



STONEHORSE

E N E R G Y

28 April 2023

QUARTERLY ACTIVITIES REPORT

FOR THE QUARTER ENDING 31st MARCH 2023

Oil and gas producer Stonehorse Energy Limited (**ASX:SHE**) (**Stonehorse** or the **Company**) is pleased to present this Quarterly Activities Report for the quarter ended 31st March 2023.

OPERATIONAL HIGHLIGHTS

- Near term multi-well thermal oil upgrade investment made in partnership with Alberta based Proton energy with robust short cycle returns.
- Operations workover operations commenced on heavy oil well KP5 with expected payout 6 months from completion and an economic return of 30% within 9 months.
- Multiple onshore oil and gas well investment opportunities presented from a spread of Canadian based E&P companies are currently being considered to build on the initial investment with Proton.

North American Assets

Jewell is now delivering "seasoned production" and is currently generating approximately US\$123,000 per month in Operating Revenue for Stonehorse.

The balance of wells in the US portfolio continued to perform as expected during the quarter, with these wells generating approximately US\$147,000 in operating cashflow.

All the wells in the North American portfolio (with the exception of the Sutton well) (US\$98k) have now "paid out".

Canadian Assets

Stonehorse Energy 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.

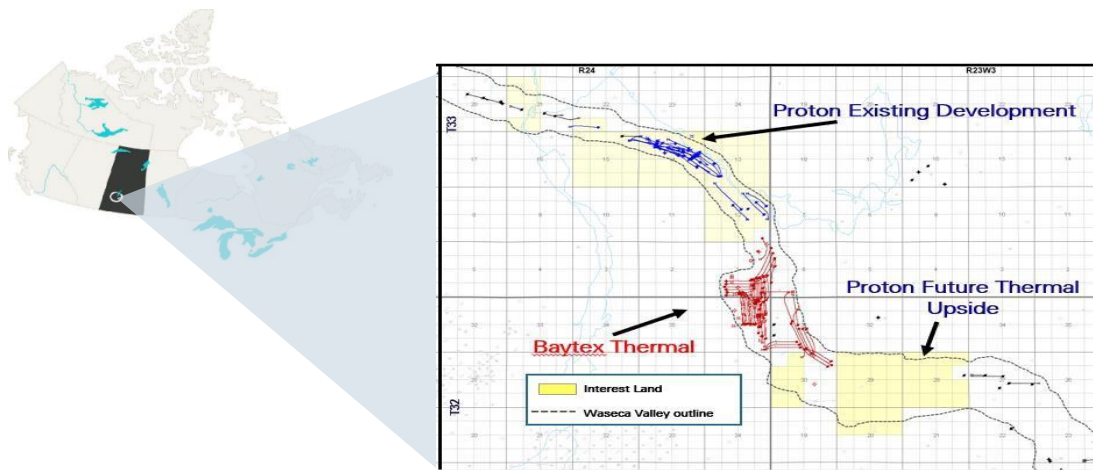


Figure 1: Proton's Superb Kerrobert Asset location.

Summary of Financial Agreement with Proton

CAD 370,000 will initially be advanced to the Borrower. Repayment is due in accordance with the terms agreed. The lender will also have options to lend additional amounts up to CAD 380,000 to Superb. The primary Loan and the additional loans will 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: $(\text{Before payout revenue} + \text{after payout revenue}) / \text{Money to Superb} = 100\% \text{ plus Return}$.

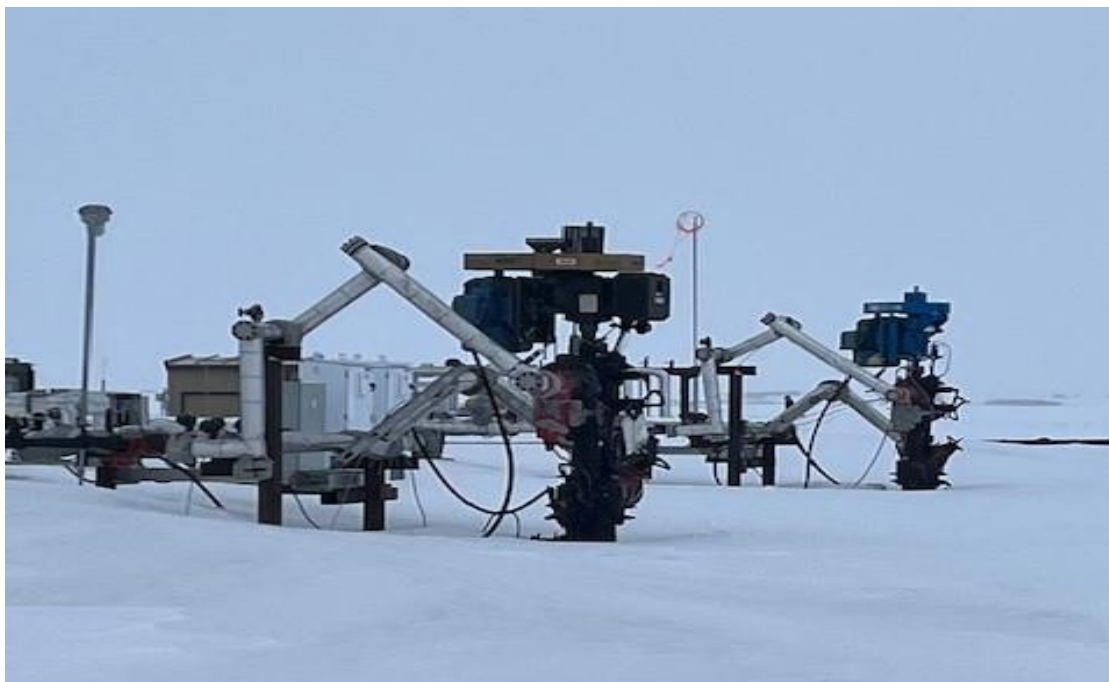


Figure 2: Image of KP5 well pad and PCP pump (background)

[Australian Assets](#)

[Myall Creek-2 \(Surat Basin, QLD\)](#)

The timing of the planned fracture stimulation is now expected to be late November / early December 2023 and is designed to coincide with the JV partners ability to take advantage of forecast eastern seaboard natural gas prices.

[OPERATIONAL STRATEGY AND OBJECTIVES](#)

The current strategy of Stonehorse is to build a portfolio of high quality well bore assets by taking non-operated working interests in wells reflecting risk appetite and capital availability. The success of the Jewell well provides the Company with the funding capacity to increase the diversity of its investments.

The Company assessed several investment opportunities as a way of diversifying the risk and production portfolio of the Company. With Jewell performing strongly, there are opportunities that have been identified for the Company to continue to invest in high quality well bore opportunities providing high potential economic impact.



Canada

The Company has recently initiated discussions and engaged technical assistance in identifying and assessing a number of onshore investment opportunities in Alberta and Saskatchewan, Canada. A number of possible investment opportunities in O&G wells have already been identified targeting light oil and liquids rich gas with the team currently working on the development of these opportunities. These opportunities deliver Stonehorse Energy the scope to take-up working interest percentages between 20% and 50% per well on “to be drilled” fracture stimulated lateral wells located in Alberta.

FINANCIAL PERFORMANCE

Operating Results

The Company reported operating revenue of A\$1.16m and a net gain from continuing operations of A\$780k for the 3 months to 31st March 2023. Reduction in operating performance from previous quarter primarily due to lower WTI oil and natural gas prices coupled with the expected portfolio production decline.

Financial Position

As at 31st March 2023, the Company had a cash balance of A\$10.6m and additional liquid assets in the form of tradable securities worth A\$630k.

EVENTS SUBSEQUENT TO REPORTING DATE

The workover of the first of the three Proton investment wells (KP5) was completed in early April with the well. Early operational highlights provided include:

- Total fluid rate increasing with time;
- Oil rate improving and expected to continue to improve over the next month;
- Temperature increasing with production;
- Well fluid production continuing to stabilise with a plan to increase pump rate and total fluids production over time; and
- Currently reviewing potential for further well stimulation.

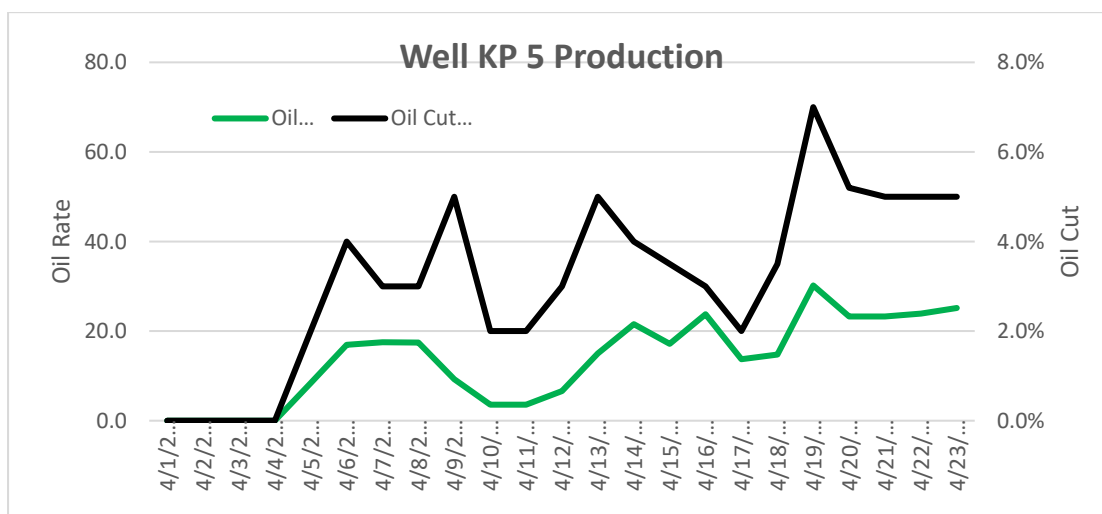


Figure 3: KP5 well initial BOPD and oil/water cut.

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 \$158,000. 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 \$406,000. 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 \$39,039 for Director Fees.

This announcement is released on authority of the Board.

- ENDS -

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About Stonehorse 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.

Appendix 1:

Well Name	Reference Number	Working Interest	County, State	Operator
Stonehorse US				
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%	Gravin, 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	1-13-12SXH	41.50%	Carter, OK	Black Mesa Energy
Orion JV				
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
Stonehorse Australia				
Myall Creek	Myall Creek-2	25%	Surat Basin, Qld	Armour Energy

Table 1. Current Portfolio of working interests in North American and Australian wellbore interests.

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
IP24	Means average daily oil production of a well in its peak 24 hour production
IP30	Means average daily oil production of a well in its peak production month
IP90	Means average daily oil production of a well in its peak production 3 months
Mcf	1,000 cubic feet (of gas)
MMboe	1,000,000 barrels of oil equivalent

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 2023

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	755	3,637
1.2	Payments for		
	(a) exploration & evaluation	-	-
	(b) development	-	-
	(c) production	(158)	(366)
	(d) staff costs	-	-
	(e) administration and corporate costs	(121)	(718)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	26	26
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other	5	17
1.9	Net cash from / (used in) operating activities	507	2,596

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)	(406)	(410)
	(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 (9 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements / working interests	-	-
	(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	(406)	(410)

3.	Cash flows from financing activities		
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	-	-
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)	-	-
3.10	Net cash from / (used in) financing activities	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	10,422	8,295
4.2	Net cash from / (used in) operating activities (item 1.9 above)	507	2,596
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(406)	(410)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-

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	57	99
4.6	Cash and cash equivalents at end of period	10,580	10,580

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	10,560	10,402
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)	10,580	10,422

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	39
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:

- \$39,039 for the payment of current quarter Director fees to Mr Gardner, Mr Deloub and Mr 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)	507
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(406)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	101
8.4 Cash and cash equivalents at quarter end (item 4.6)	10,580
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	10,580
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	N/A
<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	

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: N/A

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: 28/04/2023.....

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.