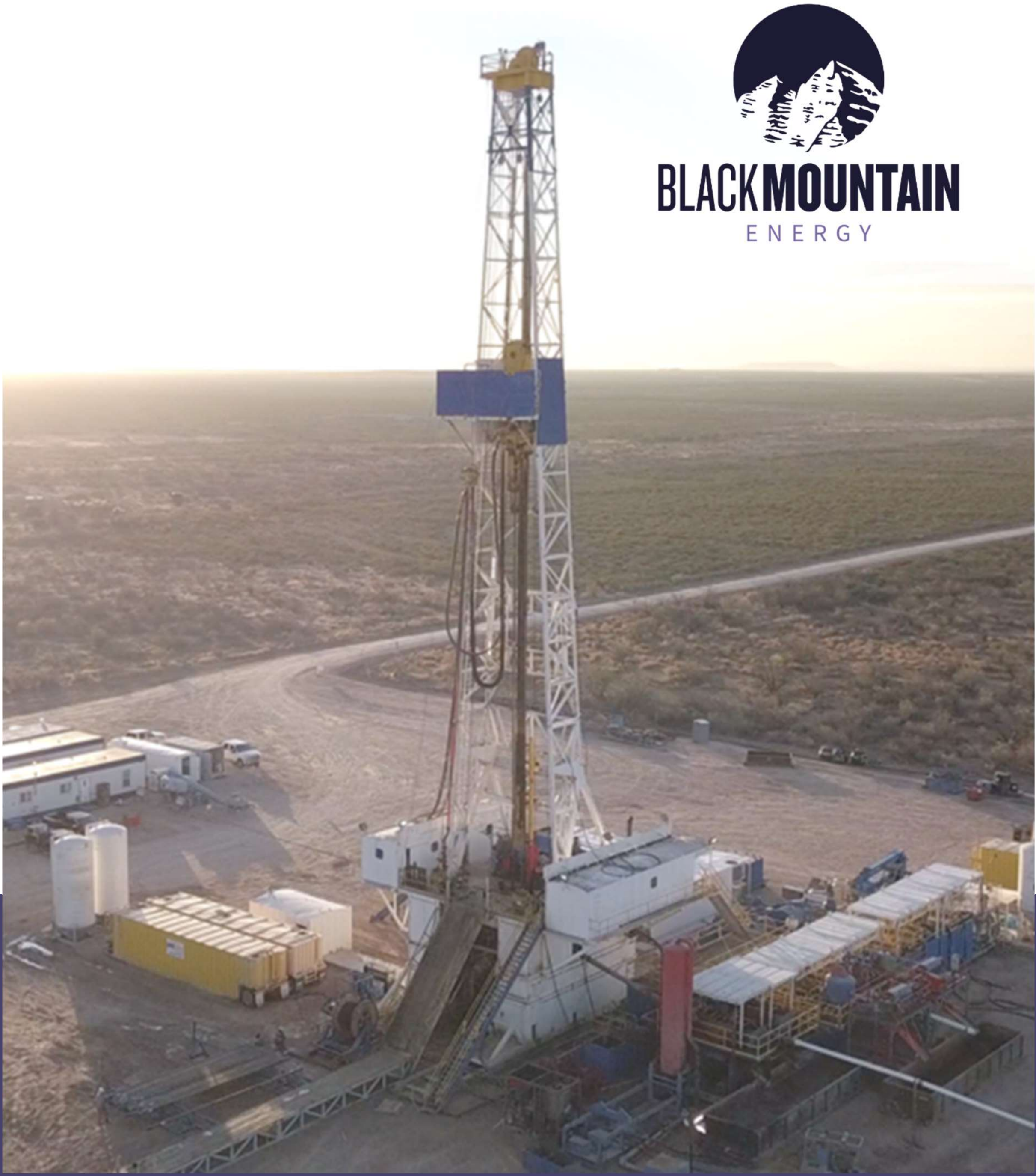

BLACK MOUNTAIN
ENERGY

2022 ANNUAL REPORT

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CHAIRMAN'S LETTER

Dear Fellow Shareholders

I am pleased to present our Annual Report for the 2022 year, the second since our listing on the Australian Securities Exchange (ASX) in December 2021.

The Company 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 and internationally. The US Energy Information Agency reported that the Canning Basin has the largest shale gas potential in Australia, and in fact the eighth largest in the world. This continues to resonate with me and was an attraction to our team who have extensive experience in creating shareholder wealth from large scale projects.

Valhalla Project in EP 371 continues to be a key focus for the Company and we remain committed to progressing approvals, data acquisition and appraisal planning on the permit.

Our primary goal remains to develop a Valhalla resource that not only provides socio-economic uplift to our traditional owners, but that also provides Western Australia with a supply of low-cost and reliable natural gas. The Fitzroy Crossing area and the area in and around the Valhalla Project experienced catastrophic flooding in early January 2023 emphasising once again the need to develop the area thereby providing the resilient traditional owners access to additional and necessary resources.

Steps continued to be taken during the year to obtain the required Department of Mines, Industry Regulation & Safety approvals to undertake the 2D survey of Project Valhalla.

Michael Laurent was appointed to COO during the financial year. This was a strategic decision as the Company embarks on its next phase of growth. Michael will take a lead role in framing, evaluating, implementing, and delivering on BME's strategy related to advancing it's Project Valhalla and pursing new exciting business opportunities such as the Half Moon Prospect.

The outcome of the study by Australian Gas Infrastructure Group confirmed that Valhalla gas is suitable for blending with other gas resources and Black Mountain is confident of the resulting blend being suitable for conversion to LNG. This represents an important milestone for Black Mountain as it seeks approval to continue the development of its Valhalla gas resource and reflects its commitment to meet the requirements and conditions of the export exemption it received from the WA Government in October 2021.

We have had a busy year and anticipate that the year ahead will too be a very productive year. I would like to thank our staff and contractors for the contributions they have made to date and going forward. We continue to gratefully recognise the ongoing support of the traditional owners.

The year ahead looks promising with work to continue on 2D seismic approvals, continuing environmental monitoring and data collection activities and progressing commercial discussions and permitting through to the next stage.

The Company in January 2023 acquired an interest in an 8 operating wells and leases in the Permian Basin in New Mexico, USA known as the Half Moon Prospect. These assets provide the Company with an ability to diversify and generate immediate revenue through the acquisition of the portfolio of producing wells as the Company continues to develop Project Valhalla. The assets too provide another operating nexus for the Company to drive value creation for shareholders, through existing production, enhancement of the position and future drilling. We will be developing our investment in the Half Moon Prospect with the aim to deliver immediate value to shareholders.

As a fellow shareholder, I continue to look forward to sharing the journey with you as we seek to progress the commercialisation of the Project Valhalla and add new and exciting prospects to our portfolio.

Thank you,

Rhett Bennett

Executive Chairman and Chief Executive Officer

30 March 2023

DIRECTORS' REPORT

FOR THE PERIOD ENDED 31 December 2022

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 year ended 31 December 2022.

DIRECTORS

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

Name	Appointed	Resigned
John Rhett Miles Bennett	26 July 2021	
Marie Michele Malaxos	26 July 2021	
Peter Wilson Cramer	26 July 2021	
Craig Costello	11 November 2022	
Sara Kelly	20 September 2021	11 November 2022
Samantha Richardson	26 July 2021	14 October 2022
Ashley Zumwalt-Forbes *	7 February 2022	16 September 2022

* The appointment was as an alternate director in the absence of Rhett Bennett and had all director's powers and responsibilities

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 financial year.

FINANCIAL RESULTS

The loss for the Consolidated Entity for the financial year ended 31 December 2022 amounted to $6,355,000 (26 July 2021 to 31 December 2021: $664,000).

DIVIDENDS

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

OPERATING AND FINANCIAL REVIEW

- Several detailed flora and fauna surveys conducted.
- Environmental Plan lodgement.
- An independent heritage survey concludes no impact to areas of cultural significance from the seismic activity.
- Surveys on the proposed seismic and future well site areas.
- Australian Gas Infrastructure Group (AGIG) completed a Valhalla gas blending study. The study confirmed gas from the project would be suitable for integrating with existing infrastructure in Western Australia. The AGIG study results are an important milestone in the continued development of the Valhalla project as well as the company's commitment to meet local and international natural gas demands.
- Seismic crews were mobilised in September 2022, the program was then delayed pending final regulatory approval of the Company's geophysical survey under the Petroleum and Geothermal Energy Resources (Resource Management and Administration) Regulations 2015.

- Seismic will again be mobilised as soon as possible following award of regulatory approvals. Catastrophic flooding in the Fitzroy Basin will result in delay.
- Continued progress towards both short and long-term commercialization solutions in relation to the Valhalla gas project. Ocean Reach Advisory has been engaged to farm out a working interest in the EP371.
- New COO, Michael Laurent appointed.
- Continued to progress the Company's Environmental Review Document approval from the Environmental Protection Authority.

OPERATIONS AND ACTIVITIES

Black Mountain Energy is continuing to develop its key asset, Petroleum Exploration Permit EP 371, known as Project Valhalla, in Western Australia's Canning Basin region. EP 371 covers more than 3,660km^2 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)[1].

[1]*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).

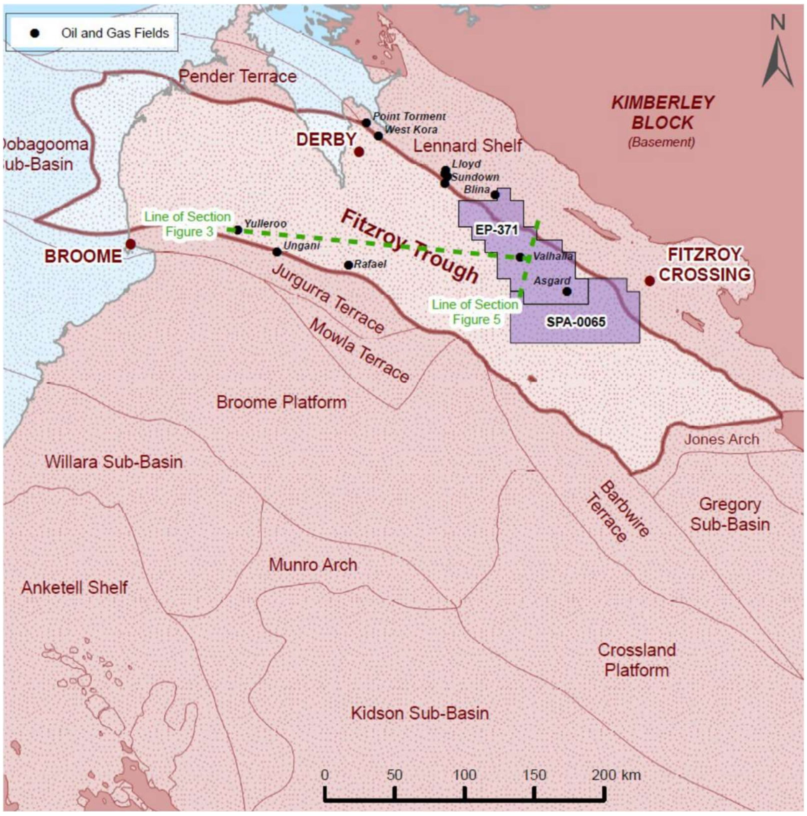

Figure 1: The EP-371 block and SPA-0065 along with several of the recent oil and gas fields and discoveries along the northern margin of the Fitzroy Trough are shown.

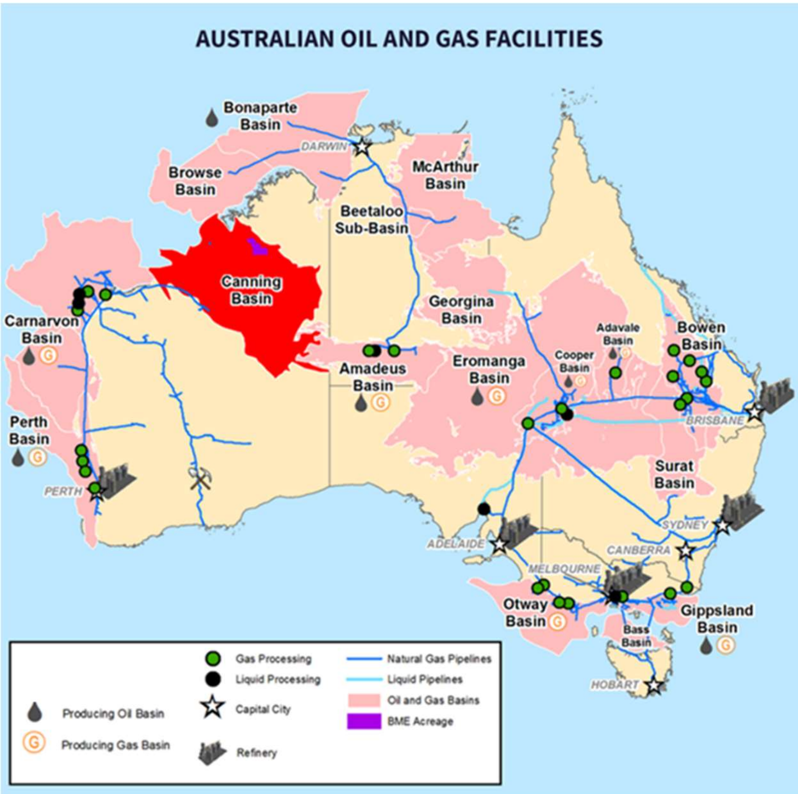

Figure 2: The US Energy Information Agency reported that the Canning Basin has the largest shale gas potential in Australia, and in fact the eighth largest in the world.

Seismic Survey

During the prior period, Black Mountain Energy lodged a Seismic Environmental Plan with WA's Department of Mining, Industry Regulation and Safety (DMIRS). The approval of this application would allow the Company to undertake a 130km 2D seismic survey within EP 371 providing the Company with further data on the sub surface geology and enabling Black Mountain Energy to further interpret and evaluate the resource potential.

Seismic line clearing activities were completed during July 2022. The Company's intention was to acquire seismic following the line clearing to provide further definition to the southwest portion of EP371, ahead of the appraisal well program. The 2D seismic program contract was awarded to Terrex after a competitive tender process. Our field team, consisting of Traditional Owner Liaison Officers, an Archaeologist, an Environmental Officer, and a Seismic Supervisor, mobilized to site in advance of seismic contractors in order to properly prepare for Health, Safety, Environment, and Heritage induction activities as well as the upcoming operations. In conjunction with a number of Traditional Owners, the Company took the opportunity to undertake additional heritage survey activities prior to clearing, ensuring there would be no unintended impacts to sites of cultural significance, as well as providing additional employment opportunities within the community.

Figure 3: Additional heritage survey prior to line clearing

The continuation of its seismic acquisition program unfortunately had to be delayed during September 2022 pending final regulatory approval of the Company's geophysical survey under the Petroleum and Geothermal Energy Resources (Resource Management and Administration) Regulations 2015.

The Company is working with its geophysical contractor to determine re-scheduling of the 2D seismic acquisition program.

Covid-19 Pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Company based on known information. This consideration extends to the nature of supply chain, staffing and the geographic region in which the Company operates. There does not currently appear to be a significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Company unfavourably as at the reporting date or subsequently because of the Coronavirus (COVID-19) pandemic.

Outlook for 2023

The Company in January 2023 acquired Earthstone Energy's (NYSE: ESTE) 39% working interest in an existing oil and gas field in the Permian Basin in New Mexico, United States of America known as the Half Moon Prospect for US$2m cash. The net production of approximately 465 mcfe per day at the time of acquisition is held through eight vertical Morrow gas wells.

The acquisition of the Prospect strategically:

- Diversifies the Company's portfolio across two independent regions (Australia & the United States of America)
- Redistributes risk profile and upside potential across two different basins (Canning Basin & Permian Basin)
- Provides for immediate production and cashflow
- Further value may be unlocked via horizontal drilling
  - Adds low risk near-term development opportunities
  - Provides a source of income for self-funding project progression
  - Leverages the Company's existing capabilities

Figure 4: Half Moon Prospect

The Company will have immediate production, from its interest in the Half Moon Prospect, of approximately 1,800 gross mcfepd or 465 mcfepd net from 8 wells situated on over 3,200 gross (1,268 net non-operated acres). Potential hydrocarbons are believed to exist in multiple formations on the acreage.

Technical workflows are underway to fully understand the potential upside and to prioritize a forward plan for future activity. This plan will investigate using horizontal drilling technology to further unlock value as well as consider efforts to expand its footprint in the area.

The Company will continue to advance Project Valhalla in EP 371. The Company remains committed to progressing approvals, data acquisition and appraisal planning on the permit in 2023. During January 2023, the Fitzroy Crossing area and the area in and around the Valhalla Project experienced catastrophic flooding. The Company is in communication with its area stakeholders and is reviewing various ways to provide support to those affected. The damage to key infrastructure is extensive and access to the area is limited and restricted.

Figure 5: Fitzroy Crossing Bridge during the flood[1]

Figure 6: Damaged Bridge into Fitzroy Crossing[2]

[1] Myer, Andrea, (2023). Main Bridge into the town of Fitzroy Crossing. The Saturday Paper
[2] Carmody, James, (2023). Fitzroy Crossing bridge. ABC News

The Company had intended to complete its new 2D seismic acquisition during the first half of 2023. While executing the seismic acquisition during this timeframe has not been ruled out, it is very possible a delay may occur. As a precaution, the Company has applied for an S&E (suspend & extend) application with the regulator. The Company will continue to monitor access and work closely with the seismic contractor.

The Company has received feedback from EPA Services (Environmental Protection Authority) 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 Services to determine the best path forward. Additionally, the recent flooding event may create ongoing limitations to access the project area, contributing to the further delay of any newly required data.

The Company launched a pro rata renounceable entitlement offer on 20 February 2023 with the aim of raising $4,250,000 through the issuance of 170,000,001 New Shares. The key details being:

- 2 for 3 pro rata renounceable entitlement offer to raise up to approximately $4.25 million (before costs).
- Offer price of $0.025 per New Share.
- Proceeds of the capital raising to be applied towards acquisition costs of the Half Moon Prospect and working capital and offer costs.

The Entitlement Offer closed on 10 March 2023. The Company received valid applications, on a pro-rata entitlement basis, to subscribe for 92,396,880 new fully paid ordinary shares representing $2.309 million of gross proceeds from Eligible Shareholders. In addition, Eligible Shareholders and eligible investors invited by the Company have applied under the Shortfall Offer, for 17,631,176 additional New Shares or approximately $0.44 million in additional gross proceeds. The New Shares not taken up by Eligible Shareholders under the Entitlement Offer totalling approximately $1.5 million are capable of being placed by the Company for a period of 3 months. The Company has commenced a process with Foster Stockbroking Pty Ltd and CPS Capital Pty Ltd to place the shortfall in accordance with the allocation policy.

ESG

At Black Mountain Energy we see ourselves as part of a global community and believe in creating a business in which this ethos is threaded throughout all aspects of our interactions. We aim to be a business which creates value – for our shareholders and the communities we interact with and operate within.

The local community and traditional owners are an integral part of the Black Mountain Energy team. We value and recognise diversity. It is integral to our business that we foster a working environment where everyone is treated with dignity and respect.

Black Mountain Energy management, employees and contractors strive to attain the highest standards of personal safety and environmental performance, governance, and business conduct.

To demonstrate Black Mountain Energy's commitment to uphold ethical business practices, an ESG Committee has been established by the Board. The ESG Committee prepared a reporting framework, having regard to (amongst other things) the UN sustainable development goals, that provides for monitoring against short, medium and long term goals. The Board has approved the framework.

ESG and community engagement continues, and the following actions have been undertaken over the last 12-month period:

Environment

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

Social

- Heritage Surveys undertaken
- Employment of local contractors and individual Traditional Owners community members
- Support of Traditional Owner AGM's and Board meetings, including attendance to provide project updates and financial contributions towards event costs
- Facilitated independent community education sessions relating to proposed activities
- Sponsorship support for community CEO appointed by Traditional Owners
- Provided catering for various community meetings
- Booking community accommodation for staff and contractors when available
- Community sporting donations
- Support of local art community by providing supplies and purchase of paintings.

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
- Board Code of Conduct implemented.

FINANCIAL POSITION

The Company's cash position at 31 December 2022 was $4,381,073, which will be used towards funding the work commitments in respect of Exploration Permit EP 371 and to purchase the Half Moon Prospect. The cash position was enhanced during Q1 2023 through an Entitlement Offer undertaken to fund the Half Moon Prospect acquisition, meet ongoing general and administrative expenses and to further fund Project Valhalla activity.

CORPORATE STRUCTURE

Black Mountain Energy is a publicly listed Company that is incorporated and domiciled in Australia. On 23 December 2021 the Company was admitted to the official list of the Australian Securities Exchange Limited ("ASX").

EMPLOYEES

The Company had two full-time employees as at 31 December 2022 (2021: 2). Through the Transitional Services Agreement with Black Mountain Oil & Gas III LLC the Company has access to an operations team consisting of numerous experienced professionals who have worked in several of the major unconventional shale basins in the United States and globally. These professionals have supervised the drilling of more than 3,000 unconventional horizontal shale wells throughout their careers.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

EVENTS SINCE THE END OF THE FINANCIAL PERIOD

On 25 January 2023, the Company announced that it has entered into an agreement with Earthstone Energy Inc (“Earthstone”) to acquire 100% of Earthstone’s interest in 8 operating wells and leases in the Permian Basin in New Mexico, USA. The wells and leases known as the Half Moon project were acquired from Earthstone for US$2 million cash. The Half Moon prospect is located in the north-western corner of the Delaware Basin adjacent to the NW shelf. The Prospect has proven petroleum systems and the Company believes there is further value to unlock via horizontal drilling. The acquisition strategically diversifies Black Mountain’s business model and provides approximately 465 mcfepd at the time of acquisition of net non-operated production from 8 PDP vertical wells located over 3,200 gross (1,268 net non-operated acres).

The Company is not in a position to present information related to the acquisition date fair values of assets acquired and liabilities assumed along with any exploration asset value that may arise from the acquisition of the Half Moon prospect due to the proximity of the purchase date to the date of release of these financial statements.

The Company launched a pro rata renounceable entitlement offer on 20 February 2023 with the aim of raising $4,250,000 through the issuance of 170,000,001 New Shares. The key details being:

- 2 for 3 pro rata renounceable entitlement offer to raise up to approximately $4.25 million (before costs).
- Offer price of $0.025 per New Share.
- Proceeds of the capital raising to be applied towards acquisition costs of the Half Moon Prospect and working capital and offer costs.

The Entitlement Offer closed on 10 March 2023. The Company received valid applications, on a pro-rata entitlement basis, to subscribe for 92,396,880 new fully paid ordinary shares representing $2.309 million of gross proceeds from Eligible Shareholders. In addition, Eligible Shareholders and eligible investors invited by the Company have applied under the Shortfall Offer, for 17,631,176 additional New Shares or approximately $0.44 million in additional gross proceeds. The New Shares not taken up by Eligible Shareholders under the Entitlement Offer totalling approximately $1.5 million are capable of being placed by the Company for a period of 3 months. The Company has commenced a process with Foster Stockbroking Pty Ltd and CPS Capital Pty Ltd to place the shortfall in accordance with the allocation policy.

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.

INFORMATION ON DIRECTORS

Rhett Bennett BSc in Business Management

Executive Chairman and Chief Executive Officer

Mr Bennett has more than 17 years of experience in the exploration, financing, development, and operation of Natural Resources projects globally. Mr Bennett is the Founder and Chief Executive Officer of Black Mountain, a group of Natural Resources companies established in 2007 to create alpha throughout the value chain.

Mr Bennett currently serves as the Chief Executive Officer of Black Mountain Oil & Gas III and Black Mountain Metals. Previously, Mr Bennett was Founder and Chief Executive Officer of Black Mountain Sand, creating the largest in-basin frac sand provider in the United States. Under Mr Bennett's leadership, the Company grew from 1 employee to over 500 employees in two years. The Company executed >US$700 million in capex projects during this time, and within the first two years of existence had contracted >US$360 million in annualized EBITDA. Prior to Black Mountain Sand, Mr Bennett served as Founder & Chief Executive Officer of Black Mountain Oil & Gas I, where he oversaw the deployment of US$115 million in equity acquiring oil & gas properties throughout southeast New Mexico. Within 16 months of founding the Company, he led the Company to a sale to Marathon Petroleum Corporation and other buyers for US$700 million, resulting in a 5.5x ROI and 298% internal rate of return.

Mr Bennett has been the recipient of numerous awards in his career: Oil & Gas Investor — Forty under 40, The Oil & Gas Awards— Future Industry Leader, EY Entrepreneur of the Year — Energy Services & National Finalist, D CEO Magazine —Oilfield Services Chief Executive Officer of the Year, Fort Worth Inc. Magazine's 2019 Entrepreneur of Excellence —Energy and University of Georgia's Forty under 40. Mr Bennett earned his Bachelor of Science in Business Management from the University of Georgia in 2003 and completed the Energy Executive Management Program at the University of Oklahoma Michael F. Price College of Business in 2012.

Mr Bennett is not considered to be an independent Director as he is employed in an executive capacity as Chief Executive Officer and Executive Chairman. Mr Bennett has a relevant interest in 286,929,419 ordinary fully paid shares, and 9,131,348 options to acquire fully paid ordinary shares. Throughout the past three years Mr Bennett has not served as a director of any listed companies. Mr Bennett is a member of the ESG Committee.

Marie Malaxos DIP Engineering, GAICD

Independent Non-executive Director

Ms Malaxos has over 25 years' experience as a professional executive in the resources sector, including formerly serving as Chief Operating Officer of Buru Energy Limited (ASX:BRU) in 2012. Ms Malaxos was a Non-Executive Director for Bombora Natural Energy Pty Ltd before being voted by shareholders to the Board of Directors for Pancontinental Energy NL (ASX:PCL). Ms Malaxos resigned from Pancontinental Energy NL on 21 February 2022.

Ms Malaxos has experience managing all aspects of the development of oil and gas fields including commercial and budget control, technical oversight, and stakeholder management and liaison. Ms Malaxos is a member of the Australian Institute of Company Directors and the Energy Club of WA.

Ms Malaxos is considered to be an independent Director and is free from any business or other relationship that could materially interfere with, or reasonably be perceived to interfere with, the independent exercise of the person's judgement.

Ms Malaxos has a relevant interest in 116,666 ordinary shares and 1,373,135 options to acquire fully paid ordinary shares. Throughout the past three years Ms Malaxos has served as a non-executive Director of Pancontinental Energy NL. Ms Malaxos is a Chair of the ESG Committee and a member of the Audit and Risk Committee

Peter Cramer BA-Physics, Member SEG, Member AAPG, Member PDA

Independent Non-executive Director

Mr Cramer has over 20 years of global experience leading upstream oil and gas exploration projects including 15 years in exploration management roles for ConocoPhillips (NYSE:COP). Mr Cramer has experience managing conventional and unconventional exploration and appraisal operations including work programs, lease sales, farm-in trades, and stakeholder engagement globally. Mr Cramer holds multiple Board member seats and did act as Board treasurer for the Society of Exploration Geophysicists.

Mr Cramer is a member of the Society of Exploration Geophysicists, American Association of Petroleum Geologists, and Private Directors Association.

Mr Cramer is considered to be an independent Director and is free from any business or other relationship that could materially interfere with, or reasonably be perceived to interfere with, the independent exercise of the person's judgement.

Mr Cramer has a relevant interest in 1,373,135 options to acquire fully paid ordinary shares. Throughout the past three years Mr Cramer has not served as a director of any listed companies. Mr Cramer is a member of the Audit and Risk Committee.

Craig Costello BEng, BCom, MBA

Independent Non-executive Director

Mr Costello is an experienced oil and gas professional with 25 years of multinational exploration and production operator experience across various disciplines, including in executive management leadership teams.

Mr Costello is currently the Managing Director of ResToEx, a consultancy business that for the last seven years has focused on helping oil and gas operators get the most from their hydrocarbon assets. He also serves as a Director at petroDIP Pty Ltd, a global oil and gas market place and farm-out service. Mr Costello worked for Apache Corporation for 15 years in Australia, USA and UK across a range of oil and gas assets, field life cycle stages and discipline areas. At Apache he held Executive positions in Reservoir, Production and Drilling.

Mr Costello has a relevant interest in 563,727 ordinary shares.

Mr Costello is considered to be an independent Director and is free from any business or other relationship that could materially interfere with, or reasonably be perceived to interfere with, the independent exercise of the person's judgement.

Mr Costello is a member of the Audit and Risk Committee.

Ben Donovan BComm (Hons), AGIA, ACIS

Company Secretary

Mr Donovan is a member of the Governance Institute of Australia and provides corporate advisory, IPO and consultancy services to a number of companies. Mr Donovan is currently a company secretary of several ASX listed and public unlisted companies and has gained experience across resources, agritech, biotech, media and technology industries.

Mr Donovan has extensive experience in listing rules compliance and corporate governance, having served as a Senior Adviser at the ASX in Perth for nearly 3 years managing the listing of nearly 100 companies on the ASX. In addition, Mr Donovan has experience in the capital markets having raised capital and assisted numerous companies on achieving an initial listing on the ASX, as well as for a period of time, as a private client adviser at a boutique stock broking group.

INFORMATION ON THE LEADERSHIP TEAM

Michael Laurent B.Eng (Mech)

Chief Operating Officer

Mr Laurent is a professional engineer and senior executive with over 25 years of international oil & gas experience. Mr. Laurent has an extensive understanding of the petroleum industry having started his career with service companies and then progressing to energy producers - Encana Corporation, Murphy Oil, Santos and Armour Energy and now Black Mountain Energy. Mr. Laurent's experience is underpinned with strong strategic, commercial and multi-disciplinary technical experience in both conventional and unconventional reservoirs. He has been instrumental in numerous successful acquisition and divestiture efforts and the drilling and fracture stimulation of hundreds of wells leading to basin opening efforts.

Craig Gouws ACA, CA(SA), BSc

Chief Financial Officer

Mr Gouws is a highly experienced finance professional with over 20 years of international finance and commercial experience. Most recently as Chief Financial Officer of Armour Energy Limited, Craig has a depth of experience across multiple industries including the resources sector. He was previously CFO for InfraStrata PLC, a UK listed gas storage and hydrocarbon exploration company as well as experience at Carbon Energy Limited and in energy consulting roles. Craig commenced his career in various audit roles across South Africa, Saudi Arabia and the United Kingdom.

Mr. Gouws holds both a Bachelor of Commerce from the University of Cape Town and a Bachelor of Science from the University of Stellenbosch. He is a Fellow of the Institute of Chartered Accountants England and Wales and a member of the South African Institute of Chartered Accountants.

DIRECTORS’ MEETINGS

The numbers of meetings of the Company’s Board of Directors and of each Board committee held during the financial period, and the numbers of meetings attended by each Director were:

	Full Meeting of Directors		Remuneration and Nomination Committee		Audit and Risk Committee		Environmental, Safety and Governance Committee	
Director	**Eligible[1]**	**Attended**	**Eligible[1]**	**Attended**	**Eligible[1]**	**Attended**	**Eligible[1]**	**Attended**
Rhett Bennett[2]	14	14	—	—	—	—	2	—
Samantha Richardson[3]	10	10	—	—	—	—	2	2
Marie Malaxos[2]	14	14	—	—	4	4	2	2
Peter Cramer[2]	14	13	—	—	4	4	—	—
Sara Kelly[4]	10	10	—	—	4	4	2	2
Craig Costello[5]	3	3	—	—	—	—	—	—

1 Number of meetings held during the time the Director held office or was a member of the committee during the period. Excludes meetings held via circular resolution.
2 Appointed 26 July 2021
3 Appointed 26 July 2021, Resigned 14 October 2022
4 Appointed 20 September 2021, Resigned 11 November 2022
5 Appointed 11 November 2022

SHARE OPTIONS

(a) No options were granted during or since the end of the 2022 financial year to Directors and Executives of the Company as part of their remuneration.

At the date of this report, unissued shares of the Company under option are:

Date granted	Vesting Dates	Exercise Price	Expiry Date	Number of shares
23 Dec 2021	1/3 on 5 Dec 2023 1/3 on 5 Dec 2024 1/3 on 5 Dec 2025	$0.286	23 Dec 2025	14,227,205
15 June 2022	N/A	$0.30	15 June 2025	3,750,000

The Company issued options during 2022 as consideration for the services provided by Foster Stockbroking Pty Limited relating to capital markets advisory service as detailed below.

Name of recipient	Date granted	Vesting Dates	Exercise Price	Expiry Date	Number of options granted
Foster Stockbroking Pty Limited	15 June 2022	N/A	$0.30	15 June 2025	3,750,000

All unissued shares are ordinary shares of the Company. All unvested employee options expire on the earlier of their expiry date or termination of the employee’s employment while the options issued during June 2022 expire on the expiry date.

Options granted to Directors and Executives of the Company as part of their remuneration in the 2021 period are:

Name of director and executive	Date granted	Vesting Dates	Exercise Price	Expiry Date	Number of options granted
Rhett Bennett	23 Dec 2021	1/3 on 16 Dec 2022 1/3 on 16 Dec 2023 1/3 on 16 Dec 2024	$0.286	23 Dec 2025	9,131,348
Samantha Richardson	23 Dec 2021	1/3 on 16 Dec 2022 1/3 on 16 Dec 2023 1/3 on 16 Dec 2024	$0.286	23 Dec 2025	3,844,778
Marie Malaxos	23 Dec 2021	1/3 on 16 Dec 2022 1/3 on 16 Dec 2023 1/3 on 16 Dec 2024	$0.286	23 Dec 2025	1,373,135
Peter Cramer	23 Dec 2021	1/3 on 16 Dec 2022 1/3 on 16 Dec 2023 1/3 on 16 Dec 2024	$0.286	23 Dec 2025	1,373,135
Sara Kelly	23 Dec 2021	1/3 on 16 Dec 2022 1/3 on 16 Dec 2023 1/3 on 16 Dec 2024	$0.286	23 Dec 2025	1,373,135
Alan Cooper	23 Dec 2021	1/3 on 16 Dec 2022 1/3 on 16 Dec 2023 1/3 on 16 Dec 2024	$0.286	23 Dec 2025	3,203,982

(b) Performance rights granted during or since the end of the 2022 financial year to Directors and Executives of the Company as part of their remuneration are:

Name of director and executive	Date granted	Vesting Dates	Exercise Price	Expiry Date	Number of options granted
Michael Laurent	5 Dec 2022	1/3 on 5 Dec 2023 1/3 on 5 Dec 2024 1/3 on 5 Dec 2025	nil	5 Dec 2026	3,385,220
Craig Gouws	3 February 2023	1/3 on 3 Feb2024 1/3 on 3 Feb 2025 1/3 on 3 Feb 2026	nil	3 Feb 2027	3,599,117

SHARES ISSUED DURING AND SINCE REPORTING DATE

The Company launched a pro rata renounceable entitlement offer on 20 February 2023 with the aim of raising $4,250,000 through the issuance of 170,000,001 New Shares. The key details being:

- 2 for 3 pro rata renounceable entitlement offer to raise up to approximately $4.25 million (before costs).
- Offer price of $0.025 per New Share.
- Proceeds of the capital raising to be applied towards acquisition costs of the Half Moon Prospect and working capital and offer costs.

The Entitlement Offer closed on 10 March 2023. The Company received valid applications, on a pro-rata entitlement basis, to subscribe for 92,396,880 new fully paid ordinary shares representing $2.309 million of gross proceeds from Eligible Shareholders. In addition, Eligible Shareholders and eligible investors invited by the Company have applied under the Shortfall Offer, for 17,631,176 additional New Shares or approximately $0.44 million in additional gross proceeds. The New Shares not taken up by Eligible Shareholders under the Entitlement Offer totalling approximately $1.5 million are capable of being placed by the Company for a period of 3 months. The Company has commenced a process with Foster Stockbroking Pty Ltd and CPS Capital Pty Ltd to place the shortfall in accordance with the allocation policy.

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.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has entered into an agreement to indemnify all Directors and Officers against any liability arising from a claim brought by a third party against the Company. The Company has paid premiums of $56,828 to insure each Director and Officer against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director and Officer of the Company, other than as a result of conduct involving a wilful breach of duty in relation to the Company.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of these proceedings. The Company was not a party to any such proceedings during the year.

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.

INDEMNIFICATION OF AUDITORS

The Company has not provided any insurance or indemnification for the Auditor of the Company.

NON-AUDIT SERVICES

During the year, KPMG, the Group's auditor, performed certain other services in addition to its statutory audit duties. Details of amounts paid or payable to the auditor for services other than the Group audit provided during the period are set out below.

The Board of Directors is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 and did not compromise the general principles relating to auditor independence in accordance with APES 110 Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

	2022	2021
KPMG Australian firm:	$	$
(i) Taxation services	20,183	46,050
Total remuneration for taxation services	**20,183**	**46,050**
(ii) Other audit services	-	89,463
Total remuneration for non-statutory audit services	**-**	**89,463**

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 31.

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, tortuous, 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 STATEMENT

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 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.

REMUNERATION REPORT (AUDITED)

The remuneration report details the key management personnel remuneration arrangements for the Company, in accordance with the requirements of the Corporations Act 2001 and its Regulations. This information has been audited except as explicitly stated as required by section 308(3C) of the Corporations Act 2001.The remuneration report is presented under the following sections:

A. Directors and Key Management Personnel (KMP)
B. Remuneration Overview
C. Remuneration Policy
D. Remuneration Governance
E. Long Term Incentive Plan – Employee Securities Incentive Plan (ESIP)
F. Realised Remuneration – Voluntary information **not audited** (Non-IFRS)
G. Remuneration Details – Statutory tables
H. Executive Service Agreements
I. Non-Executive Director Fee Arrangements

A. Directors and Key Management Personnel (KMP)

The Directors and key management personnel of the Consolidated Entity during the year and up to signing date of the annual report were:

Current Directors:

Mr Rhett Bennett	Executive Chairman and Chief Executive Officer
Ms Marie Malaxos	Non-Executive Director
Mr Peter Cramer	Non-Executive Director
Mr Craig Costello[1]	Non-Executive Director

Other Key Management Personnel:

Mr Michael Laurent[2]	Chief Operating Officer
Mr Craig Gouws[3]	Chief Financial Officer

Company Secretary:

Mr Ben Donavan	Company Secretary

Former Directors:

Ms Samantha Richardson[4]	Executive Director and Chief Operating Officer
Ms Sara Kelly[5]	Non-Executive Director
Ms Ashley Zumwalt- Forbes[6]	Alternative Director to Rhett Bennett

Former Other Key Management Personnel:

Mr Alan Cooper[7,8]	Chief Financial Officer and Joint Company Secretary

1 *Appointed as Director 11 November 2022*
2 *Appointed as Chief Operating Officer 28 November 2022*
3 *Appointed as Chief Financial Officer 18 January 2023*
4 *Resigned as Director 14 October 2022*
5 *Resigned as Director 11 November 2022*
6 *Appointed as Alternative Director to Rhett Bennett on 7 February 2022 and resigned 16 September 2022*
7 *Resigned as Joint Company Secretary 9 November 2022*
8 *Resigned as Chief Financial Officer 18 January 2023*

B. Remuneration Overview

Black Mountain Energy's remuneration strategy is designed to attract, motivate, and retain high performing individuals and is linked to the Group's objectives to build long term shareholder value. In doing so, Black Mountain Energy adopts a pay for performance culture which is balanced by a fair and equitable approach to the retention and motivation of its team.

C. Remuneration Policy

The remuneration policy of the Company is to pay its Directors and Executives amounts in line with employment market conditions relevant to the oil and gas industry whilst reflecting Black Mountain Energy's specific circumstances. The Company's remuneration practices, and its short term and long-term incentive plans are focussed on creating strong linkages between shareholder value as measured by shareholder returns and Executive remuneration. Consequently, a major component of Executive incentives will be the Employee Securities Incentive Plan (ESIP).

For the year ending on 31 December 2022, the remuneration of Directors and Executives consisted of the following key elements:

Non-Executive Directors:

1. Fees including statutory superannuation; and
2. Participation in long term incentive scheme (ESIP).

Executives, including Executive Directors:

1. Annual salary including statutory superannuation;
2. Participation in a long-term incentive scheme (ESIP); and
3. There are no guaranteed base pay increases included in any Executive's contract.

D. Remuneration Governance

The Board has adopted a formal Remuneration Committee Charter which provides a framework for the consideration of remuneration matters.

The Company did not have a separate Remuneration Committee for the full year and as such all remuneration matters are considered by the Board as a whole, with no member deliberating or considering such matter in respect of their own remuneration.

E. Long Term Incentive Plan – Employee Securities Incentive Plan (ESIP)

Black Mountain Energy adopted an Employee Securities Incentive Plan (ESIP) on 14 October 2021 in preparation to becoming a publicly listed Company. The ESIP is a major component of Executive incentives and, in developing the Employee Rights Plan, the Board focused on creating strong linkages between shareholder value and Executive remuneration.

F. Realised Remuneration – Voluntary information not audited (Non-IFRS)

Table 1 identifies the Realised Remuneration received by Directors and Senior Executives in respect of the financial year. Realised Remuneration reflects the take home remuneration of the Directors and Executive and includes:

- Total fixed remuneration inclusive of Company superannuation contributions;
- Any short-term Incentive awarded as cash for the financial year but paid after the end of the financial year;

The table below has been provided to assist shareholders to understand the remuneration received in respect of the financial year ending 31 December 2022. The table is a voluntary disclosure and as such has **not** been prepared in accordance with the disclosure requirements of the Accounting Standards or Corporations Act 2001. See Table 2 for Director and Executive KMP remuneration in accordance with these requirements.

Table 1: Realised Remuneration – Voluntary information (Non-IFRS)

	Period	Total Fixed Remuneration $	STI (Cash) $	Superannuation contributions $	Total $
Non-Executive Directors					
Peter Cramer	2022	50,000	–	–	**50,000**
Marie Malaxos	2022	50,000	–	5,125	**55,125**
Sara Kelly[1]	2022	43,371	–	4,429	**47,800**
Craig Costello[2]	2022	6,818	–	716	**7,534**
Samantha Richardson[3]	2022	1,984	–	208	**2,192**
Executives					
Rhett Bennett	2022	145,968	–	–	**145,968**
Samantha Richardson[4]	2022	312,947	–	24,765	**337,712**
Alan Cooper	2022	280,780	–	28,828	**309,608**
Michael Laurent[5]	2022	36,447	–	3,827	**40,274**
Total Directors and Executive KMP	**2022**	**928,315**	**–**	**67,898**	**996,213**

1 *Compensation ceased 11 November 2022*
2 *Compensation commenced 11 November 2022*
3 *Compensation commenced 1 October 2022 and ceased 14 October 2022*
4 *Compensation ceased 1 October 2022*
5 *Compensation commenced 28 November 2022*

The amounts disclosed above are not the same as the remuneration expensed in relation to each KMP in accordance with the accounting standards $2,118,631 (2021: $382,428) see Table 2 below. The directors believe that the remuneration received is more relevant to users for the following reasons:

- The statutory remuneration expensed is based on fair value determined at grant date but does not reflect the fair value of the equity instruments when they are actually received by the KMPs.
- The statutory remuneration shows benefits before they are actually received by the KMPs, noting that some components of the remuneration may not be received at all.

- Share-based payment awards are treated differently under the accounting standards depending on whether the performance conditions are market conditions (no reversal of expense) or non-market conditions (reversal of expense where shares fail to vest), even though the benefit received by the KMP is the same (nil where equity instruments fail to vest).

G. Remuneration Details – Statutory Tables (audited)

Table 2: Remuneration of Directors and Key Management Personnel

		Short Term			Post-Employment		Long Term Benefits	Share-Based Payments		Proportion of remuneration performance related
	Period	Salary and annual leave $	Short term incentives $	Non-monetary benefits[5] $	Superannuation Contributions $	Termination Benefits $	LSL (Accrued) $	Performance rights & options $	Total $	Percent of Remuneration %
Non-Executive Directors										
Peter Cramer	2022	50,000	—	9,679	—	—	—	93,970	153,649	61%
Marie Malaxos	2022	50,000	—	9,679	5,125	—	—	93,970	158,774	59%
Sara Kelly[1]	2022	43,371	—	8,327	4,429	—	—	—	56,127	—
Craig Costello[2]	2022	6,818	—	1,326	716	—	—	—	8,860	—
Samantha Richardson[3]	2022	1,984	—	—	208	—	—	—	2,192	—
Sub-total	**2022**	**152,173**	—	**29,011**	**10,478**	—	—	**187,940**	**379,602**	—
Rhett Bennett	2022	145,968	—	9,679	—	—	256	624,904	**780,807**	80%
Samantha Richardson[3]	2022	312,947	—	7,584	24,765	—	—	136,466	**481,762**	28%
Alan Cooper	2022	280,780	—	9,679	28,828	—	—	113,722	**433,009**	26%
Michael Laurent[4]	2022	36,447	—	875	3,827	—	—	1,685	**42,834**	4%
Sub-total	**2022**	**776,142**	—	**27,817**	**57,420**	—	**256**	**876,777**	**1,738,412**	—
Total Remuneration	**2022**	**928,315**	—	**56,828**	**67,898**	—	**256**	**1,064,717**	**2,118,014**	—

1 *Compensation ceased 11 November 2022*
2 *Compensation commenced 11 November 2022*
3 *Compensation ceased 14 October 2022*
4 *Compensation commenced 28 November 2022*
5 *Represents Directors' and Officers' insurance premiums expensed during the financial year*

	Period	Short Term			Post-Employment		Long Term Benefits	Share-Based Payments		Proportion of remuneration performance related
		Salary and annual leave $	Short term incentives $	Non-monetary benefits[3] $	Superannuation Contributions $	Termination Benefits $	LSL (Accrued) $	Performance rights & options $	Total $	Percent of Remuneration %
Non-Executive Directors										
Peter Cramer[1]	2021	2,554	—	1,553	—	—	—	16,014	**20,121**	80%
Marie Malaxos[1]	2021	2,554	—	1,553	255	—	—	16,014	**20,376**	79%
Sara Kelly[1]	2021	2,554	—	1,553	255	—	—	16,014	**20,376**	79%
Sub-total	**2021**	**7,662**	**—**	**4,659**	**510**	**—**	**—**	**48,042**	**60,873**	
Executives										
Rhett Bennett[2]	2021	7,661	—	1,553	—	—	—	106,500	**115,714**	92%
Samantha Richardson[1]	2021	17,636	—	1,553	1,630	—	288	91,029	**112,136**	81%
Alan Cooper[1]	2021	14,696	—	1,553	1,359	—	240	75,857	**93,705**	81%
Sub-total	**2021**	**39,993**	**—**	**4,659**	**2,989**	**—**	**528**	**273,386**	**321,555**	
Total Remuneration	**2021**	**47,655**	**—**	**9,318**	**3,499**	**—**	**528**	**321,428**	**382,428**	

[1] *Compensation commenced 13 December 2021*
[2] *Compensation commenced 23 December 2021*
[3] *Represents Directors' and Officers' insurance premiums expensed during the period*

No options were granted to Directors and key management personnel during the year.

The following factors and assumptions were used in determining the fair value of unlisted options granted to Directors and key management personnel during the 2021 period:

Grant date	Expiry date	Fair value per option	Exercise price	Estimated volatility	Risk free interest rate	Dividend yield	Vesting dates
23 Dec 2021[1]	23 Dec 2025	$0.125	$0.286	100%	0.51%	—	1/3 on 16 Dec 2022 1/3 on 16 Dec 2023 1/3 on 16 Dec 2024

[1] *The value of unlisted options is calculated as the fair value of the options at grant date and allocated to remuneration equally over the period from grant date to expected vesting date.*

The following factors and assumptions were used in determining the fair value of performance rights granted to Directors and key management personnel during the year:

Grant Date	Expiry Date	Fair Value Per Right	Exercise Price	Estimated Volatility	Risk Free Interest Rate	Dividend yield	Vesting dates
5 Dec 2022[2]	5 Dec 2026	$0.0114	nil	66.19%	2.966%	—	1/3 on 5 Dec 2023 1/3 on 5 Dec 2024 1/3 on 5 Dec 2025

The following factors and assumptions were used in determining the fair value of performance rights granted to Directors and key management personnel during the 2021 period:

Grant Date	Expiry Date	Fair Value Per Right	Exercise Price	Estimated Volatility	Risk Free Interest Rate	Dividend yield	Vesting dates
23 Dec 2021[2]	16 Dec 2025	$0.20	nil	100%	0.51%	—	1/3 on 16 Dec 2022 1/3 on 16 Dec 2023 1/3 on 16 Dec 2024

[2] *The value of performance rights is calculated as the fair value of the rights at grant date and allocated to remuneration equally over the period from grant date to expected vesting date.*

Table 3: Share Based Compensation – Unlisted Options Granted to Directors and Key Management Personnel during the 2021 period.

	Year	Number of Options Granted	Grant Date	Average Fair Value at Grant Date	Average Exercise Price Per Option	Expiry Date
Non-Executive Directors						
Peter Cramer	2021	1,373,135	23 Dec 2021	$0.125	$0.286	23 Dec 2025
Marie Malaxos	2021	1,373,135	23 Dec 2021	$0.125	$0.286	23 Dec 2025
Sara Kelly	2021	1,373,135	23 Dec 2021	$0.125	$0.286	23 Dec 2025
Sub-total	**2021**	**4,119,405**				
Executives						
Rhett Bennett	2021	9,131,348	23 Dec 2021	$0.125	$0.286	23 Dec 2025
Samantha Richardson	2021	3,844,778	23 Dec 2021	$0.125	$0.286	23 Dec 2025
Alan Cooper	2021	3,203,982	23 Dec 2021	$0.125	$0.286	23 Dec 2025
Sub-total	**2021**	**16,180,108**				
Total	**2021**	**20,299,513**				

The number of Options to ordinary shares in the Company under the Executive Share Option Plan held during the financial period year by key management personnel of the Consolidated Entity, including their personally related parties, as at 31 December are set out below.

Table 4: Options Holdings of Directors and Key Management Personnel

Share Options	Year	Number of Options Held at Start of Period	Options Granted	Cancelled or Expired During the Period	Exercised and Converted to Shares	Number of Options Held at End of Period (Unvested)	Vested during the year	Percentage of options/rights that vested during the year	Vested and exercisable at 31 December 2022
Non-Executive Directors									
Peter Cramer	2022	1,373,135	—	—	—	915,423	457,712	33%	457,712
Marie Malaxos	2022	1,373,135	—	—	—	915,423	457,712	33%	457,712
Sara Kelly	2022	1,373,135	—	1,373,135	—	—	—	0%	—
Craig Costello	2022	—	—	—	—	—	—	0%	—
Sub-total	**2022**	**4,119,405**	—	**1,373,135**	**—**	**1,830,847**	**915,423**	**22%**	915,423
Executives									
Rhett Bennett	2022	9,131,348	—	—	—	6,087,565	3,043,783	33%	3,043,783
Samantha Richardson	2022	3,844,778	—	2,563,185	—	—	1,281,593	33%	1,281,593
Alan Cooper	2022	3,203,982	—	2,135,988	**—**	—	1,067,994	33%	1,067,994
Michael Laurent	2022	—	—	—	—	—	—	0%	—
Sub-total	**2022**	**16,180,108**	—	**4,699,173**	—	**6,087,565**	**5,393,370**	33%	**5,393,370**
Total	**2022**	**20,299,513**	**—**	**6,072,308**	**—**	**7,918,412**	**6,308,793**	**31%**	**6,308,793**

Share Options	Year	Number of Options Held at Start of Period	Options Granted	Cancelled or Expired During the Period	Exercised and Converted to Shares	Number of Options Held at End of Period (Unvested)	Vested during the period	Percentage of options/rights that vested during the period	Vested and exercisable at 31 December 2021
Non-Executive Directors									
Peter Cramer	2021	—	1,373,135	—	—	1,373,135	—	0%	—
Marie Malaxos	2021	—	1,373,135	—	—	1,373,135	—	0%	—
Sara Kelly	2021	—	1,373,135	—	—	1,373,135	—	0%	—
Sub-total	**2021**	**—**	**4,119,405**	**—**	**—**	**4,119,405**	—	0%	—
Executives									
Rhett Bennett	2021	—	9,131,348	—	—	9,131,348	—	0%	—
Samantha Richardson	2021	—	3,844,778	—	—	3,844,778	—	0%	—
Alan Cooper	2021	**—**	3,203,982	**—**	**—**	3,203,982	—	0%	—
Sub-total	**2021**	—	**16,180,108**	—	—	**16,180,108**	—	0%	—
Total	**2021**		**20,299,513**			**20,299,513**	—	0%	—

Table 5: Share Based Compensation – Performance Rights Granted to Directors and Key Management Personnel.

	Year	Number of Performance Rights Granted	Grant Date	Average Fair Value at Grant Date	Average Exercise Price Per Right	Expiry Date	Vesting dates
Michael Laurent	2022	3,385,220	5 Dec 2022	$0.0114	nil	5 Dec 2026	1/3 on 5 Dec 2023 1/3 on 5 Dec 2024 1/3 on 5 Dec 2025
Total	**2022**	**3,385,220**					

	Year	Number of Performance Rights Granted	Grant Date	Average Fair Value at Grant Date	Average Exercise Price Per Right	Expiry Date	Vesting dates
Samantha Richardson	2021	2,475,000	23 Dec 2021	$0.20	nil	16 Dec 2025	1/3 on 16 Dec 2022 1/3 on 16 Dec 2023 1/3 on 16 Dec 2024
Alan Cooper	2021	2,062,500	23 Dec 2021	$0.20	nil	16 Dec 2025	1/3 on 16 Dec 2022 1/3 on 16 Dec 2023 1/3 on 16 Dec 2024
Total	**2021**	**4,537,500**					

The performance rights issued to Michael Laurent will vest over a three-year period in equal proportions. 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%

The performance rights issued to Samantha Richardson and Alan Cooper in the prior period were to vest over a three-year period in equal proportions upon the Company announcing that it has successfully completed a 2D seismic program pursuant to which the Company delivers a minimum of 100km of seismic data on or before 31 December 2022, as verified by an independently qualified petrophysicist or geophysicist.

The maximum number of rights to ordinary shares in the Company under the long-term incentive plan held during the financial year by other key management personnel of the Consolidated Entity, including their personally related parties, at 31 December are set out below:

Table 6: Performance Rights Holdings of Directors and Key Management Personnel

Rights	Year	Number of Rights Held at Start of Year	Rights Granted	Cancelled or Expired During the Year	Exercised and Converted to Shares	Number of Rights Held at End of Year
Michael Laurent	2022	—	3,385,220	—	—	3,385,220
Alan Cooper	2022	2,062,500	—	2,062,500	—	—
Samantha Richardson	2022	2,475,000	—	2,475,000	—	—
Total	**2022**	**4,537,500**	**3,385,220**	**4,537,500**	**—**	**3,385,220**

Rights	Year	Number of Rights Held at Start of Period	Rights Granted	Cancelled or Expired During the Period	Exercised and Converted to Shares	Number of Rights Held at End of Period
Samantha Richardson	2021	—	2,475,000	—	—	2,475,000
Alan Cooper	2021	—	2,062,500	—	—	2,062,500
Total	**2021**	**—**	**4,537,500**	**—**	**—**	**4,537,500**

Table 7: Shareholdings of Directors and Key Management Personnel (Ordinary Shares)

	Year	Held at Beginning of Year	Held at Date of Appointment	Shares Acquired	Exercise of Rights	Net Change Other	Held at End of Year
Non-Executive Directors							
Peter Cramer	2022	—	—	—	—	—	—
Marie Malaxos	2022	—	—	70,000	—	—	70,000
Sara Kelly	2022	—	—	—	—	—	—
Craig Costello	2022	—	—	—	—	—	—
Sub-total	**2022**	**—**	**—**	**70,000**	**—**	**—**	**70,000**
Executives							
Rhett Bennett[1]	2022	200,900,001	1	2,030,378	—	—	202,930,379
Samantha Richardson	2022	—	—	—	—	—	—
Alan Cooper	2022	—	—	—	—	—	—
Michael Laurent	2022	—	—	—	—	—	—
Sub-total	**2022**	**200,900,001**	**1**	**2,030,378**	—	—	**202,930,379**
Total		**200,900,001**	**1**	**2,100,378**	—	—	**203,000,379**

	Year	Held at Beginning of Period	Held at Date of Appointment	Shares Acquired	Exercise of Rights	Net Change Other	Held at End of Period
Non-Executive Directors							
Peter Cramer	2021	–	–	–	–	–	–
Marie Malaxos	2021	–	–	–	–	–	–
Sara Kelly	2021	–	–	–	–	–	–
Sub-total	**2021**	**–**	**–**	**–**	**–**	**–**	**–**
Executives							
Rhett Bennett[1]	2021	1	1	200,900,000	–	–	200,900,001
Samantha Richardson	2021	–	–	–	–	–	–
Alan Cooper	2021	–	–	–	–	–	–
Sub-total	2021	**1**	**1**	**200,900,000**	–	–	**200,900,001**
Total		**1**	**1**	**200,900,000**	–	–	**200,900,001**

[1] 900,001 held direct by Rhett Bennett and the remainder held by entities controlled by Rhett Bennett.

H. Executive Service Agreements

The details of service agreements of the key management personnel of the Consolidated Entity are as follows:

Table 8: Key Management Personnel Service Agreements during the year and at the date of signing the Annual Report

Name	Position	Term of agreement expires	Total Annual Fixed Remuneration[1]	Notice period[2,3]
Rhett Bennett	Chief Executive Officer	No fixed term	$150,000	12 months from both Employee and Company
Michael Laurent	Chief Operations Officer	No fixed term	$425,292	3 months from both Employee and Company
Craig Gouws	Chief Financial Officer	No fixed term	$345,000	3 months from both Employee and Company
Former Key Management Personnel				
Samantha Richardson	Chief Operations Officer	No fixed term	$386,750	3 months from Employee and 12 months from Company
Alan Cooper	Chief Financial Officer	No fixed term	$331,500	3 months from both Employee and Company

1 *Total Annual Fixed Remuneration includes compulsory superannuation contributions.*
2 *In certain exceptional circumstances (such as breach or gross misconduct) a shorter notice period applies.*
3 *No termination payments other than for services rendered at time of termination.*

I. Non-Executive Director Fee Arrangements

The Company has engaged all Directors pursuant to written service agreements. The terms of appointment are subject to the Company's constitution. The Company maintains an appropriate level of Directors' and Officers' Liability Insurance and provide rights relating to indemnity, insurance, and access to documents.

The table below summarises the Non-Executive Director fees per annum for 2022 and 2021. Non-Executive Directors received compensation from 13 December 2021 during the prior period.

Board Fees (per annum)	2022	2021
Non-Executive Director	$50,000	$50,000

Under the Company's constitution, in a general meeting the Company may determine the maximum aggregate remuneration to be provided to or for the benefit of the Non-Executive Directors as remuneration for their services as a Director. Further, under the ASX Listing Rules, the total amount of directors' fees paid to the Directors (subject to certain exceptions) must not exceed in aggregate in any financial year the amount fixed by the Company's members in general meeting. As at the report date the maximum aggregate remuneration is $500,000. No fees are payable for committee positions held. The Directors receive superannuation benefits in accordance with legislative requirements.

Signed in accordance with a resolution of the Directors:

Rhett Bennett

Executive Chairman and Chief Executive Officer

30 March 2023

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 audit of Black Mountain Energy Ltd for the financial year ended 31 December 2022 there have been:

i. No contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. No contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Glenn Brooks

Partner

Perth

30 March 2023

FINANCIAL REPORT

CONTENTS

These Financial Statements are the consolidated financial statements of the Group, consisting of Black Mountain Energy Ltd and its subsidiaries.

The Financial Statements are presented in Australian currency.

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 11. These pages are not part of these financial statements.

The financial statements were authorised for issue by the Directors on 30 March 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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 December 2022

	NOTE	2022	26 JULY 2021 TO 31 DECEMBER 2021
		$'000	$'000
Income			
Interest income		64	1
Total income		**64**	**1**
Expenses			
Exploration expense		(3,123)	(77)
Depreciation and amortisation	3	(101)	(2)
General and administrative expenses net of recoveries		(2,064)	(183)
Share based employment benefits	24	(1,066)	(321)
Finance costs		(70)	
Foreign exchange gain		5	2
Cost of listing		—	(84)
Loss before income tax		**(6,355)**	**(664)**
Income tax expense/(benefit)	4	—	—
Net loss for the year		**(6,355)**	**(664)**
Other comprehensive loss for the year, net of tax		—	—
Total comprehensive loss for the year		**(6,355)**	**(664)**
Total comprehensive loss attributable to members of the parent entity		**(6,355)**	**(664)**
Loss per share attributable to the ordinary equity holders of the Company:			
Basic loss per share ($)	16	**(0.02)**	**(0.02)**
Diluted loss per share ($)	16	**(0.02)**	**(0.02)**

The accompanying notes form part of these financial statements.

CONSOLIDATED BALANCE SHEET

AS AT 31 December 2022

	NOTE	2022 $'000	2021 $'000
ASSETS			
Current assets			
Cash and cash equivalents	6	4,381	9,685
Inventory		35	—
Trade and other receivables	7	552	510
Total current assets		**4,968**	**10,195**
Non-current assets			
Property, plant and equipment	8	58	74
Exploration assets	9	42,762	42,762
Right of use asset		150	—
Other financial assets	10	75	75
Total non-current assets		**43,045**	**42,911**
Total assets		**48,013**	**53,106**
LIABILITIES			
Current liabilities			
Trade and other payables	11	580	494
Provisions	12	41	69
Lease liabilities		78	—
Total current liabilities		**699**	**563**
Non-current liabilities			
Provisions	12	2,677	2,695
Lease liabilities		78	—
Total non-current liabilities		**2,755**	**2,695**
Total liabilities		**3,454**	**3,258**
Net assets		**44,559**	**49,848**
EQUITY			
Contributed equity	13(a)	50,191	50,191
Reserves	14	1,387	321
Accumulated losses	15	(7,019)	(664)
Total equity		**44,559**	**49,848**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 December 2022

	NOTE	Contributed Equity $'000	Reserves $'000	Accumulated Losses $'000	Total $'000
Balance at 26 July 2021		—	—	—	—
Total loss for the period	15	—	—	(664)	(664)
Other comprehensive income		—	—	—	—
Total comprehensive loss for the period		—	—	(664)	(664)
Contributed equity	13	51,000	—	—	51,000
Share issue costs	13	(809)	—	—	(809)
Share based payments	24	—	321	—	321
		50,191	321	—	50,512
Balance at 31 December 2021		**50,191**	**321**	**(664)**	**49,848**
Balance at 1 January 2022		**50,191**	**321**	**(664)**	**49,848**
Total loss for the year	15	—	—	(6,355)	(6,355)
Other comprehensive income		—	—	—	—
Total comprehensive loss for the year		—	—	(6,355)	(6,355)
Share based payments	24	—	1,066	—	1,066
		—	1,066	(6,355)	—
Balance at 31 December 2022		**50,191**	**1,387**	**(7,019)**	**44,559**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 December 2022

	NOTE	2022	26 JULY 2021 TO 31 DECEMBER 2021
		$'000	$'000
Cash flows from operating activities			
Payments for exploration expenditure		(3,168)	(173)
Payments to other suppliers and employees		(2,097)	(220)
Payments for listing costs		(18)	(212)
Interest received		64	—
Net cash (outflow) from operating activities	20	**(5,219)**	**(605)**
Cash flows from investing activities			
Cash received on acquisition of Black Mountain Exploration Australia Pty Ltd	21	—	241
Payments for property, plant, and equipment		(9)	—
Net cash (outflow)/inflow from investing activities		**(9)**	**241**
Cash flows from financing activities			
Proceeds from issue of equity securities		—	11,000
Transaction costs related to issues of equity securities		—	(809)
Repayment of borrowings		—	(142)
Payment of principal portion of lease liability		(76)	—
Net cash (outflow)/inflow from financing activities		**(76)**	**10,049**
Net (decrease)/increase in cash and cash equivalents		**(5,304)**	**9,685**
Cash and cash equivalents at the beginning of the financial year		**9,685**	—
Cash and cash equivalents at the end of the financial year	6	**4,381**	**9,685**

The accompanying notes form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 December 2022

NOTE 1: REPORTING ENTITY

Black Mountain Energy Ltd (the "Company" or "BME") is a Company domiciled in Australia and was incorporated on 26th July 2021. 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.

The comparative financial information in these consolidated financial statements is for the period of 26 July 2021 to 31 December 2021.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Black Mountain Energy Ltd ("the Company") and its subsidiaries (collectively "the Group" or "the Consolidated Entity").

(a) Basis of Preparation

These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board. The financial statements comply with International Financial Reporting Standards adopted by the International Accounting Standards Board. The financial statements have been prepared on the historical cost basis.

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 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 year of $6,355,000, had a net decrease cash flow of $5,304,000 and had an overall net current asset position at 31 December 2022 of $4,269,000. The Board and management monitor the Group's cash flow requirements to ensure it has sufficient funds to meet its contractual commitments and adjusts its spending, particularly with respect to discretionary exploration activity and corporate expenditures. The Board have considered the cash implications of the Half Moon Prospect acquisition during January 2023 and the Entitlement Offer undertaken during March 2023. Supported by the cash assets at 31 December 2022 of $4,381,000, the Group forecasts that over at least the next 12 months, it will have sufficient funds to meet its commitments and continue to pay its debts as and when they fall due. In line with industry practice, the Group would consider a combination of financing arrangements to meet future commitments, including but not limited to; borrowings, gas presales, farmouts and equity from new and existing shareholders. Accordingly, the Directors believe the going concern assumption is appropriate.

(a) Basis of Preparation (continued)

(ii) Early Adoption of Standards

The Group has not applied any pronouncements to the annual reporting period beginning on 1 January 2023 where such application would result in them being applied prior to them becoming mandatory.

(iii) Critical Accounting Judgements and Key Sources of Estimate Uncertainty

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions regarding carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates. Key judgements in applying the entity's accounting policies are required in the following areas:

Rehabilitation Obligations

The Group recognises any obligations for removal and restoration that are incurred during a particular period because of exploration and evaluation activity. The Group makes provision for future restoration expenditure relating to work previously undertaken based on management's estimation of the work required and by obtaining cost estimates from relevant experts. Further information on the nature and carrying amount of restoration and rehabilitation obligations can be found in Note 12.

Share-based Payments

The Group is required to use assumptions in respect of its fair value models, and the variable elements in these models, used in attributing a value to share based payments. The Directors have used a model to value options and rights, which requires estimates and judgements to quantify the inputs used by the model. Further information on the assumptions used in determining the fair value of rights and options granted during the year can be found in Section G of the Remuneration Report and Note 24.

Capitalised Exploration and Evaluation Expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on several factors, including whether the Group decides to exploit the lease itself or, if not, whether it successfully recovers the related exploration and evaluation expenditure through sale. Factors that impact recoverability may include, but are not limited to, the level of resources and reserves, the cost of production, regulatory changes, and commodity price movements. Acquisition expenditure is capitalised if activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent that the capitalised acquisition expenditure is determined not to be recoverable in future, profits and net assets will be reduced in the year in which this determination is made. Further information on the carrying value of capitalised exploration and evaluation expenditure can be found in Note 9.

(a) Basis of Preparation (continued)

Taxation

The Group's accounting policy for taxation requires management's judgement in relation to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also made in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the Consolidated Balance Sheet. Deferred tax assets, including those arising from un-recouped tax losses and capital losses, are recognised only where it is considered more likely than not, they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility changes in circumstances will alter expectation, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the Consolidated Balance Sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

(b) Principles of Consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Black Mountain Energy Ltd ("the Company" or "Parent Entity") as at 31 December and the results of all subsidiaries for the year then ended. Black Mountain Energy Ltd and its subsidiaries together are referred to in this financial report as "the Group" or "the Consolidated Entity".

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and can affect those returns through its power to direct the activities of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The acquisition method is used to account for business combinations by the Group.

Intercompany transactions, balances, and unrealised gains on transactions between Group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests (if applicable) in the results and equity of subsidiaries are shown separately in the statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(c) Segment Reporting

Operating segments are reported in Note 17 in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision makers, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the Executive Management Team.

(d) Foreign Currency Translation

(i) 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"). The consolidated financial statements are presented in Australian dollars, which is Black Mountain Energy Ltd's functional currency and presentation currency.

(ii) 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 and qualifying net investment hedges.

(e) Revenue Recognition

Revenue from contracts with customers is recognised in the income statement when the performance obligations are considered met, which is when the Group transfers control of goods or services to a customer. Revenue is recognised at the amount to which the Group expects to be entitled. If the consideration promised includes a variable amount, the Group estimates the amount of consideration to which it will be entitled.

(i) Interest Income

Interest income is recognised on a time proportionate basis that considers the effective yield on the financial assets.

(f) Income Tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

(i) Current Tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax liability arising from dividends.

(ii) Deferred Tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow the way the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset only if certain criteria are met. A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary

(f) Income Tax (continued)

differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax exposures

In determining the amount of current and deferred tax the Company considers the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the year that such a determination is made.

(iii) Goods and Services Tax

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position. Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

(g) Leases

Recognition and measurement

When a contract is entered, the Group assesses whether the contract contains a lease. A lease arises when the Group has the right to direct the use of an identified asset which is not substitutable and to obtain substantially all economic benefits from the use of the asset throughout the period of use. The leases recognised by the Group predominantly relate to property. The Group separates the lease and non-lease components of the contract and accounts for these separately. The Group allocates the consideration in the contract to each component based on their relative stand-alone prices.

Leases as a lessee

Lease assets and lease liabilities are recognised at the lease commencement date, which is when the assets are available for use. The assets are initially measured at cost, which is the present value of future lease payments adjusted for any lease payments made at or before the commencement date, plus any make-good obligations and initial direct costs incurred. Lease assets are depreciated using the straight-line method over the shorter of their useful life and the lease term. Periodic adjustments are made for any re-measurements of the lease assets and for impairment losses, assessed in accordance with the Group's impairment policies. Lease liabilities are initially measured at the present value of future minimum lease payments, discounted using the Group's incremental borrowing rate if the rate implicit in the lease cannot be readily determined, and are subsequently

(g) Leases (continued)

measured at amortised cost using the effective interest rate. Minimum lease payments are fixed payments or index-based variable payments incorporating the Group's expectations of extension options and do not include non-lease components of a contract.

Short term leases and leases of low value

Short term leases (lease term of 12 months or less) and leases of low value assets are recognised as incurred as an expense in the consolidated income statement. Low value assets comprise plant and equipment.

(h) Impairment of Assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(i) Cash and Cash Equivalents

For presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of 3 months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(j) Other Financial Assets

(i) Classification

The Group's financial assets consist of receivables and security deposits. These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Receivables are included in trade and other receivables (Note 7) in the balance sheet. Amounts paid as performance bonds or amounts held as security for bank guarantees are classified as other financial assets (Note 10).

(ii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Loans and receivables are subsequently carried at amortised cost using the effective interest method. The Group considers an allowance for expected credit losses (ECLs) for its financial assets. The Group applies a simplified approach in calculating ECLs which is based on an assessment on its historical credit loss experience, adjusted for factors specific to the counterparty and the economic environment.

(k) Property, Plant and Equipment

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance costs are charged to profit or loss during the reporting period in which they are incurred.

Land is not depreciated. Depreciation of plant and equipment is calculated on a reducing balance basis to write off the net costs of each asset over the expected useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the profit or loss. The expected useful life for each class of depreciable assets is:

Class of Fixed Asset	Expected Useful Life
Buildings	40 years
Leasehold Improvements	2 – 6 years
Plant and Equipment	2 – 30 years
Motor Vehicles	3 years

(l) Exploration Expenditure

Exploration and evaluation expenditure in respect of each area of interest is accounted for using the successful efforts method of accounting. The successful efforts method requires all exploration and evaluation expenditure to be expensed in the period it is incurred, except the costs of drilling successful wells and the costs of acquiring interests in new exploration assets, and appraisal costs relating to determining development feasibility, which are capitalised as an asset.

An exploration/appraisal well is unsuccessful if no recoverable hydrocarbons are identified, or the Board considers that the hydrocarbons are not commercially viable. Where hydrocarbon resources exist, the costs of successful wells may remain capitalised where further appraisal of the discovery is planned. If this further appraisal does not lead to the discovery of commercially recoverable reserves, all these costs would be impaired. Exploration and evaluation expenditure is accumulated on a well-by-well basis and may be carried forward at the end of a reporting period, pending determination. An area of interest refers to an individual geological area where the presence of oil or a natural gas field is considered favourable or has been proved to exist, and in most cases will comprise an individual prospective oil or gas field. Exploration and evaluation expenditure is recognised in relation to an area of interest when the rights to tenure of the area of interest are current and either:

- such expenditure is expected to be recovered through successful development and commercial exploitation of the area of interest or, alternatively, by its sale; or
- the exploration activities in the area of interest have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

(l) Exploration Expenditure (continued)

Where an ownership interest in an exploration and evaluation asset is exchanged for another, the transaction is recognised by reference to the carrying value of the original interest. Any cash consideration paid, including transaction costs, is accounted for as an acquisition of exploration and evaluation assets. Any cash consideration received, net of transaction costs, is treated as a recoupment of costs previously capitalised with any excess accounted for as a gain on disposal of non-current assets. The carrying amounts of the Group's exploration and evaluation assets are reviewed at each reporting date to determine whether any of the following indicators of impairment exists:

- tenure over the licence area has expired during the period or will expire in the near future, and is not expected to be renewed; or
- substantive expenditure on further exploration for and evaluation of resources in the specific area is not budgeted or planned; or
- exploration for and evaluation of resources in the specific area has not led to the discovery of commercially viable quantities of resources, and the Group has decided to discontinue activities in the specific area; or
- sufficient data exists to indicate that although a development is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or from sale.

Where an indicator of impairment exists, a formal estimate of the recoverable amount is made and any resultant impairment loss is recognised in the income statement. When a discovered oil or gas field enters the development phase the accumulated exploration and evaluation expenditure is transferred to oil and gas assets. Determining the recoverability of exploration and evaluation expenditure capitalised requires estimates and judgements as to future events and circumstances, in particular, whether successful development and commercial exploitation or sale of the respective area of interest is likely. Critical to this assessment are estimates and assumptions as to the timing of expected cash flows, exchange rates, commodity prices and future capital requirements. If, after having capitalised the expenditure a judgement is made that recovery of the expenditure is unlikely, an impairment loss is recorded in the income statement.

(m) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial period which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(n) Provisions

(i) Restoration and Rehabilitation

The Group records the present value of the estimated cost of legal and constructive obligations to restore operating locations in the period in which the obligation arises. The nature of restoration activities includes the removal of facilities, abandonment of wells and restoration of affected areas.

A restoration provision is recognised and updated at different stages of the development and construction of a facility and then reviewed on an annual basis. When the liability is initially recorded, the present value of the estimated future cost is capitalised by increasing the carrying amount of the related property plant and equipment. Over time, the liability is increased for the change in the present value based on a pre-tax discount rate appropriate to the risks inherent in the liability. The unwinding of the discount is recorded as an accretion charge within finance costs.

The carrying amount capitalised in property plant and equipment is depreciated over the useful life of the related producing asset (refer to Note 2(k)).

Costs incurred that relate to an existing condition caused by past operations and do not have a future economic benefit are expensed.

(ii) Other

Provisions for legal claims and make good obligations are recognised when the Group has a present legal or constructive obligation because of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as accretion expense.

(o) Employee Benefits

(i) Short term Obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and long service leave is recognised in the provision for employee benefits. All other short term employee benefit obligations are presented as payables.

(ii) Long term Employee Benefit Obligations

The liability for long service leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Share-based Payments

Share-based compensation benefits are provided to employees of Black Mountain Energy Ltd.

The fair value of options or rights granted is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the rights or options granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions.

Non-market vesting conditions are included in assumptions about the number of rights or options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of rights or options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

(iv) Termination Benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits.

The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of AASB 137 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(p) Contributed Equity

Ordinary shares are classified as equity and measured at the fair value of the consideration received.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(q) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

(r) Earnings Per Share

(i) Basic Earnings Per Share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period.

(ii) Diluted Earnings Per Share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the exercise of all dilutive potential ordinary shares.

(s) Parent Entity Financial Information

The financial information for the Parent Entity, Black Mountain Energy Ltd, disclosed in Note 18, has been prepared on the same basis as the consolidated financial statements except for investments in subsidiaries, associates and joint venture entities which are accounted for at cost in the financial statements of Black Mountain Energy Ltd.

(t) Business Combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with Ltd exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

(t) Business Combinations (continued)

Acquisition related costs are expensed as incurred.

The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

(u) Inventories

Consumable inventory on hand is stated at the lower of cost and net realisable value. Net realisable value is the estimated recoverable price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of consumable inventory comprises purchase and delivery costs, net of rebates and discounts received or receivable. The assignment of cost to inventory items is done by utilising the first in first out (FIFO) formula, meaning inventory on hand at the end of the periods are assigned the cost of items most recently purchased.

(v) Standards, Amendments and Interpretations

New and amended accounting standards and interpretations issued but not yet effective

A number of new standards, amendments of standards and interpretations have recently been issued but are not yet effective and have not been adopted by the Group as at the financial reporting date. The Group has reviewed these standards and interpretations and has determined that none of the new or amended standards will significantly affect the Group's accounting policies, financial position or performance.

New and amended accounting standards and interpretations adopted

A number of new standards are effective from 1 January 2022 but they do not have a material effect on the Group's financial statements.

3. EXPENSES

Loss before income tax includes the following specific expenses:

	NOTE	2022	26 JULY 2021 TO 31 DECEMBER 2021
		$'000	$'000
Depreciation			
Plant and equipment	8	26	2
Right of use asset		75	—
Total depreciation		**101**	**2**

4. INCOME TAX

This note provides an analysis of the Group's income tax expense, shows what amounts are recognised directly in equity and how the tax credit is affected by non-assessable and non-deductible items. It also explains significant estimates made in relation to the Group's tax position.

		2022	26 JULY 2021 TO 31 DECEMBER 2021
		$'000	$'000
(a) Income tax expense			
Current tax		—	—
Deferred tax		—	—
Income tax expense		**—**	**—**
(Loss) before income tax expense		(6,355)	(664)
Prima facie tax benefit at 25% (2021: 26%)		(1,589)	(173)
Tax effect of amounts which are not deductible in calculating taxable income:			
Share based payments		266	96
Sub-total		(1,323)	(77)
Deferred tax assets not recognised		1,323	77
Income tax expense		—	**—**
(b) Unrecognised deferred tax assets			
Unutilised tax losses, that do not expire, for which no deferred tax asset has been recognized.		12,745	7,861
Potential tax benefit at 25% (2021: 26%)		**3,186**	**2,043**

4. INCOME TAX (continued)

Unutilized tax losses have no expiry date and include those from the consolidated tax group which Black Mountain Energy is the head. These losses were acquired as part of the acquisition of Black Mountain Exploration Australia (see note 21) and for which the company has placed no value given there is not yet an expectation of future taxable income for which to utilise these losses.

5. REMUNERATION OF AUDITORS

The following fees were paid or payable for services provided by KPMG Australia, the auditor of the Company, its related practices and non-related audit firms:

		2022	2021
		$	**$**
Audit and other assurance services			
Audit and review of Group financial statements Initial public offering audit services		57,500 —	50,500 89,463
		57,500	139,963
Taxation services			
Taxation advisory		20,183	—
Initial public offering		—	46,050
		20,183	46,050
Total remuneration of KPMG		**77,683**	**186,013**

6. CASH AND CASH EQUIVALENTS

		2022	2021
		$'000	**$'000**
Cash at bank and in hand		**4,381**	**9,685**
Made up as follows:			
Corporate (a)		4,381	9,685
		4,381	**9,685**

a) $3,000,000 of this balance is held in a 31-day notice saver account at 31 December 2022.

(i) Risk exposure

The Group's exposure to interest rate risk is discussed in Note 25(c). The maximum exposure to credit risk at the end of the reporting year is the carrying amount of cash and cash equivalents.

7. TRADE AND OTHER RECEIVABLES

		2022	2021
		$'000	**$'000**
Current			
Other receivables		69	196
Prepayments		483	314
		552	**510**

Due to the nature of the Group's receivables, their carrying values are considered to approximate their fair values. The Group applies the simplified approach to providing for expected credit losses (refer Note 25(a)).

8. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fittings	Plant and Equipment	Total
	$'000	$'000	$'000
Period ended 31 December 2021			
Opening net book amount	—	—	—
Additions	—	—	—
Acquired during the period (Note 21)	16	60	76
Depreciation charge	(1)	(1)	(2)
Closing net book amount	**15**	**59**	**74**
At 31 December 2021			
Cost	16	60	76
Accumulated depreciation	(1)	(1)	(2)
Net book amount	**15**	**59**	**74**
Balance at 1 January 2022	15	59	74
Additions	10	—	10
Depreciation charge	(11)	(15)	(26)
Closing net book amount	**14**	**44**	**58**
At 31 December 2022			
Cost	26	60	86
Accumulated depreciation	(12)	(16)	(28)
Net book amount	**14**	**44**	**58**

9. EXPLORATION ASSETS

		2022	2021
		$'000	**$'000**
Acquisition costs of right to explore		**42,762**	**42,762**
Movement for the year:			
Balance at the beginning of the year		42,762	—
Acquired during the year (Note 21)		—	42,762
Balance at the end of the year		**42,762**	**42,762**

10. OTHER FINANCIAL ASSETS

		2022	2021
		$'000	**$'000**
Non-Current			
Term deposit		**75**	**75**

The Term deposit is a condition of the Level 14, 225 St Georges Terrace, Perth lease arrangement. The current deposit matures on 24 September 2024.

11. TRADE AND OTHER PAYABLES

		2022	2021
		$'000	**$'000**
Current			
Trade payables		188	270
Other payables		48	30
Accruals		344	194
		580	**494**

Trade payables are usually non-interest bearing provided payment is made within the terms of credit. The Consolidated Entity's exposure to liquidity and currency risks related to trade and other payables is disclosed in Note 25.

12. PROVISIONS

2022	CURRENT $'000	NON-CURRENT $'000	TOTAL $'000
Employee entitlements (a)	41	6	47
Restoration and rehabilitation (b)	—	2,671	2,671
	41	**2,677**	**2,718**

2021	CURRENT $'000	NON-CURRENT $'000	TOTAL $'000
Employee entitlements (a)	69	—	69
Restoration and rehabilitation (b)	—	2,695	2,695
	69	**2,695**	**2,764**

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. 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 year are set out below:

2022	**Employee Entitlements $'000**	**Restoration & Rehabilitation $'000**	**Total $'000**
Carrying amount at start of year	69	2,695	2,764
Provisions made during the year	82	—	82
Provisions reductions during the year	(104)	(56)	(160)
Provisions accretion during the year	—	32	32
Carrying amount at end of year	**47**	**2,671**	**2,718**

13. CONTRIBUTED EQUITY

(a) Share capital

	2022 $'000	2021 $'000
255,000,001 fully paid ordinary shares	**50,191**	**50,191**

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 31 December 2021 and 2022, 200,000,000 ordinary shares are subject to escrow until 21 December 2023, being 24 months from the date of Quotation.

Movements in Ordinary Share Capital

2021	NUMBER OF SHARES	ISSUE PRICE $	$'000
Balance at start of period	1	1.00	—
Issue of shares – acquisition of Black Mountain Exploration Australia Pty Ltd	200,000,000	0.20	40,000
Issue of shares – initial public offering	55,000,000	0.20	11,000
Share issue costs	—	—	(809)
Balance at end of period	**255,000,001**		**50,191**

2022	NUMBER OF SHARES	ISSUE PRICE $	$'000
Balance at start of year	255,000,001	—	**50,191**
Balance at end of year	**255,000,001**		**50,191**

(b) Share options

Black Mountain Energy issued options during 2022 as consideration for the services provided by Foster Stockbroking Pty Limited relating to the capital markets advisory service.

Name of recipient	Date granted	Vesting Dates	Exercise Price	Expiry Date	Number of options granted
Foster Stockbroking Pty Limited	15 June 2022	N/A	$0.3	15 June 2025	3,750,000

The other assumptions used to value the options include volatility of 100% and an interest rate of 3.3%.

13. CONTRIBUTED EQUITY (continued)

Key inputs used in the fair value calculation of the unlisted options which has been granted during the year ended 31 December 2022 were as follows:

Number Granted	Exercise Price	Expected Vesting Dates	Expiry Date	Share Price At Grant Date	Fair Value Per Unlisted Option	Total Fair Value $
3,750,000	$0.3	-	15 June 2025	$0.097	$0.0374	140,250

Black Mountain Energy share options are used to reward Directors and Employees for their performance and to align their remuneration with the creation of shareholder wealth. Options are granted at the discretion of the Board of Directors and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits. The options are not listed and carry no dividend or voting right. Upon exercise, each option is convertible into one ordinary share to rank pari passu in all respects with the Company's existing fully paid ordinary shares.

No share options were issued to Directors and Employees during the 2022 financial year. The following table shows the movements in options over ordinary shares during the 2022 financial year.

	Expiry Date	Exercise Price	Balance at Start of Period	Issued During the Period	Lapsed During the Period	Exercised During the Period	Balance at the End of the Year
Unlisted options	15 June 2025	$0.3	—	3,750,000	—	—	3,750,000
Unlisted options	23 Dec 2025	$0.286	20,299,513	—	6,072,308	—	14,227,205
Total			**20,299,513**	**3,750,000**	**6,072,308**	**—**	**17,977,205**

The following table shows the movement in options over ordinary shares during the 2021 period:

	Expiry Date	Exercise Price	Balance at Start of Period	Issued During the Period	Lapsed During the Period	Exercised During the Period	Balance at the End of the Period
Unlisted options	23 Dec 2025	$0.286	—	20,299,513	—	—	20,299,513
Total			**—**	**20,299,513**	**—**	**—**	**20,299,513**

13. CONTRIBUTED EQUITY (continued)

Key inputs used in the fair value calculation of the unlisted options which has been granted during the period ended 31 December 2021 were as follows:

Number Granted	Exercise Price	Expected Vesting Dates	Expiry Date	Share Price At Grant Date	Fair Value Per Unlisted Option	Total Fair Value $
20,299,513	$0.286	1/3 on 16 Dec 2022 1/3 on 16 Dec 2023 1/3 on 16 Dec 2024	23 Dec 2025	$0.20	$0.125	2,537,439

The above fair value calculation included 100% volatility and 0.51% risk free rate.

(c) Performance rights

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 performance rights issued to Michael Laurent will vest over a three-year period in equal proportions. 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%

The other assumptions used to value the Performance Rights include volatility of 66.19% and a risk-free rate of 2.966%.

The performance rights issued in the prior period to Samantha Richardson and Alan Cooper were to vest over a three-year period in equal proportions upon the Company announcing that it has successfully completed a 2D seismic program pursuant to which the Company delivers a minimum of 100km of seismic data on or before 31 December 2022, as verified by an independently qualified petrophysicist or geophysicist.

13. CONTRIBUTED EQUITY (continued)

The following table shows the movement in performance rights over ordinary shares during the year:

Grant Date	Expiry Date	Exercise Price	Balance At Start of Year	Issued During the Year	Lapsed During the Year	Converted During the Year	Balance at the end of the Year
23 Dec 2021	16 Dec 2025	nil	4,537,500	—	4,537,500	—	—
5 Dec 2022	5 Dec 2026	nil	—	3,385,220	—	—	3,385,220
Total			**4,537,500**	**3,385,220**	**4,537,500**	**—**	**3,385,220**

The following table shows the movement in performance rights over ordinary shares during the 2021 period:

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
23 Dec 2021	16 Dec 2025	nil	—	4,537,500	—	—	4,537,500
Total			**—**	**4,537,500**	**—**	**—**	**4,537,500**

Key inputs used in the fair value calculation of the performance rights which have been granted during the year ended 31 December 2022 and 2021 were as follows:

Number Granted	Exercise Price	Expected Vesting Dates	Expiry Date	Share Price At Grant Date	Fair Value Per Performance Right	Total Fair Value $
3,385,220	nil	1/3 on 5 Dec 2023 1/3 on 5 Dec 2024 1/3 on 5 Dec 2025	5 Dec 2026	\$0.04	\$0.0114	38,592

Number Granted	Exercise Price	Expected Vesting Dates	Expiry Date	Share Price At Grant Date	Fair Value Per Performance Right	Total Fair Value $
4,537,500	nil	1/3 on 16 Dec 2022 1/3 on 16 Dec 2023 1/3 on 16 Dec 2024	16 Dec 2025	\$0.20	\$0.20	907,500

13. CONTRIBUTED EQUITY (continued)

(d) Capital risk management

The Group's objective when managing capital is to safeguard the ability to continue as a going concern to ultimately add value for shareholders through the exploitation of hydrocarbon resources. This is monitored using cash flow forecasts. To maintain the capital structure, the Group may issue new shares or other equity instruments.

On 23 December 2021, the Company completed an initial public offering and listed on the Australian Stock Exchange, raising $11 million before raising costs.

14. RESERVES

		2022	2021
		$'000	**$'000**
Share based payment reserve		**1,387**	**321**
Movements:			
Balance at start of year		321	—
Share based payment costs (a)		1,066	321
Balance at end of year		**1,387**	**321**

(a) Share based payments are provided to Directors and employees as part of their remuneration agreement with the Company. The share-based payment reserve records items recognised as expenses on valuation of share-based payments. Refer to Note 24 for further details of share-based payments.

15. ACCUMULATED LOSSES

	2022	2021
	$'000	**$'000**
Movements in accumulated losses were as follows:		
Balance at the start of year	(664)	—
Net loss for the year	(6,355)	(664)
Balance at end of year	**(7,019)**	**(664)**

16. LOSS PER SHARE

	2022	2021
(a) Basic and diluted loss per share ($)	**(0.02)**	**(0.02)**
(b) Loss used in loss per share calculation		
Loss attributed to ordinary equity holders ($'000)	**(6,355)**	**(664)**
(c) Weighted average number of shares used		
Weighted average number of shares used as the denominator in calculating loss per share	**255,000,001**	**42,500,001**

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.

17. SEGMENT REPORTING

The Company operates as an unconventional gas exploration Company and operates only in Australia. This is considered the only reportable segment.

18. PARENT ENTITY INFORMATION

The individual financial summary statements for the Parent Entity show the following aggregate amounts:

	2022 **$'000**	2021 **$'000**
Balance Sheet		
Current assets	4,883	10,136
Non-current assets	40,000	40,000
Total assets	44,883	50,136
Current liabilities	418	271
Non-current liabilities	1	17
Total liabilities	419	288
Net assets	**44,464**	**49,848**
Shareholders' equity		
Issued capital	50,191	50,191
Reserves	1,387	321
Accumulated losses	(7,114)	(664)
Total equity	**44,464**	**49,848**
(Loss) for the year	**(6,450)**	**(664)**
Total comprehensive (loss)	**(6,450)**	**(664)**

No commitments exist at reporting date.

19. 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.

(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	2021 %
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

(c) Key management personnel compensation

	2022 $	2021 $
Short term employee benefits	928,315	47,655
Post-employment benefits	67,898	3,499
Long term benefits	873	528
Share based payments	925,329	321,428
	1,922,415	**373,110**

Detailed remuneration disclosures are provided in the remuneration report on pages 20 to 30.

(d) Transactions with other related parties

Acquisition of Black Mountain Exploration Australia Pty Ltd

On 13th December 2021 Black Mountain Energy Ltd acquired 100% of Black Mountain Exploration Australia Pty Ltd ("BMA") from BM Canning LLC and Black Mountain Land Company LP. Purchase price was settled by issuing 200,000,000 ordinary shares at 20c per share.

Rhett Bennett is the sole manager of BM Canning LLC and holds an equity interest in BM Canning personally. Mr Bennett is the sole limited partner of Black Mountain Land Company LP and holds a 100% equity interest in Black Mountain Land Company LP, 99% of which is held personally and 1% is held indirectly through Black Mountain Energy LLC (the sole general partner of Black Mountain Land Company LP). Mr Bennett holds a 100% equity interest in Black Mountain Energy LLC personally.

19. RELATED PARTY TRANSACTIONS (continued)

Loans from related parties

A short-term loan of USD100,000 (AUD142,145 equivalent) was received from Black Mountain Land Company LP on 1 December 2021 to meet working capital requirements. The loan was settled in full on 30 December 2021.

Purchase of services

i) The Company entered into a transitional services agreement (TSA) in the prior period 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.

	2022	2021
	$	$
Provision of services	179,476	15,375
Balance payable at 31 December	—	—

ii) Black Mountain Metals II LLC utilised office facilities at Level 14, 225 St Georges Terrace Perth during the year on a short-term arrangement.

	2022	2021
	$	$
Other income reducing expenditure	55,354	—
Balance receivable at 31 December	6,665	—

iii) Wald International Services LLC provided senior advisory services to the Board including developing a commercialisation strategy for the EP 371 asset. Ashley Zumwalt-Forbes is a Member of Wald International Services LLC.

	2022	2021
	$	$
Provision of services	285,758	44,500
Balance payable at 31 December	—	—

20. RECONCILIATION OF PROFIT OR LOSS AFTER INCOME TAX TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	2022	2021
	$’000	**$’000**
Loss after income tax	**(6,355)**	**(664)**
Adjustments for:		
Depreciation and amortisation	101	2
Share-based payments	1,066	321
Changes in assets and liabilities relating to operating activities:		
(Increase) in trade and other receivables	(40)	(162)
Increase/(Decrease) in trade and other payables	90	(105)
(Decrease)/Increase in provisions	(46)	3
(Increase) in inventory	(35)	—
Net cash outflow from operations	**(5,219)**	**(605)**

21. ACQUISITION OF BLACK MOUNTAIN EXPLORATION AUSTRALIA PTY LTD

On 13th December 2021 Black Mountain Energy Ltd acquired 100% of Black Mountain Exploration Australia Pty Ltd which was accounted for as an asset acquisition. Purchase price was settled by issuing 200,000,000 ordinary shares at 20c per share.

	13 DECEMBER 2021 $'000
Black Mountain Exploration Australia Pty Ltd	
Amounts settled by issue of 200,000,000 Black Mountain Energy Ltd ordinary shares at initial public offering price of 20c per share	40,000
Total	**40,000**
Recognised amounts of net assets	
Current assets	
Cash and cash equivalents	241
Trade and other receivables	345
Total current assets	**586**
Non-current assets	
Property, plant and equipment	76
Exploration assets	42,762
Other financial assets	75
Total non-current assets	**42,913**
Recognised amounts of net liabilities	
Current Liabilities	
Trade and other payables	737
Provisions	50
Total current liabilities	**787**
Non-current liabilities	
Provisions	2,712
Total non-current liabilities	**2,712**
Net assets acquired	**40,000**

22. CONTINGENCIES

The Group had no contingent assets or liabilities as at 31 December 2022.

23. COMMITMENTS

The Consolidated Entity has the following minimum expenditure commitments:

	2022 $'000	2021 $'000
The following amounts are due:		
Within one year	1,078	1,000
Later than one year but not later than five years	8,081	8,000
Later than five years	—	—
	9,159	**9,000**

(a) Exploration commitments

The exploration commitments may be varied in the future because of renegotiations of the terms of exploration permits. The Company submitted to the Department of Mines, Industry Regulation and Safety, on the 9 March 2023, a Suspend and Extend application pursuant to Section 97 of the PGERA 1967, and Guideline for Exploration Permit Management Section 7.3. It is expected that the Department will look favourably on the application considering the extreme flood event generated by ex-Tropical Cyclone Ellie in December 2022 and January 2023, the commitments reflected above do not take the expected outcome of the Suspend and Extend application into account. 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 outstanding commitment at 31 December 2022 is $159,052.

No other lease commitments exist as at 31 December 2022.

24. SHARE BASED PAYMENTS

(a) Share options

An Employees Securities Incentive Plan operates to provide incentives for Directors and Key Executives. Participation in the plan is at the Board's discretion. Options have been issued for capital market advisory services during the year. Details of options issued 2021 and 2022 are shown below.

Grant Date	Expiry Date	Balance at Start of Year	Granted During the Year	Exercise Price	Average Fair Value Per Option	Exercised During the Year	Cancelled or Expired During the Year	Balance at End of Year	Vested and Exercisable
2022									
15 June 2022	25 June 2025	—	3,750,000	$0.30	$0.0374	—	—	—	3,750,000
23 Dec 2021	23 Dec 2025	20,299,513	—	$0.286	$0.125	—	6,072,308	14,227,205	6,308,793
Totals		**20,299,513**	**3,750,000**	**$0.286**	**$0.125**	**—**	**6,072,308**	**14,227,205**	**10,058,793**
Weighted average exercise price								**$0.288**	

Grant Date	Expiry Date	Balance at Start of Period	Granted During the Period	Exercise Price	Average Fair Value Per Option	Exercised During the Period	Cancelled or Expired During the Period	Balance at End of Period	Vested and Exercisable
2021									
23 Dec 2021	23 Dec 2025	—	20,299,513	$0.286	$0.125	—	—	20,299,513	—
Totals		**—**	**20,299,513**	**$0.286**	**$0.125**	**—**	**—**	**20,299,513**	**—**
Weighted average exercise price								**$0.286**	

The weighted average fair value of options granted during the 2021 period was $0.125. The values of Executive Options are calculated at the date of grant using a Black Scholes valuation. The options are not listed and carry no dividend or voting right. Upon exercise, each option is convertible into one ordinary share to rank pari passu in all respects with the Company's existing fully paid ordinary shares. The following factors and assumptions were used in determining the fair value of options granted to Executives during the period:

Grant Date	Expiry Date	Fair Value Per Option	Exercise Price	Price of Shares at Grant Date	Estimated Volatility	Risk Free Interest Rate	Dividend Yield	Vesting Dates
2021								
23 Dec 2021	23 Dec 2025	$0.125	$0.286	$0.20	100%	0.51%	—	1/3 on 16 Dec 2022 1/3 on 16 Dec 2023 1/3 on 16 Dec 2024

24. SHARE BASED PAYMENTS (continued)

(b) Performance rights

Details of performance rights issued to Directors and Key Executives in 2022 and 2021 are shown below.

Grant Date	Expiry Date	Balance at Start of Year	Granted During the Year	Average Fair Value Per Right	Exercised During the Year	Cancelled or Forfeited During the Year	Balance at End of Year	Vesting Dates
2022								
23 Dec 2021	16 Dec 2025	4,537,500	—	$0.20	—	4,537,500	—	1/3 on 16 Dec 2022 1/3 on 16 Dec 2023 1/3 on 16 Dec 2024
5 Dec 2022	5 Dec 2026	—	3,385,220	$0.0114	—	—	3,385,220	1/3 on 5 Dec 2023 1/3 on 5 Dec 2024 1/3 on 5 Dec 2025
Totals		**4,537,500**	**3,385,220**		**—**	**4,537,500**	**3,385,220**	
Weighted average exercise price			**$0.0114**				**$0.0114**	

Grant Date	Expiry Date	Balance at Start of Period	Granted During the Period	Average Fair Value Per Right	Exercised During the Period	Cancelled or Forfeited During the Period	Balance at End of Period	Vesting Dates
2021								
23 Dec 2021	16 Dec 2025	—	4,537,500	$0.20	—	—	4,537,500	1/3 on 16 Dec 2022 1/3 on 16 Dec 2023 1/3 on 16 Dec 2024
Totals		**—**	**4,537,500**		**—**	**—**	**4,537,500**	
Weighted average exercise price			**$0.20**				**$0.20**	

24. SHARE BASED PAYMENTS (continued)

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 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. 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 weighted average fair value of share rights granted under the Long-Term Incentive Plan during the year was $0.0114 (2021: $0.20). The fair values of deferred share rights granted are valued using methodology that considers market and peer performance hurdles. The following factors and assumptions were used in determining the fair value of rights granted to key management personnel during the year:

Grant Date	Expiry Date	Fair Value Per Right	Exercise Price	Price of Shares at Grant Date
2022				
5 Dec 2022	5 Dec 2026	$0.0114	Nil	$0.04

Grant Date	Expiry Date	Fair Value Per Right	Exercise Price	Price of Shares at Grant Date
2021				
23 Dec 2021	16 Dec 2025	$0.20	Nil	$0.20

(c) Expenses arising from share-based payment transactions

Total expenses arising from share-based transactions recognised during the year were:

	2022	2021
	$	$
Share Rights and Options issued to Directors and employees and service providers	**1,065,644**	**321,428**

25. FINANCIAL RISK MANAGEMENT

The Consolidated Entity's principal financial instruments are cash and short-term deposits. The Consolidated Entity also has other financial assets and liabilities such as other receivables and trade payables, which arise directly from its operations. The Consolidated Entity's risk management objective with regard to financial instruments and other financial assets include gaining interest income and the policy is to do so with a minimum of risk.

(a) Credit Risk

Credit risk arises from cash and cash equivalents and deposits with financial institutions, as well as other receivables. Credit risk is managed on a Group basis. For cash balances held with bank or financial institutions, independently rated parties with a minimum rating of 'A' are preferred. The Board are of the opinion that the credit risk arising because of the concentration of the Group's assets is more than offset by the potential benefits gained. The maximum exposure to credit risk at the reporting date is the carrying amount of the assets as summarised, none of which are impaired or past due.

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	2022 $'000	2021 $'000
Cash and cash equivalents	4,381	9,685
Other receivables	51	196
	4,432	**9,881**

Cash and cash equivalents at 31 December 2022 was held with an Australian Bank with an A+ credit rating. Other receivables at 31 December 2022 relate predominantly to GST receivables from the Australian Taxation Office which have been received subsequent to year end.

(b) Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Through continuous monitoring of forecast and actual cash flows the Group manages liquidity risk by maintaining adequate reserves to meet future cash needs. The decision on how the Group will raise future capital will depend on market conditions existing at that time.

The table below analyses the Group's financial assets and liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

25. FINANCIAL RISK MANAGEMENT (continued)

2022 ($'000)	≤ 6 Months	6–12 Months	1–5 Years	≥ 5 Years	Contractual Cash Flow	Carrying Amount
Financial Assets						
Cash and cash equivalents	4,381	—	—	—	4,381	4,381
Trade and other receivables	339	134	79	—	552	552
Other financial assets	—	—	75	—	75	75
	4,720	**134**	**154**	**—**	**5,008**	**5,008**
Financial Liabilities						
Trade and other payables	(580)	—	—	—	(580)	(580)
Lease liabilities	(39)	(39)	(78)	—	(156)	(156)
	(619)	**(39)**	**(78)**	**—**	**(736)**	**(736)**

2021 ($'000)	≤ 6 Months	6–12 Months	1–5 Years	≥ 5 Years	Contractual Cash Flow	Carrying Amount
Financial Assets						
Cash and cash equivalents	9,685	—	—	—	9,685	9,685
Trade and other receivables	400	110	—	—	510	510
Other financial assets	—	—	75	—	75	75
	10,085	**110**	**75**	**—**	**10,270**	**10,270**
Financial Liabilities						
Trade and other payables	(494)	—	—	—	(494)	(494)
	(494)	**—**	**—**	**—**	**(494)**	**(494)**

25. FINANCIAL RISK MANAGEMENT (continued)

(c) Interest Rate Risk

The Consolidated Entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate because of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

2022 ($'000)	Weighted Average Effective Interest Rate	Floating Interest Rate	Fixed Interest	Non-Interest Bearing	Total
Financial Assets					
Cash and cash equivalents	1	1,381	3,000	—	4,381
Trade and other receivables	—	—	—	552	552
Other financial assets	0.1	75	—	—	75
		1,456	**3,000**	**552**	**5,008**
Financial Liabilities					
Trade and other payables	—	—	—	(580)	(580)
Lease liabilities	—	—	—	(156)	(156)
		—	**—**	**(736)**	**(736)**

2021 ($'000)	Weighted Average Effective Interest Rate	Floating Interest Rate	Fixed Interest	Non-Interest Bearing	Total
Financial Assets					
Cash and cash equivalents	0.3	1,685	8,000	—	9,685
Trade and other receivables	—	—	—	510	510
Other financial assets	0.2	75	—	—	75
		1,760	**8,000**	**510**	**10,270**
Financial Liabilities					
Trade and other payables	—	—	—	(494)	(494)
		—	**—**	**(494)**	**(494)**

25. FINANCIAL RISK MANAGEMENT (continued)

A sensitivity of 10% has been selected as this is considered reasonable given the current level of both short term and long-term interest rates. A 10% movement in interest rates at the reporting date would have increased/(decreased) equity and profit and loss by the amounts shown below based on the average balance of interest-bearing financial instruments held. This analysis assumes that all other variables remain constant.

	Profit or Loss		Equity	
	10% Increase	**10% Decrease**	**10% Increase**	**10% Decrease**
2022 ($'000)				
Cash and cash equivalents	1	(1)	—	—

	Profit or Loss		Equity	
	10% Increase	**10% Decrease**	**10% Increase**	**10% Decrease**
2021 ($'000)				
Cash and cash equivalents	1	(1)	—	—

These movements would not have any impact on equity other than retained earnings.

(d) Currency Risk

The Consolidated Entity's exposure to currency risk is limited due to its ongoing operations being in Australia and most associated contracts completed in Australian dollars. A foreign exchange risk arises from operational support costs denominated in US dollars. The Group generally does not undertake any hedging or forward contract transactions as the exposure is considered immaterial, however, individual transactions are reviewed for any potential currency risk exposure. At reporting date, the Group had the following exposure to foreign currency risk for balances denominated in US dollars from its continuing operations, which are disclosed in Australian dollars:

	2022	2021
	$'000	**$'000**
Cash and cash equivalents	178	2
Trade and other payables	(112)	(29)

25. FINANCIAL RISK MANAGEMENT (continued)

The following table details the Group's Profit or Loss sensitivity to a 10% increase or decrease in the Australian dollar against the US dollar, with all other variables held constant. The sensitivity analysis is based on the foreign currency risk exposure at the reporting date.

	2022	2021
	$'000	**$'000**
Australian dollar/ US dollar +10%	7	2
Australian dollar/ US dollar -10%	(6)	(3)

(e) Fair Values

The carrying amounts of cash, cash equivalents, financial assets and financial liabilities, approximate their fair values.

26. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 25 January 2023, the Company announced that it has entered into an agreement with Earthstone Energy Inc ("Earthstone") to acquire 100% of Earthstone's interest in 8 operating wells and leases in the Permian Basin in New Mexico, USA. The wells and leases known as the Half Moon project were acquired from Earthstone for US$2 million cash. The Half Moon prospect is located in the north-western corner of the Delaware Basin adjacent to the NW shelf. The Prospect has proven petroleum systems and the Company believes there is further value to unlock via horizontal drilling. The acquisition strategically diversifies Black Mountain's business model and provides approximately 465 mcfepd at the time of acquisition of net non-operated production from 8 PDP vertical wells located over 3,200 gross (1,268 net non-operated acres).

The Company is not in a position to present information related to the acquisition date fair values of assets acquired and liabilities assumed along with any exploration asset value that may arise from the acquisition of the Half Moon prospect due to the proximity of the purchase date to the date of release of these financial statements.

The Company launched a pro rata renounceable entitlement offer on 20 February 2023 with the aim of raising $4,250,000 through the issuance of 170,000,001 New Shares. The key details being:

- 2 for 3 pro rata renounceable entitlement offer to raise up to approximately $4.25 million (before costs).
- Offer price of $0.025 per New Share.
- Proceeds of the capital raising to be applied towards acquisition costs of the Half Moon Prospect and working capital and offer costs.

The Entitlement Offer closed on 10 March 2023. The Company received valid applications, on a pro-rata entitlement basis, to subscribe for 92,396,880 new fully paid ordinary shares representing $2.309 million of gross proceeds from Eligible Shareholders. In addition, Eligible Shareholders and eligible investors invited by the Company have applied under the Shortfall Offer, for 17,631,176 additional New Shares or approximately $0.44 million in additional gross proceeds. The New Shares not taken up by Eligible Shareholders under the Entitlement Offer totalling approximately $1.5 million are capable of being placed by the Company for a period of 3 months. The Company has commenced a process with Foster Stockbroking Pty Ltd and CPS Capital Pty Ltd to place the shortfall in accordance with the allocation policy.

DIRECTORS’ DECLARATION

1. In the Directors’ opinion:

   a. the financial statements and notes set out on pages 32 to 72 of the Consolidated Entity are in accordance with the *Corporations Act 2001 (Cth),* including:

      i. complying with Accounting Standards, 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 31 December 2022 and of its performance for the financial year to 31 December 2022;

   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

   c. the financial statements comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board as disclosed in Note 2(a).

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001 (Cth)* for the financial period ended 31 December 2022.

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

30 March 2023

Independent Auditor's Report

To the shareholders of Black Mountain Energy Ltd

Report on the audit of the Financial report

Opinion

We have audited the ***Financial Report*** of the Black Mountain Energy Ltd (the Company).

In our opinion, the accompanying ***Financial Report*** of the Company is in accordance with the *Corporations Act 2001*, including

- Giving a true and fair view of the ***Group***'s financial position as at 31 December 2022 and of its financial performance and its cash flows for the year ended on that date; and
- Complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises the:

- Consolidated Balance sheet as at 31 December 2022;
- Consolidated Statement of profit or loss and other comprehensive income, Consolidated Statement of changes in equity, and Consolidated Statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- The Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the relevant 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 Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key Audit Matter

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

This matter was addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Exploration and evaluation expenditure capitalised assets – 'Exploration Assets' ($42.76m)	
Refer to Note 9 'Exploration Assets' of the Financial Report.	
The key audit matter	**How the matter was addressed in our audit**
Exploration Assets is a key audit matter due to: • The significance of the assets to the Group's business and the balance (being 89% of total assets); and • The greater level of audit effort to evaluate the Group's application of the requirements of the industry specific accounting standard AASB 6 *Exploration for and Evaluation of Mineral Resources*. In particular, the conditions allowing the capitalisation of relevant expenditure and presence of impairment indicators. The presence of impairment indicators would necessitate a detailed analysis by the Group of the value of Exploration Assets. Given the criticality of this to the scope and depth of our work, we involved senior team members to challenge the Group's determination of the existence of no indicators. In assessing the conditions allowing the Group to continue to recognise the Exploration asset, we focused on the documentation available regarding rights to tenure, via licensing, and compliance with relevant conditions, to maintain current rights to an area of interest and the Group's intention and capacity (including the ability to fund) to continue the relevant exploration activities; In assessing the Group's determination of the existence of no impairment indicators, we focused on those which draw into question the commercial continuation of exploration activities for Exploration Assets. We paid particular attention to: • The existence or otherwise of a potentially commercially viable quantity of resources. • The Group's expected recoupment of the Exploration Assets through successful development and exploitation or alternatively, by its sale.	Our audit procedures included: • Evaluating the Group's accounting policy to recognise Exploration Assets using the criteria in the accounting standard. • Assessing the Group's current right to tenure by verifying the continued ownership of the relevant license to government registries. We also tested for compliance with conditions, such as meeting minimum expenditure requirements to date. • Assessing the corporate budget, evaluating Group documents (including board minutes and resource statements) and ASX announcements for consistency with the Group's stated intentions for future exploration activities. • Analysing the Group's assessment of expected recoupment through successful development and exploitation in relation to the Exploration Assets, by evaluating the Group's planned exploration and evaluation activities for consistency with exploration works/costs to date, corporate budgets assessed above and our understanding of the business and industry.

KPMG

Other Information

Other Information is financial and non-financial information in Black Mountain Energy Ltd's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of Directors for the Financial Report

The Directors are responsible for:

- Preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001;*
- Implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- Assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- To obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- To issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the Audit of the Financial Report is located at the Auditing and Assurance Standards Board website at:
https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf
This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Black Mountain Energy Ltd for the period ended 31 December 2022, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 20 to 30 of the Directors' report for the period ended 31 December 2022.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

Glenn Brooks
Partner
Perth
30 March 2023

ASX ADDITIONAL INFORMATION

DETAILS OF QUOTED SECURITIES AS AT 8 MARCH 2023

Top holders

The 20 largest registered holders of the quoted securities as at 8 March 2023 were:

	Name	No. of Shares	%
Position	**Holder Name**	**Holding**	**% IC**
1	BM CANNING LLC	199,968,253	78.42%
2	HIGH ROLLER VENTURES LLC	9,500,000	3.73%
3	3VL PTY LTD <WYLIE FAMILY A/C>	2,435,305	0.96%
4	MRS YAN WANG <AUST WEST COAST TRAVEL A/C>	1,828,739	0.72%
5	MR KENNETH JOSEPH HALL <HALL PARK A/C>	1,800,000	0.71%
6	AMBER CLOUD PTY LTD	1,230,000	0.48%
7	CITICORP NOMINEES PTY LIMITED	1,173,030	0.46%
8	MR GAVIN JEREMY DUNHILL	1,000,000	0.39%
9	CRANPORT PTY LTD <NO 8 A/C>	996,401	0.39%
10	ROOKHARP CAPITAL PTY LIMITED	964,370	0.38%
11	MR JOHN RHETT MILES BENNETT	867,297	0.34%
12	ARREDO PTY LTD	750,000	0.29%
13	MR ROGER BLAKE & MRS ERICA LYNETTE BLAKE <THE MANDY SUPER FUND A/C>	700,000	0.27%
14	E-TECH CAPITAL PTY LTD <ASF SUPER FUND A/C>	625,435	0.25%
15	MR KEVIN DANIEL LEARY & MRS HELEN PATRICIA LEARY <KEVIN & HELEN LEARY S/F A/C>	611,430	0.24%
16	MRS ZI JUAN QI <CHEN FAMILY A/C>	578,622	0.23%
17	SUNSET CAPITAL MANAGEMENT PTY LTD <SUNSET SUPERFUND A/C>	519,616	0.20%
18	V & F TRUDA PTY LTD <VINCE TRUDA S/F A/C>	500,000	0.20%
18	KENSINGTON TRUST SINGAPORE LIMITED <IS&P (FNS) RETIREMENT A/C>	500,000	0.20%
18	MR JOHN RHETT MILES BENNETT	500,000	0.20%
19	LEET INVESTMENTS PTY LIMITED	455,852	0.18%
20	JESLANDS INVESTMENTS PTY LTD <JERUSALEM RETIREMENT A/C>	450,000	0.18%
	Total	227,954,350	89.39%
	Total issued capital - selected security class(es)	255,000,001	100.00%

DISTRIBUTION SCHEDULE

A distribution schedule of the number of holders in each class of equity securities as at 8 March 2023 was:

	Shares			Performance Rights		
Holding Ranges	Holders	Total Units	% Issued Share Capital	Holders	Total Units	% Issued Share Capital
1 - 1,000	14	2,389	0.00%	-	-	-
1,001 -5,000	30	115,260	0.05%	-	-	-
5,001 - 10,000	95	921,547	0.36%	-	-	-
10,001 - 100,000	289	12,486,892	4.90%	-	-	-
100,001 - Over	87	241,473,913	94.70%	2	6,984,337	100.00%
Total	**515**	**255,000,001**	**100.00%**	**2**	**6,984,337**	**100.00%**

	Options (ex $0.30 EXP 15/6/2025)		
Holding Ranges	Holders	Total Units	% Issued Share Capital
1 - 1,000			
1,001 -5,000			
5,001 - 10,000			
10,001 - 100,000			
100,001 - Over	1	3,750,000	100
Total	1	3,750,000	100.00%

	Options (ex $0.286 EXP 23/12/2025)		
Holding Ranges	Holders	Total Units	% Issued Share Capital
1 - 1,000			
1,001 -5,000			
5,001 - 10,000			
10,001 - 100,000			
100,001 - Over	4	15,081,600	100
Total	4	15,081,600	100.00%

SUBSTANTIAL SHAREHOLDERS

Substantial shareholders as disclosed by notices received by the Company as at 8 March 2023 with holdings of 5% or more of the total votes attached to the voting shares or interests in the Entity:

Holder	Units
Rhett Bennett	202,930,379

UNMARKETABLE PARCELS

Holdings less than a marketable parcel of ordinary shares (being 1,697,782 shares as at 8 March 2023):

Holders	Units
186	1,697,782

VOTING RIGHTS

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at meetings of shareholders or classes of shareholders:

- each shareholder entitled to vote may vote in person or by proxy, attorney or representative of a shareholder;
- on a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote; and
- on a poll, every person present who is a shareholder shall, in respect of each fully paid share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for their share, but in respect of partly paid shares, shall have such number of votes being equivalent to the proportion which the amount paid (not credited) is of the total amounts paid and payable in respect of those shares (excluding amounts credited).

ON-MARKET BUY-BACK

There is no current on-market buy-back of the Company’s securities.

UNQUOTED EQUITY SECURITIES

Unquoted Equity Security Holders with greater than 20% of an Individual class (“IC”)

OPTIONS EXERCISABLE AT $0.286 ON OR BEFORE 23/12/2025

Position	Holder Name	Holding	% IC
1	RHETT JOHN MILES BENNETT	9,131,348	64.18%

OPTIONS EXERCISABLE AT $0.30 ON OR BEFORE 15/06/2025

Position	Holder Name	Holding	% IC
1	FOSTER STOCKBROKING NOMINEES PTY LTD <NO 1 ACCOUNT>	3,750,000	100.00%

PERFORMANCE RIGHTS

Performance Rights in issue as at 8 March 2023.

Position	Holder Name	Holding	% IC
1	Michael Laurent	3,385,220	48.47%
2	Craig Gouws	3,599,117	51.53%
	Total	**6,984,337**	**100.00%**
	Total issued capital – selected security class(es)	**6,984,337**	**100.00%**

RESTRICTED SECURITIES

The Company has the following restricted securities on issue:

- 200,000,000 fully paid ordinary shares classified by ASX as restricted securities and to be held in escrow until 23 December 2023, being 24 months from the date of Quotation
- 17,095,531 options exercisable at $0.286 on or before 23 December 2025, classified by ASX as restricted securities and to be held in escrow until 21 December 2023, being 24 months from the date of Quotation.

LISTING RULE 1.3.2(B)

The Company confirms that it has used the cash and assets in a form readily converted to cash consistent with the use of funds as outlined in the Replacement Prospectus.

CORPORATE GOVERNANCE STATEMENT

The Company and its Board are committed to achieving and demonstrating high standards of corporate governance. The Company has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (4th edition) published by the ASX Corporate Governance Council.

The 2022 Corporate Governance Statement is dated as at 30 March 2023 and reflects the corporate governance practices in place throughout the 2022 financial period. The Company's Corporate Governance Statement undergoes periodic review by the Board. A description of the Group's current corporate governance practices is set out in the Group's Corporate Governance Statement which can be viewed at https://www.blackmountainenergy.com/site/about-us/corporate-governance

RESERVES AND RESOURCES STATEMENT

As at 30 March 2023, Black Mountain Energy did not hold any hydrocarbon volumes classified as meeting the PRMS definition of Reserves in EP 371.

(a) EP 371

In the technical report dated 10 August 2021, which was included in Black Mountain Energy's Replacement Prospectus dated 29 October 2021 and confirmed on 3 March 2023, Molyneux Advisors Pty. Ltd., (MA), provided a best estimate of the Company's gross prospective and contingent gas and condensate resources relating to its 100% interest in the unconventional gas accumulation in EP 371 of 11.805 Tcf and 1.525 Tcf respectively, (as of 10 August 2021):

Prospective Resources*	2U (Best)
Recoverable Gas (Tcf)	11.805
Recoverable Condensate (MM bbls)	165.60
Recoverable Resources (MM boe)	2318.03
Contingent Resources*	**2C (Best)**
Recoverable Gas (Tcf)	1.525
Recoverable Condensate (MM bbls)	29.605
Recoverable Resources (MM boe)	307.66

**Unrisked net to Black Mountain Energy*

The estimates of Black Mountain Energy Resources' gross prospective gas resources relating to its 100% interest in EP 371 as provided by the Technical Expert ranges from 4.836 Tcf to 27.834 Tcf (Prospective Resources) and from 0.572 Tcf to 3.2 Tcf (Contingent Resources), reflecting asymmetrical risk to the upside relative to the 'best estimate' provided. Condensate resources relating to its 100% interest in EP 371 as provided by the Technical Expert ranges from 59.82 to 413.59 MM bbls (Prospective Resources) and from 10.936 to 64.039 MM bbls (Contingent Resources), again reflecting asymmetrical risk to the upside relative to the 'best estimate' provided.

The Prospective Resources presented in this report have been estimated using probabilistic methods and are dependent upon an unconventional gas discovery being made. If a discovery is made and development is undertaken, the probability that the recoverable volumes will at least be equal or exceed the un-risked estimate amounts is 90% for the low estimate, 50% for the best estimate and 10% for the high estimate.

Following the PRMS (2018) definition, prospective resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. These estimates have both an associated risk of discovery (chance of geologic discovery) and a risk (chance) of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

The Contingent Resources presented in this report have been estimated using probabilistic methods. The estimates are based upon geoscience and engineering data from the early Carboniferous-age Laurel Formation including that from wells Valhalla-1 (ST-1), Valhalla-2, Asgard-1 and Valhalla North-1. The latter two were hydraulically fracture-stimulated and flowed gas when tested.

Following the PRMS (2018) definition, Contingent Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by the application of development project(s) not currently considered to be commercial owing to one or more contingencies. The successful maturation of the Contingent Resources reported in the Technical Expert's Report is contingent upon demonstration of the economic viability of project (including development plan), development of infrastructure, (gas) sales contract(s) in place, regulatory authority approvals, the absence of any political, socio-economic or environmental blockers and a commitment to develop the resources.

BUSINESS RISKS

Black Mountain Energy has an Audit and Risk Management Committee, which identifies, monitors and manages material risks to the business. The risks faced by Black Mountain Energy may include regulatory and compliance risks, policy risks, legal risks, environmental risks, occupational health and safety risks, financial risks, reputation risks and operational and execution risks.

The Board is responsible for overseeing the establishment of and approving Black Mountain Energy's risk management framework including its strategy, policies, procedures and systems. The Audit and Risk Management Committee reviews and monitors the effectiveness of Black Mountain Energy's risk management framework to provide assurance that major business risks (including contemporary and emerging risks) are identified and to satisfy itself that Black Mountain Energy is operating with regard to the risk appetite set by the Board. Black Mountain Energy's management is responsible for establishing a risk management framework, including identifying major risk areas and developing policies and procedures, which are designed effectively to identify, treat, monitor, report and manage key business risks. A description of the nature of the risks and how such risks are managed is set out below. This list is neither exhaustive nor in order of importance.

Risk	Details of risk	Mitigation
Asgard 1 well	The Company has determined pressure build-up on the annulus in the Asgard 1 wellbore. There is a risk the Company may be required to plug and abandon the Asgard 1 well if it is requested to do so by DMIRS. As at the reporting date the Company confirms that it has not received any such determination by DMIRS.	Estimated plug and abandonment costs have provisionally been included in the 2022 budget approved by the Board.
Export exemption to Western Australian domestic gas supply	In August 2020, Premier Mark McGowan announced that the WA Domestic Gas Policy would be amended to prevent the export of local WA gas to the Eastern States or overseas. This policy would have prevented the Company from exporting EP 371 gas and, given the lack of infrastructure to get EP 371 gas to market and the current domestic gas prices, would have made it challenging to develop EP 371 gas. In September 2021, the Company was granted an exemption to the export restrictions on domestic natural gas from the Western Australian government's Department of Jobs, Tourism, Science and Innovation (JTSI). The Company was granted this exemption on the basis of its remote location and isolated nature of the Valhalla gas field. There is a risk this exemption may be withdrawn and/or terminated in which case, as outlined above, it may be challenging for the Company to develop EP 371 gas at the current domestic gas prices.	The Company is not aware of any reason why the exemption would be withdrawn or terminated.

Risk	Details of risk	Mitigation
Exploration	Gas exploration and development is speculative and involves elements of significant risk with no guarantee of success. There is no assurance that expenditure on activities will result in gas discoveries that can be commercially or economically exploited. A key to the Company's financial performance is to have success in exploring for and locating commercially exploitable hydrocarbons. Exploration is subject to technical risks and uncertainty of outcome. The Company may not find any or may find insufficient hydrocarbon reserves and resources to commercialise, which would adversely impact the financial performance of the Company. There is the risk that drilling will result in dry holes or not result in the discovery of commercially exploitable hydrocarbons. Wells may not be productive, or they may not provide sufficient revenues to return a profit after accounting for associated costs. The cost of drilling, completing, equipping, and operating wells is subject to uncertainties.	Black Mountain Energy utilises multiple internal and external evaluation procedures including strategic planning, scoping, budgeting, forecasting and stakeholder engagement to evaluate exploration prospects as part of managing exploration risks.
Operational	Gas development activities include numerous operational risks, including but not limited to, adverse weather conditions, environmental hazards, and unforeseen increases in establishment costs, accidents (including, for example, fires, explosions, uncontrolled releases, spills and blowouts), equipment failure, industrial disputes, technical issues, supply chain failure, labour issues, deliberate destruction, adverse production results, uncertainty in resource and reserve estimation, uncertainty in deliverability estimation, IT system failure, cyber security breaches, political opposition and other unexpected events. Drilling and HFS operations, carry inherent risk associated with, for example, unexpected geological conditions, mechanical failures, or human error. The occurrence of an operational risk event could also result in damage to, or destruction of, production facilities, personal injury, environmental damage, increase operational costs and significantly disrupt the Company’s operations, possibly restricting the Company’s ability to advance its development and	Black Mountain Energy mitigates these risks by employing various professionals with considerable experience related to gas exploration and development. The Company follows an extensive framework which includes procurement, production, operational and equipment management processes.

Risk	Details of risk	Mitigation
	operational programs. This, in turn, may adversely impact the Company's financial performance.	
Development	If the Company is successful in locating commercial quantities of gas, then that development could be delayed or unsuccessful for a number of reasons including extreme weather, unanticipated operational occurrences, failure to obtain necessary approvals, insufficient funds, a drop in commodity price, supply chain failure, unavailability of appropriate labour, or an increase in costs, access to infrastructure and land access to construct suitable infrastructure. If one or more of these occurrences has a material impact, then the Company's operational and financial performance may be negatively affected.	To mitigate this risk, Black Mountain Energy conducts various risk assessments and scenario planning in relation to multiple development risks.
Access to infrastructure risk, availability of drilling and hydraulic fracturing equipment	The Company's gas exploration and development activities are dependent on the availability of drilling rigs and related equipment in its exploration permit. Recent increases in oil and gas exploration activities in Australia have resulted in high demand and limited availability for some types of drilling rigs and equipment in certain areas which may result in delays to the Company's planned exploration and development activities. The Company will very likely require access to infrastructure, or to construct infrastructure, to sell the reserves it produces, including pipelines to transport the gas to market. Given the remote location of the Company's project, there can be no guarantee that the Company will be able to gain access to appropriate infrastructure on commercially viable terms or that it will be commercially viable for it to fund the construction of its own infrastructure. Failure to obtain access to infrastructure (whether owned by the Company or others) may adversely impact the Company's financial performance.	Black Mountain Energy seek to work closely with customers and suppliers of infrastructure to mitigate the risk of delays or failure. We continue to explore alternative routes to market to diversify risk where possible.
Hydraulic fracturing stimulation	In order to undertake the proposed drilling program and to conduct HFS, which separately requires regulatory and environmental approval from the EPA and DMIRS, the Company will require further funding in the future. The future capital requirements of the Company will depend on many factors including market rates for drilling and HFS equipment, market rates for personnel, success of future drilling campaigns and the timeliness of permitting requirements. In addition, the environmental and operational regulations may evolve in ways that increase the	Black Mountain Energy works closely with suppliers of drilling and HFS equipment to mitigate the risk of delays or failure. In addition, we continue to work with staff from EPA and DMIRS to ensure that the regulations and approvals covering HFS are understood and implemented by the Company and its contractors.

Risk	Details of risk	Mitigation
	Company's costs or which may prevent the Company from conducting HFS activities.	
Reserves and resources	Estimating hydrocarbon reserves and resources is subject to significant uncertainties associated with technical data and interpretation of that data, analysis of drilling results, assumptions of future commodity prices and business assumptions regarding development and operating costs. Estimates may alter significantly or become more uncertain when new information becomes available due to, for example, additional drilling or production test over the life of the field. Downward revision of reserves and resources estimates may adversely affect the Company's operational and financial performance.	The estimates of Black Mountain Energy's gross prospective and contingent gas and condensate resources in relation to EP 371 (100% working interest) are prepared by independent expert Molyneux Advisors Pty Ltd.
Climate change	As a gas exploration Company, Black Mountain Energy is exposed to both transition risks and physical risks associated with climate change. The global transition to a lower-carbon economy may entail extensive policy, legal, technology and market changes and, if demand for gas declines, Black Mountain Energy may encounter barriers to commercialise any resources it discovers. Physical risks resulting from climate change may have an acute or chronic impact the Company. Acute physical risks refer to those that are event-driven, including increased severity of extreme weather events, such as cyclones or floods. Chronic physical risks refer to longer term shifts in climate patterns (for example, sustained higher temperatures) that may cause sea level rises or chronic heat waves. Physical risks, depending on their severity, could delay or prevent Black Mountain Energy's ability to conduct exploration and development activities. The transition and physical risks associated with climate change (including also regulatory responses to such issues and associated costs) may significantly affect Black Mountain Energy's operating and financial performance.	Black Mountain Energy has established an ESG Committee to identify and (to the extent possible) manage such risks and an ESG reporting framework, having regard to (among other things) the UN sustainable development goals that provides a framework for monitoring short, medium and long term ESG goals (including in respect to the environment).
Community	Our interactions with, and decisions involving landholders, traditional owners, suppliers and the community fails to attract and maintain the continued support of the communities in which we operate	We work in conjunction with our key stakeholders and have established programs to support and assist the communities in which we operate through donations, sponsorships, local procurement, training and

Risk	Details of risk	Mitigation
		providing ongoing local employment and business opportunities.
Financial	Insufficient liquidity to meet financial commitments and fund growth opportunities could have a material adverse effect on our operations and financial performance.	We have a robust expenditure management and forecasting process which is monitored against a Board approved budget to ensure capital is allocated in accordance with the Company's strategy. We also consider seeking partnering opportunities to share risks and assist in funding key activities.
Permit	The Company is required to comply with a range of laws to retain its permits and periodically renew them. The Company's permit also has its own specific requirements that the Company must satisfy. Even if specific requirements are met, there is no certainty that an application for grant or renewal of the permit will be approved at all, or on satisfactory terms or within expected timeframes. The laws relating to permits are complex and subject to changes in interpretation. Non-compliance with them could lead to the revocation of the Company's permit and the Company cannot guarantee its permit will be renewed or future permits will be granted. If the application for a retention lease is not granted, the declared location of discovery of a petroleum pool under the Petroleum Act will be lost and, on the next renewal of EP 371, the Company may be required to relinquish more blocks than it would otherwise.	Black Mountain Energy manages its tenure processes and monitors the conditions attaching to each permit to ensure they are complied with, in order to reduce the risk of losing tenure.
Native title	The area of EP 371 is partially covered by one registered native title claim (in the name of Warlangurru) and five registered native title determinations (in the names of Noonkanbah, Nyikina Mangala, Bunuba People #2 Part A, Yi-Martuwarra Ngurrara Part A and Bunuba #2 Part B, respectively). The Company is aware that the area of EP 371 is covered by the Yungngora Aboriginal Corporation RNTBC, Buru Energy Limited and Diamond Resources (Canning) Pty Ltd Body Corporate Indigenous Land Use Agreement (YAC ILUA). BNR (the holder of EP 371) is a party to the YAC ILUA,	Black Mountain Energy engages with stakeholders and monitors laws relating to Native Title and cultural heritage to ensure that it complies with all applicable regulations.

Risk	Details of risk	Mitigation
	which was signed on 5 September 2016 and registered on 17 March 2017. The YAC ILUA relates to the Noonkanbah native title determination. There remains a risk that in the future, native title and/or registered native title claims may affect the land the subject of the Company's project or in the vicinity. The existence of native title claims over the area covered by the Company's project, or a subsequent determination of native title over the area, will not impact the rights or interests of the holder under the permits provided the permits have been validly granted in accordance with the Native Title Act. It is the Company's view that EP 371 was granted validly, and has been renewed validly, in accordance with the Native Title Act. However, if any permit was not validly granted in compliance with the Native Title Act, this may have an adverse impact on the Company's activities. The grant of any future production licence to the Company over areas that are covered by registered claims or determinations will likely require engagement with the relevant claimants or native title holders (as relevant) in accordance with the Native Title Act. Any delays or costs in engaging with the relevant native title holders in negotiating new arrangements in respect of a production licence may adversely impact the Company's ability to carry out petroleum extraction activities within the affected areas.	
Aboriginal heritage	The Company is aware that there are seven registered Aboriginal heritage sites and three applications for 'other' Aboriginal heritage places, within EP 371. There remains a risk that additional Aboriginal sites may exist on the land the subject of EP 371. The existence of such sites may preclude or limit exploration activities in certain areas of EP 371.	Black Mountain Energy confirms that its current exploration program does not impact Aboriginal heritage sites. Black Mountain Energy will continue to engage with traditional owners and monitors laws relating to Aboriginal heritage sites to ensure that it complies with all applicable regulations.
COVID-19	The global economic outlook is facing uncertainty due to the current COVID-19 pandemic and its impacts on global capital markets, the gas price and foreign exchange rates. In addition, should any Company personnel or contractors be	Black Mountain Energy will continue to monitor COVID-19 and government responses and will introduce measures as

Risk	Details of risk	Mitigation
	infected, it could result in the Company's operations being suspended or otherwise disrupted. Supply chain disruptions and measures to limit the transmission of the virus may also adversely impact the Company's operations, financial position and prospects.	appropriate to respond to the effects of the pandemic.
Environmental	The Company is also subject to laws and regulations to minimise the environmental impact of its operations and rehabilitation of any areas affected by its operations. Penalties for failure to adhere to requirements and, in the event of environmental damage, remediation costs can be substantive.	The Company has in place an ESG Committee and an ESG reporting framework to identify and (to the extent possible) manage such risks.
Growth Strategy	There is a risk that the Company may fail to execute its proposed growth strategy, which could be caused by legal, regulatory and policy developments, failure to discover and commercially extract resources. In particular, minimising the environmental impact of the Company's operations is dependent on (among other things) the Company being able to economically manage its carbon emissions, which could for example be impacted by availability of future revenues to fund various carbon initiatives, market pricing of carbon offsets, technological developments affecting operations and costs.	The Company has in place an ESG Committee and an ESG reporting framework to identify and (to the extent possible) manage such risks.
Health and safety	Health and Safety incidents or accidents may adversely impact our people, the communities in which we operate, our reputation and/or our licence to operate.	Health and Safety is an area of focus for Black Mountain Energy and our risk management framework includes auditing and verification processes for our critical controls. We also regularly review our operations and activities to ensure we operate with the required standards of safety management.
People and culture	Failure to establish and develop sufficient capability and capacity to support our operations may impact achievement of our objectives.	Black Mountain Energy's focus remains on securing and developing the right people to support the development of our portfolio of assets and opportunities. Our focus remains on creating a positive employer value proposition, planning our resource requirements and attracting

Risk	Details of risk	Mitigation
		talented individuals. We also proactively engage contractors to supplement any short-term gaps in capability and capacity to support the execution of our business plans.
Digital and cyber security	Failure to safeguard the confidentiality, integrity, availability and reliability of digital data and intellectual property. Black Mountain Energy's information and operational technology systems may be subject to intentional or unintentional disruption (e.g. cyber security attack) which could impact our ability to reliably supply customers.	Digital risks are identified, assessed and managed based on the business criticality of our systems, which may be segregated and isolated if required. We continuously assess and determine access permissions to critical information or data, whilst consolidating, simplifying, and automating security controls. Our exposure to cyber risk is managed by a proactive and continuing focus on system controls such as firewalls, restricted points of entry, multiple data back-ups and security monitoring software. We are continuing to embed a cyber-safe culture across Black Mountain Energy.
Joint Operating Risk	The Company has an interest in USA located gas production licenses and related facilities that are operated with joint venture partners.	Joint Operating Agreements aim to mitigate risks associated with capital intensive gas production operations however misalignment between joint venture partners can arise.
Foreign Exchange Risk	The Company has an interest in USA gas production, the related sales proceeds are denominated in United States Dollars which exposes the Company to Foreign Exchange Risk.	Exchange rate risks can be mitigated through a range of hedging instruments.
USA Tenure Risk	The Company has an interest in USA gas licences, leases, and lands. The Company is therefore exposed to USA licence tenure risks.	USA tenure risk is mitigated by having a CEO physically located in the USA with a thorough understanding of USA tenure matters.

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

Subsequent to financial year end, the Company acquired eight wells and the associated exploration rights known as the Half Moon Prospect in the Permian Basin, New Mexico, United States of America.

API number	Well	Township	Gross Acres	Net Acres	Working Interest	Operator
30-015-35687	Lakewood 21 #001	T19S-R26E	320.00	122.34	38.23%	Rubicon Oil & Gas LLC
30-015-36047	Lakewood 21 #002	T19S-R26E	320.00	122.34	30.48%	Rubicon Oil & Gas LLC
30-015-56400	Lakewood 28 #001	T19S-R26E	320.00	84.36	26.36%	Rubicon Oil & Gas LLC
30-015-36858	Lakewood 28 #002	T19S-R26E	320.00	118.45	37.02%	Rubicon Oil & Gas LLC
30-015-35786	Lakewood 32 #001	T19S-R26E	320.00	127.26	39.98%	Rubicon Oil & Gas LLC
30-015-35944	Lakewood 33 #001	T19S-R26E	320.00	127.92	39.85%	Rubicon Oil & Gas LLC
30-015-36322	MOMO 33 #001	T19S-R26E	320.00	128.00	40.00%	Rubicon Oil & Gas LLC
30-015-34823	Twin Peaks Fed #001	T20S-R26E	960.00	480.00	50.00%	Rubicon Oil & Gas LLC

CORPORATE DIRECTORY

BLACK MOUNTAIN ENERGY LTD
ABN 83 652 281 868

DIRECTORS

Mr Rhett Bennett, BSc, Executive Chairman and Chief Executive Officer
Ms Marie Malaxos, GAICD, Non-Executive Director
Mr Peter Cramer, BA, Member SEG, AAPG & PDA, Non-Executive Director
Mr Craig Costello, BEng, BCom, MBA, Non-Executive Director

COMPANY SECRETARY

Mr Ben Donavan, BComm (Hons), Company Secretary

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STOCK EXCHANGE LISTING

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

WEBSITE

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