



BLACKMOUNTAIN
ENERGY

INTERIM REPORT

Half-year ended 30 June 2022



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CHAIRMAN'S LETTER

Dear Fellow Shareholders

This half yearly report is our first since listing on the Australian Securities Exchange (ASX) in December 2021, and it has been a time of significant progress for the Company.

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

During the half yearly period, the Company received approvals from the Department of Mines, Industry Regulation and Safety for carrying out 2D seismic survey work at our 100% owned Petroleum Exploration Permit EP 371 (Project Valhalla).

Post the period end, seismic line clearing activities have been completed in advance of Seismic 2D acquisition due to complete by 30 September 2022. The 2D seismic program which will result in 130 linear kilometres of additional data being generated.

The Company undertook a series of significant steps during the period to determine the commercialisation characteristics of Project Valhalla.

In April 2022, the Company announced that Australia Gas Infrastructure Group (AGIG) had completed a gas blending study on the Valhalla Project.

The study confirmed the suitability of the gas from the project to be integrated into the existing gas infrastructure in Western Australia. This is a significant development for the Company and provides considerable encouragement to potential economics of the project.

The Company also received an expression of interest (LOI) from Highwire Energy Partners LLC to divert flared methane gas from the project to power the mining of cryptocurrency.

Whilst early stage, the LOI provides some potential for early revenue from the project via the purchase of up to 5TJ/day to power the mining of cryptocurrency.

During the period, the Company has also maintained its good working relationships with traditional owners including undertaken Heritage Surveys and line clearing activities. These interactions provide opportunities for the Company to engage traditional owners and build on established relationships by increasing knowledge and understanding of the cultural heritage within the region.

The first half year since listing has been a time of advancement for the Company with work also being undertaken to develop offtake and commercialisation opportunities, despite the equity markets being choppy.

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

The next 6 months is an exciting time for the Company with work being conducted on progressing discussions with potential offtake partners and pipeline operators regarding commercialising the Valhalla Gas Project.

As a fellow shareholder, I continue to be excited by the journey that lays ahead of us.

Thank you,

Rhett Bennett

Executive Chairman and Chief Executive Officer



1 September 2022

DIRECTORS' REPORT

The Directors present their report on the consolidated entity, consisting of Black Mountain Energy Ltd (“the Company”, “Black Mountain Energy” or “BME”) and the entities it controlled (collectively “the Group” or “the Consolidated Entity”) at the end of, or during, the half-year ended 30 June 2022.

DIRECTORS

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

Name
John Rhett Miles Bennett
Samantha Kay Richardson
Marie Michele Malaxos
Peter Wilson Cramer
Sara Clare Kelly
Ashley Zumwalt Forbes (alternative Director to John Rhett Miles Bennett)

PRINCIPAL ACTIVITIES

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

FINANCIAL RESULTS

The loss for the Consolidated Entity for the period ended 30 June 2022 after providing for income tax amounted to A\$2,792,000.

DIVIDENDS

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

OPERATING AND FINANCIAL REVIEW

- Environmental Review Document completed and lodged with Environmental Protection Authority (EPA) in January 2022
- Seismic Survey Environmental Plan approved by WA Department of Mines, Industry Regulation and Safety (DMIRS), Seismic clearing completed, Seismic acquisition to commence in September 2022 and seismic processing contract signed with Realtime Seismic.
- Key pipeline Blending Study confirms suitability of Valhalla gas for use in existing LNG infrastructure
- MOU with Highwire Energy Partners LLC to generate early cashflow during testing and to minimize flaring
- Appointment of experienced Commerciality Advisor to assist with progression of commercial gas sales and technical discussions and the appointment of experienced Chief Operating Officer, Michael Laurent as the Company looks towards drilling activities

OPERATIONS AND ACTIVITIES

Black Mountain Energy is developing its key asset, Petroleum Exploration Permit EP 371, known as Project Valhalla, in Western Australia's Canning Basin region. EP 371 covers more than 3,660km² 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.

¹Prospective 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).

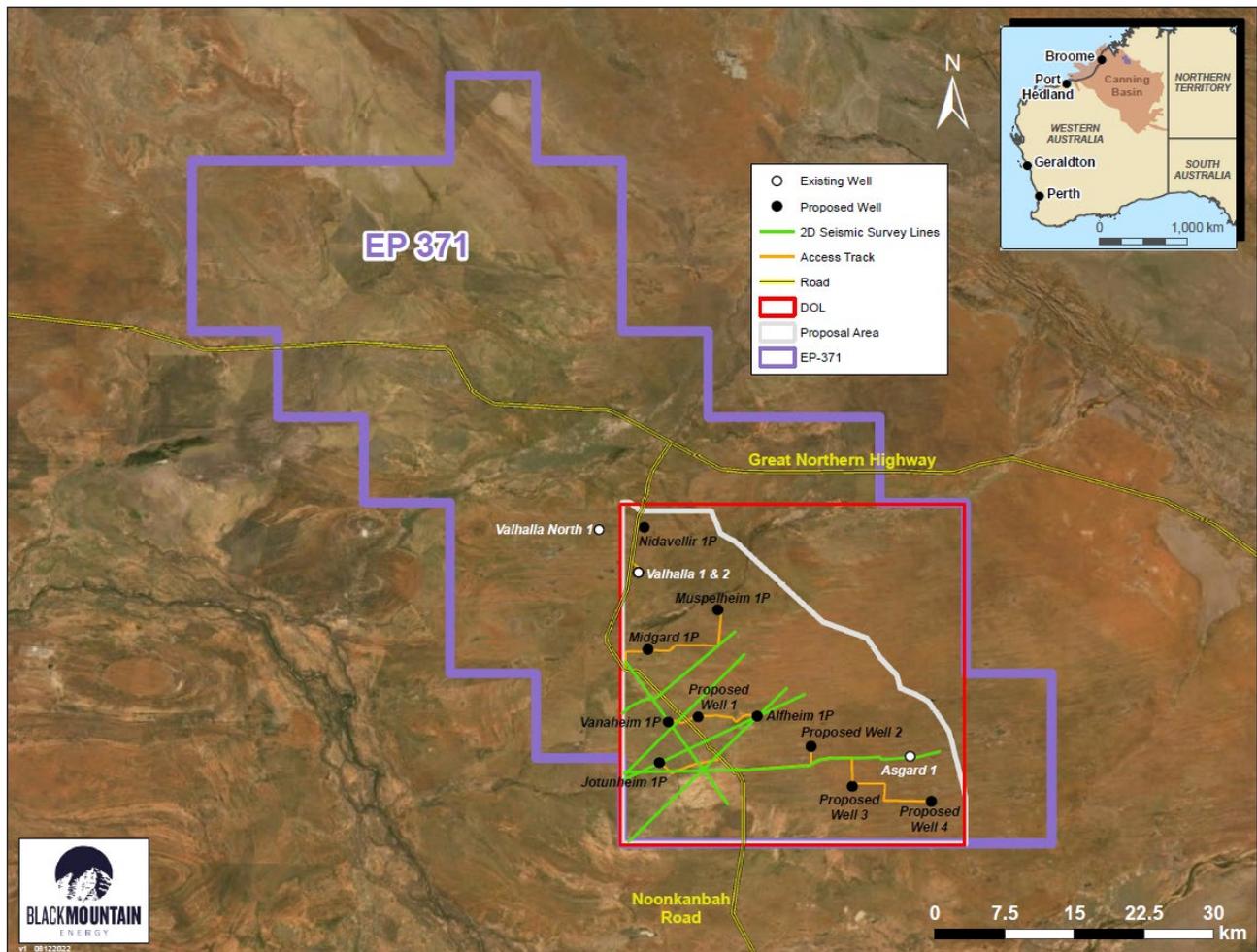


Figure 1: EP 371 within WA's Canning Basin

Environmental Review Document completed and lodged with EPA

After 2 years of environmental surveys and collection of baseline data across the southern portion of EP 371 (within the Declaration of Location (DoL) area), the Company was pleased to submit the Environmental Review Document (ERD) in January 2022 to the EPA. The ERD includes a suite of documents including a GHG Management Plan with the objective of minimising environmental impacts whilst achieving project objectives.

The ERD is in response to the Environmental Scoping Document, received from the EPA in 2021. The ERD also contains over 9 years of historical data collected by previous operators and this detailed document will be used by the EPA to assess the Company's Referral application to undertake Hydraulic Fracture Stimulation activities within the DoL.

Based on the latest advice from the EPA, the Company expects the ERD to move into a public review phase within the coming months.

Seismic Survey Activities

During the period, Black Mountain Energy's Seismic Survey Environmental Plan received approval from WA's Department of Mining, Industry Regulation and Safety (DMIRS) and commenced activities.

In July 2022, a field crew consisting of an environmental officer, archaeologist, bird dog and traditional owner liaison officer, mobilised to site ahead of the Terrex clearing personnel to undertake additional heritage survey's, roll out the first formal cultural awareness training program (in conjunction with Traditional Owners) and complete the various Health, Safety and Environmental inductions.

The field crew, accompanied by members of the community, spent additional time walking the lines and ensuring there would be no impacts to areas of cultural significance. These activities also provided the community with additional employment opportunities, ahead of clearing commencement.

Upon Terrex's arrival and in collaboration with Traditional Owners, clearing activities commenced. A raised blade technique was utilized across the 130km of lines, these were completed mid-July and without incident.

The Seismic acquisition activities are expected to complete in September 2022 and will provide the Company with further data on the sub surface geology, enabling Black Mountain Energy to further interpret and evaluate the resource potential.

Valhalla Gas suitability confirmed

Australian Gas Pipeline Infrastructure Group (AGIG) completed a qualitative gas composition analysis of anticipated Valhalla gas to LNG. The Company is pleased to advise the results of the study confirmed the suitability of Valhalla gas for blending with existing infrastructure.

Non-Binding MOU received from Highwire

The Company received a non-binding Letter of Intent from Highwire Energy Partners LLC, proposing to use Valhalla well-testing gas, that would otherwise be flared, to power mobile cryptocurrency servers. This document indicates Highwire's intention to negotiate the purchase of up to 5TJ/day of gas and the installation of up to 25MW of generation to support its operations, subject to the agreement of acceptable terms and conditions.

Success with mining cryptocurrency from diverted waste natural gas has proven successful in the United States, with Highwire currently running similar operations in the state of Wyoming.

The Company does not see any immediate environmental impediments to the carrying out of cryptocurrency mining using Highwire's containerized mining servers, technical review and consideration is ongoing.

Appointment of Commercial Advisor

Mr Lee Marshall of Marshall Commercial Advisory and previously the Group Executive for Corporate Strategy and Commercial at Beach Energy recently joined the team to progress the commercial and pipeline activities for the Valhalla Project.

With a career spanning the entire oil and gas value chain, Mr. Marshall is a values-driven commercial and finance executive with 25 years in the oil and gas industry and leadership experience that includes ASX100 C-level Executive and International Country Manager positions. In his most recent role with Beach Energy, Mr. Marshall was a core corporate executive responsible for commercial, product marketing, business development, and strategy. He led the commercial negotiation, analysis, structuring, and commercial operations activities for major oil and gas resources including exploration, development, and production assets. Mr. Marshall also managed business development origination and execution including corporate acquisitions and divestments, and has led product marketing for East Coast Gas, WA Domestic Gas, LNG,

Director's Report

crude, condensate, and LPG. Prior to his Beach Energy role, Mr. Marshall held senior commercial and general management roles with Woodside Energy over a 20-year period. His notable achievements include the commercial integration of a \$1.5 billion acquisition, investment leadership in one of the world's largest carbon capture and storage projects, >\$3 billion of completed acquisitions and divestments, exploration acreage acquisitions in over ten countries, and >\$5 billion in debt and equity raisings.

Appointment of replacement Chief Operating Officer

The Company is pleased to announce the new appointment of Michael Laurent as Chief Operating Officer. Michael is an experienced Oil & Gas professional and former COO of Armour Energy.

Mr. Michael Laurent is a professional engineer with over 25 years of diverse oil & gas industry experience having held numerous executive and senior leadership roles. Mr. Laurent brings over two decades of experience and expertise in reservoir, drilling, facilities, production optimization and operations with particular emphasis on resource and business development. Mr. Laurent's experience is underpinned with strong strategic, commercial, and technical acumen in both conventional and unconventional reservoirs.

After completing a significant number of major milestones throughout the previous 2 years, Samantha Richardson resigned her position as Chief Operating Officer. As the Company moves into the next phase of activities, planning for drilling, Ms Richardson proposed to the board that the Company commence an executive search process for a replacement candidate with onshore operational experience. The proposal was made now to ensure sufficient time for the new candidate to integrate into the business prior to drilling.

Ms Richardson's contributions include project management of multiple environmental, seismic and heritage surveys, undertaking an extensive environmental permitting process, achieving the Domgas exemption, building solid relationships with Traditional Owners and the support of government, compliance activities and contributing to a successful IPO.

The board requested that Ms Richardson stay on as a non-executive director to ensure continuity, the retention of her significant experience and knowledge of the asset and stakeholders, and continued contribution to the Company. *Ms Richardson said "I look forward to continuing to be part of the Valhalla Project as a non-executive Director. My journey with Black Mountain Energy has been extremely rewarding, from both a personal development opportunity and through seeing the results of my contribution to the Company's progress and achievements so far. The imminent completion of the seismic program and the lodgement earlier this year of the ERD means I will leave the role on 30 September 2020 in a good place and with the utmost confidence in Michael as my replacement."*

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

The Company finalised and lodged its Environmental Review Document in early January 2022 with WA Environmental Protection Authority (EPA). Black Mountain Energy has now moved to the next stage of the environmental permitting process and is awaiting EPA feedback. The Company will continue to advance this process throughout 2022.

Black Mountain Energy is continuing to progress discussions with potential offtake partners and pipeline operators regarding commercialising the Valhalla Gas Project.

ESG

Black Mountain continues to progress towards smart energy for a sustainable world. The ESG Committee meets regularly and has mapped the United Nations Sustainable Development goals against all company activities and operations. The Board has approved the goals and will monitor progress. Short term, medium term and long-term goals have been agreed to in the environment, social and governance areas.

Black Mountain views the local community and Traditional Owners as an integral part of our team. As such, all meetings and presentations include acknowledgement of Traditional Owners and country. In the last quarter the Company conducted its Annual HSE Audit, continued the financial contributions and sponsorships of Traditional Owners, assisted Traditional Owners to create a Cultural Awareness training business and roll out the initial Cultural Awareness training and induction program during the seismic clearing activities. Traditional Owners were employed as cultural monitors during the clearing process and will be employed again during the seismic acquisition.

FINANCIAL POSITION

The Consolidated entity's cash position as at 30 June 2022 was A\$8,089,000, which will be used towards funding its work commitments in respect of Exploration Permit EP 371.

BUSINESS OBJECTIVES

Between the date of listing on ASX and the date of this report, Black Mountain Energy has used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives and as set out in its replacement prospectus dated 29 October 2021.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

EVENTS SINCE THE END OF THE FINANCIAL PERIOD

Other than where stated at Note 15 to the Financial Statements, at the date of this report no other matter or circumstance has arisen between 30 June 2022 and the date of this report that will affect the Group's operations, result or state of affairs, or may do so in future years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

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

ENVIRONMENTAL REGULATION

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

ROUNDING OF AMOUNTS

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

AUDITOR'S INDEPENDENCE

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on page 12.

FORWARD LOOKING STATEMENT

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

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

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

COMPETENT PERSONS 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 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.



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

To the Directors of Black Mountain Energy Ltd

I declare that, to the best of my knowledge and belief, in relation to the review of Black Mountain Energy Ltd for the half-year ended 30 June 2022 there have been:

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

KPMG

Glenn Brooks
Partner

Perth

1 September 2022

FINANCIAL REPORT

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

The Financial Statements are presented in Australian Dollars.

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

A description of the nature of the Consolidated Entity's operations and its principal activities is included in the review of operations and activities on pages 4 to 11. These pages are not part of these financial statements.

The financial statements were authorised for issue by the Directors on 1 September 2022. 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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 30 June 2022

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

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 June 2022

	NOTE	30 JUNE 2022 \$'000	31 DEC 2021 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	4	8,089	9,685
Trade and other receivables	5	114	510
Total current assets		8,203	10,195
Non-current assets			
Property, plant and equipment		69	74
Right-of-use assets		188	-
Exploration assets	6	42,762	42,762
Other financial assets		75	75
Total non-current assets		43,094	42,911
Total assets		51,297	53,106
LIABILITIES			
Current liabilities			
Trade and other payables	7	365	494
Lease liabilities		77	-
Provisions	8	90	69
Total current liabilities		532	563
Non-current liabilities			
Provisions	8	2,613	2,695
Lease liabilities		114	-
Total non-current liabilities		2,727	2,695
Total liabilities		3,259	3,258
Net assets		48,038	49,848
EQUITY			
Contributed equity	9	50,191	50,191
Reserves	10	1,303	321
Accumulated losses		(3,456)	(664)
Total equity		48,038	49,848

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 30 June 2022

	NOTE	Contributed Equity \$'000	Reserves \$'000	Accumulated Losses \$'000	Total \$'000
Balance at 1 January 2022		50,191	321	(664)	49,848
Total loss for the half-year		—	—	(2,792)	(2,792)
Other comprehensive income		—	—	—	—
Total comprehensive loss for the half-year		—	—	(2,792)	(2,792)
Transactions with owners in their capacity as owners					
Share based payments	10	—	982	—	982
		—	982	—	982
Balance at 30 June 2022		50,191	1,303	(3,456)	48,038

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 30 June 2022

	NOTE	30 JUNE 2022
		\$'000
Cash flows from operating activities		
Interest received		11
Payments for exploration expenditure		(573)
Payments to other suppliers and employees		(970)
Payments for listing costs		(19)
Net cash outflow from operating activities		(1,551)
Cash flows from investing activities		
Payments for property, plant and equipment		(7)
Net cash outflow from investing activities		(7)
Cash flows from financing activities		
Payments for leases		(38)
Net cash outflow from financing activities		(38)
Net decrease in cash and cash equivalents		(1,596)
Cash and cash equivalents at the beginning of the financial period		9,685
Cash and cash equivalents at the end of the financial period	4	8,089

The accompanying notes form part of these financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 30 June 2022

NOTE 1: BASIS OF PREPARATION OF HALF-YEAR REPORT

Black Mountain Energy Ltd (the “Company” or “BME” or “Black Mountain Energy”) is a Company domiciled in Australia and was incorporated on 26th July 2021. Accordingly, there is no comparative information for the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income, Condensed Consolidated Statement of Changes in Equity and Condensed Consolidated Statement of Cash Flows. The address of the Company’s registered office is Level 14, 225 St Georges Terrace, Perth WA 6000 Australia.

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This condensed consolidated interim financial report for the half-year reporting period ended 30 June 2022 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001 (Cth). They present reclassified comparative information where required for consistency with the current reporting period’s presentation or where otherwise stated. This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2021 and any public announcements made by Black Mountain Energy during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001. This consolidated financial report is presented in Australian Dollars, which is Black Mountain Energy’s functional and presentation currency. The accounting policies adopted are consistent with those of the previous financial year unless otherwise stated.

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

(i) Going Concern

The Directors have prepared the financial statements on a going concern basis which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business. The Group recorded a net loss for the half-year of \$2,792,000, had a net cash outflow of \$1,596,000 and an overall net current asset position at 30 June 2022 of \$7,671,000. 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. Supported by the cash assets at 30 June 2022 of \$8,089,000, 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.

(ii) New and Amended Standards Adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards. A number of new standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these interim financial statements. The aforementioned new standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

(iii) Use of judgements and estimates

The preparation of the interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities, income, and expense. Actual results may differ from these estimates. In preparing this interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 31 December 2021.

(iv) Financial Risk Management

During the half-year ended 30 June 2022, the Group's financial risk management objectives and policies were consistent with that disclosed in the consolidated financial report for the year ended 31 December 2021.

(v) Operating Segments

The Group operates as an unconventional gas exploration entity and operates only in Australia. The Executive Management Team is identified as the Chief Operating Decision Makers ('CODM') and based on the internal reports that are used by the CODM, the Group has one reporting segment being gas exploration in Australia. There is no aggregation of operating segments. The operating segment information is the same information as provided throughout the financial statements and are therefore not duplicated. The information reported to the CODM is on a regular basis.

3. EXPENSES

Loss before income tax includes the following specific expenses

	NOTE	30 JUNE 2022 \$'000
Finance costs		
Unwinding of discount on restoration and rehabilitation provision	8	17
Bank charges		2
Total finance costs		19

4. CASH AND CASH EQUIVALENTS

	30 JUNE 2022 \$'000	31 DEC 2021 \$'000
Cash at bank and in hand	8,089	9,685
Made up as follows:		
Corporate (a)	8,089	9,685
	8,089	9,685

a) \$7,000,000 of this balance is held in a 31-day notice saver account (\$8,000,000: 31 December 2021).

5. TRADE AND OTHER RECEIVABLES

	30 JUNE 2022 \$'000	31 DEC 2021 \$'000
Current		
Other receivables	18	196
Prepayments	96	314
	114	510

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

6. EXPLORATION ASSETS

	30 JUNE 2022 \$'000	31 DEC 2021 \$'000
Acquisition costs of right to explore	42,672	42,762
<i>Movement for the period:</i>		
Balance at beginning of the period	42,762	42,762
Balance at the end of the period	42,762	42,762

7. TRADE AND OTHER PAYABLES

	30 JUNE 2022 \$'000	31 DEC 2021 \$'000
Current		
Trade payables	124	270
Other payables	27	30
Accruals	214	194
	365	494

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

8. PROVISIONS

30 JUNE 2022	CURRENT \$'000	NON-CURRENT \$'000	TOTAL \$'000
Employee entitlements (a)	90	8	98
Restoration and rehabilitation (b)	—	2,605	2,605
	90	2,613	2,703

31 DEC 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. However, based on experience, the Group does not expect all employees to take the full amount of accrued leave or require payment in the next 12 months. Current leave obligations that are not expected to be taken or paid within the next 12 months amount to \$4,000.
- 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.

8. PROVISIONS (continued)**Movements in Provisions**

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

	Employee Entitlements \$'000	Restoration & Rehabilitation \$'000	Total \$'000
Carrying amount at 1 January 2022	69	2,695	2,764
Additional provisions charged to profit or loss	31	(107)	(76)
Amounts used during the half-year	(2)	—	(2)
Unwinding of discount	—	17	17
Carrying amount at 30 June 2022	98	2,605	2,703

9. CONTRIBUTED EQUITY

(a) Share capital

	30 JUNE 2022 \$'000	31 DEC 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 30 June 2022, 200,000,000 ordinary shares are subject to escrow.

No dividend was paid or declared during the half year.

Movements in Ordinary Share Capital

	NUMBER OF SHARES	ISSUE PRICE \$	\$'000
Balance at 1 January 2022	255,000,001	0.20	50,191
Balance at 30 June 2022	255,000,001	0.20	50,191

10. RESERVES

	30 JUNE 2022 \$'000	31 DEC 2021 \$'000
Share options reserve	1,303	321
Movements:		
Balance at 1 January 2022	321	
Share based payment costs (a)/(b)	982	
Balance at 30 June 2022	1,303	

- (a) Share based payments are provided to Directors and employees as part of their remuneration agreement with the Company.
- (b) On 15 June 2022, 3,750,000 options exercisable at \$0.30 on or before 15 June 2025 were issued in relation to capital market advisory services. Key inputs used in the fair value calculation of the unlisted options which has been granted during the half year ended 30 June 2022 were as follows:

Number Granted	Exercise Price	Grant Date	Expiry Date	Share Price At Grant Date	Fair Value Per Unlisted Option	Total Fair Value \$
3,750,000	\$0.300	15 June 2022	15 June 2025	\$0.097	\$0.037	140,314

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

Class	Expiry Date	Exercise Price	Balance at Start of Period	Issued During the Period	Lapsed During the Period	Exercised During the Period	Balance at the End of the Period
Unlisted	23 Dec 2025	\$0.286	20,299,513	—	—	—	20,299,513
Unlisted	15 June 2025	\$0.300	—	3,750,000	—	—	3,750,000
Total			20,299,513	3,750,000	—	—	24,049,513

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

Grant Date	Expiry Date	Exercise Price	Balance At Start of Period	Issued During the Period	Lapsed During the Period	Converted During the Period	Balance at the end of the Period
23 Dec 2021	16 Dec 2025	nil	4,537,500	—	—	—	4,537,500
Total			4,537,500	—	—	—	4,537,500

11. LOSS PER SHARE

30 June 2022

(a)	Basic and diluted loss per share (\$)	(0.01)
(b)	Loss used in loss per share calculation	
	Loss attributed to ordinary equity holders (\$'000)	(2,792,000)
(c)	Loss used in loss per share calculation	
	Weighted average number of shares used as the denominator in calculating loss per share	255,000,001

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.

12. RELATED PARTY TRANSACTIONS

Transactions with related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

(a) Parent Entity

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

(b) Subsidiaries

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

			2021
Name of Entity	Place of Incorporation	Class of Shares	%
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

(a) Transactions with other related parties

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

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

\$120,204.85 was incurred during the half-year.

12. RELATED PARTY TRANSACTIONS (continued)

ii) Wald International Services LLC provided senior advisory services to the Board during the financial period including developing a commercialisation strategy for the EP 371 asset. \$193,550 was incurred during the half-year.

iii) The Company subleased part of the Perth Office to Black Mountain Metals II LLC on 21 February 2022. \$18,996 of Perth office lease costs have been recovered during the half-year.

13. CONTINGENCIES

The Group had no contingent assets or liabilities as at 30 June 2022.

14. COMMITMENTS

(a) Exploration commitments

The Consolidated Entity has the following minimum exploration expenditure commitments:

	30 JUNE 2022
	\$'000
The following amounts are due:	
Within one year	—
Later than one year but not later than five years	1,000
Later than five years	8,000
	9,000

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

(b) Lease commitments

The Consolidated Entity has entered a non-cancellable Perth Office lease commencing 1 January 2022. The Group has applied AASB16 Leases, resulting in this lease being recognised as a right-of-use asset. The rental and outgoing commitments over the 3-year term is \$234,000 and \$142,000 respectively. The Company entered a short-term sublease on 21 February 2022, providing partial recovery of monthly rental and outgoing costs.

No other lease commitments exist as at 30 June 2022.

15. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 19 July 2022, the Company completed 130k of 2D Seismic line clearing at the Valhalla Project (EP 371).

DIRECTORS' DECLARATION

1. In the Directors' opinion:
 - a. the condensed consolidated financial statements and notes set out on pages 13 to 25 of the Consolidated Entity are in accordance with the *Corporations Act 2001 (Cth)*, including:
 - i. complying with Accounting Standard AASB 134 "Interim Financial Reporting", the *Corporations Regulations 2001 (Cth)* and other mandatory professional reporting requirements, and
 - ii. giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2022 and of its performance for the half-year ended 30 June 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

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

1 September 2022



Independent Auditor's Review Report

To the shareholders of Black Mountain Energy Ltd

Report on the Interim Financial Report

Conclusion

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

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

- giving a true and fair view of the **Group's** financial position as at 30 June 2022 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Interim Report** comprises:

- Condensed consolidated balance sheet as at 30 June 2022.
- Condensed consolidated statement of profit or loss and other comprehensive income, Condensed consolidated statement of changes in equity and Condensed consolidated statement of cash flows for the Half-year ended on that date.
- Notes 1 to 15 comprising a summary of significant accounting policies and other explanatory information.
- The Directors' Declaration.

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

Basis for Conclusion

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

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our review of the interim report in Australia. We have also fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of the Directors for the Interim Report

The Directors of the Company are responsible for:

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

Auditor's Responsibilities for the Review of the Interim Report

Our responsibility is to express a conclusion on the Interim Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Interim Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2022 and its performance for the Half-Year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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



KPMG



Glenn Brooks
Partner

Perth

1 September 2022

CORPORATE DIRECTORY

BLACK MOUNTAIN ENERGY LTD

ABN 83 652 281 868

DIRECTORS

Mr Rhett Bennett BSc, Executive Chairman and Chief Executive Officer
Ms Samantha Richardson, MBA, GAICD, Executive Director and Chief Operating Officer
Ms Marie Malaxos, GAICD, Non-Executive Director
Mr Peter Cramer, BA, Member SEG, AAPG & PDA, Non-Executive Director
Ms Sara Kelly, BComm, Non-Executive Director
Ms Ashley Zumwalt-Forbes, MBA, BSc, Alternative Director to Rhett Bennett

JOINT COMPANY SECRETARY

Mr Alan Cooper, CA, BA (Hons), Chief Financial Officer and Joint Company Secretary
Mr Ben Donavan, BComm (Hons), Joint 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.