

ASX Announcement

1st November 2021

Stonehorse makes its maiden Australian oil and gas investment in the Surat Basin, South East Queensland

HIGHLIGHTS:

- Stonehorse Energy (Stonehorse or the Company) will partner with a private investor Co group (InvestorCo) to jointly fund 100% of the capital cost in return for a combined 50% share of production revenue from Armour Energy's Myall Creek 2 Well.
- Armour Energy (ASX:AJQ) will retain a 50% working interest for the first 7+ years as well as 100% revenue after that period and all P&A liabilities at the end of the well's economic life.
- The Myall Creek-2 well will initially undergo clean-up operations prior to planned well intervention activities to the lower Tinowon formation commencing December 2021.
- Myall Creek-2 Lower Tinowon reservoir is an over pressured, stratigraphically controlled, laterally continuous reservoir found throughout the Myall Creek and Riverside gas fields.
- Subsequent well intervention operations are planned for two additional formations up-hole as part of the investment.
- InvestorCo comprises a group of private investors unrelated to both Armour and the Company with significant experience in well intervention activities.
- Armour have engaged Griffin Energy Solutions (Griffin) to design and complete well intervention operations planned for Myall Creek 2.

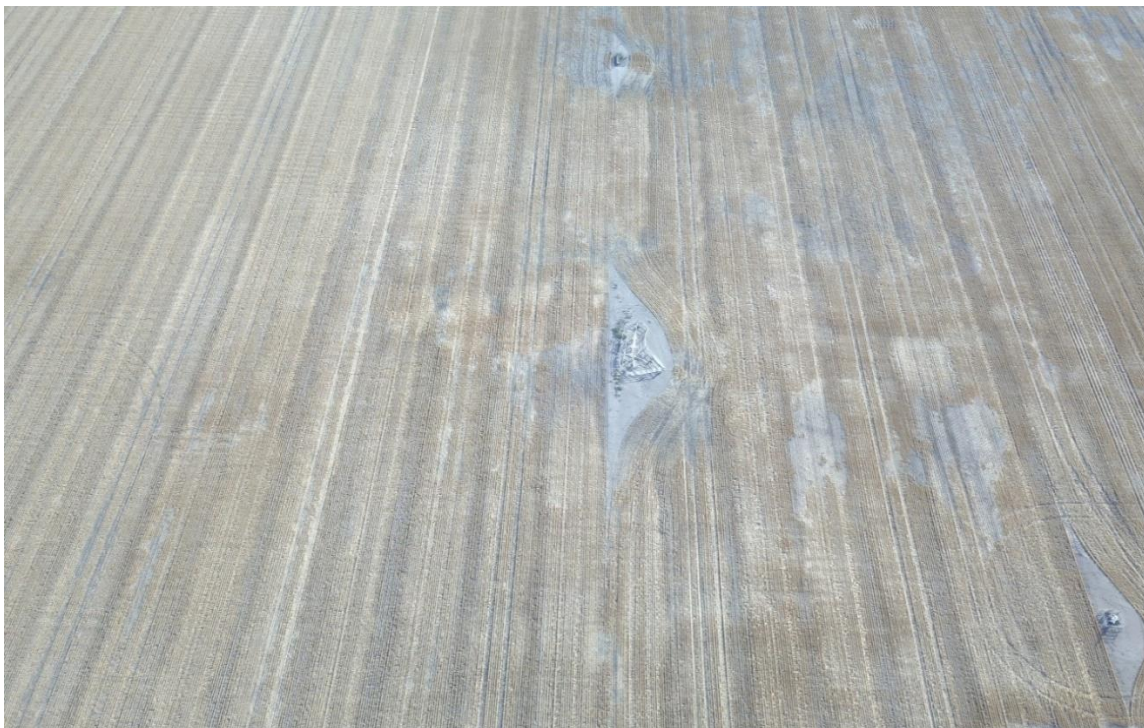


Figure 1 - Aerial view of Myall Creek-2 well located in the Surat Basin, South East Queensland.



Stonehorse Executive Director said "We are excited to make our maiden Australian investment in the Myall Creek field, which offers strong potential from untapped formations and to partner with both Armour Energy and InvestorCo, a private investment entity with significant experience in well intervention activities."

Oil and gas producer, **Stonehorse Energy Limited** (ASX: SHE) (**Stonehorse** or **the Company**) is pleased to announce that the Company and InvestorCo has partnered with Armour Energy Limited to take a 50% Revenue Interest in the workover and well intervention program planned for the Myall Creek-2 well, located in the Surat Basin in south east Queensland.

The workover program is expected to commence in December 2021. The capital cost will be funded 100% in equal portions by Stonehorse and InvestorCO, consistent with its stated strategy of identifying and investing in low-risk, moderate production enhancement work programs.

Armour have engaged Griffin Energy Solutions to design and complete well intervention operations. Griffin is an independent specialist Oil & Gas technical and operational consulting firm with a reputation for commercial rigor and significant knowledge and experience in the energy resources sector.

Background on the Myall Creek-2 well

The Myall Creek-2 well was an exploration well drilled by OCA in 1999 to appraise the Tinowon formation. Although the primary target was the Upper Tinowon, the well encountered high mud log gas readings throughout the intervals, from the Showgrounds through to the lower Tinowon formations.

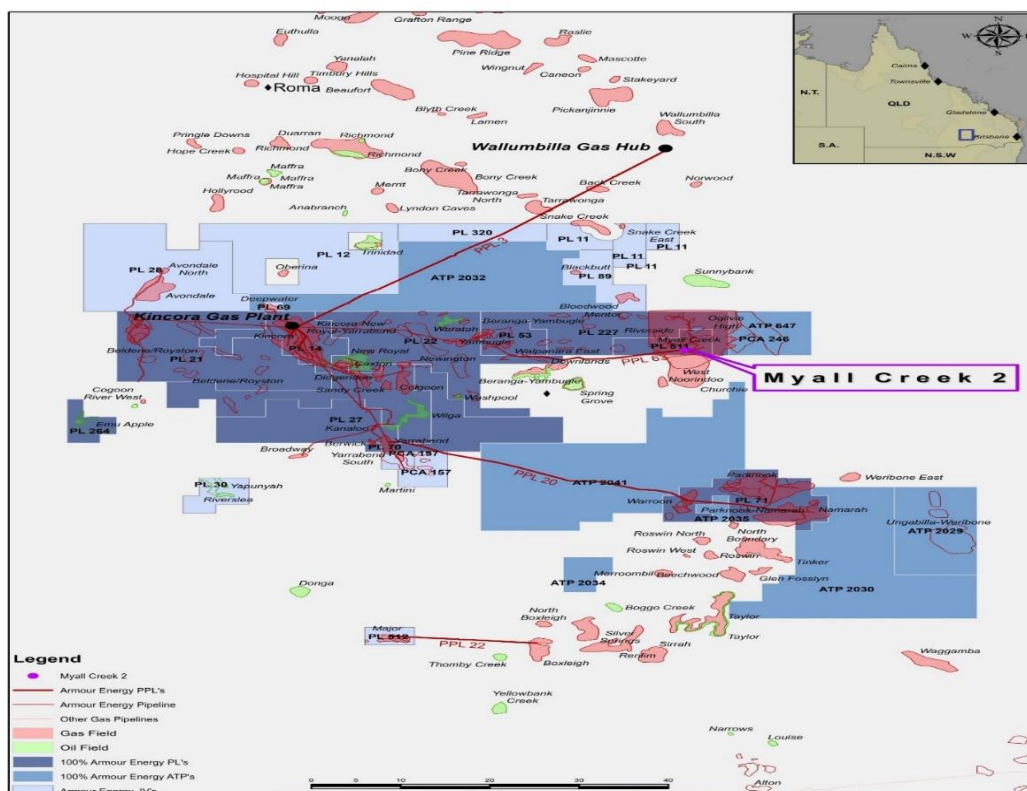


Figure 2 - Location map of Myall Creek in relation to Kincora gas processing plant.



Myall Creek-2 intersected good quality reservoir in the Upper and Lower Tinowon formation. The Upper Tinowon reservoir was tested and flowed gas at **5.7 MMscfd** and recovered condensate. The Lower Tinowon reservoir, while not tested, was similar to the Upper Tinowon and comprised a series of good quality fluvial channel sands with moderate to strong gas shows and fluorescence.

The Upper Tinowon formation was perforated and brought online in April 2001 producing **1.7 Bcf** over **5 years** before it was fracture stimulated. The post fracture stimulation rate was **~3.0 MMscfd**, more than six times the pre-fracture stimulate rate of **~0.5 MMscfd**, from a depleted reservoir.

The Myall Creek-2 well is situated structurally high on an apparent, 3D interpreted, four way dip closure, with the lower Tinowon at virgin pressure. This reservoir is also laterally continuous.



Figure 3 - Myall Creek well head and surface infrastructure

The Investment

The proposed workover activity will commence in December 2021, initially comprising recompletion to isolate the Tinowon A, perforating and subsequently fracture stimulating the Tinowon C, most likely in Q1 2022.

Production from the Myall Creek-2 well will commence flowing additional gas into the Kincora Gas Gathering System for processing and sale via the Kincora Gas Processing Plant. It is anticipated that initial perforation of Myall Creek-2 will take approximately 8 days from rig mobilisation to the well coming online.



The funding agreement between Stonehorse, InvestorCo and Armour Energy also contemplates subsequent well intervention activities within 12 months of the first well intervention in either/or both the Bandanna or Black Alley formations.

Stonehorse and InvestorCo will jointly fund 100% of the capital required which is estimated to cost \$1.5m for the perforation and stimulation of the Lower Tinowon, then a further A\$1.4m for a second well intervention within 12 months.

Stonehorse and InvestorCo will receive 50% of the gas and condensate revenue produced from the well less costs for a period of approximately seven years, while Armour will retain the remaining income and the associated P&A liabilities at the end of the well's economic life.

This announcement is approved for release by the Board of Directors.

-ENDS-

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About Stonehorse Energy

Stonehorse Energy is an ASX-listed energy company which currently holds working interests in oil and gas wells in Oklahoma and Texas. The Myall Creek 2 investment is its' first oil & gas investment in Australia. The overall objective of the Company is to implement its strategy of building a portfolio of high quality well bore assets with Working Interest (WI) / Net Revenue interests (NRI) percentages 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



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