



Stonehorse Energy Limited
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Directors

Rob Gardener, Executive Chairman

David Deloub, Executive Director

Jay Stephenson, Non-Executive Director
& Company Secretary

Issued Capital (ASX: SHE)

684.4m Ordinary Shares

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Investor Hub

Visit the Investor Hub here:
<https://investorhub.stonehorseenergy.com/welcome>



QUARTERLY ACTIVITIES REPORT

FOR THE THREE MONTHS ENDING 31 DECEMBER 2023

Perth, Western Australia – 31st January 2024 – Oil and gas producer, Stonehorse Energy Limited (ASX:SHE) (Stonehorse or the Company) is pleased to present this Quarterly Report for the quarter ended 31st December 2023.

Operational Highlights:

- Stonehorse successfully completed the Certus Caroline (previously Certus 1-27-33) well, located in Central Alberta, Canada.
- Multi day flow-back and in-test successfully conducted at Caroline, prompting the well to be equipped and tied into permanent production facilities and brought online to condensate to sales.
- Within the first 21 days of production, Certus Caroline produced over 25,000 BOE with an initial production average of 1,193 BOE per day.
- Successful spud of Gryphon Wapiti (16-02-65-08) well, located in West-Central Alberta, Canada.
- Drilling operations were completed at the Wapiti well, on time and within budget.
- A 29-stage fracture stimulation was successfully completed at the Wapiti well without incident.
- Stonehorse's portfolio of working interests in oil and gas wells generated approximately 33,530 BOE for the quarter, with the Canadian assets contributing 21,375 BOE or a 176% increase on production for the portfolio.

Stonehorse Executive Director David Deloub commented:

"This has been an impressive quarter for Stonehorse, with the Certus Caroline well producing over 25,000 BOE within the first 21 days of production. The fracture stimulation was also successfully completed at Wapiti, keeping the well on track for production sales by early 2024. We are very pleased with the efforts of our team and the significant progress of the Company to date."



Canadian Assets

During the Quarter, Stonehorse successfully completed the Certus Caroline well, located in Central Alberta, Canada¹. The frack stimulation was successfully pumped over 65 stages across a ~9000 ft lateral interval in the Glauconite formation. Drilling and completion operations were executed without any safety incidents, commencing the flowback and test phase.

A multi-day flow-back and in-test was successfully completed by Stonehorse, with adequate initial production results, prompting the well to be equipped and tied into permanent production facilities. Proceeding this, Certus Caroline was brought online to produce natural gas and condensate to sales.

Within the first 21 days of production, Certus Caroline produced over 25,000 BOE (raw sales), well above expectations with a higher than forecasted condensate yield². The daily production summary on the 12th of November (estimated sales) read as follows:

- Gas vol: 3,412 mcf/day
- Cond. vol: 220 bbl/day
- NGL vol: 445 bbl/day
- BOE: 1,234 BOEPD
- **SHE net equivalent (26.25%): 324 BOED**

The production efficiency, mixed with the continuous strong hydrocarbon commodity process, made a significant contribution to the overall portfolio performance.



Figure 1. Aerial view of fracture spread on location at the Certus Caroline 1-27-33-05-W5 well.

¹ ASX Announcement – 5 October 2023 "Canadian Operations Update – Expect Production to Sales-Oct"

² ASX Announcement – 13 November 2023 "Canadian Operations Update"



During the quarter, Stonehorse was pleased to announce the successful spud of the Gryphon Wapiti well, located in West-Central Alberta, Canada³. Wapiti entails a legacy oil productive reservoir, neighbouring decent analogue producing fields both north and south of the prospective area. The well has available infrastructure on hand and access to take-away capacity for gas processing and oil sales, with major E&P operations in the surrounding area.

The Pad preparation, rig mobilisation and spud was completed on schedule, with drilling operations commenced on October 22nd. In mid-November, drilling operations were successfully completed on the Wapiti well², both on time and within budget, reaching a total depth of 3,280m.



Figure 2. Gryphon Wapiti well site with drill rig.

During the quarter, the 29 stage fracture operations were successfully completed for the Gryphon Wapiti well, with post frac integrity test and flow back / test operations following⁴. Initial tests of the well's oil were positive, and in line with pre-drill expectations.

Following the test period, Stonehorse will commence a shut-in of the well, recording pressure data whilst installing production equipment and organising flowline transport to the nearest processing plant. Permanent production equipment and flowline are expected to be completed in the immediate future, with production sales and reporting of stabilised well production results expected in Q1 2024.

³ ASX Announcement – 27 October 2023 “Canadian Operations Update – Gryphon and Certus wells”

⁴ ASX Announcement – 13 December 2023 “Canadian Operations Update – Gryphon Well”



Figure 3. Fracture spread on location at Gryphon Wapiti 16-02-65-08 well in North-Western Alberta, Canada.

United States Assets

The US portfolio continues to deliver consistent production results totalling 12,454 BOE for the quarter representing an ~8% decrease in portfolio production from the previous quarter. This 1,077 BOE reduction for the quarter reflects the natural decline in production rates from the well.

SUBSEQUENT EVENTS

The Wapiti 16-02-65-08 well test, construction and tie-in were completed with well equip, battery construction and tie-in completed on time and budget with no accidents or incidents.

Well production was brought online to a permanent facility January 1, 2024. Early production indicates light oil and performing as expected.

Light oil is being trucked to terminal and associated gas is being gathered and processed at regional third-party gas plant.



Figure 4. Wapiti Light Oil Well Equip and Tie-in



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.

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 \$648k from continuing operations for the 6 months to 30 December 2023.

Financial Position

As at 31 December 2023, the Company had a balance of cash at bank of \$5.4m and additional liquid assets in the form of tradable securities worth \$750k.

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 \$101k. 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 \$2.1m.
3. **ASX Listing Rule 5.4.5** – Payments to related parties of the Company during the quarter and outlined in the Appendix 5B include \$71k for Director Fees.



About Stonehorse Energy

Stonehorse Energy Limited (ASX:SHE) is an Australian based E&P company with a focus on onshore oil and gas in North America. The overall objective of the Company is to implement its strategy of building a portfolio of 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

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 to make an informed assessment of Stonehorse Energy. You should conduct your own investigations and perform your own analysis 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 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 December 2023

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	254	648
1.2	Payments for		
	(a) exploration & evaluation	(1)	6
	(b) development	-	-
	(c) production	(101)	(490)
	(d) staff costs	(71)	(117)
	(e) administration and corporate costs	(193)	(315)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	19	70
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other	(7)	(10)
1.9	Net cash from / (used in) operating activities	(100)	(208)

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)	(2,133)	(2,133)
	(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 (6 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	(2,133)	(5,164)

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	7,646	10,738
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(100)	(208)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,133)	(5,164)
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 (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	10	47
4.6	Cash and cash equivalents at end of period	5,423	5,423

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	5,403	7,626
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)	5,423	7,626

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	71
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:

- \$70,724 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.</i>		
<i>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)	(100)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(2,133)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(2,233)
8.4 Cash and cash equivalents at quarter end (item 4.6)	5,423
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	5,423
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	2.43
<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:31/1/24.....

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.