the significant revenue growth achieved by IGas during FY 2013 of approximately 209% was as a result of capturing a full 12 months of revenue attributable to the performance of the assets acquired as part of the Star Energy acquisition. Prior to acquisition, Star Energy and PR Singleton Limited had production of 2,500 and 700 boepd, respectively
- reported revenue of IGas relates to the production of oil and gas, in which oil production represents 95% of total revenue. IGas manages its exposure to the variability in oil prices through the use of zero cost collars
- relinquishment of exploration and evaluation assets in FY 2014 resulted from the relinquishment of PEDL 116 and 107, and SSPL 1481 exploration licences in Staffordshire and Point of Ayr
- net finance costs amounted to GBP 12.5 million in FY 2014, an decrease from GBP 27.9 million in FY 2013. These costs primarily included GBP 11.6 million of interest, loss on the revaluation of warrants of GBP 8.1 million and offset by a net revaluation gain of GBP 7.8 million on outstanding debt due to a strengthening in the GBP to USD \$ exchange rate.



### 3.7 Financial position

The audited consolidated balance sheets of IGas as at 31 March 2012, 2013 and 2014 are summarised in the table below.

**Table 22**

GBP'000	Audited 31 March 2012	Audited 31 March 2013	Audited 31 March 2014
Cash and cash equivalents	7,915	9,831	28,301
Trade and other receivables	12,113	8,569	11,403
Inventories	716	1,056	1,344
Other Financial Assets - Restricted cash	-	102,865	-
<b>Total current assets</b>	<b>20,744</b>	<b>122,321</b>	<b>41,048</b>
Intangible exploration and evaluation assets	57,237	81,702	90,997
Property, plant and equipment	100,545	124,711	115,478
Goodwill	23,515	32,166	39,227
<b>Total non-current assets</b>	<b>181,297</b>	<b>238,579</b>	<b>245,702</b>
<b>Total assets</b>	<b>202,041</b>	<b>360,900</b>	<b>286,750</b>
Trade and other payables	10,480	14,056	10,960
Current tax liabilities	3,167	3,006	-
Finance lease liability	51	-	-
Borrowings – Macquarie	16,475	89,710	-
Borrowings – Bond	-	5,466	4,948
Other liabilities	2,806	8,208	6,804
Derivative financial instruments	8,713	10,001	50
<b>Total current liabilities</b>	<b>41,692</b>	<b>130,447</b>	<b>22,762</b>
Borrowings – Macquarie	58,477	-	-
Borrowings – Bond	-	94,942	103,753
Derivative financial instruments	7,979	-	-
Deferred tax liabilities	20,552	47,388	57,665
Provisions	18,383	29,005	28,248
<b>Total non-current liabilities</b>	<b>105,391</b>	<b>171,335</b>	<b>189,666</b>
<b>Total liabilities</b>	<b>147,083</b>	<b>301,782</b>	<b>212,428</b>
<b>Net assets</b>	<b>54,958</b>	<b>59,118</b>	<b>74,322</b>

Source: IGas Annual Report 2013 and FY 2014 preliminary results

We note the following in relation to the financial position of IGas presented above:

- the financial position of IGas as at 31 March 2012 included the Star Energy assets, and as at 31 March 2013 the PR Singleton Limited acquisition, whilst the financial position of IGas as at 31 March 2014 reflects the Caithness Oil Limited acquisition
- restricted cash of GBP 102.9 million as at 31 March 2013 relates to company raised bonds. The funds were subsequently used to repay a bank facility owed to Macquarie plus outstanding interest and all associated bank fees, termination fees and costs of closing out hedges
- goodwill increased by GBP 8.7 million in FY 2013 due to the acquisition of PR Singleton Limited and GBP 7.1 million in FY 2014 due to the acquisition of Caithness Oil Limited
- current and non-current borrowings – Bond relates to secured and unsecured bonds of GBP 92.1 million and GBP 16.6 million, respectively. The secured bonds carry a coupon of 10% p.a. payable semi-annually in arrears and semi-annual amortisation of 2.5% of the initial loan amount. The unsecured bonds carry a coupon of 10% p.a. payable semi-annually in arrears



- other liabilities totalled GBP 8.2 million as at 31 March 2014 consisted of revaluation losses on warrants
- deferred tax liabilities increased from GBP 47.4 million in FY 2013 to GBP 57.7 million in FY 2014 primarily due to the recognition of additional tax losses.



## 4 Profile of the Proposed Merged Entity

### 4.1 Overview

Upon completion of the Proposed Scheme (if approved), Dart will merge with IGas to create a company with a market capitalisation in excess of \$670 million (based on the aggregation of the two company's current market capitalisations as at 1 July 2014). IGas and Dart are upstream oil and gas companies, with IGas focussing on conventional oil and shale gas opportunities and Dart focussing on CSG and shale gas. The Proposed Merged Entity will create a market leading onshore UK oil and gas company, holding over one million net acres (including acreage in all major UK shale basins).

The UK asset portfolio of the Proposed Merged Entity will consist of:

- conventional oil assets in the East Midlands, North West and the Weald Basin
- CSG and shale assets in the Scottish Midland Valley, Solway, East Midlands, Bowland Basin and Weald Basin.

In addition to the above, initially the Proposed Merged Entity will also hold assets in Australia, India, Indonesia and continental Europe. However, IGas has stated its intention to divest all non-UK assets of Dart, with a view to maximising cash returns and enabling all resources to advance UK based oil and gas opportunities and therefore the principal activities of the group will continue to be the exploration, development and production of oil and gas assets, specifically in the UK.

A summary of the acreage of the Proposed Merged Entity in the UK is set out in the table below.

**Table 23**

Acreage ('000 acres)	Dart (net) <sup>1</sup>	IGas (net)	Total
East Midlands	224	90	314
South/Weald Basin	-	105	105
North West England	133	252	385
Scotland	252	43	295
<b>Total</b>	<b>609</b>	<b>490</b>	<b>1,099</b>

Source: IGas investor presentation

Note:

1. Excludes PEDL 169

The Proposed Merged Entity will have a team of over 200 staff including subsurface, drilling, facilities, commercial and legal experts.



## 4.2 Capital structure

Following implementation of the Proposed Scheme, Shareholders in Dart will receive 0.08117 IGas shares for each Dart share held, and 30.7% of the shares in the Proposed Merged Entity as set out below:

**Table 24**

	Section reference	Unit		Calculation
Number of shares in Dart	2.4	'000s	1,108,753	(a)
Number of options to be converted into Dart shares (vested, in-the-money) <sup>1,2</sup>	2.4	'000s	16,698	(b)
<b>Diluted number of Dart shares</b>		<b>'000s</b>	<b>1,125,451</b>	<b>(c) = (a) + (b)</b>
<b>Number of shares in IGas</b>	<b>3.4</b>	<b>'000s</b>	<b>206,316</b>	<b>(d)</b>
<b>Proposed merger ratio (shares in IGas to be issued per share held in Dart)</b>		<b>#</b>	<b>0.08117</b>	<b>(e)</b>
New shares to be issued in IGas		'000s	91,353	(f) = (c) x (e)
<b>Total shares in Proposed Merged Entity (on diluted basis)<sup>3</sup></b>		<b>'000s</b>	<b>297,669</b>	<b>(g) = (d) + (f)</b>
Shares held by IGas shareholders			69.3%	= (d) ÷ (g)
Shares held by Dart shareholders			30.7%	= (f) ÷ (g)

Source: Deloitte analysis

Notes:

1. Assumes all of the Dart unlisted J-Class options with an exercise price of \$0.01 are exercised and the optionholders are able to participate in the Proposed Scheme
2. Per Section 2.4, Dart also has a number of 'in the money' options which will vest in the event of a change of control transaction, including 16.0 million employee options. Dart also has a number of 'out of the money' options which are unvested. IGas and Dart have agreed in the Scheme Implementation Agreement to determine a strategy to ensure that all the outstanding options in Dart will be the subject of offers to either be acquired by IGas or cancelled
3. Excluding any new options to be issued in IGas



## 5 Valuation approach

### 5.1 Introduction

For the purpose of our opinion fair market value is defined as the amount at which the shares would be expected to change hands between a knowledgeable willing buyer and a knowledgeable willing seller, neither being under a compulsion to buy or sell. Special purchasers may be willing to pay higher prices to reduce or eliminate competition, to ensure a source of material supply or sales, or to achieve cost savings or other synergies arising on business combinations, which could only be enjoyed by the special purchaser. Our valuations have not been premised on the existence of a special purchaser.

Refer to Appendix B for a detailed discussion on the various valuation methodologies which can be adopted in valuing corporate entities and businesses, but can be adapted to valuing assets, as appropriate.

### 5.2 Dart valuation approach

Deloitte Corporate Finance has assessed the equity value of Dart using a sum of the parts approach, which requires the aggregation of the fair market value of the interests held in the various development and exploration assets and corporate assets, before adding or subtracting any surplus assets and liabilities and adding net cash.

It is common market practice to use the discounted cash flow method to value oil and gas assets due to their finite lives and the significant capital expenditure required in the development stage and preparatory phases of production.

We have used the discounted cash flow method to value the development assets of Dart (PEDL 133 and PEDL 159), which generates a value that is inclusive of a premium for control. NSAI, the technical expert engaged by Deloitte Corporate Finance to assist in the preparation of our independent expert's report, provided its views on the various production, operating and capital expenditure assumptions adopted in the cash flow models prepared by Dart management and, where appropriate has advised us where it considers the assumptions should be adjusted. Corporate costs have also been valued using a discounted cash flow method.

Dart also owns a portfolio of exploration assets in the UK and Australia, in addition to its two development assets. We have estimated the value of Dart's exploration assets, utilising the expertise of our internal technical specialists, by having regard to comparable resource multiples (on a USD \$ per bcf basis) achieved in recent trading and selected transactions in comparable companies, and the historical exploration costs incurred to date.

Surplus assets and liabilities have been valued at fair market value, using the discounted cash flow method (to estimate the likely cash flow arising from the asset or liability), historical cost, net realisable value or book value.

To provide additional evidence of the fair market value of Dart on a sum of the parts basis, we have compared the total equity value estimated for Dart to that implied by trading in its shares prior to the announcement of the Proposed Scheme on 9 May 2014 after adjusting for a notional premium for control.

In summary, the following methodologies have been applied to value the assets of Dart:

Table 25

Asset	Type of asset	Methodology
<b>UK assets</b>		
PEDL 133	Development	Discounted cash flow method
PEDL 159	Development	Discounted cash flow method
<b>Exploration assets</b>		
Other UK assets	Exploration	Resource multiple based on farm-in arrangements /historical cost
Australian assets	Exploration	Resource multiple
Corporate costs	Corporate	Discounted cash flow method
Surplus assets/liabilities	Exploration/Corporate	Various
Net cash	Corporate	n/a

Source: Deloitte Corporate Finance analysis



### **5.3 IGas valuation approach**

Upon implementation of the Proposed Scheme, Shareholders will receive IGas shares in exchange for their Dart shares. Therefore Shareholders will become minority interest shareholders in IGas if the Proposed Scheme is approved.

Deloitte Corporate Finance has assessed the value of a share in the Proposed Merged Entity based on an analysis of recent share trading in IGas shares subsequent to the announcement of the Proposed Scheme. Trading in IGas' shares, post the announcement of the Proposed Scheme, is likely to incorporate the market's view of the prospects of the Proposed Merged Entity to the extent that market participants expect the Proposed Scheme to proceed.

### **5.4 Appointment and role of the technical expert**

The management of Dart prepared financial models to estimate the future cash flows for development assets PEDL 133 and PEDL 159. NSAI has been engaged by Deloitte Corporate Finance to prepare a report providing a technical assessment of certain key assumptions underpinning the financial models.

In particular, NSAI reviewed and/or provided input into the formulation of the following assumptions:

- reserves and resources estimates
- production profiles
- operating expenditure
- capital expenditure.

NSAI prepared its technical report having regard to the standards pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by the Society of Petroleum Engineers.

The scope of NSAI's work was controlled by Deloitte Corporate Finance. A copy of NSAI's report is provided in Appendix F.



## **6 Future cash flows of PEDL 133 and PEDL 159**

### **6.1 Introduction**

Dart's development assets have been valued using the discounted cash flow method, which estimates fair market value by discounting estimated future cash flows to their net present value. This section sets out the assumptions adopted to estimate the future cash flows of the development assets.

### **6.2 The Models**

Dart management provided Deloitte Corporate Finance with financial models, which estimate the future cash flows from each of the development assets owned by Dart, being PEDL 133 and PEDL 159 (the Models).

The Models contain projections of nominal, after-tax cash flows in USD, on a 100% basis. The Models were prepared based on:

- the latest reserve and resource statements, including the associated production profiles, which have been assessed by NSAI
- the current development plans for the assets and timing of development, determined by Dart.

We have made adjustments to the cash flow projections in the Models where we considered it appropriate. These adjustments included, but were not limited to pricing, production profiles and inflation.

The analysis we have undertaken in respect of the Models included:

- working with NSAI, to review and/or provide us with the technical assumptions underlying the Models (refer to Appendix F)
- limited analytical procedures regarding the mathematical accuracy of the Models (our work did not constitute an audit or review of the projections in accordance with the Auditing and Assurance Standards Board (AUASB) Standards)
- high level examination of the integrity of the Models, both from the perspective of the accuracy of information modelled and any omissions
- holding discussions with Dart management concerning the preparation of the projections in the Models and their views regarding the assumptions on which the projections are based.

NSAI has prepared a report providing a technical review of certain assumptions (reserves, resources, production volumes, operating and capital costs) supporting the future cash flows of the Models. The work of NSAI also included economic analysis of reserves which must be economic. NSAI has held discussions with Dart management and has reviewed data, reports and other information that is either publicly available or made available to NSAI by Dart management.

Our work did not constitute an audit or review of the projections in accordance with the AUASB Standards and accordingly we do not express any opinion as to the reliability of the projections or the reasonableness of the underlying assumptions. However, nothing has come to our attention as a result of our limited work that suggests that the assumptions on which the projections are based have not been prepared on a reasonable basis unless specified otherwise.

Since projections relate to the future, they may be affected by unforeseen events and they depend, in part, on the effectiveness of management's actions in implementing the plans on which the projections are based. Accordingly, actual results are likely to be different from those projected because events and circumstances frequently do not occur as expected, and those differences may be material.

The key assumptions supporting our valuations are described in the following sections.



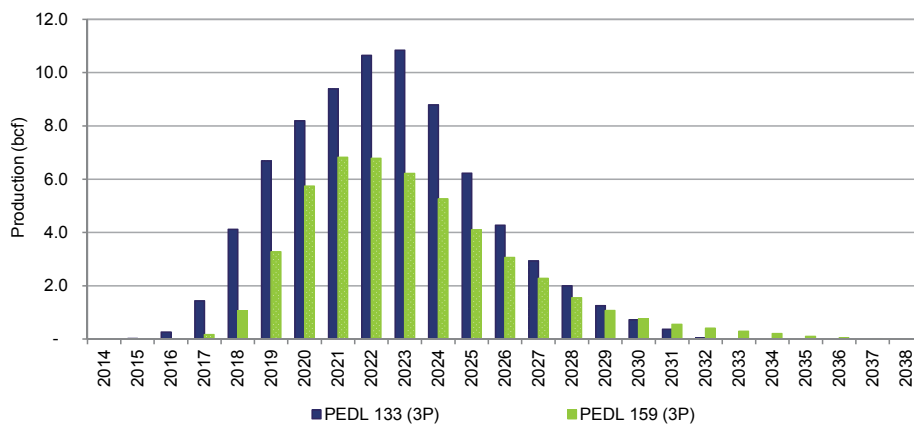
## 6.3 Revenue

Revenue is a function of production and prices, which are discussed in the following sections.

### 6.3.1 Production assumptions

The figures below outline the projected production volumes from PEDL 133 and PEDL 159 for the period 2014 to 2038.

**Figure 12**



Source: The Models; Deloitte Corporate Finance analysis

We have assumed the following production scenarios for the development assets of Dart:

- PEDL 133: total production of approximately 78 bcf
- PEDL 159: total production of approximately 50 bcf.

We consider these production scenarios to be reasonable based on:

- the current development plans for PEDL 133 prepared by Dart
- the estimated 3P reserves in PEDL 133 and 159 certified by NSAI
- the additional contingent resources in both PEDL 133 and 159.

NSAI provided its view on whether or not production profiles are subject to specific risks. We have taken this into account in selecting our preferred production scenarios and incorporated the risk adjustments as appropriate in our valuation analysis.

The assumptions underpinning the production profiles for the development assets have been prepared by NSAI, based on the certified reserves of the development assets and the economics of the reserves. On this basis, we consider the production profiles to be reasonable.

### 6.3.2 Gas pricing assumptions

The gas projected to be produced by PEDL 133 and PEDL 159 is expected to be sold into the UK domestic gas market via the National Transmission System and priced with reference to the UK National Balancing Point (NBP).

In considering an appropriate price to apply to the future sales of gas, we have had regard to the following:

- gas sales agreements currently in place for production from PEDL 133
- historical and forward prices for the UK NBP, and our understanding of gas prices that are currently being achieved in the UK domestic gas market



- other publicly available industry estimates and commentary, including but not limited to industry research and broker estimates.

Based on our analysis, we have adopted gas pricing assumptions (in 2014 real terms) as follows:

**Table 26**

USD per mmbtu	Selected assumption
Selected gas price	9.5 – 10.5

Source: Deloitte Corporate Finance analysis

Notes:

1. mmbtu – million British thermal units

The price assumptions have been applied from 2015 (when production at PEDL 133 is projected to commence) after adjusting for inflation.

## 6.4 Operating costs

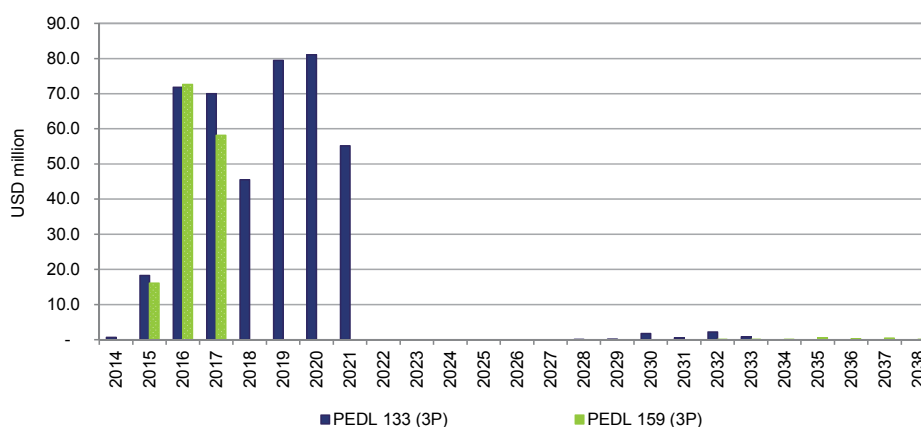
The Models include projections of direct operating costs on a per well basis and field operating costs, which are dependent on the levels of annual production. Operating costs are estimated at approximately USD \$60,000 per well (in 2014 real terms), whilst field operating costs are estimated at USD \$0.33 per million cubic feet of annual production.

These operating costs have been reviewed by NSAI, which considers them to be reasonable.

## 6.5 Capital costs

Capital costs have been projected based on a projected drilling schedule and other equipment required to extract and process the assumed gas volumes. The following figures set out the projected capital costs, including abandonment costs, for PEDL 133 and PEDL 159.

**Figure 13**



Source: The Models; Deloitte Corporate Finance analysis

Abandonment costs of USD \$30,000 per well have been assumed for PEDL 133 and PEDL 159 (in 2014 real terms).

The assumptions underpinning capital expenditure for PEDL 133 have been reviewed by NSAI, which considers them to be reasonable. NSAI has provided modified capital expenditure assumptions for PEDL 159 to be consistent with the assumptions assumed in PEDL 133.



## 6.6 Corporate assumptions

The key corporate assumptions in the Models are summarised as follows:

- corporate tax is based on the Ring Fence Corporation Tax regime applicable to oil and gas assets located in the UK. The tax regime allows capital costs to be deducted in full against net income and imputes tax on taxable income at a rate of up to 62% (comprising the Ring Fence Corporations Tax rate of 30% and the Supplementary Charge, calculated as a further 32% of taxable income), after taking into account taxation allowances for eligible assets.

PEDL 133 and PEDL 159 qualify for the recently announced “onshore allowance”, which, once the legislation is passed in the short term, will shield eligible assets from paying Supplementary Charges by allowing 75% of capital costs to be deducted a second time against taxable income subject to Supplementary Charges.

Dart currently has GBP 53 million in tax losses that can be offset against taxable income earned by oil and gas assets located in the UK. We have applied these tax losses against taxable income projected to be generated by PEDL 133 and PEDL 159

- relatively minimal material working capital movements.

## 6.7 Economic assumptions

The future cash flows in the Models are presented in nominal terms using Dart’s selected inflation rate assumptions. In selecting our inflation rate assumptions, we have considered forecasts prepared by economic analysts and other publicly available information, including broker consensus.

Based on our analysis, we have selected a flat inflation rate assumption of 2%.



## 7 Dart valuation summary

### 7.1 Introduction

The sum of the parts methodology estimates the fair market value of a company by separately valuing each asset of the company.

To value Dart requires an estimate of the value of the following items:

- development assets PEDL 133 and 159. We have also determined a value of the corporate costs as part of the discounted cash flow approach to the valuation of the development assets
- other assets held by Dart, including exploration assets in the UK and Australia
- surplus assets/liabilities
- net cash.

Our valuation of each of these items is set out below.

### 7.2 Value of the development assets

The value of PEDL 133 and 159 has been estimated using the discounted cash flow methodology, which estimates the fair market value of an asset by discounting the future cash flows to their net present value using an appropriate discount rate. Our consideration of each of these factors is set out below.

The future cash flows relied on for the purposes of the valuation have been described in Section 6. The future cash flows in the Model have been prepared on a USD \$, nominal, ungeared (i.e. before interest), after tax basis.

The discount rate used to equate the future cash flows to present value reflects the risk adjusted rate of return required by a hypothetical investor. We have selected a nominal after tax US denominated discount rate in the range of 12.0% to 14.0% for PEDL 133, and 14.0% to 15.0% for PEDL 159. Our consideration of the selected discount rate is set out in Appendix D.

The value of the development assets of Dart is sensitive to several key assumptions. Therefore to assess the value of PEDL 133 and 159 we have incorporated these sensitivities into our valuation as follows:

- **pricing:** as set out in Section 6.3.2 we have considered gas pricing in the range of USD \$9.5 to USD \$10.5 per mmbtu in 2014 real terms
- **production volumes:** PEDL 133 and 159 have significant contingent resources in addition to the current certified 3P reserves. Therefore we have considered the potential upside in value of developing these contingent resources. NSAI provided Deloitte Corporate Finance with an estimated production profile and drilling schedule for the development of the contingent resources (to remain within existing infrastructure constraints), and we estimated the required capital and operating expenditure having regard to the base production Models
- **commencement of production:** Dart is awaiting a decision on its planning application to develop and commercialise PEDL 133. Dart anticipates a decision on this by the end of 2014, which would enable first gas to be produced in 2016. However, any delays in this decision will impact the cash flows of both PEDL 133, and PEDL 159, which is anticipated to be developed in a similar manner to PEDL 133, albeit two years later. Therefore we have considered a delay scenario of plus one year (2016) and plus two years (2017) for first gas to be produced from PEDL 133, which creates a similar delay in the development of PEDL 159 (which is assumed to be developed two years after the commencement of development of PEDL 133)
- **project finance:** if Dart receives planning permission for PEDL 133, it will seek project finance to be able to commence development of the project during 2015. However, in the event project finance or alternative sources of finance are not able to be sourced for the full amount of capital expenditure, Dart may be required to develop PEDL 133 at a slower rate to spread out the capital expenditure required for drilling. Therefore, in conjunction with NSAI, we have considered an extended drilling schedule, at a rate of 50% of our base case, for PEDL 133. We have not assumed an extended drilling schedule for PEDL 159, as we consider by the time PEDL 159 is developed, Dart will have operating cash flows in PEDL 133 to secure further financing.



In the following table we set out the estimated fair market value of the development assets of Dart (excluding corporate costs) based on the discounted cash flow method reflecting the scenarios set out above.

**Table 27**

USD \$'million	Development assets – base production <sup>1</sup>		Development assets – including contingent resources <sup>1,2</sup>	
	Low	High	Low	High
<b>Pricing – USD \$10.0 per mmbtu (in 2014 real terms)</b>	<b>48.7</b>	<b>76.1</b>	<b>48.7</b>	<b>79.8</b>
Pricing – USD \$9.5 per mmbtu (in 2014 real terms)	27.8	52.8	27.8	52.8
Pricing – USD \$10.5 per mmbtu (in 2014 real terms)	66.1	95.2	68.5	105.4
<b>Commencement of production (no delay)<sup>3</sup></b>	<b>48.7</b>	<b>76.1</b>	<b>48.7</b>	<b>79.8</b>
Delay 1 year (first gas 2016)	42.4	67.2	42.4	70.5
Delay 2 years (first gas 2017)	36.9	59.4	36.9	62.2
<b>Drilling profile extension – PEDL 133<sup>3</sup></b>	<b>45.4</b>	<b>68.3</b>	<b>45.4</b>	<b>72.0</b>

Source: Deloitte Corporate Finance analysis

Notes:

1. The low and high values determined above have been calculated utilising the high and low discount rates for PEDL 133 and PEDL 159 set out in Appendix D
2. Reflects estimated value of contingent resources of PEDL 159 only. PEDL 133 contingent resources are not estimated to be economic under Deloitte Corporate Finance's preferred assumptions
3. Based on the midpoint of our selected pricing of \$10.0 per mmbtu (in 2014 real terms)

The table above indicates a wide range of potential values arise from changes to key assumptions, particularly gas price, discount rate and timing of the commencement of production.

Based on our consideration of the above scenarios, we have adopted a value range for the development assets of Dart of USD \$50.0 million to USD \$70.0 million, or \$52.6 million to \$73.7 million (in Australian dollars)<sup>6</sup>. This wide range of values reflects the early stage development nature of PEDL 133 and 159.

### 7.3 Value of the exploration assets

We have valued Dart's exploration assets, utilising the expertise of our internal technical specialists, by having regard to comparable resource multiples (on a USD \$ per bcf basis) achieved in recent trading and selected transactions (set out in Appendix F) in comparable companies, which has primarily included an analysis of the recent farm-in transactions Dart has entered into, and historical exploration costs incurred to date.

We note there are limitations to the comparable resources multiple approach because of the necessary assumption that the tenements held by the subject company and those subject to the comparable transaction are:

- at the same stage of development
- have the same potential production yields
- have the same potential upside in undiscovered resources.

In addition there are a limited number of recent comparable transactions and a limited number of comparable trading companies with reliable data.

Notwithstanding these limitations, there are limited alternatives to estimate the value of the exploration assets in this instance.

<sup>6</sup> Converted to Australian dollars at an exchange rate of AUD:USD of 0.95



### 7.3.1 UK exploration assets

In relation to the exploration assets held by Dart in the UK, we have had regard to the recent farm-in transactions Dart entered into with GDF SUEZ and Total, and the respective tenements to which these farm-in agreements relate. A description of these farm-in transactions is provided in Section 2.3.1. As these transactions were only recently completed (late 2013 and early 2014), we consider they provide strong evidence of value and therefore have been used as a basis for our valuation. For the remaining tenements which were not subject to a farm-in agreement, or contiguous to tenements that were subject to a farm-in agreement, we have had regard to the historical costs incurred. We do not consider tenements which hold less than 40 bcf of discovered OGIP to have a material value, unless they are contiguous to other prospective tenements.

The following table summarises our assessment of the value of the exploration assets held by Dart in the UK.

Table 28

Dart Licenses (UK)	Valuation Methodology	OGIP <sup>1</sup>			Value (USD \$'million)
		Undiscovered and discovered CSG Best estimate (bcf)	Undiscovered Shale Best estimate (bcf)	Discovered and undiscovered OGIP multiple (USD \$/ bcf)	
PEDL161	No material value	33	-	-	-
PEDL163	Historical cost	107	-	-	-
PEDL012	Farm-in analysis	19	4,819	2,433	11.8
PEDL139	Farm-in analysis	11	3,163	4,002	12.9
PEDL140	Farm-in analysis	52	-	-	-
PEDL146	Farm-in analysis	376	-	2,433	0.9
PL162-1	No material value	13	-	-	-
PEDL173	Historical cost	336	-	-	-
PEDL174	Historical cost	433	-	-	2.1
PEDL178	Historical cost	250	-	-	0.1
PEDL179	Historical cost	348	-	-	-
PEDL200	Farm-in analysis	269	-	-	-
PEDL207	Farm-in analysis	72	14,277	2,433	36.5
PEDL210	Farm-in analysis	366	-	-	-
EXL288	Farm-in analysis	13	3,012	2,433	7.4
PEDL147	Farm-in analysis	265	-	-	-
PEDL186	Farm-in analysis	351	14,458	2,433	37.2
PEDL187	Farm-in analysis	219	-	-	-
PEDL185	Farm-in analysis	728	-	-	-
PEDL188	Farm-in analysis	370	8,455	2,433	24.3
PEDL189	Farm-in analysis	427	-	-	-
EXL273	No material value	14	-	-	-
PEDL 169 (80% option)	No material value	n/a	n/a	-	-
<b>Total - UK</b>		<b>5,072</b>	<b>48,184</b>		<b>133.2</b>
<b>Total – UK (Australian Dollars)</b>					<b>140.2</b>

Source: Deloitte Corporate Finance analysis

Note:

1. The OGIP quoted above is on a net basis (i.e. reflecting Dart's net economic interest in the relevant licences)

Typically, a range would be applied in estimating the value of the exploration assets. In this instance, however, considering there are specific recent transactions which provide strong evidence of value and no other relevant data points are available, we have concluded a single point estimate of value.



### 7.3.2 Australian exploration assets

In relation to the exploration assets held by Dart in the Australia, there have been no recent comparable transactions involving NSW based CSG assets since the uncertainty in Federal and NSW Government regulations governing CSG activities in NSW became apparent. Therefore, we have had regard to resource multiples implied by the trading in the shares (inclusive of an appropriate control premium) of Metgasco Limited (Metgasco), a company that only holds tenements in NSW, which since 2013 has suspended activities in the region due to the uncertainty of NSW Government support and regulations. We note that Metgasco was previously referred to the Independent Commission Against Corruptions due to certain allegations made against the company, which may have impacted the value of Metgasco shares, however the Independent Commission Against Corruptions has announced it will not be undertaking an inquiry into the affairs of the company. Therefore, we consider the trading in the shares in Metgasco to be an appropriate comparable benchmark to value the NSW assets held by Dart.

**Table 29**

Dart Licenses (Australia)	Valuation Methodology	Discovered and undiscovered CSG Best estimate (bcf)	Discovered and undiscovered OGIP multiple (USD \$/bcf) <sup>1</sup>	Value (USD \$'million)
PEL445	Resource multiple	986	464	0.5
PEL456	Resource multiple	4,587	464	2.1
PEL458	Resource multiple	778	464	0.4
PEL459	Resource multiple	98	464	-
PEL460	Resource multiple	1,827	464	0.8
PEL463	Resource multiple	423	464	0.2
PEL464	No material value	33		-
<b>Total - Australia</b>		<b>8,730</b>		<b>4.0</b>
<b>Total - Australia (Australian dollars)</b>				<b>4.2</b>

Source: Deloitte Corporate Finance analysis

Note:

- The resource multiple implied by the trading in Metgasco shares has been calculated based on a enterprise value of \$10.5 million as at 1 July 2014, on a control basis assuming a control premium of 30%, and an OGIP estimate of 22,558 bcf

## 7.4 Corporate costs

Corporate costs have been valued utilising a discounted cash flow methodology.

Corporate costs of USD \$6 million have been assumed for Dart for 2014, which is inclusive of one-off remaining payments to advisers for recent transactional activities undertaken by the Company. Annual corporate overheads of approximately USD \$3 million (in 2014 real terms) have been assumed for Dart from 2015 until 2038 (when production from contingent resources of PEDL 159 is projected to cease), which is net of costs passed on to assets for which it is the operator and reflects reduced operations in Australia. These overheads exclude listing costs and director and senior management costs, as we consider any potential purchaser of Dart will be able to eliminate these costs in a merged entity. We have also assumed that corporate costs halve as combined production from PEDL 133 and 159 declines significantly from 2026 (taking into account production from contingent resources).

The value of the corporate costs, utilising a discount rate in the range of 12.0% to 14.0%, is in the range from USD \$28.7 million to USD \$32.3 million. The tax benefit (deduction) associated with these corporate costs has been reflected in the valuation of the development assets.



## 7.5 Surplus assets/liabilities

Dart has the following assets and liabilities that do not contribute to the development and exploration assets we have valued above. For this reason they have been treated as surplus assets/liabilities and have been valued separately.

Table 30

	Low (USD \$'million)	High (USD \$'million)
Other exploration assets	-	-
Australian tax losses	-	-
Restoration provisions	(4.0)	(4.0)
Contingent liabilities	(11.9)	-
Deferred consideration	-	-
<b>Total</b>	<b>(15.9)</b>	<b>(4.0)</b>

Source: Deloitte Corporate Finance analysis

We have considered the value of the surplus assets and liabilities of Dart as follows:

### Other exploration assets

Dart has initiated a process to farm-out, divest or otherwise exit from its licences and investments held in locations outside of Australia and the UK, which is currently ongoing. We do not consider these assets to have a material value, for the following reasons:

- **Indonesia:** Dart holds four assets in Indonesia; two located in South Sumatra, and two in eastern Kalimantan. Dart has previously announced its intention to eliminate all capital commitments to its eastern Kalimantan assets either via asset sales and/or strategic partnerships. Dart has written off the carrying value of these assets. In relation to the South Sumatra assets, whilst Dart has incurred expenditure of approximately \$21 million in respect of these assets, we have not identified any comparable transactions which may demonstrate that a limited market exists for these tenements
- **Germany:** to retain its licences in Germany, Dart is required to drill a well on each of its two licences by 12 March 2017 and 31 October 2016, respectively. Dart acquired these licences from BG Group plc under an option agreement for nil consideration in 2012. Since this time limited work has been undertaken on these tenements. We have also not identified any comparable transactions which may demonstrate that a limited market exists for these tenements
- **Belgium:** Dart entered into a CBM JV with NVM operating under the name NV Limburg Gas, which holds a licence in Belgium. The directors of NV Limburg Gas, being representatives from Dart and NVM, have recently decided to dissolve the JV and relinquish the tenement
- **India:** Dart has spent minimal amounts on these tenements to date, and has written off all historical costs incurred. In relation to the Assam licence, Dart has recently negotiated a reduction in its working interest to 10% (pending Government approval), with the majority of the capital commitments to be borne by Oil India Limited. Dart has made applications to relinquish its four other licences in India (dating back to 2010)
- **Maria Farm Veggies horticulture project:** Dart has written down the carrying value of this investment to nil in its financial statements.

### Australian tax losses

In addition to the UK tax losses which have been incorporated into the value of the development assets on a discounted cash flow basis, Dart also has unused Australian tax losses not brought to account of approximately \$194 million. These tax losses are only capable of being used against income generated by assets located in Australia. Given that Dart has currently suspended its operations in Australia, due to the current regulatory uncertainty, these tax losses will be unable to be utilised in the foreseeable future. Therefore we have not placed any value of these tax losses.



### Restoration provisions

Dart has a current provision for rehabilitation costs in the UK to cement and plug previously drilled wells within PEDL 133. We have recognised these rehabilitation commitments, determined by Dart, of approximately USD \$4.0 million (net to Dart).

All rehabilitation costs to place its Australian assets in 'care and maintenance' have been incurred.

### Contingent liabilities

Whilst we do not consider Dart's non-core assets outside of the UK and Australia to have a material value, as Dart exits from these assets it could be exposed to certain exit costs. Dart has estimated these costs could be in the range of nil to USD \$11.9 million (or \$12.5 million). This range is wide as the potential exit costs will not be known until a course of action is determined and the expenditure crystallises.

### Deferred consideration

Dart has recognised as a contingent liability, deferred consideration payable by GP Energy to an earlier JV partner for certain licenses, contingent upon various exploration and development success outcomes. Should the relevant outcomes materialise, these amounts will fall due in two equal tranches, payable in July 2015 and June 2017 respectively. However, at present it is not anticipated that these outcomes will occur by the relevant dates and, as a result, these future payments are not expected to occur.

## 7.6 Net cash

Dart's net cash position as at 19 June 2014 is shown below.

**Table 31**

	(USD \$'million)
Cash	24.0
Cash on exercise of J-class and employee options (as discussed in Section 7.7 below)	2.1
<b>Net cash</b>	<b>26.1</b>

Source: Deloitte Corporate Finance analysis and Dart

## 7.7 Number of securities outstanding

Dart's capital structure is discussed in Section 2.4. We have adjusted the number of ordinary shares on issue to reflect the unexercised, but in-the-money, J-class options, and the unexercised employee options which vest in the event of a 'change in control' transaction. We have reflected the cash to be received from the exercise of these options in determining the net cash position of Dart.

With the exception of the J-class options and Employee Options, all options have an exercise price in excess of the current share price and are therefore 'out of the money'. As such, we consider it is unlikely any of these options will be exercised as part of the Proposed Scheme. IGas and Dart have agreed in the Scheme Implementation Agreement to determine a strategy to ensure that all the outstanding options in Dart will be the subject of offers to either be acquired by IGas or cancelled.

Dart's assumed number of shares is summarised in the table below.

**Table 32**

	Unit	
Number of shares in Dart	'millions	1,108.8
J-class options	'millions	0.7
Employee options	'millions	16.0
<b>Number of shares in Dart (on a diluted basis)</b>	<b>'millions</b>	<b>1,125.4</b>

Source: Deloitte Corporate Finance analysis



## 7.8 Conclusion

Our valuation of the fair market value of a share in Dart, including the underlying components of our valuation, is summarised in the table below.

Table 33

	Section	Unit	Low	High
Enterprise value of the development assets	7.2	USD \$'000	50.0	70.0
Enterprise value of the exploration assets	7.3	USD \$'000	137.2	137.2
Corporate costs	7.4	USD \$'000	(32.3)	(28.7)
Net surplus assets/(liabilities)	7.5	USD \$'000	(15.9)	(4.0)
Net cash	7.6	USD \$'000	26.1	26.1
<b>Equity value of Dart (on a control basis)</b>		<b>USD \$'000</b>	<b>165.1</b>	<b>200.6</b>
<i>Number of shares on issue</i>	7.7	<i>'million</i>	<i>1,125.4</i>	<i>1,125.4</i>
<b>Value per Dart share (on a control basis)</b>		<b>USD \$</b>	<b>0.15</b>	<b>0.18</b>
<b>Value per Dart share (on a control basis) – AUD</b>		<b>\$</b>	<b>0.15</b>	<b>0.19</b>

Source: Deloitte Corporate Finance analysis

Notes:

1. Converted to Australian dollars at an exchange rate of AUD:USD of 0.95 as at 1 July
2. Including the exercise of 'in the money' options, on a diluted basis

## 7.9 Analysis of recent share trading

We have compared the value of a Dart share, utilising a sum of the parts approach, to that implied by the trading in Dart shares prior to the announcement of the Proposed Scheme on 9 May 2014 after adjusting for a notional premium for control.

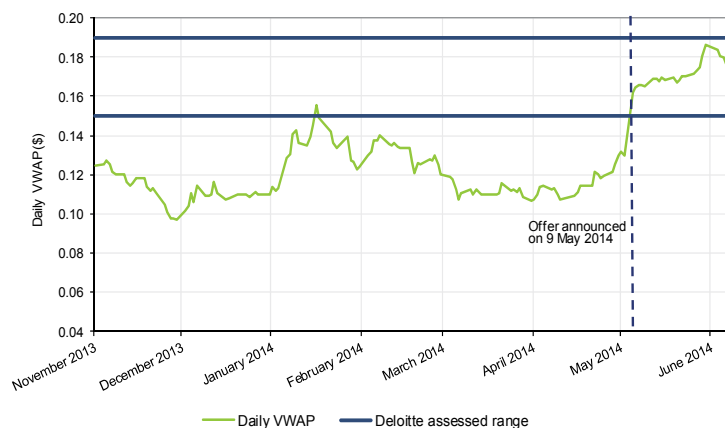
The market can be expected to provide an objective assessment of the fair market value of a listed entity, where the market is well informed and liquid. Market prices incorporate the influence of all publicly known information relevant to the value of an entity's securities. We believe that the share price, prior to the announcement of the Proposed Scheme, is an appropriate measure of the fair market value of Dart's shares for the following reasons:

- Dart's share price ranged from \$0.10 to \$0.15 per share for the six months prior to the announcement of the Proposed Scheme on 9 May 2014, with a VWAP of \$0.12. During the same period, approximately 7.7 million Dart shares were traded on average on a weekly basis. This equates to an average trading volume of approximately 0.69% of Dart's issued shares per week, or 17.0% for the entire six month period. The largest shareholder in Dart holds 16.3% of the shares on issue. On this basis, we consider Dart shares are widely held and are also moderately liquid
- reviewed financial statements for Dart for the half year ended 31 December 2013 were released to the market on 11 March 2014, providing a recent update regarding Dart's financial performance. Further, Dart released its quarterly cash flow and activities report for the period ended 31 March 2014 on 29 April 2014
- on 7 April 2014, Dart announced that it had lodged its 'Pre-Admission Announcement' for the admission of the Company's ordinary shares to the AIM. This document provided a comprehensive overview of Dart, its operations, strategy, management and key assets, including a full competent person's report of the reserve and resource potential of the Company's assets
- on 21 January 2014, Dart published an investor presentation on the Company's website, providing an update to investors of the Company's recent activities and strategic direction going forward
- on 13 January 2014, Dart announced that it had entered into a farm-out agreement with Total in respect of PEDL 139 and PEDL 140, in which Total could acquire a 40.0% interest
- despite the fact that Dart shares have not been actively covered by any research analysts over the last 12 months, we consider there is sufficient public information available to inform investors on the activities of the Company.



Dart's one, three and six month VWAP prior to the announcement of the Proposed Scheme on the 9 May 2014 was \$0.12 per share. In the figure below we show Dart's daily VWAP over the six months prior to the announcement of the Proposed Scheme.

**Figure 14**



Source: CapitalIQ and Deloitte Corporate Finance analysis

In general, share prices from market trading do not reflect the market value for control of a company as they are for portfolio holdings. Australian studies indicate the premiums required to obtain control of companies range between 20% and 40% of the portfolio holding values. Applying a 30% control premium (being the mid-point of the control premium range observed of the Deloitte control premium study) to the VWAP of Dart's shares over the one month prior to the announcement of the Proposed Scheme, implies a value of \$0.16 per Dart share on a control basis.

Based on the above, notwithstanding that the recent share trading of Dart shares applying a control premium is only slightly above our assessed value range of a Dart share on a control basis (on the low end), we consider that the trading in Dart shares provides broad support for our assessed value range.



## **8 Valuation of the Proposed Merged Entity**

### **8.1 Introduction**

In this section we have estimated the fair market value of the shares in the Proposed Merged Entity on a minority interest basis to be in the range of \$2.35 to \$2.44 per share (or GBP 1.30 and 1.35).

We are of the opinion that the most appropriate methodology to value a share in the Proposed Merged Entity is based on an analysis of the recent trading in IGas shares.

### **8.2 Analysis of recent share trading**

#### **8.2.1 Basis of evaluation**

We have analysed the value of IGas on a minority basis since, if the Proposed Scheme is implemented, Shareholders will obtain a minority or portfolio interest in IGas and the share trading price of IGas represents a reasonable estimate of a minority value. Further, any market re-rating or synergies arising as a result of the Proposed Scheme is likely to have an immaterial impact on the share price of IGas due to the relative scale of IGas' operations and asset base compared to Dart.

The decision to hold or sell IGas shares is an investment decision which Shareholders will have to make if the Proposed Scheme is approved. This is a separate decision to the decision whether to vote in favour of the Proposed Scheme. This report has not been prepared to assist Shareholders in deciding whether to hold or sell shares in IGas if the Proposed Scheme is approved.

#### **8.2.2 Approach**

The market can be expected to provide an objective assessment of the fair market value of a listed entity where the market is well informed and liquid. Market prices incorporate the influence of all publicly known information relevant to the value of an entity's securities. We consider recent trading in IGas shares to be a reasonable benchmark for the estimated fair market value of an IGas share, on minority interest basis, for the following reasons:

- the preliminary financial statements of IGas for the 2014 financial year ending 31 March 2014, were released to the market on 25 June 2014 providing a recent update regarding IGas' financial performance
- the announcement of the Proposed Scheme was made on 9 May 2014 and accompanied by a summary of, and rationale for undertaking, the Proposed Scheme
- on 13 January 2014, IGas announced that it had entered into a farm-out agreement with Total in respect of PEDL 139 and PEDL 140, in which Total could acquire a 40.0% interest. IGas is followed by several research analysts including Westhouse Securities Limited, Jefferies & Company, Incorporated and Canaccord Genuity. Research analysts provide up to date coverage of IGas shares for investors
- there has not been significant volatility in the recent trading of IGas that would limit the applicability of this approach.

In the six month period prior to the announcement of the Proposed Scheme, approximately 4.0 million IGas shares were traded on average on a weekly basis. This equates to an average trading volume of approximately 1.9% of IGas' issued shares per week, or 47.8% for the entire six month period. In addition, there have been reasonable volumes of trading in IGas shares after the announcement of the Proposed Scheme with approximately 4.3 million IGas shares traded on average on a weekly basis (or 2.1% of the issued IGas shares). On this basis, we consider IGas shares to be liquid and the analysis of trading in IGas shares to be a reasonable methodology to determine the value of the shares in the Proposed Merged Entity.

From 9 May 2014 (the announcement of the Proposed Scheme) to 1 July 2014 IGas shares have traded in a range of GBP 1.25 to GBP 1.50 per share with a VWAP of GBP 1.33 per share.



The following table sets out the share market trading in IGas shares on the AIM prior to and since the announcement of the Proposed Scheme.

**Table 34**

	GBP
<b>Share prices after the announcement of the Proposed Scheme (from 9 May 2014)</b>	
Share price trading range (up to 1 July 2014)	1.25 to 1.50
VWAP (up to 1 July 2014)	1.33
Most recent trading price (1 July 2014)	1.28
<b>VWAP prior to the announcement of the Proposed Scheme (before 9 May 2014)</b>	
1 day prior to announcement	1.31
1 week prior to announcement	1.31
1 month prior to announcement	1.31
3 months prior to announcement	1.26

Source: CapitalIQ

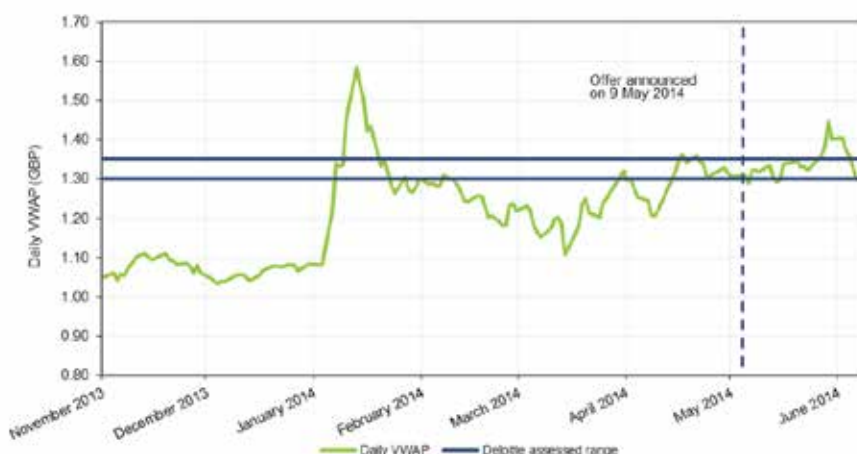
### 8.2.3 Conclusion

We consider that the market price of an IGas share after the announcement of the Proposed Scheme provides evidence of the value the market attributes to the value of a share in the Proposed Merged Entity.

Based on the share market trading activity in IGas shares since the announcement of the Proposed Scheme, we have assessed the value of a share in the Proposed Merged Entity to be in the range from GBP 1.30 to GBP 1.35 or AUD 2.35 to AUD 2.44 per share on an Australian dollar equivalent basis<sup>7</sup>.

We have compared the daily VWAP of an IGas share for the six months prior to, and since, the announcement of the Proposed Scheme, to our selected value of a share in the Proposed Merged Entity of GBP 1.30 to GBP 1.35 per share in the figure below.

**Figure 15**



Source: CapitalIQ and Deloitte Corporate Finance analysis

<sup>7</sup> Determined using a foreign exchange rate as at 1 July 2014 of \$1.81 per GBP 1.00



Our range of values of a share in the Proposed Merged Entity is within the range of prices observed in recent share market trading in IGas, since the announcement of the Proposed Scheme.



## Appendix A: Context to the Report

### Individual circumstances

We have evaluated the Proposed Scheme for Shareholders as a whole and have not considered the effect of the Proposed Scheme on the particular circumstances of individual investors. Due to their particular circumstances, individual investors may place a different emphasis on various aspects of the Proposed Scheme from the one adopted in this report. Accordingly, individuals may reach different conclusions to ours on whether the Proposed Scheme is fair and reasonable and therefore in the best interests of Shareholders. If in doubt investors should consult an independent adviser, who should have regard to their individual circumstances.

### Limitations, qualifications, declarations and consents

The report has been prepared at the request of the Directors of Dart and is to be included in the Scheme Booklet to be given to Shareholders for approval of the Proposed Scheme. Accordingly, it has been prepared only for the benefit of the Directors and those persons entitled to receive the Scheme Booklet in their assessment of the Proposed Scheme outlined in the report and should not be used for any other purpose. Neither Deloitte Corporate Finance, Deloitte Touche Tohmatsu, nor any member or employee thereof, undertakes responsibility to any person, other than the Shareholders and Dart, in respect of this report, including any errors or omissions however caused. Further, recipients of this report should be aware that it has been prepared without taking account of their individual objectives, financial situation or needs. Accordingly, each recipient should consider these factors before acting on the Proposed Scheme. This engagement has been conducted in accordance with professional standard APES 225 Valuation Services issued by the Accounting Professional and Ethical Standards Board Limited.

The report represents solely the expression by Deloitte Corporate Finance of its opinion as to whether the Proposed Scheme is in the best interests of Shareholders as a whole. Deloitte Corporate Finance consents to this report being included in the Scheme Booklet in the form and context in which it is to be included in the Scheme Booklet.

Statements and opinions contained in this report are given in good faith but, in the preparation of this report, Deloitte Corporate Finance has relied upon the completeness of the information provided by Dart and its officers, employees, agents or advisors which Deloitte Corporate Finance believes, on reasonable grounds, to be reliable, complete and not misleading. Deloitte Corporate Finance does not imply, nor should it be construed, that it has carried out any form of audit or verification on the information and records supplied to us. Drafts of our report were issued to Dart management, and certain extracts of our draft report were issued to IGas management, for confirmation of factual accuracy.

In recognition that Deloitte Corporate Finance may rely on information provided by Dart and its officers, employees, agents or advisors, Dart has agreed that it will not make any claim against Deloitte Corporate Finance to recover any loss or damage which Dart may suffer as a result of that reliance and that it will indemnify Deloitte Corporate Finance against any liability that arises out of either Deloitte Corporate Finance's reliance on the information provided by Dart and its officers, employees, agents or advisors or the failure by Dart and its officers, employees, agents or advisors to provide Deloitte Corporate Finance with any material information relating to the Proposed Scheme.

Deloitte Corporate Finance also relies on the technical expert report prepared by NSAI. Deloitte Corporate Finance has received consent from NSAI for reliance in the preparation of this report.

To the extent that this report refers to prospective financial information we have considered the prospective financial information and the basis of the underlying assumptions. The procedures involved in Deloitte Corporate Finance's consideration of this information consisted of enquiries of Dart personnel and analytical procedures applied to the financial data. These procedures and enquiries did not include verification work nor constitute an audit or a review engagement in accordance with standards issued by the AUASB or equivalent body and therefore the information used in undertaking our work may not be entirely reliable.

Based on these procedures and enquiries, Deloitte Corporate Finance considers that there are reasonable grounds to believe that the prospective financial information for Dart included in this report has been prepared on a reasonable basis in accordance with ASIC Regulatory Guide 111. In relation to the prospective financial information, actual results may be different from the prospective financial information of Dart referred to in this report since anticipated events frequently do not occur as expected and the variation may be material. The



achievement of the prospective financial information is dependent on the outcome of the assumptions. Accordingly, we express no opinion as to whether the prospective financial information will be achieved.

Deloitte Corporate Finance holds the appropriate Australian Financial Services licence to issue this report and is owned by the Australian Partnership Deloitte Touche Tohmatsu. The employees of Deloitte Corporate Finance principally involved in the preparation of this report were Robin Polson, Director, B.Com, Grad. Dip. App. Fin. Inv; Stephen Reid, Director, M App. Fin. Inv., B.Ec, F Fin, CA; Renee Daus, Associate Director, MAF, BCom, CA and Alexandra White, Associate Director, BCom, CA. Each have many years experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of expert's reports.

### Consent to being named in disclosure document

Deloitte Corporate Finance Pty Limited (ACN 003 833 127) of 123 Eagle Street, Brisbane, QLD, 4000 acknowledges that:

- Dart proposes to issue a Scheme Booklet in respect of the Proposed Scheme
- the Scheme Booklet will be issued in hard copy and be available in electronic format
- it has previously received a copy of the draft Scheme Booklet (draft Scheme Booklet) for review
- it is named in the Scheme Booklet as the 'independent expert' and the Scheme Booklet includes its independent expert's report in annexure A of the Scheme Booklet.

On the basis that the Scheme Booklet is consistent in all material respects with the draft Scheme Booklet received, Deloitte Corporate Finance Pty Limited consents to it being named in the Scheme Booklet in the form and context in which it is so named, to the inclusion of its independent expert's report in annexure A of the Scheme Booklet and to all references to its independent expert's report in the form and context in which they are included, whether the Scheme Booklet is issued in hard copy or electronic format or both.

Deloitte Corporate Finance Pty Limited has not authorised or caused the issue of the Scheme Booklet and takes no responsibility for any part of the Scheme Booklet, other than any references to its name and the independent expert's report as included in annexure A.

### Sources of information

In preparing this report we have had access to the following principal sources of information:

- draft Scheme Booklet, and Scheme Implementation Deed
- annual report for Dart for the years 2012 and 2013, and unaudited financial statements for Dart for the six months ending 31 December 2013
- annual reports for IGas for the years 2012 and 2013, and preliminary financial statements for IGas for year ending 31 March 2014
- financial models prepared by the management of Dart, and other internal management information on the assets of Dart
- Dart's application for admission to trading on the AIM published in April 2014
- Competent Persons Report prepared for Dart for the proposed AIM listing, dated 28 February 2014, and other technical information on the assets of Dart
- annual reports for comparable companies
- information on comparable companies and market transactions published by ASIC, Thompson research, Capital IQ, and Mergermarket
- IBISWorld Pty Limited (IBISWorld) company and industry reports
- other publicly available information, media releases, company websites and brokers reports on Dart, IGas, comparable companies and the oil and gas industry/sectors.

In addition, we have had discussions and correspondence with certain directors and executives, including Mr Eytan Ulriel, Chief Financial Officer, Dart; Mr Gagan Khurana, VP Corporate and Commercial, Dart and Mr Stephen Bowler, Chief Financial Officer, IGas; in relation to the above information and to current operations and prospects of Dart and IGas.



## Appendix B: Valuation methodologies

To estimate the fair market value of the shares in Dart and the Proposed Merged Entity we have considered common market practice and the valuation methodologies recommended by ASIC Regulatory Guide 111, which provides guidance in respect of the content of independent expert's reports. These are discussed below.

### Market based methods

Market based methods estimate a company's fair market value by considering the market price of transactions in its shares or the market value of comparable companies. Market based methods include:

- capitalisation of maintainable earnings
- analysis of a company's recent share trading history
- industry specific methods.

The capitalisation of maintainable earnings method estimates fair market value based on the company's future maintainable earnings and an appropriate earnings multiple. An appropriate earnings multiple is derived from market transactions involving comparable companies. The capitalisation of maintainable earnings method is appropriate where the company's earnings are relatively stable.

The most recent share trading history provides evidence of the fair market value of the shares in a company where they are publicly traded in an informed and liquid market.

Industry specific methods estimate market value using rules of thumb for a particular industry. Generally rules of thumb provide less persuasive evidence of the market value of a company than other valuation methods because they may not account for company specific factors.

### Discounted cash flow methods

Discounted cash flow methods estimate market value by discounting a company's future cash flows to a net present value. These methods are appropriate where a projection of future cash flows can be made with a reasonable degree of confidence. Discounted cash flow methods are commonly used to value early stage companies or projects with a finite life.

### Asset based methods

Asset based methods estimate the market value of a company's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- orderly realisation of assets method
- liquidation of assets method
- net assets on a going concern basis.

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to shareholders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the company may not be contemplated, these methods in their strictest form may not necessarily be appropriate. The net assets on a going concern basis method estimates the market values of the net assets of a company but does not take account of realisation costs.

These asset based methods ignore the possibility that the company's value could exceed the realisable value of its assets as they ignore the value of intangible assets such as customer lists, management, supply arrangements and goodwill. Asset based methods are appropriate when companies are not profitable, a significant proportion of a company's assets are liquid, or for asset holding companies.



## Appendix C: Oil and gas industry

### Introduction

The oil and gas industry consists of two principal segments. The upstream segment explores for, produces and processes crude oil, natural gas liquids and natural gas. The downstream segment refines these outputs into fuels, lubricants and petrochemical products. Upstream oil and gas companies are often referred to as exploration and production companies.

The principal activities of Dart consist of the exploration and development of unconventional gas, namely CSG and shale gas. The key assets of Dart are predominately located throughout the UK and NSW in Australia. The principal activities of IGas consist of the exploration for, and development and production of, conventional oil and gas in the UK. The activities of Dart and IGas fall within the upstream segment of the oil and gas industry, and therefore this section focuses on these industries.

### Natural gas

Natural gas is a colourless and odourless fossil fuel found in reservoirs within the earth's crust. Natural gas is predominantly composed of methane (referred to as 'dry' gas if almost pure methane), however, other gases, including ethane, propane and butane may also be found (referred to as 'wet' gas when these hydrocarbons are present).

Natural gas is a much cleaner fossil fuel than oil and coal and produces less greenhouse gas per unit of energy released. For an equivalent amount of heat, natural gas produces about 45% less carbon dioxide than burning black coal.

The two main types of natural gas are conventional natural gas and unconventional natural gas, which includes CSG and shale gas.

CSG, unlike conventional natural gas, contains very few heavier hydrocarbons, such as propane or butane, which are removed from conventional natural gas prior to supplying the gas to end users via gas pipelines. The second major difference between conventional natural gas and CSG is where it is stored; conventional natural gas is stored in the pore spaces between the grains of sandstone or similar rocks whereas CSG is stored within coal seams due to water and burial pressure that keeps the CSG attached or adsorbed on the coal particle's surface. While conventional natural gas is typically found in association with oil, CSG is formed by the alteration of organic material during the coal formation process and is stored in coal seams by bonding to the surface of coal particles. CSG is released from the coal seam when the water pressure within the coal seam is reduced.

To estimate the in-situ gas within coal seams, an OGIP estimate provides an indication of the amount of gas present in the specified area. The Estimated Ultimate Recovery (EUR) provides an estimate of the proportion of OGIP which may eventually be economically recovered. The most important in-situ factors in relation to the amount of gas which can be recovered from a coal seam are the volume (i.e. area multiplied by thickness) of the coal seam, the extent of gas content and saturation in the coal seam and how permeable the coal seam is. The expertise of the operator is also very important, since different production techniques can significantly affect flow rates.

Another form of unconventional natural gas is gas found within shale. Shale is a type of sedimentary rock composed of flakes of clay minerals and tiny fragments of other minerals, particularly quartz and calcite. Given shale's low permeability, shale gas is typically costlier to extract than conventional natural gas and CSG, because of the costs associated with hydraulic fracturing treatments required to permeate the shale, and horizontal drilling.

### Natural gas use

Natural gas is an important energy source due to its abundance and the fact that it offers a number of environmental benefits over other energy sources. Natural gas is used in the transport and industrial sectors and for the generation of electricity. Demand for natural gas is expected to grow relatively strongly, due largely to it being an environmentally preferred fuel, relative to other fossil fuel sources.

The alternative uses, which represent potential opportunities for domestic gas production to be converted into other products (including energy products), are the conversion of gas to liquids, compressed natural gas, liquefied natural gas (LNG), ammonia production, urea production.

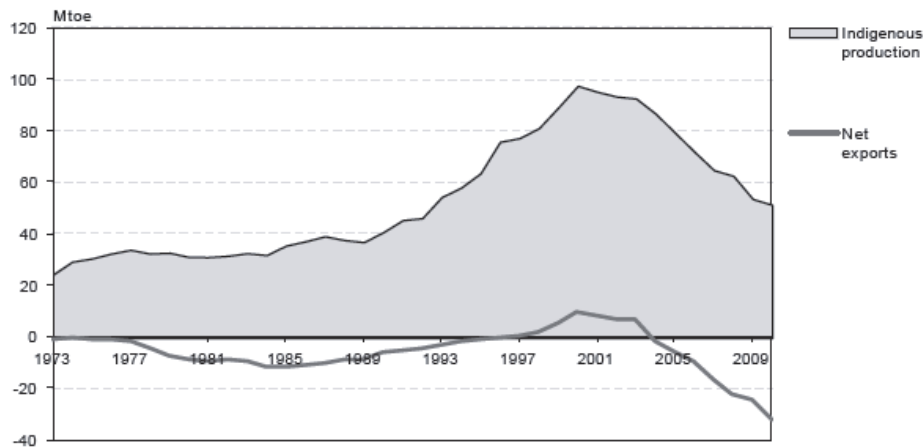


United Kingdom natural gas market

The major assets of Dart include 25 licences in the UK. The UK, along with the Netherlands, is one of two major gas producing nations within the European Union, with the UK's indigenous production sufficient to meet around half of the UK's demand. Natural gas is the largest energy source in the UK, accounting for 42% of the total primary energy supply (TPES) in 2010; one of the highest amongst International Energy Agency (IEA) member countries. With a demand of 85 million tonne of oil equivalent (Mtoe) (99 billion cubic metres (bcm)) in 2010, the UK is one of the largest gas consumers in Europe<sup>8</sup>. However, natural gas production in the UK Continental Shelf has been in decline since the turn of the decade and, in 2012 (at 38.9 Mtoe), production was 36% of the level produced in 2000 (108.3 Mtoe). The UK imports natural gas via pipelines from Norway, Belgium and the Netherlands, and imports LNG. The UK has been a net importer of gas since 2004 with net imports of gas in 2012 accounting for 47% of supply.

Below is a graph summarising the indigenous net gas production and net exports of the UK, between 1973 and 2010 (in million tonne of oil equivalent).

Figure 16



Source: Natural Gas Information, IEA/ Organization for Economic Cooperation and Development (OECD) Paris, 2011

<sup>8</sup> IEA – Energy Policies of IEA Countries – The United Kingdom 2012

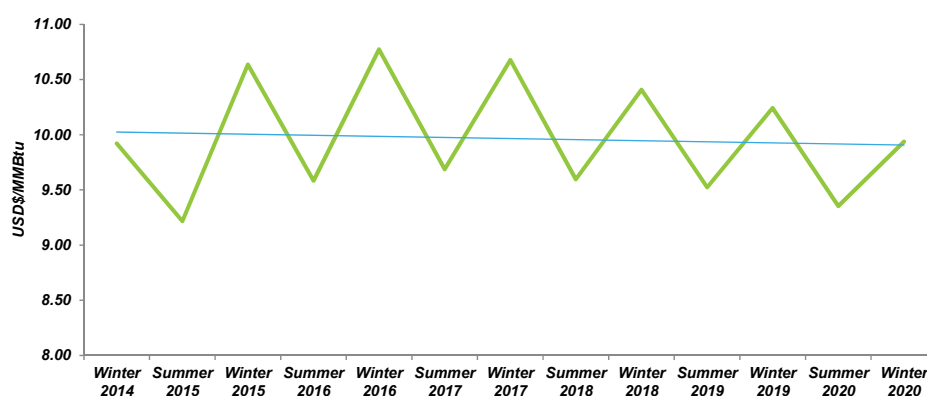


The wholesale gas market in the UK has one price for gas, irrespective of where the gas comes from, called the NBP price of gas. Domestic gas is utilised for power generation, and therefore the NBP gas is usually quoted and traded per therm of gas, with one therm of gas equating to 29.3071 kilowatt hours. The NBP is the largest and most liquid natural gas spot market in Europe and provides a reference as an alternative to oil indexation.

The wholesale price of natural gas has varied considerably over the past ten years. Most notably, as discussed above, when the UK moved from a net exporter to net importer in 2004, NBP prices began to increase steadily, from around USD \$3 to \$4 per mmbtu to USD \$7 per mmbtu<sup>9</sup>. In 2009, NBP prices collapsed as a result of the global financial crisis to a low of USD 4 per mmbtu<sup>10</sup>. Since this time, NBP prices have demonstrated a steady recovery with prices rising to converge with continental European prices at around USD \$9 to \$10 per mmbtu<sup>11</sup>. Forward NBP gas prices from 2014 to 2020 are not anticipated to greatly exceed this USD \$10 per mmbtu.

Below is a diagram depicting the NBP forward gas prices to 2020 from the Intercontinental Exchange (ICE).

Figure 12



Source: ICE website

Note:

1. Seasonality in USD \$/mmbtu is reflective of the seasonal demand for gas based on the climate of the UK

### CSG – United Kingdom

The British Geological Survey 2004 study (the most recent study of significance that was identified) estimated the total CSG resources in the UK at 2,900 bcm<sup>12</sup>. This was the conclusion of a study which delineated the coals with the right depth, thickness, gas content and adequate separation from underground mine workings. This compares with a previous estimate of 2,450 bcm (86.5 tcf) in 1999. Although the size of this CSG resource is potentially significant, commercial production has yet to take place on any notable scale.

Despite the volume of gas in place noted in the UK, the British Geological Survey 2004 study estimated that as little as 1% of this resource could be successfully recovered because of perceived widespread low seam permeability, low gas content, resource density and planning constraints. However, analogous North American CBM developments have now been proven to achieve recovery of 30% to 40% in some fields with comparable characteristics. Based on this information, if 10% of the UK CSG resource potential could be developed, the estimated production of 290 bcm (10.2 tcf) would correspond to over three years of total UK natural gas supply (based on an annual UK natural gas consumption in 2010 of approximately 99 bcm<sup>13</sup>).

<sup>9</sup> IEA – Energy Policies of IEA Countries – The United Kingdom 2012

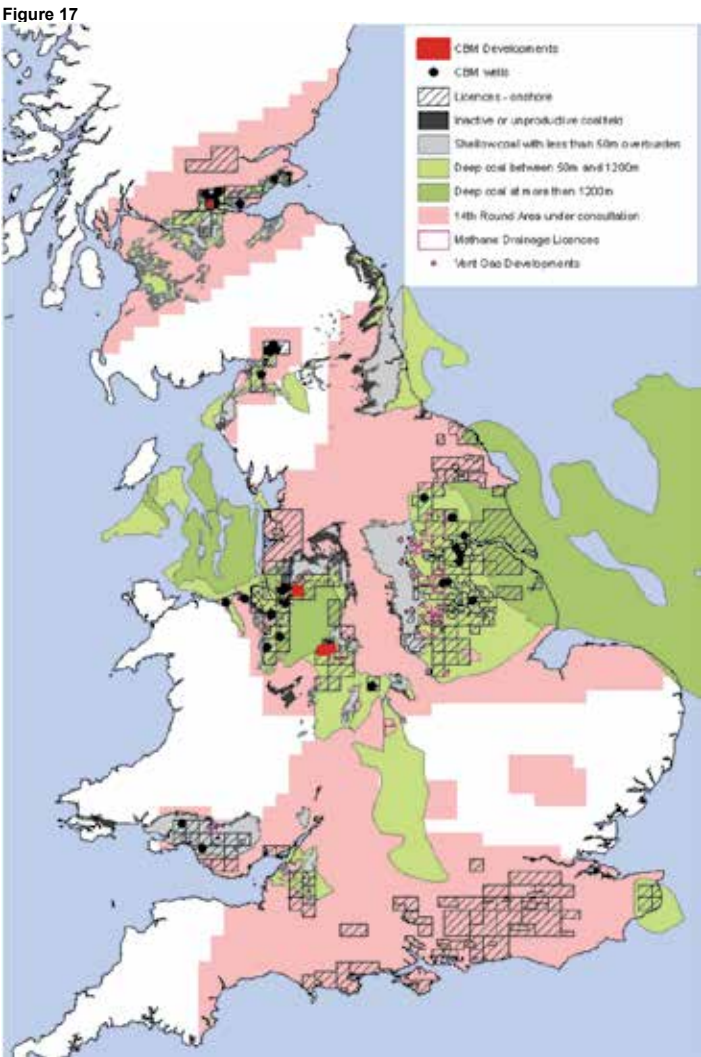
<sup>10</sup> IEA – Natural Gas Market Review 2009

<sup>11</sup> IEA – Energy Policies of IEA Countries – The United Kingdom 2012

<sup>12</sup> Imperial unit equivalent is 102.4 tcf

<sup>13</sup> Imperial unit equivalent is 3.5 tcf

Below is a diagram summarising CSG activities in the UK as reported by the DECC in 2010.



Source: DECC - The unconventional hydrocarbon resources of Britain's onshore basins – coal bed methane

At present, commercial development of CSG in the UK has not reached a significant level. Once commercial UK CSG developments are established, more reliable estimates are likely to be made in relation to the potential extent of the economic resources, production profiles and therefore certainty of supply. It is anticipated that any commercial production of CSG in the UK will service the power generation market and sold at the NBP price.



### *Shale gas – United Kingdom*

The UK shale gas industry is considered to be relatively undeveloped and, until the completion of more drilling, fracture stimulation and testing, there are limited reliable indicators of potential commercialisation of shale gas. The UK shale gas reserve potential is estimated to be as large as 150 bcm (5.3 tcf)<sup>14</sup>.

The technologies needed to explore for shale gas have only recently become available in the UK, with mitigation of the environmental impacts of stimulation technology and processes of large scale developments subject to significant government scrutiny (as discussed below).

### *CSG / shale gas legislation in the UK*

Regulation of the UK unconventional gas market is undertaken primarily by the DECC.

In 2011, a temporary ban was placed on the process of hydraulic fracturing, after two small earthquakes were recorded with a magnitude of 1.5 and 2.3 on the Richter scale in May 2011 and April 2011, respectively, in the Blackpool area, near the Preese Hall shale gas drilling site operated by Cuadrilla Resources Limited. British Geological Survey analysis of data from two temporary instruments close to the drill site placed the epicentre of this event within 500 metres of the Preese Hall site and at a depth of approximately 2 kilometres. It was discovered shale gas hydraulic fracturing in the wellbore was conducted, between depths of 2 to 3 kilometres, shortly before both earthquakes occurred.

In May 2013, the ban on hydraulic fracturing was lifted by the UK Government, allowing companies to continue their exploration of shale gas reserves. The DECC, however, has imposed new controls in light of these events, with companies required to carry out a seismic survey of an area before any such work begins.

### *Australia's natural gas market*

Dart holds a portfolio of seven petroleum exploration licences, all located in NSW, which are prospective for CSG.

Australia has abundant natural gas resources estimated at approximately 141,000 petajoules based on the 2013 State of the Energy Market report. These natural gas resources, however, are not typically located close to the majority of users. Accordingly, Australia's natural gas supplies are linked to major markets by more than 74,000 kilometres of transmission pipelines<sup>15</sup>.

Australia's major conventional natural gas reserves and resources and production sites are as follows:

- the West/North region – Carnarvon, Browse and Bonaparte Basins<sup>16</sup>
- the East/South region – Gippsland and Cooper-Eromanga Basins.

<sup>14</sup> Interim report on BSG Bowland Shale Resource Evaluation 13 December 2012

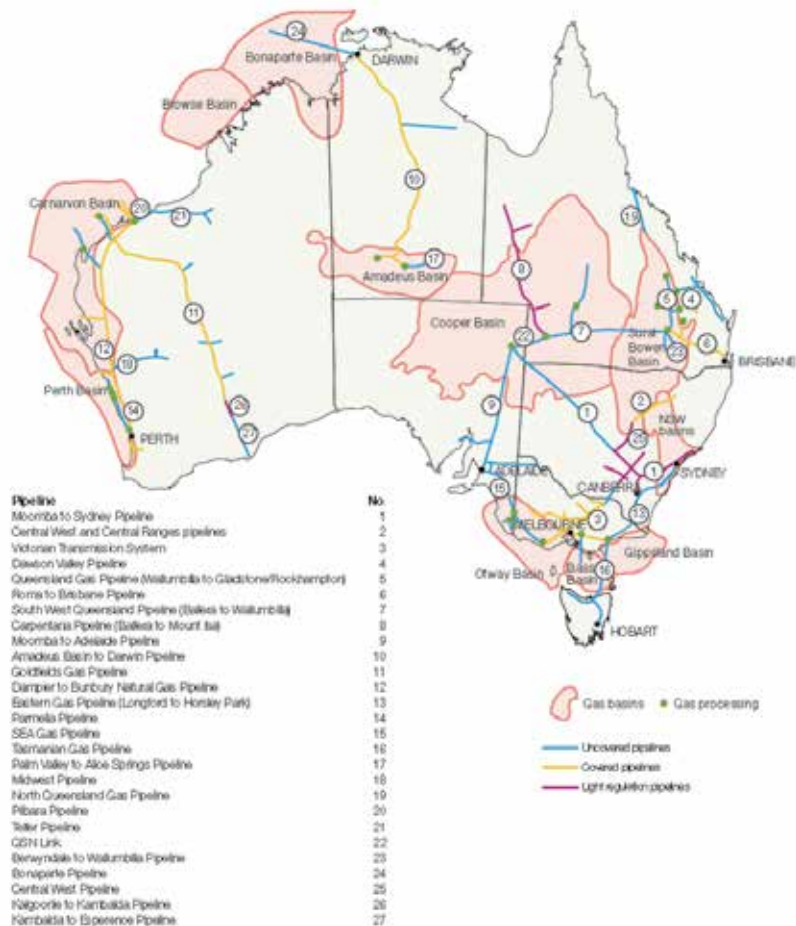
<sup>15</sup> Australian Energy Regulator – State of the Energy Market report 2013

<sup>16</sup> The Bonaparte Basin borders WA and the Northern Territory



The following figure highlights Australia's natural gas reserves and resources and pipelines.

Figure 18



Source: AER

CSG legislation in New South Wales

In NSW, the regulatory regime governing unconventional gas exploration has been subject to a great deal of uncertainty over recent years, with constant changes in regulations by the NSW and Federal Governments. CSG exploration and production in NSW is subject to rigorous regulations (especially in comparison to the regulations in Queensland), with exploration only capable of proceeding after satisfying detailed multiagency assessments that address environmental, community, health and water concerns.

The current NSW Government policy includes the concept of exclusion zones in which CSG activity is prohibited, with the NSW Government banning several exploration and production practices which are used in CSG activities in other parts of the world, including using certain chemicals in the hydraulic fracturing process (fracking). It has also banned evaporation ponds to encourage the treatment and re-use of water extracted in the process.

As part of the above mentioned policy to implement CSG exclusion zones, the NSW Government also plans to introduce regulations which will ban all new CSG exploration and production activity within two kilometres of existing and future residential areas. CSG activity is also to be banned within areas identified as the Upper Hunter equine and viticulture Critical Industry Clusters.



There has also been a hold on exploration and extraction of CSG in the 'Special Areas' zone of the Sydney drinking water catchment pending an investigation by the NSW Chief Scientist and Engineer on the impact of these activities.

In March 2014, the NSW Government announced a six-month freeze on processing new applications for CSG exploration licences until September 2014. It was also announced that the cost of applying for the licences would increase from \$1,000, set by the Labour government in 2002, to \$50,000 per licence.

Given the recent uncertainty regarding the regulatory regime in NSW, participants in the industry are cautious about future regulatory changes and are suspending investment in the area.

### Other international natural gas markets

The natural gas industry is increasingly becoming a global industry with international trade of natural gas and LNG increasing to meet rising global demand. Analysis by the IEA indicates that while demand is increasing, albeit at a slower rate than coal, countries are increasing their dependence on inter-regional trade. Increases in demand is a result of the growing demand for energy out of China and India as non-OECD<sup>17</sup> countries continue to be the driving force behind gas demand.

## Oil

### Crude oil market

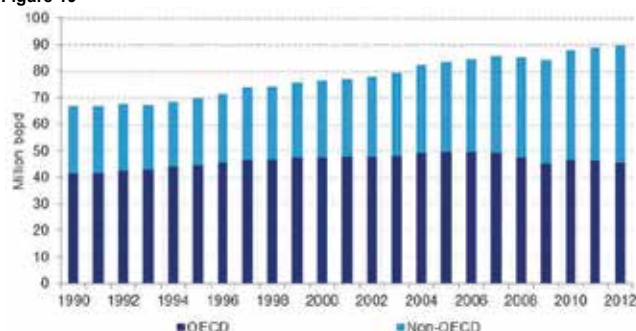
The quality of crude oil produced from a reservoir is primarily determined by its hydrocarbon content, density and sulphur content. While this quality varies from field to field, the refining industry has adapted its input capability sufficiently to deal with a range of qualities. The diversity of this input capability combined with the comparatively low transportation cost for crude oil has resulted in the development of substantial inter-continental trade in crude oil. Consequently the price for crude oil is a function of worldwide demand and supply.

### Global crude oil demand

The demand for crude oil is dependent on the demand for goods and services that require oil-related products as inputs. Transportation, in particular road and air transportation, is the principal source of demand for oil constituting over 90%<sup>18</sup> of petroleum demand. Accordingly, the most important products made from crude oil are petrol and diesel. Other applications of oil derived products include the operation of stationary industrial equipment, including electricity generators, heating and road building.

Annual global demand for crude oil from 1990 to 2012 (in million barrels of oil per day) split between supply from OECD countries and non-OECD countries is summarised in the following figure.

**Figure 19**



Source: BP Statistical Review of World Energy June 2013

<sup>17</sup> Organisation for Economic Co-operation and Development

<sup>18</sup> IBISWorld



The demand for petroleum products and therefore crude oil is linked to overall levels of global economic activity. IBISWorld cites regression analysis studies undertaken which indicate that the level of real gross domestic product explains just under 90% of the demand for petrol and approximately 98% of the demand for automotive distillate.

The weak economy of the early 1990s resulted in stagnant growth in demand for oil. The revival of economic growth in the member countries of the OECD and the rapid industrialisation of Asia since the mid-1990s has led to an increase in global demand for crude oil. However, demand for global crude oil recently decreased, primarily due to effects of the global financial crisis. In 2012, global oil demand increased by 1.0%, reversing the drop in demand over 2008 and 2009 which followed the global financial crisis.

Analysis prepared by the Economic Intelligence Unit indicates that oil consumption growth is expected to increase to 1.5% for 2014-15 based on forecasts that the downward-trending Japanese and Eurozone consumption in the prior years will be reversed. However, consumption growth is not expected to reach the highs of the last decade as a result of increasing efforts to reduce energy consumptions (both in the OECD and in some parts of the non-OECD), as well as some substitution with other, cheaper alternative fuel sources.

### Crude oil supply

The world's crude oil supply system can be viewed as having two suppliers: the primarily state-owned producers located in countries which are members of the OPEC<sup>19</sup> and the mainly privately-owned producers located in non-OPEC countries. OPEC is an inter-governmental association established to represent the interests of the crude oil exporting countries.

In 2012, OPEC held approximately 1,212 billion barrels of proven oil reserves, representing 73%<sup>20</sup> of world crude oil reserves. However, OPEC production accounted for only 41% of crude oil production in 2012.

The reason for the disparity between OPEC's percentage of reserves and production is its role in managing crude oil production. As part of its mandate, OPEC sets a production quota for each of the member countries<sup>21</sup>. History has shown that certain members of OPEC comply with the quota system and others do not, although in recent years there has been a high level of quota compliance among member countries.

The role of OPEC influences the crude oil market in a number of ways. Firstly, OPEC's supply management supports crude oil prices in the medium term. Secondly, in the short term, crude oil prices can be volatile as OPEC's supply remains relatively constant despite short term changes in demand. Thirdly, the major oil companies, which own most of the world's transportation, refining and marketing systems, do not have an equity interest in OPEC originated crude oil. Accordingly, integrated companies seek to add value to their own oil in the downstream segment before calling on OPEC production. History has shown that as the demand on OPEC crude increases to near OPEC's capacity to supply, prices tend to rise.

### Crude oil pricing

There are over 150 different types of internationally traded crude oil (known as markers), which vary in terms of characteristics, quality and market penetration. Crude oil is generally priced relative to a number of key benchmarks or markers. The main criteria for marker crude oil is for it to be sold in sufficient volumes to provide liquidity (i.e. many buyers and sellers) in the physical market as well as having similar physical qualities to alternative crudes.

### West Texas Intermediate (WTI)

WTI crude oil is of very high quality, is excellent for refining and is generally described as a light, sweet crude oil. This combination of characteristics, together with its location, makes it an ideal crude oil to be refined in the US, the largest gasoline-consuming country in the world. Although the production of WTI crude oil is on the decline, it is still the major benchmark for crude oil in the United States.

WTI is deeply traded on New York Mercantile Exchange (NYMEX) and is generally priced at a premium of approximately USD \$2 per barrel to the OPEC Basket price and approximately USD \$1 per barrel to the Brent price, although on a daily basis the pricing relationships between these indices can vary greatly.

<sup>19</sup> Organisation of the Petroleum Exporting Countries

<sup>20</sup> BP Statistical Review of World Energy, June 2013

<sup>21</sup> The 12 member countries in OPEC are Algeria, Angola, Ecuador, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, United Arab Emirates and Venezuela.



### Asia Petroleum Price Index (APPI) Tapis

In Asia, the pricing mechanism is based on an independent panel approach where producers, refiners and traders are asked for information on actual trades and where there have been none, their best estimate. Any estimates that are significantly high or low are discarded and the quoted price is then an average of views on the market price. The trade in APPI Tapis is limited to approximately six months in the future, which allows for a meaningful comparison to be made when making decisions to buy a APPI Tapis, Brent or Oman/Dubai linked crude, but prevents its use as a long term risk management tool.

### Imported Refiner Acquisition Cost (IRAC)

IRAC is the volume weighted average price of all crude oils imported into the US over a specified period. The United States imports more types of crude oil than any other country and consequently, it may represent the average world oil price among all published crude oil prices. The IRAC is generally similar to the OPEC Basket Price and is typically traded at a discount of approximately USD \$2 per barrel to the WTI spot price and approximately USD \$1 per barrel to the Brent price.

The IRAC is used by the Energy Information Administration as the world oil price in all of its projection publications, including the Short-Term Energy Outlook, released monthly, as well as the Annual Energy Outlook and International Energy Outlook, both of which are released annually and provide an annual projection looking out approximately 20 years into the future.

### NYMEX futures

The NYMEX futures price for crude oil represents (on a per barrel basis) the market determined value of a futures contract to either buy or sell 1,000 barrels of WTI at a specified time. The NYMEX market provides important price information to global buyers and sellers of crude oil, making WTI the benchmark for many different crude oils, especially in the US.

Generally, these benchmarks move together though, on occasion, demand differentials for various types of crude create a pricing disparity.

### Historical crude oil price analysis

The following figure shows the historical actual WTI, Brent and the OPEC Basket crude oil prices over the last decade.

Figure 20<sup>1</sup>



Source: Capital IQ

Note:

1. Brent data prior to February 2006 is not available



From January 2004, the WTI crude oil price increased dramatically reaching USD \$145 per barrel in July 2008. The increase in oil prices during this period can be attributed to a number of factors including:

- unprecedented demand growth from emerging nations such as China and India to support their domestic economic growth
- exploration and production companies not pursuing new projects during periods of relatively low oil prices up to around 2004, thereby limiting the supply of additional oil
- declining production from existing fields
- the role of OPEC in restricting oil production with production quotas for each member state
- global political factors surrounding supply and demand of oil
- growth in the economies of countries such as Japan and Taiwan which do not have their own energy supplies and are therefore dependent on the rest of the world for the supply of energy
- speculative activities by traders in global oil markets.

As oil prices increased from 2004 to 2008, onshore oil in the UK received renewed interest, with an increase in the number of onshore licenses granted.<sup>22</sup>

The WTI crude oil prices experienced a rapid and significant decrease when the global financial crisis commenced in September 2008, reaching a five year low of USD \$31 per barrel in December 2008. WTI prices have recovered to current prices of approximately USD \$80 to USD \$100 per barrel.

In our view, oil prices are likely to remain high relative to long term historical averages due to the following:

- fiscal breakeven oil prices as measured by the International Monetary Fund have increased markedly for most oil exporters in the Middle East since 2009
- the long term WTI crude oil price forecast in April 2014 by analysts in the range of USD \$80 per barrel and USD \$104 per barrel with an average of US \$91 per barrel
- China, Saudi Arabia and India together had the largest growth in crude consumption among non-OECD countries for the last decade, with economists believing that the weakness in commodity prices since early 2013 can be attributed to concerns about the economic slowdown of China.

Production and exploration companies will benefit from high oil prices, particularly those with existing infrastructure. High oil prices also provide owners of technically challenging, high cost and unconventional resources with an opportunity to extract oil at a profit.

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<sup>22</sup> IBISWorld: Crude Petroleum & Natural Gas Extraction in the UK



## Appendix D: Discount rate

The discount rate used to equate the future cash flows to their present value reflects the risk adjusted rate of return demanded by a hypothetical investor for the asset or business being valued.

Selecting an appropriate discount rate is a matter of judgement having regard to relevant available market pricing data and the risks and circumstances specific to the asset or business being valued.

Whilst the discount rate is in practice normally estimated based on a fundamental ground up analysis using one of the available models for estimating the cost of capital (such as the Capital Asset Pricing Model (CAPM)), market participants often use less precise methods for determining the cost of capital such as hurdle rates or target internal rates of return and often do not distinguish between investment type or region or vary over economic cycles.

Since our definition of fair market value is premised on the estimated value that a knowledgeable willing buyer would attribute to the asset or business, our selection of an appropriate discount rate needs to consider that buyers incorporate other alternatives to the typical CAPM approach in estimating the cost of capital.

PEDL 133 and PEDL 159 are based in the UK; however the ungeared, post-tax cash flows for each asset are denominated in USD. Therefore, in order to estimate a discount rate to apply to PEDL 133 and PEDL 159, we have used US inputs for the risk free rate and the equity market risk premium (EMRP). For ungeared cash flows, discount rates are determined based on the cost of an entity's debt and equity weighted by the proportion of debt and equity used. This is commonly referred to as the weighted average cost of capital (WACC).

The WACC can be derived using the following formula:

$$WACC = \left( \frac{E}{V} * K_e \right) + \left( \frac{D}{V} * K_d (1 - t_c) \right)$$

The components of the formula are:

$K_e$  = cost of equity capital

$K_d$  = cost of debt

$t_c$  = corporate tax rate

$E/V$  = proportion of enterprise funded by equity

$D/V$  = proportion of enterprise funded by debt

The adjustment of  $K_d$  by  $(1 - t_c)$  reflects the tax deductibility of interest payments on debt funding. The corporate tax rate has been assumed to be 30%<sup>23</sup>, in line with the UK corporate tax rate for oil and gas companies.

### Cost of equity capital ( $K_e$ )

The cost of equity,  $K_e$ , is the rate of return that investors require to make an equity investment in a firm.

We have used the CAPM to estimate the  $K_e$  for PEDL 133 and PEDL 159. CAPM calculates the minimum rate of return that the company must earn on the equity-financed portion of its capital to leave the market price of its shares unchanged. The CAPM is the most widely accepted and used methodology for determining the cost of equity capital.

<sup>23</sup> Corporation tax payable by onshore and offshore oil and gas companies is ring fenced to each asset. The current main rate of tax on ring fence profits, which is set separately from the rate of mainstream corporation tax, is 30%. Additional supplementary tax charges have been included in the cash flows of each asset.



The cost of equity capital under CAPM is determined using the following formula:

$$K_e = R_f + \beta(R_m - R_f) + \alpha$$

The components of the formula are:

- $K_e$  = required return on equity
- $R_f$  = the risk free rate of return
- $R_m$  = the expected return on the market portfolio
- $\beta$  = beta, the systematic risk of a stock
- $\alpha$  = specific company risk premium

Each of the components in the above equation is discussed below.

### Risk free rate ( $R_f$ )

The risk free rate compensates the investor for the time value of money and the expected inflation rate over the investment period. The frequently adopted proxy for the risk free rate is the long-term Government bond rate.

We have considered the yield to maturity of the zero coupon 20-year US Government bond as a proxy for the long-term risk free rate in the US. We have taken the 5-day average yield to maturity of the 20-year US Government treasury constant maturity bond as at 1 July 2014 of 3.09%. This rate represents a nominal rate and thus includes inflation.

### EMRP

The EMRP ( $R_m - R_f$ ) represents the risk associated with holding a market portfolio of investments, that is, the excess return a shareholder can expect to receive for the uncertainty of investing in equities as opposed to investing in a risk free alternative. The size of the EMRP is dictated by the risk aversion of investors – the lower (higher) an investor's risk aversion, the smaller (larger) the equity risk premium.

The EMRP is not readily observable in the market and therefore represents an estimate based on available data. There are generally two main approaches used to estimate the EMRP, the historical approach and the prospective approach, neither of which is theoretically more correct or without limitations. The former approach relies on historical share market returns relative to the returns on a risk free security; the latter is a forward looking approach which derives an estimated EMRP based on current share market values and assumptions regarding future dividends and growth.

In evaluating the EMRP, we have considered the historically observed EMRP in the US.

The historical approach is applied by comparing the historical returns on equities against the returns on risk free assets such as Government bonds, or in some cases, Treasury bills. The historical EMRP has the benefit of being capable of estimation from reliable data; however, it is possible that historical returns achieved on stocks were different from those that were expected by investors when making investment decisions in the past and thus the use of historical market returns to estimate the EMRP would be inappropriate.

It is also likely that the EMRP is not constant over time as investors' perceptions of the relative riskiness of investing in equities change. Investor perceptions will be influenced by several factors such as current economic conditions, inflation, interest rates and market trends. The historical risk premium assumes the EMRP is unaffected by any variation in these factors in the short to medium term.

Historical estimates are sensitive to the following:

- the time period chosen for measuring the average
- the use of arithmetic or geometric averaging for historical data
- selection of an appropriate benchmark risk free rate
- exclusion or inclusion of extreme observations.

The EMRP is highly sensitive to the different choices associated with the measurement period, risk free rate and averaging approach used and as a result estimates of the EMRP can vary substantially.



Data provided by the Morningstar 'Stocks, Bonds, Bills and Inflation Yearbook' (SBBi) for 2013 was considered in estimating the EMRP. The SBBi calculates the market equity risk premium by reducing large-company stock returns by the risk-free rate of return over the period from 1926 to 2012. To match the EMRP with the risk free rate included in the CAPM, we have considered the premium calculated over the return on the long-term US Treasury strips. Further adjustments were made to the SBBi equity risk premium in order to account for the inflation in the market price to earnings ratio.

In addition to the data provided by the SBBi, consideration was also given to the equity risk premium implied by the dividend discount model for a broad market index such as the Standard and Poor's 500.

Based on the above, we have adopted an US EMRP of 6.00%.

## Beta estimate ( $\beta$ )

### Description

The beta coefficient measures the systematic risk or non-diversifiable risk of a company in comparison to the market as a whole. Systematic risk, as separate from specific risk as discussed below, measures the extent to which the return on the business or investment is correlated to market returns. A beta of 1.0 indicates that an equity investor can expect to earn the market return (i.e. the risk free rate plus the EMRP) from this investment (assuming no specific risks). A beta of greater than one indicates greater market related risk than average (and therefore higher required returns), while a beta of less than one indicates less risk than average (and therefore lower required returns).

Betas will primarily be affected by three factors which include:

- the degree of operating leverage employed by the firm in that companies with a relatively high fixed cost base will be more exposed to economic cycles and therefore have higher systematic risk compared to those with a more variable cost base
- the degree of financial leverage employed by a firm in that as additional debt is employed by a firm, equity investors will demand a higher return to compensate for the increased systematic risk associated with higher levels of debt
- correlation of revenues and cash flows to economic cycles, in that companies that are more exposed to economic cycles (such as retailers), will generally have higher levels of systematic risk (i.e. higher betas) relative to companies that are less exposed to economic cycles (such as regulated utilities).

The geared or equity beta can be estimated by regressing the returns of the business or investment against the returns of an index representing the market portfolio, over a reasonable time period. However, there are a number of issues that arise in measuring historical betas that can result in differences, sometimes significant, in the betas observed depending on the time period utilised, the benchmark index and the source of the beta estimate. For unlisted companies it is often preferable to have regard to sector averages or a pool of comparable companies rather than any single company's beta estimate due to the above measurement difficulties.

### Market evidence

In estimating an appropriate beta for PEDL 133 and PEDL 159 we have considered the betas of a suite of listed companies that are broadly comparable to PEDL 133 and PEDL 159. However, many of these companies do not have sufficient trading in their shares to provide a meaningful representation of an appropriate beta for PEDL 133 and PEDL 159. We have therefore only presented the benchmarks of those companies considered to have sufficient liquidity in the trading of their shares.

These betas, which are presented below, have been calculated based on weekly and monthly returns, over a two and four year period, compared to a relevant domestic index and the Morgan Stanley Capital International World Index (MSCI Index).



Table 35

Company name	Enterprise value (USD'million)	Debt to enterprise value (%)	Two year weekly returns			Debt to enterprise value (%)	Four year monthly returns			International unlevered beta
			Domestic levered beta	Domestic unlevered beta	International levered beta		Domestic levered beta	Domestic unlevered beta	International levered beta	
Dart	160	1%	1.65	1.64	2.54	2.52	1.06	1.05	1.33	1.33
<b>United Kingdom unconventional oil and gas companies</b>										
Egdon	101	0%	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
<b>Australian unconventional oil and gas companies</b>										
WestSide Corporation Limited <sup>3</sup>	148	0%	0.96	0.96	1.70	1.70	1.55	1.55	1.27	1.27
Comet Ridge Limited	59	0%	n.m.	n.m.	n.m.	n.m.	0.95	0.95	n.m.	n.m.
Icon Energy Limited	50	0%	n.m.	n.m.	n.m.	n.m.	0.97	0.97	0.66	0.66
Blue Energy Limited	45	0%	n.m.	n.m.	n.m.	n.m.	1.02	1.02	0.92	0.92
Metgasco Limited	5	0%	n.m.	n.m.	n.m.	n.m.	1.30	1.30	1.07	1.07
<b>Low<sup>4</sup></b>		<b>0%</b>	<b>0.96</b>	<b>0.96</b>	<b>1.70</b>	<b>1.70</b>	<b>0.95</b>	<b>0.95</b>	<b>0.66</b>	<b>0.66</b>
<b>Median<sup>4</sup></b>		<b>0%</b>	<b>1.30</b>	<b>1.30</b>	<b>2.12</b>	<b>2.11</b>	<b>1.04</b>	<b>1.04</b>	<b>1.07</b>	<b>1.07</b>
<b>Average<sup>4</sup></b>		<b>0%</b>	<b>1.30</b>	<b>1.30</b>	<b>2.12</b>	<b>2.11</b>	<b>1.14</b>	<b>1.14</b>	<b>1.05</b>	<b>1.05</b>
<b>High<sup>4</sup></b>		<b>1%</b>	<b>1.65</b>	<b>1.64</b>	<b>2.54</b>	<b>2.52</b>	<b>1.55</b>	<b>1.55</b>	<b>1.33</b>	<b>1.33</b>

Source: Capital IQ; Deloitte Corporate Finance analysis

Notes:

1. Enterprise value as at 1 July 2014
2. n.m. - not meaningful
3. WestSide has recently been subject to a takeover offer
4. Excludes Dart



The observed beta is a function of the underlying risk of the cash flows of the company, together with the capital structure and tax position of that company. This is described as the levered beta.

The capital structure and tax position of the entities in the table above may not be the same as those of PEDL 133 and PEDL 159. The levered beta is often adjusted for the effect of the capital structure and tax position. This adjusted beta is referred to as the unlevered beta. The unlevered beta is a reflection of the underlying risk of the pre-financing cash flows of the entity.

### Selected beta ( $\beta$ )

In selecting an appropriate beta for PEDL 133 and PEDL 159 we have considered the following:

- PEDL 133 and PEDL 159 are onshore CSG exploration assets located in the UK. PEDL 133 is at an advanced stage of exploration with further development pending planning approval by the relevant local authorities. PEDL 159 is currently at the appraisal stage and does not have a detailed development plan, nor has planning and regulatory approval been obtained
- unconventional gas exploration and production assets have varying risk profiles depending on the type of resource being exploited, the maturity of the asset and the stage of development. In considering an appropriate beta for PEDL 133 and PEDL 159, we have placed more emphasis on companies with onshore development or producing unconventional gas projects
- Egdon is the only directly comparable company to PEDL 133 and PEDL 159 as, other than Dart, it is the only listed company primarily focused on CSG exploration in the UK and holds minority interests in various Dart tenements. Trading in its shares is however generally illiquid and therefore does not provide a meaningful representation of an appropriate beta
- we do not consider the US unconventional gas market to be comparable to that of the UK, as it is significantly more advanced, with a greater number of large companies with diverse exploration, development and production assets in numerous shale and CSG basins across the country. These companies are currently generally focusing on higher yielding oil tenements due to current low gas prices in continental US. In addition, unconventional gas extraction is a proven technology in the US and accounts for a large portion of the total US gas production
- on this basis, we have also had regard to CSG companies with activities in Australia and particularly Queensland. We note the following in respect of CSG exploration and producing companies with activities in Australia:
  - the CSG sector in Queensland is in a significant development phase as companies explore for new, and develop existing, gas prospects to supply gas to export LNG facilities under construction and the domestic market. CSG in the UK is at a very early stage of development and therefore is likely subject to greater uncertainty compared to Queensland
  - CSG extraction in Australia is an advancing technology with a demonstrated history of reliable gas production, in comparison to the UK which is yet to demonstrate significant commercial levels of CSG production. Therefore, we consider that, in general, Queensland gas assets are likely to be less risky relative to UK gas assets
  - companies operating in Queensland may also be subject to less uncertainty in terms of regulatory environment compared to the UK, where CSG is an emerging sector and therefore the regulatory regime is likely to still be evolving
- CSG companies with activities in Australia are likely to face a number of different opportunities and risks compared to PEDL 133 and PEDL 159, accordingly we consider that the observed betas of these companies provide, at best, directional indication of an appropriate beta for companies operating in the UK CSG sector
- the trading in the shares of CSG exploration companies with activities in Australia is also not overly liquid which further limits the degree to which they provide a meaningful representation of an appropriate beta
- assuming an unlevered beta of 1.30 to 1.40, a corporate tax rate of 30% and the debt to enterprise value of 10% gives a Blume adjusted levered beta of 1.27 to 1.34.

On this basis we have selected a levered beta of 1.27 to 1.34 for PEDL 133 and PEDL 159.



### Specific risk premium ( $\alpha$ )

The specific risk premium adjusts the cost of equity for specific factors, including unsystematic risk factors such as:

- company or asset size
- depth and quality of management
- reliance on one key individual or a few key members of management
- reliance on key customers
- reliance on key suppliers
- geographic diversity
- capital structure, amount of leverage
- existence of contingent liabilities.

The CAPM assumes, amongst other things, that rational investors seek to hold efficient portfolios, that is, portfolios that are fully diversified. One of the major conclusions of the CAPM is that investors do not have regard to specific company risks (often referred to as unsystematic risk). There are several empirical studies that demonstrate that the investment market does not ignore specific company risks. In particular, studies show that:

- on average, smaller companies have higher rates of return than larger companies (often referred to as the size premium)
- on average, early stage companies have higher expected rates of return than mature companies.

### Selection of specific company risk premium

We have selected a specific company risk premium of 2.0% to 4.0% for PEDL 133 and 4.0% to 5.0% for PEDL 159, respectively. In determining these premiums we have had regard to the following:

- uncertainty surrounding the outcome of final planning approval for PEDL 133, which remains outstanding and the associated impact this may have on the manner in which PEDL 133 is developed. This will also impact PEDL 159, which is estimated to be developed in a similar manner to PEDL 133. Further to this, there is no guarantee that planning permission will be obtained.

Due to the uncertainty regarding the planning approval and any amendments the UK Government may propose to the development plans, we are unable to model the likely sensitivities of this development risk. However, we have been able to sensitise the timing of this approval in our valuation of the development assets

- PEDL 159 is at an earlier stage of development in comparison to PEDL 133 and does not have a detailed development plan in place, although as mentioned above it is estimated to be developed in a similar manner to PEDL 133
- CSG and unconventional hydrocarbon extraction on a significant scale remains largely unproven in the UK.



## Conclusion on cost of equity

Based on the above factors we arrive at a cost of equity,  $K_e$ , for PEDL 133 and PEDL 159 as follows:

**Table 36**

Input	PEDL 133		PEDL 159	
	Low	High	Low	High
Risk free rate (%)	3.09	3.09	3.09	3.09
EMRP (%)	6.00	6.00	6.00	6.00
Beta	1.27	1.34	1.27	1.34
Specific risk premium (%)	2.00	4.00	4.00	5.00
<b><math>K_e</math> – calculated (%)</b>	<b>12.69</b>	<b>15.13</b>	<b>14.69</b>	<b>16.13</b>

Source: Deloitte analysis

## Cost of debt capital ( $K_d$ )

We have estimated an appropriate cost of debt for PEDL 133 and PEDL 159 to be 8.0%. This has been estimated after consideration of our selected level of gearing (as discussed below) and an analysis of long term bond issuances for oil and gas companies. Recent bond issuances indicate a spread of 200 to 300 basis point margin over the risk free rate; however these companies have credit ratings of BBB and above. Due to the size of PEDL 133 and PEDL 159, we consider it unlikely that funding could be obtained at these levels, and accordingly, we have considered an additional premium of 200 basis points to the top end of this range is appropriate. This implies a spread of 500 basis points over the risk free rate, resulting in a cost of debt of 8.0%.

## Debt and equity mix

We have considered the following factors in estimating the debt to equity mix for PEDL 133 and PEDL 159:

- the current gearing level of Dart is nil
- the average market gearing of the comparable companies set out in Table 35, which is nil
- PEDL 133 and PEDL 159 are development stage assets and do not currently have any cash flows to support debt funding until full production is reached. Once PEDL 133 has reached full production, we have assumed that the assets will be able to support a minimal level of debt funding.

We have adopted a target gearing level of 10% for PEDL 133 and PEDL 159.



### Calculation of WACC

Based on the above, we have assessed the nominal post-tax WACC for PEDL 133 and PEDL 159 to be:

**Table 37**

	PEDL 133		PEDL 159	
	Low	High	Low	High
Cost of equity capital (%)	<b>12.69</b>	<b>15.13</b>	<b>14.69</b>	<b>16.13</b>
Cost of debt capital (%)	8.00	8.00	8.00	8.00
Debt to enterprise value ratio (%)	10.00	10.00	10.00	10.00
Tax rate (%)	30.00	30.00	30.00	30.00
<b>WACC (%)</b>	<b>11.99</b>	<b>14.17</b>	<b>13.79</b>	<b>15.07</b>
<b>Selected WACC (%)</b>	<b>12.00</b>	<b>14.00</b>	<b>14.00</b>	<b>15.00</b>

Source: Deloitte analysis



## Appendix E: Comparable transactions

Table 38

Announcement date	Target	Acquirer	Type	Percent acquired	EV (USD \$' million)	3P+2C certified reserves (bcf)	OGIP (bcf)	Acreage (km <sup>2</sup> )	3P+2C multiple (USD \$/bcf)	OGIP multiple (USD \$/bcf)	Acreage Multiple (USD \$/km)
<b>UK</b>											
May 2014	Alkane Energy plc's shale gas business and assets	Egdon	Equity, Assets	100.0%	12	-	9,000	567	n.m.	1,386	21,982
January 2014	PEDL 139 and PEDL 140 in Bowland Basin (Dart)	Total	Asset	40.0%	74	194	18,424	96	379,595	4,002	767,500
October 2013	Thirteen licences in Bowland Basin (Dart)	GDF Suez	Asset	25.0%	157	2,410	64,600	339	65,220	2,433	463,991
June 2013	PEDL 165 Bowland shale license (Cuadrilla) <sup>2</sup>	Centrica plc	Asset	25.0%	605	-	200,000	1,000	n.m.	3,023	604,640
December 2011	22 onshore licences in the UK (Greenpark)	Dart	Asset	100.0%	42	1,848	4,000	2,163	22,727	10,500	19,415
<b>NSW, Australia</b>											
August 2011	Bow Energy Limited	Arrow Energy Limited	Equity	100.0%	425	4,975	-	3,757	85,357	n.m.	113,018
July 2011	Eastern Star Gas Limited	Santos Limited	Equity	100.0%	900	4,709	-	32,350	191,095	n.m.	27,819
July 2011	Narrabri Coal project	TRUenergy Holdings Pty Limited	Asset	20.0%	1,438	1,012	-	6,470	1,421,667	n.m.	222,320

Source: Mergermarket, CapitalIQ, ASX announcements, Deloitte Corporate Finance analysis

Notes:

1. This transaction includes an element of deferred consideration in respect of the timing of the completion of the work program. We have excluded this deferred consideration, as there is no certain over whether the consideration will be paid, and we do not consider it representative of a value attributable to the underlying tenements

2. This transaction includes an element of deferred consideration which we have excluded for the purpose of our analysis.

**Appendix F: NSAI Report**

**NSAI** NETHERLAND, SEWELL  
& ASSOCIATES, INC.  
WORLDWIDE PETROLEUM CONSULTANTS  
ENGINEERING • GEOLOGY • GEOPHYSICS • PETROPHYSICS

CHAIRMAN & CEO  
C.H. (SCOTT) RICE III  
PRESIDENT & COO  
DANNY D. BROWN  
EXECUTIVE VP  
G. LANCE UNDER

EXECUTIVE COMMITTEE  
P. SCOTT FROST  
J. CARTER HERRON, JR.  
DAN RALL SMITH  
JOSEPH J. SPRITZMAN

July 2, 2014

Mr. Robin Polson  
Director  
Deloitte Corporate Finance Pty Limited  
Riverside Centre  
Level 25, 123 Eagle Street  
Brisbane QLD 4000  
Australia

Dear Mr. Polson:

Under engagement with Dart Energy Limited (Dart), and as instructed by Deloitte Corporate Finance Pty Limited (Deloitte), we have been requested to provide technical analyses of key assumptions to be used by Deloitte in preparation of a financial model relating to selected coal seam gas (CSG) properties in the United Kingdom (UK). Netherland, Sewell & Associates, Inc. (NSAI) prepared a report dated March 31, 2014, where we estimated the probable and possible reserves and future revenue to the Dart interest in Petroleum Exploration and Development Licenses (PEDLs) 133 and 159, as of February 28, 2014. Also in that report, we estimated the unrisksed contingent gas resources to the Dart interest in various licenses in the UK, including PEDLs 133 and 159. Subsequently, Dart has made modifications to its development plan for PEDLs 133 and 159, which resulted in changes to production profiles and drilling schedules. The updated drilling schedules, production profiles, field development costs, and operating expenses associated with PEDLs 133 and 159, which have been provided to Deloitte, vary slightly from those used in our estimates as of February 28, 2014, presented in our March 31 report.

We estimate the gas reserves to the Dart interest in PEDLs 133 and 159, as of February 28, 2014, after consideration of the updated information discussed above, to be:

License/Category	Gas Reserves (BCF)	
	Gross (100%)	Net <sup>(1)</sup>
PEDL 133		
Proved + Probable (2P)	39.6	38.4
Proved + Probable + Possible (3P)	78.2	75.8
PEDL 159		
Proved + Probable + Possible (3P)	49.7	48.2

<sup>(1)</sup> Net reserves are the share of reserves attributable to Dart after a 3 percent deduction for shrinkage due to system use gas.

Gas volumes are expressed in billions of cubic feet (BCF) at standard temperature and pressure bases.

Based on the results of our independent technical analysis, we have provided production profiles for reserves associated with PEDLs 133 and 159 to Deloitte. The methodology for determining these production profiles is consistent with the methodology used in our March 31 report. The drilling schedule required to supply gas to the UK national grid from 2016 to 2031 has been adjusted from our previous drilling schedule based on a peak supply

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limit, provided by Dart, of 35 million cubic feet of gas per day (MMCFD) per license. An initial gas price of \$10.50 per MMBTU, adjusted by license for energy content and escalated 2 percent per year until 2026, was used only to determine the economic viability for each drilling location. While our capital and operating expense assumptions were provided to Deloitte, we did not provide an economic analysis of the reserves associated with PEDLs 133 and 159. Deloitte asked us to provide an alternate production profile for PEDL 133 assuming Dart develops the asset at a slower rate. Under the extended drilling profile, 3P reserves are slightly higher as a result of Dart accessing higher gas prices in the later years of production.

In addition to production profiles and capital and operating expense assumptions associated with the probable and possible reserves, we have provided contingent resources volumes and anticipated well-by-well production profiles for PEDLs 133 and 159. We have estimated the gross unrisks contingent gas resources to the Dart interest in PEDLs 133 and 159 to be 102.8 and 109.6 BCF, respectively. These resources represent the primary coals included in the Dart development plan, which are also mapped outside the 3P area. We have provided production profiles for 183 individual wells in PEDL 133 and 88 wells in PEDL 159, all of which have an expectation of economic production. There is no current development plan associated with the contingent resources, and we were unable to provide Deloitte with capital and operating expense assumptions beyond those required to drill, complete, and operate the individual wells. It is not unreasonable to expect that the estimates of contingent gas resources could ultimately be converted to reserves from areas not currently classified as reserves.

For PEDLs 133 and 159, we were provided technical information by the staff of Dart, including historical gas and water production, pressure measurements, gas content measurements, wellbore schematics, drilling and completion information, well logs, core data, test data, and economic parameters. It is our understanding that no technical data have become available since the completion of our March 31 report that would materially change our evaluation. We did not perform any field inspection of the properties, nor did we examine the mechanical operation or condition of the wells and facilities. We have not investigated possible environmental liability related to the properties. Our estimates are based on Dart conducting future development operations in the properties consistent with those projected in the financial model.

#### DESCRIPTION OF CURRENT CSG OPERATIONS

---

The reserves shown in this report are associated with ongoing projects in the Airth Project area in PEDL 133 and the Canonbie Project in PEDL 159 in Scotland, UK. The Airth Project area generated electricity, from gas supplied by the Airth Project area wells, which was sold into the UK/Scottish power grid. The Airth 1 well produced at rates above 600 thousand cubic feet per day (MCFD) for a limited time; however, the limited gas requirements for power generation facilities made it impossible to flow volumes greater than 200 MCFD for an extended period. Gas flow rates from the Airth 1 are expected to be commercial when considering only its drilling and completion costs, but would not support commercial recovery of the capital costs estimated for field facilities; therefore, no proved reserves have been estimated. Probable and possible reserves have been estimated for the area immediately surrounding the Airth Project area in the Limestone Group coals. It is anticipated that a pipeline connection will be completed by year-end 2015, at which time flow rates will be restricted by pipeline capacity to 35 MMCFD. Once the pipeline connection has been completed and extended flow rates are established, it is anticipated that reserves in the Airth 1 and wells offsetting the Airth 1 will be recategorized from probable to proved.

The data available for limited areas of the Canonbie Project near the Broadmeadows 2 well show that the requirements for reserves classification have been met and that individual wells can be expected to be commercial when considering only drilling and completion costs. However, the wells associated with these limited



areas that could be categorized as proved and probable would not support commercial recovery of the estimated capital costs for field facilities; therefore, no proved or probable reserves have been estimated. Possible reserves have been estimated for PEDL 159 for 31 undeveloped locations located near the Broadmeadows 2 well. The possible reserves area has also been limited by the northeast-southwest-trending fault located approximately 2 kilometers (km) north of the Broadmeadows 2 well.

#### **GAS MARKETS**

Dart is currently seeking approval for permits to construct pipelines to connect to the national grid pipeline to the north. The current pipeline design is intended to transport 35 MMCFD from PEDL 159 and 35 MMCFD from PEDL 133.

There is no current marketing plan for the contingent resources volumes; however, it is not unreasonable to expect that the volumes could ultimately be classified as reserves and sold into the national grid.

#### **EVALUATION METHODOLOGY**

NSAI has conducted an independent evaluation of the Dart UK reserves and resources and has presented the results of this work to Deloitte. The following describes specific methodology used to estimate probable and possible reserves:

- Original gas-in-place (OGIP) is calculated for each coal in each spacing unit using the coal density, coal thickness, reservoir pressure, and gas content of the expected drainage area.
- To estimate future gas production for probable or possible developed wells, we have used test rates and, where available, historical production rates, volumetric calculations of OGIP, and our knowledge of recovery factors and production profiles for wells producing from coals with similar thickness and permeability in other basins of the world.
- To estimate future gas production for probable or possible undeveloped wells, we have used test rates and historical production rates for other wells in the area, volumetric calculations of OGIP, and our knowledge of recovery factors and production profiles for wells producing from coals with similar thickness and permeability in other basins of the world.

#### **VOLUMETRIC RESERVES DETERMINATION**

We have estimated the volumetric OGIP for each of the existing and future drilling locations in the projects. The OGIP calculation includes consideration of gas content, coal density, coal thickness, and drainage area, as expressed in the following equations:

$$\text{OGIP} = D * H * A * \text{GC}$$

$$\text{GC} = V_L * P / (P_L + P)$$

$$\text{Reserves} = \text{OGIP} * \text{Recovery Factor}$$



Item	Description	Units
OGIP	Original gas-in-place	BCF
D	Density of coal	grams per cubic centimeter
H	Net thickness of coal	Feet
A	Drainage area (spacing unit) per well	acres
GC	Gas content	standard cubic feet per ton
V <sub>L</sub>	Langmuir volume	standard cubic feet per ton
P <sub>L</sub>	Langmuir pressure	pounds per square inch (absolute)
P	Reservoir pressure	pounds per square inch (absolute)

The Langmuir constants V<sub>L</sub> and P<sub>L</sub> that define the isotherm curve are determined by laboratory adsorption tests. The reservoir (coal) pressures are estimated at the approximate midpoint of the coal members based on the regional pressure gradient of overburden and are used with the isotherm to determine gas content. We divided each license into spacing units representing the anticipated drainage area. A 0.50- by 0.50-km square grid system was built for each of the coals and populated with structural tops, ground elevations, net overburden thickness, and net coal thickness determined from geologic mapping. The gas content, coal density, thickness, and expected drainage area is used to determine gas-in-place for each spacing unit.

We have used our knowledge of recovery factors and production profiles for wells producing from coals with similar thickness and permeability in other basins in the world to provide Deloitte with production profiles on a well-by-well basis. The production profile associated with each well involves a ramp-up period of dewatering, with gas production increasing to a peak rate. After the peak production rate has been maintained for several months, the gas production is then projected to decline to the economic limit.

Based on test information from deeper coals, it appears that excessive overburden could result in a loss of permeability which could cause poor well performance. As such, we have limited our estimates of probable and possible reserves and contingent resources to coals at depths of 1,200 meters or less.

#### CAPITAL AND OPERATING COSTS

As requested, we provided Deloitte capital and operating expense assumptions used to develop the reserves and resources associated with each license area. Facilities costs and operating expense assumptions are consistent with the costs that we reviewed with Dart for our March 31 report. Changes have been made to the type of drilling Dart intends to pursue, and costs have been adjusted accordingly. For the reserves, we provided costs for workovers, production equipment, gathering lines, compression facilities, tie-in to the National Transmission System pipeline for PEDLs 133 and 159, and costs to abandon the wells and production facilities, net of any salvage value. There is no current development plan associated with the contingent resources, and we were unable to provide Deloitte with capital expense assumptions beyond those required to drill, complete, and abandon individual wells. Operating expenses for the reserves and contingent resources have been divided into per-well costs and per-unit-of-production costs.

#### GENERAL CONSIDERATIONS

As in all aspects of oil and gas evaluation, there are uncertainties inherent in the interpretation of engineering and geoscience data; therefore, our conclusions necessarily represent only informed professional judgment.



Supporting data documenting this review, along with data provided by Dart and Deloitte, are on file in our office. The technical persons responsible for conducting this review meet the requirements regarding qualifications, independence, objectivity, and confidentiality set forth in the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by the Society of Petroleum Engineers. We are independent petroleum engineers, geologists, geophysicists, and petrophysicists; we do not own an interest in these properties nor are we employed on a contingent basis.

Sincerely,

**NETHERLAND, SEWELL & ASSOCIATES, INC.**  
Texas Registered Engineering Firm F-2699

/s/ C.H. (Scott) Rees III

By:

C.H. (Scott) Rees III, P.E.  
Chairman and Chief Executive Officer

/s/ Dan Paul Smith

By:

Dan Paul Smith, P.E. 49093  
Senior Vice President

/s/ John G. Hattner

By:

John G. Hattner, P.G. 559  
Senior Vice President

Date Signed: July 2, 2014

Date Signed: July 2, 2014

DWB:JSB

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## Annexure B - Investigating Accountant's Report



The Directors  
Dart Energy Limited  
Level 9, Waterfront Place  
1 Eagle Street  
Brisbane, QLD 4000

21 July 2014

Dear Directors

### ***Investigating Accountant's Report***

#### ***Independent Limited Assurance Report on pro forma historical financial information for inclusion in a Scheme Booklet issued by Dart Energy Limited and Financial Services Guide***

We have been engaged by Dart Energy Limited (the **Company**) to report on the pro forma historical financial information of the Combined Group for the year ended 31 March 2014 for inclusion in the Scheme Booklet dated on or about 23 July 2014 (the **Scheme Booklet**) and relating to the proposed acquisition of the Company's shares by IGas Energy plc under a Scheme of Arrangement (the **Scheme**).

Expressions and terms defined in the Scheme Booklet have the same meaning in this report.

The nature of this report is such that it can only be issued by an entity which holds an Australian financial services licence under the Corporations Act 2001. PricewaterhouseCoopers Securities Ltd, which is wholly owned by PricewaterhouseCoopers holds the appropriate Australian financial services licence under the Corporations Act 2001. This report is both an Investigating Accountant's Report, the scope of which is set out below, and a Financial Services Guide, as attached at Appendix A.

### ***Background***

The Company entered into a Scheme Implementation Agreement with IGas Energy plc (**IGas**) on 9 May 2014 under which it is proposed that IGas will acquire all of the Company's ordinary shares under a scheme of arrangement in Australia.

If the Scheme becomes Effective, on the Implementation Date IGas will acquire all Dart Shares and Scheme Shareholders will be provided with the Scheme Consideration. It is anticipated that the Scheme be implemented in September 2014.

**PricewaterhouseCoopers Securities Ltd, ACN 003 311 617, ABN 54 003 311 617, Holder of Australian Financial Services Licence No 244572**  
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](http://www.pwc.com.au)



### **Scope**

#### ***Pro Forma Historical Financial Information***

You have requested PricewaterhouseCoopers Securities Ltd to review the following pro forma historical financial information for the Combined Group included in the Scheme Booklet:

- the pro forma historical balance sheet of the Combined Group for the year ended 31 March 2014 including any underlying pro forma adjustments (**Pro Forma Historical Balance Sheet**) as outlined in section 7.11D of the Scheme Booklet, and
- the pro forma historical income statement of the Combined Group as at 31 March 2014 (**Pro Forma Historical Income Statement**) as outlined in section 7.11E of the Scheme Booklet,

(together, the **Pro Forma Historical Financial Information**).

The Pro Forma Historical Financial Information has been prepared based on the unaudited financial information of the Company for the 12 months ended 31 March 2014 and the audited financial information of IGas for the year ended 31 March 2014 (as set out in section 4 of the Scheme Booklet), including pro forma adjustments to account for the acquisition of Dart by IGas (together the **Pro Forma Adjustments**) as though it had occurred on 1 April 2013 (as described in sections 7.11B-E of the Scheme Booklet).

The Company's historical financial information for the 12 months ended 31 March 2014 has been derived from:

- the reviewed financial statements of Dart for the half year ended 31 December 2013;
- the unaudited financial information of Dart for the three months ended 30 June 2013; and
- the unaudited financial information of Dart for the three months ended 31 March 2014.

The financial statements for the half year ended 31 December 2013 have been reviewed by PricewaterhouseCoopers in accordance with Australian Auditing Standards. PricewaterhouseCoopers issued an unqualified opinion.

The IGas financial statements for the year ended 31 March 2014 have been audited by Ernst & Young LLP in accordance with International Standards on Auditing (UK and Ireland), who issued an unqualified opinion to the members of IGas relating to those financial statements.

The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards and the Combined Group's adopted accounting policies applied to the historical financial information. Due to its nature, the Pro Forma Historical Financial Information does not represent the Combined Group's actual or prospective financial position and financial performance.

### **Directors' responsibility**

The directors of the Company are responsible for the preparation of the Pro Forma Historical Financial Information, including its basis of preparation and the selection and determination of pro forma adjustments made to the historical financial information and included in the Pro Historical Forma Financial Information. This includes responsibility for its compliance with applicable laws and



regulations and for such internal controls as the directors determine are necessary to enable the preparation of Pro Forma Historical Financial Information that is free from material misstatement.

### ***Our responsibility***

Our responsibility is to express a limited assurance conclusion on the Pro Forma Historical Financial Information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

For the avoidance of doubt, our scope did not include, and therefore we are not expressing an opinion on the standalone historical financial information of the Company or IGas.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the Pro Forma Historical Financial Information.

### ***Conclusions***

#### ***Pro Forma Historical Financial Information***

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information comprising:

- the pro forma historical balance sheet of the Combined Group for the year ended 31 March 2014 including any underlying pro forma adjustments (**Pro Forma Historical Balance Sheet**), and
- the pro forma historical income statement of the Combined Group as at 31 March 2014 (**Pro Forma Historical Income Statement**),

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 7.11B of the Scheme Booklet being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies applied to the historical financial information and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in sections 7.11C, 7.11D and 7.11E of the Scheme Booklet, as if those event(s) or transaction(s) had occurred as at 1 April 2013, being the date of the Pro Forma Historical Financial Information.

### ***Restriction on Use***

Without modifying our conclusions, we draw attention to section 7.11B of the Scheme Booklet, which describes the purpose of the Pro Forma Historical Financial Information, being for inclusion in the Scheme Booklet. As a result, the Pro Forma Historical Financial Information may not be suitable for use for another purpose.



***Consent***

PricewaterhouseCoopers Securities Ltd has consented to the inclusion of this assurance report in the public document in the form and context in which it is included.

***Liability***

The liability of PricewaterhouseCoopers Securities Ltd is limited to the inclusion of this report in the Scheme Booklet. PricewaterhouseCoopers Securities Ltd makes no representation regarding, and has no liability for, any other statements or other material in, or omissions from the Scheme Booklet.

***Independence or Disclosure of Interest***

PricewaterhouseCoopers Securities Ltd does not have any interest in the outcome of this transaction other than the preparation of this report and participation in due diligence procedures for which normal professional fees will be received.

***Financial Services Guide***

We have included our Financial Services Guide as Appendix A to our report. The Financial Services Guide is designed to assist retail clients in their use of any general financial product advice in our report.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Wim Blom'.

Wim Blom  
Authorised Representative of  
PricewaterhouseCoopers Securities Ltd



**PRICEWATERHOUSECOOPERS SECURITIES LTD**

**FINANCIAL SERVICES GUIDE**

**This Financial Services Guide is dated 21 July 2014**

**1. About us**

PricewaterhouseCoopers Securities Ltd (ABN 54 003 311 617, Australian Financial Services Licence no 244572) (**PwC Securities**) has been engaged by Dart Energy Limited (the **Company**) to provide a report in the form of an Investigating Accountant's Report in relation to the pro forma historical financial information of the Combined Group for the 12 months ended 31 March 2014 (the **Report**) for inclusion in the Scheme Booklet dated on or about 23 July 2014.

You have not engaged us directly but have been provided with a copy of the Report as a retail client because of your connection to the matters set out in the Report.

**2. This Financial Services Guide**

This Financial Services Guide (**FSG**) is designed to assist retail clients in their use of any general financial product advice contained in the Report. This FSG contains information about PwC Securities generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the Report, and how complaints against us will be dealt with.

**3. Financial services we are licensed to provide**

Our Australian financial services licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities, interests in managed investment schemes, derivatives, superannuation products, foreign exchange contracts, insurance products, life products, managed investment schemes, government debentures, stocks or bonds, and deposit products.

**4. General financial product advice**

The Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.

You should consider your own objectives, financial situation and needs when assessing the suitability of the Report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.



**5. Fees, commissions and other benefits we may receive**

PwC Securities charges fees to produce reports, including this Report. These fees are negotiated and agreed with the entity who engages PwC Securities to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this Report our fees are charged on an hourly basis and as at the date of this Report amount to A\$200,000.

Directors or employees of PwC Securities, PricewaterhouseCoopers, or other associated entities, may receive partnership distributions, salary or wages from PricewaterhouseCoopers.

**6. Associations with issuers of financial products**

PwC Securities and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products. For example, PricewaterhouseCoopers may be the auditor of, or provide financial services to, the issuer of a financial product and PwC Securities may provide financial services to the issuer of a financial product in the ordinary course of its business. PricewaterhouseCoopers was the auditor of Dart Energy for the year ended 30 June 2013 and half year ended 31 December 2013.

**7. Complaints**

If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner. In addition, a copy of our internal complaints handling procedure is available upon request.

If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Ombudsman Service (**FOS**), an external complaints resolution service. FOS can be contacted by calling 1300 780 808. You will not be charged for using the FOS service.

**8. Contact Details**

PwC Securities can be contacted by sending a letter to the following address:

Wim Blom  
Authorised Representative of  
PricewaterhouseCoopers Securities Ltd

Riverside Centre  
123 Eagle Street  
BRISBANEQLD 4000  
GPO Box 150  
BRISBANE QLD 4001

# Annexure C – Scheme Implementation Agreement

## Scheme implementation agreement

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## Scheme implementation agreement

Dart Energy Limited (Target)  
IGas Energy plc (Bidder)

**MinterEllison** | **L A W Y E R S**  
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## Details

### Date

### Parties

**Dart Energy Limited**  
Level 9, Waterfront Place, 1 Eagle Street, Brisbane QLD 4000, Australia  
ABN 21 122 588 505

Short form name  
Notice details

**Target**  
Attention: John McGoldrick/Jessel Gair  
Email: jmcgoldrick@dartgas.com/jgair@dartgas.com

**IGas Energy plc**  
7 Down Street, London W1J 7AJ, United Kingdom  
**Bidder**

Attention: Andrew Austin/Stephen Bowler  
Email: andrew.austin@igasplc.com/stephen.bowler@igasplc.com

### Background

- A Target and Bidder have agreed to implement the Proposed Transaction on and subject to the terms and conditions of this agreement.
- B Target and Bidder have agreed certain other matters in connection with the Proposed Transaction as set out in this agreement.

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## Agreed terms

### 1. Defined terms & interpretation

#### 1.1 Defined terms

In this agreement, unless the context otherwise requires, the following words and expressions have meanings as follows:

**Admission Document** means the document dated 4 April 2014 and published by Target (as a "quoted applicant" under the AIM Rules) in accordance with Rule 3 and Schedule One of the AIM Rules in connection with the admission of the entire issued share capital of the Target to trading on AIM becoming effective within the meaning of the AIM Rules.

**Adviser** means any person who is engaged to provide professional advice of any type (including legal, accounting, consulting or financial advice) to Target or Bidder.

**AIM** means the AIM market of the London Stock Exchange plc.

**AIM Rules** means the AIM Rules for Companies as amended from time to time.

**ASIC** means the Australian Securities and Investments Commission.

**Associate** has the meaning given in Division 2 of Part 1.2 of the Corporations Act as if section 12(1) of that Act included a reference to this agreement and Target was the designated body.

**ASX** means ASX Limited (ABN 98 008 624 691) or, if the context requires, the financial market operated by it.

**Authorised Person** means, in respect of a person:

- (a) a director, officer, partner, member or employee of the person;
- (b) an Adviser of the person; and
- (c) a director, officer or employee of an Adviser of the person.

**Bidder Board** means the means the board of directors of Bidder as constituted from time to time (or any committee of that Board constituted from time to time to consider the relevant matter).

**Bidder Break Fee** has the meaning given in clause 13.6.

**Bidder Costs** is defined in clause 13.2(a).

**Bidder Director** means a director of Bidder from time to time.

**Bidder Exploration Licence** means any UK petroleum exploration development licence in which any member of the Bidder Group has an economic interest and which is either:

- (a) the subject of active material production activity (i.e. producing in excess of 5% of annualised Bidder Group total production); or
- (b) in the exploration or development phase and in respect of which there exists an active joint operating agreement to which a member of the Bidder Group is a party.

**Bidder Group** means Bidder and its Subsidiaries.

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## Annexure C - Scheme Implementation Agreement

### Continued

**Bidder Information** means such information regarding Bidder that is provided by or on behalf of Bidder to Target or the Independent Expert:

- (a) to enable the Scheme Booklet to be prepared and completed in compliance with all applicable laws;
- (b) to enable applications for Regulatory Approvals to be made; and
- (c) otherwise in compliance with Bidder's obligations under clause 6.2(a).

**Bidder Material Adverse Change** means any of the following happening, being announced, disclosed or otherwise becoming known to Target (whether it becomes public or not) after the date of this agreement:

- (a) any event or circumstance which constitutes or gives rise to or may (upon the passage of time, the fulfilment of any condition, or the giving of notice or taking of any other action by a Governmental Agency or any other person) give rise to the suspension, revocation, disclaimer, invalidity, unenforceability, materially adverse variation, premature lapse or premature termination of all or any material rights under any Bidder Exploration Licence (other than planned relinquishment or abandonment) or any Bidder Material Contract;
- (b) the occurrence of the outbreak of war (including civil war), outbreak of hostilities (whether war is declared or not) or terrorism, mobilization of armed forces, insurrection, general civil unrest (other than public protest or opposition to drilling activity), or similar event within 25 kilometres of any of the areas subject of a Bidder Exploration Licence;
- (c) without limiting the generality of the foregoing, any event, action, proceeding, circumstance or change in circumstance that (individually or with others) has or is reasonably likely to have a material adverse effect on the business, assets, liabilities, financial or trading position, profitability, future production or prospects of Bidder and its Subsidiaries taken as a whole, including but not limited to any one or more of the following effects:
  - (i) when considered together with any related events, occurrences or matters, but disregarding the effects of any unrelated events, occurrences or matters, a diminution in the net assets of the Bidder Group by \$10,000,000 or more; or
  - (ii) the incurring of any obligations, liabilities, costs or expenses (contingent or otherwise), other than in the ordinary course of business or pursuant to M&A activity approved by the Bidder Board, where the quantum (whether individually or when aggregated with all such other events) exceeds \$10,000,000,

other than those matters, events or occurrences that are, or arise:

- (a) as a direct result or consequence of the announcement and/or implementation of the Proposed Transaction;
- (b) as a result of any planning policy introduced under any revisions to the National Planning Policy Framework or the Scottish Planning Policy; or
- (c) from general changes in economic, political, business, industry or market conditions (including changes in oil or gas prices) which:
  - (i) are not specific to the Bidder Group; or
  - (ii) affect the Bidder Group in substantially the same manner as its customers and competitors.

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**Bidder Material Contract** means any contractual arrangement to which any member of the Bidder Group is a party which would either be:

- (a) disclosable as a material contract for the purposes of the AIM Rules (pursuant to section 22 of Annex I to the Prospectus Rules published by the FCA in the United Kingdom) were the Bidder producing an admission document as at the date of this agreement and which is a contract with continuing obligations (actual or contingent) in excess of \$5m; or
- (b) material to the Bidder on grounds of accounting for \$5m of gross revenues (in the last, current or, on an estimated basis, the next financial year).

**Bidder Options** means all share options granted by the Bidder pursuant to its employee share plans and long-term incentive plans details of which have been provided to the Target in writing.

**Bidder Prescribed Occurrence** means the occurrence of any of the following on or after the date of this agreement and before 8.00am on the Second Court Date:

- (a) Bidder converts all or any of its shares into a larger or smaller number of shares;
- (b) any member of the Bidder Group resolves to reduce its share capital in any way (other than Bidder Subsidiaries pursuant to intra-group arrangements which have no material effect on the net assets of the Bidder Group taken as a whole);
- (c) any member of the Bidder Group:
  - (i) enters into a buy-back agreement; or
  - (ii) resolves to approve the terms of a buy-back agreement;
- (d) any member of the Bidder Group disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property other than pursuant to farm-in or farm-out transactions in the ordinary course of business or pursuant to M&A activity approved by the Bidder Board;
- (e) any member of the Bidder Group creates or agrees to create, any mortgage, charge, lien or other encumbrance over the whole, or a substantial part, of its business or property, other than in the usual and ordinary course of business consistent with past practice;
- (f) any member of the Bidder Group becomes Insolvent, provided that a Bidder Prescribed Occurrence will not include any matter:
  - (g) required to be done or procured by Bidder pursuant to this agreement or the Scheme;
  - (h) required by law or by an order of a court or Governmental Agency;
  - (i) expressly permitted pursuant to this agreement; or
  - (j) the undertaking of which Target has approved in writing (which approval must not be unreasonably withheld or delayed).

**Bidder Shareholder** means each person who is registered in the register maintained by Bidder as a holder of Bidder Shares.

**Bidder Shares** means a fully paid ordinary share of 10p each in the capital of Bidder.

**Bidder Warranties** means the representations and warranties of Bidder set out in clause 11.1.

**Break Fee** means the Bidder Break Fee or Target Break Fee, as appropriate.

**Business Day** means a day that is not a Saturday, Sunday or a public holiday or bank holiday in Brisbane, Australia or in London, England.

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**CMA** means the Competition and Markets Authority (UK).

**Competing Proposal** means any proposal, offer or transaction by a third party (other than Bidder or its Related Bodies Corporate) that, if completed, would mean:

- a person would acquire a relevant interest or voting power in 20% or more of the Target Shares or of the securities of any of member of the Target Group;
- a person would enter into, buy, dispose of, terminate or otherwise deal with any cash settled equity swap or other synthetic, economic or derivative transaction connected with or relating to 20% or more of the Target Shares or of the securities of any member of the Target Group;
- a person would directly or indirectly acquire or obtain an interest (including an economic interest) in all or a substantial part of the business conducted by, or assets or property of, Target or any member of the Target Group, except as permitted under clause 9.3;
- a person would acquire Control of Target or any member of the Target Group;
- a person may otherwise acquire, or merge with, Target or any member of the Target Group (including by way of takeover bid, scheme of arrangement, capital reduction, sale of assets, sale of securities, strategic alliance, dual listed company structure, joint venture or partnership); or
- Target will issue, on a fully diluted basis, 20% or more of its capital as consideration for the assets or share capital of another person,

or any proposal by Target to implement any reorganisation of capital which would require it to abandon, or otherwise fail to proceed with, the Transaction. Each successive material modification or variation of any proposal, offer or transaction in relation to a Competing Proposal will constitute a new Competing Proposal.

**Conditions** means the conditions set out in clause 4.1 and **Condition** means any one of them.

**Control** has the meaning given under section 50AA of the Corporations Act. Controlled has the equivalent meaning.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Counter Proposal** is defined in clause 12.7(d).

**Court** means the Supreme Court of Queensland or any other court of competent jurisdiction under the Corporations Act as the parties may agree in writing.

**DECC** means the Department of Energy and Climate Change (UK).

**Deed Poll** means the deed poll to be executed by Bidder prior to the date the Scheme Booklet is despatched to Target Shareholders, in such form as the parties agree in writing acting reasonably.

**Due Diligence Period** means the period from the date of this agreement until 6.00pm (London time) on 23 May 2014, or such other time as the parties agree.

**Effective** means, when used in relation to the Scheme, the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the Scheme.

**Effective Date**, with respect to the Scheme, means the date on which the Scheme becomes Effective.

**Encumbrance** includes any interest or equity of any person (including any right to acquire, option or right of pre-emption), any mortgage, charge, pledge, lien, assignment, hypothecation,

security interest (including any created by Law), title retention or other security agreement or arrangement, or net profit interest or net production interest, and any rental, hire purchase, credit or conditional sale or other agreement for payment on deferred terms.

**End Date** means:

- 12 November 2014; or
  - such other date and time agreed in writing between Bidder and Target.
- Excluded Shareholder** means any Target Shareholder who is Bidder or a Related Body Corporate of Bidder.

**Exclusivity Period** means the period commencing on the date of this agreement and ending on the earliest of:

- the End Date;
- the Effective Date of the Scheme; and
- the date this agreement is terminated in accordance with its terms.

**First Court Date** means the date the Court first hears the application to order the convening of the Scheme Meeting under section 411(1) of the Corporations Act.

**Governmental Agency** means any government or representative of a government or any governmental, semi-governmental, administrative, fiscal, regulatory or judicial body, department, commission, authority, tribunal, agency, competition authority or entity and includes any minister, and includes ASIC, ASX, AIM, DECC, the CMA and any regulatory organisation established under statute or any regulation with jurisdiction over Bidder, Target or their respective Subsidiaries.

**Headcount Test** means the requirement under section 411(4)(a)(ii)(A) of the Corporations Act that the resolution to approve the Scheme at the Scheme Meeting is passed by a majority in number of Target Shareholders present and voting, either in person or by proxy.

**Implementation Date** means, with respect to the Scheme, the fifth Business Day, or such other Business Day as the parties agree, following the Record Date for the Scheme.

**Independent Expert** means an expert, independent of the parties, engaged by Target in good faith to opine on whether the Scheme is in the best interests of Target Shareholders.

**Independent Expert's Report** means the report from the Independent Expert commissioned by Target for inclusion in the Scheme Booklet, which includes a statement by the Independent Expert as to whether, in its opinion, the Scheme is in the best interests of Target Shareholders, and includes any update of that report by the Independent Expert.

**Ineligible Foreign Shareholder** means a Target Shareholder whose address as shown in the Target's members register is located outside Australia and its external territories, New Zealand, the United Kingdom, Hong Kong and any other jurisdictions as may be agreed in writing by Target and Bidder (unless Bidder is satisfied that it is permitted to allot and issue New Bidder Shares to that Target Shareholder pursuant to the Scheme by the laws of that place).

**Insolvency Event** means in relation to a person:

- insolvency official**: the appointment of a liquidator, provisional liquidator, administrator, statutory manager, controller, receiver, receiver and manager or other insolvency official (whether under an Australian law or a foreign law) to the person or to the whole or a substantial part of the property or assets of the person and the action is not stayed, withdrawn or dismissed within 14 days;

## Annexure C - Scheme Implementation Agreement

### Continued

(b) **arrangements:** the entry by the person into a compromise or arrangement with its creditors generally;

(c) **winding up:** the calling of a meeting to consider a resolution to wind up the person (other than where the resolution is frivolous or cannot reasonably be considered to be likely to lead to the actual winding up of the person) or the making of an application or order for the winding up or deregistration of the person other than where the application or order (as the case may be) is set aside or withdrawn within 14 days;

(d) **suspends payments:** the person suspends or threatens to suspend payment of its debts as and when they become due;

(e) **ceasing business:** the person ceases or threatens to cease to carry on business;

(f) **insolvency:** the person is or becomes unable to pay its debts when they fall due within the meaning of the Corporations Act or is otherwise presumed to be insolvent under the Corporations Act;

(g) **deregistration:** the person being deregistered as a company or otherwise dissolved;

(h) **deed of company arrangement:** the person executing a deed of company arrangement;

(i) **person as trustee or partner:** the person incurs a liability while acting or purporting to act as trustee (or co-trustee) or general partner of a trust or partnership (including a limited partnership) and the person is not entitled to be fully indemnified against the liability out of trust or partnership assets because of one or more of the following:

- (i) a breach of trust or obligation as partner by the person;
  - (ii) the person acting outside the scope of its powers as trustee or partner;
  - (iii) a term of the trust or partnership denying, or limiting, the person's right to be indemnified against the liability;
  - (iv) the assets of the trust or partnership being insufficient to discharge the liability; or
- (j) **analogous events:** anything analogous to those set out in any of paragraphs (a) to (i) inclusive occurs in relation to the person under the laws of a foreign jurisdiction, and a person shall be **Insolvent** if any event specified in paragraphs (a) to (j) inclusive occur in respect of that person.

**Law** includes all applicable legislation, statutes, directives, regulations, judgments, decisions, decrees, orders, instruments, by-laws, and other legislative measures or decisions having the force of law, treaties, conventions and other agreements between states, or between states and the European Union or other supranational bodies, rules of common law, customary law and equity and all civil or other codes and all other laws of, or having effect in, any jurisdiction from time to time and whether before or after the date of this agreement.

**Listing Rules** means the official listing rules of ASX as amended from time to time.

**New Bidder Shares** means the new Bidder Shares to be issued under the terms of the Scheme as Scheme Consideration.

**Proposed Transaction** means the proposed acquisition by Bidder, in accordance with the terms and conditions of this agreement, of all of the Target Shares (other than the Target Shares held by an Excluded Shareholder) through the implementation of the Scheme.

**Prospectus** means the prospectus dated 30 September 2013 issued by the Bidder in connection with the issue of senior secured guaranteed callable bonds.

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**Prospectus Rules** means the prospectus rules of the United Kingdom Financial Conduct Authority;

**Record Date** means, in respect of the Scheme, 7.00pm on the fifth Business Day (or such other Business Day as the parties agree in writing) following the Effective Date.

**Regulatory Approval** means:

- (a) any approval, consent, authorisation, registration, filing, lodgment, permit, franchise, agreement, notarisation, certificate, permission, licence, direction, declaration, authority, waiver, modification or exemption from, by or with a Governmental Agency; or
- (b) in relation to anything that would be fully or partly prohibited or restricted by law if a Governmental Agency intervened or acted in any way within a specified period after lodgment, filing, registration or notification, the expiry of that period without intervention or action.

**Related Body Corporate** of a person, means a related body corporate of that person under section 50 of the Corporations Act and includes any body corporate that would be a related body corporate if section 48(2) of the Corporations Act was omitted.

**Relevant Notice** is defined in clause 12.7(b)(iv)(B).

**Rival Bidder** is defined in clause 12.7(c).

**RG 60** means Regulatory Guide 60 issued by ASIC.

**Scheme** means the proposed scheme of arrangement pursuant to Part 5.1 of the Corporations Act between Target and Scheme Shareholders in respect of all Scheme Shares, in such form as the parties agree in writing, subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and approved in writing by each party.

**Scheme Booklet** means the explanatory booklet to be prepared by Target in respect of the Proposed Transaction in accordance with the terms of this agreement and to be despatched to Target Shareholders.

**Scheme Consideration** means the consideration to be provided to each of the Scheme Shareholders under the terms of the Scheme, being 0.08117 New Bidder Shares for every Scheme Share (subject to clauses 5.4 and 5.5).

**Scheme Meeting** means the meeting of Target Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act to consider and vote on the Scheme and includes any meeting convened following any adjournment or postponement of that meeting.

**Scheme Share** means a Target Share on issue as at the Record Date other than any Target Share then held by an Excluded Shareholder (but including any such Target Share held on behalf of one or more third parties or otherwise in a fiduciary capacity).

**Scheme Shareholder** means a person who holds one or more Scheme Shares.

**Second Court Date** means the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving the Scheme is heard or scheduled to be heard or, if the application is adjourned for any reason, means the date on which the adjourned application is heard or scheduled to be heard.

**Share Splitting** means the splitting by a holder of Target Shares into two or more parcels of Target Shares whether or not it results in any change in beneficial ownership of the Target Shares.

**Small Shareholder** has the meaning given by clause 5.6(a).

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**Steering Committee** means a working committee for the Proposed Transaction made up of:

- (a) John McGoldrick and Eytan Uliel from Target;
- (b) Andrew Austin and John Blaymires from Bidder; and
- (c) such other representatives of management of each of the Target and the Bidder as the parties may agree from time to time.

**Subject Australian PELs** means the Target Exploration Licences issued in the State of New South Wales and held by the Target Group that have the identification numbers PEL 456, PEL 458, PEL 459, PEL 460, PEL 463, and PEL 464.

**Subsidiary** has the meaning given to that term in section 46 of the Corporations Act.

**Superior Proposal** means a bona fide Competing Proposal which the Target Board determines, acting in good faith and in order to satisfy what the Target Board reasonably considers to be its fiduciary or statutory duties, would, if completed substantially in accordance with its terms, be likely to result in a transaction more favourable to Target Shareholders than the Proposed Transaction having regard to matters including consideration, conditionality, funding, certainty and timing.

**Takeovers Panel** means the Australian Takeovers Panel.

**Target Board** means the board of directors of Target as constituted from time to time (or any committee of that board constituted from time to time to consider the Proposed Transaction on behalf of Target).

**Target Break Fee** has the meaning given in clause 13.3.

**Target Director** means a director of Target from time to time.

**Target Exploration Licence** means each licence referred to in Schedule 2.

**Target Group** means Target and its Subsidiaries.

**Target Material Adverse Change** means any of the following happening, being announced, disclosed or otherwise becoming known to Bidder (whether it becomes public or not) after the date of this agreement:

- (a) the planning appeal in respect of proposed activity on PEDL 133 is decided in a manner that renders the PEDL 133 project impracticable or impossible;
- (b) any event or circumstance which constitutes or gives rise to or may (upon the passage of time, the fulfilment of any condition, or the giving of notice or taking of any other action by a Governmental Agency or any other person) give rise to the suspension, revocation, disclaimer, invalidity, unenforceability, materially adverse variation, premature lapse or premature termination of all or any material rights under any Target Exploration Licence (other than planned relinquishment or abandonment) or any Target Material Contract;
- (c) the occurrence of the outbreak of war (including civil war), outbreak of hostilities (whether war is declared or not) or terrorism, mobilization of armed forces, insurrection, general civil unrest (other than public protest or opposition to drilling activity), or similar event within 25 kilometres of any of the areas subject of a Target Exploration Licence;
- (d) the occurrence of the nationalization or expropriation by a Governmental Agency in any jurisdiction in which a Target Exploration Licence exists of privately owned or held natural resource exploration or mining rights or other property or rights required for the use or enjoyment of those natural resource exploration or mining rights;

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- (e) the grant of mining or other rights or interests of any kind over all or part of any area covered by or the subject of a Target Exploration Licence to any person other than the holder(s) of that Target Exploration Licence (in that capacity) which materially conflict or could reasonably be expected to materially conflict with the enjoyment of the rights conferred or purported to be conferred by that Target Exploration Licence;

- (f) without limiting the generality of the foregoing, any event, action, proceeding, circumstance or change in circumstance that (individually or with others) has or is reasonably likely to have a material adverse effect on the business, assets, liabilities, financial or trading position, profitability, future production or prospects of Target and its Subsidiaries taken as a whole, including but not limited to any one or more of the following effects:

- (i) when considered together with any related events, occurrences or matters, but disregarding the effects of any unrelated events, occurrences or matters, a diminution in the net assets of the Target Group by \$10,000,000 or more; or
- (ii) the incurring of any obligations, liabilities, costs or expenses (contingent or otherwise) where the quantum (whether individually or when aggregated with all such other events) exceeds \$10,000,000,

other than those matters, events or occurrences that are, or arise:

- (a) as a direct result or consequence of the announcement and/or implementation of the Proposed Transaction;
- (b) as a result of any planning policy introduced under any revisions to the National Planning Policy Framework or the Scottish Planning Policy; or
- (c) from general changes in economic, political, business, industry or market conditions (including changes in oil or gas prices) which:

- (i) are not specific to the Target Group; or
- (ii) affect the Target Group in substantially the same manner as its customers and competitors.

**Target Material Contract** any contractual arrangement to which any member of the Target Group is a party which would either be:

- (a) disclosable as a material contract for the purposes of the AIM Rules (pursuant to section 22 of Annex I to the Prospectus Rules published by the FCA in the United Kingdom) were the Target producing an admission document as at the date of this agreement and which is a contract with continuing obligations (actual or contingent) in excess of \$5m; or
- (b) material to the Target on grounds of accounting for \$5m of gross revenues (in the last, current or, on an estimated basis, the next financial year).

**Target Options** means the unlisted options granted by Target detailed in Schedule 3.

**Target Prescribed Occurrence** means the occurrence of any of the following on or after the date of this agreement and before 8.00am on the Second Court Date:

- (a) Target converts all or any of its shares into a larger or smaller number of shares (see section 254H of the Corporations Act);
- (b) any member of the Target Group resolves to reduce its share capital in any way;
- (c) any member of the Target Group:
- (i) enters into a buy-back agreement; or

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- (i) a reference to a person includes a natural person, partnership, body corporate, association, governmental or local authority or agency or other entity;
- (j) a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
- (k) a word or expression defined in the Corporations Act has the meaning given to it in the Corporations Act;
- (l) the meaning of general words is not limited by specific examples introduced by **including**, **for example** or similar expressions;
- (m) a rule of construction does not apply to the disadvantage of a party because the party was responsible for the preparation of this agreement or any part of it; and
- (n) if a day on or by which an obligation must be performed or an event must occur is not a Business Day, the obligation must be performed or the event must occur on or by the next Business Day.

### 1.3 Headings

Headings are for ease of reference only and do not affect interpretation.

## 2. Agreement to propose Scheme

- (a) Target agrees to propose and implement the Scheme on and subject to the terms and conditions of this agreement, and substantially in accordance with the Timetable.
- (b) Bidder agrees to assist Target in proposing and implementing the Scheme on and subject to the terms and conditions of this agreement, and substantially in accordance with the Timetable.

## 3. Due Diligence by Bidder

### 3.1 Enquiries by Bidder

At any time during the Due Diligence Period, Bidder may require Target to provide any and all information to Bidder which is, in any way, connected with the Target Group, its business or operations and which is necessary, in the reasonable opinion of Bidder, for the purpose of allowing Bidder to complete an analysis of the contingent liabilities of the Target Group and the provisions made for such contingent liabilities.

### 3.2 Obligations on Target to provide information

- (a) Target must provide any information required by Bidder under clause 3.1 that is within the possession or control of the Target Group, or that is reasonably accessible or capable of being reasonably compiled by Target from information within the possession or control of Target Group, to the extent it is reasonable for a purchaser of all of the Target Shares to request that information and to the extent the information would be considered material by a purchaser of all of the Target Shares, acting reasonably.
- (b) Target must provide the information to Bidder under clause 3.2(a) as soon as reasonably practicable after the information is requested by Bidder:
  - (i) through the electronic data room established by Target; or
  - (ii) by making it available for inspection in legible hard copy form or on computer at Target's registered office.

- (ii) resolves to approve the terms of a buy-back agreement under subsections 257C(1) or 257D(1) of the Corporations Act;
- (d) except for an issue of Target Shares upon the exercise of Target Options, any member of the Target Group issues shares, or grants a performance right, an option or a warrant or other analogous instrument over or in respect of its shares, or agrees to make such an issue or grant such a right, option, warrant or instrument;
- (e) any member of the Target Group issues, or agrees to issue, convertible notes;
- (f) any member of the Target Group disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
- (g) any member of the Target Group creates or agrees to create, any mortgage, charge, lien or other encumbrance over the whole, or a substantial part, of its business or property, other than in the usual and ordinary course of business consistent with past practice;
- (h) any member of the Target Group becomes Insolvent, provided that a Target Prescribed Occurrence will not include any matter:
  - (i) required to be done or procured by Target pursuant to this agreement or the Scheme;
  - (j) required by law or by an order of a court or Governmental Agency;
  - (k) expressly permitted pursuant to this agreement (including clause 9.3); or
  - (l) the undertaking of which Bidder has approved in writing (which approval must not be unreasonably withheld or delayed).

**Target Share** means an issued fully paid ordinary share in the capital of Target.

**Target Shareholder** means each person who is registered in the register maintained by Target under section 168(1) of the Corporations Act as a holder of Target Shares.

**Target Warranties** means the representations and warranties of Target set out in clause 11.3.

**Timetable** means the indicative timetable in relation to the Proposed Transaction set out in Schedule 1 with such modifications as may be agreed in writing by the parties.

### 1.2 Interpretation

In this agreement, except where the context otherwise requires:

- (a) the singular includes the plural and vice versa, and a gender includes other genders;
- (b) another grammatical form of a defined word or expression has a corresponding meaning;
- (c) a reference to a clause, paragraph, schedule or annexure is to a clause or paragraph of, or schedule or annexure to, this agreement, and a reference to this agreement includes any schedule or annexure;
- (d) a reference to a document or instrument includes the document or instrument as novated, altered, supplemented or replaced from time to time;
- (e) a reference to **A\$, \$A, AUD, dollar** or **\$** is to Australian currency;
- (f) a reference to **£, GBP** or **STG** is to the lawful currency of the United Kingdom;
- (g) a reference to time is to Brisbane, Australia time;
- (h) a reference to a party is to a party to this agreement, and a reference to a party to a document includes the party's executors, administrators, successors and permitted assigns and substitutes;

### 3.3 Right of termination for failure to provide information

Bidder may, within 3 Business Days after the end of the Due Diligence Period, terminate this agreement by notice in writing to Target if Target:

- (a) breaches its obligations under clause 3.2; or
- (b) has not provided to Bidder all information required by Bidder under clause 3.1 within 3 Business Days before the end of the Due Diligence Period.

### 3.4 Right of termination or change of terms for adverse due diligence findings

Bidder may, at any time within 3 Business Days after the end of the Due Diligence Period, terminate this agreement by notice in writing to Target if the contingent liabilities of the Target Group exceed the provision made for the same (in the sum of \$11.4m as at 31 December 2013) by more than \$10m in the reasonable opinion of the Bidder.

## 4. Conditions precedent and pre-implementation steps

### 4.1 Conditions to Scheme

Subject to this clause 4, the Scheme will not become Effective until each of the following conditions precedent is satisfied or waived to the extent and in the manner set out in this clause 4:

- (a) **(FIRB)** before 8.00am on the Second Court Date, the Treasurer of the Commonwealth of Australia either:
  - (i) issues a notice under the *Foreign Acquisitions and Takeovers Act 1975* (Ch) (**FATA**) stating that the Commonwealth Government does not object to the acquisition of the Target Shares by Bidder under the Proposed Transaction; or
  - (ii) has ceased to be empowered to make any order under the FATA in relation to the acquisition of the Target Shares by Bidder under the Proposed Transaction;
- (b) **(ASIC and ASX)** before 8.00am on the Second Court Date, ASIC and ASX issue or provide such consents or approvals as are necessary or which Target and Bidder agree are necessary or desirable to implement the Proposed Transaction and such consent, approval or other act has not been withdrawn or revoked before 8.00am on the Second Court Date;
- (c) **(Other Regulatory Approvals)** before 8.00am on the Second Court Date, all Regulatory Approvals that Target and Bidder, acting reasonably, agree within 3 Business Days of the end of the Due Diligence Period are required to implement the Scheme are granted or obtained and those Regulatory Approvals are not withdrawn or revoked before 8.00am on the Second Court Date;
- (d) **(Independent Expert)** the Independent Expert concluding in the Independent Expert's Report that in its opinion the Scheme is in the best interests of Scheme Shareholders and the Independent Expert not having publicly changed, withdrawn or qualified this conclusion on or before 8.00am on the Second Court Date;
- (e) **(Shareholder approval)** the Scheme is approved by Target Shareholders at the Scheme Meeting by the majorities required under section 411(4)(a)(ii) of the Corporations Act (or, where clause 4.6 applies, the majority required under section 411(4)(a)(ii)(B) of the Corporations Act);
- (f) **(Court approval)** the Scheme is approved by the Court in accordance with section 411(4)(b) of the Corporations Act either unconditionally or on conditions that do not impose unduly onerous obligations upon either party (acting reasonably);

- (g) **(Bidder Shareholder approval)** before 8.00am on the Second Court Date, the Bidder Shareholders having given the directors of Bidder authority to allot the New Bidder Shares by the majority required under the *Companies Act 2006* (UK);
- (h) **(AIM Admission)** before 8.00am on the Second Court Date, application has been made for the New Bidder Shares to be admitted to trading on AIM and AIM has not indicated that admission may be withheld, restricted, delayed or subject to non-customary conditions;
- (i) **(Change of control consents under Australian exploration licences)** before 8.00am on the Second Court Date, all approvals of any Minister or other Governmental Agency are obtained as required under the terms of the Subject Australian PELs in respect of the proposed change in the control of the licence holder and/or foreign acquisition of the licence holder that will arise as result of the Proposed Transaction;
- (j) **(Other change of control consents)** before 8.00am on the Second Court Date, all approvals of any relevant contractual counterparties having such rights to termination in respect of the proposed change in the control of the relevant member of the Target Group (direct or indirect) that will arise as result of the Proposed Transaction, as agreed between the parties;
- (k) **(Third party consents)** before 8.00am on the Second Court Date, all consents, waivers and approvals of a third party which the Bidder and the Target agree, acting reasonably, within 3 Business Days of the end of the Due Diligence Period are necessary to implement the Proposed Transaction are obtained. If any such consents, waivers and/or approvals are granted subject to conditions, those conditions must be reasonably acceptable to the Bidder and Target;
- (l) **(No Target Prescribed Occurrence)** no Target Prescribed Occurrence occurs between the date of this agreement and 8.00am on the Second Court Date;
- (m) **(No Bidder Prescribed Occurrence)** no Bidder Prescribed Occurrence occurs between the date of this agreement and 8.00am on the Second Court Date;
- (n) **(Restraints)** no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or Governmental Agency or other legal restraint or prohibition preventing the Scheme is in effect at 8.00am on the Second Court Date;
- (o) **(No Target Material Adverse Change)** there is no Target Material Adverse Change between the date of this agreement and 8.00am on the Second Court Date;
- (p) **(No Bidder Material Adverse Change)** there is no Bidder Material Adverse Change between the date of this agreement and 8.00am on the Second Court Date;
- (q) **(Target Warranties)** the Target Warranties being true and correct in all material respects on the date of this agreement and at 8.00am on the Second Court Date;
- (r) **(Bidder Warranties)** the Bidder Warranties being true and correct in all material respects on the date of this agreement and at 8.00am on the Second Court Date.

### 4.2 Benefit and waiver of conditions precedent

- (a) The Conditions in clauses 4.1(a), 4.1(e), 4.1(f) and 4.1(g) are for the benefit of each party and any breach or non-fulfilment of any of them cannot be waived.
- (b) The Conditions in clauses 4.1(b), 4.1(c) and 4.1(n) are for the benefit of each party and any breach or non-fulfilment of any of them may only be waived (if capable of waiver) with the written consent of both parties.

### 4.4 Notifications

Each of Bidder and Target must:

- keep the other promptly and reasonably informed of the steps it has taken and of its progress towards satisfaction of the Conditions;
- promptly notify the other in writing if it becomes aware that any Condition has been satisfied; and
- promptly notify the other in writing if it becomes aware that any Condition has been breached or is or has become incapable of being satisfied (having regard to the respective obligations of each party under clause 4.3(b)).

### 4.5 Certificate

On the Second Court Date, Bidder and Target will provide a joint certificate to the Court confirming whether or not the Conditions (other than the Condition set out in clause 4.1(f)) have been satisfied or waived in accordance with the terms of this agreement.

### 4.6 Scheme voted down

If the Scheme is not approved by Target Shareholders at the Scheme Meeting by reason only of the non-satisfaction of the Headcount Test and Target or Bidder considers, acting reasonably, that Share Splitting or some abusive or improper conduct may have caused or contributed to the Headcount Test not having been satisfied then Target must:

- apply for an order of the Court contemplated by section 411(4)(a)(ii)(A) of the Corporations Act to disregard the Headcount Test and seek Court approval of the Scheme under section 411(4)(b) of the Corporations Act, notwithstanding that the Headcount Test has not been satisfied; and
- make such submissions to the Court and file such evidence as counsel engaged by Target to represent it in Court proceedings related to the Scheme, in consultation with Bidder, considers reasonably required to seek to persuade the Court to exercise its discretion under section 411(4)(a)(ii)(A) of the Corporations Act by making an order to disregard the Headcount Test.

### 4.7 Conditions not capable of being fulfilled

- Subject to clause 4.7(b), if a Condition becomes incapable of being satisfied before the End Date, then unless the relevant Condition (where capable of waiver) is waived:
  - in relation to the Conditions in clauses 4.1(a), 4.1(b), 4.1(c), 4.1(e), 4.1(f), 4.1(g) and 4.1(n), either Bidder or Target may terminate this agreement by giving the other notice without any liability to any party by reason of that termination alone;
  - in relation to the Conditions in clauses 4.1(i), 4.1(j), 4.1(k), 4.1(l), 4.1(o) and 4.1(q), Bidder may terminate this agreement by giving Target notice without any liability to any party by reason of that termination alone; and
  - in relation to the Conditions in clauses 4.1(d), 4.1(h), 4.1(m), 4.1(p) and 4.1(r), Target may terminate this agreement by giving Bidder notice without any liability to any other party by reason of that termination alone.
- A party will not be entitled to terminate this agreement pursuant to clause 4.7(a) if the relevant Condition has not been satisfied as a result of a breach of this agreement by that party.

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- The Conditions in clauses 4.1(i), 4.1(j), 4.1(k), 4.1(l), 4.1(o) and 4.1(q) are for the sole benefit of Bidder and any breach or non-fulfilment of any of them may only be waived by Bidder giving its written consent.
- The Conditions in clauses 4.1(d), 4.1(h), 4.1(m), 4.1(p) and 4.1(r) are for the sole benefit of Target and any breach or non-fulfilment of any of them may only be waived by Target giving its written consent.
- A party entitled to waive the breach or non-fulfilment of a Condition pursuant to this clause 4.2 (either individually or jointly) may do so in its absolute discretion.
- Any waiver of the breach or non-fulfilment of a Condition by a party who is entitled to do so pursuant to this clause 4.2 is only effective if such waiver is given on or prior to 8.00am on the Second Court Date.
- If a party waives the breach or non-fulfilment of any Condition pursuant to this clause 4.2, that waiver will not preclude it from suing the other party for any breach of this agreement (including without limitation in respect of a breach that resulted in the non-fulfilment of the Condition that was waived).

### 4.3 Procuring satisfaction of the Conditions

- Target and Bidder will use their respective reasonable endeavours to procure that each of the Conditions is satisfied as soon as reasonably practicable after the date of this agreement or continues to be satisfied at all times until the last time they are to be satisfied (as the case may require).

- Each of Target and Bidder must:

- promptly apply for all notices, consents, approvals and Regulatory Approvals necessary in order to satisfy the Conditions in clauses 4.1(a), 4.1(b), 4.1(c) and 4.1(i) and provide the other party with a copy of all such applications;
  - take all the steps for which it is responsible as part of the process to obtain the notices, consents, approvals and Regulatory Approvals necessary in order to satisfy the Conditions in clauses 4.1(a), 4.1(b), 4.1(c) and 4.1(i);
  - respond, at the earliest practicable time, to all requests for information in respect of the applications for notices, consents, approvals and Regulatory Approvals necessary in order to satisfy the Conditions in clauses 4.1(a), 4.1(b), 4.1(c) and 4.1(i);
  - provide the other with all information and assistance reasonably requested in connection with the applications for notices, consents, approvals and Regulatory Approvals necessary in order to satisfy the Conditions in clauses 4.1(a), 4.1(b), 4.1(c) and 4.1(i); and
  - so far as it is able, allow the other and its Authorised Persons the opportunity to be present and make submissions at any meetings with any regulatory body relating to the notices, consents, approvals and Regulatory Approvals necessary in order to satisfy the Conditions in clauses 4.1(a), 4.1(b), 4.1(c) and 4.1(i).
- Each of Target and Bidder must use their respective reasonable endeavours to agree a proposed strategy to obtain any consents, waivers or approvals of a third party required to satisfy the Condition in clauses 4.1(j) and 4.1(k), and then must each use their best endeavours to expeditiously seek those consents, waivers or approvals in accordance with the agreed strategy.

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## 4.8 Interpretation

For the purposes of this clause 4, a Condition will be incapable of satisfaction, or incapable of being fulfilled if:

- (a) in the case of any of the Conditions in clauses 4.1(a), 4.1(b), 4.1(c) and 4.1(i) – the relevant authority makes or has made a final adverse determination in writing to the effect that it will not provide the notice, consent, approval or Regulatory Approval, or will only provide the notice, consent, approval or Regulatory Approval subject to conditions that are not reasonably satisfactory to Bidder; and
- (b) in all other cases – there is an act, failure to act or occurrence that will prevent the Condition being satisfied by the End Date (and the breach or non-fulfilment that would otherwise have occurred has not already been waived in accordance with this agreement).

## 5. Scheme structure

### 5.1 Scheme

The parties acknowledge and agree that, subject to the Scheme becoming Effective, on the Implementation Date the general effect of the Scheme will be that all of the Scheme Shares will be transferred to Bidder and the Scheme Shareholders will be entitled to receive, for each Scheme Share held at the Record Date, the Scheme Consideration.

### 5.2 Scheme Consideration

- (a) Bidder covenants in favour of Target (in its own right and separately as trustee for each of the Scheme Shareholders), in consideration for the transfer to Bidder of the Scheme Shares held by each Scheme Shareholder under the terms of the Scheme, to provide to each Scheme Shareholder the Scheme Consideration in accordance with the terms of the Scheme.
- (b) Subject to clauses 5.4 and 5.5 and to the Scheme becoming Effective, on the Implementation Date the transactions which form part of the Scheme will be implemented in accordance with the terms of the Scheme which will provide that:
  - (i) subject to the provision of the Scheme Consideration, all existing Target Shares at the Record Date will be transferred to Bidder or its nominee and they will accept that transfer; and
  - (ii) in exchange, each Scheme Shareholder will receive the Scheme Consideration.

### 5.3 Allotment and issue of New Bidder Shares

Subject to clauses 5.4 and 5.5 and to the Scheme becoming Effective, Bidder must:

- (a) allot and issue the New Bidder Shares to Scheme Shareholders in accordance with the Scheme on terms such that each New Bidder Share will rank equally in all respects with each existing Bidder Share;
- (b) do everything reasonably necessary to ensure that the New Bidder Shares are admitted to trading on AIM and that trading in the New Bidder Shares commences by the first Business Day after the Implementation Date; and
- (c) ensure that on allotment, each New Bidder Share will be fully paid and free from any mortgage, charge, lien, encumbrance or other security interest.

### 5.4 Treatment of foreign Target Shareholders

Unless Bidder is satisfied that the laws of an Ineligible Foreign Shareholder's country of residence (as shown in the register of Target Shareholders) permit the issue of New Bidder Shares to the

Ineligible Foreign Shareholder either unconditionally or after compliance with terms which Bidder reasonably regards as acceptable and practical, Bidder will not issue any New Bidder Shares to Ineligible Foreign Shareholders, and instead will issue the New Bidder Shares that would otherwise have been issued to the Ineligible Foreign Shareholders to a nominee appointed by Bidder. Bidder will procure that the nominee sell those New Bidder Shares on-market and remit the proceeds from that sale (after deducting any selling costs and taxes) to Bidder. Bidder will then remit the proceeds it receives to the Ineligible Foreign Shareholders in accordance with their entitlement.

### 5.5 Treatment of fractions

Any fractional entitlement of a Scheme Shareholder to a part of a New Bidder Share will be rounded up or down to the nearest whole number of New Bidder Shares (rounded up if the fractional entitlement is equal to or greater than one half, and rounded down if the fractional entitlement is less than one half). The Scheme will contain standard provisions under which Bidder will have the discretion to deem the holdings of two or more Scheme Shareholders to be held by one Scheme Shareholder to prevent any Share Splitting designed to obtain unfair advantage by reference to such rounding.

### 5.6 Small Shareholder dealing facility

- (a) Bidder must procure that certain former Target Shareholders whose holdings of New Bidder Shares are valued at AS\$5,000 on the Effective Date or less (**Small Shareholders**) are invited to elect to have the New Bidder Shares issued to them under the Scheme sold on their behalf by a third party broker (**Share Dealing Facility**) on the following terms:

- (i) the Share Dealing Facility will be implemented after implementation of the Scheme;
- (ii) participation in the Share Dealing Facility will be by election only, no former Target Shareholder will be compulsorily required to sell any New Bidder Shares issued to them under the Scheme;
- (iii) the third party broker will attempt to sell those New Bidder Shares on-market and remit the proceeds from that sale (after deducting any selling costs and taxes) to each former Target Shareholder who elects to participate in the Share Dealing Facility;
- (iv) the sale of New Bidder Shares under the Share Dealing Facility by the third party broker will be on a reasonable endeavours basis, with no guarantee that any New Bidder Shares will be sold and with no guarantee of the sale price that may be achieved;
- (v) the timing of sales of New Bidder Shares under the Share Dealing Facility may, at the absolute discretion of the Bidder and the third party broker, be staged over an appropriate period of time in order for those New Bidder Shares to be sold in an orderly manner; and
- (vi) such other terms as the Bidder determines, acting reasonably.

- (b) The parties must ensure that the Scheme Booklet includes a form or such other mechanism under which Small Shareholders may elect to participate in the Share Dealing Facility (such election to be on an 'opt in' basis).

### 5.7 Target Options

Each of Target and Bidder must use their respective reasonable endeavours to agree a proposed strategy to ensure that all of the Target Options are either acquired by Bidder or its nominee or are

canceled, and then must each use their best endeavours to expeditiously seek to acquire and/or cancel the Target Options in accordance with the agreed strategy.

**5.8 Deed Poll**

Bidder covenants in favour of Target (in its own right and separately as trustee for each of the Scheme Shareholders) to execute and deliver the Deed Poll prior to the First Court Date.

**6. Scheme – parties' respective implementation obligations**

**6.1 Target's obligations**

Target must take all steps reasonably necessary to implement the Scheme as soon as reasonably practicable after the date of this agreement and substantially in accordance with the Timetable, including without limitation taking each of the following steps:

- (a) **(Scheme Booklet)** prepare the Scheme Booklet in compliance with all applicable laws (in particular with the Corporations Act, RG 60 and the Listing Rules);
- (b) **(drafts of Scheme Booklet)** make available to Bidder drafts of the Scheme Booklet (excluding any draft of the Independent Expert's Report), consult with Bidder in relation to the content of those drafts (other than the Bidder Information), and consider in good faith, for the purpose of amending those drafts, comments from Bidder on those drafts;
- (c) **(experts)** provide all assistance and information reasonably requested by any experts appointed by Target and/or Bidder in connection with the Proposed Transaction;
- (d) **(approval of Bidder Information)** seek approval from Bidder for the form and context in which the Bidder Information appears in the Scheme Booklet, which approval Bidder must not unreasonably withhold or delay, and Target must not lodge the Scheme Booklet with ASIC until such approval is obtained from Bidder;
- (e) **(liaison with ASIC)** as soon as reasonably practicable after the date of this agreement:
  - (i) provide an advanced draft of the Scheme Booklet to ASIC for its review and approval for the purposes of section 411(2) of the Corporations Act; and
  - (ii) liaise with ASIC during the period of its consideration of that draft of the Scheme Booklet and keep Bidder reasonably informed of any matters raised by ASIC in relation to the Scheme Booklet and use reasonable endeavours, in consultation with Bidder, to resolve any such matters;
- (f) **(approval of Scheme Booklet)** as soon as reasonably practicable after the conclusion of the review by ASIC of the Scheme Booklet, procure that a meeting of the Target Board, or of a committee of the Target Board appointed for the purpose, is held to consider approving the Scheme Booklet for despatch to the Target Shareholders, subject to orders of the Court under section 411(1) of the Corporations Act;
- (g) **(section 411(17)(b) statements)** apply to ASIC for the production of statements in writing pursuant to section 411(17)(b) of the Corporations Act stating that ASIC has no objection to the Scheme;
- (h) **(first Court hearing)** lodge all documents with the Court and take all other reasonable steps to ensure that promptly after, and provided that, the approval in clause 4.1(f) has been received, an application is heard by the Court for an order under section 411(1) of the Corporations Act directing Target to convene the Scheme Meeting;
- (i) **(registration of Scheme Booklet)** if the Court directs Target to convene the Scheme Meeting, as soon as possible after such orders are made, request ASIC to register the

explanatory statement included in the Scheme Booklet in relation to the Scheme in accordance with section 412(6) of the Corporations Act;

- (j) **(convening Scheme Meeting)** take all reasonable steps necessary to comply with the orders of the Court including, as required, despatching the Scheme Booklet to the Target Shareholders and convening and holding the Scheme Meeting, provided that if this agreement is terminated under clause 16 Target will take all steps reasonably required to ensure the Scheme Meeting is not held;
  - (k) **(Court approval application if parties agree that conditions are capable of being satisfied)** if the resolution submitted to the Scheme Meeting is passed by the majorities required under the Corporations Act (or, where clause 4.6 applies, the majority required under section 411(4)(a)(i)(B) of the Corporations Act) and, if necessary, the parties agree on the Business Day immediately following the Scheme Meeting that it can be reasonably expected that all of the Conditions will be satisfied or waived prior to the proposed Second Court Date, apply (and, to the extent necessary, re-apply) to the Court for orders approving the Scheme;
  - (l) **(implementation of Scheme)** if the Scheme is approved by the Court:
    - (i) subject to the Listing Rules, promptly lodge with ASIC an office copy of the orders approving the Scheme in accordance with section 411(10) of the Corporations Act;
    - (ii) determine entitlements to the Scheme Consideration as at the Record Date in accordance with the Scheme;
    - (iii) execute proper instruments of transfer of and, subject to payment of the Scheme Consideration, effect and register the transfer of the Scheme Shares to Bidder on the Implementation Date; and
    - (iv) do all other things contemplated by or necessary to give effect to the Scheme and the orders of the Court approving the Scheme;
  - (m) **(documents)** consult with Bidder in relation to the content of the documents required for the purpose of the Scheme (including originating process, affidavits, submissions and draft minutes of Court orders); and
  - (n) **(compliance with laws)** do everything reasonably within its power to ensure that all transactions contemplated by this agreement are effected in accordance with all applicable laws and regulations.
- 6.2 Bidder's obligations**
- Bidder must take all steps reasonably necessary to assist Target to implement the Scheme as soon as reasonably practicable and substantially in accordance with the Timetable including, without limitation, taking each of the following steps:
- (a) **(Bidder Information)** provide to Target all information regarding Bidder, the Scheme Consideration, and Bidder's intentions with respect to the assets, business and employees of Target if the Scheme is approved and implemented that is required by all applicable laws (in particular with the Corporations Act, RG 60 and the Listing Rules) for inclusion in the Scheme Booklet;
  - (b) **(Consultation regarding Bidder Information)** consult with Target in relation to the content of the information provided under clause 6.2(a) and consider in good faith, for the purpose of amending the disclosure of that information in the Scheme Booklet, comments from Target in relation to that information;

- (c) **(AIM Admission)** do everything reasonably necessary to ensure that the New Bidder Shares are admitted to trading on AIM;
- (d) **(experts)** promptly provide all assistance and information reasonably requested by any experts appointed by Target and/or Bidder in connection with the Proposed Transaction;
- (e) **(Representation)** procure that, if requested by Target, Bidder is represented by counsel at the Court hearings convened for the purposes of section 411(4)(b) of the Corporations Act; and
- (f) **(Compliance with laws)** do everything reasonably within its power to ensure that all transactions contemplated by this agreement are effected in accordance with all applicable laws and regulations.
- 6.3 New information**
- (a) Target must provide to Bidder all such further or new information of which Target becomes aware that arises after the Scheme Booklet has been despatched until the date of the Scheme Meeting where this is or may be necessary to ensure that the Scheme Booklet continues to comply with the Corporations Act, RG 60 and the Listing Rules.
- (b) Bidder must provide to Target all such further or new information of which Bidder becomes aware that arises after the Scheme Booklet has been despatched until the date of the Scheme Meeting where this is or may be necessary to ensure that the Bidder Information continues to comply with the Corporations Act, RG 60 and the Listing Rules.
- 6.4 Verification**
- (a) Target must undertake reasonable verification processes in relation to the information included in the Scheme Booklet (other than the Bidder Information) so as to ensure that such information is not misleading or deceptive in any material respect (whether by omission or otherwise) and must provide evidence reasonably satisfactory to Bidder that such verification processes have been carried out.
- (b) Bidder must undertake reasonable verification processes in relation to the Bidder Information so as to ensure that such information is not misleading or deceptive in any material respect (whether by omission or otherwise) and must provide evidence reasonably satisfactory to Target that such verification processes have been carried out.
- 6.5 Responsibility statements**
- The Scheme Booklet will include a responsibility statement, in a form to be agreed by the parties, that will contain words to the following effect:
- (a) that, to the maximum extent possible at law, Target will not be responsible for any Bidder Information or any statements directly derived from Bidder Information and will disclaim any liability for Bidder Information or such statements appearing in the Scheme Booklet; and
- (b) that, to the maximum extent possible at law, Bidder will not be responsible for any information appearing in the Scheme Booklet other than the Bidder Information and will disclaim any liability for any information appearing in the Scheme Booklet other than the Bidder Information.

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## 6.6 Disagreement on content

If Bidder and Target disagree on the form or content of the Scheme Booklet, they must consult in good faith to try to settle an agreed form of the Scheme Booklet. If complete agreement is not reached after reasonable consultation, then:

- if the disagreement relates to the form or content of any information appearing in the Scheme Booklet other than the Bidder Information, the Target Board will, acting in good faith, decide the final form or content of the disputed part of the Scheme Booklet; and
- if the disagreement relates to the form or content of the Bidder Information, Target will make such amendments to the form or content of the disputed part of the Bidder Information as Bidder reasonably requires.

## 7. Target Board recommendation

### 7.1 Recommendation

Subject to clause 7.3, Target represents and warrants to Bidder, as at the date of this agreement, that it has been advised by each Target Director that he or she will recommend that Target Shareholders vote in favour of the Scheme, qualified only by the words to the effect of 'in the absence of a superior proposal' and 'the Independent Expert concluding that the Scheme is in the best interests of Target Shareholders'.

### 7.2 Scheme Booklet to contain recommendation

Subject to clause 7.3, Target must ensure that the Scheme Booklet includes:

- a unanimous recommendation by the Target Board that Target Shareholders vote in favour of the Scheme, qualified only by the words to the effect of 'in the absence of a superior proposal'; and
- a statement by each Target Director that he or she will vote in favour of the Scheme in respect of all Target Shares controlled or held by, or on behalf of, that Target Director, qualified only by the words to the effect of 'in the absence of a superior proposal'.

### 7.3 Withdrawal or modification of recommendation

Target represents and warrants to Bidder, as at the date of this agreement, that it has been advised by each Target Director that he does not intend to:

- change, withdraw or modify his recommendation of the Scheme; and
  - make any public statement or take any other action that is inconsistent with his recommendation of the Scheme,
- in each case except where:
- the Independent Expert concludes that the Scheme is not in the best interests of Target Shareholders;
  - having concluded that the Scheme is in the best interests of Target Shareholders, the Independent Expert publicly changes, withdraws or qualifies this conclusion; or
  - Target receives a Competing Proposal and the Target Board determines, after all of Bidder's rights under clause 12.7 have been exhausted, that the Competing Proposal constitutes a Superior Proposal.

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## Continued

### 8. Bidder Board recommendation

#### 8.1 Recommendation

Subject to clause 8.3, Bidder represents and warrants to Target, as at the date of this agreement, that it has been advised by each Bidder Director that he or she will recommend that Bidder Shareholders vote in favour of the resolution to approve the allotment of New Bidder Shares referred to in clause 4.1(g).

#### 8.2 Notice of meeting to contain recommendation

Subject to clause 8.3, Bidder must ensure that the notice of meeting sent to Bidder Shareholders to consider and, if thought fit, approve the allotment of New Bidder Shares referred to in clause 4.1(g) includes:

- a unanimous recommendation by the Bidder Board that Bidder Shareholders vote in favour of the resolution; and
- a statement by each Bidder Director that he or she will vote in favour of the resolution in respect of all voting rights attaching to Bidder Shares controlled or held by, or on behalf of, that Bidder Director.

#### 8.3 Withdrawal or modification of recommendation

Bidder represents and warrants to Target, as at the date of this agreement, that it has been advised by each Bidder Director that he or she does not intend to:

- change, withdraw or modify his or her recommendation referred to in clause 8.1; and
- make any public statement or take any other action that is inconsistent with such recommendation,

in each case except where the Bidder Board has obtained written advice from Bidder's external UK legal adviser practising in the area of corporate law that making the recommendation referred to in clause 8.1 is likely to constitute a breach of the fiduciary or statutory obligations of the Bidder Board or would otherwise be unlawful.

### 9. Conduct of business before the Implementation Date

#### 9.1 Conduct of Target business and Bidder business

Subject to clause 9.3, from the date of this agreement up to and including the Implementation Date, Bidder and Target must conduct and must cause each of their respective Subsidiaries to conduct their businesses in the ordinary and usual course of business and:

- operate those businesses consistent with past practice, in substantially the same manner as previously conducted;
- use reasonable endeavours to preserve their relationships with customers, suppliers, landlords, licensors, licensees and others having material business dealings with them, and to retain the services of all key employees;
- use reasonable endeavours to ensure that all assets are maintained in the normal course consistent with past practice;
- use reasonable endeavours to comply in all material respects with all material contracts and with all applicable laws, authorisations and licenses; and
- not take any action or fail to take any action within its reasonable control (or that of its Subsidiaries) where that action or failure to take an action (as appropriate) would, or

would be likely to, prevent a Condition being satisfied or result in a Condition not being satisfied.

#### 9.2 Target prohibited actions

Subject to clause 9.3, Target must not, and must procure that the Target Group does not:

- increase the remuneration of, or pay any bonus (excluding sales commission under existing sales commission arrangements), or issue any securities or options to, or otherwise vary the employment agreements or retainers with, any of its directors, employees or consultants with an existing annual total fixed remuneration greater than \$100,000 (**Senior Executive**), other than in respect of proposed retention arrangements on the terms that have been disclosed to Bidder prior to the date of this agreement;
- accelerate the rights of any of its directors or Senior Executives to benefits of any kind;
- pay a director or Senior Executive a termination payment or place them on retainer or other arrangement under which they receive remuneration, other than as provided for in an existing employment contract in place as at the date of this agreement and a copy of which has previously been disclosed to Bidder;
- enter or agree to enter into any agreement in respect of the employment or engagement of a person as a Senior Executive unless:
  - the agreement includes a probationary period of at least three months;
  - the agreement does not include any change of control provision which would be triggered by the Scheme;
  - Bidder is provided with a reasonable opportunity to interview the prospective employee or consultant; and
  - Target takes into consideration any reasonable comments of Bidder prior to determining whether to enter into such agreement;
- permit any of its insurances to lapse or do anything that would make any policy of insurances void or voidable;
- give or agree to give a financial benefit to a related party;
- enter into any new financing arrangements in excess of \$5 million in aggregate;
- enter into any arrangement under which a member of the Target Group may be required to advance or provide financial accommodation to another party, other than in the ordinary course of business;
- modify the rules of any share based incentive plan or the terms of issue of any Target Options;
- exercise or waive any pre-emptive rights or rights of first or last refusal in respect of any shares, assets or property held by another person prior to the final date on which those rights may be exercised;
- declare, pay or distribute any dividend, bonus or other share of its profits or assets by way of dividend, capital reduction or otherwise;
- amend its constitution;
- alter the nature or scope of its business in any material way;
- enter into any transaction other than on arm's length terms and for full and proper consideration;

- (c) acquire (whether by one transaction or by a series of transactions) the whole or a substantial or material part of the business, undertaking or assets of any other person;
- (d) dispose of (whether by one transaction or by a series of transactions related or not) and whether or not in the ordinary course of business the whole or any substantial or material part of its business, undertaking or (except in the ordinary course of business) any other of its assets;
- (e) allow to subsist or redeem any Encumbrance over the whole, or any substantial part, of its undertaking, property or assets;
- (f) enter into any joint venture, partnership or agreement or arrangement for the sharing of profits or assets;
- (g) commence, compromise, settle, waive a right in respect of or discontinue any legal or arbitration proceedings (other than routine debt collection);
- (h) do anything to affect the continuation and validity of all licences and consents upon which its business depends or fail to renew any such licence or consent;
- (i) do anything to affect the value or existing use of any of the premises of the company, including making any material alterations to the same or terminating or giving a notice to terminate any lease or licence under which any premises is held or varying the terms thereof; or
- (j) agree to do any of the matters set out above.

## 9.3 Target and Bidder permitted activities

The obligations of Target and Bidder under clauses 9.1 and 9.2 do not apply in respect of any matter:

- (a) required to be done or procured pursuant to this agreement or the Scheme;
- (b) required by law or by an order of a court or Governmental Agency;
- (c) in the case of the Target, relating to the full or partial disposal of oil and gas exploration licences and associated assets held by the Target Group in any jurisdiction outside the United Kingdom, on the condition that, before agreeing to any such disposal on terms that are materially different from those previously advised to the Bidder or publicly disclosed, the Target must consult with Bidder in relation to the proposed disposal and consider, in good faith, the views of Bidder in relation to the proposed disposal; or
- (d) the undertaking of which Bidder or Target (as appropriate) has approved in writing (which approval must not be unreasonably withheld or delayed).

## 9.4 Access

In the period from the date of this agreement to the Implementation Date, Target must provide Bidder (and any member of the Steering Committee appointed by the Bidder) with all reasonable access during normal business hours and on reasonable notice to the management, offices, books, records and business operations of Target that Bidder reasonably requires in order to implement the Proposed Transaction, for Bidder to prepare for the transition of ownership of the Target Group or for the Bidder to consider properly and fully any request for approval under clause 9.3.

## 9.5 Steering Committee

- (a) The parties must establish a Steering Committee as soon as reasonably practicable, and in any event within 5 Business Days, after the date of this agreement. The role of the Steering Committee will be to act as a forum for consultation and planning by parties to:

- (i) implement the Proposed Transaction;
  - (ii) manage and supervise all discussions with, and applications to, any Governmental Agency and other regulatory bodies and any contract or other negotiations with any joint venture partners relating to any Target Exploration Licence; and
  - (iii) ensure the smooth transition of the management of the business and affairs of the Target Group to Bidder following the implementation of the Scheme.
- Nothing in this clause 9.5 requires a party to act at the direction of another party. The business of each party will continue to operate independently from the other and each member of the Steering Committee will report to the board of their respective appointor until the Implementation Date. The parties agree that nothing in this agreement constitutes the relationship of a partnership or a joint venture between the parties.

## 10. Reconstitution of boards and Bidder Board appointment

### 10.1 Reconstitution of Target Group Boards

- (a) On the Implementation Date, Target must take all actions necessary (and in accordance with the constitution of the Target Group member, the Corporations Act and the Listing Rules) to appoint the persons nominated by Bidder as new Target Directors and new directors of each Subsidiary.
- (b) On the Implementation Date, Target must:
  - (i) procure that all Target Directors (other than the new Target Directors appointed pursuant to clause 10.1 or any Target Directors who the Bidder determines will remain as Target Directors) resign from the Target Board by providing to the Target Board their resignation in writing (such resignation to include a statement to the effect that the outgoing director has no claim outstanding against any member of the Target Group); and
  - (ii) procure that, unless otherwise directed by the Bidder, each director of each Subsidiary of Target resigns from their office by providing to the board of the relevant Subsidiary of Target their resignation in writing (such resignation to include a statement to the effect that the outgoing director has no claim outstanding against any member of the Target Group).

### 10.2 Appointment to Bidder Board

On the Implementation Date, conditional on the reconstitution of the Target Group boards being effected pursuant to clause 10.1, Bidder must take all actions necessary to appoint Mr Robert Neale as a new director of Bidder.

## 11. Representations and warranties

### 11.1 Bidder representations

- (a) Bidder represents and warrants to Target each of the matters set out in clause 11.1(b) as at the date of this agreement and at all subsequent times until including 8.00am on the Second Court Date (except that where any statement is expressed to be made only at a particular date it is given only at that date).
- (b) Bidder represents and warrants that:
  - (i) Bidder is a validly existing corporation registered under the laws of its place of incorporation;

## Annexure C - Scheme Implementation Agreement

### Continued

- (ii) the execution and delivery of this agreement has been properly authorised by all necessary corporate action and Bidder has full corporate power and lawful authority to execute and deliver this agreement and, subject to the satisfaction of the Conditions, to perform or cause to be performed its obligations under this agreement;
- (iii) this agreement constitutes legal, valid and binding obligations on it and this agreement does not result in a breach of or default under any deed or any writ, order or injunction, rule or regulation to which Bidder is a party or is bound;
- (iv) the Bidder Information provided to Target in accordance with clause 6.2(a) for inclusion in the Scheme Booklet will:
- (A) be provided in good faith;
  - (B) comply in all material respects with the requirements of the Corporations Act, the Listing Rules and RG 60; and
  - (C) be provided on the understanding that the Target will rely on that information for the purposes of preparing the Scheme Booklet and proposing and implementing the Scheme in accordance with the requirements of the Corporations Act;
- (v) as at the date the Scheme Booklet is despatched to Target Shareholders, the Bidder Information, in the form and context in which that information appears in the version of the Scheme Booklet registered by ASIC under section 412(6) of the Corporations Act will not be misleading or deceptive in any material respect (whether by omission or otherwise);
- (vi) all information provided by or on behalf of Bidder to the Independent Expert to enable the Independent Expert's Report to be included in the Scheme Booklet to be prepared and completed will be provided in good faith and on the understanding that the Independent Expert will rely upon that information for the purposes of preparing the Independent Expert's Report for inclusion in the Scheme Booklet; and
- (vii) as at the date of this agreement, and save with respect to the matters the subject of this agreement, Bidder is not in breach of its continuous disclosure obligations under the AIM Rules and is not relying on the guidance to AIM Rule 11 to withhold any information from disclosure (other than in relation to the Proposed Transaction or as disclosed in writing to Target on or before the date of this agreement);
- (viii) the issued Bidder securities as of the date of this agreement are:
- (A) 206,316,001 Bidder Shares; and
  - (B) the Bidder Options,
- and the Bidder Group has not issued, or agreed to issue, any other securities or instruments which may convert into shares or any other securities in Bidder other than those in respect of which Bidder has made a public announcement before the date of this agreement or of which Target has otherwise been notified in writing before the date of this agreement;
- (ix) as at its date the Prospectus contained all particulars and information required by, and complied in all respects with, the applicable provisions of the Prospectus

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- Rules, the Companies Act 2006 and all other relevant and applicable laws and regulations in the United Kingdom;
- (x) as at its date the Prospectus all statements of fact contained in the Prospectus were true and accurate in all respects and not misleading and each expression of opinion, intention or expectation of Bidder and/or the Bidder Board contained in the Prospectus was made on reasonable grounds and is truly and honestly held by the Bidder Board and was been made after due and careful consideration and enquiry;
- (xi) as at its date the Prospectus contained all information with regard to Bidder and the Bidder Group which Bidder reasonably considered necessary to enable investors to form a full understanding of the assets and liabilities, financial position, profits and losses and prospects of Bidder and any other matter contained in the Prospectus;
- (xii) there was no fact or information which was not disclosed in the Prospectus with regard to Bidder and the Bidder Group, the omission of which made any statement of fact or any estimate, expression of opinion, intention or expectation of Bidder and/or the Bidder Board contained in the Prospectus untrue, inaccurate or misleading in any material respect or which was material for disclosure in the Prospectus;
- (xiii) as at the date of the Prospectus the statement relating to working capital in the Prospectus represented the true and honest opinion of the Bidder Board arrived at after due and careful enquiry; and
- (xiv) as at the date of the Prospectus the sections headed 'Summary', 'Selected Financial Information' and 'Description of Igas and the Group' contained in the Prospectus accurately represented the true and honest belief of the Bidder Board arrived at after due and careful enquiry.

#### 11.2 Bidder's indemnity

Bidder agrees with Target to indemnify and keep indemnified Target against all claims, actions, proceedings, liabilities, obligations, damages, loss, harm, charges, costs, expenses, duties and other outgoings of whatever nature and however arising which Target may suffer or incur by reason of any breach of any of the representations and warranties in clauses 11.1(a) or 11.1(b).

#### 11.3 Target representations

- (a) Target represents and warrants to Bidder each of the matters set out in clause 11.3(b) as at the date of this agreement and at all subsequent times until and including 8.00am on the Second Court Date (except that where any statement is expressed to be made only at a particular date it is given only at that date).
- (b) Target represents and warrants that:
- (i) Target is a validly existing corporation registered under the laws of its place of incorporation;
  - (ii) the execution and delivery of this agreement by Target has been properly authorised by all necessary corporate action and Target has full corporate power and lawful authority to execute and deliver this agreement and to perform or cause to be performed its obligations under this agreement;
  - (iii) this agreement constitutes legal, valid and binding obligations on Target and the execution of this agreement of itself does not result in a breach of or default under

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- any agreement or deed or any writ, order or injunction, rule or regulation to which Target or any of its Subsidiaries is a party or to which they are bound;
- (iv) the information contained in the Scheme Booklet (other than the Bidder Information and information directly based on the Bidder Information):
- (A) will be prepared and included in the Scheme Booklet in good faith; and
- (B) will comply in all material respects with the requirements of the Corporations Act, Listing Rules and RG 60;
- (v) as at the date the Scheme Booklet is despatched to Target Shareholders, the Scheme Booklet registered by ASIC under section 412(6) of the Corporations Act (excluding the Bidder Information, information directly based on the Bidder Information and the Independent Expert's Report) will not be misleading or deceptive in any material respect (whether by omission or otherwise);
- (vi) as at the date of this agreement, Target is not in breach of its continuous disclosure obligations under the Listing Rules and is not relying on the exclusion in Listing Rule 3.1A to withhold any information from disclosure (other than in relation to the Proposed Transaction or as disclosed in writing to Bidder on or before the date of this agreement);
- (vii) the issued Target securities as of the date of this agreement are:
- (A) 1,108,752,733 Target Shares;
- (B) 6,035,000 executive options to be issued Target Shares with an exercise price of \$0.98625 with an expiry date of 31 July 2014; and
- (C) the Target Options,
- and the Target Group has not issued, or agreed to issue, any other securities or instruments which may convert into Shares or any other securities in Target;
- (viii) the Admission Document contains all particulars and information required by, and complies in all respects with, the applicable provisions of the AIM Rules, the Companies Act 2006 and all other relevant and applicable laws and regulations in the United Kingdom;
- (ix) all statements of fact contained in the Admission Document are true and accurate in all material respects and not misleading and each expression of opinion, intention or expectation of Target and/or the Target Board contained in the Admission Document is made on reasonable grounds and is truly and honestly held by the Target Board and has been made after due and careful consideration and enquiry;
- (x) combined with the information already in the public domain, the Admission Document contains all information with regard to Target and the Target Group which Target reasonably considered necessary to enable investors to form a full understanding of the assets and liabilities, financial position, profits and losses and prospects of Target and the Target Shares and the rights attaching to the Target Shares and any other matter contained in the Admission Document;
- (xi) there is no fact or information which is not disclosed in the Admission Document with regard to Target and the Target Group, the omission of which makes any statement of fact or any estimate, expression of opinion, intention or expectation of Target and/or the Target Board contained in the Admission Document untrue,

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- inaccurate or misleading in any material respect or which is material for disclosure in the Admission Document;
- (xii) the statement relating to working capital in the Admission Document represents the true and honest opinion of the Target Board arrived at after due and careful enquiry; and
- (xiii) the sections headed 'Summary Financial Information, Current Trading and Prospects for the Group', and 'Summary Information' contained in the Admission Document accurately represent the true and honest belief of the Target Board arrived at after due and careful enquiry.

## 11.4 Target's indemnity

Target agrees with Bidder to indemnify and keep indemnified Bidder from and against all claims, actions, proceedings, liabilities, obligations, damages, loss, harm, charges, costs, expenses, duties and other outgoings of whatever nature and however arising which Bidder may suffer or incur by reason of any breach of any of the representations and warranties in clauses 11.3(a) or 11.3(b).

## 11.5 Notifications

Each party will promptly advise the other in writing if it becomes aware of any fact, matter or circumstance which constitutes or may constitute a breach of any of the representations or warranties given by it under this clause 11.

## 11.6 Survival of representations

Each representation and warranty in clauses 11.1 and 11.3:

- (a) is severable;
- (b) will survive the termination of this agreement; and
- (c) is given with the intent that liability thereunder will not be confined to breaches which are discovered prior to the date of termination of this agreement.

## 11.7 Survival of indemnities

Each indemnity in this agreement (including those in clauses 11.2 and 11.4) will:

- (a) be severable;
- (b) be a continuing obligation;
- (c) constitute a separate and independent obligation of the party giving the indemnity from any other obligations of that party under this agreement; and
- (d) survive the termination of this agreement.

## 12. Exclusivity

### 12.1 AIM Listing

- (a) Target undertakes to Bidder that, on or promptly after execution of this agreement, Target will withdraw its application for the admission of Target Shares to trade on AIM.
- (b) Subject to clause 12.1(c), during the Exclusivity Period Target must not, and must ensure that its Related Bodies Corporate do not, make any application to have any class of its shares admitted or listed to trade, or quoted on, any stock exchange.
- (c) Target may apply for quotation on ASX of any Target Shares permitted by the terms of this agreement to be issued during the Exclusivity Period.

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**12.2 No existing discussions**

Other than in relation to the discussions with Bidder in connection with the Proposed Transaction and this agreement, Target represents and warrants to Bidder that, as at the date of this agreement:

- (a) neither itself, its Related Bodies Corporate nor any of their respective Authorised Persons is a party to any agreement with a third party entered into for the purpose of facilitating a Competing Proposal; and
- (b) neither itself, its Related Bodies Corporate nor any of their respective Authorised Persons is participating in any discussions or negotiations with a third party that concern, or that could reasonably be expected to lead to, a Competing Proposal.

**12.3 No-shop**

During the Exclusivity Period, Target must not, and must ensure that its Related Bodies Corporate and their respective Authorised Persons do not, directly or indirectly solicit, invite, initiate or encourage any Competing Proposal or any enquiries, negotiations or discussions with any third party in relation to (or that could reasonably be expected to lead to) a Competing Proposal, or communicate any intention to do any of these things.

**12.4 No-talk**

Subject to clause 12.8, during the Exclusivity Period, Target must not, and must ensure that its Related Bodies Corporate and their respective Authorised Persons do not, directly or indirectly:

- (a) negotiate or enter into or participate in negotiations or discussions with any person; or
- (b) communicate any intention to do any of these things,

in relation to (or which may reasonably be expected to lead to) a Competing Proposal, even if that person's Competing Proposal was not directly or indirectly solicited, encouraged or initiated by Target or any of its Related Bodies Corporate, or that person has publicly announced the Competing Proposal.

**12.5 No due diligence**

Subject to clause 12.8, during the Exclusivity Period, except with the prior written consent of Bidder, Target must not, and must ensure that its Related Bodies Corporate and their respective Authorised Persons do not:

- (a) solicit, invite, initiate, encourage, facilitate or permit any person (other than Bidder) to undertake due diligence investigations in respect of Target, its Related Bodies Corporate, or any of their businesses and operations, in connection with such person formulating, developing or finalising, or assisting in the formulation, development or finalisation of, a Competing Proposal; or
- (b) directly or indirectly make available to any person (other than Bidder) or permit any such person to receive any non-public information relating to Target, its Related Bodies Corporate, or any of their businesses and operations, in connection with such person formulating, developing or finalising, or assisting in the formulation, development or finalisation of, a Competing Proposal.

**12.6 Notification of approaches**

(a) During the Exclusivity Period, Target must promptly notify Bidder in writing of:

- (i) any approach, inquiry or proposal made by any person to Target, any of its Related Bodies Corporate or any of their respective Authorised Persons, to initiate any discussions or negotiations that concern, or that could reasonably be expected to lead to, a Competing Proposal; and

- (ii) any request made by any person to Target, any of its Related Bodies Corporate, or any of their respective Authorised Persons, for any information relating to Target, its Related Bodies Corporate, or any of their businesses and operations, in connection with such person formulating, developing or finalising, or assisting in the formulation, development or finalisation of, a Competing Proposal.

(b) Subject to clause 12.8, a notice given under clause 12.6(a) must be accompanied by all material details of the relevant event, including (as the case may be):

- (i) the identity of the person who made the relevant approach, inquiry or proposal to initiate discussions or negotiations referred to in clause 12.6(a)(i), or who made the relevant request for information referred to in clause 12.6(a)(ii); and
- (ii) the material terms and conditions (including price, conditions precedent, timetable and break fee (if any)) of any Competing Proposal or any proposed Competing Proposal (to the extent known).

(c) During the Exclusivity Period, Target must promptly provide Bidder with:

- (i) in the case of written materials, a copy of; or
- (ii) in any other case, a written statement of, any non-public information relating to Target, its Related Bodies Corporate, or any of their businesses and operations made available or received by any person in connection with such person formulating, developing or finalising, or assisting in the formulation, development or finalisation of, a Competing Proposal and which has not previously been provided to Bidder.

**12.7 Target's response to Rival Bidder and Bidder's right to respond**

(a) If Target is permitted by virtue of clause 12.8 to engage in activity that would otherwise breach clauses 12.4, 12.5 and 12.6(b), Target must enter into a confidentiality agreement with the Rival Bidder on customary terms unless Target has entered into a relevant confidentiality agreement with the Rival Bidder prior to the date of this agreement.

(b) If Target receives a Competing Proposal and as a result, any Target Director proposes to either:

- (i) change, withdraw or modify his or her recommendation of the Scheme; or
- (ii) approve or recommend entry into any agreement, commitment, arrangement or understanding relating to the Competing Proposal (other than a confidentiality agreement contemplated by clause 12.7(a)),

Target must ensure that no Target Director does so:

- (iii) unless the Competing Proposal is bona fide; and
- (iv) until each of the following has occurred:

(A) the Target Directors have made the determination contemplated by clause 12.8(b) in respect of that Competing Proposal;

(B) Target has given Bidder notice (**Relevant Notice**) of the Target Director's proposal to take the action referred to in clauses 12.7(b)(i) or 12.7(b)(ii) (subject to Bidder's rights under clause 12.7(d)), including details of the grounds on which the Target Directors propose to take such action;

## 13. Break Fees

### 13.1 Declarations

Each party represents and warrants to the other that it would not have entered into this agreement without the benefit of clause 13 and it would not have entered into and continued the negotiations leading up to this agreement (and conducted due diligence on the other party) unless it had a reasonable expectation that the other party would agree to enter into a clause of this kind.

### 13.2 Target Break Fee - acknowledgments

- (a) Target acknowledges that Bidder has incurred:
  - (i) significant external advisory costs;
  - (ii) some internal costs of a similar kind (including directors and management time costs, risk management costs and capital costs);
  - (iii) out-of-pocket expenses; and
  - (iv) reasonable opportunity costs incurred by Bidder in pursuing the Proposed Transaction or in not pursuing other alternative acquisitions or strategic initiatives, in relation to the Proposed Transaction and will incur further costs if the Proposed Transaction is announced but is not successful (**Bidder Costs**).
- (b) Target represents and warrants that:
  - (i) it has received legal advice on this agreement and the operation of this clause 13; and
  - (ii) it considers this clause 13 to be fair and reasonable and that it is appropriate to agree to the terms in this clause 13 in order to secure the significant benefits to it (and the Target Shareholders) resulting from the Proposed Transaction.

### 13.3 Target Break Fee - agreement on Bidder Costs

The parties acknowledge that the amount of the Bidder Costs is inherently unascertainable and that, even after termination of this agreement, the Bidder Costs will not be able to be accurately ascertained. As a genuine and reasonable pre-estimate of the Bidder Costs that Bidder will suffer if the Proposed Transaction does not proceed, the parties agree that, for the purposes of this clause 13, the Bidder Costs will be the sum of \$2,115,000 (**Target Break Fee**).

### 13.4 Target Break Fee - Reimbursement of Bidder Costs

- (a) Target agrees to pay to Bidder the Target Break Fee if at any time after the date of this agreement and before the earlier of the Effective Date, the End Date or any earlier date referred to below, any of the following events occur:
    - (i) any Target Director, before this agreement is terminated:
      - (A) fails to recommend the Scheme in the manner described in clause 7.1;
      - (B) withdraws or adversely changes or modifies his recommendation of the Scheme or makes any public statement, or takes any other action that is inconsistent with a recommendation of the Scheme, including where a Competing Proposal is announced and is recommended by any Target Director,
- other than as a result of the Independent Expert concluding in the Independent Expert's Report or in any supplementary report that the Scheme is not in the best interests of Target Shareholders (other than because of a Competing Proposal);

- (C) subject to clause 12.7(c), Target has given Bidder all information that would be required by clause 12.6(b) as if it was not subject in any way to clause 12.8;

- (D) Bidder's rights under clause 12.7(d) have been exhausted; and

- (E) the Target Directors have made the determination contemplated by clause 12.8(b) in respect of that Competing Proposal after Bidder's rights under clause 12.7(d) have been exhausted and after evaluation of any Counter Proposal.

- (c) Prior to giving Bidder the information under clause 12.7(b)(iv)(C), Target must advise the person who has made the applicable Competing Proposal (**Rival Bidder**) that the Rival Bidder's name and other details which may identify the Rival Bidder will be provided by Target to Bidder on a confidential basis.

- (d) If Target gives a Relevant Notice to Bidder under clause 12.7(b)(iv)(B), Bidder will have the right, but not the obligation, at any time during the period of three Business Days following receipt of the Relevant Notice to amend the terms of the Proposed Transaction including increasing the amount of consideration offered under the Proposed Transaction or proposing any other form of transaction (each a **Counter Proposal**), and if it does so then the Target Board must review the Counter Proposal in good faith. If the Target Board determines that the Counter Proposal would be more favourable, or at least no less favourable, to Target and the Target Shareholders than the Competing Proposal (having regard to the matters noted in clause 12.8(b)), then Target and Bidder must use their best endeavours to agree the amendments to this agreement that are reasonably necessary to reflect the Counter Proposal and to enter into an amended agreement to give effect to those amendments and to implement the Counter Proposal.

- (e) For the purposes of this clause 12.7, each successive material modification of any third party expression of interest, offer or proposal in relation to a Competing Proposal will constitute a new Competing Proposal.

## 12.8 Fiduciary out

The obligations in clauses 12.4, 12.5 and 12.6(b) do not apply to the extent they restrict Target or any Target Director from taking or refusing to take any action with respect to a Competing Proposal (in relation to which there has been no contravention of this clause 12) provided that:

- (a) the Competing Proposal is bona fide and is made by or on behalf of a person that the Target Board considers is of reputable commercial standing;
  - (b) the Target Board has determined in good faith after:
    - (i) consultation with Target's financial advisers, that the Competing Proposal is or may reasonably be expected to lead to a Superior Proposal; and
    - (ii) receiving advice from Target's external Australian legal adviser practising in the area of corporate law,
- that failing to take the action or refuse to take the action (as the case may be) with respect to the Competing Proposal would be likely to constitute a breach of the fiduciary or statutory obligations of the Target Board or would otherwise be unlawful.

- (ii) a Competing Proposal is announced before the End Date and, within 12 months of the Competing Proposal being announced, the Competing Proposal results in a person or persons (other than a member of the Bidder Group) obtaining Control of Target, or acquiring (directly or indirectly) an interest in all or a substantial part of the business or assets of the Target Group; or
- (iii) Bidder terminates this agreement under clause 16.1(a)(i) (material breach).

- (b) The payment of the Target Break Fee by Target to Bidder provided for in this clause 13.4 must be made within 5 Business Days of receipt of a written demand for payment by Bidder. The demand may only be made after the occurrence of an event referred to in clause 13.4(a). Target is only liable to pay the Target Break Fee once.

- (c) Bidder must refund any Target Break Fee paid to it if it or any of its Related Bodies Corporate becomes the registered holder of in excess of 50% of the Target Shares prior to the End Date.

### 13.5 Bidder Break Fee - acknowledgments

- (a) Bidder acknowledges that Target has incurred:
  - (i) significant external advisory costs;
  - (ii) some internal costs of a similar kind (including directors and management time costs, risk management costs and capital costs);
  - (iii) out-of-pocket expenses; and
  - (iv) reasonable opportunity costs incurred by Target in pursuing the Proposed Transaction or in not pursuing other alternative acquisitions or strategic initiatives, in relation to the Proposed Transaction and will incur further costs if the Proposed Transaction is announced but is not successful (Target Costs).
- (b) Bidder represents and warrants that:
  - (i) it has received legal advice on this agreement and the operation of this clause 13; and
  - (ii) it considers this clause 13 to be fair and reasonable and that it is appropriate to agree to the terms in this clause 13 in order to secure the significant benefits to it (and its shareholders) resulting from the Proposed Transaction.

### 13.6 Bidder Break Fee - agreement on Target Costs

The parties acknowledge that the amount of the Target Costs is inherently unascertainable and that, even after termination of this agreement, the Target Costs will not be able to be accurately ascertained. As a genuine and reasonable pre-estimate of the Target Costs that Target will suffer if the Proposed Transaction does not proceed, the parties agree that, for the purposes of this clause 13, the Target Costs will be equal to the sum of \$1,057,500 (Bidder Break Fee).

### 13.7 Bidder Break Fee - Reimbursement of Target Costs

- (a) Bidder agrees to pay to Target the Bidder Break Fee if at any time after the date of this agreement and before the earlier of the Effective Date and the End Date, any of the following events occur:
  - (i) any Bidder Director fails to provide the recommendation referred to in clause 8.1; or

- (ii) withdraws or adversely changes or modifies his recommendation or makes any public statement, or takes any other action that is inconsistent with that recommendation; or
  - (iii) Target terminates this agreement under clause 16.1(a)(i) (material breach).
- The payment of the Bidder Break Fee by Bidder to Target provided for in this clause 13 must be made within 5 Business Days of receipt of a written demand for payment by Target. The demand may only be made after the occurrence of an event referred to in clause 13.7(a). Bidder is only liable to pay the Bidder Break Fee once.

## 14. Modification of Break Fee or exclusivity arrangements

### 14.1 Modifications following regulatory intervention

If any of the following occurs:

- (a) a Governmental Agency finds that all or any part of the payment required to be made under clause 13 or an exclusivity arrangement under clause 12 is unacceptable or unenforceable; or
- (b) as a result of an application to the Takeovers Panel, the Takeovers Panel indicates that, in the absence of a written undertaking under section 201A of the *Australian Securities and Investments Commission Act 2001* (Cth) to modify the amount of the Break Fee or the circumstances in which it is to be paid or the circumstances in relation to an exclusivity arrangement under clause 12, it will make a declaration of unacceptable circumstances, then, subject to clause 14.2:
- (c) the parties must amend clause 12 and/or 13 to the extent required to give effect to the requirements of the Governmental Agency or the Takeovers Panel (as the case may be) and (in circumstances referred to in clause 14.1(b)) must give the required undertaking(s); and
- (d) neither the occurrence of any of the events referred to in clauses 14.1(a) or 14.1(b) nor the amendment of clause 12 and/or 13 will be taken to be a breach of, or permit any party to terminate, this agreement.

### 14.2 No requirement to act unless decision final

The parties are only required to take steps under clause 14.1(c) in relation to any requirement of a Governmental Agency or the Takeovers Panel if:

- (a) no appeal or review proceeding is available from the decision to impose that requirement or the period for lodging an appeal or commencing review proceedings has expired without an appeal having been lodged or review proceedings commenced; or
- (b) Bidder and Target agree in writing not to appeal or seek review of the decision to impose that requirement.

### 14.3 Appeals and review of regulatory decisions

Nothing in this agreement requires either party to appeal or seek review of any decision of a Governmental Agency or the Takeovers Panel referred to in clauses 14.1(a) or 14.1(b). If either Bidder or Target wishes to appeal or seek review of any such decision then the other must make submissions in the course of those proceedings supporting the review made by the first party.

### 14.4 Determination by Governmental Agency

If a Governmental Agency determines that payment of all or any part of a Break Fee is unacceptable, unlawful or involves a breach of the fiduciary or statutory duties of the members of

## 16. Termination

### 16.1 Termination by notice

(a) In addition to the termination rights in clause 4.7, Bidder or Target may, by notice in writing to the other, terminate this agreement at any time prior to 8.00 am on the Second Court Date:

- (i) if the other is in material breach of any of its obligations under this agreement (including a material breach of a representation or warranty), and, if capable of remedy, the other party has failed to remedy that breach within five Business Days (or 5.00 pm on the day before the Second Court Date if earlier) of receipt by it of a notice in writing from the terminating party setting out details of the relevant circumstance and requesting the other party to remedy the breach;
  - (ii) if the other party or any Subsidiary of the other party becomes Insolvent;
  - (iii) if the Court refuses to make any order directing Target to convene the Scheme Meeting, provided that both Target and Bidder have met and consulted in good faith and agreed that they do not wish to proceed with the Scheme; or
  - (iv) if the Effective Date for the Scheme has not occurred on or before the End Date.
- (b) Target may, by notice in writing to Bidder, terminate this agreement at any time prior to 8.00am on the Second Court Date if at any time before then:
- (i) any Target Director publicly recommends a Superior Proposal as permitted by clause 7.3(e) and does not, within three Business Days, reinstate their recommendation of the Proposed Transaction; or
  - (ii) any Bidder Director fails to make the recommendation referred to in clause 8.1; or
  - (iii) any Bidder Director withdraws or adversely changes or modifies his or her recommendation referred to in clause 8.1 or makes any public statement or takes any other action that is inconsistent with such recommendation.
- (c) Bidder may, by notice in writing to Target, terminate this agreement at any time prior to 8.00am on the Second Court Date if at any time before then any Target Director:
- (i) fails to recommend the Scheme in the manner described in clause 7.1; or
  - (ii) withdraws or adversely changes or modifies his recommendation of the Scheme or makes any public statement, or takes any other action that is inconsistent with a recommendation of the Scheme, including where a Competing Proposal is announced and is recommended by any Target Director.

### 16.2 Automatic termination

Without limiting any other term of this agreement but subject to clause 4.6, this agreement will terminate automatically if the Scheme is not approved by Target Shareholders at the Scheme Meeting by the necessary majorities required under section 411(4)(a)(ii) of the Corporations Act.

### 16.3 Effect of termination

- (a) In the event of termination of this agreement under clause 3.3, 3.4, 4.7, 16.1 or 16.2, this agreement will become void and have no effect, except that the provisions of clauses 11.6, 11.7, 13, 14, 15, 16.3 and 18.3 to 18.17 (inclusive) survive termination.
- (b) Termination of this agreement does not affect any accrued rights of a party in respect of a breach of this agreement prior to termination.

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the Target Board or the Bidder Board, as relevant, (**Impugned Amount**) and either no appeal from that determination is available or the period for lodging an appeal has expired without having an appeal having been lodged then:

- (a) the obligation to pay the Break Fee does not apply to the extent of the Impugned Amount; and
- (b) if Bidder or Target (as relevant) has received any part of the Impugned Amount, it must refund it within 5 Business Days after that determination is made or the period for lodging has expired, whichever is later.

## 15. Confidentiality and Public Announcement

### 15.1 Confidentiality

- (a) Each party acknowledges and agrees that:
  - (i) information provided by either party to the other, or obtained by either party from the other, in the course of proposing, negotiating or implementing the Proposed Transaction (including information provided before or after the date of this agreement); and
  - (ii) all copies of information, agreements and those parts of the notes and other records referred to above,
- (b) is strictly confidential (**Confidential Information**) and may not be disclosed to any third party (except as permitted by this agreement).
- (b) For the avoidance of doubt, information that is known by a party before the date of this agreement and that was not obtained on a confidential basis from another other party in the course of proposing, negotiating or implementing the Proposed Transaction is not Confidential Information.
- (c) Confidential Information may only be disclosed by a party:
  - (i) to a Related Body Corporate or any director, officer, consultant, agent or Adviser of that party (or of any Related Body Corporate) for the purpose of implementing the Proposed Transaction, provided that the disclosing party ensures that the recipient only uses it for the purposes of implementing the Proposed Transaction and otherwise complies with these terms of confidentiality; and
  - (ii) if disclosure is required by law, the rules of a stock exchange, or any requirement of a court or Governmental Agency.

### 15.2 Public Announcements on execution

Immediately after the execution of this agreement, the parties must issue public announcements in a form previously agreed to in writing between them.

### 15.3 Further public announcements

Except in relation to a Competing Proposal and subject to any requirement by law, the Listing Rules or the AIM Rules to make any immediate announcement where it is not reasonably practical to consult with the other party, any further public announcements by Target or Bidder in relation to, or in connection with, the Proposed Transaction or any other transaction the subject of this agreement or the Scheme may only be made in a form approved by each party in writing (acting reasonably).

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17. Notices

Any communication under or in connection with this agreement:

- (a) must be in writing;
- (b) must be addressed as shown on the Details page (or as otherwise notified by that party to the other party from time to time);
- (c) must be signed by the party making the communication or by a person duly authorised by that party (including an Adviser);
- (d) must be delivered or posted by prepaid post to the address or sent by email to the addressee, in accordance with clause 17(b); and
- (e) will be deemed to be received by the addressee:
  - (i) (in the case of prepaid post) on the third Business Day after the date of posting to an address within Australia, and on the fifth Business Day after the date of posting to an address outside Australia;
  - (ii) (in the case of email) at the time it left the e-mail gateway of the server of the giver of the notice, unless the giver of the notice receives notification that the email has not been delivered, or unless that time is not a Business Day, or is after 5.00pm on a Business Day, in the jurisdiction of the address of the recipient, when that communication will be deemed to be received at 9.00am on the next Business Day in the jurisdiction of the recipient; and
  - (iii) (in the case of delivery by hand) on delivery at the address of the addressee as provided in clause 17(b), unless that delivery is not made on a Business Day, or after 5.00pm on a Business Day, when that communication will be deemed to be received at 9.00am on the next Business Day.

18. General

18.1 Further acts

Each party will promptly do and perform all further acts and execute and deliver all further documents (in form and content reasonably satisfactory to that party) required by law or reasonably requested by any other party to give effect to this agreement.

18.2 Timetable

The parties agree that the Timetable is indicative only and is not binding on the parties.

18.3 Payments

Unless otherwise expressly provided in this agreement, where an amount is required to be paid to a party (the **Receiving Party**) by another party under this agreement, that amount shall be paid:

- (a) in immediately available and irrevocable funds by electronic transfer to a bank account or accounts notified by the Receiving Party in writing on or before the due date for payment, or in other such immediately payable funds as the parties may agree; and
- (b) without deduction, withholding or set-off.

18.4 Consents or approvals

A party may:

- (a) give conditionally or unconditionally; or
- (b) withhold,

its approval or consent in its absolute discretion unless this agreement expressly provides otherwise.

18.5 GST

- (a) Any reference in this clause 18.5 to a term defined or used in the *A New Tax System (Goods and Services Tax) Act 1999* (Cth) is, unless the context indicates otherwise, a reference to that term as defined or used in that Act.

- (b) Unless expressly included, the consideration for any supply under or in connection with this agreement does not include GST.

- (c) To the extent that any supply made by a party (**Supplier**) to another party (**Recipient**) under or in connection with this agreement is a taxable supply, the Recipient must pay to the Supplier, in addition to the consideration to be provided under this agreement but for the application of this clause 18.5(c) for that supply (**GST Exclusive Consideration**), an amount equal to the amount of the GST Exclusive Consideration (or its GST exclusive market value) multiplied by the rate at which GST is imposed in respect of the supply. This clause 18.5(c) does not apply to any taxable supply under or in connection with this agreement that is expressly stated to include GST.

- (d) The amount on account of GST payable in accordance with this clause 18.5 will be paid at the same time and in the same manner as the consideration otherwise payable for the supply is provided.

- (e) Any reference in the calculation of any consideration or of any indemnity, reimbursement or similar amount to a cost, expense or liability incurred by a person (**Relevant Expense**) is a reference to the relevant expense reduced by an amount equal to any input tax credit entitlement of that person (or of the representative member of any GST group to which the person belongs) in relation to the Relevant Expense. A party will be assumed to have an entitlement to a full input tax credit unless it demonstrates otherwise prior to the date on which the relevant payment or consideration must be provided.

18.6 Stamp duty

Bidder must pay all stamp duties (if any) and any fines and penalties with respect to stamp duty in respect of this agreement or the Scheme or the steps to be taken under this agreement or the Scheme (including without limitation the acquisition or transfer of Scheme Shares pursuant to the Scheme).

18.7 Expenses

Except as otherwise provided in this agreement, each party will pay its own costs and expenses in connection with the negotiation, preparation, execution, and performance of this agreement and the Scheme Booklet and the proposed, attempted or actual implementation of this agreement and the Scheme.

18.8 Amendments

This agreement may only be varied by a document signed by or on behalf of each of the parties.

18.9 Assignment

A party cannot assign, novate or otherwise transfer any of its rights or obligations under this agreement without the prior written consent of each other party, which consent that other party may give or withhold in its absolute discretion.

## 18.10 Business Day

Except where otherwise expressly provided, where under this agreement the day on which any act, matter or thing is to be done is a day other than a Business Day, such act, matter or thing will be done on the next Business Day.

## 18.11 Waiver

- (a) Failure to exercise or enforce or a delay in exercising or enforcing or the partial exercise or enforcement of any right, power or remedy provided by law or under this agreement by any party will not in any way preclude, or operate as a waiver of, any exercise or enforcement, or further exercise or enforcement of that or any other right, power or remedy provided by law or under this agreement.
- (b) Any waiver or consent given by any party under this agreement will only be effective and binding on that party if it is given or confirmed in writing by that party or a person authorised by that party (including an Adviser).
- (c) No waiver of a breach of any term of this agreement will operate as a waiver of another breach of that term or of a breach of any other term of this agreement.
- (d) Nothing in this agreement obliges a party to exercise a right to waive any conditional term of this agreement that may be in its power.

## 18.12 Release of officers and directors

- (a) Subject to the Corporations Act, none of the past, present or future officers and directors of Target will be liable for anything done or purported to be done in connection with the Scheme or any transaction contemplated by this agreement in good faith, but nothing in this clause excludes any liability that may arise from wilful misconduct or bad faith on the part of such a person. Target receives and holds the benefit of this release, as agent for its directors and officers.
- (b) Subject to the Corporations Act, none of the past, present or future officers and directors of Bidder will be liable for anything done or purported to be done in connection with the Scheme or any transaction contemplated by this agreement in good faith, but nothing in this clause excludes any liability that may arise from wilful misconduct or bad faith on the part of such a person. Bidder receives and holds the benefit of this release, as agent for its directors and officers.

## 18.13 Counterparts

- (a) This agreement may be executed in any number of counterparts and by the parties on separate counterparts. Each counterpart constitutes the agreement of each party who has executed and delivered that counterpart. Each counterpart is an original but the counterparts together are one and the same agreement.
- (b) This agreement is binding on the parties on the exchange of duly executed counterparts.
- (c) The parties agree that a copy of an original executed counterpart sent by facsimile machine to the facsimile number or by email to the email address of the other party specified in clause 17, instead of the original, is sufficient evidence of the execution of the original and may be produced in evidence for all purposes in place of the original.

## 18.14 Entire agreement

- (a) This agreement:
  - (i) embodies the entire understanding of the parties and constitutes the entire terms agreed on between the parties; and

- (ii) supersedes any prior agreement (whether or not in writing) between the parties.
- (b) Despite clause 18.14(a), the confidentiality agreement dated 1 May 2014 continues to apply to the parties in accordance with its terms, except to the extent of any express inconsistency, in which case this agreement prevails.

## 18.15 No representation or reliance

- (a) Each party acknowledges that no party (nor any person acting on its behalf) has made any representation or other inducement to it to enter into this agreement, except for representations or inducements expressly set out in this agreement.
- (b) Each party acknowledges and confirms that it does not enter into this agreement in reliance on any representation or other inducement by or on behalf of any other party, except for any representation or inducement expressly set out in this agreement.

## 18.16 No merger

The rights and obligations of the parties will not merge on completion of any transaction under this agreement. They will survive the execution and delivery of any assignment or other document entered into for the purpose of implementing any transaction.

## 18.17 Governing law

- (a) This agreement is governed by and will be construed according to the laws of Queensland.
- (b) Each party irrevocably submits to the non-exclusive jurisdiction of the courts of Queensland and of the courts competent to determine appeals from those courts.

Schedule 1 – Indicative Timetable

The following table sets out at a high level the key dates in relation to the implementation of the Scheme.

KEY MILESTONE	TARGET DATE
First Court hearing to convene Scheme Meeting	Mid July 2014
Scheme Booklet despatched to Dart Shareholders	Late July 2014
Scheme Meeting for Dart Shareholders to vote on the Scheme	Late August 2014
Second Court Hearing to approve Scheme	Late August 2014
IGas General Meeting	Late August 2014
Scheme Implementation Date	September 2014

Schedule 2 – Target Exploration Licences

United Kingdom	New South Wales, Australia
PEDL 012	PEL 456
PEDL 133	PEL 458
PEDL 139	PEL 459
PEDL 140	PEL 460
PEDL 146	PEL 463
PEDL 147	PEL 464
PEDL 159	
PEDL 161	
PEDL 163	
PEDL 173	
PEDL 174	
PEDL 178	
PEDL 179	
PEDL 185	
PEDL 186	
PEDL 187	
PEDL 188	
PEDL 189	
PEDL 200	
PEDL 207	
PEDL 210	
EXL 273	
EXL 288	
PL 162-1	

### Schedule 3 – Target Options

Description	Number	Exercise price	Expiry date
Executive options	1,775,000	\$0.98	31/07/2015
Executive options	175,000	\$1.15	31/07/2015
A-Class	9,462,500	\$0.40	15/12/2014
B-Class	18,375,000	\$0.40	15/12/2014
C-Class	2,137,500	\$0.40	15/12/2014
D-Class	1,147,500	\$0.40	15/12/2014
E-Class	765,000	\$0.40	15/12/2014
F-Class	412,500	\$0.40	15/12/2014
G-Class	131,250	\$0.7879	10/08/2015
H-Class	78,750	\$0.7879	10/08/2015
I-Class	52,500	\$0.7879	10/08/2015
J-Class	620,571	\$0.01	15/12/2014
Employee options	8,000,000	\$0.13	30/06/2019
Employee options	8,000,000	\$0.14	30/06/2020

Minter Ellison L.

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### Signing page

EXECUTED as an agreement

Signed for and on behalf of IGas Energy plc by:

Andrew Austin )  
Chief Executive Officer )  
IGas Energy plc )

Minter Ellison |

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**Executed by  
Dart Energy Limited**

Signature of director

Name of director (print)

↓

Signature of director/company secretary  
(Please delete as applicable)

Name of director/company secretary (print)

↓

Minter Ellison L.

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Sydney  
Melbourne  
Brisbane  
Perth

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Dart Energy Limited

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The Scheme Shareholders

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# Scheme of Arrangement

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## **Date**

## **Parties**

**Dart Energy Limited** ABN 21 122 588 505 of Level 9 Waterfront Place, 1 Eagle Street, Brisbane, Queensland 4000 (**Dart**)

## **The Scheme Shareholders**

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## **Agreed terms**

### **1 Definitions**

In this document these terms have the following meanings:

<b>AIM</b>	The AIM market of the London Stock Exchange plc.
<b>ASIC</b>	The Australian Securities and Investments Commission.
<b>ASX</b>	ASX Limited ACN 008 624 691 or, if the context requires, the financial market operated by it.
<b>ASX Listing Rules</b>	The official listing rules of ASX.
<b>Business Day</b>	A day that is not a Saturday, Sunday or a public holiday in Brisbane, Australia or in London, England.
<b>CHESS</b>	The Clearing House Electronic Subregister System, which facilitates electronic security transfer in Australia, operated by ASX Settlement Pty Limited ACN 008 504 532.
<b>Corporations Act</b>	The <i>Corporations Act 2001</i> (Cth).
<b>Court</b>	The Supreme Court of Queensland or any other court of competent jurisdiction under the Corporations Act agreed in writing by Dart and IGas.
<b>CREST</b>	The relevant system (as defined in the CREST Regulations) which enables title to securities to be evidenced and transferred without a written instrument and which is operated by Euroclear.
<b>CREST Regulations</b>	The <i>Uncertificated Securities Regulations 2001</i> (SI 2001 No. 3755) (as amended) and any applicable rules made under those regulations.

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<b>Dart Register</b>	The register of members of Dart maintained by or on behalf of Dart in accordance with the Corporations Act and <b>Dart Registry</b> has a corresponding meaning.
<b>Dart Share</b>	A fully paid ordinary share in the capital of Dart.
<b>Dart Shareholder</b>	Each person who is registered in the Dart Register as the holder of Dart Shares.
<b>Deed Poll</b>	The deed poll to be executed by IGas in favour of the Scheme Shareholders in the form annexed to the Scheme Implementation Agreement, or in such other form as is acceptable to Dart, acting reasonably.
<b>Effective</b>	The time at which the Scheme Order takes effect under section 411(10) of the Corporations Act.
<b>Effective Date</b>	The date on which the Scheme becomes Effective.
<b>End Date</b>	(a) 12 November 2014; or (b) such other date and time agreed in writing by IGas and Dart.
<b>Excluded Shares</b>	Any Dart Share held by IGas or a Related Body Corporate of IGas or any other person, on behalf of or for the benefit of IGas or a Related Body Corporate of IGas.
<b>Foreign Nominee Sale Agent</b>	The nominee or nominees appointed by IGas to hold and sell the New IGas Shares that are to be issued to under <b>clause 5.3(b)</b> .
<b>GST</b>	The meaning given to that term in the <i>A New Tax System (Goods &amp; Services Tax) Act 1999</i> (Cth).
<b>IGas</b>	IGas Energy plc.
<b>IGas Register</b>	The register of members maintained by IGas and <b>IGas Registry</b> has a corresponding meaning.
<b>IGas Share</b>	A fully paid ordinary share of 10p in the capital of IGas.
<b>Implementation Date</b>	The fifth Business Day following the Record Date or such other date as ordered by the Court or agreed between IGas and Dart.
<b>Ineligible Foreign Shareholders</b>	A Scheme Shareholder whose Registered Address is in a jurisdiction other than Australia and its external territories, New Zealand, the United Kingdom, Hong Kong, Singapore and any other jurisdictions as may be agreed in writing by Dart and IGas (unless IGas is satisfied that it is permitted to allot and issue New IGas Shares to that Dart Shareholder pursuant to the Scheme by the laws of that place).
<b>New IGas Shares</b>	The IGas Shares to be issued under the Scheme as Scheme Consideration.

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<b>Record Date</b>	7.00 pm on the fifth Business Day following the Effective Date or such other date and time as Dart and IGas agree.
<b>Registered Address</b>	In relation to a Scheme Shareholder, the address shown in the Dart Register on the Record Date.
<b>Related Body Corporate</b>	In relation to a person, a related body corporate of that person under section 50 of the Corporations Act and includes any body corporate that would be a related body corporate if section 48(2) of the Corporations Act was omitted.
<b>Scheme</b>	This scheme of arrangement, subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and approved in writing by Dart and IGas.
<b>Scheme Booklet</b>	The meaning given to that term in the Scheme Implementation Agreement.
<b>Scheme Consideration</b>	In respect of each Scheme Share held by a Scheme Shareholder, 0.08117 New IGas Shares, subject to the terms of the Scheme.
<b>Scheme Implementation Agreement</b>	The scheme implementation agreement between IGas and Dart dated 9 May 2014.
<b>Scheme Meeting</b>	The meeting to be ordered by the Court to be convened under section 411(1) of the Corporations Act in respect of the Scheme.
<b>Scheme Order</b>	The order of the Court made under section 411(4)(b) of the Corporations Act in respect of the Scheme.
<b>Scheme Share</b>	A Dart Share on issue on the Record Date other than an Excluded Share.
<b>Scheme Shareholder</b>	Each holder of Scheme Shares as at the Record Date.
<b>Scheme Transfer</b>	For each Scheme Shareholder, a proper instrument of transfer of the Scheme Shares for the purposes of section 1071B of the Corporations Act, which may be a master transfer of all Scheme Shares.
<b>Second Court Date</b>	The first day of the Second Court Hearing or, if the Second Court Hearing is adjourned for any reason, the first day on which the adjourned application is heard.
<b>Second Court Hearing</b>	The hearing of the application made to the Court for the Scheme Order.

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**Small Shareholder Sale Facility**

A facility to be offered to certain holders of New IGas Shares (whose holdings of Dart Shares are valued at A\$500 or less on the Effective Date), under which they can elect to have their New IGas Shares sold on AIM after the Implementation Date by the Small Shareholder Broker.

**Small Shareholder Broker**

The broker appointed by IGas to sell New IGas Shares that may participate in the Small Shareholder Sale Facility.

## 2 Preliminary matters

### 2.1 Dart

- (a) Dart is a public company registered in Queensland and is a company limited by shares.
- (b) As at the date of the Scheme Implementation Agreement, Dart's issued securities were:
  - (i) 1,108,752,733 Dart Shares; and
  - (ii) 57,168,071 options to subscribe for Dart Shares.
- (c) Dart is admitted to the official list of ASX and Dart Shares are quoted on ASX.

### 2.2 IGas

- (a) IGas is a public company registered in England and is a company limited by shares.
- (b) IGas Shares are admitted to trading on AIM.
- (c) As at the date of the Scheme Implementation Agreement, IGas' issued securities were:
  - (i) 206,316,001 IGas Shares;
  - (ii) 3,964,060 options to subscribe for IGas Shares; and
  - (iii) 7,500,000 warrants to be issued IGas Shares.

### 2.3 Summary of the Scheme

If this Scheme becomes Effective, then:

- (a) in consideration of the transfer of the Scheme Shares to IGas, IGas will provide to Scheme Shareholders the Scheme Consideration in accordance with the terms of this Scheme and the Deed Poll;
- (b) Dart, as attorney for each Scheme Shareholder, will transfer all of the Scheme Shares to IGas; and
- (c) Dart will enter the name and address of IGas in the Dart Register as the holder of the Scheme Shares transferred to IGas in accordance with the terms of the Scheme.

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**2.4 Scheme Implementation Agreement**

IGas and Dart have executed the Scheme Implementation Agreement to enable the Scheme to proceed.

**2.5 Deed Poll**

IGas has executed the Deed Poll in favour of Scheme Shareholders under which it has covenanted, amongst other things, to perform the obligations to be performed by it under the Scheme .

**3 Conditions**

**3.1 Conditions of Scheme**

The Scheme is conditional and will not come into effect unless and until each of the following conditions is satisfied:

- (a) all of the conditions precedent in clause 4.1 of the Scheme Implementation Agreement have been satisfied or, if applicable, waived in accordance with the terms of the Scheme Implementation Agreement;
- (b) the Scheme Implementation Agreement and the Deed Poll are not terminated before 8.00 am on the Second Court Date; and
- (c) such other conditions made or required by the Court under section 411(6) of the Corporations Act as are acceptable to IGas and Dart being satisfied.

**3.2 Effect of conditions**

The fulfilment of the conditions in **clause 3.1** is a condition precedent to the operation of the provisions of **clauses 4, 5, 6, 7, 8 and 9**.

**3.3 Certificate**

Dart must provide, and must procure IGas to provide, to the Court on the Second Court Date a certificate authorised by its respective board and signed by at least one of its respective directors (or such other evidence as the Court may request) stating (to the best of its knowledge) whether or not all the conditions precedent in **clauses 3.1(a)** and **3.1(b)** have been satisfied or, if applicable, waived as at 8.00 am on the Second Court Date.

**3.4 Conclusive evidence**

The giving of a certificate by each of Dart and IGas in accordance with **clause 3.3** will, in the absence of manifest error, be conclusive evidence of the matters referred to in the certificate.

**3.5 Lapse of Scheme**

This Scheme will lapse and be of no further force or effect if:

- (a) the Scheme Implementation Agreement is terminated in accordance with its terms before 8.00 am on the Second Court Date;
- (b) this Scheme does not become Effective by the End Date; or

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- (c) the conditions precedent in **clauses 3.1(a)** (other than the condition precedent in clause 4.1(f) of the Scheme Implementation Agreement) and **3.1(b)** have not been satisfied or, as applicable, waived by 8.00 am on the Second Court Date,

in which event, without limiting any rights under the Scheme Implementation Agreement, Dart and IGas are each released from:

- (d) any further obligation to take steps to implement this Scheme; and
- (e) any liability with respect to this Scheme.

## **4 Implementation of Scheme**

### **4.1 Lodgement of Court order**

Dart must lodge with ASIC an office copy of the Scheme Order in accordance with section 411(10) of the Corporations Act as soon as practicable after the Scheme Order is made and in any event by 5.00 pm on the first Business Day after the Scheme Order is made. The Scheme will become Effective on and from the lodgement of the Scheme Order, unless an earlier date is determined by the Court and specified in the Scheme Order in accordance with section 411(10) of the Corporations Act.

### **4.2 Transfer of Scheme Shares held by Scheme Shareholders**

On the Implementation Date, in consideration of and subject to provision by IGas of the Scheme Consideration in accordance with **clause 5**, all of the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares as at the Implementation Date, will be transferred to IGas without the need for any further acts by any Scheme Shareholder (other than acts performed by Dart as attorney and agent for Scheme Shareholders under **clause 7**) by:

- (a) Dart delivering to IGas on the Implementation Date a duly completed Scheme Transfer executed by Dart as attorney for the Scheme Shareholders for execution by IGas; and
- (b) IGas duly executing and delivering the Scheme Transfer to Dart on the Implementation Date.

### **4.3 Transfer documentation**

As soon as practicable after receipt by Dart of the Scheme Transfer duly executed by IGas as transferee pursuant to **clause 4.2(b)**, but in any event on the Implementation Date, Dart must register IGas in the Dart Register as the holder of all of the Scheme Shares.

### **4.4 Provision of Scheme Consideration**

Subject to **clauses 5.3, 5.4 and 5.5**, Dart must procure IGas to provide, or to procure the provision of, the Scheme Consideration to which each Scheme Shareholder is entitled on the Implementation Date in accordance with **clause 5.1(a)**.

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**4.5 Beneficial entitlement by IGas**

On and from the Implementation Date, IGas will be beneficially entitled to the Scheme Shares (together with all rights and entitlements attached to the Scheme Shares) transferred to it under the Scheme pending registration of IGas in the Dart Register as the holder of those Scheme Shares.

**4.6 Enforcement of Deed Poll**

Dart undertakes in favour of each Scheme Shareholder to enforce the Deed Poll against IGas on behalf of and as agent for the Scheme Shareholders.

**5 Scheme Consideration**

**5.1 Entitlement to Scheme Consideration**

- (a) Subject to this Scheme becoming Effective, in consideration for the transfer to IGas of the Scheme Shares, each Scheme Shareholder will, subject to **clauses 5.3, 5.4 and 5.5**, be entitled to receive the Scheme Consideration in respect of each Scheme Share held by that Scheme Shareholder at the Record Date.
- (b) The New IGas Shares required to be issued under the Scheme will be validly issued, fully paid, free from any mortgage, charge, lien, encumbrance or other security interest and will, upon their issue, rank equally in all respects with all other IGas Shares then on issue.

**5.2 Provision of Scheme Consideration**

Subject to **clauses 5.3, 5.4 and 5.5**, the obligation of Dart under **clause 4.4** to provide the Scheme Consideration to which each Scheme Shareholder is entitled will be satisfied by Dart procuring that IGas:

- (a) on or before the Implementation Date, passes a resolution of directors and does all other things necessary to validly issue the New IGas Shares comprising the Scheme Consideration due to that Scheme Shareholder (other than an Ineligible Foreign Shareholder) and enters the name and Registered Address of the Scheme Shareholder in the IGas Register as the holder of the New IGas Shares issued to that Scheme Shareholder;
- (b) on or before the Implementation Date, passes a resolution of directors and does all other things necessary to validly issue to the Foreign Nominee Sale Agent all the New IGas Shares required to be issued to the Foreign Nominee Sale Agent under the Scheme rather than to an Ineligible Foreign Shareholder, and enters the name and registered address of the Foreign Nominee Sale Agent in the IGas Register as the holder of those New IGas Shares; and
- (c) on or as soon as practicable after the Implementation Date, dispatches, or procures the dispatch of, a certificate representing the New IGas Shares issued to that Scheme Shareholder by pre-paid post to the Registered Address of the Scheme Shareholder, unless a Scheme Shareholder has, before 7.00 pm on the Record Date, elected to participate in the Small Shareholder Sale Facility, in which case that

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Scheme Shareholder's New IGas Shares will be provided in uncertificated form directly to the CREST account of the Small Shareholder Broker.

### **5.3 Ineligible Foreign Shareholders**

- (a) The right to receive Scheme Consideration will not be available to an Ineligible Foreign Shareholder.
- (b) The New IGas Shares that, but for **clause 5.3(a)**, would have been issued to an Ineligible Foreign Shareholder will not be issued to the relevant Ineligible Foreign Shareholder but will instead be issued to the Foreign Nominee Sale Agent as nominee for the Ineligible Foreign Shareholder and **clauses 5.3(c) to 5.3(j)** will apply.
- (c) Dart will procure IGas to cause the Foreign Nominee Sale Agent to:
  - (i) as soon as reasonably practicable after the Implementation Date, in consultation with IGas and Dart, sell (or procure the sale of) in the ordinary course of trading on AIM all New IGas Shares issued to the Foreign Nominee Sale Agent under **clause 5.3(b)**;
  - (ii) account to each Ineligible Foreign Shareholder for the net proceeds of sale of the New IGas Shares issued to the Foreign Nominee Sale Agent in respect of that Ineligible Foreign Shareholder (but calculated on an averaged basis so that all Ineligible Foreign Shareholders receive the same price per New IGas Share after deduction of any applicable brokerage, taxes and charges), at the Ineligible Foreign Shareholder's risk and in full satisfaction of the Ineligible Foreign Shareholder's rights under the Scheme; and
  - (iii) remit to the Ineligible Foreign Shareholder in accordance with **clauses 5.3(d) and 5.3(e)** the net proceeds of sale in respect of the Ineligible Foreign Shareholder's entitlement under this **clause 5.3**.
- (d) The net proceeds of sale to be remitted to an Ineligible Foreign Shareholder under **clause 5.3(c)(iii)** shall be remitted in Australian dollars or, if IGas and Dart agree, in GBP (£) or the local currency of the country in which the relevant Ineligible Foreign Shareholder's Registered Address appeared on the Dart Register. The Foreign Nominee Sale Agent is authorised to effect any conversion of the net proceeds of sale in such manner as it deems appropriate (acting reasonably) and to deduct any costs, charges or expenses associated with such conversion from the amount paid to the relevant Ineligible Foreign Shareholder.
- (e) Dart will procure IGas to cause the Foreign Nominee Sale Agent to pay or procure payments to be remitted to Ineligible Foreign Shareholders under **clause 5.3(c)(iii)** by:
  - (i) where an Ineligible Foreign Shareholder has, before 7.00pm on the Record Date, made an election in accordance with the requirements of Dart's share registrar to receive dividend payments from Dart by electronic funds transfer to an account

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nominated by the Ineligible Foreign Shareholder, paying or procuring the payment of the relevant amount by electronic funds transfer in a manner consistent with that election; or

- (ii) otherwise, dispatching payment by cheque by mail to the Ineligible Foreign Shareholder's Registered Address.
- (f) Any cash amount payable to an Ineligible Foreign Shareholder by the Foreign Nominee Sale Agent will be rounded down to the nearest whole cent (or foreign equivalent, if applicable).
- (g) Any interest earned on the proceeds of sale of any New IGas Shares following sale by the Foreign Nominee Sale Agent will be paid to and retained by IGas.
- (h) None of IGas, Dart or the Foreign Nominee Sale Agent gives any assurance as to the price that will be achieved for the sale of New IGas Shares by the Foreign Nominee Sale Agent.
- (i) Any amount payable to an Ineligible Foreign Shareholder will be reduced by the amount of any withholding or other tax which Dart or IGas believes, based on professional advice, is required by any taxation or other law to be withheld in respect of such amount and payment of such amount to the relevant taxation or other authority within any required statutory period will fully and finally discharge Dart's and IGas's obligations in respect of such amount (although Dart must procure IGas on request, or if required by law, to provide a receipt or other evidence of such payment to each affected Ineligible Foreign Shareholder).
- (j) Each Ineligible Foreign Shareholder appoints Dart as its agent to receive on its behalf any financial services guide or any other notice which may be given to that Ineligible Foreign Shareholder.

#### **5.4 Fractional entitlements**

If a fractional entitlement to a New IGas Share arises from the calculation of the Scheme Consideration payable to a Scheme Shareholder in respect of its Scheme Shares, the fractional entitlement to a New IGas Share will be rounded to the nearest whole number and will be rounded up if the fractional entitlement is one half.

#### **5.5 Shareholding splitting or division**

If Dart and IGas are of the opinion (acting reasonably) that a Dart Shareholder has been a party to a shareholding splitting or division in an attempt to gain an advantage by reference to the rounding provided for in the calculation of each Scheme Shareholder's entitlement to the Scheme Consideration, then Dart and IGas reserve the right to round the entitlement of such holdings so as to provide only the number of New IGas Shares that would have been received but for the splitting or division.

#### **5.6 Joint holders**

In the case of Scheme Shares held in joint names:

- (a) any certificates for New IGas Shares to be issued to Scheme Shareholders will be issued in the names of the joint holders; and

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- (b) any cheque required to be paid to Scheme Shareholders will be payable to the joint holders,

and will be forwarded to the holder whose name appears first in the Dart Register as at the Record Date.

## **6 Admission to trading on AIM**

Dart will procure IGas to use its best endeavours to procure that the New IGas Shares to be issued pursuant to the Scheme are admitted to trading on AIM and that trading in the New IGas Shares commences by the first Business Day after the Implementation Date.

## **7 Scheme Shareholders**

### **7.1 Appointment of IGas as sole proxy**

From the Effective Date until Dart registers IGas as the holder of all the Scheme Shares in the Dart Register, each Scheme Shareholder:

- (a) appoints (and is deemed to have irrevocably appointed) IGas as its attorney and agent (and directed IGas in such capacity) to appoint such officer or agent nominated by IGas to be its sole proxy and, where applicable, corporate representative, to attend shareholders' meetings of Dart, exercise the votes attaching to Scheme Shares registered in its name and sign any shareholders' resolution, whether in person, by proxy or by corporate representative, and no Scheme Shareholder may itself attend or vote at any of those meetings or sign any resolutions, whether in person, by proxy or by corporate representative (other than in accordance with this **clause 7.1(a)**); and
- (b) must take all other actions in the capacity of the registered holder of Scheme Shares as IGas directs.

### **7.2 Appointment of Dart as sole attorney and agent**

Each Scheme Shareholder, without the need for any further act, irrevocably appoints Dart and each of the directors and officers of Dart, jointly and severally, as the Scheme Shareholder's attorney and agent for the purpose of executing any document necessary or expedient to give effect to the Scheme (including executing a Scheme Transfer and any instrument appointing IGas as sole proxy for or, where applicable, corporate representative of each Scheme Shareholder as contemplated by **clause 7.1**) or doing any other act necessary or desirable to give full effect to the Scheme and the transactions contemplated by it.

### **7.3 Scheme Shareholders' consent**

Each Scheme Shareholder:

- (a) consents to Dart doing all things and executing all deeds, instruments, transfers or other documents as may be necessary, incidental or expedient to the implementation and performance of the Scheme and

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Dart, as agent of each Scheme Shareholder, may sub-delegate its functions under this **clause 7.3** to any of its directors and officers, severally;

- (b) agrees to the transfer of their Scheme Shares, together with all rights and entitlements attaching to those Scheme Shares to IGas, in accordance with the Scheme; and
- (c) agrees to become a holder of any New IGas Shares to which they become entitled under the Scheme and a member of IGas, and to be bound by the Articles of Association of IGas (as amended from time to time), and that its holdings of the New IGas Shares will be registered with the same name and Registered Address as its holding of the Scheme Shares.

#### **7.4 Warranties by Scheme Shareholders**

Each Scheme Shareholder is deemed to have warranted to Dart, in its own right and for the benefit of IGas, that:

- (a) all of the Scheme Shares registered in the name of that Scheme Shareholder on the Record Date (including any rights and entitlements attaching to those shares) which are transferred to IGas under the Scheme will be transferred to IGas free from all mortgages, pledges, charges, liens, encumbrances and security interests and other interests of third parties of any kind, whether legal or otherwise (but acknowledging that a security interest holder may potentially have an interest in the Scheme Consideration in accordance with the terms of such security interest); and
- (b) the Scheme Shareholder has full power and capacity to sell and transfer those Scheme Shares (including any rights and entitlements attaching to those shares) to IGas under the Scheme.

## **8 Dealings in Dart Shares**

### **8.1 Determination of Scheme Shareholders**

- (a) For the purpose of establishing the persons who are the Scheme Shareholders, dealings in Scheme Shares will only be recognised if:
  - (i) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Dart Register as the holder of the relevant Scheme Shares on the Record Date; and
  - (ii) in all other cases, registrable transmission applications or transfers in registrable form in respect of those dealings are received at or before the Record Date at the place where the Dart Register is kept.
- (b) Dart must register registrable transmission applications or transfers of the kind referred to in **clause 8.1(a)(ii)** by the Record Date.

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- (c) Dart will not accept for registration or recognise for any purpose any transmission applications or transfers in respect of Scheme Shares received after the Record Date, other than a transfer to IGas in accordance with the Scheme and any subsequent transfer by IGas, or its successors in title.
- (d) If the Scheme becomes Effective, a holder of Scheme Shares (and any person claiming through that holder) must not dispose of or purport to agree to dispose of any Scheme Shares or any interest in them after the Effective Date and any such disposal will be void and of no legal effect whatsoever.

## **8.2 Maintenance of Dart Register**

- (a) For the purpose of determining entitlements to the Scheme Consideration, Dart will, until the Scheme Consideration has been provided, maintain the Dart Register in accordance with the provisions of this **clause 8**. The Dart Register in this form will solely determine entitlements to the Scheme Consideration.
- (b) All certificates and holding statements for Scheme Shares (other than holding statements in favour of IGas and its successors in title after the Implementation Date) will cease to have any effect from the Record Date as documents of title in respect of those Scheme Shares. Subject to provision of the Scheme Consideration by IGas and registration of the transfer to IGas of the Scheme Shares contemplated by **clause 4.2**, after the Record Date, each entry current at that date on the Dart Register relating to Scheme Shares will cease to be of any effect other than as evidence of entitlement to the Scheme Consideration in respect of the Scheme Shares relating to that entry.

## **8.3 Information to be made available to IGas**

Dart will procure that, as soon as reasonably practicable after the Record Date, details of the names, Registered Addresses and holdings of Scheme Shares of every Scheme Shareholder as shown in the Dart Register as at the Record Date are made available to IGas in such form as IGas reasonably requires.

## **9 Quotation of Dart Shares**

- (a) Dart will apply to ASX to suspend trading on ASX in Dart Shares from the close of trading on the Effective Date.
- (b) Dart will apply to ASX for termination of the official quotation of Dart Shares on ASX and removal of Dart from the official list of ASX with effect from the Business Day after the Implementation Date, or such other date prescribed by ASX, provided that all transfers of the Scheme Shares to IGas have been duly registered by Dart in accordance with the Scheme.

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## **10 Notices**

### **10.1 General**

Any notice, transfer, transmission, application, direction, demand, consent or other communication (**Notice**) given or made under this document must be in writing in English and signed by the sender or a person duly authorised by the sender.

### **10.2 Communications by post**

Subject to **clause 10.3**, where a Notice referred to in this document is sent by post to Dart, it will not be deemed to have been received in the ordinary course of post or on a date other than the date (if any) on which it is actually received at Dart's registered office or at the Dart Registry.

### **10.3 After hours communications**

If a Notice is given:

- (a) after 5.00 pm in the place of receipt; or
- (b) on a day which is a Saturday, Sunday or bank or public holiday in the place of receipt,

it is taken as having been given at 9.00 am on the next day which is not a Saturday, Sunday or bank or public holiday in that place.

## **11 General**

### **11.1 Dart and Scheme Shareholders bound**

The Scheme binds Dart and all Scheme Shareholders (including Scheme Shareholders who do not attend the Scheme Meeting, do not vote at that meeting or vote against the Scheme) and will, for all purposes, to the extent of any inconsistencies and permitted by law, have effect notwithstanding any provision in the constitution of Dart.

### **11.2 Further assurances**

Subject to **clause 11.3**, Dart will execute all documents and do all acts and things (on its own behalf and on behalf of each Scheme Shareholder) necessary or desirable for the implementation of, and performance of its obligations under, the Scheme.

### **11.3 Alterations and conditions**

Dart may, with the written consent of IGas, by its counsel, consent on behalf of all Scheme Shareholders to any modifications or conditions which the Court thinks fit to impose, provided that in no circumstances will Dart be obliged to do so.

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#### **11.4 GST**

Dart must pay to the Scheme Shareholders an amount equal to any GST for which the Scheme Shareholders are liable on any supply by the Scheme Shareholders under or in connection with the Scheme, without deduction or set off of any other amount.

#### **11.5 Costs**

Any costs, and any stamp duty and any related fines, interest or penalties, which are payable on or in respect of this document or on any document referred to in this document will be paid as provided for in the Scheme Implementation Agreement. For the avoidance of doubt, the Scheme Shareholders do not have to pay any stamp duty, related fines, interest or penalties which are payable on or in respect of this document or any document referred to in this document.

#### **11.6 Governing law and jurisdiction**

- (a) This document is governed by and is to be construed in accordance with the laws applicable in Queensland.
- (b) Each party irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts exercising jurisdiction in Queensland and any courts which have jurisdiction to hear appeals from any of those courts and waives any right to object to any proceedings being brought in those courts.

#### **11.7 Construction**

Unless expressed to the contrary, in this document:

- (a) words in the singular include the plural and vice versa;
- (b) if a word or phrase is defined its other grammatical forms have corresponding meanings;
- (c) 'includes' means includes without limitation;
- (d) no rule of construction will apply to a clause to the disadvantage of a party merely because that party put forward the clause or would otherwise benefit from it;
- (e) words and phrases have the same meaning (if any) given to them in the Corporations Act;
- (f) a reference to:
  - (i) a holder includes a joint holder;
  - (ii) a person includes a partnership, joint venture, unincorporated association, corporation and a government or statutory body or authority;
  - (iii) a person includes the person's legal personal representatives, successors, assigns and persons substituted by novation;
  - (iv) any legislation includes subordinate legislation under it and includes that legislation and subordinate legislation as modified or replaced;

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- (v) an obligation includes a warranty or representation and a reference to a failure to comply with an obligation includes a breach of warranty or representation;
- (vi) a right includes a benefit, remedy, discretion or power;
- (vii) time is to local time in Brisbane, Australia;
- (viii) '\$' or 'dollars' is a reference to Australian currency;
- (ix) 'GBP' or '£' is a reference to the lawful currency of the United Kingdom;
- (x) this or any other document includes the document as novated, varied or replaced and despite any change in the identity of the parties;
- (xi) writing includes any mode of representing or reproducing words in tangible and permanently visible form, and includes fax transmissions;
- (xii) this document includes all schedules and annexures to it; and
- (xiii) a clause, party, schedule, exhibit or annexure is a reference to a clause, party, schedule, exhibit or annexure, as the case may be, of this document;
- (g) if the date on or by which any act must be done under this document is not a Business Day, the act must be done on or by the next Business Day; and
- (h) where time is to be calculated by reference to a day or event, that day or the day of that event is excluded.

#### **11.8 Headings**

Headings do not affect the interpretation of this document.

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1 Eagle Street Brisbane QLD 4000  
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Fax +61 7 3228 9444  
[www.corrs.com.au](http://www.corrs.com.au)



Sydney  
Melbourne  
Brisbane  
Perth

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IGas Energy plc

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# Deed Poll

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**Date**

**By**

**IGas Energy plc** of 7 Down Street, London W1J 7AJ, United Kingdom (**IGas**)

in favour of each Scheme Shareholder.

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## Background

- A IGas and Dart have entered into the Scheme Implementation Agreement.
  - B Dart has agreed in the Scheme Implementation Agreement to propose the Scheme, the effect of which will be that all Scheme Shares will be transferred to IGas and the Scheme Shareholders will be entitled to receive, for each Scheme Share held at the Record Date, the Scheme Consideration.
  - C IGas is entering into this document for the purpose of covenanting in favour of Scheme Shareholders to perform certain of its obligations under the Scheme Implementation Agreement and the Scheme.
- 

## 1 Definitions

In this document any capitalised words which are not defined in this document have the meaning given in the Scheme and:

**Scheme** means the proposed scheme of arrangement between Dart and the Scheme Shareholders in the form set out in the annexure, subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and approved by Dart and IGas.

## 2 Nature of this document

### 2.1 Enforceability

IGas acknowledges that:

- (a) this document may be relied on and enforced by any Scheme Shareholder in accordance with its terms, even though the Scheme Shareholders are not party to it; and
- (b) under the Scheme, each Scheme Shareholder irrevocably appoints Dart and any of Dart's directors as its agent and attorney to enforce this document against IGas.

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## **2.2 Continuing obligations**

This document is irrevocable and, subject to **clause 3**, remains in full force and effect until:

- (a) IGas has completely performed its obligations under this document; or
- (b) this document is terminated under **clause 3**.

## **3 Condition and termination**

### **3.1 Condition**

The obligations of IGas in respect of the Scheme under this document do not become binding on IGas until the Scheme becomes Effective.

### **3.2 Termination**

Unless IGas and Dart agree otherwise in writing, IGas's obligations under this document will automatically terminate if:

- (a) the Scheme Implementation Agreement is terminated in accordance with its terms before the Scheme becomes Effective; or
- (b) the Scheme does not become Effective on or before the End Date.

### **3.3 Effect of termination**

If this document is terminated under **clause 3.2** then, in addition and without prejudice to any other rights, powers or remedies available to Scheme Shareholders:

- (a) IGas is released from its obligations to further perform this document, except those obligations contained in **clause 6** and any other obligations which by their nature survive termination; and
- (b) each Scheme Shareholder retains any rights, power or remedies it has against IGas in respect of any breach of this document by IGas which occurred before termination of this document.

## **4 Scheme Consideration**

### **4.1 Performance of obligations generally**

Subject to **clause 3**, IGas must comply with its obligations under the Scheme Implementation Agreement and must do all things necessary or desirable on its part to implement the Scheme.

### **4.2 Provision of Scheme Consideration**

- (a) Subject to **clause 3**, IGas must:
  - (i) issue to each Scheme Shareholder the New IGas Shares to which they are entitled in the manner described in clause 5 of the

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Scheme in respect of each Scheme Share held by that Scheme Shareholder at the Record Date; and

- (ii) undertake all other actions attributable to it (including all actions which the Scheme requires Dart to procure that IGas take) under the Scheme.
- (b) In the case of each Scheme Shareholder who is an Ineligible Foreign Shareholder, the obligation of IGas to provide the Scheme Consideration will be satisfied by IGas issuing the New IGas Shares to the Foreign Nominee Sale Agent in accordance with clause 5.3 of the Scheme.

## **5 Representations and warranties**

IGas represents and warrants that:

- (a) it is a company validly existing under the laws of England;
- (b) it has the corporate power to enter into and perform its obligations under this document and to carry out the transactions contemplated by this document;
- (c) it has taken all necessary corporate action to authorise the entry into this document and has taken or will take all necessary corporate action to authorise the performance of this document and to carry out the transactions contemplated by this document;
- (d) its obligations under this document are legal, valid and binding obligations enforceable subject to and in accordance with their terms; and
- (e) the New IGas Shares to be issued pursuant to the Scheme will be validly issued, fully paid and free from any mortgage, charge, lien, encumbrance or other security interest and will rank equally in all respects with all other IGas Shares then on issue.

## **6 Stamp duty**

IGas will:

- (a) pay all stamp duties and any related fines, interest and penalties in respect of or in connection with this document, the performance of this document and each transaction effected by or made or any instrument executed under this document or the Scheme, including the transfer of Scheme Shares under the Scheme; and
- (b) indemnify each Scheme Shareholder on demand against any liability arising from its failure to comply with **clause 6(a)**.

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## **7 Notices**

### **7.1 General**

Any notice, transfer, transmission, application, direction, demand, consent or other communication (**Notice**) given or made to IGas under this document must be in writing in English and signed by the sender or a person duly authorised by the sender.

### **7.2 How to give a Notice**

A Notice must be given to IGas by being:

- (a) personally delivered;
- (b) left at IGas's current address for notices;
- (c) sent to IGas's current address for notices by pre-paid ordinary mail or, if the address is outside Australia, by pre-paid airmail; or
- (d) emailed to the email address last notified by the addressee.

### **7.3 Particulars for delivery of Notices**

The particulars for delivery of Notices to IGas are:

Attention:	Andrew Austin/Stephen Bowler
Address:	7 Down Street, London W1J 7AJ, United Kingdom
Email:	andrew.austin@igasplc.com / stephen.bowler@igasplc.com

### **7.4 Communications by post**

Subject to **clause 7.6**, a Notice is given if posted:

- (a) within Australia to an Australian postal address, three Business Days after posting; or
- (b) outside of Australia to an Australian postal address or within Australia to an address outside of Australia, five Business Days after posting.

### **7.5 Communications by email**

Subject to **clause 7.6**, a Notice is given if sent by email, at the time it left the e-mail gateway of the server of the giver of the Notice, unless the giver of the Notice receives notification that the email has not been delivered.

### **7.6 After hours communications**

If a Notice is given:

- (a) after 5.00 pm in the place of receipt; or
- (b) on a day which is a Saturday, Sunday or bank or public holiday in the place of receipt,

it is taken as having been given at 9.00 am on the next day which is not a Saturday, Sunday or bank or public holiday in that place.

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**7.7 Process service**

Any process or other document relating to litigation, administrative or arbitral proceedings relating to this document may be served by any method contemplated by this **clause 7** or in accordance with any applicable law.

**8 General**

**8.1 Waiver**

Failure to exercise or enforce or a delay in exercising or enforcing or the partial exercise or enforcement of any right, power or remedy provided by law or under this document by any party will not in any way preclude, or operate as a waiver of, any exercise or enforcement, or further exercise or enforcement of that or any other rights, power or remedy provided by law or under this document. A waiver is not valid or binding on the person granting that waiver unless made in writing.

**8.2 Cumulative rights**

The rights, powers and remedies of IGas and of each Scheme Shareholder under this document are cumulative and do not exclude any other rights, powers or remedies provided by law or equity independently of this document.

**8.3 Amendment**

A provision of this document may not be varied unless:

- (a) before the First Court Date, the variation is agreed to in writing by Dart;  
or
- (b) on or after the First Court Date, the variation is agreed to in writing by Dart and the Court indicates that the variation would not of itself preclude approval of the Scheme,

in which event IGas must enter into a further deed poll in favour of the Scheme Shareholders giving effect to that amendment.

**8.4 Assignment**

The rights and obligations of IGas and of each Scheme Shareholder under this document are personal and must not be assigned, encumbered or otherwise dealt with at law or in equity and no person may attempt, or purport, to do so without the prior written consent of IGas and Dart.

**8.5 Severability**

If the whole or any part of a provision of this document is void, unenforceable or illegal in a jurisdiction it is severed for that jurisdiction. The remainder of this document has full force and effect and the validity or enforceability of that provision in any other jurisdiction is not affected. This **clause 8.5** has no effect if the severance alters the basic nature of this document or is contrary to public policy.

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**8.6 Further assurances**

IGas will execute and deliver all documents and do all acts and things (on its own behalf and on behalf of each Scheme Shareholder) necessary or desirable to give full effect to this document and the transactions contemplated by it.

**8.7 Governing law and jurisdiction**

- (a) This document is governed by and is to be construed in accordance with the laws applicable in Queensland.
- (b) Each party irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts exercising jurisdiction in Queensland, and any courts which have jurisdiction to hear appeals from any of those courts, and waives any right to object to any proceedings being brought in those courts.

**8.8 Construction**

The rules specified in clause 11.7 of the Scheme apply in interpreting or construing this document, unless the context requires otherwise.

**8.9 Headings**

Headings do not affect the interpretation of this document.

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## Execution

Executed as a deed poll.

Signed by Andrew Austin for and       )  
on behalf of **IGAS ENERGY PLC**       )  
acting by:                                       )  
Witnessed by:                                   )

Witness name:

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**Annexure**  
**Scheme**

Please see Annexure D in the Scheme Booklet

# Annexure F - Notice of Scheme Meeting

---

## Dart Energy Limited

ABN 21 122 588 505

## Notice of Scheme Meeting

Notice is given that, by an order of the Supreme Court of Queensland (**Court**) made on 23 July 2014 under section 411(1) of the *Corporations Act 2001* (Cth) (**Corporations Act**), a meeting of the shareholders of Dart Energy Limited (**Dart**) will be held at:

Location: Kingston Room  
Level 2, Brisbane Polo Club  
Naldham House  
1 Eagle Street  
Brisbane, Queensland 4000

Date: 1 September 2014  
Time: 9.30am (AEST)

Please note the venue has the following dress requirements. Gentlemen are required to wear smart business attire - jacket and tie are optional. Ladies are to wear smart or business attire. Denim, shorts, polo shirts, tee shirts and sports wear of any nature is considered unsuitable.

### Interpretation

Unless otherwise defined in this Notice of Scheme Meeting, capitalised terms used in this notice (including in the Scheme Resolution set out below) have the same meaning as set out in the Glossary in section 10 of the Scheme Booklet.

### Purpose of the Scheme Meeting

The purpose of the Scheme Meeting is to consider and, if thought fit, to agree to a scheme of arrangement (with or without modification) proposed to be made between Dart and Dart Shareholders under Part 5.1 of the Corporations Act.

The Scheme is proposed to be made in the form of the scheme contained in annexure D to the Scheme Booklet which contains this Notice of Scheme Meeting. To assist you in making an informed voting decision, further information regarding the Scheme is set out in the Scheme Booklet.

### Scheme Resolution

To consider and, if thought fit, to pass the following resolution:

*"That, pursuant to and in accordance with section 411 of the Corporations Act, the Scheme proposed to be entered into between Dart and holders of its ordinary shares (which is described in the Scheme Booklet which contains this Notice of Scheme Meeting) is agreed to with or without such modifications or conditions as may be approved by the Court."*

By order of the Board,



Paul Marshall  
Company Secretary  
23 July 2014

## Information for Dart Shareholders

### **1 Majority required**

In accordance with section 411(4)(a) of the Corporations Act, for the Scheme to be effective, the resolution must be approved by:

- a majority in number (more than 50%) of Dart Shareholders present and voting (whether in person, by proxy, by attorney or by corporate representative); and
- at least 75% of the votes cast on the resolution (whether in person, by proxy, by attorney or by corporate representative).

The vote will be conducted by poll.

### **2 Chairman**

The Court has directed that Robert Neale or, in his absence, Stephen Lonie to act as chairman of the Scheme Meeting and has directed the chairman to report the results of the Scheme Meeting to the Court.

### **3 Court approval**

In accordance with section 411(4)(b) of the Corporations Act, the Scheme is subject to the approval of the Court. If the Scheme Resolution is approved by the requisite majority of Dart Shareholders, and the conditions precedent to the Scheme referred to in section 1.3A of the Scheme Booklet are satisfied or, where applicable, waived, Dart intends to apply to the Court for approval of the Scheme.

### **4 Voting entitlement**

For the purposes of the Scheme Meeting, Dart Shares will be taken to be held by the persons who are the registered holders at 7.00pm (AEST) on 30 August 2014. All holders of Dart Shares as at that time are entitled to vote at the Scheme Meeting.

### **5 How to vote**

Dart Shareholders entitled to vote at the Scheme Meeting can vote:

- by attending the meeting and voting in person;
- by appointing an attorney to attend the meeting and vote on their behalf;
- in the case of corporate Dart Shareholders, by appointing a corporate representative to attend the meeting and vote on its behalf; or
- by appointing a proxy to attend and vote on their behalf in their place (see instructions in section 5.3 of this Notice of Scheme Meeting).

#### **5.1 Voting in person (or by attorney or corporate representative)**

Dart Shareholders or their attorney or corporate representative who intend to attend the Scheme Meeting are requested to arrive at the venue at least 30 minutes before the time of the meeting to register to vote.

Attorneys should bring with them the original or a certified copy of the power of attorney under which they have been authorised to attend and vote at the Scheme Meeting, and ensure that they have provided this to the Registry at least 48 hours before the Scheme Meeting.

In order to vote in person at the Scheme Meeting, a corporation which is a Dart Shareholder may appoint an individual to act as its corporate representative. The appointment must comply with the requirements of section 250D of the Corporations Act. The representative should bring to the meeting evidence of their appointment, including the authority under which it is signed, if these documents have not already been lodged with the Registry before the Scheme Meeting.

#### **5.2 Voting by proxy**

- A proxy form accompanies the Scheme Booklet.
- A Dart Shareholder has a right to appoint a proxy.
- A proxy need not be a Dart Shareholder.
- A Dart Shareholder who is entitled to cast two or more votes may appoint up to two proxies to attend and vote on their behalf. If you want to appoint two proxies, an additional proxy form will be supplied by Dart on request by contacting the Shareholder Information Line. Where two proxies are appointed, both forms should be completed with the nominated proportion or number of votes each proxy may exercise. Otherwise, each proxy may exercise half of the votes.

- Proxy forms must be signed:
  - i. by the Dart Shareholder/s or the Dart Shareholder's attorney, or
  - ii. if the Dart Shareholder is a corporation:
    - a. by two directors or by a director and a secretary, or if it is a proprietary company that has a sole director who is also the sole secretary (or has no secretary), by that director; or
    - b. by its attorney or duly authorised officer.

If the proxy form is signed by a person who is not the registered holder of Dart Shares (eg an attorney), then the relevant authority (eg in the case of proxy forms signed by an attorney, the power of attorney or a certified copy of the power of attorney) must either have been disclosed previously to Dart or be enclosed with the proxy form.

- **Completed proxy forms can be lodged with the Registry by using the enclosed envelope or by providing them as follows:**

**Mail to:**

Computershare Investor Services Pty Limited  
GPO Box 1282  
MELBOURNE VIC 8060

**Fax to:**

1800 783 447 (within Australia) or + 61 3 9473 2555 (outside Australia)

**Vote online:**

Visit [www.investorvote.com.au](http://www.investorvote.com.au) and follow the instructions on your proxy form.

Custodians and nominees can vote online at [www.intermediaryonline.com](http://www.intermediaryonline.com)

**To be effective, completed proxy forms (including those completed online) must be lodged by 9.30am (AEST) on 30 August 2014.**

### **5.3 Jointly held Dart Shares**

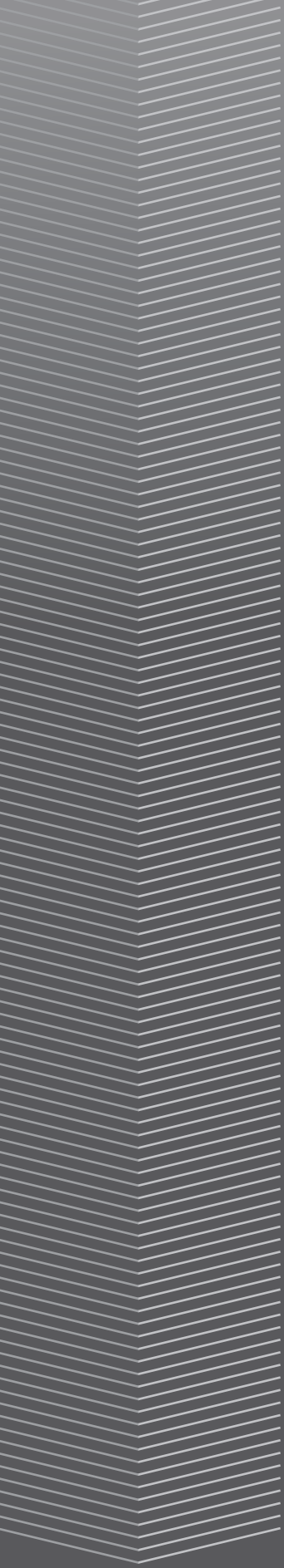
If Dart Shares are jointly held, only one of the joint Dart Shareholders is entitled to vote. If more than one joint Dart Shareholder votes in respect of the jointly held Dart Share, only the vote of the Dart Shareholder whose name appears first on the Share Register will be counted.

# Corporate Directory

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<b>Directors</b>	Robert Neale Non-Executive Chairman  John McGoldrick Chief Executive Officer and Managing Director  Shaun Scott Non-Executive Director  Stephen Lonie Non-Executive Director
<b>Company Secretary</b>	Paul Marshall
<b>Principal Registered Office in Australia</b>	Level 9, Waterfront Place, 1 Eagle Street Brisbane QLD 4000, Australia  Telephone: +61 7 3149 2100 Facsimile: +61 7 3149 2101  Postal Address: GPO Box 3120 Brisbane QLD 4001, Australia
<b>Head Office</b>	152 Beach Road #19-03/04 The Gateway East Singapore 189721 Telephone: +65 6508 9840 Facsimile: +65 6294 6904
<b>Share Registry</b>	Computershare Investor Services Pty Limited 117 Victoria Street West End QLD 4101, Australia
<b>Shareholder Information Line</b>	Between 8.30am and 5.00pm (AEST) Telephone: 1300 580 460 (in Australia) or +61 3 9415 4383 (outside Australia)
<b>Australian Legal Advisor</b>	Corrs Chambers Westgarth Level 35, Waterfront Place, 1 Eagle Street Brisbane QLD 4000, Australia
<b>UK Legal Advisor</b>	Pinsent Masons LLP 30 Crown Place, Earl Street London EC2A 4ES, United Kingdom
<b>Auditor</b>	PricewaterhouseCoopers Riverside Centre, 123 Eagle Street Brisbane QLD 4000, Australia
<b>Stock Exchange Listing</b>	Australian Securities Exchange  ASX Code: DTE
<b>Website Address</b>	<a href="http://www.dartgas.com">www.dartgas.com</a>





## Lodge your vote:



**Online:**

[www.investorvote.com.au](http://www.investorvote.com.au)



**By Mail:**

Computershare Special Meetings  
GPO Box 1282 Melbourne  
Victoria 8060 Australia

Alternatively you can fax your form to  
(within Australia) 1800 783 447  
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only  
(custodians) [www.intermediaryonline.com](http://www.intermediaryonline.com)

## For all enquiries call:

(within Australia) 1300 580 460  
(outside Australia) +61 3 9415 4383

000001 000 DTE  
MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

## Proxy Form



### Vote and view the scheme booklet online

Go to [www.investorvote.com.au](http://www.investorvote.com.au) or scan the QR Code with your mobile device.  
Follow the instructions on the secure website to vote.

### Your access information that you will need to vote:

**Control Number:** 9999999

**SRN/HIN:** I9999999999 **PIN:** 99999

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.



 **For your vote to be effective it must be received by 9.30am (AEST) Saturday 30 August 2014**

### How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

#### Appointment of Proxy

**Voting 100% of your holding:** Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

**Voting a portion of your holding:** Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

**Appointing a second proxy:** You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

**A proxy need not be a securityholder of the Company.**

### Signing Instructions for Postal Forms

**Individual:** Where the holding is in one name, the securityholder must sign.

**Joint Holding:** Where the holding is in more than one name, all of the securityholders should sign.

**Power of Attorney:** If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

### Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at [www.investorcentre.com](http://www.investorcentre.com) under the help tab, "Printable Forms".

**Comments & Questions:** If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,  
or turn over to complete the form** ➔

MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

☐

**Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

## ■ Proxy Form

Please mark ☒ to indicate your directions

### STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Dart Energy Limited hereby appoint

☐

the Chairman  
of the Meeting **OR**



**PLEASE NOTE:** Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Scheme Meeting of Dart Energy Limited to be held in the Kingston Room, Level 2, Brisbane Polo Club, Naldham House, 1 Eagle Street, Brisbane QLD 4000 on Monday, 1 September 2014 at 9.30am (AEST) and at any adjournment or postponement of that meeting.

### STEP 2 Items of Business



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

#### SPECIAL BUSINESS

	For	Against	Abstain
1 "That, pursuant to and in accordance with section 411 of the Corporations Act, the Scheme proposed to be entered into between Dart and holders of its ordinary shares (which is described in the Scheme Booklet which contains this Notice of Scheme Meeting) is agreed to with or without such modifications or conditions as may be approved by the Court."	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of the item of business.

### SIGN

#### Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact  
Name

\_\_\_\_\_

Contact  
Daytime  
Telephone

\_\_\_\_\_

Date \_\_\_\_/\_\_\_\_/\_\_\_\_

DTE

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Computershare +

# IGas Energy plc

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THIS DOCUMENT CONTAINS IMPORTANT INFORMATION FOR SMALL DART SHAREHOLDERS ABOUT YOUR SHARES IN DART AND THE SHARES THAT YOU WILL RECEIVE IN IGAS ENERGY PLC ("IGAS") IF THE SCHEME OF ARRANGEMENT BETWEEN IGAS AND DART IS IMPLEMENTED. IF YOU DO NOT RESPOND BY THE CLOSING TIME, AND THE SCHEME OF ARRANGEMENT IS IMPLEMENTED, YOU MAY NOT BE ABLE TO SELL THOSE IGAS SHARES ON AIM WITHOUT INCURRING BROKERAGE OR HANDLING COSTS

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23 July 2014

Dear Dart Shareholder

## Small Shareholder Sale Facility

I am writing to offer a small shareholder sale facility (**Small Shareholder Sale Facility**) to all Dart Shareholders who, if the Scheme of Arrangement ("**Scheme**") between Dart Energy Limited (**Dart**) and IGas Energy plc (**IGas**) is implemented will receive a relatively small number of IGas shares. Without the Small Shareholder Sale Facility, such shareholders may not be able to sell their IGas shares without incurring brokerage or handling costs. Such brokerage or handling costs may be relatively large in comparison with the small size of those IGas shareholdings.

For the avoidance of doubt, this should not be a material factor for you in deciding whether or not to vote in favour of the Scheme, as the Dart Board has stated that if the Scheme does not proceed, it intends to implement an unmarketable parcel sale facility in accordance with Dart's constitution and the ASX Listing Rules. This will give small Dart shareholders an opportunity to sell their Dart shares free of brokerage or handling costs if the Scheme does not proceed. However, regardless of whether or not you are in favour of the Scheme proceeding, you should consider whether, if it does proceed and you will receive a small number of IGas shares under the Scheme, you wish to participate in the Small Shareholder Sale Facility offered under this document.

Under the Small Shareholder Sale Facility, all IGas shares held by participants will be pooled and sold in the ordinary course of trading on the AIM Market of the London Stock Exchange plc by a broker to be retained or appointed by IGas for this purpose (acting as execution-only broker). IGas will pay all brokerage costs and expenses relating to the sales under the Small Shareholder Sale Facility.

All participants who have their IGas shares sold under the Small Shareholder Sale Facility will receive the same sale price per IGas share. This is an average sale price based on the volume weighted average price of all IGas shares sold through the Small Shareholder Sale Facility. That is, the sale proceeds to which each participant will be entitled will be calculated by multiplying the sale price by the number of IGas shares that participant was entitled to receive under the Scheme, rounded to the nearest cent.

The Small Shareholder Sale Facility will operate only after the Scheme has been implemented and Dart Shareholders have been issued new IGas shares. But in order to implement the Small Shareholder Sale Facility as soon as possible after implementation of the Scheme, eligibility criteria have been determined based on holdings of Dart shares as follows:

- |   |  |
|---|--|
| <b>Maximum value of holding of Dart shares:</b>   | A\$500   |
| <b>Date for determining value of Dart shares:</b> | 5.00pm (AEST) on the Effective Date (as that term is defined in the Scheme of Arrangement), which is currently expected to be 8 September 2014 |

Based on a price of A\$0.165 per share, being the closing price of Dart shares on ASX on the last practicable date prior to the publication of the Scheme Booklet, it is expected that the Small Shareholder Sale Facility will be available to any shareholder holding 3,030 Dart shares or less.

An eligible shareholder may only elect to participate in the Small Shareholder Sale Facility in respect of all of the IGas shares which they are entitled to be issued under the Scheme (and not some only).

Note that the market price of IGas shares is subject to change from time to time, so the price you may receive for your IGas shares sold under the Small Shareholder Sale Facility is not fixed or guaranteed. You can obtain up-to-date pricing information about IGas shares from newspapers or the London Stock Exchange website ([www.londonstockexchange.com](http://www.londonstockexchange.com)) under the symbol "IGAS".

The amount of money received by a participating holder for their IGas shares sold through the Small Shareholder Sale Facility may be more or less than the actual price that is received by the broker for those IGas shares.

If you elect to participate in the Small Shareholder Sale Facility, you will receive your proportion of the proceeds from the sale within 8 weeks after the later of the date IGas receives your election and the implementation date under the Scheme.

The Small Shareholder Sale Facility will expire on the earlier to occur of the return of all sale proceeds, or the date that is 12 months after the date of this document.

Ineligible Foreign Shareholders under the Scheme will not be able to participate in the Small Shareholder Sale Facility. Instead, they will have the IGas Shares that would have been issued to them under the Scheme sold on AIM by the Foreign Nominee Sale Agent (and have the net proceeds remitted to them).

Full details of the Scheme are set out in the accompanying Scheme Booklet.

The benefits of the Small Shareholder Sale Facility being offered by IGas include:

- provision of a simple and convenient way for you to deal in shares in IGas without having to appoint your own broker;
- IGas paying all brokerage and handling fees related to sales under the Small Shareholder Sale Facility, providing you with a cost effective means for dealing in shares in IGas (except for tax on income or capital gains); and
- a reduction of the costs associated with maintaining IGas' share register.

Further information in relation to the Small Shareholder Sale Facility is set out in the remainder of this document.

If you expect to be eligible to participate in the Small Shareholder Sale Facility and wish to sell the IGas shares issued to you if the Scheme is implemented through the Small Shareholder Sale Facility, you should, before 5.00pm (AEST) on the Record Date (as that term is defined in the Scheme), which is currently expected to be 15 September 2014 (the **Closing Time**), either:

- complete the enclosed form headed "Small Shareholder Sale Facility Election Form" and return it in accordance with the instructions on the form; or
- make an online election by visiting the Dart website ([www.dartgas.com](http://www.dartgas.com)) and following the relevant instructions.

If you wish to retain the IGas shares issued to you if the Scheme is implemented then you do not need to take any action.

You should be aware that if you do not take any action by the Closing Time, and the Scheme is implemented, you will receive a share certificate for the IGas shares due to you under the terms of the Scheme. Without the Small Shareholder Sale Facility you may not be able to sell those IGas shares without incurring brokerage or handling costs. Such brokerage or handling costs may be relatively large in comparison with the small size of your IGas shareholding.

The Small Shareholder Sale Facility will become unavailable and will not otherwise be operated during any period where a control transaction in respect of IGas has been publicly proposed and has not ended.

If you have any questions concerning how the Small Shareholder Sale Facility will work, please contact Shareholder Information Line, on 1300 580 460 (from within Australia) or on +61 3 9415 4383 (from outside Australia).

Andrew Austin  
Chief Executive Officer of IGas Energy plc

## SMALL SHAREHOLDER SALE FACILITY

### SUMMARY OF IMPORTANT INFORMATION

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#### Your options and what you need to do

If you are an Eligible Shareholder (see Terms and Conditions below), your options are as follows:

- If you wish to sell the IGas shares issued to you if the Scheme is implemented under the Small Shareholder Sale Facility, you **must**, by no later than 5.00pm (AEST) on the Record Date (as that term is defined in the Scheme), which is currently expected to be 15 September 2014, either:
  - complete the enclosed form headed “Small Shareholder Sale Facility Election Form” and return it in accordance with the instructions on the form; or
  - make an online election by visiting the Dart website ([www.dartgas.com](http://www.dartgas.com)) and following the relevant instructions.
- If you would like to retain the IGas shares issued to you if the Scheme is implemented, you do not need to do anything.

Under the Small Shareholder Sale Facility, all IGas shares held by participants will be pooled. Those IGas shares will then be sold by a broker to be retained or appointed by IGas for this purpose (the **Broker**) (acting as execution-only broker) in the ordinary course of trading on the AIM Market of the London Stock Exchange plc. You do not need to appoint your own broker.

All participants who have their IGas shares sold under the Small Shareholder Sale Facility will receive the same sale price per IGas share. This is an average sale price based on the volume weighted average price of all IGas shares sold through the Small Shareholder Sale Facility. That is, the sale proceeds to which each participant will be entitled will be calculated by multiplying the sale price by the number of IGas shares that participant was entitled to receive under the Scheme, rounded to the nearest cent.

An eligible shareholder may only elect to participate in the Small Shareholder Sale Facility in respect of all of the IGas shares which they are entitled to be issued under the Scheme (and not some only).

If you elect to participate in the Small Shareholder Sale Facility, you will receive your proportion of the proceeds from the sale within 8 weeks after the later of the date IGas receives your election and the implementation date under the Scheme.

The Small Shareholder Sale Facility will expire on the earlier to occur of the return of all sale proceeds, or the date that is 12 months after the date of this document.

You should read the terms and conditions for the Small Shareholder Sale Facility which are set out below.

Note that the market price of IGas shares is subject to change from time to time, so the price you may receive for your IGas shares sold under the Small Shareholder Sale Facility is not fixed or guaranteed.

**The price of shares in IGas** - In the month before 17 July 2014, IGas shares traded on AIM in the range of A\$2.41 and A\$2.16 with the closing price on 17 July 2014 being A\$2.18.<sup>1</sup> The price of shares in IGas is subject to change from time to time, and in particular may change as a result of the issue of a material number of new IGas shares under the proposed Scheme. Pricing information is available from newspapers or the London Stock Exchange website ([www.londonstockexchange.com](http://www.londonstockexchange.com)) under the symbol “IGAS”.

You should be aware that the price of IGas shares that you sell under the Small Shareholder Sale Facility will depend on a number of factors (including prevailing market conditions) and will be an average price. Clauses 3.2 and 3.3 of the Terms and Conditions set out below explain how the relevant price will be determined. Further, the amount of money received by a participating holder for their IGas shares sold through the Small Shareholder Sale Facility may be more or less than the actual price that is received by the Broker for those IGas shares.

You should also note that the price at which IGas shares will be sold under the Small Shareholder Sale Facility is not fixed and is not underwritten, may be different (i.e. more or less) than the market price of IGas shares at any given time, and may not be the best price obtainable on the day on which your IGas shares are sold. Further, if a large number of IGas shares are sold under the Small Shareholder Sale Facility at the same time as your IGas shares, this may have an adverse effect on the price at which your IGas shares are sold.

The Small Shareholder Sale Facility will become unavailable and will not otherwise be operated during any period where a control transaction in respect of IGas has been publicly proposed and has not ended.

**Important Notes** - Please read this document carefully as it contains important information. You should note this document does not constitute advice or a recommendation by any of Dart, IGas, the Broker or any other person to buy, sell or hold shares in IGas or Dart, nor that the Small Shareholder Sale Facility is the best way to sell shares in IGas. This document does not purport to provide financial product advice and any such advice is general in nature only and is not personal advice. IGas is not licensed in Australia to provide financial product advice in relation to its shares.

Participants in the Small Shareholder Sale Facility will be taken to appoint IGas as their agent to receive any notice that the Broker or any agent of IGas or Dart is required to provide under any relevant regulation or regulations in Australia or the United Kingdom.

If you are in any doubt about whether to participate, you should consult a professional advisor. You may wish to seek independent professional advice concerning the tax consequences of your decision.

## SMALL SHAREHOLDER SALE FACILITY TERMS AND CONDITIONS

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### 1. Participation

- 1.1 Subject to clauses 1.2 to 1.8 below, only Scheme Shareholders (as that term is defined in the Scheme of Arrangement ("**Scheme**") between IGas Energy plc ("**IGas**") and Dart Energy Limited ("**Dart**") who as at 5.00pm (AEST) on the Effective Date (as that term is defined in the Scheme) (expected to be 8 September 2014) held ordinary shares in Dart with a value less than A\$500 ("**Eligible Shareholders**") are entitled to participate in the Small Shareholder Sale Facility in accordance with these terms and conditions. Participation by Eligible Shareholders is optional.
- 1.2 The Small Shareholder Sale Facility will only operate if the Scheme is implemented in accordance with its terms.
- 1.3 For the purposes of clause 1.1 above, the value of Dart shares shall be determined by taking the closing price on ASX of ordinary shares in Dart on the Effective Date (as that term is defined in the Scheme) (expected to be 8 September 2014) and multiplying that price by the number of ordinary shares in Dart held by the relevant person on that date.
- 1.4 Subject to clauses 1.5 to 1.9 below, each Eligible Shareholder who has, prior to 5.00pm (AEST) on the Record Date (as that term is defined in the Scheme) (expected to be 15 September 2014) ("**Closing Time**"):
- i) completed and not withdrawn a Small Shareholder Sale Facility Election Form; or
  - ii) who has made and not withdrawn an online election at the Dart website ([www.dartgas.com](http://www.dartgas.com)) to participate in the Small Shareholder Sale Facility,
- (a "**Participating Shareholder**"), will have the IGas Shares that would have been issued to them under the Scheme delivered to the CREST account of the Broker (as defined below) sold in the ordinary course of trading on AIM and be sent the proceeds of the Small Shareholder Sale Facility to which they are entitled in accordance with these terms and conditions.
- 1.5 Only properly completed Small Shareholder Sale Facility Forms received in accordance with the instructions on the form by no later than the Closing Time will be regarded as valid.
- 1.6 An Eligible Shareholder may only elect to participate in the Small Shareholder Sale Facility in respect of all of the IGas Shares which they are entitled to be issued under the Scheme. That is, the minimum number of IGas shares that a Participating Shareholder can sell under the Small Shareholder Sale Facility is all the IGas Shares which they are entitled to be issued under the Scheme (and that is also the maximum number of IGas shares that a Participating Shareholder can sell under the Small Shareholder Sale Facility).
- 1.7 An Ineligible Foreign Shareholder (as that term is defined in the Scheme) is not eligible to participate in the Small Shareholder Sale Facility.
- 1.8 A Participating Shareholder may, at any time prior to the Closing Time, revoke or withdraw their election to participate in the Small Shareholder Sale Facility.
- 1.9 The Small Shareholder Sale Facility will expire on the earlier to occur of the return of all Proceeds in accordance with clause 4 below, or the date that is 12 months after the date of this document.
- 1.10 No IGas shares may be purchased under the Small Shareholder Sale Facility.

### 2. No Shareholder Charges

- 2.1 IGas will pay all brokerage costs and expenses associated with the sale of the IGas shares under the Small Shareholder Sale Facility.

### 3. Appointment of IGas and the Broker

- 3.1 Immediately after the issue of IGas Shares on the Implementation Date of the Scheme of Arrangement (expected to be 22 September 2014), IGas shall have the right to sell or otherwise dispose of the IGas shares held by all Participating Shareholders.
- 3.2 For the purpose of selling or disposing of IGas shares, each Participating Shareholder irrevocably:
- i) appoints IGas as its agent to sell in the ordinary course of trading on the AIM Market of the London Stock Exchange plc all the IGas shares which that Participating Shareholder is entitled to receive under the Scheme at or around the then prevailing market price of IGas shares quoted on the AIM Market of the London Stock Exchange plc, by giving instructions on behalf of the Participating Shareholder to a broker to be retained or appointed by IGas for this purpose ("**Broker**") as an "execution only" Broker. The Broker is not giving and will not be obliged to give any investment or securities advice to the Participating Shareholder;

- ii) authorises IGas and each IGas Director and IGas Secretary from time to time jointly and severally to do all acts necessary or desirable to deliver the IGas shares which that Participating Shareholder is entitled to receive under the Scheme in uncertificated form directly to the CREST account of the Broker;
- iii) appoints IGas and each IGas Director and IGas Secretary from time to time jointly and severally as their attorney in their name and on behalf to effect a transfer document for the IGas shares which that Participating Shareholder is entitled to receive under the Scheme and to otherwise act to effect a transfer of their IGas shares; and
- iv) appoints IGas as its agent to deal with the proceeds of sale of the IGas shares which that Participating Shareholder is entitled to receive under the Scheme in accordance with these Terms and Conditions.

3.3 Each Participating Shareholder is deemed to have warranted to IGas that:

- i) all of the IGas shares which that Participating Shareholder is entitled to receive under the Scheme which are to be sold under the Small Shareholder Sale Facility are free from all mortgages, pledges, charges, liens, encumbrances and security interests and other interests of third parties of any kind, whether legal or otherwise (but acknowledging that a security interest holder may potentially have an interest in the proceeds of sale in accordance with the terms of such security interest); and
- ii) the Participating Shareholder has full power and capacity to sell and transfer those IGas shares which that Participating Shareholder is entitled to receive under the Scheme (including any rights and entitlements attaching to those shares) under the Small Shareholder Sale Facility.

3.4 The price that Participating Shareholders will receive for IGas shares sold through the Small Shareholder Sale Facility will be the volume weighted average price of all IGas shares sold through the Small Shareholder Sale Facility ("**Sale Price**"). The Share Sale Price will be calculated by dividing the total sale proceeds of all IGas shares under the Small Shareholder Sale Facility by the total number of IGas shares sold. All Participating Shareholders will receive the same Sale Price per IGas share sold under the Small Shareholder Sale Facility. The sale proceeds to which each Participating Shareholder will be entitled is calculated by multiplying the Sale Price by the number of IGas shares that the Participating Shareholder was entitled to receive under the Scheme and that were sold under the Small Shareholder Sale Facility rounded to the nearest cent.

#### 4. **IGas / Broker to deal with proceeds of sale**

IGas and/or the Broker will deal with the proceeds of sale of the IGas shares under the Small Shareholder Sale Facility as follows:

- i) the proceeds will be converted into Australian dollars by IGas and/or the Broker at the best rate offered to IGas and/or the Broker by a UK bank selected by it or them in their absolute discretion on the date of conversion (but nothing will require IGas and/or the Broker to seek alternative or competitive rates from any other financial institution);
- ii) the Australian dollar proceeds ("**Proceeds**") will be paid into a separate bank account opened and maintained by IGas' share registry for that purpose;
- iii) the Proceeds will be held in trust for each Participating Shareholder;
- iv) IGas and/or the Broker will direct IGas' share registry to forward that part of the Proceeds to which each Participating Shareholder is entitled in accordance with clause 3.4 above to that Participating Shareholder as soon as practicable after the Proceeds are received in the relevant account, and in any event within 8 weeks after the later of the date IGas receives the Participating Shareholder's election and the implementation date under the Scheme;
- v) the Proceeds to be paid in accordance with paragraph (iv) above will be paid by cheque, mailed to the address of the Participating Shareholder set out in the IGas share register. If that address is incorrect the relevant Participating Shareholder may amend it on the Small Shareholder Sale Facility Election Form or via [www.investorcentre.com](http://www.investorcentre.com);
- vi) if the whereabouts of any Participating Shareholder is unknown then IGas and/or the Broker may deal with those proceeds according to the applicable laws dealing with unclaimed monies; and
- vii) any interest earned on the Proceeds will be paid to and retained by IGas.

#### 5. **What happens if there is a takeover bid?**

The Small Shareholder Sale Facility will become unavailable and will not otherwise be operated during any period where a control transaction in respect of IGas has been publicly proposed and has not ended.





## Make an Election:



Online:

<[www.dartgas.com/scheme](http://www.dartgas.com/scheme)>



By Mail:

Computershare Special Meetings  
GPO Box 1282, Melbourne  
Victoria 8060 Australia

## For all enquiries call:

(within Australia) 1300 580 460  
(outside Australia) +61 3 9415 4383

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MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

## Small Shareholder Sale Facility Election Form



### Make an election online

- Go to <[www.dartgas.com/scheme](http://www.dartgas.com/scheme)>
- Follow the instructions on the secure website to vote.

### Your access information that you will need to make an election:

SRN/HIN: I9999999999

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

**Your election must be received by 5.00pm (AEST) Monday, 15 September 2014**

This is an important document that requires your immediate attention. If you are in doubt about how to deal with this form, please contact your financial or other professional adviser.

### Step 1: Registration Name

Please check the details provided and update your address via [www.investorcentre.com](http://www.investorcentre.com) if any of the details are incorrect.

Use this form if you are an Eligible Shareholder (as defined in the accompanying Small Shareholder Sale Facility Booklet) and, in the event that the scheme of arrangement proposed by Dart Energy Limited is implemented, wish to have the securities in IGas Energy plc (IGas) that are issued to you sold under the terms of the Small Shareholder Sale Facility. **If you have sold all your securities in Dart Energy Limited or do not expect to be an Eligible Shareholder as at the Record Date, do not complete or return this form as it will not be processed.** If you have more than one holding on Dart Energy Limited's register, you will need to complete and return a form or make an online election for each holding you would like to participate in the Small Shareholder Sale Facility.

For further advice in this regard, contact Computershare Investor Services on the number above.

### Step 2: Signing Instructions

**Individual:** Where the holding is in one name, the securityholder must sign.

**Joint Holding:** Where the holding is in more than one name, all of the securityholders must sign.

**Power of Attorney:** Please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** Where an Australian company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person in the box labelled 'Sole Director and Sole Company Secretary'. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone as 'Sole Director'. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held and delete titles as applicable.

**Deceased Estate:** All executors must sign and a certified copy of Probate or Letters of Administration must accompany this form.

Entering your contact details is not compulsory, but will assist us if we need to contact you.

**GO ONLINE TO MAKE AN ELECTION,  
or turn over to complete the form →**

# Small Shareholder Sale Facility Election Form



## Registration Name & Share Details

**Registration Name:** MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

I 9999999999

I ND

For your security keep your SRN/  
HIN confidential.

### Share Details:

- (a) Shares in Dart Energy Limited held as at 24 July 2014 (note: if you are an Eligible Shareholder and return this form (or make an online election), your election will apply to all of your Dart Shares held on the Record Date)
- (b) Entitlement to IGas shares resulting therefrom (assuming that the scheme of arrangement proposed by Dart Energy Limited is implemented and on the Record Date you hold the number of Dart Shares set out above)

## STEP 2

### Signature of Securityholder(s)

*This section must be completed.*



I/We refer to the Small Shareholder Sale Facility Booklet provided by IGas dated 23 July 2014 and record my/our wish to have all of the IGas shares that are issued to me/us sold under the terms and conditions of the Small Shareholder Sale Facility in the event and on the condition that I/we are an Eligible Shareholder as at the Record Date and that the scheme of arrangement proposed by Dart Energy Limited is implemented in accordance with its terms.

By signing and returning this form, I/we confirm that I/we understand that my/our IGas shares that are issued to me/us in the event and on the condition that the scheme of arrangement proposed by Dart Energy Limited is implemented will be sold under the terms and conditions of the Small Shareholder Sale Facility.

#### Individual or Securityholder 1

Sole Director and Sole Company Secretary/  
Sole Director (cross out titles as applicable)

#### Securityholder 2

Director

#### Securityholder 3

Director/Company Secretary  
(cross out titles as applicable)

Contact  
Name

Contact  
Daytime  
Telephone

Date / /

## Privacy Notice

The personal information you provide on this form is collected by Computershare Investor Services Pty Limited ("CIS") for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. We may also use your personal information to send you marketing material approved by Dart Energy Limited ("the Company"). You may elect not to receive marketing material by contacting CIS using the details provided on the front of this form or by emailing [privacy@computershare.com.au](mailto:privacy@computershare.com.au). We may be required to collect your personal information under the Corporations Act 2001 (Cth) and ASX Settlement Operating Rules. We may disclose your personal information to our related bodies corporate and to other individuals or companies who assist us in supplying our services or who perform functions on our behalf, to the Company or to third parties upon direction by the Company where related to the administration of your securityholding or as otherwise required or permitted by law. Some of these recipients may be located outside Australia, including in the following countries: Canada, India, New Zealand, the Philippines, the United Kingdom and the United States of America. For further details, including how to access and correct your personal information, and information on our privacy complaints handling procedure, please contact our Privacy Officer at [privacy@computershare.com.au](mailto:privacy@computershare.com.au) or see our Privacy Policy at <http://www.computershare.com/au>.