Building an integrated energy company

Annual Report 2010

Bow Energy Ltd

Contents

Drilling Supervisor Chris Cooper overseeing Bow Energy operations at Blackwater

From a successful gas explorer to building an integrated energy company

Bow Energy Limited (ASX:BOW) is an S&P/ASX200 Index company based in Brisbane, Australia.

The Company's primary business is the discovery and commercial production of coal seam gas (CSG) and conventional oil fields, with projects in several of Australia's producing basins.

Bow has eight CSG projects located in Queensland within the highly prospective Bowen and Surat Basins. The Company is developing commercial CSG production to supply domestic and export gas markets.

The Company has grown rapidly since its $6 million Initial Public Offering on the Australian Securities Exchange in May 2005. At the date of this report, Bow's market capitalisation exceeded $370 million, with more than 8,700 shareholders on its register.

Bow currently has the largest uncommitted 3P gas reserves in Queensland and 100% ownership of its key CSG acreage, which is strategically located adjacent to established projects and with access to both domestic and planned export liquefied natural gas (LNG) markets around Gladstone.

A third party study has identified gas in place (GIP) potential across Bow's CSG projects of over 13.8 trillion cubic feet (Tcf) and to date 2,360 petajoules (PJ) of 3P and 114PJ of 2P net gas reserves have been certified. Bow is targeting 2011 year-end gas reserves of 1,250PJ of 2P and 6,200PJ of 3P.

In November 2009, Bow announced the development of a 30 megawatt, gas-fired power project at Blackwater in central Queensland, which will deliver low-emission electricity into the national grid for domestic and industrial users. The project started construction in August 2010 on time and on budget.

The Company is pursuing multiple channels to market including:

- Domestic power generation
- Domestic gas supply for industry
- Export LNG markets via Gladstone

Putting a price on carbon is high on the political and social agenda worldwide, including Australia, and this will result in increased demand for lower carbon emitting fuels such as CSG. This is already resulting in gas-fired electricity generation trending from supplying peaking demand towards intermediate and ultimately base-level electricity generation.

Importantly, gas-fired power stations such as Bow's Blackwater Power Project produce half the greenhouse gas emissions of equivalent coal-fired power, while also helping meet the rising demand for base-load power.

Delivering Bow's performance targets is the task of the Company's experienced managerial and technical team, which includes leaders in the development of Queensland's fast-growing CSG industry.

Bow is on the right track for growth, with the right assets in the right areas managed by the right people.

Part of Australia's cleaner energy future, the Company is in an excellent position to capitalise on the rapid growth in energy demand across Australia and the Asia-Pacific region.

"Bow has a substantial and growing reserve position, with sufficient scale to support infrastructure development to deliver this gas to Gladstone"

Wilson HTM, December 2009

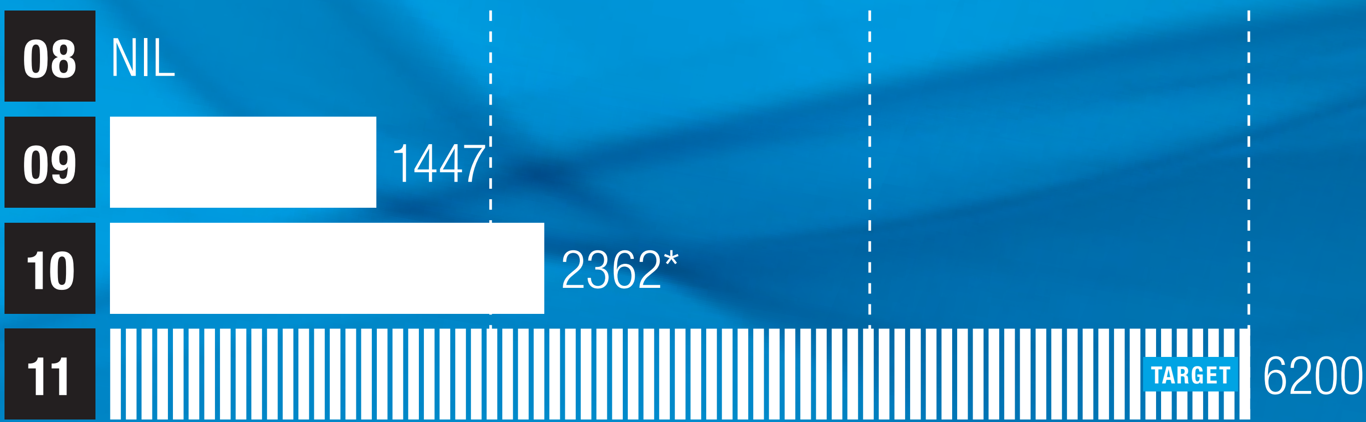
NET 2P RESERVES (PJ)

Calendar Year

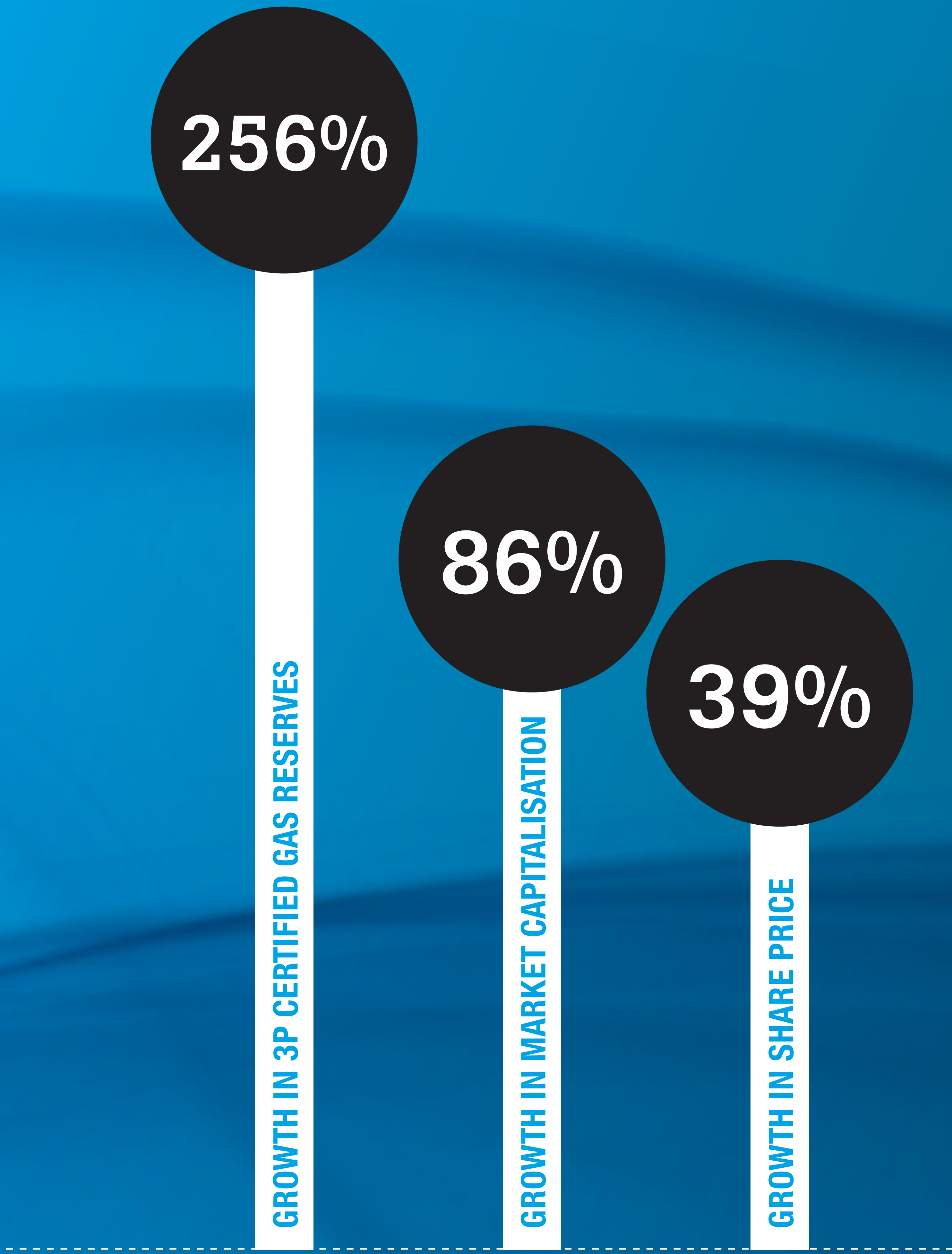
*Reserves as at 30 June 2010

NET 3P RESERVES (PJ)

Calendar Year



*Reserves as at 30 June 2010


256%
GROWTH IN 3P CERTIFIED GAS RESERVES
86%
GROWTH IN MARKET CAPITALISATION
39%
GROWTH IN SHARE PRICE

Key Achievements FY2010

- More than tripled 3P certified gas reserves
- First 2P reserves delivered from Blackwater CSG Field, earmarked for 30MW Blackwater Power Project
- Don Juan 2P gas reserves tripled
- Blackwater Power Project launched
- Cuisinier-1 oil production started with 440 barrels of oil per day
- Board, management strengthened (independent Chairman, CEO, CFO and COO appointed)
- Successful capital raisings deliver $95m for expansion
- Bow added to S&P/ASX All Australian 200, S&P/ASX300 indices; promoted to S&P/ASX200 Index September 2010

FY2011 Goals

- **Gas reserves growth and production:** Achieve year-end 2011 CSG reserve targets of 6,200PJ of 3P and 1,250PJ of 2P (net to Bow). Develop well completion methods to deliver commercial gas flows.
- **Commission Blackwater Power Project:** Complete construction of 30MW gas-fired Blackwater Power Project. Identify opportunities for replication and for larger scale integrated power generation developments.
- **Multiple monetisation strategies:** Pursue multiple development paths for monetising CSG assets, including domestic power generation, domestic gas supply for industrial and domestic users, and potential export as LNG via Gladstone.
- **Seek gas pipeline infrastructure approvals:** Initiate required gas pipeline infrastructure from Bowen Basin CSG fields to Gladstone for potential supply to both domestic and export gas markets.
- **Gas field development:** Initiate early design and approval efforts for proposed development plans consistent with monetisation strategies.
- **Maximise value of conventional oil assets:** Maximise value of conventional oil assets through strategic development of holdings in Eromanga and Cooper Basins.
- **Expand experienced team:** Support a high performance culture and actively recruit high calibre people equipped to drive the Company's expanding business.

We are on track to proving up reserve targets of 6200PJ 3P and 1250PJ 2P by the end of 2011

Portfolio Overview

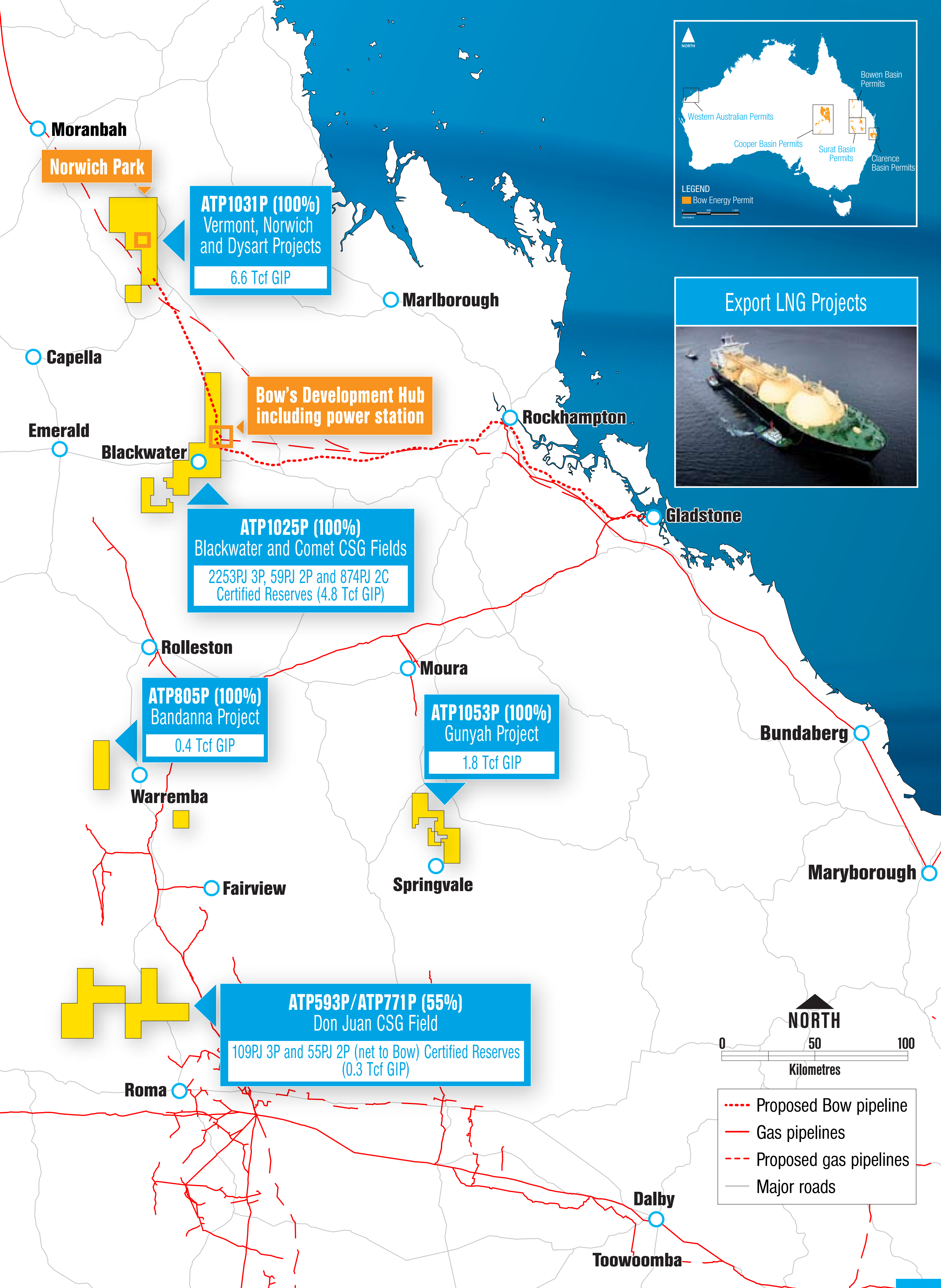
	Bow Equity	Size	Tenements	Location	Description
Blackwater CSG Field (Comet Block)	100%	~320 km^2	ATP 1025P	Bowen Basin (257 km west of Gladstone)	An extensive exploration and appraisal program completed during the year with 1,382PJ of 3P and 59PJ of 2P certified gas reserves. Initial pilot production wells commissioned during the year in preparation for the Blackwater Power Project.
Comet CSG Field (Comet Block)	100%	~150 km^2	ATP 1025P	Bowen Basin (257 km west of Gladstone)	Completed the initial exploration program during the year and delivered 871PJ of 3P certified gas reserves. Bow plans to complete further appraisal and pilot production wells over this field during the upcoming year.
Norwich Park CSG Projects (3 prospect areas)	100%	Block area 872.4 km^2	ATP 1031P	Bowen Basin (295 km north-west of Gladstone)	Completed four core holes of an initial seven well drilling program during the year intersecting an average of 63 metres of gassy coals. Scheduled to complete remaining three wells late 2010 and then commence appraisal and pilot well programs over the field.
Don Juan CSG Field	55%	~150 km^2 over focus area	ATP 771P	Western Surat Basin (approx 40 km north of Roma)	The Don Juan CSG Project is a Joint Venture between Bow (55%) and Victoria Petroleum NL (45%) involving two tenements ATP 771P and ATP 593P located in the western Surat Basin, approximately 40 km north of Roma. Certified reserves obtained to date are 55PJ 2P and 109PJ 3P net to Bow in the Walloon Coal Measures within ATP 771P.
Gunyah Block CSG Project	100%	Block Area 384.9 km^2	ATP 1053P	Bowen Basin (195 km west of Gladstone)	The Gunyah Block is located midway and along trend between Anglo Coal's Moura/Dawson River and Santos' Scotia/Peat major CSG project areas. MBA consultants estimate a GIP potential of 1.8 Tcf. Bow has completed the native title process including execution of agreements with the claimants. The permit is set to be granted by the Queensland Government.
Bandanna CSG Prospect	100%	Block Area ~296 km^2	ATP 805P	Western Surat Basin	The Bandanna CSG prospect is located 70 km north-west of Santos's Fairview CSG Field. The Bandanna Coal Measures are interpreted to occur at depths between 200-1,000 metres. Bow is planning to drill two exploration core holes in the Bandanna prospect during the upcoming year.
Conventional Oil Projects	up to 100%	Various	Various	Cooper-Eromanga Basin	The Company's conventional petroleum portfolio is mainly oil-focused. The highest profile projects are in the Queensland sector of the Cooper-Eromanga Basin and the Surat-Bowen Basin. Production commenced during the year from the Cuisinier oil well, producing an initial rate of approximately 440 barrels of oil per day (15% Bow after full carry on a multiwell farmout completed).

Competent Person Statement

MHA – The estimates of gas reserve and resources for the Comet Block (ATP 1025P) and Don Juan CSG Field (ATP 771P) have been prepared by MHA Petroleum Consultants, LLC (MHA) in accordance with the definitions and guidelines set forth in the 2007 Petroleum Resources Management System approved by the Society of Petroleum Engineers. The reserve statement has been compiled by Mr Timothy L Hower Chairman of MHA, together with personnel under his supervision. Mr Hower, who has over 28 years industry experience, and MHA have consented to the inclusion of the technical information contained in this announcement in the form and context in which it appears.

MBA – The estimates of gas in place potential for the Norwich Park (ATP 1031P), Gunyah Block (ATP 1053P) and Bandanna Project (ATP 805P) have been prepared by Mr Doug Barrenger of MBA Petroleum Consultants Pty Ltd (MBA). Mr Barrenger has more then 25 years of experience in the petroleum industry and 10 years of experience in the coal seam gas industry.

Bow – Other technical information contained herein is based on information compiled by the Company's Chief Operating Officer, Vic Palanyk, who has more than 15 years experience in coal seam gas.



Moranbah
Norwich Park
ATP1031P (100%)
Vermont, Norwich and Dysart Projects
6.6 Tcf GIP
Marlborough
Capella
Bow's Development Hub including power station
Emerald
Blackwater
Rockhampton
Gladstone
ATP1025P (100%)
Blackwater and Comet CSG Fields
2253PJ 3P, 59PJ 2P and 874PJ 2C Certified Reserves (4.8 Tcf GIP)
Rolleston
Moura
ATP805P (100%)
Bandanna Project
0.4 Tcf GIP
Warremba
ATP1053P (100%)
Gunyah Project
1.8 Tcf GIP
Bundaberg
Fairview
Springvale
Maryborough
ATP593P/ATP771P (55%)
Don Juan CSG Field
109PJ 3P and 55PJ 2P (net to Bow) Certified Reserves (0.3 Tcf GIP)
Roma
Dalby
Toowoomba
NORTH
0
50
100
Kilometres
Proposed Bow pipeline
Gas pipelines
Proposed gas pipelines
Major roads
NORTH
Bowen Basin Permits
Western Australian Permits
Cooper Basin Permits
Surat Basin Permits
Clarence Basin Permits
LEGEND
Bow Energy Permit
Export LNG Projects

Chairman's and CEO's Report

Arranging drill pipes at wellsite

Bow's Tory Shenstone reviews the Blackwater Power Project

Bow Energy has had a year of strong gas reserves growth in FY2010, and it is with great pleasure that we present Bow's sixth Annual Report on behalf of the Board.

During the past financial year, the world economy and Australia's business environment have presented considerable uncertainties. We are pleased to report that these challenges have been overcome, and the Board and management have surpassed expectations in leading Bow towards becoming a leading Australian integrated energy company.

From a successful explorer with a portfolio of coal seam gas (CSG) along with conventional oil assets, Bow has grown into the holder of the largest uncommitted 3P gas reserves in Queensland. The Company is pursuing multiple development paths for delivering its strategically located gas to domestic and export markets.

Bow is delivering on its pursuit of a focused and strategic path to growth. Backed by successful capital raisings which secured over $95 million for expansion, in FY2010 the Company launched an aggressive exploration and appraisal drilling program which has delivered substantial upstream gas reserves.

During the past financial year, Bow has more than tripled its 3P gas reserves, in addition to achieving the milestones of first 2P reserves from the Blackwater CSG Field and the tripling of 2P reserves at the Don Juan CSG Project.

As of 30 June 2010, Bow had certified[1] 2,362PJ of 3P and 114PJ of 2P gas (net to Bow). Reserve targets were increased substantially as a result of a third party study which identified Gas in Place (GIP) potential of more than 13.8 Tcf across its eight CSG projects in Queensland's Bowen and Surat Basins.

Bow is currently targeting net CSG reserves for year-end 2011 of 6,200PJ of 3P and 1,250PJ of 2P, an amount of reserves that if proven, would be sufficient to support a long-term gas supply contract. The 2011 work program includes trialling a number of well completion methods to deliver commercial gas flows, which will be a pre-requisite in achieving these reserve targets.

Delivering this valuable, clean-burning gas to market will require pipeline infrastructure, and Bow has already advanced the development of a 257-kilometre pipeline route from its Bowen Basin gas reserves to Gladstone, which is set to host Queensland's export LNG industry along with a growing domestic gas market.

The Company has identified significant demand for long-term domestic gas supplies, and together with export markets via Gladstone, has a number of strategic pathways to monetise its CSG resource.

Bow has taken a major step forward in its downstream operations with the launch of the Blackwater Power Project near Blackwater, central Queensland. Construction of the 30MW gas-fired power station began on time and on budget in August 2010.

Putting a price on carbon is high on the political and social agenda worldwide, including Australia, and this will result in increased demand for lower carbon emitting fuels such as CSG. This is already resulting in gas-fired electricity generation trending from supplying peaking demand towards intermediate and ultimately base-level electricity generation.

Bow's CEO John De Stefani, right and John Elkins of CH2M Hill discuss the Blackwater Power Project

Bow continues to deliver growth pursuing a focused strategic path

In addition to the economic and environmental benefits of delivering clean-burning gas to domestic and industrial users, Bow is excited by the potential to replicate the Blackwater Power Project across its Bowen Basin CSG fields, as well as potentially larger scale, integrated power generation developments.

Demand for base-load power is forecast to rise in eastern Australia, and these gas-fired power stations have an important role to play in facilitating emissions reductions.

Concerning Bow's conventional oil portfolio, Bow announced in June 2010 the milestone of first commercial oil production from the Cuisinier-1 well in the Cooper Basin. Initial gross oil production of 440 barrels of oil per day exceeded the operator's expectations.

Cash flow from this promising discovery will facilitate further development of Bow's CSG projects, along with supporting further appraisal and development of the Cuisinier structure.

Bow's shareholder base has shown a commensurate increase with the Company's growth into a leading energy company. We now have over 8,700 shareholders, including strong institutional participation, particularly following Bow's promotion to the S&P/ASX200 Index in September 2010.

Bow has been building its management team to take it through the next stage of growth. Howard Stack was appointed independent Chairman and following John De Stefani's appointment as Chief Executive Officer, Bow's founding Manager Director, Ron Prefontaine, became an Executive Director focusing on technical development. Other senior appointments included Vic Palanyk as Chief Operating Officer and Peter Harbison as Chief Financial Officer.

The Company's achievements would not have been possible without its skilled, experienced and technically excellent personnel, and we would like to thank everyone who has contributed to Bow's success.

Amid unparalleled growth in energy demand from the Asia-Pacific region, Bow has 100% ownership of its strategic assets to deliver the cleaner energy needed in our carbon-constrained world.

Following up from our milestone achievements in FY2010 will be the next challenge for Bow, but we are confident we can again exceed expectations in the year ahead.

On behalf of the Directors and management, we would like to thank you for your continued support along with that of our employees, community and all other stakeholders, as we build Bow into a leading integrated energy company.

Howard Stack
Chairman

John de Stefani
Chief Executive Officer

1 A further 874PJ of 2C resource was certified in the Rangal and Burngrove Coal Measures. The 286PJ of 3P and 7PJ of 2P gas reserves included is over land awaiting conclusion of native title processes, which are in progress.

Operations Review

Bow has 100% ownership of more than 13 Tcf of GIP potential across its Bowen Basin tenements. The Company has a focused strategic growth path that encompasses delivering significant gas reserves and, in parallel, progressing multiple channels to market for the future monetisation of that gas.

Over 13.8 Tcf of GIP Potential Boosts Gas Reserves Targets

Bow Energy commissioned MBA Petroleum Consultants Pty Ltd (MBA) to carry out an independent assessment of the GIP potential in three of Bow's 100% CSG tenements: Norwich Park Block (ATP 1031P), Gunyah Block (ATP 1053P) and Bandanna Block (ATP 805P).

In addition to MBA's assessment, MHA Petroleum Consultants, LLC (MHA), Bow's independent reserve certifier, has previously provided an estimate of the GIP potential in the Comet Block (ATP 1025P) and Don Juan CSG Field (ATP 771).

A summary of the independent assessment of GIP potential estimates in Bow's tenements is tabled below.

Table 1: GIP Summary of CSG Tenements

Project (all 100% unless stated otherwise)	Target Coal Measures	Gas in Place (Tcf net to Bow) [1]
Comet Block (ATP 1025P)	Rangal and Fort Cooper	4.8
Don Juan Project (Bow 55%)	Juandah and Taroom	0.3
Norwich Park Projects (ATP 1031P)	Moranbah and Rangal[2]	6.5
Gunyah Project (ATP 1053P)	Rangal	1.8
Bandanna Project (ATP 805P)	Bandanna	0.4
Total GIP (net Tcf to Bow)		**13.8**

1 MBA provided GIP estimates for the Norwich Park, Gunyah and Bandanna projects only, as detailed in Appendix 1. MHA had independently provided GIP potential for Bow's Comet and Don Juan Projects as part of the reserve certification statements in these projects as previously announced.

2 MBA did not include any GIP estimates for the Fort Cooper coal measures within Norwich Park block due to no open file data on current producing CSG fields from this coal measure. Bow notes that Arrow Energy reported in July 2009 and again in December 2009 that it had encouraging gas flow rates and obtained 2P certified reserves from its Fort Cooper coal measures within the Moranbah Gas Project in the Bowen Basin, located about 50 kilometres north-west of the Norwich Block. Furthermore, Bow has encountered an average of 28.4 metres of gassy Fort Cooper coals in its first five wells in its initial seven well exploration program at Norwich Park. For these reasons, Bow believes there is the potential for substantial gas resources in the Fort Cooper coal measures not included in the MBA assessment.

Increased Gas Reserve Targets

Continued positive drilling results achieved at Norwich Park during the last half of FY2010 combined with the independent assessment of GIP estimates across Bow's CSG tenements, justified an increase in gas reserve targets.

Table 2: Current Reserves and Revised Reserve Targets

Project (all 100% unless stated otherwise)	Current Certified Reserves		End 2011 Reserve Targets	
	3P Reserves (PJ net to Bow)	2P Reserves (PJ net to Bow)	3P Reserves (PJ net to Bow)	2P Reserves (PJ net to Bow)
Blackwater CSG Field * (Comet Block)	1,382	59	1,750	450
Comet CSG Field ** (Comet Block)	871	-	1,000	200
Norwich Park Projects (3 prospects)	-	-	2,500	400
Gunyah Project	-	-	600	100
Bandanna Project	-	-	200	-
Don Juan Project (55%)	109	55	150	100
Total Reserves (net PJ to Bow)	**2,362**	**114**	**6,200**	**1,250**

Successful Capital Raising Delivers over $95 Million Cash

Bow successfully completed a capital raising program during the year, comprising an institutional placement and Share Purchase Plan. Together with cash on hand, the raising provided Bow with more than $95 million ($74.5 million remaining at 30 June 2010) to fund the Blackwater Power Project, Blackwater initial gas field development and reserve upgrade programs across Bow's quality CSG projects.

* A further 435PJ of 2C resource was certified in the Rangal and Burngrove Coal Measures. The 120PJ of 3P and 7PJ of 2P gas reserves included is over land awaiting conclusion of native title processes. The native title process over these leasehold lots is in progress and considered a routine procedure.

** A further 439PJ of 2C resource was certified in the Rangal and Burngrove Coal Measures. The 166PJ of 3P gas reserves included is over land awaiting conclusion of native title processes. The native title process over these leasehold lots is in progress and considered a routine procedure.

Comet CSG Block

(ATP 1025P)

The Comet CSG Block is the central of the three Bowen Basin blocks and has a prospective area of 470 km^2, comprising the Blackwater CSG Field and the Comet CSG Field. Adjacent tenements are operated by BG Group and Arrow Energy. Bow has now obtained 3P gas reserves of 2,253PJ and 2P gas reserves of 59PJ over areas within the Comet Block (ATP 1025P).

Drilling has now commenced, targeting further 2P reserve upgrades within both the Comet and Blackwater CSG Fields. 286PJ of 3P and 7PJ of 2P gas reserves included in the Comet Block certified reserves are over land awaiting conclusion of native title processes.

Bow has submitted 16 Petroleum Lease Applications (PLA) over the gas reserve areas covering the Blackwater and Comet CSG Fields.

Blackwater CSG Field

Bow obtained initial certification of 2P gas reserves of 59PJ towards a year-end 2010 target of exceeding 200PJ for areas within the Blackwater CSG Field, located approximately 250 km west of Gladstone. This initial 2P gas reserve exceeds requirements to underpin Bow's Blackwater Power Project.

The initial 2P reserves at Blackwater are defined within the top three seams over six metres of the Rangal coal seams, representing 37% of a total target package of 16 metres in seven seams throughout the area. This initial 2P reserve represents only 5% of the 2P potential over the Blackwater CSG Field. 2P reserves are yet to be assessed and defined over the balance of the Blackwater 3P area, representing 95% of the target.

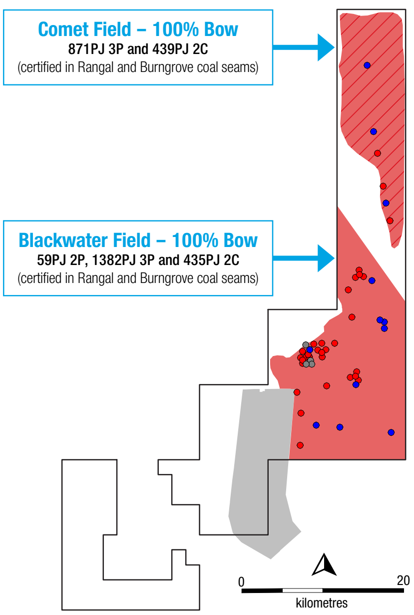
Bow has commissioned the first three of 12 planned pilot production wells for gas supply to the Blackwater Power Project. Early gas breakout continues to occur in all three wells during the dewatering process and testing of other completion methods across the field is scheduled.

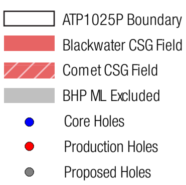
Comet CSG Field

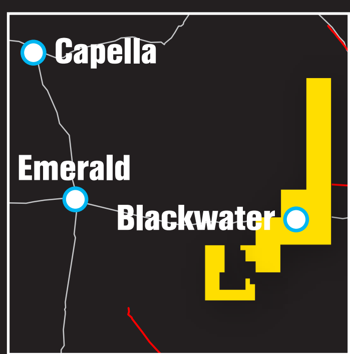
The Comet CSG Field is located immediately north of the Blackwater CSG Field in ATP 1025P and has Rangal and Burngrove Coal Measures as the primary targets. An exploration core hole drilling program during the period resulted in the certification of 871PJ of 3P Reserves and 2C Resource of 439PJ during the June quarter. 166PJ of 3P gas reserves included in these reserves is over land awaiting conclusion of native title processes.

Bow has completed drilling three appraisal wells (CMP 1, 2 and 3) within the southern area of the Comet CSG Field. These wells are currently awaiting permeability testing, which will commence in late 2010. If adequate permeability is identified, an appropriate completion design will be established and further such wells will be drilled as part of the next stage of appraisal.

Comet CSG Block







Norwich Park CSG Block

(ATP 1031P)

Bow's 100% owned Norwich Park Block has an area of 872 km^2 with adjacent tenements operated by BG Group and Arrow Energy. The Block is located immediately south of Arrow Energy's primary Bowen Basin project areas and has similar primary targets in the Fort Cooper, Rangal and Moranbah Coal Measures.

The first five core holes of an initial seven well 3P and 2P reserves delineation drilling program on the Norwich Park Block intersected an average of 62 metres of gassy coals. Most seams are described as bubbling gas, some are fractured and bright and all seams are correlateable between the wells. Preliminary gas desorption rates suggest high to very high gas contents which have low CO_2 and over 96% methane gas.

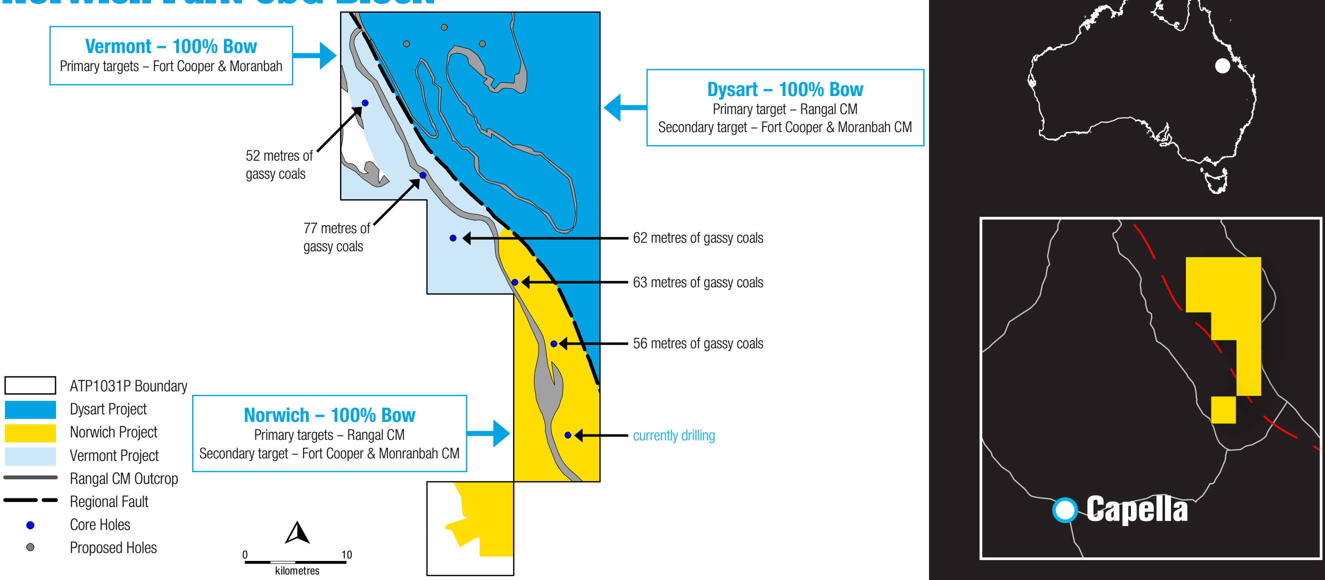
The wells are spaced between 8 to 10 km apart, suggesting a very large CSG field extending over a 40 km trend so far. The coal thicknesses in these Norwich Park Block wells are over twice as thick as those intersected in Bow's 100% owned Comet Block (ATP 1025P). The results to date suggest Norwich Park Block contains considerably more gas per km^2 than the Comet Block (ATP 1025P), suggesting more gas may be extracted per well.

Due to the initial excellent technical results, and in anticipation of certifying substantial gas reserves, Bow has scheduled permeability testing on several wells and accelerated initial pilot production wells which are now planned for early 2011.

Furthermore, the initial seven well 3P exploration drilling program has been increased to a minimum of nine wells, with two additional wells added to the Dysart Prospect exploration program.

Bow has submitted 12 PLAs over the gas reserve areas covering the Norwich Park Block.

Norwich Park CSG Block



Operations Review

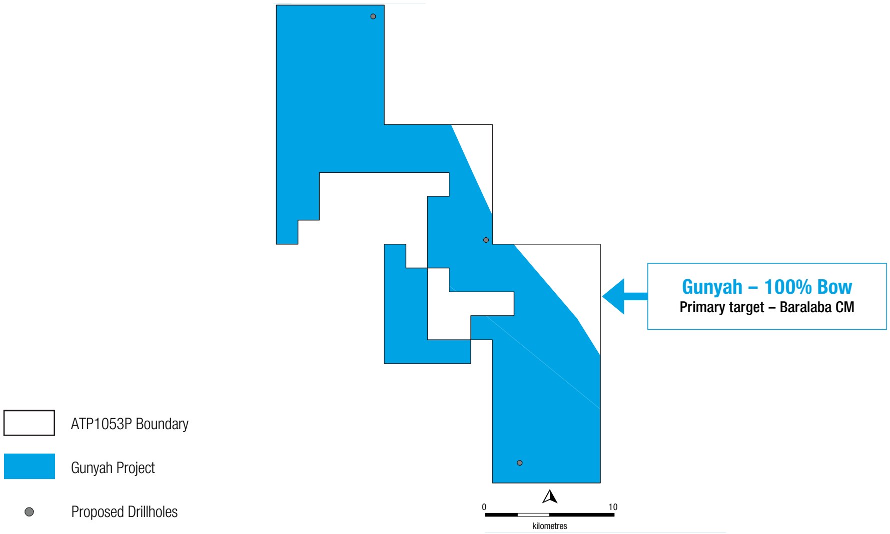
Gunyah CSG Project

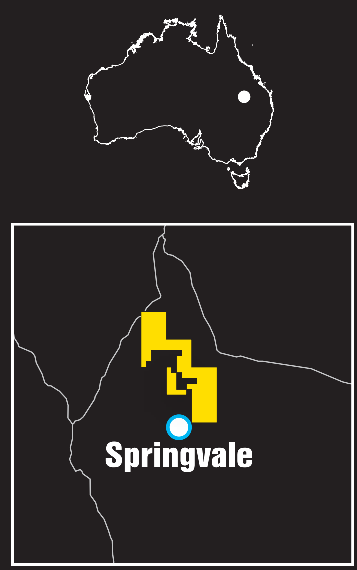
(ATP 1053P)

Bow owns 100% of the Gunyah Block which is centrally located between the Moura-Dawson River and Scotia-Peat CSG production projects. A recent review of Bow's CSG assets performed by MBA Petroleum Consultants Pty Ltd estimated GIP potential of 1.8 Tcf for the Gunyah Block.

Bow has finalised all relevant documentation, including a Conjunctive Ancillary Agreement (between Bow and the Wulli Wulli People) and the State Deed (all parties including the Queensland Government). The Conjunctive Ancillary agreement captures the significant requirements for CSG exploration and production, such as cultural heritage management plans.

Gunyah CSG Project



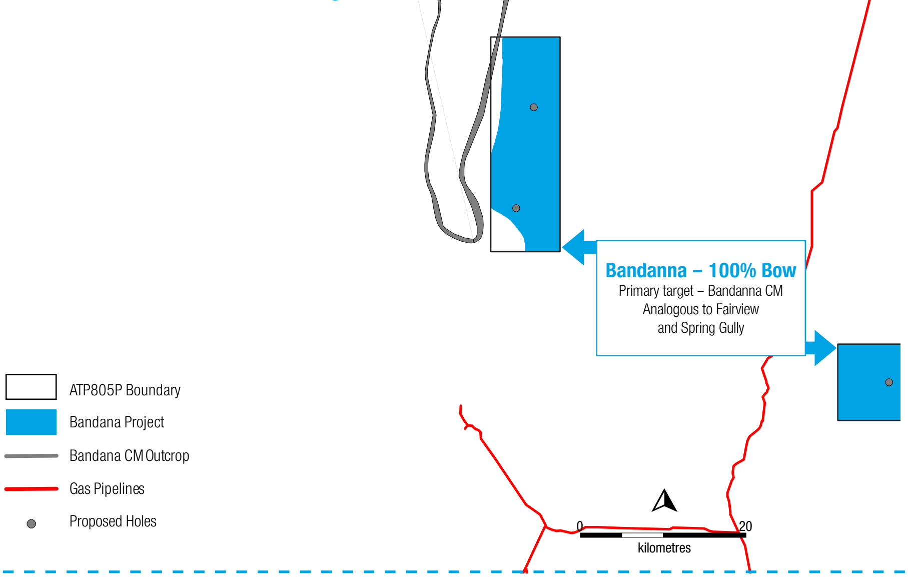


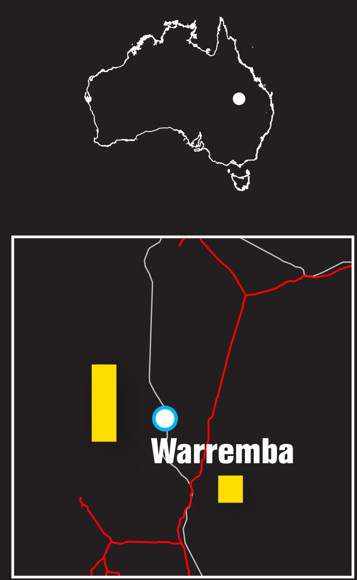
Bandanna CSG Project

(ATP 805P)

Bow's 100% owned Bandanna CSG project (ATP 805P), is located 70 km north-west of Santos's Fairview CSG Field. The project will target the Bandanna Coal Measures, which are interpreted to occur at depths between 200-1,000 metres. Bow is planning to drill two exploration core holes in the Bandanna prospect during 2011.

Bandanna CSG Project





Don Juan CSG Project

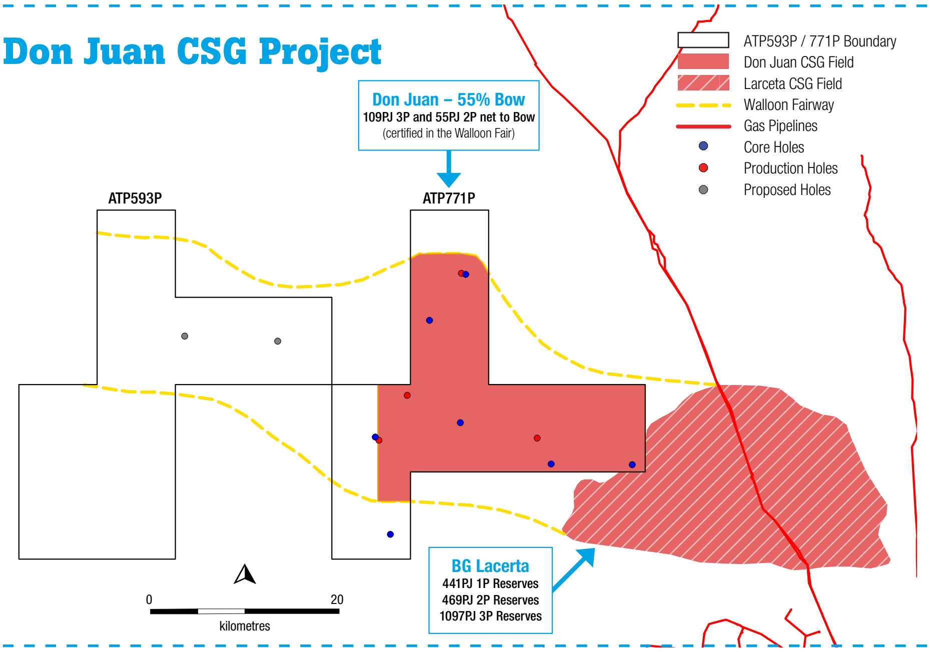
(Bow 55% through wholly owned subsidiaries Bow CSG Pty Ltd and Roma CBM Pty Ltd)

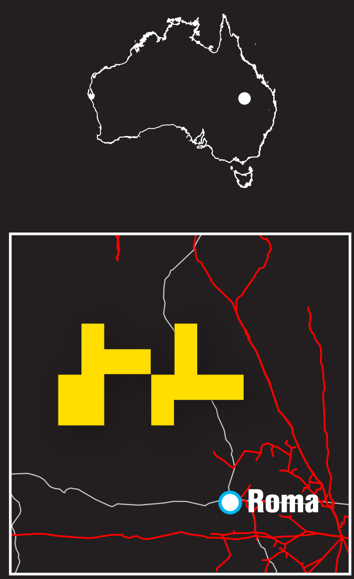
The Don Juan CSG Project includes ATP 771P and ATP 593P and is located in the western Surat Basin, about 40 km north of Roma, adjacent to and west of BG Group's Lacerta CSG field. The Project is a joint venture between Bow, as Operator with a 55% interest (Walloon Coal Measures only in ATP 771P, including the Juandah and Taroom coal seams), and Victoria Petroleum having a 45% interest. 101PJ of 2P and 197PJ of 3P gross certified reserves to date are within ATP 771P.

Bow has interpreted the Don Juan CSG fairway to extend further west into ATP 593P, where the Walloon Coal Measures are expected to be at reasonable depths. Bow is now planning a two-well exploration drilling and testing program within ATP 593P later in 2010, with the aim of certifying additional 3P and 2P reserves.

Discussions are underway on monetisation of the Don Juan CSG Field, with potential connection into the nearby Queensland Gas Pipeline approximately 15 km east of the field.

Don Juan CSG Project





Operations Review

Commercial Activities

Gas Development Strategy

Bow has continued numerous commercial in-confidence discussions with domestic and export LNG counterparties, progressing multiple development paths for getting its gas to market. Discussions have encompassed a number of paths:

- Domestic power generation: mirror Blackwater Power Project and develop larger scale plants across Bow's Bowen Basin CSG fields and projects;
- Domestic gas supply for industry: Bow has had significant demand for long-term domestic gas supplies and discussions with third parties have continued; and
- Proposed export LNG markets in Gladstone: offtake and other participating arrangements have been discussed with several parties.

A key element of Bow's development strategy is the required gas pipeline infrastructure from Bow's Bowen Basin gas reserve base to Gladstone for potential supply to both domestic and export gas markets.

Bow has obtained a pipeline survey licence (PSL 51) under the Petroleum and Gas (Production and Safety) Act 2004 for the corridor from Blackwater through to Gladstone, and a third party consultant has outlined the preferred pipeline route of 257 km. Indicative cost estimates for various gas supply capacities have also been completed to enable offtake arrangements to further progress.

Construction Starts On Blackwater Power Project

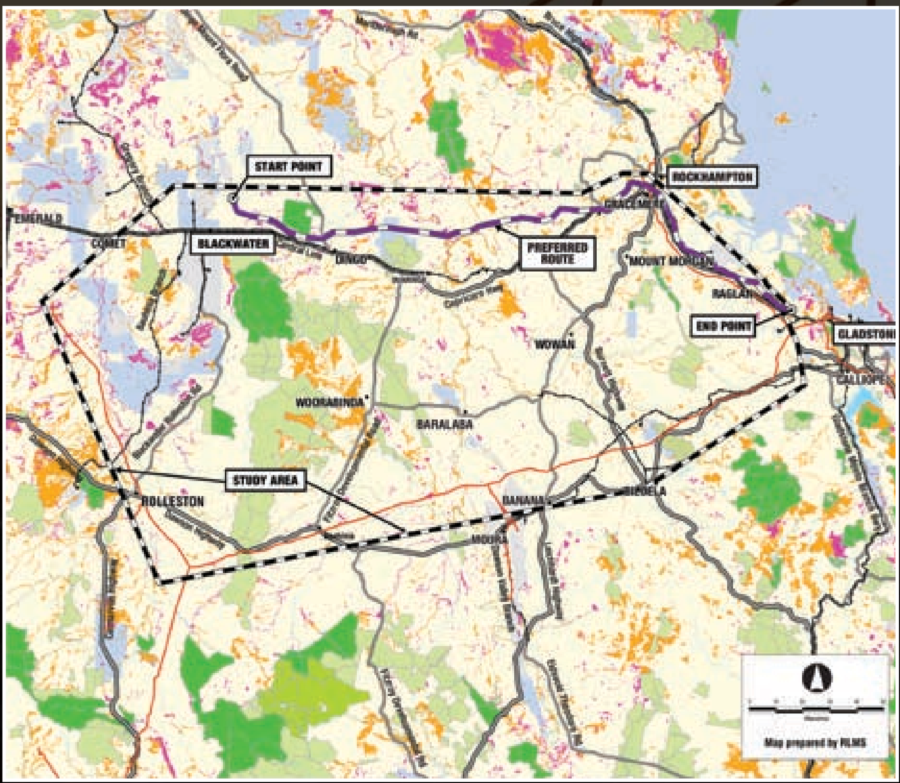
Bow announced in August 2010 the start of construction on time and on budget of the Company's 100% owned, 30MW gas-fired Blackwater Power Project near Blackwater, central Queensland.

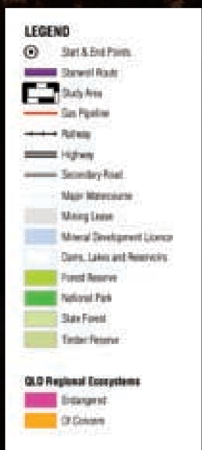
The Blackwater Power Project is being constructed by Clarke Energy (Aust) Pty Ltd (Clarke) under a turnkey construction contract utilising lean burn, highly efficient GE Jenbacher gas engines with expected completion by FY2011. Clarke also constructed the similar Daandine Power Station near Dalby in 2006. Bow anticipates the power generation plant will require approximately 2PJ per annum of gas.

The procurement of all major items of equipment has also been completed, including the switchroom, high voltage switchboard, low voltage main switchboard, gas conditioning unit, gas compressor and 10 x 3 megawatt GE Jenbacher generating sets, enclosures, radiators and transformers.

Bow sees the new power project as a model which could be replicated across the Company's strategic CSG fields in Queensland's Bowen Basin, in addition to the potential for larger scale, integrated power generation developments.

The Blackwater Power Project will supply low-emission energy to the national grid for domestic and industrial users.





Conventional Oil Projects

Bow has maintained exploration and appraisal activity in its key conventional oil projects through farmin arrangements in the Cooper Basin.

Cooper Basin

Bow is fully carried on a staged farmin oil exploration program within both blocks that comprise ATP 752P, located in the south-west corner of Queensland. The farmin consists of up to seven wells (two completed) and 300 km^2 of 3D seismic by Santos and Avery Resources. The blocks are adjacent to and on trend with areas where Santos has concentrated its Cooper Basin oil exploration program. The first two wells have been drilled and resulted in an oil discovery at Cuisinier-1 in the Barta Block.

Barta Block – Cuisinier-1 producing at about 440 BOPD

Cuisinier-1 is located approximately 6.2 km west of the Santos-operated Cook oil field.

Production commenced in May 2010 with the Cuisinier-1 well producing at an initial rate of approximately 440 barrels of oil per day. Regular truck loads of oil are being delivered to the Jackson Petroleum Facility. Since the start of production, approximately 9,000 gross barrels of oil have been produced (Bow share 20%).

Given the higher than expected oil flow rates of the first well on the field, the ATP 752P Joint Venture is considering additional appraisal wells on the field following detailed mapping using the 3D seismic data acquired over the field last year.

Several other oil prospects have been identified in the vicinity of the Cuisinier oil discovery. The Barta Block is regarded as prospective for the discovery of additional oil fields. A total of 17 leads and prospects with oil potential remain untested in the Barta Block.

Joint venture partner Bengal has an option to drill a third and final exploration earning well within the Barta Block. Bow will be fully carried on this well and after the drilling of this well, its final interest in the block will be 15%.

Wompi Block - 3D seismic completed prior to next phase of drilling – Bow fully carried (Bow 15% after farmin work completed)

Santos and Bengal are farming into this block with a staged earning program of up to four wells plus 200 km^2 of 3D seismic acquisition. Bow is fully carried through this program.

Some 200 km^2 of 3D seismic was acquired in the block in late 2008. The seismic targets a number of prospects and leads located adjacent to or on trend with initially high productive oil wells located in neighbouring production licences.

Processing of the 3D seismic data has been completed with interpretation in progress, which is to include an updated leads and prospects inventory and high grading for subsequent drilling location selection.

Surat Basin

Bow has a dominant acreage position in the south-west Surat Basin flank. These areas are currently being reassessed by an independent consultant. Following a change in management and direction, Mosaic Oil decided to pull out of the staged farmin program in Bow's south-west Surat Basin areas.

Bow Committed to Minimum Environmental Impact

Bow aims to minimise the release of any harmful substances during its operations and actively promotes ecological values of the areas in which it operates. This includes, at a minimum, compliance with laws and regulations for operations and rehabilitation practices.

Health and Safety a Priority

Bow is committed to a safe and healthy workplace for all of its employees, consultants, contractors, service providers and visitors across all facets of its operations.

Bow's OH&S target is to achieve zero harm and it strives to instil the attitude that safety is everyone's responsibility at all levels of the Company. This attitude not only improves safety and helps advance Bow's safety systems, but can also improve processes, minimise downtime and increase operational performance.

Board and Management Personnel

The past year has seen a major strengthening of Bow's Board and management, with the appointment of Howard Stack as independent, Non-Executive Chairman, John De Stefani as Chief Executive Officer, Vic Palanyk as Chief Operating Officer and Peter Harbison as Chief Financial Officer. Following Mr De Stefani's appointment, Ron Prefontaine moved from Managing Director to Executive Director to focus on technical development.

Material Transactions After 1 July 2010

Construction Commences on Blackwater Power Project

On 28 August 2010, the Company announced the start of construction on Bow's 100% owned 30MW gas-fired Blackwater Power Project, located 15 km north-east of the town of Blackwater in central Queensland. The beginning of construction followed the successful award of the development permit from the Central Highlands Regional Council.

Promotion to S&P/ASX200 Index

S&P Indices announced on 20 September 2010 Bow's promotion to the S&P/ASX200 Index, effective after the close of business on 27 September 2010.

The S&P/ASX200 Index is recognised as the primary investable benchmark in Australia, covering around 78% of Australian equity market capitalisation. Bow's inclusion in the key index is expected to boost institutional investor interest in the Company.

Directors & Senior Management

Directors

Howard Stack
Independent Non-Executive Chairman

Mr Stack was appointed to the Board of Directors as independent Non-Executive Chairman on 17 December 2009, and appointed to the Audit and Risk Management Committee.

Mr Stack brings considerable value to the Company in achieving its goal of becoming a major integrated energy company.

Mr Stack has served on the boards of Australian National Industries Limited, Flight Centre Limited, Data #3 Limited, Voxson Limited, Eastern Corporation Limited, Diversified Mining Services Limited and Magnetica Limited.

He currently provides legal and commercial advice on fuel and infrastructure projects including the Bayswater and Liddell Power Station projects in the Hunter Valley, New South Wales.

He was previously Managing Partner of the Australian law firm Feez Ruthning, during which time he negotiated the merger with Allen, Allen & Hemsley. He is currently Chairman of the Board of Trustees for Brisbane Grammar School.

Ron Prefontaine
Executive Director

Mr Prefontaine served as Managing Director following Bow's registration on 17 September 2004. In April 2010 he was appointed Executive Director as part of an executive restructure, focusing on technical and business development.

He has over 31 years exploration and production experience in the petroleum industry.

Since 1994 he has consulted to the industry in technical and management positions, which included being a Director for Arrow Energy Ltd (Arrow) from 2001 to 2005. At Arrow, Mr Prefontaine was in charge of its early successful CSG exploration program.

Mr Prefontaine founded Australian CBM Pty Ltd (now owned by Arrow Energy), Permian Oil Pty Ltd (now owned by BG Group), SEQOil Pty Ltd (now owned by Bow Energy) and Ocellaris Oil Pty Ltd (now owned by Bow Energy).

Mr Prefontaine is past President of the Petroleum Exploration Society of Australia (Queensland) and the Queensland Petroleum Exploration Society. In 2008 he was presented with the inaugural John Doran Good Oil Conference lifetime achievement award in recognition of his service to the oil and gas industry.

Stephen Bizzell
Non-Executive Director

Mr Bizzell has been a Non-Executive Director since the time of registration of the Company, 17 September 2004.

He is a Chartered Accountant and early in his career was employed in the Corporate Finance division of Ernst & Young and the Corporate Tax division of Coopers & Lybrand.

He has had considerable experience and success in the fields of corporate restructuring, debt and equity financing, and mergers and acquisitions and has over 15 years corporate finance and public company management experience in the resources sector in Australia and Canada with various public companies.

Mr Bizzell is the Chairman of boutique investment banking and funds management group Bizzell Capital Partners and Executive Director of Dart Energy Ltd.

Stephen was also an Executive Director of Arrow Energy Ltd from 1999 until its recent acquisition by Shell and PetroChina, for $3.5 billion. Stephen was instrumental in Arrow's corporate and commercial success and its growth from a junior explorer to a large integrated energy company.

Mr Bizzell is a member of Bow's Audit and Risk Management Committee.

Nick Mather
Non-Executive Director

Mr Mather has been a Non-Executive Director since the time of Bow's registration.

He has over 28 years technical and corporate experience and is also the Managing Director of D'Aguilar Gold Ltd, a listed gold exploration company. Mr Mather has focused his attention on the identification of, and investment in, large resource exploration projects.

During his tenure as an Executive Director of Arrow Energy Ltd from 2000 to 2004, Mr Mather drove the acquisition and business development of Arrow's large CSG projects in south-east Queensland.

Mr Mather was Managing Director of BeMaX Resources NL from 1997 until 2000 and was instrumental in the discovery of the world class Gingko mineral sand deposit in the Murray Basin in 1998.

Mr Mather is a member of Bow's Audit and Risk Management Committee.

Senior Management

John De Stefani
Chief Executive Officer

Mr De Stefani was appointed Chief Executive Officer of Bow in April 2010 after serving as CEO Commercial.

Prior to joining Bow in 2008, Mr De Stefani spent eight years as General Manager/ Director of an expanding power generator and CEO of a high tech business which delivered strong sustainable growth.

Mr De Stefani is a chartered accountant with 20 years of business experience. He has a proven successful track record in project finance, business development and asset management with over eight years international energy experience working on projects in the US, UK, Egypt, Turkey and the Philippines.

Mr De Stefani has a Bachelor of Business from the Queensland University of Technology and a MBA from the London Business School. He is a member of the Institute of Chartered Accountants of Australia and the Australian Institute of Company Directors.

Vic Palanyk
Chief Operating Officer

Mr Palanyk has 30 years experience in the resources industry including petroleum and mining in Australia, Asia, North America and the Middle East.

He has worked in most facets of the industry including exploration, development, production, business development, commercial and business analysis.

Mr Palanyk also has 15 years experience in all facets of CSG. His past management positions include General Manager of Queensland Gas Company, Technical Manager for Anglocoal Australia's CSG business and Manager for Rio Tinto's CSG business.

Mr Palanyk is responsible for managing Bow's technical efforts to expand its gas reserves base and to implement its development plans to establish Bow as a major integrated energy company.

Mr Palanyk has a BSc Specialization Geology from the University of Alberta, Canada, he is a member of the Society of Petroleum Engineers (SPE), American Association of Petroleum Geologists (AAPG) and the Petroleum Exploration Society of Australia (PESA).

Peter Harbison
Chief Financial Officer

Mr Harbison is a chartered accountant with 19 years of business experience with a Bachelor of Commerce from the University of Queensland. Mr Harbison is a member of the Institute of Chartered Accountants of Australia.

Mr Harbison was engaged by Arrow Energy in January 2009, developing the financial strategy to meet Arrow's short to medium term capital funding requirements, from upstream CSG field development through to downstream LNG facility.

Prior to that, Mr Harbison was CFO for Broadcast Australia Pty Ltd and Arqiva Ltd, both part of the Macquarie Communications Infrastructure Group, where he was involved in major corporate transactions and capital restructuring for large scale communications infrastructure projects across Australia and the UK.

Duncan Cornish
Company Secretary

Mr Cornish is an accomplished and highly efficient corporate administrator and manager.

He has many years experience in pivotal management roles in capital raisings and stock exchange listings for numerous companies on the ASX, AIM Market of the London Stock Exchange and the Toronto Stock Exchange.

He has also focused on the areas of company reporting and company regulatory, secretarial and governance areas, and business acquisition and disposal due diligence. He has worked previously with Ernst and Young and PricewaterhouseCoopers in both Australia and the UK.

Mr Cornish is currently Company Secretary and CFO of other listed companies on the ASX and TSX-V, having assisted in the listing and capital raising of each of the companies. He is supported by a small but experienced team of accountants and administrators.

Mr Cornish is a Chartered Accountant and is a member of the Australian Institute of Chartered Accountants.

Directors' Report

Your directors present their report on the consolidated entity consisting of Bow Energy Ltd and the entities it controlled at the end of, or during, the year ended 30 June 2010.

DIRECTORS

The following persons were directors of Bow Energy Ltd during the whole of the financial year and up to the date of this report, unless otherwise stated:

Howard Stack
(Non-Executive Chairman)

Mr Stack was appointed to the board of directors as independent Non-Executive Chairman on 17 December 2009, and appointed to the Audit and Risk Management Committee. He brings considerable value to the company in achieving its goal of becoming a major integrated energy company.

Mr Stack has served on the boards of Australian National Industries Limited, Flight Centre Limited, Data #3 Limited, Voxson Limited, Eastern Corporation Limited, Diversified Mining Services Limited, Waratah Coal Inc. and Magnetica Limited. He currently provides legal and commercial advice on fuel and infrastructure projects including Bayswater and Liddell Power Station projects in the Hunter Valley, New South Wales. He was previously Managing Partner of the Australian law firm Feez Ruthning during which time he negotiated the merger with Allen, Allen & Hemsley. He is currently Chairman of the Board of Trustees for Brisbane Grammar School.

During the past three years Mr Stack has also served as a Director of the following ASX listed companies:

- Waratah Coal Inc. (2 June 2008 until 22 December 2008) (ASX listed from 10 November 2008 to 22 December 2008)

Ron Prefontaine
(Executive Director)

Mr Prefontaine served as Managing Director following Bow's registration on 17 September 2004. In April 2010 he was appointed Executive Director as part of an executive restructure, focusing on technical and business development.

He has over 31 years exploration and production experience in the petroleum industry.

Since 1994 he has consulted to the industry in technical and management positions, which included being a Director for Arrow Energy Ltd (Arrow) from 2001 to 2005. At Arrow, Mr Prefontaine was in charge of its early successful CSG exploration program.

Mr Prefontaine founded Australian CBM Pty Ltd (now owned by Arrow Energy), Permian Oil Pty Ltd (now owned by BG Group), SEQOil Pty Ltd (now owned by Bow Energy) and Ocellaris Oil Pty Ltd (now owned by Bow Energy).

Mr Prefontaine is past President of the Petroleum Exploration Society of Australia (Queensland) and the Queensland Petroleum Exploration Society. In 2008 he was presented with the inaugural John Doran Good Oil Conference lifetime achievement award in recognition of his service to the oil and gas industry.

Nicholas Mather
(Non-Executive Director)

Mr Mather has been a Non-Executive Director since the time of registration of the Company, 17 September 2004. He has over 28 years technical and corporate experience and is also the Managing Director of D'Aguilar Gold Ltd, a listed gold exploration company. Mr Mather has focused his attention on the identification of, and investment in, large resource exploration projects.

During his tenure as an Executive Director of Arrow Energy Ltd from 2000 to 2004, Mr Mather drove the acquisition and business development of Arrow's large CSG projects in south-east Queensland.

Mr Mather was Managing Director of BeMaX Resources NL from 1997 until 2000 and was instrumental in the discovery of the world class Gingko mineral sand deposit in the Murray Basin in 1998.

Mr Mather is a member of the Audit and Risk Management Committee.

During the past three years Mr Mather has also served as a Director of the following ASX listed companies:

- D'Aguilar Gold Ltd* (since 26 October 2001)
- Mt Isa Metals Ltd* (since 15 June 2006)
- Waratah Coal Inc. (6 May 2005 until 22 December 2008) (ASX listed from 10 November 2008 to 22 December 2008)

* denotes current directorship.

DIRECTORS (CONTINUED)

Stephen Bizzell
(Non-Executive Director)

Mr Bizzell has been a Non-Executive Director since the time of registration of the Company, 17 September 2004. He is a Chartered Accountant and early in his career was employed in the Corporate Finance division of Ernst & Young and the Corporate Tax division of Coopers & Lybrand. He has had considerable experience and success in the fields of corporate restructuring, debt and equity financing, and mergers and acquisitions and has over 15 years corporate finance and public company management experience in the resources sector in Australia and Canada with various public companies.

Mr Bizzell is the Chairman of boutique investment banking and funds management group Bizzell Capital Partners and Executive Director of Dart Energy Ltd.

Stephen was also an Executive Director of Arrow Energy Ltd from 1999 until its recent acquisition by Shell and PetroChina, for $3.5 billion. Stephen was instrumental in Arrow's corporate and commercial success and its growth from a junior explorer to a large integrated energy company.

Mr Bizzell is a member of the Audit and Risk Management Committee.

During the past three years Mr Bizzell has also served as a Director of the following ASX listed companies:

- Renison Consolidated Mines NL* (since 28 June 1996)
- Arrow Energy Ltd (from 16 June 1999 to 23 August 2010)
- Dart Energy Ltd* (Since 9 November 2006) (ASX listed since 22 July 2010)
- Liquefied Natural Gas Limited (from 20 December 2007 to 17 March 2010) (Alternate Director)
- Apollo Gas Ltd* (since 15 August 2009)
- Hot Rock Ltd* (since 22 September 2009)
- Stanmore Coal Ltd* (since 5 October 2009)
- Diversa Ltd* (since 25 August 2010)

* denotes current directorship.

Michele Muscillo
(Alternate Director)

Mr Muscillo was appointed as Alternate Director for Mr Prefontaine (Executive Director) for the period 26 May 2010 to 6 July 2010.

Mr Muscillo is a Partner of HopgoodGanim Lawyers. He was admitted as a Solicitor in 2004 and has a practice focusing almost exclusively in mergers and acquisitions and capital raising. Mr Muscillo has a Bachelor of Laws from Queensland University of Technology and was the recipient of the QUT University Medal. In his role with HopgoodGanim Lawyers, Mr Muscillo has acted on a variety of corporate transactions including initial public offerings, takeovers and other acquisitions.

SECRETARY

Mr Duncan Cornish was the Secretary of the Company during the period and until the date of this report.

Duncan Cornish
BBus (Acctcy), ACA
(Company Secretary and Chief Financial Officer)

Mr Cornish has been the Company Secretary since the time of registration of the Company, 17 September 2004. He has many years experience in the accountancy profession both in England and Australia, mainly with the accountancy firms Ernst & Young and PriceWaterhouseCoopers. He has extensive experience in all aspects of company financial reporting, corporate regulatory and governance areas, business acquisition and disposal due diligence, capital raising and company listings and company secretarial responsibilities.

Mr Cornish holds a Bachelor of Business (Accounting) and is a member of the Australian Institute of Chartered Accountants. He is also Company Secretary and Chief Financial Officer of several other listed companies. He is supported by a small experienced team of accountants and administrators.

Directors' Report

INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY

As at the date of this report, the interests of the Directors in the shares and options of Bow Energy Ltd are shown in the table below:

	Ordinary Shares	Unlisted Options ($0.50 @ 7/11/11)	Unlisted Options ($2.00 @ 31/1/13)
Ron Prefontaine	10,592,045	1,669,456	2,000,000
Nicholas Mather	4,713,663	3,333,333	2,000,000
Stephen Bizzell	6,581,795	-	2,000,000
Howard Stack	436,691	-	2,000,000

PRINCIPAL ACTIVITIES

The principal activities of the Company during the financial period were oil and gas exploration. There were no significant changes in the nature of the Company's principal activities during the financial period.

OPERATING RESULTS

For the year ended 30 June 2010, the profit for the consolidated entity after providing for income tax was $6,798,231 (2009: loss of $772,034).

DIVIDENDS PAID OR RECOMMENDED

There were no dividends paid or recommended during the financial year.

REVIEW OF OPERATIONS

Detailed comments on operations and exploration programs up to the date of this report are included separately in the Annual Report under Review of Operations and Future Developments.

REVIEW OF FINANCIAL CONDITION

Capital structure

On 19 November 2009, 31,200,000 ordinary shares were issued (@ $1.25 to raise $39,000,000 before issue costs), pursuant to a Share Placement as announced by the Company on 13 November 2009.

On 18 December 2009, 29,280,569 ordinary shares were issued (@ $1.25 to raise $36,600,711 before issue costs), pursuant to a Share Purchase Plan announced by the Company on 13 November 2009.

On 31 December 2009, 200,000 ordinary shares were issued (@ $1.25 to raise $250,000 before issue costs), pursuant to a Share Placement to entities associated with Stephen Bizzell, a director of the Company, as announced by the Company on 13 November 2009 and as approved by shareholders at a General Meeting held on 15 December 2009.

On 5 January 2010, 600,000 ordinary shares were issued (@ $1.25 to raise $750,000 before issue costs), pursuant to a Share Placement to entities associated with Nicholas Mather, a director of the Company, as announced by the Company on 13 November 2009 and as approved by shareholders at a General Meeting held on 15 December 2009.

During the year the following options were exercised into ordinary shares:

- 50,000 unlisted $0.30 options expiring 31 March 2010, raising $15,000
- 1,516,667 unlisted $0.50 options expiring 20 May 2010, raising $758,334
- 500,000 unlisted $0.40 options expiring 1 July 2011, raising $200,000
- 7,618,556 unlisted $0.50 options expiring 7 November 2011, raising $3,809,278

The following options were issued to employees:

- 250,000 unlisted $1.00 options expiring 30 June 2012
- 550,000 unlisted $1.80 options expiring 31 December 2012
- 550,000 unlisted $2.20 options expiring 31 December 2012
- 500,000 unlisted $1.80 options expiring 31 March 2013
- 500,000 unlisted $2.20 options expiring 31 March 2013
- 1,000,000 unlisted $2.00 options expiring 1 July 2013
- 500,000 unlisted $1.80 options expiring 31 December 2013
- 500,000 unlisted $2.20 options expiring 31 December 2013

REVIEW OF FINANCIAL CONDITION (CONTINUED)

The following options were forfeited due to employee resignation:

- 500,000 unlisted $0.40 options expiring 1 July 2011
- 1,000,000 unlisted $0.75 options expiring 1 July 2012
- 1,000,000 unlisted $1.00 options expiring 1 July 2013

Also during the year, Bow sold its interest in ATP 574P, located in Queensland's Surat Basin, to Victoria Petroleum NL (Vicpet). The consideration for the sale for all of Bow's interests in ATP 574P, including a 3.75% interest in the Walloon Coal Seam Gas (CSG) and 18.75% to 63.75% interest in the deeper stratigraphic section, was:

- $8 million cash;
- 13 million fully paid shares in Vicpet (received on 1 February 2010, valued at $3.7m); and
- Vicpet's interests in Surat Basin tenements ATP 608P (including 24% in Stratton Block and 30% in Rookwood Block) and ATP 805P (15%).

Bow's ownership in ATP 608P and ATP 805P has increased to 94.6% and 100% respectively.

At 30 June 2010, the Company had 280,607,187 ordinary shares and 20,554,631 unlisted options on issue.

Subsequent to 30 June 2010, the Company issued a total of 8,000,000 unlisted options, exercisable on or before 31 January 2013 at $2.00, to the directors of the Company. The Options will vest on the earlier of 1 July 2012 or a Change of Control event occurring. The Options were issued upon the terms and conditions set out in the Notice of General Meeting and Explanatory Memorandum dated 20 May 2010 and subsequently approved by shareholders at the General Meeting held on 24 June 2010.

As at the date of this report, the Company had 280,607,187 ordinary shares and 28,554,631 unlisted options on issue.

Financial position

The net assets of the consolidated entity have increased by $88,020,292 from $40,079,847 at 30 June 2009 to $128,100,139 at 30 June 2010. This increase has largely resulted from the following factors:

- Successfully raising capital through a Share Placement and Share Purchase Plan
- Gain on the sale of interest in ATP 574P

The consolidated entity's working capital, being current assets less current liabilities has increased from $20,876,034 in 2009 to $73,390,366 in 2010.

During the past year the consolidated entity has invested in increasing its interests in oil and gas exploration tenements.

Treasury policy

The Company does not have a formally established treasury function. The Board is responsible for managing the Company's finance facilities. The Company does not currently undertake hedging of any kind and is not directly exposed to material currency risks.

Liquidity and funding

The Company has sufficient funds to finance its operations and exploration activities, and to allow the Company to take advantage of favourable business opportunities, not specifically budgeted for, or to fund unforeseen expenditure.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The following significant changes in the state of affairs of the Company occurred in the financial year:

The Company sold its interest in ATP 574P, located in Queensland's Surat Basin, to Victoria Petroleum NL (Vicpet). The consideration for the sale for all of Bow's interests in ATP 574P, including a 3.75% interest in the Walloon Coal Seam Gas (CSG) and 18.75% to 63.75% interest in the deeper stratigraphic section, was:

- $8 million cash;
- 13 million fully paid shares in Vicpet (received on 1 February 2010, valued at $3.7m); and
- Vicpet's interests in Surat Basin tenements ATP 608P (including 24% in Stratton Block and 30% in Rookwood Block) and ATP 805P (15%).

Bow's ownership in ATP 608P and ATP 805P has increased to 94.6% and 100% respectively.

The Company completed a Share Placement issuing 31,200,000 ordinary shares on 19 November 2009. The shares were issued at a price of $1.25 each to raise $39,000,000 before issue costs. A further 200,000 ordinary shares were issued on 31 December 2009 to raise $250,000 before issue costs and 600,000 ordinary shares on 5 January 2010 to raise $750,000 before issue costs.

The Company also completed a Share Purchase Plan issuing 29,280,569 ordinary shares on 18 December 2009. The shares were issued at a price of $1.25 each to raise $36,600,711 before issue costs.

Details of other changes to the capital structure of the Company are detailed in Review of Financial Condition above.

AFTER BALANCE DATE EVENTS

On 26 August 2010, Bow announced the start of construction on the 100% owned 30 megawatt gas-fired Blackwater Power Project, located approximately 15 kilometres north-east of the town of Blackwater in Central Queensland.

On 21 July 2010, the Company issued a total of 8,000,000 unlisted options, exercisable on or before 31 January 2013 at $2.00, to the directors of the Company. The Options will vest on the earlier of 1 July 2012 or a Change of Control event occurring. The Options were issued upon the terms and conditions set out in the Notice of General Meeting and Explanatory Memorandum dated 20 May 2010 and subsequently approved by shareholders at the General Meeting held on 24 June 2010.

There have been no other events since 30 June 2010 that impact upon the financial report as at 30 June 2010.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

Likely developments in the operations of the Company and the expected results of those operations in subsequent financial years have been discussed where appropriate in the Annual Report under Review of Operations and Future Developments.

There are no further developments of which the Directors are aware which could be expected to affect the results of the Company's operations in subsequent financial years other than information which the Directors believe comment on or disclosure of, would prejudice the interests of the Company.

ENVIRONMENTAL ISSUES

The Company is subject to environmental regulation in relation to its exploration activities. There are no matters that have arisen in relation to environmental issues up to the date of this report.

REMUNERATION REPORT (AUDITED)

This report details the nature and amount of remuneration for each Director of Bow Energy Ltd, and for the key management personnel.

Remuneration policy

The performance of the Company depends upon the quality of its Directors and Executives. To prosper, the Company must attract, motivate and retain highly skilled Directors and Executives.

The Board does not presently have a Remuneration and Nomination Committee. The Directors consider that the Company is not of a size, nor are its affairs of such complexity, as to justify the formation of a separate committee. All matters which might be dealt with by such a committee are reviewed by the Directors meeting as a Board. The Board, in carrying out the functions of the Remuneration and Nomination Committee, is responsible for determining and reviewing compensation arrangements for the Directors and the Executive team.

The Board, in carrying out the functions of the Remuneration and Nomination Committee, assesses the appropriateness of the nature and amount of remuneration 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. Such officers are given the opportunity to receive their base remuneration in a variety of forms including cash and fringe benefits. It is intended that the manner of payments chosen will be optimal for the recipient without creating undue cost for the Company.

The Company aims to reward the Executive Director and Senior Management with a level and mix of remuneration commensurate with their position and responsibilities within the Company. The Board's policy is to align Director and Executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering long-term incentives.

In accordance with best practice corporate governance, the structure of Non-Executive Director and Executive Director and Senior Management remuneration is separate and distinct.

Non-Executive Director remuneration

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

The Constitution of the Company and the ASX Listing Rules specify that the Non-Executive Directors are entitled to remuneration as determined by the Company in General Meeting to be apportioned among them in such manner as the Directors agree and, in default of agreement, equally. The aggregate remuneration currently determined by the Company is $500,000 per annum. Additionally, Non-Executive Directors will be entitled to be reimbursed for properly incurred expenses.

If a Non-Executive Director performs extra services, which in the opinion of the Directors are outside the scope of the ordinary duties of the Director, the Company may remunerate that Director by payment of a fixed sum determined by the Directors in addition to or instead of the remuneration referred to above. However, no payment can be made if the effect would be to exceed the maximum aggregate amount payable to Non-Executive Directors.
A Non-Executive Director is entitled to be paid travel and other expenses properly incurred by them in attending Director's or General Meetings of the Company or otherwise in connection with the business of the Company.

The remuneration of Non-Executive Directors for the year ending 30 June 2010 is detailed in this Remuneration Report.

REMUNERATION REPORT (AUDITED) (CONTINUED)

Executive Director and Senior Management remuneration

The Company aims to reward the Executive Director and Senior Management with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to:

- reward the Executive Director and Senior Management for company and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of the Executive Director and Senior Management with those of shareholders;
- link reward with the strategic goals and performance of the Company; and
- ensure total remuneration is competitive by market standards.

The remuneration of the Executive Director and Senior Management may from time to time be fixed by the Board. As noted above, the Board's policy is to align the Executive Director and Senior Management objectives with shareholder and business objectives by providing a fixed remuneration component and offering long-term incentives.

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. Fixed remuneration is reviewed annually by the Board, in carrying out the functions of the Remuneration and Nomination Committee, and the process consists of a review of Company-wide and individual performance, relevant comparative remuneration in the market and internal, and where appropriate, external advice on policies and practices. Senior Management are given the opportunity to receive their fixed remuneration in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

Long-term incentives are provided in the form of options and/or the issue of shares following the completion of satisfactory time periods of service. The Company uses employee continuity of service and the future share price to align comparative shareholder return and reward for executives.

The remuneration of the Executive Director and Senior Management for the year ending 30 June 2010 is detailed in this Remuneration Report.

Relationship between remuneration and Company performance

During the financial year, the Company (and its subsidiaries) has generated losses as its principal activity was oil and gas exploration, offset by the net gain on sale of its interest in a tenement (ATP 574P) further details of which are set out in Note 3 (b) in the Notes to the Financial Statements for the year ended 30 June 2010.

The Company listed on the ASX on 20 May 2005. The following table shows the share price at the end of the financial year for the Company for the last five years:

	2006	2007	2008	2009	2010
Share price at year-end	$0.19	$0.19	$0.44	$0.83	$1.125

During the year ended 30 June 2010 the market price of the Company's ordinary shares ranged from a low of $0.75 to a high of $1.61.

There were no dividends paid during the year ended 30 June 2010.

As the Company is still in the exploration and development stage, the link between remuneration, company performance and shareholder wealth is tenuous, however the Board considers the past performance of the Company as a whole when determining the overall level of key management personnel compensation. Share prices are subject to the influence of oil prices and market sentiment toward the sector, and as such increases or decreases may occur quite independent of company performance.

Employment contracts

It is the Board's policy that employment agreements are entered into with all Executive Directors, Executives and employees.

Contracts do not provide for pre-determining compensation values or method of payment. Rather the amount of compensation is determined by the Board in accordance with the remuneration policy set out above.

The current employment agreements with the Executive Director, Chief Executive Officer and the Company Secretary have three month notice periods. All other employment agreements have one month (or less) notice periods. No current employment contracts contain early termination clauses. All Non-Executive Directors have received letters outlining the key terms of their appointment.

Key management personnel are entitled to their statutory entitlements of accrued annual leave and long service leave together with any superannuation on termination. No other termination payments are payable.

REMUNERATION REPORT (AUDITED) (CONTINUED)

Executive Director

The Executive Director, Mr Ron Prefontaine (previously the Managing Director), is employed under a Consultancy Agreement with Prefontaine Consulting Pty Ltd. This agreement commenced on 1 February 2010 and replaced the previous Executive Services Contract with Prefontaine Consulting.

Under the terms of the Agreement, Prefontaine Consulting Pty Ltd receives a base fee of $10,000 per month, based on a retainer for services for a minimum of 4 days per month. The Company is obliged to reimburse Prefontaine Consulting for all reasonable and necessary expenses incurred by it in the performance of its duties.

The Agreement is for a term of 12 months. Both Bow Energy Ltd and Prefontaine Consulting Pty Ltd are entitled to terminate the agreement by giving to the other not less than three (3) months written notice. Bow Energy Ltd is entitled to terminate the Agreement upon the happening of various events in respect of Prefontaine Consulting Pty Ltd's solvency or other conduct. If Mr Prefontaine is terminated due to not being re-elected as a director and not as a result upon the happening of various events in respect of Prefontaine Consulting Pty Ltd's solvency or other conduct, then Mr Prefontaine is entitled to three (3) months base fees.

If by agreement by both Bow Energy Ltd and Prefontaine Consulting Pty Ltd, Mr Prefontaine continues to perform the services after the end of the term, then the terms and conditions of the agreement (except for the term) continue to apply and, without limiting any other right to terminate that may be available to either Bow Energy Ltd or Prefontaine Consulting Pty Ltd, each party may terminate the agreement on 14 days notice in writing to the other.

Senior Management

Chief Executive Officer

The Chief Executive Officer, Mr John de Stefani (previously CEO – Commercial), is employed under an Executive Services Agreement. This agreement commenced on 1 February 2010 and replaced the previous employment contract with Mr de Stefani (as CEO – Commercial, that commenced on 11 August 2008).

Pursuant to the terms of the current agreement, during the financial year Mr de Stefani was granted 1,000,000 unlisted options exercisable on or before 1 July 2013 at $2.00. The options vest on the earlier of a change in control event occurring or 1 July 2012. In the event of Mr de Stefani ceasing to be an employee of Bow Energy Ltd, all options which have not vested will expire immediately. Any options which have vested will expire 3 months after Mr de Stefani ceases to be an employee, unless his employment is terminated by Bow Energy Ltd with cause, in which case the vested options will expire immediately. Mr de Stefani also holds a further 3,000,000 unlisted options (1,000,000 exercisable at $0.40 on or before 1 July 2011, 1,000,000 exercisable at $0.75 on or before 1 July 12 and 1,000,000 exercisable at $1.00 on or before 1 July 2013) issued pursuant to his initial Executive Service Agreement in 2008 as CEO – Commercial.

During the financial year Mr de Stefani was paid a cash bonus of $42,000. This was a discretionary bonus determined by the board due to the achievements of the Company during the previous year.

Based on each calendar year review, Mr de Stefani may also be entitled to a bonus of up to 39% of his base salary based significantly on the achievement of KPIs set from time to time, by the Board. The bonus may be paid in cash or shares in Bow Energy Ltd, at the discretion of the Board.

The Executive Services Agreement may be terminated by either party by providing 3 months written notice. Bow Energy Ltd may terminate the agreement immediately and without payment in lieu of notice in the case of serious misconduct pursuant to the terms of the agreement. There are no termination payments provided for in Mr de Stefani's employment agreement.

Chief Operating Officer

The Company has an employment agreement with Mr Vic Palanyk for the position of Chief Operating Officer which commenced on 18 January 2010.

Mr Palanyk received a one-off cash payment of $30,000 upon starting employment. If employment is terminated within one year of commencement then the full amount is required to be reimbursed to Bow Energy Ltd.

During the financial year Mr Palanyk was granted the following options:

- 500,000 unlisted options exercisable on or before 31 March 2013 at $1.80. The options vest 31 December 2010.
- 500,000 unlisted options exercisable on or before 31 March 2013 at $2.20. The options vest 31 December 2011.

In the event of Mr Palanyk ceasing to be an employee of Bow Energy Ltd, all options which have not vested will expire immediately. Any options which have vested will expire 3 months after Mr Palanyk ceases to be an employee, unless his employment is terminated by Bow Energy Ltd with cause, in which case the vested options will expire immediately.

The employment agreement may be terminated by either party by providing one months' written notice. Bow Energy Ltd may terminate the employment with notice or pay in lieu in the event of gross negligence or serious misconduct. There are no termination payments provided for in Mr Palanyk's employment agreement.

REMUNERATION REPORT (AUDITED) (CONTINUED)

Engineering General Manager

The Company has an employment agreement with Mr Dusan Pribilovic for the position of Engineering General Manager which commenced on 16 April 2009.

During the financial year Mr Pribilovic was paid a cash bonus of $20,000. This was a discretionary bonus determined by the board due to the achievements of the Company during the previous year.

The employment agreement may be terminated by either party by providing one months' written notice. Bow Energy Ltd may terminate the employment with notice or pay in lieu in the gross negligence or serious misconduct. There are no termination payments provided for in Mr Pribilovic's employment agreement.

Chief Financial Officer

The Company has an employment agreement with Mr Peter Harbison for the position of Chief Financial Officer which commenced on 15 June 2010.

During the financial year Mr Harbison was granted the following options:

- 500,000 unlisted options exercisable on or before 31 December 2013 at $1.80. The options vest 31 December 2011.
- 500,000 unlisted options exercisable on or before 31 December 2013 at $2.20. The options vest 31 December 2012.

In the event of Mr Harbison ceasing to be an employee of Bow Energy Ltd, all options which have not vested will expire immediately. Any options which have vested will expire 3 months after Mr Harbison ceases to be an employee, unless his employment is terminated by Bow Energy Ltd with cause, in which case the vested options will expire immediately.

The employment agreement may be terminated by either party by providing one months' written notice. Bow Energy Ltd may terminate the employment with notice or pay in lieu in the gross negligence or serious misconduct.

Company Secretary

Mr Cornish was Chief Financial Officer until 15 June 2010 when Peter Harbison was appointed. Mr Cornish continues as Company Secretary.

The Company has a services agreement with Corporate Administration Services Pty Ltd (CAS) and Duncan Cornish, the Secretary of the Company. The agreement commenced on 17 September 2004. Under the terms and conditions of the agreement, CAS has agreed to provide certain corporate secretarial, administration and other services to the Company. Additionally, Duncan Cornish has agreed to act as the secretary and chief financial officer of the Company.

CAS receives a base fee for provision of the services of $120,000 (exclusive of GST). The Company is also obliged to reimburse CAS for all reasonable and necessary expenses incurred by CAS in providing services pursuant to the Agreement.

Both the Company and CAS are entitled to terminate the agreement upon giving not less than three month's written notice. In the event that a party is in breach of the agreement either party may terminate the Agreement immediately on written notice. In addition, the Company is entitled to terminate the agreement upon the happening of various events in respect of CAS' solvency or other conduct of CAS or Duncan Cornish. CAS is also entitled to terminate the agreement upon the happening of various events in respect of the Company's solvency.

(a) Details of Key Management Personnel

(i) Directors

Howard Stack	Non-Executive Chairman (appointed 17 December 2009)
Ron Prefontaine	Executive Director (previously Managing Director until 1 February 2010)
Nicholas Mather	Non-Executive Director
Stephen Bizzell	Non-Executive Director
Michele Muscillo	Alternate Director (for the period 26 May 2010 to 6 July 2010)

(ii) Senior Management

John de Stefani	Chief Executive Officer (previously CEO – Commercial until 1 February 2010)
Vic Palanyk	Chief Operating Officer (commenced 18 January 2010)
Dusan Pribilovic	Engineering General Manager
Peter Harbison	Chief Financial Officer (commenced 15 June 2010)
Duncan Cornish	Company Secretary (also Chief Financial Officer until Peter Harbison commenced on 15 June 2010)

REMUNERATION REPORT (AUDITED) (CONTINUED)

(b) Remuneration details

The following table shows remuneration in respect to the financial years ended 30 June 2010 and 2009, the component of remuneration for each key management person and, to the extent different, the five Group executives and five Company executives who received the highest remuneration:

	Short-term Benefits			Post-employment	Long-term employee Benefits	Termination benefits	Share-Based Payments		Total	% Options as Remun-eration
2010	Salary & Fees $	Cash Bonus $	Insurance Premiums $	Super-annuation $	$	$	Equity Settled $	Cash Settled $	$	
Directors										
Howard Stack*	39,439	-	4,304	3,550	-	-	-	-	47,293	-
Ron Prefontaine	110,000	-	8,622	-	-	-	-	-	118,622	-
Nicholas Mather	55,000	-	8,622	-	-	-	-	-	63,622	-
Stephen Bizzell	55,000	-	8,622	-	-	-	-	-	63,622	-
Michele Muscillo^	6,023	-	-	-	-	-	-	-	6,023	-
Total	**265,462**	**-**	**30,170**	**3,550**	**-**	**-**	**-**	**-**	**299,182**	
Senior Management										
John de Stefani	311,846	42,000	8,622	25,366	-	-	182,556	-	570,390	32.01%
Vic Palanyk~	106,316	30,000	3,623	25,124	-	-	126,995	-	292,058	43.48%
Dusan Pribilovic	168,981	20,000	-	17,008	-	-	222,629	-	428,618	51.94%
Peter Harbison#	12,000	-	391	1,080	-	-	8,282	-	21,753	38.07%
Duncan Cornish	119,800	-	8,622	-	-	-	-	-	128,422	-
Total	**718,943**	**92,000**	**21,258**	**68,578**	**-**	**-**	**540,462**	**-**	**1,441,241**	

* Howard Stack was appointed as Non-Executive Chairman on 17 December 2009.
^ Michele Muscillo was appointed as Alternate Director on 26 May 2010.
~ Vic Palanyk commenced as Chief Operating Officer on 18 January 2010.
# Peter Harbison commenced as Chief Financial Officer on 15 June 2010.

REMUNERATION REPORT (AUDITED) (CONTINUED)

2009	Short-term Benefits: Salary & Fees $	Short-term Benefits: Cash Bonus $	Short-term Benefits: Insurance Premiums $	Post-employment: Super-annuation $	Long-term employee Benefits $	Termination benefits $	Share-Based Payments: Equity Settled $	Share-Based Payments: Cash Settled $	Total $	% Options as Remun-eration
Directors										
Ron Prefontaine	92,850	-	6,390	-	-	-	-	-	99,240	-
Nicholas Mather	40,000	-	6,390	-	-	-	-	-	46,390	-
Stephen Bizzell	40,000	-	6,390	-	-	-	-	-	46,390	-
Total	**172,850**	**-**	**19,170**	**-**	**-**	**-**	**-**	**-**	**192,020**	
Senior Management										
Peter Bubendorfer*	20,365	-	-	-	-	-		-	20,365	-
Peter O'Neill^	27,530	-	-	-	-	-		-	27,530	-
Paul Lipski~	225,961	-	6,390	20,337	-	-	63,184	-	315,872	20.00%
John de Stefani	194,615	-	6,390	17,515	-	-	165,445	-	383,965	43.09%
Dusan Pribilovic	33,000	-	-	2,970	-	-	-	-	35,970	-
Duncan Cornish	118,767	-	6,390	-	-	-	-	-	125,157	-
Total	**620,238**	**-**	**19,170**	**40,822**	**-**	**-**	**228,629**	**-**	**908,859**	

* Peter Bubendorfer resigned on 7 April 2009.
^ Peter O'Neill resigned on 2 February 2009.
~ Paul Lipski resigned on 2 July 2009.

Cash bonuses, performance-related bonuses and share-based payments

Key management personnel and other executives were not paid performance-related bonuses during the years ended 30 June 2010 and 2009.

During the year ended 30 June 2010, John de Stefani and Dusan Pribilovic were paid cash bonuses of $42,000 and $20,000 respectively. These were discretionary bonuses determined by the board due to the achievements of the Company during the previous year.

Also during the year ended 30 June 2010, Vic Palanyk received a one-off cash payment of $30,000 upon starting employment. If employment is terminated within one year of commencement then the full amount is required to be reimbursed to Bow Energy Ltd.

There were no cash bonuses paid to key management personnel or other executives during the year ended 30 June 2009.

Options issued as part of remuneration for the year ended 30 June 2010

The following options were granted during the year ended 30 June 2010 as remuneration to Key Management Personnel:

	Grant Date	Grant Number	Exercise Price	Expiry Date	Vesting Date	Number Vested @ 30 June 2010	Value per option at grant date ($)#	Total value expensed during the year ended 30 June 2010
Senior Management								
John de Stefani	1/2/2010	1,000,000	$2.00	1/7/2013	1/7/2012	-	0.301	50,907
Vic Palanyk	4/12/2009	500,000	$1.80	31/3/2013	31/12/2010	-	0.343	91,000
	4/12/2009	500,000	$2.20	31/3/2013	31/12/2011	-	0.262	35,995
Peter Harbison	15/06/2010	500,000	$1.80	31/12/2013	31/12/2011	-	0.413	5,492
	15/06/2010	500,000	$2.20	31/12/2013	31/12/2012	-	0.346	2,790
Total		**3,000,000**						**186,184**

Calculation of value of options granted using the Black-Scholes option pricing model, which takes into account factors such as the option exercise price, the market price at the date of issue and volatility of the underlying share price and the time to maturity of the option.

REMUNERATION REPORT (AUDITED) (CONTINUED)

Options issued as part of remuneration for the year ended 30 June 2009

The following options were granted during the year ended 30 June 2009 as remuneration to Key Management Personnel:

	Grant Date	Grant Number	Exercise Price	Expiry Date	Vesting Date	Number Vested @ 30 June 2009	Value per option at grant date ($)#	Total value expensed during the year ended 30 June 2009
Senior Management								
Paul Lipski~	19/09/2008	500,000	$0.40	1/7/2011	1/7/2009	-	0.127	63,184
	19/09/2008	500,000	$0.40	1/7/2011	1/7/2010	-	0.127	-
	19/09/2008	500,000	$0.75	1/7/2012	1/7/2010	-	0.120	-
	19/09/2008	500,000	$0.75	1/7/2012	1/7/2011	-	0.120	-
	19/09/2008	500,000	$1.00	1/7/2013	1/7/2011	-	0.130	-
	19/09/2008	500,000	$1.00	1/7/2013	1/7/2012	-	0.130	-
John de Stefani	19/09/2008	500,000	$0.40	1/7/2011	1/7/2009	-	0.127	63,184
	19/09/2008	500,000	$0.40	1/7/2011	1/7/2010	-	0.127	27,704
	19/09/2008	500,000	$0.75	1/7/2012	1/7/2010	-	0.120	26,215
	19/09/2008	500,000	$0.75	1/7/2012	1/7/2011	-	0.120	16,788
	19/09/2008	500,000	$1.00	1/7/2013	1/7/2011	-	0.130	18,187
	19/09/2008	500,000	$1.00	1/7/2013	1/7/2012	-	0.130	13,367
Dusan Pribilovic	30/06/2009	300,000	$1.00	30/6/2012	1/7/2010	-	0.495	-
		300,000	$1.00	30/6/2012	1/7/2011	-	0.495	-
Total		**6,600,000**				**-**		**228,629**

Calculation of value of options granted using the Black-Scholes option pricing model, which takes into account factors such as the option exercise price, the market price at the date of issue and volatility of the underlying share price and the time to maturity of the option.

~ Paul Lipski resigned on 2 July 2009 and in accordance with his employment agreement all options due to vest within the 12 months following the date of resignation have vested and will be exercisable within 90 days.

The options are not issued based on performance criteria as the Board does not consider this appropriate for a junior exploration company. The options are issued to the majority of executives of Bow Energy Ltd to align comparative shareholder return and reward for directors and executives.

All options were issued by Bow Energy Ltd and entitle the holder to one ordinary share in Bow Energy Ltd for each option exercised.

All options issued as part of remuneration for the years ended 30 June 2010 and 2009 were granted for nil consideration. Once vested, options can be exercised at any time up to the expiry date.

The following options, granted to Paul Lipski during the year ended 30 June 2009, were forfeited during the year ended 30 June 2010, on his resignation:

- 500,000 unlisted $0.40 options expiring 1 July 2011
- 1,000,000 unlisted $0.75 options expiring 1 July 2012
- 1,000,000 unlisted $1.00 options expiring 1 July 2013

The following options, granted to John de Stefani during the year ended 30 June 2009, vested during the year ended 30 June 2010:

- 500,000 unlisted $0.40 options expiring 1 July 2011

None of the above options vested or were forfeited during the year ended 30 June 2009.

REMUNERATION REPORT (AUDITED) (CONTINUED)

Shares issued on exercise of remuneration options

Options exercised, during the year ended 30 June 2010, that were granted as remuneration in prior periods:

	No. of ordinary shares issued	Amount paid per share $	Amount unpaid per share $	Value of options exercised $	Value of options lapsed $
Senior Management					
Keith Martens	466,667	0.50	-	29,727	-
Peter O'Neill	666,667	0.50	-	59,333	-
Duncan Cornish	250,000	0.50	-	22,250	-

Options exercised, during the year ended 30 June 2009, that were granted as remuneration in prior periods:

	No. of ordinary shares issued	Amount paid per share $	Amount unpaid per share $	Value of options exercised $	Value of options lapsed $
Senior Management					
Keith Martens	466,667	0.40	-	26,671	-
Keith Martens	200,000	0.50	-	12,746	-
Peter O'Neill	666,667	0.40	-	53,169	-
Duncan Cornish	250,000	0.40	-	16,985	-

During the years ended 30 June 2010 and 2009, no options were granted as remuneration in a prior period lapsed, apart from those forfeited due to employee resignation.

All options exercised during the years ended 30 June 2010 and 2009 resulted in the issue of ordinary shares in Bow Energy Limited on a 1:1 basis. All persons exercising options paid the relevant exercise price in its entirety.

End of Remuneration Report

DIRECTORS' MEETINGS

The number of meetings of Directors (including meetings of committees of directors) held during the year and the number of meetings attended by each Director was as follows:

	Directors' Meetings	Audit & Risk Management Committee Meetings
Number of meetings held:	10	2
Number of meetings attended:		
Howard Stack*	6	1
Ron Prefontaine	9	n/a (not a member)
Nicholas Mather	10	2
Stephen Bizzell	10	2
Michele Muscillo^	1	n/a (not a member)

* Howard Stack was appointed as Non-Executive Chairman on 17 December 2009 and attended all Director's Meetings and Audit & Risk Management Committee Meetings since his appointment.
^ Michele Muscillo was appointed as Alternate Director on 26 May 2010.

INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS AND AUDITOR

Each of the Directors and the Secretary of the Company have entered into a Deed with the Company whereby the Company has provided certain contractual rights of access to books and records of the Company to those Directors and Secretary.

The Company has insured all of the Directors of Bow Energy Ltd. The contract of insurance prohibits the disclosure of the nature of the liabilities covered and amount of the premium paid. The Corporations Act does not require disclosure of the information in these circumstances.

The Company has not indemnified or insured its auditor.

OPTIONS

As at the date of this report there were 28,554,631 unissued ordinary shares under options as follows:

- 28,554,631 unlisted options to take up one ordinary share in Bow Energy Ltd as follows:
  - 12,054,631 options to take up one ordinary share in Bow Energy Ltd at an issue price of 50 cents. The options expire 7 November 2011.
  - 1,100,000 options to take up one ordinary share in Bow Energy Ltd at an issue price of 40 cents. The options expire 1 July 2011 and vest 1/2 on 1 July 2009 and 1/2 on 1 July 2010.
  - 1,100,000 options to take up one ordinary share in Bow Energy Ltd at an issue price of 75 cents. The options expire 1 July 2012 and vest 1/2 on 1 July 2010 and 1/2 on 1 July 2011.
  - 1,100,000 options to take up one ordinary share in Bow Energy Ltd at an issue price of $1.00. The options expire 1 July 2013 and vest 1/2 on 1 July 2011 and 1/2 on 1 July 2012.
  - 1,100,000 options to take up one ordinary share in Bow Energy Ltd at an issue price of $1.00. The options expire 30 June 2012 and vest 1/2 on 1 July 2010 and 1/2 on 1 July 2011.
  - 1,000,000 options to take up one ordinary share in Bow Energy Ltd at an issue price of $2.00. The options expire 1 July 2013 and vest on 1 July 2012.
  - 550,000 options to take up one ordinary share in Bow Energy Ltd at an issue price of $1.80. The options expire 31 December 2012 and vest on 31 December 2010.
  - 550,000 options to take up one ordinary share in Bow Energy Ltd at an issue price of $2.20. The options expire 31 December 2012 and vest on 31 December 2011.
  - 500,000 options to take up one ordinary share in Bow Energy Ltd at an issue price of $1.80. The options expire 31 March 2013 and vest on 31 December 2010.
  - 500,000 options to take up one ordinary share in Bow Energy Ltd at an issue price of $2.20. The options expire 31 March 2013 and vest on 31 December 2011.
  - 500,000 options to take up one ordinary share in Bow Energy Ltd at an issue price of $1.80. The options expire 31 December 2013 and vest on 31 December 2011.
  - 500,000 options to take up one ordinary share in Bow Energy Ltd at an issue price of $2.20. The options expire 31 December 2013 and vest on 31 December 2012.
  - 8,000,000 options to take up one ordinary share in Bow Energy Ltd at an issue price of $2.00. The options expire 31 January 2013 and vest on the earlier of 1 July 2012 or a Change of Control event occurring.

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

During the year ended 30 June 2010, 9,685,223 ordinary shares were issued as a result of the exercise of an option over unissued shares.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purposes of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

NON-AUDIT SERVICES

The following non-audit services were provided by the entity's auditor BDO Audit (QLD) Pty Ltd. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

BDO Audit (QLD) Pty Ltd received the following amounts for the provision of non-audit services:

Tax services	$23,650
Other tax and business advisory services	$34,615

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration forms part of the Directors' Report and can be found on page 34.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Bow Energy Ltd support and have adhered to the principles of corporate governance. The Company's Corporate Governance Statement can be found on page 38.

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

Ron Prefontaine
Director

Brisbane
29 September 2010

Tel: +61 7 3237 5999
Fax: +61 7 3221 9227

Level 18, 300 Queen St
Brisbane QLD 4000,
GPO Box 457, Brisbane QLD 4001
Australia

Dear Directors

DECLARATION OF INDEPENDENCE BY T J KENDALL TO THE DIRECTORS OF BOW ENERGY LTD

As lead auditor of Bow Energy Ltd for the year ended 30 June 2010, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

This declaration is in respect of Bow Energy Ltd and the entities it controlled during the year.

Yours faithfully,

Tim Kendall

T J Kendall
Director

BDO Audit (QLD) Pty Ltd

Brisbane
29 September 2010

Shareholder Information

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 17 September 2010.

(a) Distribution of equity securities

The number of holders, by size of holding, in each class of security are:

	Ordinary shares		Unlisted options ($0.50 @ 7/11/11)		Unlisted options ($0.40 @ 1/7/11)		Unlisted options ($0.75 @ 1/7/12)	
	Number of holders	Number of shares	Number of holders	Number of options	Number of holders	Number of options	Number of holders	Number of options
1 – 1,000	1,473	703,606	-	-	-	-	-	-
1,001 – 5,000	2,455	7,585,534	-	-	-	-	-	-
5,001 – 10,000	1,461	11,612,736	-	-	-	-	-	-
10,001 – 100,000	2,984	91,255,776	-	-	1	100,000	1	100,000
100,001 and over	352	169,449,535	13	12,054,631	1	1,000,000	1	1,000,000
Total	**8,725**	**280,607,187**	**13**	**12,054,631**	**2**	**1,100,000**	**2**	**1,100,000**

	Unlisted options ($1.00 @ 1/7/13)		Unlisted options ($1.00 @ 30/6/12)		Unlisted options ($2.00 @ 1/7/13)		Unlisted options ($1.80 @ 31/12/12)	
	Number of holders	Number of options	Number of holders	Number of options	Number of holders	Number of options	Number of holders	Number of options
1 – 1,000	-	-	-	-	-	-	-	-
1,001 – 5,000	-	-	-	-	-	-	-	-
5,001 – 10,000	-	-	-	-	-	-	-	-
10,001 – 100,000	1	100,000	-	-	-	-	-	-
100,001 and over	1	1,000,000	3	1,100,000	1	1,000,000	2	550,000
Total	**2**	**1,100,000**	**3**	**1,100,000**	**1**	**1,000,000**	**2**	**550,000**

	Unlisted options ($2.20 @ 31/12/12)		Unlisted options ($1.80 @ 31/3/13)		Unlisted options ($2.20 @ 31/3/13)		Unlisted options ($1.80 @ 31/12/13)	
	Number of holders	Number of options	Number of holders	Number of options	Number of holders	Number of options	Number of holders	Number of options
1 – 1,000	-	-	-	-	-	-	-	-
1,001 – 5,000	-	-	-	-	-	-	-	-
5,001 – 10,000	-	-	-	-	-	-	-	-
10,001 – 100,000	-	-	-	-	-	-	-	-
100,001 and over	2	550,000	1	500,000	1	500,000	1	500,000
Total	**2**	**550,000**	**1**	**500,000**	**1**	**500,000**	**1**	**500,000**

	Unlisted options ($2.20 @ 31/12/13)		Unlisted options ($2.00 @ 31/1/13)	
	Number of holders	Number of options	Number of holders	Number of options
1 – 1,000	-	-	-	-
1,001 – 5,000	-	-	-	-
5,001 – 10,000	-	-	-	-
10,001 – 100,000	-	-	-	-
100,001 and over	1	500,000	4	8,000,000
Total	**1**	**500,000**	**4**	**8,000,000**

The number of shareholders holding less than a marketable parcel (401 ordinary shares) is 700 (total of 102,329 ordinary shares).

Shareholder Information

(b) Twenty largest holders

The names of the twenty largest holders, in each class of quoted security are:

Ordinary shares:

1	JP Morgan Nominees Australia Limited*	20,796,310	7.41%
2	Pan Australian Nominees Pty Limited	6,814,646	2.43%
3	National Nominees Limited	6,407,921	2.28%
4	UBS Wealth Management Australia Nominees Pty Ltd	5,464,206	1.95%
5	Mr Ronald Prefontaine & Mrs Annabel Frances Prefontaine	4,293,667	1.53%
6	Dart Energy Limited	3,920,291	1.40%
7	Prepet Pty Ltd*	4,780,093	1.70%
8	Cogent Nominees Pty Limited	3,521,976	1.26%
9	ABN Amro Clearing Sydney Nominees Pty Ltd	3,389,407	1.21%
10	HSBC Custody Nominees (Australia) Limited	3,200,355	1.14%
11	Citicorp Nominees Pty Limited	2,953,581	1.05%
12	ANZ Nominees Limited	2,899,185	1.03%
13	Mr Peter Lachlan Lamond & Mrs Lesley Narelle Lamond	2,800,000	1.00%
14	Cs Fourth Nominees Pty Ltd	2,590,302	0.92%
15	Mr Andrew Trott Hopkins & Mrs Adrienne Janet Hopkins	1,945,620	0.69%
16	Tenstar Investments Pty Ltd	1,937,794	0.69%
17	Mr Timothy Allen Kennedy & Mrs Glenda Kay Kennedy	1,856,666	0.66%
18	Brownward Pty Ltd	1,808,303	0.64%
19	Mr John Joseph De Stefani & Mrs Elizabeth Nancy De Stefani	1,660,942	0.59%
20	Mr Yi Weng & Ms Ning Li	1,510,000	0.54%
	Top 20	**84,551,265**	**30.13%**
	Total	**280,607,187**	**100.00%**

* merged

(c) Substantial shareholders

As at 17 September 2010, the Company had not received any substantial shareholder notices.

(d) Voting rights

All ordinary shares carry one vote per share without restriction.

(e) Restricted securities

There are no restricted securities on issue at 17 September 2010.

(f) Business objectives

The Company has used its cash and assets that are readily convertible to cash in a way consistent with its business objectives.

Interests in Tenements

Bow Energy Ltd held the following interests in mining and exploration tenements as at 29 September 2010.

QUEENSLAND TENEMENTS

Tenure Type, Name and Number	Operator	Date of Expiry	Current % Interest of Bow	Notes
ATP 545P	Bow Energy Ltd	31/01/2021	100%	
ATP 593P	Seqoil Pty Ltd	30/09/2018	55% - 76%	Walloon section forms part of Don Juan CSG
ATP 608P	Seqoil Pty Ltd	30/11/2018	94.63%	
ATP 644P	Arrow Energy Ltd	31/10/2019	100%	Conventional petroleum interests only
ATP 664P	Bow Energy Ltd	31/08/2011	100%	
ATP 677P	Seqoil Pty Ltd	31/10/2018	50%	
ATP 706P	Bow Energy Ltd	30/09/2019	100%	
ATP 736P (application)	Victoria Petroleum NL	-	20%	Ocellaris Oil Pty Ltd to be assigned 20% interest on grant of tenement
ATP 737P (application)	Victoria Petroleum NL	-	20%	Ocellaris Oil Pty Ltd to be assigned 20% interest on grant of tenement
ATP 738P (application)	Victoria Petroleum NL	-	20%	Ocellaris Oil Pty Ltd to be assigned 20% interest on grant of tenement
ATP 746P (application)	Arrow Energy Ltd	-	100%	Conventional petroleum interests only
ATP 747P (application)	Arrow Energy Ltd	-	100%	Conventional petroleum interests only
ATP 752P	Bow Energy Ltd	31/07/2018	20% - 30%	Farmed out Santos Ltd to operate
ATP 771P	Bow Energy Ltd	31/07/2012	55%	
ATP 794P Barcoo Block	Victoria Petroleum NL	31/10/2017	65%	
ATP 794P Regleigh Block	Victoria Petroleum NL	31/10/2017	16%	
ATP 794P Springfield Block	Victoria Petroleum NL	31/10/2017	16%	
ATP 794P Bright Spot	Victoria Petroleum NL	31/10/2017	10%	
ATP 794P Part 1 (Moonscape)	Victoria Petroleum NL	31/10/2017	40%	
ATP 805P	Bow Energy Ltd	31/08/2017	100%	
ATP 807P	Bow Energy Ltd	31/12/2020	100%	
ATP 809P	Bow Energy Ltd	31/03/2018	100%	
ATP 944P	Bow Energy Ltd	-	100%	Native title completed, State Government to grant tenement
ATP 948P (application)	Bow Energy Ltd	-	100%	Bow to be assigned 100% interest on grant of tenement
PL 15	Mosaic Oil NL	29/04/2019	Earning 50%	
ATP 1025P	Bow Energy Ltd	28/02/2021	100%	
ATP 1031P	Bow Energy Ltd	28/02/2021	100%	
ATP 1053P	Bow Energy Ltd	-	100%	Native title completed, State Government to grant tenement

WESTERN AUSTRALIA TENEMENTS

Tenure Type, Name and Number	Operator	Date of Expiry	Current % Interest of Bow	Notes
WA 261P	Apache Energy Ltd	11/07/2012	10%	
EP 325	Strike Oil Ltd	28/03/2011	11.213%	

Corporate Governance Statement

The board of directors of Bow Energy Ltd is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of Bow Energy Ltd on behalf of the shareholders by whom they are elected and to whom they are accountable.

Bow Energy Ltd's Corporate Governance Statement is structured with reference to the Australian Securities Exchange ("ASX") Corporate Governance Council's (the "Council") "Corporate Governance Principles and Recommendations, 2nd Edition", which are as follows:

Principle 1 Lay solid foundations for management and oversight

Principle 2 Structure the board to add value

Principle 3 Promote ethical and responsible decision making

Principle 4 Safeguard integrity in financial reporting

Principle 5 Make timely and balanced disclosure

Principle 6 Respect the rights of shareholders

Principle 7 Recognise and manage risk

Principle 8 Remunerate fairly and responsibly

A copy of the eight Corporate Governance Principles and Recommendations can be found on the ASX's website.

The Board is of the view that with the exception of the departures from the ASX Guidelines as set out below, it otherwise complies with all of the ASX Guidelines.

ASX Principles and recommendations	Summary of the Company's Position
Principle 1 – Lay solid foundations for management and oversight	
Recommendation 1.2 – Companies should disclose the process for evaluating the performance of senior executives	The Board has not established a separate nomination committee. The directors consider that the Company is not of a size nor are its affairs of such complexity as to justify the formation of any other special or separate committees at this time. In the absence of a formally constituted nomination committee, the Board acts as a nomination committee. Members of the Board have been brought together to provide a blend of qualifications, skills and national and international experience required for managing a company operating within the mining industry.
Principle 2 – Structure the board to add value	
Recommendation 2.4 – The board should establish a nomination committee	The Board's view is that the Company is not currently of the size to justify the formation of a separate nomination committee. The Board currently performs the functions of a nomination committee and where necessary will seek advice of external advisers in relation to this role. The Board shall, upon the Company reaching the requisite corporate and commercial maturity, approve the constitution of a nomination committee to assist the Board in relation to the appointment of Directors and senior management.
Principle 8 - Remunerate fairly and responsibly	
Recommendation 8.1 – The board should establish a remuneration committee	The Board has not established a remuneration committee. The Board considers that given its size, no efficiencies or other benefits would be gained by the establishing of such committee. The role of the remuneration committee is carried out by the full Board. The Company has adopted a Remuneration Committee Charter, which is set out in the Company's Corporate Governance Charter.

Board

The Board has adopted a formal board charter that outlines the roles and responsibilities of directors and senior executives. The Board Charter has been made publicly available on the Company's website.

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 Director's Report. Corporate Governance Council Recommendation 2.1 requires a majority of the Board should be independent Directors.

The Corporate Governance Council defines an independent director as a non-executive director who is not a member of management and who is free of any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the independent exercise of their judgement.

Board (continued)

In the context of Director independence, "materiality" is considered from both the Company and the individual Director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal or less than 10% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered included whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point to the actual ability of the Director in question to shape the direction of the Company's loyalty.

Factors that may impact on a director's independence are considered each time the Board meets.

At the date of this report:

In accordance with the Council's definition of independence above, and the materiality thresholds set, the following Directors are considered to be independent:

Name	Position
Howard Stack	Non-Executive Chairman (appointed 17 December 2009)
Nicholas Mather	Non-Executive Director
Stephen Bizzell	Non-Executive Director

In accordance with the Council's definition of independence above, and the materiality thresholds set, the following Directors are not considered to be independent:

Name	Position	Reason for non-compliance
Ron Prefontaine	Executive Director	Mr Prefontaine is employed by the Company in an executive capacity.

Bow Energy Ltd considers industry experience and specific expertise, as well as general corporate experience, to be important attributes of its Board members. The Directors noted above have been appointed to the Board of Bow Energy Ltd due to their considerable industry and corporate experience. There are procedures in place, agreed by the board, to enable Directors, in furtherance of their duties, to seek independent professional advice at the Company'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
Howard Stack	9 months
Ron Prefontaine	6 years
Nicholas Mather	6 years
Stephen Bizzell	6 years

During the year, Bow Energy Ltd appointed Mr Howard Stack as Non-Executive Chairman of the Company.

Trading Policy

The Board has adopted a policy and procedure on dealing in the Company's securities by Directors, officers and employees which prohibits dealing in the Company's securities when those persons possess inside information, until it has been released to the market and adequate time has passed for this to be reflected in the security's prices, and during certain predetermined windows.

The Company's policy regarding dealings by directors in the Company's shares is that directors should never engage in short term trading and should not enter into transactions when they are in possession of price sensitive information not yet released by the Company to the market; or for a period of fourteen (14) days prior to the scheduled (per ASX Listing Rules) release by the Company of (ASX) Quarterly Operations and Cash Flow Reports or such shorter period as may be approved of by the Board of Directors after receipt of notice of intention to buy or sell by a director to other members of the Board.

Directors will generally be permitted to engage in trading (subject to due notification being given to the Chairperson and Secretary) for a period commencing one (1) business day after the release of (ASX) Quarterly Operations and Cash Flow Reports to the market and for a period commencing one (1) business day following the release of price sensitive information to the market which allows a reasonable period of time for the information to be disseminated among members of the public.

Remuneration and Nomination Committees

Due to the size and scale of operations, Bow Energy Ltd does not have separately established Remuneration or Nomination Committees. The full Board carries out the functions of Remuneration and Nomination Committees, operating under charters approved by the Board.

Audit and Risk Management Committee

The Board has established an Audit and Risk Management Committee, which operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the Company. This includes 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 information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the management of the Company to the Audit and Risk Management Committee.

The Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports.

Audit and Risk Management Committee (continued)

All members of the Audit and Risk Management Committee are Non-Executive Directors.

The members of the Audit and Risk Management Committee at the date of this report are:

- Howard Stack (appointed 17 December 2009)
- Nicholas Mather
- Stephen Bizzell (Chairman)

For additional details of directors' attendance at Board and Audit and Risk Management Committee meetings and to review the qualifications of the members of the Audit and Risk Management Committee, please refer to the Directors' Report.

The Audit and Risk Management Charter has been made publicly available on the Company's website.

Risk Management

The Company has developed a basic framework for risk management and internal compliance and control systems which cover organisational, financial and operational aspects of the Company's affairs. Further detail of the Company's Risk Management policies can be found within the Audit and Risk Management Committee Charter available on the Company's website (www.bowenergy.com.au).

Recommendation 7.2 requires that the Board disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks. Business risks are considered regularly by the Board and management.

A basic risk management and internal control system is in place. A formal report as to the effectiveness of the management of the Company's material business risks is currently being undertaken.

As required by Recommendation 7.3, the Board has received written assurances from the Managing Director and Chief Financial Officer that to the best of their knowledge and belief, the declaration provided by them in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Performance Evaluation

The full Board, in carrying out the functions of the Remuneration and Nomination Committee, considers remuneration and nomination issues annually and otherwise as required in conjunction with the regular meetings of the Board.

The performance of the individual members of the Board is considered at the regular meetings of the Board. No formal performance evaluation of the directors was undertaken during the year ended 30 June 2010. The Board intends to undertake formal evaluations during the current financial year against both measurable and qualitative indicators aligned with the financial and non-financial objectives of Bow Energy Ltd.

Remuneration

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and Executive team by remunerating Directors and key Executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Board links the nature and amount of Executive Director's and Officer's emoluments to the Company's financial and operations performance. The expected outcomes of the remuneration structure are:

- retention and motivation of key Executives
- attraction of quality management to the Company
- performance incentives which allow Executives to share the rewards of the success of Bow Energy Ltd

For details on the amount of remuneration and all monetary and non-monetary components for each of the five highest paid (Non-Director) Executives during the period, and for all Directors, please refer to the Remuneration Report within the Directors' Report. In relation to the payment of bonuses, options and other incentive payments, discretion is exercised by the Board, having regard to the overall performance of Bow Energy Ltd and the performance of the individual during the period.

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

The Board is responsible for determining and reviewing compensation arrangements for the Directors themselves, subject to the Company's constitution and prior shareholder approvals, and the Executive team.

Continuous Disclosure Policy

Detailed compliance procedures for ASX Listing Rule disclosure requirements have been adopted by the Company. A copy of the Continuous Disclosure Policy can be found within the Company's Corporate Governance Statement on the Company's website (www.bowenergy.com.au) in the Corporate Governance section.

Communications

The Company has adopted a Communications Policy aimed at promoting effective communications with shareholders and encouraging shareholder participation at general shareholder meetings. A copy of the policy can be found within the Company's Corporate Governance Statement on the Company's website (www.bowenergy.com.au) in the Corporate Governance section. In addition to corporate and project information generally available on the Company's website, in the News & Investor Relations section of the Company's website the following information is made available:

- ASX Announcements
- Presentations
- Broker Coverage
- Bow in the News
- Annual and Quarterly Reports
- Shareholder Services

Other Information

Further information relating to the Company's corporate governance practices and policies has been made publicly available on the Company's web site at:

http://www.bowenergy.com.au/governance.html

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2010

	Note	Consolidated Entity 2010 $	Consolidated Entity 2009 $
Revenue	2	2,605,952	394,230
Other Income	2	11,694,707	535,223
Finance costs		(1,323)	-
Employee benefits expenses		(2,061,720)	(687,240)
Depreciation and amortisation expenses		(54,621)	(35,891)
Legal expenses		(275,347)	(98,854)
Administration and consulting expenses		(957,480)	(553,877)
Fair value loss on financial assets		(585,000)	-
Other expenses		(1,082,154)	(325,625)
Profit/(loss) before income tax expense	**3**	**9,283,014**	**(772,034)**
Income tax expense	4	(2,484,783)	-
Net profit/(loss) for the year		**6,798,231**	**(772,034)**
Other comprehensive income		-	-
Total comprehensive income for the year		**6,798,231**	**(772,034)**
Profit/(Loss) for the year is attributable to:			
Owners of Bow Energy Ltd		6,798,231	(772,034)
Total comprehensive income for the year is attributable to:			
Owners of Bow Energy Ltd		6,798,231	(772,034)
Earnings/(loss) per share for profit attributable to owners of Bow Energy Ltd:		**Cents**	**Cents**
Basic earnings/(loss) per share (cents per share)	8	2.7	(0.5)
Diluted earnings/(loss) per share (cents per share)	8	2.6	(0.5)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 30 June 2010

	Note	Consolidated Entity 2010 $	Consolidated Entity 2009 $
Current Assets			
Cash and cash equivalents	9	74,478,600	20,642,774
Trade and other receivables	10	1,511,403	1,178,898
Inventories	11	239,743	239,743
Financial assets	13	3,120,000	-
Other current assets	16	108,682	96,303
Total Current Assets		**79,458,428**	**22,157,718**
Non-Current Assets			
Property, plant and equipment	15	14,572,925	223,920
Other non-current assets	16	780,419	697,081
Exploration and evaluation expenditure	17	40,909,947	18,407,812
Total Non-Current Assets		**56,263,291**	**19,328,813**
TOTAL ASSETS		**135,721,719**	**41,486,531**
Current Liabilities			
Trade and other payables	18	6,068,062	1,281,684
Total Current Liabilities		**6,068,062**	**1,281,684**
Non-Current Liabilities			
Deferred tax liability	4(b)	1,003,518	-
Provisions	19	550,000	125,000
Total Non-Current Liabilities		**1,553,518**	**125,000**
TOTAL LIABILITIES		**7,621,580**	**1,406,684**
NET ASSETS		**128,100,139**	**40,079,847**
Equity			
Issued capital	20	121,037,439	40,695,510
Reserves	21	3,107,526	2,227,394
Retained profits / (accumulated losses)	22	3,955,174	(2,843,057)
TOTAL EQUITY		**128,100,139**	**40,079,847**

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2010

	Issued Capital	Accumulated Losses	Reserves	Total
	$	$	$	$
Balance at 1 July 2008	**24,788,794**	**(2,071,023)**	**1,738,752**	**24,456,523**
Total comprehensive income for the financial year				
Profit/(loss) for the year	-	(772,034)	-	(772,034)
	-	(772,034)	-	(772,034)
Transactions with owners in their capacity as owners				
Issue of share capital	16,823,624	-	-	16,823,624
Costs associated with issue of share capital	(916,908)	-	236,004	(680,904)
Issue of options	-	-	252,638	252,638
	15,906,716	-	488,642	16,395,358
At 30 June 2009	**40,695,510**	**(2,843,057)**	**2,227,394**	**40,079,847**
Total comprehensive income for the financial year				
Profit/(loss) for the year	-	6,798,231	-	6,798,231
	-	6,798,231	-	6,798,231
Transactions with owners in their capacity as owners				
Issue of share capital	81,383,322	-	-	81,383,322
Costs associated with issue of share capital	(2,522,658)	-	-	(2,522,658)
Deferred tax recognised on share issue costs	1,481,265	-	-	1,481,265
Issue of options	-	-	880,132	880,132
	80,341,929	-	880,132	81,222,061
At 30 June 2010	**121,037,439**	**3,955,174**	**3,107,526**	**128,100,139**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended 30 June 2010

	Note	Consolidated Entity 2010 $	Consolidated Entity 2009 $
Cash Flows from Operating Activities			
Receipts (including refunds of GST)		3,381,891	173,569
Payments to suppliers and employees		(2,994,270)	(1,324,942)
Interest received		2,438,991	383,700
Interest paid		(1,323)	-
Net cash used in operating activities	27	2,825,289	(767,673)
Cash Flows from Investing Activities			
Security deposit (payments) / refunds		(83,338)	(227,579)
Payments for property, plant and equipment		(12,928,523)	(152,575)
Proceeds from sale of tenement		8,000,000	-
Payments for investments		-	(2,320,936)
Proceeds from sale of investments		-	2,757,894
Payments for exploration and evaluation		(22,838,579)	(2,978,566)
Net cash used in investing activities		(27,850,440)	(2,921,762)
Cash Flows from Financing Activities			
Proceeds from issue of shares		81,383,322	16,591,483
Capital raising expenses		(2,522,345)	(784,338)
Net cash provided by financing activities		78,860,977	15,807,145
Net increase/(decrease) in cash held		**53,835,826**	**12,117,710**
Cash at the beginning of the financial year		20,642,774	8,525,064
Cash at the end of the financial year	**9**	**74,478,600**	**20,642,774**

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Bow Energy Ltd for the year ended 30 June 2010 were authorised for issue in accordance with a resolution of the directors on 29 September 2010 and cover the consolidated entity consisting of Bow Energy Ltd and its subsidiaries as required by the *Corporations Act 2001*.

The financial statements are presented in the Australian currency.

Bow Energy Ltd is a company limited by shares, incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange.

Basis of preparation

The financial statements are general purpose financial statements which have 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*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards (IFRS). Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Uncertainties regarding Going Concern and Recoverability of Exploration and Evaluation Expenditure

The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business. This includes the realisation of capitalised exploration and evaluation expenditure of $40,909,947 (30 June 2009: $18,407,812) as summarised in Note 17. The ability of the consolidated entity to maintain continuity of normal business activities, to pay its debts as and when they fall due and to recover the carrying value of the capitalised exploration and evaluation expenditure, is dependent on the ability of the consolidated entity to successfully raise additional capital and/or the successful exploration and subsequent exploitation of areas of interest through sale, farm-out or development.

(a) Principles of consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Bow Energy Ltd at the end of the reporting period. A controlled entity is any entity over which Bow Energy Ltd has the power to govern the financial and operating policies so as to obtain benefits from the entity's activities. Control will generally exist when the parent owns directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existences and effect of holdings of actual and potential voting rights are also considered.

Where controlled entities have entered or left the consolidated entity during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 14 to the financial statements.

In preparing the consolidated financial statements, all balances and transactions between entities in the consolidated entity have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are shown separately within the Equity section of the consolidated Statement of Financial Position and Statement of Comprehensive Income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

(b) Revenue Recognition

Revenue is measured at the fair value of consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. The following specific recognition criteria must also be met before revenue is recognised:

Sale of Goods

Revenue from sale of oil is recognised when the significant risks and rewards of ownership have passed to the buyer and can be reliably measured. Risks and rewards are considered passed to buyer when goods have been delivered to the customer.

Interest

Revenue is recognised as interest accrues using the effective interest method.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Income Tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for all temporary differences, between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases, at the tax rates expected to apply when the assets are recovered or liabilities settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. Exceptions are made for certain temporary differences arising on initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit.

Deferred tax assets are only recognised for deductible temporary differences and unused tax losses if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries, associates and interests in joint ventures where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances relating to amounts recognised directly in other comprehensive income and directly in equity are also recognised directly in other comprehensive income and directly in equity where appropriate.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Tax consolidation

Bow Energy Ltd and its wholly-owned Australian subsidiaries have formed an income tax consolidated entity under tax consolidation legislation. Each entity in the consolidated entity recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'stand-alone taxpayer' approach to allocation. Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity. The consolidated entity notified the Australian Tax Office that it had formed an income tax consolidated entity to apply from 7 November 2006. The tax consolidated entity has entered a tax funding arrangement whereby each company in the consolidated entity contributes to the income tax payable by the consolidated entity in proportion to their contribution to the consolidated entity's taxable income. Differences between the amounts of net tax assets and liabilities derecognised and the net amounts recognised pursuant to the funding arrangement are recognised as either a contribution by, or distribution to the head entity.

(d) Impairment of Assets

At the end of each reporting period the consolidated entity assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, the recoverable amount is determined and impairment losses are recognised in profit or loss where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of 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.

Where it is not possible to estimate recoverable amount for an individual asset, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(e) Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash on hand and at bank, deposits held at call with financial institutions, other short term, highly liquid investments with maturities of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts.

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises all direct materials, direct labour and an appropriate portion of variable and fixed overheads. Fixed overheads are allocated on the basis of normal operating capacity. Costs are assigned to inventories using the weighted average/first-in-first-out basis. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling cost of completion and selling expenses.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (ie. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

a. the amount at which the financial asset or financial liability is measured at initial recognition;
b. less principal repayments;
c. plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and
d. less any reduction for impairment.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The consolidated entity does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments. Classification and subsequent measurement categories are as follows:

(i) Financial assets at fair value through profit or loss

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a consolidated entity of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the consolidated entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

If during the period the consolidated entity sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire held-to-maturity investments category would be tainted and reclassified as available-for-sale.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Available-for-sale financial assets are measured at fair value and are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

(v) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial Instruments (continued)

Derivative instruments

Bow Energy Limited and Controlled Entities designate certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
- hedges of highly probable forecast transactions (cash flow hedges).

At the inception of the transaction the relationship between hedging instruments and hedged items, as well as the consolidated entity's risk management objective and strategy for undertaking various hedge transactions is documented.

Assessments, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items, are also documented.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of comprehensive income, together with any changes in the fair value of hedged assets or liabilities that are attributable to the hedged risk.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in the statement of comprehensive income.

Amounts accumulated in equity are transferred to the statement of comprehensive income in the periods when the hedged item will affect profit or loss.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all other financial assets and liabilities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the consolidated entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

Financial guarantees

Where material, financial guarantees issued, which require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are recognised as a financial liability at fair value on initial recognition.

The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

The fair value of financial guarantee contracts has been assessed using a probability weighted discounted cash flow approach. The probability has been based on:

- the likelihood of the guaranteed party defaulting in a year period;
- the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
- the maximum loss exposed if the guaranteed party were to default.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(h) Plant and Equipment

Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The cost of fixed assets constructed within the consolidated entity includes the cost of materials, direct labour, borrowing costs and an appropriate portion of fixed and variable costs.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Plant and Equipment (continued)

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 consolidated entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets is depreciated over their useful life to the consolidated entity commencing from the time the asset is held ready for use.

The depreciation rates used for each class of assets are:

Class of Fixed Assets	Depreciation Rate
Plant and equipment	5% - 34% Diminishing Value
Computers and Office Equipment	25% - 34% Diminishing Value
Furniture and Fittings	5% - 20% Diminishing Value

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposal are determined by comparing proceeds with the carrying amount. The gains and losses are included in the statement of comprehensive income.

(i) Exploration and development expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. Such expenditures comprise net direct costs and an appropriate portion of related overhead expenditure but do not include overheads or administration expenditure not having a specific nexus with a particular area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and active or significant operations in relation to the area are continuing.

A regular review has been undertaken on each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made. When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structure, waste removal, and rehabilitation of the site in accordance with clauses of mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that restoration will be completed within one year of abandoning the site.

(j) Interests in joint ventures

The consolidated entity's share of the assets, liabilities, revenue and expenses of joint venture assets are included in the appropriate items of the consolidated financial statements. Details of the consolidated entity's interests are shown in Note 12.

(k) Leases

Leases where the lessor retains substantially all the risks and rewards of ownership of the net asset are classified as operating leases. Payments made under operating leases (net of incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(l) Trade and Other Payables

Trade and other payables represent liabilities for goods and services provided to the consolidated entity prior to the year end and which are unpaid. These amounts are unsecured and have 30-60 day payment terms.

(m) Employee Benefits

Wages and Salaries, Annual Leave and Sick Leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the end of the reporting period are recognised in respect of employees' services rendered up to the end of the reporting period and are measured at amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when leave is taken and measured at the actual rates paid or payable. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Provisions

Provisions are measured at the present value of management's best estimate of the expenditure (as adjusted for risk) required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money. The increase in the provision due to the passage of time is recognised as interest expense.

The Company is required to restore land and the surrounding environment to its original condition at the end of the respective lease terms. For close down restoration and for environmental clean up costs, provision is made in the accounting period when the related disturbance occurs, based on the net present value of estimated future costs.

The amortisation or "unwinding" of the discount applied in establishing the net present value of provisions is charged to the Statement of Comprehensive Income in each accounting period.

(o) Issued Capital

Ordinary shares are classified as equity.

Costs directly attributable to the issue of new shares or options are shown as a deduction from the equity proceeds, net of any income tax benefit.

(p) Share-Based Payments

The consolidated entity provides benefits to employees in the form of share-based payment transactions, whereby employees render services in exchange for shares or options over shares ("equity-settled transactions").

The fair value of options granted to employees and consultants are recognised as an employee benefit expense with a corresponding increase in equity (option reserve). The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options. Fair value is determined by an independent valuator using a Black-Scholes option pricing model. In determining fair value, no account is taken of any performance conditions other than those related to the share price of Bow Energy Ltd ("market conditions"). The cumulative expense recognised between grant date and vesting date is adjusted to reflect the directors' best estimate of the number of options that will ultimately vest because of internal conditions of the options, such as the employees having to remain with the consolidated entity until vesting date, or such that employees are required to meet internal sales targets. No expense is recognised for options that do not ultimately vest because internal conditions were not met. An expense is still recognised for options that do not ultimately vest because a market condition was not met.

Where the terms of options are modified, the expense continues to be recognised from grant date to vesting date as if the terms had never been changed. In addition, at the date of the modification, a further expense is recognised for any increase in fair value of the transaction as a result of the change.

Where options are cancelled, they are treated as if vesting occurred on cancellation and any unrecognised expenses are taken immediately to profit or loss. However, if new options are substituted for the cancelled options and designated as a replacement on grant date, the combined impact of the cancellation and replacement options are treated as if they were a modification.

(q) Earnings per Share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to members of Bow Energy Ltd by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares during the year.

Diluted earnings per share

Earnings used to calculate diluted earnings per share are calculated by adjusting the amount used in determining basic earnings per share by the after-tax effect of dividends and interest associated with dilutive potential ordinary shares. The weighted average number of shares used is adjusted for the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(r) GST

Revenues, expenses and assets are recognised net of GST except where GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, is classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) New Accounting Standards for Application in Future Periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The consolidated entity has decided against early adoption of these standards. A discussion of those future requirements and their impact on the consolidated entity follows:

AASB 9: Financial Instruments and AASB 2009–11: Amendments to Australian Accounting Standards arising from AASB 9 (applicable for annual reporting periods commencing on or after 1 January 2013).

These standards amend the classification and measurement of financial assets. The consolidated entity has not yet determined the potential impact on the financial statements.

The changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and
- reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on:
  - the objective of the entity's business model for managing the financial assets; and
  - the characteristics of the contractual cash flows.

Other new and amended standards and interpretations are not expected to impact the consolidated entity.

(t) Accounting estimates and judgments

Critical accounting estimates and judgements

Details of critical accounting estimates and judgements about the future made by management at the end of the reporting period are set out below:

(i) Key estimates – share-based payments

The consolidated entity uses estimates to determine the fair value of equity instruments issued to directors, executives and employees. Further detail of estimates used in determining the value of share-based payments is included in Note 28.

(ii) Key estimates – impairment

The consolidated entity assesses impairment at each reporting date by evaluating conditions specific to the consolidated entity that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates. No assets are considered impaired at year-end.

(iii) Key judgements – exploration & evaluation expenditure

The consolidated entity performs regular reviews on each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. While there are certain areas of interest from which no reserves have been extracted, the directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded. Such capitalised expenditure is carried at the end of the reporting period at $40,909,947 (2009: $18,407,812).

(u) Determination and presentation of operating segments

The consolidated entity has applied AASB 8 Operating Segments from 1 July 2009. AASB 8 requires a management approach under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are now reported in a manner that is consistent with the internal reporting to the chief operating decision maker ("CODM"), which has been identified by the consolidated entity as the Managing Director and other members of the Board of Directors.

(v) Presentation of Financial Statements

In September 2007 the Australian Accounting Standards Board revised AASB 101 and as a result, there have been changes to the presentation and disclosure of certain information within the financial statements. Following is an overview of the key changes and the impact on the consolidated entity's financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Presentation of Financial Statements (continued)

Disclosure impact

(i) Terminology changes

The revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

(ii) Reporting changes in equity

The revised AASB 101 requires all changes in equity arising from transactions with owners, in their capacity as owners, to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

(iii) Statement of comprehensive income

The revised AASB 101 requires all income and expenses to be presented in either one statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement. The consolidated entity's financial statements now contain a statement of comprehensive income.

(iv) Other comprehensive income

The revised version of AASB 101 introduces the concept of 'other comprehensive income' which comprises of income and expenses that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

		Consolidated Entity	
	Note	2010 $	2009 $
NOTE 2 REVENUE AND OTHER INCOME			
Revenue			
- interest received	2(a)	2,605,952	394,230
Total revenue		2,605,952	394,230
Other income			
- gain on sale of investments		-	210,912
- gain on sale of tenement		11,518,549	-
- oil sales		108,478	139,357
- sundry income		67,680	184,954
Total other income		11,694,707	535,223
(a) Interest revenue from:			
- other persons		2,605,952	394,230
Total interest revenue		2,605,952	394,230

	Note	Consolidated Entity 2010 $	Consolidated Entity 2009 $
NOTE 3 PROFIT/(LOSS) FOR THE YEAR			
(a) Expenses			
Rental expense on operating leases			
- minimum lease payments		235,698	124,196
Depreciation			
Plant & equipment		54,621	35,891
Finance costs			
Interest paid		1,323	-
Write-off of capitalised exploration expenditure		467,404	1,782
Write-off of inventory		-	79,933
Share based payments (options)		880,132	252,638
(b) Significant revenue and expenses			
The following significant revenue item is relevant in explaining the financial performance:			
Consideration on sale of tenement		11,705,000	-
Less carrying amount of tenement sold		(186,451)	-
Net gain on sale of tenement		11,518,549	-

Bow sold its interest in ATP 574P, located in Queensland's Surat Basin, to Victoria Petroleum NL (Vicpet). The consideration for the sale for all of Bow's interests in ATP 574P, including a 3.75% interest in the Walloon Coal Seam Gas (CSG) and 18.75% to 63.75% interest in the deeper stratigraphic section, was:

- $8 million cash;
- 13 million fully paid shares in Vicpet (received on 1 February 2010, valued at $3.7m); and
- Vicpet's interests in Surat Basin tenements ATP 608P (including 24% in Stratton Block and 30% in Rookwood Block) and ATP 805P (15%).

Bow's ownership in ATP 608P and ATP 805P has increased to 94.6% and 100% respectively.

	Consolidated Entity	
	2010 $	2009 $
NOTE 4 INCOME TAX EXPENSE		
(a) The components of income tax expense comprise:		
Current tax	(4,538,782)	(1,129,028)
Deferred tax	7,605,591	1,129,028
Deferred tax assets relating to prior years now recognised	(582,026)	-
	2,484,783	-
(b) The prima facie income tax on the profit / (loss) is reconciled to the income tax expense as follows:		
Prima facie tax payable/(benefit) on profit / (loss) before income tax at 30% (2009: 30%)	2,784,904	(231,610)
Add tax effect of:		
Deferred tax asset not recognised	-	155,819
Share based payments – options	264,039	75,791
Over provision for prior year tax loss	17,866	-
	3,066,809	-
Less tax effect of:		
Deferred tax assets relating to prior years now recognised	(1,306,494)	-
Less deferred tax assets relating to capital raising costs charged to equity in prior years	724,468	-
	(582,026)	
Income tax expense / (benefit) attributable to profit / (loss) before income tax	2,484,783	-
(c) Amounts recognised directly in equity during the period		
Tax effect of capital raising costs incurred in the current year charged to equity	756,797	-
Tax effect of capital raising costs incurred in prior years charged to equity	724,468	
Amounts recognised directly in equity	1,481,265	-
(d) Recognised deferred tax assets and deferred tax liabilities		
Deferred tax liabilities		
Exploration and evaluation expenditure	12,272,984	4,753,065
Total deferred tax liabilities	12,272,984	4,753,065
Deferred tax assets		
Unused tax losses	10,235,964	4,390,688
Deductible temporary differences	1,033,502	362,377
Total deferred tax assets	11,269,466	4,753,065
Net deferred tax (liability)/asset	(1,003,518)	-

NOTE 4 INCOME TAX EXPENSE (CONTINUED)

(e) Movements in deferred tax assets and deferred tax liabilities

	Opening balance $	Charged to income $	Charged to equity $	Closing balance $
Deferred tax liability				
Exploration and evaluation expenditure	3,460,162	1,292,903	-	4,753,065
Balance at 30 June 2009	3,460,162	1,292,903	-	4,753,065
Exploration and evaluation expenditure	4,753,065	7,519,919	-	12,272,984
Balance at 30 June 2010	4,753,065	7,519,919	-	12,272,984
Deferred tax assets				
Deductible temporary differences	198,502	163,875	-	362,377
Unused tax losses	3,261,660	1,129,028	-	4,390,688
Balance at 30 June 2009	3,460,162	1,292,903	-	4,753,065
Deductible temporary differences	362,377	(85,672)	756,797	1,033,502
Unused tax losses	4,390,688	5,120,808	724,468	10,235,964
Balance at 30 June 2010	4,753,065	5,035,136	1,481,265	11,269,466

	2010 $	2009 $
(f) Unrecognised deferred tax assets		
Unused tax losses	-	1,306,494

There is no expiry date on the future deductibility of unused tax losses.

There are no franking credits available to shareholders of the Company.

In order to recoup carried forward losses in future periods, either the Continuity of Ownership Test (COT) or Same Business Test must be passed. The majority of losses are carried forward at 30 June 2010 under COT.

Deferred tax assets will only be obtained if:

(i) the Group derives future assessable income of a nature and of an amount sufficient to enable the losses to be realised;

(ii) the Group continues to comply with the conditions for deductibility imposed by the law; and

(iii) no changes in tax legislation adversely affect the Group in realising the losses.

NOTE 5 KEY MANAGEMENT PERSONNEL

(a) Key management personnel compensation

	2010 $	2009 $
Short-term employee benefits	1,127,833	831,428
Post-employment benefits	72,128	40,822
Termination benefits	-	-
Share-based payments	540,462	228,629
	1,740,423	**1,100,879**

Further information regarding the identity of key management personnel and their compensation can be found in the Audited Remuneration Report contained in the Directors' Report on pages 24 to 31 of this Annual Report.

NOTE 5 KEY MANAGEMENT PERSONNEL (CONTINUED)

(b) Equity instruments

Shareholdings

Details of ordinary shares held directly, indirectly or beneficially by key management personnel and their related parties are as follows:

	Balance 1 July 2009	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 2010
Directors					
Howard Stack	-	-	-	436,691	436,691
Ron Prefontaine	10,510,045	-	-	82,000	10,592,045
Nicholas Mather	4,101,663	-	-	612,000	4,713,663
Stephen Bizzell	4,022,643	-	2,223,152	336,000	6,581,795
Senior Management					
John de Stefani	1,660,942	-	-	-	1,660,942
Vic Palanyk	-	-	-	-	-
Dusan Pribilovic	-	-	-	-	-
Peter Harbison	-	-	-	-	-
Duncan Cornish	2,069,019	-	350,000	(238,200)	2,180,819
Total	**22,364,312**	**-**	**2,573,152**	**1,228,491**	**26,165,955**

There were no shares held nominally at 30 June 2010.

	Balance 1 July 2008	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 2009
Directors					
Ron Prefontaine	7,222,687	-	-	3,287,358	10,510,045
Nicholas Mather	968,182	-	-	3,133,481	4,101,663
Stephen Bizzell	1,909,457	-	556,485	1,556,701	4,022,643
Senior Management					
Peter Bubendorfer *	36,741	-	-	6,124	42,865
Peter O'Neill ^	350,000	-	666,667	66,933	1,083,600
Paul Lipski ~	-	-	-	-	-
John de Stefani	-	-	-	1,660,942	1,660,942
Dusan Pribilovic	-	-	-	-	-
Duncan Cornish	796,652	-	330,000	942,367	2,069,019
Total	**11,283,719**	**-**	**1,553,152**	**10,653,906**	**23,490,777**

* Peter Bubendorfer resigned on 7 April 2009.
^ Peter O'Neill resigned on 2 February 2009.
~ Paul Lipski resigned on 2 July 2009.

There were no shares held nominally at 30 June 2009.

NOTE 5 KEY MANAGEMENT PERSONNEL (CONTINUED)

(b) Equity instruments (continued)

Options holdings

	Balance 1 July 2009	Granted as Remuneration	Options Exercised	Net Change Other	Balance 30 June 2010	Total Vested at 30 June 2010	Total Vested and Exercisable at 30 June 2010	Total Vested and Unexercisable at 30 June 2010
Directors								
Howard Stack	-	-	-	-	-	-	-	-
Ron Prefontaine	1,669,456	-	-	-	1,669,456	1,669,456	1,669,456	-
Nicholas Mather	3,333,333	-	-	-	3,333,333	3,333,333	3,333,333	-
Stephen Bizzell	2,223,152	-	(2,223,152)	-	-	-	-	-
Senior Management								
John de Stefani	4,335,565	1,000,000	-	-	5,335,565	1,835,565	1,835,565	-
Vic Palanyk	-	1,000,000	-	-	1,000,000	-	-	-
Dusan Pribilovic	600,000	-	-	-	600,000	-	-	-
Peter Harbison	-	1,000,000	-	-	1,000,000	-	-	-
Duncan Cornish	726,488	-	(350,000)	-	376,488	376,488	376,488	-
Total	**12,887,994**	**3,000,000**	**(2,573,152)**	**-**	**13,314,842**	**7,214,842**	**7,214,842**	**-**

At an Extraordinary General Meeting held on 24 June 2010 the Company obtained approval to issue 2,000,000 options to each of Howard Stack, Ron Prefontaine, Stephen Bizzell and Nicholas Mather, each a Director of the Company, or their respective nominee, exercisable at $2.00 each and expiring on 31 January 2013. The options vest on the earlier of 1 July 2012 or a Change of Control event occurring, subject to the condition that the Options will be forfeited and not vest unless the change in market price of the Shares from 27 January 2010 to 1 July 2012 outperforms the change in the S&P/ASX200 Index for the same period.

Subsequently, on 21 July 2010 the Company issued 2,000,000 unlisted options on the terms detailed above to the Directors of the Company: Howard Stack, Ron Prefontaine, Stephen Bizzell and Nicholas Mather.

	Balance 1 July 2008	Granted as Remuneration	Options Exercised	Net Change Other	Balance 30 June 2009	Total Vested at 30 June 2009	Total Vested and Exercisable at 30 June 2009	Total Vested and Unexercisable at 30 June 2009
Directors								
Ron Prefontaine	-	-	-	1,669,456	1,669,456	1,669,456	1,669,456	-
Nicholas Mather	-	-	-	3,333,333	3,333,333	3,333,333	3,333,333	-
Stephen Bizzell	-	-	(556,485)	2,779,637	2,223,152	2,223,152	2,223,152	-
Senior Management								
Peter Bubendorfer *	-	-	-	-	-	-	-	-
Peter O'Neill ^	1,333,334	-	(666,667)	-	666,667	666,667	666,667	-
Paul Lipski ~	-	3,000,000	-	-	3,000,000	-	-	-
John de Stefani	-	3,000,000	-	1,335,565	4,335,565	1,335,565	1,335,565	-
Dusan Pribilovic	-	600,000	-	-	600,000	-	-	-
Duncan Cornish	500,000	-	(330,000)	556,488	726,488	726,488	726,488	-
Total	**1,833,334**	**6,600,000**	**(1,553,152)**	**9,674,479**	**16,554,661**	**9,954,661**	**9,954,661**	**-**

* Peter Bubendorfer resigned on 7 April 2009.
^ Peter O'Neill resigned on 2 February 2009.
~ Paul Lipski resigned on 2 July 2009.

NOTE 5 KEY MANAGEMENT PERSONNEL (CONTINUED)

(c) Loans to Key Management Personnel

There were no loans to Key Management Personnel during the year.

(d) Other transactions to Key Management Personnel

Other transactions with Key Management Personnel are set out in Note 30. There were no other transactions or balances with Key Management Personnel during the year.

	Consolidated Entity 2010 $	Consolidated Entity 2009 $
NOTE 6 AUDITORS' REMUNERATION		
Remuneration for the auditor of the parent entity for:		
- auditing or reviewing the financial report of any entity in the consolidated entity	39,500	33,107
- taxation services	23,650	19,600
- review of pro-forma financial information for prospectus	-	1,500
- Other tax and business advisory services	34,615	-
	97,765	54,207

NOTE 7 DIVIDENDS & FRANKING CREDITS

There were no dividends paid or recommended during the financial year.

There were no franking credits available to the shareholders of the Company.

NOTE 8 EARNINGS PER SHARE

Earnings

Profit attributable to owners of Bow Energy Ltd used to calculate basic and diluted earnings per share	6,798,231	(772,034)

	2010 Number	2009 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	251,525,991	166,967,598
Adjustments for calculation of diluted earnings per share:		
- options	9,017,632	-
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	260,543,623	166,967,598

	Consolidated Entity	
	2010 $	2009 $
NOTE 9 CASH AND CASH EQUIVALENTS		
Cash on hand and at bank	8,549,680	1,082,793
Cash on deposit	65,928,920	19,559,981
	74,478,600	20,642,774

Cash at bank bear floating and fixed interest rates between 1 and 4.5% (2009: 1 and 4%). The effective interest rate on short-term bank deposits was 4.47% (2009: 4%); these deposits have an average maturity of 90 days (2009: 57 days).

Reconciliation of Cash

The above figures are reconciled to the cash at the end of the financial year as shown in the statement of cash flows as follows:

	2010 $	2009 $
Balances as above	74,478,600	20,642,774
Balances per statements of cash flows	74,478,600	20,642,774

NOTE 10 TRADE & OTHER RECEIVABLES

	2010 $	2009 $
Current		
GST receivable	957,237	193,297
Other receivables	554,166	985,601
	1,511,403	1,178,898

No receivables balances are past due or impaired at year-end.

NOTE 11 INVENTORIES

	2010 $	2009 $
Current		
At cost	239,743	239,743

NOTE 12 JOINT VENTURES

The consolidated entity has a 10% interest in a joint venture arrangement for WA 261P. The other parties to the joint venture are Apache Energy Ltd (45.1283%), Strike Oil Ltd (16.2179%), Sun Resources (6.1538%), Victoria Petroleum NL (12.5%) and Tap Oil (10%). The consolidated entity's share of the expenditure commitment for this joint venture over the next 5 years is $415,000 which has been appropriately recognised in Note 24 Capital and Leasing Commitments.

The consolidated entity has an 11.21% interest in a joint venture arrangement for EP 325. The other parties to the joint venture are Strike Oil Ltd (44.5%), Advent Energy (8.29%) and Victoria Petroleum NL (36%). The consolidated entity's share of the expenditure commitment for this joint venture over the next 5 years is $11,100 which has been appropriately recognised in Note 24 Capital and Leasing Commitments.

NOTE 12 JOINT VENTURES (CONTINUED)

The consolidated entity has a 55% interest in a joint venture arrangement for ATP 593P. The other party to the joint venture is Victoria Petroleum NL (45%). The consolidated entity's share of the expenditure commitment for this joint venture over the next 5 years is nil.

The consolidated entity has a 94.625% interest (Bow 4.5% and Seqoil 90.125%) in a joint venture arrangement for ATP 608P (Rookwood Block). The other party to the joint venture is Selectium Trust (5.375%). The consolidated entity also has a 94.625% interest (Bow 22.5% and Seqoil 72.125%) in a joint venture arrangement for ATP 608P (Remainder Block). The other party to the joint venture is Selectium Trust (5.375%). The consolidated entity's share of the expenditure commitment for this joint venture over the next 5 years is nil.

The consolidated entity has a 50% interest in a joint venture arrangement for ATP 677P. The other party to the joint venture is Challenge Resources Pty Ltd (50%). The consolidated entity's share of the expenditure commitment for this joint venture over the next 5 years is nil.

The consolidated entity has a 20% interest in a joint venture arrangement for ATP 736P. The other party to the joint venture is Victoria Petroleum NL (80%). This tenement is under application and at 30 June 2010 and at the date of this report had not been granted. Therefore there is currently no expenditure commitment for this joint venture.

The consolidated entity has a 20% interest in a joint venture arrangement for ATP 737P. The other party to the joint venture is Victoria Petroleum NL (80%). This tenement is under application and at 30 June 2010 and at the date of this report had not been granted. Therefore there is currently no expenditure commitment for this joint venture.

The consolidated entity has a 20% interest in a joint venture arrangement for ATP 738P. The other party to the joint venture is Victoria Petroleum NL (80%). This tenement is under application and at 30 June 2010 and at the date of this report had not been granted. Therefore there is currently no expenditure commitment for this joint venture.

The consolidated entity has a 20.37% interest in a joint venture arrangement for ATP 752P (Barta Block). The other parties to the joint venture are Victoria Petroleum NL (20.37%), Bengal Energy Ltd (14.26%) and Santos Ltd (45%). The consolidated entity's share of the expenditure commitment for this joint venture over the next 5 years is being met through farm-out.

The consolidated entity has a 26.25% interest in a joint venture arrangement for ATP 752P (Wompi Block). The other parties to the joint venture are Victoria Petroleum NL (26.25%), Bengal Energy Ltd (22.5%) and Santos Ltd (25%). The consolidated entity's share of the expenditure commitment for this joint venture over the next 5 years is being met through farm-out.

The consolidated entity has a 55% interest in a joint venture arrangement for ATP 771P. The other party to the joint venture is Victoria Petroleum NL (45%). The consolidated entity's share of the expenditure commitment for this joint venture over the next 5 years is nil.

The consolidated entity has a 65% interest in a joint venture arrangement for ATP 794P. The other party to the joint venture is Victoria Petroleum NL (35%). The consolidated entity's share of the expenditure commitment for this joint venture over the next 5 years is $794,000 which has been appropriately recognised in Note 24 Capital and Leasing Commitments.

The consolidated entity has a 25% interest in a joint venture arrangement for PL 15. The other party to the joint venture is Mosaic Oil NL (75%). The consolidated entity's share of the expenditure commitment for this joint venture over the next 5 years is nil.

	Consolidated Entity	
	2010 $	2009 $
NOTE 13 OTHER FINANCIAL ASSETS		
Current		
Financial assets at fair value through profit or loss	3,120,000	-
Financial assets at fair value through profit or loss comprise:		
Listed investments, at fair value		
- shares in listed corporations	3,120,000	-

Financial assets at fair value through profit or loss relate to listed shares held in Victoria Petroleum NL.

NOTE 14 CONTROLLED ENTITIES

	Country of Incorporation	Percentage Owned (%)* 2010	Percentage Owned (%)* 2009
(a) Controlled entities consolidated			
Parent entity:			
Bow Energy Ltd	Australia		
Subsidiaries of Bow Energy Ltd:			
Bow Operations Pty Ltd	Australia	100%	100%
Ocellaris Oil Pty Ltd	Australia	100%	100%
Seqoil Pty Ltd	Australia	100%	100%
Roma CBM Pty Ltd	Australia	100%	100%
Blackwater Power Pty Ltd	Australia	100%^	-
Blackwater Power II Pty Ltd	Australia	100%^	-
Bow Blackwater CSG Pty Ltd	Australia	100%^	-
Bow Don Juan CSG Pty Ltd	Australia	100%^	-
Bow Land Holdings Pty Ltd	Australia	100%^	-

* percentage of voting power is in proportion to ownership.
^ new subsidiaries established during the year.

NOTE 15 PROPERTY, PLANT & EQUIPMENT

	Consolidated Entity 2010 $	Consolidated Entity 2009 $
Land		
At Cost	1,256,532	-
	1,256,532	-
Capital Works In Progress		
At Cost	12,933,078	-
	12,933,078	-
Plant and equipment		
At cost	53,397	49,009
Accumulated depreciation	(11,265)	(8,735)
	42,132	40,274
Computers and office equipment		
At cost	263,951	161,089
Accumulated depreciation	(107,322)	(69,976)
	156,629	91,113
Furniture and fittings		
At cost	206,892	100,128
Accumulated depreciation	(22,338)	(7,595)
	184,554	92,533
Total property, plant and equipment	**14,572,925**	**223,920**

NOTE 15 PROPERTY, PLANT & EQUIPMENT (CONTINUED)

(a) Movements in carrying amounts

2010	Land $	Capital Works in Progress $	Plant and equipment $	Computers and office equipment $	Furniture and fittings $	Total $
Balance at the beginning of the year	-	-	40,274	91,113	92,533	223,920
Additions	1,256,532	12,933,078	4,389	102,863	106,764	14,403,626
Disposals	-	-	-	-	-	-
Depreciation expense	-	-	(2,531)	(37,347)	(14,743)	(54,621)
Carrying amount at the end of the year	1,256,532	12,933,078	42,132	156,629	184,554	14,572,925

2009	Land $	Capital Works in Progress $	Plant and equipment $	Computers and office equipment $	Furniture and fittings $	Total $
Balance at the beginning of the year	-	-	41,316	61,507	4,413	107,236
Additions	-	-	1,376	55,906	95,293	152,575
Disposals	-	-	-	-	-	-
Depreciation expense	-	-	(2,418)	(26,300)	(7,173)	(35,891)
Carrying amount at the end of the year	-	-	40,274	91,113	92,533	223,920

	Consolidated Entity	
	2010 $	2009 $
NOTE 16 OTHER ASSETS		
Current		
Prepayments	108,682	96,303
Non-Current		
Security deposits	777,629	694,291
Capitalised acquisition costs	2,790	2,790
	780,419	697,081

	Consolidated Entity	
	2010 $	2009 $
NOTE 17 EXPLORATION AND EVALUATION EXPENDITURE		
Non-Current		
Exploration and evaluation expenditure capitalised		
- exploration and evaluation phases	40,909,947	18,407,812

Recoverability of the carrying amount of exploration assets is dependent on the successful development and commercial exploitation of oil and/or gas, or alternatively, sale of the respective areas of interest.

(a) Movements in carrying amounts		
Balance at the beginning of the year	18,407,812	14,738,313
Additions	23,155,990	3,671,281
Disposal	(186,451)	-
Written-off	(467,404)	(1,782)
Carrying amount at the end of the year	40,909,947	18,407,812

Amounts written-off during the financial year relate to areas of interest which have been surrendered as the directors did not see a commercial value in continuing exploration in the area.

NOTE 18 TRADE AND OTHER PAYABLES		
Current		
Trade payables	3,395,953	940,981
Sundry payables and accrued expenses	2,593,463	317,916
Employee benefits	78,646	22,787
	6,068,062	1,281,684

NOTE 19 PROVISIONS		
Provision for restoration	550,000	125,000

	Provision for Restoration	Total
Opening balance at 1 July 2009	125,000	125,000
Movement in provision	425,000	-
Balance at 30 June 2010	550,000	125,000

The Company is required to restore land and the surrounding environment to its original condition at the end of the respective lease terms. For close down restoration and for environmental clean up costs, provision is made in the accounting period when the related disturbance occurs, based on the net present value of estimated future costs.

The amortisation or "unwinding" of the discount applied in establishing the net present value of provisions is charged to the income statement in each accounting period. For further details, refer to accounting policy note 1(n).

	Consolidated Entity 2010 $	Consolidated Entity 2009 $
NOTE 20 ISSUED CAPITAL		
280,607,187 fully paid ordinary shares (2009: 209,641,395)	124,109,180	42,725,857
Share issue costs	(4,553,006)	(2,030,347)
Deferred tax recognised on share issue costs	1,481,265	-
	121,037,439	40,695,510

	2010 Number	2009 Number
(a) Ordinary shares		
At the beginning of the year	209,641,395	151,247,388
- Issue of shares to as part consideration for purchase of Canaway Blocks in ATP 560P (1)	-	89,222
- Issue of shares as part consideration for purchase of Roma Petroleum NL Shares (2)	-	714,285
- Share placement (3)	-	22,500,000
- Non-renounceable rights issue (4)	-	29,813,532
- Exercise of options ($0.40 @ 20 May 2009)	-	1,516,667
- Exercise of options ($0.30 @ 31 March 2010)	50,000	100,000
- Exercise of options ($0.50 @ 7 November 2011)	7,618,556	3,460,301
- Exercise of options ($0.50 @ 20 May 2010)	1,516,667	200,000
- Exercise of options ($0.40 @ 1 July 2011)	500,000	-
- Share placement (5)	31,200,000	-
- Share purchase plan (6)	29,280,569	-
- Share placement (7)	200,000	-
- Share placement (8)	600,000	-
At reporting date	280,607,187	209,641,395

(1) On 22 August 2008, 89,222 ordinary shares were issued as part consideration for the purchase of the Canaway Blocks in ATP 560P.

(2) On 15 October 2008, 714,285 ordinary shares were issued as part consideration for the purchase of the Roma Petroleum NL shares.

(3) On 23 February 2009 the Company issued 22,500,000 shares to institutional and sophisticated investors, to raise $6.075 million.

(4) On 22 April 2009, 29,813,532 shares were issued under a Non-Renounceable Rights Issue, to raise $8.05 million.

(5) On 19 November 2009, 31,200,000 ordinary shares were issued (@ $1.25 to raise $39,000,000 before issue costs), pursuant to a Share Placement as announced by the Company on 13 November 2009.

(6) On 18 December 2009, 29,280,569 ordinary shares were issued (@ $1.25 to raise $36,600,711 before issue costs), pursuant to a Share Purchase Plan announced by the Company on 13 November 2009.

(7) On 31 December 2009, 200,000 ordinary shares were issued (@ $1.25 to raise $250,000 before issue costs), pursuant to a Share Placement to entities associated with Stephen Bizzell, a director of the Company, as announced by the Company on 13 November 2009 and as approved by shareholders at a General Meeting held on 15 December 2009.

(8) On 5 January 2010, 600,000 ordinary shares were issued (@ $1.25 to raise $750,000 before issue costs), pursuant to a Share Placement to entities associated with Nicholas Mather, a director of the Company, as announced by the Company on 13 November 2009 and as approved by shareholders at a General Meeting held on 15 December 2009.

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

NOTE 20 ISSUED CAPITAL (CONTINUED)

(b) Options

(i) For information relating to the Bow Energy Ltd employee option plan and options issued for other goods and services, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year-end refer to Note 28.

(c) Capital Risk Management

Management controls the capital of the consolidated entity in order to provide capital growth to shareholders and ensure the consolidated entity can fund its operations and continue as a going concern.

The consolidated entity's capital comprises equity as shown in the Consolidated Statement of Financial Position.

There are no externally imposed capital requirements.

Management effectively manages the consolidated entity's capital by assessing the consolidated entity's financial risks and adjusting its capital structure in response to changes in these risks and the market. These responses include the management of share issues.

There have been no changes in the strategy adopted by management to control the capital of the consolidated entity since the prior year.

	Consolidated Entity	
	2010 $	2009 $
NOTE 21 RESERVES		
(a) Option reserve		
Option Reserve – capital raising	573,467	573,467
Option Reserve – employee share options	1,507,140	627,008
Option Reserve – assets acquisition	1,026,919	1,026,919
	3,107,526	2,227,394

The option reserve records the value of options issued as part of capital raisings, as well as expenses relating to director and employee share options, and the value of options issued to acquire exploration assets and shares in controlled entities.

	2010 $	2009 $
NOTE 22 RETAINED PROFITS / (ACCUMULATED LOSSES)		
Accumulated losses attributable to members of Bow Energy Ltd at beginning of the financial year	(2,843,057)	(2,071,023)
Profits / (losses) after income tax	6,798,231	(772,034)
Retained profits / (accumulated losses) attributable to members of Bow Energy Ltd at the end of the financial year	3,955,174	(2,843,057)

NOTE 23 PARENT ENTITY INFORMATION

The Corporations Act requirement to prepare parent entity financial statements where consolidated financial statements are prepared has been removed and replaced by the new regulation 2M.3.01 which requires the following limited disclosure in regards to the parent entity (Bow Energy Ltd). The consolidated financial statements incorporate the assets, liabilities and results of the parent entity in accordance with the accounting policy described in Note 1(b).

Parent Entity	2010 $	2009 $
Current assets	79,557,039	21,528,906
Non-current assets	54,068,056	19,122,463
Total assets	133,625,095	40,651,369
Current liabilities	12,962,047	1,281,684
Non-current liabilities	1,466,523	-
Total liabilities	14,428,570	1,281,684
Net assets	**119,196,525**	**39,369,685**
Issued capital	121,037,439	40,695,510
Reserves	3,107,526	2,227,394
Accumulated losses	(4,948,440)	(3,553,219)
Total shareholder's equity	**119,196,525**	**39,369,685**
Profit / (loss) for the year	**(1,395,221)**	**(904,318)**
Total comprehensive income for the year	**(1,395,221)**	**(904,318)**

Guarantees

No guarantees have been entered into by the parent entity in relation to debts of its subsidiaries.

Contractual Commitments

There were no contractual commitments for the acquisition of property, plant and equipment entered into by the parent entity at 30 June 2010 (2009 - $nil).

Contingent liabilities

The parent entity has no contingent liabilities.

	Consolidated Entity	
	2010 $	2009 $
NOTE 24 CAPITAL AND LEASING COMMITMENTS		
(a) Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements.		
Payable – minimum lease payments		
- not later than 12 months	289,664	98,622
- between 12 months and 5 years	316,512	85,582
- greater than 5 years	-	-
	606,176	184,204

The consolidated entity has an operating lease commitment in relation to the lease of commercial office premises. The consolidated entity has provided bank guarantees of $56,484 and $109,956 as security bonds on the premises.

	Consolidated Entity 2010 $	Consolidated Entity 2009 $

NOTE 24 CAPITAL AND LEASING COMMITMENTS (CONTINUED)

(b) Future Exploration

The Company has certain obligations to expend minimum amounts on exploration in tenement areas. These obligations may be varied from time to time and are expected to be fulfilled in the normal course of operations of the Company.

	2010 $	2009 $
The commitments to be undertaken are as follows:		
Payable:		
- not later than 12 months	14,921,100	14,634,288
- between 12 months and 5 years	50,255,000	62,786,100
- greater than 5 years	-	-
	65,176,100	77,420,388

To keep tenements in good standing, work programs should meet certain minimum expenditure requirements. If the minimum expenditure requirements are not met, the Company has the option to negotiate new terms or relinquish the tenements. The Company also has the ability to meet expenditure requirements by joint venture or farm-in agreements.

(c) Capital expenditure projects

During the financial year, Bow Energy entered into a contract for the design and construction of a 30 megawatt power station at Blackwater in Central Queensland.

	2010 $	2009 $
Capital expenditure commitments contracted for:		
Payable:		
- not later than 12 months	22,011,162	-
- between 12 months and 5 years	-	-
- greater than 5 years	-	-
	22,011,162	-

The contract is paid in instalments based on the achievement of certain milestones by the contractor.

(d) Joint ventures

Commitments arising from interest in joint ventures are included in future exploration.

NOTE 25 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

(a) Contingent liabilities

Native Title

In the Annual Report for 30 June 2009, it was noted that certain tenements (ATP's 736P, 737P and 738P) to which Bow Energy Ltd has an interest in had received native title claims. The position regarding the likely success, and impact on Bow Energy's operations, of these tenements is unknown at balance date. It is management's intention to continue to work through these matters.

(b) The directors are not aware of any other significant contingent liabilities or contingent assets at the date of this report.

NOTE 26 OPERATING SEGMENTS

Segment information

Identification of reportable segments

The consolidated entity has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

An operating segment is a component of the consolidated entity that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the consolidated entity's other components. An operating segment's operating results are reviewed regularly by the CEO to make decisions about resources to be allocated to the segment and assess its performance, for which discrete financial information is available.

Basis of accounting for purposes of reporting by operating segments

(a) Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors, being the chief decision maker with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the consolidated entity.

(b) Inter-segment transactions

Corporate charges are allocated to segments based on the segments' overall proportion of revenue generation within the consolidated entity. The Board of Directors believes this is representative of likely consumption of head office expenditure that should be used in assessing segment performance and cost recoveries.

Inter-segment loans payable and receivable are initially recognised at the consideration received/to be received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

(c) Segment assets

Where an asset is used across multiple segments, the asset is allocated to that segment that receives majority economic value from that asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

(d) Segment liabilities

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the consolidated entity as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

(e) Unallocated items

The following items of revenue, expenses, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- impairment of assets and other non-recurring items of revenue or expense
- income tax expense
- deferred tax assets and liabilities
- current tax liabilities
- other financial liabilities
- intangible assets

(f) Comparative information

This is the first reporting period in which AASB 8 has been adopted. Comparative information has been restated to conform to the requirements of this standard.

Segment reporting

The consolidated entity is organised into the following business segments:

- gas
- power generation

NOTE 26 OPERATING SEGMENTS (CONTINUED)

Segment reporting (continued)

30 June 2010	Gas $	Power Generation $	Total $
(i) Segment performance			
Revenue			
Other income	11,694,707	-	11,694,707
Total segment revenue	11,694,707	-	11,694,707
Reconciliation of segment revenue to group revenue			
Interest revenue			2,605,952
Total group income			14,300,659
Segment net profit before tax	11,227,303	-	11,227,303
Reconciliation of segment result to group net profit / loss before tax			
Amounts not included in segment result but reviewed by Board			
- fair value loss on financial assets			(585,000)
- corporate charges			(423,215)
- share based payments expense			(880,132)
- depreciation and amortisation			(54,621)
Unallocated items			
- finance costs			(1,323)
- other			-
Net profit before tax			9,283,014
(ii) Segment assets			
Segment assets	40,909,947	14,189,610	55,099,557
Segment asset increases for the period:			
- Capital expenditure	23,155,990	14,189,610	37,345,600
- Acquisitions	-	-	-
	23,155,990	14,189,610	37,345,600
Reconciliation of segment assets to group assets			
Inter-segment eliminations			-
Cash and cash equivalents			74,478,600
Other financial assets			3,120,000
Unallocated assets			3,023,562
Total group assets			135,721,719
(iii) Segment liabilities			
Segment liabilities	4,498,821	1,475,103	5,973,924
Reconciliation of segment liabilities to group liabilities			
Inter-segment eliminations			-
Deferred tax liabilities			1,003,518
Unallocated liabilities			644,138
Total group liabilities			7,621,580

NOTE 26 OPERATING SEGMENTS (CONTINUED)

Segment reporting (continued)

30 June 2009	Gas $	Power Generation $	Total $
(i) Segment performance			
Revenue			
Other income	324,311	-	324,311
Total segment revenue	324,311	-	324,311
Reconciliation of segment revenue to group revenue			
Interest revenue			394,230
Gain on sale of investments			210,912
Total group income			929,453
Segment net profit before tax	322,529	-	322,529
Reconciliation of segment result to group net profit / loss before tax			
Amounts not included in segment result but reviewed by Board			
- corporate charges			(806,034)
- share based payments			(252,638)
- depreciation and amortisation			(35,891)
Unallocated items			
- finance costs			-
- other			-
Net profit before tax			(772,034)
(ii) Segment assets			
Segment assets	18,407,812	-	18,407,812
Segment asset increases for the period:			
- Capital expenditure	3,671,281	-	3,671,281
- Acquisitions	-	-	-
	3,671,281	-	3,671,281
Reconciliation of segment assets to group assets			
Inter-segment eliminations			-
Cash and cash equivalents			20,642,774
Unallocated assets			2,435,945
Total group assets			41,486,531
(iii) Segment liabilities			
Segment liabilities	1,093,948	-	1,093,948
Reconciliation of segment liabilities to group liabilities			
Inter-segment eliminations			-
Unallocated liabilities			312,736
Total group liabilities			1,406,684

	Consolidated Entity	
	2010 $	2009 $
NOTE 27 CASH FLOW INFORMATION		
(a) Reconciliation of cash flow from operations with profit/(loss) after income tax		
Profit/(loss) after income tax	6,798,231	(772,034)
Non-cash flows in profit after income tax:		
Depreciation	54,621	35,891
Write off of capitalised expenditure	467,404	1,782
Write off of inventory	-	79,933
Share options expensed	880,132	252,638
Fair value loss on financial assets	585,000	-
Gain on sale of tenement	(11,518,549)	-
Deferred tax expense recognised directly in equity	1,481,265	-
Changes in assets and liabilities net of the effects of purchase and disposal of subsidiaries:		
- (Increase)/Decrease in trade and term receivables	2,638,540	(427,339)
- (Increase)/Decrease in other assets	(35,371)	(34,290)
- Increase/(Decrease) in trade payables	470,498	95,746
- Increase/(Decrease) in deferred tax liability	1,003,518	-
Cash flow from operations	2,825,289	(767,673)

(b) Non-cash financing and investing activities

During the financial year, Bow sold its interest in ATP 574P, located in Queensland's Surat Basin, to Victoria Petroleum NL (Vicpet). The consideration for the sale for all of Bow's interests in ATP 574P, including a 3.75% interest in the Walloon Coal Seam Gas (CSG) and 18.75% to 63.75% interest in the deeper stratigraphic section, was:

- $8 million cash (as disclosed in the Statement of Cash Flows);
- 13 million fully paid shares in Vicpet; and
- Vicpet's interests in Surat Basin tenements ATP 608P (including 24% in Stratton Block and 30% in Rookwood Block) and ATP 805P (15%).

Bow's ownership in ATP 608P and ATP 805P has increased to 94.6% and 100% respectively.

During the year ended 30 June 2009, Bow completed the purchase of the Canaway Blocks in ATP 560P pursuant to an agreement dated 30 July 2008. The total consideration for the purchase was $60,000 (excluding GST) which was paid through the issue of 89,222 ordinary shares and $35,000 cash.

Also during the year ended 30 June 2009, Bow issued 714,285 ordinary shares as part consideration for the purchase of Roma Petroleum NL shares, pursuant to a share sale agreement dated 26 September 2008.

NOTE 28 SHARE-BASED PAYMENTS

The following share-based payment arrangements existed at 30 June 2010.

(a) Share-based payments to employees

During the year 4,350,000 share options were granted to employees as follows:

- 250,000 unlisted options exercisable on or before 30 June 2012 at $1.00. One half (125,000) of these options will vest on 1 July 2010 and the second half (125,000) will vest on 1 July 2011.
- 550,000 unlisted options exercisable on or before 31 December 2012 at $1.80. These options will vest on 31 December 2010.
- 550,000 unlisted options exercisable on or before 31 December 2012 at $2.20. These options will vest on 31 December 2011.
- 500,000 unlisted options, exercisable on or before 31 March 2013 at $1.80. These options will vest on 31 December 2010.
- 500,000 unlisted options, exercisable on or before 31 March 2013 at $2.20. These options will vest on 31 December 2011.
- 1,000,000 unlisted options, exercisable on or before 1 July 2013 at $2.00. These options will vest on 1 July 2012.
- 500,000 unlisted options, exercisable on or before 31 December 2013 at $1.80. These options will vest on 31 December 2011.
- 500,000 unlisted options, exercisable on or before 31 December 2013 at $2.20. These options will vest on 31 December 2012.

Also during the year the following share options were forfeited as a result of employee resignation:

- 500,000 unlisted $0.40 options expiring 1 July 2011
- 1,000,000 unlisted $0.75 options expiring 1 July 2012
- 1,000,000 unlisted $1.00 options expiring 1 July 2013

	2010		2009	
	No. of options	Weighted average exercise price $	No. of options	Weighted average exercise price $
Outstanding at beginning of year	8,716,667	0.70	3,383,334	0.45
Granted	4,350,000	1.94	7,360,000	0.74
Forfeited	(2,500,000)	0.78	(210,000)	0.45
Exercised	(2,066,667)	0.47	(1,816,667)	0.41
Outstanding at year-end	8,500,000	1.37	8,716,667	0.70
Exercisable at year-end	550,000	0.40	1,566,667	0.49

During the year ended 30 June 2010, 50,000 $0.30 options expiring on 31 March 2010, 500,000 $0.40 options expiring on 1 July 2011 and 1,576,667 $0.50 options expiring on 20 May 2010 were exercised into ordinary shares. The weighted average share price at exercise date was $1.26 (2009: $0.86).

All options exercised resulted in the issue of ordinary shares in Bow Energy Limited on a 1:1 basis. All persons exercising options paid the relevant exercise price in its entirety in cash.

The options outstanding at 30 June 2010 had a weighted average exercise price of $1.37 (2009: $0.70) and a weighted average remaining contractual life of 2.3 years (2009: 2.6 years). Exercise prices range from $0.50 to $2.20 in respect of options outstanding at 30 June 2010 (2009: $0.30 to $0.50).

The weighted average fair value of the options granted during the year was $0.32 (2009: $0.09). This price was calculated by using a Black Scholes options pricing model applying the following inputs:

	2010	2009
Weighted average exercise price	$1.94	$0.74
Weighted average life of the option	3.30 years	3.33 years
Underlying share price	$1.28	$0.32
Expected share price volatility	46.95%	96.07%
Risk free interest rate	4.99%	5.43%

Historical volatility has been the basis for determining expected share price volatility.

NOTE 28 SHARE-BASED PAYMENTS (CONTINUED)

(a) Share-based payments to employees (continued)

The expected life of the options has been taken to be the full period of time from grant date to expiry date. The options pricing model assumes that options will be exercised on or immediately before the expiry date.

Included under Employee Benefits Expense in the Income Statement is $880,132 (2009: $252,638), and relates, in full, to equity-settled share-based payment transactions.

(b) Other share-based payments

There were no other share-based payments during the financial year.

NOTE 29 EVENTS AFTER BALANCE DATE

On 26 August 2010, Bow announced the start of construction on the 100% owned 30 megawatt gas-fired Blackwater Power Project, located approximately 15 kilometres north-east of the town of Blackwater in central Queensland.

The following changes to the Company's capital structure also occurred subsequent to 30 June 2010:

- 8,000,000 unlisted $2.00 options expiring 31 January 2010 were issued to directors of the Company. The options vest on the earlier of 1 July 2012 or a Change of Control event occurring. The options were issued on the terms and conditions set out in the Notice of General Meeting and Explanatory Memorandum dated 20 May 2010 and subsequently approved by shareholders at the General Meeting held on 24 June 2010.

There have been no other events since 30 June 2010 that impact upon the financial report as at 30 June 2010.

NOTE 30 RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

(a) Parent entity

The parent entity and ultimate controlling entity is Bow Energy Ltd, which is incorporated in Australia.

(b) Subsidiaries

Interests in subsidiaries are disclosed in Note 14.

(c) Key management personnel

Disclosures relating to key management personnel are set out in the Remuneration Report contained in the Directors' Report and in Note 5 of the Financial Statements.

(d) Transactions with related parties

(i) Bow Energy Ltd has a Conventional Rights Agreement with Arrow Energy Ltd and BNG Pty Ltd, under which Arrow Energy Ltd and BNG Pty Ltd have assigned 100% of the rights to conventional rights in the "Arrow Tenements" (ATP 746P (Application), ATP 747P (Application)) and the "BNG Tenements" (ATP 644P and PEL 445). Stephen Bizzell (a Director) was a director of Arrow Energy Ltd until 23 August 2010 and Ron Prefontaine (a Director) was a director of Arrow Energy Ltd until 18 November 2005. The agreement is conditional upon the grant of each of ATP 746P and ATP 747P to the extent the agreement relates to those tenements and conditional upon the Minister consenting to or approving the agreement, if required.

Whilst Arrow Energy Ltd and BNG Pty Ltd agree to maintain and keep the tenements in good standing, Arrow Energy Ltd and BNG Pty Ltd have granted Bow Energy Ltd the right to explore for conventional petroleum in accordance with the terms of the agreement. Bow Energy Ltd is solely responsible for the costs associated with the activities conducted by it.

In the event that Arrow Energy Ltd or BNG Pty Ltd decide to voluntarily relinquish any part of a tenement in which Bow Energy Ltd has rights pursuant to this agreement, Bow Energy Ltd has a first right of refusal to those areas. If Arrow Energy Ltd or BNG Pty Ltd are required to relinquish any part of the tenements pursuant to legislation, the parties will consult on the areas to be relinquished. If the parties cannot agree to the areas to be relinquished, each party shall nominate 50% of the area to be relinquished.

Bow Energy Ltd is responsible for costs, rehabilitation and environmental compliance for the areas on which it conducts activities. Bow will contribute toward the Approved Work Program, securities and rental payments of the tenements. In the event of a commercial petroleum discovery by Bow Energy Ltd, Bow Energy Ltd will be entitled to make an application for a petroleum lease (either solely with the consent of the holder or jointly with the holder). Bow Energy Ltd may be required to enter a deed of assumption pursuant to the royalty agreement in place in relation to ATP 644P.

The holders of the tenements will provide Bow Energy Ltd access to information relevant to Bow Energy Ltd's operations. No assignment is able to take place by any of the parties without the consent of the other holders of the relevant tenement. Bow Energy Ltd must maintain insurances and indemnify the tenement holders for any damage as a result of the activities conducted by Bow Energy Ltd or a breach of this agreement. The tenement holders also indemnify Bow Energy Ltd for any breach by the tenement holders of the agreement.

NOTE 30 RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Transactions with related parties (continued)

(i) Continued

The agreement continues in force until the earlier of the termination pursuant to the terms of the agreement; by mutual agreement between the parties or 50 years from the commencement of the agreement. If any party fails to perform its obligations under the agreement, another party may issue a default notice specifying the default and the remedy required. If the default is not remedied within the time specified, the non-defaulting party may issue a termination notice. Failure to remedy the default after receipt of a termination notice will then give the non-defaulting party the right to terminate without prejudice to any other right of action or remedy. If Bow Energy Ltd is the defaulting party, all of Bow Energy Ltd's interest will immediately vest in Arrow Energy Ltd or BNG Pty Ltd, as the case may be, and Bow Energy Ltd will not be entitled to any compensation.

(ii) Share and Option transactions of Directors and Director-Related Entities are shown in the Remuneration Report within the Directors Report and in Note 5 of the Financial Statements.

(iii) Details of transactions and balances in relation to joint ventures are shown in Note 12 of the Financial Statements.

NOTE 31 FINANCIAL RISK MANAGEMENT

(a) General objectives, policies and processes

In common with all other businesses, the consolidated entity is exposed to risks that arise from its use of financial instruments. This note describes the consolidated entity's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the consolidated entity's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The consolidated entity's financial instruments consist mainly of deposits with banks, accounts receivable and payable, shares in listed corporations and loans to subsidiaries.

The Board has overall responsibility for the determination of the consolidated entity's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the consolidated entity's finance function. The consolidated entity's risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the results of the consolidated entity where such impacts may be material.

The overall objective of the Board is to set polices that seek to reduce risk as far as possible without unduly affecting the consolidated entity's competitiveness and flexibility. Further details regarding these policies are set out below:

(b) Credit Risk

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Company incurring a financial loss. This usually occurs when debtors fail to settle their obligations owing to the Company. The consolidated entity's objective is to minimise the risk of loss from credit risk exposure.

The consolidated entity's maximum exposure to credit risk at the end of the reporting period, without taking into account the value of any collateral or other security, in the event other parties fail to perform their obligations under financial instruments in relation to each class of recognised financial asset at reporting date, is as follows:

	Consolidated Entity	
	2010 $	2009 $
Cash and cash equivalents	74,478,600	20,642,774
Trade and other receivables	1,511,403	1,178,898
Other financial assets	3,120,000	-
Security deposits	777,629	694,291
	79,887,632	22,515,963

Credit risk is reviewed regularly by the Board and the audit committee. It arises from exposure to customers (trade receivables) as well as through deposits with financial institutions, loans receivable from subsidiaries and financial assets at fair value through profit or loss.

NOTE 31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit Risk (continued)

The consolidated entity does not have any material credit risk exposure to any single debtor or consolidated entity of debtors under financial instruments entered into by the consolidated entity. Bank deposits are held with Macquarie Bank Limited, Westpac Banking Corporation and Bank of Western Australia Limited.

All receivables that are neither past due or impaired are with longstanding clients who have a good credit history with the consolidated entity. No receivables balances were past due or impaired at year-end.

(c) Liquidity risk

Liquidity risk is the risk that the consolidated entity may encounter difficulties raising funds to meet financial obligations as they fall due. The object of managing liquidity risk is to ensure, as far as possible, that the consolidated entity will always have sufficient liquidity to meets its liabilities when they fall due, under both normal and stressed conditions.

Liquidity risk is reviewed regularly by the Board and the audit committee.

The consolidated entity manages liquidity risk by monitoring forecast cash flows and liquidity ratios such as working capital. The consolidated entity's working capital, being current assets less current liabilities, has increased from $20,876,034 in 2009 to $73,390,366 in 2010.

The Company did not have any financing facilities available at balance date.

	Carrying Amount	Contractual Cash flows	<6 months	6 – 12 months	1 – 3 years	>3 years
Maturity Analysis – Consolidated entity – 2010						
Financial Liabilities						
Trade and other payables	6,068,062	6,068,062	6,068,062	-	-	-
Maturity Analysis – Consolidated entity – 2009						
Financial Liabilities						
Trade and other payables	1,281,684	1,281,684	1,281,684	-	-	-

Further information regarding commitments is included in Note 24.

(d) Market Risk

Market risk arises from the use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk). The entity does not have any material exposure to market risk other than interest rate risk.

(i) Interest rate risk

Interest rate risk arises principally from cash and cash equivalents. The objective of interest rate risk management is to manage and control interest rate risk exposures within acceptable parameters while optimising the return.

Interest rate risk is managed with a mixture of fixed and floating rate debt. For further details on interest rate risk refer to the tables below:

	Floating interest rate	Fixed interest rate	Non-interest bearing	Total carrying amount as per the balance sheet	Weighted average effective interest rate
	2010 $	2010 $	2010 $	2010 $	2010 %
Financial assets					
Cash and cash equivalents	8,547,260	65,928,920	2,420	74,478,600	4.47%
Trade and other receivables	-	-	1,511,403	1,511,403	-
Financial assets	-	-	3,120,000	3,120,000	-
Security deposits	-	-	777,629	777,629	-
Total financial assets	8,547,260	65,928,920	5,411,452	79,887,632	
Financial liabilities					
Trade and other payables	-	-	6,068,062	6,068,062	-
Total financial liabilities	-	-	6,068,062	6,068,062	

NOTE 31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market Risk (continued)

(i) Interest rate risk (continued)

	Floating interest rate	Fixed interest rate	Non-interest bearing	Total carrying amount as per the balance sheet	Weighted average effective interest rate
	2009 $	2009 $	2009 $	2009 $	2009 %
Financial assets					
Cash and cash equivalents	1,082,793	19,559,981	-	20,642,774	4%
Loans and receivables	-	-	1,178,898	1,178,898	-
Total financial assets	1,082,793	19,559,981	1,178,898	21,821,672	
Financial liabilities					
Trade and other payables	-	-	1,281,684	1,281,684	-
Total financial liabilities	-	-	1,281,684	1,281,684	

The consolidated entity has performed a sensitivity analysis relating to its exposure to interest rate risk. This sensitivity demonstrates the effect on the current year results and equity which could result from a change in these risks.

At 30 June 2010 the effect on profit and equity as a result of changes in the interest rate would be as follows:

		Increase in interest rate by 1%		Decrease in interest rate by 1%	
	Carrying Amount $	Profit $	Other comprehensive income $	Profit $	Other comprehensive income $
CONSOLIDATED - 2010					
Cash and cash equivalents	74,478,600	744,786	-	(744,786)	-
CONSOLIDATED - 2009					
Cash and cash equivalents	20,642,774	206,428	-	(206,428)	-

The above analysis assumes all other variables remain constant.

(e) Net Fair Values

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

As of 1 July 2009, Bow Energy Limited has adopted the amendment to AASB 7 Financial Instruments: Disclosures which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the consolidated entity's assets and liabilities measured and recognised at fair value at 30 June 2010. Comparative information has not been provided as permitted by the transitional provisions of the new rules.

	Level 1 $	Level 2 $	Level 3 $	Total $
Financial liabilities				
Financial assets at fair value through profit or loss	3,120,000	-	-	3,120,000
Total financial liabilities	**3,120,000**	**-**	**-**	**3,120,000**

The net fair values of all remaining financial assets and financial liabilities approximate their carrying value.

Declaration by Directors

The directors of the company declare that:

1. The financial statements, comprising the statements of comprehensive income, statements of financial position, statements of cash flows, statements of changes in equity, and accompanying notes, are in accordance with the *Corporations Act 2001* and:

   (a) comply with Accounting Standards and the Corporations Regulations 2001; and

   (b) give a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date.

2. The consolidated entity has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

3. 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.

4. The remuneration disclosures included in pages 24 to 31 of the Directors' Report (as part of the audited Remuneration Report) for the year ended 30 June 2010, comply with section 300A of the *Corporations Act 2001*.

5. The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is signed in accordance with a resolution of the directors.

R Prefontaine

Ron Prefontaine
Director

Brisbane
29 September 2010

Independent Auditor's Report

to the Members of Bow Energy Limited

BDO

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Australia

Report on the Financial Report

We have audited the accompanying financial report of Bow Energy Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* would be in the same terms if it had been given to the directors at the time that this auditor's report was made.

Independent Auditor's Report

to the Members of Bow Energy Limited

Auditor's Opinion

In our opinion:

(a) the financial report of Bow Energy Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the company's financial position as at 30 June 2010 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Emphasis of Matters on Uncertainties Regarding Going Concern and Carrying Value of Exploration and Evaluation Expenditure

Without qualification to the opinion expressed above, we draw attention to the matters set out in Note 1. The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business. This includes the realisation of capitalised exploration and evaluation expenditure of $40,909,947 (30 June 2009: $18,407,812) as summarised in Note 17. The ability of the consolidated entity to maintain continuity of normal business activities, to pay their debts as and when they fall due and to recover the carrying value of their capitalised exploration and evaluation expenditure, is dependent upon the ability of the consolidated entity to successfully raise additional capital and/or the successful exploration and subsequent exploitation of their areas of interest through sale, farm-out or development.

No adjustments have been made to the carrying value of assets or recorded amount of liabilities should the company and consolidated entity's plans not eventuate.

Report on Remuneration Report

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2010. 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.

Auditor's Opinion

In our opinion, the Remuneration Report of Bow Energy Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

BDO Audit (QLD) Pty Ltd

BDO

Tim Kendall

T J Kendall
Director

Brisbane
29 September 2010

Corporate Information

Directors

Howard Stack, Non-Executive Chairman
Ron Prefontaine, Executive Director
Nicholas Mather, Non-Executive Director
Stephen Bizzell, Non-Executive Director

Senior Management

John De Stefani, Chief Executive Officer
Vic Palanyk, Chief Operating Officer
Peter Harbison, Chief Financial Officer
Duncan Cornish, Company Secretary

Registered Office and Principal Business Office

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Solicitors

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Share Registry

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Brisbane QLD 4000

Phone: 1300 554 474

Auditors

BDO Audit (Qld) Pty Ltd
Level 18, 300 Queen Street
Brisbane QLD 4000

Phone: +61 7 3237 5999

Country of Incorporation

Australia

Stock Exchange Listing

Australian Securities Exchange Ltd
S&P/ASX200 Index

ASX Code

BOW

Website

www.bowenergy.com.au

Australian Business Number

ABN 63 111 019 857

ENERGY LTD
BOW

www.bowenergy.com.au