



24 May 2016

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### CLARIFICATION OF ANNOUNCEMENTS

Brookside Energy Limited (ASX: BRK) (**Brookside** or the **Company**) refers to the announcements entitled "Brookside Acquires Oil and Gas Royalties in the World Class STACK Meramec Play" dated 31 March 2016 and "Investment in US Focused Energy Start-up" dated 7 December 2015. In discussions with the Company subsequent to the release of these announcements, ASX have requested the Company clarify the operation of the agreements between Black Mesa Production, LLC (**Black Mesa**) and BRK Oklahoma Holdings, LLC (**BRK Oklahoma**).

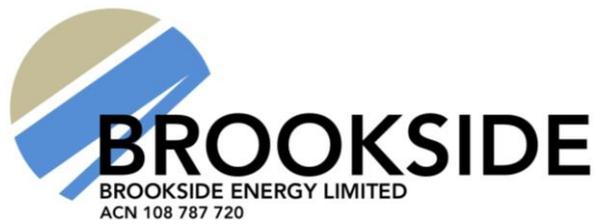
In relation to acquisition or drilling proposals introduced by Black Mesa to BRK Oklahoma in the three year period commencing in calendar year 2015 and continuing until 31 December 2018, and pursuant to the Acquisition Program Agreement (**APA**) and the Drilling Program Agreement (**DPA**) (each agreement being between Black Mesa and BRK Oklahoma), the Company's wholly-owned subsidiary BRK Oklahoma has agreed to commit US\$10 million to either:

- an acquisition or acquisitions (pursuant to the APA); or
- a drilling program or programs (pursuant to the DPA); or
- a combination of an acquisition or acquisitions and drilling program or programs.

Under the APA, Black Mesa may notify BRK Oklahoma of an acquisition proposal; and BRK Oklahoma has the right to approve or reject proposals presented to it by Black Mesa. For this reason, BRK Oklahoma is not legally obligated to commit US\$10 million as set out above. The scale of BRK Oklahoma's commitments to acquisitions or drilling programs are dependent upon the proposals put forward by Black Mesa.

The RA Minerals Royalty Acreage acquisition referred to in the Company's ASX announcement dated 31 March 2016 is the first proposal accepted by BRK Oklahoma pursuant to the APA. A project acquired pursuant to the terms of the APA is subject to Black Mesa's 18.75% (working interest) back-in after payout.

Under the DPA, Black Mesa will notify BRK Oklahoma of geographic areas that Black Mesa considers to be appropriate in which to establish production of oil, gas and/or other hydrocarbons. Black Mesa will provide a proposal to BRK Oklahoma prior to commencement of any drilling or similar operation. No activities will occur under a



proposal made to BRK Oklahoma without BRK Oklahoma's prior acceptance of the proposal. To date Black Mesa and BRK Oklahoma have not secured an interest in a proposal put forward pursuant to the DPA. A project acquired pursuant to the terms of the DPA is subject to Black Mesa's 25% (working interest) back-in after payout.

These agreements (the APA and the DPA), together with the Operating Agreement (announced on 7 December 2015) provide BRK Oklahoma with flexibility to raise capital that may be required for any approved acquisitions and/or drilling proposals from a wide range of sources.

Under the terms of the Operating Agreement (pursuant to which BRK Oklahoma acquired a 15% interest in Black Mesa) BRK Oklahoma has agreed to fund its share (US\$937,800) of a three year general and administration budget for Black Mesa. In addition, in the event that BRK Oklahoma does not contribute, in a timely manner, the amounts that it is has agreed to contribute pursuant to the APA or the DPA, Black Mesa has the right to acquire BRK Oklahoma's interest in Black Mesa at a price to be determined under certain valuation mechanisms set out in the Operating Agreement.

The Operating Agreement, APA and DPA contain industry standard operational clauses customary for these types of agreements, including but not limited to clauses related to management of operations, reporting, assignment of interests, and taxation.

The Company confirms its compliance with Listing Rule 3.1.

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**For further information, contact**

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