



# STONEHORSE

E N E R G Y

29 October 2021

## QUARTERLY ACTIVITIES REPORT

FOR THE THREE MONTHS ENDING 30<sup>th</sup> SEPTEMBER 2021.



*Image of the Jewell well location during stimulation operations in August 2021.*

### Highlights

- Commercial production from the Jewell well commenced during the quarter with the Well now producing premium light sweet crude and liquids rich gas.
- Oil and (liquids rich) gas rates continue to increase steadily beyond pre-drill target production estimates of 1,300 boe per day
- The company has increased its focus on portfolio diversification portfolio by identifying and assessing investment opportunities to take non-operated working interests in oil and gas well plays in domestic oil and gas basins.



Stonehorse Energy Limited (**ASX:SHE**) (**Stonehorse** or the **Company**) is pleased to present this Quarterly Report for the quarter ended 30<sup>TH</sup> September 2021.

## CORPORATE ACTIVITIES.

On 4 August 2021, the Company issued 28,835,312 fully paid ordinary shares upon the exercise of options, at an issue price of A\$0.025 per share.

COVID-19 continues to impact global economic markets. The directors have reviewed all financial areas which could be impacted by COVID-19 and considered areas of judgement and if additional disclosures are required. The directors have assessed these areas and have determined that there has been no significant impact on the performance of the Group as at 30 September 2021

Corporately the Group continues to review its non-operational expenses including its corporate overhead and is implementing measures to reduce these costs where appropriate.

The Company continues to increase its investment in producing oil and gas wells located in the continental US as well as focusing on identifying opportunities to diversify its investment portfolio including but not limited to investment opportunities to take non-operated working interests in oil and gas wells in fields located the domestic Australian market.

## OPERATIONAL ACTIVITIES

In September the Company announced that commercial production and sales from the Jewell well have now been established during the early part of flowback and stimulation fluid recovery with material volumes of oil and gas having been sold.

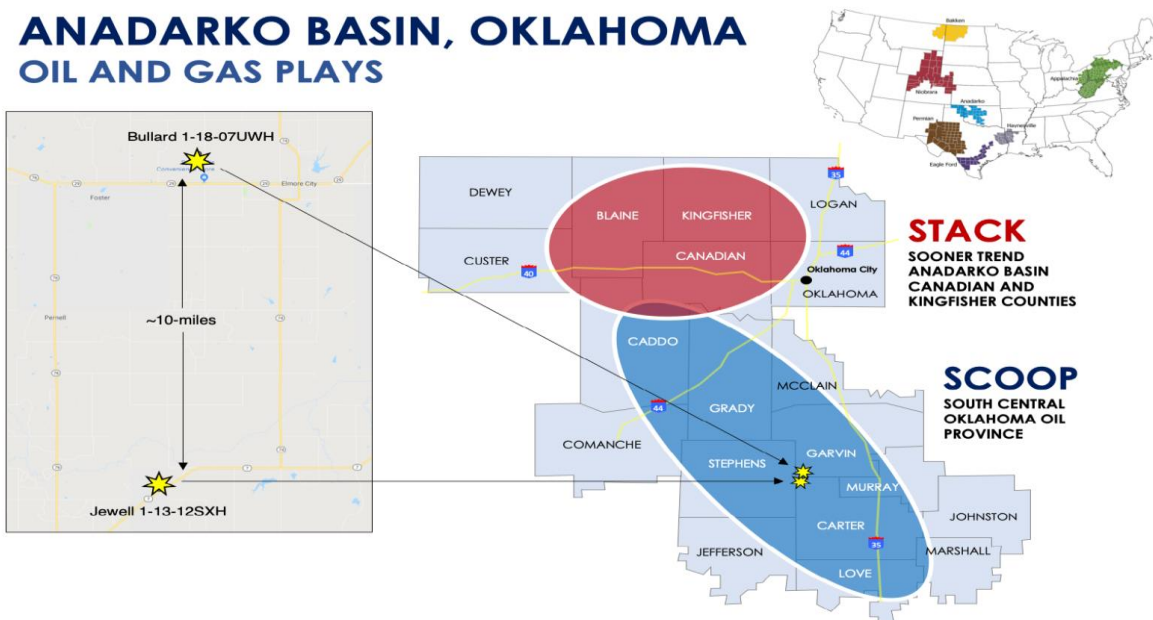
As at the 24<sup>th</sup> September, the Jewell Well had recorded a daily production rate of 1,238 BOE (85% liquids) per day during flow-back and stimulation fluid recovery operations, with approximately 22% of the stimulation fluid now recovered.

Oil and (liquids rich) gas rates are expected to continue to increase steadily beyond these initial rates over the coming weeks in line with the modelled flow-back profile.

To date the well has produced approximately 14,800 BOE and 29,500mcf of liquids rich gas with oil trucked to a nearby pipeline terminal and gas transported via pipeline to a midstream gas processing plant for sale.

The Company will be reporting IP24 (peak rate), IP30 and IP90 rates as these are achieved

Figure 1. Map of the Jewell and Bullard wells in the Anadarko Basin



On 14 September 2021, the Company announced that it has elected to participate in a 0.21% working interest in two in-fill Meramec wells to be drilled and operated by Continental Resources and located in Blaine County in the southern STACK Play in the Anadarko Basin. The Company's current minority working interest in the Randolph 1-34-27XHM well acquired in January 2020 has contributed ~A\$30,000 of operating revenue to the company's results to date. The Company is expecting each of these additional wells to perform similarly.

## CURRENT PORTFOLIO OF OIL AND GAS WELL ASSETS

Table 1. Current Portfolio of Stonehorse and Orion JV wells.

Well Name	Refence Number	Working Interest	County State	Operator
<b>Stonehorse</b>				
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
Randolph	3-34-27XHM	0.21%	Blaine, OK	Continental Resources
Randolph	4-34-27XHM	0.21%	Blaine, OK	Continental Resources
Jewell	1-13-12 SXH	41.50%	Carter, OK	Black Mesa Energy
<b>Orion JV</b>				
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

The Company currently has non operated working interests in eleven wells including the high impact Jewell well located Carter County, Oklahoma and operated by Black Mesa Energy.

## OPERATIONAL STRATEGY AND OBJECTIVES

Whilst the overall objective of Stonehorse continues to be the implementation of its current strategy of building a portfolio of high quality well bore assets by taking non-operated working interests in wells reflecting risk appetite and capital availability, the Company is currently focusing on diversifying its investment portfolio having identified investment opportunities to take non-operated working interests in oil and gas wells in the Cooper, Bowen and Surat basins located in south and south west Queensland.

Whilst this represents a geographical departure from our historic focus on opportunities presented in the Continental US, the company believes that the currently robust economic climate, existing infrastructure and proven pathways to market offered on the Eastern Australian seaboard present an opportunity to further diversify (de-risk) the current portfolio of producing oil and gas assets

Figure 2: Cooper and Surat oil and gas basins and associated infrastructure.

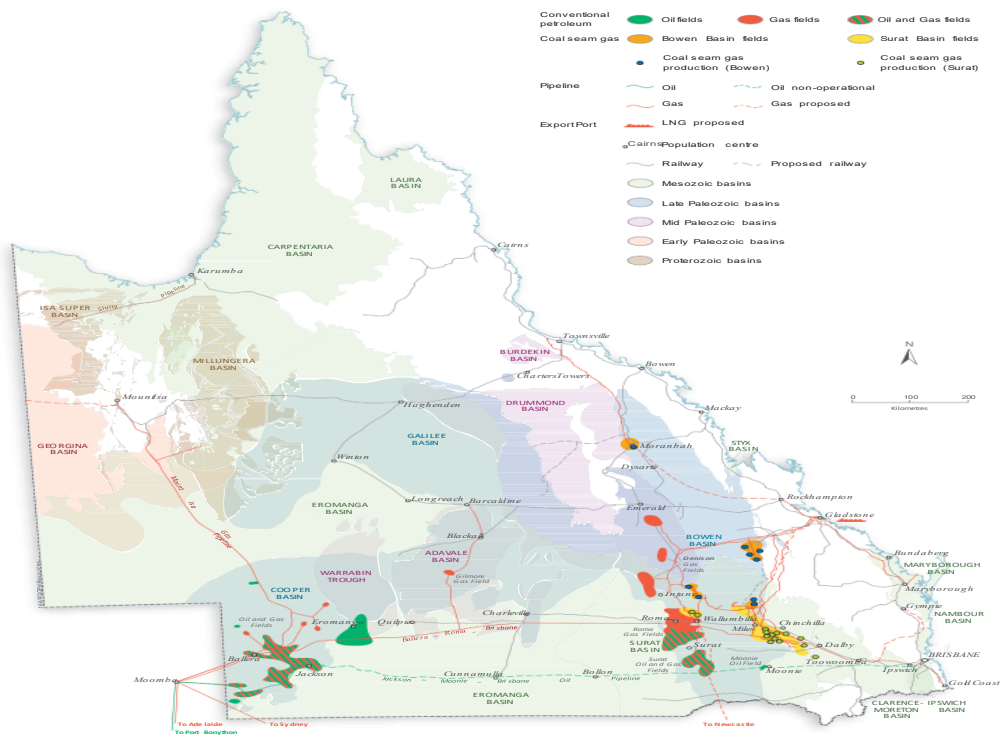






Table 2: Queensland petroleum reserves (2016)

	Gas Mm <sup>3</sup> (PJ)	Coal seam gas Mm <sup>3</sup> (PJ)	Oil (ML)	Condensate (ML)	LPG (ML)
2P reserves as at 30 June 2016					
Adavale (conventional)	575.07 (21.5)	-	-	-	-
Bowen-Surat (conventional)	4600.65 (172.3)	-	1038.36	263.02	273.90
Cooper-Eromanga (conventional)	4714.53 (176.6)	-	2417.21	328.32	277.12
Denison (conventional)	-	-	-	-	-
Bowen Basin (coal seam gas)	-	267 523.01 (10 019)	-	-	-
Surat Basin (coal seam gas)	-	833 306.62 (31 210)	-	-	-
<b>TOTAL PETROLEUM 2P RESERVES</b>	<b>9890.25 (370.4)</b>	<b>1 100 829.63 (41 229)</b>	<b>3455.57</b>	<b>591.34</b>	<b>551.02</b>

Note: Tenure holders are required to report to the department their gas production and reserve figures in millions of cubic metres (Mm<sup>3</sup>) and other petroleum products in megalitres (ML)  
One Petajoule (PJ) is the equivalent to 26.7 Mm<sup>3</sup>

## SUBSEQUENT EVENTS

Production from the Jewell well continues to increase through flowback and fluid recovery operations. As at the 13<sup>th</sup> October, daily production has now reached 1,727 BOE (82% liquids and 18% gas) with approximately 30% of the stimulation fluid now recovered.

## 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 \$29,000. 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 \$1,556,000. There were no substantive exploration activities during the quarter.
3. ASX Listing Rule 5.4.5 – Payments to related parties of the Company during the quarter and outlined in the Appendix 5B include \$74,000 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

<b>BOE</b>	Barrels of Oil Equivalent
<b>Development Unit (DSU)</b>	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".
<b>Mboe</b>	1,000 barrels of oil equivalent
<b>IP24</b>	Means average daily oil production of a well in its peak 24 hour production
<b>IP30</b>	Means average daily oil production of a well in its peak production month
<b>IP90</b>	Means average daily oil production of a well in its peak production 3 months



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<b>Mcf</b>	1,000 cubic feet (of gas)
<b>MMboe</b>	1,000,000 barrels of oil equivalent
<b>STACK</b>	<b>S</b> ooner <b>T</b> rend <b>A</b> nadarko Basin <b>C</b> anadian and <b>K</b> ingfisher Counties – oil and gas play in the Anadarko Basin Oklahoma
<b>SCOOP</b>	<b>S</b> outh <b>C</b> entral <b>O</b> klahoma <b>O</b> il <b>P</b> rovince - oil and gas play in the Anadarko Basin Oklahoma
<b>SWISH AOI</b>	Description of Brookside's Area of Interest in the SCOOP Play

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## 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")

30 September 2021

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
<b>1.</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers	214	214
1.2	Payments for		
	(a) exploration & evaluation	-	-
	(b) development	-	-
	(c) production	(29)	(29)
	(d) staff costs	-	-
	(e) administration and corporate costs	(265)	(265)
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	-	-
1.8	Other (ATO Payments / Receivables)	19	19
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>(3)</b>	<b>(3)</b>
<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(2)	(2)
	(d) exploration & evaluation (well rework / development cost)	(1,556)	(1,556)
	(e) investments	-	-
	(f) other non-current assets	-	-



## 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 (3 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements / working interests	376	376
	(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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(1,182)</b>	<b>(1,182)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	721	721
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
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)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>721</b>	<b>721</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	3,190	3,190
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3)	(3)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,182)	(1,182)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	721	721

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

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	141	141
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>2,867</b>	<b>2,867</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	2,847	3,170
5.2	Call deposits	20	20
5.3	Bank overdrafts	-	-
5.4	Other (High Interest Account)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>2,867</b>	<b>3,190</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	74
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:** \$24,478 for the payment of current Director fees to Mr Deloub and Stephenson. And \$50,000 for the payment of prior year Director fees to Mr Gardner.

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

<b>7. Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<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)	-	-
<b>7.4 Total financing facilities</b>	-	-
<b>7.5 Unused financing facilities available at quarter end</b>		-
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.	-	

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(3)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(1,556)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(1,559)
8.4 Cash and cash equivalents at quarter end (item 4.6)	2,867
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	2,867
<b>8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)</b>	1.84
<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, exploration and evaluation expenses are expected to be lower in early December Q since the construction of the surface facilities required to accommodate oil and gas production from the Jewell Well has been completed during the period.	
8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: The Company has not taken any steps to raise further capital. The revenue received from Jewell Well production will be sufficient to cover operating expenses.	

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

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 have sufficient revenue to continue operations to meet its business objectives.

*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: 29/10/2021.....

Authorised by: ..... By the Board.....  
(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.