



STONEHORSE

E N E R G Y

28 April 2021

QUARTERLY ACTIVITIES REPORT

FOR THE THREE MONTHS ENDING 31ST MARCH 2021.



Stonehorse Energy Limited (**ASX:SHE**) (**Stonehorse** or the **Company**) is pleased to present this Quarterly Report for the quarter ended 31ST March 2021.

CORPORATE ACTIVITIES.

On the 10th February 2021 the Company announced that it has successfully raised A\$ 5.0m (before costs) through a share placement at \$0.02 per share. (**Placement**).

The Placement was strongly supported by the sophisticated investors in Australia. The new shares to be issued under the Placement will rank equally with existing shares in the Company. Investors will receive 1 Option for every 2 Placement Shares subscribed with a strike price of \$0.04, expiring 2 years from the issue date.



Monies raised through the Placement were used to acquire a working interest in the Jewell Well, a horizontal oil and gas well to be drilled and completed in Carter County, Oklahoma, USA. Work has now commenced including completion of the well location and engagement of drilling contractors.

The Placement comprised an offer of 250m Shares at an issue price of \$0.02 per Shares. The issue price represented a discount of 17% to the 10 Day VWAP and a 10% discount to the last traded price before the trading halt on 7th February 2021.

The Placement was completed in two tranches. Tranche one consisted of 100m Shares of which 60m issued under the Company's placement capacity under ASX Listing Rule 7.1 and 40m issued under the Company's placement capacity under ASX Listing Rule 7.1A. Tranche two consisted of 150m Shares and issued with Shareholder approval.

Investors received 1 Option for every 2 Placement Shares subscribed with a strike price of \$0.04, expiring 2 years from the issue date. The Options were issued with Shareholder approval and are not listed. Everblu Capital Pty Ltd (AFSL 499 601/ABN 23 612 793 683) was engaged by the company as Broker and Lead Manager to the Placement.

OPERATIONAL ACTIVITIES

The Company continues to increase its portfolio of working interests in producing oil and gas wells located in the Anadarko Basin, Oklahoma, both directly and through the Orion Joint Venture alongside Brookside Energy.

On the 31st January the Company announced that the Thelma well had been brought on production with an initial production (IP) rate of barrels of oil per day with the first load of 313 barrels of oil sold on the 30th December.

In addition to the production volumes, the behind pipe potential remains in the well with numerous formations along pipe yet to be tested. A further 40 "held by production" acres have been acquired that are contiguous to the Thelma well, giving the Joint Venture the option to drill further low-cost vertical wells in the immediate area.

On the 22nd February Stonehorse announced that following its recent share placement the Company has accepted the offer to step-in for up to 50% Working Interest in the high-impact Jewell well located in the Anadarko basin in Oklahoma USA.

A number of horizontal wells operated by some of the major US shale oil and gas operators are in close proximity to the Jewell location and generating impressive production numbers.

Drilling and completion contractors are currently being engaged. Mobilisation and site preparation has commenced with the expected well spud in the 2nd calendar quarter of 2021.

ANADARKO BASIN, OKLAHOMA OIL AND GAS PLAYS

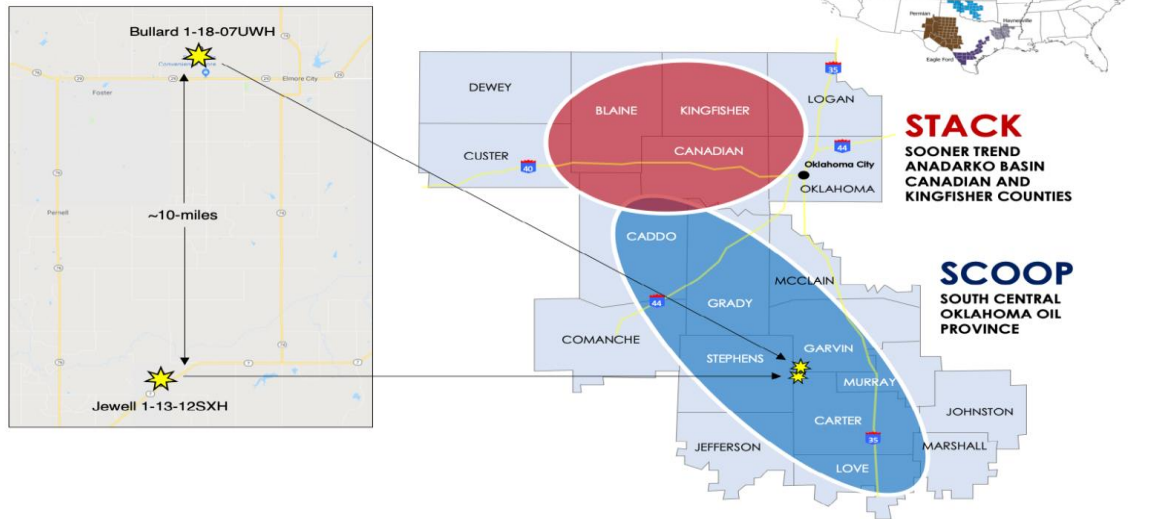


Figure 1. Map of the Jewell well location in relation to existing Bullard Well.

The following table provides a summary of the Jewell horizontal well the company has recently elected to step-into for up to 50% of the available Working Interest.

Asset	Jewell 1-13-12 SXH
Product	Oil and Gas
Well Type	Horizontal Multi-Stage Completion
Basin	Anadarko
Play & Location	SCOOP Play, Carter County, Oklahoma
Operator	Black Mesa Energy, LLC
SHE Working Interest	up to 50%
Reservoir	Sycamore
Gas quality	Rich gas, NGLs priced at 40% WTI

Table 1. Summary of the Jewell 1-13-12 SXH well.



Stonehorse's share of gross revenue from oil and gas sales for the first quarter of 2021 averaged US\$39,000 per month. The improvement in revenues from the December's quarter's average of US\$32,000 reflect the continued recovery of oil and gas prices and the added production from the Thelma well.

CURRENT PORTFOLIO OF OIL AND GAS WELL ASSETS

Stonehorse currently has working interests in **nine** producing wells including a 50% working interest in the high-impact Jewell well.

Well Name	Refence Number	Working Interest	County State	Operator
<i>Stonehorse</i>				
Burgess	28-1	96.81%	Ellis,OK	Black Mesa Energy
Sutton	2H-52	25.00%	Hansford, TX	Strat Land Exploration
Bullard	1-18-07UWH	15.60%	Garvin, OK	Rimrock Resources
Henry Federal	1-8-5XH	2.30%	Blaine, OK	Continental Resources
Randolph	1-34-27XHM	0.21%	Blaine, OK	Continental Resources
Jewell	1-13-12 SXH	50.00%	Carter, OK	Black Mesa Energy
<i>Orion JV</i>				
Newberry	12-1	21.70%	Carter,OK	Black Mesa Energy
Mitchell	12-1	50.00%	Carter,OK	Black Mesa Energy
Thelma	1-32	50.00%	Murray, OK	Black Mesa Energy

Table 2. Current Portfolio of Stonehorse and Orion JV wells.

SUBSEQUENT EVENTS

On 1st April 2021 the Company announced that Black Mesa Energy, LLC (Black Mesa) executed a Master Services Agreement with Oklahoma based Latshaw Drilling Company (Latshaw), one of the largest and most successful privately held drilling contractors in the United States. The contract is to supply and operate Latshaw Rig 14 for the drilling of the Jewell Well, under the supervision of the Black Mesa team.

On the 14th April the Company provided shareholders and investors with an update on well operations in preparation for the drilling of the Jewell 1-13-12 SXH well (Jewell Well) located in Carter County, Oklahoma in North America's Anadarko Basin. Stonehorse announced that construction of the all-weather multi-well pad and access road had been completed. The hole for the conductor casing had been drilled and 75-feet of 20-inch conductor casing was set.



ASX Additional Information

1. ASX Listing Rule 5.2.1 and 5.4.2 – Oil and gas production and development and investment activity expenditure during the quarter was \$99,000. Full details of the activity during the quarter are set out in this report.
2. ASX Listing Rule 5.2.2 and 5.4.1 – Exploration activity investment and operating expenditure for the quarter was \$2,089,000. There were no substantive exploration activities during the quarter.
3. ASX Listing Rule 5.4.4 – The Company provides the actual vs proposed use of Funds as outlined in Section 2.9 of the Prospectus dated 19 November 2018. The Company raised additional funds subsequent to the Prospectus. In the Quarter, it raised \$1,875,000 under Tranche 1 of the Placement.

Proposed Use of Funds	Proposed \$	Actual \$	Variance
Exploration Expenditure	\$2,799,682	\$4,493,000	-\$1,693,318
Expenses of the Offer	\$537,700	\$399,000	\$138,700
Repayment of Loans	\$200,000	Nil	\$200,000
Administration costs	\$600,000	\$1,389,000	-\$789,000
Working Capital	\$62,618	-\$1,004,000	\$1,066,618
Investments	Nil	-9,000	-\$9,000
Total	\$4,200,000	\$5,528,000	\$(1,328,000)

4. Major variances in the above table relate to timing of actual spend. The proposed spend is for a two-year period. In addition, repayment of loans is favorable as the Loans were forgiven at the time of re-quotation. The variance in Administration costs relate partially to the addition of US administration costs and also to an allocation variance between Administration and Working Capital. The Company announced that following its recent share placement it has accepted the offer to step-in for up to 50% Working Interest in the high-impact Jewell well located in the Anadarko basin in Oklahoma USA.
5. ASX Listing Rule 5.4.5 – Payments to related parties of the Company during the quarter and outlined in the Appendix 5B include \$24,000 for Director Fees.

This announcement is released on authority of the Board.

- ENDS -

About Shonehorse Energy

Stonehorse Energy Limited (ASX:SHE) is an Australian ASX listed oil and gas exploration and production company which currently has working interests in a number of producing oil and gas assets located in Texas and Oklahoma, USA. Stonehorse's overall objective is be cashflow accretive by building a portfolio of working interests in high quality producing well bore assets delivering a return on investment to its shareholders reflecting risk appetite and capital availability.



Forward-Looking Statements and Other Disclaimers

This announcement may include forward-looking statements. Forward-looking statements are only predictions and are subject to risks, uncertainties and assumptions, which are outside the control of Stonehorse Energy Limited ("Stonehorse Energy" or "the Company"). These risks, uncertainties and assumptions include commodity prices, currency fluctuations, economic and financial market conditions in various countries and regions, environmental risks and legislative, fiscal or regulatory developments, political risks, project delay or advancement, approvals and cost estimates. Actual values, results or events may be materially different to those expressed or implied in this announcement. Given these uncertainties, readers are cautioned not to place reliance on forward-looking statements. Any forward-looking statements in this announcement speak only at the date of issue of this announcement. Subject to any continuing obligations under applicable law and the ASX Listing Rules, Stonehorse Energy does not undertake any obligation to update or revise any information or any of the forward-looking statements in this announcement or any changes in events, conditions or circumstances on which any such forward looking statement is based. This announcement does not constitute investment advice. Neither this announcement nor the information contained in it constitutes an offer, invitation, solicitation or recommendation in relation to the purchase or sale of shares in any jurisdiction. Shareholders should not rely on this announcement. This announcement does not take into account any person's particular investment objectives, financial resources or other relevant circumstances and the opinions and recommendations in this announcement are not intended to represent recommendations of particular investments to particular persons. All securities transactions involve risks, which include (among others) the risk of adverse or unanticipated market, financial or political developments. The information set out in this announcement does not purport to be all-inclusive or to contain all the information, which its recipients may require in order to make an informed assessment of Stonehorse Energy. You should conduct your own investigations and perform your own analysis in order to satisfy yourself as to the accuracy and completeness of the information, statements and opinions contained in this announcement. To the fullest extent permitted by law, the Company does not make any representation or warranty, express or implied, as to the accuracy or completeness of any information, statements, opinions, estimates, forecasts or other representations contained in this announcement. No responsibility for any errors or omissions from this announcement arising out of negligence or otherwise is accepted.

GLOSSARY

BOE	Barrels of Oil Equivalent
Development Unit (DSU)	Development unit or Drilling Spacing Unit (DSU) is the geographical area in which an initial oil and or gas well is drilled and produced from the geological formation listed in the spacing order. The spacing unit combines all interest owners for the purpose of sharing in production from oil and or gas wells in the unit. A spacing order establishes the size of the unit, divides the ownership of the unit into the "royalty interest" and "working interest".
Mboe	1,000 barrels of oil equivalent
Mcf	1,000 cubic feet (of gas)
MMboe	1,000,000 barrels of oil equivalent
STACK	Sooner Trend Anadarko Basin Canadian and Kingfisher Counties – oil and gas play in the Anadarko Basin Oklahoma
SCOOP	South Central Oklahoma Oil Province - oil and gas play in the Anadarko Basin Oklahoma
SWISH AOI	Description of Brookside's Area of Interest in the SCOOP Play



Working Interest Percentage of ownership in a lease granting its owner the right to explore, drill and produce oil and gas from a tract of property. Working interest owners are obligated to pay a corresponding percentage of the cost of leasing, drilling, producing and operating a well or unit

IP24 Initial Production Rate, measured over a 24-hour period

Appendix 5B

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

Name of entity

Stonehorse Energy Limited

ABN

13 086 972 429

Quarter ended ("current quarter")

31 March 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	166	382
1.2 Payments for		
(a) exploration & evaluation	(37)	(90)
(b) development	-	(107)
(c) production	(99)	(242)
(d) staff costs	-	-
(e) administration and corporate costs	(322)	(616)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	44
1.8 Other (ATO Payments / Receivables)	3	(7)
1.9 Net cash from / (used in) operating activities	(289)	(636)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(d) exploration & evaluation (well rework / development cost)	(2,052)	(2,162)
(e) investments	-	(150)
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	159	159
	(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	(1,893)	(2,153)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	1,875	1,875
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	(15)	(15)
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	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	1,860	1,860

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,506	2,136
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(289)	(636)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,893)	(2,153)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,860	1,860

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	33	10
4.6	Cash and cash equivalents at end of period	1,217	1,217

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	1,197	1,486
5.2	Call deposits	20	20
5.3	Bank overdrafts	-	-
5.4	Other (High Interest Account)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,217	1,506

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	24
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.

Section 6.1: \$23,947 for the payment of current Director fees to Mr Deloub and Stephenson.

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

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<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>		
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)	(289)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(2,052)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(2,341)
8.4 Cash and cash equivalents at quarter end (item 4.6)	1,217
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	1,217
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	0.52
<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: No, reduced development cost is expected in June Q in accordance with development work program schedules.	
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: Yes, on the 10 th February 2021, the Company announced that it has successfully raised A\$5.0m (before costs) through a two-tranche placement by issuing a total of 250,000,000 shares at \$0.02 per share. Tranche 1 of the Placement was completed on 15 February 2021 raising \$2,003,123 before costs. On 9 April 2021, the Company announced that it has successfully raised A\$3m (before costs) in respect of Tranche 2 of the Placement.	

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, as per the response in question 2, the Company will initiate appropriate measures to secure funding by way of capital raising as and when required.

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: 28 April 2021

Authorised by: The Board of Directors
(Name of body or officer authorising release – see note 4)

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.