



STONEHORSE

E N E R G Y

ABN: 13 086 972 429

29 April 2022

QUARTERLY ACTIVITY REPORT

FOR THE THREE MONTHS ENDING 31ST MARCH 2022.

HIGHLIGHTS

- **Jewell well paid out in under six months, with over 250,000 BOE produced in the first six months, generating cumulative revenue of US\$9 million (SHE 41.5%).**
- **The Jewell produced a total of 82,020 BOE for the quarter with Stonehorse's working interest being 33,038 BOE for Q1 2022.**
- **Myall Creek #2 workover completed in January with 30-day inline production testing completed thereafter.**
- **Interpretation of data from the Myall Creek #2 well confirmed the Tinowon C is a fracture stimulation candidate. This next phase of activity is scheduled to commence and complete in June 2022.**
- **Additional reservoirs intersected in the Myall Creek #2 well including the Upper Rewan and Bandana Sandstones also appear to be gas saturated.**
- **A\$2.85m in net revenue generated from the portfolio during the quarter, increasing cash at hand to A\$6.125m million.**

Stonehorse Energy's Executive Director, David Deloub, commented *"The six-month payback of the Jewell well is an exceptional achievement with the relatively minor decline during the quarter establishing the well as a significant cashflow generator for the Company. We look forward to the next phase of testing at Myall Creek #2, which is shaping up as an exciting future development project."*

Stonehorse Energy Limited (**ASX:SHE**) (**Stonehorse** or the **Company**) is pleased to present the Quarterly Review of Operations to 31st March 2022



OPERATIONAL ACTIVITIES

The Jewell Well

During the quarter, the performance of the Jewell well continued to exceed pre-drill estimates, with payback of the well completed in under six months. The Jewell well produced 82,020 BOE for Q1 2022 and generated US\$9 million in cumulative revenue from first sales to date (SHE 41.5% interest).

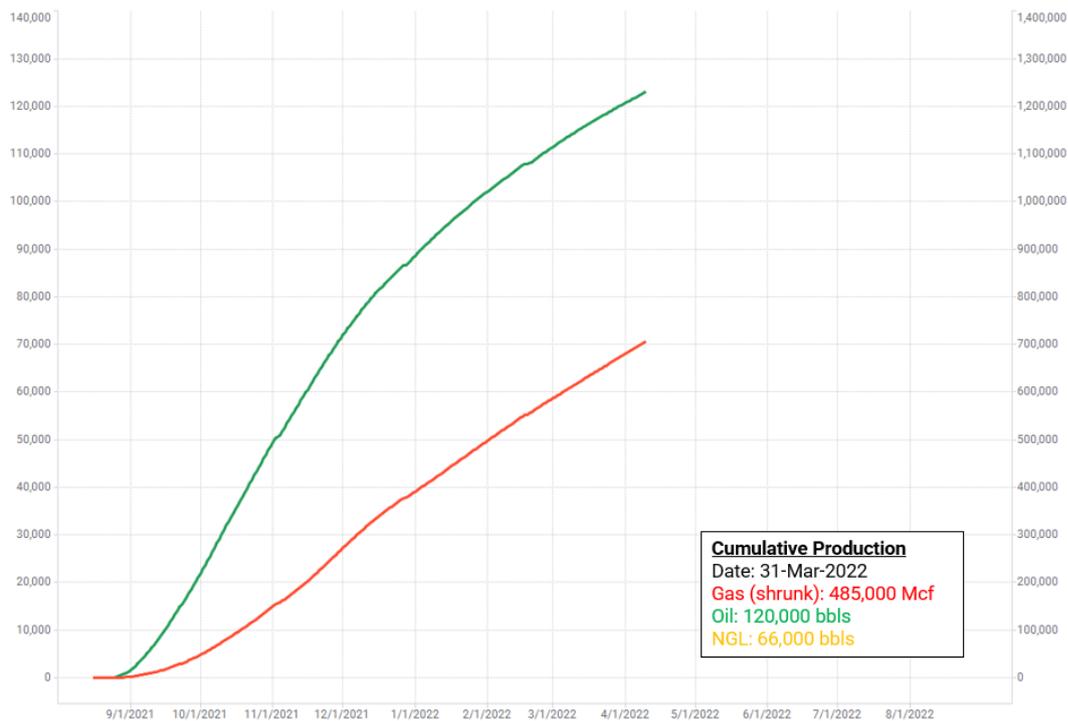


Figure 1. Jewell well cumulative production to 31 March 2022.

The Myall Creek #2 well

During the quarter, the Company announced it had commenced the workover and well intervention program planned for the Myall Creek #2 well, located in the Surat Basin in Southeast Queensland.

On 19 January 2022, Stonehorse Energy announced that the Myall Creek #2 well had been successfully perforated and re-completed the Tinowon C formation.

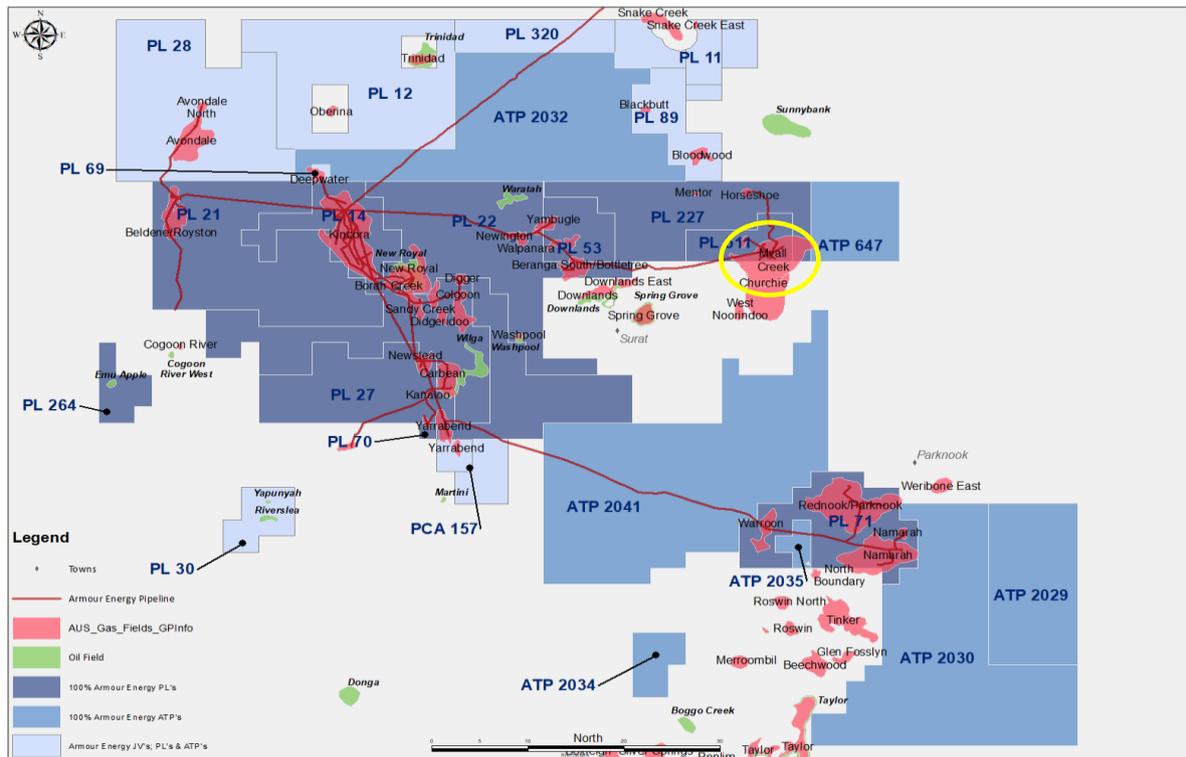


Figure 2. Surat Basin oil and gas province showing the location of Myall Creek in yellow.

The Tinowon C was the primary target of the work programme and initial analysis of the logging data confirmed that the zone was hydrocarbon bearing and over pressured.

Subsequent data collection using a Down-Hole-Shut-In-Tool to capture the bottom hole build up pressure has confirmed that the Tinowon C formation is a viable fracture stimulation candidate.

It is currently planned for the proposed well stimulation operations to commence and complete in June 2022.



Figure 3. Myall Creek Compression Facility, 2022.

The Myall Creek-2 programme also assessed the potential of other reservoirs intersected in the Myall Creek region. Of particular interest are the Upper Rewan and Bandana Sandstones that also appear to be gas saturated. Work is continuing on the feasibility of accessing these zones for future potential stimulation.

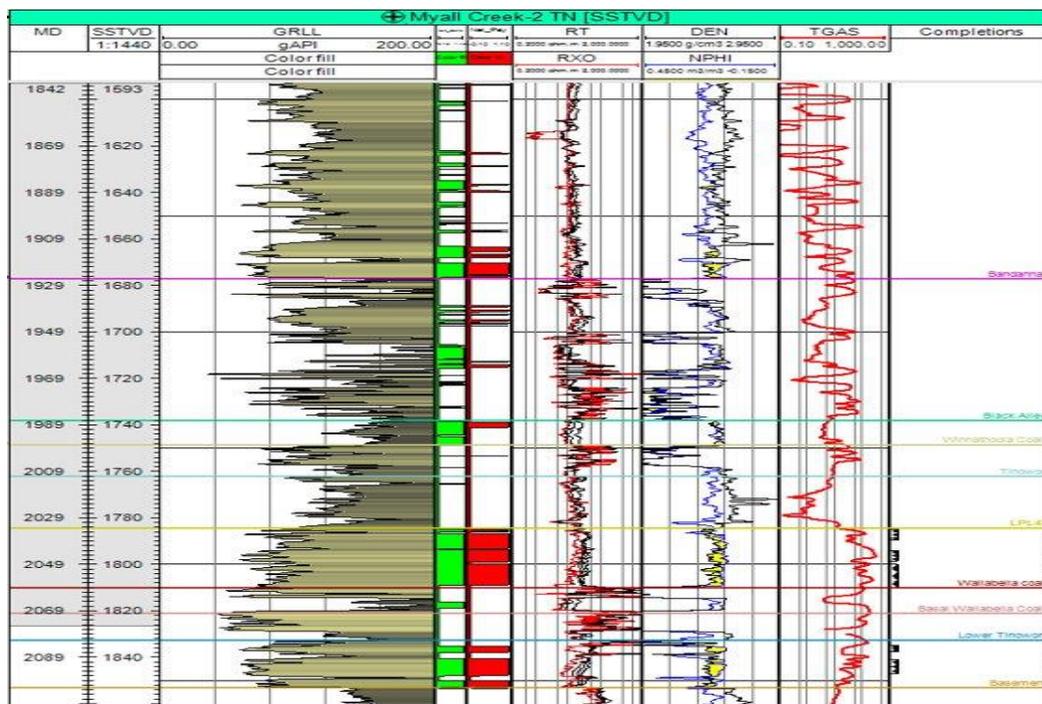


Figure 4. Myall Creek#2 Reservoir log, Jan 2022.



CURRENT PORTFOLIO OF OIL AND GAS WELL ASSETS

The Company currently has non-operated working interests in twelve wells, including the high impact Jewell well located Carter County, Oklahoma and the recent investment in the Myall Creek-2 well in Australia.

Well Name	Reference Number	Working Interest	County, State	Operator
Stonehorse US				
Burgess	28-1	96.81%	Ellis, OK	Black Mesa Energy
Sutton	2H-52	25.00%	Hansford, TX	Strat Land Exploration
Bullard	1-18-07UWH	15.60%	Gravin, OK	Rimrock Resources
Henry Federal	1-8-5XH	2.30%	Blaine, OK	Continental Resources
Randolph	1-34-27XHM	0.21%	Blaine, OK	Continental Resources
Randolph	3-34-27XHM	0.21%	Blaine, OK	Continental Resources
Randolph	4-34-27XHM	0.21%	Blaine, OK	Continental Resources
Jewell	1-13-12SXH	41.50%	Carter, OK	Black Mesa Energy
Orion JV				
Newberry	12-1	21.70%	Carter, OK	Black Mesa Energy
Mitchell	12-1	50.00%	Carter, OK	Black Mesa Energy
Thelma	1-32	50.00%	Murray, OK	Black Mesa Energy
Stonehorse Australia				
Myall Creek	Myall Creek-2	25%	Surat Basin, Qld	Armour Energy

Table 1. Current Portfolio of Stonehorse and Orion JV wells.

CORPORATE ACTIVITIES

Cash

During the quarter, the Company generated A\$2.85m in net revenue from oil and gas sales. The Company spent \$112k on oil & gas exploration activities during the reporting period and at the end of the quarter, the Company had A\$6.125m in cash at hand, an increase of \$2.65m since the end of the December 2021 quarter.

Strategy and objectives

The current strategy of Stonehorse is to build a portfolio of high quality well bore assets by taking non-operated working interests in wells reflecting risk appetite and capital availability.

The success of the Jewell well provides the Company with the funding capacity to increase the quality of its investments, as evidenced by the recent Myall Creek-2 investment.



The Company continues to increase its investment in producing oil and gas wells located in the continental US as well as focusing on identifying opportunities to diversify its investment portfolio including but not limited to investment opportunities to take non-operated working interests in oil and gas wells in fields located the domestic Australian market.

Corporately, the Group continues to review its non-operational expenses including its corporate overhead and is implementing measures to reduce these costs where appropriate.

ASX Additional Information

1. **ASX Listing Rule 5.2.1 and 5.4.2** – Oil and gas production and development and investment activity expenditure during the quarter was \$112,000. Full details of the activity during the quarter are set out in this report.
2. **ASX Listing Rule 5.2.2 and 5.4.1** – Exploration activity investment and operating expenditure for the quarter was \$114,000. There were no substantive exploration activities during the quarter.
3. **ASX Listing Rule 5.4.5** – Payments to related parties of the Company during the quarter and outlined in the Appendix 5B include \$36,000 for Director Fees.

This announcement is released on authority of the Board.

- ENDS -

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About Stonehorse Energy

Stonehorse Energy Limited (ASX:SHE) is an Australian ASX listed oil and gas exploration and production company which currently has working interests in a number of producing oil and gas assets located in Texas and Oklahoma, USA. Stonehorse's overall objective is to be cashflow accretive by building a portfolio of working interests in high quality producing well bore assets delivering a return on investment to its shareholders reflecting risk appetite and capital availability.



Forward-Looking Statements and Other Disclaimers

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

Glossary

BOE	Barrels of Oil Equivalent
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Development Unit (DSU)	Development unit or Drilling Spacing Unit (DSU) is the geographical area in which an initial oil and or gas well is drilled and produced from the geological formation listed in the spacing order. The spacing unit combines all interest owners for the purpose of sharing in production
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	from oil and or gas wells in the unit. A spacing order establishes the size of the unit, divides the ownership of the unit into the "royalty interest" and "working interest".
Mboe	1,000 barrels of oil equivalent
Mcf	1,000 cubic feet (of gas)
MMboe	1,000,000 barrels of oil equivalent
STACK	S ooner T rend A nadarko Basin C anadian and K ingfisher Counties – oil and gas play in the Anadarko Basin Oklahoma
SCOOP	S outh C entral O klahoma O il P rovince - 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")

31 March 2022

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	3,086	5,544
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	-	-
(c) production	(114)	(302)
(d) staff costs	-	-
(e) administration and corporate costs	(119)	(596)
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	3	97
1.9 Net cash from / (used in) operating activities	2,856	4,743

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	(2)
(d) exploration & evaluation (well rework / development cost)	(112)	(3,067)
(e) investments	-	-
(f) other non-current assets	-	-

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements / working interests	-	469
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(112)	(2,600)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	721
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	721

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,479	3,190
4.2	Net cash from / (used in) operating activities (item 1.9 above)	2,856	4,743
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(112)	(2,600)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	721

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	(98)	71
4.6	Cash and cash equivalents at end of period	6,125	6,125

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	6,105	3,459
5.2	Call deposits	20	20
5.3	Bank overdrafts	-	-
5.4	Other (High Interest Account)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	6,125	3,479

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	36
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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

Section 6.1: \$35,907 for the payment of current Director fees to Mr Deloub and Mr Stephenson.

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

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

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	2,856
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(112)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	2,744
8.4 Cash and cash equivalents at quarter end (item 4.6)	6,125
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	6,125
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	N/A
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: N/A	
8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: N/A	

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

8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

Compliance statement

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

Date: 29/04/2022.....

Authorised by: By the Board.....
(Name of body or officer authorising release – see note 4)

Notes

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