STONEHORSE INVESTS IN CANADIAN THERMAL OIL WELL UPGRADE WITH ADDITIONAL HYDROGEN GENERATION INVESTMENT OPPORTUNITY AVAILABLE.

Perth, Western Australia – 24TH March 2023 – Stonehorse Energy Limited (ASX: SHE) is pleased to announce that the company has recently entered into an arrangement with Canadian based Superb Operating Company Ltd **(Superb)**, a subsidiary of Proton Technologies. The arrangement with Superb is to fund at least one and up to three well upgrades in Superb's heavy oil asset located in Kerrobert, Saskatchewan, Canada.

HIGHLIGHTS

- Near term multi-well thermal oil upgrade investment with robust short cycle returns.
- Anticipated operations to commence Q-2 2023 with payout 6 months from completion and an economic return of 30% within 9 months.
- Derisked with successful a well upgrade (well control) completed in Q1 2023.
- The successfull well upgrade increased production from roughly 20 BOPD to +80 BOPD and further optimized to over 125 BOPD.
- Additional well and facility upgrades available for future investment.
- Potential longer term opportunities in supporting Proton's path to Clear Hydrogen production and related electricity generation.

Commenting on the Canadian investment, Stonehorse's Executive Director David Deloub said;

"*This financial investment, while represting a departure to our normal working interest model, provides an opportunity to develop a relationship with Proton and its operating subsidiary Superb, delivering both a high level return on investment in well upgrades and a first step to a potential investment in Hydrogen Generation and carbon neutral power generation*"

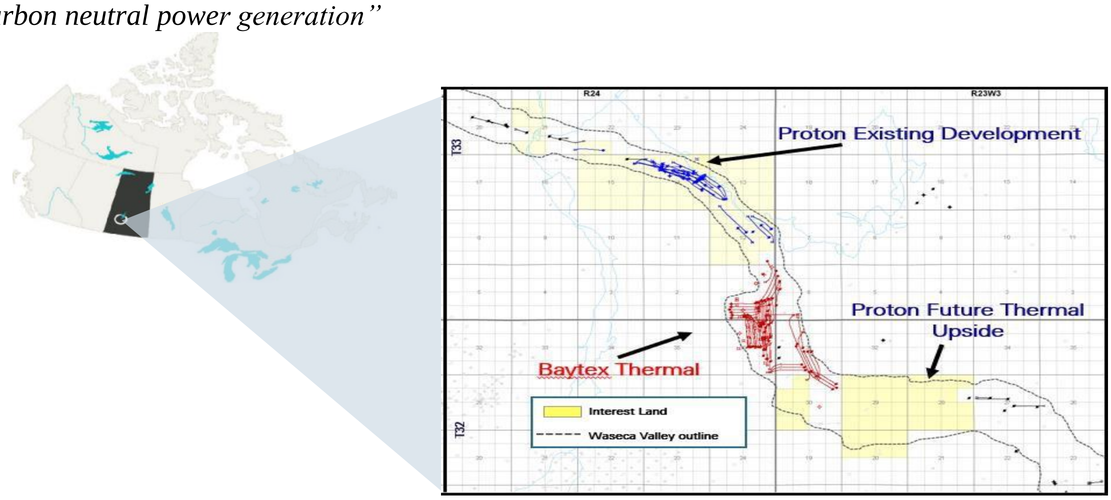


Figure 1: Proton's Superb Kerrobert Asset location.

TRANSACTION SUMMARY

Stonehorese Enery has agreed to fund the cost of the proposed upgrades of three existing heavy oil wells for an estimated cost of CAD750,000 via the establishment of a financial arrangement the terms and conditions of which are summarised in the section below.

The agreement will see Stonehorse earn an agreed return on each well investment of 30% with an estimated average annualised return of 40% based on estimated payout assumption of ~8months per well. On achieving the agreed return on each investment our financial interest will terminate.

Kerrobert Field Geologic Overview :

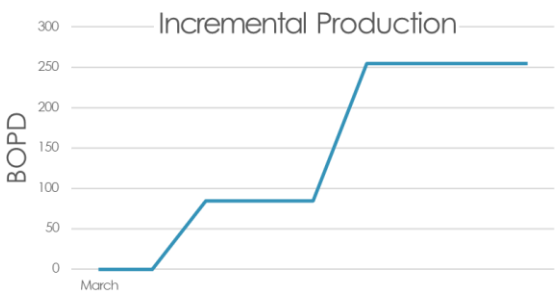
- Depth: 770 Meters
- Gross Sand Thickness : 35 Meters
- Net Pay: 29 Meters
- Porosity: 32%
- Permeability: 2-10 Darcys
- Water Saturation: 18%
- Lithology: Quartzose (Sand)
- Area: 4,270 net acres
- Total OOIP: 186 MMBO
- Cummulative Production: 1.6 MMBO
- Recovery Factor to date: 0.9%
- Oil Density: 11=16.5 Deg API
- 3rd Party Autdited Reserves

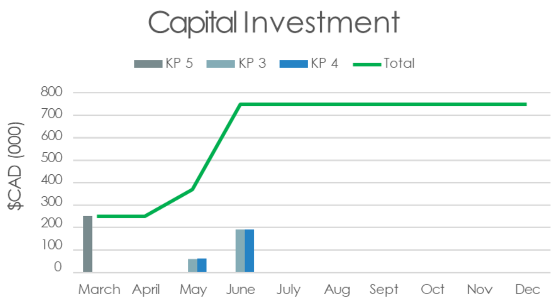
Figure 2: Well Enhancement Candidate for Q-2 2023.

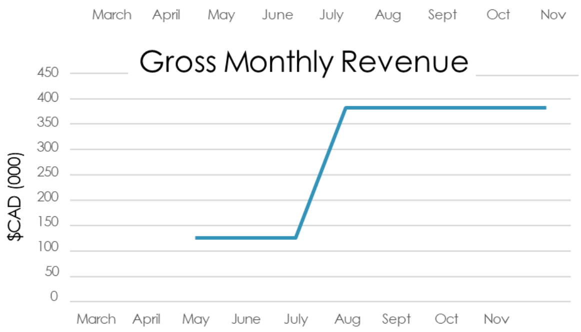
WELL ENHANCEMENT PROJECT METRICS

Assumptions:

- 3 well program - 1 well in March, 2 wells in June
- $250,000 Investment made March
- $120,000 Investment in May for liners
- $380,000 Remaining Investment made in June for WO's
- $50/Bbl Cad Netback (revenue) & 105 BOPD/well







SUMMARY OF FINANCIAL AGREEMENT

Borrower: Superb Operating Company Ltd. ("Superb", "Borrower")
Lender: Stonehorse Energy (ABN 13 086 972 429)
Investment: Initially CAD 370,000 with up to an additional CAD 380,000 at lenders option.
Use of proceeds: Various workovers for wells as agreed between Superb and Stonehorse Energy ("the workovcrs")

CAD 370,000 will initially be advanced to the Borrower. Repayment is due in accordance with the terms agreed. The Loan will accrue a return based on the terms outlined below. The lender will also have options to lend additional amounts up to CAD 380,000 to Superb. The additional loans will also accrue a return based on the terms outlined below.

This is a production-based loan which means repayment of the loan is from the marginal net production on the properties related to the workovers. The amount to be loaned is to be paid back with the portion of incremental revenue until payout (**"before payout revenue"**) from the upgrades using such percentages as defined. After the **Investment** has been paid back, the Lender will continue to receive the portion of incremental revenue after payout **("after payout revenue")** earned from the upgrades using such percentages as further defined until such time as the total cash plus cash return calculated in accordance with the following formula has been achieved: (Before payout revenue + after payout revenue)/Money to Superb= I 00% plus Return.

POTENTIAL FUTURE HYDROGEN OPPORTUNITY

Proton has patented and licenced technology for creating hydrogen within oil and gas reservoirs while sequestering CO2 as carbonate rock in the same zone. Proton has licensees in 16 countries, but also owns and operates oil fields for hydrogen production through subsidiaries like Alberta-registered Superb Operating Company Ltd (Superb).

The in-situ Hydrogen generation is patented technology that utilizes steam and oxygen being injected into the hydrocarbon reservoir to generated hydrogen that is then produced and separated at the field site and either shipped or used as a fuel in generating electricity. Co2 and other tail gases are then re-injected into the reservoir where the CO2 precipitates out as a carbonate.

Stonehorse Energy and Proton are currently exploring opportunities for potential investment in these potential hydrogen to power generation projects.

This announcement is approved for release by the Board.

<u>About Stonehorse Energy</u>

Stonehorse Energy Limited (ASX:SHE) is an Australian based E&P company. The overall objective of the Company is to implement its strategy of building a portfolio of geographically and geophysically diverse, high quality well bore assets with Working Interest (WI) percentages reflecting risk appetite and capital availability.

- ENDS –

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Forward-Looking Statements and Other Disclaimers

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GLOSSARY

BOE	Barrels of Oil Equivalent
Development Unit (DSU)	Development unit or Drilling Spacing Unit (DSU) is the gographical 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	**S**ooner **T**rend **A**nadarko Basin **C**anadian and **K**ingfisher Counties – oil and gas play in the Anadarko Basin Oklahoma
SCOOP	**S**outh **C**entral **O**klahoma **O**il **P**rovince - 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