

25 January 2024

BLACK MOUNTAIN ENERGY

DECEMBER 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

- Half Moon divestment closure and settlement realising US\$6,577,810 before taxation.
- Resubmission of the Project Valhalla Environmental Review Document (ERD).
- Concluded site-based Project Valhalla well inspections and maintenance.
- The Company voluntarily lodged a formal request with the ASX to delist the Company.
- 200,000,000 ordinary shares and 12,243,788 unlisted options released from escrow.

January quarter outlook

- The Company expects to receive initial feedback from the Western Australian Environmental Protection Authority (EPA) on its ERD resubmission and enter the public review period.
- Project Valhalla is to be referred to the Department of Climate Change, Energy, the Environment and Water (DCCEE).
- General Meeting called to allow shareholders an opportunity to consider and vote on the proposed delisting of the Company.

HALF MOON POSPECT

Divestment of the Half Moon Permian basin acreage position and interest in the MIA 64 FEE 2H Well

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 and then realised a strong cash offer for the assets.

The Company announced on 24 August 2023 that its wholly owned subsidiary, Seven Rivers Operating LLC, had executed a binding sale and purchase agreement to sell 100% of its acreage and its title and 11.7% interest in the MIA 64 FEE 2H well in the Permian basin. The transaction, that was subject to customary terms and conditions, including closing adjustments, settled on 13 October 2023. The Company has realised US\$6,577,810 or around A\$10.4m, before taxation, sale proceeds. The U.S.A Internal Revenue Service required that the purchaser withhold US\$986,671 as a taxation prepayment resulting in US\$5,591,139 being remitted to Seven Rivers Operating LLC. The strategic rationale of the Half Moon acreage divestiture is that immediate cash resources will be available to focus on the development of its core asset in Western Australia, Project Valhalla.

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 8 Half Moon 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 and is believed to be a large undeveloped unconventional onshore gas reservoir.

The Company aims to develop Valhalla to provide energy security and employment to WA. Valhalla's location is adjacent key natural gas markets – primarily WA domestic supply, but also to customers in 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 1.5 TCF of contingent gas resources¹.

Well Integrity Programme

The Project Valhalla well checks and maintenance were undertaken and the required annual report submitted to the Department of Energy, Mines, Industry Regulation and Safety (DEMIRS). The well integrity check program was undertaken and completed during the September quarter followed by lease maintenance. The Company's three standing well bores successfully and safely underwent the routine maintenance and checks.

Resubmission of the Project Valhalla Environmental Review Document

The Environmental Review Document (ERD) for the Valhalla Exploration and Appraisal Program was re-lodged with the Department of Water and Environmental Regulation on 22 November 2023. The ERD has been prepared in accordance with the EPA Procedure Manual (Part IV Divisions 1 and 2). Australian Environmental Solutions played the major role in accumulating and documenting the required ERD updates.

The ERD is the Company's response to the EPA's Environmental Scoping Document, EPA's 2022 feedback and was submitted after completion of a revised environmental review. The ERD describes the Proposal and its likely effects on the environment.

JANUARY QUARTER OUTLOOK

ERD submission and entering the public review period

The Company is prepared, with the assistance of Australian Environmental Solutions, to address ERD queries as they arise and meet the requirements of entering into the public review period.

Water trigger in EPBC Act – Project Valhalla referral officially required

The expanded water trigger, announced by the Commonwealth during December 2023, requires a person proposing a large unconventional gas development that has, will have, or is likely to have a significant impact on water resources to refer the proposal to the Minister for the Environment for assessment and approval under the Environmental Protection and Biodiversity Conservation (EPBC) Act (section 24D). The water trigger ensures that fracking projects are assessed by the Commonwealth for their impact on water supplies.

The Company has commenced the process of referring Project Valhalla in accordance with the Act.

General Meeting to be held to allow shareholders an opportunity to consider the proposed delisting of the Company.

A General Meeting of Shareholders has been called to be held on 12 February 2024, to consider and vote on, the proposed delisting of the Company.

After thorough analysis and consideration, the Director's recommend that Shareholders approve the voluntarily delisting of Black Mountain Energy from the Australian Securities Exchange (ASX). This recommendation is based on several factors, inclusive of significant cost reductions that, when taken into account collectively, suggest that delisting offers strategic advantages and positions the Company for sustained growth.

FINANCIALS

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

	\$'000
	Actual Cash Outflow for the Quarter
Project Valhalla	
Environmental, permitting and baseline studies	558
Well monitoring and remediation	100
Half Moon Prospect	
Share of production costs	13
G&A	
Corporate costs and working capital	607
Total	1,278

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.

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. These 8 late life wells are currently unproductive and shut in. Limited intermittent future income may be derived from the wells. This potential revenue and the associated volumes are not considered material to the Company's portfolio.

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")

31 December 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	(658)	(1,532)
(b) development	-	-
(c) production	(13)	(46)
(d) staff costs, directors' fees and consultant's costs	(458)	(1,370)
(e) administration and corporate costs	(149)	(788)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	12
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	(1,277)	(3,680)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	(2,800)
(c) property, plant and equipment	(17)	(19)
(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	8,746	8,746
	(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	8,729	3,896

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	(14)	(73)
3.10	Net cash from / (used in) financing activities	(14)	2,971

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	308	4,382
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,277)	(3,680)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	8,729	3,896
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(14)	2,971

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	(38)	139
4.6	Cash and cash equivalents at end of period	7,708	7,708

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	7,708	308
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)	7,708	308

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		-
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	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,277)
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)	(1,277)
8.4	Cash and cash equivalents at quarter end (item 4.6)	7,708
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	7,708
8.7	Estimated quarters of funding available (item 8.6 divided by item 8.3)	6
	<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: 25 January 2024

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.