



STONEHORSE

E N E R G Y

30 April 2020

QUARTERLY ACTIVITIES REPORT

FOR THE THREE MONTHS ENDING 31ST MARCH 2020.

Stonehorse Energy Limited (**ASX:SHE**) (**Stonehorse** or the **Company**) is pleased to present this Quarterly Report for the quarter ended 31ST March 2020.

The overall objective of the Company continues to be to implement its strategy of adopting a flexible approach to building a portfolio of high-quality oil and gas production assets with working interest percentages reflecting risk appetite and capital availability.

LS Operating (LSO) (a wholly owned subsidiary of Stonehorse Energy has an agreement with BRK Oklahoma Holdings LLC (BRK OK) which underpins its oil and gas strategy whereby BRK OK can offer and LSO can elect to step-into working interests in well bore opportunities. No consideration is payable by LSO to BRK OK under the Step-in Agreement. This Step-in Agreement provides the company with access to a pipeline of well bore opportunities in the highly prospective Anadarko Basin in Oklahoma, USA.

CORPORATE ACTIVITIES & RESPONSE TO COVID-19.

The outbreak of COVID-19 continues to impact global economic markets. The nature and extent of the effect of the outbreak on the performance of the Company remains unknown.

The Directors are monitoring the situation closely and have considered the impact of COVID-19 on the Company's business. However, the situation is continually evolving, and the consequences are therefore inevitably uncertain. This uncertainty and the impact that a global slowdown is having on economic activity is causing increased volatility in commodity markets, including the downward pressure on prices.

Corporately the Company is actively reviewing its non-operational expenses including its corporate overhead and is implementing measures to reduce these costs where appropriate. The Company will continue to provide updates in regard to the impact of COVID-19 on its operations, and work programs.

OPERATIONAL ACTIVITIES

The Company continues to generate net revenue through its working interests in producing oil and gas wells located in the Anadarko Basin, Oklahoma.

On January 21st 2020 the Company exercised its rights to step-into a minority 0.21% Working Interest in the Randolph Well. This investment was funded out of operating cashflows. The Randolph Well has generated (on a 100% Working Interest basis) a total of 67,000 barrels of oil and 4,777 MMcf (~860,000 barrels of oil equivalent) in its first -16 months of production.

Current monthly revenues (net of operating expenses) received from its working interests in The Bullard, Henry Federal, Sutton and Burgess wells cover current monthly corporate overhead by a multiple. Stonehorse's share of revenue from oil and gas sales for the first quarter of 2020 averaged approximately US\$60,000 per month.

Whilst it is anticipated that a reduction in these net revenues when the flow on effects of the significant oil price reduction are realised, this reduction in realised net revenue will be cushioned to some extent as a consequence of 50% of net revenue being generated from the working interest in the Bullard well which currently has a ~30% oil 70% gas mix.

Whilst planned investment programs may be subject to delays due the current pricing and capital environment which does not support a decision to invest in new well development and delivery of initial production into a low commodity price environment we believe however that this period will present some unique opportunities for us to further leverage our relationship with Black Mesa Energy to continue to grow our working interests in the Anadarko Basin at a low point in the commodity price cycle.

SUBSEQUENT EVENTS

There are no other significant events subsequent to reporting date that are not covered in Corporate and Activities reports above.

CURRENT PORTFOLIO OF OIL AND GAS WELL ASSETS

Stonehorse currently has working interests in five producing wells with four currently producing to sales and one set to commence in May 2020

Well Name	Reference Number	Working Interest	Surface Location	County/State	Operator
Burgess	28-1	96.81%	SC2824N23W	Ellis, OK	Black Mesa Energy
Sutton	2H-52	25.00%	SC52BLK4-TT&NO	Hansford, TX	Strat Land Exploration
Bullard	1-18-07UWH	15.60%	SC1902N02W	Garvin, OK	Rimrock Resources
Henry Federal	1-8-5XH	2.30%	SC815N11W	Blaine, OK	Continental Resources
Randolph	1-34-27XHM	0.21%	SC3415N13W	Blaine, OK	Continental Resources

Table 1. Current Portfolio of Stonehorse wells (by Working Interest)

- ENDS -

Forward-Looking Statements and Other Disclaimers

This announcement may include forward-looking statements. Forward-looking statements are only predictions and are subject to risks, uncertainties and assumptions, which are outside the control of Stonehorse Energy Limited ("Stonehorse Energy" or "the Company"). These risks, uncertainties and assumptions include commodity prices, currency fluctuations, economic and financial market conditions in various countries and regions, environmental risks and legislative, fiscal or regulatory developments, political risks, project delay or advancement, approvals and cost estimates. Actual values, results or events may be materially different to those expressed or implied in this announcement. Given these uncertainties, readers are cautioned not to place reliance on forward-looking statements. Any forward-looking statements in this announcement speak only at the date of issue of this announcement. Subject to any continuing obligations under applicable law and the ASX Listing Rules, Stonehorse Energy does not undertake any obligation to update or revise any information or any of the forward-looking statements in this announcement or any changes in events, conditions or circumstances on which any such forward looking statement is based. This announcement does not constitute investment advice. Neither this announcement nor the information contained in it constitutes an offer, invitation, solicitation or recommendation in relation to the purchase or sale of shares in any jurisdiction. Shareholders should not rely on this announcement. This announcement does not take into account any person's particular investment objectives, financial resources or other relevant circumstances and the opinions and recommendations in this announcement are not intended to represent recommendations of particular investments to particular persons. All securities transactions involve risks, which include (among others) the risk of adverse or unanticipated market, financial or political developments. The information set out in this announcement does not purport to be all-inclusive or to contain all the information, which its recipients may require in order to make an informed assessment of Stonehorse Energy. You should conduct your own investigations and perform your own analysis in order to satisfy yourself as to the accuracy and completeness of the information, statements and opinions contained in this announcement. To the fullest extent permitted by law, the Company does not make any representation or warranty, express or implied, as to the accuracy or completeness of any information, statements, opinions, estimates, forecasts or other representations contained in this announcement. No responsibility for any errors or omissions from this announcement arising out of negligence or otherwise is accepted.

GLOSSARY

BOE	Barrels of Oil Equivalent
STACK	Sooner Trend Anadarko Basin Canadian and Kingfisher Counties – oil and gas play in the Anadarko Basin Oklahoma
SCOOP	South Central Oklahoma Oil Province - oil and gas play in the Anadarko Basin Oklahoma
SWISH AOI	Description of Brookside's Area of Interest in the SCOOP Play
Working Interest	Percentage of ownership in a lease granting its owner the right to explore, drill and produce oil and gas from a tract of property. Working interest owners are obligated to pay a corresponding percentage of the cost of leasing, drilling, producing and operating a well or unit
IP24	Initial Production Rate, measured over a 24-hour period

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

Stonehorse Energy Limited

ABN

13 086 972 429

Quarter ended ("current quarter")

March 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	275	327
1.2 Payments for		
(a) exploration & evaluation (if expensed)	(2)	(15)
(b) development		
(c) production	(107)	(178)
(d) staff costs		
(e) administration and corporate costs	(120)	(669)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)	7	51
1.9 Net cash from / (used in) operating activities	53	(482)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities		
(b) tenements		
(c) property, plant and equipment		
(d) exploration & evaluation (if capitalised)		
(e) investments		(1,662)
(f) other non-current assets		

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
2.2 Proceeds from the disposal of:		
(a) entities		
(b) tenements		
(c) property, plant and equipment		
(d) investments		
(e) other non-current assets		
2.3 Cash flows from loans to other entities		(3)
2.4 Dividends received (see note 3)		
2.5 Other (provide details if material)		
2.6 Net cash from / (used in) investing activities	-	(1,665)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)		4,626
3.2 Proceeds from issue of convertible debt securities		
3.3 Proceeds from exercise of options		
3.4 Transaction costs related to issues of equity securities or convertible debt securities		(399)
3.5 Proceeds from borrowings		
3.6 Repayment of borrowings		
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		
3.9 Other (provide details if material)		
3.10 Net cash from / (used in) financing activities	-	4,227

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	2,046	18
4.2 Net cash from / (used in) operating activities (item 1.9 above)	53	(482)
4.3 Net cash from / (used in) investing activities (item 2.6 above)		(1,665)
4.4 Net cash from / (used in) financing activities (item 3.10 above)		4,227

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	2,099	2,099

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,914	2,029
5.2	Call deposits	185	17
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,099	2,046

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

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Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Salaries and Fees to Directors

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities		
7.2 Credit standby arrangements		
7.3 Other (please specify)		
7.4 Total financing facilities		
7.5 Unused financing facilities available at quarter end		
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	53
8.2 Capitalised exploration & evaluation (Item 2.1(d))	
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	53
8.4 Cash and cash equivalents at quarter end (Item 4.6)	2,099
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	2,099
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	39.6
8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:	
1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: N/A	
2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: N/A	
3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer: N/A	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 30 April 2020

Authorised by: The Board

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.