



28 April 2023

BLACK MOUNTAIN ENERGY

MARCH 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

- Acquisition of Earthstone Energy's interest in an existing oil & gas field (known as the "Half Moon Prospect") in the Permian Basin in New Mexico, USA
- The area in and around Project Valhalla experienced catastrophic flooding in early January 2023
- Valhalla Project EP371 S&E (suspend & extend) application approved by Department of Mines, Industry Regulation and Safety
- Feedback received from Environment Protection Authority (EPA) Services on the draft Environmental Review Document (ERD)
- Project planning and commercial discussions continued in relation to the Valhalla gas project
- A 2 for 3 pro rata renounceable Entitlement Offer undertaken. Entitlement Offer and shortfall placement raising \$3,155,201 before costs
- Craig Gouws appointed as Chief Financial Officer

June quarter outlook

- The inaugural share of Half Moon Prospect net production cash inflow will be recorded
- The Half Moon Reserves & Resources Statement is expected to be released in the current June quarter
- Review and consider any drilling activity proposed by the area operator and evaluate additional opportunities to increase the acreage footprint and revenue in the Half Moon Prospect



- Continue commercialization and approval efforts on the Valhalla gas project

HALF MOON POSPECT

Acquisition

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. See figure 1.

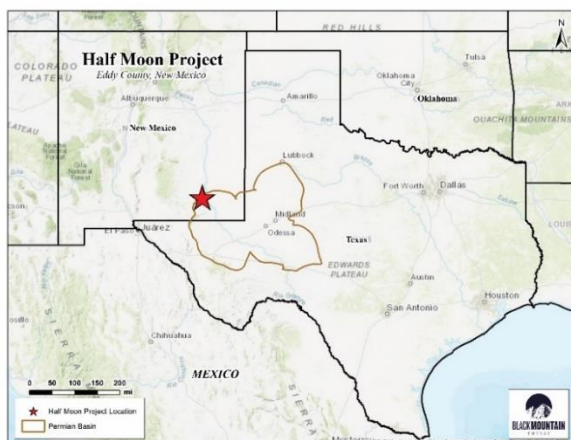


FIGURE 1

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. Efforts are underway to consider expanding the BME footprint in the Permian Basin.

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) as the Company announced on 25 January 2023.

The Half Moon Prospect operator, Rubicon Oil & Gas LLC, has via Seven Rivers Operating LLC (a new wholly owned subsidiary of BME) issued to the Company the Division Order that records the Seven Rivers Operating LLC interest in the purchased wells.



PROJECT VALHALLA (EP 371)

Seismic Acquisition Program

There was again flooding along the Fitzroy River due to rain from a deep tropical low during the quarter. It is expected that river and soil moisture levels will remain high longer than typically occurs making access to the full survey area unlikely until later in the year.

The Company will need to assess the survey area, when it is possible to do so, and consult with the affected land users to confirm when the seismic can be acquired. It is envisaged that some modifications to the seismic program will be required. The Company field archaeologist has noted that the flooding of the Valhalla 2D Project Area will likely have an impact on the sixteen Aboriginal sites discovered during the seismic line preparations in 2022. As the water recedes from the flood plains or plains, this changes the surface landscape dynamics. All heritage areas identified in 2022 may have to be re-assessed to determine the extent of water modifications caused during the flooding of the region's landscape and if new cultural heritage areas within the seismic lines have been exposed.

The results of the Odin 2D survey will confirm the location of the Year 5 exploration well. The new seismic lines are required to better define subsurface structure. Once the new seismic data is acquired, the data will enter in a processing phase, so the data is useful for interpretation. The output will be used to finalize an exploration drilling location along with the well's orientation if a horizontal well is selected.

Subject to final planning efforts and area access, the Company is planning to mobilize and execute the seismic program as soon as practically possible having consideration of the necessary regulatory requirements.

Suspend & Extend Application

The above average wet season will restrict heavy vehicle access to EP 371 for the foreseeable future. The Company therefore requested of the Department of Mines, Industry Regulation and Safety for an eighteen-month suspension of the EP371 Work Program and extension of term to complete Year 4 and Year 5 remaining work commitments. The 18-month extension of term will mean the seismic and drill programs can be undertaken during the dry seasons of 2024 and 2025. Drilling in mid to late 2025 means that mobilisation of the drilling rig wouldn't interfere with the Main Road construction program. See images 1 and 2.



Department of Mines, Industry Regulation and Safety granted the requested extension on 6 April 2023.



Image 1: Fitzroy Crossing Bridge during flood¹



Image 2: Damaged Bridge into Fitzroy Crossing²

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 was collected within EP 371 between 2021 and 2022.

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

Project Planning and Commercialization

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

Previously, the Company noted that Australian Gas Pipeline Infrastructure Group (AGIG) completed a qualitative gas composition analysis of anticipated Valhalla



gas to LNG. The Company was pleased to advise the results of the study confirmed the suitability of Valhalla gas for blending with existing pipeline infrastructure. Building on from this, the company is progressing discussions around specific pipeline and processing solutions.

CORPORATE

Entitlement Offer

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 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 33,811,176 additional New Shares or approximately \$0.8m million in additional gross proceeds.

The Entitlement Offer closed on 10 March 2023 and the Shortfall Offer process was closed on 14 April 2023.

The Company will use the funds raised to further develop the Half Moon prospect and to examine opportunities to develop the Company's interests in the USA together with progressing Project Valhalla.

CFO Appointment

Mr Craig Gouws was appointed as CFO on 19 January 2023. Craig is a highly experienced finance professional with over 20 years of international finance and commercial experience. Most recently served 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. 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.

JUNE QUARTER OUTLOOK

Half Moon Share of Production and Net Revenue

Rubicon Oil & Gas LLC has advised that the Half Moon Prospect Joint Interest Billing Statements are currently being prepared. The Company's Half Moon Prospect production and revenue data operational update will be announced once the statements have been received by the Company.

Half Moon Development Program

Technical workflows are progressing to further understand the potential upside and prioritize a forward plan for future activity. This plan will investigate using horizontal drilling technology to further unlock value as well as consider additional opportunities to expand its footprint in the area. The Company is in discussions with the area operator around potential drilling plans and pace of development.

Half Moon Reserves & Resources Statement

The Half Moon Reserves & Resources Statement is expected to be released in the coming quarter. This Statement will reflect the quality of BME's portfolio in the Permian Basin.



FINANCIALS

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

	\$'000
	Actual Cash Outflow for the Quarter
Project Valhalla	
2D seismic acquisition and processing	54
Environmental, permitting and baseline studies	105
Well monitoring and remediation	180
Expert commercial support	51
Half Moon Prospect	
Asset acquisition	2,738
G&A	
Corporate costs and working capital	650
Total	3,778

For the purpose of Section 6 of the Appendix 5B, related party payments of \$74,650 were made in the Quarter in relation to Directors fees.

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**

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

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.

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

Prospective Resources Reporting Notes

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

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

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

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

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

(vi) The prospective resources information in this document has been estimated on the basis that products are sold on the spot market with delivery at the sales point on the production facilities (LR 5.26.5.)

(vii) Prospective resources are reported on a best estimate basis (LR 5.28.1).

(viii) For prospective resources, the estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons (LR 5.28.2)

(ix) In respect to the prospective resources referred to in this statement, the Company's working interest in EP 371 is 100%.

(x) The prospective resources and the methodology for their estimation is set out in the Replacement Prospectus dated 29 October 2021

(xi) The chance of discovery is considered high due to the nature of the petroleum system and the proximity of the Prospective Resources to the Contingent Resources already found in EP 371. (LR 5.35.3).

(xii) Prospective resources are un-risked and have not been adjusted for an associated chance of discovery and a chance of development (LR 5.35.4).

Appendix 5B

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

Name of entity

BLACK MOUNTAIN ENERGY LTD

ABN

83 652 281 868

Quarter ended ("current quarter")

31 March 2023

Consolidated statement of cash flows	Current quarter \$'000	Year to date (12 months) \$'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(389)	(389)
(b) development	-	-
(c) production	-	-
(d) staff costs, directors' fees and consultant costs	(333)	(333)
(e) administration and corporate costs	(319)	(319)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	3
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (IPO fees)	-	-
1.9 Net cash from / (used in) operating activities	(1,038)	(1,038)

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

2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	(2,738)	(2,738)
	(c) property, plant and equipment	(2)	(2)
	(d) exploration & evaluation	-	-
	(e) investments	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other	-	-
2.6	Net cash from / (used in) investing activities	(2,740)	(2,740)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	2,371	2,371
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	(9)	(9)
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	(13)	(13)
3.10	Net cash from / (used in) financing activities	(2,349)	(2,349)

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

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,382	4,382
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,038)	(1,038)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,740)	(2,740)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,349	2,349
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	2,953	2,953

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 \$'000	Previous quarter \$'000
5.1	Bank balances	2,953	1,382
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (Term deposits)	-	3,000
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,953	4,382

6.	Payments to related parties of the entity and their associates	Current quarter \$'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	75
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

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

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

7.	Financing facilities <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 \$'000	Amount drawn at quarter end \$'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		-
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8.	Estimated cash available for future operating activities	\$'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,038)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	-
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(1,038)
8.4	Cash and cash equivalents at quarter end (item 4.6)	2,953
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	2,953
8.7	Estimated quarters of funding available (item 8.6 divided by item 8.3)	3.0
	<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8	If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: N/A	
8.8.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer: N/A	
8.8.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	Answer: N/A	
	<i>Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.</i>	

Compliance statement

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

Date: 28 April 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.