



20 October 2023

BLACK MOUNTAIN ENERGY SEPTEMBER 2023 QUARTERLY ACTIVITIES REPORT

Black Mountain Energy Ltd (ASX: BME) is an energy and resources company focused on natural gas exploration, development, and production in Australia and the United States of America.

Activities for the quarter

- The MIA 64 FEE 2H well, located in the Permian basin, hydraulic fracture stimulation commenced.
- Binding sale agreement signed to divest of the Half Moon Permian basin acreage position including the MIA 64 FEE 2H well, subject to conditions.
- Project Valhalla remains the Company's flagship project and key focus within a potentially globally significant natural gas basin in Western Australia.
- Discussions with the Environment Protection Authority Services continue on the EP371 Environmental Review Document while related work streams progressed with the aim of resubmitting the Environmental Review Document.
- EP371 Baseline monitoring continued during the quarter and the well integrity program undertaken.

December quarter outlook

- Half Moon divestment closure and settlement following the Due Diligence phase.
- Resubmission of the Project Valhalla Environmental Review Document.
- Progress early preparations for future activity within the Canning Basin.
- Conclude site-based Project Valhalla well inspections, lease maintenance and collect additional base line data for environmental monitoring.



HALF MOON POSPECT

MIA 64 FEE 2H Well

The drilling phase of the MIA 64 FEE 2H well was completed in June 2023 and achieved a measured depth of 16,845 feet (5,134 meters) with the entire lateral section remaining in the targeted 3rd Bone Spring interval for 10,139 feet (3,090 meters). The stimulation phase was carried out during the quarter, the well is currently flowing back. The Company entered into a binding sale agreement to sell the Half Moon Permian basin acreage position, including the 11.7% interest in the MIA 64 FEE 2H well, subject to conditions.

Divestment of the Half Moon Permian basin acreage position

The Company announced during the quarter that its wholly owned subsidiary, Seven Rivers Operating LLC, executed a binding sale and purchase agreement to sell 100% of its acreage and its title and interest in the MIA 64 FEE 2H well in the Permian basin.

On 25 January 2023, BME announced the acquisition the Half Prospect for \$2m USD. In less than 8 months, the Company quickly progressed its technical understanding, participated in the drilling of a first appraisal well into the 3rd Bone Spring interval (estimated cost of approximately \$1.4m USD) and then realized a strong cash offer of US\$6,873,308 or around A\$10.7m before tax.

The funds, once realized, will be used to progress the Company's Project Valhalla in the Canning Basin, which has the potential to be an incredibly large resource. Progressing Project Valhalla work streams as swiftly as possible remains the Company's focus.

Half Moon Share of Production

Amid increased natural gas supply in the USA gas prices remained relatively low during the quarter. Rubicon Oil & Gas LLC, the operator of the eight BME Permian basin wells that the Company has retained an interest in, has ceased production and will not recommence production until gas prices increase. These wells are not included in the Half Moon acreage position divestment.



PROJECT VALHALLA (EP 371)

The Valhalla Project is in the Fitzroy Trough, west of Fitzroy River in WA's north, about 2,500km from Perth. The permit area covers 3,662km² in the Canning Basin – believed to be the eighth largest undeveloped unconventional onshore gas reservoir in the world and the last non-developed basin in Australia.

The Company aims to develop Valhalla to provide energy security and employment to WA. Valhalla's location is adjacent to three key natural gas markets – primarily WA domestic supply, but also to customers in eastern Australia and export to Asia.

Previously held by Buru Energy and Mitsubishi, EP371 has existing wells and an Independent Technical Expert has estimated it has 11.8 trillion cubic feet (TCF) of prospective gas resources and 1.5TCF of contingent gas resources¹. The Company aims to develop these resources to provide socio-economic uplift to the project area's Traditional Owners and also provides WA with a supply of low-cost and reliable natural gas.

Baseline Monitoring

To support the development of the Environment Protection Authority (EPA) referral documentation for the Valhalla Exploration and Appraisal Program, groundwater and air quality baseline data continues to be collected within EP 371.

The Company continues to progress discussions with the EPA Services and other Government Departments including the Department of Water and Environmental Regulation to determine the best path forward.

Well Integrity Programme

The Project Valhalla well integrity check program was undertaken and completed during the quarter. The Company's three standing well bores successfully underwent routine maintenance and checks. Final lease maintenance will be completed in the next quarter and an annual report submitted to DMIRS.



DECEMBER QUARTER OUTLOOK

Half Moon divestment closure and settlement

The divestment of the Half Moon acreage closed during the December quarter, and the transaction settled with BME realising a cash consideration, before taxation, of US\$6,577,810 on 13 October 2023 following adjustments.

Submission of the Project Valhalla Environmental Review Document

Following extensive consultation, negotiation and activity the Environmental Review Document final workflows are concluding and the submission document editing has commenced. The ERD resubmission will be made during early November 2023.

FINANCIALS

The Use of Funds Summary for the quarter is presented below.

	\$'000
	Actual Cash Outflow for the Quarter
Project Valhalla	
Environmental, permitting and baseline studies	171
Well monitoring and remediation	78
Half Moon Prospect	
Share of production costs	33
G&A	
Corporate costs and working capital	431
Total	713

For the purpose of Section 6 of the Appendix 5B, related party payments of \$77,750 were made in the quarter in relation to Directors fees.



The carry forward cashflow figures in the Appendix 5B have been adjusted to be consistent with the cashflow figures as presented in the Company 30 June 2023 Half Year Report and Accounts.

INTEREST IN PETROLEUM PERMITS

Australia

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

United States of America

The Company has an interest in 8 wells known as the Half Moon Prospect in the Permian Basin, New Mexico, United States of America. As announced on the 24 August 2023, the Company disposed of its Half Moon acreage positions and its interest in the MIA 64 FEE 2H well however retained its working interest in the 8 morrow wells.

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

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About Black Mountain Energy

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

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

Prospective Resources Reporting Notes - Canning Basin

1. References to Prospective Resources and Contingent Resources in relation to the Valhalla Project referred to in this presentation are accurate as at the date of the Replacement Prospectus dated 5 November 2021. Full details of the resources, qualifying factors and the qualified petroleum reserves and resources evaluator statement can be located at:

<https://www.asx.com.au/asx/statistics/displayAnnouncement.do?display=pdf&idsId=02469895>

Appendix 5B

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

Name of entity

BLACK MOUNTAIN ENERGY LTD

ABN

83 652 281 868

Quarter ended ("current quarter")

30 September 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	44
1.2 Payments for		
(a) exploration & evaluation	(265)	(873)
(b) development	-	-
(c) production	(33)	(33)
(d) staff costs, directors' fees and consultant's costs	(312)	(912)
(e) administration and corporate costs	(136)	(639)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	11
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(745)	(2,402)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	(2,800)
(c) property, plant and equipment	-	(2)
(d) exploration & evaluation	-	(2,031)
(e) investments	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	(4,833)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	3,205
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(161)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Lease payments	(25)	(58)
3.10	Net cash from / (used in) financing activities	(25)	2,986

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	903	4,381
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(745)	(2,402)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(4,833)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(25)	2,986

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	175	176
4.6	Cash and cash equivalents at end of period	308	308

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	308	903
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	308	903

6. Payments to related parties of the entity and their associates		Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	78
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	-	-
7.5	Unused financing facilities available at quarter end		500
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
	<p>The Group has a funding agreement with its major shareholder, the terms of which include:</p> <ul style="list-style-type: none"> • a total commitment of up to \$500,000, drawn down in \$100,000 tranches; • unsecured; • 10% rate; and • a maturity date for repayment of funds at the earlier of 6 months or at the time of a subsequent capital raising with respect to each individual tranche drawn down. 		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(745)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	-
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(745)
8.4	Cash and cash equivalents at quarter end (item 4.6)	308
8.5	Unused finance facilities available at quarter end (item 7.5)	500
8.6	Total available funding (item 8.4 + item 8.5)	808
8.7	Estimated quarters of funding available (item 8.6 divided by item 8.3)	1.08
	<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8	If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
	8.8.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?
	Answer: Yes.	
	8.8.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
	Answer: The Company has raised additional funds through the divestment of the Half Moon acreage. The Half Moon divestment settled post quarter end with the realisation of US\$6,577,810 before tax.	

8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Yes, US\$6,577,810 was realised before tax following the sale of assets post quarter end.

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

Compliance statement

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

Date: 19 October 2023

Authorised by the Board of Black Mountain Energy Ltd

Notes

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