



30 January 2023

BLACK MOUNTAIN ENERGY DECEMBER 2022 QUARTERLY ACTIVITIES REPORT

Black Mountain Energy Ltd (ASX: BME) is an energy and resources company focused on natural gas exploration, development, and production.

Activities for the quarter

- Entered into negotiations to acquire Earthstone Energy's interest in an existing oil & gas field (known as the "Half Moon Prospect") in the Permian Basin in New Mexico, USA.
- Progressed preparations for completing the 2D seismic acquisition within the Valhalla gas project.
- Completed annual well integrity testing on its existing wells in EP 371.
- Baseline monitoring data collected, and air quality/dust monitoring stations demobilized from site.
- Project planning and commercial discussions continued in relation to the Valhalla gas project.
- Search for CFO progressed.

March quarter outlook

- Complete purchase of the Half Moon Prospect from Earthstone Energy and investigate upside opportunities.
- Complete preparations for acquiring new seismic in the Valhalla gas project for Q2 execution.
- Progress planning and commercialization efforts on the Valhalla gas project.
- Craig Gouws appointed to the position of CFO, commencing 18 Jan 2023.



PROJECT VALHALLA (EP 371)

Seismic Acquisition Program

The Company was unable to mobilize in late 2022 to complete the 2D acquisition. Planning and preparations have been progressing with the preferred seismic contractor.

The survey area is in northern Western Australia, in the Canning Basin, approximately 150 km west of Fitzroy Crossing and is within the Company's exploration permit EP 371. The new seismic lines will help to better define subsurface structure and to mature future drilling prospects. The zone of interest lies approximately 2,300 m to 5,000 m BSL (below sea level).

Subject to final planning efforts and area access, the Company is planning to mobilize and execute the seismic program in Q2 2023.

Well Integrity Testing

The company performed well integrity checks and maintenance on its three standing wells: Asgard-1, Valhalla North-1 and Valhalla-2. The scope of the work included verification of well pressures, valve inspections, maintenance and pressure testing. In accordance with the Petroleum and Geothermal Energy Resources regulations, the Company is required to regularly report to the Minister regarding performance against the approved Well Management Plans (WMPs). This requirement and the associated report has been submitted for the reporting period 1 January to 31 December 2022.

Baseline Monitoring

To support the development of the EPA referral documentation for the Valhalla Exploration and Appraisal Program, groundwater and air quality baseline data was collected within EP 371 between 2021 and 2022.

Quarterly groundwater monitoring samples were collected from two existing industry monitoring bores and three pastoral production bores, spatially distributed across the permit, to gather regional aquifer data. Baseline air quality and dust monitoring was also undertaken within the permit, with three specialised real-time air quality/dust monitoring stations set up and air canisters installed at an additional two locations. The air quality/dust monitoring stations were demobilised from site in November 2022.



Project Planning and Commercialization

Efforts are being progressed to build a full field development plan (FDP) which incorporates a maturing geological and reservoir understanding of the project area. Early planning efforts are underway around well design with the intent of drilling an appraisal well in the future that will support characterizing the ultimate deliverability of the Laurel formation.

Previously, the Company noted that Australian Gas Pipeline Infrastructure Group (AGIG) completed a qualitative gas composition analysis of anticipated Valhalla gas to LNG. The Company was pleased to advise the results of the study confirmed the suitability of Valhalla gas for blending with existing pipeline infrastructure. Building on from this, the company is progressing discussions around specific pipeline and processing solutions.

CORPORATE DEVELOPMENT

CFO Search

The Board commenced the process to appoint a new CFO.

Half Moon Prospect Acquisition Opportunity

The Company commenced the necessary due diligence process in relation to the acquisition of Earthstone Energy Inc (“Earthstone”) interest in an 8 operating wells and leases in the Permian Basin in New Mexico, USA known as the Half Moon Project. A transaction deposit of US\$100,000 was paid to Earthstone in December 2022 and final consideration for the assets of US\$1,900,000 was paid in January 2023.



The Half Moon Prospect is located in the north-western corner of the Delaware Basin adjacent to the NW shelf (Figure 1). The Half Moon Prospect has proven petroleum systems and the existing wells have produced nearly 3 mmboc from the lease. The acquisition strategically diversifies Black Mountain's business model and provides approximately 465 mcfepd (77 boepd) of net non-operated production from 8 PDP vertical wells located over 3,200 gross (1,268 net non-operated acres).

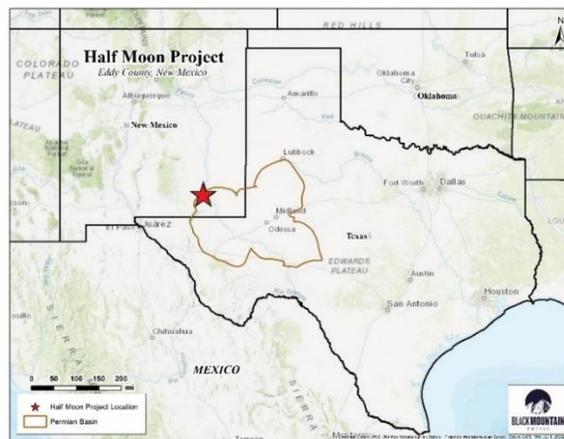


FIGURE 1

Infringement Notice

The Company received an ASIC Infringement Notice alleging that the Company contravened section 12DB(1)(a) of the Australian Securities and Investments Commission Act 2001 (Cth) (ASIC Act) when it made statements relating to carbon and greenhouse gas emissions in ASX announcements titled 'Investor Presentation' (23 December 2021), 'Investor Update' (27 May 2022) and 'Good Oil Conference' (8 September 2022).

MARCH QUARTER OUTLOOK

The Company will complete the purchase of the Half Moon Prospect from Earthstone Energy and investigate upside opportunities. The producing wells are expected to provide revenue from the approximate 465 mcfed of production.

Planning efforts will be finalized for acquiring the new 2D seismic in EP 371. Subject to final planning efforts and area access, the Company is planning to mobilize and execute the seismic program in Q2 2023.

Project Valhalla planning will continue as workflows will focus on appraisal well design for reservoir characterization and deliverability.

The Fitzroy Crossing area experienced catastrophic flooding in early January 2023. The Company is in communication with its area stakeholders and will



continue to engage in this regard. Once area access has been fully regained, the Company will thoroughly inspect the Project Valhalla area.

Mr. Craig Gouws has been appointed to the position of CFO and will commence on 18 January, 2023. Mr Craig Gouws is a Chartered Accountant with extensive Australian and international experience gained throughout the United Kingdom, Europe, Africa, Middle East and the USA.

FINANCIALS

The Company was admitted to the official list of the ASX on 23 December 2021 following completion of an IPO raising A\$11m. The period from admission to 31 December 2022 is included in a period covered by a use of funds statement in the IPO Prospectus lodged with the ASX under Listing rule 1.1 condition 3.

A comparison of the Company's actual expenditure since admission to 31 December 2022 against the estimated expenditure in the use of funds statement is set out below as required by the ASX Listing Rule 4.7c.2.

	A\$'000	A\$'000
	Estimated Cash Outflow at IPO	Actual Cash Outflow to date
Use of Funds		
2D seismic acquisition and processing	3,941	1,602
Environmental, permitting and baseline studies	2,800	1,255
Well monitoring and remediation	1,000	487
Corporate costs and working capital	2,400	2,321
Expenses of the offer	1,189	1,039
Project Option Fee	-	154
Total	11,330	6,858

For the purpose of Section 6 of the Appendix 5B, related party payments of A\$138,000 were made in the quarter in relation to Directors fees and Consulting costs.



INTEREST IN PETROLEUM PERMIT

Permit	Location	Operator	Legal Interest
EP371	Canning Basin, Western Australia	Bennett Resources (100% owned subsidiary of Black Mountain Energy)	100%

This ASX announcement was approved and authorised for release by the Board of Black Mountain Energy Ltd.

For more information, please contact:

Investors/Media

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About Black Mountain Energy

Black Mountain Energy Ltd (ASX: BME) is focused on sustainable development of oil and gas projects onshore Australia and the USA, led by a team of highly experienced upstream oil and gas professionals.

The Black Mountain Group is a major shareholder of BME, specialising in identifying and capturing high-growth opportunities in the global energy sector.

Prospective Resources Reporting Notes

(i) *The prospective resources information in this document is effective as of the Replacement Prospectus dated 29 October 2021 (Listing Rule (LR) 5.25.1).*

(ii) *The prospective resources information in this document has been estimated and is classified in accordance with SPE PRMS (Society of Petroleum Engineers Petroleum Resources Management System) (LR 5.25.2).*

(iii) *The prospective resources information in this document is reported according to the Company's economic interest in each of the resources and net of royalties (LR 5.25.5).*

(iv) *The prospective resources information in this document has been estimated and prepared using the probabilistic method (LR 5.25.6).*

(v) *The prospective resources information in this document has been estimated using a 0.18233 standard barrels oil equivalent BOE conversion ratio for gas to oil; this conversion ratio is based on an energy equivalency conversion method and does not represent value equivalency (LR 5.25.7).*



- (vi) The prospective resources information in this document has been estimated on the basis that products are sold on the spot market with delivery at the sales point on the production facilities (LR 5.26.5.)*
- (vii) Prospective resources are reported on a best estimate basis (LR 5.28.1).*
- (viii) For prospective resources, the estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons (LR 5.28.2)*
- (ix) In respect to the prospective resources referred to in this statement, the Company's working interest in EP 371 is 100%.*
- (x) The prospective resources and the methodology for their estimation is set out in the Replacement Prospectus dated 29 October 2021*
- (xi) The chance of discovery is considered high due to the nature of the petroleum system and the proximity of the Prospective Resources to the Contingent Resources already found in EP 371. (LR 5.35.3).*
- (xii) Prospective resources are un-risked and have not been adjusted for an associated chance of discovery and a chance of development (LR 5.35.4).*

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

BLACK MOUNTAIN ENERGY LTD

ABN

83 652 281 868

Quarter ended ("current quarter")

31 December 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(1,130)	(3,167)
(b) development	-	-
(c) production	-	-
(d) staff costs, directors' fees and consultant costs	(286)	(1,377)
(e) administration and corporate costs	(79)	(566)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	28	64
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (IPO fees)	-	(19)
1.9 Net cash from / (used in) operating activities	(1,467)	(5,065)

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(2)	(9)
	(d) exploration & evaluation	-	-
	(e) investments	(154)	(154)
	(f) other non-current assets	-	-
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other	-	-
2.6	Net cash from / (used in) investing activities	(156)	(163)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Lease payments	(19)	(76)
3.10	Net cash from / (used in) financing activities	(76)	(76)

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	6,024	9,685
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,467)	(5,064)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(156)	(163)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(19)	(76)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	4,382	4,382

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,382	1,024
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (Term deposits)	3,000	5,000
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,382	6,024

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	138
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

Related party payments relate to directors' fees and consultants' costs offset by the recovery of Perth office sublease costs.

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,467)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	-
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(1,467)
8.4 Cash and cash equivalents at quarter end (item 4.6)	4,382
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	4,382
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	3.0
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: N/A	
8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: N/A	
8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer: N/A	
<i>Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.</i>	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 30 January 2023

Authorised by the Board of Black Mountain Energy Ltd

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.