



31 January 2017

Quarterly Report for the period ending December 31, 2016

Highlights

- ✓ Ongoing leasing and acquisition campaign delivers ~500ⁱ acres in the core of the STACK Play
- ✓ Drilling operations underway on the Strack 1-2-11XH (operated by Marathon Oil Company, NYSE:MRO) and Ike #1-20-17 wells (operated by Continental Resources, NYSE:CLR)
- ✓ Acquired a non-operated working interest in 18 development units (supporting upwards of 100 wells in full field development)ⁱⁱ
- ✓ Initial development in these units (to hold the acreage by production) is fully funded for BRK Oklahoma via the previously announced US\$3.5 million Drilling Joint Ventureⁱⁱⁱ with Merchant Funds Management Pty Ltd.

The Directors of Brookside Energy Limited (**ASX:BRK**) (**Brookside** or the **Company**) are pleased to present the Company's quarterly activities report for the period ending December 31, 2016. During the December quarter the Company continued to pursue a strategy aimed at building value per share by leveraging the expertise, experience and contacts of the Board and its partner and manager of US operations Black Mesa Production LLC (**Black Mesa**). As previously announced, the Black Mesa team has identified an opportunity to secure a position in the world class STACK Play in Oklahoma. The Company is capitalizing on a short window in which to build a material premier asset position in this high-margin repeatable play.

STACK Leasing Program

The Company announced that total holdings in the STACK Play are approaching 500 acres, comprised of approximately 400 acres (non-operated working interest leasehold) and an additional ~100 acres (mineral royalty) acquired in the RA Minerals Royalty Acreage transaction. These holdings are located in the core of the play in an area of unprecedented activity. There are currently (as at January 7, 2017) 39 rigs operating in the STACK Play counties of Blaine, Kingfisher and Canadian.

As previously flagged, the Company's leasing campaign is ongoing and additional core acreage is expected to be acquired during the course of calendar 2017. The Company is continuing to move quickly to capitalise on what it sees as a short window in which to build a material premier asset position in this high-margin repeatable part of the STACK Play.

STACK Drilling & Completion Activity

During the quarter, the Company announced that drilling operations had commenced on the Marathon Oil Company (Marathon Oil) (NYSE:MRO) operated Strack 1-2-11XH well in Blaine County, Oklahoma. The Strack 1-2-11XH well is an extended reach horizontal well targeting the Meramec formation (the target formation) in the core of STACK. The well successfully reached its target depth of approximately 20,106 feet during the quarter and is now awaiting completion. BRK Oklahoma's share of the drilling and completion costs for this well are being funded under the STACK-A Joint Venture.

The Company also announced during the quarter that Continental Resources (NYSE:CLR) had commenced operations ahead of the spud of the Ike #1-20-17 well in Blaine County. The well has since spudded and is currently drilling ahead in the target Meramec formation. The well is expected to be drilled to a total measured depth of ~22,393 feet in an area where the Meramec is up to 450 feet thick with excellent reservoir qualities. Importantly, the well is being drilled within the Company's RA Minerlas Royalty Acreage and as such the Company will receive its share of revenue from the well, with no capital (for drilling and completion costs) or operating expenses associated with production.

As a result of BRK Oklahoma's ongoing leasing and acquisition activities in the STACK the Company is now participating in five wells in the core of the play (four non-operated working interest wells and one mineral royalty well). These wells are at various stages of development (from drilled and awaiting completion to recently spudded and drilling ahead to permitted awaiting spud) (see table 1. below). BRK Oklahoma is participating for a relatively modest interest in the non-operated working interest wells, consistent with our strategy of accumulating minority non-operated working interest positions (between 1% and 10%) in as many development units as we can while the leasing opportunity continues.

WELL NAME	OPERATOR	WORKING INTEREST ACRES	STATUS
Strack #1-2-11XH	Marathon Oil, Co.	12.5	Drilled awaiting completion
Ike #1-20-17XH	Continental Resources, Inc.	38.0 (Royalty Interest)	Drilling
Davis #1-8-1611MH	Triumph Energy, LLC	7.5	Permitted
HR Potter 1511 #1-3-34XH	Marathon Oil, Co.	10.2	Permitted
Alta BIA 1511 #1-6-31MXH	Marathon Oil, Co.	16.0	Permitted

Table 1. – BRK Oklahoma STACK Well Summary

To date, BRK Oklahoma has acquired a non-operated working interest in 18 development units. This position (based on the increased density pilots that are currently being successfully tested by tier-one operators) could support upwards of 100 wells in full field development. Importantly, initial development in these units (to hold the acreage by production) is fully funded for BRK Oklahoma via the previously announced US\$3.5 million Drilling Joint Venture with Merchant Funds Management Pty Ltd.

Non STACK Exploration & Production Activities

No exploration was conducted during the quarter on the Company's leasehold interests in Payne County, Oklahoma. There was no material production from the Company's leasehold interests during the quarter.

CORPORATE

During the quarter, the Company completed two placements to raise a total of \$1,000,000 before costs via the issue of 100,000,000 new fully paid ordinary shares at \$0.01 per share. The placement shares were issued under the Company's placement capacity.

Post the end of the quarter, the Company announced a further placement of a total of 165,000,000 new fully paid ordinary shares at an issue price of \$0.012 to raise A\$1,980,000 (before costs of the issue) (the Company will issue one free attaching listed option, exercisable on or before December 31, 2018 at \$0.02, for every two new shares issued under this Placement.



Funds raised from these two placements will be used to fund the Company's on-going leasing campaign in the STACK Play and for general working capital purposes.

See Appendix 1. for details of the Company's oil and gas interests.

Yours faithfully,

A handwritten signature in black ink, appearing to read "Loren King", is written over a horizontal line.

Loren King
Director and Company Secretary

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ABOUT BROOKSIDE ENERGY LIMITED

Brookside is an Australian publicly held company listed on the Australian Securities Exchange (ASX:BRK). The Company was established in 2004 and first listed via an Initial Public Offering in October 2005. The Company has established deep and valued relationships in the oil and gas sector over the last 10 years through its successful activities in the oil and gas sector focused on the mid-continent region of the United States. Brookside's goal is to build value per share through a disciplined portfolio approach to the acquisition and development of producing oil and gas assets and the leasing and development of acreage opportunities.

Web <http://www.brookside-energy.com.au>

ABOUT BLACK MESA PRODUCTION LLC

Black Mesa is an Oklahoma domiciled limited liability company established for the purpose of identifying and exploiting opportunities in the upstream oil and gas sector on-shore in the United States. Black Mesa was capitalized via an agreement between the Tulsa Equity Group, BRK Oklahoma (a wholly owned subsidiary of Brookside Energy Limited) and the Incentive Members of Black Mesa. Black Mesa is executing a returns-based, disciplined strategy directed at the acquisition of producing properties, lower-risk development drilling opportunities and larger scale entry level acreage plays/concepts. Black Mesa's is leveraging the extensive experience of its executive team and its Board with the latest technology and data sets that are available to identify and evaluate opportunities.

Web <http://www.blkmesa.com>

ⁱ Includes non-operated working interest acreage that is subject to final title clearance and closing; includes the RA Minerals Royalty Acreage acquired pursuant to the Acquisition Program Agreement between BRK Oklahoma and Black Mesa; all non-operated working interest acreage is acquired pursuant to the Drilling Program Agreement between BRK Oklahoma and Black Mesa.

ⁱⁱ This is based on BRK Oklahoma's non-operated working interest in 18 development units and assumes between 5 and 8 wells per development unit in a full field development scenario.

ⁱⁱⁱ US\$3.5 million available under the Drilling Joint Venture with Merchant Funds Management Pty Ltd to fund drilling and completion costs is sufficient to fund initial development (to hold non-operated working interest acreage by production) of approximately 500 acres (non-operated working interest leasehold). This assumes total drilling and completion costs of US\$9.0 million per extended lateral horizontal well.

Appendix 1 – Schedule of Oil and Gas Interests

COUNTRY	INTEREST ACQUIRED OR DISPOSED OF DURING THE QUARTER	TOTAL ACRES	WORKING INTEREST
Payne County, Oklahoma	Nil	465 gross (282 net)	100%
Blaine County, Oklahoma	Nil	~100 acres	Royalty Interest
Blaine County, Oklahoma	~100 acres	~400 acres	Working Interest

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

Brookside Energy Limited

ABN

15 108 787 720

Quarter ended ("current quarter")

31 December 2016

Consolidated statement of cash flows	Current quarter (Dec 2016) \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(818)	(1,495)
(b) development	-	-
(c) production	-	-
(d) staff costs	-	-
(e) administration and corporate costs	(176)	(347)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	0	0
1.5 Interest and other costs of finance paid	(7)	(7)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (ATO GST refunds)	-	97
1.9 Net cash from / (used in) operating activities	(1,001)	(1,752)
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	-	-

Consolidated statement of cash flows		Current quarter (Dec 2016) \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from the 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	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	-

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	1,000	1,300
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	(60)	(102)
3.5	Proceeds from borrowings	300	300
3.6	Repayment of borrowings	100	100
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	1,140	1,398

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	117	619
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,001)	(1,752)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,140	1,398
4.5	Effect of movement in exchange rates on cash held	(3)	(12)
4.6	Cash and cash equivalents at end of period	253¹	253¹

¹ Subsequent to the end of the quarter the Company issued and allotted 165,000,000 Shares to raise \$1,980,000 before costs.

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	253	117
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)	253¹	117

¹ Subsequent to the end of the quarter the Company issued and allotted 165,000,000 Shares to raise \$1,980,000 before costs.

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 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

**Current quarter
\$A'000**

93

-

Payment of director's fees, rent and corporate administration expense.

7. Payments to related entities of the entity and their associates

- 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

**Current quarter
\$A'000**

-

-

-

3

8. Financing facilities available

Add notes as necessary for an understanding of the position

- 8.1 Loan facilities
- 8.2 Credit standby arrangements
- 8.3 Other (please specify)

**Total facility amount
at quarter end
\$A'000**

**Amount drawn at
quarter end
\$A'000**

-

-

-

-

-

-

- 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.

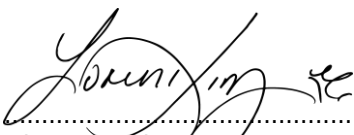
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9.	Estimated cash outflows for next quarter	\$A'000
9.1	Exploration and evaluation	193
9.2	Development	-
9.3	Production	-
9.4	Staff costs	-
9.5	Administration and corporate costs	153
9.6	Other (provide details if material)	-
9.7	Total estimated cash outflows	233

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	USA Blaine County, Oklahoma USA	Working Interest	~300 acres	~400 acres

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.

Sign here: 

Director and Company secretary

Date: 31 January 2017

Print name: Loren King

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 6: Exploration for and Evaluation of Mineral Resources and 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 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.