



ACN 147 370 312

Annual Report

30 June 2014

Corporate Directory

Directors

Mr. Matthew Wood (Executive Chairman)

Mr. Brian McMaster (Non-Executive Director)

Mr. Mark Reilly (Non-Executive Director)

Senior Management

Mr. Greg Wood (Chief Executive Officer)

Company Secretary

Mr. Jonathan Hart

Registered Office and Principal Place of Business

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Subiaco WA 6008 Australia

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Facsimile: + 61 8 9200 4469

Share Registry

Automic Registry Services

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Auditors

RSM Bird Cameron Partners

8 St Georges Terrace

Perth WA 6000 Australia

Stock Exchange Listing

Australian Securities Exchange

(Home Exchange: Perth, Western Australia)

ASX Code: BSP, BSPO

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Black Star Petroleum Limited – Directors’ Report

The Directors of Black Star Petroleum Limited and its subsidiaries (“Black Star” or the “Group”) submit the financial report of the Group for the year ended 30 June 2014. In order to comply with the provisions of the *Corporations Act 2001*, the Directors’ report as follows:

DIRECTORS

The names, qualifications and experience of the Group’s Directors in office during the year and until the date of this report are as follows. Directors were in office for this entire financial year unless otherwise stated.

Mr. Matthew Wood – Executive Chairman

Mr. Wood has over 20 years’ experience in the resource sector with both major and junior resource companies and has extensive experience in the technical and economic evaluation of resource projects throughout the world. Mr. Wood’s expertise is in project identification, negotiation, acquisition and corporate development. Mr. Wood has an honours degree in geology from the University of New South Wales and a graduate certificate in mineral economics from the Western Australian School of Mines and is a member of the AusIMM. Mr Wood is a founding Director in venture capital and advisory firm Garrison Capital Pty Ltd.

Mr. Wood was a director of Signature Metals Limited (appointed 19 February 2007, resigned 13 February 2012). Mr. Wood is currently a director of Avanco Resources Limited (appointed 4 July 2007), Caravel Energy Limited (appointed 29 May 2009), Voyager Resources Limited (appointed 12 June 2009), Haranga Resources Limited (appointed 2 February 2010), Lindian Resources Limited (appointed 5 May 2011), Wolf Petroleum Limited (appointed 24 April 2012), Triumph Tin Limited (appointed 1 April 2014) and Castillo Copper Limited (appointed 1 April 2014). He has not held any other listed directorships over the past three years.

Mr. Brian McMaster – Non-Executive Director

Mr. McMaster is a Chartered Accountant, and has over 20 years’ experience in the area of corporate reconstruction and turnaround/performance improvement. Formerly, Mr. McMaster was a partner of the restructuring firm Korda Mentha and prior to that was a partner at Ernst & Young. His experience includes significant working periods in the United States, South America, Asia and India.

Mr. McMaster was a director of The Waterberg Coal Company (appointed 12 April 2012, resigned 17 March 2014) and Firestone Energy Limited (appointed 14 June 2013, resigned 18 March 2014). Mr. McMaster is currently a director of Caravel Energy Limited (appointed 2 December 2011), Wolf Petroleum Limited (appointed 24 April 2012), Paradigm Metals Limited (appointed 14 September 2012), Lindian Resources Limited (appointed 20 June 2011), Castillo Copper Limited (appointed 31 August 2013), Haranga Resources Limited (1 April 2014), Triumph Tin Limited (appointed 1 April 2014) and Voyager Resources Limited (appointed 27 August 2014). He has not held any other listed directorships in the past three years.

Mr. Mark Reilly – Non-Executive Director (appointed 3 July 2014)

Mr. Reilly is a Chartered Accountant with over 18 years’ experience in advisory work with extensive experience in the mining, banking and finance industries. Mr. Reilly worked with Coopers & Lybrand in Perth before establishing his own accounting practice in 1997. Mr. Reilly also has extensive experience in the mining, banking and finance industries in an advisory capacity.

Mr. Reilly is a director of Forte Energy Limited (appointed 2 August 2004), Ochre Group Management Ltd (appointed 28 January 2014) and Triumph Tin Limited (appointed 4 July 2014). He has not held any other listed directorships over the past three years.

Black Star Petroleum Limited – Directors' Report

Mr. Anthony Polglase – Former Non-Executive Director (resigned 3 July 2014)

With 30 years of multi-disciplined mining experience across ten different countries, Mr. Polglase is qualified in mechanical and electrical engineering with an honours degree in Metallurgy from the Camborne School of Mines, UK and is fluent in Portuguese. Mr. Polglase has acquired detailed knowledge relating to the development and operation of tin, gold, copper, lead and zinc projects and has either been responsible for or closely involved with the commissioning of more than seven mining projects. Project management including critical evaluation, implementation and commissioning are Mr. Polglase's strengths. Mr. Polglase has a demonstrated ability of successfully bringing projects on line in the most challenging of environments.

Mr. Polglase was previously a director of Castillo Copper Limited (appointed 1 April 2010, resigned 19 November 2012), Overland Resources Limited (appointed 17 January 2008, resigned 29 February 2012) and Triumph Tin Limited (appointed 1 February 2012, resigned 26 June July 2014). Mr. Polglase is currently a director of Avanco Resources Limited (appointed 4 July 2007). He has not held any other listed directorships over the past three years.

Mr. Timothy Flavel – Former Non-Executive Director (resigned 24 October 2013)

Mr. Flavel is a Chartered Accountant and Company Secretary, with more than 20 years' experience in the mining industry and accounting profession both in Australia and overseas. Mr. Flavel currently assists a number of resources companies operating throughout Australia and overseas with corporate advice, financial accounting, stock exchange compliance and regulatory activities.

Mr. Flavel was a director of Signature Metals Limited (appointed 20 February 2007, resigned 1 December 2011), Hunnu Coal Limited (appointed 23 December 2009, resigned 2 November 2011), Caravel Energy Limited (appointed 28 May 2009, resigned 3 September 2013), Haranga Resources Limited (appointed 15 December 2009, resigned 1 April 2014), Wolf Petroleum Limited (appointed 5 November 2012, resigned 1 April 2014) and Voyager Resources Limited (appointed 12 June 2009, resigned 1 April 2014). He has not held any other listed directorships over the past three years.

Mr. Jason Peterson – Former Non-Executive Director (resigned 24 October 2013)

Mr. Peterson has more than 16 years' experience in the financial advisory sector, which he obtained by working in both local and international stockbroking companies such as Patersons, Tolhurst, and Merrill Lynch. Mr. Peterson specialises in corporate structuring, capital raisings, corporate and strategic advice to small and medium size companies and reverse takeovers. Mr. Peterson is a Senior Client Advisor, Director and shareholder of stockbroking firm, CPS Capital Group.

Mr. Peterson is currently a director of Wolf Petroleum Limited (appointed 1 January 2013) and Lithex Resources Limited (appointed 5 December 2013). He has not held any other listed directorships in the past three years.

Mr. Jonathan Hart – Company Secretary (appointed 9 December 2013)

Mr Hart's experience includes due diligence investigations, general corporate and commercial drafting, public and private mergers and acquisitions, general corporate advice in relation to capital raising, Corporations Act and ASX compliance. Mr Hart has a bachelor of laws and commerce from Murdoch University in Western Australia. Mr Hart has a bachelor of laws and commerce from Murdoch University in Western Australia.

Mr Hart is Company Secretary of Paradigm Metals Limited, Black Star Petroleum Limited, Wolf Petroleum Limited, Voyager Resources Limited and Caravel Energy Limited.

Black Star Petroleum Limited – Directors’ Report

Mr. David McEntaggart – Former Company Secretary (resigned 9 December 2013)

Mr. McEntaggart has a Bachelor of Commerce and is a qualified Chartered Accountant with experience in the mining industry and the accounting profession. His experience includes exposure to Australian and international resource companies. Mr. McEntaggart provides services to a number of ASX-listed companies specialising in financial accounting and securities exchange compliance.

DIRECTORS’ MEETINGS

During the financial year, in addition to regular Board discussions, the number of meetings of Directors held during the year and the number of meetings attended by each Director were as follows:

Director	Number of Meetings Eligible to Attend	Number of Meetings Attended
M. Wood	1	1
B. McMaster	1	1
A. Polglase	1	-
J. Peterson	-	-
T. Flavel	-	-

REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for Directors and Executives of Black Star Petroleum Limited in accordance with the requirements of the *Corporations Act 2001* and its Regulations. For the purpose of this report, Key Management Personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any officer (whether executive or otherwise) of the Group.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The Board is responsible for determining and reviewing compensation arrangements for the Directors. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. The Group does not link the nature and amount of the emoluments of such officers to the Group’s financial or operational performance. The expected outcome of this remuneration structure is to retain and motivate Directors.

As part of its Corporate Governance Policies and Procedures, the Board has adopted a formal Remuneration Committee Charter. Due to the current size of the Group and number of Directors, the Board has elected not to create a separate Remuneration Committee but has instead decided to undertake the function of the Committee as a full Board under the guidance of the formal charter.

The rewards for Directors have no set or pre-determined performance conditions or key performance indicators as part of their remuneration due to the current nature of the business operations. The Board determines appropriate

Black Star Petroleum Limited – Directors' Report

levels of performance rewards as and when they consider rewards are warranted. The Group has no policy on executives and Directors entering into contracts to hedge their exposure to options or shares granted as part of their remuneration package.

The table below shows the performance of the Group as measured by loss per share since incorporation:

As at 30 June	2014	2013	2012	2011
Loss per share (cents)	(3.32)	(1.09)	(0.94)	(0.21)

Executive directors remuneration

The Chief Executive Officer, Mr. Greg Wood, is paid an annual consulting fee on a monthly basis. Mr. Wood may terminate the agreement by giving three months written notice. The Group may terminate the agreement by giving six months written notice or by paying an amount equivalent to six months fees (based on agreed consulting fee) or without notice in the case of serious misconduct.

The Executive Chairman, Mr. Matthew Wood, is paid an annual consulting fee on a monthly basis. His services may be terminated by either party at any time.

Non-executive director remuneration

The non-executive directors, Mr. Brian McMaster and Mr. Mark Reilly, are paid a consulting fee on a monthly basis. Their services may be terminated by either party at any time.

The aggregate remuneration for non-executive directors has been set at an amount not to exceed \$300,000 per annum. This amount may only be increased with the approval of Shareholders at a general meeting.

Details of remuneration

Details of the remuneration of the key management personnel of the consolidated entity are set out in the following tables.

The key management personnel of the consolidated entity consisted of the following directors of the Company.

Mr. Greg Wood	Chief Executive Officer
Mr. Matthew Wood	Executive Chairman
Mr. Brian McMaster	Non-Executive Director
Mr. Mark Reilly	Non-Executive Director
Mr. Anthony Polglase	Former Non-Executive Director
Mr. Timothy Flavel	Former Non-Executive Director
Mr. Jason Peterson	Former Non-Executive Director

Black Star Petroleum Limited – Directors' Report

	Short term			Options	Post employment		
2014	Base Salary \$	Directors' Fees \$	Consulting Fees \$	Share based Payments \$	Superannuation \$	Total \$	Option Related %
<u>Directors</u>							
Mr. Matthew Wood	-	-	120,000	-	-	120,000	-
Mr. Brian McMaster	-	-	135,000	-	-	135,000	-
Mr. Anthony Polglase**	-	30,000	-	-	-	30,000	-
Mr. Timothy Flavel*	-	-	16,000	-	-	16,000	-
Mr. Jason Peterson*	-	10,000	-	-	-	10,000	-
<u>Executive</u>							
Mr. Greg Wood	-	-	200,000	-	-	200,000	-
	-	40,000	471,000	-	-	511,000	-

* Mr. Flavel and Mr. Peterson resigned 24 October 2013.

** Mr. Polglase resigned 3 July 2014.

	Short term			Options	Post employment		
2013	Base Salary \$	Directors' Fees \$	Consulting Fees \$	Share based Payments \$	Superannuation \$	Total \$	Option Related %
<u>Directors</u>							
Mr. Matthew Wood***	-	-	40,000	-	-	40,000	-
Mr. Timothy Flavel**	-	-	92,000	20,000	-	112,000	18%
Mr. Brian McMaster**	-	-	85,000	20,000	-	105,000	19%
Mr. Jason Peterson***	-	10,000	-	-	-	10,000	-
Mr. Anthony Polglase***	-	10,000	-	-	-	10,000	-
Mr. Jack James****	-	-	28,000	-	-	28,000	-
Mr. Oren Zohar****	-	-	28,000	-	-	28,000	-
Mr. Paul Lloyd*	-	-	10,900	-	-	10,900	-
Mr. Nicholas Revell*	-	2,725	-	-	-	2,725	-
Mr. Lyle Thorne*	-	2,725	-	-	-	2,725	-
<u>Executive</u>							
Mr. Greg Wood***	-	-	66,667	-	-	66,667	-
	-	25,450	350,567	40,000	-	416,017	-

* Mr. Lloyd, Mr. Revell and Mr. Thorne resigned 9 August 2012.

** Mr. McMaster and Mr. Flavel were appointed on 9 August 2012.

*** Mr. G. Wood, Mr. M. Wood, Mr. Polglase and Mr. Peterson were appointed on 28 February 2013.

**** Mr. James and Mr. Zohar were appointed on 9 August 2013 and resigned on 28 February 2013.

Black Star Petroleum Limited – Directors' Report

Service Agreements

The Group entered into a service agreement for certain administrative services and office space and for the provision of corporate advisory services for a term of two years with Garrison Capital Pty Ltd in October 2012. The Group is required to give three months' written notice to terminate the agreement. Mr. Matthew Wood and Mr. McMaster are directors and shareholders of Garrison Capital.

Share-based compensation

Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2014.

Options

The terms and conditions of each grant of options affecting remuneration in this or future reporting periods are as follows:

	Grant Date	Grant Number	Vesting Date	Expiry Date/Last exercise date	Fair Value per option at grant date	Exercise price per option	Total value granted \$	% Vested
Brian McMaster	18/02/2013	2,000,000	18/02/2013	31/12/2017	\$0.01	\$0.20	20,000	100%
Timothy Flavel	18/02/2013	2,000,000	18/02/2013	31/12/2017	\$0.01	\$0.20	20,000	100%

Options granted have been valued based on the most recent arm's length transaction prior to the options being issued. Options granted carry no dividend or voting rights. For details on the valuation of options please refer to note 19.

There were no alterations to the terms and conditions of options granted as remuneration since their grant date. There were no forfeitures during the year. No remuneration options were exercised during the year.

Additional disclosures relating to key management personnel

Shareholdings

The number of shares in the company held during the financial year held by key management personnel of Black Star Petroleum Limited, including their personally related parties, is set out below. There were no shares granted during the current financial year as compensation.

	Balance at the start of the year	Granted during the year as compensation	On exercise of share options	Other changes during the year	Balance at the end of the year
Mr. Greg Wood	1,100,000	-	-	-	1,100,000
Mr. Matthew Wood	8,665,000	-	-	1,500,000	10,165,000
Mr. Brian McMaster	5,950,000	-	-	1,500,000	7,450,000
Mr. Anthony Polglase**	1,500,000	-	-	-	1,500,000
Mr. Timothy Flavel*	4,650,000	-	-	(4,650,000)	-
Mr. Jason Peterson*	9,824,850	-	-	(9,824,850)	-

* Mr. Flavel and Mr. Peterson resigned 24 October 2013.

** Mr. Polglase resigned 3 July 2014.

Black Star Petroleum Limited – Directors' Report

Option holdings

The number of options in the company held during the financial year by key management personnel of Black Star Petroleum Limited, including their personally related parties, is set out below.

	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year
Mr. Greg Wood	5,733,334	-	-	-	5,733,334
Mr. Matthew Wood	13,227,524	-	-	666,667	13,894,191
Mr. Brian McMaster	6,650,001	-	-	-	6,650,001
Mr. Anthony Polglase**	3,000,001	-	-	-	3,000,001
Mr. Timothy Flavel*	5,850,000	-	-	(5,850,000)	-
Mr. Jason Peterson*	10,276,567	-	-	(10,276,567)	-

* Mr. Flavel and Mr. Peterson resigned 24 October 2013.

** Mr. Polglase resigned 3 July 2014.

There were no alterations to the terms and conditions of options granted as remuneration since their grant date. There were no forfeitures and no options lapsed during the year ended 30 June 2014.

Other transactions with key management personnel

Gremar Consulting Pty Ltd, a company in which Mr. Greg Wood is a director, charged the Group for reimbursement of expenses of \$77,585. \$186,597 was outstanding at year end.

Vega Funds Pty Ltd, a company in which Mr. McMaster is a director, has \$150,000 outstanding at year end.

Kernow Mining Consultants Pty Ltd, a company in which Mr. Polglase is a director, has \$40,000 outstanding at year end.

Mr. Matthew Wood has \$152,312 was outstanding at year end.

Garrison Capital Pty Ltd, a company in which Mr. Matthew Wood and Mr. McMaster are directors and shareholders, provided the Group with a fully serviced office including administration and information technology support totalling \$120,000, corporate advisory services totalling \$60,000 and reimbursement of payments for legal, accounting and other minor expenses, at cost totalling \$56,012. \$399,381 was outstanding at year end.

These transactions have been entered into on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

END OF REMUNERATION REPORT

Black Star Petroleum Limited – Directors' Report

INTERESTS IN THE SECURITIES OF THE GROUP

As at the date of this report, the interests of the Directors in the securities of Black Star Petroleum Limited were:

Director	Ordinary Shares	Options exercisable at 20 cents on or before 31 Dec 2017
M. Wood	70,165,000	13,894,191
B. McMaster	67,450,000	6,650,001
M. Reilly	262,500	-

RESULTS OF OPERATIONS

The net loss of the Group for the year after income tax was \$3,441,702 (2013: \$625,549) and the net assets of the Group at 30 June 2014 was \$15,338,402 (2013: \$16,363,246)

DIVIDENDS

No dividend was paid or declared by the Group in the year and up to the date of this report.

CORPORATE STRUCTURE

Black Star Petroleum Limited is a company limited by shares that is incorporated and domiciled in Australia.

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

The principal activity of the Group was exploration for oil in the USA. The Group currently only holds projects in the USA.

EMPLOYEES

The Group had no employees at 30 June 2014 (2013:Nil).

REVIEW OF OPERATIONS

HIGHLIGHTS

- The Company secured the rights to approximately 10,000 net acres within Banner County, Nebraska.
- The substantial and significant land holding secured in the oil prolific Niobrara formation which contains the two completed wells; Smith 43-12 and QCWR 34-3.

NIOBRARA AND CODELL FORMATIONS

The Niobrara and Codell Formations have significant potential to be major new oil producers across Black Star's 10,000 acre leased land position in Nebraska. Similar Niobrara settings are already large oil producers at the Silo Field in Wyoming and the Wattenberg Oil Field in Colorado. These fields have typically been developed through a combination of vertical and horizontal wells. The Wattenberg Field in North Eastern Colorado is currently the in the top 10 Oil and Gas fields in the United States. Black Star's Nebraska Oil Project has been modeled as an extension of the Wattenberg Field.

Black Star's Nebraska Oil Project has localized thermal maturity and the temperature gradient anomaly is analogous to that in the Wattenberg Field. It also has a strong correlation to north east trending paleostructures crossing the DJ Basin creating focal points for deep, hot, migrating fluids.

Drilling programmes completed in the previous financial year by Black Star at the Downer and Harrisburg Oil Fields has added considerable further weight to the prospectivity of the Niobrara and Codell Formations in Nebraska. Drilling recovered 21 cores through a SWCG (Side Wall Core Gun) from Smith 43-12 and 24 samples from QCWR

Black Star Petroleum Limited – Directors' Report

34-3. This resulted in some highly encouraging samples through all horizons. Samples had strong shows and cut from Niobrara C and B benches and the Codell.

- Codell - Bright Blue Fluorescence with slow to Fast Streaming Cut
- Niobrara – Slow diffused milky Cut.

Black Star's Nebraska Oil Project lies within a mapped 16 Ohm-meter deep resistivity anomaly for the B chalk bench of the Niobrara Formation. This level is typically productive in both the Wattenberg Field in Colorado and the Silo Field in Wyoming. This well documented Niobrara resistivity anomaly also correlates directly with a high geothermal gradient, indicative of basement fracture zones as seen in Wattenberg.

Data collected from the drilled wells were analysed and the results strengthen the case for the productivity of the Niobrara and the Codell Formations in Banner County Nebraska. The source rock analysis shows that in many cases the Black Star rock data is similar to or better than the Silo and Jake well area rocks, as obtained from historical USGS open file data. The petrographic data indicates that Black Star has abundant aligned and flattened pellets with microporosity, which supports burial depth and potential overpressure in the Niobrara. These conclusions are also supported by the petrophysical log analysis results performed by two independent international consultants. Based on the analysis the following Contingent Resource estimates were determined for Niobrara B and C:

Low Contingent Resources Estimate	Best Contingent Resource Estimate	High Contingent Resource Estimate
301 mstb/640 acres	489 mstb/640 acres	727 mstb/640 acres

A summary of the governance and controls applicable to the Company's Contingent Resource process is as follows:

- Review and validation of drilling and sampling methodology and data spacing, data collection and storage, sampling and analytical quality control;
- Review of known and interpreted geological structure, lithology and weathering controls;
- Review of estimation methodology relevant to the formation style;
- Visual validation of block model against raw data; and
- Internal peer review by senior company personnel.

For further detail in relation to the calculation of the Contingent Resource estimate refer to the announcement 'Contingent Resource Estimates in the Niobrara Formation' released on the ASX on 17 June 2014.

There have been no material changes in these resource holdings from the previous financial year.

The Codell Formation data also supports continued evaluation as the reservoir rock is present and some of the samples contained oil in the rock analysis. The petrophysical log analysis calculated reservoir quality rock, but fails the water saturation cut-off to be classified as net pay. This is not unusual in such a fine grained, pyritic clay filled sandstone and only further testing will determine if the Codell will also be productive.

This is an exceptional result for Black Star shareholders and strongly underpins the Company's strategy to be a significant oil producer in the Niobrara Formation of Nebraska.

LUCKY DOWNS PROJECT

During August 2014 the Company relinquished the three exploration permits held in Queensland, Australia in order to focus on the next phase of its exploration programme in Nebraska.

Black Star Petroleum Limited – Directors' Report

CORPORATE

On 10 March 2014 the Company announced it has entered into a Share Exchange Agreement with Global Resources Investment Trust Plc (GRIT). Under the Agreement the Company exchanged 15,000,000 new ordinary shares at a price of approximately GBP 0.08810 per share for 1,321,440 ordinary shares in GRIT valued at GBP 1.00 each. The Company intends to dispose of the GRIT shares to allow for funding of the next phase of its exploration programme in Nebraska.

On 9 May 2014 the Company announced it had entered into a loan agreement with Avonglade Enterprises Pty Ltd in order to secure an interim finance facility of \$665,615. The repayment date of the facility is 31 August 2014.

Former Directors Mr. Flavel, Mr. Peterson and Mr. Polglase resigned from their positions on the Board. On 3 July 2014 Mr. Reilly was appointed to the Board.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the year the Company made the final capital payment in order to secure its right to a lease position covering approximately 10,000 acres including the existing two wells, Smith 43-12 and QCWR 34-3 in Banner County, south western Nebraska.

There have been no other significant changes in the state of affairs of the consolidated entity during the financial year.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 1 August 2014 the Company announced a renounceable entitlement issue of six shares for every one share held at an issue price of \$0.005 per share to raise up to \$3,423,030 with \$1,250,000 being underwritten. The following shares were raised at the date of this report:

- 11,495,004 shares issued to raise \$57,475.
- 250,000,000 shares issued to raise \$1,250,000 for settlement of liabilities at reporting date.
- 69,684,500 shares issued to settle remaining interest payable and loans balances.

In July and August 2014 the Company sold 449,915 of its shares held in Global Resources Investment Trust Plc (GRIT) for GBP 0.30 per share. The Company received \$279,464 on settlement of the transaction. Based on the sale, the available-for-sale investment in GRIT was revalued at GBP 0.30 per share. For further details on the investment refer to note 7.

During August 2014 the Company relinquished the three exploration permits held in Queensland, Australia in order to focus on the next phase of its exploration programme in Nebraska. As a result of the relinquishment, exploration expenditure has been impaired. Refer to note 8 for further details.

There were no other known significant events from the end of the financial year to the date of this report.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Likely developments in the operations of the Company are set out in the above review of operations in this annual report. Any future prospects are dependent upon the results of future exploration and evaluation.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The operations of the Group are presently subject to environmental regulation under the laws of the United States. The Group is, to the best of its knowledge, at all times in full environmental compliance with the conditions of its licences.

Black Star Petroleum Limited – Directors' Report

SHARES UNDER OPTIONS

As at the date of this report, there were 95,333,326 unissued ordinary shares under options (95,333,326 at the reporting date). The details of the options at the date of this report are as follows:

Number	Exercise Price \$	Expiry Date
95,333,326	0.20	31 December 2017

95,333,326 options with an exercise price of \$0.20 and an expiry date of 31 December 2017 were issued during the previous financial year. No options were issued during the current financial year.

No option holder has any right under the options to participate in any other share issue of the Group or any other entity.

No options expired or were exercised during the financial year or since the end of the financial year.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Group has made an agreement indemnifying all the Directors and Officers of the Group against all losses or liabilities incurred by each Director or Officer in their capacity as Directors or Officers of the Group to the extent permitted by the *Corporations Act 2001*. The indemnification specifically excludes wilful acts of negligence. The Group paid insurance premiums in respect of Directors' and Officers' Liability Insurance contracts for current officers of the Group. The liabilities insured are damages and legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the Officers in their capacity as Officers of entities in the Group. The total amount of insurance premiums paid has not been disclosed due to confidentiality reasons.

PROCEEDINGS ON BEHALF OF THE GROUP

No person has applied for leave of the court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings. The Group was not a party to any such proceedings during the year.

INDEMNITY AND INSURANCE OF AUDITOR

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Black Star Petroleum Limited support and have adhered to the principles of sound corporate governance. The Board recognises the recommendations of the Australian Securities Exchange Corporate Governance Council, and considers that the Group is in compliance with those guidelines to the extent possible, which are of importance to the commercial operation of a junior listed resources company. During the financial year, shareholders continued to receive the benefit of an efficient and cost effective corporate governance policy for the Group. The Group's Corporate Governance Statement and disclosures are contained elsewhere in the annual report.

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the *Corporations Act 2001* requires the Group's auditors to provide the Directors of Black Star Petroleum Limited with an Independence Declaration in relation to the audit of the financial report. A copy of that declaration is included within this report.

NON-AUDIT SERVICES

The Company did not engage their auditors to perform any non-audit related services during the period. The Directors are satisfied that the provision of non-audit services is compatible with the general standards of independence for auditors imposed by the *Corporations Act 2001*.

Black Star Petroleum Limited – Directors' Report

Signed in accordance with a resolution of the Directors.

On behalf of the Directors.

A handwritten signature in black ink, appearing to read 'Matthew Wood', with a long horizontal stroke extending to the right.

Matthew Wood

Executive Chairman

15 September 2014

Competent Person Statement

The contingent resource information in this report, as disclosed in the 17 June 2014 ASX release titled 'Contingent Resources Estimates in the Niobrara Formation', in relation to the Nebraska Oil Project is based on, and fairly represents, information and supporting documentation prepared by MHA under the supervision of Debra Gomez. Debra Gomez holds a B.Sc degree in Geology, masters of Science in Geology, is a certified professional geologist and petroleum geologist and has over twenty-five years' experience in the sector. Debra Gomez is a professional member of the American Association of Petroleum Geologists, Rocky Mountain Association of Geologists and Rocky Mountain Section of SEPM – Society for Sedimentary Geology. Debra Gomez is not an employee of the Company and consented in writing to the inclusion of the prospective resources information in the form and context in which it appears.

Black Star Petroleum Limited – Corporate Governance Statement

The Board of Directors of Black Star Petroleum Limited (“Black Star Petroleum” or “the Group”) is responsible for corporate governance of the Group. The Board guides and monitors the business and affairs of the Group on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Group has established a set of corporate governance policies and procedures. These were based on the Australian Securities Exchange Corporate Governance Council’s (the Council’s) “Principles of Good Corporate Governance and Best Practice Recommendations” (the Recommendations). In accordance with the Council’s recommendations, the Corporate Governance Statement must now contain certain specific information and must disclose the extent to which the Group has followed the guidelines during the period. Where a recommendation has not been followed, that fact must be disclosed, together with the reasons for the departure. For further information on corporate governance policies adopted by the Group, refer to our website: www.blackstarpetroleum.com.au.

Structure of the Board

The skills, experience and expertise relevant to the position of Director held by each Director in office at the date of the annual report is included in the Directors’ Report. Directors of the Group are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement.

The Board has accepted the following definition of an Independent Director:

“An Independent Director is a Director who is not a member of management, is a Non-Executive Director and who:

- is not a substantial shareholder (under the meaning of Corporations Law) of the Company or an officer of, or otherwise associated, directly or indirectly, with a substantial shareholder of the Company;
- has not within the last three years been employed in an executive capacity by the Company or another Company member, or been a Director after ceasing to hold any such employment;
- is not a principal of a professional adviser to the Company or another Company member;
- is not a significant consultant, supplier or customer of the Company or another Company member, or an officer of or otherwise associated, directly or indirectly, with a significant consultant, supplier or customer;
- has no significant contractual relationship with the Company or another Company member other than as a Director of the Company;
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director’s ability to act in the best interests of the Company.”

In accordance with the definition of independence above, no Directors are considered independent. Accordingly, a majority of the board is not considered independent.

There are procedures in place, as agreed by the Board, to enable Directors to seek independent professional advice on issues arising in the course of their duties at the Group’s expense. The term in office held by each Director in office at the date of this report is as follows:

Name	Term in office
Matthew Wood	1 year and 7 months
Brian McMaster	2 years and 1 month
Mark Reilly	2 months

Nomination Committee

The Board has formally adopted a Nomination Committee Charter but given the present size of the Group, has not formed a separate Committee. Instead the function will be undertaken by the full Board in accordance with the

Black Star Petroleum Limited – Corporate Governance Statement

policies and procedures outlined in the Nomination Committee Charter. At such time when the Group is of sufficient size a separate Nomination Committee will be formed.

Audit and Risk Management Committee

The Board has formally adopted an Audit and Risk Management Committee Charter but given the present size of the Group, has not formed a separate Committee. Instead the function of the Committee will be undertaken by the full Board in accordance with the policies and procedures outlined in the Audit and Risk Management Committee Charter. At such time when the Group is of sufficient size a separate Audit and Risk Management Committee will be formed.

It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes both internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial and non-financial information. It is the Board's responsibility for the establishment and maintenance of a framework of internal control of the Group.

Performance

The Board of Black Star Petroleum conducts a performance review of itself on an ongoing basis throughout the year. The small size of the Group and hands on management style requires an increased level of interaction between Directors and Executives throughout the year. Board members meet amongst themselves both formally and informally. The Board considers that the current approach that it has adopted with regard to the review of its performance provides the best guidance and value to the Group.

Remuneration

It is the Group's objective to provide maximum stakeholder benefit from the retention of a high quality Board by remunerating Directors fairly and appropriately with reference to relevant employment market conditions. The Group does not link the nature and amount of Executive and Directors' emoluments to the Group's financial and operational performance.

For details of remuneration of Directors and Executives please refer to the Directors' Report.

The Board is responsible for determining and reviewing compensation arrangements for Executive Directors. The Board has formally adopted a Remuneration Committee Charter however given the present size of the Group, has not formed a separate Committee. Instead the function will be undertaken by the full Board in accordance with the policies and procedures outlined in the Remuneration Committee Charter. At such time when the Group is of sufficient size a separate Remuneration Committee will be formed.

There is no scheme to provide retirement benefits, other than statutory superannuation, to Non-Executive Directors.

Diversity Policy

The Group is committed to workplace diversity and to ensuring a diverse mix of skills and talent exists amongst its Directors, officers and employees, to enhance Group performance. The Board has adopted a Diversity Policy which addresses equal opportunities in the hiring, training and career advancement of Directors, officers and employees.

In accordance with this policy, the Board provides the following information pertaining to the proportion of women across the organisation at the date of this report.

Black Star Petroleum Limited – Corporate Governance Statement

	Actual	
	Number	Percentage
Women in the whole organisation	-	-
Women in senior executive positions	-	-
Women on the board	-	-

Trading Policy

Under the Group's securities trading policy, an Executive or Director must not trade in any securities of the Group at any time when they are in possession of unpublished, price-sensitive information in relation to those securities.

Before commencing to trade, an Executive must first obtain the approval of the Chairman. Only in exceptional circumstances will approval be forthcoming inside of the period commencing on the tenth day of the month in which the Group is required to release its Quarterly Activities Report and Quarterly Cashflow Report and ending two days following the date of that release.

Assurance

The CEO and CFO (or equivalent) periodically provide formal statements to the Board that in all material aspects:

- The Group's financial statements present a true and fair view of the Group's financial condition and operational results; and
- The risk management and internal compliance and control systems are sound, appropriate and operating efficiently and effectively.

This assurance forms part of the process by which the Board determines the effectiveness of its risk management and internal control systems in relation to financial reporting risks.

Shareholder Communication Policy

Pursuant to Principle 6, the Group's objective is to promote effective communication with its shareholders at all times.

Black Star Petroleum Limited is committed to:

- Ensuring that shareholders and the financial markets are provided with full and timely information;
- Complying with continuous disclosure obligations contained in the ASX listing rules and the *Corporations Act 2001* in Australia; and
- Communicating effectively with its shareholders and making it easier for shareholders to communicate with the Group.

To promote effective communication with shareholders and encourage effective participation at general meetings, information is communicated to shareholders:

- Through the release of information to the market via the ASX;
- Through the distribution of the annual report and notices of annual general meeting;
- Through shareholder meetings and investor relations presentations; and
- By posting relevant information on the Group's website: www.blackstarpetroleum.com.au

The external auditors are required to attend the annual general meeting and are available to answer any shareholder questions about the conduct of the audit and preparation of the audit report.

Black Star Petroleum Limited – Corporate Governance Statement

Corporate Governance Compliance

During the financial year Black Star Petroleum has complied with each of the 8 Corporate Governance Principles and the corresponding Best Practice Recommendations, other than in relation to the matters specified below:

Best Practice Recommendation	Notification of Departure	Explanation of Departure
2.1	The Company does not have a majority of independent directors	The Directors consider that the current structure and composition of the Board is appropriate to the size and nature of operations of the Company.
2.2	The Chairman is not an independent director	The Directors consider that the current structure and composition of the Board is appropriate to the size and nature of operations of the Company.
2.4	The Group does not have a Nomination Committee	The role of the Nomination Committee has been assumed by the full Board operating under the Nomination Committee Charter adopted by the Board.
3.3	The Group has not disclosed in its annual report its measurable objectives for achieving gender diversity and progress towards achieving them.	The Board continues to monitor diversity across the organization. Due to the size of the Group, the Board does not consider it appropriate at this time, to formally set measurable objectives for gender diversity.
4.1 and 4.2	The Group does not have an Audit and Risk Management Committee	The role of the Audit and Risk Management Committee has been assumed by the full Board operating under the Audit and Risk Management Committee Charter adopted by the Board.
8.1	The Group does not have a Remuneration Committee	The role of the Remuneration Committee has been assumed by the full Board operating under the Remuneration Committee Charter adopted by the Board.
8.2	Non-executive directors receive options as a part of remuneration.	To attract and retain an independent non-executive Director with sufficient skills and experience to the Group, incentive options were issued in the prior year as part of the remuneration package to conserve cash.

Consolidated Statement of Comprehensive Income *for the year ended 30 June 2014*

	Notes	2014 \$	2013 \$
Revenue			
Interest received		1,995	39,849
Total Revenue		1,995	39,849
Administrative expenses		(42,676)	(22,263)
Consulting and directors' fees		(340,000)	(346,850)
Financial administration and compliance expense		(162,904)	(99,912)
Legal expenses		(20,373)	(17,058)
Corporate advisory expenses		(60,000)	(45,000)
Occupancy expenses		(120,000)	(100,000)
Travel expenses		(85,138)	(34,315)
Finance costs		(157,943)	-
Impairment of investment	7	(1,757,477)	-
Impairment of exploration expenditure	8	(697,186)	-
Loss from continuing operations before income tax		(3,441,702)	(625,549)
Income tax expense	4	-	-
Loss from continuing operations after income tax		(3,441,702)	(625,549)
Other comprehensive income			
<i>Item that may be reclassified subsequently to operating result</i>			
Foreign currency translation		(58,292)	192,815
Other comprehensive (loss) income for the year net of tax		(58,292)	192,815
Total comprehensive loss for the year		(3,499,994)	(432,734)
Loss per share attributable to owners of Black Star Petroleum Limited			
Basic and diluted loss per share (cents per share)	14	(3.32)	(1.09)

Consolidated Statement of Financial Position *as at 30 June 2014*

	Notes	2014 \$	2013 \$
CURRENT ASSETS			
Cash and cash equivalents	5	24,729	400,286
Other receivables	6	130,166	514,862
Available for sale investments	7	717,523	-
TOTAL CURRENT ASSETS		872,418	915,148
NON CURRENT ASSETS			
Plant and equipment		276	1,603
Deferred exploration and evaluation expenditure	8	16,658,896	16,022,917
TOTAL NON CURRENT ASSETS		16,659,172	16,024,520
TOTAL ASSETS		17,531,590	16,939,668
CURRENT LIABILITIES			
Trade and other payables	9	1,527,573	576,422
Borrowings	10	665,615	-
TOTAL CURRENT LIABILITIES		2,193,188	576,422
TOTAL LIABILITIES		2,193,188	576,422
NET ASSETS		15,338,402	16,363,246
EQUITY			
Issued capital	11	18,733,696	16,258,546
Reserves	12	1,021,190	1,079,482
Accumulated losses	13	(4,416,484)	(974,782)
TOTAL EQUITY		15,338,402	16,363,246

Consolidated Statement of Changes in Equity for the year ended 30 June 2014

	Issued Capital \$	Accumulated Losses \$	Share Based Payment Reserve \$	Foreign Currency Translation Reserve \$	Option Reserve \$	Total \$
Balance at 1 July 2013	16,258,546	(974,782)	666,667	192,815	220,000	16,363,246
Loss for the year	-	(3,441,702)	-	-	-	(3,441,702)
Other comprehensive income	-	-	-	(58,292)	-	(58,292)
Total comprehensive loss for the year	-	(3,441,702)	-	(58,292)	-	(3,499,994)
Transactions with owners in their capacity as owners						
Issue of ordinary shares	150	-	-	-	-	150
Issue of ordinary shares	2,475,000	-	-	-	-	2,475,000
Balance as at 30 June 2014	18,733,696	(4,416,484)	666,667	134,523	220,000	15,338,402
Balance at 1 July 2012	3,393,529	(349,233)	-	-	-	3,044,296
Loss for the year	-	(625,549)	-	-	-	(625,549)
Other comprehensive income	-	-	-	192,815	-	192,815
Total comprehensive income / (loss) for the year	-	(625,549)	-	192,815	-	(432,734)
Transactions with owners in their capacity as owners						
Issue of ordinary shares	13,220,000	-	-	-	-	13,220,000
Issue of options	-	-	-	-	220,000	220,000
Capital raising cost	(354,983)	-	-	-	-	(354,983)
Share based payments	-	-	666,667	-	-	666,667
Balance as at 30 June 2013	16,258,546	(974,782)	666,667	192,815	220,000	16,363,246

Consolidated Statement of Cash Flows *for the year ended 30 June 2014*

	Notes	2014 \$	2013 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		1,995	43,952
Payments to suppliers and employees		(146,008)	(540,620)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	5	(144,013)	(496,668)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment of security deposits		-	(24,232)
Loans to subsidiary pre-acquisition		-	(1,000,000)
Repayment of loan acquired on acquisition of subsidiaries		-	(1,100,000)
Cash acquired on acquisition of subsidiaries		-	217,611
Reimbursement of costs from joint venture partner		369,375	-
Exploration and evaluation expenditure		(1,266,684)	(1,722,422)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(897,309)	(3,629,043)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		150	2,000,000
Proceeds from borrowings		665,615	-
Share issue costs		-	(240,255)
Proceeds from issue of options		-	220,000
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		665,765	1,979,745
Net decrease in cash and cash equivalents		(375,557)	(2,145,966)
Cash and cash equivalents at beginning of year		400,286	2,546,252
CASH AND CASH EQUIVALENTS AT END OF YEAR	5	24,729	400,286

Black Star Petroleum Limited – Notes to the financial statements at and for the year ended 30 June 2014

1. Corporate Information

The financial report of Black Star Petroleum Limited and its subsidiaries ("Black Star Petroleum" or "the Group") for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the Directors on 15 September 2014.

Black Star Petroleum Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The nature of the operations and the principal activities of the Group are described in the Directors' Report.

2. Summary of Significant Accounting Policies

(a) Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. The Group is a for profit entity for financial reporting purposes under Australian Accounting Standards.

The financial report has been prepared on an accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. Material accounting policies adopted in preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The presentation currency is Australian dollars.

Going Concern

These financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business.

As disclosed in the financial statements, the company and Group incurred losses of \$3,499,118 and \$3,441,702 respectively and the Group had net cash outflows from operating activities of \$144,013 and net cash outflows from investing activities of \$897,309 for the year ended 30 June 2014. As at that date, the company and Group had net current liabilities of \$1,918,448 and \$1,320,770. The ability of the company and Group to continue as going concerns is dependent on a combination of a number of factors, the most significant of which is the ability of the company and Group to raise additional funds in the following 12 months. These factors indicate significant uncertainty as to whether the company and Group will continue as going concerns and therefore whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

The Directors believe that there are reasonable grounds to believe that the company and Group will continue as going concerns, after consideration of the following factors:

- As disclosed in note 24, the company raised an amount of \$1,655,898 in capital subsequent to balance date;
- As disclosed in note 7, the company has the ability to dispose of further investments totalling \$717,523 at balance date. As disclosed in Note 24, the company raised an amount of \$279,464 from disposal of part of the investments subsequent to year end; and

Black Star Petroleum Limited – Notes to the financial statements at and for the year ended 30 June 2014

- The Group has the ability to scale down its operations in order to reduce costs, in the event that any capital raising or other funding raising activities are delayed or insufficient cash is available, to meet future expenditure commitments.

Accordingly, the Directors believe that the company and Group will be able to continue as going concerns and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the company and Group do not continue as going concerns.

(b) Statement of Compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

(c) Basis of Consolidation

The consolidated financial statements comprise the financial statements of Black Star Petroleum Limited ("the Company") and its subsidiaries as at 30 June each year ("the Group").

Subsidiaries are all those entities (including special purpose entities) over which the Company has control. The Company controls an entity when the company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-company transactions have been eliminated in full. Unrealised losses are also eliminated unless costs cannot be recovered.

(d) Foreign Currency Translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional and presentation currency of Black Star Petroleum Limited is Australian dollars. The functional currency of the subsidiary is US dollars.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

(iii) Group entities

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

Black Star Petroleum Limited – Notes to the financial statements at and for the year ended 30 June 2014

- Income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are taken to shareholders' equity.

When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the statement of comprehensive income, as part of the gain or loss on sale where applicable.

(e) New accounting standards and interpretations issued but not yet effective

In the year ended 30 June 2014, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period.

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2014. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

Reference	Title	Summary	Impact on Group's financial report	Application date for Group
AASB 9	Financial Instruments	<p>AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities.</p> <p>These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below.</p> <p>(a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.</p> <p>(b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.</p> <p>(c) Financial assets can be designated and measured at fair value through</p>	No impact expected.	1 Jan 2017

Black Star Petroleum Limited – Notes to the financial statements at and for the year ended 30 June 2014

Reference	Title	Summary	Impact on Group's financial report	Application date for Group
		<p>profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.</p> <p>(d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:</p> <ul style="list-style-type: none"> ▶ The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ▶ The remaining change is presented in profit or loss <p>If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.</p> <p>Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.</p>		

The Group has not elected to early adopt any new Standards or Interpretations.

(f) Non-current assets held for sale

Per AASB 5 assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales for such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Any variances are recognised in other comprehensive income.

(g) Plant and Equipment

Each class of plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Repairs and maintenance expenditure is charged to the statement of comprehensive income during the financial period in which it is incurred.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight line basis over their useful lives to the Group commencing from the time the asset is held ready for use.

Black Star Petroleum Limited – Notes to the financial statements at and for the year ended 30 June 2014

The depreciation rates used for each class of depreciable assets are:

<i>Class of Fixed Asset</i>	<i>Depreciation Rate</i>
Plant and equipment	25% – 33%
Furniture, fixtures and fittings	15 %
Computer and software	33 %
Motor vehicles	25 %

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

Derecognition

Additions of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in the statement of comprehensive income.

(h) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets of the Group. In such cases the asset is tested for impairment as part of the cash generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Black Star Petroleum Limited – Notes to the financial statements at and for the year ended 30 June 2014

(i) Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred by or on behalf of the Group is accumulated separately for each area of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure, but does not include general overheads or administrative expenditure not having a specific nexus with a particular area of interest.

Each area of interest is limited to a size related to a known or probable mineral resource capable of supporting a mining operation.

Exploration and evaluation expenditure for each area of interest is carried forward as an asset provided that one of the following conditions is met:

- Such costs are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; or
- Exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing.

Expenditure which fails to meet the conditions outlined above is impaired, furthermore, the Directors regularly review the carrying value of exploration and evaluation expenditure and make write downs if the values are not expected to be recoverable.

Identifiable exploration assets acquired are recognised as assets at their cost of acquisition, as determined by the requirements of AASB 6 Exploration for and evaluation of mineral resources. Exploration assets acquired are reassessed on a regular basis and these costs are carried forward provided that at least one of the conditions referred to in AASB 6 is met.

Exploration and evaluation expenditure incurred subsequent to acquisition in respect of an exploration asset acquired, is accounted for in accordance with the policy outlined above for exploration expenditure incurred by or on behalf of the entity.

Acquired exploration assets are not written down below acquisition cost until such time as the acquisition cost is not expected to be recovered.

When an area of interest is abandoned, any expenditure carried forward in respect of that area is written off.

Expenditure is not carried forward in respect of any area of interest/mineral resource unless the Group's rights of tenure to that area of interest are current.

(j) Trade and Other Receivables

Trade receivables, which generally have 30 – 90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms.

Factors considered by the Group in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the

Black Star Petroleum Limited – Notes to the financial statements at and for the year ended 30 June 2014

Group. The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term, discounting is not applied in determining the allowance.

The amount of the impairment loss is recognised in the statement of comprehensive income. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

(k) Cash and Cash Equivalents

Cash and short term deposits in the statement of financial position include cash on hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown as current liabilities in the statement of financial position. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as described above.

(l) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

Provisions are measured at the present value or management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money, and where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(m) Critical accounting estimates and judgements

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Black Star Petroleum Limited – Notes to the financial statements at and for the year ended 30 June 2014

Capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors which could impact the future recoverability include the level of proved, probable and inferred mineral resources, future technological changes which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, this will reduce profits and net assets in the period in which this determination is made.

In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent that it is determined in the future that this capitalised expenditure should be written off, this will reduce profits and net assets in the period in which this determination is made.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Black and Scholes model or the market value.

(n) Income Tax

Deferred income tax is provided for on all temporary differences at balance date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

No deferred income tax will be recognised from the initial recognition of goodwill or of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss. No deferred income tax will be recognised in respect of temporary differences associated with investments in subsidiaries if the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the near future.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on tax rates (and tax laws) that have been enacted or substantially enacted at the balance date and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law. The carrying amount of deferred tax assets is reviewed at each balance date and only recognised to the extent that sufficient future assessable income is expected to be

Black Star Petroleum Limited – Notes to the financial statements at and for the year ended 30 June 2014

obtained. Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of comprehensive income.

(o) Contributed Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(p) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue is capable of being reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest income

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

(q) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Group, excluding any costs of servicing equity other than dividends, by the weighted average number of ordinary shares, adjusted for any bonus elements.

Diluted earnings per share

Diluted earnings per share is calculated as net profit attributable to members of the Group, adjusted for:

- Costs of servicing equity (other than dividends) and preference share dividends;
- The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- Other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; and

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus elements.

(r) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the Australian Tax Office is included as part of receivables or payables in the statement of financial position.

Cash flows are presented on the statement of cash flows on a gross basis, except for the GST component of investing and financing activities receivable from or payable to the ATO, which are disclosed as operating cash flows.

Black Star Petroleum Limited – Notes to the financial statements at and for the year ended 30 June 2014

(s) Trade and other payables

Liabilities for trade creditors and other amounts are measured at amortised cost, which is the fair value of the consideration to be paid in the future for goods and services received that are unpaid, whether or not billed to the Group.

(t) Share based payment transactions

The Group provides benefits to individuals acting as, and providing services similar to employees (including Directors) of the Group in the form of share based payment transactions, whereby individuals render services in exchange for shares or rights over shares ('equity settled transactions').

The cost of these equity settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined based on the most recent arm's length transaction prior to the options being issued, as discussed in note 19.

In valuing equity settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Black Star Petroleum Limited ('market conditions').

The cost of the equity settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the Directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of the market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognised at the beginning and end of the period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of the modification.

Where an equity settled award is cancelled, it is treated as if it had vested on the date of the cancellation, and any expense not yet recognised for the award is recognised immediately. However if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The cost of equity-settled transactions with non-employees is measured by reference to the fair value of goods and services received unless this cannot be measured reliably, in which case the cost is measured by reference to the fair value of the equity instruments granted.

The dilutive effect, if any, of outstanding options is reflected in the computation of loss per share, see note 14.

Black Star Petroleum Limited – Notes to the financial statements at and for the year ended 30 June 2014

(u) Comparative information

When required by Accounting Standards, comparative information has been reclassified to be consistent with the presentation in the current year. The Group acquired subsidiaries during the year. The current period balances reflect the consolidated entity (Group) while the comparatives reflect only the balances of the parent entity.

(v) Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets, principally equity securities, that are either designated as available-for-sale or not classified as any other category. After initial recognition, fair value movements are recognised in other comprehensive income through the available-for-sale reserve in equity. Cumulative gain or loss previously reported in the available-for-sale reserve is recognised in profit or loss when the asset is derecognised or impaired.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for financial assets carried at cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for similar financial assets.

Available-for-sale financial assets are considered impaired when there has been a significant or prolonged decline in value below initial cost. Subsequent increments in value are recognised in other comprehensive income through the available-for-sale reserve.

(w) Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Black Star Petroleum Limited – Notes to the financial statements at and for the year ended 30 June 2014

(x) Finance Costs

Finance costs related to interest on short-term borrowings are expensed in the period in which they are incurred.

(y) Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principle market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

3. Segment Information

For management purposes, the Company is organised into one main operating segment, which involves exploration for oil. All of the Company's activities are interrelated, and discrete financial information is reported to the Board (Chief Operating Decision Maker) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Company as one segment. The financial results from this segment are equivalent to the financial statements of the Company as a whole.

4. Income Tax

(a) Income tax expense

Major component of tax expense for the year:

	2014	2013
	\$	\$
Current tax	-	-
Deferred tax	-	-
	<hr/>	<hr/>
	-	-

Black Star Petroleum Limited – Notes to the financial statements at and for the year ended 30 June 2014

	2014	2013
	\$	\$
4. Income Tax (cont.)		
(b) Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive income and tax expense calculated per the statutory income tax rate		
A reconciliation between tax expense and the product of accounting result before income tax multiplied by the Group's applicable tax rate is as follows:		
Loss from continuing operations before income tax expense	(3,441,702)	(625,549)
Tax at the company rate of 30%	(1,032,511)	(187,665)
Non-deductible expenses	209,156	-
Income tax benefit not brought to account	823,355	187,665
Income tax expense	-	-
The following tax balances have not been brought to account:		
<i>Liabilities</i>		
Total exploration and evaluation expenditure	182,836	1,717,945
Offset by deferred tax assets	(182,836)	(1,717,945)
Deferred tax liability	-	-
<i>Assets</i>		
Total losses available to offset against future taxable income	5,757,588	2,729,209
Total accrued expenses	78,740	17,393
Total share issue costs deductible over five years	97,457	97,457
Total deferred tax assets offset against deferred tax liabilities	(182,836)	(1,717,945)
Deferred tax assets not brought to account as realisation is not regarded as probable	(5,750,949)	(1,126,114)
Deferred tax asset	-	-
(d) Unused tax losses		
Unused Tax Losses	19,169,830	3,753,713
Potential tax benefit not recognised at 30%	5,750,949	1,126,114

The benefit for tax losses will only be obtained if:

- (i) the Group derives future assessable income in Australia of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised, and
- (ii) the Group continues to comply with the conditions for deductibility imposed by tax legislation in Australia and
- (iii) no changes in tax legislation in Australia, adversely affect the Group in realising the benefit from the deductions for the losses.

Black Star Petroleum Limited – Notes to the financial statements at and for the year ended 30 June 2014

	2014	2013
	\$	\$
5. Cash and Cash Equivalents		
Reconciliation of operating loss after tax to net the cash flows used in operations		
Loss from ordinary activities after tax	(3,441,702)	(625,549)
Non-cash items		
Depreciation	1,327	442
Impairment of investment	1,757,477	
Exploration expenditure written off	697,186	-
Changes in assets and liabilities:		
Trade and other creditors	831,062	123,686
Trade and other receivables	10,637	4,753
Net cash flow used in operating activities	(144,013)	(496,668)
(b) Reconciliation of cash		
Cash balance comprises:		
Cash at bank	24,729	400,286
Short term bank deposits	-	-
	24,729	400,286
(c) Non-cash financing and investing activities		
The Company exchanged 15,000,000 new ordinary shares at a price of approximately GBP 0.08810 per share for 1,321,440 ordinary shares in Global Resources Investment Trust Plc valued at GBP 1.00 each.		
6. Other Receivables		
GST receivable	21,490	28,370
Tenement guarantees	29,232	29,232
Joint interest billing receivable	54,334	431,364
Other receivables	25,110	25,896
	130,166	514,862
7. Available for Sale Investments		
Listed shares at fair value	717,523	-
<i>Movements in available for sale investments:</i>		
Opening balance	-	-
Additions	2,475,000	-
Impairment of investment	(1,757,477)	-
Closing balance	717,523	-

During the period the Company entered into a Share Exchange Agreement with Global Resources Investment Trust Plc (GRIT). Under the agreement the Company exchanged 15,000,000 new ordinary shares for 1,321,440 ordinary shares in GRIT. Refer to note 11 for details on the impact on issued capital.

Black Star Petroleum Limited – Notes to the financial statements at and for the year ended 30 June 2014

	2014	2013
	\$	\$
8. Deferred Exploration and Evaluation Expenditure		
At beginning of the year	16,022,917	629,353
Acquisitions of assets	-	13,518,909
Exploration expenditure during the year	1,387,766	1,717,205
Impairment loss	(697,186)	-
Net exchange differences on translation	(54,601)	157,450
Total exploration and evaluation	16,658,896	16,022,917

The ultimate recoupment of costs carried forward for exploration expenditure is dependent on the successful development and commercial exploitation or sale of the respective mining areas.

9. Trade and Other Payables

Trade creditors	1,265,106	518,446
Accruals	262,467	57,976
	1,527,573	576,422

Trade and other payables are non-interest bearing and payable on demand. Due to their short term nature, the carrying value of trade and other payables is assumed to approximate their fair value.

10. Borrowings

Loan from third party	665,615	-
	665,615	-

During the financial year the Company entered into a loan agreement with Avonglade Enterprises Pty Ltd in order to secure an interim finance facility of \$665,615. The interest rate on the note agreement is 10% of the principal for the term of the agreement plus interest paid in shares of 2,662,460 shares. Interest accrued on the loan to 30 June 2014 totalled \$157,943.

11. Issued Capital

(a) Issued and paid up capital

Ordinary shares fully paid	18,733,696	16,258,546
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	2014		2013	
	Number of shares	\$	Number of shares	\$
(b) Movements in ordinary shares on issue				
Opening balance	99,100,000	16,258,546	33,000,000	3,393,529
Placement	1,000	150	10,000,000	2,000,000
Loan interest shares issued	-	-	1,100,000	220,000
Shares issued on acquisition of Black Star Oil	-	-	55,000,000	11,000,000
Transaction costs on share issue	-	-	-	(354,983)
Share issued through share exchange agreement*	15,000,000	2,475,000	-	-
	114,101,000	18,733,696	99,100,000	16,258,546

Black Star Petroleum Limited – Notes to the financial statements at and for the year ended 30 June 2014

* During the financial year the Company entered into a Share Exchange Agreement with Global Resources Investment Trust Plc (GRIT). Under the agreement the Company exchanged 15,000,000 new ordinary shares at a price of approximately GBP 0.08810 per share for 1,321,440 ordinary shares in GRIT valued at GBP 1.00 each.

(c) Ordinary shares

The Group does not have authorised capital nor par value in respect of its issued capital. Ordinary shares have the right to receive dividends as declared and, in the event of a winding up of the Group, to participate in the proceeds from sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or proxy, at a meeting of the Group.

(d) Capital risk management

The Group's capital comprises share capital and reserves less accumulated losses. As at 30 June 2014, the Group has net assets of \$15,338,402 (2013: \$16,363,246). The Group manages its capital to ensure its ability to continue as a going concern and to optimise returns to its shareholders. Refer to note 18 for further information on the Group's financial risk management policies.

	2014	2013
	\$	\$
12. Reserves		
Share based payment reserve	666,667	666,667
Option premium reserve	220,000	220,000
Foreign currency translation reserve	134,523	192,815
	1,021,190	1,079,482

Movements in Reserves

<i>Share based payment reserve</i>		
At beginning of the year	666,667	-
Share based payments	-	666,667
At 30 June	666,667	666,667

The share based payment reserve is used to record the value of equity benefits provided to Directors and executives as part of their remuneration and non-employees for their services.

Option premium reserve

At beginning of the year	220,000	-
Issue of options	-	220,000
At 30 June	220,000	220,000

The option premium reserve is used to record the value of options issued.

Foreign currency translation reserve

At beginning of the year	192,815	-
Foreign currency translation	(58,292)	192,815
At 30 June	134,523	192,815

The foreign exchange differences arising on translation of the foreign controlled entities are taken to the foreign currency translation reserve, as described in note 2(d). The reserve is recognised in the statement of comprehensive income when the net investment is disposed of.

Black Star Petroleum Limited – Notes to the financial statements at and for the year ended 30 June 2014

	2014	2013
	\$	\$

13. Accumulated Losses

Movements in accumulated losses were as follows:

Opening balance	(974,782)	(349,233)
Loss for the year	(3,441,702)	(625,549)
As at 30 June	(4,416,484)	(974,782)

14. Loss per Share

Loss used in calculating basic and dilutive EPS	(3,441,702)	(625,549)
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Weighted average number of ordinary shares used in calculating basic loss per share:

103,703,044	57,482,466
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Effect of dilution:

Share options	-	-
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Adjusted weighted average number of ordinary shares used in calculating diluted loss per share:

103,706,044	57,482,466
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There have been no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

15. Auditor's Remuneration

The auditor of Black Star Petroleum Limited is RSM Bird Cameron Partners.

- RSM Bird Cameron Partners for an audit or review of the financial report	25,500	17,000
- RSM Bird Cameron Partners for non-audit related services (Investigating Accountants Report)	-	8,000
	25,500	25,000

16. Key Management Personnel Disclosures

Details of the nature and amount of each element of the emolument of each Director and Executive of the Group for the financial year are as follows:

Short term employee benefits	511,000	376,017
Share based payments	-	40,000
Total remuneration	511,000	416,017

17. Related Party Disclosures

The consolidated financial statements incorporate the assets, liabilities and results of Black Star Petroleum Limited and the subsidiaries listed in the following table:

Name of Entity	Country of Incorporation	Equity Holding	
		2014	2013
Black Star Oil Pty Ltd	Australia	100%	100%
Black Star Petroleum USA Inc.	USA	100%	100%

Black Star Petroleum Limited – Notes to the financial statements at and for the year ended 30 June 2014

Gremar Consulting Pty Ltd, a company in which Mr. Greg Wood is a director, charged the Group for his consulting fees and reimbursement of expenses of \$77,585 (2013: \$31,850). \$186,597 (2013: \$95,621) was outstanding at year end.

Mitchell Grass Holding Singapore Pte Ltd, a company in which Mr. Matthew Wood is a director, charged the Group for his consulting fees and other administrative service fees of \$3,600 for the year ended 30 June 2013. No amount (2013: \$Nil) was outstanding at year end.

Warrior Consulting Pty Ltd, a company in which Mr. Flavel is a director, charged the Group for his consulting fees. \$12,000 was outstanding at previous year end.

Vega Funds Pty Ltd, a company in which Mr. McMaster is a director, charged the Group for his consulting fees. \$150,000 (2013: \$15,000) was outstanding at year end.

Celtic Capital Pty Ltd, a company in which Mr. Peterson is a director, charged the Group for his director's fees. \$17,500 was outstanding at previous year end.

Kernow Mining Consultants Pty Ltd, a company in which Mr. Polglase is a director, charged the Group for his director's fees. \$40,000 (2013: \$10,000) was outstanding at year end.

Mr. Matthew Wood charged the Group for his consulting fees. \$152,312 (2013: Nil) was outstanding at year end.

Garrison Capital Pty Ltd, a company in which Mr. Matthew Wood and Mr. McMaster are directors and shareholders, provided the Group with a fully serviced office including administration and information technology support totaling \$120,000 (2013: \$90,000), corporate advisory services totaling \$60,000 (2013: \$145,000), sub-underwriting fees of \$nil (2013: \$48,000) and reimbursement of payments for legal, accounting and other minor expenses, at cost totaling \$56,012 (2013: \$34,342). \$363,074 (2013: \$127,062) was outstanding at year end.

These transactions have been entered into on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

18. Financial Risk Management

Exposure to interest rate, liquidity, and credit risk arises in the normal course of the Group's business. The Group does not hold or use derivative financial instruments.

The Group uses different methods as discussed below to manage risks that arise from these financial instruments. The objective is to support the delivery of the financial targets while protecting future financial security.

(a) Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities.

The Group manages liquidity risk by maintaining sufficient cash facilities to meet the operating requirements of the business and investing excess funds in highly liquid short term investments. The responsibility for liquidity risk management rests with the Board of Directors.

Black Star Petroleum Limited – Notes to the financial statements at and for the year ended 30 June 2014

Alternatives for sourcing future capital needs include the cash position and future equity raising alternatives. These alternatives are evaluated to determine the optimal mix of capital resources for our capital needs. The Board expects that, assuming no material adverse change in a combination of our sources of liquidity, present levels of liquidity will be adequate to meet expected capital needs.

Maturity analysis for financial liabilities

Financial liabilities of the Group comprise trade and other payables. As at 30 June 2014 all financial liabilities are contractually matured within 60 days.

(b) Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments.

The Group's exposure to changes to interest rate risk relates primarily to its earnings on cash and term deposits. The Group manages the risk by investing in short term deposits.

	2014	2013
	\$	\$
Cash and cash equivalents	24,729	400,286

Interest rate sensitivity

The following table demonstrates the sensitivity of the Group's statement of comprehensive income to a reasonably possible change in interest rates, with all other variables constant.

Change in Basis Points	Effect on Post Tax Loss (\$) Increase/(Decrease)		Effect on Equity including retained earnings (\$) Increase/(Decrease)	
	2014	2013	2014	2013
Increase 100 basis points	247	4,002	247	4,002
Decrease 100 basis points	(247)	(4,002)	(247)	(4,002)

A sensitivity of 100 basis points has been used as this is considered reasonable given the current level of both short term and long term Australian Dollar interest rates. Historically this would represent two to four movements by the Reserve Bank of Australia. The analysis was performed on the same basis in 2013.

(c) Credit Risk Exposures

Credit risk represents the risk that the counterparty to the financial instrument will fail to discharge an obligation and cause the Group to incur a financial loss. The Group's maximum credit exposure is the carrying amounts on the statement of financial position. The Group holds financial instruments with credit worthy third parties.

At 30 June 2014, the Group held cash at bank. These were held with financial institution with a rating from Standard & Poors of AA or above (long term). The Group has no past due or impaired debtors as at 30 June 2014.

19. Share Based Payments

(a) Recognised share based payment transactions

Share based payment transactions recognised as either exploration costs recognised as assets or capital raising costs recognised as equity during the year were as follows:

Black Star Petroleum Limited – Notes to the financial statements at and for the year ended 30 June 2014

	2014	2013
	\$	\$
<i>Capital raising expenses</i>		
Share based payments to suppliers	-	60,000
	-	60,000
<i>Exploration expenditure</i>		
Share based payments to vendors	-	11,366,667
Employee share based payments to employees and consultants	-	240,000
	-	11,606,667

(b) Share based payment to suppliers

During the previous financial year the Company issued 6,000,000 options for corporate and financial services in connection with the capital raising. No share based payments to suppliers were made in the financial year ending 30 June 2014.

The tables below summarise options granted to suppliers:

2014		Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Expired during the year	Balance at end of the year	Exercisable at end of the year
Grant Date	Expiry date		Number	Number	Number	Number	Number	Number
18 February 2013	31 December 2017	\$0.20	6,000,000	-	-	-	6,000,000	6,000,000
Weighted remaining contractual life (years)			4.51	-	-	-	3.51	3.51
Weighted average exercise price			\$0.20	-	-	-	\$0.20	\$0.20

2013		Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Expired during the year	Balance at end of the year	Exercisable at end of the year
Grant Date	Expiry date		Number	Number	Number	Number	Number	Number
18 February 2013	31 December 2017	\$0.20	-	6,000,000	-	-	6,000,000	6,000,000
Weighted remaining contractual life (years)			-	4.88	-	-	4.51	4.51
Weighted average exercise price			-	\$0.20	-	-	\$0.20	\$0.20

The fair value of options granted during the previous financial year was \$60,000. The fair value at grant date of the options granted during the previous reporting year was based on the most recent arm's length transaction prior to the options being issued. The value per option was determined as \$0.01 by reference to the active market value.

(c) Other share-based payments

During the year, the company issued 15,000,000 shares in exchange of 1,321,440 shares in Global Resources Investment Trust Plc .

During the previous financial year the Company issued 55,000,000 shares and 36,666,664 options to the Black Star Oil vendors in proportion to their interests in Black Star Oil as consideration for the acquisition of 100% interest in Black Star Oil. The issue of options was approved by the shareholders at the Annual General Meeting held on 30 November 2012. No share based payments to vendors were made in the financial year ending 30 June 2014.

Black Star Petroleum Limited – Notes to the financial statements at and for the year ended 30 June 2014

The tables below summarise options granted to suppliers:

2014								
Grant Date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
18 February 2013	31 December 2017	\$0.20	36,666,664	-	-	-	36,666,664	36,666,664
Weighted remaining contractual life (years)			4.51	-	-	-	3.51	3.51
Weighted average exercise price			\$0.20	-	-	-	\$0.20	\$0.20

2013								
Grant Date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
18 February 2013	31 December 2017	\$0.20	-	36,666,664	-	-	36,666,664	36,666,664
Weighted remaining contractual life (years)			-	4.88	-	-	4.51	4.51
Weighted average exercise price			-	\$0.20	-	-	\$0.20	\$0.20

The fair value of options granted during the previous financial year was \$366,667. The fair value at grant date of the options granted during the previous reporting year was based on the most recent arm's length transaction prior to the options being issued. The value per option was determined as \$0.01 by reference to the active market value.

(d) Employee share based payments

During the previous financial year the Company issued options to employees and consultants. No share based payments to employees were made in the financial year ending 30 June 2014.

The tables below summarise options granted to employees and consultants:

2014								
Grant Date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
18 February 2013	31 December 2017	\$0.20	24,000,000	-	-	-	24,000,000	24,000,000
Weighted remaining contractual life (years)			4.51	-	-	-	3.51	3.51
Weighted average exercise price			\$0.20	-	-	-	\$0.20	\$0.20

2013								
Grant Date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
18 February 2013	31 December 2017	\$0.20	-	24,000,000	-	-	24,000,000	24,000,000
Weighted remaining contractual life (years)			-	4.88	-	-	4.51	4.51
Weighted average exercise price			-	\$0.20	-	-	\$0.20	\$0.20

The fair value of options granted during the previous financial year was \$240,000. The fair value at grant date of the options granted during the previous year was based on the most recent arm's length transaction prior to the options being issued. The value per option was determined as \$0.01 by reference to the active market value.

Black Star Petroleum Limited – Notes to the financial statements at and for the year ended 30 June 2014

20. Parent Entity Information

(a) Parent financial information

The following details information related to the parent entity, Black Star Petroleum Limited, at 30 June 2014. The information presented here has been prepared using consistent accounting policies as presented in note 2.

	2014 \$	2013 \$
Current assets	63,690	203,779
Non-current assets	17,256,849	16,588,471
Total assets	17,320,539	16,792,250
Current liabilities	(1,982,138)	(429,881)
Total liabilities	(1,982,138)	(429,881)
Net assets	15,338,401	16,362,369
Issued capital	18,733,696	16,258,546
Reserves	886,667	886,667
Accumulated losses	(4,281,962)	(782,844)
Total equity	15,338,401	16,362,369
Loss of the parent entity	(3,499,118)	(433,611)
Other comprehensive income for the year	-	-
Total comprehensive income of the parent entity	(3,499,118)	(433,611)

b) Guarantees

Black Star Petroleum Limited has not entered into any guarantees in relation to the debts of its subsidiary.

c) Other commitments and contingencies

The Company entered into a service agreement for certain corporate advisory services and office space for a term of two years on 1 October 2012. The Company is required to give three months written notice to terminate the agreement. Total commitments at 30 June 2014 under the contracts are \$45,000 (2013: \$225,000).

21. Contingent Liabilities

There are no known contingent liabilities as at 30 June 2014 (2013:Nil).

22. Commitments for Expenditure

At 30 June 2014 the Group has commitments of \$45,000 (2013: \$4,525,325) relating to corporate advisory and serviced office commitments. Commitments contracted for at balance date but not recognised as liabilities are as follows:

Within one year	45,000	3,670,076
After one year but not more than five years	-	855,249
	45,000	4,525,325

Black Star Petroleum Limited – Notes to the financial statements at and for the year ended 30 June 2014

During the financial year the Company made an adjusted final capital payment securing its rights to a lease position covering approximately 10,000 acres including the existing two wells, Smith 43-12 and QCWR 34-3 in Banner County, south western Nebraska.

23. Dividends

No dividend was paid or declared by the Group in the period since the end of the financial year, and up to the date of this report. The Directors do not recommend that any amount be paid by way of a dividend for the financial year ended 30 June 2014.

The balance of the franking account is Nil at 30 June 2014 (2013: Nil).

24. Subsequent Events

On 1 August 2014 the Company announced a renounceable entitlement issue of six shares for every one share held at an issue price of \$0.005 per share to raise up to \$3,423,030 with \$1,250,000 being underwritten. The following shares were raised at the date of this report:

- 11,495,004 shares issued to raise \$57,475.
- 250,000,000 shares issued to raise \$1,250,000 for settlement of liabilities at reporting date.
- 69,684,500 shares issued to settle remaining interest payable and loans balances.

In July 2014 and August 2014, the Company sold 449,915 of its shares held in Global Resources Investment Trust Plc (GRIT) for GBP 0.30 per share. The Company received \$279,464 on settlement of this sale transaction. Based on this sale, the available-for-sale investment in GRIT was revalued at GBP 0.30 per share at balance date, as disclosed in respect of this investment in note 7.

During August 2014 the Company relinquished the three exploration permits held in Queensland, Australia in order to focus on the next phase of its exploration programme in Nebraska. As a result of the relinquishment, exploration expenditure has been impaired, as disclosed in note 8.

There were no other known significant events from the end of the financial year to the date of this report.

25. Fair Value Measurement

Fair value hierarchy

The following tables detail the consolidated entity's assets and liabilities measured or disclosed at fair value using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: Unobservable inputs for the asset or liability

Black Star Petroleum Limited – Notes to the financial statements at and for the year ended 30 June 2014

25. Fair Value Measurement (cont.)

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Consolidated - 2014				
<i>Assets</i>				
Ordinary shares available-for-sale	717,523	-	-	717,523
Total assets	717,523	-	-	717,523
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Consolidated - 2013				
<i>Assets</i>				
Ordinary shares available-for-sale	-	-	-	-
Total assets	-	-	-	-

Assets held for sale are measured at fair value on a non-recurring basis.

There were no transfers between levels during the financial year.

Black Star Petroleum Limited – Directors’ Declaration

In accordance with a resolution of the Directors of Black Star Petroleum Limited, I state that:

1. In the opinion of the Directors:

- (a) the financial statements and notes of the Group are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of the Group as at 30 June 2014 and of its performance, for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards, the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements; and
- (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable; and
- (c) The financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standard Board.

2. This declaration has been made after receiving the declarations required to be made by the Chief Executive Officer and Chief Financial Officer in accordance with sections 295A of the *Corporations Act 2001*.

On behalf of the board



Matthew Wood
Executive Chairman

15 September 2014

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www.rsmi.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Black Star Petroleum Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS



TUTU PHONG
Partner

Perth, WA
Dated: 15 September 2014

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
BLACK STAR PETROLEUM LIMITED**

Report on the Financial Report

We have audited the accompanying financial report of Black Star Petroleum Limited, which comprises the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2(b), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Black Star Petroleum Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Black Star Petroleum Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2(b).

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2(a) in the financial report, which indicates that the company and consolidated entity incurred losses of \$3,499,118 and \$3,441,702 respectively and the consolidated entity had net cash outflows from operating and investing activities of \$144,013 and \$897,309 respectively for the year ended 30 June 2014. As at that date, the company and consolidated entity had net current liabilities of \$1,918,448 and \$1,320,770 respectively. These conditions, along with other matters as set forth in Note 2(a), indicate the existence of a material uncertainty which may cast significant doubt about the company's and consolidated entity's ability to continue as going concerns and therefore, the company and consolidated entity may be unable to realise their assets and discharge their liabilities in the normal course of business.

Report on the Remuneration Report

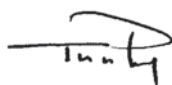
We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Black Star Petroleum Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

Rsm Bird Cameron Partners

RSM BIRD CAMERON PARTNERS



TUTU PHONG
Partner

Perth, WA
Dated: 15 September 2014

ASX Additional Information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current at 12 September 2014.

Substantial Share Holders

The names of shareholders who have notified the Company in accordance with Section 671B of the *Corporations Act 2001* are:

Shareholder Name	No. of Ordinary Shares	Percentage %
Jason Peterson	47,412,350	11.51%
Matthew Wood	70,165,000	15.76%
Brian McMaster	67,450,000	15.15%
Avonglade Enterprises Pty Ltd	79,684,500	17.90%

Distribution of Share Holders

	Ordinary Shares	
	Number of Holders	Number of Shares
1 - 1,000	4	800
1,001 - 5,000	1	2,500
5,001 - 10,000	66	660,000
10,001 – 100,000	151	7,961,757
100,001 and over	146	436,655,447
TOTAL	368	445,280,504

There were 3 holders of ordinary shares holding less than a marketable parcel.

Voting Rights

All ordinary shares carry one vote per share without restriction.

On-Market Buy Back

There is no current on-market buy back.

Top Twenty Share Holders

Name	Number of Ordinary Shares held	%
AVONGLADE ENTERPRISES PTY LTD	79,684,500	17.90
GARRISON EQUITY PARTNERS LIMITED	60,000,000	13.47
CELTIC CAPITAL PTY LTD <THE CELTIC CAPITAL A/C>	40,612,350	9.12
VEGA FUNDS PTY LTD <THE VIVA A/C>	30,000,000	6.74
WHISTLING KITE EQUITY LIMITED	30,000,000	6.74
MR DAVID WALLS	22,500,000	5.05
KOUTO HOLDINGS PTY LTD <WOOD FAMILY SUPER FUND A/C>	15,900,000	3.57
HAY STREET PROPERTY PTY LTD <HAY STREET PROPERTY A/C>	15,000,000	3.37
STYLETOWN INVESTMENTS PTY LTD <REILLY FAMILY A/C>	15,000,000	3.37
BNP PARIBAS NOMS PTY LTD <DRP>	15,000,000	3.37
MR STEVEN STEWART LEITHHEAD	7,500,000	1.68

Black Star Petroleum Limited

FRANCIS SCOTT FUNSTON & VICTORIA ALEXIS SUZANNE FUNSTON <FUNSTON INVESTMENT A/C>	7,500,000	1.68
NEFCO NOMINEES PTY LTD	6,000,000	1.35
MITCHELL GRASS HOLDING SINGAPORE PTE LTD	5,000,000	1.12
REEVE VENTURES PTY LTD <THE VEGA A/C>	4,850,000	1.09
MR JASON PETERSON & MRS LISA PETERSON <J & L PETERSON S/F A/C>	4,500,000	1.01
MR TIMOTHY JAMES FLAVEL <THE FLAVEL INVESTMENTS A/C>	3,850,000	0.86
MR CHRISTOPHER JAMES EDDINGTON	3,300,000	0.74
MITCHELL GRASS HOLDING SINGAPORE PTE LTD	2,965,000	0.67
JDK NOMINEES PTY LTD <KENNY CAPITAL A/C>	2,800,000	0.63
	371,961,850	83.53

Top Twenty Option Holders Expiry 31 December 2017 Exercisable at \$0.20

Name	Number of Options held	%
GREGORY WOOD	5,733,334	6.01
MR JASON PETERSON & MRS LISA PETERSON <J & L PETERSON S/F A/C>	5,000,000	5.24
MITCHELL GRASS HOLDING SINGAPORE PTE LTD	4,333,334	4.55
MITCHELL GRASS HOLDING SINGAPORE PTE LTD	4,010,857	4.21
MITCHELL GRASS HOLDING SINGAPORE PTE LTD	4,000,000	4.20
NEFCO NOMINEES PTY LTD	4,000,000	4.20
HUDSON BAY INVESTMENTS PTY LTD <HUDSON BAY INVESTMENT A/C>	3,266,667	3.43
REEVE VENTURES PTY LTD <THE VEGA A/C>	3,166,667	3.32
CELTIC CAPITAL PTE LTD <TRADING 1 A/C>	3,000,000	3.15
MR TIMOTHY JAMES FLAVEL <THE FLAVEL INVESTMENTS A/C>	2,566,667	2.69
MR DANIEL EDDINGTON & MRS JULIE EDDINGTON <DJ HOLDINGS A/C>	2,033,333	2.13
MR TIMOTHY JAMES FLAVEL	2,000,000	2.10
BRIAN MCMASTER	2,000,000	2.10
MR ANTHONY POLGLASE	2,000,000	2.10
CORAL BROOK PTY LTD <LLOYD SUPER FUND A/C>	2,000,000	2.10
TRADITIONAL SECURITIES GROUP PTY LTD	2,000,000	2.10
NEFCO NOMINEES PTY LTD	1,949,999	2.05
FRANCIS SCOTT FUNSTON & VICTORIA ALEXIS SUZANNE FUNSTON <FUNSTON INVESTMENT A/C>	1,393,334	1.46
CORAL BROOK PTY LTD <LLOYD SUPER FUND>	1,333,333	1.40
CORAL BROOK PTY LTD	1,320,000	1.38
	57,107,525	59.90

Tenement Table

United States

Project	Location	Mineral	Ownership
Nebraska Oil Project *	Banner County, Nebraska, USA	Petroleum	73.07% *

* The Company has completed into an Asset and Sale Agreement through its wholly owned subsidiary Black Star Petroleum USA Inc. to acquire a 73.07% working interest in the Nebraska Oil Project which consists of a total of 28 petroleum exploration leases in Banner County Nebraska.