STONEHORSE ENERGY

ABN 13 086 972 429
(Formerly Nickelore Limited)

ANNUAL REPORT

30 June 2019

Corporate Directory

Directors

Robert Gardner	*Non-Executive Chairman*
Jay Stephenson	*Non-executive Director*
David Deloub	*Executive Director*

Company Secretary

Jay Stephenson

Registered Office

Street:	Suite 4, 182 Claisebrook Road Perth WA 6000
Postal:	PO Box 52 WEST PERTH WA 6872
Telephone:	+61 (0)8 6141 3500
Facsimile:	+61 (0)8 6141 3599
Email:	info@stonehorseenergy.com.au
Website:	www.stonehorseenergy.com

Share Registry

Computershare Registry Services

Street:	Level 11, 172 St Georges Terrace Perth WA 6000
Postal:	GPO Box D182 Perth WA 6840
Telephone:	1300 787 272 (investors within Australia) +61 (0)8 9323 2000

Securities Exchange

Australian Securities Exchange

Street:	Exchange Plaza Level 10, Central Park 152-158 St Georges Terrace PERTH WA 6000
ASX Code:	SHE

Auditor

Stantons International

Street:	Level 2, 1 Walker Avenue WEST PERTH WA 6005, AUSTRALIA
Telephone:	+61(0)8 9481 3188
Facsimile:	+61(0)8 9321 1204

ANNUAL REPORT
30 JUNE 2019

Contents

Directors' report

Your Directors present their report together with the summary of the financial information of Stonehorse Energy Limited [Formerly Nickelore Limited] (**the Company**) for the financial year ended 30 June 2019 and the auditor's report thereon.

1. Directors

The names of Directors in office at any time during or since the end of the year are:

- Mr Robert Gardner — *Executive Chairman*
- Mr Jay Stephenson — Non-executive Director
- Mr David Deloub — Non-executive Director

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated. For additional information of Directors including details of the qualifications of Directors please refer to paragraph 9 Information on directors of this Directors' Report.

2. Company secretary

The following person held the position of Company Secretary at the end of the financial year:

- Mr Jay Stephenson — Please refer to paragraph 9 Information on directors.

3. Nature of operations and principal activities

On 9 August 2019, the Company completed its 100% acquisition of Lone Star Energy Limited (Lone Star) and issued a total of 105,500,000 shares and 52,750,000 options, which are subject to shareholder approval, to the vendors of Lone Star pursuant to the vendor offer in the prospectus dated 19 November 2018. Refer to note 10 Events subsequent to reporting date for further detail.

The company re-listed on the ASX on 16 August 2019 and is focused on the Lone Star oil and gas exploration and production strategy and implementing a growth strategy. The Company is focused on evaluating and investing in additional complementary oil and gas to maximise opportunities for Shareholder value creation.

4. Dividends paid or recommended

There were no dividends paid or recommended during the financial year ended 30 June 2019.

5. Review of Operations

5.1. Operations review

a. Lone Star Energy Limited

Greever Project

The Greever prospect is located in Hansford County, Texas in the United States approximately 96 miles north of Amarillo. The prospect includes a conventional horizontal well located in the Marmaton Formation in the Hansford Oil and Gas Field in Hansford County, Texas. The Hansford Field is described as a significant field (>1,000 Billion cubic feet (Bcf) of gas) with over 50 years of exploitation.

This initial horizontal well bore was spudded in August 2017. The well is offsetting a successfully drilled (producing) horizontal well and is adjacent to an analogous field with five recently drilled horizontal Marmaton producing wells.

The Greever Prospect is made up of 640 acres in Section 52, Block 4T in Hansford County, Texas and also includes an Area of Mutual Interest (AMI) including the adjoining Section 51, Block 4T.

LS Operating Pty Ltd (LS Operating), a wholly owned subsidiary of Lone Star, has participated for a 25% working interest (with an 18.75% net revenue interest). The Sutton #2H-52 well (located within the Greever Prospect) has now been drilled, successfully completed and is currently flowing back to sales.

Burgess Project (Sand Creek)

The Burgess Project is located in Ellis County, Oklahoma in the United States. The Burgess Prospect, NE/4 28-24N-23W Ellis County, Oklahoma, proposes to target Morrow sands at an approximate depth of 7,850 ft. These Morrow sands are known to produce commercial quantities of natural gas from vertical wells within section 28 and adjacent sections.

LS Operating has participated for a 96.81% working interest (with a 73.09% net revenue interest) The Burgess #28-1 well (located within the Burgess Prospect) has now been drilled, successfully completed and is currently flowing back to sales.

Directors' report

b. Existing Business Activities

The company is focused on its current oil and gas operations and does not intend to continue funding its obligations in respect to the Canegrass Project.

5.2. Operating results

The loss of the Company for the year amounted to $638,587 (2018: $309,221), which is consistent with 2018 and expected at the Company's current operating levels. Cash out flows have been minimised through Directors' election to accrue fees. No Directors' fees have been settled in cash since November 2015; refer to note 6.6.2 of the financial statements.

The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business. Details of the Company's assessment in this regard can be found in Note 17.1 Basis of preparation**.**

5.3. Financial position

The net liabilities of the Company have increased by $638,995 from net liabilities of $264,831 at 30 June 2018 to net liabilities of $903,826 at 30 June 2019.

As at 30 June 2019, the Company's cash and cash equivalents decreased from 30 June 2018 by $150,800 to $18,172 and had a working capital deficit of $903,826 (2018: $264,831 working capital deficit).

6. Significant changes in state of affairs

Other than referred to in section 5 Review of Operations, no significant changes in the state of affairs of the Company occurred during the financial year.

7. Events subsequent to reporting date

On 9 August 2019, the Company successfully completed the capital raise of $4,656,727 under the public offer via the issue of 232,836,367 shares at $0.02 per share. The Company also successfully completed the acquisition of Lone Star Energy Limited and issued a total of 105,500,000 shares and 52,750,000 options, which are subject to shareholder approval, to the vendors of Lone Star Energy Limited pursuant to the vendor offer in the prospectus dated 19 November 2018.

On 9 August 2019, convertible notes of $200,000 plus accrued interest of $20,000 were converted by issue of 11,000,000 shares.

There are no other significant events subsequent to reporting date that are not covered in this Directors' Report or within the financial statements at Note 10 Events subsequent to reporting date on page 30.

8. Likely developments

Other than matters referred to in sections 3 and 5.1 of this Directors' Report, no other likely developments, future prospects and business strategies of the operations of the Company and the expected results of those operations have been included in this report as the Directors believe that the inclusion of such information would be likely to result in unreasonable prejudice to the Company.

9. Information on directors

Mr Robert Gardner	Chairman (Executive) – Appointed 29 September 2010
Experience and Qualifications	Mr Gardner is a Perth based business proprietor, with over 28 years' experience in the mining industry. Mr Gardner has developed a number of projects that are now major assets of ASX listed companies and has extensive experience in the China region. Mr Gardner is also a major shareholder in the Company.
Interest in Shares and Options	54,103,750 ordinary Shares and 15,000,000 Options exercisable at $0.025 expiring on 9 August 2021 in Stonehorse Energy Limited [Formerly Nickelore Limited)
Directorships held in other listed entities	Executive Chairman of Dragon Mountain Gold Limited, from October 2010 to present.
Mr Jay Stephenson	Director (Non-executive) and Company Secretary – Appointed as Director 1 July 2011
Experience and Qualifications	Mr Stephenson has been involved in business development for over 25 years, including approximately 21 years as Director, Chief Executive Officer, and Company Secretary of various listed and unlisted entities in resources, manufacturing, wine, hotels and property. He has been involved in business acquisitions, mergers, initial public offerings, capital raisings, and business restructuring, as well as managing all areas of finance for companies. MBA, FCPA, CMA, FCIS, MAICD

Directors' report

Interest in Shares and Options ‣ 2,255,208 ordinary Shares in Stonehorse Energy Limited [Formerly Nickelore Limited).

Directorships held in other listed entities ‣ Mr Stephenson also holds or has held the following directorships over the past three years: Non-Executive Director of and Dragon Mountain Gold Limited since July 2011, Non-Executive Director of Strategic Minerals Corporation NL since 2009, Non-Executive Director of Fiji Kava Limited since January 2019. In the past three years, Mr Stephenson has been a Non-Executive Director of Doray Mining Limited - August 2009 to April 2019, Chairman, Non-Executive Director of Auctus Alternative Investments Limited February 2011 – March 2019, Veriluma Limited (Parmelia Resources Limited) - May 2014 to October 2016, Non-Executive Director of Drake Resources Limited – 2005 to December 2017, Non-Executive Director of Blina Minerals Limited - October 2016 to April 2019, Bubs Australia Limited (Hillcrest Litigation Services Limited) September 2015 to December 2016, and Condor Blanco Mines Limited (July 2016 to October 2016).

Mr David Deloub ‣ Director (Executive) - Appointed 1 December 2017

Experience and Qualifications ‣ Mr Deloub has over 25 years of experience in the finance and corporate sectors and holds a degree in economics and post graduate qualifications in banking and finance. Mr Deloub was a director of Patersons Capital Partners, a boutique advisory firm focusing on strategic and financial advice to ASX listed small cap companies. He has considerable corporate finance, business development, management and operational experience in Australia, the United States and Africa.

Interest in Shares and Options ‣ Currently holds no ordinary Shares in Stonehorse Energy Limited [Formerly Nickelore Limited)

Directorships held in other listed entities ‣ Mr Deloub also holds or has held the following directorships over the past three years:

Executive Director of Avira Resources Limited. In the past Mr DeLoub has been a Non-Executive Chairman of Minquest Limited (September 2011 to January 2016) and Executive Director of Merah Resources Limited.

10. Meetings of directors

During the financial year, four meeting of Directors (including committees of Directors) were held. Attendances by each Director during the year are stated in the following table.

	COMMITTEE MEETINGS							
	DIRECTORS' MEETINGS		DUE DILIGENCE COMMITTEE		REMUNERATION COMMITTEE		AUDIT COMMITTEE	
	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended
Robert Gardner	4	4	*At the date of this report, the Remuneration Committee, Audit Committee and Nomination Committee comprise the full Board of Directors. The Directors believe the Company is not currently of a size nor are its affairs of such complexity as to warrant the establishment of these separate committees. Accordingly, all matters capable of delegation to such committees are considered by the full Board of Directors.*					
Jay Stephenson	4	4						
David Deloub	4	4						

Directors' report

11. Indemnifying officers or auditor

11.1. Indemnification

The Company entered into an Agreement with each Director of the Company indemnifying them against liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors of the Company and its controlled entities, with the exception of conduct involving a wilful breach of duty or improper use of information to gain a personal advantage. This agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

The Company has not entered into any agreement with its current auditors indemnifying them against any claims by third parties arising from their report on the financial report.

11.2. Insurance premiums

Since the end of the previous financial year the Company paid insurance premiums of $39,660 in respect of Directors and Officers liability insurance contracts for current and former Directors and Officers of the Company.

12. Options

12.1. Unissued shares under option

At the date of this report, there were no un-issued ordinary shares of Stonehorse Energy Limited [Formerly Nickelore Limited) under option (listed or unlisted) (2018: nil).

No person entitled to exercise the option has or has any right by virtue of the option to participate in any share issue of any other body corporate.

12.2. Shares issued on exercise of options

No ordinary shares were issued by the Company as a result of the exercise of options during or since the end of the financial year.

13. Environmental regulations

The Company's operations are subject to environmental regulations in relation to its exploration activities. The Directors are not aware of any outstanding breaches.

The Directors have considered the enacted National Greenhouse and Energy Reporting Act 2007 (the NGER Act) which introduced a single national reporting framework for the reporting and dissemination of information about the greenhouse gas emissions, greenhouse gas projects, and energy use and production of corporations. At the current stage of development, the Directors have determined that the NGER Act has no effect on the Company for the current, nor subsequent, financial year. The Directors will reassess this position as and when the need arises.

14. Proceedings on behalf of company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

14. Proceedings on behalf of company

The Company was not a party to any such proceedings during the year.

15. Auditor's independence declaration

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* (Cth) for the year ended 30 June 2019 has been received and can be found on page 9 of the annual report.

16. Remuneration report (Audited)

16.1. Principles of compensation

Remuneration is referred to as compensation throughout this report.

Key Management Personnel (**KMP**) have authority and responsibility for planning, directing and controlling the activities of the Company. KMP comprise the directors of the Company.

Compensation levels for KMP are competitively set to attract and retain appropriately qualified and experienced directors and executives.

Directors' report

To this end, the Company embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract qualified and experienced executives;
- Link executive rewards to length of service, experience and overall performance of the Company; and
- Equity participation is a cost effective and efficient incentive given the Company's pre-production status.

The Board of Stonehorse Energy Limited [Formerly Nickelore Limited) believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and Directors to run and manage the Company, as well as create goal congruence between directors, executives and shareholders.

Shares and options may only be issued to directors subject to approval by shareholders in a general meeting.

The Board has no established retirement or redundancy schemes.

The remuneration structure for KMP is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the Company. The contracts for service between the Company and KMP are on a continuing basis, the terms of which are not expected to change in the immediate future.

The Board determines the proportion of fixed and variable compensation for each KMP.

Director's fees are reviewed annually by the Board. No termination payments are payable to Non-Executive Directors.

In accordance with best practice corporate governance, the structure of Non-Executive Director and senior management remuneration is separate and distinct.

a. Fixed Remuneration

Generally, compensation is provided by the Company to its executive officers by way of salary and share option grants. The objective is to ensure that executive compensation is fair and reasonable in order to attract and retain qualified and experienced executives.

Fixed remuneration consists of base cash remuneration and statutory superannuation entitlements. Longer term discretionary remuneration consists of share option grants. Remuneration levels are based on an overall assessment of both individual and Company performance.

The Company believes that encouraging its executives and employees to become shareholders is the best way of aligning their interest to those of its shareholders. In addition, equity participation is a cost effective and efficient incentive as compared to cash bonuses or increased remuneration, particularly given the Company's pre-production status. Accordingly, all executives and employees are entitled to participate in the Company's equity incentive scheme. Generally, the ability to exercise an option is conditional upon the holder remaining in the Company's employment. There are presently no other non-cash benefits available to Directors or employees. There is no separate profit-sharing or bonus plan. The contracts for service between the Company and Directors and executives are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement, Directors and executives are paid employee benefit entitlements accrued to date of retirement. The Company may terminate the contracts without cause by providing one month's written notice. Termination payments (if applicable) are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct, the Company can terminate employment at any time.

b. Performance Based Remuneration – Short-term and long-term incentive structure

The Board will review executive packages annually by reference to the Company's performance and executive performance and comparable information from industry sectors using independent external advice where appropriate.

- Short-term incentives

  No short-term incentives in the form of cash bonuses were granted during the year.

- Long-term incentives

  No long-term incentives in the form of cash bonuses were granted during the year.

c. Service Contracts

The employment conditions of the executive director, Mr Robert Gardner and other KMP are formalised in contracts of employment. Terms of employment contracts are structured to industry standards including normal provisions for termination and notice periods.

d. Non-executive Directors

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Directors' report

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of Non-Executive Directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the Directors as agreed.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board considers advice from external consultants as well as the fees paid to Non-Executive Directors of comparable companies when undertaking the annual review process.

Each Non-Executive Director receives a fee for being a Director of the Company. No additional fees are paid for participation on subcommittees, such as the Audit Committee. Non-Executive Directors are encouraged by the Board to hold shares in the Company.

Accordingly, they are entitled to participate in equity incentive schemes offered by the Company.

Total fees for the Non-Executive Directors for the financial year were $30,000 of which $30,000 remains accrued and unpaid at 30 June 2019 (2018: $30,000).

e. Engagement of Remuneration Consultants

During the financial year, the Company did not engage any remuneration consultants.

f. Relationship between Remuneration of Key Management Personnel and Shareholder Wealth

During the Company's exploration and development phases of its business, the Board anticipates that the Company will retain earnings (if any) and other cash resources for the exploration and development of its resource projects. Accordingly, the Company does not currently have a policy with respect to the payment of dividends and returns of capital. Therefore, there was no relationship between the Board's policy for determining, or in relation to, the nature during the current and previous financial years.

The Board did not determine the nature and amount of remuneration of the KMP by reference to changes in the price at which shares in the Company traded between the beginning and end of the current and previous financial years. However, where the Directors of the Company receive incentive options, such options generally would only be of value if the Company's share price increased sufficiently to warrant exercising the incentive options.

g. Relationship between Remuneration of Key Management Personnel and Earnings

The Company currently does not expect to be undertaking profitable operations (other than by way of material asset sales, none of which is currently planned) until sometime after the successful commercialisation, production and sales of commodities from its projects. Accordingly, the Board does not consider earnings during the current and previous financial years when determining the nature and amount of remuneration of KMP.

16.2. Remuneration Details for the Year Ended 30 June 2019

There were no cash bonuses paid during the year and there are no set performance criteria for achieving cash bonuses.

The following table of benefits and payment details, in respect to the financial year, the components of remuneration for each member of the KMP of the Company:

2019 *Key Management Personnel*	Short-term benefits				Post-employment benefits	Long-term benefits	Equity-settled share-based payments		Total
	Salary, fees and leave[3] (Accrued)	Profit share and bonuses	Non-monetary	Other	Super-annuation	Other	Equity	Options	
	$	$	$	$	$	$	$	$	$
R Gardner[4]	50,400	-	-	-	-	-	-	-	50,400
J Stephenson[6]	15,000	-	-	-	-	-	-	-	15,000
D Deloub[2][7]	15,000	-	-	36,050	-	-	-	-	51,050
	80,400	-	-	36,050	-	-	-	-	116,450

2018 *Key Management Personnel*	Short-term benefits				Post-employment benefits	Long-term benefits	Equity-settled share-based payments		Total
	Salary, fees and leave[3] (Accrued) $	Profit share and bonuses $	Non-monetary $	Other $	Super-annuation $	Other $	Equity $	Options $	$
R Gardner[4]	50,400	-	-	-	-	-	-	-	50,400
P Piercy[1][5]	6,250	-	-	-	-	-	-	-	6,250
J Stephenson[6]	15,000	-	-	-	-	-	-	-	15,000
D Deloub[2] [7]	8,750	-	-	-	-	-	-	-	8,750
	80,400	-	-	-	-	-	-	-	80,400

(1) *Mr Piercy resigned as a director on 1 December 2017.*
(2) *Mr Deloub was appointed as a director on 1 December 2017.*
(3) *There has been no cash settlement of Directors' fees since November 2011, refer to note 6.6.2 of the financial statements.*
(4) *Mr Gardner received 6,712,500 in shares in prior years representing the settlement of $53,700 in director fees payable: 2016: $16,800; 2015: $36,900. The balance of director fees as at 30 June 2019 of $184,800 remains accrued and unpaid.*
(5) *Mr Piercy received 2,031,250 in shares in prior years representing the settlement of $16,250 in director fees payable: 2016: $5,000; 2015: $11,250. The balance of the director fees as at 30 June 2019 of $31,250 remains accrued and unpaid.*
(6) *Mr Stephenson received 2,031,250 in shares in prior years representing the settlement of $16,250 in director fees payable: 2016: $5,000; 2015: $11,250. Mr Stephenson was issued 1,604,167 shares under a capital raising undertaken by the Company as settlement of director fees outstanding to the amount of $9,625. The balance of the director fees as at 30 June 2019 of $45,375 remains accrued and unpaid.*
(7) *Mr Deloub derived director fees of $15,000 and consulting fees of $36,050 during the 2019 financial year. The amount of $59,800 as at 30 June 2019 remains accrued and unpaid.*

16.3. Service Agreements

- **Robert Gardner**: Mr Gardner was appointed as Non-Executive Chairman on 1 October 2010. Base remuneration is $50,400 per annum. No termination payments are applicable. No fees were settled in cash since November 2011.
- **Jay Stephenson:** Mr Stephenson was appointed as Non-Executive Director and Company Secretary on 1 July 2011. Mr Stephenson's contract was amended to $15,000 per annum, effective 1 July 2014 until further notice. No termination payments are applicable. No fees were settled in cash since November 2011.
- **David Deloub:** Mr Deloub was appointed as Non-Executive Director on 1 December 2017. Mr Deloub contract was amended to $15,000 per annum, effective 1 December 2017 until further notice. No termination payments are applicable. No fees were settled in cash since Mr Deloub's appointment.

16.4. Share-based compensation

a. Director and Key Management Personnel Options

No options were on issue as at 30 June 2019 to Directors or KMP (2018: nil).

b. Share-based Payments

No options were granted as remuneration during the year to Directors or KMP.

16.5. Key management personnel equity holdings

a. Fully paid ordinary shares of Stonehorse Energy Limited [Formerly Nickelore Limited) held by each KMP

30 June 2019	Balance at start of year No.	Received during the year as compensation No.	Received during the year on the exercise of options No.	Other changes during the year[1] No.	Balance at end of year No.
Robert Gardner	87,622,500	-	-	(73,018,750)	14,603,750
Jay Stephenson	9,781,250	-	-	(8,151,042)	1,630,208
David Deloub[3]	-	-	-	-	-
	97,403,750	-	-	(81,169,792)	16,233,958

Directors' report

30 June 2018	Balance at start of year No.	Received during the year as compensation No.	Received during the year on the exercise of options No.	Other changes during the year[(1)] No.	Balance at end of year No.
Robert Gardner	87,622,500		-	-	87,622,500
Paul Piercy[(2)]	20,912,500		-	-	20,912,500
Jay Stephenson	9,781,250		-	-	9,781,250
	118,316,250	-	-	-	118,316,250

[(1)] *Other changes during the year relate to share consolidation of 6 to 1 effective 22 October 2018.*

[(2)] *Balance at end of year represents shares held at date of resignation being 1 December 2017*

[(3)] *Balance at start of year represents shares held at date of appointment being 1 December 2017*

b. Options of Stonehorse Energy Limited [Formerly Nickelore Limited) held by each KMP

No options were on issue during the 2019 (2018: nil) to Directors or KMP.

16.6. Loans to key management personnel

There are no loans made to directors of the Company as at 30 June 2019 (2018: nil).

16.7. Loans from key management personnel

The Company issued convertible notes with a value of $300,693 including accrued interest to related parties of Mr Robert Gardner. The terms and conditions of these notes are the same as those referred to in under Note 6.7.1 on page 24.

A related party of Mr Robert Gardner loaned the Company $50,000 on 14 March 2019. The loan was forgiven in full at 30 June 2019 under Note 1.2.

16.8. Other transactions with key management personnel

There have been no other transactions involving equity instruments other than those described in the tables above. For details of other transactions with KMP, refer Note 13 Other related party transactions on page 31.

END OF REMUNERATION REPORT (audited)

This Report of the Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of directors made pursuant to s.298(2) of the *Corporations Act 2001* (Cth).

R. Gardner

ROBERT GARDNER

Chairman

Dated this Monday, 30 September 2019

Stantons International Audit and Consulting Pty Ltd
trading as
Stantons International
Chartered Accountants and Consultants

PO Box 1908
West Perth WA 6872
Australia

Level 2, 1 Walker Avenue
West Perth WA 6005
Australia

Tel: +61 8 9481 3188
Fax: +61 8 9321 1204

ABN: 84 144 581 519
www.stantons.com.au

30 September 2019

Board of Directors
Stonehorse Energy Limited
Suite 4, 182 Claisebrook Road
Perth WA 6000

Dear Directors

RE: STONEHORSE ENERGY LIMITED (FORMERLY NICKELORE LIMITED)

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Stonehorse Energy Limited.

As Audit Director for the audit of the financial statements of Stonehorse Energy Limited for the year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Samir Tirodkar
Director

Statement of profit or loss and other comprehensive income

for the year ended 30 June 2019

	Note	2019 $	2018 $
Continuing operations			
Revenue	1.1	6	1,203
Other income	1.2	57,173	1,712
		57,179	2,915
Compliance costs		(278,887)	(83,965)
Computers and communications		(23,114)	(4,490)
Employee benefits expenses	2.1	(80,400)	(81,714)
Exploration and evaluation expenditure	3.1	(12,297)	(14,474)
Interest expense		(12,801)	(20,000)
Professional fees	2.2	(245,358)	(93,540)
Travel and accommodation		-	(10,106)
Other expenses		(42,909)	(3,847)
Loss before tax		(638,587)	(309,221)
Income tax	5.1	-	-
Loss from continuing operations		(638,587)	(309,221)
Net loss for the year		(638,587)	(309,221)
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss		-	-
Items that may be reclassified subsequently to profit or loss		-	-
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss attributable to members of the parent entity		(638,587)	(309,221)
Loss per share:		¢	¢
Basic loss per share (cents per share)	16.3	(1.25)	(0.60)

The statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes.

Statement of financial position

as at 30 June 2019

	Note	2019 $	2018 $
Current assets			
Cash and cash equivalents	6.1	18,172	168,972
Trade and other receivables	6.2	14,737	2,739
Financial assets	6.3	17,933	10,760
Loans	6.4	65,635	40,755
Other current assets	6.5	49,635	2,458
Total current assets		166,112	225,684
Total assets		166,112	225,684
Current liabilities			
Trade and other payables	6.6	695,704	270,515
Short-term financial liabilities	6.7	374,234	220,000
Total current liabilities		1,069,938	490,515
Total liabilities		1,069,938	490,515
Net liabilities		(903,826)	(264,831)
Equity			
Issued capital	7.1	24,648,133	24,648,541
Accumulated losses		(25,551,959)	(24,913,372)
Total equity / (deficiency)		(903,826)	(264,831)

The statement of financial position is to be read in conjunction with the accompanying notes.

Statement of changes in equity

for the year ended 30 June 2019

	Note	Issued Capital $	Accumulated Losses $	Total $
Balance at 1 July 2017		24,648,541	(24,604,151)	44,390
Loss for the year		-	(309,221)	(309,221)
Other comprehensive income for the year		-	-	-
Total comprehensive loss for the year		-	(309,221)	(309,221)
Transaction with owners, directly in equity				
Shares issued during the year	7.1.1	-	-	-
Transaction costs		-	-	-
Balance at 30 June 2018		24,648,541	(24,913,372)	(264,831)
Balance at 1 July 2018		24,648,541	(24,913,372)	(264,831)
Loss for the year		-	(638,587)	(638,587)
Other comprehensive income for the year		-	-	-
Total comprehensive loss for the year		-	(638,587)	(638,587)
Transaction with owners, directly in equity				
Shares issued during the year	7.1.1	-	-	-
Transaction costs		(408)	-	(408)
Balance at 30 June 2019		24,648,133	(25,551,959)	(903,826)

The statement of changes in equity is to be read in conjunction with the accompanying notes.

Statement of cash flows

for the year ended 30 June 2019

	Note	2019 $	2018 $
Cash flows from operating activities			
Payments to suppliers and employees		(308,761)	(155,061)
Interest received		6	1,121
Interest paid		(1,134)	-
Payments for exploration expenditure		(8,598)	(14,808)
Net cash used in operating activities	6.1.2	(318,487)	(168,748)
Cash flows from investing activities			
Loans provided		(24,880)	(40,755)
Net cash used in investing activities		(24,880)	(40,755)
Cash flows from financing activities			
Proceeds from borrowings	6.1.2	192,567	200,000
Net cash from financing activities		192,567	200,000
Net decrease in cash held		(150,800)	(9,503)
Cash at the beginning of the year		168,972	178,475
Cash at the end of the year	6.1	18,172	168,972

The statement of cash flows is to be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

In preparing the 2019 financial statements, Stonehorse Energy Limited has grouped notes into sections under four key categories:

Significant accounting policies specific to each note are included within that note. Accounting policies that are determined to be non-significant are not included in the financial statements.

The financial report is presented in Australian dollars, except where otherwise stated.

Notes to the financial statements

for the year ended 30 June 2019

Section A. HOW THE NUMBERS ARE CALCULATED

This section provides additional information about those individual line items in the financial statements that the directors consider most relevant in the context of the operations of the entity, including:

a) accounting policies that are relevant for an understanding of the items recognised in the financial statements. These cover situations where the accounting standards either allow a choice or do not deal with a particular type of transaction

b) analysis and sub-totals, including segment information

c) information about estimates and judgements made in relation to particular items.

Note 1 Revenue and other income	2019 $	2018 $
1.1 Revenue		
Interest revenue	6	1,203
Total revenue	6	1,203
1.2 Other income		
Increase/(decrease) in fair value of investments	7,173	1,712
Loans forgiven	50,000	-
Total other income	57,173	1,712

1.3 Accounting Policy

1.3.1 Interest income

Interest revenue is recognised in accordance with note 4.1 Financial income and expenses.

1.3.2 Revenue and other income

Revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Company expects to receive in exchange for those goods or services.

1.3.3 Loans forgiven

A loan of $50,000 was provided to the Company on 14 March 2019 by a related party of Mr Gardner and was forgiven at 30 June 2019.

Note 2 Loss before income tax	2019 $	2018 $
The following expense items are relevant in explaining the financial performance:		
2.1 Employee benefits		
Fees, wages and salaries and other	80,400	81,714
Total personnel expenses	80,400	81,714
2.2 Professional Fees		
Legal	205,822	93,540
Professional Services	39,536	-
Total Professional fees	245,358	93,540

Notes to the financial statements
For the year ended 30 June 2019

Note 2 Loss before income tax (cont.)

2.3 Accounting Policy

2.3.1 Defined contribution superannuation funds

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions onto a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the income statement as incurred. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

2.3.2 Short-term benefits

Liabilities for employee benefits for wages and salaries that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to the reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Company expects to pay at the reporting date including related on-costs, such as workers compensation insurance and payroll tax.

Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the Company as the benefits are taken by the employees.

2.3.3 Other long-term benefits

For the year ending 30 June 2019, no amount for long term benefits has been recognised in the financial statements as the Company has no employees.

Note 3 Exploration and evaluation expenditure

Note 3 Exploration and evaluation expenditure	2019 $	2018 $
3.1 Exploration and evaluation expenditure		
Exploration expenditure	12,297	14,474
Total exploration and evaluation expenditure	12,297	14,474

3.2 Cumulative exploration and evaluation expenditure

	Tenement acquisition expenditure $	Exploration and evaluation expenditure $	Cumulative exploration and evaluation expenditure $
Cumulative expenditure at the beginning of year	295,200	2,369,400	2,664,600
Expenditure incurred and expensed for the year	-	-	-
Cumulative expenditure to the end of year	295,200	2,369,400	2,664,600

3.3 All exploration and evaluation expenditure is expensed as incurred.

3.4 Accounting Policy

3.4.1 Recognition and measurement

Exploration and evaluation costs, including the costs of acquiring licenses, are written off in the year they are incurred.

3.4.2 Site restoration and rehabilitation

Provision is made for anticipated costs of rehabilitation necessitated by disturbance arising from production activity in respect of certain tenements in the period in which the disturbance occurred. The provision for tenement rehabilitation is provided in respect of a performance guarantee under Department of Mines and Petroleum obligations over site restoration requirements over certain tenements.

Rehabilitation costs are accumulated in the provision on a production output basis commencing in the period that disturbance occurs. In determining the rehabilitation obligations, the entity has assumed no significant changes will occur in the relevant Federal and State legislation in relation to rehabilitation of the disturbances arising from production activity in respect of those tenements.

Notes to the financial statements
For the year ended 30 June 2019

Note 4 Other significant accounting policies related to items of profit and loss

4.1 Financial income and expenses

Finance income comprises of interest income on funds invested, gains on the disposal of financial assets and changes in the fair value of financial assets at FVTPL. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Financial expenses comprise interest expense on borrowings calculated using the effective interest method, unwinding of discounts on provisions, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognised on financial assets. All borrowing costs are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in income in the period in which they are incurred.

Foreign currency gains and losses are reported on a net basis.

Note 5 Income tax

		2019 $	2018 $
5.1 Income tax expense / (benefit)			
Current tax		-	-
Deferred tax		-	-
		-	-
Deferred income tax expense included in income tax expense comprises:			
Increase / (decrease) in deferred tax assets	5.3	-	-
(Increase) / decrease in deferred tax liabilities	5.4	-	-
		-	-
5.2 Reconciliation of income tax expense to prima facie tax payable			
The prima facie tax payable / (benefit) on loss from ordinary activities before income tax is reconciled to the income tax expense as follows:			
Prima facie tax on operating loss at 27.5% (2018: 27.5%)		(175,611)	(85,036)
Add / (Less) tax effect of:			
Capital raising costs		(39,001)	(25,779)
Non-deductible expenses		59,983	-
Accounting (gain)/loss		-	(493)
Other timing differences		18,695	27,812
Deferred tax asset not brought to account – tax losses		135,934	83,496
Income tax expense / (benefit) attributable to operating loss		-	-
Less rebates:			
Tax rebate for Research and Development		-	-
Income tax expense / (benefit)		-	-

Notes to the financial statements
for the year ended 30 June 2019

Note 5 Income tax (cont.)		2019 $	2018 $
		%	%
The applicable weighted average effective tax rates attributable to operating loss are as follows		Nil	nil
		$	$
Balance of franking account at year end		Nil	nil
5.3 Deferred tax assets			
Tax losses		7,117,065	6,981,131
Other timing differences		103,873	83
Other		82,975	92,633
		7,303,913	7,073,847
Set-off deferred tax liabilities	5.4	-	-
Net deferred tax assets		7,303,913	7,073,847
Less deferred tax assets not recognised		(7,303,913)	(7,073,847)
Net tax assets		-	-
5.4 Deferred tax liabilities			
Capitalised exploration costs		-	-
		-	-
Set-off deferred tax liabilities	5.3	-	-
Net deferred tax liabilities		-	-
5.5 Tax losses and deductible temporary differences			
Unused tax losses and deductible temporary differences for which no deferred tax asset has been recognised, that may be utilised to offset tax liabilities:			
- Deductible temporary differences		186,849	92,716
- Revenue losses		3,919,359	3,783,426
- Capital losses		3,197,705	3,197,705
		7,303,913	7,073,847

Potential deferred tax assets attributable to tax losses and exploration expenditure carried forward have not been brought to account at 30 June 2019 because the directors do not believe it is appropriate to regard realisation of the deferred tax assets as probable at this point in time. These benefits will only be obtained if:

- the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss and exploration expenditure to be realised;
- the Company continues to comply with conditions for deductibility imposed by law; and
- no changes in tax legislation adversely affect the Company in realising the benefit from the deductions for the loss and exploration expenditure.

Note 5 Income tax (cont.)

5.6 Accounting Policy

5.6.1 Income Tax

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items recognised outside profit or loss.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised:

- When the deferred tax liability arises from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither the accounting profit nor taxable profit or loss; or
- When the taxable temporary difference arises from the initial recognition of goodwill; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised, except:

- When the deductible temporary difference giving rise to the asset arises from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither accounting profit nor taxable income; or
- When the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Notes to the financial statements
for the year ended 30 June 2019

Note 6 Financial assets and finacial liabilities

6.1 Cash and cash equivalents

	2019 $	2018 $
Cash at bank and in hand	223	165,869
Trust account	17,949	3,103
	18,172	168,972

6.1.1 The Company's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 8 Financial risk management on page 26.

6.1.2 Cash Flow Information

	2019 $	2018 $
a. Reconciliation of cash flows used in operations to loss after income tax		
Loss after income tax	(638,587)	(309,221)
Cash flows excluded from loss attributable to operating activities		
Non-cash flows in loss from ordinary activities:		
Decrease/(increase) in fair value of investments	(7,173)	(1,793)
Accrued Interest	11,667	20,000
Loan forgiven	(50,000)	-
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables and prepayments	(59,175)	41
Increase/(decrease) in trade and other payables	424,781	122,225
Cash out flow used in operations	(318,487)	(168,748)

b. Reconciliation of liabilities arising from financing activities

	2018 $	Cash flows $	Non-cash changes Acquisitions $	Foreign Exchange $	Other Changes $	2019 $
Short-term borrowings	220,000	175,000	-	-	(38,333)	356,667
Long-term borrowings	-	-	-	-	-	-
Finance	-	(23,180)	40,747	-	-	17,567
Total liabilities from financing activities	220,000	151,820	40,747	-	(38,333)	374,234

6.1.3 Credit Standby Facilities

The Company has no credit standby facilities.

6.1.4 Non-Cash Investing and Financing Activities

The Company has no non-cash investing and financing activities.

6.1.5 Accounting Policy

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of six (6) months or less, and bank overdrafts. Bank overdrafts are shown within short-borrowings in current liabilities on the Statement of financial position.

Notes to the financial statements
for the year ended 30 June 2019

Note 6 Financial assets and finacial liabilities (cont.)

6.2 Trade and other receivables

		2019 $	2018 $
Current			
Other		14,737	2,739
		14,737	2,739

6.2.1 The Company's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 8 Financial risk management on page 26. No receivables were past due or impaired.

6.2.2 Accounting Policy

Revenues, expenses, and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the relevant country's taxation authority. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office (or jurisdictional equivalent) is included as a current asset or liability in the balance sheet.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

Trade and other receivables are stated at amortised cost. Receivables are usually settled within 30 to 90 days.

Collectability of trade and other debtors is reviewed on an ongoing basis. An impairment loss is recognised for debts which are known to be uncollectible. An impairment provision is raised for any doubtful amounts.

6.3 Financial assets

		2019 $	2018 $
Current			
Dragon Mountain Gold Limited (**DMG**) shares	6.3.1	17,933	10,760
		17,933	10,760

6.3.1 Stonehorse currently holds 896,660 DMG shares. The fair value of DMG fully paid ordinary shares at 30 June 2019 was based on the ASX quoted market value. These shares are classified as Tier 1 financial assets. These shares are a financial asset through profit and loss.

6.3.2 Accounting Policy

6.3.2.1 Classification

From 1 January 2018, the Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

6.3.2.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Notes to the financial statements

for the year ended 30 June 2019

Note 6 Financial assets and finacial liabilities (cont.)

6.3 Financial assets (cont.)

6.3.2.3 Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

i. Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises

ii. Equity Instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payments is established

Changes in the fair value of financial assets at FVTPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

6.3.2.4 Impairment

From 1 January 2018, the Company assesses on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Company applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Note 6 Financial assets and finacial liabilities (cont.)

6.4 Loans

		2019 $	2018 $
Current			
Loan to Lone Star Energy Limited	6.4.1	64,605	40,755
Loan to Third Party		1,030	-
		65,635	40,755

6.4.1 The loan advance to Lone Star Energy Limited was for expenses paid only behalf of the company. This is an unsecured loan with no interest rate or maturity date.

6.4.2 The Company's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 8 Financial risk management on page 26.

6.4.3 Accounting Policy

Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

Loans are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period.

6.5 Other assets

	2019 $	2018 $
Current		
Prepayments	49,635	2,458
	49,635	2,458

6.6 Trade and other payables

		2019 $	2018 $
Current			
Unsecured			
Trade payables	6.6.1	315,337	23,964
Accruals	6.6.1	66,189	30,798
Director's fees accrual	6.6.2	285,175	204,775
Other		29,003	10,978
		695,704	270,515

6.6.1 These amounts arise from the usual operating activities of the Company. Trade payables and other payables and accruals, except directors' fees, are outstanding less than 90 days.

6.6.2 The Directors' fees accruals relate to amounts outstanding for the period November 2015 to June 2019.

6.6.3 The Company's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 8 Financial risk management on page 26.

6.6.4 Accounting Policy

Trade payables and other payable are recognised when the Company becomes obligated to make future payments resulting from the purchase of goods and services which are unpaid and stated at their amortised cost. The amounts are unsecured and are generally settled on 30-day terms.

Notes to the financial statements
for the year ended 30 June 2019

Note 6 Financial assets and finacial liabilities (cont.)

6.7 Short-term financial liabilities

		2019 $	2018 $
Current			
Convertible notes – non-related parties	6.7.1	55,974	55,000
Convertible notes – related parties	6.7.1,6.7.2	300,693	165,000
Premium Funding		18,436	-
Unexpired Interest		(869)	-
		374,234	220,000

6.7.1 During the year, the Company issued additional convertible notes with a value of $125,000 (2018: $200,000). A total of $325,000 convertible notes were issued as at 30 June 2019 and interest amounted to $31,667. The terms and conditions of the convertible notes are:

- Maturity date: 30 June 2019.
- Interest rate: 10% p.a.
- In the event the Loan is converted or repaid prior to the first anniversary of the Commencement Date, the Interest payable will be deemed to be equal to that amount that would have accrued over a 12-month period.
- Conversion price: issue price of shares issued pursuant to the capital raising.

6.7.2 Of the convertible notes issued under note 6.7.1, the Company issued convertible notes with a value of $275,000 and interest of $25,693 to related parties of Mr Robert Gardner. The terms and conditions of these notes are the same as those referred to in under note 6.7.1.

6.7.3 On 9 August 2019, convertible notes of $200,000 plus accrued interest of $20,000 were converted by issue of 11,000,000 shares. The Company is in the process of renegotiating the maturity date for the remaining convertible notes of $125,000 which were due and payable on 30 June 2019.

6.8 Other significant accounting policies related to financial assets and liabilities

6.8.1 Classification

From 1 January 2018, the Company classifies its financial liabilities in the following measurement categories:

- those to be measured subsequently at FVTPL, and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial liabilities and the contractual terms of the cash flows.

For financial liabilities measured at FVTPL, gains and losses, including any interest expenses will be recorded in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

For financial liabilities measured at amortised cost, the effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Notes to the financial statements

for the year ended 30 June 2019

Note 6 Financial assets and finacial liabilities (cont.)

6.8 Other significant accounting policies related to financial assets and liabilities (cont.)

6.8.2 Recognition and derecognition

Regular way purchases of financial liabilities are recognised on trade-date, the date on which the Company commits to purchase the financial liability. Financial liabilities are derecognised when the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liabilities derecognised and the consideration paid and payable is recognised in profit or loss.

6.8.3 Measurement

At initial recognition, the Company measures financial liabilities as its fair value plus, in the case of financial liabilities not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial liabilities. Transaction costs of financial liabilities carried at FVTPL are expensed in profit or loss.

Note 7 EQUITY

7.1 Issued capital	Note	2019 No.	2018 No.	2019 $	2018 $
Fully paid ordinary shares at no par value	7.1.1	51,288,623	307,731,740	24,648,133	24,648,541
7.1.1 Ordinary shares					
At the beginning of the year		307,731,740	307,731,740	24,648,541	24,648,541
Shares issued during the year:					
21 October 2018 Share Consolidation	7.1.3	(256,443,117)	-	-	-
Less: transaction costs		-	-	(408)	-
At reporting date		51,288,623	307,731,740	24,648,133	24,648,541

7.1.2 The holders of ordinary shares are entitled to receive dividends as declared from time to time and the proceeds on winding up of the parent entity in proportion to the number of shares held. At the shareholders' meetings, each ordinary share is entitled to one vote when a poll is called; otherwise each shareholder has one vote on a show of hands.

7.1.3 The Company completed its 6:1 share consolidation in October 2018 following approval by shareholders in September 2018. The share consolidation involved the conversion of every 6 fully paid ordinary shares on issue into 1 fully paid ordinary share. Where the share consolidation resulted in a shareholder having a fraction entitlement to a share, the entitlement was rounded up to the next whole number of shares. Upon the completion of the share consolidation in October 2018, the number of shares on issued reduced from 307,731,740 shares to 51,288,623 shares as at that date.

7.2 Accounting Policy

Ordinary issued capital is recorded at the consideration received. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any related income tax benefit. Ordinary issued capital bears no special terms or conditions affecting income or capital entitlements of the shareholders.

Notes to the financial statements
for the year ended 30 June 2019

SECTION B. RISK

This section of the notes discusses the Company's exposure to various risks and shows how these could affect the Company's financial position and performance.

Note 8 Financial risk management

8.1 Financial Risk Management Policies

This note presents information about the Company's exposure to each of the above risks, its objectives, policies and procedures for measuring and managing risk, and the management of capital.

The Company's financial instruments consist mainly of deposits with banks, short-term investments, and accounts payable and receivable. The Company does not speculate in the trading of derivative instruments.

A summary of the Company's Financial Assets and Liabilities is shown below:

Financial Assets	Floating Interest Rate $	Fixed Interest Rate $	Non-interest Bearing $	2019 Total $	Floating Interest Rate $	Fixed Interest Rate $	Non-interest Bearing $	2018 Total $
Cash and cash equivalents	-	-	18,172	18,172	-	-	168,972	168,972
Trade and other receivables	-	-	14,737	14,737	-	-	2,739	2,739
Financial assets	-	-	83,568	83,568	-	-	51,515	51,515
Total Financial Assets	-	-	116,477	116,477	-	-	223,226	223,226
Financial Liabilities								
Trade and other payables	-	-	695,704	695,704	-	-	270,515	270,515
Short term liabilities	-	374,234	-	374,234	-	220,000	-	220,000
Total Financial Liabilities	-	374,234	695,704	1,069,938	-	220,000	270,515	490,515
Net Financial assets / (liabilities)	-	(374,234)	(579,227)	(953,461)	-	(220,000)	(47,289)	(267,289)

8.2 Specific Financial risk exposures and management

The main risk the Company is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate, foreign currency risk and equity price risk.

The Board of directors has overall responsibility for the establishment and oversight of the risk management framework. The Board adopts practices designed to identify significant areas of business risk and to effectively manage those risks in accordance with the Company's risk profile. This includes assessing, monitoring and managing risks for the Company and setting appropriate risk limits and controls. The Company is not of a size nor is its affairs of such complexity to justify the establishment of a formal system for risk management and associated controls. Instead, the Board approves all expenditure, is intimately acquainted with all operations and discuss all relevant issues at the Board meetings. The operational and other compliance risk management have also been assessed and found to be operating efficiently and effectively.

i. Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Company.

The Company does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the Company.

- Credit risk exposures

The credit risk on financial assets, excluding investments, of the Company which have been recognised in the Statement of Financial Position, is the carrying amount, net of any provision for doubtful debts.

Notes to the financial statements

for the year ended 30 June 2019

Note 8 Financial risk management (cont.)

8.2 Specific Financial risk exposures and management (cont.)

Credit risk related to balances with banks and other financial institutions is managed by the Company in accordance with approved Board policy. Such policy requires that surplus funds are only invested with financial institutions residing in Australia, where ever possible.

- Impairment losses

None of the Company's financial assets are past due (2018: $nil). There has been no allowance for impairment in respect of the financial assets of the Company during this year.

ii. Liquidity risk

Liquidity risk arises from the possibility that the Company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities.

The Company manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring sufficient cash and marketable securities are available to meet the current and future commitments of the Company. Due to the nature of the Company's activities, being mineral exploration, the Company does not have ready access to credit facilities, with the primary source of funding being equity raisings. The Board of Directors constantly monitor the state of equity markets in conjunction with the Company's current and future funding requirements, with a view to initiating appropriate capital raisings as required. Any surplus funds are invested with major financial institutions.

The financial liabilities of the Company are confined to trade and other payables as disclosed in the statement of financial position. All trade and other payables are non-interest bearing and due within 30 days of the reporting date.

iii. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(1) Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Company is also exposed to earnings volatility on floating rate instruments.

Interest rate risk is not material to the Company as no debt arrangements have been entered into, and movement in interest rates on the Company's financial assets is not material.

(2) Foreign exchange risk

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Company holds financial instruments which are other than the AUD functional currency of the Company. The Board current assesses the Company's exposure to foreign exchange risk as immaterial.

(3) Price risk

Price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company is exposed to securities price risk on investments held for trading or for medium to longer terms.

The investment in listed equities has been valued at the market price prevailing at balance date. Management of this investment's price risk is by ongoing monitoring of the value with respect to any impairment.

iv. Sensitivity Analysis

(1) Interest rates

The following table illustrates sensitivities to the Company's exposures to changes in interest rates. The table indicates the impact on how profit and equity values reported at balance sheet date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

Notes to the financial statements
for the year ended 30 June 2019

Note 8 Financial risk management (cont.)

8.2 Specific Financial risk exposures and management (cont.)

A change of 50 basis points in the interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below.

	Profit $	Equity $
Year ended 30 June 2019		
±50 basis points change in interest rates	± -	± -
Year ended 30 June 2018		
±50 basis points change in interest rates	± -	± -

v. Net Fair Values

(1) Fair value estimation

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying values as presented in the statement of financial position. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Cash and cash equivalents, trade and other receivables, and trade and other payables are short-term financial instruments in nature whose carrying value is equivalent to fair value. The investment in a listed entity is carried as described in note 6.3 Financial assets on page 21.

The methods and assumptions used in determining the fair values of financial instruments are disclosed in the accounting policy notes specific to the asset or liability.

vi. Financial Liability and Asset Maturity Analysis

	Within 1 Year		Total	
	2019 $	2018 $	2019 $	2018 $
Financial liabilities due for payment				
Trade and other payables	695,704	270,515	695,704	270,515
Short term liabilities	374,234	220,000	374,234	220,000
Total contractual outflows	1,069,938	490,515	1,069,938	490,515
Financial assets				
Cash and cash equivalents	18,172	168,972	18,172	168,972
Trade and other receivables	14,737	2,739	14,737	2,739
Financial assets	83,568	51,515	83,568	51,515
Total anticipated inflows	116,477	223,226	116,477	223,226
Net (outflow)/inflow on financial instruments	(953,461)	(267,289)	(953,461)	(267,289)

Notes to the financial statements
for the year ended 30 June 2019

Note 9 Capital management

9.1 Capital management policy

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, so that they can provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

As the Company incurs net cash outflows from operations and has large accumulated losses, the primary method used to adjust its capital structure is the issue of new shares. The Company has determined that where possible it will issue ordinary shares to avoid any restrictions on its use of capital or commit to interest payments. There have been no changes in the strategy adopted by management to control the capital of the Company since the prior year.

There are no externally imposed capital requirements.

9.1.1 Current ratio

The current ratio the Company at 30 June 2019 and 30 June 2018 were as follows:

	2019	2018
Current ratio	0.16	0.46

9.1.2 Working capital position

The working capital position of the Company at 30 June 2019 and 30 June 2018 were as follows:

	2019 $	2018 $
Cash and cash equivalents	18,172	168,972
Trade and other receivables	14,737	2,739
Loans	65,635	40,755
Financial assets	17,933	10,760
Other assets	49,635	2,458
Trade and other payables	(695,704)	(270,515)
Short-term financial liabilities	(374,234)	(220,000)
Working capital position	(903,826)	(264,831)

Notes to the financial statements

for the year ended 30 June 2019

SECTION C. UNRECOGNISED ITEMS

This section of the notes includes other information that must be disclosed to comply with the accounting standards and other pronouncements, but that is not immediately related to individual line items in the financial statements.

Note 10 Events subsequent to reporting date

On 9 August 2019, the Company successfully completed the capital raise of $4,656,727 under the public offer via the issue of 232,836,367 shares at $0.02 per share. The Company also successfully completed the acquisition of Lone Star Energy Limited and issued a total of 105,500,000 shares and 52,750,000 options, which are subject to shareholder approval, to the vendors of Lone Star Energy Limited pursuant to the vendor offer in the prospectus dated 19 November 2018.

On 9 August 2019, convertible notes of $200,000 plus accrued interest of $20,000 were converted by issue of 11,000,000 shares.

As lone Star is not carrying on a business, the acquisition will be accounted for as an asset acquisition and the purchase consideration will be allocated to the individual identifiable assets and liabilities based on their relative fair value.

Note 11 Contingent liabilities

The Company has no contingent liabilities (2018: nil).

Notes to the financial statements

for the year ended 30 June 2019

SECTION D. OTHER INFORMATION

This section of the notes includes other information that must be disclosed to comply with the accounting standards and other pronouncements, but that is not immediately related to individual line items in the financial statements.

Note 12 Auditor's remuneration	2019 $	2018 $
Remuneration of the auditor of the Company for:		
- Auditing or reviewing the financial reports	18,565	19,097
- Other services provided by a related practice of the auditor	-	-
	18,565	19,097

Note 13 Other related party transactions	2019 $	2018 $

There were no other related party transactions unless otherwise stated below.

13.1 Transactions with Key Management Personnel:

- Information in respect to convertible notes to related parties can be found at Note 6.7.2.

Note 14 Operating segments

14.1 Identification of reportable segments

The Company has identified its operating segments based on the internal reports that are provided to the Board of Directors on a regular basis and in determining the allocation of resources. Management continually assesses the Company's segments and has identified the operating segments based on the one (1) principal location based on geographical areas and therefore one regulatory environment being Australia. The Company operates predominantly in the minerals exploration and evaluation industry.

Due to its reduced activity, the Company currently operates materially in one business segment and one geographical segment as described above. Accordingly, the financial information presented in the statement of profit or loss and other comprehensive income and statement of financial position is the same as that presented to the chief operating decision maker.

14.2 Accounting Policy

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' results are regularly reviewed by the Company's Managing Director to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Notes to the financial statements

for the year ended 30 June 2019

Note 15 Key management personnel compensation

15.1 Key management personnel (KMP)

The names are positions of KMP are as follows:

- Mr Robert Gardner *Executive Chairman*
- Mr David Deloub *Non-executive Director*
- Jay Stephenson *Director and Company Secretary*

15.2 KMP compensation

The totals of remuneration paid or payable to KMP during the year are as follows:

	2019 $	2018 $
Short-term employee benefits	80,400	80,400
Other short-term benefits	36,050	-
Total	116,450	80,400

Refer to the Remuneration Report contained in the Directors' Report commencing on page 4 for details of the remuneration paid to each member of the Company's KMP for the year ended 30 June 2019.

Note 16 Earnings per share (EPS)

			2019 $	2018 $
16.1	Loss used in the calculation of basic EPS loss		(638,587)	(309,221)
			2019 No.	2018 No.
16.2	Weighted average number of ordinary shares outstanding during the year used in calculation of basic and diluted EPS	16.3,16.3.1 16.3.2	51,288,623	51,288,623
			2019 ¢	2018 ¢
16.3	Basic and diluted EPS (cents per share)	16.3,16.3.1 16.3.2	(1.25)	(0.60)

16.3.1 The Company is in a loss-making position and it is unlikely that the conversion to, calling of, or subscription for, ordinary share capital in respect of potential ordinary shares would lead to diluted earnings per share that shows an inferior view of the earnings per share. Therefore, in the event the Company has dilutionary equity instruments on issue, the diluted loss per share for the year ended 30 June 2019 is the same as basic loss per share, whilst the Company remains loss making.

16.3.2 The earnings per share for 30 June 2018 has been restated for the 6:1 share consolidation disclosed in note 7.1.1.

16.4 Accounting Policy

i. Basic earnings per share

Basic earnings (or loss) per share is determined by dividing the profit or loss attributable to equity holders of the parent company, excluding any costs of service equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Notes to the financial statements
for the year ended 30 June 2019

Note 16 Earnings per share (EPS) (cont.)

16.4 Accounting Policy(cont.)

ii. Diluted earnings per share

Diluted earnings (or loss) per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares which comprise share options granted as Share-based payments.

The Company does not report diluted earnings per share, as dilution is not applied to annual losses generated by the Company.

Note 17 Statement of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements to the extent they have not already been disclosed in the other notes above. These policies have been consistently applied to all the years presented, unless otherwise stated.

17.1 Basis of preparation

17.1.1 Statement of compliance

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (**AASB**) and the *Corporations Act 2001* (Cth).

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below. They have been consistently applied unless otherwise stated.

The financial statements were authorised for issue on 30 September 2019 by the directors of the Company.

17.1.2 Financial position

The financial statements have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

17.1.3 Going Concern

The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

Stonehorse's net liabilities have increased by $638,995 from net liabilities of $264,831 at 30 June 2018 to $903,826 net liability at 30 June 2019.

As at 30 June 2019, the Company's cash and cash equivalents decreased by $150,800 from $168,972 at 30 June 2018 to $18,172 and had a working capital deficit of $903,826 (June 2018: $264,831 working capital deficit).

On 9 August 2019, the Company successfully completed the capital raise of $4,656,727 under the public offer via the issue of 232,836,367 shares at $0.02 per share.

17.1.4 Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.
Judgements made by management in the application of Australian Accounting Standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed after each note.

Notes to the financial statements
for the year ended 30 June 2019

Note 17 Statement of significant accounting policies (cont.)

17.1.5 Comparative figures

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

17.2 Critical Accounting Estimates and Judgements

Management discusses with the Board the development, selection and disclosure of the Company's critical accounting policies and estimates and the application of these policies and estimates. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

17.2.1 Key Judgements – Environmental Issues

Balances disclosed in the financial statements and notes thereto are not adjusted for any pending or enacted environmental legislation, and the directors understanding thereof. At the current stage of the company's development and its current environmental impact, the directors believe such treatment is reasonable and appropriate.

17.2.2 Key Estimate – Taxation

Balances disclosed in the financial statements and the notes thereto, related to taxation, are based on the best estimates of directors. These estimates take into account both the financial performance and position of the company as they pertain to current income taxation legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents that directors' best estimate, pending an assessment by tax authorities in relevant jurisdictions.

17.3 New, revised or amending Accounting Standards and Interpretations adopted

The Company has adopted all of the new, revised or amending Accounting Standards and Interpretations (AASB) issued by the Australian Accounting Standards Board (AASB Board) that are mandatory for the current reporting period.

Any new, revised or amending AASBs that are not yet mandatory have not been early adopted.

17.3.1 AASB 9 Financial Instruments and associated Amending Standards

AASB 9 sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. The standard replaces AASB 139 *Financial Instruments*: Recognition and Measurement.

AASB 9 eliminates the previous AASB 139 categories of held to maturity, loans and receivables and available for sale. AASB 9 largely retains the existing requirements in AASB 139 for the classification and measurement of financial liabilities.

As a result of the adoption of AASB 9, the Company has adopted consequential amendments to AASB 101 Presentation of Financial Statements, which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and other comprehensive income. Further information on the impairment has been outlined at Note 6.3.2.4 Impairment.

The transition to AASB 9 has no impact on the opening balance of retained earnings.

Adopting AASB 9 has had no effect on the carrying amounts financial assets and financial liabilities at 1 July 2018 and did not have a significant impact on the Company's recognition or disclosures and did not impact its financial performance or position.

17.3.2 AASB 15 Revenue from Contracts with Customers

AASB 15 requires revenue to be recognised when a customer obtains control of the goods or services at the amount to which the Company expects to be entitled. It provides a single, principles-based five-step model to be applied to all contracts with customers and replaces AASB 118 *Revenue,* AASB 111 *Construction Contracts* and related interpretations.

The company has adopted AASB 15 using the cumulative effect method with the effect of applying this standard recognised at the date of initial application. The disclosure requirements in AASB 15 have not been applied to comparative information.

Notes to the financial statements

for the year ended 30 June 2019

Note 17 Statement of significant accounting policies (cont.)

17.3.2 AASB 15 Revenue from Contracts with Customers

AASB 15 did not have a significant impact on the Company's recognition or disclosures but had an effect on the revenue recognition policy for price rebates with certain customers. No restatement of comparative period amounts and no adjustment at 1 July 2018 is required. The adoption of AASB 15 has no impact on the Company's financial position as at 30 June 2019.

17.4 New Accounting Standards and Interpretations not yet mandatory or early adopted

A number of new standards, amendments to standards and interpretations issued by the AASB which are not yet mandatorily applicable to the Company have not been applied in preparing these financial statements. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early.

17.4.1 AASB 16: Leases (applicable to annual reporting periods commencing on or after 1 January 2019).

AASB 16 removes the classification of leases as either operating leases or finance leases for the lessee effectively treating all leases as finance leases. Short term leases (less than 12 months) and leases of a low value are exempt from the lease accounting requirements. Lessor accounting remains similar to current practice.

The Directors anticipate that the adoption of AASB 16 will not have a material impact on the Company's recognition of leases and disclosures.

17.4.2 Other standards not yet applicable

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions

Note 18 Company details

The registered office of the Company is:

Address:

Street:	Suite 4, 182 Claisebrook Road Perth WA 6000
Postal:	PO Box 52 West Perth WA 6872
Telephone:	+61 (0)8 6141 3500
Facsimile:	+61 (0)8 6141 3599

The principal place of business is:

Finance and Administration Office:
283 Rokeby Road
Subiaco WA 6008

Directors' declaration

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 10 to 35, are in accordance with the *Corporations Act 2001* (Cth) and:

   (a) comply with Australian Accounting Standards;

   (b) are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in note 17.1 to the financial statements; and

   (c) give a true and fair view of the financial position as at 30 June 2019 and of the performance for the year ended on that date of the Company.

2. In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

3. The directors have been given the declarations required by s295A of the *Corporations Act 2001* (Cth) from those acting in the capacity of Chief Executive Officer and Chief Financial Officer.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

R. Gardner

ROBERT GARDNER
Chairman

Dated this Monday, 30 September 2019

Stantons International Audit and Consulting Pty Ltd
trading as
Stantons International
Chartered Accountants and Consultants

PO Box 1908
West Perth WA 6872
Australia

Level 2, 1 Walker Avenue
West Perth WA 6005
Australia

Tel: +61 8 9481 3188
Fax: +61 8 9321 1204

ABN: 84 144 581 519
www.stantons.com.au

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
STONEHORSE ENERGY LIMITED**

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Stonehorse Energy Limited (formerly Nickelore Limited) (the Company), which comprises the statement of financial position as at 30 June 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's financial position as at 30 June 2019 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters We have determined that there are no key audit matters to communicate in our report.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2019 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance opinion thereon.

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In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in Internal control that we identify during our audit.

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The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 4 to 8 of the directors' report for the year ended 30 June 2019. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion on the Remuneration Report

In our opinion, the Remuneration Report of Stonehorse Energy Limited for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Stantons International Audit and Consulting Pty Ltd
Samir

Samir Tirodkar
Director
West Perth, Western Australia
30 September 2019

Corporate governance statement

This Corporate Governance summary discloses the extent to which the Company will follow the recommendations set by the ASX Corporate Governance Council in its publication 'Corporate Governance Principles and Recommendations (3rd Edition)' (**Recommendations**). The Recommendations are not mandatory, however, the Recommendations that will not be followed have been identified and reasons have been provided for not following them.

PRINCIPLES AND RECOMMENDATIONS	COMPLY	EXPLANATION
Principle 1: Lay solid foundations for management and oversight		
Recommendation 1.1 A listed entity should have and disclose a charter which: (a) sets out the respective roles and responsibilities of the board, the chair and management; and (b) includes a description of those matters expressly reserved to the board and those delegated to management.	Complying	The Company has adopted a Board Charter. The Board Charter sets out the specific responsibilities of the Board, requirements as to the Boards composition, the roles and responsibilities of the Chairman and Company Secretary, the establishment, operation and management of Board Committees, Directors access to company records and information, details of the Board's relationship with management, details of the Board's performance review and details of the Board's disclosure policy. A copy of the Company's Board Charter is stated in Schedule 1 of the Corporate Governance Plan which is available on the Company's website.
Recommendation 1.2 A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information relevant to a decision on whether or not to elect or re-elect a director.	Complying	(a) The Company has detailed guidelines for the appointment and selection of the Board. The Company's Corporate Governance Plan requires the Board to undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director. (b) Material information relevant to any decision on whether or not to elect or re-elect a Director will be provided to security holders in the notice of meeting holding the resolution to elect or re-elect the Director.
Recommendation 1.3 A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	Complying	The Company's Corporate Governance Plan requires the Board to ensure that each Director and senior executive is a party to a written agreement with the Company which sets out the terms of that Director's or senior executive's appointment.
Recommendation 1.4 The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	Complying	The Board Charter outlines the roles, responsibility and accountability of the Company Secretary. The Company Secretary is accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board.
Recommendation 1.5 A listed entity should: (a) have a diversity policy which includes requirements for the board: (i) to set measurable objectives for achieving gender diversity; and (ii) to assess annually both the objectives and the entity's progress in achieving them; (b) disclose that policy or a summary or it; and (c) disclose as at the end of each reporting period: (i) the measurable objectives for achieving gender diversity set by the board in accordance with the entity's diversity policy and its progress towards achieving them; and (ii) either: (A) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or (B) the entity's "Gender Equality Indicators", as defined in the Workplace Gender Equality Act 2012.	Complying	(a) The Company has adopted a Diversity Policy. (i) The Diversity Policy provides a framework for the Company to achieve a list of 6 measurable objectives that encompass gender equality. (ii) The Diversity Policy provides for the monitoring and evaluation of the scope and currency of the Diversity Policy. The company is responsible for implementing, monitoring and reporting on the measurable objectives. (b) The Diversity Policy is stated in Schedule 9 of the Corporate Governance Plan which is available on the company website. (c) (i) The measurable objectives set by the Board will be included in the annual key performance indicators for the CEO, MD and senior executives. In addition the Board will review progress against the objectives in its annual performance assessment. (ii) The currently has no employees and utilizes external consultants and contractors as and when required. (iii) The Board will review this position on an annual basis and will implement measurable objectives as and when they deem the Company to require them.

PRINCIPLES AND RECOMMENDATIONS	COMPLY	EXPLANATION
Recommendation 1.6 A listed entity should: (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and (b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Complying	(a) The Board is responsible for evaluating the performance of the Board and individual directors on an annual basis. It may do so with the aid of an independent advisor. The process for this can be found in Schedule 6 of the Company's Corporate Governance Plan. . (b) The Company's Corporate Governance Plan requires the Board to disclosure whether or not performance evaluations were conducted during the relevant reporting period. Due to the size of the Board and the nature of the business, it has not been deemed necessary to institute a formal documented performance review program of individuals. However, the Chairman intends to conduct formal reviews each financial year whereby the performance of the Board as a whole and the individual contributions of each director are disclosed. The Board considers that at this stage of the Company's development an informal process is appropriate. The review will assist to indicate if the Board's performance is appropriate and efficient with respect to the Board Charter. The Board regularly reviews its skill base and whether it remains appropriate for the Company's operational, legal and financial requirements. New Directors are obliged to participate in the Company's induction process, which provides a comprehensive understanding of the Company, its objectives and the market in which the Company operates. Directors are encourages to avail themselves of resources required to fulfil the performance of their duties.
Recommendation 1.7 A listed entity should: (a) have and disclose a process for periodically evaluating the performance of its senior executives; and (b) disclose in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Complying	(a) The Board is responsible for evaluating the performance of senior executives. The Board is to arrange an annual performance evaluation of the senior executives. (b) The Company's Corporate Governance Plan requires the Board to conduct annual performance of the senior executives. Schedule 6 'Performance Evaluation' requires the Board to disclose whether or not performance evaluations were conducted during the relevant reporting period. During the financial year an evaluation of performance of the individuals was not formally carried out. However, a general review of the individuals occurs on an on-going basis to ensure that structures suitable to the Company's status as a listed entity are in place.
Principle 2: Structure the board to add value		
Recommendation 2.1 The board of a listed entity should: (a) have a nomination committee which: (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director, and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, experience, independence and knowledge of the entity to enable it to discharge its duties and responsibilities effectively.	Complying	(b) Due to the size and nature of the existing Board and the magnitude of the Company's operations the Company currently has no Nomination Committee. Pursuant to clause 4(h) of the Company's Board Charter, the full Board carries out the duties that would ordinarily be assigned to the Nomination Committee under the written terms of reference for that committee. The duties of the Nomination Committee are outlined in Schedule 5 of the Company's Corporate Governance Plan available online on the Company's website. The Board devotes time at board meetings to discuss board succession issues. All members of the Board are involved in the Company's nomination process, to the maximum extent permitted under the Corporations Act and ASX Listing Rules. The Board regularly updates the Company's board skills matrix (in accordance with recommendation 2.2) to assess the appropriate balance of skills, experience, independence and knowledge of the entity.

<table>
<tr><th>PRINCIPLES AND RECOMMENDATIONS</th><th>COMPLY</th><th>EXPLANATION</th></tr>
<tr><td>Recommendation 2.2
A listed entity should have and disclose a board skill matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</td><td>Complying</td><td>
<table>
<tr><th>Board Skills Matrix</th><th>Number of Directors that Meet the Skill</th></tr>
<tr><td>Executive & Non- Executive experience</td><td>3</td></tr>
<tr><td>Industry experience & knowledge</td><td>3</td></tr>
<tr><td>Leadership</td><td>3</td></tr>
<tr><td>Corporate governance & risk management</td><td>3</td></tr>
<tr><td>Strategic thinking</td><td>3</td></tr>
<tr><td>Desired behavioural competencies</td><td>3</td></tr>
<tr><td>Geographic experience</td><td>2</td></tr>
<tr><td>Capital Markets experience</td><td>3</td></tr>
<tr><td>Subject matter expertise:</td><td></td></tr>
<tr><td>- accounting</td><td>2</td></tr>
<tr><td>- capital management</td><td>3</td></tr>
<tr><td>- corporate financing</td><td>2</td></tr>
<tr><td>- industry taxation [1]</td><td>0</td></tr>
<tr><td>- risk management</td><td>3</td></tr>
<tr><td>- legal</td><td>3</td></tr>
<tr><td>- IT expertise [2]</td><td>0</td></tr>
</table>
(1) Skill gap noticed however an external taxation firm is employed to maintain taxation requirements.
(2) Skill gap noticed however an external IT firm is employed on an adhoc basis to maintain IT requirements.</td></tr>
<tr><td>Recommendation 2.3
A listed entity should disclose:
(a) the names of the directors considered by the board to be independent directors;
(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 of the ASX Corporate Governance Principles and Recommendation (3rd Edition), but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and
(c) the length of service of each director</td><td>Complying</td><td>(a) The Board Charter provides for the disclosure of the names of Directors considered by the Board to be independent. These details are provided in the Annual Reports and Company website.
(b) The Board Charter requires Directors to disclose their interest, positions, associations and relationships and requires that the independence of Directors is regularly assessed by the Board in light of the interests disclosed by Directors. Details of the Directors interests, positions associations and relationships are provided in the Annual Reports and Company website.
(c) The Board Charter provides for the determination of the Directors' terms and requires the length of service of each Director to be disclosed. The length of service of each Director is provided in the Annual Reports and Company website.</td></tr>
<tr><td>Recommendation 2.4
A majority of the board of a listed entity should be independent directors.</td><td>Not complying</td><td>The Board Charter requires that where practical the majority of the Board will be independent. None of the Directors of Stonehorse are independent directors.
Details of each Director's independence are provided in the Annual Reports and Company website.</td></tr>
<tr><td>Recommendation 2.5
The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.</td><td>Not complying</td><td>The Board Charter provides that where practical, the Chairman of the Board will be an independent director. The current Chairman is not an independent director.
If the Chairman ceases to be independent then the Board will consider appointing a lead independent Director.</td></tr>
<tr><td>Recommendation 2.6
A listed entity should have a program for inducting new directors and providing appropriate professional development opportunities for continuing directors to develop and maintain the skills and knowledge needed to perform their role as a director effectively.</td><td>Complying</td><td>The Board Charter states that a specific responsibility of the Board is to procure appropriate professional development opportunities for Directors. The Board is responsible for the approval and review of induction and continuing professional development programs and procedures for Directors to ensure that they can effectively discharge their responsibilities.</td></tr>
<tr><td colspan="3">Principle 3: Act ethically and responsibly</td></tr>
<tr><td>Recommendation 3.1
A listed entity should:
(a) have a code of conduct for its directors, senior executives and employees; and
(b) disclose that code or a summary of it.</td><td>Complying</td><td>(a) The Corporate Code of Conduct applies to the Company's directors, senior executives and employees.
(b) The Company's Corporate Code of Conduct is in Schedule 2 of the Corporate Governance Plan which is on the Company's website.</td></tr>
</table>

PRINCIPLES AND RECOMMENDATIONS	COMPLY	EXPLANATION
Principle 4: Safeguard integrity in financial reporting		
Recommendation 4.1 The board of a listed entity should: (a) have an audit committee which: (i) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (ii) is chaired by an independent director, who is not the chair of the board, and disclose: (iii) the charter of the committee; (iv) the relevant qualifications and experience of the members of the committee; and (v) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its financial reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	Complying	(b) Due to the size and nature of the existing Board and the magnitude of the Company's operations the Company currently has no Audit and Risk Committee. Pursuant to Clause 4(h) of the Company's Board Charter, the full Board carries out the duties that would ordinarily be assigned to the Audit and Risk Committee under the written terms of reference for that committee. The role and responsibilities of the Audit and Risk Committee are outlined in Schedule 3 of the Company's Corporate Governance Plan available online on the Company's website. The Board devote time at annual board meetings to fulfilling the roles and responsibilities associated with maintaining the Company's internal audit function and arrangements with external auditors. All members of the Board are involved in the Company's audit function to ensure the proper maintenance of the entity and the integrity of all financial reporting.
Recommendation 4.2 The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	Complying	The Company's Corporate Governance Plan states that a duty and responsibility of the Board is to ensure that before approving the entity's financial statements for a financial period, the CEO and CFO have declared that in their opinion the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.
Recommendation 4.3 A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	Complying	The Company's Corporate Governance Plan provides that the Board must ensure the Company's external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.
Principle 5: Make timely and balanced disclosure		
Recommendation 5.1 A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	Complying	(a) The Board Charter provides details of the Company's disclosure policy. In addition, Schedule 7 of the Corporate Governance Plan is entitled 'Disclosure – Continuous Disclosure' and details the Company's disclosure requirements as required by the ASX Listing Rules and other relevant legislation. (b) The Board Charter and Schedule 7 of the Corporate Governance Plan are available on the Company website.
Principle 6: Respect the rights of security holders		
Recommendation 6.1 A listed entity should provide information about itself and its governance to investors via its website.	Complying	Information about the Company and its governance is available in the Corporate Governance Plan which can be found on the Company's website. Information about the Company and its governance is available in the Corporate Governance Plan which can be found on the Company website.
Recommendation 6.2 A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	Complying	The Company has adopted a Shareholder Communications Strategy which aims to promote and facilitate effective two-way communication with investors. The Shareholder Communications Strategy outlines a range of ways in which information is communicated to shareholders. The Shareholder Communications Strategy can be found in Schedule 10 of the Board Charter which is available on the Company website.

PRINCIPLES AND RECOMMENDATIONS	COMPLY	EXPLANATION
Recommendation 6.3 A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	Complying	The Shareholder Communications Strategy states that as a part of the Company's developing investor relations program, Shareholders can register with the Company Secretary to receive email notifications of when an announcement is made by the Company to the ASX, including the release of the Annual Report, half yearly reports and quarterly reports. Links are made available to the Company's website on which all information provided to the ASX is immediately posted. Shareholders are encouraged to participate at all EGMs and AGMs of the Company. Upon the despatch of any notice of meeting to Shareholders, the Company Secretary shall send out material with that notice of meeting stating that all Shareholders are encouraged to participate at the meeting.
Recommendation 6.4 A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Complying	Security holders can register with the Company to receive email notifications when an announcement is made by the Company to the ASX. Shareholders queries should be referred to the Company Secretary at first instance.
Com		
Recommendation 7.1 The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director, and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the process it employs for overseeing the entity's risk management framework.	Complying	(b) Due to the size and nature of the existing Board and the magnitude of the Company's operations the Company currently has no Audit and Risk Committee. Pursuant to Clause 4(h) of the Company's Board Charter, the full Board currently carries out the duties that would ordinarily be assigned to the Audit and Risk Committee under the written terms of reference for that committee. The role and responsibilities of the Audit and Risk Committee are outlined in Schedule 3 of the Company's Corporate Governance Plan available online on the Company's website. The Board devote time at annual board meeting to fulfilling the roles and responsibilities associated with overseeing risk and maintaining the entity's risk management framework and associated internal compliance and control procedures.
Recommendation 7.2 The board or a committee of the board should: (a) review the entity's risk management framework with management at least annually to satisfy itself that it continues to be sound, to determine whether there have been any changes in the material business risks the entity faces and to ensure that they remain within the risk appetite set by the board; and (b) disclose in relation to each reporting period, whether such a review has taken place.	Complying	(a) The Company process for risk management and internal compliance includes a requirement to identify and measure risk, monitor the environment for emerging factors and trends that affect these risks, formulate risk management strategies and monitor the performance of risk management systems. Schedule 8 of the Corporate Governance Plan is entitled 'Disclosure – Risk Management' and details the Company's disclosure requirements with respect to the risk management review procedure and internal compliance and controls. (b) The Board Charter requires the Board to disclose the number of times the Board met throughout the relevant reporting period, and the individual attendances of the members at those meetings. Details of the meetings will be provided in the Company's Annual Report.
Recommendation 7.3 A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	Complying	(b) Schedule 3 of the Company's Corporate Plan provides for the internal audit function of the Company. The Board Charter outlines the monitoring, review and assessment of a range of internal audit functions and procedures.

PRINCIPLES AND RECOMMENDATIONS	COMPLY	EXPLANATION
Recommendation 7.4 A listed entity should disclose whether, and if so how, it has regard to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	Complying	Schedule 3 of the Company's Corporate Plan details the Company's risk management systems which assist in identifying and managing potential or apparent business, economic, environmental and social sustainability risks (if appropriate). Review of the Company's risk management framework is conducted at least annually and reports are continually created by management on the efficiency and effectiveness of the Company's risk management framework and associated internal compliance and control procedures.
Principle 8: Remunerate fairly and responsibly		
Recommendation 8.1 The board of a listed entity should: (a) have a remuneration committee which: (i) has at least three members, a majority of whom are independent directors; and (ii) is chaired by an independent director, and disclose: (iii) the charter of the committee; (iv) the members of the committee; and (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	Complying	(b) Due to the size and nature of the existing board and the magnitude of the Company's operations the Company currently has no Remuneration Committee. Pursuant to clause 4(h) of the Company's Board Charter, the full Board currently carries out the duties that would ordinarily be assigned to the Remuneration Committee under the written terms of reference for that committee. The role and responsibilities of the Remuneration Committee are outlined in Schedule 4 of the Company's Corporate Governance Plan available online on the Company's website. The Board devote time at annual board meetings to fulfilling the roles and responsibilities associated with setting the level and composition of remuneration for Directors and senior executives and ensuring that such remuneration is appropriate and not excessive.
Recommendation 8.2 A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives and ensure that the different roles and responsibilities of non-executive directors compared to executive directors and other senior executives are reflected in the level and composition of their remuneration.	Complying	The Company's Corporate Governance Plan requires the Board to disclose its policies and practices regarding the remuneration of non-executive, executive and other senior directors.
Recommendation 8.3 A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.	Complying	(a) Company's Corporate Governance Plan states that the Board is required to review, manage and disclose the policy (if any) on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme. The Board must review and approve any equity-based plans. (b) A copy of the Company's Corporate Governance Plan is available on the Company's website.

Additional information for listed public companies

The following additional information is required by the Australian Securities Exchange in respect of listed public companies.

1 Shareholding as at 2019

a. Distribution of Shareholders 24 September 2019

Category (size of holding)	Total Holders	Number Ordinary	% Held of Issued Ordinary Capital
1 – 1,000	109	38,945	0.01
1,001 – 5,000	99	277,796	0.07
5,001 – 10,000	90	698,220	0.17
10,001 – 100,000	349	22,089,477	5.51
100,001 – and over	171	377,520,348	94.24
	818	**400,624,786**	**100.00**

b. Unmarketable Parcels

	Minimum Parcel Size	Holders	Units
Minimum $500.00 parcel at $0.0180 per unit	27,778	394	2,565,840

c. Voting Rights

The voting rights attached to each class of equity security are as follows:

- **Ordinary shares**: Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

d. 20 Largest Shareholders — Ordinary Shares as at 24 September 2019

Rank	Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1.	WATCH HILL HOLDINGS LIMITED	70,000,000	17.47
2.	ROCA INVESTMENTS LIMITED	65,000,000	16.22
3.	FASTWITCH ENTERPRISES PTY LTD	39,500,000	9.86
4.	THE TRUST COMPANY (AUSTRALIA) LIMITED <MOF A/C>	15,421,750	3.85
5.	WINGSTAR INVESTMENTS PTY LTD	14,603,750	3.65
6.	MR JOHN ANDREW RODGERS <JOHN RODGERS FAMILY A/C>	13,437,500	3.35
7.	ZERO NOMINEES PTY LTD	12,500,000	3.12
8.	BROOKSIDE ENERGY LIMITED	7,500,000	1.87
9.	WORLD TREND LIMITED	7,466,666	1.86
10.	HORN RESOURCES PTY LTD	7,000,000	1.75
11.	MS FREYJA MEI-LIANG BRUUN	5,375,000	1.34
12.	LL ARTHUR LIMITED	5,180,000	1.29
13.	AJAVA HOLDINGS PTY LTD	5,000,000	1.25
14.	MR DAVID HANNON	5,000,000	1.25
15.	JOYRESS PTY LTD	5,000,000	1.25
16.	RJ AND JG HOLDINGS PTY LTD <SWAN FABRICATORS EXEC S A/C>	2,750,000	0.69
17.	METECH SUPER PTY LTD <METECH NO 2 SUPER FUND A/C>	2,500,000	0.62
18.	SILKRIDGE CONSULTING PTY LTD	2,489,583	0.62
19.	INTIGER GROUP LTD	2,403,847	0.60
20.	MR IANAKI SEMERDZIEV	2,333,333	0.58
	TOTAL	**290,461,429**	**72.50**

Additional information for listed public companies

2 Company Secretary

The name of the Company Secretary is Jay Richard Stephenson.

3 Principal registered office

As disclosed in Note Company details on page 35 of this Annual Report.

4 Registers of securities are held at the following addresses

As disclosed in the Corporate Directory on page i of this Annual Report.

5 Stock exchange listing

Quotation has been granted for all the ordinary shares of the Company on all Member Exchanges of the Australian Securities Exchange Limited, as disclosed in the Corporate Directory on page i of this Annual Report.

6 Unquoted securities

a. Options over Unissued Shares

The Company has 52,750,000 options on issue exercisable at 2.5c on or before 9 August 2021 for the acquisition of Lone Star Energy Limited.

7 Use of funds

The Company has used its funds in accordance with its initial business objectives.

Tenement report

AS AT 30 JUNE 2019

Project/Tenements	Location	Held at end of year	Acquired during the year	Disposed during the year
Canegrass Project				
P 24/4573	Australia	100%	0%	0%
P 24/4574	Australia	100%	0%	0%
P 24/4575	Australia	100%	0%	0%
P 24/4576	Australia	100%	0%	0%
P 24/4577	Australia	100%	0%	0%
P 24/4580	Australia	100%	0%	0%

STONEHORSE
ENERGY