



**BLACKMOUNTAIN**  
ENERGY

# INTERIM REPORT

**Half-year ended 30 June 2023**



## TABLE OF CONTENTS

<b>CHAIRMAN'S LETTER</b> .....	3
<b>DIRECTORS' REPORT</b> .....	4
<b>AUDITOR'S INDEPENDENCE DECLARATION</b> .....	14
<b>FINANCIAL REPORT</b> .....	15
<b>CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</b> .....	16
<b>CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b> .....	17
<b>CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY</b> .....	18
<b>CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS</b> .....	19
<b>NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS</b> .....	20
<b>DIRECTORS' DECLARATION</b> .....	37
<b>INDEPENDENT AUDITOR'S REPORT</b> .....	38
<b>CORPORATE DIRECTORY</b> .....	40

## CHAIRMAN'S LETTER

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Dear Fellow Shareholders

I am pleased to take this opportunity to share with you my views and priorities for the future of our Company.

Black Mountain Energy Ltd is an energy and resources Company focused on natural gas exploration, development and production, which was founded on the premise that unconventional oil and gas reservoirs could be developed safely and commercially in Australia.

Since listing on the Australian Stock Exchange, the Company has faced challenges when progressing our Project Valhalla and my focus has been on listening to shareholders, reviewing the forward strategy, and understanding our options around capital management.

Considerable time has been spent on assessing the progression of our Australian asset along with assessing our USA strategy and related opportunities.

Our strategic path has been determined with the capacity to deliver meaningful short-term gains, whilst retaining flexibility to adapt to changing circumstances to achieve the best outcomes for our longer-term shareholders.

Our "short-term gains" strategy is already showing benefits with the Half Moon Prospect that was acquired during January 2023. Moving swiftly, the first Half Moon well (MIA 64 FEE 2H), was spud five months after acquisition. The well was drilled to schedule and within budget. Material contingent resources at Half Moon were also announced during the half year. As demand for Permian acreage increased, the Company moved swiftly to monetize the Half Moon acreage and received a strong cash offer for the acreage. At closing of the transaction, which is yet to occur, the Company expects to realise a return on its investment in excess of 100%, before taxes, representing an exceptional outcome in just 8 months.

The funds received will be used to progress the Company's flagship asset in the Canning Basin, Project Valhalla, and potentially one of the world's last large scale onshore unconventional undeveloped gas projects.

Whilst we are working hard to realise value from Project Valhalla; we do not expect any rapid progress considering the nature of the regulatory environment. We hope to execute Project Valhalla 2D Seismic acquisition in the medium term and gain the remaining approvals that enable a Canning Basin appraisal well to be drilled and tested at Valhalla.

During the period, the Company has also continued to maintain its good working relationships with traditional owners with opportunities to engage traditional owners and build on established relationships by increasing knowledge and understanding of the cultural heritage within the region.

I would like to thank our staff and contractors for the contributions they have made to date and recognise the ongoing support of the traditional owners.

On behalf of the board, I thank shareholders for their patience and support through what has been a difficult time for the Company.

As a fellow shareholder, I continue to be excited by the journey that lays ahead of us. The Company will be well funded on the settlement of the Half Moon transaction, without any dilution to shareholders and progressing Project Valhalla will be our focus.

Thank you,



**Rhett Bennett**

**Executive Chairman and Chief Executive Officer**

12 September 2023

## DIRECTORS' REPORT

The Directors present their report on the consolidated entity, consisting of Black Mountain Energy Ltd ("the Company", "Black Mountain Energy" or "BME") and the entities it controlled (collectively "the Group" or "the Consolidated Entity") at the end of, or during, the half-year ended 30 June 2023.

### DIRECTORS

The names of the Directors of the Company in office during the half-year and until the date of this report are set out below.

Name
John Rhett Miles Bennett
Marie Michele Malaxos <sup>1</sup>
Peter Wilson Cramer
Craig Costello
Helen Astill <sup>2</sup>

1. Resigned 21 April 2023  
2. Appointed 21 April 2023

### PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Entity consist of seeking investment and development opportunities in oil and gas and deploying capital in exploration. There has been no significant change in those activities during the half-year.

### FINANCIAL RESULTS

The loss for the Consolidated Entity for the period ended 30 June 2023 after providing for income tax amounted to \$1,916,000 (2022: \$2,792,000).

### DIVIDENDS

No dividends were paid or declared during the financial half-year. No recommendation for payment of dividends has been made.

### OPERATING AND FINANCIAL REVIEW

- Half Moon Prospect in New Mexico acquired 25 Jan 2023.
- First Half Moon well (MIA 64 FEE 2H) spud 5 months after acquisition.
- Material Half Moon contingent resources announced.
- Company moved quickly to monetize the Half Moon acreage.
- Focus continues on Project Valhalla in the Canning Basin, one of the world's last large scale onshore unconventional undeveloped gas projects.
- Valhalla Project EP371 suspend and extend application approved by Department of Mines, Industry Regulation and Safety.
- Canning Basin approval plans progressing.
- The Company remained debt free.
- 2 for 3 pro rata renounceable entitlement offer fund raising \$3.2m.

## OPERATIONS AND ACTIVITIES

Black Mountain Energy is developing its flagship asset, Petroleum Exploration Permit EP 371, known as Project Valhalla, in Western Australia's Canning Basin region. EP 371 covers more than 3,660km<sup>2</sup> within the Fitzroy Trough and is situated west of Fitzroy Crossing and south-east of Derby. An Independent Technical Expert has estimated prospective gas resources of 11.8 trillion cubic feet (TCF) and contingent gas resources of 1.5 TCF (best estimates)<sup>1</sup>.

### <sup>1</sup>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).

## Directors' Report

There was again flooding along the Fitzroy River due to rain from a deep tropical low during the period. The consequence being that modifications have been made to the seismic program. The Company field archaeologist has noted that the flooding of the Valhalla 2D Project Area will likely have an impact on the sixteen Aboriginal sites discovered during the seismic line preparations in 2022. As the water receded from the flood plains or plains, this changed the surface landscape dynamics. All heritage areas identified in 2022 may have to be re-assessed to determine the extent of water modifications caused during the flooding of the region's landscape and if new cultural heritage areas within the seismic lines have been exposed. The results of the 2D survey will confirm the location of the Year 5 exploration well. The new seismic lines are required to better define subsurface structure. Once the new seismic data is acquired, the data will enter in a processing phase, so the data is useful for interpretation. The output will be used to finalize an exploration drilling location along with the well's orientation if a horizontal well is selected. Subject to final planning efforts and area access, the Company is planning to mobilize and execute the seismic program as soon as practically possible having consideration of the necessary regulatory requirements.

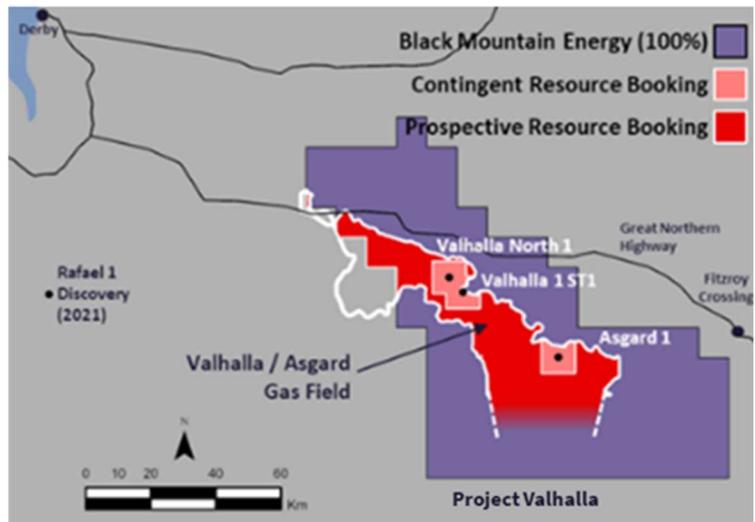


Figure 1: EP 371 within WA's Canning Basin

The above average wet season has restricted heavy vehicle access to EP 371. The Company therefore requested of the Department of Mines, Industry Regulation and Safety for an eighteen-month suspension of the EP371 Work Program and extension of term to complete Year 4 and Year 5 remaining work commitments. The 18-month extension of term will mean the seismic and drill programs can be undertaken during the dry seasons of 2024 and 2025. Drilling in mid to late 2025 means that mobilisation of the drilling rig wouldn't interfere with the Main Road construction program.

Feedback was received from Environment Protection Authority (EPA) Services on the draft Environmental Review Document (ERD) document submitted in 2022. To support the development of the Environment Protection Authority (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. The Company received feedback from EPA Services on its draft Environmental Review Document (ERD). The feedback highlights the need for some additional baseline studies, which is likely to lead to an extension in approval time as a result of activities required to be undertaken. The Company is currently engaging with DWER (Department of Water and Environmental Regulation) and EPA (Environmental Protection Authority) Services to determine the best path forward. Additionally, the aforementioned flooding event may create ongoing limitations to access the project area, contributing to the further delay of any newly required data.

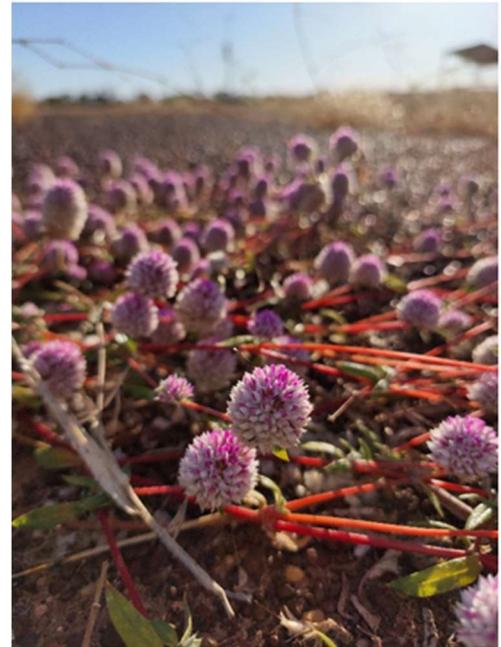


Figure 2: Wildflowers within EP371

### Half Moon Prospect

Black Mountain Energy acquired in January 2023, New Mexico USA located assets known as the Half Moon Prospect, that has swiftly been progressed.

The Half Moon Prospect asset comprises an interest in 8 operating wells and leases in the Permian Basin and associated 1,143 net acres. While the acquisition provided immediate nominal gas production and revenue from the older late life wells, the Company believed that significant undeveloped hydrocarbon potential exists in multiple formations which underpinned the rationale of the acquisition. Technical workflows had progressed, and the Company believed that there are opportunities to appraise and develop the 3rd Bone Spring (3BS) interval with horizontal drilling and fracture stimulation technology. Area operators have begun routinely targeting the channel margin with success.

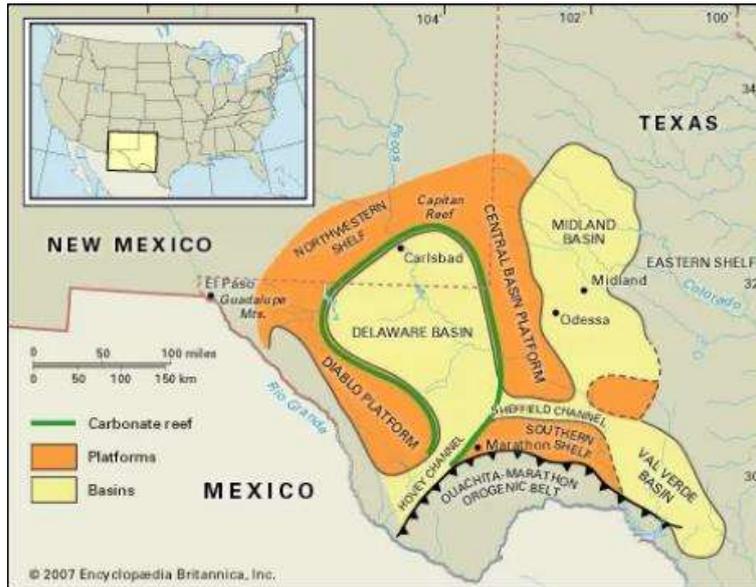


Figure 3: Permian Basin Overview

In June 2023, together with Manzano Energy, a 3,538-acre working interest unit (WIU) in 19S-26E and 20S26E was formed. The unit includes 416 acres from BME. An appraisal well (entitled MIA 64 FEE 2H) was permitted and drilling commenced during June. The project cost is \$12.3 million USD (gross) to drill, fracture stimulate, complete and tie-in. The Company's working interest is 11.7% or approximately \$1.44 million USD.



Figure 4: Scandril Producer Drilling Rig at MIA 64 FEE 2H

Manzano LLC, the Operator, with the Scandril Producer drilling rig reached MIA 64 FEE 2H's Target Well Depth of 16,845 feet (5,135 meters) late in the period. Operations were performed safely and ahead of schedule. The targeted 3rd Bone Spring (3BS) interval was encountered at a measured depth of 6706 feet (2,043 meters) and the lateral remained in the targeted interval for 10,139 feet (3,090 meters) with the help of a rotary steerable tool. The MIA 64 FEE 2H well fracture stimulation commenced at the end of July. With favourable results, the well will subsequently be connected to production sales. The total duration of the project, from spud to the commencement of production, is anticipated to take approximately 90 days.

## Directors' Report

The first reported contingent resources from the 3rd Bone Spring (3BS) interval were added to the Company's portfolio from the T19S R26E Half Moon block. See Table 1. With favourable drilling results from the MIA 64 FEE 2H well, there are an estimated 20 gross horizontal drilling candidates available for follow-up evaluation.

CATEGORY	CONTINGENT RESOURCES (volumes)			
	Net Oil (bbls)	Net NGL (bbls)	Net Gas (MMscf)	Total (boe)
Low Estimate (1C)	347,000	94,000	752	561,000
Best Estimate (2C)	831,000	322,000	2,577	1,564,000
High Estimate (3C)	1,587,000	782,000	6,253	3,366,000

Table 1: Half Moon Net Contingent Resource<sup>2</sup>

The fracture stimulation phase on the MIA 64 FEE 2H well commenced subsequent to 30 June 2023.

Subsequent to 30 June 2023, Seven Rivers Operating LLC has executed a binding sale and purchase agreement with Tap Rock Resources III, LLC to sell 100% of its acreage and its title and interest in the MIA 64 FEE 2H well in the Permian basin, for USD\$6,873,308 or approximately A\$10.7m. In less than 8 months, the Company quickly progressed its technical understanding, participated in the drilling of a first appraisal well into the 3rd Bone Spring interval and has now realized a strong cash offer of US\$6,873,308 or around A\$10.7m before tax while de-risking the Company.

### <sup>2</sup>Prospective Resources Reporting Notes

- (i) The prospective resources information in this document is effective as of the ASX announcement dated 15 June 2023 (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, net of fuel, flare and vent volumes. (LR 5.25.5).
- (iv) The prospective resources information in this document has been estimated and prepared using deterministic and probabilistic methods (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 average



*Figure 6: Sunrise at the MIA 64 FEE 2H well in preparation of commencing operations*

### **Renounceable Entitlement and Shortfall Offers**

A 2 for 3 pro rata renounceable entitlement offer to raise funds to be applied towards acquisition costs of the Half Moon Prospect, commercialisation of the Valhalla Project, working capital and offer costs.

The offer price of \$0.025 per share represented a 37.5% discount to the closing share price of \$0.04 (as at 17 February 2023) and a 39.6% discount to the 5-day VWAP of \$0.0414. Rhett Bennett and BM Canning LLC as substantial Shareholders of the Company undertook to apply for an aggregate of at least \$2.1 million of their entitlements under the entitlement offer, representing 84 million New Shares.

The entitlement offer closed on 10 March 2023, 94,828,056 Shares were issued on 17 March 2023 raising approximately \$2.4m and a further 31,380,000 Shortfall Shares were issued on 6 April 2023 raising approximately \$0.8m.

The Shortfall Offer process was closed on 14 April 2023.

## Appointment of Independent Non-Executive Director

Dr Helen Astill was appointed as a Non-Executive Director on 21 April 2023. Dr Astill is a post-graduate qualified (PhD) environmental scientist with over 20 years' experience and has previous and current roles employed with State Government regulatory bodies, environmental consultancies and research organisations. Dr Astill obtained a Master of Business Administration at Curtin Business School, which compliments her more than ten years' experience in line management and business planning roles.

Prior to the appointment with Black Mountain, Dr Astill was the HSE Manager for Jadestone Energy, working with operations, drilling and brownfield projects in Australia.

## Outlook

In the next 12 months we look forward to:

- Closing the Tap Rock Resources III, LLC SPA.
- Project Valhalla retention lease award.
- Executing the airborne over Special Prospecting Authority - 0065.
- Progressing the Project Valhalla 2D Seismic acquisition.
- Gaining the remaining approvals that enable a Canning Basin appraisal well to be drilled and executed.
- Seeking further commercial oil and gas opportunities to enhance the Company.

## ESG

BME recognizes the importance of its environmental and social obligations and being a responsible corporate citizen.

The following actions have been undertaken over the last 12+ months:

### Environment

- Targeted Water Sample Analysis and Surveys;
- Targeted Flora and Fauna Surveys;
- Baseline monitoring and data collection; and
- Continued interaction and constructive discussion with Western Australian government environmental agencies.

### Governance

- Female and Age diversity represented on Board of Directors;
- Three Independent Directors;
- Corporate Governance Policies in place and approved by the Board;
- Board-level ESG and Audit and Risk Sub-Committees; and
- Board Code of Conduct implemented.

### Social

- Heritage Surveys undertaken;
- Employment of local contractors and individual Traditional Owners community members;
- Support of Traditional Owner AGM's and Board meetings, regularly providing project updates;
- Facilitated independent community education sessions relating to proposed activities;
- Sponsorship support for community CEO appointed by Traditional Owners;
- Provided catering for various community meetings; support event costs;
- Support of local art community by providing supplies and purchase of paintings.

## **FINANCIAL POSITION**

The Consolidated entity's cash position as at 30 June 2023 and prior to the sale of the Half Moon acreage was \$903,000, which will be used towards funding its work commitments in respect of Exploration Permit EP 371 and the Half Moon prospect.

## **SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

The Directors are not aware of any other significant changes in the state of affairs of the Group occurring during the half-year, other than as disclosed in this report.

## **EVENTS SINCE THE END OF THE FINANCIAL PERIOD**

Seven Rivers Operating LLC, a wholly owned subsidiary of BME, has following period end, executed a binding sale and purchase agreement with Tap Rock Resources LLC to sell 100% of its acreage and its interest in the MIA 64 FEE 2H well in the Permian basin, for US\$6,873,308. Seven Rivers Operating LLC will retain its interest in the 8 Morrow proved and developed wells.

The sale is subject to normal sale conditions including completion of a 30-day due diligence period by the Purchaser. The sale price will be adjusted for any net movement in acreage and revenue received during the due diligence period. Settlement is required within 7 days of completion of the Due Diligence period.

The Purchaser has also agreed to a 10% break fee in the event of a breach of agreement terms. The sale of the Half Moon prospect releases the Company of future appraisal risks and funding demands for additional wells as well as providing the immediate cash resources required to focus on the development of its core asset in Western Australia, Project Valhalla.

The sale transaction is valued at US\$6,873,308 while the acreage was purchased for US\$2,000,000 and the BME share of the MIA 64 FEE 2H well was US\$1,442,914, the resulting gain, before taxation, being US\$3,430,394.

The Half Moon assets are disclosed in the New Mexico, USA Operating Segment.

No other matter or circumstance has arisen between 30 June 2023 and the date of this report that will affect the Group's operations, result or state of affairs, or may do so in future years.

## **LIKELY DEVELOPMENTS AND EXPECTED RESULTS**

Information on likely developments in the operations of the Consolidated Entity and the expected results of operations have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the Consolidated Entity.

## **ENVIRONMENTAL REGULATION**

The Consolidated Entity is subject to environmental regulations under the Australian Commonwealth or State Law and under local laws in jurisdictions it operates. The Group holds an exploration licence issued by the relevant government authorities which contain conditions which relate to the full rehabilitation of the areas of exploration in accordance with regulatory guidelines and standards. The Directors are not aware of any breaches of the licence conditions or environmental regulations during or since the end of the financial year. The Group is committed to meeting environmental and land use regulations, including native title requirements.

## **ROUNDING OF AMOUNTS**

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the Directors' report. Amounts in the Directors' report have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

## **AUDITOR'S INDEPENDENCE**

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on page 14.

## **FORWARD LOOKING STATEMENT**

This report may contain certain forward-looking statements and projections regarding estimated, resources and reserves; planned production and operating costs profiles; planned capital requirements; and planned strategies and corporate objectives. Such forward looking statements/projections are estimates for discussion purposes only and should not be relied upon. They are not guarantees of future performance and involve known and unknown risks, uncertainties, and other factors many of which are beyond the control of Black Mountain Energy Ltd.

The forward-looking statements/projections are inherently uncertain and may therefore differ materially from results ultimately achieved. Black Mountain Energy does not make any representations and provides no warranties concerning the accuracy of the projections and disclaims any obligation to update or revise any forward-looking statements/projections based on new information, future events or otherwise except to the extent required by applicable laws. While the information contained in this report has been prepared in good faith, neither Black Mountain Energy or any of its directors, officers, agents, employees, or advisors give any representation or warranty, express or implied, as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in this report.

Accordingly, to the maximum extent permitted by law, none of Black Mountain Energy, its directors, employees or agents, advisers, nor any other person accepts any liability whether direct or indirect, express, or limited, contractual, tortious, statutory or otherwise, in respect of, the accuracy or completeness of the information or for any of the opinions contained in this report or for any errors, omissions or misstatements or for any loss, howsoever arising, from the use of this report.

## COMPETENT PERSONS STATEMENTS

### *EP371*

Black Mountain Energy has presented the Contingent Resource and Prospective Resource information in this document in accordance with the ASX Listing Rules and the 2018 Petroleum Resources Management System published by the Society of Petroleum Engineers (SPE-PRMS).

The Contingent Resource estimates and Prospective Resource estimates presented in this document were originally disclosed to the market in the Replacement Prospectus dated 29 October 2021. Black Mountain Energy confirms that it is not aware of any new information or data that materially affects the information included in the aforesaid market announcement and that all the material assumptions and technical parameters underpinning the estimates in the aforesaid market announcement continue to apply and have not materially changed.

The information in this document that relates to Contingent Resource and Prospective Resource information in relation to EP 371 is based on information compiled by technical employees of independent consultants, Molyneux Advisors Pty Ltd, which information was subsequently reviewed by Mr Hong Feng Wu. Mr Hong Feng Wu has consented to the inclusion of such information in this document in the form and context in which it appears and the resources information in this report is based on, and fairly represents, information and supporting documentation reviewed by, or prepared under the supervision of, Mr Hong Feng Wu.

Mr Hong Feng Wu is a Director of Molyneux Advisors Pty Ltd and has a B.Sc. Geology and MS in Sedimentology, University of Petroleum China (Beijing), an MBA from the Sun-Yat-sen University (MIT Sloan School of Business). Hong Feng Wu is a (Full) member of Society of Petroleum Evaluation Engineers (SPEE #1021) and a member of Society of Petroleum Engineers (SPE # 5084882). Mr Hong Feng Wu is qualified in accordance with the requirements in ASX Listing Rule 5.41.

### *Half Moon Prospect*

Black Mountain Energy has presented the Contingent Resource and Prospective Resource information in this document in accordance with the ASX Listing Rules and the 2018 Petroleum Resources Management System published by the Society of Petroleum Engineers (SPE-PRMS) and under the supervision of Mr Michael Laurent, Chief Operating Officer, Black Mountain Energy Ltd.

The Contingent Resource estimates and Prospective Resource estimates presented in this document were originally disclosed to the market in the ASX Announcement New Contingent Resources Added to Half Moon Prospect in The Permian Basin dated 15 June 2023. Black Mountain Energy confirms that it is not aware of any new information or data that materially affects the information included in the aforesaid market announcement and that all the material assumptions and technical parameters underpinning the estimates in the aforesaid market announcement continue to apply and have not materially changed.

Mr Laurent's qualifications include being a professionally registered engineer in both Australia and Canada, a member of the Society of Petroleum Engineers and over 25 years of diverse oil and gas industry experience. His career spans a number of sectors and includes expertise in reservoir, drilling, facilities, production and operations with particular emphasis on resource development. Experience is underpinned with strong strategic, commercial, and technical acumen in both conventional and unconventional reservoirs. Mr Laurent has sufficient experience that is relevant to the Company's reserves and resources to qualify as a Reserves and Resources Evaluator as defined in the ASX Listing Rules. Mr Laurent has consented to the inclusion in this report of the matters based on his information in the form and context in which it appears.



# Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Black Mountain Energy Ltd

I declare that, to the best of my knowledge and belief, in relation to the review of Black Mountain Energy Ltd for the half-year ended 30 June 2023 there have been:

- i. No contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. No contraventions of any applicable code of professional conduct in relation to the review.

A handwritten signature of 'KPMG' in blue ink, written in a cursive, stylized font.

KPMG

A handwritten signature in blue ink, appearing to read 'Glenn Brooks', written in a cursive style.

Glenn Brooks

*Partner*

Perth

12 September 2023

## FINANCIAL REPORT

### CONTENTS

#### FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	16
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	17
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	18
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	19
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	20
DIRECTORS' DECLARATION	37
INDEPENDENT AUDITOR'S REPORT	38

These Financial Statements are the condensed consolidated financial statements of the Group, consisting of Black Mountain Energy Ltd and its subsidiaries (together referred to as the "Consolidated entity" or "Group").

The Financial Statements are presented in Australian Dollars.

Black Mountain Energy Ltd is a Company Ltd by shares, incorporated, and domiciled in Australia. Its registered office and principal place of business is Level 14, 225 St Georges Terrace, Perth, WA 6000.

A description of the nature of the Consolidated Entity's operations and its principal activities is included in the review of operations and activities on pages 4 to 13. These pages are not part of these financial statements.

The financial statements were authorised for issue by the Directors on 12 September 2023. The Directors have the power to amend and reissue the financial statements.

With the internet, we have ensured that our corporate reporting is timely and complete. Press releases, financial reports and other information are available via the links on our website: [www.blackmountainenergy.com](http://www.blackmountainenergy.com)

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 30 June 2023

	NOTE	30 JUNE 2023 \$'000	30 JUNE 2022 \$'000
<b>Income</b>			
Interest income		10	11
Other income		26	19
<b>Total income</b>		<b>36</b>	<b>30</b>
<b>Expenses</b>			
Exploration expense		(821)	(615)
Net production expenses		(39)	—
Depreciation and amortisation		(49)	(50)
General and administrative expenses net of recoveries		(857)	(1,178)
Share based employment expense		(140)	(965)
Foreign exchange gain		8	5
Finance costs	3	(54)	(19)
<b>Loss before income tax</b>		<b>(1,916)</b>	<b>(2,792)</b>
Income tax expense/(benefit)		—	—
<b>Net loss for the period</b>		<b>(1,916)</b>	<b>(2,792)</b>
Other comprehensive loss for the period, net of tax		—	—
<b>Total comprehensive loss for the period</b>		<b>(1,916)</b>	<b>(2,792)</b>
<b>Total comprehensive loss attributable to members of the parent entity</b>		<b>(1,916)</b>	<b>(2,792)</b>
<b>Loss per share attributable to the ordinary equity holders of the Company:</b>			
Basic loss per share (\$)	11	<b>(0.01)</b>	<b>(0.01)</b>
Diluted loss per share (\$)	11	<b>(0.01)</b>	<b>(0.01)</b>

*The accompanying notes form part of these financial statements.*

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

AS AT 30 June 2023

	NOTE	30 JUNE 2023 \$'000	31 DEC 2022 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	903	4,381
Trade and other receivables	5	183	552
Inventory		35	35
<b>Total current assets</b>		<b>1,121</b>	<b>4,968</b>
<b>Non-current assets</b>			
Property, plant and equipment		48	58
Right-of-use assets		113	150
Exploration assets	6	48,164	42,762
Other financial assets		75	75
<b>Total non-current assets</b>		<b>48,400</b>	<b>43,045</b>
<b>Total assets</b>		<b>49,521</b>	<b>48,013</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	7	270	580
Lease liabilities		79	78
Provisions	8	135	41
<b>Total current liabilities</b>		<b>484</b>	<b>699</b>
<b>Non-current liabilities</b>			
Provisions	8	3,073	2,677
Lease liabilities		39	78
<b>Total non-current liabilities</b>		<b>3,112</b>	<b>2,755</b>
<b>Total liabilities</b>		<b>3,596</b>	<b>3,454</b>
<b>Net assets</b>		<b>45,925</b>	<b>44,559</b>
<b>EQUITY</b>			
Contributed equity	9	53,203	50,191
Reserves	10	1,657	1,387
Accumulated losses		(8,935)	(7,019)
<b>Total equity</b>		<b>45,925</b>	<b>44,559</b>

*The accompanying notes form part of these financial statements.*

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

FOR THE HALF-YEAR ENDED 30 June 2023

	NOTE	Contributed Equity \$'000	Reserves \$'000	Accumulated Losses \$'000	Total \$'000
<b>Balance at 1 January 2023</b>		<b>50,191</b>	<b>1,387</b>	<b>(7,019)</b>	<b>44,559</b>
Total loss for the half-year		—	—	(1,916)	(1,916)
Other comprehensive income		—	—	—	—
Total comprehensive loss for the half-year		—	—	(1,916)	(1,916)
<b>Transactions with owners in their capacity as owners</b>					
Issue of shares	9	3,012	—	—	3,012
Share based payments	10	—	177	—	177
Foreign currency translation	10	—	93	—	93
		3,012	270	—	3,282
<b>Balance at 30 June 2023</b>		<b>53,203</b>	<b>1,657</b>	<b>(8,935)</b>	<b>45,925</b>
<b>Balance at 1 January 2022</b>					
<b>Balance at 1 January 2022</b>		<b>50,191</b>	<b>321</b>	<b>(664)</b>	<b>49,848</b>
Total loss for the half-year		—	—	(2,792)	(2,792)
Other comprehensive income		—	—	—	—
Total comprehensive loss for the half-year		—	—	(2,792)	(2,792)
<b>Transactions with owners in their capacity as owners</b>					
Share based payments	10	—	982	—	982
		—	982	—	982
<b>Balance at 30 June 2022</b>		<b>50,191</b>	<b>1,303</b>	<b>(3,456)</b>	<b>48,038</b>

*The accompanying notes form part of these financial statements.*

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

FOR THE HALF-YEAR ENDED 30 June 2023

	NOTE	30 JUNE 2023	30 JUNE 2022
		\$'000	\$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		44	—
Interest received		10	11
Payments for exploration expenditure		(608)	(573)
Payments to other suppliers and employees		(1,103)	(970)
Payments for listing costs		—	(19)
<b>Net cash outflow from operating activities</b>		<b>(1,657)</b>	<b>(1,551)</b>
<b>Cash flows from investing activities</b>			
Payments in relation to acquiring exploration assets		(2,800)	—
Payments for exploration assets		(2,031)	—
Payments for property, plant and equipment		(2)	(7)
<b>Net cash outflow from investing activities</b>		<b>(4,833)</b>	<b>(7)</b>
<b>Cash flows from financing activities</b>			
Payments for leases		(33)	(38)
Proceeds from issue of shares		3,205	—
Payments of share issue costs		(161)	—
<b>Net cash inflow/(outflow) from financing activities</b>		<b>3,011</b>	<b>(38)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(3,479)</b>	<b>(1,596)</b>
<b>Cash and cash equivalents at the beginning of the financial period</b>			
		<b>4,381</b>	<b>9,685</b>
Effect of foreign exchange rate changes		1	—
<b>Cash and cash equivalents at the end of the financial period</b>	4	<b>903</b>	<b>8,089</b>

*The accompanying notes form part of these financial statements.*

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 June 2023

### NOTE 1: BASIS OF PREPARATION OF HALF-YEAR REPORT

Black Mountain Energy Ltd (the “Company” or “BME” or “Black Mountain Energy”) is a Company domiciled in Australia. The address of the Company's registered office is Level 14, 225 St Georges Terrace, Perth WA 6000 Australia.

The Company is a for-profit entity and primarily is involved in the acquisition and development of natural resource projects and exploration for, and production of oil and gas.

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This condensed consolidated interim financial report for the half-year reporting period ended 30 June 2023 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001 (Cth). They present reclassified comparative information where required for consistency with the current reporting period's presentation or where otherwise stated. This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2022 and any public announcements made by Black Mountain Energy during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001. This consolidated financial report is presented in Australian Dollars, which is Black Mountain Energy's functional and presentation currency. The accounting policies adopted are consistent with those of the previous financial year unless otherwise stated.

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the ‘rounding off’ of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

(i) Going Concern

The Directors have prepared the financial statements on a going concern basis which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business.

The Group recorded a net loss for the period of \$1,916,000, had overall cash out flows of \$3,571,000 and had a net current asset position at 30 June 2023 of \$636,000. The Group has no loans or borrowings. On 18 August 2023 the Group executed a sale and purchase agreement with Tap Rock Resources III, LLC to sell its interest in the Half Moon acreage, inclusive of the MIA 64 FEE 2H well, in the Permian basin for US \$6,873,308 (approximately AU \$10,700,000). The sale is subject to normal sale conditions including completion of a 30-day due diligence period by the purchaser.

The Group has also executed a funding agreement with its major shareholder, the terms of which include:

- a total commitment of up to \$500,000, drawn down in \$100,000 tranches; and
- a maturity date for repayment of funds at the earlier of 6 months or at the time of a subsequent capital raising with respect to each individual tranche drawn down.

The Directors are satisfied that there are reasonable grounds to believe that the Group will be able to continue as a going concern as;

- the expected completion of the sale of the Group's interest in the Half Moon acreage will provide sufficient funds for the Group to meet its debts as and when they fall due; and
- in the event the expected completion of the sale of the Group's interest in the Half Moon acreage does not eventuate or is delayed, the Group has access to an unused funding facility with the major shareholder to continue its activities in the immediate term. The Directors would then need to plan and then execute a capital raising which would be expected to occur in the last quarter of 2023. The Group has a history of successfully raising equity with \$3.2m raised in 2023.

As the sale of the Group's interest in the Half Moon acreage has not completed and given additional capital raising will be required in the event the sale does not complete, there still exists an indication of a material uncertainty that may cast significant doubt about the ability of the Group to continue as a going concern as the date of this report. However, on the basis of the fact pattern above, the Directors are of the opinion that the use of the going concern basis of accounting is appropriate.

Should the Group be unable to continue as a going concern it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business and at amounts difference to those statements in the financial statements. The financial statements do not include any adjustment for the recoverability and classification of asset carrying amounts or to the amount and classification of liabilities that might result should the Group be unable to continue as a going concern and meet its debts as and when they fall due.

(ii) New and Amended Standards Adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards. A number of new standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these interim financial statements. The aforementioned new standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

(iii) Use of judgements and estimates

The preparation of the interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities, income, and expense. Actual results may differ from these estimates. In preparing this interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 31 December 2022.

(iv) Financial Risk Management

During the half-year ended 30 June 2023, the Group's financial risk management objectives and policies were consistent with that disclosed in the consolidated financial report as at and for the year ended 31 December 2022.

(v) Foreign Currency Translation

Functional and Presentation Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The consolidated financial statements are presented in Australian dollars, which is Black Mountain Energy Ltd's functional currency and presentation currency.

Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income, except when deferred in equity as qualifying cash flow hedges, foreign operations and qualifying net investment hedges.

The functional currency of the foreign operation, Seven Rivers Operating LLC, is US dollars, "USD".

(vi) Operating Segments

The Group operates as an unconventional gas exploration entity and operates in Australia and the United States of America. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision makers ("CODM") to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This may include start-up operations which are yet to earn revenues.

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the CODM. Operating segments that meet the quantitative criteria as prescribed by AASB 8 Operating Segments are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

**3. EXPENSES**

Loss before income tax includes the following specific expenses:

	30 JUNE 2023 \$'000	30 JUNE 2022 \$'000
<b>Finance costs</b>		
Unwinding of discount on restoration and rehabilitation provision (Note 8)	52	17
Bank charges	2	2
	<b>54</b>	<b>19</b>

**4. CASH AND CASH EQUIVALENTS**

	30 JUNE 2023 \$'000	31 DEC 2022 \$'000
<b>Cash at bank and in hand</b>	<b>903</b>	<b>4,381</b>
Made up as follows:		
Corporate	903	4,381
	<b>903</b>	<b>4,381</b>

**5. TRADE AND OTHER RECEIVABLES**

	30 JUNE 2023 \$'000	31 DEC 2022 \$'000
<b>Current</b>		
Other receivables	12	69
Prepayments	171	483
	<b>183</b>	<b>552</b>

Due to the nature of the Group's receivables, their carrying values are considered to approximate their fair values.

**6. EXPLORATION ASSETS**

	30 JUNE 2023 \$'000	31 DEC 2022 \$'000
Acquisition costs of right to explore	<b>48,164</b>	<b>42,762</b>
<i>Movement for the period:</i>		
Balance at beginning of the period	42,762	42,762
Acquisition of working interests (Note 16)	3,234	—
Participation in the MIA 64 FEE 2H well	2,168	—
<b>Balance at the end of the period</b>	<b>48,164</b>	<b>42,762</b>

**Acquisition of the Half Moon Prospect Assets**

On 20 January 2023 Black Mountain Energy Ltd acquired from Earthstone Energy (NYSE: ESTE) an interest in the Permian Basin in New Mexico, United States. The purchase price was US\$2.0m (AUS\$2.9m). The acquisition included 8 wells with marginal production, the acquisition has been accounted for as an asset acquisition.

**Participation in the MIA 64 FEE 2H well**

A 3,538-acre Working Interest Unit (WIU) together with Partners and Operator, Manzano LLC, was formed in 19S-26E and 20S-26E and a well, MIA 64 FEE 2H, was spud on 11 June 2023. BME contributed 416 acres and has a working interest of 11.7% following pooling with Operator, Manzano LLC. The BME share of costs was US\$1.44m (AUS\$2.2m) and the well was designed to appraise the 3rd Bone Spring (3BS) interval with a 1.75 mile (~2.8 km) horizontal lateral.

Following period end, the Company executed a binding sale and purchase agreement with Tap Rock Resources LLC to sell 100% of its Permian basin acreage and its interest in the MIA 64 FEE 2H well, for US\$6,873,308 (AUD\$10.7m). The Company will retain its interest in the 8 Morrow proved and developed wells.

**7. TRADE AND OTHER PAYABLES**

	30 JUNE 2023 \$'000	31 DEC 2022 \$'000
<b>Current</b>		
Trade payables	112	188
Other payables	29	48
Accruals	129	344
	<b>270</b>	<b>580</b>

Trade payables are usually non-interest bearing provided payment is made within the terms of credit.

**8. PROVISIONS**

30 JUNE 2023	CURRENT \$'000	NON-CURRENT \$'000	TOTAL \$'000
Employee entitlements (a)	34	14	48
Restoration and rehabilitation (b)	101	3,059	3,160
	<b>135</b>	<b>3,073</b>	<b>3,208</b>

31 DECEMBER 2022	CURRENT \$'000	NON-CURRENT \$'000	TOTAL \$'000
Employee entitlements (a)	41	6	47
Restoration and rehabilitation (b)	—	2,671	2,671
	<b>41</b>	<b>2,677</b>	<b>2,718</b>

- a) The current provision for employee entitlements includes accrued short term incentive plans, severance entitlements, accrued annual leave and the unconditional entitlements to long service leave where employees have completed the required period of service. The amounts are presented as current since the Consolidated Entity does not have an unconditional right to defer settlement for these obligations. However, based on experience, the Group does not expect all employees to take the full amount of accrued leave or require payment in the next 12 months. Current leave obligations that are not expected to be taken or paid within the next 12 months amount to \$nil.
- b) Provisions for future removal and restoration costs are recognised where there is a present obligation, and it is probable that an outflow of economic benefits will be required to settle the obligation. The estimated future obligations include the costs of removing facilities, abandoning wells, and restoring the affected areas.

**Movements in Provisions**

Movements in each class of provision during the financial period are set out below:

	Employee Entitlements \$'000	Restoration & Rehabilitation \$'000	Total \$'000
Carrying amount at 31 December 2022	<b>47</b>	<b>2,671</b>	<b>2,718</b>
Additional provisions charged to profit or loss	6	251	257
Provisions acquired (Note 16)	—	186	186
Amounts used during the half-year	(5)	—	(5)
Unwinding of discount	—	52	52
<b>Carrying amount at 30 June 2023</b>	<b>48</b>	<b>3,160</b>	<b>3,208</b>

**9. CONTRIBUTED EQUITY**

## (a) Share capital

	30 JUNE 2023 \$'000	31 DEC 2022 \$'000
<b>383,224,186 (2022: 255,000,001) fully paid ordinary shares</b>	<b>53,203</b>	<b>50,191</b>

Ordinary shares have no par value, and the Company does not have a limited amount of authorised capital.

On a show of hands, every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. At 30 June 2023, 200,000,000 ordinary shares are subject to escrow.

No dividend was paid or declared during the half year.

**Movements in Ordinary Share Capital**

		NUMBER OF SHARES	ISSUE PRICE \$	\$'000
Balance at 31 December 2022		255,000,001	0.20	50,191
17 March 2023	Entitlement Offer	94,828,056	0.025	2,371
6 April 2023	Entitlement Offer	31,380,000	0.025	785
19 April 2023	Transaction costs	2,016,129	0.0248	50
	Share issue costs			(194)
<b>Balance at 30 June 2023</b>		<b>383,224,186</b>		<b>53,203</b>

**10. RESERVES**

Nature and purpose of reserves

**Share-based Payments Reserve**

This reserve is used to record the value of equity benefits provided to employees, Directors and service providers.

**Foreign Currency Translation Reserve**

The foreign currency translation reserve records exchange differences arising on translation of foreign subsidiary accounts.

	30 JUNE 2023 \$'000	31 DEC 2022 \$'000
Share-based Payments Reserve	1,564	1,387
Foreign Currency Translation Reserve	93	—
<b>Balance</b>	<b>1,657</b>	<b>1,387</b>

**Movements in the Share Based Payment Reserve**

	30 JUNE 2023 \$'000	31 DEC 2022 \$'000
Share options reserve	<b>1,564</b>	<b>1,387</b>
Movements:		
Balance at 1 January	1,387	321
Share based payment costs (a)/(b)	177	1,066
<b>Balance</b>	<b>1,564</b>	<b>1,387</b>

- (a) Share based payments are provided to Directors and employees as part of their remuneration agreement with the Company.
- (b) On 19 April 2023, 3,739,250 options exercisable at \$0.08 on or before 19 April 2026 were issued in relation to capital market advisory services. Key inputs used in the fair value calculation of the unlisted options which has been granted during the half year ended 30 June 2023 were as follows:

Number Granted	Exercise Price	Grant Date	Expiry Date	Share Price At Grant Date	Fair Value Per Unlisted Option	Total Fair Value \$
3,739,250	\$0.08	19 April 2023	19 April 2026	\$0.025	\$0.0099	37,174

**10. RESERVES (continued)**

(c) The following table shows the movement in options over ordinary shares during the half-year:

Class	Expiry Date	Exercise Price	Balance at Start of Period	Issued During the Period	Lapsed/ Forfeited During the Period	Exercised During the Period	Balance at the End of the Period
Unlisted	23 Dec 2025	\$0.286	14,227,205	—	915,423	—	13,311,782
Unlisted	15 June 2025	\$0.300	3,750,000	—	—	—	3,750,000
Unlisted	19 April 2023	\$0.08	—	3,739,250	—	—	3,739,250
<b>Total</b>			<b>17,977,205</b>	<b>3,739,250</b>	<b>915,423</b>	<b>—</b>	<b>20,801,032</b>

(d) The following table shows the movement in performance rights over ordinary shares during the half -year:

Grant Date	Expiry Date	Exercise Price	Balance At Start of Period	Issued During the Period	Lapsed During the Period	Converted During the Period	Balance at the end of the Period
5 Dec 2022	5 Dec 2026	nil	3,385,220	—	—	—	3,385,220
19 Jan 2023	19 Jan 2027	nil	—	3,599,117	—	—	3,599,117
<b>Total</b>			<b>3,385,220</b>	<b>3,599,117</b>	<b>—</b>	<b>—</b>	<b>6,984,337</b>

Future performance rights will be issued under the long-term incentive plan and will vest as an entitlement to one fully paid ordinary share provided that certain performance milestones are met. If the performance milestones are not met, the performance rights will lapse, and the eligible participant will have no entitlement to any shares. During the year, the Company granted performance rights as a long-term incentive to Employees. The Performance Rights were issued outside of the Company's Employee Securities Incentive Plan approved by shareholders in October 2021. Each performance right will vest as an entitlement to one fully paid ordinary share upon achievement of certain performance milestones described below.

Performance rights are not listed and carry no dividend or voting rights. Upon exercise each right is convertible into one ordinary share to rank pari passu in all respects with the Company's existing fully paid ordinary shares.

The 3,599,117 performance rights issued to Craig Gouws on 19 January 2023 will vest over a three-year period in equal proportions. The fair value per right is \$0.00793 while the share price at grant date was \$0.031. The key vesting condition is proportional vesting based on the absolute share price growth over the respective 12-month period to the defined testing date. The proportion of each tranche of Performance Rights that will vest is based on the absolute share price growth over the relevant periods as follows:

ASP Growth Hurdle	Percentage That Vest
50%	25%
Between 50% and 200%	Between 25% and 100% on a straight-line basis
Greater than 200%	100%

**10. RESERVES (continued)**

The other assumptions used to value the Performance Rights include volatility of 64.49% and a risk-free rate of 2.907%.

**Movements in the Foreign Currency Translation Reserve**

	30 JUNE 2023 \$'000	31 DEC 2022 \$'000
Foreign Currency Translation Reserve	<b>93</b>	—
Movements:		
Balance at 1 January	—	—
Foreign currency exchange differences	93	—
<b>Balance</b>	<b>93</b>	—

**11. LOSS PER SHARE**

	30 June 2023	30 June 2022
(a) <b>Basic and diluted loss per share (\$)</b>	<b>(0.01)</b>	<b>(0.01)</b>
(b) <b>Loss used in loss per share calculation</b>		
Loss attributed to ordinary equity holders (\$'000)	<b>(1,916)</b>	<b>(2,792)</b>
(c) <b>Loss used in loss per share calculation</b>		
Weighted average number of shares used as the denominator in calculating loss per share	<b>325,549,212</b>	<b>255,000,001</b>

Options and Rights on issue are potential ordinary shares and have not been included in the calculation of basic earnings per share. As a result of the loss position of the Group the diluted earnings per share is equal to the basic earnings per share.

**12. RELATED PARTY TRANSACTIONS**

Transactions with 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 ultimate parent entity and ultimate controlling party is Black Mountain Energy Ltd.

**12. RELATED PARTY TRANSACTIONS (continued)**

## (b) Subsidiaries

The consolidated financial statements include the financial statements of Black Mountain Energy Ltd and the subsidiaries listed in the following table:

Name of Entity	Place of Incorporation	Class of Shares	2023 %
Black Mountain Exploration Australia Pty Ltd	Western Australia	Ordinary	100
Black Mountain Exploration Pty Ltd	Western Australia	Ordinary	100
Bennett Resources Pty Ltd	Western Australia	Ordinary	100
Seven Rivers Operating LLC	Texas, USA	Ordinary	100

## (a) Transactions with other related parties

i) The Company entered into a transitional services agreement (TSA) with Black Mountain Oil & Gas III LLC, pursuant to which the Company has sought the following services:

- Geology and geophysical: analyse, review, and interpret geologic qualities of the Company's assets;
- Drilling and completion / operations: establish and implement current and future drilling and completion procedures, including liaising with any service providers to facilitate the on-going development of EP 371;
- Reservoir engineering: analyse reservoir characteristics and originate recoverable resource estimates.

TSA services of \$7,146 were incurred during the half-year. In addition, US1,548 was incurred in relation to Half Moon Prospect support and this amount was outstanding at year end.

ii) The Company subleased part of the Perth Office to Black Mountain Metals II LLC during the period. \$26,258 of Perth office lease costs have been recovered during the half-year.

**13. CONTINGENCIES**

The Group had no contingent assets or liabilities as at 30 June 2023.

**14. COMMITMENTS**

The Consolidated Entity has the following minimum exploration expenditure commitments:

	30 JUNE 2023 \$'000	31 DEC 2022 \$'000
<b>The following amounts are due:</b>		
Within one year	80	1,078
Later than one year but not later than five years	9,039	8,081
Later than five years	-	-
	<b>9,119</b>	<b>9,159</b>

**(a) Exploration commitments**

The exploration commitments reflect the Project Valhalla Suspend and Extend application that the Company submitted to the Department of Mines, Industry Regulation and Safety, on the 9 March 2023 which was approved by the Department on 6 April 2023.

These commitments may be varied in the future because of renegotiations of the terms of exploration permits. In the petroleum industry it is common practice for entities to farm-out, transfer or sell a portion of their rights to third parties or relinquish (whole or part of the permit) and, as a result, obligations may be reduced or extinguished.

**(b) Lease commitments**

The Consolidated Entity has entered a non-cancellable Perth Office lease commencing 1 January 2022. The Group has applied AASB16 Leases, resulting in this lease being recognised as a right-of-use asset. The Company entered a short-term sublease on 21 February 2022, providing partial recovery of monthly rental and outgoing costs.

No other lease commitments exist as at 30 June 2023.

**15. EVENTS OCCURRING AFTER THE REPORTING PERIOD**

Seven Rivers Operating LLC, a wholly owned subsidiary of BME, has following period end, executed a binding sale and purchase agreement with Tap Rock Resources LLC to sell 100% of its acreage and its interest in the MIA 64 FEE 2H well in the Permian basin, for US\$6,873,308 (AUD\$10.7m). Seven Rivers Operating LLC will retain its interest in the 8 Morrow proved and developed wells.

The sale is subject to normal sale conditions including completion of a 30-day due diligence period by the Purchaser. The sale price will be adjusted for any net movement in acreage and revenue received during the due diligence period. Settlement is required within 7 days of completion of the Due Diligence period.

The Purchaser has also agreed to a 10% break fee in the event of a breach of agreement terms. The sale of the Half Moon prospect releases the Company of future appraisal risks and funding demands for additional wells as well as providing the immediate cash resources required to focus on the development of its flagship asset in Western Australia, Project Valhalla.

The sale transaction is valued at US\$6,873,308 (AUD\$10.7m) while the acreage was purchased for US\$2,000,000 (AUD\$2.9m) and the BME share of the MIA 64 FEE 2H well was US\$1,442,914 (AUD\$2.2m), the resulting gain, before taxation, being US\$3,430,394 (AUD\$5.6m).

The Half Moon assets are disclosed in the New Mexico, USA Operating Segment (Note 17).

**16. ACQUISITION OF HALF MOON PROSPECT**

On 20 January 2023 Black Mountain Energy Ltd announced that it had acquired from Earthstone Energy's (NYSE: ESTE) interest in Permian Basin acreage in New Mexico, United States. The purchase price was US\$2m (AUD\$2.9m) and the transaction completed on 20 January 2023. The acquired assets and liabilities were purchased by a new wholly owned subsidiary, Seven Rivers Operating LLC.

	20 JANUARY 2023 \$'000
Purchase price	2,892
<b>Total</b>	<b>2,892</b>
<b>Recognised amounts of net assets</b>	
<b>Current assets</b>	
Trade receivable	49
<b>Total current assets</b>	<b>49</b>
<b>Non-current assets</b>	
Exploration assets	3,112
<b>Total non-current assets</b>	<b>3,112</b>
<b>Recognised amounts of net liabilities</b>	
<b>Current Liabilities</b>	
Provisions	82
<b>Total current liabilities</b>	<b>82</b>
<b>Non-current liabilities</b>	
Provisions	187
<b>Total non-current liabilities</b>	<b>186</b>
<b>Net assets acquired</b>	<b>2,892</b>

**17. SEGMENTAL REPORTING**

For the half year ended 30 June 2023, Management identified the Group as having one operating segment, being Exploration, Evaluation and Appraisal activities (EEA), and the Production and Development of petroleum products (oil, gas, LPG and condensate).

The Group is managed primarily on a geographic basis, which is the location of the respective areas of interest (tenements) in Western Australia and leased acreage in New Mexico, USA. In presenting the geographic information, segment expenditure and segment assets are based on the geographic location.

The Corporate and other segment represents administration and other overheads that are not allocated to the operating segments. The chief operating decisions maker (CODM) reviews EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) monthly. The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

**17. SEGMENTAL REPORTING (continued)**

Types of products and services

The Group primarily incurs expenditure to explore and evaluate potential future economic reserves and resources.

New Mexico

The Group produces petroleum products from its Half Moon Prospect operating wells in the Permian Basin, which includes a mix of Gas, LPG, Oil and Condensate and sells these to USA Domestic customers.

Intersegment transactions

An internally determined cost base is set for all intersegment services provided. All such transactions are eliminated on consolidation of the Group's financial statements.

Intersegment receivables, payables, and loans Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Intersegment Assets

Segment assets are clearly identifiable based on their nature and physical location.

Intersegment Liabilities

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

Major customers

During the half year ended 30 June 2023, 100% of the Group's external revenue was derived from hydrocarbon sales in New Mexico under the Joint Operating Agreement managed by the operator Rubicon Oil & Gas LLC.

Unallocated items

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

- Corporate head office costs and non-operational staff costs.
- Proceeds from capital raisings.

## 17. SEGMENTAL REPORTING (continued)

	Western Australia		New Mexico, USA		Corporate		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
<b>Revenue</b>								
Revenue from contracts with customers	-	-	-	-	-	-	-	-
Total segment revenue	-	-	-	-	-	-	-	-
<b>EBITDA</b>	(781)	(615)	(79)		(963)	(2,119)	(1,823)	(2,734)
Depreciation and amortisation	-	-	-	-	(49)	(50)	(49)	(50)
Interest revenue	-	-	-	-	10	11	10	11
Finance costs	-	-	-	-	(54)	(19)	(54)	(19)
<b>Loss before income tax expense</b>	(781)	(615)	(79)	-	(1,056)	(2,177)	(1,916)	(2,792)
Income tax expense	-	-	-	-	-	-	-	-
<b>Loss after income tax expense</b>	(781)	(615)	(79)	-	(1,056)	(2,177)	(1,916)	(2,792)
<b>Assets</b>								
Segment assets	43,004	43,072	5,446	181	1,071	4,760	49,521	48,013
Unallocated assets	-	-	-	-	-	-	-	-
<b>Total assets</b>	<b>43,004</b>	<b>43,072</b>	<b>5,446</b>	<b>181</b>	<b>1,071</b>	<b>4,760</b>	<b>49,521</b>	<b>48,013</b>
<b>Liabilities</b>								
Segment liabilities	(3,020)	(2,851)	(317)	-	(259)	(603)	(3,596)	(3,454)
Unallocated liabilities	-	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>(3,020)</b>	<b>(2,851)</b>	<b>(317)</b>	<b>-</b>	<b>(259)</b>	<b>(603)</b>	<b>(3,596)</b>	<b>(3,454)</b>

**PERMITS GRANTED****Australia**

Permit	Location	Operator	BME Consolidated Entity		Other JV Participants	
			Registered Interest (%)	Beneficial Interest (%)	Participant Name	Beneficial Interest (%)
EP 371	Canning Basin, Western Australia	Bennett Resources	100	100	n/a	n/a

**United States of America**

The Company has an interest in wells and the associated exploration rights known as the Half Moon Prospect in the Permian Basin, New Mexico, United States of America. The schedule below provides the well and exploration descriptions that have been updated, to correct, since previously disclosed. After 30 June 2023 the Company disposed of its Half Moon acreage positions (however retained its working interest in the 8 morrow wells) and its interest in the MIA 64 FEE 2H well, the transaction is yet to close, refer to Note 15.

API number	Well	Township	Gross Acres	Net Acres	Working Interest	Operator
30-015-35687	Lakewood 21 #001	T19S-R26E	315.29	121.94	38.23%	Rubicon Oil & Gas LLC
30-015-36047	Lakewood 21 #002	T19S-R26E				Rubicon Oil & Gas LLC
30-015-56400	Lakewood 28 #001	T19S-R26E	147.89	34.91	26.36%	Rubicon Oil & Gas LLC
30-015-36858	Lakewood 28 #002	T19S-R26E	326.68	127.30	37.02%	Rubicon Oil & Gas LLC
30-015-35786	Lakewood 32 #001	T19S-R26E	318.31	127.25	39.77%	Rubicon Oil & Gas LLC
30-015-35944	Lakewood 33 #001	T19S-R26E	317.06	126.35	39.98%	Rubicon Oil & Gas LLC
30-015-36322	MOMO 33 #001	T19S-R26E	268.33	107.33	40.00%	Rubicon Oil & Gas LLC
30-015-34823	Twin Peaks Fed #001	T20S-R26E	1,120.00	480.00	50.00%	Rubicon Oil & Gas LLC
30-015-34823	Twin Peaks Fed #001	T19S-R26E	400.00	18.00	25.00%	Rubicon Oil & Gas LLC
30-015-53460	MIA 64 FEE 2H	T20S-R26E			11.70%	Manzano LLC

**DIRECTORS' DECLARATION**

1. In the Directors' opinion:
  - a. the condensed consolidated financial statements and notes set out on pages 16 to 36 of the Consolidated Entity are in accordance with the *Corporations Act 2001 (Cth)*, including:
    - i. complying with Accounting Standard AASB 134 "Interim Financial Reporting", the *Corporations Regulations 2001 (Cth)* and other mandatory professional reporting requirements, and
    - ii. giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2023 and of its performance for the half-year ended 30 June 2023;
  - b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

This declaration is made in accordance with a resolution of the Directors of Black Mountain Energy Ltd:



**Rhett Bennett**  
**Executive Chairman and Chief Executive Officer**

Fort Worth, TX USA

12 September 2023



# Independent Auditor's Review Report

To the shareholders of Black Mountain Energy Ltd

## Conclusion

We have reviewed the accompanying **Interim Financial Report** of Black Mountain Energy Ltd.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of Black Mountain Energy Ltd does not comply with the *Corporations Act 2001*, including:

- Giving a true and fair view of the **Group's** financial position as at 30 June 2023 and of its performance for the Half-year ended on that date; and
- Complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Interim Financial Report** comprises:

- Condensed consolidated statement of financial position as at 30 June 2023;
- Condensed consolidated statement of profit or loss and other comprehensive income, Condensed consolidated statement of changes in equity and Condensed consolidated statement of cash flows for the Half-year ended on that date;
- Notes 1 to 17 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

The **Group** comprises Black Mountain Energy Ltd (the Company) and the entities it controlled at the Half-year's end or from time to time during the Half-year.

## Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia.

We have also fulfilled our other ethical responsibilities in accordance with these requirements.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of Black Mountain Energy Ltd, would be in the same terms if given to the Directors as at the time of this Auditor's Review Report.



### Material uncertainty related to going concern

We draw attention to Note 2, "Going Concern" in the Interim Financial Report. The events or conditions disclosed in Note 2, indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the Interim Financial Report. Our conclusion is not modified in respect of this matter.

### Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

- The preparation of the Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*; and
- Such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibilities for the Review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Interim Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2023 and its performance for the Half-year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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.

KPMG

Glenn Brooks

*Partner*

Perth

12 September 2023

## CORPORATE DIRECTORY

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### **BLACK MOUNTAIN ENERGY LTD**

ABN 83 652 281 868

#### **DIRECTORS**

Mr Rhett Bennett BSc, Executive Chairman and Chief Executive Officer  
Mr Peter Cramer, BA, Member SEG, AAPG & PDA, Non-Executive Director  
Mr Craig Costello, BEng, BCom, MBA, Non-Executive Director  
Dr Helen Astill, BSc (Hons.), PhD, MBA, Non-Executive Director

#### **COMPANY SECRETARY**

Mr Ben Donovan, BComm (Hons), Company Secretary

#### **REGISTERED OFFICE**

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#### **AUDITORS**

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#### **SOLICITORS**

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[www.automicgroup.com.au](http://www.automicgroup.com.au)

#### **STOCK EXCHANGE LISTING**

Black Mountain Energy Ltd shares are listed on the Australian Securities Exchange under the code BME.