

BLACK STAR PETROLEUM LIMITED

ACN 147 370 312

ENTITLEMENT ISSUE PROSPECTUS

For a renounceable entitlement issue of six (6) Shares for every one (1) Share held by those Shareholders registered at the Record Date at an issue price of \$0.005 per Share to raise up to \$3,423,030 (**Offer**).

The Offer is partially underwritten by Garrison Equities Pty Ltd (AFSL Authorised Representative No. 445349) to the amount of \$1,250,000 of the Offer. Refer to Section 8.3 of this Prospectus for details regarding the terms of the Underwriting Agreement.

IMPORTANT NOTICE

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about the securities being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

The Shares offered by this Prospectus should be considered as speculative.

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1. CORPORATE DIRECTORY

Directors

Mr Matthew Wood (Executive Chairman)
Mr Brian McMaster (Non-Executive Director)
Mr Mark Reilly (Non-Executive Director)

Company Secretary

Mr Jonathan Hart

Registered Office

Level 1, 330 Churchill Avenue
SUBIACO WA 6008

Telephone: + 61 8 9200 4493
Facsimile: +61 8 9200 4469

Website:
<http://www.blackstarpetroleum.com.au>

Share Registry*

Automic Registry Services
Suite 1a, Level 1
7 Ventnor Avenue
WEST PERTH WA 6005

Telephone (Australia): +61 8 9324 2099
Facsimile: +61 8 9321 2337

Solicitors

Steinepreis Paganin
Lawyers and Consultants
Level 4, The Read Buildings
16 Milligan Street
PERTH WA 6000

Auditor*

RSM Bird Cameron Partners
8 St Georges Terrace
PERTH WA 6000

Underwriter

Garrison Equities Pty Ltd
Level 1
330 Churchill Avenue
SUBIACO WA 6008

*These entities are included for information purposes only. Neither has been involved in the preparation of this Prospectus and nor have they consented to being named in this Prospectus.

2. TIMETABLE

| | |
|---|------------------|
| Lodgement of Prospectus with ASIC | 1 August 2014 |
| Lodgement of Prospectus & Appendix 3B with ASX | 1 August 2014 |
| Notice sent to Optionholders | 1 August 2014 |
| Notice sent to Shareholders | 6 August 2014 |
| Ex date | 7 August 2014 |
| Rights start trading | 7 August 2014 |
| Record Date for determining Entitlements | 11 August 2014 |
| Prospectus sent out to Shareholders & Company announces this has been completed | 14 August 2014 |
| Rights stop trading | 18 August 2014 |
| Shares quoted on a deferred settlement basis | 19 August 2014 |
| Last day to extend the Offer Closing Date | 20 August 2014 |
| Closing Date* | 25 August 2014 |
| ASX notified of under subscriptions | 28 August 2014 |
| Issue date and deferred settlement trading ends | 1 September 2014 |
| Normal trading resumes* | 2 September 2014 |

*The Directors may extend the Closing Date by giving at least 3 Business Days notice to ASX prior to the Closing Date. As such the date the Shares are expected to commence trading on ASX may vary.

3. IMPORTANT NOTES

This Prospectus is dated 1 August 2014 and was lodged with the ASIC on that date. The ASIC and its officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No Shares may be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

No person is authorised to give information or to make any representation in connection with this Prospectus, which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

It is important that investors read this Prospectus in its entirety and seek professional advice where necessary. The Shares the subject of this Prospectus should be considered highly speculative.

Applications for Shares offered pursuant to this Prospectus can only be submitted on an original Entitlement and Acceptance Form or Shortfall Application Form.

This Prospectus is a transaction specific prospectus for an offer of continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus. In making representations in this Prospectus, regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

3.1 Forward-looking statements

This Prospectus contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of our Company, the Directors and our management.

We cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

We have no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this prospectus, except where required by law.

These forward looking statements are subject to various risk factors that could cause our actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in section 7 of this Prospectus.

3.2 Risk factors

Potential investors should be aware that subscribing for Shares in the Company involves a number of risks. The key risk factors of which investors should be aware are set out in Section 7 of this Prospectus. These risks together with other general risks applicable to all investments in listed securities not specifically referred to, may affect the value of the Shares in the future. Accordingly, an investment in the Company should be considered highly speculative. Investors should consider consulting their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

A summary of the key risks include:

| Risk | Description | Reference in Prospectus |
|--|--|-------------------------|
| Potential for significant dilution | <p>Upon implementation of the Offer, assuming all Entitlements are accepted and no Options are exercised prior to the Record Date the number of Shares in the Company will increase from 114,101,000 currently on issue to 798,707,000. This means that each Share will represent a significantly lower proportion of the ownership of the Company.</p> <p>It is not possible to predict what the value of the Company or a Share will be following the completion of the Offer being implemented and the Directors do not make any representation as to such matters.</p> <p>The last trading price of Shares on ASX prior to the prospectus being lodged of \$0.01 is not a reliable indicator as to the potential trading price of Shares after implementation of the Proposed Transaction.</p> | 7.2(b) |
| Additional requirements for capital | <p>The Company's capital requirements depend on numerous factors. It is likely that the Company will require further financing in addition to amounts raised under the Offer. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its exploration programmes as the case may be. In light of recent unsuccessful attempts at raising capital, there is no guarantee that the Company will be able to secure additional funding.</p> | 7.2(a) |

| Risk | Description | Reference in Prospectus |
|---|---|-------------------------|
| Exploration | There can be no assurance that exploration of these prospects, or any other prospects that may be acquired in the future, will result in the discovery of a commercial oil and gas reserve. Even if an apparently viable reserve is identified, there is no guarantee that it can be economically exploited or will flow at commercial rates. | 7.2(c) |
| Operating | The operations of the Company may be affected by various factors, including failure to locate or identify oil and gas reserves, failure to achieve predicted well production flow rates, operational and technical difficulties encountered in production, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated reservoir problems which may affect field production performance, adverse weather conditions, industrial and environmental accidents, industrial disputes and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment. | 7.2(d) |
| Potential acquisitions | As part of its business strategy, the Company may make acquisitions of, or significant investments in, other companies or prospects, although no such acquisitions are currently planned. However, the Company is assessing potential oil and gas opportunities in North America. Any such transactions will be accompanied by risks commonly encountered with transaction implementation. | 7.2(i) |
| Oil and gas reserves and commercial flow | Oil and gas reserves are expressions of judgment based on knowledge, experience and industry practice. Estimates, which were valid when originally calculated, may change significantly when new information or techniques become available. In addition, by their nature, oil and gas reserves are imprecise and depend to some extent on interpretations which may prove to be inaccurate. | 7.2(e) |
| Sovereign Risks | The Company's projects outside Australia are subject to the risks associated in operating in a foreign country. These risks may include economic, social or political | 7.2(f) |

| Risk | Description | Reference in Prospectus |
|--|---|-------------------------|
| | <p>instability or change, hyperinflation, currency non-convertibility or instability and changes of law affecting foreign ownership, government participation, taxation, working conditions, rates of exchange, exchange control, exploration licensing, export duties, repatriation of income or return of capital, environmental protection, labour relations as well as government control over natural resources or government regulations that require the employment of local staff or contractors or require other benefits to be provided to local residents.</p> | |
| Status of Leases | <p>The Company cannot guarantee that the current leases will be renewed beyond their current expiry date and there is a material risk that, in the event the Company is unable to renew any of the Leases beyond their current expiry dates, the Company's interest in those leases will be relinquished.</p> | 7.2(g) |
| Joint venture, acquisition or other strategic investments | <p>The Company may make strategic investments in complementary businesses, or enter into strategic partnerships or alliances with third parties in order to enhance its business. At the date of this Prospectus, the Company is not aware of the occurrence or likely occurrence of any such risks which would have a material adverse effect on the Company or its subsidiaries.</p> | 7.2(h) |
| Oil and gas price fluctuations | <p>The demand for, and price of, oil and natural gas is highly dependent on a variety of factors, including international supply and demand, the level of consumer product demand, weather conditions, the price and availability of alternative fuels, actions taken by governments and international cartels, and global economic and political developments.</p> <p>International oil and gas prices have fluctuated widely in recent years and may continue to fluctuate significantly in the future.</p> | 7.3(b) |

| Risk | Description | Reference in Prospectus |
|---|--|-------------------------|
| Failure to satisfy expenditure commitments | Interests in tenements are governed by the Mining acts and regulations that are current in jurisdictions in which the tenements are granted and are evidenced by the granting of licences or leases. Each licence or lease is for a specific term and carries with it annual expenditure and reporting commitments, as well as other conditions requiring compliance. Consequently, the Company could lose title to, or its interest in, its current or future tenements if licence conditions are not met or if insufficient funds are available to meet expenditure commitments. | 7.4(b) |

3.3 Directors Interests

The relevant interest of each of the Directors in the securities of the Company as at the date of this Prospectus, together with their respective Entitlement, is set out in the table below.

| Director | Shares | Options | Entitlement (Shares) | \$ |
|-----------------------------|------------|------------|----------------------|-----------|
| Matthew Wood ¹ | 10,165,000 | 13,894,191 | 60,990,000 | \$304,950 |
| Brian McMaster ¹ | 7,450,000 | 6,650,001 | 44,700,000 | \$223,500 |
| Mark Reilly | 262,500 | Nil | 1,575,000 | \$7,875 |

Notes:

- As set out in Section 3.5, Garrison Equities Pty Ltd (**Garrison Equities**) has agreed to partially underwrite the Offer to \$1,250,000. Garrison Equities is a related party of the Company by virtue of being controlled by each of Messrs Wood and McMaster. Garrison Equities has entered into sub-underwriting arrangements for \$950,000.
- As set out in Section 3.6, Mr Wood has agreed to sub-underwrite up to 30,000,000 Shares under the Offer (representing an amount of \$150,000).
- As set out in Section 3.6, Vega Funds Pty Ltd has agreed to sub-underwrite up to 30,000,000 Shares (representing an amount of \$150,000). Vega Funds Pty Ltd is a related party of the Company by virtue of being controlled by Mr McMaster.

The Board advises that all Directors currently intend to take up at least a portion of their respective Entitlements.

3.4 Substantial Holders

Based on substantial shareholder notices lodged prior to the date of this Prospectus, those persons which (together with their associates) have a relevant interest in 5% or more of the Shares on issue are set out below:

| Shareholder | Shares | % |
|--------------------------------|------------|--------|
| BNP Paribas Noms Pty Ltd <DRP> | 15,000,000 | 13.15% |

| | | |
|---|-----------|-------|
| Mitchell Grass Holdings Singapore Pte Ltd | 8,465,000 | 7.42% |
| Nefco Nominees Pty Ltd | 7,850,000 | 6.88% |

In the event all Entitlements are accepted, there will be no change to the substantial holders on completion of the Offer.

3.5 Underwriting by Garrison Equities Pty Ltd

The Offer is partially underwritten by Garrison Equities Limited (**Garrison Equities** or the **Underwriter**) up to the minimum subscription of the Offer, being \$1,250,000.

Refer to Section 8.3 of this Prospectus for details of the terms of the Underwriting Agreement.

3.6 Sub-Underwriting Arrangements

The Underwriter has entered into a number of sub-underwriting agreements for the Offer.

Vega Funds Pty Ltd (**Vega Funds**), a related party of Mr McMaster, who is a Director of the Company, is a sub-underwriter to the Offer. Pursuant to the sub-underwriting agreement, Vega Funds will sub-underwrite up to 30,000,000 Shares. The value of Vega Funds' commitment is \$150,000.

Mr Matthew Wood, a related party of the Company by virtue of being a Director, is a sub-underwriter to the Offer. Pursuant to the sub-underwriting agreement, Mr Wood will sub-underwrite up to 30,000,000 Shares. The value of Mr Wood's commitment is \$150,000.

3.7 Settlement and Offset Deeds

(a) Garrison Equities

As at 30 July 2014, the total amount owing to Garrison Equities equates to \$399,381 (**Garrison Equities Indebtedness**).

By a deed dated 30 July 2014 (**GE Settlement and Offset Deed**), the Company and Garrison Equities have agreed that \$300,000 of the Garrison Equities Indebtedness outstanding between the Company and Garrison Equities shall be applied towards Garrison Equities commitment to underwrite the Offer (**Garrison Equities Subscription Amount**).

Any remaining balance outstanding after \$300,000 of the Garrison Equities Indebtedness has been applied towards the Garrison Equities Subscription Amount shall be repaid by the Company to Garrison Equities in cash on successful completion of the Offer (or on a date otherwise agreed by the parties) (**GE Final Repayment Date**). The balance shall include any adjustment for outstanding interest accrued or facility fees due and owing as at the GE Final Repayment Date.

Garrison Equities has entered into a number of sub-underwriting arrangements and reserves the right to enter into further sub-underwriting arrangements with other unrelated parties on commercial terms.

(b) Avonglade Enterprises Pty Ltd (**Avonglade Enterprises**)

As announced to the ASX on 9 May 2014, the Company secured an interim finance facility from Avonglade Enterprises for the sum of \$600,000. As at

the date of this Prospectus, the total amount owing to Avonglade Enterprises equates to \$707,087 (**Avonglade Indebtedness**).

By a deed dated 30 July 2014 (**AG Settlement and Offset Deed**), the Company and Avonglade Enterprises have agreed that \$650,000 of the Avonglade Indebtedness outstanding between the Company and Avonglade Enterprises shall be applied towards Avonglade Enterprises' commitment to sub underwrite up to 130,000,000 Shares, being to the value of up to \$650,000 (**Avonglade Enterprises Subscription Amount**).

Any remaining balance outstanding after \$650,000 of the Avonglade Indebtedness has been applied towards the Avonglade Enterprises Subscription Amount shall be repaid by the Company to Avonglade Enterprises in cash on successful completion of the Offer (or on a date otherwise agreed by the parties) (**Final Repayment Date**). The balance shall include any adjustment for outstanding interest accrued or facility fees due and owing as at the Final Repayment Date.

(c) Mr Wood

As at 30 July 2014, the total amount owing to Mr Wood equates to \$211,143 (**MW Indebtedness**).

By a deed dated 30 July 2014 (**MW Settlement and Offset Deed**), the Company and MW have agreed that \$150,000 of the MW Indebtedness outstanding between the Company and Mr Wood shall be applied towards Mr Wood's commitment to sub underwrite up to 30,000,000 Shares, being to the value of up to \$150,000 (**MW Subscription Amount**).

Any remaining balance outstanding after \$150,000 of the MW Indebtedness has been applied towards the MW Subscription Amount shall be repaid by the Company to MW in cash on successful completion of the Offer (or on a date otherwise agreed by the parties).

(d) Vega Funds

As at the date of this Prospectus, the total amount owing to Vega Funds (a company associated with Mr McMaster, a Director of the Company) equates to \$165,000 (**Vega Funds Indebtedness**).

By a deed dated 30 July 2014 (**Vega Funds Settlement and Offset Deed**), the Company and Vega Funds have agreed that the Vega Funds Indebtedness outstanding between the Company and Vega Funds shall be applied in full towards Vega Fund's commitment to sub underwrite up to 30,000,000 Shares, being to the value of up to \$150,000 (**Vega Funds Subscription Amount**).

Any remaining balance outstanding after the Vega Funds Indebtedness has been applied towards the Vega Funds Subscription Amount shall be repaid by the Company to Vega Funds in cash on successful completion of the Offer (or on a date otherwise agreed by the parties).

3.8 Effect on control of the Company

As stated above, the Offer is partially underwritten by Garrison Equities up to the minimum subscription under the Offer, \$1,250,000. In addition, Mr Wood, Vega Funds and Avonglade Enterprises have agreed with the Underwriter to sub-underwrite a portion of the Offer.

The Underwriter is a related party of the Company as Mr Wood and Mr McMaster are directors of Garrison Equities. As at the date of this Prospectus, Garrison Equities holds nil Shares in the Company.

The potential maximum increase in the voting power:

- (a) of the Underwriter under the Offer (assuming no Options are exercised), would be 7.51%. This is on the basis that the Underwriter receives 60,000,000 Shares (being the maximum amount it will subscribe for as underwriter taking into account the sub-underwriting arrangements as set out in Sections 3.6 and 3.7 of the Prospectus);
- (b) of Mr Wood under the Offer (and assuming no Options are exercised under the Offer), would be 20.18%. This is on the basis that Mr Wood receives 150,990,000 Shares (being the maximum amount he can subscribe under the Offer under his Entitlement as set out in Section 3.3 and as acting as Sub-underwriter as set out in Section 3.6); and
- (c) of Mr McMaster under the Offer (and assuming no Options are exercised), would be 17.80%. This is on the basis that Mr McMaster receives 134,700,000 Shares (being the maximum amount he can subscribe under the Offer under his Entitlement as set out in Section 3.3 and as acting as a Sub-underwriter as set out in Section 3.6).

As noted above, Garrison Equities is a related party of the Company. Although Garrison Equities does not have a direct interest in the Company, as a result of its control by members of the Board, Garrison Equities' underwriting commitment of \$300,000 set out in Section 3.6 above has been included in the calculations for (b) and (c) above.

The Company considers it is unlikely that no Shareholder takes up any of their Entitlement. Furthermore, Mr Wood has advised the Company that he will only subscribe for that part of his Entitlement (taking into account his sub-underwriting arrangement set out in section 3.6) such that upon completion of the Offer his voting power in the Company will not exceed 20%. The obligations of the Underwriter and the Sub-underwriters (including Mr Wood and Vega Funds, and each of their nominees) may be reduced by a corresponding amount for the Entitlements taken up by Shareholders. The Offer has been priced to allow for completion of the Offer, which in turn will enable the Company to give effect to its objectives stated in section 5.1 of this Prospectus.

3.9 Potential dilution to Shareholders

In addition, Shareholders should note that if they do not participate in the Offer, their holdings are likely to be diluted by approximately 85.71% (as compared to their holdings and number of Shares on issue as at the date of the Prospectus). Examples of how the dilution may impact Shareholders is set out in the table below:

| Holder | Holding as at Record date | % at Record Date | Entitlements under the Offer | Holdings if Offer not taken Up | % post Offer |
|---------------|---------------------------|------------------|------------------------------|--------------------------------|--------------|
| Shareholder 1 | 10,000,000 | 8.76 | 60,000,000 | 10,000,000 | 1.25 |
| Shareholder 2 | 5,000,000 | 4.38 | 30,000,000 | 5,000,000 | 0.63 |
| Shareholder 3 | 1,500,000 | 1.31 | 9,000,000 | 1,500,000 | 0.19 |
| Shareholder 4 | 400,000 | 0.35 | 2,400,000 | 400,000 | 0.05 |
| Shareholder 5 | 50,000 | 0.04 | 300,000 | 50,000 | 0.01 |
| Total | 114,101,000 | | 684,606,000 | 798,707,000 | |

Notes:

1. The dilutionary effect shown in the table is the maximum percentage on the assumption that those Entitlements not accepted by Eligible Shareholders are placed under the Shortfall Offer and no Options are exercised.

3.10 Market price of shares

The Company is a disclosing entity for the purposes of the Corporations Act and its quoted securities, including its Shares, are enhanced disclosure securities quoted on ASX.

The highest, lowest and last market sale prices of the Shares on ASX during the three months immediately preceding the date of lodgement of this Prospectus with the ASIC and the respective dates of those sales were:

| | | |
|---------|---------|-------------------------|
| Highest | \$0.10 | 14 April – 10 June 2014 |
| Lowest | \$0.009 | 24 – 25 June 2014 |
| Last | \$0.01 | 31 July 2014 |

4. DETAILS OF THE OFFER

4.1 The Offer

The Offer is being made as a renounceable entitlement issue of 6 Shares for every 1 Share held by Eligible Shareholders, at an issue price of \$0.005 per Share. Fractional entitlements will be rounded up to the nearest whole number.

Based on the capital structure of the Company as at the date of this Prospectus, (and assuming no existing Options are exercised prior to the Record Date) a maximum of 684,606,000 Shares will be issued pursuant to this Offer to raise approximately \$3,423,030.

All of the Shares offered under this Prospectus will rank equally with the Shares on issue at the date of this Prospectus. Please refer to Section 6 for further information regarding the rights and liabilities attaching to the Shares.

The purpose of the Offer and the intended use of funds raised are set out in Section 5.1 of this Prospectus.

4.2 What Eligible Shareholders may do

The number of Shares to which Eligible Shareholders are entitled is shown on the accompanying personalised Entitlement and Acceptance Form. Eligible Shareholders may:

- (a) take up all of their Entitlement (refer to section 4.3);
- (b) take up all of their Entitlement and apply for additional Shares under the Shortfall Offer (refer to Sections 4.3 and 4.13);
- (c) sell all of their Entitlement on ASX (refer to section 4.4);
- (d) take up a proportion of their Entitlement and sell the balance on ASX (refer to section 4.5);
- (e) take up a proportion of their Entitlement and allow the balance to lapse (refer to section 4.6);
- (f) sell all or a proportion of their Entitlement other than on ASX (refer to section 4.7); or
- (g) allow all or part of their Entitlement to lapse (refer to section 4.8).

4.3 Taking up all of your Entitlement

Should you wish to accept all of your Entitlement, then applications for Shares under this Prospectus must be made on the Entitlement and Acceptance Form which accompanies this Prospectus or by completing a BPAY® payment, in accordance with the instructions referred to in this Prospectus and on the Entitlement and Acceptance Form. Please read the instructions carefully.

Please complete the Entitlement and Acceptance Form by filling in the details in the spaces provided and attach a cheque for the Application Monies indicated on the Entitlement and Acceptance Form, to be completed and provided to the Company as set out in section 4.11.

If you wish to pay via BPAY® you must follow the instructions in section 4.12.

The Company shall not be responsible for any postal or delivery delays or delay in the receipt of the BPAY® payment.

4.4 Selling all your Entitlement on ASX

The Entitlements under the Offer are renounceable which means that all or part of an Eligible Shareholder's rights to subscribe for Shares under the Offer may be traded on ASX. If you wish to sell all of your Entitlement on ASX, provide instructions to your stockbroker regarding the Entitlement you wish to sell on ASX. Trading of Entitlements on the ASX will be open for the period as specified in the timetable in Section 2 of this Prospectus.

There is no guarantee that an Eligible Shareholder will be able to sell all or any part of their Entitlement on ASX or that any particular price will be paid for the Entitlements sold on ASX.

4.5 Taking up a proportion of your Entitlement and selling the balance on ASX

If you wish to take up only part of your Entitlement, complete the accompanying personalised Entitlement and Acceptance Form for the number of Shares you wish to take up and follow the steps in section 4.3, or make a payment by BPAY in accordance with section 4.12.

Subsequently, provide instructions to your stockbroker regarding the proportion of your Entitlement you wish to sell on ASX.

4.6 Taking up a proportion of your Entitlement and allowing the balance to lapse

If you wish to take up only part of your Entitlement and allow the balance to lapse, complete the accompanying personalised Entitlement and Acceptance Form for the number of Shares you wish to take up and follow the steps in section 4.3. If you take no further action, the balance of your Entitlement will lapse and you will have forfeited any potential benefit to be gained from taking up or selling that part of your Entitlement.

4.7 Selling all or a proportion of your Entitlement other than on ASX

You may elect to transfer all or a proportion of your Entitlement to another person other than on ASX. If the purchaser of your Entitlement is an Ineligible Shareholder or a person that would be an Ineligible Shareholder if they were a registered holder of Shares, that purchaser will not be able to take up the Entitlement they have purchased.

If you are a Shareholder on the issuer sponsored subregister and you wish to transfer all or a proportion of your Entitlement to another person other than on ASX, forward a completed standard renunciation and transfer form (obtainable from the Share Registry) and the applicable transferee's cheque for the Shares they wish to subscribe for, completed as set out in section 4.11.

If you wish to transfer all or a proportion of your Entitlement to or from another person on the CHESS subregister you must engage your CHESS controlling participant (usually your stockbroker). If the transferee wants to exercise some or all of the Entitlement, you should follow your stockbroker's instructions as to the most appropriate way to take up the Entitlement on their behalf. The Application Monies for Shares the transferee of the Entitlement wants to acquire must be received by Share Registry in accordance with section 4.3.

4.8 Allow all or part of your Entitlement to lapse

Eligible Shareholders should be aware that their Entitlement may have value. Entitlement are renounceable, which enable Eligible Shareholders who do not wish to take up part or all of their Entitlement to seek to sell or trade all or some of their Entitlement on ASX.

If you do not wish to accept or trade any part of your Entitlement, you are not obliged to do anything. If you do not take up your Entitlement or dispose of your Entitlement by the Closing Date, the Offer to you will lapse.

4.9 Implications of an acceptance

Returning a completed Entitlement and Acceptance Form or paying any Application Monies by BPAY® will be taken to constitute a representation by you that:

- (a) you have received a copy of this Prospectus and the accompanying Entitlement and Acceptance Form, and read them both in their entirety; and
- (b) you acknowledge that once the Entitlement and Acceptance Form is returned, or a BPAY® payment instruction is given in relation to any Application Monies, the application may not be varied or withdrawn except as required by law.

4.10 Minimum subscription

The minimum subscription under the Offer is \$1,250,000, being the underwritten amount. No Shares will be issued until the minimum subscription has been received. If the minimum subscription is not achieved within 4 months after the date of issue of this Prospectus, the Company will either repay the Application monies to the Applicants or issue a supplementary prospectus or replacement prospectus and allow Applicants one month to withdraw their Application and be repaid their Application monies.

4.11 Payment by cheque

All cheques must be drawn on an Australian bank or bank draft made payable in Australian currency to **"Black Star Petroleum Limited – Entitlement Issue Account"** and crossed **"Not Negotiable"**.

Your completed Entitlement and Acceptance Form and cheque must be lodged and received at any time after the issue of this Prospectus and on or before the Closing Date at the Company's Share Registry at:

Automic Registry Services
Suite 1a, Level 1
7 Ventnor Avenue
WEST PERTH WA 6005

The Company shall not be responsible for any postal or delivery delays.

4.12 Payment by BPAY®

For payment by BPAY®, please follow the instructions on your Entitlement and Acceptance Form. You can only make a payment via BPAY® if you are the holder

of an account with an Australian financial institution that supports BPAY® transactions. Please note that should you choose to pay by BPAY®:

- (a) you do not need to submit the Entitlement and Acceptance Form but are taken to have made the declarations on that Entitlement and Acceptance Form; and
- (b) if you do not pay for your Entitlement in full, you are deemed to have taken up your Entitlement in respect of such whole number of Shares which is covered in full by your application monies.

Make sure that you use the specific Biller Code and unique Customer Reference Number (CRN) on your personalised Entitlement and Acceptance Form. You do not need to return a completed Entitlement and Acceptance Form but are taken to have made the declarations in the Entitlement and Acceptance Form and the representations outlined above in section 4.9. If you have more than one shareholding of Shares and consequently receive more than one Entitlement and Acceptance Form, when taking up your Entitlement in respect of one of those Shareholdings, only use the CRN specific to that Shareholding as set out in the applicable Entitlement and Acceptance Form. Do not use the same CRN for more than one of your Shareholdings. This can result in your Application Monies being applied to your Entitlement in respect of only one of your Shareholdings (with the result that any application in respect of your remaining Shareholdings will not be valid).

It is your responsibility to ensure that your BPAY® payment is received by the Share Registry by no later than 4:00pm (WST) on the Closing Date. You should be aware that your financial institution may implement either cut-off times with regards to electronic payment and you should therefore take this into consideration when making payment. Any application monies received for more than your final allocation of Shares (only where the amount is \$1.00 or greater) will be refunded. No interest will be paid on any application monies received or refunded.

4.13 Shortfall Offer

Any Entitlement not taken up pursuant to the Offer will form the Shortfall Offer.

The Shortfall Offer is a separate offer made pursuant to this Prospectus and will remain open for up to three months following the Closing Date. The issue price for each Share to be issued under the Shortfall Offer shall be \$0.005 being the price at which Shares have been offered under the Offer.

The Directors reserve the right to issue Shortfall Shares at their absolute discretion.

Eligible Shareholders

Eligible Shareholders may, in addition to their Entitlement, apply under the Shortfall Offer, regardless of the size of their present holding.

Eligible Shareholders who wish to apply for Shortfall Shares above their Entitlement can complete the appropriate boxes on the Entitlement and Acceptance Form accompanying this Prospectus and return it together with a cheque for the value of those Shortfall Shares (at \$0.005 per Shortfall Share) to the Share Registry or make a BPAY in excess of the total value of your Entitlement.

Other Investors

Other investors can apply for Shortfall Shares by completing the Shortfall Application Form attached to this Prospectus and returning it together with a cheque for the value of those Shortfall Shares (at \$0.005 per Shortfall Share) to the Share Registry.

4.14 ASX listing

Application for Official Quotation of the Shares offered pursuant to this Prospectus will be made in accordance with the timetable set out at the commencement of this Prospectus. If ASX does not grant Official Quotation of the Shares offered pursuant to this Prospectus before the expiration of 3 months after the date of issue of the Prospectus, or such period as varied by the ASIC, the Company will not issue any Shares and will repay all Application Monies for the Shares within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant Official Quotation to the Shares is not to be taken in any way as an indication of the merits of the Company or the Shares now offered for subscription.

4.15 Issue of Shares

Shares issued pursuant to the Offer will be issued in accordance with the ASX Listing Rules and timetable set out at the commencement of this Prospectus.

Shares issued pursuant to the Shortfall Offer will be issued on a progressive basis. Where the number of Shares issued is less than the number applied for or where no allotment is made, surplus Application Monies will be refunded without any interest to the Applicant as soon as practicable after the closing date of the Shortfall Offer.

Pending the issue of the Shares or payment of refunds pursuant to this Prospectus, all Application Monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

Holding statements for Shares issued under the Offer will be mailed in accordance with the ASX Listing Rules and timetable set out at the commencement of this Prospectus and for Shortfall Shares issued under the Shortfall Offer as soon as practicable after their issue.

4.16 Overseas Shareholders

This Offer does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus.

It is not practicable for the Company to comply with the securities laws of overseas jurisdictions having regard to the number of overseas Shareholders, the number and value of Shares these Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction. Accordingly, the Offer is not being extended and Shares will not be issued to Shareholders with a registered address which is outside Australia or New Zealand.

The Offer is being made in New Zealand pursuant to the Securities Act (Overseas Companies) Exemption Notice 2013.

Shareholders resident in Australia or New Zealand holding Shares on behalf of persons who are resident overseas are responsible for ensuring that taking up an Entitlement under the Offer does not breach regulations in the relevant overseas jurisdiction. Return of a duly completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation that there has been no breach of those regulations.

4.17 Nominee for Foreign Holders

For the purposes of ASX Listing Rule 7.7, the Company has appointed CPS Capital Group as the nominee to sell the Entitlements to which Ineligible Shareholders are entitled (**Nominee**). The Nominee will have the absolute and sole discretion to determine the timing and price at which the Entitlements may be sold and the manner of any such sale.

Under the arrangement with the Nominee, the Company will transfer to the Nominee the rights that would otherwise be issued to Ineligible Shareholders who either accept the Offer or are otherwise entitled to acquire such rights under the Offer and the Nominee will then sell those rights and provide the proceeds of those sales (net of expenses) to the Company (or its Share Register). The Company will then distribute to each of those foreign holders their proportion of the proceeds of the sale net of expenses.

Any interest earned on the proceeds of the sale of these Entitlements will firstly be applied against expenses of such sale, including brokerage, and any balance will accrue to the relevant Ineligible Shareholders as described below.

The net proceeds of the sale of these Entitlements will then be forwarded by the Company as soon as practicable to the Ineligible Shareholders, in proportion to the number of Shares sold (after deducting brokerage and other expenses). If any such net proceeds of sale are less than the reasonable costs that would be incurred by the Company for distributing those proceeds, such proceeds may be retained by the Company.

Notwithstanding that the Nominee may sell Entitlements, Ineligible Shareholders may nevertheless receive no net proceeds if the costs of the sale are greater than the sale proceeds.

4.18 Enquiries

Any questions concerning the Offer should be directed to Jonathan Hart, Company Secretary, on +61 8 9200 4493.

5. PURPOSE AND EFFECT OF THE OFFER

5.1 Purpose of the Offer

The purpose of the Offer is to raise up to \$3,423,030 (before expenses).

The funds raised from the Offer are planned to be used in accordance with the table set out below:

| Item | Proceeds of the Offer | Full Subscription (\$) | % |
|------|--|------------------------|-------------|
| 1. | Repayment of loan with Avonglade Enterprises Pty Ltd and other related party payments ¹ | 1,250,000 | 36.52 |
| 2. | Drill and coring of third well at the Nebraska Oil Project | 650,000 | 18.99 |
| 3. | Core analysis of third well | 100,000 | 2.92 |
| 4. | Fracture stimulation of three wells | 300,000 | 8.76 |
| 5. | Three well site completions | 50,000 | 1.46 |
| 6. | Assessment and potential acquisition of oil and gas opportunities in North America. projects | 250,000 | 7.30 |
| 7. | Payment to existing creditors | 350,000 | 10.22 |
| 8. | Expenses of the Offer ² | 38,280 | 1.12 |
| 9. | Working capital | 434,750 | 14.67 |
| | Total | 3,423,030 | 100% |

Notes:

1. Refer to Section 3.7 for more information in relation to the Settlement and Offset Deeds between the Company and Garrison Equities Pty Ltd, Avonglade Enterprises Pty Ltd, Vega Funds Pty Ltd and Matthew Wood.
2. Refer to Section 8.7 of this Prospectus for further details relating to the estimated expenses of the Offer.

In the event that less than the full subscription is raised, funds will be applied first towards the expenses of the Offer, and then allocated (in order of priority) to items 1, 7, 2 to 6 and 9 in the table above.

The above table is a statement of current intentions as of the date of this Prospectus. As with any budget, intervening events and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way funds are applied on this basis.

On completion of the Offer, the Board believes the Company will have sufficient working capital to achieve its objectives.

5.2 Effect of the Offer

The principal effect of the Offer, assuming all Entitlements are accepted and no Options are exercised prior to the Record Date, will be to:

- (a) increase the cash reserves by \$3,384,750 (after deducting the estimated expenses of the Offer) immediately after completion of the Offer; and
- (b) increase the number of Shares on issue from 114,101,000 as at the date of this Prospectus to 798,707,000 Shares.

5.3 Pro-forma balance sheet

The unaudited balance sheet as at 30 June 2014 and the unaudited pro-forma balance sheet as at 30 June 2014 shown below have been prepared on the basis of the accounting policies normally adopted by the Company and reflect the changes to its financial position.

The pro-forma balance sheet has been prepared assuming all Entitlements are accepted, no Options are exercised prior to the Record Date and including expenses of the Offer.

The pro-forma balance sheet has been prepared to provide investors with information on the assets and liabilities of the Company and pro-forma assets and liabilities of the Company as noted below. The historical and pro-forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

| | UNAUDITED as at 30 June 2014 | PROFORMA as at 30 June 2014 |
|---------------------------------------|---------------------------------|--------------------------------|
| CURRENT ASSETS | | |
| Cash ^{1 2 3} | 24,729 | 1,715,549 |
| Investments ⁴ | 717,523 | 493,826 |
| Other current assets | 122,666 | 122,666 |
| TOTAL CURRENT ASSETS | 864,918 | 2,332,041 |
| | | |
| NON-CURRENT ASSETS | | |
| Plant and equipment | 276 | 276 |
| Exploration | 17,279,556 | 17,279,556 |
| TOTAL NON-CURRENT ASSETS | 17,279,832 | 17,279,832 |
| | | |
| TOTAL ASSETS | 18,144,750 | 19,611,873 |
| | | |
| CURRENT LIABILITIES | | |
| Creditors and borrowings ⁵ | 1,210,606 | - |
| Interest bearing liabilities | 707,087 | - |
| TOTAL CURRENT LIABILITIES | 1,917,693 | - |

| | UNAUDITED as at 30 June 2014 | PROFORMA as at 30 June 2014 |
|---------------------------------|---------------------------------|--------------------------------|
| | | |
| TOTAL LIABILITIES | 1,917,693 | - |
| | | |
| NET ASSETS (LIABILITIES) | 16,227,057 | 19,611,873 |
| | | |
| EQUITY | | |
| Share capital | 18,733,696 | 22,118,512 |
| Reserves | (699,818) | (699,818) |
| Retained loss | (1,806,821) | (1,806,821) |
| TOTAL EQUITY | 16,227,057 | 19,611,873 |

Notes:

1. Cash and cash equivalents includes proceeds from the entitlement issue adjusted for the use of proceeds in section 5.1.
2. Cash and cash equivalents includes only cash.
3. The pro forma balance sheet shows a cash and cash equivalents balance of \$1,715,549. It is intended that \$1,250,000 of cash received from the entitlement issue will be used to retire the Company's loan facility with Avonglade Enterprises Pty Ltd as well as pay fees due to specified creditors, refer to section 3.7 of this Prospectus for further detail. The pro forma cash balance also includes the sale of a portion shares held in Global Resources Investment Trust Plc.
4. The pro forma balance sheet shows the partial sale of the investment in Global Resources Investment Trust Plc.
5. Trade and other payables includes creditors and sundry accruals.

5.4 Effect on capital structure

The effect of the Offer on the capital structure of the Company, assuming all Entitlements are accepted and no Options are exercised prior to the Record Date, is set out below.

Shares

| | Number |
|--|--------------------|
| Shares currently on issue | 114,101,000 |
| Shares offered pursuant to the Offer | 684,606,000 |
| Total Shares on issue after completion of the Offer | 798,707,000 |

Options

| | Number |
|--|-------------------|
| Options currently on issue: | |
| (quoted exercisable at \$0.20 on or before 31 December 2017) | 43,779,993 |
| (unquoted exercisable at \$0.20 on or before 31 December 2017) | 51,553,333 |
| Total Options on issue after completion of the Offer | 95,333,326 |

6. RIGHTS AND LIABILITIES ATTACHING TO SHARES

6.1 Shares

The following is a summary of the more significant rights and liabilities attaching to Shares being offered pursuant to this Prospectus. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights and liabilities attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

(a) Meetings and Notices

Each Shareholder is entitled to receive notices of meetings. The failure of a Shareholder to receive a notice of meeting does not invalidate the proceedings, or any resolution passed at, any such meeting. No business may be transacted at any meeting of Shareholders unless a quorum of Shareholders is present. Shareholders may attend a general meeting at which the Shareholder is entitled to be present in person, by proxy, by attorney or, in the case of a Shareholder which is a body corporate, by a corporate representative.

(b) Voting Rights

Subject to any rights or restrictions for the time being attached to any class or classes of Shares whether by the terms of their issue, the Constitution, the Corporations Act or the ASX Listing Rules, at a general meeting of the Company every Shareholder present in person or by a representative or attorney has one vote on a show of hands and every such Shareholder present in person or by a representative, proxy or attorney has one vote per fully paid Share on a poll.

Where there are two or more joint holders of the Shares and more than one of them is present at a meeting and tenders a vote in respect of the Share (whether in person or by proxy or attorney), the Company will count only the vote cast by the member whose name appears before the other(s) in the Company's register of Shareholders.

(c) Dividend Rights

Subject to any rights or restrictions attaching to a class of shares, the Company may pay dividends as the Directors resolve. The Directors may fix the time for payment and the method of distribution.

(d) Transfer of Shares

Subject to the Constitution, a member may transfer one or more Shares they hold by:

- (i) a proper ASTC transfer;
- (ii) an instrument of transfer in compliance with the Constitution; or
- (iii) any other method permitted by the Corporations Act, the ASX Listing Rules or the ASX Settlement Operating Rules.

The Company may decline to register a transfer of Shares were permitted to do so under the provisions of the Constitution, the Corporations Act and the ASX Listing Rules. If the Directors decline to register a transfer, the Company must, within 5 Business Days after the transfer is delivered to the Company, give the party lodging the transfer written notice of the refusal and the reason for refusal. The Directors must decline to register a transfer of shares when required by the Corporations Act, by the ASX Listing Rules or by the ASX Settlement Operating Rules.

(e) Future Issues

Subject to the Constitution, the applicable law and the ASX Listing Rules, the Directors may issue or grant options over, or otherwise deal with the unissued shares in the Company at the times and on the terms and conditions that the Directors think proper and a share may be issued with preferential, deferred, qualified or special rights, privileges or conditions or restrictions.

(f) Alteration of Constitution

The Constitution can only be amended by a special resolution (that is, a resolution that has been passed by at least three-quarters of the votes cast by shareholders entitled to vote on the resolution). While the Company is listed, at least 28 days written notice of the special resolution must be given.

(g) Variation of Rights

The Company may only modify or vary the rights attaching to any Shares with the prior approval by a special resolution passed at a separate meeting of the holders of shares of that class or with the written consent of the holders of at least three-quarters of the issued Shares of the affected class.

(h) Directors

The minimum number of Directors is three and the maximum is nine. Currently there are three Directors. Directors must retire on rotational basis so that one-third of Directors must retire at each annual general meeting. Any other Director who has been in office for three or more years must also retire. The Directors may appoint a Director either in addition to existing Directors or to fill a casual vacancy, who then holds office until the next annual general meeting.

(i) Officers' Indemnity

To the extent permitted by the law, the Company must indemnify each officer (including a Director, auditor and agent of the Company) against any liability which that officer may incur by reason of being an officer or in carrying out the business or exercising the powers of the Company.

7. RISK FACTORS

7.1 Introduction

The Shares offered under this Prospectus are considered highly speculative. An investment in the Company is not risk free and the Directors strongly recommend potential investors to consider the risk factors described below, together with information contained elsewhere in this Prospectus and to consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

There are specific risks which relate directly to the Company's business. In addition, there are other general risks, many of which are largely beyond the control of the Company and the Directors. The risks identified in this section, or other risk factors, may have a material impact on the financial performance of the Company and the market price of the Shares.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

7.2 Company specific

(a) Additional requirements for capital

The Company's capital requirements depend on numerous factors. Depending on the Company's ability to generate income from its operation, the Company will require further financing in addition to amounts raised under the Offer. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its exploration programmes as the case may be. There is however no guarantee that the Company will be able to secure any additional funding or be able to secure funding on terms favourable to the Company.

(b) Potential for significant dilution

Upon implementation of the Offer, assuming all Entitlements are accepted and no Options are exercised prior to the Record Date the number of Shares in the Company will increase from 114,101,000 currently on issue to 798,707,000. This means that each Share will represent a significantly lower proportion of the ownership of the Company.

It is not possible to predict what the value of the Company or a Share will be following the completion of the Offer being implemented and the Directors do not make any representation as to such matters.

The last trading price of Shares on ASX prior to the prospectus being lodged of \$0.01 is not a reliable indicator as to the potential trading price of Shares after implementation of the Proposed Transaction.

(c) Exploration

The prospects in which the Company has an interest are at various stages of exploration and potential investors should understand that exploration and development are high-risk undertakings.

There can be no assurance that exploration of these prospects, or any other prospects that may be acquired in the future, will result in the discovery of a commercial oil and gas reserve. Even if an apparently viable reserve is identified, there is no guarantee that it can be economically exploited or will flow at commercial rates.

(d) Operating

The operations of the Company may be affected by various factors, including failure to locate or identify oil and gas reserves, failure to achieve predicted well production flow rates, operational and technical difficulties encountered in production, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated reservoir problems which may affect field production performance, adverse weather conditions, industrial and environmental accidents, industrial disputes and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.

No assurances can be given that the Company will achieve commercial viability through the successful exploration and/or production of its prospect interests.

(e) Oil and gas reserves and commercial flow

Oil and gas reserves are expressions of judgment based on knowledge, experience and industry practice. Estimates, which were valid when originally calculated, may change significantly when new information or techniques become available. In addition, by their nature, oil and gas reserves are imprecise and depend to some extent on interpretations which may prove to be inaccurate. As further information becomes available through additional fieldwork and analysis, the estimates are likely to change. This may result in alterations to development and commercial flow plans which may, in turn, either benefit or adversely affect the Company's operations.

(f) Sovereign Risks

The Company's projects outside Australia are subject to the risks associated in operating in a foreign country. These risks may include economic, social or political instability or change, hyperinflation, currency non-convertibility or instability and changes of law affecting foreign ownership, government participation, taxation, working conditions, rates of exchange, exchange control, exploration licensing, export duties, repatriation of income or return of capital, environmental protection, labour relations as well as government control over natural resources or government regulations that require the employment of local staff or contractors or require other benefits to be provided to local residents.

Any future material adverse changes in government policies or legislation in foreign jurisdictions in which the Company has projects that

affect foreign ownership, exploration, development or activities of companies involved in oil and gas exploration and production, may affect the viability and profitability of the Company.

(g) Status of leases

The Company cannot guarantee that the current Leases will be renewed beyond their current expiry date and there is a material risk that, in the event the Company is unable to renew any of the Leases beyond their current expiry dates, the Company's interest in those Leases will be relinquished.

(h) Joint venture, acquisition or other strategic investments

The Company may make strategic investments in complementary businesses, or enter into strategic partnerships or alliances with third parties in order to enhance its business. At the date of this Prospectus, the Company is not aware of the occurrence or likely occurrence of any such risks which would have a material adverse effect on the Company or its subsidiaries.

(i) Potential acquisitions

As part of its business strategy, the Company may make acquisitions of, or significant investments in, other companies or prospects, although no such acquisitions are currently planned. However, the Company is assessing potential oil and gas opportunities in North America. Any such transactions will be accompanied by risks commonly encountered with transaction implementation.

7.3 Industry Specific – Oil and Gas

(a) Exploration Risks

By its nature, the business of oil and gas exploration contains elements of significant risk with no guarantee of success. Ultimate and continuous exploration success is dependent on many factors such as:

- (i) access to adequate capital;
- (ii) the design and construction of efficient exploration programs and expenditure budgets;
- (iii) securing and maintaining title to interests;
- (iv) obtaining consents and approvals necessary for the conduct of oil and gas exploration; and
- (v) access to competent exploration and operational management and prudent financial administration, including the availability and reliability of appropriately skilled and experienced employees, contractors and consultants.

Industry exploration risks include fire, explosions, unanticipated reservoir problems which may affect field production performance, industrial disputes, unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment, mechanical failure or breakdown, blow outs, pipe failures and environmental hazards such as

accidental spills or leakage of liquids, gas leaks, ruptures, discharges of toxic gases or geological uncertainty (such as lack of sufficient sub-surface data from correlative well logs and/or formation core analyses). The occurrence of any of these risks could result in legal proceedings against the Company and substantial losses to the Company due to injury or loss of life, damage to or destruction of property, natural resources or equipment, pollution or other environmental damage, cleanup responsibilities, regulatory investigation, and penalties or suspension of operations. Damage occurring to third parties as a result of such risks may give rise to claims against the Company.

Drilling activities carry risk as such activities may be curtailed, delayed or cancelled as a result of weather conditions, mechanical difficulties, shortages or delays in the delivery of drill rigs or other equipment. In addition, drilling and operations include reservoir risk such as the presence of shale laminations in the otherwise homogeneous sandstone porosity.

There is no assurance that any exploration on current or future interests will result in the discovery of an economic deposit of oil or gas. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically developed.

(b) Oil and gas price fluctuations

The demand for, and price of, oil and natural gas is highly dependent on a variety of factors, including international supply and demand, the level of consumer product demand, weather conditions, the price and availability of alternative fuels, actions taken by governments and international cartels, and global economic and political developments.

International oil and gas prices have fluctuated widely in recent years and may continue to fluctuate significantly in the future. Fluctuations in oil and gas prices and, in particular, a material decline in the price of oil or gas may have a material adverse effect on the Company's business, financial condition and results of operations.

Furthermore, international prices of oil and gas are denominated in United States dollars, whereas the income and expenditure of the Company are and will be taken into account in Australian currency, exposing the Company to the fluctuations and volatility of the rate of exchange between the United States dollar and the Australian dollar as determined in international markets.

(c) Environmental

The operations and proposed activities of the Company are subject to laws and regulations concerning the environment applicable in the jurisdiction of those activities. As with most production operations, the Company's activities are expected to have an impact on the environment, particularly if advanced exploration or production proceeds. It is the Company's practice to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws. Nevertheless, there are certain risks inherent in the Company's activities such as accidental leakages or spills, or other unforeseen circumstances which could subject the Company to extensive liability.

7.4 Industry Specific – Exploration of the Tenements

(a) Environmental risks

Mining operations have inherent risks and liabilities associated with safety and damage to the environment and the disposal of waste products occurring as a result of mineral exploration. The occurrence of any such safety or environmental incident could delay exploration or increase exploration costs. Events, such as unpredictable rainfall or bushfires may impact on the Company's ongoing compliance with environmental legislation, regulations and licences. Significant liabilities could be imposed on the Company for damages, clean up costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous operations or non-compliance with environmental laws or regulations.

The disposal of mining and process waste and mine water discharge are under constant legislative scrutiny and regulation. There is a risk that environmental laws and regulations become more onerous making the Company's operations more expensive.

Approvals are required for land clearing and for ground disturbing activities. Delays in obtaining such approvals can result in the delay to anticipated exploration programs.

It is the Company's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws.

(b) Failure to satisfy expenditure commitments

Interests in tenements are governed by the Mining acts and regulations that are current in jurisdictions in which the tenements are granted and are evidenced by the granting of licences or leases. Each licence or lease is for a specific term and carries with it annual expenditure and reporting commitments, as well as other conditions requiring compliance. Consequently, the Company could lose title to, or its interest in, its current or future tenements if licence conditions are not met or if insufficient funds are available to meet expenditure commitments.

(c) Title

Mining and exploration tenements are subject to periodic renewal. There is no guarantee that the current or future tenements will be approved or maintained. Renewal of the term of a granted tenement is at the discretion of the relevant government authority. Renewal conditions may include increased expenditure or work commitments or compulsory relinquishment of the areas comprising the Company's current or future projects. The imposition of new conditions or the inability to meet those conditions may adversely affect the operations, financial position and/or performance of the Company.

(d) Native Title and access risk

Exploration and mining activities can be affected by land claim compensation considerations. Some of the Company's tenements are subject to the *Native Title Act 1993* (Cth). It is possible that aboriginal

sacred sites found within tenements held by the Company may preclude exploration and mining activities and the Company may also experience delays with respect to obtaining permission from the traditional owners to explore and extract resources. The Company must also comply with Aboriginal heritage legislation requirements and access agreements which require heritage survey work to be undertaken ahead of the commencement of exploration and mining activities.

(e) **Exploration risks**

No assurance can be given that exploration will be successful or that a commercial mining operation will eventuate.

The ultimate success and financial viability of the Company depends on the discovery and delineation of economically recoverable ore reserves, design and construction of efficient mining and processing facilities, and competent operational and managerial performance.

There is no assurance that exploration and development of the mineral interests held by the Black Star Petroleum (which are all at an exploration stage), or any other projects that may be acquired by the Company in the future, will result in the discovery of an economic deposit. Even if an apparently viable deposit is identified, there is no guarantee that it can be profitably exploited.

Development of a commercial mining operation is also dependent on the Black Star Petroleum's ability to obtain necessary titles and governmental and other regulatory approvals.

(f) **Exploration costs**

The exploration costs of the Company 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. Accordingly, no assurance can be given that the cost estimates and the underlying assumptions will be realised in practice, which may materially and adversely affect the Company's viability.

7.5 **General risks**

(a) **Economic**

General economic conditions, introduction of tax reform, new legislation, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's exploration, development and production activities, as well as on its ability to fund those activities.

(b) **Market conditions**

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- general economic outlook;

- introduction of tax reform or other new legislation;
- interest rates and inflation rates;
- changes in investor sentiment toward particular market sectors;
- the demand for, and supply of, capital; and
- terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource exploration stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

(c) **Reliance on Key Management**

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment.

(d) **Retention of key business relationships**

Black Star Petroleum's business relies on several contracts and business alliances. Any circumstance which causes the early termination or non-renewal of one or more of these key business alliances or contracts could adversely impact Black Star Petroleum, its business, operating results or prospects.

(e) **Force Majeure**

Black Star Petroleum and its projects, now or in the future may be adversely affected by risks outside the control of Black Star Petroleum including labour unrest, civil disorder, war, subversive activities or sabotage, extreme weather conditions, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

(f) **Litigation Risks**

Black Star Petroleum is exposed to possible litigation risks including native title claims, tenure disputes, environmental claims, occupational health and safety claims and employee claims. Further, Black Star Petroleum may be involved in disputes with other parties in the future which may result in litigation. Any such claim or dispute if proven, may impact adversely on Black Star Petroleum's operations, financial performance and financial position. Black Star Petroleum is not currently engaged in any litigation.

(g) **Foreign currency exchange rate fluctuations**

Black Star Petroleum's business is conducted outside Australia and in currencies other than the Australian dollar. Accordingly, Black Star Petroleum's income from, and the value of, those businesses will be affected by fluctuations in the rates by which those currencies are exchanged with Australian dollars.

(h) **Investment speculative**

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares offered under this Prospectus

Therefore, the Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.

Potential investors should consider that the investment in the Company is highly speculative and should consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

7.6 Speculative investment

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares offered under this Prospectus.

Therefore, the Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

8. ADDITIONAL INFORMATION

8.1 Litigation

As at the date of this Prospectus, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

8.2 Continuous disclosure obligations

The Company is a “disclosing entity” (as defined in section 111AC of the Corporations Act) for the purposes of section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company’s securities.

This Prospectus is a “transaction specific prospectus”. In general terms a “transaction specific prospectus” is only required to contain information in relation to the effect of the issue of securities on a company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 3 months before the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and

- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:
- (i) the annual financial report most recently lodged by the Company with the ASIC;
 - (ii) any half-year financial report lodged by the Company with the ASIC after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC; and
 - (iii) any continuous disclosure documents given by the Company to ASX in accordance with the ASX Listing Rules as referred to in section 674(1) of the Corporations Act after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC.

Copies of all documents lodged with the ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours.

Details of documents lodged by the Company with ASX since the date of lodgement of the Company's latest annual financial report and before the lodgement of this Prospectus with the ASIC are set out in the table below.

| Date | Description of Announcement |
|-------------|--|
| 28/07/2014 | Results of General Meeting |
| 21/07/2014 | Notice of General Meeting Update |
| 03/07/2014 | Final Director's Interest Notice |
| 03/07/2014 | Initial Director's Interest Notice |
| 03/07/2014 | Reinstatement to Official Quotation |
| 03/07/2014 | Withdrawal of Rights Issue and Board Changes |
| 01/07/2014 | Supplementary Prospectus |
| 01/07/2014 | Voluntary Suspension Request |
| 01/07/2014 | Voluntary Suspension |
| 27/06/2014 | Trading Halt |
| 23/06/2014 | Notice of General Meeting |
| 23/06/2014 | Dispatch of Documents |
| 17/06/2014 | Contingent Resources Estimates in the Niobrara Formation |
| 13/06/2014 | Appendix 3B Clarification |
| 11/06/2014 | Appendix 3B |
| 11/06/2014 | Letter to Optionholders |
| 11/06/2014 | Reinstatement to Official Quotation |
| 11/06/2014 | Entitlement Issue Prospectus |
| 11/06/2014 | Renounceable Issue |
| 06/06/2014 | Suspension from Official Quotation |

| Date | Description of Announcement |
|-------------|---|
| 04/06/2014 | Trading Halt |
| 12/05/2014 | Response to ASX Appendix 5B Query |
| 09/05/2014 | Interim Finance Secured |
| 09/05/2014 | Land Tenure Secured |
| 01/05/2014 | Investor Presentation |
| 30/04/2014 | Quarterly Cashflow Report |
| 30/04/2014 | Quarterly Activities Report |
| 28/04/2014 | Change of Director's Interest Notice x 2 |
| 18/03/2014 | Appendix 3B |
| 14/03/2014 | Half Year Financial Report |
| 11/03/2014 | Prospectus |
| 10/03/2014 | Reinstatement to Official Quotation |
| 10/03/2014 | Share Exchange Agreement - GRIT |
| 03/03/2014 | Notice of change of interests of substantial holder |
| 03/03/2014 | Change of Director's Interest Notice |
| 24/02/2014 | Update on Voluntary Suspension |
| 24/02/2014 | Change of Director's Interest Notice |
| 31/01/2014 | Quarterly Cashflow Report |
| 31/01/2014 | Quarterly Activities Report |
| 19/12/2013 | Change of Share Registry Notification |
| 16/12/2013 | Update on Voluntary Suspension |
| 09/12/2013 | Company Secretary Change |
| 26/11/2013 | Results of Annual General Meeting |
| 31/10/2013 | Quarterly Cashflow Report |
| 31/10/2013 | Quarterly Activities Report |
| 28/10/2013 | Update on Voluntary Suspension |
| 28/10/2013 | Notice of Annual General Meeting |
| 28/10/2013 | Final Director's Interest Notice x 2 |
| 24/10/2013 | Board Changes |
| 20/09/2013 | Annual Report 2013 |

ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at ASX during normal office hours.

The announcements are also available through the Company's website <http://www.blackstarpetroleum.com.au/>.

8.3 Underwriting Agreement

By an agreement between Garrison Equities and the Company (**Underwriting Agreement**), Garrison Equities agreed to partially underwrite the Offer for 250,000,000 Shares (**Underwritten Shares**).

As set out in section 3.7, the Company and Garrison Equities have agreed that \$300,000 of the Garrison Equities Indebtedness outstanding between the Company and Garrison Equities shall be applied in full towards Garrison Equities commitment to underwrite the Offer.

Pursuant to the Underwriting Agreement, there will be no underwriting fee payable to the Underwriter.

The obligation of Garrison Equities to underwrite the Offer is subject to certain events of termination. Garrison Equities may terminate its obligations under the Underwriting Agreement if:

- (a) **(Prospectus)**: the Prospectus or the Offer is withdrawn by the Company;
- (b) **(Supplementary prospectus)**:
 - (i) the Underwriter forms the view on reasonable grounds that a Supplementary Prospectus should be lodged with ASIC for any of the reasons referred to in Section 719 of the Corporations Act and the Company fails to lodge a Supplementary Prospectus in such form and content and within such time as the Underwriter may reasonably require; or
 - (ii) the Company lodges a Supplementary Prospectus without the prior written agreement of the Underwriter;
- (c) **(Misleading Prospectus)**: it transpires that there is a statement in the Prospectus that is misleading or deceptive or likely to mislead or deceive, or that there is an omission from the Prospectus (having regard to the provisions of Sections 711, 713 and 716 of the Corporations Act);
- (d) **(proceedings)**: ASIC or any other person proposes to conduct any enquiry, investigation or proceedings, or to take any regulatory action or to seek any remedy, in connection with the Offer or the Prospectus, or publicly foreshadows that it may do so;
- (e) **(Unable to Issue Underwritten Shares)**: the Company is prevented from issuing the Underwritten Shares within the time required by this Underwriting Agreement, the Corporations Act, the Listing Rules, any statute, regulation or order of a court of competent jurisdiction by ASIC, ASX or any court of competent jurisdiction or any governmental or semi-governmental agency or authority;
- (f) **(Withdrawal of consent to Prospectus)**: any person (other than the Underwriter) who has previously consented to the inclusion of its, his or her name in the Prospectus or to be named in the Prospectus, withdraws that consent;
- (g) **(No Quotation Approval)**: the Company fails to lodge an Appendix 3B in relation to the Underwritten Shares with ASX within 7 days of the lodgement date;

- (h) **(ASIC hearing):** ASIC gives notice of its intention to hold a hearing under Section 739 of the Corporations Act in relation to the Prospectus to determine if it should make a stop order in relation to the Prospectus or ASIC makes an interim or final stop order in relation to the Prospectus under Section 739 of the Corporations Act;
- (i) **(Termination Events):** any of the following events occurs:
- (i) **(Hostilities):** there is an outbreak of hostilities or a material escalation of hostilities (whether or not war has been declared) after the date of this Agreement involving one or more of Australia, New Zealand, Indonesia, Japan, Russia, the United Kingdom, the United States of America, India, Pakistan, or the Peoples Republic of China or any member of the European Union other than hostilities involving Libya, Afghanistan, Iraq, Iran, Syria, Lebanon or Israel;
 - (ii) **(Default):** default or breach by the Company under this Underwriting Agreement of any terms, condition, covenant or undertaking;
 - (iii) **(Adverse change):** an event occurs which gives rise to a material adverse effect or any adverse change or any development including a likely material adverse effect after the date of this Underwriting Agreement in the assets, liabilities, financial position, trading results, profits, forecasts, losses, prospects, business or operations of the Company including, without limitation, if any forecast in the Prospectus becomes incapable of being met or in the Underwriter's reasonable opinion, unlikely to be met in the projected time;
 - (iv) **(Error in Due Diligence Results):** it transpires that any of the due diligence results or any part of the verification material was, misleading or deceptive, materially false or that there was a material omission from them;
 - (v) **(Official Quotation qualified):** the official quotation is qualified or conditional;
 - (vi) **(Prescribed Occurrence):** a Prescribed Occurrence (as defined in the Underwriting Agreement) occurs other than as disclosed in this Prospectus.
 - (vii) **(Suspension of debt payments):** the Company suspends payment of its debts generally;
 - (viii) **(Event of Insolvency):** an event of insolvency occurs in respect of the Company;
 - (ix) **(Judgment against a Relevant Company):** a judgment in an amount exceeding \$100,000 is obtained against a relevant company and is not set aside or satisfied within 7 days;
 - (x) **(Force Majeure):** a force majeure affecting the Company's business or any obligation under the Underwriting Agreement lasting in excess of 7 days occurs;

- (xi) **(Certain resolutions passed)**: the Company passes or takes any steps to pass a resolution under Section 254N, Section 257A or Section 260B of the Corporations Act or a resolution to amend its constitution without the prior written consent of the Underwriter; or
- (xii) **(Capital Structure)**: the Company alters its capital structure in any manner not contemplated by the Prospectus excluding the issue of any Shares upon exercise of Options, such Options having been disclosed to the ASX as at the date of this Underwriting Agreement.

8.4 Interests of Directors

Other than as set out in this Prospectus, no Director or proposed Director holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director or proposed Director:

- (a) as an inducement to become, or to qualify as, a Director; or
- (b) for services provided in connection with:
 - (i) the formation or promotion of the Company; or
 - (ii) the Offer.

Security holdings

Refer to section 3.3 for the Directors' security holdings.

Remuneration

The remuneration of an executive Director is decided by the Board, without the affected executive Director participating in that decision-making process. The total maximum remuneration of non-executive Directors will be not more than the aggregate fixed sum determined by the Company in a general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director. The current amount has been set at an amount not to exceed \$300,000 per annum.

A Director may be paid fees or other amounts (i.e. non-cash performance incentives such as Options, subject to any necessary Shareholder approval) as the other Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. In addition, Directors are also entitled to be paid reasonable travelling and other expenses incurred by them respectively in or about the performance of their duties as Directors.

The table below sets out the remuneration provided to the Directors of the Company and their associated companies during the last financial year prior to the date of this Prospectus and their current remuneration at the date of this Prospectus, inclusive of Directors' fees and consultancy fees.

| Director | Financial year ended 30 June 2014 | Current Financial year |
|----------------|-----------------------------------|------------------------|
| Matthew Wood | \$120,000 | \$120,000 |
| Brian McMaster | \$60,000 | \$120,000 |
| Mark Reilly | NIL | \$30,000 |

8.5 Interests of experts and advisers

Other than as set out below or elsewhere in this Prospectus, no:

- (a) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- (b) promoter of the Company; or
- (c) underwriter (but not a sub-underwriter) to the issue or a financial services licensee named in this Prospectus as a financial services licensee involved in the issue,

holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (d) the formation or promotion of the Company;
- (e) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offer; or
- (f) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

- (g) the formation or promotion of the Company; or
- (h) the Offer.

Steinepreis Paganin has acted as the solicitors to the Company in relation to the Offer. The Company estimates it will pay Steinepreis Paganin \$15,000 (excluding GST and disbursements) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Steinepreis Paganin has invoiced fees totalling \$49,177.50 (excluding GST and disbursements) for legal services provided to the Company.

CPS Capital Group has been appointed as nominee under ASX Listing Rule 7.7 and will be paid those fees as set out in Sections 4.17. During the 24 months preceding lodgement of this Prospectus with the ASIC, CPS Capital Group has invoiced fees totalling \$133,200 for broker services provided to the Company.

Garrison Equities Pty Ltd has been appointed as partial underwriter to the Offer and will be paid those fees as set out in Section 3.5. During the 24 months preceding lodgement of this Prospectus with the ASIC, Garrison Equities Limited has not been paid any fees for services provided to the Company.

Vega Funds Pty Ltd has been appointed as sub-underwriter to the Offer and will be paid those fees as set out in Section 3.6 by the Underwriter. During the 24 months preceding lodgement of this Prospectus with the ASIC, Vega Funds Pty Ltd has invoiced fees totalling \$242,000(excluding GST and disbursements) for director services provided to the Company.

Matthew Wood has been appointed as sub-underwriter to the Offer and will be paid those fees as set out in Section 3.6 by the Underwriter. During the 24 months preceding lodgement of this Prospectus with the ASIC, Matthew Wood has invoiced fees totalling \$210,800 (excluding GST and disbursements) for director services provided to the Company.

8.6 Consents

Each of the parties referred to in this section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this section; and
- (b) to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this section.

Specifically:

- (a) Steinepreis Paganin has given its written consent to being named as the solicitors to the Company in this Prospectus. Steinepreis Paganin has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC;
- (b) CPS Capital Group has given its written consent to being named as the Company's nominee under ASX Listing Rule 7.7. CPS Capital Group has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC;
- (c) Garrison Equities Pty Ltd has given its written consent to being named as partial underwriter to the Offer. Garrison has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC;

- (d) Vega Funds Pty Ltd has given its written consent to being named as sub-underwriter to the Offer. Vega Funds Pty Ltd has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC; and
- (e) Matthew Wood has given his consent to being named as sub-underwriter to the Offer. Matthew Wood has not withdrawn his consent prior to the lodgement of this Prospectus with the ASIC.

8.7 Expenses of the offer

In the event that all Entitlements are accepted, the total expenses of the Offer are estimated to be approximately \$38,280 (excluding GST) and are expected to be applied towards the items set out in the table below:

| | \$ |
|-----------------------------|---------------|
| ASIC fees | 2,290 |
| ASX fees | 10,121 |
| Nominee Fees | 5,000 |
| Legal fees | 15,000 |
| Printing and other expenses | 5,869 |
| Total | <u>38,280</u> |

8.8 Electronic prospectus

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Forms. If you have not, please phone the Company on +61 8 9200 4493 and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus, or both. Alternatively, you may obtain a copy of this Prospectus from the Company's website at www.blackstarpetroleum.com.au.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

8.9 Financial forecasts

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

8.10 Clearing House Electronic Sub-Register System (CHES) and Issuer Sponsorship

The Company will not be issuing Share certificates. The Company is a participant in CHES, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHES will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with a statement (similar to a bank

account statement) that sets out the number of Shares issued to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

8.11 Privacy Act

If you complete an application for Shares, you will be providing personal information to the Company (directly or by the Company's share registry). The Company collects, holds and will use that information to assess your application, service your needs as a holder of equity securities in the Company, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its share registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (Cth) (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the application for Shares, the Company may not be able to accept or process your application.

9. DIRECTORS' AUTHORISATION

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.

Brian McMaster
Director
For and on behalf of
Black Star Petroleum Limited

10. GLOSSARY

\$ means the lawful currency of the Commonwealth of Australia.

Applicant means an Eligible Shareholder who applies for Shares pursuant to the Offer or a Shareholder or other party who applies for Shortfall Shares pursuant to the Shortfall Offer.

Application means an application to subscribe for Shares under this Prospectus.

Application Form means an Entitlement and Acceptance Form or Shortfall Application Form as the context requires.

Application Monies means money submitted by Applicants in respect of Applications.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by it as the context requires.

ASX Listing Rules means the listing rules of the ASX.

ASX Settlement Operating Rules means the settlement rules of the securities clearing house which operates CHESS.

Board means the board of Directors unless the context indicates otherwise.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that ASX declares is not a business day.

Closing Date means the date specified in the timetable set out at the commencement of this Prospectus (unless extended).

Company means Black Star Petroleum Limited (ACN 147 370 312).

Constitution means the constitution of the Company as at the date of this Prospectus.

Corporations Act means the Corporations Act 2001 (Cth).

CPS Capital Group means CPS Capital Group Pty Ltd (ACN 088 055 636) (AFSL 294848).

Directors means the directors of the Company as at the date of this Prospectus.

Eligible Shareholder means a Shareholder of the Company as at the Record Date, other than an Ineligible Shareholder.

Entitlement means the entitlement of an Eligible Shareholder.

Entitlement and Acceptance Form means the entitlement and acceptance form either attached to or accompanying this Prospectus.

Garrison Equities means Garrison Equities Pty Ltd (ACN 156 569 069) (Authorised AFSL # 445349).

Ineligible Shareholder means a Shareholder as at the Record Date whose registered address is not situated in Australia or New Zealand.

Offer means the renounceable entitlement issue the subject of this Prospectus.

Official Quotation means official quotation on ASX.

Option means an option to acquire a Share.

Optionholder means a holder of an Option.

Prospectus means this prospectus.

Record Date means the date specified in the timetable set out at the commencement of this Prospectus.

Relevant Company means the Company and each Subsidiary.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

Shortfall means the Shares not applied for under the Offer (if any).

Shortfall Application Form means the shortfall application form either attached to or accompanying this Prospectus.

Shortfall Offer means the offer of the Shortfall on the terms and conditions set out in Section 4.13 of this Prospectus.

Shortfall Shares means those Shares issued pursuant to the Shortfall.

Underwritten Amount means \$1,250,000.

Underwritten Shares means 250,000,000 Shares.

WST means Western Standard Time as observed in Perth, Western Australia.