BlackStar Petroleum

ACN 147 370 312

Annual Report

30 June 2018

Corporate Directory

Directors

Mr. Nicholas Ong (Non-Executive Chairman)
Mr. Chin Han Tan (Non-Executive Director)
Mr. Donald Jones (Non-Executive Director)
Dr. Po-Tao Wei (Executive Director)

Company Secretary

Mr. Ian Gregory

Registered Office and Principal Place of Business

Suite 5, 531 Hay Street,
Subiaco WA 6008

Telephone: + 61 8 6558 1859
Facsimile: + 61 8 9380 8300
Website www.blackstarpetroleum.com.au

Share Registry

Automic Registry Services
Level 2
267 St Georges Terrace
Perth WA 6000

Telephone: 1300 288 664 (within Australia)
Telephone: + 61 8 9324 2099 (outside Australia)
Facsimile: + 61 8 9321 2337

Auditors

HLB Mann Judd
Level 4
130 Stirling Street
Perth WA 6000

Stock Exchange Listing

Australian Securities Exchange
(Home Exchange: Perth, Western Australia)
ASX Code: BSP

Contents

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 2018. In order to comply with the provisions of the *Corporations Act 2001*, the Directors' report is 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. Nicholas Ong – Non-Executive Chairman (appointed 31 July 2018)

Mr. Ong has bee involved with listed junior oil and gas exploration companies with projects in the United States, Australia and Africa. More recently, he is a director of Helios Energy Limited which is actively drilling wells in Texas, USA. Mr. Ong is also a director of Arrow Minerals Ltd which is a mineral exploration company targeting gold, lithium and nickel. Prior to that, Mr. Ong was a Principal Adviser at the Australian Securities Exchange and brings years of experience in IPO, listing rules compliance and corporate governance. He has developed a wide network of clients in the Asia-Pacific region and provides corporate and transactional advisory services through the boutique firm Minerva Corporate Pty Ltd. Mr. Ong is a member of the Governance Institute of Australia, holds a Bachelor of Commerce degree and a Master of Business Administration from the University of Western Australia.

Mr. Ong is currently a director of Vonex Limited, CoAssets Ltd, Arrow Minerals Ltd, and Helios Energy Limited. Mr. Ong was previously a director on Auroch Minerals Ltd, MSM Corporation Limited, Excelsior Gold Ltd, Fraser Range Metals Group Limited, Jiajiafu Modern Agriculture Limited, Tianmei Beverage Group Corporation Limited, and Bojun Agriculture Holdings Limited. Mr. Ong has not held any other listed directorships over the past three years.

Mr. Chin Han Tan - Non-Executive Director

Mr. Chin Han Tan is an experienced director and senior executive. Mr. Tan completed his secondary and university schooling in Sydney, Australia and holds Bachelor Degrees in Economics (majoring in Accounting and Economics) and Law (majoring in Corporate and Finance Law) from the University of Sydney. Mr. Tan has worked for Jacksons Ltd (the first publicly listed stockbroking firm in Australia) and Deloitte, specialising in audit and accounting.

Mr. Tan is currently the General Manager and an Executive Director of Nam Bee Rubber and Tyre Group, with operations in Malaysia, Australia and the USA. Mr. Tan has not held any other listed directorships over the past three years.

Mr. Donald Jones - Non-Executive Director (appointed 23 August 2017)

Mr. Jones is a structural engineer with 48 years of international business experience across a range of industries. Mr. Jones holds a Degree in Structural Engineering from the University of NSW. His basis of expertise is in engineering and architecture in the construction industry. Mr. Jones' areas of experience include project assessment and management, renewable and sustainable resources and research and analysis of diverse sciences.

Mr. Jones has not held any other listed directorships over the past three years.

Dr. Po-Tao Wei- Executive Director (appointed 14 August 2018)

Dr. Wei holds a Bachelor of Science in Mathematics from National Tsing Hua University, a Master of Arts in Applied Mathematics from University of Southern Carolina and a Doctorate of Philosophy in Statistics from University of South Carolina. Dr. Wei is a resident of Taiwan. He is current Chair Professor and supervisor of Taiwan Shoufu University, President of Taipei Tsing Hua University Alumni Association and President of Taiwan-Guangxi Culture Exchange Association. Dr. Wei was the Chairman of Hontai Life Insurance, Chairman of Taiwan Tobacco & Liquor Corporation, Director of the Finance Department of Miaoli County Government and Minister of the Budget of the Executive Yuan (Executive Branch) of the Government of Taiwan.

Mr. Prabir Kumar Mittra – Former Non-Executive Director (appointed 14 September 2017 - resigned 14 August 2018)

Mr. Mittra is a retired Chartered Accountant who has experience at board level and worked in the areas of financial management, financial due diligence and corporate restructuring. Mr. Mittra has international experience having worked in Malaysia, the United States and the United Kingdom. Mr. Mittra's has key knowledge in matters of corporate governance, financial reporting and legal and financial due diligence.

Mr. Mittra has not held any other listed directorships over the past three years.

Mr. Chia En Lau – Former Non-Executive Director (resigned 14 September 2017)

Mr. Chia En Lau has been working in the corporate sector for the past 21 years, of which he has practiced corporate finance for at least 18 years in investment banks and stock broking environment in Malaysia. His longest stint in investment banks is MIMB Investment Bank Berhad and Aseambankers Malaysia Bhd (currently known as Maybank Investment Bank Berhad). His area of expertise is in mergers & acquisition (M&A), initial public offerings, reverse takeover, general offer and etc. The last position he held in a formal outfit is the Head of Corporate Finance at SJ Securities Sdn Bhd, a securities firm in Malaysia.

Mr. Lau graduated from Michigan Technological University with a Bachelor of Science Degree in Electrical Engineering in 1993 and obtained his Master of Science in Business Administration from the University of Wisconsin in 1995. He has not held any other listed directorships over the past three years.

Mr. Chee Cheong (David) Low – Former Non-Executive Director (resigned 23 August 2017)

Mr. David Low is a CPA and has more than 20 years of investment banking and corporate finance experience in Asia and Australia having advised on various mergers and acquisitions, initial public offerings, fund raising (both debt and equity) and corporate and debt restructuring. He was previously Director & Team Leader of MIMB Investment Bank before moving to Australia and joining the Asian Business Unit of Westpac Banking Corporation as its Senior Manager and later Head of Corporate Finance of an ASX listed financial services company. Mr. Low is currently director of JCL Capital Pty Ltd, a boutique corporate advisory house specialising in cross border corporate finance activities, bridging Australia with Asia.

Mr. Low is also Non-Executive Chairman of Ennox Group Ltd and Executive Director of Syngas Limited. He has not held any other listed directorships over the past three years.

COMPANY SECRETARY

Mr. Ian Gregory

Mr. Ian Gregory has over 30 years' experience in the provision of company secretarial and business administration services to listed and unlisted companies. Companies for which Ian has acted as Company Secretary include Iluka Resources Limited, IBJ Australia Bank Limited and the Griffin Coal Mining Group of companies. He currently consults on secretarial and governance matters to a number of listed and unlisted companies. Ian is a past member and Chairman of the Western Australian Branch Council of Governance Institute of Australia (GIA) and has also served on the National Council of GIA.

DIRECTORS' MEETINGS

The number of meetings of directors held during the year and the number of meetings attended by each director were as follows:

Director	Number eligible to attend	Number attended	Circular Resolutions Passed	Total
Nicholas Ong[1]	-	-	-	-
Chin Han Tan[2]	1	1	5	6
Po-Tao Wei[3]	-	-	-	-
Donald Jones[4]	1	1	4	5
Prabir Kumar Mittra[5]	1	1	3	4
Chia En Lau[6]	-	-	2	2
David Low[7]	-	-	1	1

[1] Mr. Nicholas Ong was appointed to the Board on 31 July 2018.
[2] Mr. Chin Han Tan was appointed to the Board on 3 June 2017.
[3] Dr Po-Tao Wei was appointed to the Board 14 August 2018
[4] Mr. Donald Jones was appointed to the Board on 23 August 2017.
[5] Mr. Prabir Kumar Mittra was appointed to the Board on 14 September 2017 and Resigned 14 August 2018.
[6] Mr. Chia En Lau resigned from the Board on 14 September 2017.
[7] Mr. David Low resigned from the Board on 23 August 2017.

REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for Key Management Personnel 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 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	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**
Loss per share (cents)	(0.03)	(0.05)	(1.33)	(2.36)	(3.32)	(1.09)	(0.94)

Non-Executive Remuneration

The Non-Executive Directors are currently 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 Group are set out in the following tables. The key management personnel of the Group entity during the period consisted of the following personnel of the Company:

Mr. Chin Han Tan	Non-Executive Director
Mr. Donald Jones	Non-Executive Director
Mr. Prabir Kumar Mittra	Former Non-Executive Director
Mr. Chia En Lau	Former Non-Executive Director
Mr. David Chee Cheong Low	Former Non-Executive Director

Details of the nature and amount of each element of the remuneration of each Director and Executive for the year ended 30 June 2018 are as per the following table:

	Short term			Options	Post employment		
2018	Base Salary $	Directors' Fees $	Consulting Fees $	Share based Payments $	Superannuation $	Total $	Performance Related %
Mr. Chin Han Tan[1]	-	6,000	-	-	-	6,000	-
Mr. Donald Jones[2]	-	-	-	-	-	-	-
Mr. Prabir Kumar Mittra [3]	-	-	-	-	-	-	-
Mr. Chia En Lau[4]	-	-	-	-	-	-	-
Mr. David Low[5]	-	-	-	-	-	-	-
	-	**6,000**	**-**	**-**	**-**	**6,000**	**-**

[1] Mr. Chin Han Tan was appointed to the Board on 3 June 2017.
[2] Mr. Donald Jones was appointed to the Board on 23 August 2017.
[3] Mr. Prabir Kumar Mittra was appointed to the Board on 14 September 2017 and Resigned 14 August 2018.
[4] Mr. Chia En Lau resigned from the Board on 14 September 2017.
[5] Mr. David Low resigned from the Board on 23 August 2017.

Details of the nature and amount of each element of the remuneration of each Director and Executive for the year ended 30 June 2017 are as follows:

	Short term			Options	Post employment		
2017	Base Salary $	Directors' Fees $	Consulting Fees $	Share based Payments $	Superannuation $	Total $	Performance Related %
Directors							
Mr. James Sambrook	-	5,500	-	-	-	5,500	-
Mr. David Low	-	24,000	-	-	-	24,000	-
Mr. Chia En Lau	-	6,000	-	-	-	6,000	-
Mr. Chin Han Tan	-	500	-	-	-	5,00	-
Mr. Donald Jones	-	-	-	-	-	-	-
Mr. Prabir Kumar Mittra	-	-	-	-	-	-	-
		36,000		**-**	**-**	**36,000**	**-**

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 2018.

Options

There were no options issued to Directors and other key management personnel as part of compensation during the year ended 30 June 2018.

During the year, 95,333,326 options expired. 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	Other changes during the year	On appointment or resignation	Balance at the end of the year
Mr. Chin Han Tan[1]	2,750,000	-	-		2,750,000
Mr. Donald Jones[2]	-	-	-	-	-
Mr. Prabir Kumar Mittra [3]	-	-	-	-	-
Mr. Chia En Lau[4]	-	-	-	-	-
Mr. David Low[5]	-	-	-	-	-

[1] Mr. Chin Han Tan was appointed to the Board on 3 June 2017.
[2] Mr. Donald Jones was appointed to the Board on 23 August 2017.
[3] Mr. Prabir Kumar Mittra was appointed to the Board on 14 September 2017 and Resigned 14 August 2018.
[4] Mr. Chia En Lau resigned from the Board on 14 September 2017.
[5] Mr. David Low resigned from the Board on 23 August 2017.

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	On resignation	Balance at the end of the year
Mr. Chin Han Tan[1]	-	-	-	-	-
Mr. Donald Jones[2]	-	-	-	-	-
Mr. Prabir Kumar Mittra [3]	-	-	-	-	-
Mr. Chia En Lau[4]	-	-	-	-	-
Mr. David Low[5]	-	-	-	-	-

[1] Mr. Chin Han Tan was appointed to the Board on 3 June 2017.
[2] Mr. Donald Jones was appointed to the Board on 23 August 2017.
[3] Mr. Prabir Kumar Mittra was appointed to the Board on 14 September 2017 and Resigned 14 August 2018.
[4] Mr. Chia En Lau resigned from the Board on 14 September 2017.
[5] Mr. David Low resigned from the Board on 23 August 2017.

Loans with key management personnel

On 3 June 2017, Mr. Chin Han Tan was appointed to the Board as Non-Executive Chairman. In May 2016, prior to his appointment, Mr. Tan agreed to provide the Company with a 12 month unsecured loan facility of $500,000. The facility was extended for a further 12 months in May 2017. As at 30 June 2018, $486,000 had been drawn down. The interest rate on the loan agreement is 9.25% per annum.

Other transactions with key management personnel

JCL Capital Pty Ltd, a company in which Mr. David Low is a director and shareholder, provided the Group with consulting services totaling nil (2017: $47,000). $30,242 (2017:$30,242) was outstanding at year end. These amounts are not included as consulting fees within the remuneration report.

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

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 2018
Mr. Chin Han Tan	2,750,000	-
Mr. Donald Jones	-	-
Mr. Nicholas Ong	-	-
Dr. Po-Tao Wei	114,132,016	-

RESULTS OF OPERATIONS

The net loss of the Group for the year after income tax was $134,464 (2017: $258,124) and the net liabilities of the Group at 30 June 2018 were $671,973 (2017: $537,479).

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.

EMPLOYEES

The Group had no employees at 30 June 2018 (2017:Nil).

REVIEW OF OPERATIONS

The Company continues to hold the remaining leases of the Nebraska Oil Project while considering various recapitalisation strategies.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than the above review of the operations in this financial report, there have been no significant changes in the state of affairs of the group during the financial year.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 31 July 2018, the Company appointed Mr. Nicholas Ong as Non-Executive Chairman with Mr. Chin Han Tan stepping down as Chairman and remaining on the Board as a Non-Executive Director.

On 6 August 2018, the Company announced a placement to sophisticated investors of 117,503,170 shares at $0.0012977 per share to raise $152,484. The Company also announced that 15,000,000 unlisted options with an exercise price of $0.003 and expiry date of 3 August 2020 were issued as compensation for assistance with the completion of the placement.

On 13 August 2018, the Company announced it had issued 493 redeemable convertible notes with a face value of $1,000 to raise $493,000. The notes mature on 13 August 2020 and have an interest rate of 9% per annum. The number of shares to be issued in respect of each note will be calculated by dividing the face value of the notes by a conversion price of $0.0013.

On 14 August 2018, the Company appointed Dr. Po-Tao Wei as Executive Director of the Company with Mr. Prabir Mittra resigning as Director of the company.

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.

SHARES UNDER OPTIONS

95,333,326 options with an exercise price of $0.20 and an expiry date of 31 December 2017 expired during the year.

As at the date of this report, there were 15,000,000 unlisted options with an exercise price of $0.003 and expiry date of 3 August 2020.

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 willful acts of negligence.

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 given the Company's current size and stage of development, 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

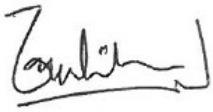
Section 307C of the *Corporations Act 2001* requires the Group's auditors to provide the Directors of Black Star Petroleum Limited with an Independence Declaration in relation to the audit of the financial report. A copy of that declaration is included as part of this report on page 35.

NON-AUDIT SERVICES

The Company did not engage their auditors to perform any non-audit related services during the period.

Signed in accordance with a resolution of the Directors.

On behalf of the Directors.



Chin Han Tan

Non-Executive Director

28 September 2018

Consolidated Statement of Comprehensive Income *for the year ended 30 June 2018*

	Notes	2018 $	2017 $
Revenue			
Interest received		1	122
Other Income		-	3,804
Total Revenue		**1**	**3,926**
Administrative expenses		(2,297)	(1,889)
Consulting and Directors' fees		(10,717)	(103,909)
Financial administration and compliance expense		(70,881)	(97,566)
Legal expenses		(2,182)	(3,765)
Finance costs		(46,592)	(28,189)
Impairment of receivables		-	(26,732)
Travel expenses		(1,796)	-
Loss from continuing operations before income tax		**(134,464)**	**(258,124)**
Income tax expense	4	-	-
Loss from continuing operations after income tax		**(134,464)**	**(258,124)**
Other comprehensive income			
Item that will not be reclassified subsequently to operating result			
Other comprehensive income		-	-
Gain on disposal of subsidiary		-	-
Other comprehensive (loss) income for the year net of tax		**-**	**-**
Total comprehensive loss for the year		**(134,464)**	**(258,124)**
Loss per share attributable to owners of Black Star Petroleum Limited			
Basic and diluted loss per share (cents per share)	11	(0.03)	(0.05)

Consolidated Statement of Financial Position *as at 30 June 2018*

	Notes	2018	2017
		$	$
CURRENT ASSETS			
Cash and cash equivalents	5	6,099	8,919
Other receivables		348	2,106
TOTAL CURRENT ASSETS		**6,447**	**11,025**
TOTAL ASSETS		**6,447**	**11,025**
CURRENT LIABILITIES			
Trade and other payables	6	192,420	149,504
Borrowings	7	486,000	399,000
TOTAL CURRENT LIABILITIES		**678,420**	**548,504**
TOTAL LIABILITIES		**678,420**	**548,504**
NET LIABILITIES		**(671,973)**	**(537,479)**
EQUITY			
Issued capital	8	20,768,255	20,768,255
Reserves	9	886,667	886,667
Accumulated losses	10	(22,326,865)	(22,192,401)
TOTAL DEFICIENCY		**(671,973)**	**(537,479)**

Consolidated Statement of Changes in Equity *for the year ended 30 June 2018*

	Issued Capital $	Accumulated Losses $	Share Based Payment Reserve $	Foreign Currency Translation Reserve $	Option Reserve $	Total $
Balance at 1 July 2017	**20,768,255**	**(22,192,401)**	**666,667**	**-**	**220,000**	**(537,479)**
Loss for the year	-	(134,464)	-	-	-	(134,464)
Total comprehensive loss for the year	**-**	**(134,464)**	**-**	**-**	**-**	**(134,464)**
Transactions with owners in their capacity as owners						
Balance as at 30 June 2018	**20,768,255**	**(22,326,865)**	**666,667**	**-**	**220,000**	**(671,943)**
Balance at 1 July 2016	**20,768,255**	**(21,934,277)**	**666,667**	**-**	**220,000**	**(279,355)**
Loss for the year	-	(258,124)	-	-	-	(258,124)
Other comprehensive income	-	-	-		-	-
Total comprehensive loss for the year	**-**	**(258,124)**	**-**	**-**	**-**	**(258,124)**
Transactions with owners in their capacity as owners						
Balance as at 30 June 2017	**20,768,255**	**(22,192,401)**	**666,667**	**-**	**220,000**	**(537,479)**

Consolidated Statement of Cash Flows *for the year ended 30 June 2018*

	Notes	2018 $	2017 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		1	122
Payments to suppliers and employees		(89,821)	(302,536)
Other receipts		-	-
NET CASH FLOWS USED IN OPERATING ACTIVITIES	5	**(89,820)**	**(302,414)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of available-for-sale investment		-	-
Exploration and evaluation expenditure		-	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**-**	**-**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		87,000	299,000
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		**87,000**	**299,000**
Net decrease in cash and cash equivalents		(2,820)	(3,414)
Cash and cash equivalents at beginning of year		8,919	12,332
CASH AND CASH EQUIVALENTS AT END OF YEAR	5	**6,099**	**8,918**

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 2018 was authorised for issue in accordance with a resolution of the Directors on 28 September 2018.

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, for the financial years ended 30 June 2017 and 30 June 2018, the Group incurred losses of $258,124 and $134,464 respectively. The Group had net cash outflows from operating activities of $89,820 (2017: $302,414) and no cash outflows from investing activities (2017: $0 inflow) for the year ended 30 June 2018. As at that date, the Group had net current liabilities of $671,973. 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 from the date of signing the annual report.

During the 2016 financial year, the Company entered into a 12-month unsecured loan facility of $500,000 with Mr. Chin Han Tan. The facility was extended for a further 12 months in May 2017. As at 30 June 2018, $486,000 had been drawn down and Mr. Chin Han Tan extended repayment date for an additional 6 months or until the Company has sufficient funds from which to repay the loan, whichever is earlier. The interest rate on the loan agreement is 9.25% per annum.

The Directors are of the opinion that there are reasonable grounds to believe that the Company and Group will continue as a going concern, after consideration of the following factors:

- Post year end, the Company successfully raised $152,484 through a placement of 117,503,170 fully paid ordinary shares at $0.0012977 per share to sophisticated investors;
- Post year end, the Company raised $493,000 through the issue of 493 convertible notes with a face value of $1,000, interest rate of 9% per annum and a maturity date of 13 August 2020;
- The Directors have reduced discretionary spending and are not seeking payment of Directors' fees or fees owing to Director related entities until the Company has sufficient funds;
- The majority of the liabilities of the Company are to related parties; and
- The Group has the ability to sell its remaining interest in the Nebraska Oil Project.

In considering the above, the Directors have reviewed the Group's financial position and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Group will be able to secure funds to meet non-related party creditors.

There are a number of inherent uncertainties relating to the Group's future plans including but not limited to:

- There is doubt as to whether the Company will be able to raise equity in this current market; and
- There is doubt as to whether the Group would be able to secure any other sources of funding.

Accordingly, there is a material uncertainty that may cast significant doubt whether the Group will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in 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 a going concern.

(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.

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;
- 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 2018, the Directors have reviewed all 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 Directors 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 Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2018. 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.

(f) 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.

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

Class of Fixed Asset	*Depreciation Rate*
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.

(g) 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.

(h) 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.

(i) 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 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.

(j) 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.

(k) 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.

(l) 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.

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 reserves, 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.

Impairment of Available-For-Sale Financial Assets

The Group follows the guidance of AASB 139 *Financial Instruments* recognition and measurement to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

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

(n) 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.

(o) 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.

(p) Earnings per Share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit/loss 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/loss 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.

(q) 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.

(r) Trade and Other Payables

Liabilities for trade creditors and other amounts are measured at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

(s) 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 16.

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 11.

(t) Comparative Information

When required by Accounting Standards, comparative information has been reclassified to be consistent with the presentation in the current year.

(u) 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 Group 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, which 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.

(v) 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.

(w) Finance Costs

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

(x) 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.

	2018	2017
	$	$
4. Income Tax		
(a) Income tax expense		
Major component of tax expense for the year:		
Current tax	-	-
Deferred tax	-	-
	-	-
(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	(134,464)	(258,124)
Tax at the company rate of 27.5%	(36,978)	(70,984)
Income tax benefit not bought to account	36,978	70,984
Income tax expense	-	-
The following tax balances have not been brought to account:		
Liabilities		
Total exploration and evaluation expenditure	-	-
Offset by deferred tax assets	-	-
Deferred tax liability	-	-
Assets		
Total losses available to offset against future taxable income	3,365,630	3,310,142
Total accrued expenses	18,611	20,110
Total share issue costs deductible over five years	37,398	61,197
Total deferred tax assets offset against deferred tax liabilities	-	-
Deferred tax assets not brought to account as realisation is not regarded as probable	(3,421,639)	(3,391,449)
Deferred tax asset	-	-
(c) Unused tax losses		
Unused tax losses	12,442,324	12,036,880
Potential tax benefit not recognised at 27.5% (2017: 27.5%)	**3,421,639**	**3,310,142**

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 the country in which the tax losses occurred, and

(iii) no changes in tax legislation in Australia, adversely affect the Group in realising the benefit from the deductions for the losses.

As at the date of this report, the Directors have not quantified the extent of prior year tax losses that would be eligible to be carried forward and offset against future assessable income.

	2018	2017
	$	$
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	(134,494)	(258,124)
Non-cash items		
Impairment of receivables	-	26,732
Changes in assets and liabilities:		
Trade and other creditors	42,916	(50,076)
Trade and other receivables	1,758	24,626
Net cash flow used in operating activities	**(89,820)**	**(302,414)**
b) Reconciliation of cash at bank	**6,099**	**8,918**

6. Trade and Other Payables

Trade creditors	50,076	54,426
Accruals	142,344	95,078
Total Trade and Other Payables	**192,420**	**149,504**

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.

7. Borrowings

Loan from third party	486,000	399,000
	486,000	**399,000**

During the 2016 financial year, the Company entered into a 12 month unsecured loan facility of $500,000 with Mr. Chin Han Tan. The facility was extended for a further 12 months in May 2017. As at 30 June 2018, $486,000 had been drawn down and Mr. Chin Han Tan extended repayment date for an additional 6 months or until the Company has sufficient funds from which to repay the loan, whichever is earlier. The interest rate on the loan agreement is 9.25% per annum.

	2018	2017
	$	**$**
8. Issued Capital		
(a) Issued and paid up capital		
Ordinary shares fully paid	**20,768,255**	**20,768,255**

	2018		2017	
	Number of shares	**$**	**Number of shares**	**$**
(b) Movements in ordinary shares on issue				
Opening balance	530,012,680	20,768,255	530,012,680	20,768,255
Closing balance	**530,012,680**	**20,768,255**	**530,012,680**	**20,768,255**

(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 2018, the Group has net liabilities of $671,973 (2017: $537,479). 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 15 for further information on the Group's financial risk management policies.

(a) Share options

As at the date of this report, there were no unissued ordinary shares under options (none at the reporting date).

	2018	2017
	$	$
9. Reserves		
Share based payment reserve	666,667	666,667
Option premium reserve	220,000	220,000
	886,667	**886,667**
Movements in Reserves		
Share based payment reserve		
At beginning of the year	666,667	666,667
Share based payments	-	-
Closing balance	**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	220,000
Issue of options	-	-
Closing balance	**220,000**	**220,000**

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

10. Accumulated Losses

Movements in accumulated losses were as follows:

Opening balance	(22,192,401)	(21,934,277)
Loss from continuing operation after income tax	(134,464)	(258,124)
Closing balance	**(22,326,865)**	**(22,192,401)**

11. Loss per Share

Loss used in calculating basic and dilutive EPS	(134,464)	(258,124)
Weighted average number of ordinary shares used in calculating basic and diluted loss per share:	530,012,680	530,012,680
Effect of dilution:		
Share options	-	-
Adjusted weighted average number of ordinary shares used in calculating diluted loss per share:	530,012,680	530,012,680

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.

	2018	2017
	$	$

12. Auditor's Remuneration

The auditor of Black Star Petroleum Limited is HLB Mann Judd, the auditors of the previous financial year HLB Mann Judd.

	2018 $	2017 $
- Audit or review of the financial report	23,000	23,000
- Non-audit related services	-	-
	23,000	**23,000**

13. 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:

	2018 $	2017 $
Short term employee benefits	6,000	36,000
Share based payments	-	-
Post employment benefits	-	-
Total remuneration	**6,000**	**36,000**

14. 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	
		2018	2017
Constellation Resources LLC	USA	100%	100%

Black Star Petroleum Limited is the parent entity and ultimate parent of the Group.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and not disclosed in this note. Details of transactions between the Group and other related entities are disclosed below.

Loans with key management personnel

On 3 June 2017, Mr. Chin Han Tan was appointed to the Board as Non-Executive Chairman. In May 2016, prior to his appointment, Mr. Tan agreed to provide the Company with a 12 month unsecured loan facility of $500,000. The facility was extended for a further 12 months in May 2017. As at 30 June 2018, $486,000 had been drawn down. The interest rate on the loan agreement is 9.25% per annum.

Other transactions with key management personnel

JCL Capital Pty Ltd, a company in which Mr. David Low is a director and shareholder, provided the Group with consulting services totaling nil (2017: $47,000). $30,242 (2017: $30,242) was outstanding at year end. These amounts are not included as consulting fees within the remuneration report.

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

15. 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.

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 and borrowings. As at 30 June 2018 all financial liabilities are contractually matured within 60 days with the exception of borrowings which have a maturity date of 12 months. The undiscounted contractual maturity amounts of the Company's borrowings is based upon the earliest date the Group can be required to repay. The amount is $560,667 (2017: $432,832) and includes both interest and principal cash flows.

(b) 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 2018, 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 2018.

16. Parent Entity Information

(a) Parent financial information

The following details information related to the parent entity, Black Star Petroleum Limited, at 30 June 2018. The information presented here has been prepared using consistent accounting policies as presented in note 2.

	2018 $	2017 $
Current assets	6,447	11,025
Non-current assets	-	-
Total assets	**6,447**	**11,025**
Current liabilities	(678,420)	(548,503)
Total liabilities	**(678,420)**	**(548,503)**
Net liabilities	**(671,973)**	**(537,478)**
Issued capital	20,768,225	20,768,255
Reserves	886,667	886,667
Accumulated losses	(22,326,865)	(22,192,370)
Total deficiency	**(671,973)**	**(537,478)**
Loss of the parent entity	(134,464)	(258,124)
Other comprehensive income for the year	-	-
Total comprehensive loss of the parent entity	**(134,464)**	**(258,124)**

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

Black Star Petroleum Limited has no other commitments and contingencies as at 30 June 2018.

17. Contingent Liabilities

There are no known contingent liabilities as at 30 June 2018 (2017: Nil).

18. Commitments for Expenditure

At 30 June 2018 the Group has no commitments (2017: Nil).

19. 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 2018.

The balance of the franking account is Nil at 30 June 2018 (2017: Nil).

20. Subsequent Events

On 31 July 2018, the Company appointed Mr. Nicholas Ong as Non-Executive Chairman with Mr. Chin Han Tan stepping down as Chairman and remaining on the Board as a Non-Executive Director.

On 6 August 2018, the Company announced a placement to sophisticated investors of 117,503,170 shares at $0.0012977 per share to raise $152,484. The Company also announced that 15,000,000 unlisted options with an exercise price of $0.003 and expiry date of 3 August 2020 were issued as compensation for assistance with the completion of the placement.

On 13 August 2018, the Company announced it had issued 493 redeemable convertible notes with a face value of $1,000 to raise $493,000. The notes mature on 13 August 2020 and have an interest rate of 9% per annum. The number of shares to be issued in respect of each note will be calculated by dividing the face value of the notes by a conversion price of $0.0013.

On 14 August 2018, the Company appointed Dr. Po-Tao Wei as Executive Director of the Company with Mr. Prabir Mittra resigning as Director of the company.

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

Black Star Petroleum Limited – Auditor's Independence Declaration

In accordance with a resolution of the Directors of Black Star Petroleum Limited ("the Company"), 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 2018 and of its performance, for the year ended on that date; and

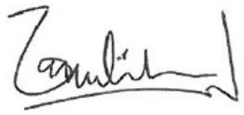
      (ii) complying with Australian Accounting Standards, the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements; and

   (b) there are reasonable grounds to believe that the Company 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 to the Directors in accordance with section 295A of the *Corporations Act 2001*, for the year ended 30 June 2018.

On behalf of the Board



Chin Han Tan
Non-Executive Director
28 September 2018

HLB Mann Judd

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Black Star Petroleum Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(b) any applicable code of professional conduct in relation to the audit.

Perth, Western Australia
28 September 2018

D I Buckley
Partner

HLB Mann Judd (WA Partnership) ABN 22 193 232 714

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HLB Mann Judd

Accountants | Business and Financial Advisers

Independent Auditor's Report
To the Members of Black Star Petroleum Limited

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Black Star Petroleum Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Material Uncertainty Regarding Going Concern

We draw attention to Note 2 (a) in the financial report, which indicates the existence of a material that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. We have determined that there are no key audit matters to communicate in our report, other than the matter described in the Material uncertainty related to going concern section above.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.

HLB Mann Judd

If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Black Star Petroleum Limited for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Buckley

D I Buckley
Partner

Perth, Western Australia
28 September 2018

Corporate Governance Statement 2018

This statement has been approved by the Board. It is current as at 28 September 2018.

Black Star's approach to Corporate Governance

This Statement addresses how Black Star implements the ASX Corporate Governance Council's 'Corporate Governance Principles and Recommendations – 3rd Edition (referred to as either ASX Principles or Recommendations).

Principle 1: Lay solid foundations for management and oversight

Recommendation 1.1 *– A listed entity should disclose:*

a) the respective roles and responsibilities of its board and management;
b) those matters expressly reserved to the board and those delegated to management.

Role of the Black Star Board ('the Board")
The Board is responsible for the governance of Black Star. The role of the Board is to provide overall strategic guidance and effective oversight of management. The Board derives its authority to act from Black Star's Constitution.

The Board's responsibilities are set out in a formal Charter.

The major powers the Board has reserved to itself are:

- Appointment of the Chief Executive Officer and other senior executives and the determination of their terms and conditions including remuneration and termination;
- Driving the strategic direction of the Company, ensuring appropriate resources are available to meet objectives and monitoring management's performance;
- Reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- Approving and monitoring the progress of major capital expenditure, capital management and significant acquisitions and divestitures;
- Approving and monitoring the budget and the adequacy and integrity of financial and other reporting;
- Approving the annual, half yearly and quarterly accounts;
- Approving significant changes to the organisational structure;
- Approving the issue of any shares, options, equity instruments or other securities in the Company (subject to compliance with ASX Listing Rules);
- Ensuring a high standard of corporate governance practice and regulatory compliance and promoting ethical and responsible decision making;
- Recommending to shareholders the appointment of the external auditor as and when their appointment or re-appointment is required to be approved by them (in accordance with the ASX Listing Rules); and
- Meeting with the external auditor, at their request, without management being present.

Delegation to the CEO
The Board delegates to the CEO responsibility for implementing Black Star's strategic direction and for managing Black Star's day-to-day operations.

Recommendation 1.2 *– A listed entity should:*

a) undertake appropriate checks before appointing a person or putting forward to security holders a candidate for election, as a director;
b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

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.

When considering the appointment of a new Director, the Board may engage the services of an executive recruitment firm to assist identify suitable candidates to be shortlisted for consideration for appointment to the Board and to carry out appropriate reference checks before the Board makes an offer to a preferred candidate.

Newly appointed directors must stand for reappointment at the next subsequent AGM. The Notice of Meeting for the AGM provides shareholders with information about each Director standing for election or re-election including details of relevant skills and experience.

Recommendation 1.3 *– A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.*

New Directors consent to act as a Director and receive a formal letter of appointment which sets out duties and responsibilities, rights, and remuneration entitlements. Senior executives will have a contract of employment setting out the terms of their employment. At present the Company does not employ any executives.

Recommendation 1.4 *– The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.*

The Company Secretary has a direct line of communication with the Chairman and all Directors, and is responsible for advising the Board and committees on governance matters, monitoring Board and Committee policy and procedure adherence and supporting the proper functioning of the Board.

Recommendation 1.5 *– A listed entity should:*

a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;

b) disclose that policy or a summary of it; and

c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:

   1. the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or

   2. if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.

The Group has not disclosed its policy concerning diversity, its measurable objectives for achieving gender diversity and its progress towards achieving those objectives. The Board continues to monitor diversity across the organization however 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.

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 discloses there were no women employed in the organisation or on the Board of the Group as at the date of this report.

Recommendation 1.6 *– A listed entity should:*

a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and

b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

Given the size of the Company, formal procedures for evaluating the performance of the board, committees and individual directors have not been developed. The Company conducts these aspects on an ongoing basis and takes corrective action if required. During the reporting period, a performance evaluation of the Board was not undertaken.

Recommendation 1.7 *– A listed entity should:*

a) have and disclose a process for periodically evaluating the performance of its senior executives; and

b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

A performance evaluation was not under taken of senior executives as no senior executives are presently employed.

Principle 2: Structure the Board to add value

Black Star's Constitution provides for a minimum of three directors and a maximum of twelve.

The Directors of Black Star at any time during the financial year are listed with a brief description of their qualifications, appointment date, experience and special responsibilities in the Annual Report.

Recommendation 2.1 – *The board of a listed entity should:*

- a) *have a nomination committee which:*
  1. *Has at least three members, a majority of whom are independent directors; and*
  2. *Is chaired by an independent director;*

  and disclose:

  3. *the charter of the committee;*
  4. *the members of the committee; and*
  5. *as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or*
- b) *if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable to discharge its duties and responsibilities effectively.*

The Group does not have a Nomination committee. As the Board currently comprises only three directors, it has been decided that there are no efficiencies to be gained by, and, given the current size and composition of the Board, it is not practicable to, form a separate 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. The current board members will, when considering matters within the ambit of the Nomination Committee Charter, be guided by and, to the extent practicable, act in accordance with, that Charter.

Recommendation 2.2 – *A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.*

The Group does not have an established board skills matrix on the mix of skills and diversity for Board membership. The Board continues to monitor the mix of skills and diversity on the Board, however, due to the size of the Group, the Board does not consider it appropriate at this time to formally set a matrix on the mix of skills and diversity for Board membership.

Recommendation 2.3 – *A listed entity should disclose:*

- a) *the names of the directors considered by the board to be independent directors;*
- b) *if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion and*
- c) *the length of service of each director.*

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 Act 2001) of the Group or an officer of, or otherwise associated, directly or indirectly, with a substantial shareholder of the Group;
- has not within the last three years been employed in an executive capacity by the Group or another Group member, or been a Director after ceasing to hold any such employment;
- is not a principal of a professional adviser to the Group or another Group member;
- is not a significant consultant, supplier or customer of the Group or another Group 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 Group or another Group member other than as a Director of the Group;
- 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 Group."

In accordance with the definition of independence above, one of the Company's four Directors is considered independent. Accordingly, a majority of the Board is not independent. Given the size of the Group the current Board is deemed appropriate. 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
Mr. Nicholas Ong	2 months
Dr. Po-Tao Wei	1 month
Mr. Chin Han Tan	1 Year 4 months
Mr. Donald Jones (Independent)	1 Year 1 month

Recommendation 2.4 *– The majority of the Board of a listed entity should be independent Directors.*

The majority of the Board does not comprise independent directors (1 of the 4 directors are independent).

Recommendation 2.5 *– The Chair of the Board of a listed entity should be an independent Director and, in particular, should not be the same person as the CEO of the entity.*

Under Black Star's Constitution, the Board elects a Chairman from amongst the Directors. If a Chairman ceases to be an independent Director then the Board will consider appointing a lead independent Director. Black Star's Chairman, Nicholas Ong, is not considered an independent Director. The Board believes the Chairman is able to, and does, bring expertise and independent judgement to all relevant issues falling within the scope of his role as Chairman.

In the event that there are matters to be considered where it might be determined that the Chairman might be considered challenged to remain independent there are procedures in place for an independent director to fulfill the role of Chair for the purposes of the matter being considered.

Recommendation 2.6 *– A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.*

New directors are given a package of relevant information concerning the Company. All Directors are expected to maintain the skills required to effectively discharge their obligations to the Company. Directors are encouraged to undertake continuing professional education.

Principle 3: Act ethically and responsibly

Recommendation 3.1 *– A listed entity should:*

a) have a code of conduct for its directors, senior executives and employees; and
b) disclose that code or a summary of it.

The Company has established a Code of Conduct that sets out the standards of behaviour expected of all its employees, directors, officers, contractors and consultants. The Code of Conduct sets out Black Star's commitment to successfully conducting its business in accordance with all applicable laws and regulations while demonstrating and promoting the highest ethical standards and commitment to remaining a good corporate citizen.

Principle 4: Safeguard integrity in corporate reporting

Recommendation 4.1 *– A board of a listed entity should:*

a) have an audit committee which:
   1. has at least three members, all of whom are non-executive directors and a majority of whom are independent; and
   2. is chaired by an independent director, who is not the chair of the board,
   and disclose:
   3. the charter of the committee;
   4. the relevant qualifications and experience of the members of the committee; and
   5. in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard that integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

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. The Directors consider this as appropriate to the size and nature of operations of the Group.

Charter of the 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.

Recommendation 4.2 *– The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.*

A director of the Company and Black Star's contract Financial Officer have provided the Board with written assurances that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal compliance and control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Recommendation 4.3 *– A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.*

The external auditor attends Black Star's Annual General Meeting. Shareholders may submit written questions to the auditor to be considered at the meeting in relation to the conduct of the audit and the preparation and content of the Independent Audit Report by providing the questions to Black Star at least five business days before the day of the meeting. Shareholders are also given a reasonable opportunity at the meeting to ask the auditor questions relevant to the conduct of the audit, the Independent Audit Report, the accounting policies adopted by Black Star and the independence of the auditor.

Principle 5: Make timely and balanced disclosure

Recommendation 5.1 *– A listed entity should:*

a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and
b) disclose that policy or a summary of it.

The Company's Continuous Disclosure Policy sets out the key obligations of the Company's Directors, officers, employees and consultants in relation to continuous disclosure as well as the Company's obligations under the Listing Rules.

Principle 6: Respect the rights of shareholders

Recommendation 6.1 *– A listed entity should provide information about itself and its governance to investors via its website.*

The Company's Corporate Governance Statement is available on the Company's website (under construction) and the ASX announcements platform.

Recommendation 6.2 *– A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.*

Black Star is committed to communicating effectively with its shareholders and making it easier for shareholders to communicate with the Group.

Black Star promotes effective communication with shareholders and encourages effective participation at general meetings, information is communicated to shareholders:

- Through the release of information to the market via the ASX;
- Through the Annual Report, half yearly report and quarterly reports;
- Through the distribution of the annual report and notices of annual general meeting;
- Through shareholder meetings; and
- 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.

Recommendation 6.3 *– A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.*

The Board encourages the attendance of Shareholders at security holder meetings and sets the time and place of each meeting to promote maximum attendance by shareholders.

At security holder meetings, the Chairman welcomes questions from investors, as well as encouraging attendees to bring forward any other matters they may wish to discuss after the business of the meeting has been conducted.

Recommendation 6.4 *– A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.*

Shareholders have the option of electing to receive all shareholder communications by e-mail. Black Star provides a printed copy of the Annual Report to only those shareholders who have specifically elected to receive a printed copy. Other shareholders are advised that the Annual Report is available on the Black Star website (under construction) and the ASX announcements platform.

All announcements made to the ASX are available to shareholders by email notification when a shareholder provides the Black Star Share Registry with an email address and elects to be notified of all Black Star ASX announcements.

Black Star's Share Register is managed and maintained by Automic Share Registry Services Pty Ltd. Shareholders can access their shareholding details or make enquiries about their current shareholding electronically by quoting their Shareholder Reference Number (SRN) or Holder Identification Number (HIN), via the Automic Share Registry Investor Online Login or by emailing info@automic.com.

Principle 7: Recognise and manage risk

Recommendation 7.1 *– A board of a listed entity should:*

a) have a committee or committees to oversee risk, each of which:
  1. has at least three members, all of whom are non-executive directors and a majority of whom are independent; and
  2. is chaired by an independent director, who is not the chair of the board,

  and disclose:
  3. the charter of the committee;
  4. the members of the committee; and
  5. as at the end of each reporting period the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.

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.

Details of the structure and Charter of the Audit and Risk Management Committee are set out in Recommendation 4.1.

Recommendation 7.2 *– The board or a committee of the board should:*

a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and

b) disclose, in relation to each reporting period, whether such a review has taken place.

Risk Management Policies

Black Star has a number of other policies that directly or indirectly serve to reduce and/or manage risk. These include, but are not limited to:

- Directors and Executive Offices' Code of Conduct
- Code of Business Conduct
- Dealing in Company Securities
- Communications Strategy
- Disclosure Policy
- Risk Management and Internal Control Policy

Roles and responsibilities

The Risk Management Policy, and the other policies listed above, describes the roles and responsibilities for managing risk. This includes, as appropriate, details of responsibilities allocated to the Board.

The Board is responsible for reviewing and approving changes to the Risk Management Policy and for satisfying itself that Black Star has a sound system of risk management and internal control that is operating effectively. The Board annually reviews and approves Black Star's main risk exposures and the mitigating actions.

Recommendation 7.3 *– A listed entity should disclose:*

a) If it has an internal audit function, how the function is structured and what role it performs; or

b) If it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.

The Group does not have an established internal audit function given the size of its current operations. The risk management functions of the board are summarised under recommendations 7.1 and 7.2.

Recommendation 7.4 *– A listed entity should disclose whether it has any material exposure to economic and social sustainability risks and, if it does, how it manages or intends to manage those risks.*

The Board of Black Star informally monitors and manages the Group's exposure to economic, environment and social responsibility risks. The Board considers that the current approach that it has adopted with regard to the sustainability risk management process is appropriate to the size and nature of operations of the Group. Further disclosures are provided in the Annual Report.

Principle 8: Remunerate fairly and responsibly

Recommendation 8.1 *– A board of a listed entity should:*

a) have a remuneration committee which:

1. has at least three members, all of whom are non-executive directors and a majority of whom are independent; and

2. is chaired by an independent director,

and disclose:

3. the charter of the committee;

4. the members of the committee; and

5. as at the end of each reporting period the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

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.

***Recommendation 8.2** – A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.*

Black Star's remuneration structure distinguishes between non-executive Directors and that of a CEO. A Remuneration Report required under Section 300A(1) of the Corporations Act is provided in the Directors' Report of the Annual Report.

***Recommendation 8.3** – A listed entity which has an equity-based remuneration scheme should:*

a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and
b) disclose that policy or a summary of it.

Black Star does not have a policy on whether participants in equity based remuneration schemes are able to enter into transactions which limit the economic risk of participating in those schemes as the Group does not have an equity based remuneration scheme.

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 23 September 2018.

Substantial Shareholders
The number of shares held by substantial shareholders and their associates are set out below:

Shareholder Name	No. of Ordinary Shares	Percentage %
MR ONN KUAN TAN	92,136,489	17.38%
YEO KOK HAI PARRY	82,331,255	15.53%
SUNSET CAPITAL MANAGEMENT PTY LTD <SUNSET SUPERFUND A/C>	43,062,350	8.12%
ROBERT TI	31,800,761	6.00%

Distribution of Shareholders

	Ordinary Shares	
Holding Ranges	**Number of Holders**	**Number of Shares**
1 - 1,000	6	1,000
1,001 - 5,000	0	0
5,001 - 10,000	57	569,031
10,001 - 100,000	102	5,169,849
100,001 and above	141	641,775,970
Totals	**306**	**647,515,850**

Based on a price of $0.002 per share, the number of holders with an unmarketable holding was 205, with a total 12,729,891 shares, amounting to 1.97% of the issued capital.

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 Shareholders

Name	No. of Ordinary Shares Held	%
PIN CHUN HSU	117,503,170	18.15%
PO TAO WEI	114,132,016	17.63%
MR ONN KUAN TAN	92,136,489	14.23%
CELTIC CAPITAL PTY LTD <THE CELTIC CAPITAL A/C>	43,062,350	6.65%
KOH WAI CHEE	41,605,995	6.43%
MR CHIEN-CHIH KAO	26,209,201	4.05%
MR DAVID WALLS	22,500,000	3.47%
MONTREUX MANAGEMENT PTY LTD	21,000,251	3.24%
KOUTO HOLDINGS PTY LTD <WOOD FAMILY SUPER FUND A/C>	17,400,000	2.69%
MR CHARLES MAC	9,968,954	1.54%
MR MICHAEL JAMES REID	8,000,000	1.24%
RHB SECURITIES SINGAPORE PTE LTD <CLIENTS A/C>	7,701,000	1.19%
HUMBLE PTY LTD <HUMBLE FAMILY A/C>	7,638,738	1.18%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	6,650,000	1.03%
MS ZOLZAYA BYAMBAA	6,000,000	0.93%
RHET INVESTMENTS PTY LTD <RHET SUPER FUND A/C>	5,054,991	0.78%
GREGORY WOOD	5,050,000	0.78%
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	4,000,017	0.62%
CITICORP NOMINEES PTY LIMITED	3,922,499	0.61%
MR TIMOTHY JAMES FLAVEL <THE FLAVEL INVESTMENT A/C>	3,850,000	0.59%
Total	**563,385,671**	**87.01%**

Top Twenty Option Holders Expiry 3 August 2020 Exercisable at $0.003

Name	No of Options Held	%
ROBERT TI	15,000,000	100%
Total	**15,000,000**	**100.00%**

Tenement Table

The Company currently doesn’t hold any tenements.