



# STONEHORSE

## E N E R G Y

30 January 2020

## QUARTERLY ACTIVITIES REPORT

FOR THE THREE MONTHS ENDING 31<sup>ST</sup> DECEMBER 2019.

Stonehorse Energy Limited (**ASX:SHE**) (**Stonehorse** or the **Company**) is pleased to present this Quarterly Report for the quarter ended 31<sup>ST</sup> December 2019.

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.

### CORPORATE ACTIVITIES

On the 18<sup>th</sup> September 2019 the securities of the Company were suspended from quotation under Listing Rule 17.2. The Company subsequently withdrew from its earlier commitment to fund the initial sitework cost in exchange for a working interest in the well and the Company's shares were reinstated to official quotation on the 2<sup>nd</sup> October.

It is worth noting that whilst the cash flows for the December quarter reflected in the attaching Appendix 5B do not contemplate the accrued revenue from Stonehorse's recent investments in the Bullard and Henry Federal. This timing difference between Revenue recognition and cash receipts is a consequence of there being a two to three-month lag between the operator receiving monthly production revenues. This amounts to a difference of approximately A\$194,000 of accrued revenue from the Company's portfolio of working interests earned in the fourth quarter not yet received and reflected in the Q4 2019 cashflow statement (Appendix 5B).

### 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.

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

**Bullard #1-18-07-UWH Well** – The Company's 15.61% Non-operated Working Interest was acquired on the 24<sup>th</sup> October 2019 with an effective date of 1<sup>st</sup> November 2019. 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. The Well has now been producing for approximately 14 months having produced gross well volumes of 167,000 barrels of oil and 1.0 billion cubic feet of natural gas (335,000 BOE oil).

The well delivered an initial production rate (IP24) of 1,749 BOE per day (63% oil) and averaged 1,350 BOE per day in its first 90 days of production (62% oil). To date this well has delivered gross revenue of US\$12.3m (representing 100% working interest before royalty payments at realised pricing of US\$58/Bbl and US\$1.61Mcf with the Well now expected to achieve payout in less than 2 years.

**Henry Federal #1-8-5XH Well** - Under the terms of the Step-in arrangement, Stonehorse exercised its option to step-into up to a 2.30% working interest in this well located in the southern STACK Play in the Anadarko Basin. Initial production (IP24)<sup>1</sup> of 1,319 Boe per day (65% oil) has been reported for this well.

#### SUBSEQUENT EVENTS

**Randolph #1-34-27XHM** – In January 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.

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. Portfolio of Stonehorse wells (by Working Interest)**

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- 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

<b>BOE</b>	Barrels of Oil Equivalent
<b>STACK</b>	Sooner Trend Anadarko Basin Canadian and Kingfisher Counties – oil and gas play in the Anadarko Basin Oklahoma
<b>SCOOP</b>	South Central Oklahoma Oil Province - oil and gas play in the Anadarko Basin Oklahoma
<b>SWISH AOI</b>	Description of Brookside's Area of Interest in the SCOOP Play
<b>Working Interest</b>	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
<b>IP24</b>	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)

**31 December 2019**

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 Months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	52	52
1.2 Payments for:		
(a) exploration and evaluation	(5)	(13)
(b) development	-	-
(c) production	(69)	(69)
(d) staff costs	-	-
(e) administration and corporate costs	(183)	(547)
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: ATO	9	9
Other: Cash Held by Lone Star Limited	34	34
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(162)</b>	<b>(534)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	(1,662)	(1,662)
(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)
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(1,662)</b>	<b>(1,665)</b>

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 Months) \$A'000</b>
<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	-	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)
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	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	-	4,227
<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year to date	3,870	18
4.2 Net cash from / (used in) operating activities (item 10 above)	(162)Error! Reference source not found.	(534)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(1,662)	(1,665)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	4,227
4.5 Effect of movement in exchange rates on cash held	-	-
<b>4.6 Cash and cash equivalents at end of quarter</b>	2,046	2,046
<b>5. Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1 Bank balances	2,029	3,870
5.2 Call deposits	17	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
<b>5.5 Cash and cash equivalents at end of quarter</b> (should equal item 4.6 above)	2,046	3,870
<b>6. Payments to directors of the entity and their associates</b>	<b>Current quarter \$A'000</b>	
6.1 Aggregate amount of payments to these parties included in item 1.2	26	
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.		
<b>7. Payments to related entities of the entity and their associates</b>	<b>Current quarter \$A'000</b>	
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.

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**9. Estimated cash outflows for next quarter**

9.1 Exploration and evaluation

9.2 Development

9.3 Production

9.4 Staff costs

9.5 Administration and corporate costs

9.6 Other (provide details if material)

9.7 **Total estimated cash outflows**

**\$A'000**

-

315

69

48

41

-

473

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

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

Tenement reference and location	Nature of interest	Interest at beginning of quarter %	Interest at end of quarter %

**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.



Signed:

Dated: Thursday, 30 January 2020

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.