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Australian Securities Exchange Ltd
Level 40, Central Park
152-158 St Georges Terrace
PERTH WA 6000

Brookside Secures STACK Joint Venture Partner

- ✓ Joint Venture delivers capital at the asset level to fund initial development of Brookside's STACK acreage
- ✓ US\$3,500,000 drilling Joint Venture to fund Brookside's interest in up to ten (10) STACK wells
- ✓ Joint venture structure will enable Brookside to grow its exposure to the STACK Play with initial development capital secured off balance sheet
- ✓ Joint Venture Wells to be drilled and completed by some of the best-performing operators in the STACK Play
- ✓ Structure delivers funded growth to Brookside through the addition of cash flow, oil and gas reserves and importantly very substantial future development potential from proven undeveloped locations
- ✓ Success with this Joint Venture likely to provide Brookside with access to a pipeline of capital for future development in the STACK Play

Brookside Energy Limited (ASX: BRK) (**Brookside** or the **Company**) is pleased to announce that it has reached an in-principle agreement for a joint venture between Merchant Funds Management Pty Ltd (or nominees) (**Merchant**) and Brookside's wholly owned subsidiary BRK Oklahoma Holdings, LLC (**BRK Oklahoma**). The proposed joint venture will be formed and funded for the purpose of drilling and completing oil and gas wells in the STACK Play in Oklahoma (**STACK-A Joint Venture**).

Under the proposed joint venture, BRK Oklahoma is to contribute to the STACK-A Joint Venture its non-operated working interest in certain horizontal oil and gas wells to be drilled within BRK Oklahoma's leasehold within the STACK Play (**Joint Venture Wells**). Merchant is to provide up to US\$3,500,000 in loan funding to the joint venture to fund BRK Oklahoma's share of drilling and completion costs on up to ten (10) Joint Venture Wells in the STACK play. Merchant will also have a first right of refusal over all further financing of the joint venture.

The Joint Venture Wells will be drilled, completed and operated by experienced and well funded United States based operators who are the most active and successful operators in the core of the STACK Play. Operators are likely to include; Continental Resources, Inc., Marathon Oil Corp., Cimarex Energy Co. and Devon Energy Corp.

The unique structure of the proposed joint venture enables Brookside to capture value and deliver growth through the addition of cash flow, oil and gas reserves and importantly very substantial future development potential from proven undeveloped locations without dilution that would come from equity capital at this point in the Company's life.

Commenting on this announcement, Brookside Managing Director David Prentice said; “We are very pleased that the work we are doing with our partner Black Mesa in the STACK play is attracting the attention of the investment community. We are looking forward to working with Merchant as we continue our efforts to build and develop our position in the STACK play. We see this arrangement as a strong endorsement of the structure of our business that is designed to allow maximum flexibility in sourcing capital from a very broad range of investors and partners.”

Brookside's STACK Strategy

Brookside, together with its partner Black Mesa Production, LLC (**Black Mesa**), is building a position in the core of the STACK play in Oklahoma. The STACK play is attracting significant attention from both industry players and the US investment community as this major oil and gas play continues to deliver results that support key attributes of repeatability, robust economics and substantial future development potential with attendant production and reserve growth.

As previously announced, the team at Black Mesa (on behalf of BRK Oklahoma) are pursuing a research program aimed at identifying working interest acreage acquisition opportunities within the core of the STACK Play. This work is gaining momentum and while the location of the acreage and the contractual terms associated with any acquisition are commercially sensitive at present the Company does expect to be in a position to announce further acquisitions in the September quarter.

STACK-A Joint Venture - Commercial Terms

Under the proposed STACK-A Joint venture, BRK Oklahoma is to contribute its non-operated working interest in the Joint Venture Wells and Merchant will provide up to US\$3,500,000 in loan funding to the joint venture (**Cash Contribution**) to fund BRK Oklahoma's share of the drilling and completion costs of the Joint Venture Wells. The Joint Venture will fund (from the Cash Contribution) 100% of BRK Oklahoma's share of the cost to drill and complete the Joint Venture Wells. All amounts advanced by Merchant to the STACK-A Joint Venture will be repaid in priority out of BRK Oklahoma's net revenue from the Joint Venture Wells, and thereafter the STACK-A Joint Venture will deliver to Merchant a 25% net revenue interest in the Joint Venture Wells (**Net Revenue Interest**ⁱ). Upon the execution of the STACK-A Joint Venture agreement, Merchant will also be entitled to certain fees that will be satisfied through the issue of quoted options to acquire fully paid ordinary shares in the capital of Brookside (**Commitment and Arranger Options**ⁱⁱ). The parties are in the process of negotiating the terms of the formal binding joint venture agreement that will govern these arrangements. Brookside will provide a further update as required while the parties work toward finalizing the formal STACK-A Joint Venture agreement.

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For further information, contact:

Loren Jones

Non-Executive Director and Secretary

Brookside Energy Limited

Tel: (+61 8) 6489 1600

loren@brookside-energy.com.au

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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.

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.

ⁱ Net Revenue Interest means 25% of BRK Oklahoma's share of revenue net of all royalties, operating costs and US State and Federal ad valorem taxes.

ⁱⁱ Commitment Options means 50,000,000 quoted options to acquire fully paid ordinary shares in the capital of Brookside Energy exercisable at \$0.02 per Option on or before 31 December 2018 and Arranger Options means 25,000,000 quoted options to acquire fully paid ordinary shares in the capital of Brookside Energy exercisable at \$0.02 per Option on or before 31 December 2018.