



**ANNUAL REPORT**  
**FOR THE FINANCIAL YEAR ENDED**  
**31 DECEMBER 2019**

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**NON-EXECUTIVE CHAIRMAN**

Michael Fry

**MANAGING DIRECTOR**

David Prentice

**NON-EXECUTIVE DIRECTOR**

Richard Homsany

**COMPANY SECRETARY**

Loren King

**REGISTERED OFFICE**

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Subiaco WA 6008

**POSTAL ADDRESS**

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**BANKERS**

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Perth WA 6000

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**SECURITIES EXCHANGE LISTING**

Australian Securities Exchange  
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152-158 St George's Terrace  
Perth WA 6000

**ASX CODE**

BRK (Ordinary Fully Paid Shares)

BRKOA (Quoted Options exercisable at \$0.03  
on or before 31 December 2020)

## DIRECTORS' REPORT

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The Directors submit their report for the Company and its subsidiaries (**Group** or **Company**) for the financial year ended 31 December 2019. In order to comply with the provisions of the Corporations Act, the directors' report is as follows:

### DIRECTORS

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

Name	Position
Michael Fry	Independent Chairman
David Prentice	Managing Director
Richard Homsany	Non-Executive Director, appointed 3 February 2020
Loren King	Non-Executive Director, retired 3 February 2020

### NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

The Group's principal activities during the year were the exploration, production and appraisal of oil and gas projects.

### OPERATING RESULT

The after-tax profit for the Group for the financial year ended 31 December 2019 amounted to \$917,503 (2018: (\$1,217,780)).

### DIVIDENDS

There were no dividends paid or recommended during or subsequent to the financial year ended 31 December 2019 (2018: Nil).

### REVIEW OF OPERATIONS

During the full year ended 31 December 2019, the Company continued to successfully pursue its efforts to create shareholder value by developing oil and gas assets in the world-class STACK and SCOOP Plays in the Anadarko Basin in Oklahoma, USA.

Brookside is executing a "Real Estate Development" approach to acquiring prospective acreage in the Anadarko Basin and adding value to it by consolidating leases and proving up oil and gas reserves. The Company then has the option of selling the revalued acreage or maintaining a producing interest. This model is commonly used by private equity investors in the sector and has been successfully piloted by Brookside and its US partner and manager of operations, Black Mesa Energy, LLC (**Black Mesa**) in the northern Anadarko Basin's STACK Play.

Black Mesa is an experienced mid-continent operator, which identifies opportunities and executes the acquisition and development of these opportunities under a commercial agreement with Brookside. This business model effectively assigns risk and provides commercial incentives to maximise value for both parties.

Brookside Energy Limited has now scaled-up its asset base significantly with its interests in its SWISH AOI, which is located in the SCOOP Play.

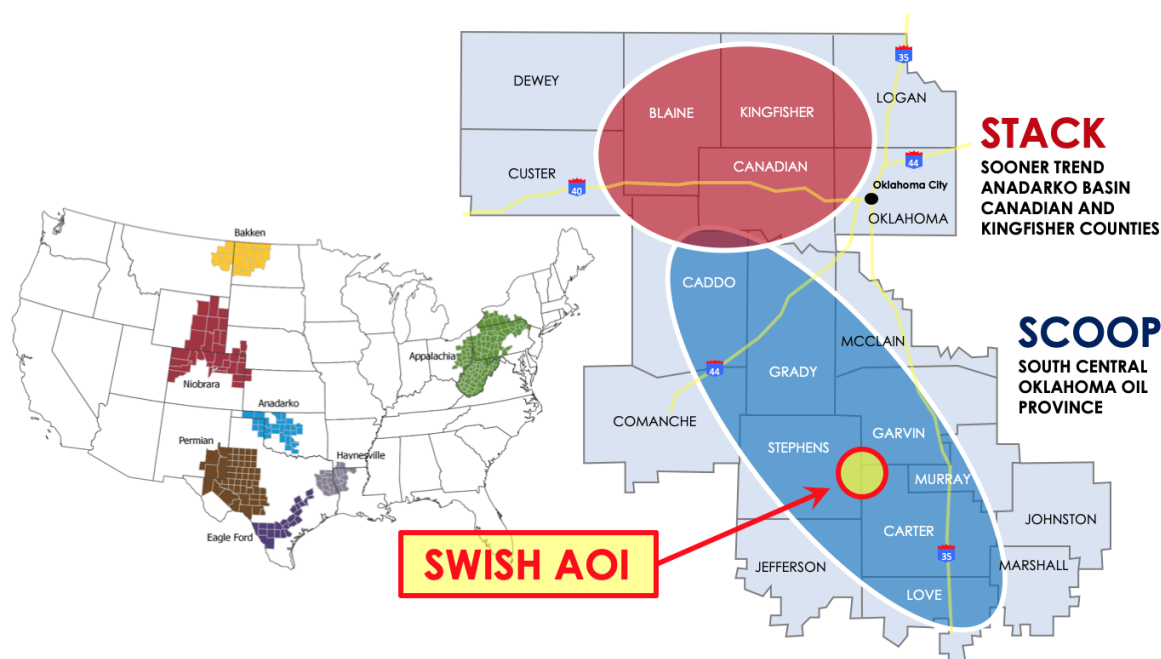
### **Anadarko Basin, Oklahoma**

The Anadarko Basin is a geologic depositional and structural basin centred in the western part of Oklahoma that is oil and gas rich, and generally well explored (mature).

The basin is a proven tier-one oil and gas development province with significant existing oil and gas gathering and transportation infrastructure, a competitive and highly experienced oil and gas service sector, and a favourable regulatory environment.

Recent activity (last six years) has been focussed primarily on two world-class oil and gas plays – STACK and SCOOP. The STACK (Sooner Trend, Anadarko Basin, Canadian and Kingfisher Counties) and SCOOP (South Central Oklahoma Oil Province) Plays are being developed using modern horizontal drilling and completion techniques targeting the Mississippian aged formations (that sit above the Woodford Shale) and the Woodford Shale itself (the organic rich source rock for the hydrocarbons in the basin).

The SWISH AOI is an area of interest in the core of the SCOOP Play, identified and named by Brookside's partner and manager of US operations, Black Mesa (see Figure 1.)



**Figure 1. Anadarko Basin, Oklahoma (STACK & SCOOP Plays)**

### **Anadarko Basin Leasing and Acquisition Activities**

During the year the Company continued to successfully execute its land and leasing focused strategy targeting acreage within the SWISH AOI in the SCOOP Play. Significant progress continues to be made on this front with recent activity focused on securing operations on several high-grade core Drilling Spacing Units (**DSUs**).

As at 31 December 2019 the Company had acquired approximately 3,000 net Working Interest acres spread across four counties in south western Oklahoma (Blaine, Garvin, Stephens and Carter counties). This includes approximately 700 net acres that are held by production and 2,300 net leasehold acres.

## DIRECTORS' REPORT

Activity within the SWISH AOI continued to increase during the period, with five rigs currently drilling horizontal wells (Sycamore-Woodford) in the SWISH AOI.

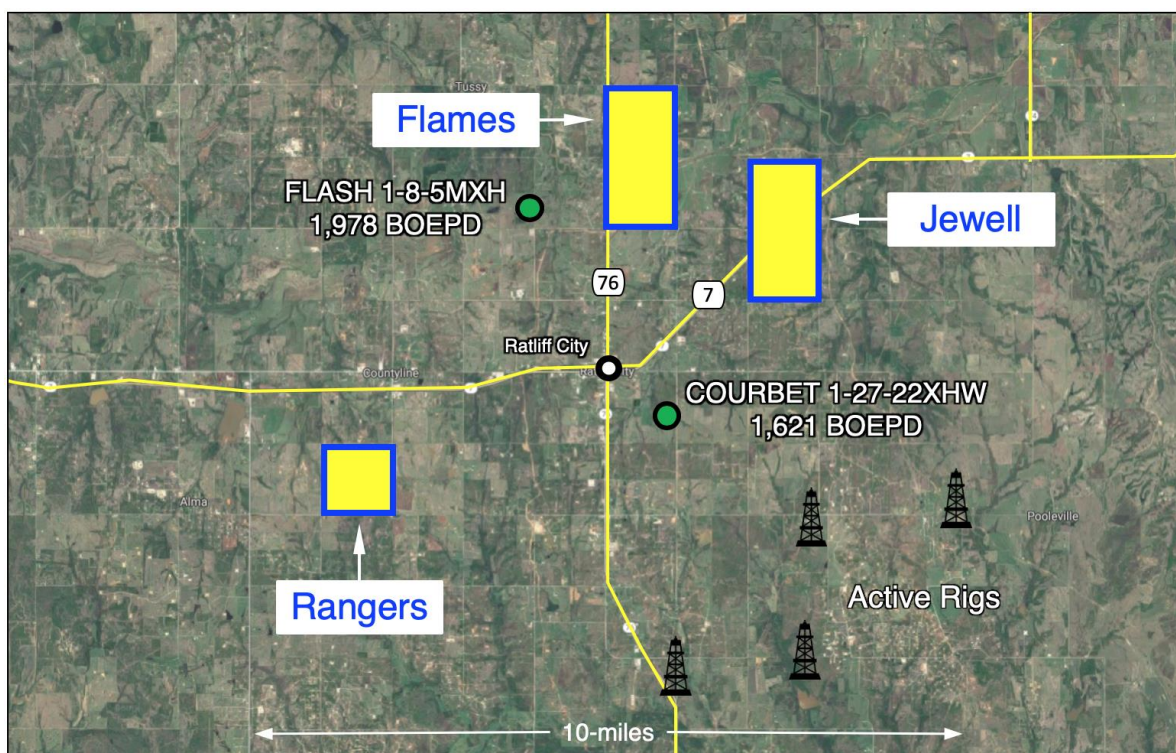
The Sycamore-Woodford sub-play in southern SCOOP has gone from a concept (based on results from historical vertical wells and examination of old logs and drill core) to “proof of concept” in a very short time and the Company has been able to secure a strategic holding in this area at a modest cost.

The Company's successful leasing, trading and high-grading activities have now delivered three DSUs (Jewell, Rangers and Flames) in the core of the SWISH AOI.

The Oklahoma Corporation Commission (**OCC**) has issued orders in respect of the Jewell, Rangers and Flames DSUs. The Jewell DSU has been established as an 880-acre unit and the Company has acquired approximately 84% Working Interest in this DSU. The Rangers DSU has been pooled as a 640-acre unit and the Company expects to secure up to 91% Working Interest in this DSU (post-pooling), while the Flames DSU has been spaced as a 960-acre unit and to date the Company has secured (pre-pooling) approximately 64% of the Working Interest acres available in the unit.

The Rangers, Flames and Jewell DSUs are all located in the core of the Sycamore-Woodford sub-play in southern SCOOP in very close proximity to some of the best wells drilled and completed in this area since its emergence as a focus for several of the tier-one independents, including Continental Resources, Inc. (NYSE:CLR) and Ovintiv Inc. (NYSE:OVV).

Of particular note are the Flash 1-8-5MXH well (IP24 1,978 barrels of oil equivalent) and the Courbet 1-27-22XHW well (IP24 1,621 barrels of oil equivalent). These wells are situated between the Rangers DSU and the Flames and Jewell DSUs in a six-mile by six-mile area within the SWISH AOI. See Figure 2. below.



**Figure 2. SWISH AOI (Brookside DSUs and Drilling and Completion Activity)**



# DIRECTORS' REPORT

## Acreage High-Grading, Trading and Divestment Activities

During the period the Company continued to generate important working capital and growth in its asset base through the successful execution of its acreage high-grading, trading and divestment activities in the SCOOP Play.

The Company was able to generate a premium on its acreage acquisition costs and re-invest this capital on leasing within core DSUs as well monetising portions of its producing asset base via the sale of well bore interests in producing wells.

During the period the Company received gross proceeds of US\$2,141,051 from these activities.

## Drilling and Completion Activities

The Company now has an interest in forty-three horizontal wells, targeting the productive formations of the Anadarko Basin in both the STACK and SCOOP Plays) (see Table 1. below).

Well Name	Operator	WI	Status
Zenyatta 28-33-1-4-1WXH	Roan Resources, LLC.	0.02%	Producing
Ringer Ranch #1-20-17XHM	Continental Resources, Inc.	0.02%	Producing
Boardwalk 1-5MH	Casillas Operating, LLC.	2.42%	Producing
Strack #1-2-11XH	Marathon Oil, Co.	1.02%	Producing
Davis #1-8-1611MH	Triumph Energy Partners, LLC	1.17%	Producing
Landreth BIA #1-14H	Marathon Oil, Co.	2.55%	Producing
Herring #1-33 1513MH	Triumph Energy, LLC	18.18%	Producing
Sphinx 26-16N-11W #1H	Devon Energy Corp.	3.13%	Producing
Nelson Com #1H-0607X	Marathon Oil, Co.	0.38%	Producing
Roser #1611-3-34	Marathon Oil, Co.	3.89%	Producing
Kevin FIU #1-20-17XH	Continental Resources, Inc.	2.11%	Producing
Dr. No. #1-17-20XH	Triumph Energy Partners, LLC	3.70%	Producing
Randolph #34-2	Continental Resources, Inc.	0.26%	Producing
Mote #1-26-23H	Rimrock Resource Operating, LLC	3.20%	Producing
Ladybug 27_22-15N-13W #1HX	Devon Energy Corp.	2.20%	Producing
Bullard #1-18/7H	Rimrock Resource Operating, LLC	5.21%	Producing
Big Earl #6-15N-10W	Devon Energy Corp.	0.03%	Producing
Centaur 7_6-15N-10W #2HX	Devon Energy Corp.	0.32%	Producing
Centaur 7_6-15N-10W #3HX	Devon Energy Corp.	0.32%	Producing
Centaur 7_6-15N-10W #4HX	Devon Energy Corp.	0.32%	Producing
Centaur 7_6-15N-10W #5HX	Devon Energy Corp.	0.32%	Producing
Henry Federal #1-8-5XH	Continental Resources, Inc.	4.43%	Producing
Leon 1-23-14XHM	Continental Resources, Inc.	0.12%	Producing
Biffle 22-15UW1H	Cheyenne Petroleum, Co.	0.16%	Producing
Jewell #1-13-12SXH	Black Mesa Production, LLC	90.00%	Permitted
McKinley #13&24 15-13	Continental Resources, Inc.	1.02%	Permitting
Watonga #1-19H	Highmark Resources, LLC	0.26%	Permitting
STACK 27-17-11	Cimarex Energy, Co.	1.01%	Permitting
Venice #1-20/17UWH	Rimrock Resource Operating, LLC	0.03%	Permitting
SWISH 33&28 1N-4W	Citizen Energy II, LLC	0.02%	Permitting
SWISH 33&4 1S-4W	Citizen Energy II, LLC	0.02%	Permitting
SWISH 14&23 1N-4W	Cheyenne Petroleum, Co.	0.23%	Permitting
Rangers #1-36-WH1	Black Mesa Production, LLC	41.25%	Permitting
Maple Leafs 15-SH1	Black Mesa Production, LLC	22.50%	Permitting
Flames 10-3-WH1	Black Mesa Production, LLC	58.59%	Permitting
Sneffels 1-9HW	Citation Oil & Gas Corporation	1.88%	Permitting
Doc Holliday 26-35-1WH	89 Energy Holdings, LLC	4.89%	Permitting
Stardust #1-16-21XH	Echo Exploration & Production, LLC.	0.08%	Permitting
Stardust #3-16-21XH	Echo Exploration & Production, LLC.	0.08%	Permitting
War Machine #16-21-1WXH	Roan Resources, LLC.	0.08%	Permitting
TBD 16-211XH	89 Energy Holdings, LLC	0.08%	Permitting
Lola #1-13-24XH	Echo Exploration & Production, LLC.	0.14%	Permitting
Deep Impact #13-24 1WXH	Roan Resources, LLC.	0.14%	Permitting

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

## DIRECTORS' REPORT

The Company's non-operated Working Interest wells continued to deliver excellent sustained production rates providing further support for the quality of the acreage that Brookside has been able to secure within the Anadarko Basin in Oklahoma.

Drilling and Completion activity within the SWISH AOI ramped-up significantly during the period with a number of initial production rates reported for horizontal wells successfully drilled and completed in either the Sycamore or Woodford formations. The table below details initial production rates and/or status of the fifteen wells recently drilled or completed for production within the SWISH AOI.

Well Name	STATUS	IP24 BOEPD	FORMATION	BRK WI
BETTS M1-6-31XH	PRODUCING	1,612	SYCAMORE	
BIFFLE 22-15 UW1H	FLOWING BACK		WOODFORD	✓
BOARDWALK 1-5MH	PRODUCING	1,617	SYCAMORE	✓
BRYANT 25-24 UW1H	FLOWING BACK		WOODFORD	
COURBET 1-27-22XHW	PRODUCING	1,621	WOODFORD	
ELY UNIT - ENCANA	PRODUCING		WOODFORD	
FLASH 1-8-5MXH	PRODUCING	1,978	SYCAMORE	
JEWELL 13 12 1S 3W SH1	SPACED & POOLED		SYCAMORE	✓
LEON 1-23-14XHM	PRODUCING	1,945	SYCAMORE	✓
PARK 0105 1-1-12MXH	DRILLING		SYCAMORE	
PARK 0105 2-1-12MXH	DRILLING		SYCAMORE	
PARK PLACE 1-21-16MXH	PRODUCING	2,377	SYCAMORE	
RINGER RANCH 1-20-17XHM	PRODUCING	2,067	SYCAMORE	✓
SKEET 17-20 LW1H	PRODUCING	895	WOODFORD	
YOSEMITE SAM 31-6-MH	WAITING ON COMPLETION		SYCAMORE	
ZENYATTA 28-33-1-4 1WXH	PRODUCING	850	WOODFORD	✓
ZENYATTA 29-32-1-4 1WXH	PRODUCING	1,105	WOODFORD	
BULLARD 1-18-07UWH	PRODUCING	1,828	WOODFORD	✓

Note: BULLARD 1-18-07UWH is a Woodford well located ~5-miles north of the SWISH AOI

The Company now has data (reported IP24s) for ten "new generation" horizontal wells drilled and completed in the SWISH AOI. This includes six wells targeting the Sycamore formation and four wells targeting the Woodford formation. Importantly, all of these wells have been drilled and completed within the last 20-months and this represents all of the wells drilled in this period. Remarkably, seven of these wells produced IP24s above 1,600 barrels of oil equivalent which is approximately 23% above our pre-drill estimates for the SWISH AOI.

### Oil and Gas Production and Revenue

Oil and gas production and sales continued during the period, with volumes coming from a mix of Drilling Joint Venture wells and from wells funded by Brookside Energy Limited. Net production (volumes attributable to the Company's Working Interest and net of royalties) is summarised below.

Description	Total
Net Oil Volume (Bbls)	26,701
Net Gas Volumes (Mcf)	413,629
Net Volume (BOE)	95,639
Average Daily Production	262

During the period the Company received net proceeds from oil and gas sales of US\$1,520,909 (AU\$2,187,313).



## CORPORATE

### **Board Changes**

The Board welcomed Mr Richard Homsany to the Board in the role of Non-Executive Director on 3 February 2020. Richard is an experienced corporate lawyer and Certified Practising Accountant (CPA) with significant experience in the resources and energy sectors. Coinciding with Richard's appointment was the retirement of Mrs Loren King as Non-Executive Director. Loren continues her position as Brookside's company secretary.

### **Anadarko Leasing Facility**

During the period, the Company repaid US\$69,000 (AU\$100,000) from this facility, with the drawn amount as at 31 December 2019 reducing to US\$2,887,768 (AU\$4,112,459). The balance available under the facility now stands at US\$1,112,232 (AU\$1,583,924).

### **STACK-A Drilling Joint Venture**

As previously announced, this Joint Venture has funded Brookside's participation in a total of thirteen wells for a total cost (drilling and completion) of US\$4,700,000. Maximum drawdown under the joint venture was US\$3,700,000, with the balance funded from revenue received from the joint venture wells which was subsequently re-invested.

During the period proceeds from oil and gas sales from the joint venture wells were returned to the joint venture. The total amount returned to the joint venture to date is US\$1,060,000, reducing the drawn amount to US\$2,640,000 as at 31 December 2019. The parties do not intend to make further drawdowns via the joint venture and revenue received from the joint venture wells will be returned to the joint venture on a quarterly basis. The joint venture owns the net revenue stream that is generated from the joint venture wells and the income stream is split as follows; 100% of net revenue from the joint venture wells until 100% of the capital it has contributed is repaid, and thereafter 25% of net revenue from the joint venture wells for the life of the wells.

### **Annual General Meeting (AGM)**

The Australian Securities Investment Commission (**ASIC**) has adopted a two-month 'no-action' position for entities with a financial year end of 31 December 2019 that do not hold their AGM by 31 May 2020 due to ongoing issues with the COVID-19 breakout. This 'no-action' position means that ASIC will not take action against an entity with a financial year end of 31 December 2019 who fails to comply with s250N(2) of the *Corporations Act 2001* provided the entity holds the AGM by 31 July 2020 or such later date as ASIC advises ('**extension period**').

As Brookside falls into this category of entity, the Company has decided to take advantage of this position and postpone its upcoming annual general meeting (**AGM**). The Company will advise the market as soon as a date for the AGM has been confirmed.

## SUBSEQUENT EVENTS

The Company announced on 16 January 2020, significant initial production results from wells that have recently been drilled and completed adjacent to the Company's DSUs in the SWISH AOI.

On 3 February 2020, the Company announced the appointment of Non-Executive Director Mr Richard Homsany.

## DIRECTORS' REPORT

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The Company announced on 27 February 2020, it had secured two additional operated DSUs in the SWISH AOI.

Post balance date, we have seen the emergence of significant uncertainty in the global investment environment as a result of the spread of COVID-19. This uncertainty and the impact that a global slowdown in economic activity would have on demand has caused abnormally large volatility in commodity markets, including the price of oil and gas. The scale and duration of these developments remain uncertain but may impact our future earnings, cash flow and financial conditions.

No other matters or circumstances have arisen since the end of the full year which significantly affected or could significantly affect the operations of the Company, the results of these operations, or the state of affairs of the Company in future financial years.

### ENVIRONMENTAL REGULATIONS

The Company is aware of its environmental obligations with regards to these activities and ensured that it complied with all regulations. There have not been any known breaches of the entity's obligations under these environmental regulations during the year under review and up to the date of this report.

### INFORMATION ON DIRECTORS

<b>Michael Fry</b>	<b>Non-Executive Chairman</b>
Qualifications	B.Comm, F.Fin
Experience	Michael Fry holds a Bachelor of Commerce degree from the University of Western Australia, is a Fellow of the Financial Services Institute of Australasia, and is a past member of the ASX. Michael has extensive experience in capital markets and corporate treasury management specialising in the identification of commodity, currency and interest rate risk and the implementation of risk management strategies.
Other Directorships	Michael Fry is currently the non-executive chairman of ASX Listed Technology Metals Australia Limited (ASX:TMT).
<b>David Prentice</b>	<b>Managing Director</b>
Qualifications	Grad. Dip BA, MBA
Experience	David is a senior resources executive with 26 plus years domestic and international experience. David started his career working in commercial and business development roles within the resources sector working for some of Australia's most successful gold and nickel exploration and production companies. During the last 13 years, David has gained international oil and gas exploration and production sector experience (with a specific focus on the Mid-Continent region of the United States) working in both executive and non-executive director roles with Australian publicly traded companies.
Other Directorships	David Prentice is currently a Non-Executive Director of Black Mesa Production, LLC Non-Executive Chairman of Lustrum Minerals Limited (ASX:LRM) and Non-Executive Director of Comet Resources Limited (ASX:CRL).

## DIRECTORS' REPORT

### Richard Homsany Non-Executive Director

Qualifications LL.B (Hons), B. Com, Grad. Dip. Fin & Inv, F Fin, MAICD, CPA

Experience Richard is an experienced corporate lawyer and Certified Practising Accountant (CPA) with significant experience in the resources and energy sectors. He is the principal of Cardinals Lawyers and Consultants, a West Perth based corporate and resources law firm. Richard was previously a partner of major law firm DLA Phillips Fox (now known as global law firm DLA Piper).

Other

Directorships Richard Homsany is Executive Chairman of ASX listed uranium exploration and development company Toro Energy Limited (ASX:TOE) and Executive Vice President, Australia of TSX listed uranium exploration company Mega Uranium Ltd (TSX:MGA). He is also the Chairman of ASX listed copper exploration company Redstone Resources Limited (ASX:RDS) and TSX-V listed gold and iron ore explorer Central Iron Ore Limited (TSX-V:CIO) and of the Health Insurance Fund of Australia Ltd (ASX:HIF).

### Loren King Company Secretary

Qualifications Grad. Dip (Applied Corporate Governance), BSc (Psych), Cert IV FinSvcs (Bookkeeping)

Experience Loren King has worked in finance and back office administration roles with ASX listed companies, stockbroking and corporate advisory services for the past 14 years. During this time, she has gained invaluable experience in dealing with all aspects of corporate governance and compliance, specialising in initial public offerings (IPO), backdoor listings, private capital raising and business development.

## CORPORATE INFORMATION

### Group Corporate Structure

Brookside Energy Limited is a public company incorporated and domiciled in Western Australia listed on the Australian Securities Exchange (**ASX:BRK**). Its wholly owned subsidiaries, BRK Oklahoma Holdings LLC and Anadarko Leasing LLC, are both Limited Liability Companies incorporated and domiciled in Oklahoma, USA.

### Meetings of Directors

The number of Directors' meetings (including committees) held during the year for each director who held office, and the number of meetings attended by each director are:

Director	Directors Meetings	
	Meetings Attended	Number Held and Eligible to Attend
Michael Fry	11	11
David Prentice	11	11
Loren King	11	11

**Note:** Both David Prentice and Michael Fry attended 12 and 11 Black Mesa Production (**BMP**) Board meetings respectively from a total of 12 meetings held for the financial reporting period. The importance of noting this is that BMP provides the technical and operational inputs for Brookside under a number of agreements including the Drilling Program Agreement (**DPA**) and the Acquisition Program Agreement (**APA**).

## DIRECTORS' REPORT

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### Options

At the date of this report 295,140,625 options over ordinary shares in the Group were on issue and no options were exercised during the year.

As at 31 December 2019, options on issue are as detailed below.

Type	Date of Expiry	Exercise Price	Number on issue
Quoted option	31 Dec 2020	\$0.03	295,140,625

Directors' holdings of shares and options during the financial year have been disclosed in the Remuneration Report. Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company.

### INDEMNIFYING OFFICERS

In accordance with the constitution, except as may be prohibited by the *Corporations Act 2001* (Cth), every Officer, or agent of the Company shall be indemnified out of the property of the Company against any liability incurred by them in their capacity as Officer, or agent of the Company or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal.

The Company currently has a Directors' and Officers' liability insurance in place. The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company.

### PROCEEDINGS ON BEHALF OF COMPANY

No person has applied to the Court for leave to bring proceedings on behalf of the Company or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

### NON-AUDIT SERVICES

No non-audit services were provided by the external auditors during the year ended 31 December 2019.

### AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the *Corporations Act 2001* (Cth) requires our auditors, HLB Mann Judd, to provide the Directors of the Company with an Independence Declaration in relation to the audit of the annual report. This Independence Declaration is set out on page 17 and forms part of this Directors' Report for the year ended 31 December 2019.

# REMUNERATION REPORT (AUDITED)

This Remuneration Report, which forms part of the directors' report, sets out information about the remuneration of Brookside Energy Limited's Directors and its Key Management Personnel for the financial year ended 31 December 2019.

## A. INTRODUCTION

The information provided in this Remuneration Report has been audited as required by Section 308(3C) of the *Corporations Act 2001* (Cth). Information regarding the remuneration of Key Management Personnel (**KMP**) is required by Corporations Regulations 2M.3.03. KMP are those individuals who have the authority and responsibility for planning, directing and controlling the activities of the Company and the Group

### A.1 Brookside's KMPs

Key Management Personnel for Brookside include the following Directors who were in office during the financial year:

Name	Category	Position	Appointed	Retired
Michael Fry	Non-Executive Director	Independent Chairman	20 April 2004	-
David Prentice	Executive Director	Managing Director	20 April 2004	-
Loren King	Non-Executive Director	Non-Executive Director	5 June 2015	3 February 2020

### A.2 Comments on Remuneration Report at Brookside's most recent AGM

The Company received a 98.48% (99.11% after Chairman's discretion) of "yes" votes on its Remuneration Report for the 2018 financial year. The Company did not receive any specific feedback from shareholders at the 2018 Annual General Meeting on its remuneration practices.

### A.3 Additional information

The profit/(loss) of the group for the five years to 31 December 2019 are summarised below:

	2019 AU\$'000	2018 AU\$'000	2017 AU\$'000	2016 AU\$'000	2015 AU\$'000
Revenue	2,187	99	2	6	29
EBITDA	1,873	(631)	(991)	(416)	(2,248)
EBIT	1,520	(631)	(1,096)	(410)	(2,240)
Profit/(loss) after income tax	918	(1,218)	(1,096)	(410)	(2,240)

The factors that are considered to affect total shareholders return (**TSR**) are summarised below:

	2019	2018	2017	2016	2015
Share price at financial year end (AUD)	0.009	0.011	0.01	0.01	0.01
Total dividends declared (cents per share)	-	-	-	-	-
Basic earnings/(loss) per share (cents per share)	0.09	(0.13)	(0.14)	(0.20)	(2.13)

# REMUNERATION REPORT (AUDITED)

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## B. REMUNERATION POLICY DURING THE REPORTING PERIOD

The Brookside Board is committed to transparent disclosure of its remuneration strategy and this report details the Company's remuneration objectives, practices and outcomes for KMP, which includes Directors and senior executives, for the period ended 31 December 2019. Any reference to "Executives" in this report refers to KMPs who are not Non-Executive Directors.

### B.1 Remuneration Policy Framework

The key objective of Brookside's remuneration policy is to be a key enabler for the Company in achieving its strategic goal of continuing to build a successful oil and gas exploration and production company. It has been designed to reward executives and employees fairly and responsibly in accordance with the regional and international market in which the Company operates, and to ensure that Brookside:

- Provides competitive rewards that attract, retain and motivate executives and employees of the highest calibre, who can successfully deliver, particularly as the Company moves through the current phase of rapidly increased development and production;
- Sets demanding levels of expected performance that have a clear linkage to an executive's remuneration;
- Benchmarks remuneration against appropriate comparator peer groups to make the Company competitive in a tight skilled human resources market, through an offering of both short- and long-term incentives and competitive base salaries.;
- Provides a level of remuneration structure to reflect each executive's respective duties and responsibilities;
- Aligns executive incentive rewards with the creation of value for shareholders;
- Complies with legal requirements and appropriate standards of governance.

### B.2 Policy for Executive Remuneration for Future Reporting Periods

Executive Remuneration consists of the following key elements:

- Fixed remuneration or base salaries; and
- Variable remuneration, being the "at risk" component related to performance comprising;
  - Short Term Incentives (STI); and
  - Long Term Incentive (LTI).

## C. REMUNERATION COMPONENTS

### C.1 Fixed Remuneration

Fixed remuneration was reviewed by the Remuneration and Nomination Committee in 2018 and remained consistent for the current reporting period.

### C.2 STI Plan for the 2019 Reporting Period

No STI plan was implemented for the 2019 reporting period.



# REMUNERATION REPORT (AUDITED)

## C.3 Policy for and Components of Non-Executive Remuneration During the Reporting Period

### Remuneration Policy

#### *Non-Executive Director Fees*

The overall level of annual Non-Executive Director fees was approved by shareholders in accordance with the requirements of the Company's Constitution and the Corporations Act. The maximum aggregate Directors' fees payable to all of the Company's Non-Executive Directors is \$500,000 per annum. This aggregate amount was approved by shareholders at the 2012 Annual General Meeting.

#### *Equity Compensation*

In accordance with Australian practice and shareholder preference, the Company's current policy is not to grant equity-based compensation to Non-Executive Directors. Accordingly, no equity components (LTI Rights) were offered to Non-Executive Directors in the reporting period to 31 December 2019.

#### *Remuneration Structure*

Non-Executive Directors receive a fixed remuneration of base fees plus statutory superannuation. In addition, and in recognition of the higher workloads and extra responsibilities of participating on a Board committee, if applicable, they also received a committee fee and chairing a committee also warrants a higher fee. In addition to these fees, Non-Executive Directors are entitled to reimbursement of reasonable travel, accommodation and other expenses incurred in attending meetings of the Board, committee or shareholder meetings whilst engaged by Brookside. Non-Executive Directors do not earn retirement benefits other than superannuation and are not entitled to any compensation on termination of their directorships.

## D. DETAILS OF REMUNERATION

Remuneration of Key Management Personnel is set out below:

	Primary			Post- employment		TOTAL \$	Percentage Performance Related %
	Base Salary and Fees \$	Bonus STI \$	Share- based Benefits \$	Super- annuation Contributions \$	Termination Payments \$		
<b>31 December 2019</b>							
<b>Executive Directors</b>							
David Prentice	180,000	-	-	-	-	180,000	-
<b>Non-Executive Directors</b>							
Michael Fry	50,000	-	-	-	-	50,000	-
Loren King <sup>(i) (ii)</sup>	30,000	-	-	-	-	30,000	-
<b>Total 31 Dec 2019</b>	<b>260,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>260,000</b>	<b>-</b>

<sup>(i)</sup> Retired 3 February 2020

<sup>(ii)</sup> During the year ended 31 December 2019, Cicero Group Pty Ltd, an entity related to Loren King, received \$114,000 (2018: \$114,000) exclusive of GST for the provision of company secretarial and accounting work to the Company. Cicero has been engaged to provide corporate services to the Group.

As at 31 December 2019, the Company had accrued \$19,166 in outstanding director fees (31 December 2018: \$19,166).

## REMUNERATION REPORT (AUDITED)

	Primary			Post- employment		TOTAL \$	Percentage Performance Related %
	Base Salary and Fees \$	Bonus STI \$	Non- Monetary Benefits \$	Super- annuation Contributions \$	Termination Payments \$		
<b>31 December 2018</b>							
<b>Executive Directors</b>							
David Prentice	180,000	-	-	-	-	180,000	-
<b>Non-Executive Directors</b>							
Michael Fry	50,000	-	-	-	-	50,000	-
Loren King <sup>(i)(ii)</sup>	30,000	-	-	-	-	30,000	-
<b>Total</b>	<b>260,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>260,000</b>	

<sup>(i)</sup> Retired 3 February 2020

<sup>(ii)</sup> During the year ended 31 December 2019, Cicero Group Pty Ltd, an entity related to Loren King, received \$114,000 (2018: \$114,000) exclusive of GST for the provision of company secretarial and accounting work to the Company. Cicero has been engaged to provide corporate services to the Group

### E. ADDITIONAL DISCLOSURES RELATING TO KEY MANAGEMENT PERSONNEL

#### E.1 Shares held by Key Management Personnel

The number of shares in the Company held during year by each Director of Brookside Energy Limited and other Key Management Personnel, including their personally related parties, are set out below.

There were no shares granted during the year as compensation.

Director	Balance at 1 Jan 2019	Shares Issued	Other <sup>(i)</sup>	Balance at 31 Dec 2019
David Prentice	2,247,272	-	952,728	3,200,000
Michael Fry	4,000,000	-	-	4,000,000
Loren King <sup>(ii)</sup>	-	-	-	-
<b>Total</b>	<b>6,247,272</b>	<b>-</b>	<b>952,728</b>	<b>7,200,000</b>

<sup>(i)</sup> Shares acquired on market.

<sup>(ii)</sup> Retired 3 February 2020.

Since 31 December 2019, Michael Fry and David Prentice have acquired 1,500,000 and 6,425,596 fully paid ordinary shares, respectively.

#### E.2 Options Held by Key Management Personnel

Options held by Key Management Personnel during the reporting period are as follows:

Director	Balance at 1 Jan 2019	Options Issued	Other	Balance at 31 Dec 2019
David Prentice	15,000,000	-	-	15,000,000
Michael Fry	10,000,000	-	-	10,000,000
Loren King <sup>(i)</sup>	-	-	-	-
<b>Total</b>	<b>25,000,000</b>	<b>-</b>	<b>-</b>	<b>25,000,000</b>

<sup>(i)</sup> Retired 3 February 2020.

## REMUNERATION REPORT (AUDITED)

### E.3 Loans to Key Management Personnel

No loans were made to key management personnel of the Company during the financial year or the prior corresponding period.

### E.4 Other Transactions and Balances with Key Management Personnel

Other than as stated above, there have been no other transactions with key management personnel during the year.

### E.5 Compensation Options: Granted and vested during and since the financial year ended 31 December 2019

During the financial year ended 31 December 2019 (2018: Nil), no compensation options were granted or vested to directors.

### E.6 Performance income as a proportion of total income

No performance-based bonuses have been paid to key management personnel during the financial year.

## F. SERVICE AGREEMENTS

Director	Base Salary	Terms of the Agreement	Notice Period
David Prentice CEO/Managing Director	\$15,000 per month	Until termination	6 Months
Michael Fry Non-Executive Chairman	\$50,000 per annum	Until termination in accordance with the Company's Constitution	Reasonable notice
Loren King <sup>(ii)</sup> Non-Executive Director	\$30,000 per annum	Until termination in accordance with the Company's Constitution	Reasonable notice
Director of Cicero Group Pty Ltd	\$114,000 per annum for the provision of company secretarial and office support	Until termination	6 Months

<sup>(i)</sup> Appointed 3 February 2020.

<sup>(ii)</sup> Retired 3 February 2020.

## - - END OF REMUNERATION REPORT - -

This report is made in accordance with a resolution of the Directors.

**David Prentice**  
Chief Executive Officer

31 March 2020

## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Brookside Energy Limited for the year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (b) any applicable code of professional conduct in relation to the audit.

Perth, Western Australia  
31 March 2020



**N G Neill**  
Partner

**hlb.com.au**

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## CORPORATE GOVERNANCE STATEMENT

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Brookside Energy Limited (**Company**) and the Board of Directors are committed to achieving the highest standards of corporate governance. The Board continues to review the framework and practices to ensure they meet the interests of shareholders. The Company and its controlled entities together are referred to as the Group in this statement.

A description of the Group's main corporate governance practices is set out on the Company's website <http://brookside-energy.com.au/corporate-governance>.

All these practices, unless otherwise stated, were in place for the entire period and comply with the ASX Corporate Governance Principles and Recommendations and are contained in the accompanying Appendix 4G for the period ended 31 December 2019.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December 2019

	Notes	For the year ended 31 Dec 2019 \$	For the year ended 31 Dec 2018 \$
Royalty revenue	2.A	2,187,313	98,000
Production expense		(459,427)	-
Gross profit		1,727,886	98,000
Interest revenue	2.A	102	1,183
Gain on sale of asset	2.A	1,076,763	810,804
Other expenses	2.B	(228,941)	(329,917)
Director and employee related expenses		(260,000)	(260,000)
Consultants fees		(19,535)	(87,205)
Compliance and registry expenses		(257,343)	(173,332)
Share based payments expense		(52,800)	(346,242)
Interest on financing		(602,160)	(586,666)
Amortisation expense		(353,255)	-
Fair value loss on equity investment		(97,500)	-
(Loss)/gain on foreign exchange movement		(15,714)	(344,405)
<b>Profit/(loss) before income tax expense</b>		<b>917,503</b>	<b>(1,217,780)</b>
Income tax expense	3	-	-
<b>Net profit/(loss) for the year</b>		<b>917,503</b>	<b>(1,217,780)</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit and loss:</i>			
Exchange differences on the translation of foreign operations		64,688	1,117,179
<b>Other comprehensive profit/(loss) for the year net of taxes</b>		<b>982,191</b>	<b>(100,601)</b>
<b>Total comprehensive profit/(loss) for the year</b>		<b>982,191</b>	<b>(100,601)</b>
<b>Earnings/(loss) Per Share</b>			
Basic and diluted earnings/(loss) per share (cents)	16	0.09	(0.13)

The accompanying notes form part of these consolidated financial statements.



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	As at 31 Dec 2019 \$	As at 31 Dec 2018 \$
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	4	1,056,179	1,193,306
Trade and other receivables	5	466,684	24,337
<b>Total Current Assets</b>		<b>1,522,863</b>	<b>1,217,643</b>
<b>Non-Current Assets</b>			
Other assets	6	1,336,964	972,484
Exploration and evaluation assets	7	10,832,623	10,392,000
Production assets	8	575,962	-
Financial assets fair value through profit and loss		52,500	-
<b>Total Non-Current Assets</b>		<b>12,798,049</b>	<b>11,364,484</b>
<b>Total Assets</b>		<b>14,320,912</b>	<b>12,582,127</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	9.A	47,617	71,751
Borrowings	9.B	5,362,785	4,644,838
<b>Total Current Liabilities</b>		<b>5,410,402</b>	<b>4,716,589</b>
<b>Total Liabilities</b>		<b>5,410,402</b>	<b>4,716,589</b>
<b>Net Assets</b>		<b>8,910,510</b>	<b>7,865,538</b>
<b>Equity</b>			
Issued capital	10	225,407,357	225,354,557
Reserves	12	3,803,585	3,728,916
Accumulated losses	11	(220,300,432)	(221,217,935)
<b>Total Equity</b>		<b>8,910,510</b>	<b>7,865,538</b>

The accompanying notes form part of these consolidated financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Issued Capital \$	Accumulated Losses \$	Share Based Payment Reserve \$	Foreign Currency Translation Reserve \$	Total \$
<b>Balance at 1 January 2018</b>	<b>222,355,544</b>	<b>(220,000,155)</b>	<b>2,618,222</b>	<b>(291,127)</b>	<b>4,682,484</b>
Profit/(loss) for the period	-	(1,217,780)	-	-	(1,217,780)
Other comprehensive income/(loss)	-	-	-	1,117,179	1,117,179
<b>Total comprehensive income/(loss) for the period</b>	<b>-</b>	<b>(1,217,780)</b>	<b>-</b>	<b>1,117,179</b>	<b>(100,601)</b>
Shares issued during the period	3,160,000	-	-	-	3,160,000
Shares issued in lieu of services	108,350	-	-	-	108,350
Options issued during the period	-	-	284,642	-	284,642
Capital raising costs	(269,337)	-	-	-	(269,337)
<b>Balance at 31 December 2018</b>	<b>225,354,557</b>	<b>(221,217,935)</b>	<b>2,902,864</b>	<b>826,052</b>	<b>7,865,538</b>
<b>Balance at 1 January 2019</b>	<b>225,354,557</b>	<b>(221,217,935)</b>	<b>2,902,864</b>	<b>826,052</b>	<b>7,865,538</b>
Profit/(loss) for the period	-	917,503	-	-	917,503
Other comprehensive income/(loss)	-	-	-	-	-
<b>Total comprehensive income/(loss) for the period</b>	<b>-</b>	<b>917,503</b>	<b>-</b>	<b>-</b>	<b>917,503</b>
Shares issued in lieu of services	52,800	-	-	-	52,800
Options issued during the period	-	-	9,981	-	9,981
Foreign exchange	-	-	-	64,688	64,688
<b>Balance at 31 December 2019</b>	<b>225,407,357</b>	<b>(220,300,432)</b>	<b>2,912,845</b>	<b>890,740</b>	<b>8,910,510</b>

The accompanying notes form part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	For the year ended 31 Dec 2019 \$	For the year ended 31 Dec 2018 \$
<b>Cash Flows Used in Operating Activities</b>			
Receipts from Customers		1,735,348	98,000
Payments to suppliers and employees		(1,244,252)	(850,534)
Interest received		93	1,183
<b>Net Cash Provided By/(Used In) Operating Activities</b>	13	<b>491,189</b>	<b>(751,351)</b>
<b>Cash Flows from Investing Activities</b>			
Proceeds from disposal of assets		3,072,518	2,077,114
Payments for assets		(512,460)	-
Payments for acquisition of oil and gas properties		(1,927,127)	(3,988,879)
Payments for production assets		(1,381,027)	-
<b>Net Cash (Used In) Investing Activities</b>		<b>(748,096)</b>	<b>(1,911,765)</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from issue of shares		-	3,155,655
Transaction costs on issue of shares		-	(241,560)
Proceeds from issue of options		9,981	-
Proceeds from borrowings	9.B	200,000	743,519
Repayment of borrowings	9.B	(100,000)	-
<b>Net Cash Provided by Financing Activities</b>		<b>109,981</b>	<b>3,657,614</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>		<b>(146,926)</b>	<b>994,498</b>
Cash at beginning of the period		1,193,306	51,854
Effect of exchange rates on cash		9,799	146,954
<b>Cash at End of Period</b>	13	<b>1,056,179</b>	<b>1,193,306</b>

The accompanying notes form part of these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 1.A. BASIS OF PREPARATION

These financial statements are general purpose financial statements, which have been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements for the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

The accounting policies detailed below have been consistently applied to all of the years presented unless otherwise stated. The financial statements are for the Group consisting of Brookside Energy Limited and its subsidiaries.

The financial statements have been prepared on a historical cost basis. Historical cost is based on the fair values of the consideration given in exchange for goods and services.

The Company is an ASX listed public company, incorporated in Australia and operating in Australia and the USA. The Group's principal activities during the year were the exploration and appraisal of oil and gas projects.

The financial report is presented in Australian dollars.

#### 1.A.1. Functional and Presentation Currency

The consolidated financial statements are presented in Australian dollars (AU\$), which is the Group's presentation currency unless otherwise stated.

#### 1.A.2. Accounting Policies

The same accounting policies and methods of computation have been followed in this consolidated financial report as were applied in the 31 December 2018 financial statements except for the impact of the new and revised standards and interpretations as outlined in Note 1.B.

#### 1.A.3. Going Concern

The Group produced a profit of \$917,503 for the year ended 31 December 2019. In addition, the Group has a working capital deficit of (\$3,887,539). Cash and cash equivalents at the year-end amounted to \$1,056,179.

The ability of the Company and Group to continue as going concerns is dependent on a combination of a number of factors, the most significant of which is the ability of the Company to raise additional funds in the following 12 months through issuing additional shares and/or, to secure further financing facilities or extend the current financing facilities in place, which are due to be repaid on 31 December 2019.

These factors indicate a material uncertainty exists, that may cast significant doubt as to whether the Company and Group will continue as going concerns and therefore whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 1.B. ADOPTION OF NEW AND REVISED STANDARDS

#### 1.B.1. Changes in accounting policies on initial application of Accounting Standards

*Standards and Interpretations applicable to 31 December 2019*

In the year ended 31 December 2019, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the year reporting periods beginning on or after 1 January 2019.

As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Company and therefore no material change is necessary to Group accounting policies.

#### *AASB 16 Leases*

AASB 16 replaces AASB 117 *Leases*. AASB 16 removes the classification of leases as either operating leases or finance leases for the lessee – effectively treating all leases as finance leases.

AASB 16 is applicable to annual reporting periods beginning on or after 1 January 2019.

#### *Impact on operating leases*

AASB 16 changes how the Group accounts for leases previously classified as operating leases under AASB 117, which were off-balance sheet.

Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under AASB 117 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under AASB 16, right-of-use assets are tested for impairment in accordance with AASB 136 *Impairment of Assets*. This will replace the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group will opt to recognise a lease expense on a straight-line basis as permitted by AASB 16.

The Group has conducted an assessment of the impact of the new standard and determined that there is no material impact due to the group not entering into any lease agreements that are covered by the standard.

#### *Standards and Interpretations in issue not yet adopted applicable to 31 December 2019*

The Directors have also reviewed all of the new and revised Standards and Interpretations in issue not yet adopted that are relevant to the Company and effective for the year reporting periods beginning on or after 1 January 2020.

As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations in issue not yet adopted on the Company and therefore no material change is necessary to Group accounting policies.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 1.C. STATEMENT OF COMPLIANCE

The general purpose consolidated financial statements for the period ended 31 December 2019 were approved and authorised for issue on 31 March 2020.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (**AIFRS**). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (**IFRS**).

### 1.D. BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of Brookside Energy Limited and its subsidiaries as at 31 December each year (the **Group**). Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Investments in subsidiaries are accounted for at cost in the parent entity's financial statements.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control exists where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The acquisition of subsidiaries has been accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired, and the liabilities and contingent liabilities assumed at the date of acquisition. Accordingly, the consolidated financial statements include the results of subsidiaries for the period from their acquisition.

### 1.E. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

#### Exploration and evaluation expenditure

The Directors have conducted a review of the Group's capitalised exploration expenditure to determine the existence of any indicators of impairment. Based upon this review, the Directors have determined that no impairment exists.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 1.E. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

### Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Black and Scholes model, using assumptions provided by the Company.

The fair value is expensed over the period until vesting.

## 1.F. REVENUE

The Company currently generates revenue from its revenue interests in production projects. Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

### Sale of oil and gas

Revenue is recognised when the Company is notified of its proportionate share from operators of each production asset project.

### Interest income

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

## 1.G. FOREIGN CURRENCY TRANSLATION

Both the functional and presentation currency of Brookside Energy Limited is Australian dollars. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date.

All exchange differences in the consolidated financial statements are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

The functional currency of the foreign operations, BRK Oklahoma Holdings LLC and Anadarko Leasing LLC is US dollars, "USD".

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1.H. PRODUCING ASSETS

Producing assets represent the accumulation of all exploration, evaluation and development expenditure incurred in respect of areas of interest in which drilling has commenced or in the process of commencing. When further development expenditure is incurred in respect of operating wells after the commencement of production, such expenditure is carried forward as part of the producing asset only when substantial future economic benefits are thereby established, otherwise such expenditure is classified as part of the cost of production.

Amortisation is provided on a unit of production basis which results in a write off of the cost proportional to the depletion of the proven and probably oil reserves.

The net carrying value of each area of interest is reviewed regularly and to the extent to which this value exceeds its recoverable amount, the excess is either fully provided against or written off in the financial year in which this is determined.

## 2. REVENUES AND EXPENSES

### 2.A. REVENUE

	Year ended 31 Dec 2019 \$	Year ended 31 Dec 2018 \$
Royalty revenue (point in time)	2,187,313	98,000
Interest received	102	1,183
Gain on sale of investment	1,076,763	810,804
	<b>3,264,178</b>	<b>909,987</b>

Revenue is measured at fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties. All revenue is measured at the point in time.

#### Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

### 2.B. OTHER EXPENSES

	Year ended 31 Dec 2019 \$	Year ended 31 Dec 2018 \$
Administration expenses	94,052	95,766
Promotion and communication costs	-	56,555
Travel expenses	134,889	177,596
	<b>228,941</b>	<b>329,917</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 3. INCOME TAX EXPENSE

The components of tax expense comprise:

Current tax	-	-
Deferred tax	-	-
Income tax expense reported in statement of profit or loss and other comprehensive income	-	-

Prima facie tax expense/(benefit) on profit/(loss) from ordinary activities before income tax at 30% (2018: 30%)

Add tax effect of:

Non-allowable items	57,192	384,663
Losses not recognised	(278,840)	23,754
Impact of different tax rate (USA)	(55,685)	49,122
	-	-

Less tax effect of:

Other deductible items	-	-
Losses deferred tax balances not recognised	-	-
	-	-

### 3.A. UNRECOGNISED DEFERRED TAX LIABILITY

Other deferred tax liabilities	2,445	5,113
Less: Deferred tax assets recognised (tax losses)	(2,445)	(5,113)
	-	-

### 3.B. UNRECOGNISED DEFERRED TAX ASSETS

Unrecognised deferred tax assets at 30% (31 December 2018: 27.5%):

Carry forward revenue losses	3,486,174	4,418,594
Provisions and accruals	35,250	6,000
Capital raising	89,353	119,102
Less: Deferred tax liabilities	(2,445)	(5,113)
	<b>3,608,332</b>	<b>4,538,583</b>

### 3. INCOME TAX EXPENSE (continued)

The tax benefits of the above deferred tax assets will only be obtained if:

- (a) the company derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised;
- (b) the company continues to comply with the conditions for deductibility imposed by law; and
- (c) no changes in income tax legislation adversely affect the company in utilising the benefits.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date. Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3. INCOME TAX EXPENSE (continued)

#### Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

### 4. CASH AND CASH EQUIVALENTS

	As at 31 Dec 2019 \$	As at 31 Dec 2018 \$
Cash at bank	1,056,179	1,193,306
	<b>1,056,179</b>	<b>1,193,306</b>

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Cash at bank earns interest at floating rates based on daily bank deposit rates.

### 5. TRADE & OTHER RECEIVABLES

	As at 31 Dec 2019 \$	As at 31 Dec 2018 \$
<b>Current</b>		
Other receivables	444,294	7,295
Prepayments	22,390	17,042
	<b>466,684</b>	<b>24,337</b>

Trade receivables are generally due for settlement within periods ranging from 15 days to 30 days. There are no receivables that are past due date.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 5. TRADE & OTHER RECEIVABLES (continued)

The Group applies the AASB 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and also according to the geographical location of customers.

The expected loss rates are based on the payment profile for sales over the past 48 months before 31 December 2019 and 31 December 2018 respectively as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding.

The group has identified gross domestic product (**GDP**) of the countries in which the customers are domiciled to be the most relevant factors and accordingly adjusts historical loss rates for expected changes in these factors. However given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

Trade receivables are written off when there is no reasonable expectation of recovery. Failure to make payments within 180 days from the invoice date and failure to engage with the Group on alternative payment arrangement amongst other is considered indicators of no reasonable expectation of recovery.

### 6. OTHER ASSETS

	As at 31 Dec 2019 \$	As at 31 Dec 2018 \$
At cost	1,336,964	972,484
	<b>1,336,964</b>	<b>972,484</b>

#### 6.A. MOVEMENT IN CARRYING AMOUNTS

	Year ended 31 Dec 2019 \$	Year ended 31 Dec 2018 \$
<b>Opening balance</b>	<b>972,484</b>	<b>1,994,614</b>
Black Mesa Productions LLC - Earn In	360,325	-
Foreign currency translation	4,155	154,981
Disposal of RA Minerals - at cost	-	(1,177,111)
<b>Closing balance</b>	<b>1,336,964</b>	<b>972,484</b>

The recognition of costs carried forward in relation to the Earn In arrangement with Black Mesa are dependent on the successful development and commercial exploration or sale of exploration interests.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 6. OTHER ASSETS (continued)

#### 6.A. MOVEMENT IN CARRYING AMOUNTS

During the year ended 31 December 2019, as per the agreement between Black Mesa Productions, LLC, and BRK, BRK paid the balance of US\$253,020.

##### Investment in Subsidiary

Subsidiary	2019 %	2018 %	2019 \$	2018 \$
BRK Oklahoma Holdings, LLC.	100	100	366	366
Anadarko Leasing, LLC.	100	100	444	444

### 7. EXPLORATION AND EVALUATION

Costs carried forward in respect of areas of interest in:

#### **Exploration and evaluation phases – at cost**

##### **Opening Balance**

Anadarko Basin Projects (leasehold acquisition)  
 Reclassification as producing assets  
 Sale of acreage  
 Foreign currency translation on movement

As at 31 Dec 2019 \$	As at 31 Dec 2018 \$
<b>10,832,623</b>	<b>10,392,000</b>
<b>10,392,000</b>	<b>5,993,514</b>
1,908,191	4,849,094
(303,567)	-
(1,237,590)	-
73,589	(450,608)
<b>10,832,623</b>	<b>10,392,000</b>

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases are dependent on the successful development and commercial exploitation or sale of the respective areas.

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

- the rights to tenure of the area of interest are current; and
- at least one of the following conditions is also met:
  - o the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; or
  - o exploration and evaluation activities in the area of interest have not at the balance date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortised of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

## 7. EXPLORATION AND EVALUATION (continued)

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision has been made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

## 8. PRODUCING ASSETS

	As at 31 Dec 2019 \$	As at 31 Dec 2018 \$
Balance at beginning of period	-	-
Reclassification from exploration and evaluation phase	303,567	-
Add: capitalisation of production expense	1,367,435	-
Less: sale of working interest	(746,665)	-
Less: amortisation	(353,255)	-
Foreign currency translation on movement	4,880	-
	<b>575,962</b>	-

Producing assets were transferred from exploration and evaluation phase on 1 January 2019.

### Estimates and judgements

#### *Assumptions used to carry forward the producing assets*

During the year ended 31 December 2019, no producing assets were assessed as impaired.

The estimation of reserves requires significant management judgement and interpretation of complex geological and geophysical models in order to make an assessment of the size, share, depth and quality of reservoirs and their anticipated recoveries. Estimates have been used to determine the fair value of the oil and gas properties for the purpose of the assessment of depletion and amortisation charges.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 9. LIABILITIES

### 9.A. TRADE AND OTHER PAYABLES

	As at 31 Dec 2019 \$	As at 31 Dec 2018 \$
Trade creditors (a)	8,449	32,585
Other creditors and accruals*	39,168	39,166
	<b>47,617</b>	<b>71,751</b>
<i>*Aggregate amounts payable to related parties included:</i>		
Directors and director-related entities	19,166	19,166

#### Terms and conditions

(a) Trade creditors are non-interest bearing and are normally settled on 30-day terms.

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

### 9.B. BORROWINGS

	Year ended 31 Dec 2019 \$	Year ended 31 Dec 2018 \$
<b>Opening balance</b>	<b>4,644,838</b>	<b>3,022,744</b>
Oklahoma Energy LLC financing	200,000	743,519
Repayments	(100,000)	-
Interest accrued on borrowings	602,160	586,666
Foreign Currency Translation	15,787	291,909
<b>Closing balance</b>	<b>5,362,785</b>	<b>4,644,838</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 9.B. BORROWINGS (continued)

Terms of the Drawdown Facility are as follows:

Date of Agreement	Financing Facility	Terms <sup>(i)</sup>
1 June 2017 (Amended 22 December 2017, 16 March 2018 and 31 October 2019)	US\$4,000,000 (increase from \$2,000,000 on 22 December 2017)	Facility is due for repayment on the 31 December 2020. Facility shall bear interest at a rate per annum of 12%, payable quarterly in arrears on drawdown amounts. Facility will be secured by the Borrower's interest in 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 Production, LLC.

<sup>(i)</sup> On 16 March 2018 and 31 October 2019, the terms of the facility agreement were amended. Refer Note 22.

As at 31 December 2019, a total of AU\$4,112,459 (US\$2,887,768) has been drawn down. Included within the profit and loss statement is \$602,160 interest expense for the period.

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

#### Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 10. ISSUED CAPITAL

### Issued and paid up capital

999,221,875 Ordinary shares

(31 December 2018: 994,821,875)

As at 31 Dec 2019 \$	As at 31 Dec 2018 \$
<b>225,407,357</b>	<b>225,354,557</b>

### 10.A. MOVEMENTS IN ISSUED CAPITAL

#### At the beginning of the period

*Shares issued during the period:*

- Placement @ \$0.016
- Payment of Broker Fees in Ordinary Shares
- Payment of Advisor Fees in Ordinary Shares
- Share issue costs

#### At end of the period

Year ended 31 Dec 2019 \$	Year ended 31 Dec 2018 \$
<b>225,354,557</b>	<b>222,355,544</b>
-	3,160,000
-	46,750
52,800	61,600
-	(269,337)
<b>225,407,357</b>	<b>225,354,557</b>

### 10.B. MOVEMENTS IN NUMBER OF SHARES ON ISSUE

#### At the beginning of the period

*Shares issued during the period:*

- Placement – 13 and 17 April 2018
- Capital Raising Fees paid in shares in lieu of cash
- Corporate Advisory Fees paid in shares in lieu of cash

#### At end of the period

Year ended 31 Dec 2019 Number	Year ended 31 Dec 2018 Number
<b>994,821,875</b>	<b>790,000,000</b>
-	197,500,000
-	2,921,875
4,400,000	4,400,000
<b>999,221,875</b>	<b>994,821,875</b>

### 10.C. TERMS AND CONDITIONS OF CONTRIBUTED EQUITY

#### Voting Rights

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held and in proportion to the amount paid up on the shares held.

At shareholders meetings, each ordinary share is entitled to one vote in proportion to the paid-up amount of the share when a poll is called, otherwise each shareholder has one vote on a show of hands.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 10. ISSUED CAPITAL (continued)

### 10.D. OPTIONS

At the end of the reporting period, 295,140,625 options over unissued shares were on issue.

Type	Date of Expiry	Exercise Price AUD	Number of Options on Issue
Options	31 Dec 2020	\$0.03	295,140,625

### 10.E. MOVEMENTS IN NUMBER OF OPTIONS ON ISSUE

	As at 31 Dec 2019 Number	As at 31 Dec 2018 Number
<b>At the beginning of the period</b>	<b>70,000,000</b>	<b>460,000,000</b>
<i>Shares issued during the period:</i>		
- Options issued under prospectus	225,140,625	-
- Options free attaching to placement	-	197,500,000
- Options issued to advisors, consultants and/or directors	-	85,000,000
- Options issued in lieu of capital raising fees	-	2,921,875
- Options expired during the period	-	(675,421,875)
<b>At end of the period</b>	<b>295,140,625</b>	<b>70,000,000</b>

## 11. ACCUMULATED LOSSES

	As at 31 Dec 2019 \$	As at 31 Dec 2018 \$
<b>Balance at the beginning of the period</b>	<b>(221,217,935)</b>	<b>(220,000,155)</b>
Net loss for the period	917,503	(1,217,780)
<b>Balance at end of the period</b>	<b>(220,300,432)</b>	<b>(221,217,935)</b>

## 12. RESERVES

	As at 31 Dec 2019 \$	As at 31 Dec 2018 \$
Option valuation reserve	2,912,845	2,902,864
Foreign currency translation reserve	890,740	826,052
	<b>3,803,585</b>	<b>3,728,916</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 12. RESERVES (continued)

#### 12.A. OPTION VALUATION RESERVE

	Year ended 31 Dec 2019 \$	Year ended 31 Dec 2018 \$
<b>At the beginning of the period</b>	<b>2,902,864</b>	<b>2,618,222</b>
<i>Options issued during the period:</i>		
- Options issued to consultants	-	284,642
- Options issued under prospectus	9,981	-
<b>At end of the period</b>	<b>2,912,845</b>	<b>2,902,864</b>

#### Option valuation reserve

This reserve is used to record the value of equity benefits provided to employees, directors, suppliers and consultants as part of their remuneration and value of all other options issued by the Company. Refer to Note 21.

#### 12.B. FOREIGN CURRENCY RESERVE

	Year ended 31 Dec 2019 \$	Year ended 31 Dec 2018 \$
<b>At beginning of the period</b>	<b>826,052</b>	<b>(291,127)</b>
Movement during the period	64,688	1,117,179
<b>Balance at end of the period</b>	<b>890,740</b>	<b>826,052</b>

#### Foreign Currency Translation Reserve

Foreign currency translation reserve records exchange differences arising on translation of the subsidiaries' functional currency (US Dollars) into presentation currency at balance date.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 13. CASH FLOW INFORMATION

### 13.A. RECONCILIATION OF NET PROFIT/(LOSS) AFTER TAX TO THE NET CASH FLOWS FROM OPERATIONS

	Year ended 31 Dec 2019 \$	Year ended 31 Dec 2018 \$
<b>Net profit/(loss)</b>	<b>917,503</b>	<b>(1,217,780)</b>
<b>Non-cash items</b>		
Gain on disposal	(1,076,763)	(810,804)
Share based payment expense	52,800	346,242
Foreign currency translation	11,216	344,405
Interest on borrowings	602,160	586,666
Fair value loss on equity investment	97,500	-
Amortisation expense	353,255	-
<b>Changes in assets and liabilities</b>		
Increase in receivables and other assets	(442,347)	39,436
Decrease in payables and accruals	(24,135)	(39,156)
<b>Net cash flows from / (used in) operating activities</b>	<b>491,189</b>	<b>(751,351)</b>
<b>Reconciliation of cash:</b>		
<i>Cash balances comprises</i>		
AUD accounts	846,967	8,432
USD accounts	209,212	1,184,874
	<b>1,056,179</b>	<b>1,193,306</b>

### 13.B. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Loans \$	Consolidated Convertible notes \$	Lease liability \$	Total \$
<b>Balance as at as at 1 January 2018</b>	<b>3,022,744</b>	-	-	<b>3,022,744</b>
Net cash from (used in) financing activities	743,519	-	-	743,519
Interest accrued on borrowings	586,666	-	-	586,666
Exchange differences	291,909	-	-	291,909
<b>Balance as at 31 December 2018</b>	<b>4,644,838</b>	-	-	<b>4,644,838</b>
<b>Balance as at as at 1 January 2019</b>	<b>4,644,838</b>	-	-	<b>4,644,838</b>
Net cash from (used in) financing activities	109,981	-	-	109,981
Interest accrued on borrowings	602,160	-	-	602,160
Exchange differences	5,806	-	-	5,806
<b>Balance as at 31 December 2019</b>	<b>5,362,785</b>	-	-	<b>5,362,785</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 14. KEY MANAGEMENT PERSONNEL DISCLOSURES

### 14.A. REMUNERATION OF DIRECTORS AND EXECUTIVES

Details of remuneration paid to Key Management Personnel have been disclosed in the Directors' Report.

Aggregate of remuneration paid to Key Management Personnel during the period as follows:

	As at 31 Dec 2019 \$	As at 31 Dec 2018 \$
Short term employee benefits	260,000	260,000
Post-employment benefits	-	-
Share-based payments	-	-
	<b>260,000</b>	<b>260,000</b>

During the year ended 31 December 2019, Cicero Group Pty Ltd (**Cicero**), an entity related to Loren King, received \$114,000 exclusive of GST for the provision of company secretarial and accounting work to the Group. Cicero has been engaged to provide corporate services to the Company.

## 15. SEGMENT INFORMATION

Brookside Energy Limited operates predominantly in one industry being the oil and gas industry in the USA.

### Identification of reportable segments

The Company has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors in assessing performance and determining the allocation of resources.

The Company is managed primarily on the basis of its oil and gas interests in the USA and its corporate activities in Australia. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics.

### Types of reportable segments

- (i) Oil and gas exploration: Segment assets, including acquisition cost of exploration licenses and all expenses related to the projects in the USA are reported on in this segment.
- (ii) Corporate, including treasury, corporate and regulatory expenses arising from operating an ASX listed entity. Segment assets, including cash and cash equivalents, and investments in financial assets are reported in this segment.

Basis of accounting for purposes of reporting by operating segments.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 15. SEGMENT INFORMATION (continued)

### Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

### Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Unless indicated otherwise in the segment assets note, deferred tax assets and intangible assets have not been allocated to operating segments.

### Segment liabilities

Liabilities are allocated to segments where there is direct link between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Company as a whole and are not allocated. Segment liabilities include trade and other payables.

	Corporate \$	Oil and Gas & Other US Entities \$	Total \$
<b>31 December 2018</b>			
<b>Segment performance</b>			
Segment revenue	1,183	908,804	<b>909,987</b>
Segment results	(1,539,918)	322,138	<b>(1,217,780)</b>
<i>Included within segment result:</i>			
- Interest Revenue	1,183	-	<b>1,183</b>
- Gain on disposal of investment	-	810,804	<b>810,804</b>
- Drawdown facility interest expense	-	(586,666)	<b>(586,666)</b>
- Option valuation expense	(346,242)	-	<b>(346,242)</b>
Segment assets	549,751	12,032,377	<b>12,582,128</b>
Segment liabilities	(71,751)	(4,644,838)	<b>(4,716,589)</b>
<b>31 December 2019</b>			
<b>Segment performance</b>			
Segment revenue	102	3,264,071	<b>3,264,173</b>
Segment results	(1,486,894)	2,404,397	<b>917,503</b>
<i>Included within segment result:</i>			
- Interest Revenue	102	-	<b>102</b>
- Gain on disposal of investment	-	1,076,763	<b>1,076,763</b>
- Drawdown facility interest expense	-	(602,160)	<b>(602,160)</b>
- Share based payments expense	(52,800)	-	<b>(52,800)</b>
Segment assets	1,280,175	13,040,737	<b>14,320,912</b>
Segment liabilities	4,162,277	1,248,125	<b>5,410,402</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 16. EARNINGS/(LOSS) PER SHARE

The following reflects the income and share data used in the calculation of basic and diluted earnings/(loss) per share:

	As at 31 Dec 2019 \$	As at 31 Dec 2018 \$
Earnings/(loss) used in calculation of basic and diluted loss per share	917,503	(1,217,780)
Weighted average number of ordinary shares on issue used in the calculation of basic loss per share	998,762,534	933,943,553

Basic earnings per share is calculated as net profit or loss attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit or loss attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after-tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

### 17. RELATED PARTY DISCLOSURE

On 5 August 2015, the Group entered into an agreement with Cicero Group Pty Ltd (an entity in which Mrs King is shareholder and director) (**Cicero**) defining the terms of engagement for the provision of administration services by Cicero as a contractor to the Group. Cicero will provide the office rent, bookkeeping, company secretarial and administration services to the Company for a monthly fee of \$9,500 plus GST. Fees paid to Cicero for the period ending 31 December 2019 is \$114,000 (exc. GST).

### 18. AUDITOR'S REMUNERATION

	Year ended 31 Dec 2019 \$	Year ended 31 Dec 2018 \$
The auditor of Brookside Energy Limited is HLB Mann Judd. Amounts received or due and receivable to the auditor for: Audit or reviewing the financial report.	32,682	29,680
	<b>32,682</b>	<b>29,680</b>

## 19. FINANCIAL INSTRUMENTS

The main risks arising from the Group's financial instruments are market risk, currency risk and interest rate risk.

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board has overall responsibility for the establishment and oversight of the risk management framework. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

The Group's principal financial instruments comprise cash and short-term deposits. The main purpose of the financial instruments is to earn the maximum amount of interest at a low risk to the Group. The Group also has other financial instruments such as trade debtors, creditors and borrowings which arise directly from its operations.

### Market Risk

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

The Group is exposed to movements in market interest rates on short term deposits. The policy is to monitor the interest rate yield curve out to 120 days to ensure a balance is maintained between the liquidity of cash assets and the interest rate return. The Group does not have short- or long-term debt, and therefore this risk is minimal.

### Currency Risk

Foreign exchange risk arises from future commitments, assets and liabilities that are denominated in a currency that is not the functional currency of the Group. The Group deposits are denominated in both US and Australian dollars. At the year end the majority of deposits were held in Australian dollars. Currently, there are no foreign exchange programs in place. The Group treasury function manages the purchase of foreign currency to meet operational and budgetary requirements. The impact of reasonably possible changes in foreign exchange rates for the Group is not material.

### Interest Rate Risk

The table below reflects the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts might not reconcile to the statement of financial position.

### Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 19. FINANCIAL INSTRUMENTS (continued)

The Group operates in the energy exploration and production sector; it therefore does not supply products and have trade receivables and is not exposed to credit risk in relation to trade receivables. The Group does not have any significant credit risk exposure to any single counterparty or any Company of counterparties having similar characteristics.

The Group's maximum exposure to credit risk at each balance date in relation to each class of recognised financial assets is the carrying amount, net of any allowance for doubtful debts, of those assets as indicated in the statement of financial position. The maximum credit risk exposure of the Group at 31 December 2019 is Nil (2018: Nil). There are no impaired receivables at 31 December 2019 (2018: Nil).

### Interest Rate Sensitivity Analysis

At 31 December 2019, if interest rates had been 2% higher or lower than the prevailing rates realised, with all other variables held constant, the effect on profit made in period and equity as a result of interest rates changes would be as follows:

	31 Dec 2019 Net Change \$	31 Dec 2018 Net Change \$
<b>Change in profit made in period</b>		
<i>Increase in interest rate by 2%:</i>		
AUD accounts	(16,939)	(167)
USD accounts	(4,184)	(23,697)
	<b>(21,123)</b>	<b>(23,864)</b>
<i>Decrease in interest rate by 2%:</i>		
AUD accounts	16,939	167
USD accounts	4,184	23,697
	<b>21,123</b>	<b>23,864</b>
<b>Change in equity</b>		
<i>Increase in interest rate by 2%:</i>		
AUD accounts	(16,939)	(167)
USD accounts	(4,184)	(23,697)
	<b>(21,123)</b>	<b>(23,864)</b>
<i>Decrease in interest rate by 2%:</i>		
AUD accounts	16,939	167
USD accounts	4,184	23,697
	<b>21,123</b>	<b>23,864</b>

### Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group manages liquidity risk by monitoring forecast cash flows on a rolling monthly basis. The Group does not have any significant liquidity risk as the Group does not have any collateral debts.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 19. FINANCIAL INSTRUMENTS (continued)

### Capital Management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so it may continue to provide returns for shareholders and benefits for other stakeholders.

Accordingly, the objective of the Group's capital risk management is to balance the current working capital position against the requirements to meet exploration programmes and corporate overheads. This is achieved by maintaining appropriate liquidity to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required.

The directors consider that the carrying value of the financial assets and financial liabilities recognised in the consolidated financial statement approximate their fair value.

### 19.A. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of the following fair value measurement hierarchy in accordance with AASB 7 Financial Instruments:

#### Disclosures

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3: unobservable inputs for the asset or liability.

The following table shows the levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis at 31 December 2018 and 31 December 2019:

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>31 December 2018</b>				
<b>Financial assets</b>				
Cash and cash equivalents	1,193,306	-	-	1,193,306
Receivables	24,337	-	-	24,337
<b>Total financial assets</b>	<b>1,217,643</b>	<b>-</b>	<b>-</b>	<b>1,217,643</b>
<b>Financial liabilities</b>				
Payables	(71,751)	-	-	(71,751)
Loans and borrowings	(4,644,838)	-	-	(4,644,838)
<b>Total financial liabilities</b>	<b>(4,716,589)</b>	<b>-</b>	<b>-</b>	<b>(4,716,589)</b>
<b>31 December 2019</b>				
<b>Financial assets</b>				
Cash and cash equivalents	1,056,179	-	-	1,056,179
Receivables	466,684	-	-	466,684
<b>Total financial assets</b>	<b>1,522,863</b>	<b>-</b>	<b>-</b>	<b>1,522,863</b>
<b>Financial liabilities</b>				
Payables	(47,617)	-	-	(47,617)
Loans and borrowings	(5,362,785)	-	-	(5,362,785)
<b>Total financial liabilities</b>	<b>(5,410,402)</b>	<b>-</b>	<b>-</b>	<b>(5,410,402)</b>

## 19. FINANCIAL INSTRUMENTS (continued)

### Net fair value of financial assets and liabilities

The carrying amount of cash and cash equivalents approximates fair value because of their short-term maturity.

## 20. CONTINGENT ASSETS AND LIABILITIES

There are no contingent liabilities or contingent assets.

## 21. SHARE BASED PAYMENT PLANS

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Black-Scholes model, using assumptions provided by the Company.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Brookside Energy Ltd (market conditions), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects:

- (i) the extent to which the vesting period has expired; and
- (ii) the Group's best estimate of the number of equity instruments that will ultimately vest.

No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share. Refer Note 16.

There were no share based payment plans in place for the 31 December 2019 and 2018 financial years.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 22. PARENT ENTITY DISCLOSURES

	Year Ended 31 Dec 2019 \$	Year Ended 31 Dec 2018 \$
<b>Financial Position</b>		
<b>Assets</b>		
Current assets	851,865	174,751
Non-current assets	8,711,225	10,639,097
<b>Total assets</b>	<b>9,563,090</b>	<b>10,813,848</b>
<b>Liabilities</b>		
Current liabilities	4,162,276	4,067,509
<b>Total liabilities</b>	<b>4,162,276</b>	<b>4,067,509</b>
<b>Equity</b>		
Issued capital	225,407,358	225,354,557
Accumulated losses	(222,919,389)	(221,511,082)
Reserves	2,912,845	2,902,864
<b>Total equity</b>	<b>5,400,814</b>	<b>6,746,339</b>
<b>Financial performance</b>		
Loss for the period	(931,730)	(1,539,918)
Other comprehensive income	-	-
<b>Total comprehensive income</b>	<b>(931,730)</b>	<b>(1,539,918)</b>

### Contingent liabilities

As at 31 December 2019 and 2018, the Company had no contingent liabilities.

### Contractual Commitments

As at 31 December 2019 and 2018, the Company had no contractual commitments.

### Guarantees entered into by parent entity

As at 31 December 2019 and 2018, the Company had not entered into any guarantees.

The financial information for the parent entity, Brookside Energy Ltd, has been prepared on the same basis as the consolidated financial statements, except as set out below.

### Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the parent entity's financial statements.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 23. COMMITMENTS FOR EXPENDITURE

#### Capital Commitments – Black Mesa Productions LLC

	As at 31 Dec 2019 \$	As at 31 Dec 2018 \$
Within one year <sup>^</sup>	-	358,792
After one year but not more than five years	-	-
More than five years	-	-
	-	<b>358,792</b>

<sup>^</sup> Equivalent of 2018: USD253,020

### 24. SUBSEQUENT EVENTS

The Company announced on 16 January 2020, significant initial production results from wells drilled adjacent to the Company's assets in Brookside's SWISH Area of Interest (SWISH AOI), in the world-class Anadarko Basin, Oklahoma.

On 3 February 2020, the Company announced the appointment of Non-Executive Director Mr Richard Homsany.

The Company announced on 27 February 2020, it had secured two additional SWISH Area of interest in the Anadarko Basin, Oklahoma.

Post balance date, we have seen the emergence of significant uncertainty in the global investment environment as a result of the spread of COVID-19. This uncertainty and the impact that a global slowdown in economic activity would have on demand has caused abnormally large volatility in commodity markets, including the price of oil and gas. The scale and duration of these developments remain uncertain but may impact our future earnings, cash flow and financial conditions.

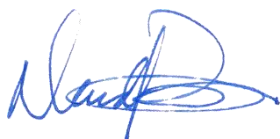
No other matters or circumstances have arisen since the end of the full year which significantly affected or could significantly affect the operations of the Company, the results of these operations, or the state of affairs of the Company in future financial years.

## DIRECTORS' DECLARATION

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- 1) In the opinion of the directors of Brookside Energy Limited (the 'Company'):
  - a) the financial statements, notes and the additional disclosures are in accordance with the *Corporations Act 2001* (Cth) including:
    - i) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the year then ended; and
    - ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
  - b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
  - c) the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.
- 2) This declaration has been made after reviewing the declarations required to be made to the directors in accordance with Section 295A of the *Corporations Act 2001* (Cth) for the financial year ended 31 December 2019.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:



**David Prentice**  
**Chief Executive Officer**

31 March 2020

**INDEPENDENT AUDITOR'S REPORT**

To the members of Brookside Energy Limited

**Report on the Audit of the Financial Report***Opinion*

We have audited the financial report of Brookside Energy Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the year then ended; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

*Basis for opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Material uncertainty related to going concern*

We draw attention to Note 1A.3 in the financial report, which indicates that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

*Key audit matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern*, we have determined the matters described below to be the key audit matters to be communicated in our report.

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Key Audit Matter	How our audit addressed the key audit matter
<b>Stack Acreage Exploration and Evaluation</b> Note 7	
<p>In accordance with AASB 6 <i>Exploration for Evaluation of Mineral Resources</i>, the Group capitalises all exploration and evaluation expenditure, including acquisition costs, and subsequently applies the cost model after recognition.</p> <p>Our audit focussed on the Group's assessment of the carrying amount of the capitalised exploration and evaluation asset, as this is one of the most significant assets of the Group. We planned our work to address the audit risk that the capitalised expenditure might no longer meets the addition, we considered it necessary to assess whether facts and circumstances existed to suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount.</p>	<p>Our procedures included but were not limited to the following:</p> <ul style="list-style-type: none"> <li>• We obtained an understanding of the key processes associated with management's review of carrying values of each area of interest;</li> <li>• We considered the Directors' assessment of potential indicators of impairment;</li> <li>• We obtained evidence that the Group has current right to tenure of its areas of interest;</li> <li>• We examined the exploration budget for the year 2020 and discussed with management the nature of planned and ongoing activities;</li> <li>• We enquired with management, reviewed ASX announcements and reviewed minutes of Directors' meetings to ensure that the Group had not resolved to discontinue exploration and evaluation at any of its areas of interest; and</li> </ul> <p>Ensuring the adequacy of disclosures made within the financial report</p>
<b>Revenue and related risk of fraud</b> Note 2	
<p>A substantial amount of the Company's revenue relates to the royalty received from the sale of oil and gas as well as the sales of acreage.</p> <p>Revenue recognition was a key audit matter due to the importance and materiality of the matter to users understanding of the financial report</p>	<p>Our procedures included but were not limited to:</p> <ul style="list-style-type: none"> <li>– Ensuring that accounting policies comply with Australian Accounting standards;</li> <li>– Performing testing over a sample of revenue to supporting evidence;</li> <li>– Ensuring the adequacy of disclosures made within the financial report</li> </ul>

#### *Information other than the financial report and auditor's report thereon*

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### *Responsibilities of the directors for the financial report*

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

*Auditor's responsibilities for the audit of the financial report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on the Remuneration Report**

#### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included within the directors' report for the year ended 31 December 2019.

In our opinion, the Remuneration Report of Magnum Mining and Exploration Limited for the year ended 31 December 2019 complies with section 300A of the *Corporations Act 2001*.

#### *Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards



**HLB Mann Judd**  
**Chartered Accountants**

**Perth, Western Australia**  
**31 March 2020**



**N G Neill**  
**Partner**

## ADDITIONAL SHAREHOLDERS' INFORMATION

### A. CORPORATE GOVERNANCE

A statement disclosing the extent to which the Company has followed the best practice recommendations set by the ASX Corporate Governance Council during the reporting period is detailed following the Director's Report.

### B. SHAREHOLDING

#### Substantial Shareholders

The names of the substantial shareholders listed on the Company's register are:

Name	Number of Shares
THE TRUST COMPANY (AUSTRALIA) LIMITED <MOF A/C>	114,721,851
GREAT SOUTHERN FLOUR MILLS PTY LTD	90,000,000
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	65,917,709
MR MARK JAMES CASEY	50,265,901

#### B.1. Quoted Securities

At the date of this report 295,140,625 quoted options over ordinary shares in the Company were on issue and no options were exercised during the year. The listed options are exercisable at \$0.03 per option and have an expiry date of 31 December 2020.

#### B.2. Unquoted Securities

At the date of this report there were no unquoted options over ordinary shares in the Company and no options were exercised during the year.

#### B.3. Number of holders in each class of equity securities and the voting rights attached

There are 2,108 holders of ordinary shares. Each shareholder is entitled to one vote per share held.

On a show of hands every shareholder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

#### B.4. Distribution schedule of the number of holders in each class of equity security

By Class	Holders of Ordinary Shares	Number of Ordinary Shares	%
1-1,000	854	289,982	0.03%
1,001 - 5,000	372	971,297	0.10%
5,001 - 10,000	107	794,277	0.08%
10,001 - 100,000	333	16,442,887	1.64%
100,001 and over	442	983,223,432	98.15%
<b>TOTALS</b>	<b>2,108</b>	<b>1,001,721,875</b>	<b>100.00%</b>

#### B.5. Marketable Parcel

There are 1,698 shareholders with less than a marketable parcel.

## ADDITIONAL SHAREHOLDERS' INFORMATION

### B.6. Restricted Securities

The Company has no restricted securities at the current date.

### B.7. Twenty largest holders of each class of quoted equity security

#### Fully paid ordinary shares

The names of the twenty largest holders of fully paid ordinary shares, the number of securities and percentage of share capital held is as follows:

Name	No. of Shares	%
THE TRUST COMPANY (AUSTRALIA) LIMITED <MOF A/C>	114,721,851	11.45%
GREAT SOUTHERN FLOUR MILLS PTY LTD	90,000,000	8.98%
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	65,917,709	6.58%
MR MARK JAMES CASEY	50,265,901	5.02%
STATION NOMINEES PTY LTD <STATION SUPER FUND A/C>	25,000,000	2.50%
ASPIRE WEST PTY LTD	20,000,000	2.00%
DOMAEVO PTY LTD <THE JCS A/C NO2>	16,214,443	1.62%
MR RICHARD STUART DONGRAY & MRS JOAN DONGRAY <SUPER FUND A/C>	15,000,000	1.50%
JKR SUPER PTY LTD <JPR SUPER FUND A/C>	14,750,000	1.47%
MR HOAI NAM PHAM	14,061,434	1.40%
AVANTEOS INVESTMENTS LIMITED <7788138 WARCZAK A/C>	13,956,702	1.39%
MR PAUL SIMON DONGRAY <THE DONGRAY FAMILY NO 2 A/C>	13,850,000	1.38%
PANDORA PERTH PTY LTD	13,500,000	1.35%
DR DANIEL PECHAR & MRS KATRINA PECHAR <PECHAR SUPER FUND A/C>	13,400,000	1.34%
MR STEPHEN & NIGEL & RITA & LOISE LAMBERT <LAMBERT SUPER FUND A/C>	13,000,003	1.30%
AUSEPEN PTY LTD <DESKTOP A/C>	12,971,411	1.29%
MR OWEN CLARE & MRS ROSALIND CLARE <CLARE SUPER FUND A/C>	12,799,900	1.28%
MR XIAO PENG	9,450,000	0.94%
MR IAN ALASTAIR LEETE & MRS HELEN LEETE <THE LEETE FAMILY S/F A/C>	9,166,667	0.92%
MR RUSSELL DREDGE & MRS MELINDA DREDGE <JOBE SUPER FUND A/C>	8,937,500	0.89%
	<b>546,963,521</b>	<b>54.60%</b>



## ADDITIONAL SHAREHOLDERS' INFORMATION

### Options

The names of the twenty largest option holders, the number of options and percentage of option capital held is as follows:

Name	No. of Options	%
MR SCOTT ALAN MALONE	15,000,001	5.08%
MR MARK JAMES CASEY	15,000,000	5.08%
MR DAVID PRENTICE & MRS MIRELLA PRENTICE <D&M PRENTICE SUPERFUND A/C>	15,000,000	5.08%
BERRY ENTERPRISES PTY LTD <THE BERRY A/C>	15,000,000	5.08%
AUSEPEN PTY LTD <DESKTOP A/C>	15,000,000	5.08%
THE TRUST COMPANY (AUSTRALIA) LIMITED <MOF A/C>	13,152,882	4.46%
MERCHANT FUNDS MANAGEMENT PTY LTD	11,404,233	3.86%
MR KIRK LARSEN	10,076,682	3.41%
FRY SUPER PTY LTD <INXS SUPER FUND A/C>	10,000,000	3.39%
MY H & B PTY LTD	9,500,000	3.22%
MR STEVEN JOHN DIGGERMAN	9,311,202	3.15%
RAVENHILL INVESTMENTS PTY LTD <HOUSE OF EQUITY A/C>	9,123,387	3.09%
AUSEPEN PTY LTD <DESKTOP A/C>	6,666,667	2.26%
EASTERN CAPITAL GROUP LLC	6,666,667	2.26%
COVE CAPITAL PTY LTD	6,666,667	2.26%
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	6,478,360	2.20%
MR ASHLEY WILLIAM ROBIN PARKER	5,930,201	2.01%
DR DANIEL PECHAR & MRS KATRINA PECHAR <PECHAR SUPER FUND A/C>	5,000,000	1.69%
MR BRETT JAMES MUIRHEAD	5,000,000	1.69%
DR MUHAMMAD MALIK	4,635,341	1.57%
	<b>194,612,290</b>	<b>65.92%</b>