Brookside

News Release

13 December 2023

# Transformational Drilling Program and Further Share Buy-Back

## Net Production Forecast to Grow to 2,500 BOEPD, 78% Liquids

## HIGHLIGHTS

- Brookside commences monetisation of the 11.9MMBOE of low-cost, high-margin, liquids rich Reserves contained within its SWISH AOI with a transformational four-well drilling program
- With Brookside as Operator, the multi-well program will concurrently develop the prolific Sycamore and Woodford formations in the Flames DSU (the '**FMDP'**)
- Continuous assessment of market valuation metrics and participation premiums based on significant ongoing interest from various industry operators, combined with the Company's current cash balance, strong operating cashflow and zero debt, has led the Board to determine that sole funding the FMDP will deliver the best returns for Brookside's shareholders
- Excellent results from Continental Resources' Courbet development, adjacent to the Flames DSU, coupled with the recent normalisation of service costs and a positive outlook for energy prices, further support the decision to pursue the 'sole funded' path
- Spud of the first of four back-to-back wells is scheduled for Q1 2024, with all four wells to be brought on production simultaneously in late Q3 / early Q4 2024
- The Company is targeting forecast Net production to grow about two-thirds versus current output to 2,500 BOEPD (78% liquids), by Q4 2024, placing Brookside in the top tier production rankings of small-cap ASX oil and gas producers
- A drilling rig has been secured, construction of a new three-well all-weather pad is in progress, and drilling permits have been issued
- Current on-market share buy-back to be finalised and shareholder approval to be sought early in 2024 for a further buy-back (beyond the 10% in 12-months limitation) to commence upon the completion of the FMDP
- Anticipated growth in cash flow and rapid well payouts to support subsequent development phases of the Bruins, Jewell, and Rangers DSUs, and other growth opportunities, with a resulting increase in production, cash flow and scale to enhance Brookside's appeal to investors and reduce the discount between Net Asset Value and market capitalisation

**Reserves Cautionary Statement:** Oil and gas reserves and resource estimates are expressions of judgment based on knowledge, experience, and industry practice. Estimates that were valid when originally calculated may alter significantly when new information or techniques become available. Additionally, by their very nature, reserve and resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional drilling and analysis, the estimates are likely to change. This may result in alterations to development and production plans which may, in turn, adversely impact the Company's operations. Reserves estimates and estimates of future net revenues are, by nature, forward looking statements and subject to the same risks as other forward looking statements.

Brookside confirms that it is not aware of any new information or data that materially affects the information included in the market announcement dated 26 April 2023 "SWISH AOI Independent Reserves Certification" and that all the material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

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**Commenting on this announcement, Manager Director, David Prentice said:**

"Since the announcement of our inaugural 2P Reserve of 11.9MMBOE at the SWISH AOI in April 2023 the Company has continued to field industry investor enquiries in participating in the development of this asset. Interest in this high-margin, liquids-rich asset has been high, however, access to capital by potential partners has been a key constraint on putting sensible offers in front of Brookside and which adequately capture the outstanding value and upside of the SWISH AOI. Brookside's balance sheet strength and high level of free cash flow generation has made 'sole funding' the FMDP an easy decision with 100% of the financial returns from our production target of an estimated 2,500 BOEPD to now accrue to Brookside shareholders. Our decision to expand on our initial share buy-back using the anticipated surge in cash flow highlights our confidence in this strategy."

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**Tulsa, Oklahoma – Brookside Energy Limited (ASX: BRK) (OTC Pink: RDFEF) (Brookside** or the **Company)** is pleased to provide shareholders and investors with an update on its activities within its SWISH Area of Interest (SWISH AOI) in the core of the southern SCOOP Play in the world-class Anadarko Basin.

<u>**Pathways to Monetisation**</u>

Following approaches from several public and private groups interested in participating in the development of our SWISH AOI Reserves, and consistent with our stated strategic approach to monetisation (sole-fund, partner or divest), the Company has concluded a process to test and review current valuation metrics (PDP and PUD values per BOE) and participation premiums (carried interests etc.).

It is clear from this work that the current driving force behind merger and acquisition activities in the sector is capital availability rather than growth through acquisitions.

In addition to this market facing activity, our technical team has also been carefully monitoring the results of Continental Resources' successful Courbet full field development, which is situated immediately adjacent to and south of our Flames DSU, and early results are extremely encouraging.

This successful 15-well program to simultaneously develop the Sycamore and Woodford formations has now been on production for approximately 6-months and it has already produced in excess of 2,000,000 barrels of oil and 11 BCF of rich gas.

The success of the Courbet development, combined with the recent normalisation of service costs, a positive outlook for oil and gas prices in 2024 and beyond, and the success of the Company as Operator in the SWISH AOI resulting in a strong cash balance, strong operating cash flow and zero debt provide further support for the decision to pursue the 'sole funded' approach.

The Board has therefore concluded that at this time, sole funding the simultaneous development of the Sycamore and Woodford formations via the multi-well full field development of our SWISH AOI Reserves will deliver superior returns for shareholders.

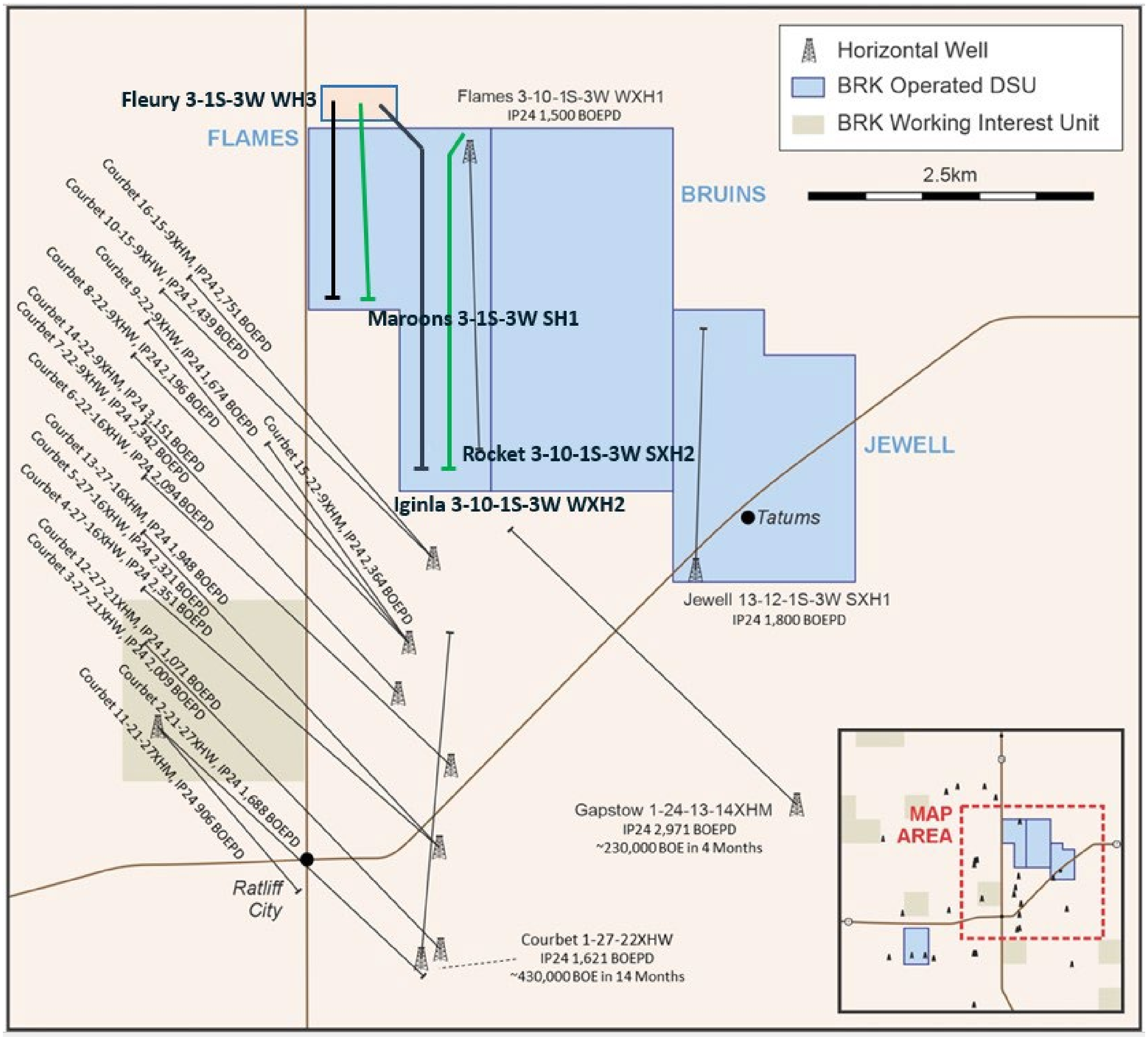


Figure 1: Continental Resources Courbet Wells full field development showing the strong performance of both the Woodford wells (well names ending with HXW) and Sycamore wells (well names ending in HXM).

**Flames-Maroons Development Program (FMDP)**

The FMDP will see the development of the Company's Reserves of oil, NGLs and gas within the Flames DSU, via a four-well operated drilling program to concurrently develop the prolific Sycamore and Woodford formations. Pre-work and planning for the FMDP has commenced in parallel with the process outlined above and the Company is therefore very well positioned to now accelerate activity into the end of 2023 and through to 2024.

Regulatory approvals required for the commencement of operations are well advanced, an IADC contract for the drilling of four horizontal wells within the Flames DSU has been signed with Kenai Drilling Limited, and surface rights for a multi-well, all-weather, off unit location (the '**Sanford Pad**') have been acquired. Three wells will be drilled from the Sanford Pad, which is currently under construction (the Fleury, Maroons, and Iginla Wells) and the fourth well (the Rocket Well) will be drilled from the existing Flames Well pad.

Figure 2. Kenai Rig 20 (image courtesy of Kenai Drilling Limited)

It is expected that the first well will spud in the first quarter of 2024 and operations will continue until all four wells have been drilled and casing has been run and cemented. Simultaneous completion operations will then commence, and all four wells will be flowed back at the same time into production facilities located on the Sanford and Flames surface locations. Drilling of all four wells prior to completion will result in significant cost savings over the traditional method of drilling and completing each well individually. Additional cost savings will be made by drilling the Rocket Well from the existing Flames Well pad plus potential sharing of existing surface infrastructure.

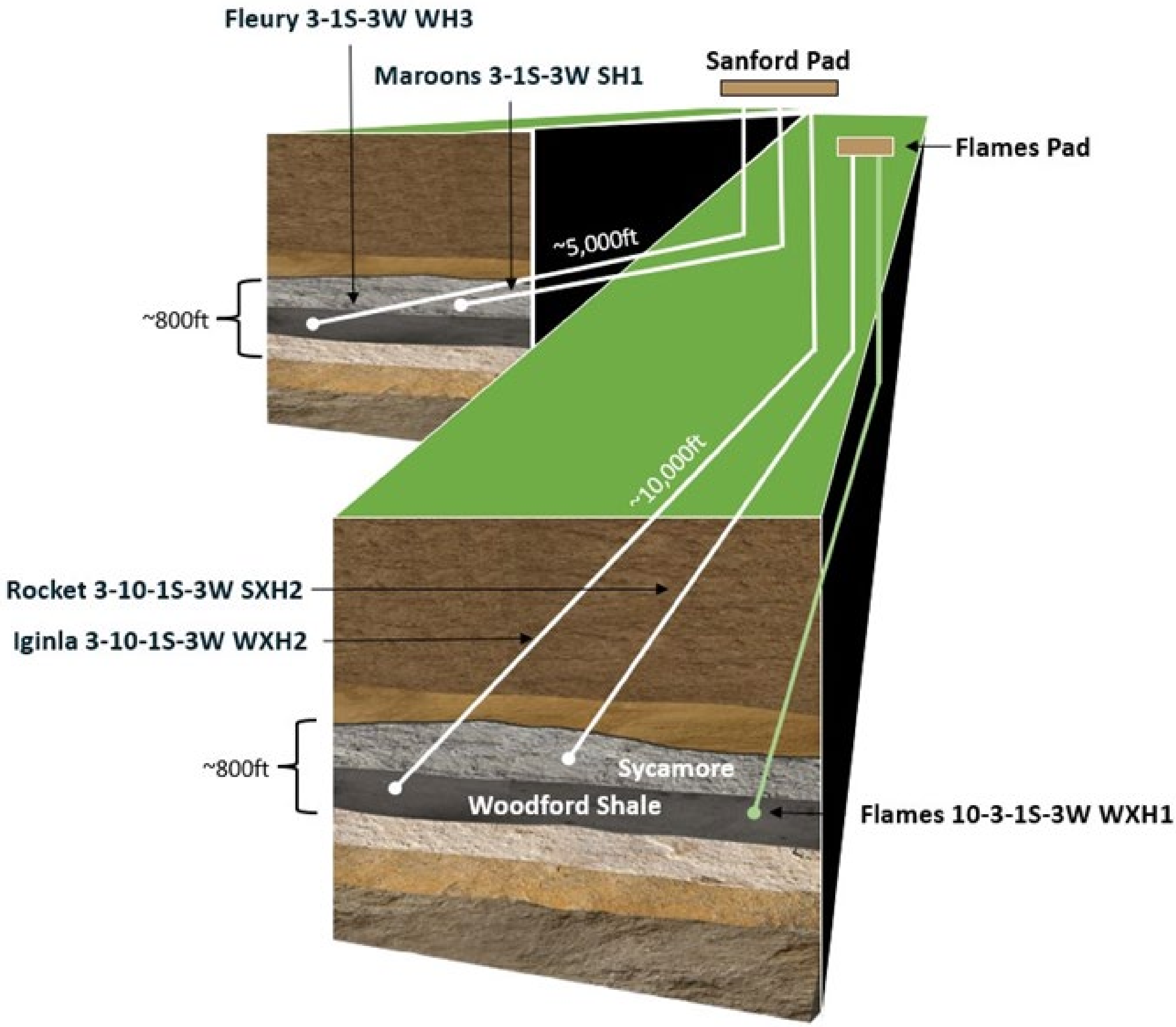


Figure 3: 3D image highlighting the "wine rack" style development of the Sycamore and Woodford formations within the Flames DSU

Brookside

ASX Announcement

**FMDP Production, Funding, Share Buy-Back and Outlook**

The FMDP is forecast to produce 715,000 BOE Net to Brookside in its first year of operation and average ~2,000 BOEPD Net over the same period. In addition, to the Company's current production trajectory Brookside estimates a total Brookside Net production rate of ~2,500 BOEPD (78% liquids) by Q4 2024.

Capital expenditure for the FMDP, inclusive of drilling, completion, surface production facilities and tie-in, is estimated at US$40m (US$26m Net to Brookside's Working Interest[1]). Brookside's operating subsidiary will be operator of the FMDP and a number of highly successful, well-funded private Oklahoma based E&P companies (including Continental Resources) will be participating alongside Brookside, for their respective Working Interests.

Funding for Brookside's Working Interest share of the FMDP will come from existing cash reserves and cashflow from operations, and the company plans to finalise the current on-market share buy-back and seek shareholder approval in early 2024 for a new buy-back (beyond the 10% in 12-months limitation) to commence upon the completion of the FMDP.

The FMDP initiative will see a surge in cash flow as the wells are brought online simultaneously and given the well payout profile we anticipate, this will provide the funding platform for the subsequent phases of development in the three remaining DSUs (Bruins, Jewell, and Rangers) plus other potential growth opportunities.

Harvesting cash flow from the SWISH AOI Reserves at an opportune time in the cycle, will significantly grow both production and scale, and the Board believes that this should attract fresh investor interest from both Australia and the US. The objective is to narrow the gap between Net Asset Value and market capitalisation, and to use this momentum as a platform for growth into opportunities outside our current portfolio.

**Brookside Energy Interactive Investor Hub**

Engage with us directly by asking questions, watching video summaries, and seeing what other shareholders have to say about this and past announcements at our Investor Hub https://investorhub.brookside-energy.com.au/

– ENDS –

**Authority:**

This announcement has been authorised for release by the Board of Directors of Brookside Energy Limited

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[1] Subject to finalization of Working Interests through spacing pooling applications and related OCC proceedings.

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### ABOUT BROOKSIDE ENERGY LIMITED

**Brookside** is an Australian public company listed on the Australian (ASX: BRK), Frankfurt (8F3: FSE) and USA (OTC Pink: RDFEF) stock exchanges. The Company was founded in 2015, to focus on the mid-continent region of the US, where our deep and valued relationships enable us to work with local communities to ensure sustainable growth and value creation through the safe and efficient development of energy assets. Focused on exploitation not exploration, the Company generates shareholder value through a disciplined portfolio approach to the acquisition and development of oil and gas assets and the leasing and development of acreage opportunities. The Company's US subsidiary and manager of operations, Black Mesa, is an experienced mid-continent operator, which identifies opportunities and executes development for Brookside. Our business model effectively assigns risk and provides commercial incentives to maximize value for both parties.
Web http://brookside-energy.com.au

### ABOUT BLACK MESA ENERGY, LLC

**Black Mesa Energy**, a Brookside Energy controlled subsidiary, is a Tulsa-based oil & gas exploration and production company focused on profitable development of petroleum properties located in the Mid-Continent oil province of the United States. Our lean and highly specialized technical and operations team is committed to providing attractive returns for our investors and shareholders by generating and drilling high quality oil and gas prospects. The founders of Black Mesa have worked together for over 30 years at companies they previously founded, including Medallion Petroleum, InterCoast Energy and Brighton Energy. Over the course of their careers, the Black Mesa team has drilled hundreds of horizontal wells and thousands of vertical wells in numerous mid-continent oil and gas basins. In addition to the financial backing from the Black Mesa shareholders, Black Mesa partners with outside investors on larger-scale projects by offering non-operated direct working interest participation.
Web http://www.blkmesa.com

## GLOSSARY

| | |
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| APO WI | After pay-out working interest |
| AFIT | After Federal Income Tax |
| AOI | Area of Interest |
| BBL | Barrel |
| BFIT | Before Federal Income Tax |
| BOE | Barrels of Oil Equivalent |
| BOEPD | Barrels of Oil Equivalent Per Day |
| BOPD | Barrels of Oil Per Day |
| BPD | Barrels Per Day |
| COPAS | Council of Petroleum Accountants Societies |
| Development Unit or DSU | Development Unit or drilling spacing unit is the geographical area in which an initial oil and/or gas well is drilled and produced from the geological formation listed in a spacing order. The spacing unit communitizes all interest owners for the purpose of sharing in production from oil and/or gas wells in the unit. A spacing order establishes the size of the unit; names the formations included in the unit; divides the ownership of the unit for the formations into the "royalty interest" and the "working interest;" Only one well can be drilled and completed in each common source of supply. Additional wells may be drilled in a Development Unit, but only after an Increased Density Order is issued by the Oklahoma Corporation Commission. |
| Force Pooled | The Oklahoma Corporation Commission is authorized to establish well spacing and drilling units covering any common source of supply of hydrocarbons, or any prospective common source of supply. Once the unit is established, the Commission can force pool the interests of all the owners who own interests in that unit and who have not voluntarily joined in the development of that unit. |
| IP | Initial Production |
| MBOE | 1,000 barrels of oil equivalent |
| Mcf | 1,000 cubic feet |
| MMBOE | 1,000,000 barrels of oil equivalent |
| $NPV_{10}$ | The net present value of future net revenue before income taxes and using a discount rate of 10%. |
| NRI | Net Revenue Interest |
| PDP | Proved Developed Producing Reserves |
| Pooling Agreements | The pooling agreements facilitate the development of oil and gas wells and drilling units. These binding pooling agreements are between the Company and the operators |
| Prospective Resource | Prospective Resources are those quantities of petroleum which are estimated, on a given date, to be potentially recoverable from undiscovered accumulations. |
| PUD | Proved Undeveloped Reserves |
| Reserve Categories | These reserve categories are totalled up by the measures 1P, 2P, and 3P, which are inclusive of all reserve types:<br>• "1P reserves" = proven reserves (both proved developed reserves + proved undeveloped reserves).<br>• "2P reserves" = 1P (proven reserves) + probable reserves, hence "proved AND probable."<br>• "3P reserves" = the sum of 2P (proven reserves + probable reserves) + possible reserves, all 3Ps "proven AND probable AND possible. |
| STACK | Sooner Trend Anadarko Basin Canadian and Kingfisher Counties – oil and gas play in the Anadarko Basin Oklahoma |
| SCOOP | South Central Oklahoma Oil Province - oil and gas play in the Anadarko Basin Oklahoma |
| SWISH AOI | Description of Brookside's Area of Interest in the SCOOP Play |
| TVD | True Vertical Depth |
| 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 |