



ABN 90 147 370 312

ANNOUNCEMENT TO THE AUSTRALIAN SECURITIES EXCHANGE

1 November 2019

PROJECT ACQUISITION

As previously noted in its quarterly reports, Black Star Petroleum Limited ("Black Star" or "Company") has been reviewing a range of resources projects in Australia and conducting due diligence on these opportunities.

As a result of this work, the Company is now pleased to advise that it has executed a Share Sale and Purchase Agreement to acquire all the shares in WESI PEL512 Pty Ltd ("WESI") ("Transaction"). Through a Farmout Agreement entered into between WESI and Discovery Energy Corp. and their local Australian entity, Discovery Energy SA Pty Ltd ("Discovery"), WESI will acquire a 50% direct interest and be appointed contract operator of PEL 512 South Block (comprise of South & Lycium Blocks, see Figure 1) in South Australia's Cooper Basin, for A\$2.5m payable within 45 days from the date of the Farmout Agreement, being 18 October 2019. WESI plans to raise seed capital of A\$3.5m to fund the initial acquisition. As part of the Transaction, the Company proposes to raise a minimum of A\$35m, with a maximum of \$37 million by issuing 87,500,000 to 92,500,000 ordinary shares at \$0.40 per share via a full form prospectus.

On completion, the Transaction will amount to a significant change in the nature and scale of the Company's current activities and as such, the Company will be required to obtain approval from its shareholders and to re-comply with Chapters 1 & 2 of the ASX Listing Rules. However, **the Transaction requires shareholder approval under ASX Listing Rule 11.1.2 and therefore may not proceed if that approval is not forthcoming.**

There are a number of conditions precedent which need to be completed to finalise this transaction, including the holding of a general meeting of the Company's shareholders to seek approval of the acquisition of WESI and the restructure of Black Star. Both parties will use all reasonable endeavours to ensure that the conditions precedent are satisfied as soon as practicable and in any event before 31 March 2020 or such later date as agreed between the parties.

Detailed information on the Transaction will be provided to shareholders in the Notice of General Meeting to enable them to make an informed decision. The market will be kept informed of developments at the appropriate time.

The Company notes that ASX takes no responsibility for the contents of this announcement.

Further information on the project to be introduced to the Company is set out below.

WESI Business Model

WESI is an oil and gas sector exploration and development company, targeting lower risk acreage in well-known locations where the Company can add value through its highly experienced and successful team. Focussed on Australian onshore, WESI seeks to acquire significant interests in onshore assets via farmin agreements, either as operator, or with meaningful operational input, preferring to earn in

rather than front end investment through large buy-ins. In this way, WESI is exposed to the asset more directly, and can better manage its risks through its ability to understand Australian acreage, and its development thereof. Target assets will either demonstrate a history of exploration and/or production success, or offer a technical analogue to a nearby field. Prospective Resources and above will be considered as important to any project target, and offering some proximity to existing infrastructure will also serve as pillars for any investment case.

PROJECT SUMMARY: PEL 512 - COOPER BASIN, SOUTH AUSTRALIA

Discovery is a US registered company headquartered in Houston, Texas. A subsidiary, Discovery Energy SA Pty Ltd, was formed to acquire a 100% working interest in PEL 512 in October 2012. The term of the licence expires on 30 April 2032. The licence area under contract is located in South Australia and comprises 739.3 square kilometres overlaying portions of the geological system generally referred to as the Cooper and Eromanga basins. The Lycium prospect is the smallest portion of PEL 512 (4.9 km²), and PEL 512 South covers an area of 734.3 km².

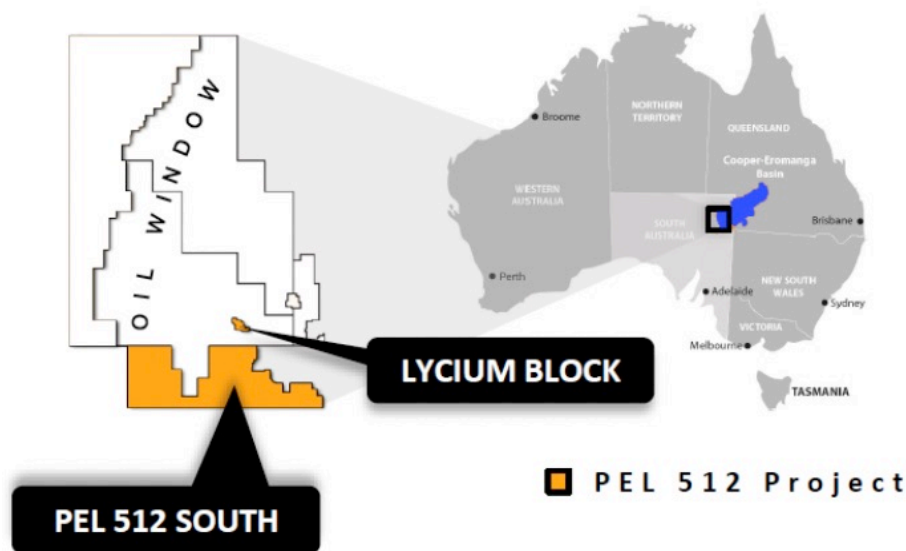


Figure 1: PEL 512 Project Location

Regional Geology and Activities

The Cooper Basin's most productive sediments for petrochemicals were formed during the Permian period, which ended about 250 million years ago. Since the end of this era, the Permian's rich organic sediments have been increasingly buried under additional layers of rock, thus forming deposits of coal, oil, natural gas, and other petrochemicals.

Because of the geological history of the Australian continent, the Permian sediments in Central Australia primarily occurred in one distinct region – the Cooper Basin. This basin is surrounded by and underlies a portion of the much larger Eromanga Basin, which is mostly comprised of younger sandstones and sediments from the more recent Jurassic and Cretaceous periods. It is these younger formations that overlie the Cooper Basin's Permian sediments, thus trapping (or "capping") any potential petrochemicals underground and creating Australia's richest oil and gas producing region.

By 1969, gas from the Cooper Basin was being piped to Adelaide by the Moomba central processing plant built by Santos Ltd. The Cooper Basin Liquids Project (1980–84) was initiated to market the oil and existing gas liquids. A liquids pipeline links Moomba to a processing plant and storage and export loading facilities at Port Bonython.

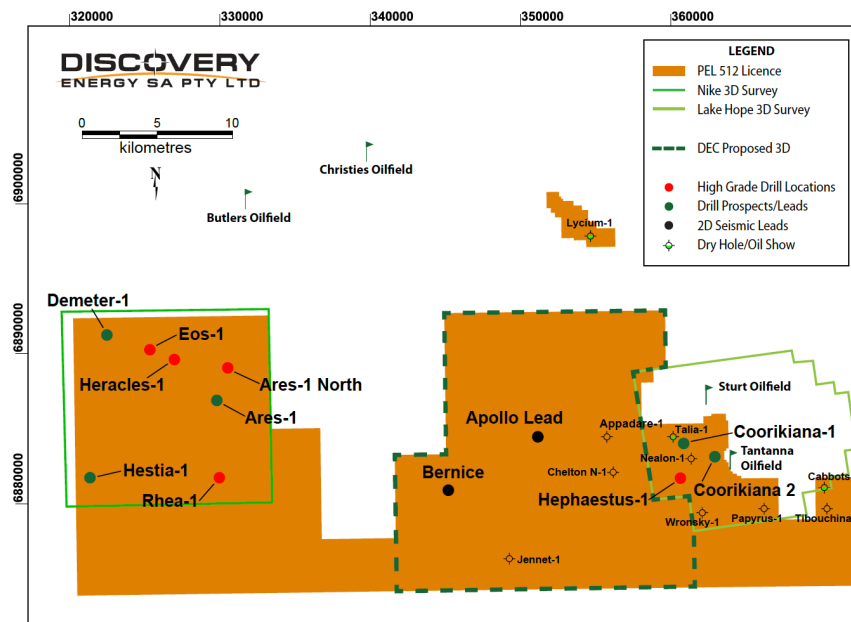


Figure 2: Oil & gas fields around PEL 512 and 3D seismic areas

The Moomba plant currently accepts production from 115 gas fields and 28 oil fields (containing 536 producing gas wells and 177 producing oil wells) through approximately 5,600 km of pipelines and flow lines via 24 oil and gas satellite facilities. Cooper Basin gas now supplies markets in South Australia, New South Wales, Queensland and Victoria, via an extensive pipeline network of approximately 3,000 oil and gas pipelines.

The Cooper and Eromanga basins are now Australia's largest onshore petroleum province. Over the last 50 years, exploration and development activity in South Australia has focused largely on several core areas leaving much of the Basin underexplored.

Previous Exploration on PEL 512

Exploration activity since the granting of the original permit (Santos 1985) has included eleven exploration wells, hydrocarbon shows and oil recoveries in a number of these wells have been encouraging and the lack of significant production is largely attributed to poor definition of targets on a modestly spaced grid of 2D seismic, with additional vagaries arising from statics and depth conversion. Exploration success rates have improved significantly in the surrounding permits as a result of 3D seismic and a better understanding of geology and drilling/completion techniques over the past few years. 11 exploration wells have been drilled in the South Block based primarily on geology, with limited 2D and/or no seismic control utilised. Four of the 11 wells (see table below) drilled around the Lake Hope area had oil shows.

Well Names	Operator	Drilled Year	Type
Appadare-1	Beach Energy	Jan 07	Trace oil
Cabbots-1	Beach Energy	Dec 06	Minor oil
Chelton North -1	Santos	Oct 89	Dry
Hollows-1	Santos	May 94	Minor oil
Jenet-1	Delhi Petroleum	Oct 86	Dry
Moana-1	Beach Energy	July 03	Oil shows
Nealyon-1	Santos	Oct 86	Trace oil
Papyrus-1	Santos	Jul 89	Dry

Talia-1	Beach Energy	Dec 06	Oil Shows
Tibouchina-1	Santos	Dec 89	Minor oil
Wronsky-1	Santos	Mar 89	Dry

Past Works by Discovery

Over the past few years, Discovery has completed the reprocessing of the Nike 3D, Lake Hope 3D and interpretation of the existing 2D seismic data which resulted in 114 structures with closures being mapped within PEL 512. Subsequent to seismic data interpretation, third party evaluations by Apex Engineering, Catheart Energy and Rincon Energy, has confirmed leads in the Namur, Hutton and Permian formations within the South Block.

Three unconventional type traps have possibilities in PEL 512. These are: the tight gas sands in the Patchawarra in closures against basement highs, Coal bed methane in the Permian coals and Shale gas from the Permian Upper Gidgealpa Group Epsilon and Murteree shales in a portion of the eastern part of the Southern Block.

In Southern Block of PEL 512, there are also extensive possibilities in the Patchawarra tight sands and the thick Patchawarra coals are present. The Permian edge is defined by the existing seismic data by correlation into PEL 512 from the Sturt and Tantanna areas and varies in thickness 426 feet thick in the east to zero in the west and over basement highs. Where trapped against the highs, there would be many places where tight sands could be charged with gas.

Where penetrated by drilling, there are individual coal seams up to 42 feet thick in the vicinity of PEL 512 and over one hundred feet of coal total. The VC coal is considered to be one of the major source rocks in the Cooper Basin and is very thick in Lycium 1 and is likely present throughout the Southern Block of PEL 512.

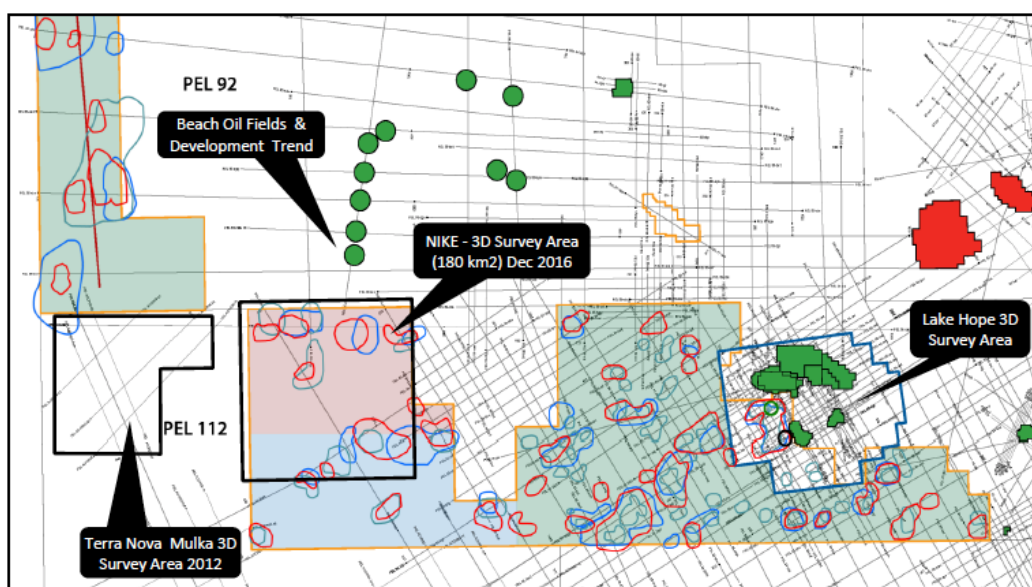


Figure 3: Seismic lines & 3D areas within South Block

There is a significant body of work that has been done on the Nike 3D area and Lake Hope area.

Remaining Work Activities

The remaining work commitments as agreed with the South Australian Energy Resources Division (which may vary with department's permission) are as follows:

- Year 3 ending April 30, 2020 – Acquire 2D seismic data totalling at least 100 kilometres and acquire 3D seismic data totalling at least 200 square kilometres, and drill two wells.
- Year 4 ending April 30, 2021 – Acquire 3D seismic data totalling at least 200 square kilometres and drill two wells.
- Year 5 ending April 30, 2022 – Drill three wells.

PROPOSED NEW MEMBERS OF DIRECTORS

Mr Simon Phillis – Proposed Managing Director

Simon has 10 years' experience within the oil and gas sector, as an investor, advisor, and participant. Additionally, Simon has over 18 years of financial services experience in equities trading, business analytics, corporate advisory and private wealth. Simon has assisted with and participated in M&A transactions worth \$150+ million within the last 5 years. Simon has participated in capital raisings for several private and ASX listed companies.

Simon is the co-founder, Managing Director and CEO of QGasCo Pty Ltd, an east coast gas-centric producer and developer, seeking its own listing on the ASX. QGasCo holds an interest in several gas and oil fields. He also previously put together exploration and development acreage in Kern County, California, working with Tier 1 partners towards delivering a 49.4Mmbbls crude oil project. Simon holds a Master of Commerce in International Business and Corporate Finance and a Bachelor of Social Science in International Business and Social Science and Policy, both from the University of New South Wales.

Mr Wen Jie He – Proposed Non-executive Director

Wen has 11-years financial services experience with Martin Place Securities and Citic Securities working on company, project and sector analysis, capital raising, marketing, and investor relations. He also has ASX Listed company experience and is currently involved with a veterinary services aggregation (as head of operations) soon to be listed on the ASX. He has energy project experience across coal and oil & gas, co-founding the company WESI Corp with Simon Philis. He has previously put together advanced development acreage in California, U.S.A, for a 49.4Mmbbls shale oil development project in partnership with Baker Hughes International, and Trafigura Beheer B.V. Wen holds a Bachelor of Chemical Engineering, Energy and Environment, and a Master of Commerce (Finance).

Mr Colin Goodall - Non-executive Chairman

Mr. Goodall has over 50 years of experience in the resources sector globally. He has a successful 24 years upstream oil career with the British Petroleum Group ("BP"). He joined the finance team at BP in 1975 and became the Chief of Staff of the BP Group and ex-head of BP in Russia. He also served as the Chief Financial Officer of BP Europe from 1995 to 1999. He served as the Chairman of the Board of Dana Petroleum PLC from January 1, 2005 through to its circa \$4 billion acquisition by Korean National oil Corporation. He has been a Director of ASX listed Australia Oriental Minerals NL and other LSE listed companies.

Mr Teof Rodrigues - Non-executive Director

A specialist engineering and operations focused oil and gas consultant for 35 years. Previously held a range of senior executive positions with Santos, including the position of Chief Reservoir Engineer and General Manager of Queensland Cooper Basin. Has an in-depth understanding of all major petroleum basins and producing fields in Australia (and many internationally), including reserve/resource estimation, production and cost drivers and a strong practical operational understanding of field

infrastructure/facilities. Teof's industry experience and reputation are widely regarded, and his record of delivering large scale projects is vast and notable.

The WESI management team has direct experience of managing Cooper Basin western flank drilling and production operations. On completion of the Transaction, Mr Chin Han Tan, Mr Donald Jones, Ms Yi-Chin Chen, and Ms Peichen Wu will resign from the Board of Black Star. The Company may look for another independent director to strengthen the Board experience.

CHANGE OF NAME

Following completion of the Transaction, and subject to shareholder approval, the Company intends to change its name and will make a further announcement once a name has been decided.

PROPOSED TIMETABLE

A proposed timetable for the Transaction and associated events is set out below:

Event	Date*
WESI raising \$3.5m seed capital	2 December 2019
Notice of meeting for the Transaction	16 December 2019
Lodgement of prospectus with ASIC	9 January 2020
Opening date of Public Offer	9 January 2020
Shareholders meeting to approve the Transaction	16 January 2020
Closing date of Public Offer	6 March 2020
Settlement of Transaction	15 March 2020
Re-quotations on ASX	31 March 2020

*This timetable is indicative only and the Directors of the Company reserve the right to amend the timetable as required.

USE OF FUNDS

Funds raised from WESI seed capital raising (\$3.5m) plus minimum subscription of \$35 million or maximum subscription of \$37 million are as follows.

		\$3.5m + \$35m minimum	\$3.5m + \$37m maximum
1	Upfront payment for 50% in PEL 512	\$2.5m	\$2.5m
2	2D & 3D Seismic	\$4.5m	\$4.5m
3.	Initial 5 wells drilling and auxiliary costs to meet with agreed activities with the SA Government	\$9m	\$9m
4	Additional 4 wells drilling & auxiliary costs	\$7.2m	\$7.2m
5	Cost of capital raising	\$3m	\$3.2m
6	Two Years Administration / Corporate Costs	\$4m	\$4m
7	New Asset Review	\$2m	\$2m
8	Working capital	\$6.3m	\$8.1m
	Total	\$38.5m	\$40.5m

PRO FORMA BALANCE SHEET

A pro forma balance sheet as at 30 June 2019 showing the effect of the Transaction and the Capital Raising on the Company is set out in Annexure A to this announcement. The pro forma balance sheet has been prepared using the audited accounts for the Company and management accounts of WESI.

PROPOSED CAPITAL STRUCTURE

	Minimum A\$35m IPO raising	Maximum A\$37m IPO raising
Black Star shares on issue	647,515,850	647,515,850
Conversion of notes	379,230,769	379,230,769
<i>Subtotal</i>	<i>1,026,746,619</i>	<i>1,026,746,619</i>
121.75:1 consolidation	8,433,237	8,433,237
Issue of shares to WESI	109,693,388	109,693,388
Advisor Shares - Bennelong Corporate Advisers Ltd (HK)	1,500,000	1,500,000
IPO shares @ \$0.40 per share	87,500,000	92,500,000
Total Black Star shares on issue post completion	207,126,625	212,126,625
Black Star options post consolidation [#]	123,203	123,203
New Black Star options to be issued in lieu of WESI options*	31,725,000	31,725,000
Total Black Star options on issue post completion	31,848,203	31,848,203

[#] Existing 15,000,000 options exercisable at \$0.003 expiring 3 August 2020, will be reconstructed to 123,203 options exercisable at \$0.365 expiring 3 August 2020.

* Long Term Incentive Plan ("LTIP") and Performance based options to be issued to new Management is set out below:

TYPE	QUANTITY	EXERCISE	EXPIRY/HURDLE
LTIP			
Tranche A	8,800,000	\$0.05	12 months from the date of reinstatement
Tranche B	8,800,000	\$0.05	24 months from the date of reinstatement
Performance			
Bonus A	1,000,000	\$0.40	12 months from the date of reinstatement
Bonus B	500,000	\$0.40	12 months from the company achieving a market cap of \$100M
Bonus C	3,250,000	\$0.60	12 months from officially reporting first 2P reserves
Bonus D	4,687,500	\$0.80	12 months from the first commercial sale of oil or gas
Bonus E	4,687,500	\$1.00	12 months from the company achieving a market cap of \$400M

On completion of the Transaction and the issue of securities under a prospectus, there will be no shareholder who is going to own more than 20% shares in the Company.

MATERIAL CONDITIONS PRECEDENT OF WESI'S FARMOUT AGREEMENT

1. WESI pays cash consideration of A\$2.5 million to Discovery within 45 days from the date of the Farmout Agreement (executed on 18 October 2019);
2. WESI and Discovery obtained necessary consents to enter into the Farmout Agreement and assignment of beneficial interest and transfer of license; and
3. The Farmout Agreement and assignment of beneficial interest and transfer of license have been approved and registered by the relevant government department.

MATERIAL CONDITIONS PRECEDENT OF BLACK STAR'S SHARE SALE AND PURCHASE AGREEMENT

1. No Material Adverse Change to the parties has occurred since signing of the Share Sale and Purchase Agreement dated 28 October 2019;
2. Consolidation of Black Star shares on 121.75:1 basis;

3. Black Star shareholder approval for the acquisition of WESI PEL512 Pty Ltd and issue of 109,693,388 new post-consolidation shares and 31,725,000 incentive options to WESI to WESI shareholders;
4. WESI raises seed capital of A\$3.5m of which A\$2.5m is paid to Discovery within 45 days from the date of the Farmout Agreement (executed on 18 October 2019); and
5. Lodgement of a prospectus and listing application with ASIC and ASX, including satisfaction of all reinstatement conditions to be imposed by the ASX.

SHAREHOLDER APPROVAL

A notice of meeting seeking Shareholder approval for the resolutions required to give effect to the Transaction will be sent to Shareholders in due course. It is expected that the Company will convene a general meeting to facilitate Shareholder approval for the following matters in respect of the Transaction:

1. Approval for a change in nature and/or scale of the Company's activities;
2. Approval of the 121.75:1 consolidation;
3. The issue of 109,693,388 consideration shares (inclusive of \$3.5m seed capital raising shares) and 31,725,000 incentive options to WESI;
4. The issue of 1,500,000 advisor shares;
5. The issue of up to 92,500,000 shares pursuant to a prospectus;
6. Change of Company's name (new name to be advised prior to meeting); and
7. Appointment of directors.

REGULATORY STATEMENT

The Company notes that:

1. the Transaction requires Shareholder approval under the Listing Rules and therefore may not proceed if that approval is not forthcoming;
2. the Company is required to re-comply with ASX's requirements for admission and quotation and therefore the Transaction may not proceed if those requirements are not met;
3. if the Company does not complete the Transaction and re-comply with ASX's requirements for admission and quotation, the Company's securities will not be reinstated to trading until such time as the Company has demonstrated to ASX that it satisfies Chapter 12 of the ASX Listing Rules; and
4. Notwithstanding ASX has considered suitability of the Transaction pursuant to Listing Rule 1.1 condition 1, the ASX has an absolute discretion in deciding whether to re-admit the Company to the Official List and to quote its securities and therefore the Proposed Acquisitions may not proceed if ASX exercises that discretion.
5. ASX takes no responsibility for the contents of this announcement; and

The Company confirms that it is in compliance with its continuous disclosure obligations under Listing Rule 3.1.

On behalf of the Board.

Nicholas Ong
Non-Executive Chairman

ANNEXURE A - PRO FORMA BALANCE SHEET

30-Jun-19	30/6/19 Audited	Proforma Adjustments minimum raising	Proforma Adjustments maximum raising	WESI Corp Pty Ltd	Consolidation Adjustments	Minimum Raising	Maximum Raising
						30/6/19 Proforma	30/6/19 Proforma
CURRENT ASSETS							
Cash and cash equivalents	19,147	31,735,824	33,535,824	1,000,000	-	32,754,971	34,554,971
Other receivables	13,650	-	-	-	-	13,650	13,650
Prepayment	-	-	-	-	-	-	-
TOTAL CURRENT ASSETS	32,797	31,735,824	33,535,824	1,000,000	-	32,768,621	34,568,621
NON CURRENT ASSETS							
Exploration project acquisition cost	-	21,938,678	21,938,678	-	(21,938,678)	0	0
Exploration project acquisition cost	-	-	-	2,500,000	18,438,678	20,938,678	20,938,678
TOTAL NON CURRENT ASSETS	-	21,938,678	21,938,678	2,500,000	(3,500,000)	20,938,678	20,938,678
TOTAL ASSETS	32,797	53,674,502	55,474,502	3,500,000	(3,500,000)	53,707,299	55,507,299
CURRENT LIABILITIES							
Trade and other payables	94,176	(94,176)	(94,176)	-	-	-	-
TOTAL CURRENT LIABILITIES	94,176	(94,176)	(94,176)	-	-	-	-
NON-CURRENT LIABILITIES							
Borrowings	170,000	(170,000)	(170,000)	-	-	-	-
TOTAL CURRENT LIABILITIES	170,000	(170,000)	(170,000)	-	-	-	-
TOTAL LIABILITIES	264,176	(264,176)	(264,176)	-	-	-	-
NET LIABILITIES	(231,379)	53,938,678	55,738,678	3,500,000	(3,500,000)	53,707,299	55,507,299
EQUITY							
Issued Capital	21,399,330	53,938,678	55,738,678	3,500,000	(3,500,000)	75,338,008	77,138,008
Reserves	901,076	6,392,519	6,392,519	-	-	7,293,595	7,293,595
Accumulated losses	(22,531,785)	(6,392,519)	(6,392,519)	-	-	(28,924,304)	(28,924,304)
	(231,379)	53,938,678	55,738,678	3,500,000	(3,500,000)	53,707,299	55,507,299