

Expanded Leasing Activity to Trigger Next Growth Phase

Quarterly Report for the period ending June 30, 2017

Highlights

- ✓ Strong initial flow rate and first sales from maiden STACK well
- ✓ Surge in drilling and completion activity
- ✓ Leasing activity expanded into greater Anadarko basin plays
- ✓ 40% uplift in Anadarko Basin holdings
- ✓ Total STACK and SCOOP holdings increased to 700 acres¹
- ✓ US\$2,000,000 Anadarko leasing facility secured
- ✓ Leasing and acquisition activities continue as the Company builds on its material premier asset position in this high-margin repeatable play

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 June 30, 2017.

During the June quarter the Company's wholly owned subsidiary BRK Oklahoma Holdings, LLC (**BRK Oklahoma**) 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 Anadarko Basin Plays (STACK and SCOOP) 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 Drilling & Completion Activity

During the quarter, BRK Oklahoma confirmed its participation (non-operated working interest) in two new wells in the STACK Play in Oklahoma, bringing the total number of wells funded under the Drilling Joint Venture with Merchant Funds Management Pty Ltd to seven. To date, drilling and completion costs of ~US\$1.6 million have been funded from the US\$3.5 million available under the Drilling Joint Venture.

At the end of the June quarter BRK Oklahoma had confirmed its interest (Working Interest or Mineral Royalty Interest) in thirteen wells across its Anadarko basin leasehold. These wells are at various stages of development (from drilled and completed, drilling ahead, set to spud to permitted) (see table 1. below).

BRK Oklahoma is now participating in thirteen wells (twelve non-operated working interest wells and one mineral royalty well). These wells are at various stages of development (see table below).

Well Name	Operator	Working Interest	Status
Strack #1-2-11XH	Marathon Oil, Co.	1.0%	Flowing to Sales
Davis #1-8-1611MH	Triumph Energy, LLC	1.2%	Flow Back Underway
Ike #1-20-17XH	Continental Resources, Inc.	N/A	Flow Back Underway
Mote 1-26-23H	Rimrock Resource LLC	3.0%	Waiting on Completion
Herring 1-33 1513MH	Triumph Energy, LLC	11.5%	Set to Spud
Sphinx 26-16N-11W 1H	Devon Energy Corp.	3.1%	Rigging Up
HR Potter 1511 #1-3-34XH	Marathon Oil, Co.	0.8%	Spudding June 2017
Landreth BIA 1-14H	Marathon Oil, Co.	0.7%	Permitted
Watonga 1-19H	Highmark Resources, LLC	0.3%	Permitted
Scoville 1-17-20XH	Continental Resources, Inc.	3.7%	Permitted
Kevin 1-20-17XH	Continental Resources, Inc.	1.7%	Permitted
Henry Federal 1-8-5XH	Continental Resources, Inc.	5.2%	Permitted
Alta BIA 1511 #1-6-31MXH	Marathon Oil, Co.	1.3%	Permitted

Note: Working Interest percentages may increase subject the issue of final pooling orders.

Table 1. – BRK Oklahoma STACK Well Summary

During the quarter, BRK Oklahoma also announced an initial production rate from its maiden non-operated Working Interest well in the STACK Play in Blaine County, Oklahoma. This first well delivered an initial rate of 1,784 BOE/day and produced 33,000 BOE in its first 30-days on-line.

Importantly this production result supports BRK Oklahoma's Type Curve and EUR (see Appendix 1.) for this area and the commercial outcome delivers proof of concept and supports significant future value creation via PDP and PUD oil and gas reserves.

STACK Leasing Program

BRK Oklahoma announced a significant expansion of its leasing activity during the June quarter. BRK Oklahoma, together with its partner and manager of US operations Black Mesa Production, LLC (Black Mesa), extended its leasing and acquisition activities across the liquids-rich fairways of the Anadarko Basin in Oklahoma. Specifically in the SCOOP and STACK Plays.

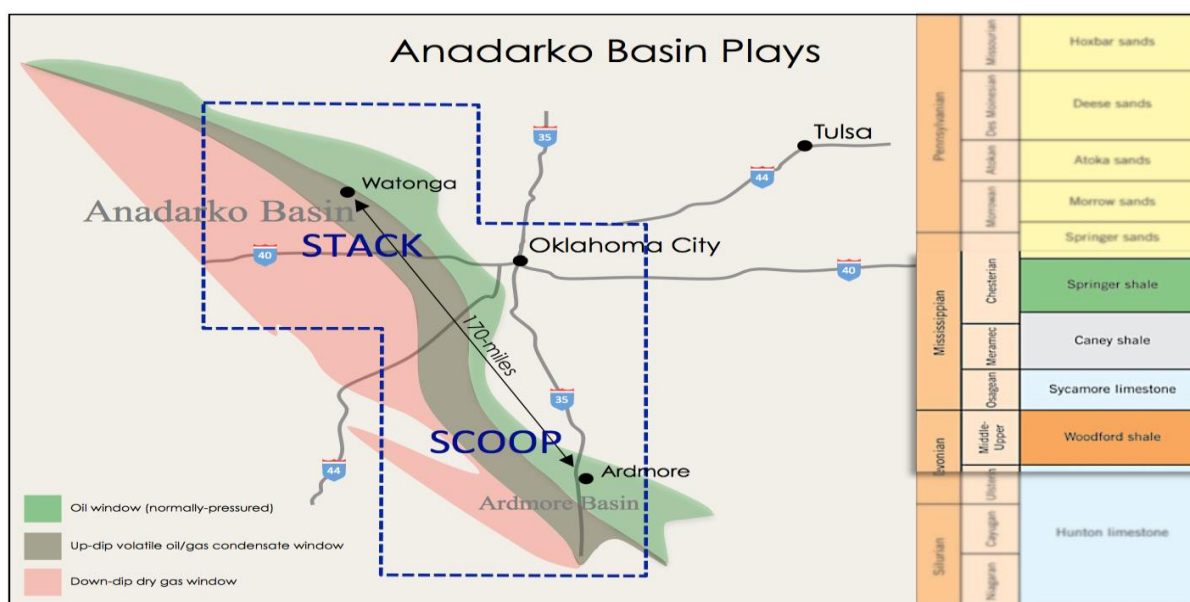


Figure 1. Anadarko Basin Plays

This significant expansion of leasing activity follows the Company's recent success in securing a core position (~500 acres) in Blaine County, where working interest leasehold acreage prices have increased significantly over the last 12 to 18-months as many of the operators move towards full field development.

Black Mesa is using its experience, expertise and data gathered from the success in Blaine County to delineate early stage "core areas" within the liquids-rich fairways of the Anadarko Basin. This work has delivered an entry strategy focussed on the up-dip liquids rich parts of the basin margin, utilizing specialist knowledge of the Oklahoma land and leasing environment and regulations to target these "core areas".

There are currently in excess of 100 (horizontal) rigs operating across the Anadarko Basin plays, with a large number of the well funded NYSE listed Tier-One operators (including Devon Energy, Marathon Oil, Continental Resources, Newfield Exploration and EOG Resources) targeting proven productive oil and gas reservoirs (within the liquids-rich fairways) that have historically been developed with vertical drilling, that can now be exploited with horizontal drilling. These formations (Springer, Meramec and Sycamore) sit directly above the world-class Woodford Shale source rock, providing a stacked-pay type opportunity analogous to the Permian Basin plays of Texas.

During the quarter the Company successfully closed on a number of transactions (post clearance of outstanding title due diligence etc.) that took the total holdings in the broader STACK and SCOOP Play region to in excess of 700 acres. The Company has now acquired an interest in ~27 development units (640 or 1,280 acre) that could support upwards of 170 wells in full-field development (with an average Working Interest per well of ~3%).

Recent (post 2013) horizontal drilling along the Anadarko Basin margin by some of the more active operators in this region has delivered very encouraging results with a large number of plus 1,000 Boe per day initial production rates reported across the key counties (see Figure 2. below).

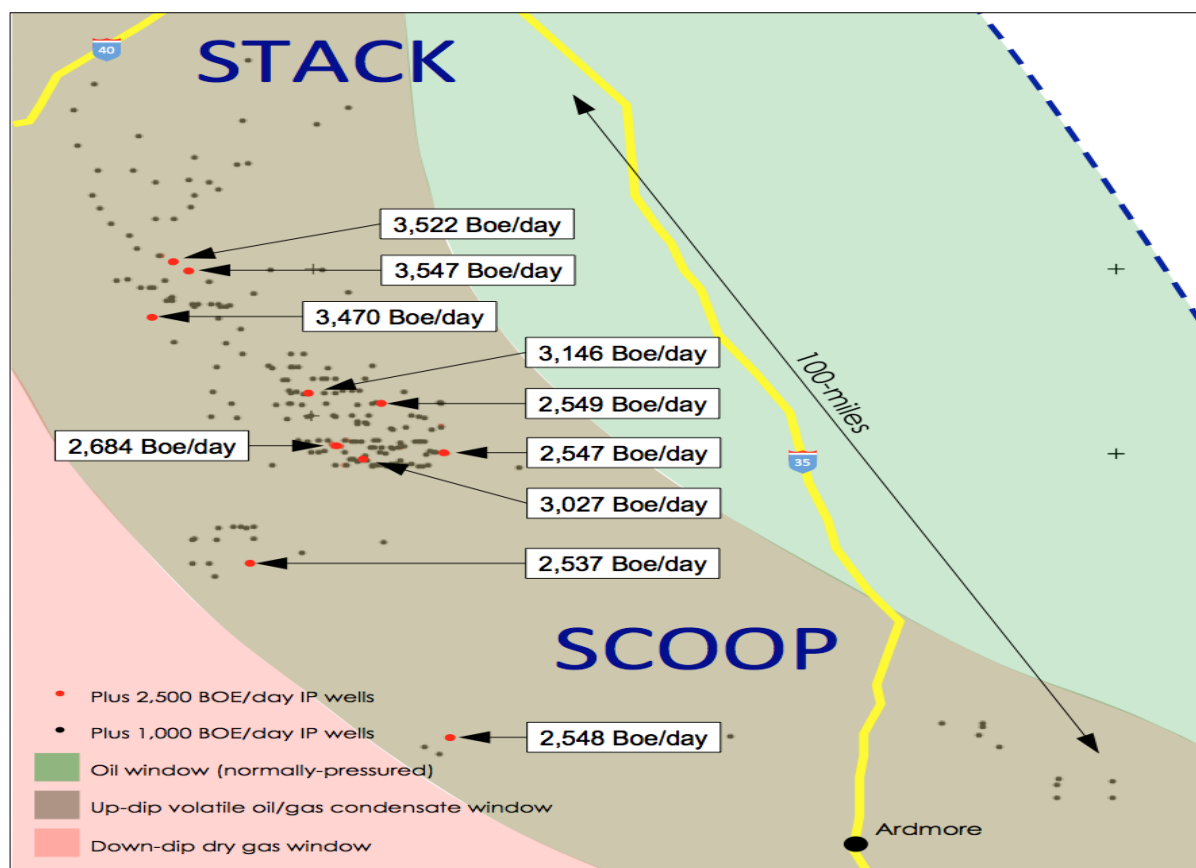


Figure 2.

As previously flagged, the 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 the high-margin repeatable parts of the Anadarko Basin Plays.

Non STACK Exploration & Production Activities

No exploration was conducted during the quarter on the Company's leasehold interests in Payne County, Oklahoma. Toward the end of the June quarter BRK Oklahoma started to account for production and revenue from oil and gas sales from its maiden STACK well. More details of production and revenue will be provided in the quarterly report for the period September 30, 2017.

CORPORATE

On 31 May 2017, the Company held its Annual General Meeting of Shareholders. All resolutions were passed by a show of hands.

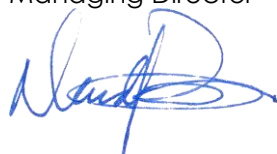
During the quarter, the Company also announced that its wholly owned subsidiary, Anadarko Leasing, LLCⁱⁱ (**Anadarko Leasing**) has executed an agreement with Tulsa based Oklahoma Energy Consultants, Inc. to provide Anadarko Leasing with up to US\$2.0 million in fundingⁱⁱⁱ for Brookside's ongoing leasing activities in the Anadarko Basin Plays in Oklahoma.

This new facility compliments the previously announced US\$3.5 million Drilling Joint Venture, and brings the total amount of non-equity, asset level funding secured by Brookside to date for its Anadarko Basin focussed leasing and development efforts to US\$5.5 million.

See Appendix 2. for details of the Company's oil and gas interests.

Yours faithfully,

David Prentice
Managing Director



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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.

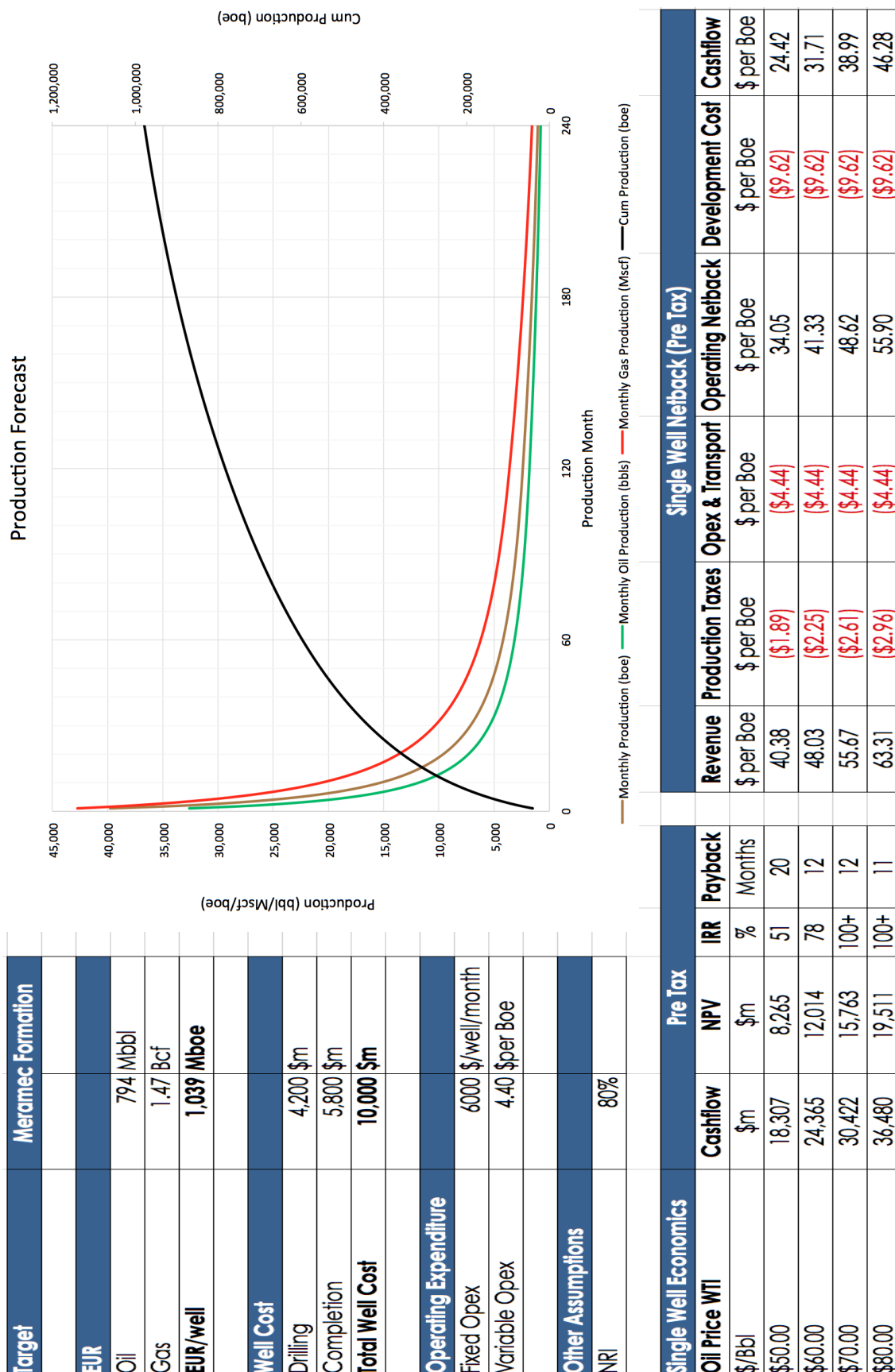
Web <http://www.blkmesa.com>

GLOSSARY

BOE	Barrels of Oil Equivalent
EUR	Estimated Ultimate Recovery
PDP	Proved Developing Producing Reserves
PUD	Proved Undeveloped Reserves
Type Curve	Representative production profile of a well for a specific 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

Appendix 1.

Black Mesa Type Curve (normalized 10,000' lateral) (NW16N, NW11W Blaine County)



Appendix 2 – Schedule of Oil and Gas Interests

COUNTY	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	Nil	~400 acres	Working Interest
Garvin County, Oklahoma	~200 acres	~200 acres	Working Interest

ⁱ Includes the RA Minerals Royalty Acreage acquired pursuant to the Acquisition Program Agreement between BRK Oklahoma and Black Mesa; and working interest acreage acquired pursuant to the Drilling Program Agreement between BRK Oklahoma and Black Mesa.

ⁱⁱ Anadarko Leasing is a wholly owned subsidiary of Brookside, incorporated solely for the purpose of acquiring Working Interest leasehold acreage in the Anadarko Basin Plays in Oklahoma on behalf of Brookside and pursuant to the Drilling Program Agreement between BRK Oklahoma and Black Mesa.

ⁱⁱⁱ The agreement between Anadarko Leasing (Borrower) and OEC is for a US\$2,000,000 facility (to be drawn at the Borrowers discretion in tranches of at least US\$250,000). The facility will mature on the date that is 24 months from the date on which the first tranche of the facility is drawn and the Borrower is permitted to repay the Facility in whole or in part at any time without penalty. Amounts drawn under the facility will be secured only by the Borrowers interest in future Working Interest leasehold acreage that is acquired by the Borrower pursuant to and subject to the terms of the Drilling Program Agreement between the Borrower and Black Mesa. The facility shall bear interest at a rate per annum equal to 12% (payable quarterly in arrears on drawn amounts). There are no other fees or charges payable by the Borrower for this facility and there is no asset level or other equity burden associated with the facility. Amounts drawn by the Borrower under the facility shall be used to fund leasing in the Anadarko Basin Plays in Oklahoma and for general working capital, and general corporate purposes.

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")

30 June 2017

Consolidated statement of cash flows	Current quarter (Jun 2017) \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(812)	(3,532)
(b) development	-	-
(c) production	-	-
(d) staff costs	-	-
(e) administration and corporate costs	(178)	(791)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	(9)
1.5 Interest and other costs of finance paid	(1)	(9)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (ATO GST refunds)	-	135
1.9 Net cash from / (used in) operating activities	(991)	(4,206)

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	-	-
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	-	3,280
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	-	(206)
3.5	Proceeds from borrowings	672*	972
3.6	Repayment of borrowings	-	(300)
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	672	3,746

*Proceeds drawn during the quarter under the US\$2.0 million Anadarko Leasing Facility.

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	464	619
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(991)	(4,206)
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)	672	3,746
4.5	Effect of movement in exchange rates on cash held	(1)	(15)
4.6	Cash and cash equivalents at end of period	144	144
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	144	144
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)	144	144

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**

(43)

-

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

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
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 <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	2,600 ¹	672
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.		

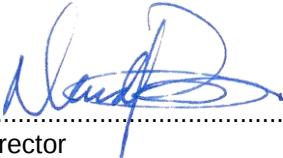
⁻¹ US\$2.0 million Anadarko Leasing Facility (24-month maturity) with interest payable quarterly in arrears at the rate of 12% per annum on drawn amounts. Facility is secured by Anadarko Leasing, LLC's interest in Working Interest leasehold acreage acquired during the term of the facility. Anadarko Leasing, LLC is a wholly owned subsidiary of Brookside Energy Limited.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	(300)
9.2 Development	-
9.3 Production	-
9.4 Staff costs	-
9.5 Administration and corporate costs	(50)
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	(350)

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/ Royalty Acres	~400 acres	~500 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

Date: 31 July 2017

Print name: David Prentice

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.