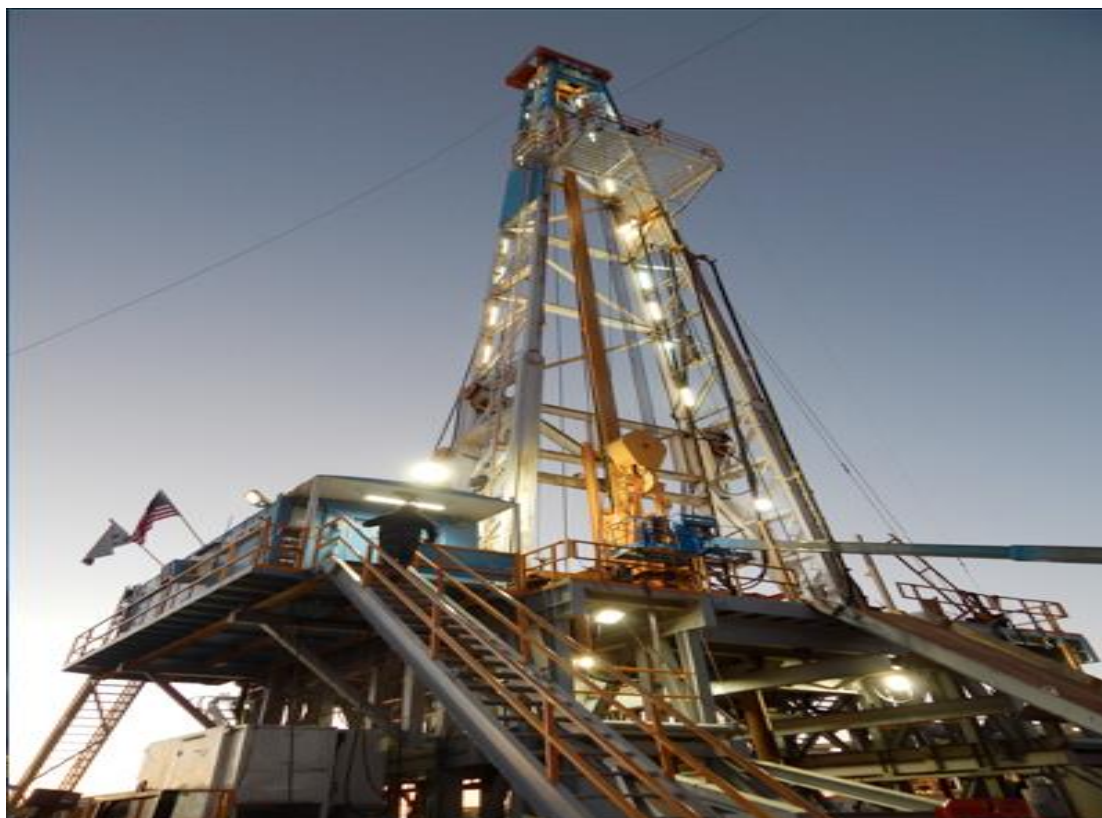




STONEHORSE
E N E R G Y

30 July 2021

QUARTERLY ACTIVITIES REPORT
FOR THE THREE MONTHS ENDING 30th JUNE 2021.



Stonehorse Energy Limited (**ASX:SHE**) (**Stonehorse** or the **Company**) is pleased to present this Quarterly Report for the quarter ended 30th June 2021.

CORPORATE ACTIVITIES.

On 6th April an EGM was held by the Company to; ratify Tranche 1 of the placement shares, issue tranche 2 of the Placement shares, approve the issue of Placement options and Broker options pertaining to the A\$5 million placement announced in February 2021. All resolutions were subsequently passed by poll and the summary of results set out in the ASX announcement dated 6th April 2021.

OPERATIONAL ACTIVITIES

The Company continues to develop its portfolio of working interests in producing oil and gas wells located in the Anadarko Basin, Oklahoma, both directly and through the Orion Joint Venture alongside Brookside Energy.

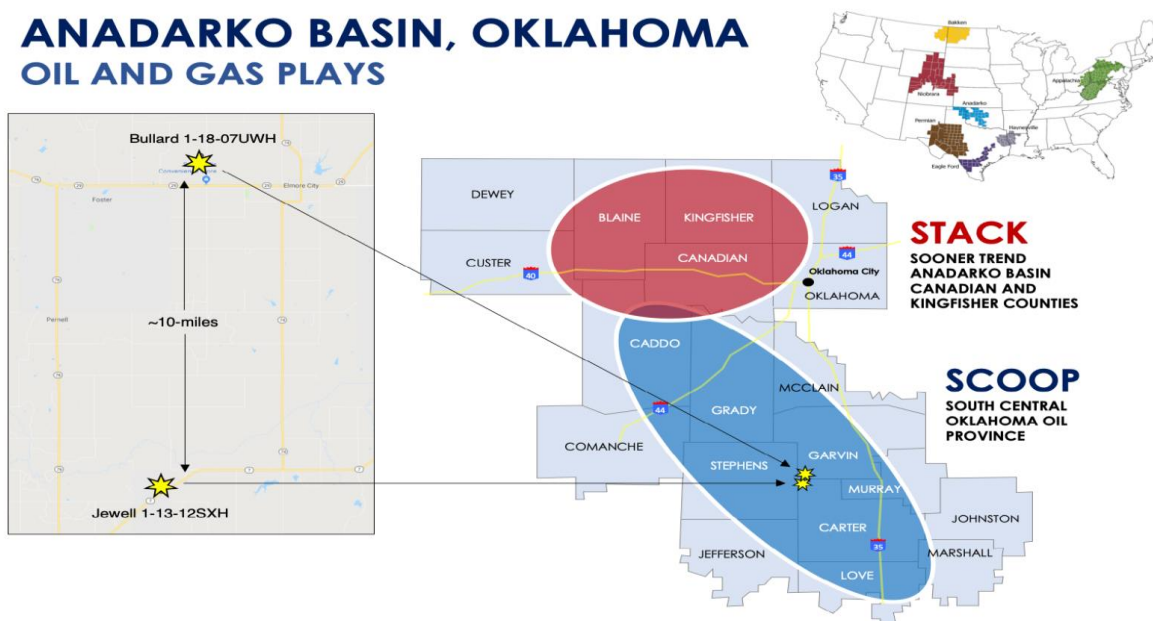


Figure 1. Map of the Jewell and Bullard well locations.

Early in the quarter Stonehorse announced that Latshaw Drilling Company had been contracted to supply and operate one of its rigs for the drilling of the Jewell well under the supervision of the Operator Black Mesa Energy. Construction of an all-weather multi-well pad and access road was completed with the hole for the conductor casing drilled and conductor casing set.

In May the Company announced that the Jewell well was successfully spudded and drilled in the vertical section to a depth of approximately 6,850 feet. The drill string was subsequently withdrawn from the hole and the well was prepared to receive intermediate casing. Drilling continued in the horizontal section of the wellbore with numerous oil and gas "shows" observed as drilling progressed.

These hydrocarbon shows were consistent with expectations and consistent with what had been reported in recently drilled nearby wells. These results were consistent with expectations and supported reported production in recently drilled third party wells operating in close vicinity.

In June the Company advised that drilling operations had been completed with the Jewell Well reaching a total depth of 14,100 feet. The production casing was subsequently laid, set and cemented in the lateral section of the well with the successful completion of this stage significantly de-risking the project. The drilling rig was released and had commenced demobilisation in preparation for the arrival and deployment of the well stimulation equipment.

Works then commenced on surface production facilities including; the tank battery, oil and gas separators and gas lines as well as construction of a 2,700 foot 6 inch gas line from the well location to a tie-in point on a nearby gas sales line.



Operations continue on schedule and budget with construction of the surface production facilities nearing completion in preparation for the stimulation and completion of the well.

CURRENT PORTFOLIO OF OIL AND GAS WELL ASSETS

Stonehorse currently has working interests in **eight** producing wells and **one** well (the Jewell well) currently being completed.

Well Name	Refence Number	Working Interest	County State	Operator
<i>Stonehorse</i>				
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%	Garvin, OK	Rimrock Resources
Henry Federal	1-8-5XH	2.30%	Blaine, OK	Continental Resources
Randolph	1-34-27XHM	0.21%	Blaine, OK	Continental Resources
Jewell	1-13-12 SXH	50.00%	Carter, OK	Black Mesa Energy
<i>Orion JV</i>				
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

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

Stonehorse's share of gross revenue from oil and gas sales for the second quarter of 2021 averaged US\$76,800 per month. The improvement in revenues from March quarter's average of US\$39,000 reflects the continued recovery of oil and gas prices, most notable a sharp short term spike in natural gas prices due to a sever winter weather event.

SUBSEQUENT EVENTS

Construction of the surface facilities required to accommodate oil and gas production from the Jewell Well was completed in July including; the setting and plumbing of the tank battery and separators. These are now ready to receive oil and gas from the well (Figure 2). This will allow the production stream to be turned to sales without delay as soon as well stimulation is completed.



Figure 2: Jewell Well production facilities (tank battery and separators).

The Jewell well operator, Black Mesa Energy recently executed a Master Services Agreement with Denver based Liberty Oilfield Services, a leading North American oilfield services company. The contract is to supply and operate the equipment and personnel to enable the completion of the Jewell Well under the supervision of the Black Mesa team.

The personnel and equipment are expected on site by the end of July to commence completion operations, with production and sales to follow imminently.

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 \$79,000. 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 \$500,000. There were no substantive exploration activities during the quarter.
3. ASX Listing Rule 5.4.4 – The Company provides the actual vs proposed use of Funds as outlined in Section 2.9 of the Prospectus dated 19 November 2018. The Company raised additional funds subsequent to the Prospectus. In the Quarter, it raised \$2,087,000 under Tranche 2 of the Placement.

Proposed Use of Funds	Proposed \$	Actual \$	Variance
Exploration Expenditure	\$2,799,682	\$5,072,000	-\$2,272,318
Expenses of the Offer	\$537,700	\$399,000	\$138,700
Repayment of Loans	\$200,000	Nil	\$200,000



Administration costs	\$600,000	\$1,752,000	-\$1,152,000
Working Capital	\$62,618	-\$1,318,000	\$1,380,618
Investments	Nil	-\$355,000	355,000
Total	\$4,200,000	\$5,550,000	\$(1,350,000)

4. Major variances in the above table relate to timing of actual spend. The proposed spend is for a two-year period. In addition, repayment of loans is favorable as the Loans were forgiven at the time of re-quotation. The variance in Administration costs relate partially to the addition of US administration costs and also to an allocation variance between Administration and Working Capital. The Company announced that following its recent share placement it has accepted the offer to step-in for up to 50% Working Interest in the high-impact Jewell well located in the Anadarko basin in Oklahoma USA.
5. ASX Listing Rule 5.4.5 – Payments to related parties of the Company during the quarter and outlined in the Appendix 5B include \$24,000 for Director Fees.

This announcement is released on authority of the Board.

- ENDS -

About Shonehorse 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 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
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 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")

30 June 2021

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	304	686
1.2	Payments for		
	(a) exploration & evaluation	(27)	(117)
	(b) development	(2)	(109)
	(c) production	(50)	(292)
	(d) staff costs	-	-
	(e) administration and corporate costs	(363)	(979)
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	-	44
1.8	Other (ATO Payments / Receivables)	10	3
1.9	Net cash from / (used in) operating activities	(128)	(764)
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) exploration & evaluation (well rework / development cost)	(500)	(2,662)
	(e) investments	(330)	(480)
	(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	196	355
	(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	(634)	(2,787)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	2,807	4,682
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	(14)	(29)
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	2,793	4,653

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,217	2,136
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(128)	(764)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(634)	(2,787)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,793	4,653

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 (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(58)	(48)
4.6	Cash and cash equivalents at end of period	3,190	3,190

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	3,170	1,197
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)	3,190	1,217

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	24
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<p><i>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.</i></p> <p>Section 6.1: \$24,478 for the payment of current Director fees.</p>		

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

7.	Financing facilities <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>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
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)	(128)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(500)
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(628)
8.4	Cash and cash equivalents at quarter end (item 4.6)	3,190
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	3,190
8.7	Estimated quarters of funding available (item 8.6 divided by item 8.3)	5.08
	<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: 30 July 2021

The Board

Authorised by:
(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.