



STONEHORSE

E N E R G Y

31 October 2019

QUARTERLY ACTIVITIES REPORT

FOR THE THREE MONTHS ENDING 30TH SEPTEMBER 2019.

Stonehorse Energy Limited (**ASX:SHE**) (**Stonehorse** or the **Company**) is pleased to present this Quarterly Report for the quarter ended 30th September 2019.

The overall objective of the Company is 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.

CORPORATE ACTIVITIES

On the 9th August 2019 the Company;

1. 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 (subject to shareholder approval) to the vendors of Lone Star pursuant to the vendor offer in the Prospectus dated 19th November 2018.
2. Completed a capital raise of \$4,656,727 under the public offer via the issue of 232,836,367 shares at \$0.02 per share.
3. Converted \$200,000 of Convertible Notes plus \$20,000 of accrued interest and issued 11,000,000 shares.

The Company re-listed on the ASX on the 16th August 2019 with a strategic and operational focus on US based oil and gas exploration and production.

OPERATIONAL ACTIVITIES

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.



Sutton #2H-52 Well – Located in Hansford County, Texas is a conventional horizontal well targeting the Marmaton formation in the Hansford oil and gas field in Hansford county, Texas. LS Operating a wholly owned subsidiary of Stonehorse has participated for a 25% Working Interest in the well which was spud in August 2017 subsequently completed and currently flowing back to sales.

Burgess #28-1Well -Located in Ellis County, Oklahoma is a conventional vertical well targeting the Morrow sands formation known to produce commercial quantities of natural gas. LS Operating a wholly owned subsidiary of Stonehorse has participated in 96.81% Working Interest in the well which is operated by Black Mesa Energy. The Well has now been drilled and successfully completed and is currently flowing back to sales. Gas production is currently coming from the Chester Zone. The Well also includes potential future oil production further up the Well in the Oswego zone.

EVENTS SUBSEQUENT TO REPORTING DATE

On 15th October 2019, BRK OK offered LSO the opportunity and LSO has elected (under the Step-in Agreement) to step-into the following working interests;

Bullard #1-18-07-UWH Well – Located in Garvin County, Oklahoma is a conventional horizontal drilling oil and gas well targeting the Woodford shale in the SCOOP Play in the Anadarko Basin. LSO has elected to Step into an initial 15.61% Working Interest in the well but retains the right to step into an additional 5.5% under the Step-in agreement. The Company intends to review this opportunity to increase its working interest at a later date with any subsequent increase dependent on near term well performance and capital availability. The Bullard is currently in production and flowing back to sales.

Henry Federal #1-8-5XH Well - Under the terms of the Step-in arrangement, Stonehorse currently had the option to step-into up to a 7.27% working interest in this well located in the southern STACK Play in the Anadarko Basin. Whilst Stonehorse has initially opted to step-into 2.30% Working Interest in the Henry Federal well, the Company retains the right to step-into an additional 4.97%. The company intends to review this opportunity to increase its working interest at a later date with any subsequent increase dependent on near term well performance and capital availability.

Initial production (IP24)¹ of 1,319 Boe per day (65% oil) has been reported for this well. These initial results are very encouraging and the Company looks forward to providing additional data and sustained production results at the end of the quarter.

¹ Stonehorse will have a 2.3% Working Interest in this extended lateral horizontal well that is producing from the Meramec formation at a depth of approximately 11,200 feet. Initial production (IP24) of 1,319 barrels of oil equivalent per day (65% oil) was reported for this well, comprising 861 barrels of oil and 2,747 Mcf gas. These rates were achieved via natural flow through a 38/64-inch choke."



ANADARKO BASIN, OKLAHOMA OIL AND GAS PLAYS

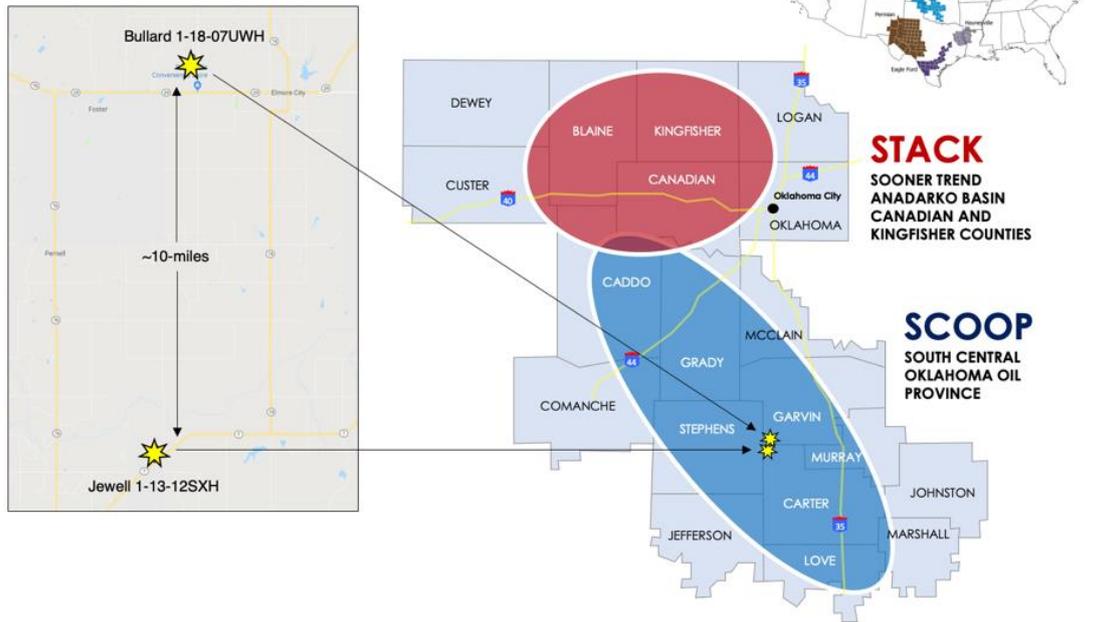


Figure 1. Location of the Bullard and Henry Federal wells.

- 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 and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

STONEHORSE ENERGY LIMITED (SHE)

ABN

13 086 972 429

Quarter ended (Current quarter)

30 September 2019

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (3 Months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for:		
(a) exploration and evaluation	(8)	(8)
(b) development	-	-
(c) production	-	-
(d) staff costs	-	-
(e) administration and corporate costs	(364)	(364)
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 Research and development refunds	-	-
1.8 Other (provide details if material): Payments made on behalf of Lone Star	-	-
1.9 Net cash from / (used in) operating activities	(372)	(372)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.3 Cash flows from loans to other entities	(3)	(3)
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(3)	(3)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 Months) \$A'000
3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	4,626	4,626
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	(399)	(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 – cancelled cheques	-	-
3.10 Net cash from / (used in) financing activities	4,227	4,227
4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	18	18
4.2 Net cash from / (used in) operating activities (item 10 above)	(372)	(372)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(3)	(3)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	4,227	4,227
4.5 Effect of movement in exchange rates on cash held	-	-
4.6 Cash and cash equivalents at end of quarter	3,870	3,870
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	3,870	18
5.2 Call deposits		
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)	3,870	18
6. Payments to directors of the entity and their associates		Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2		162
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3		-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	Directors salary, fees, superannuation, and exploration consultancy.	
7. Payments to related entities of the entity and their associates		Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2		-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3		-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2		

8. Financing facilities available
Add notes as necessary for an understanding of the position

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
-	-
-	-
-	-

- 8.1 Loan facilities
- 8.2 Credit standby arrangements
- 8.3 Other (please specify)
- 8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

9. Estimated cash outflows for next quarter

	\$A'000
9.1 Exploration and evaluation	
9.2 Development	
9.3 Production	1,700
9.4 Staff costs	48
9.5 Administration and corporate costs	40
9.6 Other (provide details if material)	
9.7 Total estimated cash outflows	1,788

10. Changes in tenements
(items 2.1(b) and 2.2(b) above)

	Tenement reference and location	Nature of interest	Interest at beginning of quarter %	Interest at end of quarter %
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2 Interests in mining tenements and petroleum tenements acquired or increased				

Compliance statement

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



Signed: _____ Dated: Thursday, 31 October 2019

Company Secretary

Print name: Jay Stephenson

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies 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.