

**BOW ENERGY LTD
AND ITS SUBSIDIARIES**

A.B.N. 63 111 019 857

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

BOW ENERGY LTD AND ITS SUBSIDIARIES

DIRECTORS' REPORT

CORPORATE DIRECTORY

DIRECTORS

Howard Stack	(Non-Executive Chairman)	63 111 019 857
Nicholas Mather	(Non-Executive)	
Stephen Bizzell	(Non-Executive)	
Ronald Prefontaine	(Executive)	

AUSTRALIAN BUSINESS NUMBER

EXECUTIVES

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

ADMINISTRATION AND REGISTERED OFFICE

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10 Eagle Street
Brisbane Qld 4000

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Website: www.bowenergy.com.au

SHARE REGISTRY

Link Market Services Limited
Level 15, 324 Queen Street
Brisbane Qld 4000

Telephone: 1300 554 474
Facsimile: 07 3228 4999

SOLICITORS

Hopgood Ganim
Level 8, Waterfront Place
1 Eagle Street
Brisbane Qld 4000

AUDITORS

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

Competent Person Statements

MHA - The estimates of gas reserve and resources for the Blackwater Block (ATP 1025P), Comet Block (ATP 1025P) and Don Juan CSG Field (ATP 771P) has 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 estimates for the Norwich Park (ATP 1031P), Gonyah Block (ATP 1053P) and Bandanna Project (ATP 805P) has been prepared by Mr Doug Barrenger of MBA Petroleum Consultants Pty Ltd (MBA). Mr Barrenger has more than 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.

BOW ENERGY LTD AND ITS SUBSIDIARIES

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 half-year ended 31 December 2010.

DIRECTORS

The names of persons who were directors of Bow Energy Ltd during the whole of the half-year and up to the date of this report are:

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

REVIEW OF OPERATIONS

Bow Energy Ltd's (Bow) core business is the exploration, appraisal and development of Coal Seam Gas (CSG) projects within Queensland's Bowen and Surat Basins. Bow's strategy has continued to focus on defining its CSG assets and progressing projects close to both domestic markets and planned export LNG markets.

Bow also has conventional petroleum assets which are mainly located in Queensland's Cooper-Eromanga and Surat Basins. During the half year an external independent consultant performed a technical review of these projects. Bow has now received the report and is assessing the recommendations to determine the optimum strategy to maximise the value of these assets.

Significant activities which occurred during the half-year included:

Capital Raising

The Company undertook an institutional placement at \$1.15 per share ("Placement") which was heavily oversubscribed and raised \$48.4 million with strong demand from new and existing Australian and international Institutional investors. In addition to the Placement, Bow also offered eligible shareholders the right to participate in a Share Purchase Plan ("SPP"), at \$1.15 per share, which was capped at \$30 million. The SPP was also oversubscribed and was scaled back accordingly. This has provided cash of \$113.7 million at the end of the half-year.

Blackwater Reserve Upgrade

An additional 213 PJ of 3P reserves were certified at the Blackwater CSG Field located approximately 250 kilometres west of Gladstone, Queensland. The upgrade represents a 15 percent increase in reserves for the Blackwater CSG Field from 1,383PJ to 1,596PJ thereby increasing Bow's total net 3P Reserves to 2,574 PJ.

Pilot Production Programs Underway at Blackwater

Bow commenced trialling several well completion techniques in the Blackwater CSG Field during the half-year with the objective of achieving commercial flow rates and targeting the conversion of 3P to 2P reserves. The first 'four spot' vertical frac well pilot has been successful at fracturing the targeted zones and increasing permeability. These wells have been completed with pumping equipment and are now in the process of dewatering.

BOW ENERGY LTD AND ITS SUBSIDIARIES

DIRECTORS' REPORT

Drilling Success at Norwich Park Indicates Large Gas Field

The first six core holes have been drilled and completed within the Vermont CSG and Norwich CSG Prospects of ATP1031P. The core holes intersected an average of 60 metres of gassy coals. Bow obtained an initial certification of 2C (contingent) resource of 1,402 PJ in the Vermont CSG Prospect. Preliminary results from the drilling at the Norwich CSG Prospect indicate it could be of similar size and prospectivity to Vermont.

Bowen Basin CSG Development EIS Commences

Bow has commenced planning and resourcing an Environmental Impact Statement (EIS) that will cover the full range of upstream and midstream development options for its Bowen Basin CSG projects. The key components that will be assessed are CSG field development within ATP's 1025 and 1031 as well as pipeline development between the two ATP's and a further pipeline connecting the Blackwater gas hub (ATP 1025) to Gladstone. The EIS is expected to be submitted by late 2011.

Blackwater Power Project Commenced Construction

During the half year Bow commenced construction of its 100 percent owned 30 megawatt (MW) gas-fired Blackwater Power Project located approximately 15 kilometres north-east of the town of Blackwater. While recent work has been impacted by wet weather, Bow does not expect any significant capital cost impacts. The Blackwater Power Project will require around two peta-joules (PJ) of clean-burning coal seam gas (CSG) per annum which will be supplied from Bow's underlying Blackwater CSG Field.

Federal Government Approves Third Party Gladstone LNG Projects

The Federal Government approved three major CSG-supplied liquefied natural gas projects to be located at Gladstone. The approvals are conditional on maintaining the highest environmental standards in construction and operation, including comprehensive water management requirements.

Drilling Success in the Cooper Basin

The Cuisinier-2 appraisal well in ATP 752 intersected a net oil pay column of approximately seven metres in the Murta sandstone while the Barta North-1 well intersected 4.5 metres of net oil pay. Both holes will be completed and tested in the June quarter 2011. A further appraisal well located 735 metres from Cuisinier-1, which is producing in excess of 400 barrels of oil per day, was spudded in February.

Outlook:

\$45 Million Exploration and Drilling Program for 2011

During 2011 Bow is scheduling to drill 34 wells and complete over 300 kilometres of seismic surveys. This heightened activity level will support Bow's stated targets of achieving commercial gas flow rates from multiple fields and defining 1,250 PJ of 2P reserves and 6,200 PJ of 3P reserves.

As a result of significant rain and flooding across large parts of Queensland field based exploration work in the month of January has been restricted. Regardless, Bow has not suffered any substantial asset damage and does not expect any major cost impact to its field operations. Bow has now recommenced gas field based work. Construction on the Blackwater Power Station recommenced in early February.

BOW ENERGY LTD AND ITS SUBSIDIARIES

DIRECTORS' REPORT

RESULT FOR THE PERIOD

For the half-year ended 31 December 2010, the profit for the consolidated entity after providing for income tax was \$31,547 (2009: profit of \$10,535,316).

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the independence declaration by the lead auditor under section 307C is attached to this report.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

This report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

A handwritten signature in blue ink, appearing to read 'S Bizzell', is written over a faint circular stamp.

Stephen Bizzell
Director

Brisbane
14 March 2011

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

As lead auditor for the review of Bow Energy Ltd for the half-year ended 31 December 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 review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

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



T J Kendall

Director

BDO Audit (QLD) Pty Ltd

Brisbane, 14 March 2011

BOW ENERGY LTD AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

		Consolidated Entity	
	Note	31 December 2010 \$'000	31 December 2009 \$'000
Revenue	3	2,381	726
Other Income	4	2,285	11,581
Costs of production		(71)	-
Employee benefits expense		(1,858)	(689)
Depreciation and amortisation expenses		(43)	(21)
Legal expenses		(297)	(34)
Administration and consulting expenses		(786)	(333)
Write-off of capitalised exploration assets		(776)	(463)
Other expenses		(477)	(232)
Profit/(loss) before income tax expense		358	10,535
Income tax expense		(326)	-
Net profit/(loss) for the half-year		32	10,535
Other comprehensive income		-	-
Total comprehensive income for the half-year		32	10,535
Profit/(loss) for the half-year is attributable to:			
Owners of Bow Energy Ltd		32	10,535
Total comprehensive income for the half-year is attributable to:			
Owners of Bow Energy Ltd		32	10,535
		Cents	Cents
Basic earnings per share		0.01	4.70
Diluted earnings per share		0.01	4.41

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

BOW ENERGY LTD AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010**

	Note	Consolidated Entity 31 December 2010 \$'000	30 June 2010 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents		113,681	74,479
Trade and other receivables		2,356	1,511
Inventories		524	240
Financial assets		5,330	3,120
Other current assets		167	109
Total Current Assets		<u>122,058</u>	<u>79,459</u>
Non-Current Assets			
Property, plant and equipment		29,913	14,573
Other non-current assets		1,016	780
Exploration and evaluation assets		58,050	40,910
Total Non-Current Assets		<u>88,979</u>	<u>56,263</u>
TOTAL ASSETS		<u>211,037</u>	<u>135,722</u>
LIABILITIES			
Current Liabilities			
Trade and other payables		4,026	6,068
Total Current Liabilities		<u>4,026</u>	<u>6,068</u>
Non-Current Liabilities			
Deferred tax liabilities		605	1,004
Provisions		750	550
Total Non-Current Liabilities		<u>1,355</u>	<u>1,554</u>
TOTAL LIABILITIES		<u>5,381</u>	<u>7,622</u>
NET ASSETS		<u>205,656</u>	<u>128,100</u>
EQUITY			
Contributed equity	5	197,833	121,037
Reserves		3,836	3,108
Retained profits		3,987	3,955
TOTAL EQUITY		<u>205,656</u>	<u>128,100</u>

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

BOW ENERGY LTD AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

	Contributed equity \$'000	Retained profits / (accumulated losses) \$'000	Option reserve \$'000	Total equity \$'000
At 1 July 2009	40,696	(2,843)	2,227	40,080
Total comprehensive income for the half-year				
Profit for the half-year	-	10,535	-	10,535
	-	10,535	-	10,535
Transactions with owners in their capacity as owners				
Issue of share capital	79,455	-	-	79,455
Costs associated with issue of share capital	(2,474)	-	-	(2,474)
Issue of employee options	-	-	284	284
	76,981	-	284	77,265
At 31 December 2009	117,677	7,692	2,511	127,880
At 1 July 2010	121,037	3,955	3,108	128,100
Total comprehensive income for the half-year				
Profit for the half-year	-	32	-	32
	-	32	-	32
Transactions with owners in their capacity as owners				
Issue of share capital	78,490	-	-	78,490
Costs associated with issue of share capital	(2,419)	-	-	(2,419)
Deferred tax recognised on share issue costs	725	-	-	725
Issue of employee options	-	-	728	728
	76,796	-	728	77,524
At 31 December 2010	197,833	3,987	3,836	205,656

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

BOW ENERGY LTD AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	Consolidated Entity	
	31 December 2010 \$'000	31 December 2009 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers (including GST)	3,502	449
Payments to suppliers & employees (including GST)	(6,081)	(1,167)
Interest received	1,404	417
Net cash (outflow)/inflow from operating activities	(1,175)	(301)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for security deposits	(235)	(97)
Payments for plant and equipment	(15,602)	(6,724)
Payments for exploration & evaluation assets	(20,074)	(10,876)
Payments for joint ventures	-	(106)
Recovery from joint ventures	-	495
Proceeds from sale of tenement	-	8,000
Net cash (outflow)/inflow from investing activities	(35,911)	(9,308)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	78,490	79,455
Payments for share issue expenses	(2,202)	(2,221)
Net cash (outflow)/inflow from financing activities	76,288	77,234
NET INCREASE/(DECREASE) IN CASH HELD	39,202	67,625
Net cash at beginning of period	74,479	20,643
NET CASH AT END OF PERIOD	113,681	88,268

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

BOW ENERGY LTD AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

1. BASIS OF PREPARATION OF HALF-YEAR FINANCIAL STATEMENTS

These general purpose financial statements for the half-year reporting period ended 31 December 2010 have been prepared in accordance with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

These half-year financial statements do not include all the notes of the type normally included in annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial statements. Accordingly, these half-year financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2010 and any public announcements made by Bow Energy Ltd during the half-year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The same accounting policies and methods of computation have generally been followed in these half-year financial statements as compared with the most recent annual financial statements.

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 \$58,049,906 (30 June 2010: \$40,909,947). Whilst the Directors believe sufficient funds are held for commitments over the next 12 months, the ability of the consolidated entity beyond that period, 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.

Rounding of Amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

2. SEGMENT INFORMATION

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 Board of Directors to make decisions about resources to be allocated to the segment and assess its performance, for which discrete information is available.

The consolidated entity is organised into the following business segments:

- Gas
- Power Generation

BOW ENERGY LTD AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

2. SEGMENT INFORMATION (continued)

Segment information	Gas \$'000	Power Generation \$'000	Other \$'000	Total \$'000
Half year ended 31 December 2010				
Segment revenue	-	-	2,381	2,381
Inter-segment revenue	-	-	-	-
Revenue from external customers	-	-	2,381	2,381
Segment profit/(loss) before tax	(776)	-	1,134	358
Half year ended 31 December 2009				
Segment revenue	-	-	726	726
Inter-segment revenue	-	-	-	-
Revenue from external customers	-	-	726	726
Segment profit/(loss) before tax	11,056	-	(521)	10,535
Total segment assets				
31 December 2010	58,050	29,435	123,552	211,037
30 June 2010	40,910	14,190	80,622	135,722

	Consolidated Entity	
	31 December 2010 \$'000	31 December 2009 \$'000
3. REVENUE		
Oil sales	545	95
Interest received or owing from other persons	1,836	631
	<u>2,381</u>	<u>726</u>

4. OTHER INCOME:

Gain on sale of tenement ⁽¹⁾	-	11,519
Fair value gain on financial assets	2,210	-
Other	75	62
	<u>2,285</u>	<u>11,581</u>

(1) Bow sold its interest in ATP 574P, located in Queensland's Surat Basin, to Victoria Petroleum NL (Vicpet) during the half-year ended 31 December 2009. 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 on Walloon CSG stratigraphic section, was:

- \$8 million cash received during the half-year ended 31 December 2009;
- 13 million fully paid shares in Senex Ltd (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.

BOW ENERGY LTD AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

5.	EQUITY SECURITIES ISSUED	Consolidated Entity		Consolidated Entity	
		2010 No.	2009 No.	2010 \$'000	2009 \$'000
	(a) Ordinary shares				
	At 1 July	280,607,187	209,641,395	121,037	40,696
	Shares issued during the half-year				
	- 22 July 2009 (1)		500,000		200
	- 29 July 2009 (2)		2,416,744		1,208
	- 6 August 2009 (3)		600,000		300
	- 17 August 2009 (4)		500,000		250
	- 4 September 2009 (5)		500,000		250
	- 8 September 2009 (6)		115,690		57
	- 21 September 2009 (7)		100,000		50
	- 1 October 2009 (8)		912,970		456
	- 6 October 2009 (9)		693,515		347
	- 15 October 2009 (10)		60,000		30
	- 22 October 2009 (11)		20,000		10
	- 30 October 2009 (12)		50,000		25
	- 9 November 2009 (13)		240,000		120
	- 19 November 2009 (14)		31,200,000		39,000
	- 2 December 2009 (15)		600,000		300
	- 18 December 2009 (16)		29,280,569		36,601
	- 31 December 2009 (17)		200,000		250
	- 26 October 2010 (18)	200,000		100	
	- 18 November 2010 (19)	42,120,000		48,438	
	- 23 December 2010 (20)	26,044,854		29,952	
	Share issue costs			(2,419)	(2,473)
	Deferred tax recognised on share issue costs			725	
	At 31 December	348,972,041	277,630,883	197,833	117,677

(1) On 22 July 2009, 500,000 unlisted \$0.40 employee options expiring 1 July 2011 were exercised into ordinary shares.

(2) On 29 July 2009, 2,416,744 unlisted \$0.50 options expiring 7 November 2011 were exercised into ordinary shares.

(3) On 6 August 2009, 100,000 unlisted \$0.50 employee options expiring 20 May 2010 and 500,000 unlisted \$0.50 options expiring 7 November 2011 were exercised into ordinary shares.

(4) On 17 August 2009, 500,000 unlisted \$0.50 options expiring 7 November 2011 were exercised into ordinary shares.

BOW ENERGY LTD AND ITS SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

5. EQUITY SECURITIES ISSUED (continued)

(a) Ordinary shares (continued)

(5) On 4 September 2009, 500,000 unlisted \$0.50 options expiring 7 November 2011 were exercised into ordinary shares.

(6) On 8 September 2009, 115,690 unlisted \$0.50 options expiring 7 November 2011 were exercised into ordinary shares.

(7) On 21 September 2009, 100,000 unlisted \$0.50 options expiring 7 November 2011 were exercised into ordinary shares.

(8) On 1 October 2009, 912,970 unlisted \$0.50 options expiring 7 November 2011 were exercised into ordinary shares.

(9) On 6 October 2009, 693,515 unlisted \$0.50 options expiring 7 November 2011 were exercised into ordinary shares.

(10) On 15 October 2009, 60,000 unlisted \$0.50 options expiring 7 November 2011 were exercised into ordinary shares.

(11) On 22 October 2009, 20,000 unlisted \$0.50 options expiring 7 November 2011 were exercised into ordinary shares.

(12) On 30 October 2009, 50,000 unlisted \$0.50 options expiring 7 November 2011 were exercised into ordinary shares.

(13) On 9 November 2009, 100,000 unlisted \$0.50 employee options expiring 20 May 2010 and 140,000 unlisted \$0.50 options expiring 7 November 2011 were exercised into ordinary shares.

(14) 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.

(15) On 2 December 2009, 600,000 unlisted \$0.50 options expiring 7 November 2011 were exercised into ordinary shares.

(16) 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.

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

(18) On 26 October 2010, 200,000 unlisted \$0.50 options expiring 7 November 2011 were exercised into ordinary shares.

(19) On 18 November 2010, 42,120,000 ordinary shares were issued (@ \$1.15 to raise \$48,438,000 before issue costs), pursuant to a Share Placement as announced by the Company on 11 November 2010.

BOW ENERGY LTD AND ITS SUBSIDIARIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

5. EQUITY SECURITIES ISSUED (continued)

(a) Ordinary shares (continued)

(20) On 23 December 2010, 26,044,854 ordinary shares were issued (@ \$1.15 to raise \$29,951,582 before issue costs), pursuant to a Share Purchase Plan announced by the Company on 11 November 2010.

(b) Options

During the half-year ended 31 December 2010, the Company issued the following options to Directors (following shareholder approval at the General Meeting held on 24 June 2010):

- 8,000,000 unlisted options exercisable at \$2.00 on or before 31 January 2013. The options will vest on the earlier of a change of control event occurring or 1 July 2012.

6. CONTINGENT LIABILITIES / ASSETS

There have been no changes in contingent liabilities or contingent assets since the end of the previous annual reporting period, 30 June 2010.

7. EVENTS SUBSEQUENT TO REPORTING DATE

There has not arisen in the interval since 31 December 2010 and up to the date of this report, any matter that in the opinion of the Directors, has significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in future financial periods.

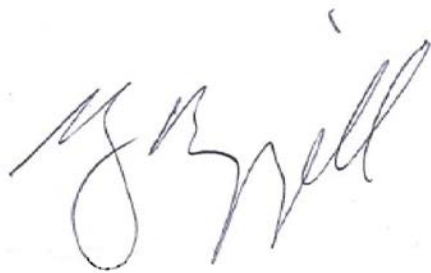
BOW ENERGY LIMITED AND IT'S SUBSIDIARIES

DECLARATION BY DIRECTORS

The directors of the Company declare that:

1. The attached financial statements and notes are in accordance with the Corporations Act 2001, including:
 - (a) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
 - (b) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date.
2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

A handwritten signature in blue ink, appearing to read 'S Bizzell', is written over a faint circular stamp.

Stephen Bizzell
Director

Brisbane
14 March 2011

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Bow Energy Ltd

Report of the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Bow Energy Ltd, which comprises the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Bow Energy Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Bow Energy Ltd, would be in the same terms if given to the directors as at the time of this auditor's report.

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

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

Without qualification to the conclusion 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 \$58,049,906 (30 June 2010: \$40,909,947). Whilst the Directors believe sufficient funds are held for commitments over the next 12 months, the ability of the consolidated entity beyond that period, 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.

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

BDO Audit (QLD) Pty Ltd



T J Kendall

Director

Brisbane, 14 March 2011