

### Response to Rapid Changes in Macro Economic Environment

Perth, Western Australia – April 20, 2020 - **Brookside Energy Limited (ASX:BRK) (Brookside or the Company)** provides the following update in relation to the Company's response to the recent slowdown in global economic activity that is impacting the demand for oil and the supply side tensions that together have resulted in sharply lower oil prices in recent weeks.

While our land and leasing focussed business model provides us with some protection from this volatility, the scale and duration of these recent developments remains uncertain and it was therefore prudent for us to respond quickly with measures to ensure that we adapt to these changed business conditions and position ourselves to take advantage of any growth opportunities that may emerge.

Brookside, together with its partner and manager of US operations, Black Mesa Energy, LLC (**Black Mesa**) moved quickly to adopt new measures that are focused on the following key areas; reducing general and administration expenses and simplifying the business structure, adjusting our land and leasing strategy in the SWISH AOI to preserve the core acreage position, harvesting important cash flow, and finally preparing to take advantage of opportunities for growth.

#### ***General and Administration Expenses, Business Structure***

Immediate reductions to corporate support costs and directors' fees have been implemented resulting in a 30% saving in general and administration expenses for Brookside. This includes a reduction of the Managing Directors fees from A\$180,000 per annum to A\$120,000 per annum (effective March 1, 2020 and to be reviewed on July 1, 2020). The remaining terms of the Managing Directors services agreement are unchanged.

The team at Black Mesa have also implemented a number of cost saving initiatives aimed at reducing general and administration expenses including reducing the number of full time employees, utilising contractors as required, and reducing the reliance on external suppliers for accounting and other support functions. These initiatives have resulted in a similar reduction in general administration expenses (approximately 30%).

In addition, the corporate structure of Black Mesa has been simplified via the redemption (by mutual agreement) of the Tulsa Equity Group's shares in Black Mesa. This has resulted in Brookside increasing its equity in Black Mesa from 17.2% to 28.7%. This has the net effect of reducing Black Mesa's Working Interest Back-in After Pay-out for Brookside from 25% to 17.8%. The balance of the Tulsa Equity Groups shares have been assigned to the executive management of Black Mesa (Messrs Francis, Girouard and Schumer) on a pro-rata basis. Brookside has also appointed two new members to the Board of Black Mesa and David Prentice has been appointed Chairman and CEO of Black Mesa. Black Mesa's Board members do not receive fees for their services (this includes the Chairman and CEO).



### ***SWISH AOI Acreage Position***

In the last six weeks we have seen the price of oil fall to its lowest level in almost 20-years. This price action has been driven primarily by the recent slowdown in global economic activity that is impacting demand and tensions that have emerged on the supply side between the OPEC+ nations. This price reduction has resulted in a dramatic decrease in capital being allocated to the drilling of new wells across the US, including in the Anadarko Basin plays.

While the breakeven pricing for our flagship Sycamore horizontal wells produces an attractive rate of return at US\$40 per barrel, the current pricing environment does not support a decision to move forward with development and risk delivering 'flush production' into a low commodity price environment and thereby extending time to pay-out and negatively impacting our future returns. In this environment it is prudent to effectively store the unproduced oil and gas in the reservoir to be extracted later and delivered into higher oil and gas prices.

With this in mind the team has implemented a lease renewal and extension program for the SWISH AOI acreage. This program will see us continue with our high-grading and trading activities with a focus on securing the future of core drilling spacing units (**DSUs**). This program is designed to enable Brookside to maintain the dominant position in these key DSUs and extend leases as required so that we are set to commence operations when the pricing environment improves.

This renewal and extension program is being funded from existing working capital and the Company is setting itself to be able to continue this program for an extended period in the event that prices do not recover in the short to medium term.

### ***Existing Cash Flow***

As part of Brookside's "Real Estate Development" approach to its oil and gas investments, the Company is taking the opportunity to harvest some cash flow from low risk wells that have been drilled within its acreage position. Brookside currently has an interest in eleven producing wells (that are producing to sales and/or set to commence production). Brookside's share of revenue from oil and gas sales for the first quarter of 2020 averaged approximately US\$25,000 per month. Importantly, lease operating expenses (including fixed and variable operating costs and severances taxes) amount to approximately US\$7.50 per barrel of oil equivalent for this production stream, providing a solid operating margin even at today's spot prices.

### ***Growth Opportunities***

In addition to the renewal and extension program outlined above, the Brookside and Black Mesa teams are working on strategies aimed at capitalising on the current period of dramatically weaker prices and the opportunities that may emerge from this.

The initial focus for this activity will be within the SWISH AOI.

This period presents a unique opportunity for us to further leverage our experience, expertise and the large amount of data we have pulled together (production history, reservoir characteristics, geology and importantly land and title work) in the SWISH AOI and the Anadarko Basin generally and to continue to grow our asset base at a low point in the cycle.



## **Background**

Brookside Energy is a Perth-based ASX listed company that generates shareholder value by developing oil and gas plays in the world-class Anadarko Basin.

The Anadarko 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.

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 in the northern Anadarko Basin’s STACK Play.

Brookside’s US partner and manager of operations, Black Mesa is an experienced mid-continent operator, which identifies opportunities and executes development under a commercial agreement with Brookside. The business model effectively assigns risk and provides commercial incentives to maximise value for both parties.

The Company is now set to scale-up its activities and asset base significantly with its operated-interests in the SWISH AOI.

This announcement has been authorised by the Board of Brookside Energy Limited.

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### **For further information, contact:**

David Prentice  
**Managing Director**  
Brookside Energy Limited  
Tel: (+61 8) 6489 1600  
[david@brookside-energy.com.au](mailto:david@brookside-energy.com.au)



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### **ABOUT BROOKSIDE ENERGY LIMITED**

Brookside is an Australian publicly held company listed on the Australian Securities Exchange (ASX: BRK). The Company was established in 2004 and first listed via an Initial Public Offering in October 2005. The Company has established deep and valued relationships in the oil and gas sector over the last 10 years through its successful activities in the oil and gas sector focused on the mid-continent region of the United States. Brookside's goal is to build value per share through a disciplined portfolio approach to the acquisition and development of producing oil and gas assets and the leasing and development of acreage opportunities.

Web <http://www.brookside-energy.com.au>

### **ABOUT BLACK MESA ENERGY, LLC**

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

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



## GLOSSARY

|                                |  |
|--------------------------------|--|
| <b>APO WI</b>                  | After pay out working interest   |
| <b>AFIT</b>                    | After Federal Income Tax   |
| <b>AOI</b>                     | Area of Interest   |
| <b>BFIT</b>                    | Before Federal Income Tax  |
| <b>BOE</b>                     | Barrels of Oil Equivalent  |
| <b>COPAS</b>                   | Council of Petroleum Accountants Societies   |
| <b>Development Unit or DSU</b> | Development Unit or drilling spacing unit is the geographical area in which an initial oil and/or gas well is drilled and produced from the geological formation listed in a spacing order. The spacing unit communitizes all interest owners for the purpose of sharing in production from oil and/or gas wells in the unit. A spacing order establishes the size of the unit; names the formations included in the unit; divides the ownership of the unit for the formations into the "royalty interest" and the "working interest"; Only one well can be drilled and completed in each common source of supply. Additional wells may be drilled in a Development Unit, but only after an Increased Density Order is issued by the Oklahoma Corporation Commission. |
| <b>Mboe</b>                    | 1,000 barrels of oil equivalent  |
| <b>Mcf</b>                     | 1,000 cubic feet   |
| <b>MMboe</b>                   | 1,000,000 barrel of oil equivalent   |
| <b>NPV<sub>10</sub></b>        | The net present value of future net revenue, before income taxes and using a discount rate of 10%.   |
| <b>NRI</b>                     | Net Revenue Interest   |
| <b>PDP</b>                     | Proved Developed Producing Reserves  |
| <b>Pooling Agreements</b>      | The pooling agreements facilitate the development of oil and gas wells and drilling units. These binding pooling agreements are between the Company and the operators as specified in Appendix 1.  |
| <b>PUD</b>                     | Proved Undeveloped Reserves  |
| <b>Reserve Categories</b>      | <p>These reserve categories are totalled up by the measures 1P, 2P, and 3P, which are inclusive of all reserves types:</p> <ul style="list-style-type: none"> <li>• "1P reserves" = proven reserves (both proved developed reserves + proved undeveloped reserves).</li> <li>• "2P reserves" = 1P (proven reserves) + probable reserves, hence "proved AND probable."</li> <li>• "3P reserves" = the sum of 2P (proven reserves + probable reserves) + possible reserves, all 3Ps "proved AND probable AND possible."</li> </ul>   |
| <b>STACK</b>                   | Sooner Trend Anadarko Basin Canadian and Kingfisher Counties – oil and gas play in the Anadarko Basin Oklahoma   |
| <b>SCOOP</b>                   | South Central Oklahoma Oil Province - oil and gas play in the Anadarko Basin Oklahoma  |
| <b>SWISH AOI</b>               | Description of Brookside's Area of Interest in the SCOOP Play  |
| <b>Working Interest</b>        | Percentage of ownership in a lease granting its owner the right to explore, drill and produce oil and gas from a tract of property. Working interest owners are obligated to pay a corresponding percentage of the cost of leasing, drilling, producing and operating a well or unit   |