

THIRD SUPPLEMENTARY BIDDER'S STATEMENT

19 MARCH 2015

IN RESPECT OF THE ON-MARKET CASH OFFER BY

NZOG OFFSHORE LIMITED

**(a wholly owned subsidiary of NEW ZEALAND OIL & GAS
LIMITED ARBN 003 064 962 (NZX/ASX: NZO))**

to acquire all the ordinary shares in

CUE ENERGY RESOURCES LIMITED ABN 45 066 383 971

for A\$0.10 cash per share

This is the third supplementary bidder's statement dated 19 March 2015 ('Third Supplement') issued by NZOG Offshore Limited in relation to its on-market Offer for all the ordinary shares in Cue Energy Resources Limited ('Cue'). This Third Supplement supplements, and is to be read together with, the Bidder's Statement dated 12 February 2015 ('Bidder's Statement'), the First Supplementary Bidder's Statement dated 12 March 2015 and the Second Supplementary Bidder's Statement dated 16 March 2015 ('Previous Supplements').

Unless the context requires otherwise, defined terms in the Bidder's Statement as amended by the Previous Supplements have the same meaning in this Third Supplement. This Third Supplement prevails to the extent of any inconsistency with the Bidder's Statement or the Previous Supplements.

A copy of this Third Supplement was lodged with ASIC on 19 March 2015. Neither ASIC nor its officers takes any responsibility for the contents of this First Supplement.

Supplementary information

Since issuing the First Supplementary Bidder's Statement dated 12 March 2015 and the Second Supplementary Bidder's Statement dated 16 March 2015 (**Original Documents**), the Bidder has considered the contents of the Original Documents.

In light of that consideration, the Bidder has decided to amend and restate the Original Documents in the form of Attachments 1 and 2 to this Third Supplement.

Signature

DATED 19 March 2015

Signed on behalf of the Bidder according to a resolution of the director of the Bidder dated 19 March 2015.



Andrew Knight
Sole Director

ATTACHMENT 1

**AMENDED AND RESTATED
FIRST SUPPLEMENTARY
BIDDER'S STATEMENT**

12 MARCH 2015 (AS AMENDED AND RESTATED ON 19 MARCH 2015)

IN RESPECT OF THE ON-MARKET CASH OFFER BY

NZOG OFFSHORE LIMITED

**(a wholly owned subsidiary of NEW ZEALAND OIL & GAS
LIMITED ARBN 003 064 962 (NZX/ASX: NZO))**

to acquire all the ordinary shares in

CUE ENERGY RESOURCES LIMITED ABN 45 066 383 971

for A\$0.10 cash per share

This is the first supplementary bidder's statement dated 12 March 2015 as amended and restated on 19 March 2015 ('Amended First Supplement') issued by NZOG Offshore Limited in relation to its on-market Offer for all the ordinary shares in Cue. This Amended First Supplement supplements, and is to be read together with, the Bidder's Statement dated 12 February 2015 ('Bidder's Statement').

Unless the context requires otherwise, defined terms in the Bidder's Statement have the same meaning in this Amended First Supplement. This Amended First Supplement prevails to the extent of any inconsistency with the Bidder's Statement.

A copy of this Amended First Supplement was lodged with ASIC on 19 March 2015. Neither ASIC nor its officers takes any responsibility for the contents of this First Supplement.

Supplementary information

The following supplementary information is added to the Bidder's Statement.

1. The Bidder believes the Supplementary Target's Statement gave insufficient regard to certain considerations that are material to calculating Cue's value of equity per share.

The Bidder wishes to draw to the attention of Cue Shareholders certain aspects of the Independent Expert's Report dated 28 February 2015 attached to the Supplementary Target's Statement dated 2 March 2015.

a. Corporate Costs / Head Office Costs have been excluded.

Section 5.6 of the Independent Expert Report identifies that Cue incurs on average corporate overhead costs of c. \$6.5 million dollars per year¹. Nevertheless, Grant Samuel's assessment of Cue's fair value has excluded all Corporate/Head Office Costs, except for the allowance of residual corporate costs and one-off implementation costs of \$2 - 4 million¹. Grant Samuel advises that the overhead costs were omitted on the basis that Bidder, if successful in acquiring 100% of Cue, will be in a position to eliminate all of the overhead costs via capturing synergies.

The Bidder believes that the corporate and head office costs should not be disregarded as:

- **If at the end of the Offer Period, the Bidder has not obtained sufficient acceptances to obtain control of Cue, the Bidder will not have the ability to force Cue to reduce annual overhead costs in any way.** Even where the Bidder does obtain control of Cue, there is no guarantee of the extent to which the Bidder can eliminate Cue's annual overhead costs. Given that Cue has operations in geographical areas in which the NZOG Group does not, it is reasonable to conclude that Cue's annual overhead costs cannot be completely eliminated even if the Bidder obtains 100% of Cue.
- **It is inconsistent with the Cue Board recommending that shareholders reject the Bidder's Offer.**

The Cue Board is advising Cue shareholders that they would be better off by allowing Cue to continue to operate business as usual – which must also include incurring the corporate overhead costs. Therefore, the value of Cue shares to its shareholders should be based on the Board's recommended 'business as usual' scenario, including full annual overheads.

- The Bidder's Statement² further supports that Cue may continue to operate business as usual, including incurring full annual overhead costs, post the closing of the Offer, in that:

"The Offer extends to all Shares, but the Bidder will be comfortable if it can acquire at least a further 10% of Shares under the Offer. If at the end of the Initial Offer Period, the Bidder has a clear indication of whether it will receive acceptances of 10% of Shares, it is unlikely to extend the Offer Period..."

¹ Grant Samuel Report, Section 5.6 "Corporate Costs/Head Office Costs", 28 February 2015, page 41.

² Bidder's Statement, Section 5.2 "Rationale for the Offer", page 14.

- On the basis that Cue intends to continue to operate 'business as usual' until at least 2028 (being the average period of time that RISC has estimated that economic production from Maari will continue³), **the annual overhead costs are likely to be borne by Cue for this same period.**

The inclusion of Cue's \$6.5 million annual overhead costs in the Grant Samuel assessed value range (after adding back the one-off Head Office costs) would reduce the total assessed value of equity range materially.

The Bidder submits that if Grant Samuel is seeking to include the full value of potential corporate cost savings synergies to the Bidder in setting the highest value of the value range, it should also acknowledge that the lowest value of the value range must include the business as usual scenario, where cost savings synergies are not able to be achieved by the Bidder and full overhead costs continue to be incurred.

b. The Bidder believes certain payment commitments have been omitted from the calculation of Cue's cash position.

Based on Cue's reported cash position of \$37.1 million at 31 December 2014, the equity value of Cue's cash position represents 5.3 cents per share. However, the value assessment fails to account for any expenditures incurred, committed, or likely to be committed to by Cue between 31 December 2014 and the valuation date (such as the payment of advisor fees, takeover defence costs, additional well costs or other capital commitments).

Applying these costs and commitments to Cue's reported cash position at 31 December 2014 could be material, and thereby further reduce, the assessed value of equity. Cue should disclose these costs and commitments so that shareholders can make a fully informed assessment of the Offer.

2. The trading price of Cue Shares.

Grant Samuel states⁴:

*"Grant Samuel has valued Cue Energy in the range of \$82-106 million which corresponds to a value of 11.7-15.2 cents per share. The valuation represents the estimated full underlying value of Cue Energy assuming 100% of the company was available to be acquired **and includes a premium for control. The Value exceeds the price at which, based on current market conditions, Grant Samuel would expect Cue Energy shares to trade on the ASX in the absence of a takeover Offer.**" (emphasis added)*

Grant Samuel does not separately disclose the included premium for control or the price they would expect Cue Energy shares to trade on the ASX once the Offer closes. Neither Grant Samuel nor Cue have given Cue shareholders any basis to believe that the trading price of Cue's shares, in the absence of the Offer, would not likely revert to around the price of Cue shares on 19 December 2014 (**8.5 cents per share**), being the trading day just prior to the Bidder having acquired its initial 19.99% shareholding.

3. Consents

This Supplementary Bidder's Statement includes statements which are made in, or based on statements made in, documents lodged with ASIC or on the company announcement platform of ASX by Cue and others. Under the terms of ASIC Class Order 01/1543, the

³ RISC, "Independent Technical Specialist Report", February 2015, pages 8-18.

⁴ Grant Samuel Report, Section 5.1 "Summary", 28 February 2015, page 30.

parties making those statements are not required to consent to, and have not consented to, the inclusion of those statements in this Bidder's Statement. If you would like to receive a copy of any of these documents, please contact the Offer information line on +64 4 495 2423 from Monday to Friday between 7.00am and 3.00pm (Sydney, Australia time) and you will be sent copies free of charge. Information may also be obtained from Cue's website at www.cuenrg.com.au.

Based on the comments made in this First Supplementary Bidder's Statement:

Shareholders should ACCEPT the Offer.

Signature

DATED 12 March 2015

Signed on behalf of the Bidder according to a resolution of the director of the Bidder dated 12 March 2015.

Andrew Knight
Sole Director

ATTACHMENT 2

AMENDED AND RESTATED SECOND SUPPLEMENTARY BIDDER'S STATEMENT

16 MARCH 2015 (AS AMENDED AND RESTATED ON 19 MARCH 2015)

IN RESPECT OF THE ON-MARKET CASH OFFER BY

NZOG OFFSHORE LIMITED

(a wholly owned subsidiary of **NEW ZEALAND OIL & GAS
LIMITED** ARBN 003 064 962 (NZX/ASX: NZO))

to acquire all the ordinary shares in

CUE ENERGY RESOURCES LIMITED ABN 45 066 383 971

for A\$0.10 cash per share

This is the second supplementary bidder's statement dated 16 March 2015 as amended and restated on 19 March 2015 ('Amended Second Supplement') issued by NZOG Offshore Limited in relation to its on-market Offer for all the ordinary shares in Cue Energy Resources Limited ("Cue"). This Amended Second Supplement supplements, and is to be read together with, the Bidder's Statement dated 12 February 2015 ('Bidder's Statement') and the Amended First Supplementary Bidder's Statement dated 12 March 2015 ('Previous Supplement').

Unless the context requires otherwise, defined terms in the Bidder's Statement as amended by the Previous Supplement have the same meaning in this Amended Second Supplement. This Amended Second Supplement prevails to the extent of any inconsistency with the Bidder's Statement or the Previous Supplement.

A copy of this Amended Second Supplement was lodged with ASIC on 19 March 2015. Neither ASIC nor its officers takes any responsibility for the contents of this First Supplement.

Supplementary information

The following supplementary information is added to the Bidder's Statement as amended by the Previous Supplement.

1. Cue has not made a case that anybody should, in the Bidder's circumstances, pay more than A\$0.10 cash per Cue Share.

As a reaction to the Bidder's First Supplementary Bidder's Statement, Cue has released its Second Supplementary Target's Statement dated 13 March 2015 which attaches a letter of the same date from Cue's independent expert, Grant Samuel, responding to the First Supplementary Bidder's Statement.

Following the release of the Second Supplementary Target's Statement, the Bidder believes certain facts remain clear:

- Section 5.6 of the Independent Expert Report identifies that Cue incurs on average corporate overhead costs of c. \$6.5 million dollars per year¹;
- On the basis that Cue intends to continue to operate 'business as usual' until at least 2028, **the annual overhead costs are likely to be borne by Cue for this same period²**;
- **the inclusion of Cue's \$6.5 million annual overhead costs in the Grant Samuel assessed value range (after adding back the one-off Head Office costs) would reduce the total assessed value of equity range materially;**
- it is true that the Bidder will try to enhance Cue's business by reducing excessive annual corporate overhead costs, but **the Cue Board should already have done so**;
- the Bidder maintains that the value of Cue shares for shareholders to consider in deciding whether to accept the Offer must be the expected value of Cue shares if they remain a Cue shareholder;
- if you remain a Cue shareholder, and the Bidder is unable to enhance Cue's business (see section 5.3(d) of the Bidder's Statement) by reducing annual corporate overhead costs, **the value of your Shares is materially less than Grant Samuel's valuation. It is worth noting that neither Cue nor its independent expert has claimed otherwise**;
- nothing that Cue or its independent expert have said has made a case that anybody, in the Bidder's circumstances, should pay more than A\$0.10 cash per Cue Share; and
- Cue shareholders are better off with 10 cents cash per Share than with Cue Shares under current management arrangements.

Cue has also tried to dismiss the **sale by Todd of more than 27 per cent of Cue Shares** to the Bidder at 10 cents per share as a sale by 'a motivated seller'³. In the Bidder's opinion, Todd is a sophisticated investor that was motivated to accept the Bidder's Offer as the best price reasonably obtainable by it.

¹ Grant Samuel Report, Section 5.6 "Corporate Costs/Head Office Costs", 28 February 2015, page 41.

² Amended and Restated First Supplementary Bidder's Statement dated 12 March 2015 as amended and restated on 19 March 2015, Section 1a.

³ Second Supplementary Target's Statement dated 13 March 2015, Section 2.

As noted in the First Supplementary Bidder's Statement:

Shareholders should ACCEPT the Offer.

2. Consents

This Supplementary Bidder's Statement includes statements which are made in, or based on statements made in, documents lodged with ASIC or on the company announcement platform of ASX by Cue and others. Under the terms of ASIC Class Order 01/1543, the parties making those statements are not required to consent to, and have not consented to, the inclusion of those statements in this Bidder's Statement. If you would like to receive a copy of any of these documents, please contact the Offer information line on +64 4 495 2423 from Monday to Friday between 7.00am and 3.00pm (Sydney, Australia time) and you will be sent copies free of charge. Information may also be obtained from Cue's website at www.cuenrg.com.au.

Signature

DATED 16 March 2015

Signed on behalf of the Bidder according to a resolution of the director of the Bidder dated 16 March 2015.

Andrew Knight
Sole Director