



ACN 147 370 312

Financial Report for the half-year ended
31 December 2015

CORPORATE DIRECTORY

Directors

Mr Matthew Wood (Executive Chairman)

Mr Brian McMaster (Non-Executive Director)

Mr Mark Reilly (Non-Executive Director)

Company Secretary

Mr Jonathan Hart

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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 2015. 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

Results

The loss after tax for the half-year ended 31 December 2015 was \$2,940,321 (2014: loss of \$600,906).

Review of Operations

During the half-year the Company continued to seek funding to continue development of its Niobrara oil blocks. Black Star has previously confirmed the potential for an oil discovery in the Niobrara Formation within Banner County, South Western Nebraska, USA.

During the half-year the Company relinquished tenements MDL 107, EPM 14346 and EPM 18368 held in Queensland, Australia. The Company no longer holds any tenements in this area.

About Black Star

Black Star has a 73.07% working interest in approximately 10,000 acres in Banner County, Nebraska USA, under a Joint Venture with Bayswater Exploration where it is targeting oil production in the Niobrara and Codell Formations.

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 2 and forms part of the Directors' Report for the half-year ended 31 December 2015.

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



Matthew Wood
Executive Chairman

Perth, Western Australia
11 March 2016

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 2015, 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
11 March 2016**

**D I Buckley
Partner**

Condensed Consolidated Statement of Comprehensive Income

for the half-year ended 31 December 2015

	Notes	31 December 2015 \$	31 December 2014 \$
Revenue			
Interest received		202	347
Other revenue	2	373,470	-
Total revenue		373,672	347
Financial administration and compliance expense		(44,665)	(52,529)
Consulting fees		(164,000)	(152,500)
Legal fees		(203)	(27,600)
Corporate advisory expenses		(30,000)	(30,000)
Occupancy expenses		(60,000)	(60,000)
Administrative expenses		(1,920)	(19,134)
Travel expenses		-	(26,362)
Finance costs		-	(174,865)
Impairment of available-for-sale investment	3	(53,354)	(58,263)
Impairment of exploration expenditure	4	(2,959,851)	-
Loss from continuing operations before income tax		(2,940,321)	(600,906)
Income tax expense		-	-
Loss from continuing operations after income tax		(2,940,321)	(600,906)
Net loss for the half-year		(2,940,321)	(600,906)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		109,049	282,923
Other comprehensive income for the half-year net of tax		109,049	282,923
Total comprehensive loss for the half-year		(2,831,272)	(317,983)
Loss per share attributable to owners of Black Star Petroleum Limited			
Basic and diluted loss per share (cents per share)		(0.55)	(0.17)

Condensed Consolidated Statement of Financial Position

As at 31 December 2015

	Notes	31 December 2015 \$	30 June 2015 \$
Assets			
Current Assets			
Cash and cash equivalents		44,872	60,667
Trade and other receivables		10,034	37,877
Available-for-sale investments	3	25,333	78,687
Total Current Assets		80,239	177,231
Non-Current Assets			
Deferred exploration and evaluation expenditure	4	5,731,312	8,317,152
Total Non-Current Assets		5,731,312	8,317,152
Total Assets		5,811,551	8,494,383
Current Liabilities			
Trade and other payables	5	1,317,730	1,169,290
Total Current Liabilities		1,317,730	1,169,290
Total Liabilities		1,317,730	1,169,290
Net Assets		4,493,821	7,325,093
Equity			
Issued capital	6	20,768,255	20,768,255
Reserves		1,551,111	1,442,062
Accumulated losses		(17,825,545)	(14,885,224)
Total Equity		4,493,821	7,325,093

Condensed Consolidated Statement of Changes in Equity

for the half-year ended 31 December 2015

	Issued Capital \$	Accumulated Losses \$	Share Based Payment Reserve \$	Foreign Currency Translation Reserve \$	Option Reserve \$	Total \$
Balance at 1 July 2015	20,768,255	(14,885,224)	666,667	555,395	220,000	7,325,093
Loss for the half-year	-	(2,940,321)	-	-	-	(2,940,321)
Other comprehensive income	-	-	-	109,049	-	109,049
Total comprehensive loss for the half-year	-	(2,940,321)	-	109,049	-	(2,831,272)
Balance at 31 December 2015	20,768,255	(17,825,545)	666,667	664,444	220,000	4,493,821
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

Condensed Consolidated Statement of Cash Flows

for the half-year ended 31 December 2015

	31 December 2015 \$	31 December 2014 \$
Cash flows from operating activities		
Payments to suppliers and employees	(17,970)	(171,265)
Interest received	202	347
Receipt of refundable security deposit	2,500	-
Net cash outflow from operating activities	(15,268)	(170,918)
Cash flows from investing activities		
Proceeds from sale of investment	-	328,072
Payments for deferred exploration and evaluation expenditure	(527)	(164,238)
Net cash (outflow) / inflow provided by investing activities	(527)	163,834
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) / increase in cash and cash equivalents	(15,795)	5,392
Cash and cash equivalents at 1 July 2015	60,667	24,729
Cash and cash equivalents at 31 December 2015	44,872	30,121

Notes to the Condensed Consolidated Financial Statements

for the half-year ended 31 December 2015

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report of Black Star Petroleum Limited (the Company) for the half-year ended 31 December 2015 was authorised for issue in accordance with a resolution of the Directors on 11 March 2016.

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 2015 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 2015 and considered together with any public announcements made by Black Star Petroleum Limited during the half-year ended 31 December 2015 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 half-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 2015, 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 2015.

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 2015. 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 change is necessary to the Group accounting policies.

Notes to the Condensed Consolidated Financial Statements

for the half-year ended 31 December 2015

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 2015.

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 half-year ended 31 December 2015 and the financial year ended 30 June 2015, the Group incurred losses of \$2,940,321 and \$10,468,740 respectively. The Group had net cash outflows from operating activities of \$15,268 (2014: \$170,918) and net cash outflows from investing activities of \$527 (2014: inflows \$163,834) for the half-year ended 31 December 2015. As at that date, the Group had net current liabilities of \$1,237,491. 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 half-year financial report.

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:

- As disclosed in note 3, the Company has the ability to dispose of further investments totalling \$25,333 at balance date;
- The Group has the ability to further 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;
- 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 Directors have been in negotiations with significant creditors to defer settlement and negotiations are continuing; and
- The Group has the ability to sell its 73.07% 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 a means to meet non-related party creditors.

Notes to the Condensed Consolidated Financial Statements

for the half-year ended 31 December 2015

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

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.

NOTE 2: OTHER REVENUE

During the period Directors and consultants forgave fees owing to them to the value of \$373,470. Included in this amount were amounts owing to related parties of \$223,998.

NOTE 3: AVAILABLE-FOR-SALE INVESTMENTS

	Consolidated	
	31 December 2015 \$	30 June 2015 \$
Listed shares at fair value	25,333	78,687
	6 months to 31 December 2015 \$	Year ended 30 June 2015 \$
<i>Movements in available-for-sale investments:</i>		
Opening balance	78,687	717,523
Disposals	-	(441,196)
Impairment of investment	(53,354)	(197,640)
Closing balance	25,333	78,687

Notes to the Consolidated Financial Statements

for the half-year ended 31 December 2015

NOTE 4: DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated	
	6 months to 31 December 2015 \$	Year ended 30 June 2015 \$
Opening balance	8,317,152	16,658,896
Exploration expenditure during the period	265,290	680,993
Impairment loss*	(2,959,851)	(9,436,255)
Net exchange difference on translation	108,721	413,518
Closing balance	5,731,312	8,317,152

* During the half-year the Directors conducted an assessment of carrying value of the Nebraska Oil Project. As a result of this assessment the carrying value of the Nebraska Oil Project was impaired by \$2,953,524. The remaining impairment amount of \$6,327 relates to the three exploration permits held in Queensland which have been fully impaired given the Company has completed the relinquishment process for those permits.

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 5: TRADE AND OTHER PAYABLES

	Consolidated	
	31 December 2015 \$	30 June 2015 \$
Trade creditors	657,867	763,389
Accruals	659,863	405,901
	1,317,730	1,169,290

Notes to the Consolidated Financial Statements

for the half-year ended 31 December 2015

NOTE 6: ISSUED CAPITAL

	Consolidated	
	31 December	30 June
	2015	2015
	\$	\$
Issued and paid up capital		
Issued and fully paid	20,768,255	20,768,255

	6 months to 31 December 2015		Year Ended 30 June 2015	
	No.	\$	No.	\$
Movements in issued capital				
Opening balance	530,012,680	20,768,255	114,101,000	18,733,696
Shares issued in lieu of debt	-	-	50,000,000	250,000
Shares taken up under entitlement issue	-	-	11,495,004	57,475
Shares underwritten for entitlement issue	-	-	250,000,000	1,250,000
Shortfall shares taken up under entitlement issue	-	-	104,416,676	522,083
Transaction costs for entitlement issue	-	-	-	(44,999)
Closing balance	530,012,680	20,768,255	530,012,680	20,768,255

NOTE 7: 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 8: DIVIDENDS

No dividends have been paid or provided for during the half-year (2014: nil).

NOTE 9: CONTINGENT LIABILITIES

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

NOTE 10: SUBSEQUENT EVENTS

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

NOTE 11: RELATED PARTY TRANSACTIONS

During the half-year ended 31 December 2015 there were no significant related party transactions, other than the forgiveness of debt (refer to note 2).

Notes to the Consolidated Financial Statements

for the half-year ended 31 December 2015

NOTE 12: 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 2015				
<i>Assets</i>				
Ordinary shares available-for-sale	25,333	-	-	25,333
Total assets	25,333	-	-	25,333

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Consolidated – 30 June 2015				
<i>Assets</i>				
Ordinary shares available-for-sale	78,687	-	-	78,687
Total assets	78,687	-	-	78,687

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 3 to 12, 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 2015 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

11 March 2016

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 2015, 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 2015 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*.

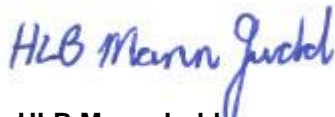
Conclusion

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 2015 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 modifying our conclusion, we draw attention to Note 1 in the financial report which outlines conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore, whether it will realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.



HLB Mann Judd
Chartered Accountants



D I Buckley
Partner

Perth, Western Australia
11 March 2016