



STONEHORSE

E N E R G Y

31st October 2023

QUARTERLY ACTIVITIES REPORT

FOR THE THREE MONTHS ENDING 30 SEPTEMBER 2023

Oil and gas producer, Stonehorse Energy Limited (**ASX:SHE**) (**Stonehorse or the Company**) is pleased to present this Quarterly Report for the quarter ended **30th September 2023**.

OPERATIONAL HIGHLIGHTS

- The Company announced that the company had entered into a Participation Agreement with Canadian based Certus Oil & Gas Inc to earn a 26.25% Net Working Interest in the proposed Certus **Caroline** 1-27-33-05 liquids rich gas well located in Central Alberta, Canada.
- Stonehorse successfully completed the drilling, stimulation, and tie-in operations for the Caroline well in mid-October. Production to Sales from this well are scheduled to commence in late October.
- The Company announced that it had entered into a Farmout, Option and Participation Agreement with Canadian based Gryphon Oil Corp (Gryphon) to earn a 18.75% Net Working Interest in the proposed **Wapiti** 16-02-65- 08 light oil well located in Northern Alberta, Canada.
- The Gryphon Wapiti well was successfully spud in October and is planned for completion in Early December 2023.

Canadian Assets

During the Quarter, Stonehorse entered into a Participation Agreement with Canadian based Certus Oil & Gas Inc (Certus) to earn a 26.25% Net Working Interest in a proposed Certus 1-27-33 liquids rich gas well located in Central Alberta, Canada. Stonehorse Energy has 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.

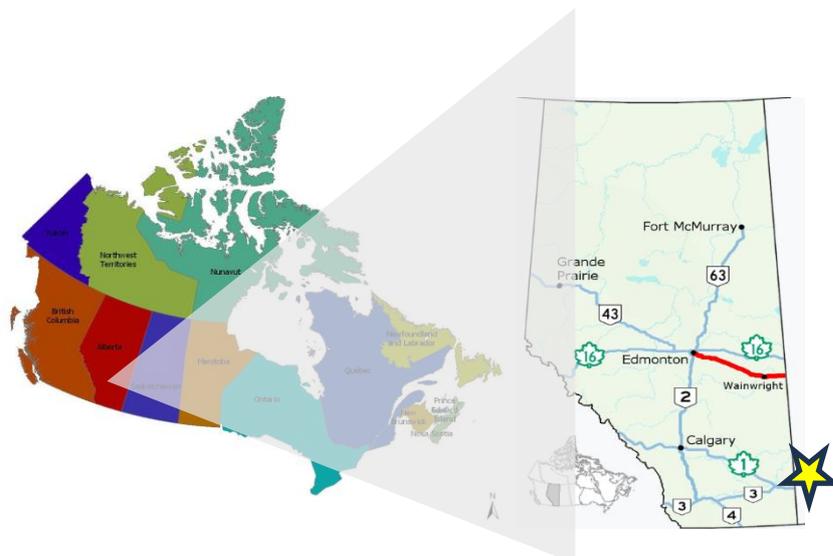


Figure 1. Location of the Certus Caroline 1-27-33-well.

During the quarter, the Company agreed to participation in the drilling, completion, and tie-in of the Gryphon, Wapiti 16-02-65-08 light oil well for an agreed investment of CAD\$1.38m. The arrangement with Gryphon includes a negotiated one well commitment to earn 3 sections. With success on the well, Stonehorse has the further option to participate in a second well drilled off the same pad on the same terms along with the option to select a further 3 sections of land in which it can elect to further participation. The planned spud date for the Wapiti 16-02-65-08 well is October 2023.

The following table provides a summary of the Certus, Caroline well and the Gryphon, Wapiti well.

Asset:	Certus, Caroline 1-27-33 well.
Product:	Gas and NGLs
Well Type:	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

Asset:	Gryphon, Wapiti 6-02-65-08 well.
Product:	Light crude oil
Well Type:	Horizontal Multi-Stage Completion
Basin:	Wapiti
Reservoir:	Cardium
Operator:	Gryphon Petroleum Corp.
Net Working Interest:	18.75%

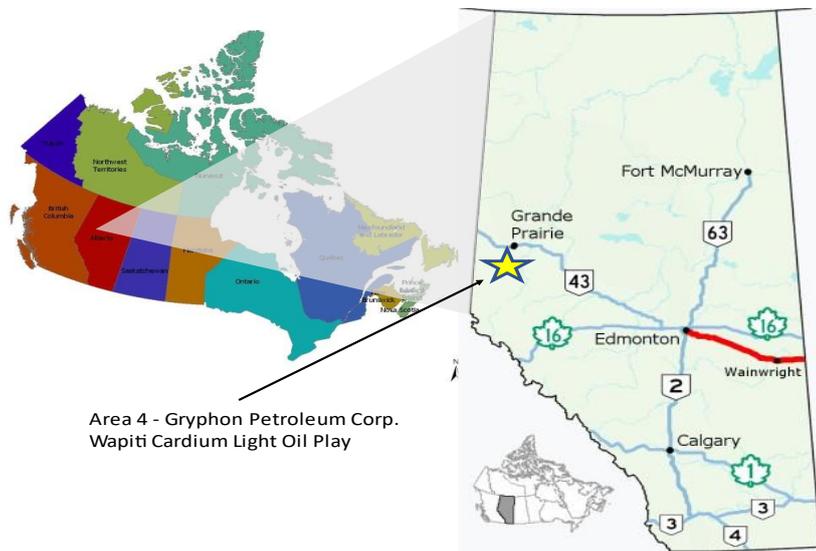


Figure 2: The planned Gryphon, Wapiti Development Area

The financial investment in the Proton Energy (Superb) KP5 well was made at the beginning of the second quarter 2023. The oil production rate has fluctuated around 25 BOPD with the well currently producing ~40 BOPD.

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, expected to strengthen over the last quarter of 2023 into the Northern hemisphere winter season.

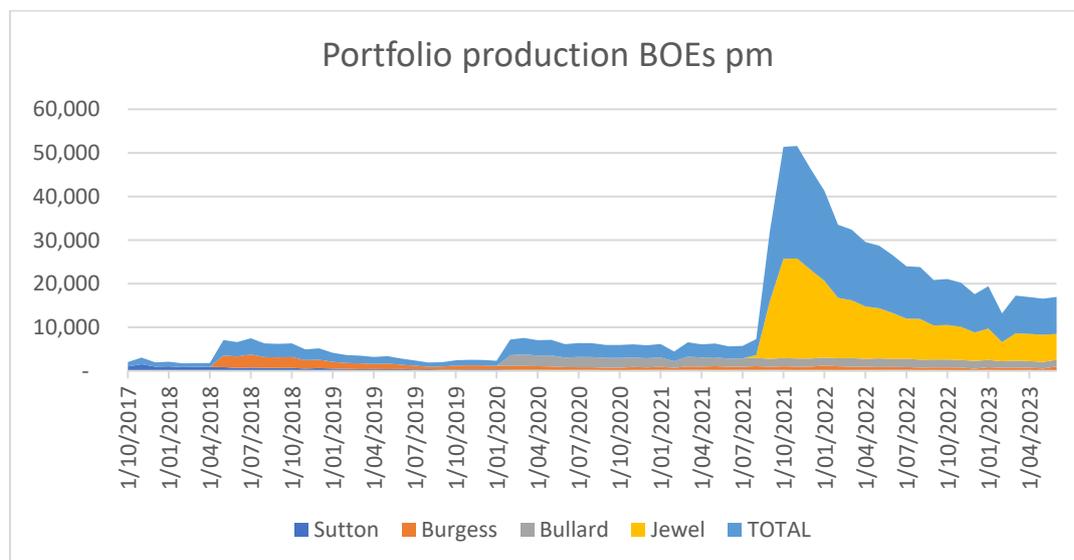


Figure 3. BOE production rate for the 4 main producing US oil and gas assets.



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.

CURRENT PORTFOLIO OF OIL AND GAS WELL ASSETS

The Company currently has non-operated working interests in 14 wells including 2 new wells located in Alberta, Canada and the highly productive Jewell well located in Oklahoma.

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
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 Canada				
Caroline	1-27-33	26.25%	Sundry, AB	Certus
Wapiti	16-02-65-08	18.75%	Wapiti, AB	Gryphon
Stonehorse Australia				
Myall Creek	Myall Creek-2	25.00%	Surat Basin, Qld	Armour Energy

Table 1. Current Portfolio of North American and Australian well bore interests.

SUBSEQUENT EVENTS

The Certus Caroline well was safely completed with its target depth of 5,626 metres on September 12 and the operation was safely executed with a frack stimulation successfully pumped with 65 stages across approximately 9000ft lateral interval in the Glauconite formation. The well is now flowing back to sales with IP30 production rate expected to be available mid- November 2023.

The Gryphon, Wapiti well location was completed, rig moved in and drilling operations commenced on October 22nd. We anticipate the well to reach a planned depth of



3,280m by early November. First Oil flow-back target is late November / early December. Good analog producing fields north and south of prospective area. And strong offset analog vertical wells with major E&P operations in the area. The well is planned for 1 Mile (1600 m) lateral wellbore in reservoir completed with a multi-stage slick water frac stimulation. Infrastructure and access to take-away capacity for gas processing and oil sales is in place.

CORPORATE

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>

Operating Results

The Company realised revenue of \$394k from continuing operations for the 3 months to 30 September 2023.

Financial Position

As at 30 September 2023, the Company had a balance of cash at bank of \$7.8m and additional liquid assets in the form of tradable securities worth \$540k.

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 \$219k. 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 \$3m.
3. **ASX Listing Rule 5.4.5** – Payments to related parties of the Company during the quarter and outlined in the Appendix 5B include \$46k 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.

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 September 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	394	394
1.2 Payments for		
(a) exploration & evaluation	7	7
(b) development	-	-
(c) production	(219)	(219)
(d) staff costs	(46)	(46)
(e) administration and corporate costs	(122)	(122)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	51	51
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other	(3)	(3)
1.9 Net cash from / (used in) operating activities	62	62

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)	(3,031)	(3,031)
(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	-	-
	(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	(3,031)	(3,031)

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	10,738	10,738
4.2	Net cash from / (used in) operating activities (item 1.9 above)	62	62
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(3,031)	(3,031)
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 (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	47	47
4.6	Cash and cash equivalents at end of period	7,816	7,816

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	7,796	10,718
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)	7,816	10,738

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	46
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:

- \$45,548 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)	62
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(3,031)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(2,969)
8.4 Cash and cash equivalents at quarter end (item 4.6)	7,816
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	7,816
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:31/10/2023.....

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.