



STONEHORSE

E N E R G Y

31 July 2023

QUARTERLY ACTIVITIES REPORT

FOR THE QUARTER ENDING 30th JUNE 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 30th June 2023.

OPERATIONAL HIGHLIGHTS

- A multi-well thermal oil upgrade investment made in Saskatchewan in partnership with Alberta based Proton (Superb) Energy.
- The company entered into a Participation Agreement with Canadian based Certus Oil & Gas Inc (Certus) to earn a 26.25% Net Working Interest in the proposed Certus 1-27-33 liquids rich gas well located in Central Alberta, Canada.
- Potential for Stonehorse to significantly increase net O&G production with the Certus investment providing scope to invest in additional development wells available through the Certus Agreement.
- Pending well performance there will be the opportunity to participate in up to 3 additional development wells on the earned acreage.
- Stonehorse launches Investor Hub and invites investors to sign up to learn more about its projects <https://investorhub.stonehorseenergy.com/welcome>.

North American Assets

The current oil and gas well portfolio consisting of 11 operating wells in North America continues to perform strongly with all but 1 well now having paid out and continues to deliver seasoned production. Total net operating revenues have been impacted by softer oil and gas prices in North America with natural gas in particular, expected to strengthen over the second half of 2023 leading into the Northern hemisphere winter.

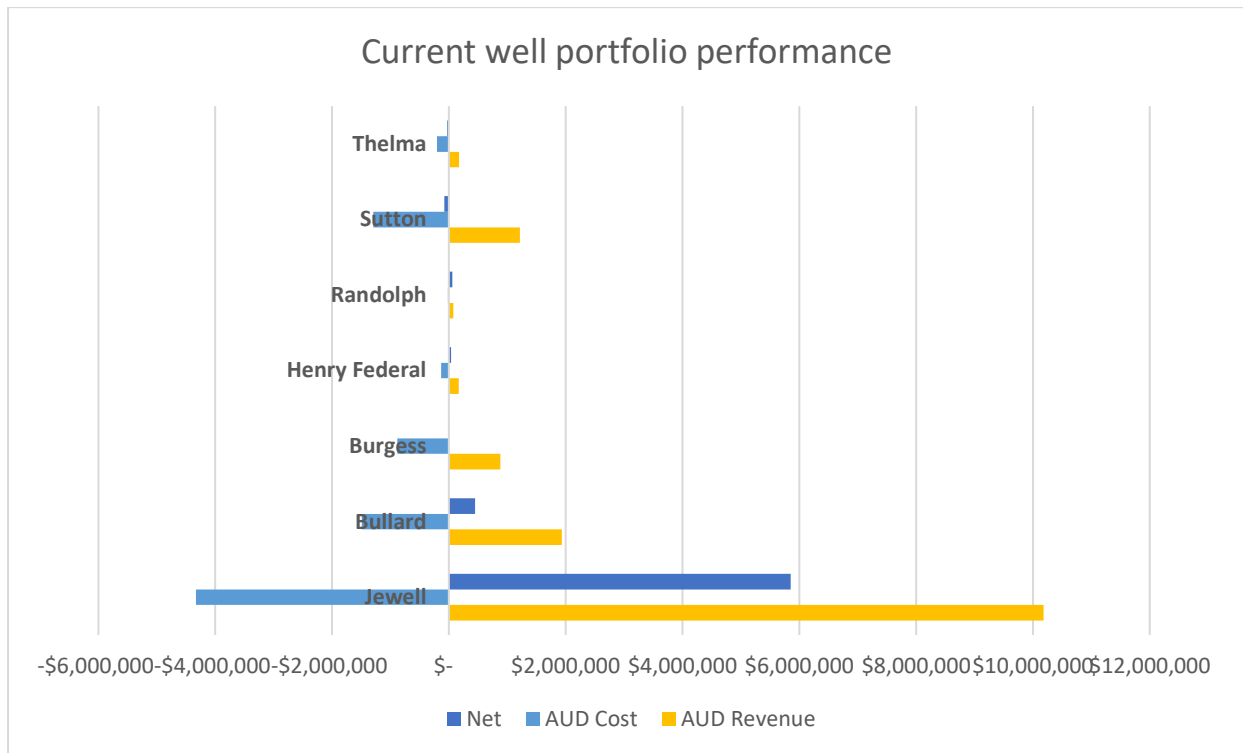
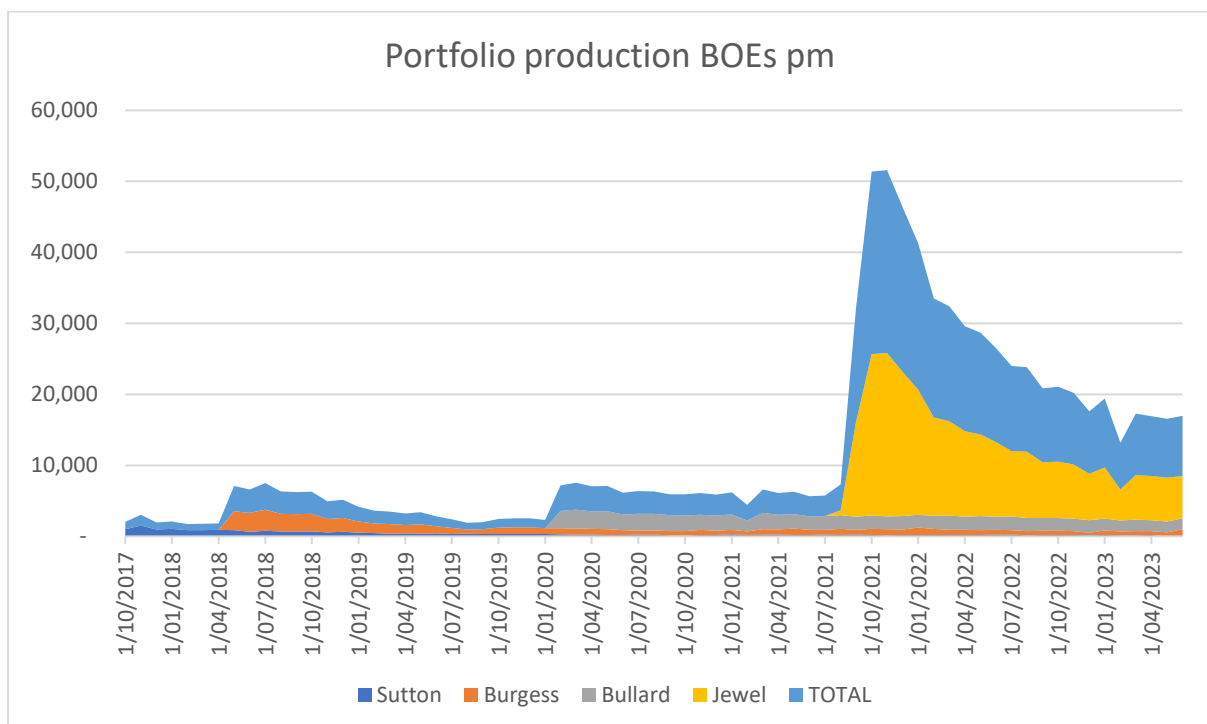


Figure 1. Chart showing cost v revenue for the current major producing assets.



Total production decline showing a flattening off due to the production time of these wells. Recent Canadian investment in a liquids rich gas well in Alberta expected to lift daily average BOE.

Figure 2. Chart showing the BOE production rate for the 4 main producing O&G assets.

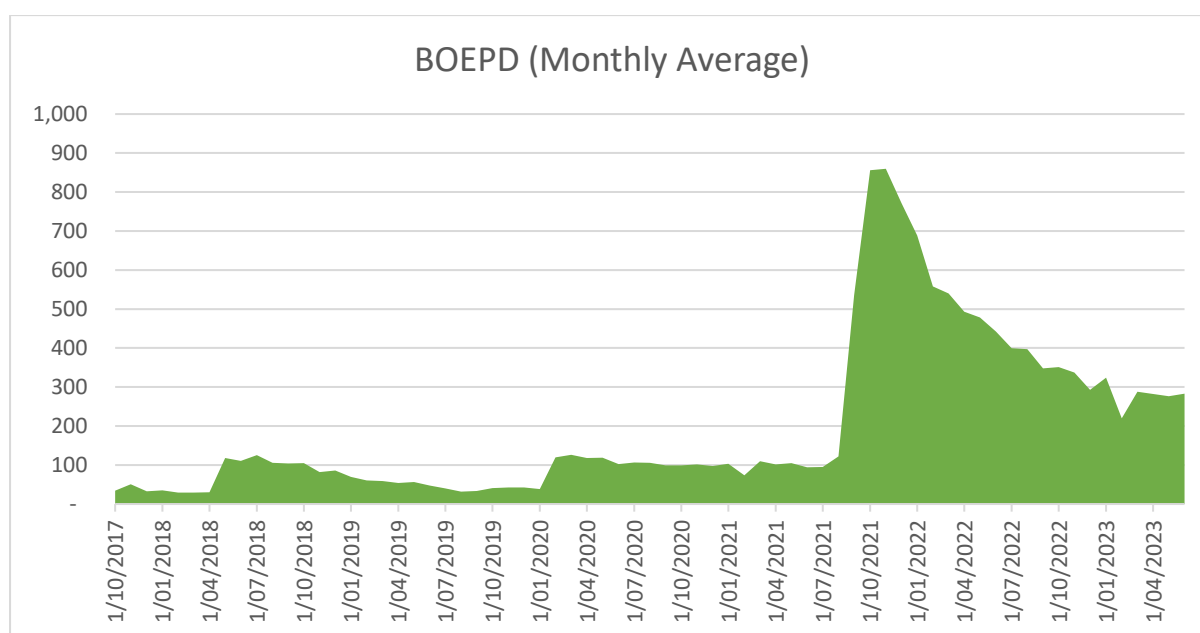


Figure 3. Showing average daily BOE by month.

Canadian Assets

Proton (Superb) Energy – KP5 well

The initial investment in the Proton Energy (Superb) KP5 well was made at the beginning of the quarter and has now been “online” for 3 months.

The oil production rate continues to fluctuate around ~25 BOPD. The Total Fluid Rate (TFR) has recently been reduced for planned surface facility work on treater and water handling equipment to be completed mid-July 2023. With the Well now stabilized the operator plans to continue to increase flow rate to 500 bpd. With this increased flow rate and with the oil cut currently holding around 10% we expect oil production to increase to a minimum of 50 bopd. The Operator is currently reviewing the potential for additional well stimulation going forward.

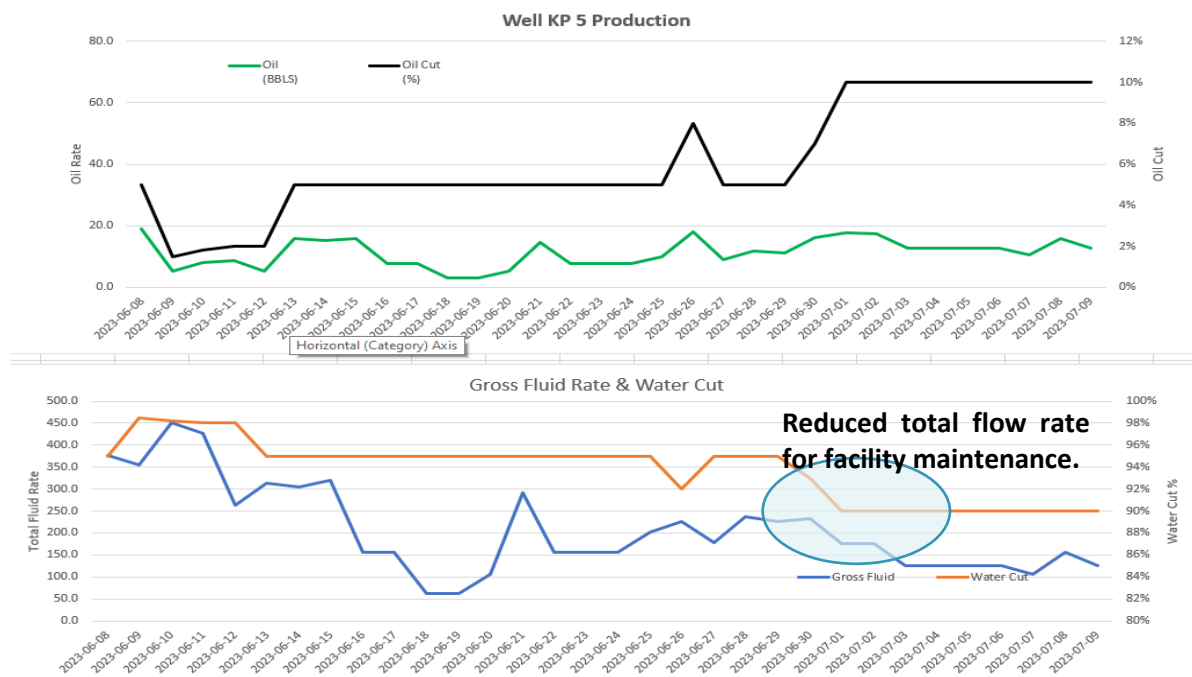


Figure 4. Proton KP5 oil production and gross fluid and water cuts.

Certus Oil & Gas Inc

In early July Stonehorse Energy agreed to participate in the proposed drilling, completion, and tie-in of the liquids rich Certus 1-27-33 gas well for an agreed investment of \$2.52 MM CAD. The following table provides a summary of the proposed 2 mile lateral Certus well.

Asset:	Certus 1-27-33 well.
Product:	Gas and NGLs
Well Type:	2 mile Horizontal Multi-Stage Completion
Basin:	West-Central Alberta
Reservoir:	Glauconite
Operator:	Certus Oil and Gas Inc
Net Working Interest:	26.25%
Gas quality:	Rich gas, Condensate and associated NGLs

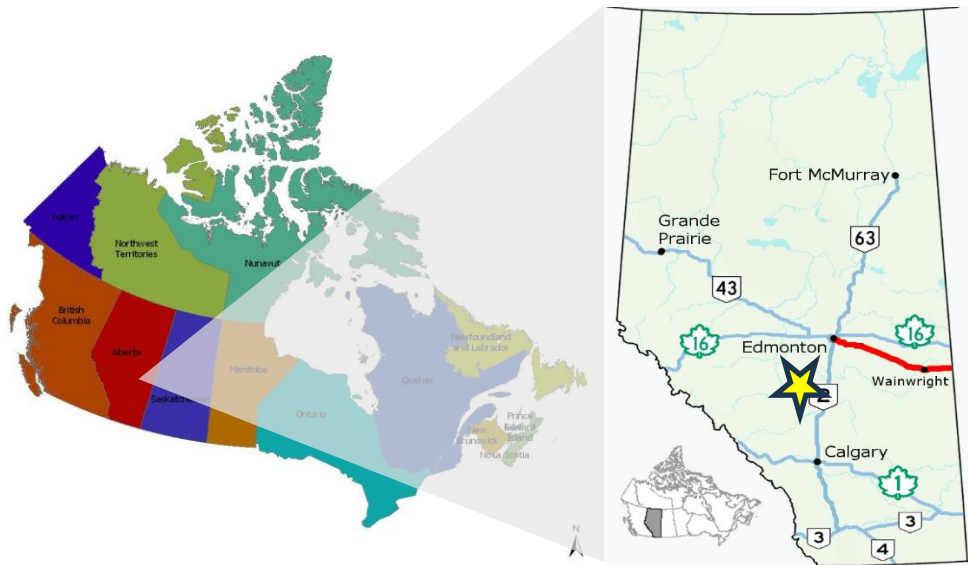


Figure 5. Location of the Certus 1-27-33 well

The well drilling, completion and operation is planned in the Sundre area of Central Alberta. This area has a legacy of successful oil and gas operations for over the past 6 decades. The operation has the infrastructure and support of local stakeholders.

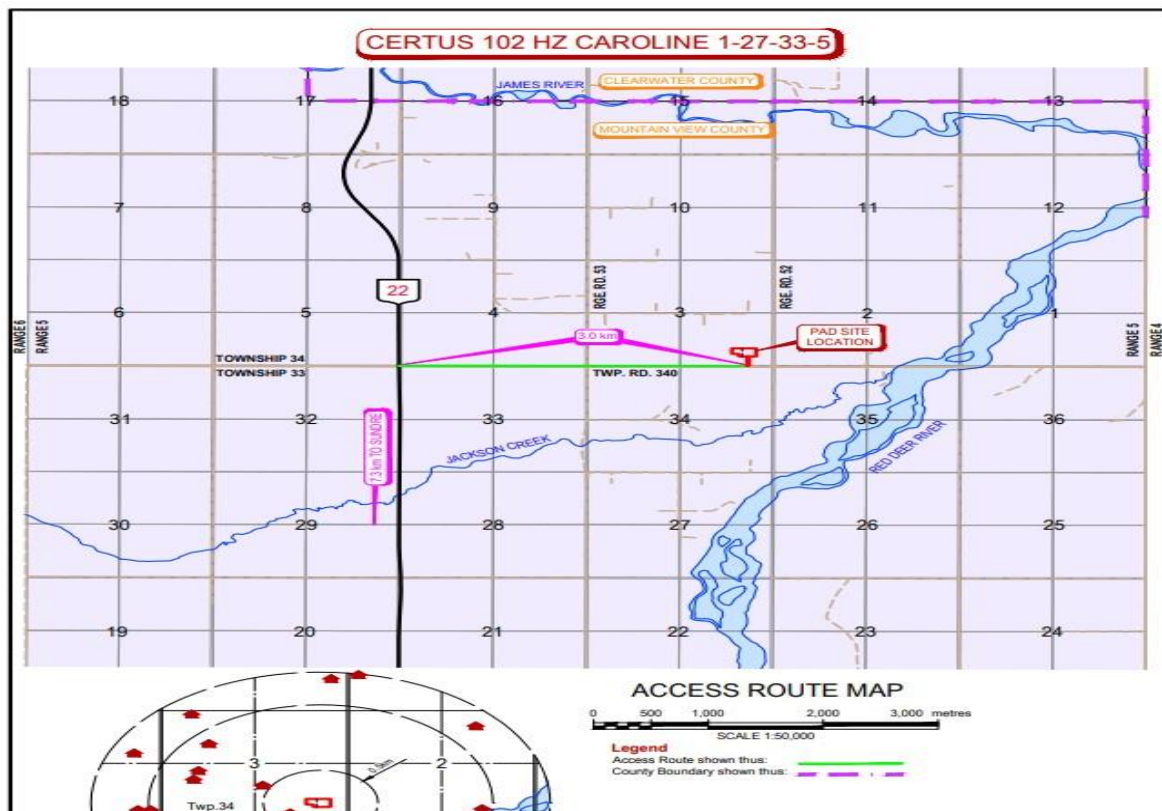


Figure 6. Map showing proposed Certus well location and processing Battery.



Proposed well being drilled and completed on an existing pad site and tied into Certus production battery 3 miles away. Production will be partially processed (dewatered and measured) and then transported through a third-party pipeline to Alta Gas operated Harmattan deep cut gas plant where condensate and NGLs will be extracted and marketed (sold) by a major integrated E&P Company.

Australian Assets

Myall Creek-2 (Surat Basin, QLD)

The timing of the planned fracture stimulation continues 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 Company has recently established a technical and commercial capability in Alberta , Canda and has been focusing on identifying and assessing multiple investment opportunities in the oil and gas provinces located in Alberta and Saskatchewan, Canada.

The most prospective of these includes a 2-well investment opportunity in the Cardium play in N.W Alberta and an Eat Central Alberta heavy oil opportunity in the Nisku carbonate sub-crop oil play with the potential for multi well development. Due diligence continues on these opportunities with concurrent commercial discussions ongoing and incomplete.

FINANCIAL PERFORMANCE

Operating Results

The Company generated operating revenue of A\$485k from continuing operations for the 3 months to 30th June 2023. Reduction in operating performance from previous quarter primarily due to lower WTI oil and natural gas prices coupled with natural existing portfolio production decline.

Financial Position

As at the 30th June 2023, the Company had a cash balance of A\$10.74m and additional liquid assets in the form of tradable securities worth A\$675k.



EVENTS SUBSEQUENT TO REPORTING DATE

The Certus 1-27-33 well pad preparation commenced on Monday the 25th of July with mobilisation of Ensign drill rig #438 on 2nd August and spud date planned for 4th August. Planned drill time of 30 days with well anticipated to be completed, equipped and tied-in approximately 45 days after rig release. Initial production is expected to occur mid Q4 2023.

In mid-July Stonehorse formally launched its Investor Hub. The Investor Hub is a dedicated platform for investors to learn more about Stonehorse Energy and our latest activities during this period of anticipated growth for the company. Visit the Investor Hub here: <https://investorhub.stonehorseenergy.com/welcome>

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 \$141k. 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 \$0. 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 \$63k for Director Fees.

This announcement is released on authority of the Board.

- ENDS -

For further information:

David Deloub
Executive Director
Stonehorse Energy Limited
Tel: (+61 8) 6489 1600
E: info@stonehorseenergy.com

For media enquiries:

Andrew Rowel
Senior Communications Advisor
White Noise Communications
Tel: 0421 505 557
E: andrew@whitenoisecomms.com



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 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 United States of America				
Burgess	28-1	96.81%	Ellis, Oklahoma	Black Mesa Energy
Sutton	2H-52	25.00%	Hansford, Texas	Strat Land Exploration
Bullard	1-18-07UWH	15.60%	Gravin, Oklahoma	Rimrock Resources
Henry Federal	1-8-5XH	2.30%	Blaine, Oklahoma	Continental Resources
Randolph	1-34-27XHM	0.21%	Blaine, Oklahoma	Continental Resources
Randolph	3-34-27XHM	0.21%	Blaine, Oklahoma	Continental Resources
Randolph	4-34-27XHM	0.21%	Blaine, Oklahoma	Continental Resources
Jewell	1-13-12SXH	41.50%	Carter, Oklahoma	Black Mesa Energy
Newberry	12-1	21.70%	Carter, Oklahoma	Black Mesa Energy
Mitchell	12-1	50.00%	Carter, Oklahoma	Black Mesa Energy
Thelma	1-32	50.00%	Murray, Oklahoma	Black Mesa Energy
Stonehorse Australia				
Myall Creek	Myall Creek-2	25%	Surat Basin, Qld	Armour Energy
Stonehorse Canada				
Proton	KP 5	50.00%	Kerrobert, Saskatchewan	Proton Technologies.
Certus	1-27-33	26.25%	Sundre, Alberta	Certus Oil & Gas Inc

Table 1. Current Portfolio of (non-operated) working interests.



GLOSSARY

D&C	Drill and Complete
BCF	Billion cubic feet.
BOE	Barrels of Oil Equivalent
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".
E&P	Exploration and Production
EUR	Ultimate Economic Recovery
NWI	Net Working Interest
NGL	Natural Gas Liquids
Mcfd	1,000 cubic feet (of gas) per day
MMcfd	1,000,000 cubic feet (of gas) per day
Mboe	1,000 barrels of oil equivalent
MMboe	1,000,000 barrels of oil equivalent
NWI	Net Working Interest – Working interest net of promote, overrides and royalties.
O&G	Oil and Gas
WI	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
Spud	Commencement of drilling the well.

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 June 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	485	4,122
1.2	Payments for		
	(a) exploration & evaluation	(15)	(15)
	(b) development	-	-
	(c) production	(141)	(507)
	(d) staff costs	-	-
	(e) administration and corporate costs	(211)	(929)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	2	28
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other	(9)	8
1.9	Net cash from / (used in) operating activities	111	2,707

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)	-	(410)
	(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 / 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	-	(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	10,580	8,295
4.2	Net cash from / (used in) operating activities (item 1.9 above)	111	2,707
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(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 (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	47	146
4.6	Cash and cash equivalents at end of period	10,738	10,738

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	10,718	10,560
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)	10,738	10,580

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	63
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<p><i>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.</i></p> <p>Section 6.1:</p> <ul style="list-style-type: none"> \$62,953 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 <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)	111
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)	111
8.4	Cash and cash equivalents at quarter end (item 4.6)	10,738
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	10,738
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: 31/07/2023

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.