



ACN 147 370 312

Financial Report for the half-year ended
31 December 2014

CORPORATE DIRECTORY

Directors

Mr Matthew Wood (Executive Chairman)

Mr Brian McMaster (Non-Executive Director)

Mr Mark Reilly (Non-Executive Director)

Senior Management

Mr Greg Wood (Chief Executive Officer)

Company Secretary

Mr Jonathan Hart

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Auditors

HLB Mann Judd

Level 4

130 Stirling Street

Perth WA 6000

Stock Exchange

Australian Securities Exchange

(Home Exchange: Perth, Western Australia)

ASX Code: BSP, BSPO

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DIRECTORS' REPORT

The Directors of Black Star Petroleum Limited ("Black Star" or "the Company") submit the financial report for the half-year ended 31 December 2014. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

Directors

The names of Directors who held office during or since the end of the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Mr Matthew Wood	Executive Chairman
Mr Brian McMaster	Non-Executive Director
Mr Mark Reilly	Non-Executive Director (appointed 3 July 2014)
Mr Anthony Polglase	Non-Executive Director (resigned 3 July 2014)

Results

The loss after tax for the half-year ended 31 December 2014 was \$600,906 (2013: loss of \$372,290).

Review of Operations

During the half-year, the Company announced a renounceable entitlement issue of six shares for every one share held at an issue price of \$0.005 per share to raise \$3,424,030 with \$1,250,000 being underwritten (see ASX announcement 1 August 2014). A total of 365,911,680 shares were issued.

During the half-year the Company realised a portion of its investment in The Global Resources Investment Trust Plc ("GRIT") through the sale of 557,159 GRIT shares during the half-year. The Company received a total of \$328,072 on settlement of the transactions.

In August 2014 the Company entered into a Controlled Placement Agreement ("CPA") with Acuity Capital. The CPA provides Black Star with up to \$1 million of standby equity capital over the coming 12 months. Black Star retains full control of the placement process, including having sole discretion as to whether or not to utilise the CPA. Black Star is under no obligation to raise capital under the CPA.

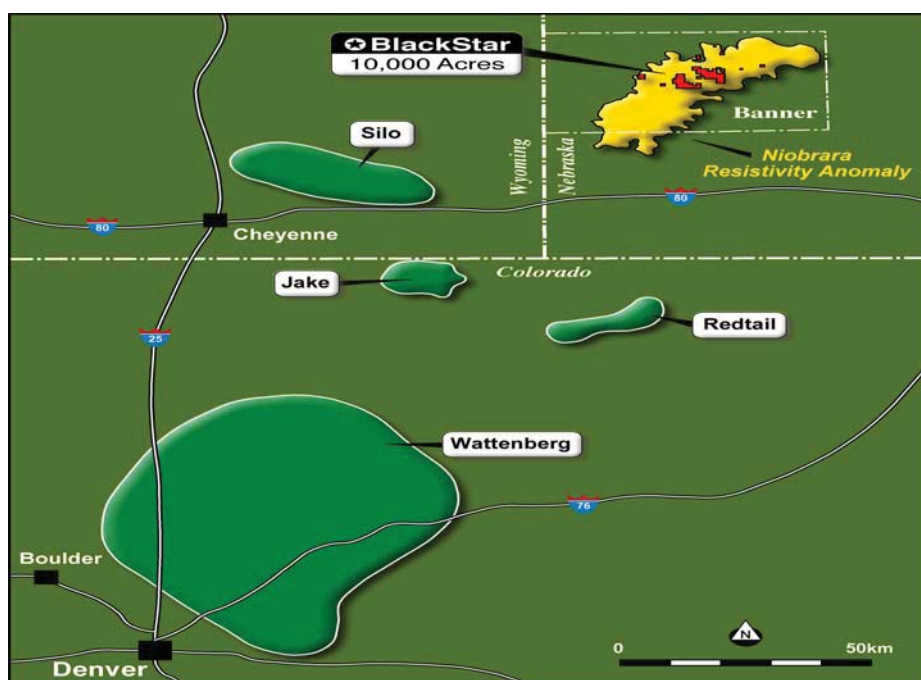
On 3 July 2014 Mr Anthony Polglase resigned from his position as a Non-Executive Director of Black Star. Mr Mark Reilly joined the Board as a Non-Executive Director on 3 July 2014.

During the half-year the Company continued to source funding to commercialise the recent Niobrara oil discovery. Black Star has previously confirmed the potential for a major oil discovery in the Niobrara Formation within Banner County, South Western Nebraska.

About Black Star

Black Star has a 73.07% working interest in approximately 10,000 acres in Banner County (refer to *Figure 1* on the next page) Nebraska USA, under the Joint Venture with Bayswater Exploration where it is targeting oil production in the prolific Niobrara and Codell Formations. The Nebraska Oil Project represents outstanding potential for growth through both vertical and horizontal fracture stimulated wells.

Figure 1: Banner County



Auditor's Independence Declaration

Section 307C of the *Corporations Act 2001* requires our auditors, HLB Mann Judd, to provide the Directors of the Company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on page 3 and forms part of the Directors' Report for the half-year ended 31 December 2014.

This report is signed in accordance with a resolution of the Board of Directors.

Matthew Wood
Executive Chairman

Perth, Western Australia
9 March 2015



Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Black Star Petroleum Limited for the half-year ended 31 December 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.

Perth, Western Australia
9 March 2015

A handwritten signature in blue ink, appearing to read 'D I Buckley'.

D I Buckley
Partner

Condensed Consolidated Statement of Comprehensive Income

for the half-year ended 31 December 2014

	Notes	31 December 2014 \$	31 December 2013 \$
Revenue			
Interest received		347	1,733
Total revenue		347	1,733
Financial administration and compliance expense		(52,529)	(93,428)
Consulting fees		(152,500)	(127,000)
Legal fees		(27,600)	(3,279)
Corporate advisory expenses		(30,000)	(30,000)
Occupancy expenses		(60,000)	(60,000)
Administrative expenses		(19,134)	(23,811)
Travel expenses		(26,362)	(36,505)
Finance costs		(174,865)	-
Impairment of available-for-sale investment	2	(58,263)	-
Loss from continuing operations before income tax		(600,906)	(372,290)
Income tax expense		-	-
Loss from continuing operations after income tax		(600,906)	(372,290)
Net loss for the half-year		(600,906)	(372,290)
Other Comprehensive Income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		282,923	47,501
Other comprehensive income for the half-year net of tax		282,923	47,501
Total comprehensive loss for the half-year		(317,983)	(324,789)
Loss per share attributable to owners of Black Star Petroleum Limited			
Basic and diluted loss per share (cents per share)		(0.17)	(0.38)

Condensed Consolidated Statement of Financial Position

As at 31 December 2014

	Notes	31 December 2014 \$	30 June 2014 \$
Assets			
Current Assets			
Cash and cash equivalents		30,121	24,729
Trade and other receivables		141,044	130,166
Available-for-sale investments	2	331,188	717,523
Total Current Assets		502,353	872,418
Non-Current Assets			
Plant and equipment		-	276
Deferred exploration and evaluation expenditure	3	17,321,568	16,658,896
Total Non-Current Assets		17,321,568	16,659,172
Total Assets		17,823,921	17,531,590
Current Liabilities			
Trade and other payables	4	768,943	1,527,573
Borrowings		-	665,615
Total Current Liabilities		768,943	2,193,188
Total Liabilities		768,943	2,193,188
Net Assets		17,054,978	15,338,402
Equity			
Issued capital	5	20,768,255	18,733,696
Reserves		1,304,113	1,021,190
Accumulated losses		(5,017,390)	(4,416,484)
Total Equity		17,054,978	15,338,402

Condensed Consolidated Statement of Changes in Equity

for the half-year ended 31 December 2014

	Issued Capital \$	Accumulated Losses \$	Share Based Payment Reserve \$	Foreign Currency Translation Reserve \$	Option Reserve \$	Total \$
Balance at 1 July 2014	18,733,696	(4,416,484)	666,667	134,523	220,000	15,338,402
Loss for the half-year	-	(600,906)	-	-	-	(600,906)
Other comprehensive income	-	-	-	282,923	-	282,923
Total comprehensive loss for the half-year	-	(600,906)	-	282,923	-	(317,983)
Transactions with owners in their capacity as owners						
Shares issued in lieu of debt	250,000	-	-	-	-	250,000
Shares issued under entitlement issue	1,829,558	-	-	-	-	1,829,558
Transaction costs for entitlement issue	(44,999)	-	-	-	-	(44,999)
Balance at 31 December 2014	20,768,255	(5,017,390)	666,667	417,446	220,000	17,054,978
Balance at 1 July 2013	16,258,546	(974,782)	666,667	192,815	220,000	16,363,246
Loss for the half-year	-	(372,290)	-	-	-	(372,290)
Other comprehensive income	-	-	-	47,501	-	47,501
Total comprehensive loss for the half-year	-	(372,290)	-	47,501	-	(324,789)
Balance at 31 December 2013	16,258,546	(1,347,072)	666,667	240,316	220,000	16,038,457

Condensed Consolidated Statement of Cash Flows

for the half-year ended 31 December 2014

	31 December 2014 \$	31 December 2013 \$
Cash flows from operating activities		
Payments to suppliers and employees	(171,265)	(156,050)
Interest received	347	1,733
Net cash outflow from operating activities	(170,918)	(154,317)
Cash flows from investing activities		
Proceeds from sale of investment	328,072	-
Reimbursement of costs from joint venture partner	-	369,375
Payments for deferred exploration and evaluation expenditure	(164,238)	(355,003)
Net cash inflow provided by investing activities	163,834	14,372
Cash flows from financing activities		
Proceeds from issue of shares under entitlement issue	57,475	-
Share issue costs	(44,999)	-
Net cash inflow provided by financing activities	12,476	-
Net decrease in cash and cash equivalents	5,392	(139,945)
Cash and cash equivalents at 1 July 2014	24,729	400,286
Cash and cash equivalents at 31 December 2014	30,121	260,341

Notes to the Condensed Consolidated Financial Statements

for the half-year ended 31 December 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report of Black Star Petroleum Limited (the Company) for the half-year ended 31 December 2014 was authorised for issue in accordance with a resolution of the Directors on 9 March 2015.

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 principal activities of the Company are described in the Directors' Report.

Basis of Preparation

This financial report for the half-year ended 31 December 2014 has been prepared in accordance with AASB 134 Interim Financial Reporting and the *Corporations Act 2001*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Compliance with AASB 134 ensures compliance with IAS 134 'Interim Financial Reporting'.

These half-year financial statements do not include all notes of the type normally included within the annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full financial statements.

It is recommended that the half-year financial statements be read in conjunction with the annual financial statements for the year ended 30 June 2014 and considered together with any public announcements made by Black Star Petroleum Limited during the half-year ended 31 December 2014 in accordance with the continuous disclosure obligations of the ASX listing rules.

For the purpose of preparing the interim report, the half-year has been treated as a discrete reporting period. The accounting policies adopted are consistent with those of the previous financial year.

Accounting Policies and Methods of Computation

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding held-year reporting period. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

New and amending Accounting Standards and Interpretations

In the half-year ended 31 December 2014, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group's operations and effective for annual reporting periods beginning on or after 1 July 2014.

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

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2014. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Group's business and, therefore, no is change necessary to the Group accounting policies.

Notes to the Condensed Consolidated Financial Statements

for the half-year ended 31 December 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued**Significant Accounting Judgments and Key Estimates**

The preparation of half-year financial report requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this half-year financial report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated annual financial report for the year ended 30 June 2014.

Going Concern

The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, Black Star incurred a loss of \$600,906 and had net cash outflows from operating activities of \$170,918 for the half-year ended 31 December 2014. As at that date, the Company had net current liabilities of \$266,590.

Notwithstanding this, the Directors believe that there are reasonable grounds to believe that Black Star will be able to continue as a going concern, after consideration of the following factors:

- The Company is seeking to obtain further funding through additional share issues which have proven to be successful in the past;
- The Company expects to successfully generate further cash inflow from the sale of the investment shares held in Global Resources Investment Trust Plc (GRIT) as detailed in note 2;
- The CPA providing the Company with up to \$1 million of standby equity capital over the coming 12 months; and
- The Company has the ability to scale down its operations in order to reduce costs, in the event that any capital raising or other funding raising activities are delayed or insufficient cash is available, to meet future expenditure commitments.

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

If the Group is unable to raise further funding or reduce costs pursuant to the plans noted above, there would be a material uncertainty that may cast significant doubt as to 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 does not continue as a going concern.

Notes to the Condensed Consolidated Financial Statements

for the half-year ended 31 December 2014

NOTE 2: AVAILABLE-FOR-SALE INVESTMENTS

	Consolidated	
	31 December 2014 \$	30 June 2014 \$
Listed shares at fair value	331,188	717,523
	6 months to 31 December 2014 \$	Year ended 30 June 2014 \$
<i>Movements in available for sale investments:</i>		
Opening balance	717,523	-
Additions	-	2,475,000
Disposals	(328,072)	-
Impairment of investment	(58,263)	(1,757,477)
Closing balance	331,188	717,523

NOTE 3: DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated	
	6 months to 31 December 2014 \$	Year ended 30 June 2014 \$
Opening balance	16,658,896	16,022,917
Exploration expenditure during the period	383,145	1,387,766
Impairment loss	-	(697,186)
Net exchange difference on translation	279,527	(54,601)
Closing balance	17,321,568	16,658,896

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

NOTE 4: TRADE AND OTHER PAYABLES

	Consolidated	
	31 December 2014 \$	30 June 2014 \$
Trade creditors	565,993	1,265,106
Accruals	202,950	262,467
	768,943	1,527,573

Notes to the Consolidated Financial Statements

for the half-year ended 31 December 2014

NOTE 5: ISSUED CAPITAL

	Consolidated	
	31 December	30 June
	2014	2014
	\$	\$
Issued and paid up capital		
Issued and fully paid	20,768,255	18,733,696

	6 months to		Year Ended	
	31 December 2014		30 June 2014	
	No.	\$	No.	\$
Movements in issued capital				
Opening balance	114,101,000	18,733,696	99,100,000	16,258,546
Shares issued in lieu of debt ¹	50,000,000	250,000	-	-
Shares taken up under entitlement issue ²	11,495,004	57,475	-	-
Shares underwritten for entitlement issue ²	250,000,000	1,250,000	-	-
Shortfall shares taken up under entitlement issue ²	104,416,676	522,083	-	-
Transaction costs for entitlement issue ²	-	(44,999)	-	-
Shares issued under placement	-	-	1,000	150
Shares issued through share exchange agreement	-	-	15,000,000	2,475,000
Closing balance	530,012,680	20,768,255	114,101,000	18,733,696

¹ It was approved at the Annual General Meeting (AGM) on 25 November 2014 to issue 50,000,000 shares at \$0.005 per share in lieu of debt as detailed in the Notice of Meeting disclosed on the ASX on 22 October 2014.

² 365,911,680 shares at \$0.005 per share were issued under the Entitlement Issue Prospectus as disclosed on the ASX on 1 August 2014.

NOTE 6: SEGMENT REPORTING

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.

NOTE 7: DIVIDENDS

No dividends have been paid or provided for during the half-year (2013: nil).

NOTE 8: CONTINGENT LIABILITIES

There has been no change in contingent liabilities or contingent assets since the last annual reporting date.

NOTE 9: SUBSEQUENT EVENTS

There were no significant events subsequent to the half-year to the date of this report.

Notes to the Consolidated Financial Statements

for the half-year ended 31 December 2014

NOTE 10: FAIR VALUE MEASUREMENT

Fair value hierarchy

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

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

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Consolidated – 31 December 2014				
<i>Assets</i>				
Ordinary shares available-for-sale	331,188	-	-	331,188
Total assets	331,188	-	-	331,188

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Consolidated – 30 June 2014				
<i>Assets</i>				
Ordinary shares available-for-sale	717,523	-	-	717,523
Total assets	717,523	-	-	717,523

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

There were no transfers between levels during the half-year.

NOTE 11: RELATED PARTY TRANSACTIONS

During the half-year ended 31 December the following related party transactions occurred:

- 30,000,000 shares each were issued to Matthew Wood and Brian McMaster as underwriters per the Entitlement Issue Prospectus as disclosed on the ASX on 1 August 2014;
- 60,000,000 shares were issued to Garrison Equities Pty Ltd, of which Matthew Wood and Brian McMaster are shareholders and directors, as an underwriter per the Entitlement Issue Prospectus as disclosed on the ASX on 1 August 2014;

Notes to the Consolidated Financial Statements

for the half-year ended 31 December 2014

NOTE 11: RELATED PARTY TRANSACTIONS continued

- 27,802,176 shares of the shortfall in relation to the Entitlement Issue Prospectus as disclosed on the ASX on 1 August 2014 were issued to Greg Wood in full and final satisfaction of a portion of unpaid fees;
- 10,000,000 shares each were issued to Matthew Wood and Brian McMaster in full and final satisfaction of a portion of unpaid Director's fees as approved at the AGM on 25 November 2014; and
- 30,000,000 shares were issued to Garrison Capital Pty Ltd, of which Matthew Wood and Brian McMaster are shareholders and directors, in full and final satisfaction of a portion unpaid fees owed for services provided as approved at the AGM on 25 November 2014.

There were no other significant related party transactions during the half-year.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Black Star Petroleum Limited ('the Company'), the Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 4 to 13, are in accordance with the *Corporations Act 2001*, including:
 - a. complying with Accounting Standard AASB 134: *Interim Financial Reporting*, the Corporations Regulations 2001 and other mandatory professional reporting requirement; and
 - b. giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the half-year ended on that date.
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.



Matthew Wood
Executive Chairman
Perth, Western Australia
9 March 2015



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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Black Star Petroleum Limited

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Black Star Petroleum Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2014, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Black Star Petroleum Limited is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1 to the financial statements, which indicates that if the Group is unable to raise further funding or reduce costs, there is a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

A handwritten signature in blue ink that reads 'HLB Mann Judd'.

HLB Mann Judd
Chartered Accountants

A handwritten signature in blue ink that reads 'D I Buckley'.

D I Buckley
Partner

Perth, Western Australia
9 March 2015