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Dart Energy (Europe) Limited

Directors' report and consolidated financial statements for the year ended 30 June 2013

Registered number SC259898

Contents

Directors and advisors

Directors	D Bain J Kipps E Uhel J Walta
Registered office	Laurel House Laurelhill Business Park Polmaise Road Stirling United Kingdom FK7 9JQ
Independent auditors	PricewaterhouseCoopers LLP Chartered accountants and statutory auditors 141 Bothwell Street Glasgow G2 7EQ
Bankers	Citibank International plc Canada Square Canary Wharf London E14 5LB
Solicitors	Maclay Murray & Spens LLP 66 Queens Road Aberdeen AB15 4YE

Directors' report for the year ended 30 June 2013

The directors present their annual report and the audited consolidated financial statements of the Group and Company for the year ended 30 June 2013 The consolidated financial statements of the Group for the year ended 30 June 2012 are unaudited as consolidated financial statements were not prepared in the prior year

Principal activities

Dart Energy (Europe) Limited (the "Company" or "Dart Energy"), a Scottish company, is the European holding company, with fiscal and operating accountability for the development and production of unconventional gas resources carried out by its subsidiary companies (together the "Group")

Since 2004 the Group has been awarded a number of Petroleum Exploration and Development Licences ("PEDLs") in the United Kingdom, Poland, Germany and Belgium to appraise the unconventional gas potential across these licences with a view to identifying potential development projects

The management costs of running the Group and the early business development and pre-licensing costs for European unconventional gas activities are carried by the Company

Business review

As of the date of this report, the Group has 31 licences in the U K with gross area of 3,519 km2 The gas-in-place resources and reserves position of the Group includes Coalbed Methane ("CBM") Original Gas-in-place (best estimate) of 10 3 Tcf, CBM 2C Contingent Resources of 4 3 Tcf, 3P Reserves of 124 Bcf, 2P Reserves of 39 Bcf and 1P Reserves of 1 5 Bcf, all net to the Group (as independently certified by NSAI) In addition, the Group has shale gas potential of up to 110 Tcf in the Bowland Basin in England (all net to the Group, as independently assessed by NSAI)

During the financial year ended 30 June 2013, Dart Energy announced its intention to rationalise its asset portfolio and divest non-core assets, as a result all assets in Poland are to be sold or relinquished Due to the uncertainty around the potential outcome the assets in Poland were impaired in full The Group is currently seeking opportunities to either joint-venture or farm-out assets in Belgium and Germany, in a manner that maximises the value of these assets for the Group while minimising requirements for incremental capital

United Kingdom

PEDL 133, Scotland

PEDL 133 is the most advanced licence in Dart Energy (Forth Valley) Limited's portfolio with both CBM and shale gas potential In addition, CBM reserves have been certified to-date in a small portion of the licence area

During the year, the Group completed a successful pilot test Commercial flow rates were observed during a three month testing period, providing validation of the technical and economic viability of this project With the objective of commencing development work and production at the Airth Project, the Group had, in August 2012, submitted planning applications to the relevant local councils (Stirling Council and Falkirk Council) in connection with the initial part of the planned development of the Airth Project The relevant local councils did not make a decision on the matter and, following two extensions of the time periods for a decision, in June 2013 the Group appealed the lack of a decision and referred the planning application to the Scottish Government for a decision The appeal process is currently ongoing Subject to securing planning permissions, the Group intends to recommence development activity at the Airth project in 2014 which will include construction of a gas gathering and compression facility and drilling of an initial 10 wells, with first commercial gas expected in 2015 Dart Energy intends to drill additional production wells to ramp up production thereafter and expects the project to generate sizeable revenues within three years

Directors' report for the year ended 30 June 2013 *(continued)*

Business review *(continued)*

Bowland Shale, England

The Group has significant shale gas prospects (26 licences covering approximately 2,500 km2) in the Bowland Shale, both in the eastern and western parts of the basin, and has carried out preliminary work including geological studies to identify high potential areas

On 21 October 2013 Dart Energy announced that, subject to customary completion matters, it had entered into a farm-out agreement relating to thirteen of its licences with GDF Suez E&P UK Limited ("GDF") All farm-out licences are in England / Wales, in both the western and eastern parts of the Bowland Basin The agreement was completed on 28 November 2013

Under the agreement, GDF has acquired a 25% working interest in each licence, Dart retaining a 75% interest and operatorship As consideration for the interest acquired, GDF paid to Dart US$12 million in cash, and will meet Dart's 75% share of costs up to US$27 million (as well as meet GDF's 25% share) The funding will support an agreed unconventional exploration and appraisal program over a three year period, including drilling up to four shale gas exploration wells in different areas of the Bowland basin and ten CBM exploration wells Planning is now well advanced for the first phase of the work program, being the drilling of CBM exploration wells At the same time, the Group has commenced planning and seismic work which will be necessary to the drilling of shale exploration wells in due course

Other licences
In addition to PEDL 133 and the licences spanning the Bowland Shale, the Group has interests in several other onshore hydrocarbon licences in the United Kingdom The Group is currently in the process of planning an exploration and appraisal work program for these licences

Poland

Poland is considered non-core to Darts strategy Accordingly all licences in Poland (Milejow, Chelm and Upper Silesia Coal Basin) are to be relinquished and the Polish office closed The carrying values of the exploration assets have been impaired in full at the balance sheet date

Belgium

In April 2011, Dart Energy entered into a CBM joint venture in Belgium with, namely Chelm NV Minjen (NVM) NVM is a wholly owned subsidiary of Limburgsereconversiemaatschappij (LRM), a Flanders Authority owned enterprise, with a charter focused on promoting economic development and overall employment in the province of Limburg, Belgium NVM owns all coalfields in the Flanders region of Belgium

The joint venture operates under the name NV Limburg Gas, and is owned 80% by Dart Energy and 20% by NVM Dart Energy is the operator and manager of the joint venture The joint venture seeks to explore, appraise and develop Coal Seam Gas resources on NVM's existing 250 km^2 coal mining concession area in the Campine Basin, Flanders, Belgium The resources have also been independently certified

Desktop geological and geophysical work continues in assessing the CBM potential of the Campine Basin

Germany

In May 2012 the Group acquired a 100% interest in two prospective hydrocarbon licences in Germany Work completed to date includes the geological and geophysical desktop studies The resources have also been independently certified Planned works includes the evaluation of the resource potential and devising an exploration strategy

Additional details of the business of the Dart Group and of the Board and Executive team can be found on the Group's website, www dartgas com, and also at www dartenergyscotland com

Financial review

The results for the Group primarily reflect the costs associated with early business development activities and the provision of central management resource to oversee operations

Directors' report for the year ended 30 June 2013 *(continued)*

Financial review *(continued)*

In addition, as all licences in Poland are to be relinquished, the Polish exploration assets have been impaired in full by £4,322,216

The financial results for the year ended 30 June 2013 show a loss before tax of £6,337,019 (2012 loss of £2,899,104) Turnover of £159,470 (2012 £nil) was attributable to royalties income

Going concern

The directors believe that preparing the financial statements on the going concern basis is appropriate In reaching this conclusion, the directors have considered the following

The nature of the Group's activities is such that there is an ongoing need to raise funding through additional capital raising, disposing of non-core assets and introducing partners in order to continue exploration and development activities

The Directors believe that sufficient funding is available within the Dart Energy Limited group to complete the planned activities for the 12 months from the date of signing these accounts without the need to raise additional funds Dart Energy (Europe) Limited is, however, dependent on the continuing support of Dart Energy Limited to access these funds where required, and accordingly the directors have obtained confirmation that Dart Energy Limited intends to support the Group for at least one year after these financial statements are signed

Basis of preparation

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006

Subsequent events

Several material events have occurred subsequent to the end of the financial year

(i) On 21 October 2013, the Group entered into a farm-out agreement relating to thirteen of its U K licences with GDF SUEZ E&P UK Limited ("GDF") GDF will acquire a 25% working interest in each licence Dart will retain a 75% interest and operatorship of each licence As consideration for the interest acquired, GDF will pay to the Group US$12 million in cash, and meet the Group's 75% share of costs up to US$27 million (as well as meet GDF's 25% share) The agreement was completed on 28 November 2013

(ii) On 11 November 2013, following claims for damages for breaches of warranty and misrepresentation against GEL/GPEL Limited under the sale and purchase agreement in respect of the acquisition of GP Energy Limited in 2012, the Group reached an agreement with GEL/GPEL Limited in relation to the US$2 5 million held in an escrow account as at 30 June 2013, with GEL/GPEL Limited receiving US$1 5 million and the Group retaining the remaining US$1 million

(iii) On 13 January 2014, the Group announced it had entered into a farm-out agreement (the "Agreement") with Total E&P UK Limited ("Total UK") in respect of UK Onshore Petroleum Exploration and Development Licences PEDL139 and PEDL140 (the "Licences"), along with the other existing Licence participants Egdon Resources UK Ltd, Island Gas Ltd and eCorp Oil & Gas UK Ltd The agreement was completed on 4 February 2014

Directors' report for the year ended 30 June 2013 *(continued)*

Subsequent events *(continued)*

Under the terms of the Agreement, the existing Licence participants have agreed to restructure their arrangements and licence interests to facilitate the entrance of Total UK to a 40% working interest in the Licences Total UK will pay US$1 6 million in back costs and earn a 40% interest in the Licences in return for funding a shale work programme of up to US$46 5 million

(iv) On 24 July 2013, the Group, through its subsidiary GP Energy Limited ("GP Energy"), partially disposed of its interest in UK Onshore Licence AL010 pertaining to coal mine methane exploitation On the same date, the Group also disposed of a royalty owned by GP Energy which pertained to revenue from Alkane Energy Plc's ("Alkane Energy") 3MW CMM site at Florence in Staffordshire Both disposals were made to Alkane Energy The total consideration transferred was £425,000, payable in cash

(v) In February 2014, the Group received notification from the Department of Energy & Climate Change that a request to relinquish seven licences has been approved The licences, all held by subsidiaries controlled by the Group, consist of five licences from GP Energy Limited, one from Dart Energy (East England) Limited and one from Dart Energy (West England) Limited

Refer to note 25 for further details

Proposed dividend

The directors do not recommend the payment of a dividend (2012 £nil)

Directors

The directors who held office during the year and up to the date of this report were as follows

D Bain	
J Kipps	- appointed 17 July 2013
M Lappin	- appointed 17 July 2012, resigned 4 July 2013
J McGoldrick	- appointed 17 July 2012, resigned 18 September 2013
P Roles	- resigned 17 July 2012
E Uhel	
J Walta	- appointed 18 September 2013

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution regarding their reappointment will be proposed at the Annual General Meeting

On behalf of the board

Douglas Bain

D Bain
Director

26 March 2014

Statement of directors' responsibilities

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have prepared the Group and Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Independent auditors' report to the members of Dart Energy (Europe) Limited

We have audited the group and parent company financial statements (the "financial statements") of Dart Energy (Europe) Limited for the year ended 30 June 2013 which comprise the Group Profit and Loss Account, the Group Statement of Total Recognised Gains and Losses, the Group and Parent Company Balance Sheets and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of directors and auditors
As explained more fully in the Statement of Directors' Responsibilities set out on page 6 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Directors' Report and Consolidated Financial Statements to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements
In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 30 June 2013 and of the group's loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent auditors' report to the members of Dart Energy (Europe) Limited
(continued)

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Other matter – prior period group financial statements unaudited
The financial statements of the Group for the year ended 30 June 2012, forming the corresponding figures of the financial statements of the Group for the year ended 30 June 2013, are unaudited

Michael Timar (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Glasgow
26 March 2014

Group profit and loss account

For the year ended 30 June 2013

	Note	**2013**	Unaudited 2012
		£	£
Turnover	2	**159,470**	-
Cost of sales		**-**	-
Gross profit		**159,470**	-
Administrative expenses		**(6,477,708)**	(2,880,433)
Operating loss	*3*	**(6,318,238)**	(2,880,433)
Interest receivable and similar income	*4*	**324**	312
Interest payable and similar charges	*5*	**(19,105)**	(18,983)
Loss on ordinary activities before taxation		**(6,337,019)**	(2,899,104)
Tax on loss on ordinary activities	*7*	**-**	-
Loss for the financial year	*17*	**(6,337,019)**	(2,899,104)

All of the above wholly relate to continuing operations

There is no material difference between the loss on ordinary activities before taxation and the loss for the financial year stated above and their historical costs equivalents

Group statement of total recognised gains and losses

For the year ended 30 June 2013

	Note	**2013**	Unaudited 2012
		£	£
Loss for the financial year		**(6,337,019)**	(2,899,104)
Currency translation difference arising from consolidation	*17*	**58,555**	-
Total recognised losses for the year		**(6,278,464)**	(2,899,104)

Group and parent company balance sheets
As at 30 June 2013

	Note	Group 2013 £	Group Unaudited 2012 £	Company 2013 £	Company 2012 £
Fixed assets					
Exploration assets	8	**62,637,465**	52,918,385	**-**	-
Tangible assets	9	**407,128**	246,522	**129,628**	63,522
Investments	10	**-**	-	**8,689,455**	8,775,292
		63,044,593	53,164,907	**8,819,083**	8,838,814
Current assets					
Stock	11	**480,312**	-	**-**	-
Debtors	12	**3,885,326**	5,087,552	**40,461,761**	34,409,553
Cash at bank and in hand		**319,543**	1,417,029	**138,538**	882,993
		4,685,181	6,504,581	**40,600,299**	35,292,546
Creditors amounts falling due within one year	13	**(54,271,652)**	(41,246,826)	**(43,046,939)**	(36,633,014)
Net current liabilities		**(49,586,471)**	(34,742,245)	**(2,446,640)**	(1,340,468)
Total assets less current liabilities		**13,458,122**	18,422,662	**6,372,443**	7,498,346
Creditors: amounts falling due after more than one year	14	**(7,354,425)**	(7,322,708)	**(31,717)**	-
Provisions for liabilities	15	**(6,242,494)**	(4,960,287)	**-**	-
Net (liabilities) / assets		**(138,797)**	6,139,667	**6,340,726**	7,498,346
Capital and reserves					
Called up share capital	16	**886,350**	886,350	**886,350**	886,350
Share premium account	17	**9,257,193**	9,257,193	**9,257,193**	9,257,193
Capital contribution reserve	17	**93,261**	147,924	**93,261**	147,924
Currency translation reserve	17	**58,555**	-	**-**	-
Profit and loss account	17	**(10,434,156)**	(4,151,800)	**(3,896,078)**	(2,793,121)
Total shareholders' (deficit) / funds	18	**(138,797)**	6,139,667	**6,340,726**	7,498,346

These financial statements on pages 9 to 28 were approved by the board of directors on 26 March 2014 and were signed on its behalf by

Douglas Bain

D Bain
Director

Notes to the financial statements
For the year ended 30 June 2013

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

Basis of preparation
These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom The principal accounting policies, which have been applied consistently throughout the year, are set out below

The consolidated financial statements of the Group for the year ended 30 June 2012 are unaudited as consolidated financial statements were not prepared in the prior year

Basis of consolidation
The consolidated financial statements comprise the financial statements of the Company and its subsidiary undertakings for the year ended 30 June 2013 Results of subsidiary undertakings are included from the effective date of acquisition and accounted for under the acquisition method of accounting No profit and loss account is presented by the Company as permitted by Section 408 of the Companies Act 2006 The loss before and after taxation of the Company was £1,157,620 (2012 £1,997,482)

Subsidiary undertakings exemption from audit
For the year ending 30 June 2013, the Company's subsidiaries noted below are entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies

Chelm LLP - OC 346000
Dart Energy (Carbon Storage) Limited - SC323199
Dart Energy (East England) Limited - 06760546
Dart Energy (Lothian) Limited - SC328864
Dart Energy (West England) Limited - 06760557
GP Energy Limited - 07240286
Milejow LLP - OC 357433
Werbkowice LLP - OC 346001

Cash flow
The Group has taken advantage of the exemption in FRS 1 (revised 1996) 'Cash flow statements' from the requirement to present a cash flow statement on the grounds that its cash flows are included in the financial statements of the ultimate parent undertaking, Dart Energy Limited, which are publicly available

Going concern
The directors believe that preparing the financial statements on the going concern basis is appropriate In reaching this conclusion, the directors have considered the following

The nature of the Group's activities is such that there is an ongoing need to raise funding through additional capital raising, disposing of non-core assets and introducing partners in order to continue exploration and development activities

The Directors believe that sufficient funding is available within the Dart Energy Limited group to complete the planned activities for the 12 months from the date of signing these accounts without the need to raise additional funds Dart Energy (Europe) Limited is, however, dependent on the continuing support of Dart Energy Limited to access these funds where required, and accordingly the directors have obtained confirmation that Dart Energy Limited intends to support the Group for at least one year after these financial statements are signed

Investments
Investments in subsidiary undertakings, associates and joint ventures are stated at cost, less provision for impairment

Notes to the financial statements *(continued)*
For the year ended 30 June 2013

1 Accounting policies *(continued)*

Exploration and development expenditure

Oil and gas activities

Oil and gas activities are accounted for in accordance with Statement of Recommended Practice "Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities" issued by the Oil Industry Accounting Committee dated 7 June 2001

(a) Pre-production costs

Expenditure on pre-licence, licence acquisition, appraisal and development activities in advance of production are capitalised using the full cost accounting method and carried within cost pools based on geographical area

(b) Other costs

All other costs, such as relating to development activities, are capitalised using the full cost accounting method and carried within cost pools based on production areas Cost pools, which represent wells and infrastructure connected to a point of market access, will be amortised over the economic reserves connected to that production system

(c) Amortisation of capitalised costs

All expenditure will be carried within cost pools until the wells commence production when capitalised costs will be depreciated on a unit of production basis specific to each cost pool

(d) Future decommissioning costs

Licensees are generally required to restore oil and gas field sites at the end of the producing lives to a condition acceptable to the relevant authorities Provision is made for decommissioning costs to the extent that the Group is required to carry out such activities under its contractual commitments The expected cost of decommissioning is management's best estimate of the Group's share of expected cost of filling the existing wells and disposing of surface material

Under the terms for transfer of BG Group's 51% interest in the PEDL 133 licence, BG Group have undertaken to meet their share of decommissioning costs associated with wells which had been drilled up to the time of transfer The amount of this liability is capped and applies to specified wells (see note 15)

(e) Impairment

Exploration expenditure is tested for impairment whenever circumstances suggest it may be impaired, which includes licences to be relinquished, no substantive plans for further exploration of an area or where there are indicators the exploration costs are unlikely to be fully recovered through future development or sale If expenditure is judged to be impaired the capitalised costs of intangible assets are compared with the net present value of future net cash flows expected to be derived from the assets These ceiling test values are calculated on the basis of gas prices prevailing at the effective date or, if applicable, at the process specified in a sale contract and discounting at an appropriate rate

Fixed assets and depreciation
Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows

Office equipment	-	3 years
Plant & machinery	-	2-5 years

No depreciation is charged on land

Stocks
Stocks are valued at the lower of cost and net realisable value Cost is the expenditure incurred in the normal course of business in bringing the item to its present location and condition Net realisable value is the actual or estimated selling price less all further costs to completion, selling and distribution expenses Where necessary a provision is made for obsolete, slow moving or defective stocks

Notes to the financial statements *(continued)*
For the year ended 30 June 2013

1 Accounting policies *(continued)*

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account On consolidation of the Group's entities that have a functional currency other than Sterling, exchange differences are recognised in the currency translation reserve

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease

Under hire purchase arrangements, the assets acquired are recorded in the balance sheet as an asset at the equivalent of the purchase price and also as an obligation to pay future hire purchase capital instalments Assets held under hire purchase arrangements are depreciated over their useful life

Taxation

The charge for taxation is based on the loss for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date Deferred tax is measured on an undiscounted basis

Share based payments

The share option programme allows certain employees to acquire shares of the Group The fair value of options granted is recognised as an employee expense with a corresponding increase in equity The fair value is measured at the grant date and spread over the period during which the employees became unconditionally entitled to the options The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting Further details are given in note 21

Notes to the financial statements *(continued)*
For the year ended 30 June 2013

2 Turnover

Turnover of £159,470 (2012 £nil) is in respect of royalties pertaining to coal mine methane exploitation relating to onshore licence AL010 All turnover originates in the United Kingdom

3 Operating loss

	Group	
		Unaudited
	2013	2012
Operating loss is stated after charging:	£	£
Depreciation – owned assets	**50,168**	85,251
Depreciation – assets under hire purchase agreements	**3,612**	-
Operating lease charges – other assets	**135,364**	143,340
Exchange rate loss	**1,232,649**	1,551,896
Loss on impairment of exploration assets	**4,322,216**	32,516

	Group	
Auditors' remuneration.		Unaudited
	2013	2012
	£	£
Audit of these financial statements	**33,500**	-

4 Interest receivable and similar income

	Group	
		Unaudited
	2013	2012
	£	£
Interest on bank deposits	**324**	312
Interest on BG Group funded decommissioning provision	**29,321**	40,196
Allocated to exploration assets	**(29,321)**	(40,196)
	324	312

5 Interest payable and similar charges

	Group	
		Unaudited
	2013	2012
	£	£
On bank loans and overdrafts	-	6,166
Interest on intercompany loan	**19,105**	12,817
Unwinding of discount on decommissioning provision	**142,207**	79,638
Unwinding of discount on deferred consideration	-	1,112,665
Allocated to exploration assets	**(142,207)**	(1,192,303)
	19,105	18,983

Notes to the financial statements *(continued)*
For the year ended 30 June 2013

5 Interest payable and similar charges *(continued)*

In the current year there is no unwinding of the discount on deferred consideration as there has been no change in the discount rate used in discounting the payments to fair value and the payment dates have been deferred for a further 12 months (refer to note 14)

6 Employees

The monthly average number of persons (including executive directors) employed during the year was

	Group and Company	
		Unaudited
By activity	**2013**	2012
Technical	**16**	10
Administrative	**11**	12
	27	22

	Group and Company	
		Unaudited
	2013	2012
	£	£
Staff costs		
Wages and salaries	**1,587,360**	1,455,438
Social security costs	**153,443**	157,035
	1,740,803	1,612,473

	Group and Company	
		Unaudited
	2013	2012
	£	£
Directors' emoluments	**306,886**	117,876

Directors' emoluments includes a sum of £nil (2012 £nil) as compensation for loss of office

The emoluments of the highest paid director were £172,220 (2012 £117,876)

The highest paid director did not exercise share options during the year The gain on share options exercised was therefore £nil (2012 £4,839)

7 Tax on loss on ordinary activities

Tax expense is made up of

	Group	
		Unaudited
	2013	2012
	£	£
Current income tax	-	-
	-	-

Notes to the financial statements *(continued)*
For the year ended 30 June 2013

7 Tax on loss on ordinary activities *(continued)*

Factors affecting the tax credit for the year

The current tax credit for the year is lower (2012 lower) than the standard rate of corporation tax in the UK of 23 75% (2012 25 5%) The differences are explained below

	Group	
		Unaudited
	2013	2012
	£	£
Current tax reconciliation		
Loss on ordinary activities before tax	**(6,337,019)**	(2,899,104)
Current tax at 23 75% (2012 25 5%)	**(1,505,042)**	(739,272)
Effects of		
Expenses not deductible for tax	-	31,783
Tax losses carried forward	**1,505,042**	707,489
Total current tax	-	-

Factors that may affect future current and total tax charges

A resolution passed by Parliament on 3 July 2012 reduced the main rate of corporation tax from 24% to 23% from 1 April 2013

In addition to the changes in rates of corporation tax disclosed above further changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2013 on 2 July 2013 These include reductions to the main rate to reduce the rate to 21% from 1 April 2014 and to 20% from 1 April 2015

As the changes had not been substantively enacted at the balance sheet date their effects are not included in these financial statements

The potential deferred tax asset of £2,354,424 (2012 £1,157,182) in respect of carried forward tax losses has not been recognised as its recoverability is dependent upon future profits arising, the likelihood of which cannot be assessed at this stage with reasonable certainty

Notes to the financial statements *(continued)*
For the year ended 30 June 2013

8 Exploration assets

Group	Exploration assets £
Net book value	
At 1 July 2012	52,918,385
Additions	14,041,296
Impairment	(4,322,216)
At end of year	**62,637,465**
At 30 June 2012	52,918,385

Exploration assets
Additions during the year relate primarily to PEDL 133, Airth The Group completed successful pilot testing and commercial flow rates were observed during a three month testing period, providing validation of the technical and economic viability of this project

During the financial year ended 30 June 2013, Dart Energy announced its intention to rationalise its asset portfolio and divest non-core assets, as a result all assets in Poland are to be sold or relinquished Due to the uncertainty around the potential outcome the assets in Poland were impaired in full

9 Tangible fixed assets

Group	Land £	Office Equipment £	Plant & Machinery £	Total £
Cost or valuation				
At beginning of year	183,000	374,711	13,333	571,044
Additions	94,500	20,613	99,273	214,386
Disposals	-	(98,380)	-	(98,380)
At end of year	**277,500**	**296,944**	**112,606**	**687,050**
Accumulated depreciation				
At beginning of year	-	(317,179)	(7,343)	(324,522)
Disposals	-	98,380	-	98,380
Charge for year	-	(29,921)	(23,859)	(53,780)
At end of year	-	**(248,720)**	**(31,202)**	**(279,922)**
Net book value				
At 30 June 2013	**277,500**	**48,224**	**81,404**	**407,128**
At 30 June 2012	183,000	57,532	5,990	246,522

Notes to the financial statements *(continued)*
For the year ended 30 June 2013

9 Tangible fixed assets *(continued)*

Company	**Office Equipment £**	**Plant & Machinery £**	**Total £**
Cost or valuation			
At beginning of year	374,711	13,333	388,044
Additions	20,613	99,273	119,886
Disposals	(98,380)	-	(98,380)
At end of year	**296,944**	**112,606**	**409,550**
Accumulated depreciation			
At beginning of year	(317,179)	(7,343)	(324,522)
Disposals	98,380	-	98,380
Charge for year	(29,921)	(23,859)	(53,780)
At end of year	**(248,720)**	**(31,202)**	**(279,922)**
Net book value			
At 30 June 2013	**48,224**	**81,404**	**129,628**
At 30 June 2012	57,532	5,990	63,522

Plant and machinery includes the following amounts where the Group and Company are lessees under a finance lease

	Plant & Machinery	
		Unaudited
	2013 £	**2012 £**
Cost	**53,423**	-
Accumulated depreciation	**(3,612)**	-
Net book value	**49,811**	-

Notes to the financial statements *(continued)*
For the year ended 30 June 2013

10 Investments

Company	**2013**
	£
Cost	
At beginning of year	8,775,292
Impairment	(85,837)
At end of year	8,689,455
Net book value	
At 30 June 2013	**8,689,455**
At 30 June 2012	8,775,292

During the financial year Dart Energy announced its intention to divest non-core assets and as a result all assets in Poland are to be relinquished Accordingly, the investment in Chelm, Poland was impaired in full

The directors believe that the carrying value of the other investments is supported by their underlying net assets

The companies in which the Company's interest at the year end is more than 20% are as follows

Subsidiary undertakings	*Country of Incorporation*	*Principal activity*	*Class and percentage of shares held*
Dart Energy (Forth Valley) Limited	United Kingdom	Holding and management of PEDL 133 onshore UK CBM licence interest	2 Ordinary shares 100%
Dart Energy (Carbon Storage) Limited	United Kingdom	Enhanced coalbed methane recovery and carbon storage in deep coals	2 Ordinary shares 100%
Dart Energy (Poland) SP z o o	Poland	Holding and management of CBM licenses in Poland	50,000 Ordinary shares 100%
Dart Energy (East England) Limited	United Kingdom	Holding and management of 13th Round PEDLs located in East England	2 Ordinary shares 100%
Dart Energy (West England) Limited	United Kingdom	Holding and management of 13th Round PEDLs located in West England & Wales	2 Ordinary shares 100%
Dart Energy (Lothian) Limited	United Kingdom	Representative member of UK LLPs	2 Ordinary shares 100%
Chelm LLP	United Kingdom	Holding and management of CBM licenses in Poland	50% Interest
Werbkowice LLP	United Kingdom	Holding and management of CBM licenses in Poland	50% Interest
Milejow LLP	United Kingdom	Holding and management of CBM licenses in Poland	50% Interest
NV Limburg Gas	Belgium	Holding and management of CBM licenses in Belgium	600,000 Ordinary shares 80%
GP Energy Limited	United Kingdom	Holding and management of CBM licenses in UK	13,031 Ordinary shares 100%

Notes to the financial statements *(continued)*
For the year ended 30 June 2013

11 Stock

	Group		Company	
		Unaudited		
	2013	2012	**2013**	2012
	£	£	**£**	£
Finished goods	**480,312**	-	-	-
	480,312	-	-	-

12 Debtors

	Group		Company	
		Unaudited		
	2013	2012	**2013**	2012
	£	£	**£**	£
Amounts owed by group undertakings	-	-	**40,300,765**	34,314,189
Restricted funds	**1,636,658**	3,091,641	-	-
Other debtors	**2,248,668**	1,995,911	**160,996**	95,364
	3,885,326	5,087,552	**40,461,761**	34,409,553

The amounts owed by group undertakings bear interest at a rate of 3% above Base Rate and are repayable on demand

Included in other debtors is £1,572,026 (2012 £1,542,705) due from BG Group in respect of their share of the decommissioning and restoration provision, capped at £1,490,000 plus interest

The restricted funds balance relates to monies retained by the Group's solicitors in relation to the purchase of GP Energy Limited from GEL/GPEL Limited in 2012 Following claims for damages for breaches of warranty and misrepresentation against GEL/GPEL Limited under the sale and purchase agreement, in November 2013 the parties reached an agreement as to the settlement of the balance Refer to note 25

13 Creditors. amounts falling due within one year

	Group		Company	
		Unaudited		
	2013	2012	**2013**	2012
	£	£	**£**	£
Trade creditors	**1,084,677**	511,419	**81,499**	84,528
Amounts owed to group undertakings	**50,450,918**	23,374,385	**42,630,654**	22,646,581
Deferred consideration	-	13,453,930	-	13,453,930
Finance lease liabilities	**17,648**	-	**17,648**	-
Taxation and social security	**208,691**	49,946	**208,691**	49,946
Other creditors	**1,636,658**	3,091,190	-	-
Accruals and deferred income	**873,060**	765,956	**108,447**	398,029
	54,271,652	41,246,826	**43,046,939**	36,633,014

Notes to the financial statements *(continued)*
For the year ended 30 June 2013

13 Creditors: amounts falling due within one year *(continued)*

The amounts owed to group undertakings by the Company bear interest at a rate of 3% above Base Rate and are repayable on demand The amounts owed to group undertakings by the Group bear no interest and are repayable on demand

The deferred consideration balance of £13,453,930 as at 30 June 2012 represents amounts owing to GEL/GPEL Limited in relation to the GP Energy Limited acquisition in 2012 This was settled in October and November 2012 (note 23)

14 Creditors: amounts falling due after more than one year

	Group		Company	
	2013	2012	**2013**	2012
	£	£	**£**	£
Finance lease liabilities	**31,717**	-	**31,717**	-
Deferred consideration	**7,322,708**	7,322,708	-	-
	7,354,425	7,322,708	**31,717**	-

The deferred consideration balance relates to the amounts payable for the acquisition of the gas licences from Marathon During the current period the payment dates have been revised to July 2015 and June 2017 (30 June 2012 July 2014 and June 2016) and the payments have been discounted to fair value using a discount rate of 10% (30 June 2012 10%)

The Group and Company lease plant and equipment under finance leases expiring within three years

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

	Group		Company	
	2013	2012	**2013**	2012
	£	£	**£**	£
Within one year	**17,648**	-	**17,648**	-
Later than 1 year and no less than 5 years	**31,717**	-	**31,717**	-
	49,365	-	**49,365**	-

15 Provisions for liabilities

Group	**Decommissioning and restoration**
	£
At 1 July 2012	4,960,287
Increase in provision	1,140,000
Unwinding of the discount (note 5)	142,207
At 30 June 2013	**6,242,494**

Notes to the financial statements *(continued)*
For the year ended 30 June 2013

15 Provisions for liabilities *(continued)*

Decommissioning and restoration provision

The Group makes full provision for the future cost of the decommissioning and restoration of exploration and evaluation facilities on a discounted basis on the installation of those facilities The decommissioning and restoration provision relates to the total costs of cementing and plugging the existing wells and related facilities, the disposal of surface material and any costs associated with the return of the sites to their original use The obligation is expected to be incurred in 5 to 15 years from the balance sheet date

The provision has been created based on the Group's internal estimates Assumptions, based on the current economic environment, have been made which management believe are a reasonable basis upon which to estimate the future liability These estimates are reviewed regularly to take into account of any material changes to the assumptions

However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time Furthermore, the timing of decommissioning is likely to depend on when the fields cease to produce at economically viable rates This in turn will depend upon future oil and gas prices, which are inherently uncertain

The increase in provision during the financial year of £1,140,000 relates to wells drilled and suspended on PEDL 133 and logging costs to be incurred as part of the abandonment programme on PEDL 159

Following the PEDL 133 licence split BG Group's liability for the decommissioning cost associated with PEDL 133 was capped at £1,490,000 plus interest, for all sites out with the Arns area where BG Group is liable for their full share on an uncapped basis Included in the year end decommissioning and restoration provision is £1,572,026 due from BG Group (2012 £1,542,705)

16 Called up share capital

	Group and Company	
		Unaudited
	2013	2012
	£	£
Allotted, called up and fully paid		
886,350 (2012 886,350) Ordinary shares of £1 each	**886,350**	886,350
	886,350	886,350

Notes to the financial statements *(continued)*
For the year ended 30 June 2013

17 Share premium and reserves

Group	Capital contribution reserve £	Currency translation reserve £	Profit and loss account £	Share premium account £	Total £
At beginning of year	147,924	-	(4,151,800)	9,257,193	5,253,317
Loss for the year	-	-	(6,337,019)	-	(6,337,019)
Release from capital contribution reserve in exercise of share options	(54,663)		54,663	-	-
Currency translation differences arising from consolidation	-	58,555	-	-	58,555
At end of year	**93,261**	**58,555**	**(10,434,156)**	**9,257,193**	**(1,025,147)**

Company	Capital contribution reserve £	Profit and loss account £	Share premium account £	Total £
At beginning of year	147,924	(2,793,121)	9,257,193	6,611,996
Loss for the year	-	(1,157,620)	-	(1,157,620)
Release from capital contribution reserve in exercise of share options	(54,663)	54,663	-	-
At end of year	**93,261**	**(3,896,078)**	**9,257,193**	**5,454,376**

18 Reconciliation of movement in shareholders' (deficit) / funds

	Group		Company	
		Unaudited		
	2013	2012	**2013**	2012
	£	£	**£**	£
Loss for the financial year	**(6,337,019)**	(2,899,104)	**(1,157,620)**	(1,997,482)
Credit in relation to share based payments	-	105,588	-	105,588
Currency translation differences arising from consolidation	**58,555**	-	-	-
Acquisition of GP Energy Limited	-	295,324	-	-
Net decrease in shareholders funds	**(6,278,464)**	(2,498,192)	**(1,157,620)**	(1,891,894)
Shareholders funds at beginning of year	**6,139,667**	8,637,859	**7,498,346**	9,390,240
Shareholders (deficit) / funds at end of year	**(138,797)**	6,139,667	**6,340,726**	7,498,346

Notes to the financial statements *(continued)*
For the year ended 30 June 2013

19 Commitments

(a) *Capital commitments*

At 30 June 2013, the Group had committed to purchasing equipment at a cost of £98,277 (2012 £473,274) No provision has been made in the financial statements

At 30 June 2013 and 30 June 2012, the Company had no capital commitments which were contracted for but for which no provision has been made

(b) *Operating lease commitments*

The Group and Company have annual commitments under non-cancellable operating leases as follows

	Group and Company			
	2013		Unaudited 2012	
	Land and buildings £	**Other £**	Land and Buildings £	Other £
Operating leases which expire				
Within 1 year	**70,616**	-	72,783	42,591
Within 2-5 years	**30,000**	-	-	-
	100,616	-	72,783	42,591

20 Related party disclosure

Advantage has been taken of the exemption permitted under FRS 8 'Related Party Disclosures' not to report details of transactions with fellow subsidiaries where the Group's holding is 100% and which are included in the statutory consolidated financial statements of Dart Energy Limited

21 Share based payments

On acquisition of Dart Energy (Europe) Limited (formerly Composite Energy Limited) by Dart Energy Limited all options were rolled into Dart J-Class options in consideration for release of rights under Composite options This share option programme allows employees of the Company to acquire shares in Dart Energy Limited The options rolled have vested, however, if the employee remained with the Company for 12 months after the date of acquisition a bonus issue equivalent to 30% of the number of J-Class options held on that date would be issued As a result of the adoption of FRS 20 Share Based Payments, the Company is required to account for the fair value of the share options at grant date over the vesting period

245,793 options were awarded to staff on the following basis

Date of grant	28 February 2011
Share price at grant date	£0 69
Vesting conditions	Option holders are only eligible for the 30% bonus issue on unexercised options held as at 28 February 2012

Notes to the financial statements *(continued)*

For the year ended 30 June 2013

21 Share based payments *(continued)*

The number and exercise prices of share options are as follows

	2013	2013	Unaudited 2012	Unaudited 2012
	Exercise price	**Number of options**	Exercise price	Number of options
Options outstanding at beginning of year	**£0 01**	**214,383**	£0 01	245,793
Options forfeited during the year	**£0 01**	**-**	£0 01	(10,836)
Options exercised during the year	**£0 01**	**(79,222)**	£0 01	(20,574)
Options outstanding at end of year	**£0 01**	**135,161**	£0 01	214,383
Exercisable at the end of year		**135,161**		214,383

The options outstanding at 30 June 2013 have an exercise price of £0 01 (2012 £0 01) and an expiry date of 15 December 2014

The valuation principles used for determining the expectation value are as follows

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted The valuation of the options granted is based on the so-called "binomial method", whereby early exercise, as well as the chance of employee departure during the period is taken into account

The date of valuation is equal to the date of granting (28 February 2011) The volatility is based on the share price volatility of comparable listed companies The expected return on dividend is based on the assumption that the company will not pay a dividend

Fair value at measurement date	**£0.69**
Share price	**£0.69**
Exercise price	**£0.01**
Granting	**2011**
Volatility	**52%**
Dividend	**£nil**
Risk free interest	**4 73%**

The total expense recognised for the year ended 30 June 2013 from share based payments was £nil (2012 £105,588)

Notes to the financial statements *(continued)*
For the year ended 30 June 2013

22 Joint arrangements

The Group is party to a joint arrangement with Egdon Resources Limited, eCorp Oil & Gas UK Limited and Star Energy Oil & Gas Limited The Group's share of jointly controlled assets and liabilities recognised was

	2013 £	Unaudited 2012 £
Assets		
Exploration assets	540,424	517,690
Liabilities		
Amounts owed to joint arrangements	-	-
	540,424	517,690

The Company is not party to a joint arrangement

23 Business combinations

In December 2011, Dart Energy Limited agreed to acquire certain of the unconventional gas assets and business of Greenpark Energy Limited comprising certain onshore licences in the U K , for a consideration of US$42 million The acquisition was effected through the acquisition of GP Energy Limited (now a wholly owned subsidiary of the Group), a corporate entity which at the time of the acquisition included only (and all) the assets that Dart Energy Limited was acquiring The consideration was payable in two tranches and made up of a mixture of cash and shares in Dart Energy Limited

The first tranche of consideration, comprising US$6 million cash and US$10 million in newly issued Dart Energy Limited shares, was paid in May 2012 In aggregate, 31,354,118 shares were issued which, post-issue represented 4 1% of the enlarged shares in issue of Dart Energy Limited at that time

The second tranche of consideration, comprising payment of US$21 0 million, was satisfied in October 2012 and November 2012, through the issue of 43,400,000 and 65,046,632 newly issued shares in Dart Energy Limited US$5 0 million was also placed in a retention account as at 30 June 2012 In October 2012, US$2 5 million was released to the vendor and the remaining US$2 5 million was retained as at 30 June 2013 This was subsequently settled, refer to note 25

Assets and liabilities acquired

	Acquiree's carrying amount £	Fair value £
Intangible assets – exploration uplift	-	8,914,044
Intangible assets – exploration assets	24,738,381	24,738,381
Trade and other payables	(9,216,336)	(9,216,336)
Net identifiable assets acquired	15,522,045	24,436,089

Notes to the financial statements *(continued)*
For the year ended 30 June 2013

24 Ultimate parent undertaking and controlling party

The immediate parent undertaking is Dart Energy (Europe) Pte Limited

The ultimate parent undertaking and controlling party is Dart Energy Limited, a company incorporated in Australia Dart Energy Limited is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 30 June 2013 The consolidated financial statements of Dart Energy Limited are available to download from www dartgas com

Dart Energy International Limited, a company incorporated in Singapore, is the parent undertaking of the smallest group of undertaking to consolidate these financial statements at 30 June 2013 The consolidated financial statements of Dart Energy International Limited are available from its registered office at 152 Beach Road, #19-03/04, Gateway East, Singapore 189721

25 Subsequent events

Subsequent to the end of the financial year, the following material events have occurred

(i) On 21 October 2013, the Group entered into a farm-out agreement relating to thirteen of its U K licences with GDF SUEZ E&P UK Limited ("GDF") The Group is currently the operator of these licences and holds a 100% interest in each GDF will acquire a 25% working interest in each licence Dart will retain a 75% interest and operatorship of each licence As consideration for the interest acquired, GDF will pay to the Group US$12 million in cash, and meet the Group's 75% share of costs up to US$27 million (as well as meet GDF's 25% share) The agreement was completed on 28 November 2013

(ii) On 11 November 2013, following claims for damages for breaches of warranty and misrepresentation against GEL/GPEL Limited under the sale and purchase agreement in respect of the acquisition of GP Energy Limited in 2012, the Group reached an agreement with GEL/GPEL Limited in relation to the US$2 5 million held in an escrow account as at 30 June 2013, with GEL/GPEL Limited receiving US$1 5 million and the Group retaining the remaining US$1 million

(iii) On 13 January 2014, the Group announced it had entered into a farm-out agreement (the "Agreement") with Total E&P UK Limited ("Total UK") in respect of UK Onshore Petroleum Exploration and Development Licences PEDL139 and PEDL140 (the "Licences"), along with the other existing Licence participants Egdon Resources UK Ltd Island Gas Ltd and eCorp Oil & Gas UK Ltd The agreement was completed on 4 February 2014

Under the terms of the Agreement, the existing Licence participants have agreed to restructure their arrangements and licence interests to facilitate the entrance of Total UK to a 40% working interest in the Licences Total UK will pay US$1 6 million in back costs and earn a 40% interest in the Licences in return for funding a shale work programme of up to US$46 5 million

The interests in the Licences (across all horizons) following completion are as follows Total E&P UK Limited (40%), the Group, through its subsidiary GP Energy Limited (17 5%), Egdon Resources UK Ltd (14 5%), Island Gas Ltd (14 5%) and eCorp Oil & Gas UK Ltd (13 5%) Island Gas Limited will act as operator on behalf of the joint venture partners and Total UK will operate the Licences upon completion of the carried programme The agreed work programme to be funded by Total UK will include the acquisition of 3D seismic, the drilling and testing of a vertical shale 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 As noted, this represents an expenditure of US$46 5 million Total UK has the ability to exit after an initial period of the work programme (corresponding to a spend of US$19 5 million) although in this eventuality Total UK would forfeit all interest in the Licences

As a consequence of the various agreements between the parties, the Group also received a cash payment of US$1 million upon completion of the agreement

Notes to the financial statements *(continued)*
For the year ended 30 June 2013

25 Subsequent events *(continued)*

(iv) On 24 July 2013, the Group, through its subsidiary GP Energy Limited ("GP Energy'), partially disposed of its interest in UK Onshore Licence AL010 pertaining to coal mine methane exploitation The partial disposal represents an area of 21km^2 On the same date, the Group also disposed of a royalty owned by GP Energy which pertained to revenue from Alkane Energy Plc's ("Alkane Energy") 3MW CMM site at Florence in Staffordshire Both disposals were made to Alkane Energy The total consideration transferred was £425,000, payable in cash

As a result of this disposal, the Group's remaining interest through GP Energy relating to Onshore Licence AL010 is 50 km^2

(v) In February 2014, the Group received notification from the Department of Energy & Climate Change that a request to relinquish seven licences has been approved The licences, all held by subsidiaries controlled by the Group, consist of five licences from GP Energy Limited, one from Dart Energy (East England) Limited and one from Dart Energy (West England) Limited The carrying value pertaining to these licences, included within intangible assets as at the 30 June 2013, is £6,765,306