ABN 45 066 383 971

ASX RELEASE
6 December 2018

Notice of General Meeting, Explanatory Memorandum and Independent Expert's Report

Shareholders are advised that, pursuant to the Ironbark Gas Project's WA-359-P Farmout Agreement and WA-409-P Option Agreement each entered into between Cue Exploration Pty Ltd (***CUE Exploration***), which is a wholly-owned subsidiary of Cue Energy Resources Limited (***CUE*** or the ***Company***), New Zealand Oil & Gas Limited (***NZOG***) and NZOG (Ironbark) Pty Limited (***NZOGIPL***), whose ultimate parent company is NZOG, as announced on 26 October 2018, the Company has despatched the enclosed Shareholder Information Booklet.

The Shareholder Information Booklet contains the following documents:

a) Notice of General Meeting;

b) Explanatory Memorandum; and

c) Independent Expert's Report.

The General Meeting of the Company will be held at Allens, Level 37, 101 Collins Street, Melbourne on Tuesday, 8 January 2019 at 10am (AEDT).

A formal Notice of General Meeting is contained in Part 1 of this Shareholder Information Booklet.

The purpose of the General Meeting of the Company is to consider and, if thought fit, pass a resolution (the ***Proposed Resolution***) to approve:

a) the sale by CUE Exploration of a 15% participating interest in WA-359-P by CUE Exploration to NZOGIPL under the WA-359-P Farmout Agreement between CUE Exploration, NZOG and NZOGIPL (***WA-359-P Farmout Agreement***); and

b) the granting of an option by CUE Exploration to NZOGIPL to purchase a 5.36% participating interest in WA-409-P under the WA-409-P Option Agreement between CUE Exploration, NZOG and NZOGIPL (***WA-409-P Option Agreement***),

(together, the ***Proposed Transactions***).

Important Document

This Shareholder Information Booklet contains important information regarding the Proposed Transactions and how to vote in respect of the Proposed Resolution. You should carefully read this Shareholder Information Booklet in its entirety and seek professional advice where necessary prior to voting.

Independent Directors Recommendation

The Independent Directors are of the view that the Proposed Transactions:

- represent the best option currently available to the Shareholders to meet CUE's exploration funding commitment obligations in respect of WA-359-P and WA-409-P and reach the next stage of exploration and drilling program for the Ironbark Prospect; and
- are in the best interests of the Company,

and therefore, **the Independent Directors unanimously recommend that the Shareholders vote in favour of the Proposed Resolution approving the Proposed Transactions.**

Independent Expert

The Company has engaged PKF Melbourne Corporate Pty Ltd (***PKF Corporate Advisory*** *or* ***Independent Expert***) as an independent expert to provide a report in respect of the Proposed Transactions. The Independent Expert has concluded that the Proposed Transactions are not fair but reasonable to the Non-Associated Shareholders. The Independent Directors' comments on the Independent Expert's Report, valuation methodology applied, and its findings are contained in Section 6 of the Explanatory Memorandum.

The Independent Expert's Report is included in Part 3 of this Shareholder Information Booklet.

Melanie Leydin
Company Secretary

ABN 45 066 383 971

SHAREHOLDER INFORMATION BOOKLET

GENERAL MEETING TO CONSIDER APPROVAL OF WA-359-P FARMOUT AGREEMENT AND WA-409-P OPTION AGREEMENT BETWEEN CUE EXPLORATION PTY LTD, NEW ZEALAND OIL & GAS LIMITED AND NZOG (IRONBARK) PTY LIMITED

This Shareholder Information Booklet contains the following documents:

1. **Notice of General Meeting;**
2. **Explanatory Memorandum; and**
3. **Independent Expert's Report.**

The Independent Directors of CUE unanimously recommend that Shareholders vote in favour of the Proposed Resolution.

The Independent Expert has concluded that the Proposed Transactions outlined in this Shareholder Information Booklet are not fair but reasonable to the Non-Associated Shareholders and consider that the advantages to the Proposed Transactions outweigh the disadvantages.

This Shareholder Information Booklet contains important information regarding the Company and in respect of determining how to vote on the Proposed Resolution. This Shareholder Information Booklet should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional advisor without delay and prior to voting.

Important Notices

General

You should read this Shareholder Information Booklet in its entirety before making a decision on how to vote on the Proposed Resolution to be considered at the General Meeting. The Notice of General Meeting convening the General Meeting is contained at Part 1 of this Shareholder Information Booklet. A Proxy Form for the General Meeting is enclosed with that notice.

Defined Terms

Capitalised terms in this Shareholder Information Booklet are defined in the Glossary in Section 7 of Part 2 of this Shareholder Information Booklet, unless stated otherwise.

A reference to A$ is a reference to Australian Dollars. A reference to US$ is a reference to United Stated Dollars.

Purpose of this Booklet

The purpose of this Booklet is to:

- Convene a General Meeting of Members of the Company;
- Provide Shareholders with all relevant information in respect of the Proposed Resolution (including the Proposed Transactions); and
- Provide such information as is prescribed by the Listing Rules and/or the Corporations Act.

ASX

A copy of this Shareholder Information Booklet has been lodged with the ASX. None of the ASX or any of their officers takes any responsibility for the contents of this Shareholder Information Booklet.

Input from other parties

PKF Corporate Advisory (or ***Independent Expert***) has prepared the Independent Expert's Report in relation to the Proposed Transactions between CUE Exploration, NZOGIPL and NZOG as described in Part 2 of the Shareholder Information Booklet. The Independent Expert takes responsibility for the Independent Expert's Report as contained at Part 3 of the Shareholder Information Booklet. The Independent Expert is not responsible for any other information contained in this Shareholder Information Booklet. Shareholders are urged to read the Independent Expert's Report carefully to understand the scope of the report, the methodology of the assessment, the source of information and the assumptions made. The Independent Expert has appointed SRK Consulting (Australasia) Pty Ltd (**SRK Consulting**) as a technical adviser on the terms and for the purposes set out in the Independent Expert's Report.

Other than in respect of the information provided by the Independent Expert, the information contained in this Shareholder Information Booklet has been prepared by the Company and is the responsibility of the Company.

Investment decisions

This Shareholder Information Booklet does not take into account the investment objectives, financial situation, tax position, requirements or personal circumstances of any particular person. This Shareholder Information Booklet should not be relied on as the sole basis for any investment decision in relation to your shares. Independent financial and taxation advice should be sought before making any decision to invest in the Company or in relation to the Proposed Resolution set out in Part 1 of this Shareholder Information Booklet.

Shareholders should carefully consider the possible disadvantages and risks associated with the Proposed Transactions identified in Sections 4.4 and 5 of Part 2.

Shareholders should carefully consider these factors in light of their particular investment objectives, financial situation and tax position. If Shareholders are in any doubt on these matters, they should consult their legal, financial, taxation or other professional advisor before deciding how to vote on the Proposed Resolution.

Forward looking statements

This Shareholder Information Booklet includes certain forward looking statements which have been prepared based on current expectations about future events. The forward looking statements are however, subject to risks, uncertainties and assumptions that could cause actual results to differ materially from expectations described in such forward looking statements. The assumptions on which forward looking statements are based may prove to be incorrect or may be affected by matters not currently known to, or considered material by, the Company. Past performance is no indication of future performance.

Forward looking statements contained in this Shareholder Information Booklet reflect views held at the date of this booklet only. You should not place undue reliance on those statements.

Independent Directors

The Proposed Transactions have been considered and negotiated by the independent directors of the Company (being Mr Peter Hood and Mr Richard Malcolm as at the date of this Notice of General Meeting) on behalf of the Company (***Independent Directors***).

Shareholder Information

Shareholders wishing to obtain further information can contact the Company between 9 a.m. and 5 p.m. AEDT on: +61 3 8610 4000.

The General Meeting of

CUE ENERGY RESOURCES LIMITED
ABN 45 066 383 971

Will be held at
10 AM (AEDT) on Tuesday, 8 January 2019

At
Allens, Level 37, 101 Collins Street, Melbourne

CUE ENERGY RESOURCES LIMITED

ABN 45 066 383 971

NOTICE OF GENERAL MEETING

Notice is hereby given that a General Meeting of Shareholders of CUE Energy Resources Limited (the ***Company*** or ***CUE***) will be held at Allens, Level 37, 101 Collins Street, Melbourne at 10am (AEDT) on Tuesday, 8 January 2019.

Capitalised terms have the meaning provided in the Glossary in Section 7 of Part 2 of this Shareholder Information Booklet, unless stated otherwise.

This Notice of General Meeting is accompanied by a Proxy Form and an Explanatory Memorandum which contains an explanation of, and information regarding, the Proposed Resolution. The Proxy Form and Explanatory Memorandum form part of this Notice of General Meeting.

The Company's Independent Directors are of the view that the Proposed Transactions are in the best interests of the Company and unanimously recommend the approval of the Proposed Transactions. A complete discussion of the Independent Directors' recommendation is found in sections 1.4 and 6 of the Explanatory Memorandum on pgs. 12 and 22.

The Company has obtained an Independent Expert's Report in respect of the Proposed Transactions being put to Shareholders for approval under the Proposed Resolution. The Independent Expert has concluded that Proposed Transactions are not fair but reasonable to Non-Associated Shareholders and consider that the advantages of the Proposed Transactions outweigh the disadvantages. The Independent Expert's Report is included, in full, in Part 3 to the Shareholder Information Booklet. The Independent Directors have provided their comments in relation to the Independent Expert's conclusion in section 6 of the Explanatory Memorandum on pg. 22 and Shareholders are encouraged to read and consider the Independent Directors' comments in section 6 carefully.

Resolution – CUE Exploration to sell 15% participating interest in WA-359-P and grant an option to acquire 5.36% participating interest in WA-409-P to NZOGIPL

To consider and, if thought fit, pass the following as an ordinary resolution:

"That, for the purposes of ASX Listing Rule 10.1 and for all other purposes, approval is given for CUE Exploration to :

a) sell to NZOGIPL a 15% participating interest in WA-359-P under the WA-359-P Farmout Agreement; and

b) grant to NZOGIPL an option to purchase a 5.36% participating interest in WA-409-P under the WA-409-Option Agreement,

*on the terms and conditions as set out in the Explanatory Memorandum (the **Proposed Transactions**)."*

Voting Exclusion

The Company will disregard particular votes cast in favour of this resolution by certain persons. Details of the applicable voting exclusions are set out in the "Voting Exclusions" section of the Explanatory Memorandum to this Notice.

Notes

Eligibility to Vote
Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) permits the Company to specify a time, not more than 48 hours before a general meeting, at which a 'snap-shot' of shareholders will be taken for the purposes of determining shareholder entitlements to vote at the General Meeting.

The Board has determined that the registered holders of fully paid ordinary shares at 7pm AEDT on 6 January 2019 will be taken to be holders of ordinary shares for the purposes of the General Meeting and accordingly, will be entitled to attend and vote at the General Meeting.

Voting by Proxy
An eligible Shareholder can vote in person at the General Meeting or appoint a proxy or, where a Shareholder is entitled to two or more votes, two proxies. Where two proxies are appointed, a Shareholder may specify the number or proportion of votes to be exercised by each proxy appointed. If no number or proportion of votes is specified, each proxy appointed will be taken to exercise half of that Shareholder's votes (disregarding fractions).

If you cannot attend the General Meeting, you are strongly urged to complete the Proxy Form and return it to the Company's Share Registry, **Computershare** (see Proxy Form for details).

An appointed proxy need not themselves be a Shareholder.

To be valid, the appointment of a proxy (made using a properly completed and executed Proxy Form) must be received by the Company no later than 10am AEDT on Sunday, 6 January 2019. Proxy Forms can be submitted in two ways – please refer to the "Proxy Instructions" at the back of this Shareholder Information Booklet.

If a Proxy Form is signed by an attorney, a shareholder must also send in the original or a certified copy of the power of attorney or other authority under which the Proxy Form is signed.

Undirected Proxies
The chair of the General Meeting (***Chair***) intends to vote undirected proxy votes in favour of the Proposed Resolution (subject to the voting exclusions below).

Voting by Corporate Representative
A Shareholder or proxy which is a corporation and entitled to attend and vote at the General Meeting may appoint an individual to act as its corporate representative to vote at the General Meeting. The appointment must comply with section 250D of the *Corporations Act 2001* (Cth) (the ***Corporations Act***). The representative should bring to the General Meeting evidence of his or her appointment unless it has previously been provided to the Company.

Voting by Attorney
A Shareholder entitled to attend and vote at the General Meeting is entitled to appoint an attorney to attend and vote at the General Meeting on the Shareholder's behalf. An attorney need not themselves be a Shareholder.

The power of attorney appointing the attorney must be signed and specify the name of each of the Shareholder, the Company and the attorney, and also specify the meeting at which the appointment may be used. The appointment may be a standing one.

To be effective, the power of attorney must also be returned in the same manner, and by the same time, as specified for Proxy Forms.

Voting Exclusions
The Corporations Act and the ASX Listing Rules require that certain persons must not vote in particular ways, and the Company must disregard particular votes cast by or on behalf of certain persons, on the Proposed Resolution to be considered at the General Meeting. Please refer to the "Voting Exclusions" section in the Explanatory Memorandum for more details, and note that NZOG and its associates (including NZOG Offshore Ltd), is not able to vote on the Proposed Resolution.

Resolutions
All items of business involving a vote by Shareholders require ordinary resolutions, which means that, to be passed, the item needs the approval of a simple majority of the votes cast by Shareholders entitled to vote on the resolution.

The Independent Directors of CUE are of the view that the Proposed Transactions are in the best interests of the Company and unanimously recommend the approval of the Proposed Resolution contained in this Notice of General Meeting and encourage eligible Shareholders to vote in favour of the Proposed Resolution.

BY ORDER OF THE BOARD

Melanie Leydin
Company Secretary
Dated: 6 December 2018

CUE ENERGY RESOURCES LIMITED

ABN 45 066 383 971

EXPLANATORY MEMORANDUM

This Explanatory Memorandum forms part of the Notice of General Meeting dated 6 December 2018 and should be read in conjunction with that Notice as this Explanatory Memorandum contains important information on the Proposed Resolution.

Independent Director's Summary

The Ironbark Prospect has the potential to add a step change in value to CUE if successful. The Independent Directors are strongly of the view that the Proposed Transactions are in the best interests of the Company and unanimously recommend that the Shareholders vote in favour of the Proposed Resolution because:

- after actively marketing the prospect for three years and evaluating alternative funding arrangements, the Proposed Transactions represent the best option currently available for CUE to meet its exploration funding commitment obligations in respect of WA-359-P and WA-409-P and reach the next stage of exploration and drilling program for the Ironbark Prospect;
- the consideration to be received from NZOGIPL for the Proposed Transactions is greater than the consideration paid by BP in respect of the BP WA-359-P Option and is equal to the consideration paid by Beach under the Beach Farmout Agreement which are comparable transactions to the Proposed Transactions (in each case, when consideration is measured on a per percentage interest basis), and is consistent with market norms;
- in respect of WA-359-P the Proposed Resolution will provide a pathway for CUE to fulfil the title commitment requirement for WA-359-P of drilling an exploration well, which may otherwise not be possible to achieve by CUE itself – failure to fulfil this requirement by the permit expiry date of 25 April 2019 is likely to result in CUE being in default of title commitments;
- NZOG is a technically and financially strong partner and their participation in the permits is supported by both BP and Beach Energy; and
- the participation of BP and Beach in WA-359-P is also currently conditional on the adoption of the Proposed Resolution. If the Proposed Resolution is not passed, CUE is unlikely to be able to fulfil certain requirements under its agreements with BP and Beach respectively by the 30 January 2019 Co-ordination Agreement deadline (see Section 2.2) and drilling of the Ironbark Prospect will likely not proceed.

1. Resolution – CUE Exploration to sell 15% participating interest in WA-359-P and grant an option to acquire 5.36% participating interest in WA-409-P to NZOGIPL

1.1. General

The Proposed Resolution seeks approval from Shareholders for the Company to enter into the Proposed Transactions. In summary, the Proposed Transactions are agreements to sell a 15% participating interest in WA-359-P to NZOGIPL (in accordance with the WA-359-P Farmout Agreement) and to grant to NZOGIPL an option to purchase 5.36% participating interest in WA-409-P (in accordance with the WA-409-P Option Agreement).

Please see further details regarding the Proposed Transactions in sections 1 to 6 of this Explanatory Memorandum.

1.2. Reasons for Seeking Shareholder Approval – ASX Listing Rule 10.1

ASX Listing Rule 10.1 requires shareholder approval, by ordinary resolution, for the disposal of a substantial asset by an ASX listed company or its company group to a substantial holder. A substantial holder is a shareholder with greater than 10% of the issued share capital of the company. NZOG, which is the ultimate parent company of NZOGIPL, is a substantial holder of the Company, as it held a relevant interest of 50.04% in the Company's securities at the time of entering into the WA-359-P Farmout Agreement and WA-409-P Option Agreement and continues to be a substantial holder.

For the purposes of Listing Rule 10.1, an asset will be substantial if its value, or the value of the consideration for it, is 5% or more of the equity interests of the ASX listed company as set out in the latest accounts given to ASX under the Listing Rules. The assets subject to the Proposed Transactions (being a 15% participating interest in WA-359-P and a 5.36% participating interest in WA-409-P) are substantial assets of the Company's group for this purpose.

Therefore, shareholder approval for the Proposed Transactions is required pursuant to Listing Rule 10.1.

1.3. Independent Expert Report – Requirements of ASX Listing Rule 10.10

In accordance with ASX Listing Rule 10.10, the Company must include with the Notice of General Meeting an Independent Expert Report in relation to the disposal of a substantial asset to a substantial holder. The Independent Expert's Report on the fairness and reasonableness of the Proposed Transactions has been prepared by PKF Corporate Advisory. It relies in part on the "Independent Specialist Report on the WA-359-P and WA-409-P permits" prepared by the technical expert SRK Consulting (***Independent Specialist Report***). SRK Consulting was engaged by PKF Corporate Advisory to undertake an independent valuation of the Ironbark Prospect assets held by CUE. Both reports are included for reference with this Notice of General Meeting. The Independent Expert's Report and the Independent Specialist Report can also be downloaded from the Company's website at www.cuenrg.com.au and the ASX company

announcements platform at www.asx.com.au. Shareholders may receive a hard copy at no cost, by contacting the Company on (03) 8610 4000.

The Independent Expert has concluded that the Proposed Transactions are not fair but reasonable to the Non-Associated Shareholders (see sections 9 and 10 of the Independent Expert's Report). The Independent Expert has also concluded that the advantages to the Proposed Transactions outweigh the disadvantages. The Independent Expert's conclusion on "fairness" of the Proposed Transactions was measured by reference to the preferred valuation of the WA-359-P asset prepared by SRK Consulting and not by comparable transactions in the oil and gas sector, such as the recent agreements negotiated by CUE with BP and Beach at arms-length in a competitive and open market in respect of the same permit (further details in respect of these transactions with BP and Beach are provided in section 2.2 and 2.3 below respectively).

The Independent Directors consider,in respect of the valuation of WA-359-P provided by SRK Consulting, the following:

- the wide breadth of the valuation range provided (which ranges from A$570,000 to A$80.400 million for a 15% interest in WA-359-P), undermines the usefulness of the SRK Consulting valuation;
- the fact that, at the high end of the range, the valuation of 15% Interest in WA-359-P (A$80.400 million) provided by SRK Consulting (which was based on the same information regarding WA-359-P that is currently publicly available), represents nearly two times CUE's current market capitalisation (A$44.700 million as at 27 November 2018); and
- the significant difference in the values between using the valuation of WA-359-P provided by SRK Consulting and the valuation provided by the Independent Expert based on the comparable market transactions methodology. Given the context, the Independent Directors maintain that the comparable market transactions methodology is the appropriate methodology to evaluate the Proposed Transactions and the Independent Directors believe that adopting this methodology could have led to a conclusion that the Proposed Transactions were both fair and reasonable.

The Independent Directors have set out in more detail their concerns with the valuation of WA-359-P in section 6 below. Further, the Independent Directors note that, the determination of not fair but reasonable is not an uncommon determination in respect of these types of transactions (within the oil and gas industry).

1.4. **Independent Director's Recommendation**

The Company's Independent Directors are of the view that the Proposed Transactions are in the best interests of the Company and therefore unanimously recommend that you vote in favour of this Proposed Resolution.

The Independent Directors have reached this conclusion for the following primary reasons:

- CUE has engaged with a range of counterparties in respect of farm-in and other arrangements for WA-359-P and, following reaching agreement with BP and Beach, is of the view that the Proposed Transactions represent the best option currently available for CUE to meet its exploration funding commitment obligations in respect of WA-359-P and WA-409-P and reach the next stage of exploration and drilling program for the Ironbark Prospect;
- the consideration to be received from NZOGIPL for the Proposed Transactions is greater than the consideration paid by BP in respect of the BP WA-359-P Option and is equal to the consideration paid by Beach under the Beach Farmout Agreement, which in the opinion of the Independent Directors, are comparable transactions (in each case, when consideration is measured on a per percentage interest basis);
- if CUE does not drill a commitment well for WA-359-P there is a significant risk that CUE will not be able to meet its title commitments in respect of WA-359-P by the current permit expiry date of 25 April 2019 which is likely to cause it to be in default of its title commitments;
- despite approaching a range of potential counterparties over the past approximately three years, CUE does not currently have any alternative proposals which would be satisfactory to either CUE or BP and Beach and which could be implemented on a timetable which would meet CUE's exploration funding commitment obligations in respect of WA-359-P (which expires in April 2019) and WA-409-P. Approval of the Proposed Transactions by the Shareholders is thus crucial to maintaining the WA-359-P permit and reaching the next stage of exploration and drilling program for the Ironbark Prospect; and
- given its current cash position, it would not be possible or prudent for CUE to fund exploration costs on its own. If the Proposed Transactions proceed, subject to completion under the Co-ordination Agreement occurring, BP, Beach and NZOG will cumulatively cover approximately US$11.3 million of CUE's share of the Ironbark-1 Exploration Well costs. Thus, CUE will maintain a significant interest in the Ironbark Prospect (21.5% of WA-359-P) while CUE's partners will cover a substantial portion of the associated well expenses. In the oil and gas industry this is referred to as a "**free carry".**

1.5. **Voting Exclusions**

The Company will disregard any votes cast in favour of the Proposed Resolution by:

(a) a party to the Proposed Transactions or any person who might receive a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Proposed Resolution is passed – this would include NZOG; and

(b) an associate of that person (or persons) – this would include associates of NZOG (including NZOG Offshore Ltd).

However, the Company will not disregard a vote if:

(c) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or

(d) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

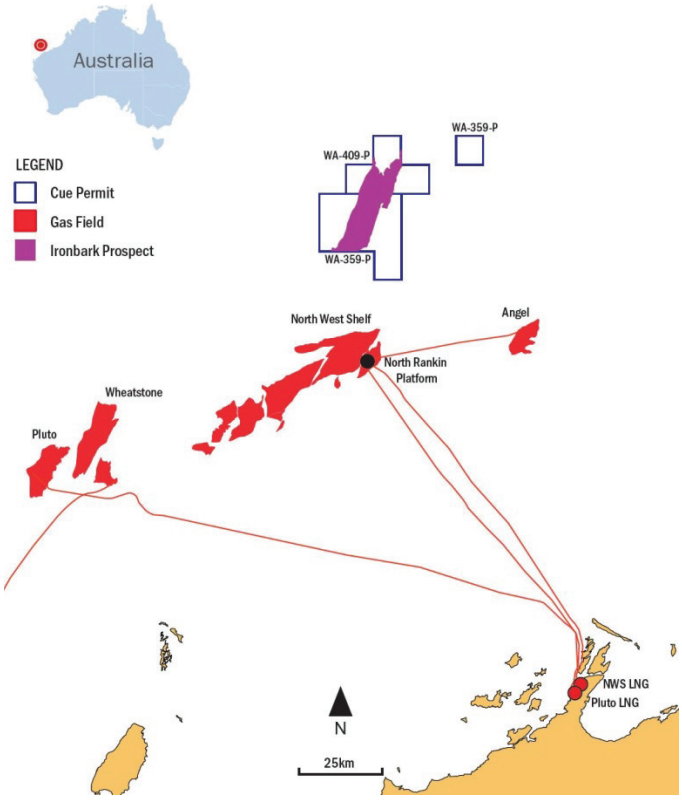
2. Background to the Proposed Transactions

2.1. Ironbark Prospect

The Ironbark Prospect is a giant Mungaroo Formation prospect that is mapped with an area of up to 400km^2 and a best technical estimate of 15 trillion cubic feet (Tcf) of prospective recoverable gas resource[1] based on an internal assessment performed by the Company. The Ironbark Prospect is less than 50km from the North Rankin platform (which ties into North West Shelf LNG Plant) and is near the Pluto and Wheatstone LNG project infrastructure, providing multiple cost-effective commercialisation options. The Ironbark Prospect has the potential to add company changing value to CUE in the near term if successful.

The Ironbark Prospect is contained within petroleum exploration permits WA-359-P and WA-409-P (see map below).

[1] ***Prospective Resource Estimates Cautionary Statement***
The estimated quantities of petroleum that may potentially be recoverable by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and risk of development. Exploration, appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.



2.2. **WA-359-P**

As at the date of this Explanatory Memorandum, CUE holds 100% of the legal and beneficial title to WA-359-P.

The Company announced on 13 October 2016 that it had granted BP Developments Australia Pty Ltd (***BP***) an option to acquire a 42.5% participating interest in WA-359-P and to participate in the proposed Ironbark-1 Exploration Well (the ***BP WA-359-P Option***).

On 29 November 2017, the Company announced that it had entered into a farmout agreement with Beach Energy Limited (***Beach***), whereby Beach would acquire a 21% equity interest in WA-359-P (in consideration for among other things, a free carry of CUE for 4% of the cost of drilling the Ironbark-1 Exploration Well in WA-359-P and Beach reimbursing CUE A$900,000 for past costs), conditional upon (among others conditions), BP exercising the BP WA-359-P Option (the ***Beach Farmout Agreement***).

On 9 August 2018, the Company announced that CUE had received notification of approval from the National Offshore Petroleum Titles Administrator of a suspension of work program commitments and extension of WA-359-P permit term until 25 April 2019.

On 26 October 2018, the Company announced that:

- it had agreed with BP to extend the BP WA-359-P Option to 25 April 2019 (note that the Co-ordination Agreement (as defined below) further extended the BP WA-359-P Option to 31 July 2019);
- it had entered into the WA-359-P Farmout Agreement (see section 3 below);
- it had executed an agreement with BP, Beach, NZOGIPL and NZOG (***Co-ordination Agreement***), whereby each of CUE, BP, Beach and NZOGIPL has

agreed to form a joint venture to drill the Ironbark-1 Exploration Well in WA-359-P conditional on the following conditions which are material or subject to risk (among others):

- receipt of the Company's shareholder approval for the Proposed Transactions, or providing alternative funding for the share of the Ironbark-1 Exploration Well which would have otherwise been funded through the Proposed Transactions, by 31 Jan 2019;
- CUE depositing a specified cash amount into an escrow account for its uncarried share of the estimated well costs (being approximately US$8.08 million based on the current estimate);
- regulatory approval of a suspension of work program commitments and an extension to the WA-359-P permit term,

(the ***Co-ordination Agreement Conditions***).

Subject to completion occurring under the Co-ordination Agreement, BP, Beach and NZOGIPL have agreed to free-carry CUE up to a total of US$11.3 million (which may be adjusted) in respect of CUE's share of the Ironbark-1 Exploration Well costs. CUE intends to fund its remaining share of the Ironbark-1 Exploration Well costs using its cash reserves, which is to be deposited into escrow account referred to above in accordance with the Co-ordination Agreement.

2.3. **WA-409-P**

As at the date of this Explanatory Memorandum, CUE holds a 20% participating interest in WA-409-P (which adjoins WA-359-P). BP holds an 80% participating interest in WA 409-P and is the operator under a joint operating agreement between BP and CUE.

On 12 October 2016, CUE and BP entered into a farmout agreement in relation to WA-409-P (***BP WA-409-P Farmout Agreement***). Under the BP WA-409-P Farmout Agreement, BP has agreed to:

- fund 100% of the primary work program required under WA-409-P for the first three years of the licence renewal; and
- contribute US$3.24 million towards CUE's share of the Ironbark-1 Exploration Well cost in relation to WA-359-P, if BP exercises the BP WA-359-P Option. The amount of US$3.24 million that BP will carry CUE on the Ironbark-1 Exploration Well is made up of a portion of the deferred consideration arising from the BP WA-409-P Farmout Agreement, and a portion of the repayment costs already paid by CUE for seismic data upon the execution of the BP WA-409-P Farmout Agreement.

The Company and Beach entered into a deed relating to WA-409-P on 29 November 2017 (***Beach Option Deed***), whereby CUE granted Beach an option over a 7.5% participating interest in WA-409-P (***Beach WA-409-P Option***) which may be exercised until 90 days prior to the end of year 3 of WA-409-P, which is currently 12 October 2019. This means that the expiry of the Beach WA-409-P Option is currently 14 July 2019.

Under the Beach Option Deed, if the option is exercised, Beach must pay CUE consideration comprising:

- a free carry in respect to CUE's portion of the cost of a well in WA-409-P up to 7.5% of the gross well cost (capped at US$90 million gross well cost); and
- a 10% royalty on all future revenue generated from Beach's 7.5% participating interest in the permit.

On 26 October 2018, the Company announced that it had entered into the WA-409-P Option Agreement (see section 3 below).

2.4. Details of NZOG

NZOG is an exploration and production company founded in 1981 and listed on the New Zealand Stock Exchange. NZOG's exploration and production interests span New Zealand, Australia and Indonesia.

NZOG is following a strategy of acquiring producing assets and pursuing potentially transformational exploration opportunities. It focuses on opportunities where the company's capabilities can add value, with good markets, sound financial and legal systems, and geological potential with development upside.

NZOG's approximately 70% shareholder is O.G. Oil & Gas (Singapore) Pte Ltd, and it is therefore part of the Ofer Global group of companies. Ofer Global is a private portfolio of international businesses principally focused on real estate, energy, shipping, banking and investments.

More information on Ofer Global can be found at www.oferglobal.com
More details on NZOG can be found at www.nzog.com

3. Material terms of the Proposed Transactions

3.1. WA-359-Farmout Agreement

Under the terms of the WA-359-P Farmout Agreement, NZOGIPL will acquire a 15% participating interest in WA-359-P from CUE in consideration for:

- funding an additional 2.85% of Cue's costs of drilling the Ironbark-1 Exploration Well; and
- reimbursing CUE A$642,600 for past costs associated with WA-359-P.

The WA-359-P Farmout Agreement is conditional upon the following conditions which are material or subject to risk (among others):

(a) approval of shareholders of the Company in relation to the Proposed Transactions;

(b) the Co-ordination Agreement Conditions (see section 2.2) which have replaced the conditions precedent to the WA-359 Farm-out Agreement which have not been satisfied or waived.

The WA-359-P Farmout Agreement is on substantially the same commercial terms (on pro rata basis) as the Beach Farmout Agreement announced on 29 November 2017 and referred to in section 2.2 above.

3.2. WA-409-P Option Agreement

Under the WA-409-P Option Agreement, CUE has granted (for nominal consideration) NZOGIPL an option to acquire a 5.36% participating interest in WA-409-P by the expiry date, being 14 July 2019 (which is 90 days prior to the end of year 3 of WA-409-P) (the ***WA-409-P Option Expiry Date***).

If NZOGIPL exercises the option, NZOGIPL must pay to CUE consideration comprising:

- a free carry in respect to CUE's portion of the cost of a well in WA-409-P up to 5.36% of the gross well cost, capped at US$90million gross well cost (or receive the cash equivalent); and
- a 10% royalty on all future revenue generated from NZOGIPL's 5.36% participating interest in the permit.

The WA-409-P Option Agreement is conditional upon the following material conditions which are material or subject to risk (among others):

(a) approval of shareholders of the Company in relation to the Proposed Transactions;

(b) consent of BP in relation to the transfer of 5.36% participating interest in WA-409-P to NZOGIPL;

(c) receipt of certain regulatory approvals; and

(d) all of the conditions precedent under the WA-359-P Farmout Agreement having been satisfied or waived (see section 3.1 above).

The WA-409-P Option Agreement is on substantially the same commercial terms, pro rata, as the Beach Option Deed announced on 29 November 2017 and referred to in section 2.3 above.

4. Effect of the Proposed Transactions

4.1. Participating interests in WA-359-P after the Proposed Transactions

(a) Subject to the Proposed Transactions being approved and the satisfaction (or waiver) of the conditions to the WA-359-P Farmout Agreement and the Co-ordination Agreement, the post-completion participating interests in WA-359-P will be:

BP	42.5%
CUE	21.5%
Beach	21%
NZOGIPL	15%

4.2. Participating interests in WA-409-P after the Proposed Transactions

Subject to the Proposed Transactions being approved and the satisfaction (or waiver) of the conditions to the WA-409-P Option Agreement (including the conditions to the WA-

359-P Farmout Agreement and Co-ordination Agreement), if NZOGIPL exercises the WA-409-P Option by the WA-409-P Option Expiry Date then:

- if Beach has exercised the Beach WA-409-P Option prior to its expiry, the post-exercise participating interests in WA-409-P will be:

BP	80%
Beach	7.5%
CUE	7.14%
NZOGIPL	5.36%; or

- if Beach has not exercised the Beach WA-409-P Option prior to its expiry, the post-exercise participating interests in WA-409-P will be:

BP	80%
CUE	14.64%
NZOGIPL	5.36%

Advantages and Disadvantages

4.3. **Advantages of the Proposed Transactions**

The Independent Directors have reviewed alternatives for the financing of the Ironbark-1 Exploration Well and have formed the view that the Proposed Transactions represent the best option currently available to the Shareholders to meet CUE's funding commitment obligations in respect of WA-359-P and WA-409-P and reach the next stage of exploration and drilling program for the Ironbark Prospect.

The Independent Directors are of the view that the following non-exhaustive list of advantages are likely to arise in relation to the Proposed Transactions and may be relevant to a Shareholder's decision on how to vote on the Proposed Resolution.

(a) The Proposed Transactions provide CUE with the necessary additional funding for the Ironbark-1 Exploration Well required under the BP WA-359-P Option and the Beach Farmout Agreement making it more likely that the Ironbark-1 Exploration Well will be drilled.

(b) NZOGIL and NZOG have the financial capability and technical expertise to actively contribute to WA-359-P and WA-409-P joint ventures. BP and Beach support the involvement of NZOGIPL in WA-359-P and WA-409-P, which has resulted in the execution of the Co-ordination Agreement and has allowed Ironbark-1 Exploration Well planning activities to commence under BP's leadership.

(c) The Proposed Transactions and the transactions contemplated by the Co-ordination Agreement:

- result in BP being appointed as operator for the Ironbark-1 Exploration Well and has allowed BP to start work on the related well-planning activities;

- allow CUE to retain a substantial equity interest of 21.5% in WA-359-P whilst being reimbursed A$642,600 for past costs and receiving a free carry for a portion of its share of drilling costs;
- provide, if the option is exercised by NZOGIPL under the WA-409-P Option Agreement, funding for the CUE's share of costs in a potential WA-409-P Exploration Well and a long-term revenue royalty to the Company if hydrocarbons are discovered and produced. If the Beach WA-409-P Option is also exercised, CUE will be fully funded for WA-409-P Exploration Well and receive cash payment under the WA-409-P Option agreement as set out in section 2.3; and
- allow CUE to fulfil the title commitment requirement for WA-359-P of drilling an exploration well, which may otherwise not be possible to achieve by the Company alone and which could result in the Company being in default of title commitments.

(d) The approval of the Proposed Transactions is a condition to the Co-ordination Agreement and must be received by 30 January 2019. If approval is not received, the Company would need to procure alternative funding prior to 30 January 2019. Procuring alternative funding in this timeframe would be very difficult and as such, the continuance of the Co-ordination Agreement and, therefore the participation of BP and Beach would be at risk.

(e) A transaction with an alternative party for the purposes referred to in paragraph (d) above is not anticipated by the Independent Directors to be likely in the short term and there is no certainty that this would occur. The Company has run an extensive farmout campaign over an approximately three-year period which has resulted in the agreements with BP and Beach respectively.

(f) Alternative funding arrangements to satisfy the conditions of the BP and Beach agreements, even if possible to arrange, are likely to be less favourable to CUE and potentially dilutive to shareholders. The Independent Directors are confident that the Proposed Transactions represent the best available option for CUE to participate in the drilling of the Ironbark-1 Exploration Well.

(g) Without the clear pathway to the drilling of the Ironbark-1 Exploration Well that the Proposed Transactions and the Co-ordination Agreement provide, consent to suspend the work program commitments and extend the WA-359-P permit expiry date may be denied and is a significant risk that CUE will not be able to meet its title commitments in respect of WA-359-P by the current permit expiry date of 25 April 2019 which may cause it to be in default of its title commitments.

(h) The drilling of the Ironbark Prospect, if the Potential Transactions are approved and the Co-ordination Agreement Conditions are satisfied, has the potential to add company changing value to the Company if successful.

4.4. **Disadvantages of the Proposed Transactions**

The Independent Directors are of the view that the following non-exhaustive list of disadvantages may arise in relation to proceeding with the Proposed Transactions which may be relevant to a Shareholder's decision on how to vote on the Proposed Resolution:

(a) whilst the Independent Expert has concluded that the Proposed Transactions are not fair but reasonable to Non-Associated Shareholders, Shareholders may disagree with the conclusions of the Independent Expert or the basis on which the Independent Expert has formed such conclusion;

(b) CUE will have its existing interest in WA-359-P diluted and potentially (subject to NZOGIPL exercising the WA-409-P Option) have its interest in WA-409-P diluted which could be considered a disadvantage if the Ironbark-1 Exploration Well is successful and commercialised. The Independent Directors note that CUE cannot prudently cover the entire share of drilling expenses and consider that the opportunity to drill the Ironbark-1 Exploration Well if the Proposed Transactions are approved should be considered an advantage as highlighted in 4.3(a); and

(c) Shareholders will be exposed to the additional risks associated with the Proposed Transactions and the assets, as set out in Section 5.

5. Risks

The Independent Directors have identified the following risks that the Company may be exposed to following approval of the Proposed Transactions that are in addition to those currently borne by Shareholders.

5.1. **Failure to meet conditions**

The Independent Directors note that even where Shareholders approve the Proposed Transactions, there remains a risk that the Proposed Transactions will not proceed because in addition to obtaining shareholder approval, the Proposed Transactions are subject to the fulfilment of certain other conditions. If the conditions precedent summarised in Section 3 above are not met with respect to the WA-359 Farmout Agreement, the WA-409-P Option Agreement and the Co-ordination Agreement, the Proposed Transactions will not complete.

5.2. **Joint venture risks**

CUE would be part of a joint venture (with BP, Beach and NZOGIPL) pursuant to the Co-ordination Agreement with respect to WA-359-P whereby BP will assume the role of operator. There is a risk that exploration or development activities could be disrupted in situations where there is a disagreement on exploration/development programs or other issues between the Company and the other participants.

5.3. Cost overrun risk

CUE will retain a 21.5% participating interest in WA-359-P. Under the Proposed Transactions, and the transactions contemplated under the BP WA-359-P Option, BP WA-409-P Farmout Agreement and the Beach Farmout Agreement, CUE will be funded for up to approximately US$11.3 million of its share of the Ironbark-1 Exploration Well. Under the Co-ordination Agreement, CUE is required to deposit approximately US$8.08m into escrow, being its uncarried share of the currently estimated well cost. There is a risk that the Ironbark-1 Exploration Well will incur overruns in cost, which may be borne by CUE at 21.5% participating interest. The Independent Directors consider that at the time of drilling the well, CUE is forecast to have sufficient cash reserves to fund Ironbark-1 Exploration Well cost overruns. If significant additional cost overruns occur, CUE may be required to raise funds or put mechanisms in place to ensure there is sufficient access to funds.

5.4. Ironbark Resources estimates

The Ironbark Prospect resource estimates are considered prospective resources. The estimated quantities of petroleum that may potentially be recoverable by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and risk of development. Exploration, appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons. There is no guarantee that the exploration and proposed drilling of the Ironbark-1 Exploration Well will be successful.

5.5. Investment speculative

The above list of risk factors ought not to be taken as an exhaustive list of the risks faced by the Company or Shareholders. The above factors, and others not specifically referred to above may, in the future, materially affect the financial performance of the Company and the value of the Company's securities.

6. Independent Expert's Report and Independent Directors' Recommendations

6.1. Independent Expert's Report and Independent Directors' Comments

The Independent Expert's Report on whether the Proposed Transactions are fair and reasonable has been prepared and is included, in full, in Part 3 of the Shareholder's Information Booklet together with the Independent Specialist Report on WA-359-P and WA-409-P prepared by SRK Consulting providing a technical valuation of the Ironbark Prospect. The Independent Expert has concluded that the Proposed Transactions are not fair but reasonable.

The Independent Expert reached its conclusion that the Proposed Transactions are 'not fair' to the Non-Associated Shareholders because the value of the participating interest in WA-359-P that CUE may sell as part of the Proposed Transactions (being approximately A$4.2 million), is

less than the A$53.55 million which is indicated by SRK Consulting as the preferred value for the interest held by CUE in the permit.

This preferred value of A$53.55 million was calculated by SRK Consulting using a net asset valuation methodology and positioned by SRK Consulting "*conservatively due to the varying levels of technical and geological uncertainty"*. SRK Consulting's valuation does not seem to take into consideration comparative transactions in the market (refer to section 5 of SRK Consulting's report). In contrast, using comparable market transaction methodology, SRK Consulting estimated that the value of CUE's farmout of an 80% interest in WA-409-P to BP was only approximately A$3.5 million (refer to section 4.5 of SRK Consulting's report). It is not clear to the Independent Directors why SRK Consulting has taken different approaches to valuing WA-359-P and WA-409-P.

Further observations on the choice of valuation methodology applied by the Independent Expert to reach conclusion on "fairness and reasonableness" are provided in section 1.3 above.

The Independent Directors also wish to draw Shareholders' attention to the following matters in light of the conclusion of the Independent Expert:

(a) ASIC Regulatory Guide 111 - *Content of Export Reports* specifies that a proposed related party transaction is 'fair' if the value of the financial benefit to be provided by the entity to the related party is equal to or less than the value of the consideration being provided to the entity. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. Before entering the agreements with NZOGIPL and NZOG in connection with the Proposed Transactions, the Company entered into confidentiality agreements with 13 international and Australian companies in the oil and gas sector over a period of approximately 3 years, for the purpose of testing whether there were other parties interested in acquiring an interest in WA-359-P. Apart from the offers from NZOG, and the agreements with BP and Beach, the Company did not receive any other offers. Therefore, the Independent Directors consider that the Proposed Transactions represent the best offer that the Company could obtain from a willing buyer in the open and competitive market for the WA-359-P and WA-409-P interests held by CUE.

(b) **The Independent Expert relied on a technical and theoretical valuation of net assets methodology for assessing fairness.** SRK Consulting calculated a theoretical value for the interest in WA-359-P to be sold to NZOGIPL using the net asset valuation methodology by applying two fixed risk factors to the success case valuation of the Ironbark Prospect to simulate certain events occurring or not occurring, leading to a preferred valuation of A$53.550 million. The Independent Directors consider that in light of the uncertainty associated with early stage exploration assets, this methodology does not represent the view that a buyer would take in a competitive market for such assets and is unlikely to ever lead to a transaction such as the Proposed Transaction being considered "fair"in practice.

The Independent Expert's valuation of the assets to be disposed of by CUE was on the basis of "fair market value" defined as "the price that could *be realized in an open market over a reasonable period of time given the current market conditions and currently available information, assuming that potential buyers have full information, in a transaction between a willing but not anxious seller and a willing but not anxious buyer acting at arm's length*" (refer to section 7.1 of the Independent Expert's Report). However, the net asset valuation methodology used by SRK Consulting in the Independent Specialist Report and in turn to assess "fairness" of the Proposed Transactions does not seem to provide a basis on which SRK Consulting considers that the preferred value of A $53.550 million would reflect a 'fair market value' for WA-359-P that a buyer is willing to pay.

The preferred valuation of A$53.550 million calculated by SRK Consulting using net asset valuation methodology, based on theoretical and technical projections to assess geological potential of the Ironbark Prospect, is disproportionate to the current market capitalisation of CUE.

(c) **The BP and Beach transactions were not relied on by the Independent Expert to assess the fairness of the Proposed Transactions.** The Independent Directors are of the view that the transactions with BP and Beach in respect of WA-350-P and WA 409-P represent suitable comparable farmout transactions to the Proposed Transactions, which should have been considered in the assessment of the fairness of the Proposed Transactions. Both of these companies are well informed companies operating in the oil and gas sector in Australia and globally. Both companies executed arms-length agreements with CUE. The Independent Expert notes that the Proposed Transactions are on terms that are relatively identical or more favourable than the terms agreed with BP and Beach, but does not utilise these transactions as a primary basis of assessing the fairness of the Proposed Transactions. The Independent Directors disagree with that conclusion.

(d) **The consideration is within the indicative valuation range provided by SRK Consulting:** Besides the preferred value, SRK Consulting has also given an indicative range of A$570,000 to A$80.400 million for the value of interest in WA-359-P, the subject of the Proposed Transactions. As noted above in section 1.3, ASIC regulatory guide suggests that the range of values provided by the independent expert should be as narrow as possible and that a broad range of values undermines the usefulness of the expert report. The Independent Expert was also concerned that the theoretical valuation prepared by SRK Consulting for the Ironbark Prospect was too wide to use as a basis for assessing fairness of the Proposed Transactions (see section 9.4 of the Independent Expert Report).

It is therefore unclear how the Independent Expert reconciled the uncertainly of the wide valuation range prepared by SRK Consulting with comparable market transactions evidenced by recent agreements with BP and Beach and why the net asset valuation

methodology was preferred to assess “fairness”. The A$4.2 million consideration being offered by NZOGIPL is also well within the indicative range proposed by SRK Consulting.

(e) **The Independent Expert considers that it would be possible to conclude that the Proposed Transactions are fair on two different bases**: In section 9.4 of the Independent Expert's Report, the Independent Expert considers that since the consideration being offered falls within the value range proposed by SRK Consulting and the Proposed Transactions are on terms that are relatively identical or more favourable than the terms agreed with BP and Beach, it could be possible to conclude that the Proposed Transactions are fair.

Despite the Independent Export’s preference for the net asset valuation methodology to assess “fairness”, the Independent Expert’s Report also noted that the Proposed Transactions reflect identical valuation parameters with the Beach transaction and improved financial parameters in comparison with the BP transaction.

As set out in section 10 of the Independent Expert’s Report, the Independent Expert further concluded that the Proposed Transactions are reasonable as the advantages of the Proposed Transactions outweigh the disadvantages for the following reasons, some of which are similar to those set out in section 4.3 above:

(a) the market has reacted positively to the Proposed Transactions, based on the share price of the Company before and after the announcement – consequently the non-approval by the Shareholders of the Proposed Resolution will therefore likely to impact negatively on the share price of the Company;

(b) the non-approval of the Proposed Transactions is likely to lead to CUE having difficulties meeting the minimum work requirements estimated expenditure of A$30 million by 25 April 2019 and forcing CUE to seek alternative funding options on less favourable terms;

(c) CUE advancing WA-359-P together with NZOGIPL, Beach and BP pursuant to the Co-ordination Agreement has the potential to add future value for the Shareholders due to the additional financial support and technical expertise provided by NZOGIPL; and

(d) there is potential for CUE to receive 10% of NZOGIPL's gross revenue from production in WA-409-P, subject to certain conditions being satisfied.

Shareholders are urged to carefully read the Independent Expert’s Report in full to understand the scope of the report, methodology of the valuation and the sources of information and assumptions made.

6.2. Independent Directors’ Recommendation

The Independent Directors do not have any material personal interests in the outcome of the Proposed Resolution and **unanimously recommend** that Shareholders vote **in favour of** the

Proposed Resolution as they consider the Proposed Transactions to be in the best interests of Shareholders for the following reasons:

(a) after assessment of the advantages and disadvantages referred to in section 4, the Independent Directors are of the view that the advantages outweigh the disadvantages; and

(b) the Independent Expert has determined that the Proposed Transactions are reasonable and consider that advantages of the Proposed Transactions significantly outweigh the disadvantages.

The Independent Directors of CUE unanimously recommend the approval of the Proposed Resolution contained in this Notice of General Meeting and encourage eligible Shareholders to vote in favour of the Proposed Resolution.

7. GLOSSARY

The following terms have the following meanings in this Explanatory Memorandum:

(a) ***AEDT*** means Australian Eastern Daylight Time;

(b) ***ASIC*** means the Australian Securities and Investments Commission;

(c) ***ASX*** means ASX Limited or the Australian Securities Exchange, as the context requires;

(d) ***Beach*** means Beach Energy Limited;

(e) ***Beach Farmout Agreement*** means the farmout agreement in relation to WA-359-P dated 29 November 2017 between Beach and CUE Exploration*;*

(f) ***Beach Option Deed*** means the option deed dated 29 November 2017 between Beach and CUE Exploration in relation to the Beach WA-409-P Option*;*

(g) ***Beach WA-409-P Option*** means the option granted by CUE Exploration to Beach on 29 November 2017 over a 7.5% participating interest in WA-409-P under the Beach Option Deed;

(h) ***Board*** means the Directors acting as the board of Directors of the Company or a committee appointed by such board of Directors;

(i) ***BP*** means BP Developments Australia Pty Ltd;

(j) ***BP WA-359-P Option*** means the option granted by CUE Exploration to BP as announced by the Company on 13 October 2016 in relation to the acquisition of a 42.5% participating interest in WA-359-P and to participate in the proposed Ironbark-1 Exploration Well;

(k) ***BP WA-409-P Farmout Agreement*** means the farmout agreement dated 12 October 2016 in relation to WA-409-P between BP and CUE Exploration*;*

(l) ***Chair*** means the chair of the General Meeting*;*

(m) ***Company*** or **CUE** means CUE Energy Resources Limited (ABN 45 066 383 971) or CUE Exploration, as the context requires;

(n) ***Co-ordination Agreement*** means the Co-ordination Agreement dated 26 October 2018 between CUE Exploration, BP, Beach, NZOGIPL and NZOG whereby, among other things, each of CUE Exploration, BP, Beach and NZOGIPL has agreed to form a joint venture to drill the Ironbark-1 Exploration Well;

(o) ***Co-ordination Agreement Conditions*** means the conditions precedent to the Co-ordination Agreement as referred to in section 2.2;

(p) ***CUE Exploration*** means Cue Exploration Pty Ltd (ABN 51 004 431 850), a wholly-owned subsidiary of the Company;

(q) ***Corporations Act*** means the Corporations *Act 2001* (Cth);

(r) ***Director*** means a Director of the Company;

(s) ***Employee*** means a full-time or part-time employee of any member of the Company or its Related Bodies Corporate;

(t) ***Explanatory Memorandum*** means the explanatory memorandum as set out in Part 2 of this Shareholder Information Booklet;

(u) ***Free Carry*** has the meaning set out in Section 1.4 of the Explanatory Memorandum*.*

(v) ***General Meeting*** means the general meeting of the Company to be held on 8 January 2019 to consider and approve the Proposed Resolution;

(w) ***Independent Directors*** means the independent directors of the Company being Mr Peter Hood and Mr Richard Malcolm as at the date of this Shareholder Information Booklet*;*

(x) ***Independent Expert*** means PKF Corporate Advisory that has been engaged by the Company to form an opinion on the Proposed Transactions*;*

(y) ***Independent Expert's Report*** means the report prepared by the Independent Expert as set out in Part 3 of this Shareholder Information Booklet*;*

(z) ***Independent Specialist Report*** means the Independent Specialist Report on the WA-359-P and WA-409-P permits prepared by the technical expert SRK Consulting dated November 2018;

(aa) ***Ironbark-1 Exploration Well*** means the first exploration well to be drilled on WA-359-P;

(bb) ***Listing Rules*** means the Listing Rules of the ASX;

(cc) ***New Zealand Oil & Gas*** or ***NZOG*** means New Zealand Oil & Gas Limited a company incorporated in New Zealand;

(dd) ***Non-Associated Shareholders*** means shareholders of the Company which are not NZOG or associates of NZOG;

(ee) ***NZOGIPL*** means NZOG (Ironbark) Pty Limited;

(ff) ***Notice*** *or* ***Notice of General Meeting*** means the notice of general meeting convening a general meeting of shareholders of the Company dated 6 December 2018, which includes Part 1: Notice of General Meeting, Part 2: Explanatory Memorandum, Part 3: Independent Expert Report and the Proxy Form as set out in this Shareholder Information Booklet;

(gg) ***PKF Corporate Advisory*** means PKF Melbourne Corporate Pty Ltd;

(hh) ***Proposed Resolution*** means the resolution to approve the Proposed Transactions;

(ii) ***Proposed Transactions*** means the sale of a 15% participating interest in WA-359-P by CUE Exploration to NZOGIPL under the WA-359-P Farmout Agreement and the granting of an option by CUE Exploration to NZOGIPL to purchase a 5.36% participating interest in WA-409-P under the WA-409-P Option Agreement;

(jj) ***Proxy Form*** means the proxy form that accompanies this Notice of General Meeting;

(kk) ***Related Body Corporate*** has the meaning given to that term in the Corporations Act;

(ll) ***Shareholder*** means a holder of fully paid ordinary shares in the Company;

(mm) ***Shareholder Information Booklet*** means the shareholder information booklet consisting of Part 1: Notice of General Meeting, Part 2: Explanatory Memorandum and Part 3: Independent Expert's Report in relation to the general meeting of the Company to be held on 8 January 2019 to consider and approve the Proposed Resolution;

(nn) ***SRK Consulting*** means SRK Consulting (Australasia) Pty Ltd;

(oo) ***WA-359-P*** means petroleum exploration permit WA-359-P;

(pp) ***WA-359-P Farmout Agreement*** means the WA-359-P Farmout Agreement dated 26 October 2018 between CUE Exploration, NZOG and NZOGIPL;

(qq) ***WA-409-P*** means petroleum exploration permit WA-409-P;

(rr) ***WA-409-P Option Agreement*** means the WA-409-P Option Agreement dated 26 October 2018 between CUE Exploration, NZOG and NZOGIPL;

(ss) ***WA-409-P Option Expiry Date*** means currently 14 July 2019, the date by which NZOGIPL may exercise its option to purchase a 5.36% participating interest from CUE Exploration under WA-409-P Option Agreement; and

(tt) ***WA-409-P Exploration Well*** means the first exploration well to be drilled on WA-409-P.

Proxy Instructions

A Shareholder entitled to attend and vote at the General Meeting is entitled to appoint up to two individuals or bodies corporate to act as proxies to attend and vote on the Shareholder's behalf. Where more than one proxy is appointed each proxy may be appointed to represent a specific proportion of the shareholder's voting rights. If the appointment does not specify the proportion or number of votes that each proxy may exercise, each proxy may exercise half of the votes.

A proxy may, but need not, be a shareholder of the Company.

Shareholders, or their attorneys, who plan to attend the General Meeting are asked to arrive at the venue at least 15 minutes prior to the time designated for the General Meeting so that their Shareholding may be checked against the Company's share register and attendance recorded. Attorneys should bring with them an original or certified copy of the power of attorney under which they have been authorised to attend and vote at the General Meeting.

A Shareholder that is a body corporate or corporation, or which has been appointed as a proxy, is entitled to appoint any individual to act as its representative at the General Meeting. The appointment of the representative must comply with the requirements under section 250D of the Corporations Act. The representative should bring to the General Meeting a properly executed letter or other document confirming his/her authority to act as the Shareholder's corporate representative.

Completed Proxy Forms (and the powers of attorney or other instruments or authorities, if any, under which each Proxy Form is signed) or a copy of a facsimile which appears on its face is to be an authentic copy of the Proxy Form (and the power of attorney or other instrument or authority) can be sent by post to the Share Registry at:

By Mail – Computershare Investor Services, GPO Box 242, Melbourne VIC 3001 Australia

Alternatively, these documents may be faxed to the Share Registry on **+ 61 3 9473 2555**

An instrument or authority appointing a proxy:

(a) shall be in writing under the hand of the appointer or of his/her attorney, or if the appointer is a body corporate, either under seal or under the hand of a duly authorised officer or attorney;

(b) may specify the manner in which the proxy is to vote in respect of a Proposed Resolution and, where an instrument of proxy so provides, the proxy is not entitled to vote on the Proposed Resolution except as specified on the Proxy Form;

(c) shall be deemed to confer authority to demand or join in demanding a poll; and

(d) shall be in such form as the Directors determine and which complies with section 250A of the Corporations Act and the Listing Rules.

If a proxy is not directed how to vote on a Proposed Resolution or item of business, the proxy may vote, or abstain from voting, as they think fit, unless otherwise set out in this Notice of General Meeting. Should any resolution, other than the Proposed Resolution specified in this Notice of General Meeting, be proposed at the General Meeting, a proxy may vote on that resolution as they think fit.

Proxy Form

A Proxy Form accompanies this Notice of General Meeting. The Proxy Form is an integral part of this Notice and both documents should be read together.

The Proxy Form must be signed by the Shareholder or his/her attorney duly authorised in writing. In the case of Shares jointly held by two or more persons, all joint-holders must sign the Proxy Form.

Proxy Forms must be submitted no later than 48 hours before the time for holding the Meeting, or adjourned Meeting as the case may be, at which the individual or body corporate named in the Proxy Form proposes to vote.

Shareholders who return their Proxy Forms with a direction how to vote but do not nominate the identity of their proxy will be taken to have appointed the Chairman as their proxy to vote on their behalf.

If a Proxy Form is returned but the nominated proxy does not attend the Meeting, the Chairman will act in place of the nominated proxy and vote in accordance with any instructions.

Proxy appointments in favour of the Chairman, the secretary or any Director that do not contain a direction on how to vote will be used where possible to support each of the Proposed Resolution proposed in this Notice of General Meeting.

Attendance and Voting Eligibility

For the purposes of determining voting entitlements at the Meeting, Shares will be taken to be held by the persons who are registered as holding the Shares at the time that is 48 hours before the Meeting. Accordingly, share transactions registered after that time will be disregarded in determining Shareholders' entitlements to attend and vote at the Meeting.

SHAREHOLDER INFORMATION BOOKLET
PART 3 – INDEPENDENT EXPERTS REPORT

27 November 2018

The Independent Directors
Cue Energy Resources Limited
Level 3, 10 Queen Street
Melbourne VIC 3000

Dear Directors

Re: Independent Expert's Report

1. Introduction

The independent directors of Cue Energy Resources Limited ("Cue" or "the Company") have requested PKF Melbourne Corporate Pty Ltd ("PKF Corporate") to prepare an Independent Expert's Report ("IER") in respect of the proposed transaction that would see New Zealand Oil & Gas Limited ("NZO") acquire a 15% participating interest in exploration permit WA-359-P and an option to acquire a 5.36% participating interest in exploration permit WA-409-P ("the Proposed Transaction").

NZOG Offshore Limited, a wholly owned subsidiary of NZO, currently holds 50.04% of the ordinary shares in Cue. Mr Alastair McGregor, Mr Andrew Jefferies, Ms Rebecca DeLaet, Mr Rod Ritchie and Mr Samuel Kellner are all currently directors of both Cue and NZO.

Cue, via its wholly owned subsidiary Cue Exploration Pty Ltd, currently holds a 100% interest in exploration permit WA-359-P and a 20% interest in exploration permit WA-409-P. These exploration permits cover the Ironbark gas prospect located off the north west coast of Australia in the 'Carnarvon Basin' ("the Ironbark Prospect").

As Cue is proposing to dispose of part of a substantial asset to a related party, Australian Securities Exchange ("ASX") Listing Rule 10.1 requires that the Company obtain shareholder approval for the Proposed Transaction.

2. The Proposed Transaction

2.1 Background to the Proposed Transaction

Cue is currently a party to an agreement with BP Developments Australia Pty Ltd ("BP"), giving BP an option to acquire a 42.5% interest in WA-359-P. If the option is exercised by BP, BP will be required to meet a capped amount of US$5.138 million of Cue's share of the cost of drilling a well in WA-359-P and an extra US$1 million of costs contingent on testing the well. Cue has also entered into a farmout agreement with Beach Energy Limited ("Beach") which may see Beach acquire a 21% participating interest in WA-359-P (provided that BP exercises its option or is deemed to have exercised its option in accordance with the Coordination Agreement). Under the agreement with Beach, Cue will be free carried for 4% of the costs of drilling the Ironbark-1 exploration well (capped at US$3.6 million) and Beach will reimburse Cue $900,000 of past costs.

On 26 October 2018, Cue also announced that it had executed an agreement with BP, Beach and NZO where each party has agreed, subject to certain conditions being satisfied, to form a joint venture to drill the Ironbark-1 exploration well in WA-359-P ("the Coordination Agreement"). The Coordination Agreement will allow BP to commence work on the Ironbark-1 exploration well prior to the official title transfers and creation of a formal joint venture. Accordingly, BP will act as operator on behalf of Cue until the conditions under the Coordination Agreement are satisfied and will be appointed as the operator once completion occurs.

Pursuant to an earlier agreement BP acquired an 80% interest in and became operator of WA-409-P. On 29 November 2017, Cue announced that it had granted Beach an option to acquire a 7.5% participating interest in WA-409-P. If exercised by Beach, Cue will be free carried for 7.5% of the costs of drilling a well and be entitled to a 10% royalty on all future revenue from Beach's participating interest in the permit. The option may be exercised until 90 days prior to the end of year 3 of the permit term of WA-409-P, which is currently 12 October 2019.

2.2 Proposed Resolution to be Approved by Shareholders

Cue intends to seek shareholder approval of the Proposed Transaction at the forthcoming Extraordinary General Meeting ("EGM"). The Notice of Extraordinary General Meeting ("the Notice") requires the shareholders to vote on the following ordinary resolution:

Resolution 1: *"That, for the purposes of ASX Listing Rule 10.1 and for all other purposes, approval is given for CUE Exploration to:*

a) sell to NZOGIPL a 15% participating interest in WA-359-P under the WA-359-P Farmout Agreement; and

b) grant to NZOGIPL an option to purchase a 5.36% participating interest in WA-409-P under the WA-409-Option Agreement."

2.3 Summary of the Proposed Transaction

Subject to shareholder approval, Cue has entered into a farmout agreement with NZO which would see NZO acquire a 15% participating interest in exploration permit WA-359-P. In return, Cue would be free carried for 2.85% of the cost of drilling the Ironbark-1 exploration well and NZO would reimburse Cue for AU$642,600 of past costs associated with this permit ("the Farmout Agreement"). In addition to obtaining shareholder approval, the Farmout is also conditional on the following material conditions:

- Cue depositing a specified cash amount into an escrow account for its uncarried share of the estimated well costs (being approximately US$8.04 million based on the current estimate); and
- regulatory approval of a suspension of work program commitments and an extension of title to WA-359-P.

As part of the Proposed Transaction, Cue also granted NZO an option to take a 5.36% participating interest in exploration permit WA-409-P, which would see Cue being free carried for 5.36% of the cost of drilling a well in this permit or receive the cash equivalent ("the Option"). Under the Option, Cue will also be entitled to a 10% royalty on all future revenue from NZO's 5.36% participating interest in the permit. The Option may be exercised until 90 days prior to the end of year 3 of the permit term of WA-409-P, which is currently 12 October 2019. In addition to obtaining shareholder approval, the Option is also conditional on the following material conditions:

- consent of BP in relation to the transfer of a 5.36% participating interest in WA-409-P to NZO;

- receipt of certain regulatory approvals; and

- all of the conditions precedent under the Farmout Agreement having been satisfied or waived.

The Directors of Cue have requested PKF Corporate to prepare an IER in accordance with ASIC Regulatory Guide 111 – Content of expert reports. ASIC Regulatory Guide 111 requires the Independent Expert to advise the shareholders whether the Proposed Transaction is fair and reasonable, when considered in the context of the interests of the Non-Associated Shareholders (all shareholders entitled to vote on the Proposed Transaction).

3. Summary opinions

In our opinion, the Proposed Transaction is **not fair but reasonable to the Non-Associated Shareholders**. Our principal reasons for reaching this opinion are:

Fairness

a) In Section 7 of this report we assessed the value of the participating interest in exploration permit WA-359-P that Cue may dispose of as part of the Proposed Transaction on two different bases:

   - based on the net asset valuation methodology the value of the interest in WA-359-P that Cue may dispose of is in a range of $570,000 to $80.400 million with a preferred value of $53.550 million. These values were derived from the SRK report. SRK in their report state that the valuation range is indicative of the uncertainty associated with early stage exploration assets; and

   - based on the comparable market transactions methodology the value of the interest in WA-359-P that Cue may dispose of is in a range of $3.0 million and $4.2 million. This value is derived from the transactions with BP and Beach.

b) In Section 8 of this report we assessed the consideration being offered at $4.2 million; and

c) In Section 9 of this report we explained that as the consideration being offered ($4.2 million) is within the SRK valuation range ($570,000 to $80.400 million) and is also on terms that are relatively identical or more favourable than the terms agreed with Beach and BP, it would be possible to conclude that the Proposed Transaction is fair. Nevertheless, we are concerned that the SRK valuation range ($570,000 to $80.400 million) is too wide to use as a basis for assessing fairness and for this reason we have concluded that fairness of the Proposed Transaction should be measured by reference to SRK's preferred value of $53.550 million.

d) As SRK's preferred value of $53.550 million is greater than the value of the consideration being offered ($4.2 million), we have concluded that the Proposed Transaction is **not fair**.

It should be noted that both the value of the assets being given up and the consideration offered in return exclude the Option over WA-409-P as these values are not able to be assessed at this point in time.

Reasonableness

The key reasons for assessing the Proposed Transaction as **reasonable** are:

- In Section 7.3 of this report, we analysed the share price of Cue before and after the announcement of the Proposed Transaction. We observed that there is evidence that the share market has viewed the transaction as value accretive for the Cue shareholders. If shareholders do not approve the Proposed Transaction, the share price may return to the levels at which the shares were trading prior to the announcement of the Proposed Transaction.

- In Section 7.7 of this report, we compared the Beach transaction with the Proposed Transaction. We understand that the transaction with Beach was negotiated on an arms-length basis and that, since the agreements with Beach were entered into, there have not been any significant events or circumstances that may have altered the underlying value of WA-359-P and/or WA-409-P.

- Following our assessment, we have concluded that the Beach transaction and the Proposed Transaction reflect identical valuation parameters.

- If the shareholders approve the Proposed Transaction and all other conditions precedent are met, Cue will partner with NZO, Beach and BP, as operator, to advance the exploration of permit WA-359-P. Accordingly, NZO will provide an additional level of financial support and technical expertise which may add further shareholder value for Cue's shareholders.

- Assuming the Ironbark-1 well drilling is commercially successful, the options granted over WA-409-P are exercised and the subsequent drilling at the exploration permit WA-409-P is commercially successful, there is significant upside for Cue in that it will receive 10% of NZO's gross revenue from the production of the well at WA-409-P.

4. Structure of this report

The remainder of this report is divided into the following sections:

5. Purpose of the report

This report has been prepared to meet the following regulatory requirements:

- **ASX Listing Rules 10.1 and 10.2**

  Listing Rules 10.1 and 10.2 require a company to obtain shareholder approval at a general meeting when the disposal or acquisition of a substantial asset, which has a value in excess of 5% of the shareholders' funds, as set out in the latest financial statements given to the ASX, is to be made to or from:

  (i) a related party;

  (ii) a subsidiary;

  (iii) a substantial shareholder who is entitled to at least 10% of the voting securities, or a person who was a substantial shareholder entitled to at least 10% of the voting securities at any time in the 6 months before the transaction;

  (iv) an associate of a person referred to in paragraphs (i), (ii) or (iii) above; or

  (v) a person whose relationship to the entity or a person referred to above is such that, in the ASX's opinion, the transaction should be approved by security holders.

  As

  - NZO, via its wholly owned subsidiary NZOG Offshore Limited, holds 50.04% of Cue's voting power; and
  - the value of the Proposed Transaction exceeds 5% of the equity interest of Cue as set out in the latest financial statements given to the ASX (5% x total equity of $33,270,000 as at 30 June 2018 = $1,663,500).

  Listing Rule 10.1 will apply to the Proposed Transaction.

- **ASIC Regulatory Guides**

  This report has been prepared in accordance with the ASIC Regulatory Guides and more particularly:

  RG 111 – Content of Expert Reports ("RG111")

  RG111.9 It has long been accepted in Australian mergers and acquisitions practice that the words 'fair and reasonable' in S640 established two distinct criteria for an expert analysing a control transaction:

  (a) is the offer 'fair'; and
  (b) is it 'reasonable'?

  That is, 'fair and reasonable' is not regarded as a compound phrase.

  RG111.11 An offer is 'reasonable' if it is fair. It might also be 'reasonable' if, despite being 'not fair', the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.

  RG 111.55 Generally, ASIC expects an expert who is asked to analyse a related party transaction to express an opinion on whether the transaction is 'fair and reasonable' from the perspective of non-associated members.

- **General**

The terms “fair” and “reasonable” are not defined in the Corporations Act 2001, however, guidance as to the meaning of these terms is provided by ASIC in Regulatory Guide 111. For the purpose of this report, we have defined them as follows:

Fairness	the Proposed Transaction is “fair” if the value of the participating interest in exploration permit WA-359-P that Cue may dispose of together with the Option in respect of WA-409-P is equal to or less than the consideration being offered.
Reasonableness	the Proposed Transaction is “reasonable” if it is fair. It may also be “reasonable” if, despite not being “fair” but after considering other significant factors, we consider that the advantages of proceeding with the Proposed Transaction outweigh the disadvantages of proceeding.

What is fair and reasonable for the Non-Associated Shareholders should be judged in all the circumstances of the proposal.

The methodology that we have used to form an opinion as to whether the Proposed Transaction is fair and reasonable, is summarised as follows:

(i) In determining whether the Proposed Transaction is fair, we have:

- assessed the value of the participating interest to be disposed of by Cue in exploration permit WA-359-P;
- considered the value of the WA-409-P Option;
- assessed the value of the consideration being offered by NZO; and
- compared the value of the participating interest in exploration permit WA-359-P to be disposed of by Cue and the Option in respect of WA-409-P with the value of the consideration being offered by NZO.

(ii) In determining whether the Proposed Transaction is reasonable, we have analysed other significant factors that the Non-Associated Shareholders should review and consider prior to accepting or rejecting the Proposed Transaction.

6. Cue - key information

6.1 Background

6.1.1 Cue is an oil and gas exploration and production company with production assets in Indonesia (Madura Strait Offshore) and New Zealand (Taranaki Offshore) and exploration assets in Australia (Carnarvon Basin Offshore) and Indonesia (Kalimantan Onshore and Central Sumatra Onshore).

6.1.2 Below is an extract from the Appendix 5B released by Cue for the quarter ended 30 September 2018, which summarises Cue's oil and gas properties.

Table 1

List of Mining Tenements

PERMIT	OPERATOR	LOCATION	CUE INTEREST (%)
Petroleum Properties			
		Indonesia	
Sampang PSC (i)	Santos (Sampang) Pty Ltd	Madura Strait Offshore	15.00
Mahakam Hilir PSC	Cue Kalimantan Pte Ltd	Kalimantan Onshore	100.00
Mahato PSC	Texcal Mahato Pte Ltd	Central Sumatra Onshore	12.50
		Australia	
WA-359-P	Cue Exploration Pty Ltd	Carnarvon Offshore	100.00
WA-389-P	Cue Exploration Pty Ltd	Carnarvon Offshore	100.00
WA-409-P	BP Developments Australia Pty Ltd	Carnarvon Offshore	20.00
		New Zealand	
PMP 38160	OMV New Zealand Limited	Taranaki Offshore	5.00
(i) economic interest in the Jeruk field			8.1818

Source: ASX announcement

6.1.3 **Exploration permit 'WA-359-P'**

This permit covers the Ironbark Prospect located off the north west coast of Australia in the 'Carnarvon Basin'.

On 13 October 2016, Cue announced that it entered into an agreement with BP, giving BP an option to acquire a 42.5% interest in WA-359-P. If the option is exercised by BP, BP will be required to meet a capped amount of US$5.138 million of Cue's share of the cost of drilling a well in WA-359-P and an extra US$1 million of costs contingent on testing the well.

On 29 November 2017, Cue announced that it had executed a farmout agreement with Beach which would see Beach acquire a 21% participating interest in WA-359-P. Under the agreement with Beach, Cue will be free carried for 4% of the costs of drilling the Ironbark-1 exploration well and Beach will reimburse Cue $900,000 of past costs. This agreement is conditional on BP exercising its option to acquire a 42.5% interest in WA-359-P and other customary approvals.

On 9 August 2018, Cue announced that it had received approval from the National Offshore Petroleum Titles Administrator (NOPTA) for the suspension of the work program commitments of WA-359-P and extension to the current permit term until 25 April 2019.

On 26 October 2018, Cue announced that the option to acquire a 42.5% interest in WA-359-P granted to BP had been extended until 25 April 2019.

On 26 October 2018, Cue also announced that following the execution of the Farmout Agreement and the Option with NZO, it had also executed a Coordination Agreement with BP, Beach and NZO where each party has agreed, subject to certain conditions being satisfied, to form a joint venture to drill the Ironbark-1 exploration well in WA-359-P ("the Joint Venture"). The Coordination Agreement will allow BP to commence work on the Ironbark-1 exploration well prior to the official title transfers and creation of a formal joint venture. Accordingly, BP will act as operator on behalf of Cue until the conditions under the Joint Venture are satisfied and will be appointed as the operator for the Joint Venture once completion occurs.

The above means that should BP exercise its option or be deemed to have exercised its option in accordance with the Coordination Agreement, the ownership interests in WA-359-P will be:

Table 2

Cue Energy Resources Limited Impact of Proposed Transaction on WA-359-P	Interest if approved	Interest if not approved
Cue Exploration Pty Ltd	21.50%	100.00%
BP Developments Australia Pty Ltd	42.50%	0.00%
Beach Energy Limited	21.00%	0.00%
NZOG (Ironbark) Pty Limited	15.00%	0.00%
	100.00%	100.00%

Source: PKF Corporate analysis

It should be noted that if the Proposed Transaction is not approved, the conditions precedent in respect to the Coordination Agreement may not be satisfied and neither BP nor Beach may acquire an interest in WA-359-P.

6.1.4 Exploration permit 'WA-409-P'

This permit also covers the Ironbark Prospect. BP is the operator of this exploration permit and currently holds an 80% interest in the permit.

On 13 October 2016, Cue announced an agreement for BP to acquire an 80% interest and be operator of WA-409-P. Pursuant to the agreement, BP is to fund 100% of the work programme required under the permit for the first three years of the licence renewal.

On 29 November 2017, Cue announced that it had granted Beach an option to acquire a 7.5% participating interest in WA-409-P. If exercised by Beach, Cue will be free carried for 7.5% of the costs of drilling a well and be entitled to a 10% royalty on all future revenue from Beach's participating interest in the permit. The option may be exercised until July 2019.

Assuming that Beach will exercise its option, the ownership interest in WA-409-P will be:

Table 3

Cue Energy Resources Limited Impact of Proposed Transaction on WA-409-P	Interest if approved	Interest if not approved
Cue Exploration Pty Ltd	7.14%	12.50%
BP Developments Australia Pty Ltd	80.00%	80.00%
Beach Energy Limited*	7.50%	7.50%
NZOG (Ironbark) Pty Limited**	5.36%	0.00%
	100.00%	100.00%

Source: PKF Corporate analysis

* this interest assumes that Beach exercises its option

** if the Proposed Transaction is approved, this interest assumes that NZO exercises its option

6.1.5 Further detailed information in relation to exploration permits WA-359-P and WA-409-P is provided in the SRK Consulting (Australasia) Pty Ltd ("SRK") Independent Technical Specialist report in Attachment 1 of this report.

6.2 Directors

Cue's Board of Directors and other key executives at the date of this report are presented in the table below.

Table 4

Cue Energy Resources Limited Board of Directors	Other
Alastair McGregor (Non Executive Director)*	Matthew Boyall (Chief Executive Officer)
Andrew Jefferies (Non Executive Director)*	Melanie Leydin (Company Secretary)
Peter Hood (Non Executive Director)	
Rebecca DeLaet (Non Executive Director)*	
Richard Malcolm (Non Executive Director)	
Rod Ritchie (Non Executive Director)*	
Samuel Kellner (Non Executive Director)*	

Source: ASX announcement

* denotes directorship held in NZO

6.3 Share capital

As at the date of this report, Cue had on issue 698,119,720 fully paid ordinary shares. The major shareholders of Cue on 1 November 2018 are presented in the table below. As at that date, the top 10 shareholders, as recorded on the share register, held 74.36% of the issued ordinary capital of Cue.

Table 5

Cue Energy Resources Limited Shareholder name	Number of shares held	Perecentage interest
NZOG Offshore Limited	349,368,803	50.04%
BNP Paribas Noms Pty Ltd (DRP)	113,118,616	16.20%
ABN Amro Clearing Sydney Nominees Pty Ltd (Custodian A/C)	12,225,025	1.75%
HSBC Custody Nominees (Australia) Limited	10,454,473	1.50%
Portfolio Securities Pty Ltd	10,000,000	1.43%
Reviresco Nominees Pty Ltd (Reviresco S/F A/C)	7,500,000	1.07%
Finot Pty Ltd	5,000,000	0.72%
First NZ Capital Scrip Limited	4,263,548	0.61%
Mrs Janet Backhouse	3,847,338	0.55%
Mr Richard Tweedie (Richard Tweedie S/F A/C)	3,363,477	0.48%
	519,141,280	74.36%

Source: Cue's Share Register – 1 November 2018

NZOG Offshore Limited, a wholly owned subsidiary of NZO, is a substantial shareholder of Cue and has a relevant interest in 349,368,803 shares, representing 50.04% of the voting power in Cue.

Cue does not have any options on issue.

6.4 Statements of financial position

Cue's audited consolidated statements of financial position as at 30 June 2017 and 2018 are presented in the table below.

Table 6

Cue Energy Resources Limited Consolidated statement of financial position	Audited 30-Jun-17 AUD $'000	Audited 30-Jun-18 AUD $'000
Assets		
Current assets		
Cash and cash equivalents	12,420	16,983
Trade and other receivables	4,372	7,593
Inventories	547	519
Total current assets	17,339	25,095
Non current assets		
Property, plant and equipment	38	24
Production properties	30,082	26,814
Deferred tax assets	-	2,733
Total non current assets	30,120	29,571
Total assets	47,459	54,666
Liabilities		
Current liabilities		
Trade and other payables	3,931	3,456
Tax liabilities	3,942	4,946
Provisions	475	69
Total current liabilities	8,348	8,471
Non current liabilities		
Deferred tax liabilities	3,401	3,052
Provisions	9,839	9,873
Total non current liabilities	13,240	12,925
Total liabilities	21,588	21,396
Net assets	25,871	33,270
Equity		
Contributed equity	152,416	152,416
Reserves	-	(340)
Accumulated losses	(126,545)	(118,806)
Net assets	25,871	33,270

Source: Cue Annual Report – 30 June 2018

6.5 Operating performance

Cue's audited consolidated statements of comprehensive income for the financial years ended 30 June 2017 and 2018 are presented in the table below.

Table 7

Cue Energy Resources Limited Consolidated statement of profit or loss and other comprehensive income	Audited 2017 AUD $'000	Audited 2018 AUD $'000
Revenue		
Production revenue from continuing operations	35,000	24,547
Production costs	(21,860)	(16,526)
Gross profit from production	13,140	8,021
Other income	219	432
Net foreign currency exchange gain/(loss)	(451)	475
	12,908	8,928
Expenses		
Impairment - Production	(6,386)	-
Exploration and evaluation expenditure	(8,369)	(1,509)
Administration expenses	(5,128)	(2,361)
	(19,883)	(3,870)
Profit/(loss) before income tax from continuing operations	(6,975)	5,058
Income tax benefit/(expense)	(8,057)	2,681
Profit/(loss) after income tax from continuing operations	(15,032)	7,739
Loss after income tax from discontinuing operations	(2,312)	-
Other comprehensive income, net of tax	627	(340)
Total comprehensive income for the year	(16,717)	7,399

Source: Cue Annual Report – 30 June 2018

6.6 Cash flow statements

Cue's audited consolidated statement of cash flows for the financial years ended 30 June 2017 and 2018 are presented in the table below.

Table 8

Cue Energy Resources Limited Consolidated statement of cash flows	Audited 2017 AUD $'000	Audited 2018 AUD $'000
Cash flows from operating activities		
Receipts from customers	35,608	25,682
Interest received	160	172
Payments to suppliers (inclusive of GST)	(16,312)	(13,666)
Exploration and evaluation expenditure	(13,900)	(1,832)
Income tax paid	(6,736)	(2,972)
Royalties paid	(470)	(552)
Net cash from/(used in) operating activities	(1,650)	6,832
Cash flows from investing activities		
Payments with respect to production properties	(6,434)	(2,766)
Payments for plant and equipment	(11)	-
Proceeds from disposal of investments	974	-
Net cash used in investing activities	(5,471)	(2,766)
Cash flows from financing activities		
Net cash from financing activities	-	-
Net increase/decrease in cash and cash equivalents	(7,121)	4,066
Cash and cash equivalents at the beginning of the financial year	20,490	12,420
Effects of exchange rate changes on cash and cash equivalents	(949)	497
Cash and cash equivalents at the end of the financial year	12,420	16,983

Source: Cue Annual Report – 30 June 2018

7. Assessment of the value of the assets to be disposed of by Cue

7.1 Value definition

PKF Corporate's valuation of the assets to be disposed of by Cue is on the basis of 'fair market value', defined as:

'the price that could be realized in an open market over a reasonable period of time given the current market conditions and currently available information, assuming that potential buyers have full information, in a transaction between a willing but not anxious seller and a willing but not anxious buyer acting at arm's length'.

7.2 Valuation methodologies

In selecting appropriate valuation methodologies, we considered the applicability of a range of generally accepted valuation methodologies. These included:

- share price history;
- capitalisation of future maintainable earnings;
- net present value of future cash flows;
- asset based methods;
- comparable market transactions; and
- alternate acquirer.

7.3 Share price history

7.3.1 The share price history valuation methodology values a company based on the past trading in its shares. We normally analyse the share prices up to a date immediately prior to the date when a takeover, merger or other significant transaction is announced to remove any price speculation or price escalations that may have occurred subsequent to the announcement of the Proposed Transaction.

7.3.2 As the share price history of Cue will incorporate all exploration and production activities regarding all of the mining tenements it holds an interest in, we consider that the share price history is not an appropriate methodology to use to value the participating interests to be disposed by Cue.

7.3.3 Whilst it is not possible to value the assets being sold by reference to the share price history, we note that the Proposed Transaction was announced on the ASX on 26 October 2018 and the share market has had an opportunity to evaluate the Proposed Transaction.

7.3.4 Set out below is a graph showing the recent trading in Cue shares.

Graph 1

Source: ASX, PKF Corporate analysis

7.3.5 As can be seen from the above graph, the Cue share price increased following the announcement of the Proposed Transaction. An analysis of the movement in the price of Cue shares before and after the Proposed Transaction was announced is set out in the table below.

Table 9

Cue Energy Resources Limited	Shares Traded		VWAP	Share Price	
	Number	Value		Low	High
Before 26 October 2018					
5 days to 25-Oct-18	1,694,565	$117,944	$0.070	$0.067	$0.073
10 days to 25-Oct-18	2,783,383	$198,378	$0.071	$0.067	$0.079
20 days to 25-Oct-18	5,223,579	$375,076	$0.072	$0.065	$0.079
After 26 October 2018					
5 days from 26-Oct-18	2,325,877	$184,663	$0.079	$0.068	$0.080
10 days from 26-Oct-18	3,122,466	$248,250	$0.080	$0.068	$0.080
20 days from 26-Oct-18	4,950,324	$380,675	$0.077	$0.068	$0.080

Source: ASX, PKF Corporate analysis

7.3.6 As can be seen from the above table, the volume weighted average share price ("VWAP") following the announcement of the Proposed Transaction is approximately 10% higher than before the Proposed Transaction was announced. Whilst it is not possible to place a value on the assets being sold by reference to the share price, there is evidence that the share market has viewed the transaction as value accretive for the Cue shareholders.

7.4 Capitalisation of future maintainable earnings

7.4.1 Capitalisation of earnings is a method commonly used for valuing manufacturing and service companies and, in our experience, is the method most widely used by purchasers of such businesses. This method involves capitalising the earnings of a business at a multiple which reflects the risks of the business and its ability to earn future profits. There are different definitions of earnings to which a multiple can be applied. The traditional method is to use net profit after tax. Another common method is to use Earnings Before Interest and Tax, or EBIT. One advantage of using EBIT is that it enables a valuation to be determined which is independent of the financing and tax structure of the business. Different owners of the same business may have different funding strategies and these strategies should not alter the fundamental value of the business.

7.4.2 As the Proposed Transaction relates to exploration permits that are at an exploration stage, we consider that the capitalisation of maintainable earnings is not an appropriate methodology to use to value the participating interests to be disposed by Cue.

7.5 Net present value of future cash flows

7.5.1 An analysis of the net present value of the projected cash flows of a business and/or asset (or discounted cash flow technique) is based on the premise that the value of the business and/or asset is the net present value of its future cash flows. This methodology requires an analysis of future cash flows, the capital structure and costs of capital and an assessment of the residual value of the business and/or asset remaining at the end of the forecast period.

7.5.2 As the Proposed Transaction relates to exploration permits that are at an exploration stage, the participating interests to be disposed by Cue cannot be valued using the net present value of the future cash flows methodology as there is insufficient certainty that any cash flows can be derived from these assets.

7.6 Asset based methods

7.6.1 This methodology is based on the realisable value of a company's identifiable net assets. Asset based valuation methodologies include:

(a) Net assets

The net asset valuation methodology involves deriving the value of a company or business by reference to the value of its assets. This methodology is likely to be appropriate for a business whose value derives mainly from the underlying value of its assets rather than its earnings, such as property holding companies and investment businesses that periodically revalue their assets to market. The net assets on a going concern basis method estimates the market values of the net assets of a company but does not take account of realization costs.

On review of Cue's statement of financial position as at 30 June 2018, the book value of its assets did not attribute any value to the exploration permits WA-359-P and WA-409-P as the past exploration costs have not been capitalised. Accordingly, we engaged SRK to assist us in assessing the value of the two exploration permits. A full copy of the SRK report is set out as Attachment 1 to this report.

We have reviewed the SRK valuation report and provide in the table below an extraction of the SRK valuations ascribed to exploration permits WA-359-P and WA-409-P.

Table 10

Project	Asset	Valuation method	Low (A$MM)	High (A$MM)	Preferred (A$MM)
Ironbark-1	WA-359-P (100%) Cue Interest 100%	2U P50 Prospective Resources (Expenditure Values and Comparative Transactions)	3.8	536	357
Ironbark-1	WA-409-P (100%) Cue Interest 20%	2U P50 Prospective Resources (Expenditure Values and Comparative Transactions)	3.5	230	153

Note: Any discrepancies between values in the table are due to rounding (US$ converted to A$ at 0.7US$ to 1.0A$ from Table 4-4 and 4-5)

Source: SRK report

SRK's valuation of WA-359-P is on a 100% basis to reflect Cue's current legal ownership of this permit. The Proposed Transaction, if approved, may see Cue dispose of a 15% participating interest in WA-359-P to NZO subject to the satisfaction of all other conditions precedent.

SRK's valuation of WA-409-P summarised in Table 10 is also on a 100% basis. The Proposed Transaction, if approved, will provide NZO with an option to acquire a 5.36% participating interest in WA-409-P, subject to the satisfaction of all other conditions precedent.

The assessed value of the participating interest in WA-359-P subject to the Proposed Transaction, is set out in the table below.

Table 11

Cue Energy Resources Limited Assessment of the value of the equity interest to be disposed	Low AUD	Preferred AUD	High AUD
WA-359-P			
Assessed value by SRK (100% basis)	$3,800,000	$357,000,000	$536,000,000
Cue equity interest to be disposed	15.00%	15.00%	15.00%
Total WA-359-P	$570,000	$53,550,000	$80,400,000

Source: ASX, SRK report, PKF Corporate analysis

As can be seen from the above table, the value of the interest in WA-359-P that Cue may dispose of, if shareholders approve the Proposed Transaction, is in a range of $570,000 to $80.400 million with a preferred value of $53.550 million.

In addition to the participating interest in WA-359-P, NZO will also receive an option to acquire a 5.36% participating interest in WA-409-P. Whilst SRK have provided us with their opinion as to the value of this asset, the Proposed Transaction does not involve the disposal of any interest in WA-409-P but merely the giving of an option over a 5.36% participating interest in this exploration permit. The value of this interest based on the SRK report is set out in the table below.

Table 12

Cue Energy Resources Limited Assessment of the value of the equity interest	Low AUD	Preferred AUD	High AUD
WA-409-P			
Assessed value by SRK (100% basis)	$3,500,000	$153,000,000	$230,000,000
Cue equity interest to be disposed	5.36%	5.36%	5.36%
Total WA-409-P	$187,600	$8,200,800	$12,328,000

Source: ASX, SRK report, PKF Corporate analysis

As can be seen from table 12, the Option, if exercised, would result in Cue disposing of an interest currently valued in a range of $187,600 to $12.328 million with a preferred value of $8.201 million. In return Cue would be free carried for 5.36% of the costs of drilling a well in this permit or receive the cash equivalent. Cue would also be entitled to a 10% royalty on all future revenue from NZO's 5.36% participating interest in the permit.

As the WA-409-P component of the Proposed Transaction merely provides an option to NZO, we have considered how a value of the Option can be assessed, given that:

- the Option is unlikely to be exercised until after the results of the well to be drilled in WA-359-P are known; and
- the Option consideration includes a 10% royalty from any future production from WA-409-P, which is at present unknown.

We have not been able to objectively assess a commercial value of the Option.

(b) Orderly realisation of assets

The orderly realisation of assets method estimates the fair market value by determining the amount that would be distributed to shareholders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner.

Given Cue's support from its major shareholder and the farmout agreements with BP and Beach in respect to advancing the exploration activities of the exploration permits WA-359-P and WA-409-P, we do not consider that an orderly realisation of these assets is an appropriate valuation methodology to use in assessing the value of the participating interests to be disposed by Cue.

(c) Liquidation of assets

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes that the assets are sold in a short time frame.

We consider that this methodology is an inappropriate valuation methodology to use as Cue has existing cash resources, support from its major shareholder and farmout agreements with BP and Beach in respect to advancing the exploration activities of the exploration permits WA-359-P and WA-409-P.

7.7 Comparable market transactions

7.7.1 Industry specific methods estimate market values using rules of thumb for a particular industry. Generally, rules of thumb provide less persuasive evidence of the market value of an asset than other valuation methods because they may not account for specific factors.

7.7.2 As described in Sections 6.1.3 and 6.1.4 of this report, Cue entered into transactions with BP in October 2016 pursuant to which:

WA-359-P

BP took an option to acquire a 42.5% interest in WA-359-P. Pursuant to the option BP agreed to meet a capped amount of US$5.138 million of Cue's share of the cost of drilling a well in WA-359-P and an extra US$1 million of costs contingent on testing the well.

WA-409-P

BP acquired an 80% interest and became operator of WA-409-P. Pursuant to the agreement, BP agreed to fund 100% of the work programme required under the permit for the first three years of the licence renewal.

7.7.3 As also described in Sections 6.1.3 and 6.1.4 of this report, Cue entered into transactions with Beach in November 2017 pursuant to which:

WA-359-P

Beach has entered into a farmout agreement to acquire a 21% participating interest in WA-359-P. Under the agreement with Beach, Cue will be free carried for 4% of the costs of drilling the Ironbark-1 exploration well and Beach will reimburse Cue $900,000 of past costs associated with this permit.

WA-409-P

Beach has been granted an option to acquire a 7.5% participating interest in WA-409-P. If exercised by Beach, Cue will be free carried for 7.5% of the costs of drilling a well in this permit and be entitled to a 10% royalty on all future revenue from Beach's participating interest in the permit.

7.7.4 Pursuant to the Proposed Transaction:

WA-359-P

NZO has entered into a farmout agreement to acquire a 15% participating interest in WA-359-P. Under the agreement with NZO, Cue will be free carried for 2.85% of the costs of drilling the Ironbark-1 exploration well (capped at US$2.57 million) and NZO is to reimburse Cue for $642,600 of past costs associated with this permit.

WA-409-P

Cue granted NZO an option to acquire a 5.36% participating interest in WA-409-P. If exercised by NZO, Cue will be free carried for 5.36% of the costs of drilling a well in this permit or receive the cash equivalent. Under the Option, Cue will also be entitled to a 10% royalty on all future revenue from NZO's participating interest in the permit.

7.7.5 We understand that the transactions with BP and Beach were negotiated on an arms-length basis. We have also reviewed the available information for the period since the agreements with BP and Beach were entered into to see whether there have been any significant events or circumstances that may have altered the underlying value of WA-359-P and/or WA-409-P. We have not identified any such events.

7.7.6 As can be seen from paragraph 7.7.3 of this report, Beach has agreed to acquire a 21% participating interest in WA-359-P in return for which Cue will be free carried for 4% of the costs of drilling the Ironbark-1 exploration well (capped at US$3.6 million) and Beach will reimburse Cue $900,000 of past costs. In contrast, NZO is to acquire a 15% participating interest in WA-359-P in return for which Cue will be free carried for 2.85% of the costs of drilling the Ironbark-1 exploration well (capped at US$2.57 million) and NZO is to reimburse Cue for $642,600 of past costs associated with this permit. The two transactions have been compared in the table below.

Table 13

Cue Energy Resources Limited Comparison of Beach and NZO agreements	Participating interest	Capped costs* AUD	Past costs AUD	Total AUD
Beach farmout agreement	21.00%	$4,968,000	$900,000	$5,868,000
Assessed value (100% basis)				$27,942,857
Assessed value (15% basis)				$4,191,429
NZO farmout agreement	15.00%	$3,546,600	$642,600	$4,189,200

Source: ASX, Cue, PKF Corporate analysis

* capped amount as per the Coordination Agreement which have been converted from US$1 to AU$1.38

7.7.7 As can be seen from the above table, the terms of the Beach farmout in respect of WA-359-P are materially identical in relative terms to the farmout with NZO. Similarly, the option agreements in respect of WA-409-P are also materially identical in relative terms. The Beach farmout agreement suggests that the value of the 15% participating interest that NZO may acquire is approximately $4.2 million.

7.7.8 The terms of the BP agreement can be compared with the NZO farmout in a similar manner to that with Beach set out in Table 13 above. This comparison is set out below:

Table 14

Cue Energy Resources Limited Comparison of BP option agreement	Participating interest	Capped costs* AUD	Well Testing costs AUD	Total AUD
BP option agreement	42.50%	$7,090,440	$1,380,000	$8,470,440
Assessed value (100% basis)				$19,930,447
Assessed value (15% basis)				$2,989,567
NZO farmout agreement	15.00%	$3,546,600	$642,600	$4,189,200

Source: ASX, Cue, PKF Corporate analysis

* capped amount as per the Coordination Agreement which have been converted from US$1 to AU$1.38

7.7.9 As can be seen from the above table, the terms of the NZO farmout in respect of WA-359-P are materially more favourable than the BP option. The BP option agreement suggests that the value of the 15% participating interest that NZO may acquire is approximately $3.0 million.

7.7.10 Given that there is no evidence of a material change in the value of WA-359-P and WA-409-P since the BP and Beach agreements were announced, we have concluded that the Proposed Transaction reflects similar (Beach) or improved (BP) valuation parameters when compared with the agreements with the other farminees.

7.8 Alternate acquirer

7.8.1 The value that an alternative offeror may be prepared to pay to acquire a participating interest in exploration permits WA-359-P and an option over WA-409-P is a relevant valuation methodology to be considered.

7.8.2 We have been advised by Cue that it has not received any alternate proposals to farm-in to exploration permits WA-359-P and WA-409-P and we can see no reason as to why an offer would be initiated at this time.

7.9 Conclusion

7.9.1 Under the net asset based valuation method, we have concluded that the value of the interest in WA-359-P that Cue may dispose of, if shareholders approve the Proposed Transaction, is in a range of $570,000 to $80.400 million with a preferred value of $53.550 million. These values were derived from the SRK report. SRK in their report state that the valuation range is indicative of the uncertainty associated with early stage exploration assets.

7.9.2 Under the comparable market transactions methodology, we concluded that as there has been no evidence of a material change in the value of WA-359-P and WA-409-P since the BP and Beach agreements were announced, the Proposed Transaction reflects similar (Beach) or improved (BP) valuation parameters when compared with the agreements with the other farminees. As we understand that the transactions with the other farminees were negotiated on an arms-length basis, we have concluded that based on the comparable market transactions methodology the value of the participating interest in exploration permit WA-359-P that Cue may dispose of as part of the Proposed Transaction is in a range of $3.0 million and $4.2 million.

7.9.3 It should be noted that the values set out above relate to WA-359-P only. We have not placed any value on the WA-409-P Option as we have not been able to objectively assess a commercial value of the Option.

8. Assessment of the value of the consideration

8.1 As described in Section 6 of this report, the consideration to be received by Cue comprises of:

WA-359-P

Reimbursement of past costs of $642,600 and a free carry of the costs of drilling a well equivalent to 2.85% of the total cost of the well, capped at US$2.57 million.

8.2 The assessed value of the consideration is set out in the table below.

Table 15

Cue Energy Resources Limited Assessment of the value of the consideration	AUD $
WA-359-P	
Carried costs of drilling (capped amount)*	3,546,600
Reimbursement of past costs	642,600
Total WA-359-P	4,189,200
WA-409-P	
Carried costs of drilling (5.36% basis)**	6,657,120
Royalty entitlement	unknown
Total WA-409-P	6,657,120

Source: ASX, PKF Corporate analysis

* capped amount as per the Coordination Agreement which has been converted from US$1 to AU$1.38

** estimated costs of drilling of US$90 million have been converted from US$1 to AU$1.38

8.3 Whilst the above table shows total consideration of approximately $4.2 million, it should be noted that additional potential benefits to be received by Cue include the free carry of the costs of drilling a well at WA-409-P equivalent to 5.36% of the total costs of the well, capped at US$90 million and a royalty equal to 10% of NZO's share of the well revenue. We have not included these benefits in the above table as:

a) the Option in respect of WA-409-P is unlikely to be exercised unless the well to be drilled at WA-359-P is commercially successful; and

b) no value can be ascribed to the royalty entitlements as these will only be received if the WA-409-P Option is exercised, the well is drilled and is commercially successful. Furthermore, assuming that these conditions are satisfied, there is no basis at present for estimating the value of the well production that may ultimately be achieved.

8.4 The above means that if the Proposed Transaction is approved, BP exercises its option and all other conditions precedent are met, Cue will receive the consideration in respect of WA-359-P totalling approximately $4.2 million. This will entitle NZO to exercise the Option over WA-409-P, however, the additional consideration in respect of this exploration permit is contingent on a well in WA-409-P being drilled and being commercially successful. As this is not able to be assessed at this point in time, we have not included the consideration in respect of the WA-409-P Option in our assessment of the value of the consideration.

8.5 We have concluded that the value of the consideration to be received by Cue from the Proposed Transaction is say $4.2 million.

9. Assessment as to Fairness

9.1 The Proposed Transaction is 'fair' if the value of the participating interest in exploration permit WA-359-P that Cue may dispose of together with the Option in respect of WA-409-P is equal to or less than the consideration being offered.

9.2 In Section 7 of this report we assessed the value of the participating interest in exploration permit WA-359-P that Cue may dispose of as part of the Proposed Transaction on two different bases:

- based on the net asset valuation methodology the value of the interest in WA-359-P that Cue may dispose of is in a range of $570,000 to $80.400 million with a preferred value of $53.550 million. These values were derived from the SRK report. SRK in their report state that the valuation range is indicative of the uncertainty associated with early stage exploration assets; and

- based on the comparable market transactions methodology we assessed the value of the interest in WA-359-P that Cue may dispose of to be in a range of $3.0 million to $4.2 million. These values are derived from transactions with BP and Beach.

9.3 In Section 8 of this report we assessed the consideration being offered at $4.2 million. It should be noted that both the value of the assets being given up and the consideration offered in return exclude the Option over WA-409-P as these values are not able to be assessed at this point in time.

9.4 As the consideration being offered ($4.2 million) is within the SRK valuation range ($570,000 to $80.400 million) and is also on terms that are relatively identical or more favourable than the terms agreed with Beach and BP, it would be possible to conclude that the Proposed Transaction is fair. Nevertheless, we are concerned that the SRK valuation range ($570,000 to $80.400 million) is too wide to use as a basis for assessing fairness and for this reason we have concluded that fairness of the Proposed Transaction should be measured by reference to SRK's preferred value of $53.550 million.

9.5 As SRK's preferred value of $53.550 million is greater than the value of the consideration being offered ($4.2 million), we have concluded that the Proposed Transaction is **not fair**.

10. Assessment as to Reasonableness

10.1 Prior to deciding whether to approve or reject the Proposed Transaction, the Cue shareholders should also consider the following significant factors:

- In Section 9 of this report, we assessed the Proposed Transaction as being not fair.

- In Section 7.3 of this report, we analysed the share price of Cue before and after the announcement of the Proposed Transaction. We observed that there is evidence that the share market has viewed the transaction as value accretive for the Cue shareholders. If shareholders do not approve the Proposed Transaction, the share price may return to the levels at which the shares were trading prior to the announcement of the Proposed Transaction.

- In Section 7.7 of this report, we compared the BP and Beach transactions with the Proposed Transaction. We understand that the transactions were negotiated on an arms-length basis and that, since the agreements with BP and Beach were entered into, there have not been any significant events or circumstances that may have altered the underlying value of WA-359-P and/or WA-409-P.

- Following our assessment, we have concluded that the Beach transaction and the Proposed Transaction reflect identical valuation parameters and the Proposed Transaction reflects improved financial parameters in comparison with the BP transaction.

- The extension of the work commitments relating to exploration permit WA-359-P are to be met by 25 April 2019 (refer to ASX announcement on 9 August 2018). If shareholders do not approve the Proposed Transaction, Cue would be required to seek alternative funding to continue to develop the Ironbark-1 Exploration Well and meet the minimum work requirements estimated expenditure of $30.4 million by 25 April 2019. Alternative funding may be on less favourable terms to Cue.

- We have been advised by management that Cue has signed 13 confidentiality agreements with Australian and International Oil and Gas companies allowing the companies access confidential data to review the WA-359-P opportunity. None of these have led to Cue receiving expressions of interest to farmin into WA-359-P.

- If the shareholders approve the Proposed Transaction and all other conditions precedent are met, Cue will partner with NZO, Beach and BP, as operator, to advance the exploration of permit WA-359-P. Accordingly, NZO will provide an additional level of financial support and technical expertise which may add further shareholder value for Cue's shareholders.

- There is a high degree of risk in entering into joint ventures and farmouts as the obligations of the other parties may not be completed due to an incapacity to fulfil their contractual obligations and/or disagreements on exploration and development programs.

- Assuming the Ironbark-1 well drilling is commercially successful, the options granted over WA-409-P are exercised and the subsequent drilling at the exploration permit WA-409-P is commercially successful, there is significant upside for Cue in that it will receive 10% of NZO's gross revenue from the production of the well at WA-409-P.

- In Section 6 of this report, we calculated the potential dilution of Cue's participating interests in exploration permits WA-359-P and WA-409-P. If shareholders approve the Proposed Transaction, Cue's interest in these permits may be diluted.

10.2 Based on the above, we consider that the advantages of the Proposed Transaction outweigh the disadvantages of the Proposed Transaction, and for this reason, we consider that the Proposed Transaction is **reasonable** for the Non-Associated Shareholders of Cue.

11. Assessment as to Fairness and Reasonableness

After considering the above matters, we have concluded that the Proposed Transaction is **not fair but is reasonable**.

12. Financial Services Guide

This Financial Services Guide provides information to assist retail and wholesale investors in making a decision as to their use of the general financial product advice included in the above report.

12.1 PKF Corporate

PKF Corporate holds Australian Financial Services Licence No. 222050, authorizing it to provide general financial product advice in respect of securities to retail and wholesale investors.

12.2 Financial Services Offered by PKF Corporate

PKF Corporate prepares reports commissioned by a company or other entity ("Entity"). The reports prepared by PKF Corporate are provided by the Entity to its members.

All reports prepared by PKF Corporate include a description of the circumstances of the engagement and of PKF Corporate's independence of the Entity commissioning the report and other parties to the transactions.

PKF Corporate does not accept instructions from retail investors. PKF Corporate provides no financial services directly to retail investors and receives no remuneration from retail investors for financial services. PKF Corporate does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice to retail investors.

12.3 General Financial Product Advice

In the report, PKF Corporate provides general financial product advice. This advice does not take into account the personal objectives, financial situation or needs of individual retail investors.

Investors should consider the appropriateness of a report having regard to their own objectives, financial situation and needs before acting on the advice in a report. Where the advice relates to the acquisition or possible acquisition of a financial product, an investor should also obtain a product disclosure statement relating to the financial product and consider that statement before making any decision about whether to acquire the financial product.

12.4 Independence

At the date of this report, none of PKF Corporate, Mr Paul Lom, Mr Steven Perri nor Mr Stefan Galbo have any interest in the outcome of the Proposed Transaction, nor any relationship with Cue, NZO or any of their directors.

Drafts of this report were provided to and discussed with the management of Cue and its advisers. Certain changes were made to factual statements in this report as a result of the reviews of the draft reports. There were no alterations to the methodology, valuations or conclusions that have been formed by PKF Corporate.

PKF Corporate and its related entities do not have any shareholding in or other relationship with Cue that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Transaction.

PKF Corporate had no part in the formulation of the Proposed Transaction. Its only role has been the preparation of this report.

PKF Corporate considers itself to be independent in terms of Regulatory Guide 112 issued by ASIC on 30 March 2011.

12.5 Remuneration

PKF Corporate is entitled to receive a fee of approximately $18,000 for the preparation of this report. With the exception of the above, PKF Corporate will not receive any other benefits, whether directly or indirectly, for or in connection with the making of this report.

12.6 Complaints Process

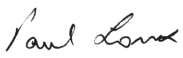
As the holder of an Australian Financial Services Licence, PKF Corporate is required to have suitable compensation arrangements in place. In order to satisfy this requirement PKF Corporate holds a professional indemnity insurance policy that is compliant with the requirements of Section 912B of the Act.

PKF Corporate is also required to have a system for handling complaints from persons to whom PKF Corporate provides financial services. All complaints must be in writing and sent to PKF Corporate at the above address.

PKF Corporate will make every effort to resolve a complaint within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service Limited – GPO Box 3, Melbourne Vic 3000.

Yours faithfully

PKF Melbourne Corporate Pty Ltd



Paul Lom
Director

Steven Perri
Director

Appendix A

Cue Energy Resources Limited

Sources of Information

The key documents we have relied upon in preparing this report are:

- WA-359-P Farmout Agreement between Cue Exploration Pty Ltd, NZOG (Ironbark) Pty Limited and New Zealand Oil & Gas Limited dated 26 October 2018;
- WA-409-P Option Agreement between Cue Exploration Pty Ltd, NZOG (Ironbark) Pty Limited and New Zealand Oil & Gas Limited dated 26 October 2018;
- WA-359-P Assignment and Joint Venture Coordination Agreement between Cue Exploration Pty Ltd, BP Developments Australia Pty Ltd, Beach Energy Limited, NZOG (Ironbark) Pty Limited and New Zealand Oil & Gast Limited dated 26 October 2018;
- Cue's 2018 Annual Report;
- Cue draft resolution relating to the Proposed Transaction for the purpose of the Notice of Extraordinary General Meeting and Explanatory Memorandum;
- Cue's share register as at 1 November 2018;
- SRK Consulting (Australasia) Pty Ltd Independent Technical Specialist report dated 20 November 2018;
- Research data from publicly accessible web sites in particular Cue's ASX announcements; and
- Discussions with the management of Cue.

Appendix B

Cue Energy Resources Limited

Declarations, Qualifications and Consents

1. Declarations

This report has been prepared at the request of the Directors of Cue pursuant to Chapter 10 of the ASX listing rules to accompany the notice of meeting of shareholders to approve the Proposed Transaction. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether or not the Proposed Transaction is fair and reasonable.

This report has also been prepared in accordance with the Accounting Professional and Ethical Standards Board professional standard APES 225 – Valuation Services.

The procedures that we performed and the enquiries that we made in the course of the preparation of this report do not include verification work nor constitute an audit in accordance with Australian Auditing Standards.

2. Qualifications

Mr Paul Lom, director of PKF Corporate, and Mr Stefan Galbo, prepared this report. They have been responsible for the preparation of expert reports and are involved in the provision of advice in respect of valuations, takeovers, capital reconstructions and reporting on all aspects thereof.

Mr Lom is a Fellow of Chartered Accountants Australia and New Zealand (CAANZ) and an Accredited Business Valuation Specialist (CA BV Specialist) with more than 35 years experience in the accounting profession. He was a partner of KPMG and Touche Ross between 1989 and 1996, specialising in audit. He has extensive experience in business acquisitions, business valuations and privatisations in Australia and Europe.

Mr Galbo is a Member of Chartered Accountants Australia and New Zealand (CAANZ) and an Accredited Business Valuation Specialist (CA BV Specialist). He has been responsible for the preparation of valuation reports relating to shares, businesses, options and performance rights and intellectual property for the purpose of acquisitions, divestments, litigation, taxation and capital reconstruction.

Mr Steven Perri, a director of PKF Corporate reviewed this report. Mr Perri is a Member of Chartered Accountants Australia and New Zealand (CAANZ) and an Accredited Business Valuation Specialist (CA BV Specialist).

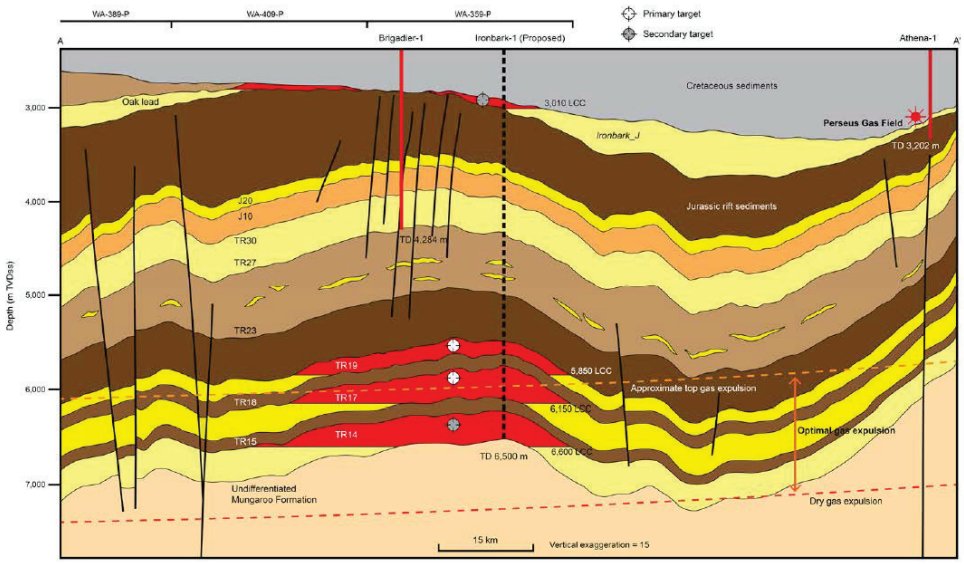
3. Consent

PKF Corporate consents to the inclusion of this report in the form and context in which it is included in the Explanatory Memorandum.

Independent Specialist Report on WA-359-P and WA409-P, assets held by Cue Exploration Pty Limited

Report Prepared for

PKF Melbourne Corporate Pty Ltd



Report Prepared by

srk consulting

SRK Consulting (Australasia) Pty Ltd

PKF002

November 2018

Independent Specialist Report on WA-359-P and WA409-P, assets held by Cue Exploration Pty Limited

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SRK Project Number PKF002

November 2018

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Executive Summary

Cue Energy Resources Limited, the owner of Cue Exploration Pty Ltd (Cue) is seeking a Joint Venture partner or partners to fund and/or operate the Ironbark-1 well in WA-359-P in the offshore Carnarvon Basin of Western Australia. In October 2018, Cue entered into an agreement to farm out to BP Developments Australia Pty Ltd (BP) an option over 42.5% equity in WA-359-P.

Separate agreements were made with Beach Energy and New Zealand Oil and Gas (NZOG) subject to completion of the agreement with BP. On 26 October 2018, Cue announced that it had executed agreements whereby New Zealand Oil and Gas (NZOG) will, subject to certain conditions and approvals, acquire equity in Northwest Shelf exploration permits, WA-359-P and WA-409-P.

Cue has commissioned PKF Melbourne Corporate Pty Ltd (PKF) to prepare an Independent Expert Report (IER) commenting on the fairness and reasonableness of the proposed transactions for WA-359-P and WA-409-P.

Mr Paul Lom of PKF subsequently requested SRK Consulting (Australasia) Pty Ltd (SRK) to provide an Independent Technical Specialist Report relating to Cue's Blocks WA-409-P and WA-359-P located in the offshore Carnarvon Basin of Western Australia. SRK understands that this report is to be included as an appendix to PKF's IER.

Cue has identified a new play type associated with the prolific gas-bearing Triassic Mungaroo Formation. The "Ironbark" prospect, a Mungaroo Formation prospect with multiple objectives has been identified as the primary candidate for drilling and Cue estimates that it holds a success case best technical estimate of 15 trillion cubic feet (TCF) of gas.

Cue is seeking a Joint Venture partner or partners to fund and/or operate the Ironbark-1 well in WA-359-P. Cue is in the process of farming out a fixed carry to BP Developments Australia Pty Ltd (BP) and 21% (Cue carry 4.0% capped at US$3.60 million) to Beach. Cue plans to farmout 15% (Cue carry 2.85% capped at US$ 2.57 million) to NZOG.

Outline of work program

Work program was as follows:

- Assess and compile the technical data
- Review and estimate the Prospective Resources
- Undertake financial modelling and comparative transaction analysis
- Determine valuation estimates (high, most likely and low).

Results

The estimates provided in the current SRK report conform to the definitions and guidelines of the Petroleum Resources Management System (PRMS, 2018) approved by the SPE/WPC/AAPG/SPEE/SEG /SPWLA/EAGE. (Society of Petroleum Engineers, American Association of Petroleum Geologists, World Petroleum Council, Society of Petroleum Evaluation Engineers, Society of Exploration Geophysicists, Society of Petrophysicists and Well Log Analysists and European Association of Geologists and Engineers). In addition, the Guidelines for Application of the Petroleum Resources Management System (PRMS, 2011) by SPE/AAPG/WPC/SPEE/SEG provided supporting information.

Resource categorisation conveys the relative degree of certainty described in **Appendix A**.

This valuation complies with the minimum reporting requirements of the VALMIN Code (2015).

The Resources sub-categorisation is based on current exploration. SRK's report includes a discussion covering the current field focal area. Commercial viability and economic field limits are based on the available data and understanding of existing infrastructure. Scoping plans, costs and economics were provided by Cue and checked against SRK's knowledge of the current activity in the northern Carnarvon Basin.

Prospective Resources presented in SRK's report are estimates only. The Resources may or may not be recoverable. The revenues and the costs related to the gas extraction could vary significantly. New estimates should be made when additional data becomes available.

Engineering and geological matters are detailed in our report along with the basis for our VALMIN compliant valuation. This work represents our professional opinion based upon our judgement and experience.

All supporting data and files are stored at SRK Brisbane offices.

Estimated Value

The "Ironbark" prospect, a Triassic-aged Mungaroo Formation prospect with multiple objectives, is the primary candidate for drilling and the key to the value estimate for exploration permits, WA-409-P and WA-359-P located in the offshore Carnarvon Basin of Western Australia.

Cue estimates that it holds a success case best technical estimate of about 15 trillion cubic feet (TCF) of gas and associated condensate. A secondary Jurassic-aged stratigraphic target is also possible at the Ironbark location, but no value is currently ascribed to that potential.

Cue currently holds the following interests in exploration permits, WA-409-P and WA-359-P (**Table ES-1**).

Table ES-1: Permit status for WA-409-P and WA-359-P

WA-359-P	
Status	Exploration
Location	Carnarvon Basin, Offshore Western Australia
Working Interest	100%
Operator	Cue Exploration Pty Ltd.
WA-409-P	
Status	Exploration
Location	Carnarvon Basin, Offshore Western Australia
Working Interest	20%
Operator	BP Developments Australia Pty Ltd

In October 2016, Cue farmed out an 80% equity interest in WA-409-P to BP. Cue has no funding requirements for the primary term work commitment, which included reprocessing of seismic geophysical data over the permit.

SRK has estimated the following value ranges for the Prospective Resources associated with Cue's interest in WA-409-P and WA-359-P (**Table ES-2**).

Table ES-2: Summary of SRK's valuation of Cue's gas assets as at 14 November 2018 on a 100% equity basis

Project	Asset	Valuation method	Low (A$MM)	High (A$MM)	Preferred (A$MM)
Ironbark-1	WA-359-P (100%) Cue Interest 100%	2U P50 Prospective Resources (Expenditure Values and Comparative Transactions)	3.8	536	357
Ironbark-1	WA-409-P (100%) Cue Interest 20%	2U P50 Prospective Resources (Expenditure Values and Comparative Transactions)	3.5	230	153

Note: Any discrepancies between values in the table are due to rounding (US$ converted to A$ at 0.7US$ to 1.0A$ from Table 4-4 and 4-5)

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Disclaimer

The opinions expressed in this Report have been based on the information supplied to SRK Consulting (Australasia) Pty Ltd (SRK) by Cue Energy Limited (Cue Energy). The opinions in this Report are provided in response to a specific request from Cue Energy to do so. SRK has exercised all due care in reviewing the supplied information. Whilst SRK has compared key supplied data with expected values, the accuracy of the results and conclusions from the review are entirely reliant on the accuracy and completeness of the supplied data. SRK does not accept responsibility for any errors or omissions in the supplied information and does not accept any consequential liability arising from commercial decisions or actions resulting from them. Opinions presented in this Report apply to the site conditions and features as they existed at the time of SRK's investigations, and those reasonably foreseeable. These opinions do not necessarily apply to conditions and features that may arise after the date of this Report, about which SRK had no prior knowledge nor had the opportunity to evaluate.

List of Abbreviations

Abbreviation	Meaning
A$	Australian dollars
Cue	Cue energy limited
bbl	Barrel
BCF	Billions of standard cubic feet
BOE	Barrel(s) of oil equivalent
cc/g	Cubic centimetres per gram
DST	Drill stem test
EA	Environmental authority
EUR	Estimated ultimate recovery
g/cc	Grams per cubic centimetre
GJ	Gigajoule
kg	Kilogram
km	Kilometres
km²	Square kilometres
kPa	Kilopascals
LCC	Lowest closing contour
LKG	Lowest known gas
LPG	Liquid petroleum gas
M	Thousand
MM	Millions
m	Metres
MSA	Master services agreement
Mscf/d	Thousands of cubic feet per day
mD	Millidarcies
MMcf	Millions of cubic feet
MMcf/d	Millions of cubic feet per day
mSS	Metres sub sea
OGIIP	Original gas initially-in-place
PHIE	Effective porosity derived from petrophysics
PJ	Petajoule
PL	Petroleum lease
psi/ft	Pounds per square inch per foot
SCAL	Special core analysis
SPE	Society of Petroleum Engineers
SPEE	Society of Petroleum Evaluation Engineers
SRK	SRK consulting (Australasia) Pty Ltd
SWE	Effective water saturation derived from petrophysics
TCF	Trillion of standard cubic feet
WPC	World Petroleum Council

Statement of Competency

Dr Bruce Alan McConachie

Dr Bruce Alan McConachie is a geologist with extensive experience in economic resource evaluation and exploration. His career spans over 30 years and includes production, development and exploration experience in petroleum, coal, bauxite and various industrial minerals.

Work history includes:

- **Comalco: 15 years (Rio Tinto-Alcan)** - Chemist, Mine Geologist, Planning Engineer, Senior Geologist and Team Leader (Petroleum Group)
- **Australian Geological Survey Organisation / Bureau of Mineral Resources:** 2½ years (Geoscience Australia) - Senior Research Scientist (Petroleum Systems Petrel Sub-basin Project)
- **Santos:** 7 years - Senior Geologist, Team Leader and Chief Geologist – Indonesia
- **BHP Billiton**: 2½ years - Global Bauxite Commodity Specialist and Manager Bulk Commodities
- **SRK Consulting**: 9 years – Principal Consultant and Associate Principal Consultant (Manager Petroleum Group)

Experience:

Extensive relevant experience covering petroleum exploration programs, joint venture management, farmin and farmout deals, onshore and offshore operations, field evaluation and development, oil and gas production and economic assessment, and relevant experience assessing petroleum resources under the PRMS code and mineral commodities under the JORC code.

Industry Group Memberships:

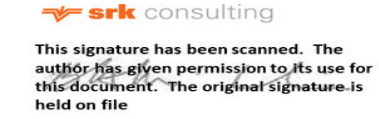
- The Australasian Institute of Mining and Metallurgy (AusIMM) – 30 Years
- American Association of Petroleum Geologists (AAPG) – 11 Years
- Petroleum Exploration Society Australia (PESA) and
- Society of Petroleum Engineers (SPE).

Qualifications:

- Graduate degrees in geology and analytical chemistry
- Master of Applied Science by research and thesis on the coal geology of the Bowen Basin, Queensland
- Doctor of Philosophy by dissertation on foreland and fold belt basin analysis to characterise petroleum and mineral systems and deposits

I am an Associate employee of SRK Consulting and am an experienced petroleum reserves and resources estimator with over 15 years relevant experience. I have adhered to the ASX Listing Rules Guidance Note 32. My qualifications and experience meet the requirements to act as a Competent Person to report petroleum reserves under PRMS (2018) and assess assets under the VALMIN Code (2015) of the AusIMM.

The data and interpretations presented in this document accurately reflect my view of the Cue Energy Resources Limited (Cue Exploration Pty Limited) gas assets that are the subject of this report.



Dr Bruce Alan McConachie

Statement of Competency

Carl D'Silva

Associate Member (SRK Consulting, Brisbane Office)

Carl is a geologist with extensive working experience in petroleum and coal seam gas exploration, operation and evaluation. His career spans over 15 years' experience focusing on exploration and production, operation, and evaluation of petroleum, CSG as well as coal resources, with working experience in varied oil/gas exploration and appraisal in both mature and frontier basins in Australia, Papua New Guinea and SE/Central Asia countries.

Work history includes:

AGL Energy Limited: 3 years – Senior Geologist/Project Leader, Surat Basin.

Clean Global Energy Limited: 2 years – Exploration & Geology Manager, UCG Development in Surat Basin, Australia, India and USA.

Santos Limited/Eastern Star Gas: 5.5 years – Senior Geologist/JV Co-ordinator – Developing CSG Projects in Gunnedah Basin.

Arrow Energy NL: 6 months – Senior Geologist – Planning and drilling of Tipton West and Daandine CSG Pilot Projects in Surat Basin, Qld.

Santos Limited: 7 years – Geologist – Geological Mapping, seismic interpretation and prospect generation in Western PNG Assets and Indonesia.

SRK Consulting Pty Limited: Associate Professional Consultant

Experience:

Extensive relevant experience covering conventional petroleum / coal seam gas exploration, production, operation and evaluation, joint venture management, New Venture appraisal, and relevant experience in petroleum and CSG reserves and resources evaluation under the PRMS 2018.

Industry Group Memberships:

- American Association of Petroleum Geologists (AAPG) – 15 Years
- Petroleum Exploration Society Australia (PESA) – 20 Years

Qualifications:

Bachelor of Applied Science (Geology), Honours, University of Technology, Sydney

My qualifications and experience meet the requirements to act as a Competent Person to report petroleum Reserves under PRMS (2018).

The data and interpretations presented in this document accurately reflect my view of the Cue Energy Resources Limited (Cue Exploration Pty Limited) gas assets that are the subject of this report.

Carl D'Silva

1 Introduction and Scope of Report

Mr Paul Lom of PKF Melbourne Corporate Pty Ltd (PKF) requested that SRK Consulting (Australasia) Pty Ltd (SRK) provide an Independent Technical Specialist Report for the Cue Energy Resources Limited's (Cue) Blocks WA-409-P and WA-359-P located in the offshore Carnarvon Basin of Western Australia. SRK understands that this report is to be included as an Appendix to an Independent Expert Report (IER) to be prepared by PKF in relation to a potential transaction involving these tenures, particularly WA-359-P and WA-409 P.

Cue has identified a new play type associated with the prolific gas-bearing Triassic-aged Mungaroo Formation. The "Ironbark" prospect, a Mungaroo Formation prospect with multiple objectives has been identified as the primary candidate for drilling and Cue estimates that it holds a success case best technical estimate of 15 trillion cubic feet (TCF) of gas.

The location setting with wells and seismic geophysical data coverage of exploration permits, WA-409-P and WA-359-P are shown in **Figure 1-1**.

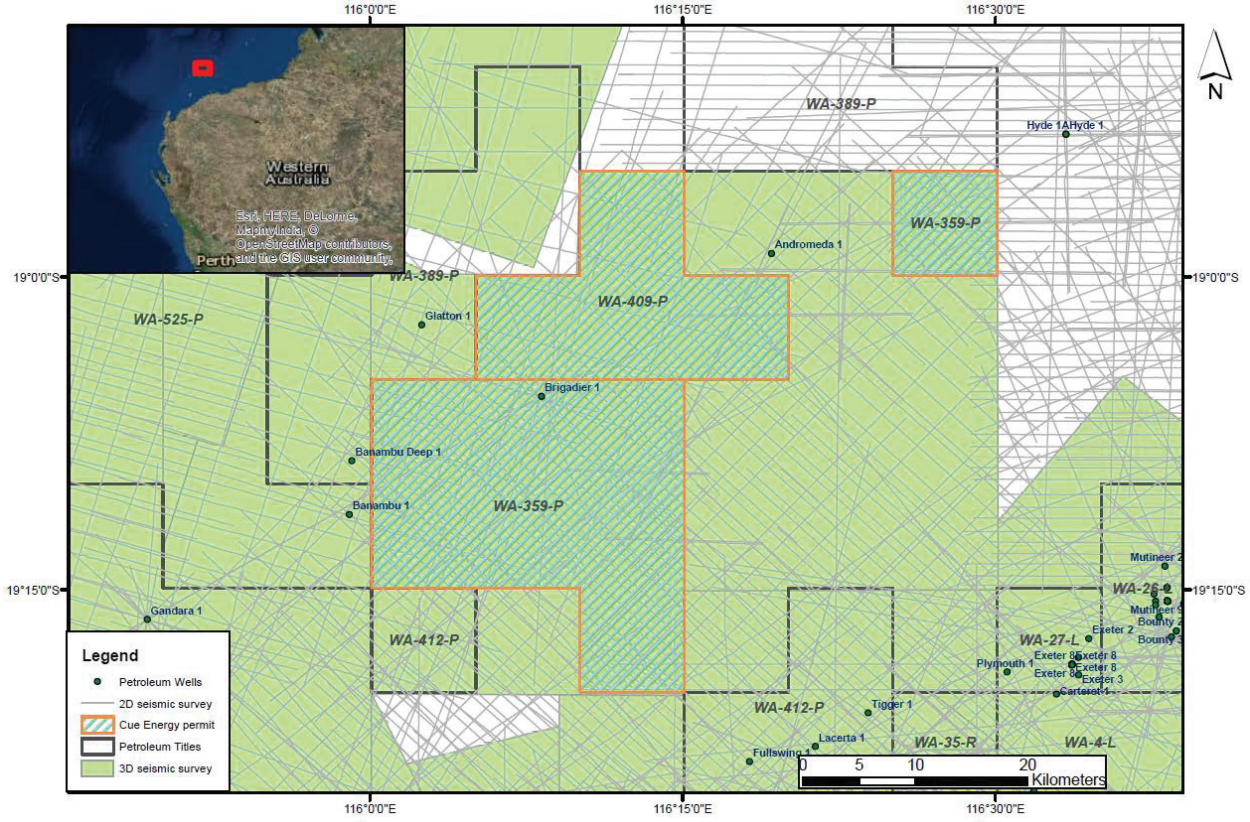


Figure 1-1: Location map of offshore WA-359P and WA-409-P with wells and seismic geophysical data, Northern Carnarvon Basin

As per our mandate, SRK has prepared this report in line with prevailing compliance requirements, which include:

- A detailed technical description of the blocks and their associated prospectivity;
- A description of the primary and cross-check valuation methodologies used and justification for the use of these methods;
- The estimated value of each asset;
- The information relied upon by the valuer and the evaluation of that information;

- The assumptions adopted by the valuer and the evaluation of those assumptions;
- A description of any material risks;
- Identification of any expert reports used and a description of how those reports were used; and
- A description of the terms of the engagement.

As defined in the VALMIN Code (2015), mineral assets comprise all property including (but not limited to) tangible property, intellectual property, mining and exploration tenure and other rights held or acquired in connection with the exploration, development of and production from those Tenures. This may include the plant, equipment and infrastructure owned or acquired for the development, extraction and processing of Minerals and Petroleum in connection with that Tenure.

For the purpose of this valuation, the project held by Cue were classified according to the development stage categories outlined in the VALMIN Code (2015) these being:

- **Early-Stage Exploration Projects** – Tenure holdings where mineralisation may or may not have been identified, but where Mineral (or Petroleum) Resources have not been identified.
- **Advanced Exploration Projects** – Tenure holdings where considerable exploration has been undertaken and specific targets have been identified that warrant further detailed evaluation, usually by drill testing, trenching or some other form of detailed geological sampling. A Mineral (or Petroleum) Resource estimate may or may not have been made, but sufficient work will have been undertaken on at least one prospect to provide both a good understanding of the type of mineralisation present and encouragement that further work will elevate one or more of the prospects to the Mineral (or Petroleum) Resources category.
- **Pre-Development Projects** – Tenure holdings where Mineral (or Petroleum) Resources have been identified and their extent estimated (possibly incompletely) but where a decision to proceed with development has not been made. Properties at the early assessment stage, properties for which a decision has been made not to proceed with development, properties on care and maintenance and properties held on retention titles are included in this category if Mineral (or Petroleum) Resources have been identified, even if no further work is being undertaken.
- **Development Projects** – Tenure holdings for which a decision has been made to proceed with construction or production or both, but which are not yet commissioned or operating at design levels. Economic viability of Development Projects will be proven by at least a Pre-Feasibility Study.
- **Production Projects** – Tenure holdings - particularly mines, wellfields and processing plants - that have been commissioned and are in production.

Based on these classifications, in SRK's opinions the Ironbark Project comprises an advanced exploration project. SRK's technical assessment and valuation is current as at 14 November 2018. All monetary amounts are expressed in Australian dollar (A$) terms as specified throughout the Report. The final valuation is expressed in A$.

1.1 Nature of the brief

This Independent Specialist Report was initiated by Mr Paul Lom, Director, PKF Melbourne Corporate Pty Ltd. The Report is to be included as an appendix to PKF's IER, which will provide an opinion on the fairness and reasonableness of the proposed transaction by NZOG to acquire a 15% interest in the WA-359-P and a 5.36% option over WA-409-P.

Specifically, PKF has requested the following:

- That SRK provide PKF with an *independent* opinion on the market valuation of Cue's Ironbark Prospect;
- The Report should include a Competent Person's statement, in accordance with the requirements of a practitioner under Section 2.2 of the VALMIN Code 2015;
- The basis of the consideration and approximate fee for the report to comply with Section 6.3 of the VALMIN Code 2015; and
- Compliance with section 7.2 of the VALMIN Code 2015, relating to Status of Tenure.

Cue's key assets to be considered in this Report comprise interests in WA-409-P and WA-359-P.

1.2 Summary of principal objectives

The objective of this Report is to provide an independent technical assessment and valuation of the petroleum assets held by Cue.

This Report has been prepared in accordance with the "Australasian Code for the Public Reporting of Technical Assessment and Valuation of Mineral Assets" - VALMIN Code (VALMIN, 2015) which incorporates the "Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves" - JORC Code (2012) and conforms to the requirements of Petroleum Resources Management System (PRMS, 2018) of the Society of Petroleum Engineers etc.

1.3 Outline of work program

The following activities were carried out during the preparation of this Report:

- Review of technical reports and supporting documentation prepared by and/ or on behalf of the parties.
- Discussions with key technical personnel of Cue.
- Valuation of the respective interests and preparation of an Independent Specialist Report.

1.4 Program objectives

This Report and associated valuation has been prepared by SRK under instructions from PKF. This Report complies with the mineral and petroleum asset information required under various securities laws of Australia.

As per the VALMIN Code (2015) a first draft of the Report was supplied to PKF and Cue to check for material error, factual accuracy and omissions before the final report was issued. SRK's scope of work was limited to the second draft of the Report after a round of edits by PKF and Cue. The final report was issued following review of any comments by the project team.

SRK has selected the most appropriate valuation technique for the assets, based on the development status of the projects and the available information. This Report expresses an opinion regarding the value of certain petroleum assets held by Cue as directed in SRK's mandate from PKF. This Report does not comment on the 'fairness and reasonableness' of any transaction between the owners of these petroleum interests and any other parties.

1.5 Reporting standard

This Report has been prepared to the standard of, and is considered by SRK to be, a Technical Assessment and Valuation Report under the guidelines of the VALMIN Code (2015). It should be noted that the author of this Report is a Member of the Australasian Institute of Mining and Metallurgy (AusIMM), the SPE (society of Petroleum Engineers) and the American Association of Petroleum Geologists (AAPG) and, as such, is bound by both the VALMIN and PRMS Codes.

This Report has been prepared according to:

2015 edition of the Australasian Code for the Public Reporting of Technical Assessments and Valuations of Mineral Assets ("VALMIN Code")

2018 PRMS and 2011(Guideline) Editions of the Petroleum Resource Management System of the Society of Petroleum Engineers'(SPE-PRMS).

For the purposes of this Report, value is defined as 'market value' being the amount of money (or the cash equivalent or some other consideration) for which a mineral asset should change hands on the date of Valuation between a willing buyer and a willing seller in an arm's length transaction after appropriate marketing wherein the parties each acted knowledgeably, prudently and without compulsion.

1.6 Work program

This assignment commenced in early November 2018, with a review of electronic company data and other information sourced by SRK from literature and company websites, as well as subscription databases. SRK consultants worked through the relevant databases, completed research on comparable market transactions to assist with the valuation, and compiled the Report.

SRK notes that the VALMIN Code (2015) recommends that a site inspection be completed should it be 'likely to reveal information or data that is material to the report'. A site visit was not undertaken for the purposes of this Report mostly due to the nature of the asset (offshore sub-sea with no associated infrastructure).

SRK carried out the following work program:

Assignment commenced	01 November 2018
Submission of draft report	14 November 2018
Submission of updated draft report	15 November 2018
Submission of final report	20 November 2018.

1.7 Key sources of data

Data and information on the assets used by SRK during the preparation of this Report are referenced throughout the Report.

1.8 Effective date

The effective date of this Report is 15 November 2018.

1.9 Project team

This Report has been prepared based on a technical review by a team of consultants from SRK's Australian offices. Details of the qualifications and experience of the consultants who have carried out the work in this Report, who have extensive experience in the petroleum industry and are members in good standing of appropriate professional institutions.

1.10 Limitations, reliance on information, declaration and consent

1.10.1 Limitations

SRK's opinion contained herein is based on information provided to SRK by Cue throughout the course of SRK's investigations as described in this Report, which in turn reflect various technical and economic conditions at the time of writing. Such technical information as provided by Cue was taken in good faith by SRK. SRK has not independently verified historical Petroleum Resources estimates by means of recalculation.

This Report includes technical information, which requires subsequent calculations to derive subtotals, totals, averages and weighted averages. Such calculations may involve a degree of rounding. Where such rounding occurs, SRK does not consider them to be material.

As far as SRK has been able to ascertain, the information provided by Cue was complete and not incorrect, misleading or irrelevant in any material aspect.

Cue has confirmed in writing to SRK that full disclosure has been made of all material information and that to the best of their knowledge and understanding, the information provided by Cue was complete, accurate and true and not incorrect, misleading or irrelevant in any material aspect. SRK has no reason to believe that any material facts have been withheld.

1.10.2 Statement of SRK independence

Neither SRK, nor any of the authors of this Report, have any material present or contingent interest in the outcome of this Report, nor do they have any pecuniary or other interest that could be reasonably regarded as being capable of affecting their independence or that of SRK.

SRK has no prior association with Cue regarding the mineral assets that are the subject of this Report. SRK has no beneficial interest in the outcome of the technical assessment being capable of affecting its independence.

1.10.3 Indemnities

As recommended by the VALMIN Code (2015), Cue has provided SRK with an indemnity under which SRK is to be compensated for any liability and/or any additional work or expenditure resulting from any additional work required:

- which results from SRK's reliance on information provided by Cue or Cue not providing material information; or
- which relates to any consequential extension workload through queries, questions or public hearings arising from this Report.

1.10.4 Consent

SRK consents to this Report being included, in full, in PKF's documents in the form and context in which the technical assessment is provided, and not for any other purpose. SRK provides this consent on the basis that the technical assessments expressed in the Summary and in the individual sections of this Report are considered with, and not independently of, the information set out in the complete Report.

1.10.5 Consulting fees

SRK's estimated fee for completing this Report is based on its normal professional daily rates plus reimbursement of incidental expenses. The fees are agreed based on the complexity of the assignment, SRK's knowledge of the assets and availability of data. The fee payable to SRK for this engagement is estimated at approximately A$20,000. The payment of this professional fee is not contingent upon the outcome of the Report.

2 Project Area Description and Ironbark Prospect

Cue's Ironbark petroleum exploration permits, WA-359-P and WA-409-P, are located in the offshore Carnarvon Basin, in northwestern Western Australia, approximately 800 km north of Perth. The permits lie between latitudes 18°55' to 19°20' S and longitudes 116°00' and 116°30' E.

Initial targeting by Cue comprised a comprehensive regional study using 15,000 km^2 (5,791 sq mi) of three-dimensional (3D) and two-dimensional (2D) seismic geophysical data and 17 well ties to map sands of the Triassic-aged Mungaroo Formation over the permits, as encountered at the Gorgon gas field.

This led to identification of the Ironbark gas prospect, which straddles WA-359-P and WA-409-P in moderate water depths, as a drillable target. Ironbark is a Mungaroo Formation gas (with possible associated condensate) prospect in the Carnarvon Basin, which covers an area of up to 400 sq km (154 sq mi).

The Ironbark prospect is based on two primary reservoir targets, TR19 and TR17 levels in the Mungaroo Formation and a secondary Triassic reservoir section at TR14. A previous secondary reservoir target comprising J29 Jurassic-aged Legendre Sands may occur at the site of the Ironbark Prospect. However, the reservoir occurs at shallow depth and will be at lower pressure and lower maturity. Any trap will rely on stratigraphic seals that are typically subject to base leakage. These are no longer considered valid targets for the well but may have some production potential during the life of a discovered and developed field.

The Ironbark prospect is less than 50 km (31 mi) from the associated North Rankin platform and close to the Pluto and Wheatstone liquid natural gas (LNG) infrastructure, so potentially there are multiple commercialisation options. According to Cue, Wood Mackenzie estimates that the North West Shelf LNG plant and infrastructure will have spare capacity from 2021 onwards.

2.1 Regional Setting and Stratigraphy

The regional setting of the Ironbark area in the offshore northern Carnarvon Basin is shown in **Figure 2-1** and a regional structural line of section comprising wells from Gorgon to Brigadier is shown in **Figure 2-2**.

The Ironbark prospect lies outboard of the Rankin Platform.

The regional stratigraphy of the Carnarvon Basin (Triassic Mungaroo sands and Jurassic Legendre sands indicated) is shown in **Figure 2-3**. The prospective section at Ironbark comprises the fluvio-deltaic Mungaroo Formation from TR19 to TR14.

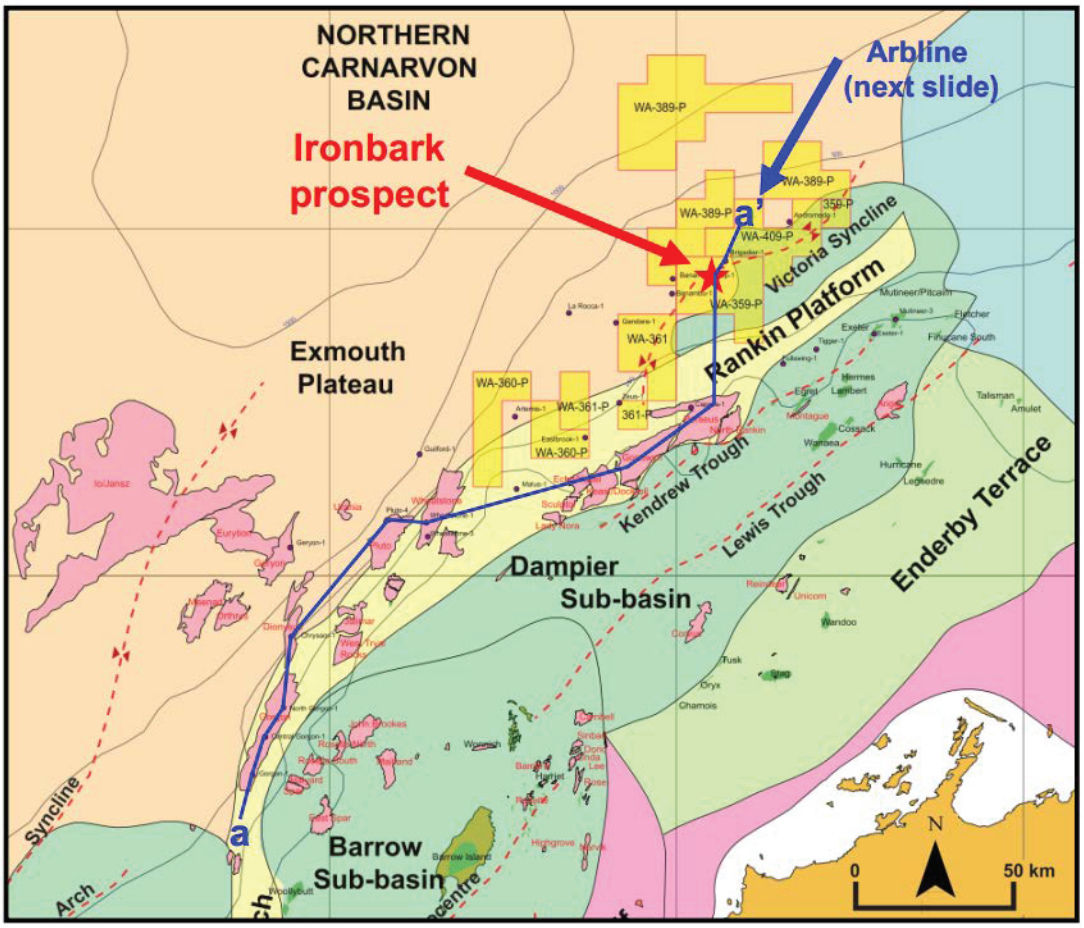


Figure 2-1: Regional Setting and section line (Figure 2-2)

(Source: Cue)

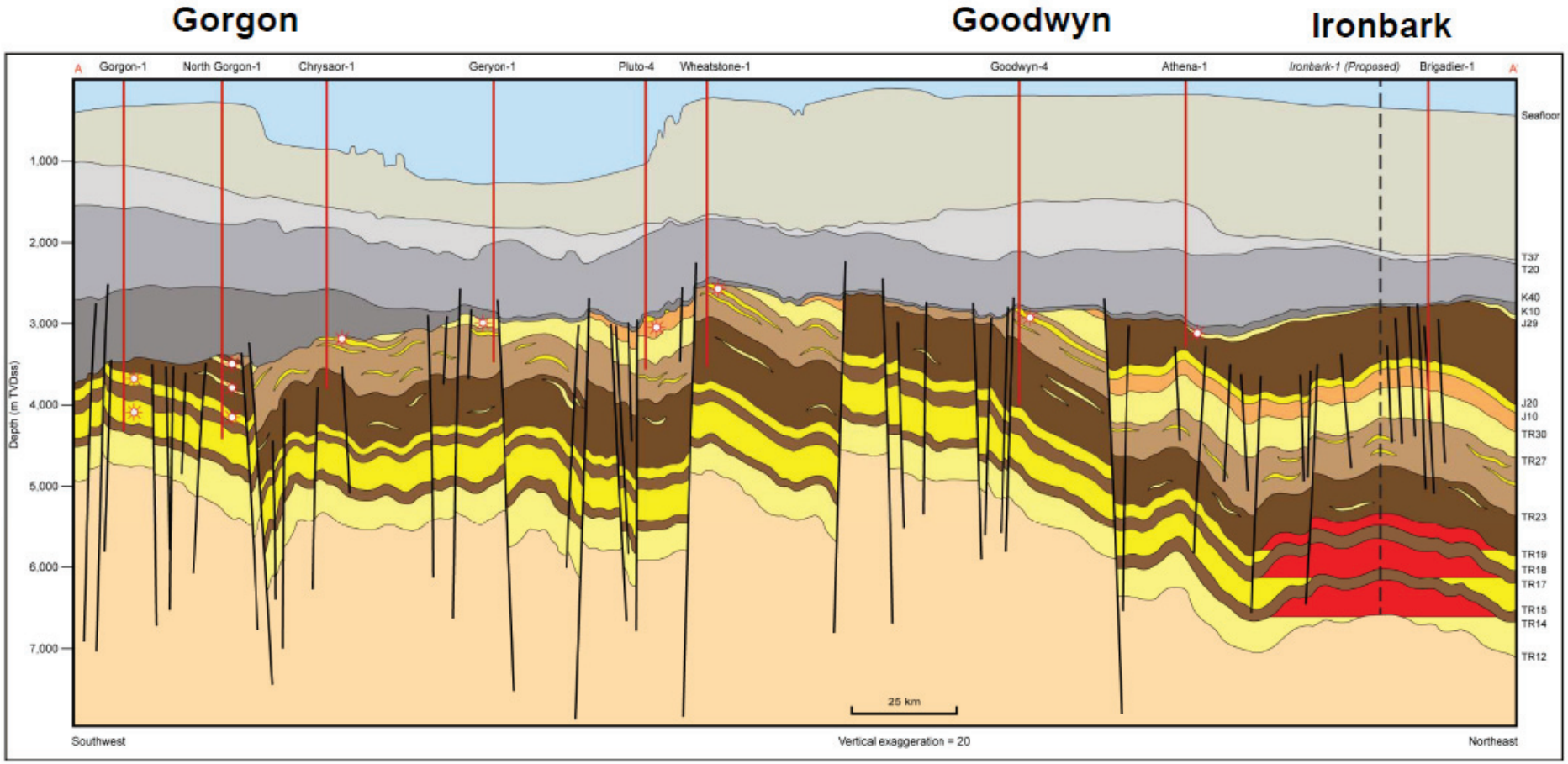


Figure 2-2: Regional cross section from Gorgon-1 to Brigadier-1 (untested deeper section comprising the Ironbark prospect (shown in red)
(Source Cue)

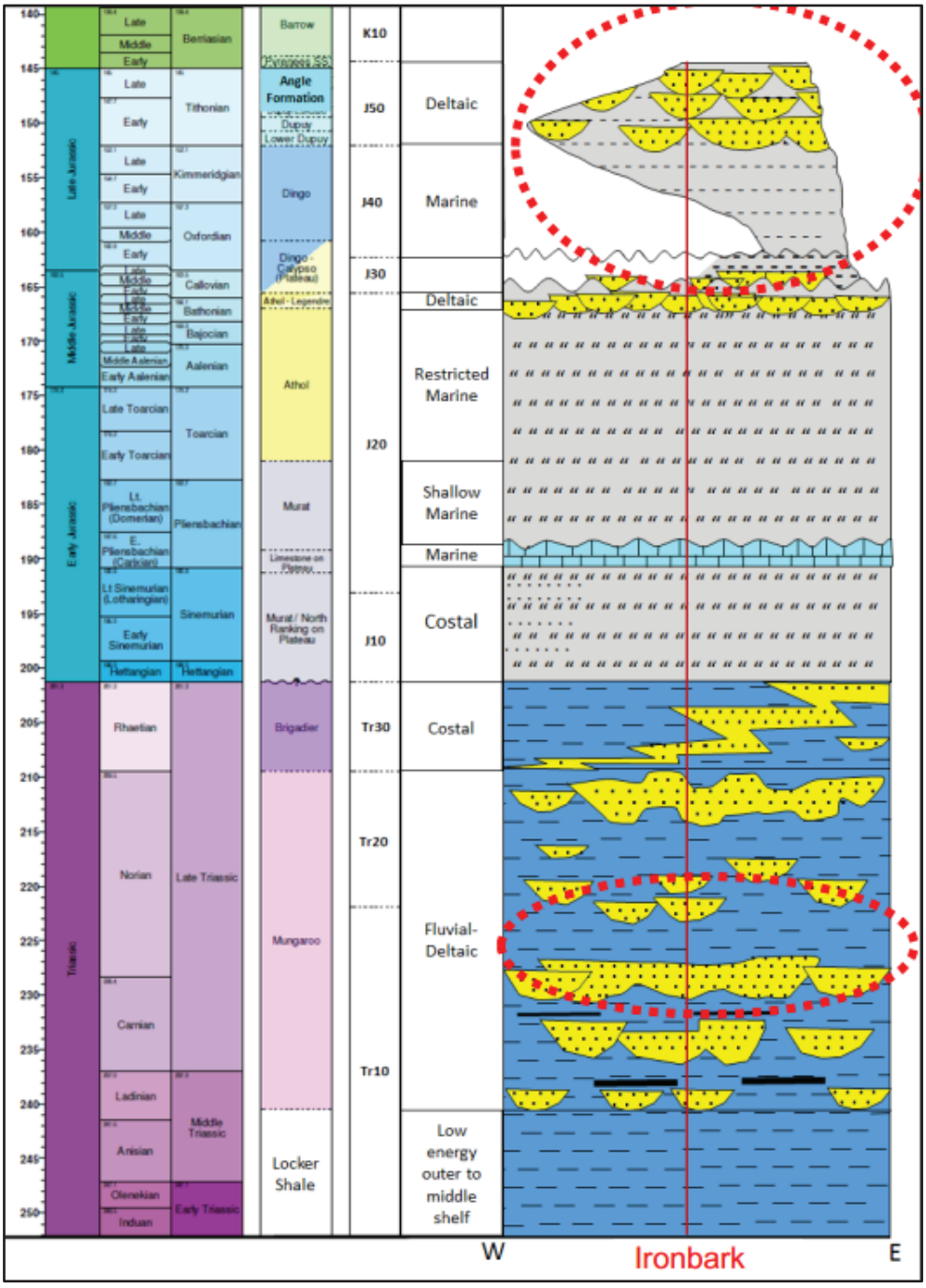


Figure 2-3: Regional Stratigraphy, Carnarvon Basin (Triassic Mungaroo sands and Jurassic Legendre sands indicated)

(Source: Cue)

2.2 Exploration History

Locally at Ironbark, the only well completed was the shallower Brigadier-1 well, which was drilled by Woodside Petroleum Limited (Woodside) in 1978. To the south, Goodwyn-6 penetrated the TR12 to Tr 21 sequence equivalent to the proposed Ironbark-1. Banambu Deep-1 to the west of Ironbark is the deepest local well, penetrated the upper Mungaroo Formation Tr 27.

2.3 Petroleum System

A petroleum system comprises eight independent variables – source, generation, reservoir, seal, structure, timing, migration and preservation.

Two Mesozoic petroleum supersystems have been identified within the Northern Carnarvon Basin. Bradshaw (1993) and Bradshaw et al (1994, 1997) developed a petroleum system and supersystem framework that linked Australian basins by age, facies, tectonic history and hydrocarbon generation history. Each petroleum system within a supersystem is defined by a combination of play elements separated by either tectonic and/or climatic events. The petroleum systems of the Northern Carnarvon Basin were characterised by Spencer et al (1993, 1994 and 1995) and Bradshaw et al (1994) as belonging to the Westralian 1 and Westralian 2 supersystems.

On the basis of a United States Geological Survey (USGS) resource assessment analysis, Bishop (1999) further defined the two petroleum systems in the Northern Carnarvon Basin using the source–reservoir couplet nomenclature of Magoon and Dow (1994):

* The 'Locker/Mungaroo–Mungaroo/Barrow' Petroleum System.

* The 'Dingo–Mungaroo/Barrow' Petroleum System.

These systems are considered to be the source of the majority of the commercial petroleum discoveries within the Carnarvon Basin. The 'Locker/Mungaroo–Mungaroo/Barrow' Petroleum System is the focus at Ironbark.

The gas-prone 'Locker/Mungaroo–Mungaroo/Barrow' Petroleum System covers most of the basin and extends to the margins of the Exmouth Plateau. The primary source rock for this petroleum system is the Upper Triassic deltaic Mungaroo Formation (and marine equivalents) with a possible secondary contribution from organic-rich marine units in the Lower Triassic Locker Shale. The majority of recent exploration on the Exmouth Plateau has been based on a model that invokes gas charge from deeply buried coals and carbonaceous claystones within the Mungaroo Formation.

From a regional perspective, the 'Locker/Mungaroo–Mungaroo/Barrow' Petroleum System can be considered part of the Westralian 1 Petroleum Supersystem (Bradshaw et al, 1994; Edwards and Zumberge, 2005; Edwards et al, 2007). This supersystem includes giant gas accumulations that have been predominantly sourced from fluvial-deltaic Triassic to Lower–Middle Jurassic source rocks in the Bonaparte, Browse and Northern Carnarvon Basins. Similarities between carbon isotopic profiles of gases and condensates within the Westralian Superbasin reflect recurring organofacies that existed in the fluvial-deltaic environments developed from the Triassic to the Middle Jurassic (Edwards and Zumberge, 2005; Edwards et al, 2006).

2.3.1 Source and Generation

Source rock is known to be widely distributed in the Carnarvon Basin on Western Australia's Northwest Shelf. Source rocks comprising coals and carbonaceous claystones are known to occur in the Mungaroo Formation (**Figure 2-4**). Loading of the sub-basin during the Cenozoic, due to the deposition of a carbonate wedge, has driven late-stage maturation of hydrocarbons. As a result, hydrocarbons generated during the Cenozoic may have been trapped and preserved in the Ironbark prospect. Modelling demonstrates that the source rock will be mature for gas at the site of the Ironbark Prospect (**Figure 2-5**). The terrestrial nature of the source rock at Ironbark is predisposed to gas rather than liquids. Nearby gas analysis data demonstrate that the likelihood of significant carbon dioxide or nitrogen presence is low.

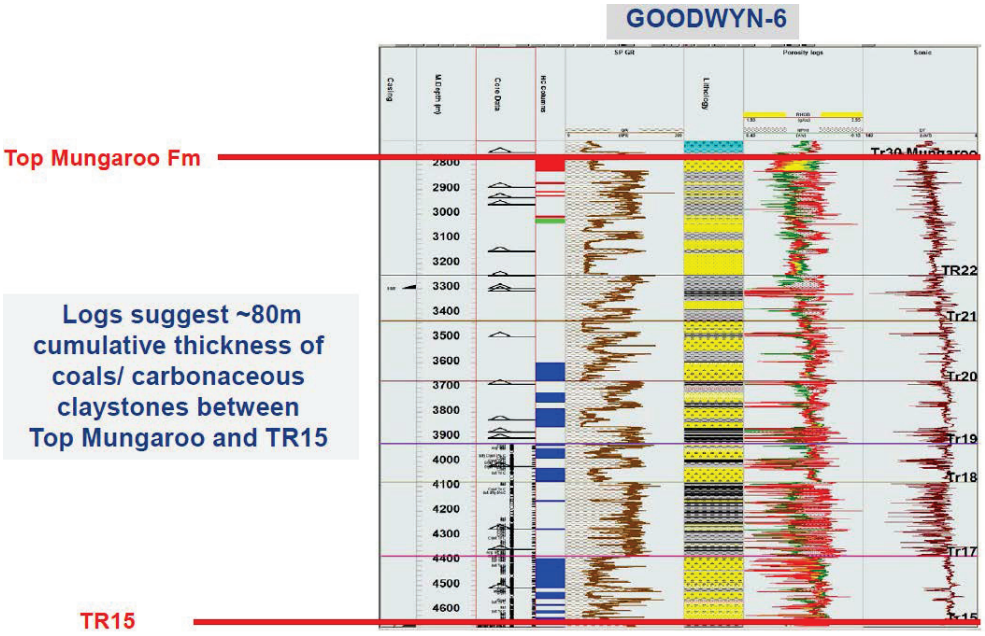


Figure 2-4: Source rocks comprising coals and carbonaceous claystones in the Mungaroo Formation

(Source: Cue)

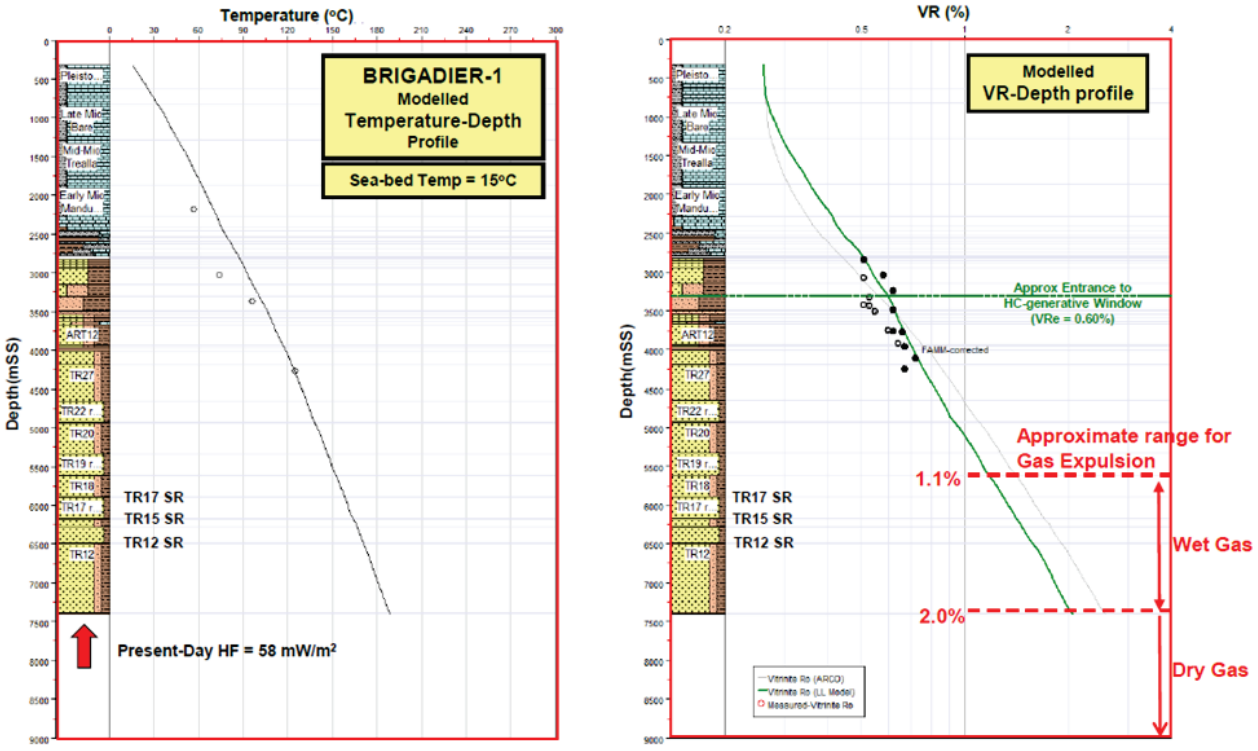


Figure 2-5: Modelling demonstrates that the source rock will be mature for gas at the site of the Ironbark Prospect

(Source: Cue)

2.3.2 Reservoir

The primary and secondary reservoir targets at the Ironbark prospect occur in the fluvio-deltaic Mungaroo Formation (**Figure 2-6**). The formation comprises stacked fining upward channel and coarsening upward delta front sands, which have been sufficiently reworked to provide favourable porosity-permeability (**Figure 2-7**). Petrophysical and core analyses of the Mungaroo sands from core analyses and correlations to Goddwyn-6 predict good porosity and permeability at Ironbark target depths. Gorgon-1 is a reservoir analogue to Ironbark but occurs at shallower depth structurally and lower temperature.

Pressure gradients and the potential for reservoir overpressure (considered low) are shown in **Figure 2-8**. Being an uplifted horst structure, overpressure at depth is possible.

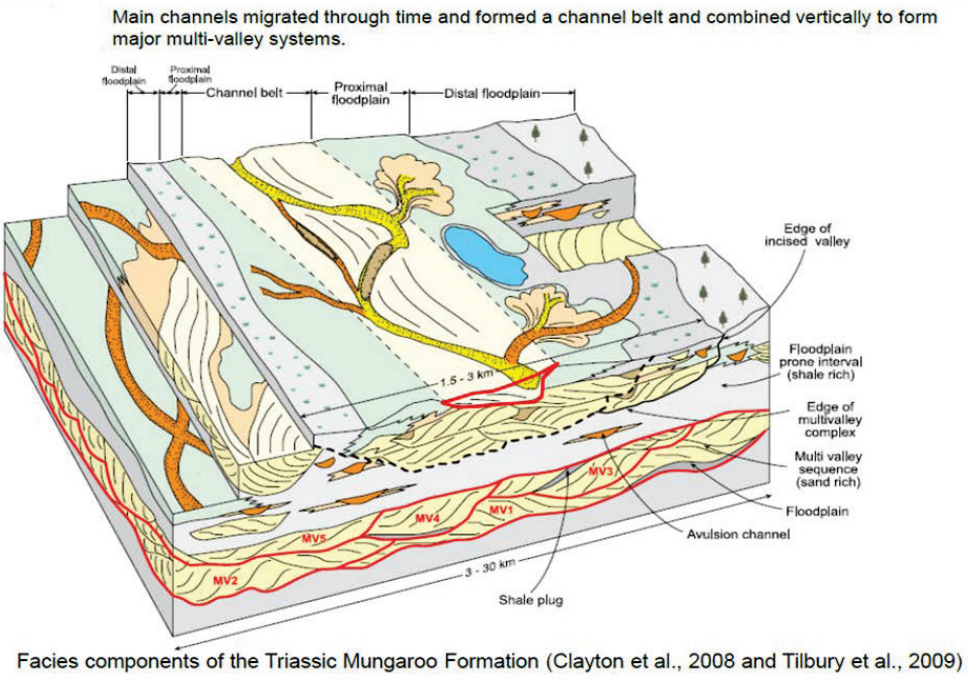


Figure 2-6: Facies components of the Triassic Mungaroo Formation

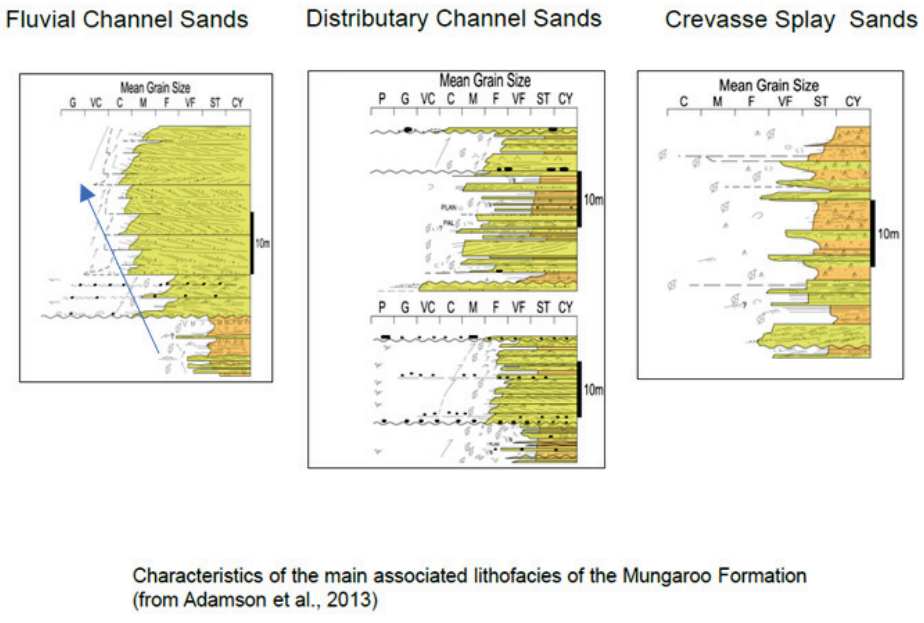


Figure 2-7: Lithofacies log signatures in the Mungaroo Formation

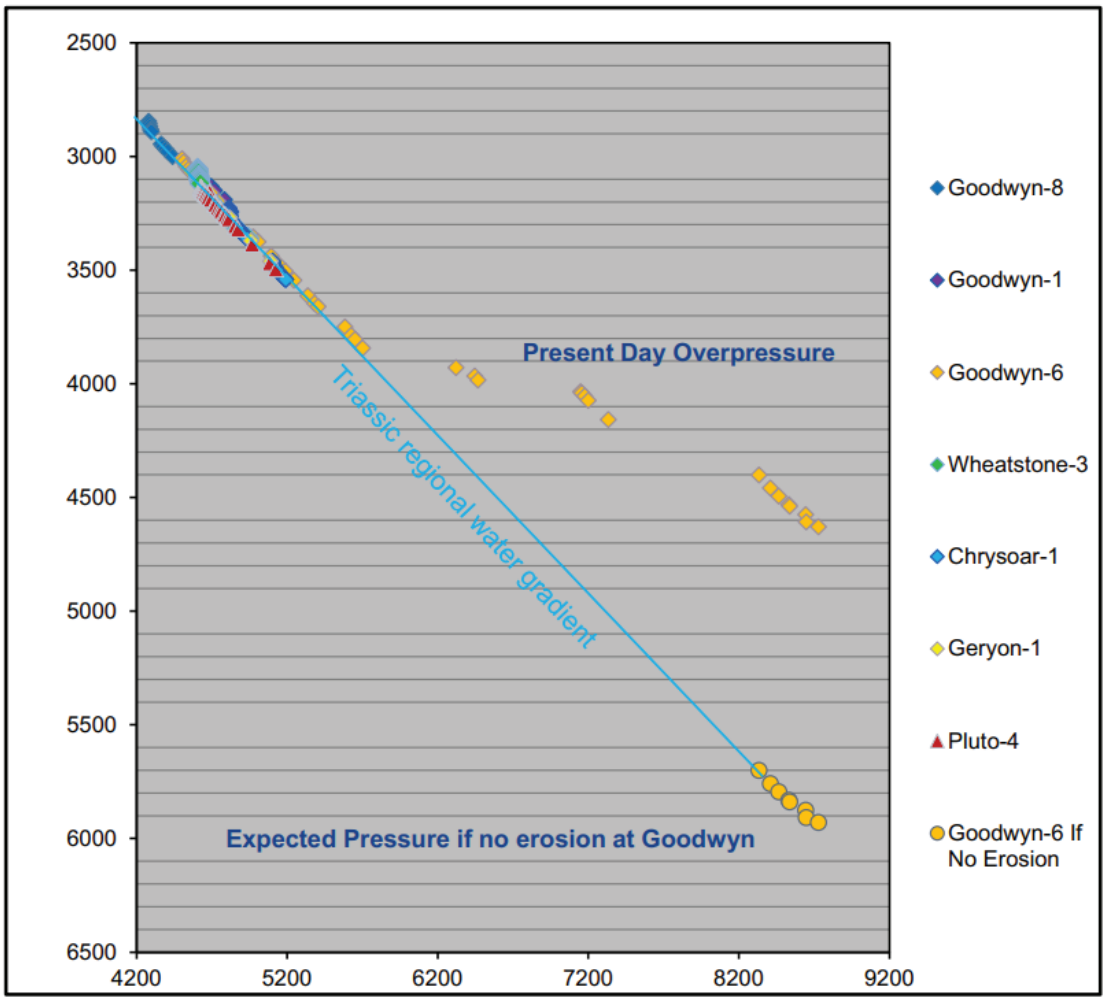


Figure 2-8: Regional Pressure Gradient
(Source Cue)

2.3.3 Seal

The Ironbark structure is a horst block and hydrocarbon fill is dependent upon the sealing capacity of the bounding faults (**Figure 2-9**). It is predicted that the seal is likely effective at the Ironbark location given evidence of gas chimneys (subsurface leakage of gas from a poorly sealed hydrocarbon accumulation) is generally lacking in seismic geophysical data. In general:

1 Maximum burial: Faults buried >1 km during deformation have a greater chance to seal; Triassic faults of the Ironbark horst were at depths of >2 km during deformation.

2 Area of critical juxtaposition: Thick shale and claystone sediments of the Mungaroo Formation combined with large fault throws juxtapose most sands against shales and claystones providing a lateral seal.

3 Shale Gouge Ratio (SGR) and Clay Smearing Potential (CSP): SGR and CSP are quantitative measures of the sealing behaviour for parts of a fault system. The SGR is simply the percentage of shale or clay in the slipped interval while CSP is a ranking of the probability that clay will be smeared out sufficiently along a fault surface to precent the flow of fluids/gas across that fault. High SGR and CSP suggest elevated sealing potential for the faults, with large column heights able to be supported across the fault.

4 Present stress and fault orientation: Interpretation of the present stress regime in relation to fault orientation appears favourable for across fault sealing.

5 The presence of favourable counter dip across almost the entire structure.

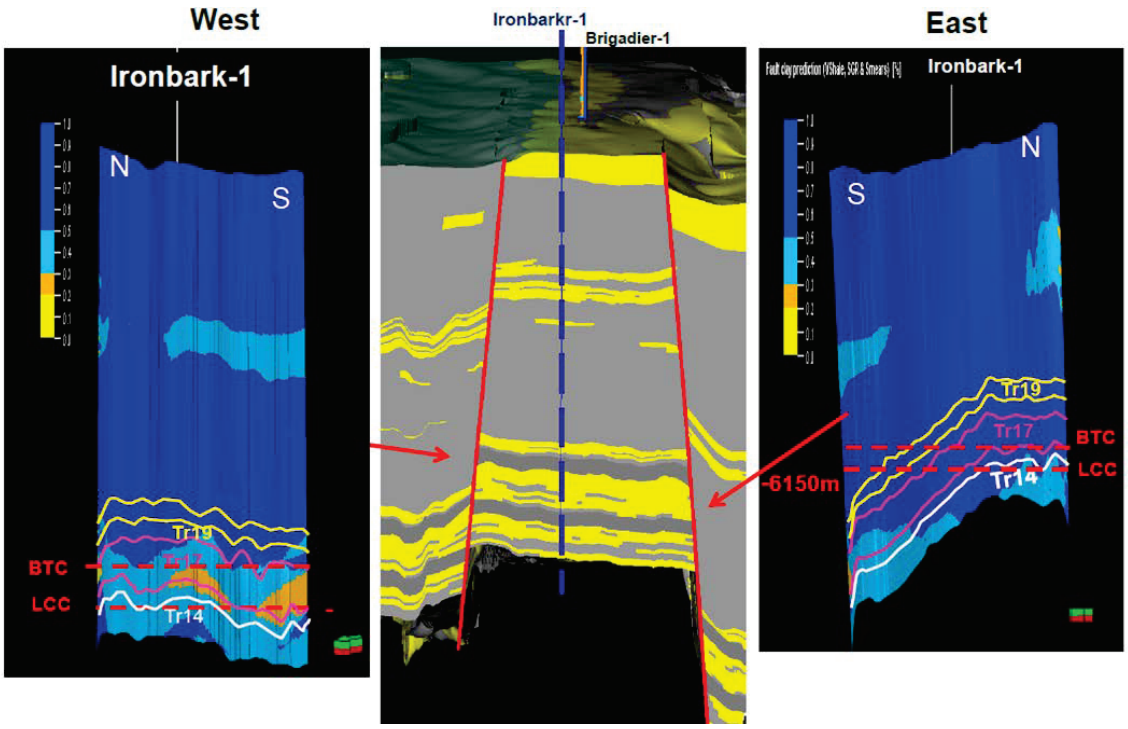


Figure 2-9: Sealing capacity of the bounding faults is critical for hydrocarbon preservation in the Ironbark Prospect

(Source 3D Geo/Cue)

2.3.4 Structure

The Ironbark structure is a large horst high block mapped over the entire area of the prospect (**Figure 2-10**). The depth of the reservoir targets and the simplicity of the structure (lack of faulting at depth, continuity of reservoir sands both by amplitude extractions and through regional geological models) indicate robust fault closure.

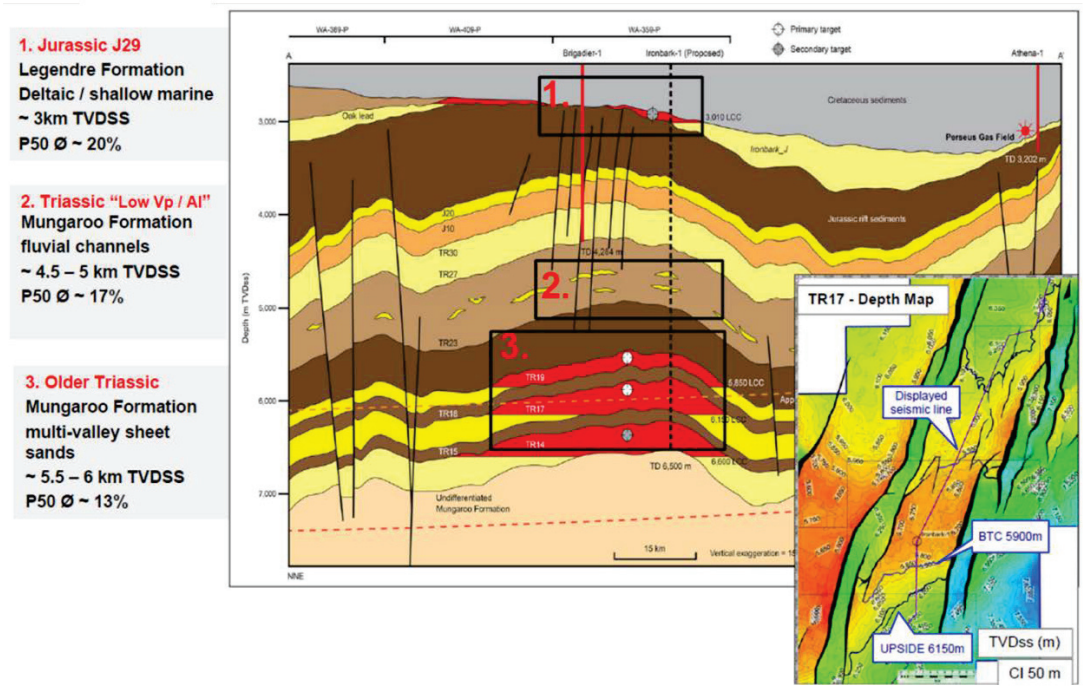


Figure 2-10: Ironbark structure is a large horst high block mapped over the entire area of the prospect (top Mungaroo Formation and spill point gas-water contact – Tr 17 depth mSS (Source Cue)

2.3.5 Charge timing and migration (critical moment)

Modelled maturity suggests gas generation is a recent local occurrence due to Tertiary subsidence and burial. Therefore, the likelihood of charge time coincident with the modern mapped structure is favourable.

2.3.6 Preservation

Preservation of hydrocarbon charge is difficult to assess from the available data. The presence of amplitude events within the seismic geophysical data over the Ironbark structure at reservoir level is difficult to interpret definitively. The depth is too great to allow amplitude variation with offset (AVO – a seismic interpretation technique used to determine a rock's fluid content, porosity, density or seismic velocity) offsets to positively determine the fluid presence in the targeted reservoirs. No direct hydrocarbon indicators are currently associated with the Ironbark structure. Residual gas will create an acoustic impedance contrast sufficient to produce high amplitudes however amplitude extractions showed the brighter events to be entirely consistent with sand channel architecture. The lack of shallow gas in the Brigadier-1 well is a positive indication that losses from the deeper reservoirs are unlikely.

2.4 Dry Well Analysis

Dry well analysis is an exploration methodology to determine what can be learnt from unproductive wells and what unique reasons there may be for a lack of hydrocarbons.

The local top Mungaroo (Top Tr30) correlation from the Galihad-1 to Brigadier-1 wells is shown in **Figure 2-11**. The local wells are shallow and did not test the T19 to T14 prospective section at the Ironbark prospect. The upper section of the Mungaroo Formation appears thicker at the Ironbark prospect, which is consistent with local Triassic subsidence and/or increased sediment supply at the time of deposition. The prospective lower section of the Mungaroo Formation shows bright amplitude events and some washout over the prospect potentially indicating local hydrocarbon presence.

A regional line of section flattened on the top Mungaroo Formation and passing through the outboard deeper penetration at Goodyn-6 is shown in **Figure 2-12**. This shows the Gorgon reservoir and the correlation to the Ironbark prospect location. Alternative interpretations suggest the Goodwyn-6 lithostratigraphy showing Tr19 and Tr17 may be significantly shallower than shown.

Figure 2-13 diagrammatically shows the hydrocarbon charged reservoirs in the Gorgon Field including the fault sealed nature of the trap at Gorgon.

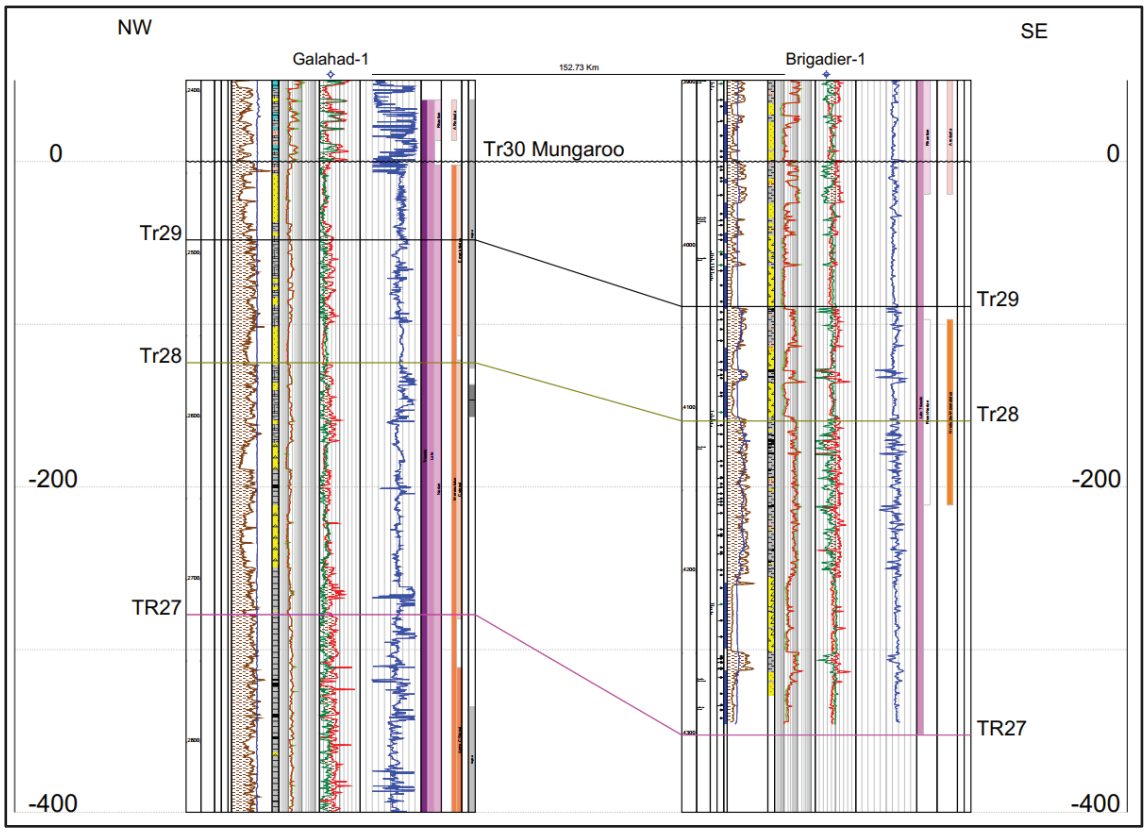


Figure 2-11: Galahad-1 – Brigadier-1 wells correlation
(Source Cue)

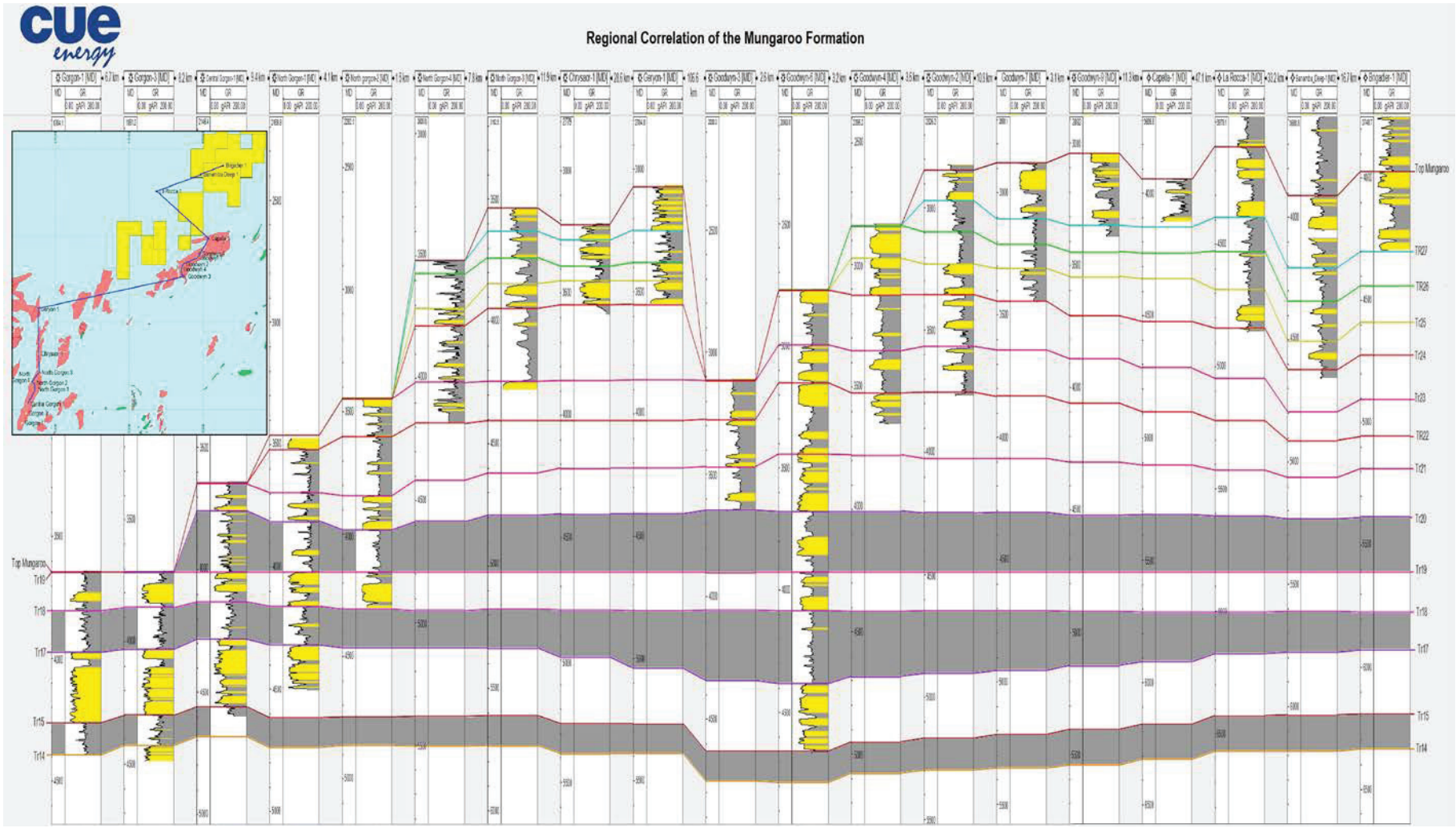


Figure 2-12: Regional correlation of the Mungaroo Formation Gorgon-1 to Brigadier-1 (showing the deeper Triassic section intersected in Goodwyn-6)
(Source: Cue)

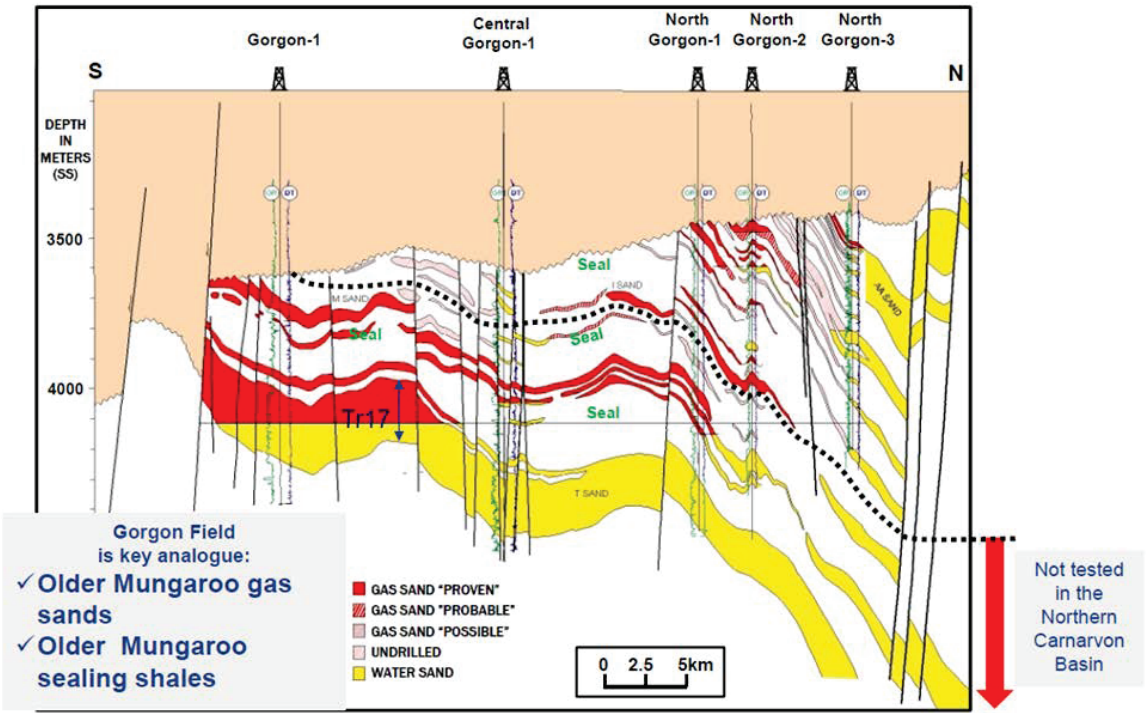


Figure 2-13: Hydrocarbon charged reservoirs in the Gorgon Field
(Source Cue)

2.5 Ironbark Prospect and Well Proposal

On the basis of seismic data and the lithofacies model for the targeted reservoir, SRK increased the net to gross reservoir range to capture the downside risk and account for this possible outcome.

Reservoirs are interpreted by SRK to be normally pressured with expected temperatures of between160^{o}C to 170^{o}C. Thick, high net to gross reservoirs with good porosity and permeability for gas and little evidence of compartmentalisation are interpreted. Aquifer support is expected indicating the potential for high gas recoveries.

Figures 2-14 to 2-16 show the T19, T17 and T14 depth structure maps and gross rock volumes to the LCC (lowest closing contour) spill points at each level.

Figure 2-17 shows the proposed Ironbark-1 well schematic with TD (total depth) at 6500 mSS (meters subsea).

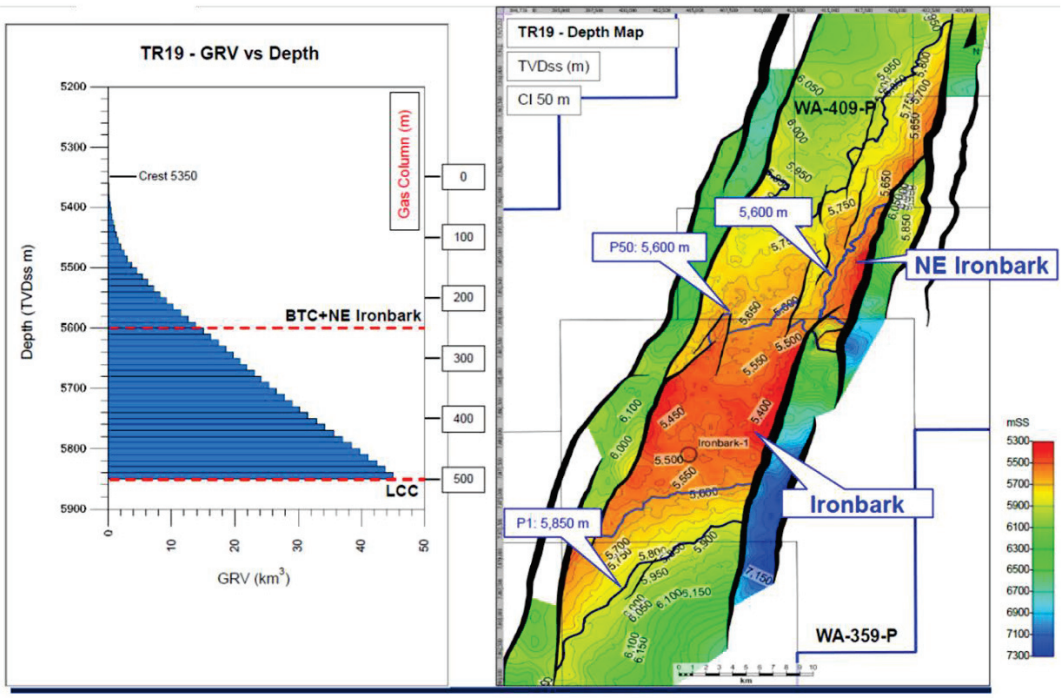


Figure 2-14: Estimated gross rock volume (GRV) versus depth and Top Tr19 structure map (depth mSS)

(Source Cue)

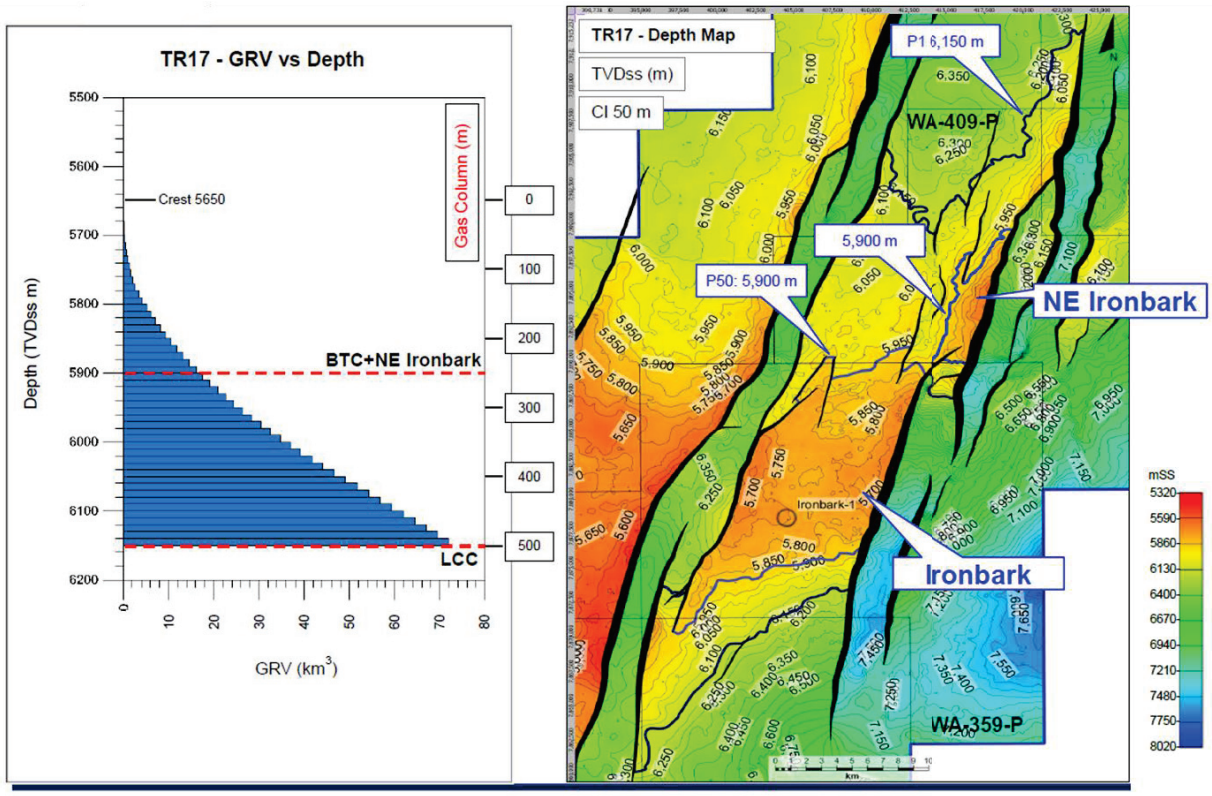


Figure 2-15: Estimated gross rock volume (GRV) versus depth and Top Tr17 structure map (depth mSS)

(Source Cue)

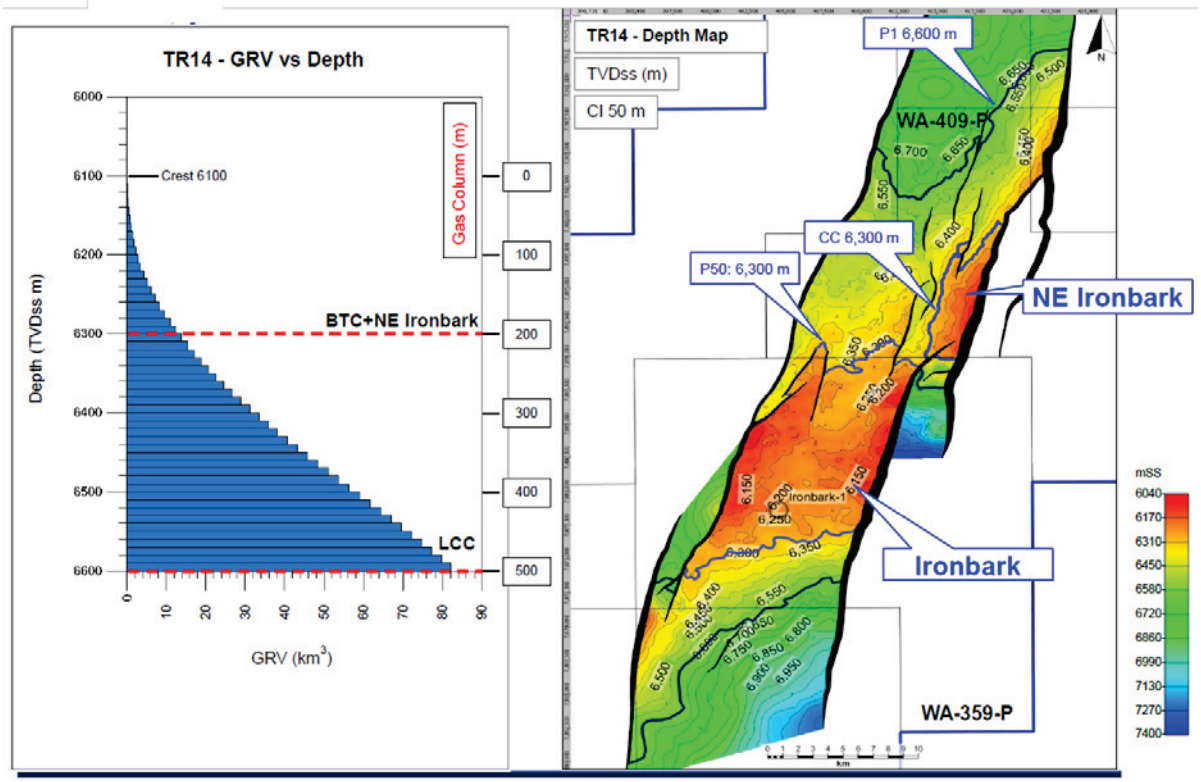


Figure 2-16: Estimated gross rock volume (GRV) versus depth and Top Tr14 structure map (depth mSS)

(Source Cue)

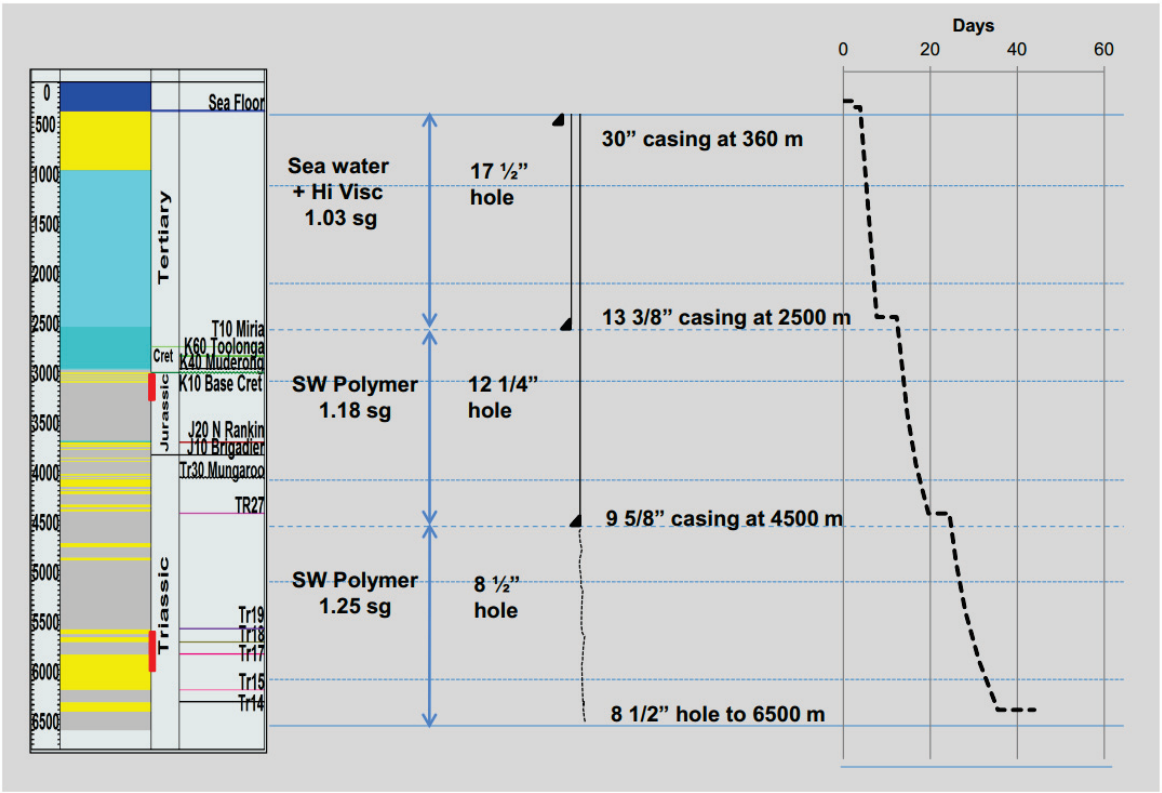


Figure 2-17: Proposed Ironbark-1 well depth vs time (with TD total depth estimated at 6500 mSS)

(Source Cue)

3 Prospective Resources Estimation Review

SRK reviewed and undertook verification of the potential hydrocarbon volumes and risks estimated for the Ironbark prospect. SRK reviewed the risking and concurred with Cue's risk probabilities (**Table 3-1).**

3.1 Resource Parameters and Risking

Based on its review, SRK considers the following resource parameters and risking applies at Ironbark:

Play is proven and therefore play risk is one.

SRK's prospect risking is based on four elements – structure (trap closure), reservoir (quality and quantity), seal (vertical and lateral) and charge (source, generation, timing, migration and preservation) that capture the eight independent elements that comprise prospect risk (**Table 3-1**).

Table 3-1: Prospect risks assigned to the SRK Prospective Resource estimation for Ironbark Prospect

Risk Element	Comments	Probability
Structure	Large (~400 km^2) robust horst structure with symmetric north-south dip closure.	0.85
Reservoir	Well-documented (Gorgon Field pay sands), thick, laterally extensive TR17 and TR19 Mungaroo stacked, sheet-like channel sands (~150-300 m). Depth trends predicted from petrophysics and core data indicates good reservoir quality at depths >6,500 m.	0.7
Seal	Mungaroo shales are excellent top seals. Fault-plane and juxtaposition of shales form lateral seals.	0.85
Charge	Mungaroo coals and carbonaceous shales are proven gas-prone source rocks throughout the basin. Thermal modelling of the Ironbark area indicates favourable generation and expulsion conditions for large charge volumes. Risk of inert gas contamination is low.	0.5
Overall Prospect Risk		0.25

(Source: SRK Analysis)

3.2 Prospective Resources

By producing order of magnitude estimates for each of the prospective reservoir levels, SRK was able to confirm Cue's overall estimates. Comparison between Cue's results (**Tables 3-2 and 3-3) and** SRK's results **(Table 3-4)** confirmed that Cue's estimates are reasonable.

Table 3-2: Cue's probabilistic volume summary – primary Triassic targets

Target	In Place (unrisked, Tcf)	Resource (unrisked, Tcf)	Resource (risked, Tcf)	Condensate (unrisked, MMbbls)	Condensate (Risked, MMbbls)	Comments
Triassic Tr19	10.20	7.18	1.76	81.60	20.00	Primary
Triassic Tr17	13.37	10.04	2.46	114.00	28.00	Primary
TOTAL	23.57	17.22	4.22	195.60	48.00	

(Source: Cue)

Table 3-3: Cue's probabilistic volume summary – secondary Triassic target

Target	In Place (unrisked, Tcf)	Resource (unrisked, Tcf)	Resource (risked, Tcf)	Condensate (unrisked, MMbbls)	Condensate (Risked, MMbbls)	Comments
Triassic Tr14	6.63	4.66	0.70	53.00	7.96	Secondary

(Source: Cue)

SRK undertook an independent probabilistic estimation of the Prospective Resources and confirmed that the estimates provided by Cue were reasonable. SRK estimated the overall Prospective Resources as shown in **Table 3-4.** SRK also made estimates truncated to a minimum economic pool size of 3 TCF of gas.

Table 3-4: SRK's 2U (P50) probabilistic volume estimation

Target (P50)	In Place (unrisked, Tcf)	Resource (unrisked, Tcf)	Resource (risked, Tcf)	Condensate (unrisked, MMbbls)	Condensate (Risked, MMbbls)
Triassic T19 Primary	15.6	9.0	2.3	81.4	20.4
Triassic T17 Primary	18.9	10.4	2.6	114.0	28.5
Total (untruncated)	**34.5**	**19.4**	**4.9**	**195.4**	**48.9**
Triassic T14 Secondary (untruncated)	**8.1**	**4.7**	**1.2**	**32.8**	**8.2**

(Source: SRK Analysis)

4 Expenditure Values, Block Commitments, Project Development Economic Analysis and Comparative Transactions

4.1 SRK's Approach

For the purpose of determining the respective values for Cue's permits (petroleum exploration permits) WA-359-P and WA-409-P, SRK considered the book values of the blocks since inception, the block commitment work programs and estimated expenditures, the comparative transaction values based on the Prospective Resources and the estimated potential project value defined by an exploration success case.

On a 2U (P50) basis, SRK has attributed approximately 30% of the Ironbark Prospective Resource occurs within WA-409-P (mainly Northeast Ironbark) and 70% in WA-359-P.

4.2 WA-359-P and WA-409-P Commitments

The block work commitments and permit term details for each permit are presented in **Tables 4-1 and 4-2 respectively.**

Table 4-1: Commonwealth of Australia Petroleum Exploration Permit WA-359-P. Permit term details and work requirements

Year of Permit Term	Permit Year Starts	Permit Year Ends	Minimum Work Requirements	Estimated Expenditure Constant dollars (indicative only) $A
1	26/10/2012	25/10/2013	Rock Physics, 3D inversion study Geotechnical Studies	300,000
2	26/10/2013	25/10/2014	Geotechnical Studies	200,000
3	26/10/2014	25/04/2019	Drill One (1) Exploration Well	30,000,000
4	26/10/2015	25/04/2019	Geotechnical Studies Detailed PSDM Pore Pressure Study	150,000 100,000
5	26/10/2016	25/04/2019	Geotechnical Studies	150,000

(Source: Cue)

Table 4-2: Commonwealth of Australia Petroleum Exploration Permit WA-409-P Permit term details and work requirements

Year of Term of Permit	Permit Year Starts	Permit Year Ends	Minimum Work Requirements	Estimated Expenditure Constant dollars (indicative only) $AU
1-3	13/10/2016	12/10/2019	325 km^2 3D Seismic PSDM Reprocessing (Zeebries 3D data)	1,500,000
			Geotechnical Studies (prospect mapping, fault seal and seal capacity analysis, amplitude analysis, qualitative stack and gathers analysis, generation of prospect inventory).	250,000
			Well Planning (prospect and feasibility studies)	250,000
4	13/10/2019	12/10/2020	One (1) Exploration Well	50,000,000
5	13/10/2020	12/10/2021	Geotechnical Studies	250,000

(Source: Cue)

The current estimated dry hole cost for drilling of the proposed Ironbark-1 well is US$91.6 Million. SRK emphasises that this is an estimate only and based on trouble free drilling. Side-tracks or major drilling difficulties could potentially add 50% or more to this cost estimate.

4.3 Expenditure Values

The Cue expenditure to date for WA-359-P as at 31 October 2018 since inception is A**$3,830,452.91.**

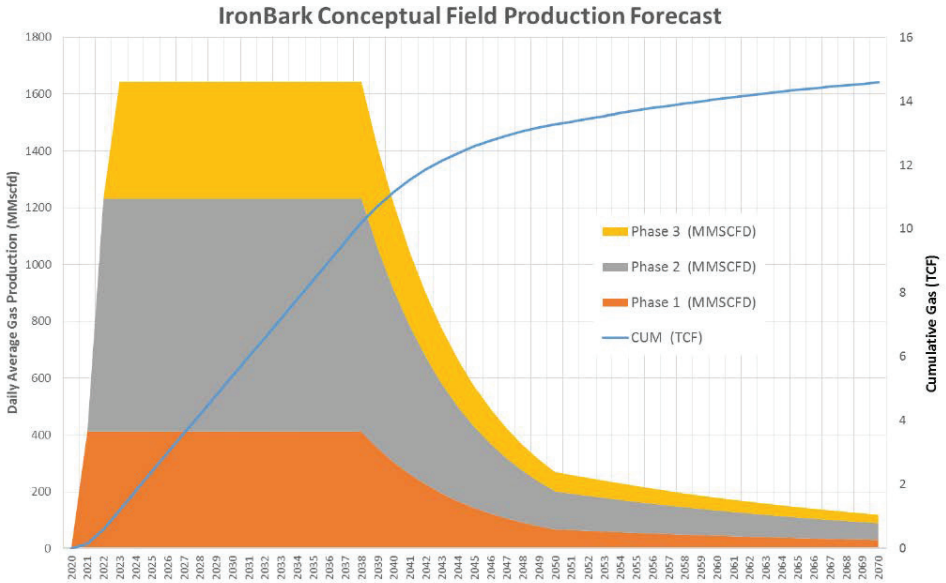
The Cue expenditure to date for WA-409-P as at 31 October 2018 since inception is A**$3,492,467.53.**

In summary these expenditure values represent the low-end values for the blocks.

4.4 Conceptual Project Development

The conceptual Ironbark development model for both gas and condensate is shown in **Figure 4-1**.

At the current exploration phase, SRK considers the full success financial model is not appropriate to estimate a speculative outcome, that may vary significantly for any modelled scenario.



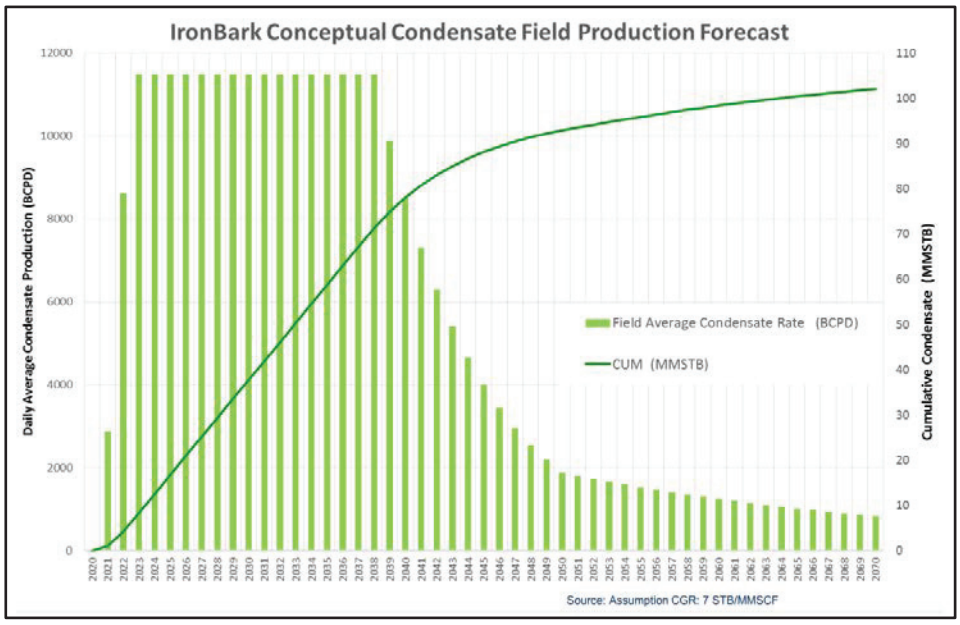


Figure 4-1: Ironbark conceptual condensate field production forecast
(Source: Cue)

4.5 Comparative Transactions

In October 2016, Cue farmed out an 80% equity interest in WA-409-P to BP. Cue has no funding requirements for the primary term work costs, which included reprocessing of seismic data over the permit. The farmout included a technical services agreement requiring BP to provide a technical data room for Cue to facilitate further interest in the Ironbark prospect. **SRK estimates the value of this transaction at A$3.5 Million (for an 80% interest, which grossed up to a 100% interest implies A$4.38 Million), is towards the lower end of the likely value range.** However, the overarching agreement was aimed to facilitate the drilling of the proposed Ironbark-1 well in WA-359-P.

The Ironbark prospect in the northern Carnarvon Basin is estimated to have a 0.25 technical chance of success. **Table 4-3** indicates the chance of economic development for Mungaroo Formation reservoirs in the northern Carnarvon Basin is 2 in 7.

SRK estimated the comparative transaction values based on barrel of oil equivalent (BOE) data indicating a range of US$1/ BOE to US$3/BOE with a typical long-term average of US$2/BOE as the benchmark for the comparative value transaction estimation. The data was derived from Newton, Indonesian M&A transactions database, 2017.

Tables 4-4 and **4-5** respectively indicate the **risked hydrocarbon volumes and estimated values of the permits** after incorporating both a technical and economic development basis.

Table 4-3: Fields discovered and developed in the Mungaroo Formation in the northern Carnarvon Basin (Department of Mines and Petroleum, WA, 2014)

Fields and significant discoveries in State areas of the Northern Carnarvon Basin					
FIELD	YEAR	RESERVOIRS	AGE OF RESERVOIR	HYDROCARBON TYPE	STATUS*
Baker	2000	Brigadier Formation Mungaroo Formation	Upper Triassic	gas	undeveloped
Cadell	1999	Mungaroo Formation	Upper Triassic	gas	undeveloped
Josephine	2000	North Rankin Formation Brigadier Formation Mungaroo Formation	Lower Jurassic Upper Triassic Upper Triassic	gas	undeveloped
Leatherback	1991	Mungaroo Formation	Upper Triassic	oil	undeveloped
Monty	1999	North Rankin Formation Brigadier Formation Mungaroo Formation	Lower Jurassic Upper Triassic Upper Triassic	gas, condensate	undeveloped
Rose	1998	North Rankin Formation Brigadier Formation Mungaroo Formation	Lower Jurassic Upper Triassic Upper Triassic	gas, condensate	producing
Tubridgi	1981	Birdrong Sandstone Flacourt Formation Mungaroo Formation	Lower Cretaceous Lower Cretaceous Upper Triassic	gas	depleted

Table 4-4: Estimated value of discovered hydrocarbons in WA-359-P based on BOE transaction values (100% basis)

Nominal Ironbark Prospect Volume	Basis 6000 scf/BOE	Comaprative Transaction Basis	Technical Success Ironbark (0.25)	Permit Prospect %	Developed at current market gas prices chance	100% Block	
Gas volume Bscf	BOE MM	BOE Value 2P US$	MM US$ risked	359P MM US$ risked (70%)	Wildcat typical Mungaroo economic success MM US$ (2/7)	359P A$ MM	Value
15,000	2,500	$1	$625	$438	$125	$179	Low
15,000	2,500	$2	$1,250	$875	$250	$357	Preferred
15,000	2,500	$3	$1,875	$1,313	$375	$536	High

Table 4-5: Estimated value of discovered hydrocarbons in WA-409-P based on BOE transaction values (100% basis)

Nominal Ironbark Prospect Volume	Basis 6000 scf/BOE	Comaprative Transaction Basis	Technical Success Ironbark (0.25)	Permit Prospect %	Developed at current market gas prices chance	100% Block	
Gas volume Bscf	BOE MM	BOE Value 2P US$	US$ MM risked	409P US$ MM risked (30%)	Wildcat typical Mungaroo economic success US$ MM (2/7)	409P A$ MM	Value
15,000	2,500	$1	$625	$188	$54	$77	Low
15,000	2,500	$2	$1,250	$375	$107	$153	Preferred
15,000	2,500	$3	$1,875	$563	$161	$230	High

5 Valuation Summary

PKF commissioned SRK to prepare an Independent Specialist Report incorporating a technical assessment and valuation of the hydrocarbon assets held by Cue. This Report has been prepared under the guidelines of the VALMIN Code (2015), which incorporates the PRMS (2018) guidelines.

While the VALMIN Code (2015) states that decisions as to which valuation methodology is used are the responsibility of the Expert or Specialist, where possible, SRK considered several methods. The aim of this approach was to compare the results achieved using different methods to select a preferred value within a valuation range. This reflects the uncertainty in the data and interaction of the various assumptions inherent in the valuation.

SRK has recommended preferred values and value ranges for Cue's gas assets based on the estimated Prospective Resources (2U, P50) and perceived exploration potential. SRK has considered a Comparable Transactions approach to arrive at a valuation range.

SRK's recommended valuation ranges and preferred values for each project are summarised in **Table 5-1**. SRK has produced a Market Value as defined by the VALMIN Code (2015). SRK's preferred values are positioned conservatively due to varying levels of technical and geological uncertainty, including but not limited to the expected difficulties in converting resources into reserves.

Table 5-1: Summary of SRK's valuation of the WA-359-P and WA-409-P permits as at 14 November 2018 on a 100% equity basis

Project	Asset	Valuation method	Low (A$MM)	High (A$MM)	Preferred (A$MM)
Ironbark-1	WA-359-P (100%) Cue Interest 100%	2U P50 Prospective Resources (Expenditure Values and Comparative Transactions)	3.8	536	357
Ironbark-1	WA-409-P (100%) Cue Interest 20%	2U P50 Prospective Resources (Expenditure Values and Comparative Transactions)	3.5	230	153

Note: Any discrepancies between values in the table are due to rounding (US$ converted to A$ at 0.7US$ to 1.0A$ from Table 4-4 and 4-5)

5.1 Discussion on SRK's Valuation Range

In assigning its valuation range and preferred value, SRK is mindful that the valuation range is also indicative of the uncertainty associated with early stage exploration assets.

The wide range in value is driven by the confidence limits placed around the size and quality of the hydrocarbon occurrences assumed to occur within each project area. Typically, this means that as exploration progresses, and a prospect moves from an early to advanced stage prospect, through Prospective and Contingent Resource categories to economic Reserve status, there is greater confidence around the likely size and quality of the contained hydrocarbons and the fields potential to be extracted profitably. **Table 5-2** presents a general guide of the confidence in resource and reserve estimates, and hence value.

Table 5-2: General guide regarding confidence for target and Resource/Reserve Estimates

Classification	Estimate range (% Chance of Success)
1P Reserves	P90%
2P Reserves	Best estimate P50%
3P Reserves	P10%
Contingent Resources	1C P90, 2C P50, 3C P10
Prospective Resources	1U P90, 2U P50, 3U P10

This level of uncertainty with advancing project stages is shown graphically in **Figure 5-1.**

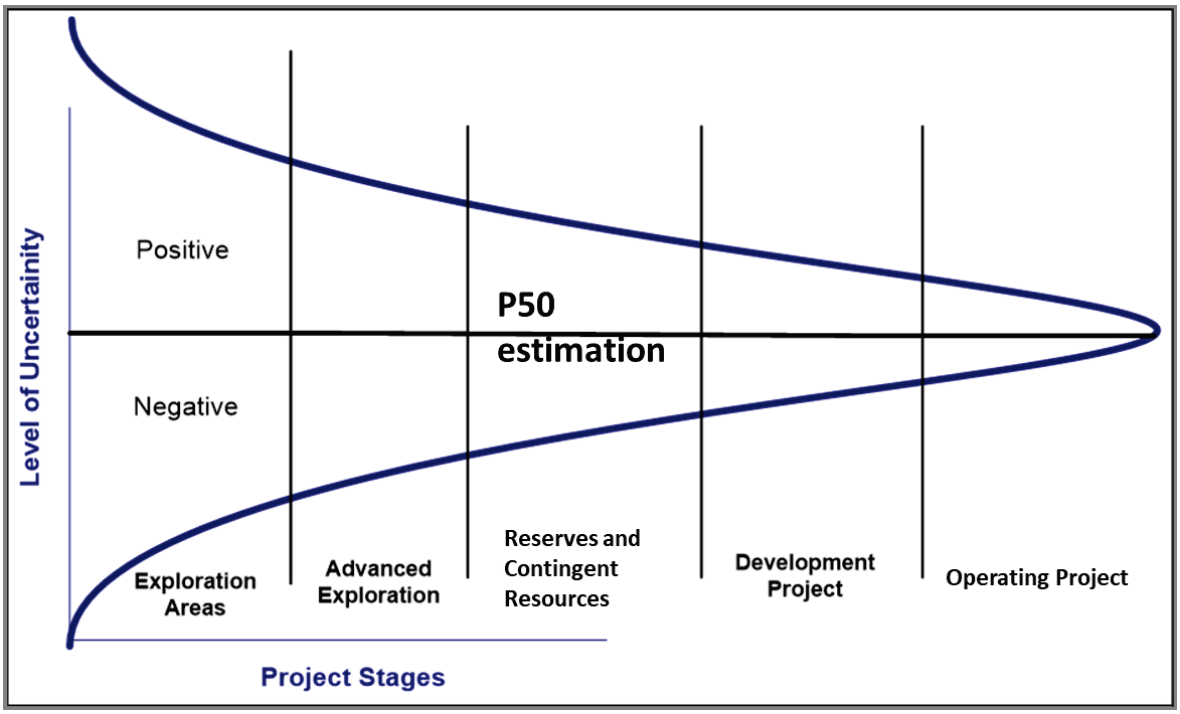


Figure 5-1: Uncertainty by advancing exploration stage

Estimated confidence of plus or minus 60% to 100% or more are not uncommon for exploration areas and are within acceptable bounds given the level of uncertainty associated with early stage exploration assets. By applying narrower confidence ranges, one is actually implying a greater degree of certainty regarding these assets than may be the case in reality.

The Ironbark exploration asset is in the mature stage of exploration assessment. Therefore, there remain significant uncertainties around its attributes which will be assessed by drilling. This results in a wide valuation range. Where possible, SRK has endeavoured to narrow its valuation range. In recognising this wide range, SRK has also indicated a preferred value for the project.

5.2 Valuation Risks

SRK is conscious of the risks associated with valuing exploration assets, which impacts on the valuation range. In defining its valuation range, SRK notes that there are always inherent risks involved when deriving any arm's length valuation for exploration properties given the level of uncertainty present for each of the variables that impact on prospects and their valuation. These factors can ultimately result in significant differences in valuations over time. The key risks include but are not limited to the following.

5.2.1 Exploration and Testing Risks

The business of petroleum exploration, project development and production is by nature high risk. The exploration potential of tenements where resources are not yet defined may vary considerably as further exploration is undertaken.

The exploration for, and production of, hydrocarbons involves various operating hazards including, but not limited to, adverse weather conditions, shortages or delays in the availability of drilling rigs, or other critical equipment or personnel.

Resource estimates prepared under PRMS (2018) are best estimates based on individual judgement and reliance upon knowledge and experience using industry standards and the available database. No firm estimates are available currently. However, this may change over time as more information comes to hand.

5.2.2 Development and Production Risks

The projects discussed in this report are at a mature stage of exploration evaluation but none of the assets have discovered hydrocarbons or any defined Reserves. Forecasting cash flows for these assets is speculative and therefore riskier than for projects in production, development or with a feasibility study completed.

The successful development of a petroleum production operation is dependent upon geological interpretation to define extractable hydrocarbons and an appropriate schedule to meet expected sales volumes. Actual produced hydrocarbons may be very different in quality and quantity to the estimates presented here and development conditions anticipated may prove to be different. Operating costs can be adversely affected by disruptions due to geological conditions, equipment failure or industrial disputes. Development of a new production operations is dependent upon the provision of transport and port facilities for international shipping.

5.2.3 Environmental risks

Environmental conditions will be attached to future production tenements which if not deemed compliant by the relevant authorities could result in the forfeiture of these rights. Substantial costs can be encountered for environmental rehabilitation, damage, control and losses, which can vary over the life of the mining operation. Conditions attached to the development rights may also vary over the life of the project and in response to any change in the size or type of operation that cannot be anticipated at this time.

5.2.4 Financing

Further funds may be required to further explore and develop the project. Failure to obtain sufficient financing for the projects may result in a delay or indefinite postponement of exploration and development activities on the properties or even a loss of a property interest. Additional financing may not be available when needed or, if available, the terms of such financing might not be favourable to the Company.

5.2.5 Native Title and Lease Access

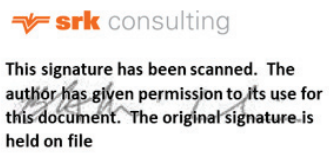
Production title has not been granted on any of the tenements discussed in this report. Native title claims, and heritage issues may arise in the future and thus delay the development of any future mining operation and/or production from areas where freehold land or mining leases have not been obtained. These issues are likely to be addressed in future should the future exploration be successful and warrant the conversion of exploration permits to production licenses.

6 Conclusions

The Ironbark prospect is an exciting opportunity to initiate a new phase of frontier gas exploration development in the northern Carnarvon Basin. The prospect is very large but carries with it significant technical and economic development risks.

SRK consider that the range of potential outcomes means that our preferred value estimate could vary significantly dependent on circumstances and potential development risks and timing. SRK is confident that the values of the exploration permits, WA-359-P and WA-409-P reside within our low and high estimates.

Compiled by



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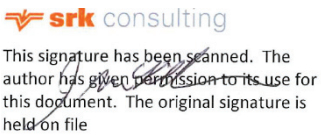

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Appendices

Appendix A: Category Definitions of 1P, 2P and 3P

(PRMS, 2018) For further details on the definitions and guidelines, please see the original document.

The following (Figure A-1) (from the World Petroleum Council) presents 1P 2P and 3P category definitions. Furthermore, it provides guidelines designed to promote consistency in resource assessments. The following summarizes the definitions for each Reserves category in terms of both the deterministic incremental approach and scenario approach and also provides the probability criteria if probabilistic methods are applied.

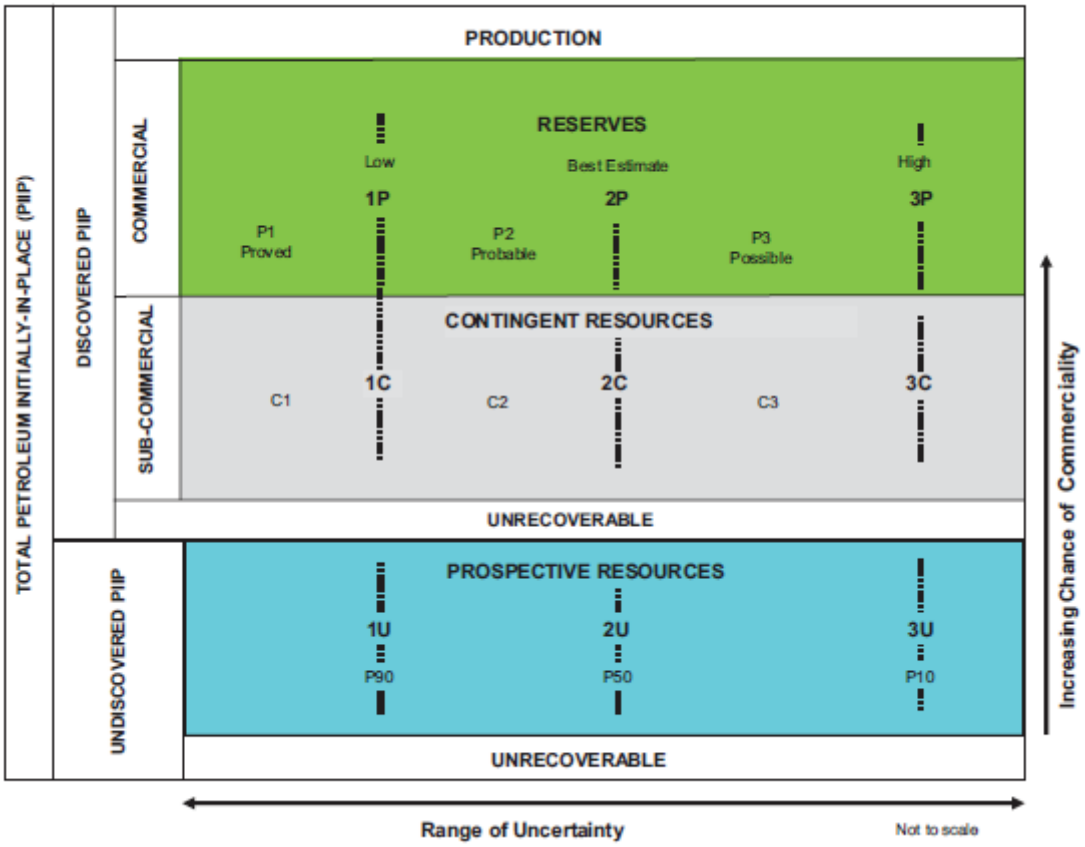

Figure A-1: Resources classification framework

- **Proved Reserves** are those quantities of petroleum, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations. If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate.
- **Probable Reserves** are those additional Reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate.
- **Possible Reserves** are those additional reserves which analysis of geoscience and engineering data suggest are less likely to be recoverable than Probable Reserves. The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved plus Probable plus Possible (3P) Reserves, which is equivalent to the high estimate scenario. In this context, when probabilistic methods are used, there should be at least a 10% probability that the actual quantities recovered will equal or exceed the 3P estimate.

The “Range of Uncertainty” reflects a range of estimated quantities potentially recoverable from an accumulation by a project, while the vertical axis represents the “Chance of Commerciality”, that is, the chance that the project that will be developed and reach commercial producing status.

The following definitions apply to the major subdivisions within the resources classification:

TOTAL PETROLEUM INITIALLY-IN-PLACE is that quantity of petroleum that is estimated to exist originally in naturally occurring accumulations. It includes that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations prior to production plus those estimated quantities in accumulations yet to be discovered (equivalent to “total resources”).

DISCOVERED PETROLEUM INITIALLY-IN-PLACE is that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations prior to production.

PRODUCTION is the cumulative quantity of petroleum that has been recovered at a given date. While all recoverable resources are estimated and production is measured in terms of the sales product specifications, raw production (sales plus non-sales) quantities are also measured and required to support engineering analyses based on reservoir voidage.

Multiple development projects may be applied to each known accumulation, and each project will recover an estimated portion of the initially-in-place quantities. The projects shall be subdivided into Commercial and Sub-Commercial, with the estimated recoverable quantities being classified as Reserves and Contingent Resources respectively, as defined below.

RESERVES are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria’s: they must be discovered, recoverable, commercial, and remaining (as of the evaluation date) based on the development project(s) applied. Reserves are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by development and production status.

CONTINGENT RESOURCES are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, but the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies. Contingent Resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality. Contingent Resources are further categorized in accordance with the level of certainty associated with the estimates and may be subclassified based on project maturity and/or characterized by their economic status.

UNDISCOVERED PETROLEUM INITIALLY-IN-PLACE is that quantity of petroleum estimated, as of a given date, to be contained within accumulations yet to be discovered.

PROSPECTIVE RESOURCES are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective Resources have both an associated chance of discovery and a chance of development. Prospective Resources are further subdivided in accordance with the level of certainty associated with recoverable estimates assuming their discovery and development and may be sub-classified based on project maturity.

UNRECOVERABLE is that portion of Discovered or Undiscovered Petroleum Initially-in- Place quantities which is estimated, as of a given date, not to be recoverable by future development projects. A portion of these quantities may become recoverable in the future as commercial circumstances change or technological developments occur, the remaining portion may never be recovered due to physical/chemical constraints represented by subsurface interaction of fluids and reservoir rocks.

Estimated Ultimate Recovery (EUR) is not a resources category, but a term that may be applied to any accumulation or group of accumulations (discovered or undiscovered) to define those quantities of petroleum estimated, as of a given date, to be potentially recoverable under defined technical and commercial conditions plus those quantities already produced (total of recoverable resources).

In specialized areas, such as basin potential studies, alternative terminology has been used, the total resources may be referred to as Total Resource Base or Hydrocarbon Endowment. Total recoverable or EUR may be termed Basin Potential. The sum of Reserves, Contingent Resources and Prospective Resources may be referred to as "remaining recoverable resources." When such terms are used, it is important that each classification component of the summation also be provided. Moreover, these quantities should not be aggregated without due consideration of the varying degrees of technical and commercial risk involved with their classification.

Project-Based Resources Evaluations

The resources evaluation process consists of identifying a recovery project, or projects, associated with a petroleum accumulation(s), estimating the quantities of Petroleum Initially-in-Place, estimating that portion of those in-place quantities that can be recovered by each project, and classifying the project(s) based on its maturity status or chance of commerciality.

This concept of a project-based classification system is further clarified by examining the primary data sources contributing to an evaluation of net recoverable resources (**Figure A-2**) that may be described as follows:

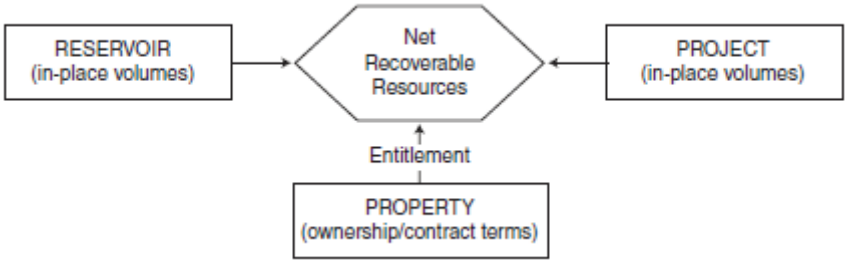

Figure A-2: Resources Evaluation data sources

Resources Classification

The basic classification requires establishment of criteria for a petroleum discovery and thereafter the distinction between commercial and sub-commercial projects in known accumulations (and hence between Reserves and Contingent Resources).

Determination of Discovery Status

A discovery is one petroleum accumulation, or several petroleum accumulations collectively, for which one or several exploratory wells have established through testing, sampling, and/or logging the existence of a significant quantity of potentially moveable hydrocarbons.

In this context, "significant" implies that there is evidence of a sufficient quantity of petroleum to justify estimating the in-place volume demonstrated by the well(s) and for evaluating the potential for economic recovery. Estimated recoverable quantities within such a discovered (known) accumulation(s) shall initially be classified as Contingent Resources pending definition of projects with sufficient chance of commercial development to reclassify all, or a portion, as Reserves.

Where in-place hydrocarbons are identified, but are not considered currently recoverable, such quantities may be classified as Discovered Unrecoverable, if considered appropriate for resource management purposes, a portion of these quantities may become recoverable resources in the future as commercial circumstances change or technological developments occur.

Determination of Commerciality

Discovered recoverable volumes (Contingent Resources) may be considered commercially producible, and thus Reserves, if the entity claiming commerciality has demonstrated firm intention to proceed with development and such intention is based upon all of the following criteria:

- Evidence to support a reasonable timetable for development.
- A reasonable assessment of the future economics of such development projects meeting defined investment and operating criteria.
- A reasonable expectation that there will be a market for all or at least the expected sales quantities of production required to justify development.
- Evidence that the necessary production and transportation facilities are available or can be made available.
- Evidence that legal, contractual, environmental and other social and economic concerns will allow for the actual implementation of the recovery project being evaluated.

To be included in the Reserves class, a project must be sufficiently defined to establish its commercial viability. There must be a reasonable expectation that all required internal and external approvals will be forthcoming, and there is evidence of firm intention to proceed with development within a reasonable time frame. A reasonable time frame for the initiation of development depends on the specific circumstances and varies according to the scope of the project. While 5 years is recommended as a benchmark, a longer time frame could be applied where, for example, development of economic projects are deferred at the option of the producer for, among other things, market-related reasons, or to meet contractual or strategic objectives. In all cases, the justification for classification as Reserves should be clearly documented.

To be included in the Reserves class, there must be a high confidence in the commercial producibility of the reservoir as supported by actual production or formation tests. In certain cases, Reserves may be assigned on the basis of well logs and/or core analysis that indicate that the subject reservoir is hydrocarbon-bearing and is analogous to reservoirs in the same area that are producing or have demonstrated the ability to produce on formation tests.

Project Status and Commercial Risk

Evaluators have the option to establish a more detailed resources classification reporting system that can also provide the basis for portfolio management by subdividing the chance of commerciality axis according to project maturity. Such sub-classes may be characterized by standard project maturity level descriptions (qualitative) and/or by their associated chance of reaching producing status (quantitative).

As a project moves to a higher level of maturity, there will be an increasing chance that the accumulation will be commercially developed. For Contingent and Prospective Resources, this can further be expressed as a quantitative chance estimate that incorporates two key underlying risk components:

- The chance that the potential accumulation will result in the discovery of petroleum. This is referred to as the "chance of discovery".
- Once discovered, the chance that the accumulation will be commercially developed is referred to as the "chance of development."

Thus, for an undiscovered accumulation, the "chance of commerciality" is the product of these two risk components. For a discovered accumulation where the "chance of discovery" is 100%, the "chance of commerciality" becomes equivalent to the "chance of development."

Project Maturity Sub-Classes

As illustrated in **Figure A-3**, development projects (and their associated recoverable quantities) may be sub-classified according to project maturity levels and the associated actions (business decisions) required to move a project toward commercial production.

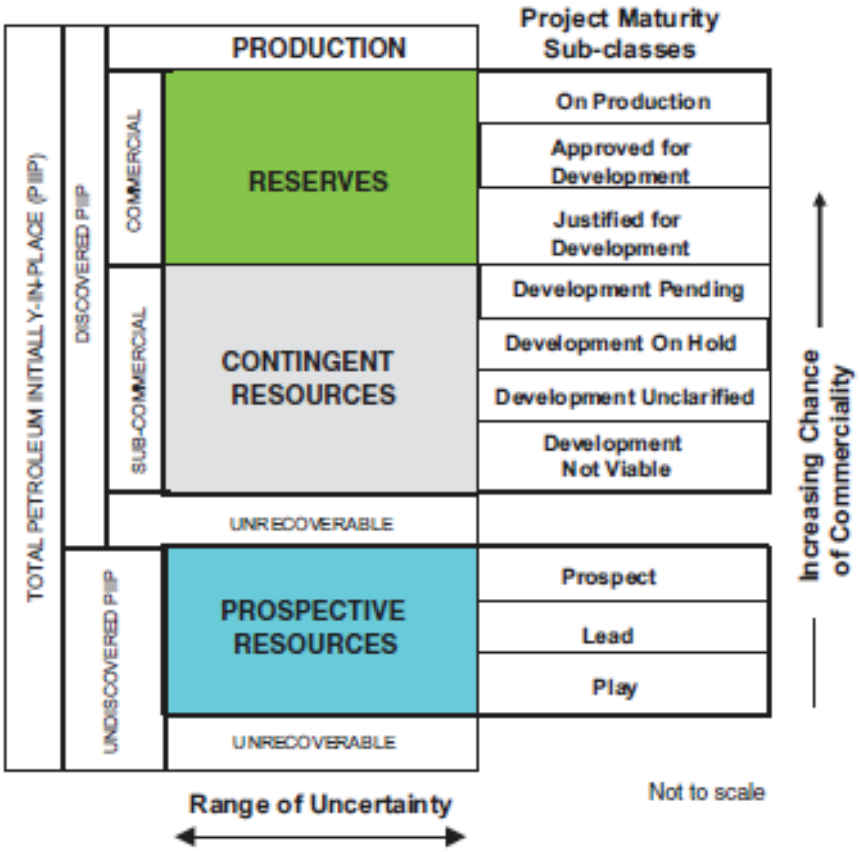

Figure A-3: Project maturity sub-classes

Project Maturity terminology and definitions have been modified from the example provided in the 2001 Supplemental Guidelines, Chapter 2. Detailed definitions and guidelines for each Project maturity sub-class are provided in Figure A-3. This approach supports managing portfolios of opportunities at various stages of exploration and development and may be supplemented by associated quantitative estimates of chance of commerciality. The boundaries between different levels of project maturity may be referred to as "decision gates."

Decisions within the Reserves class are based on those actions that progress a project through final approvals to implementation and initiation of production and product sales. For Contingent Resources, supporting analysis should focus on gathering data and performing analyses to clarify and then mitigate those key conditions, or contingencies, that prevent commercial development.

For Prospective Resources, these potential accumulations are evaluated according to their chance of discovery and, assuming a discovery, the estimated quantities that would be recoverable under appropriate development projects. The decision at each phase is to undertake further data acquisition and/or studies designed to move the project to a level of technical and commercial maturity where a decision can be made to proceed with exploration drilling.

Evaluators may adopt alternative sub-classes and project maturity modifiers, but the concept of increasing chance of commerciality should be a key enabler in applying the overall classification system and supporting portfolio management.

Reserves Status

Once projects satisfy commercial risk criteria, the associated quantities are classified as Reserves. These quantities may be allocated to the following subdivisions based on the funding and operational status of wells and associated facilities within the reservoir development plan:

- Developed Reserves are expected quantities to be recovered from existing wells and facilities.
- Developed Producing Reserves are expected to be recovered from completion intervals that are open and producing at the time of the estimate.
- Developed Non-Producing Reserves include shut-in and behind-pipe Reserves.
- Undeveloped Reserves are quantities expected to be recovered through future investments.

Where Reserves remain undeveloped beyond a reasonable timeframe, or have remained undeveloped due to repeated postponements, evaluations should be critically reviewed to document reasons for the delay in initiating development and justify retaining these quantities within the Reserves class. While there are specific circumstances where a longer delay (see Determination of Commerciality, section 2.1.2) is justified, a reasonable time frame is generally considered to be less than 5 years.

Development and production status are of significant importance for project management. While Reserves Status has traditionally only been applied to Proved Reserves, the same concept of Developed and Undeveloped Status based on the funding and operational status of wells and producing facilities within the development project are applicable throughout the full range of Reserves uncertainty categories (Proved, Probable and Possible).

Quantities may be subdivided by Reserves Status independent of sub-classification by Project Maturity. If applied in combination, Developed and/or Undeveloped Reserves quantities may be identified separately within each Reserves sub-class (On Production, Approved for Development, and Justified for Development).

Economic Status

Projects may be further characterized by their Economic Status. All projects classified as Reserves must be economic under defined conditions.

Based on assumptions regarding future conditions and their impact on ultimate economic viability, projects currently classified as Contingent Resources may be broadly divided into two groups:

- Marginal Contingent Resources are those quantities associated with technically feasible projects that are either currently economic or projected to be economic under reasonably forecasted improvements in commercial conditions but are not committed for development because of one or more contingencies.
- Sub-Marginal Contingent Resources are those quantities associated with discoveries for which analysis indicates that technically feasible development projects would not be economic and/or other contingencies would not be satisfied under current or reasonably forecasted improvements in commercial conditions. These projects nonetheless should be retained in the inventory of discovered resources pending unforeseen major changes in commercial conditions.

Where evaluations are incomplete such that it is premature to clearly define ultimate chance of commerciality, it is acceptable to note that project economic status is "undetermined." Additional economic status modifiers may be applied to further characterize recoverable quantities; for example, non-sales (lease fuel, flare, and losses) may be separately identified and documented in addition to sales quantities for both production and recoverable resource estimates. Those discovered in-place volumes for which a feasible development project cannot be defined using current or reasonably forecast improvements in technology are classified as Unrecoverable.

Economic Status may be identified independently of, or applied in combination with, Project Maturity sub-classification to more completely describe the project and its associated resources.

Appendix B: Glossary of Terms

For further details on the definitions and guidelines, please see the original documents.

Minor edits and additions were made by the current authors

Adsorption - The property of some solids and liquids to attract a liquid or a gas to their surfaces. For coal, it is the property of the coal matrix to attract natural gas to the coal surface.

As-Received (Basis) - Represents an analysis of a sample as received at a laboratory.

Assessment - The geosciences, engineering, and associated studies conducted on a petroleum exploration, development, or producing project resulting in estimates of the quantities that can be recovered and sold and the associated cash flow under defined forward conditions. Projects are classified and estimates of derived quantities are categorized according to applicable guidelines.

Best Estimate - This is considered to be the best estimate of the quantity that will actually be recovered from the accumulation by the project. It is the most realistic assessment of recoverable quantities if only a single result were reported. If probabilistic methods are used, there should be at least a 50% probability (P50) that the quantities actually recovered will equal or exceed the best estimate. For prospective resources estimates, this estimate is dependent on a discovery being made. For contingent resources, this estimate is dependent on economic contingencies being successfully addressed.

Capital Costs - Monies spent in drilling and completing a well that cannot be deducted under federal income tax law. The monies are recovered by the slower and less desirable depletion or depreciation methods. Capital expenditures also include geological and geophysical costs, equipment costs, and lease bonuses.

Cleating - A series of tight, closely spaced, small fractures in the coal bed caused by geologic stress. Cleating, and coal permeability, may be enhanced in areas of faulting, fracturing, or structural stress.

Coal Seam - A strata of coal that is thick enough to be mapped over an area or mined.

Coal Thickness – The true perpendicular thickness of a coal strata. Gross coal thickness is normally the distance between the top and base of the coal seam. Net coal thickness is normally determined by excluding coal sections with densities above 1.75 g/cc.

Coal Bed Methane (CBM) - Natural gas contained in coal deposits, whether or not stored in gaseous phase. Coal bed gas, although usually mostly methane, may be produced with variable amounts of inert or even non-inert gases.

Commerciality - When a project is commercial, this implies that the essential social, environmental, and economic conditions are met, including political, legal, regulatory, and contractual conditions. In addition, a project is commercial if the degree of commitment is such that the accumulation is expected to be developed and placed on production within a reasonable time frame.

Contingent Resources - Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects but which are not currently considered to be commercially recoverable due to one or more commercial contingencies.

Core Hole - A well drilled with a slim-hole rig. The wellbore is 6¼ in. in diameter or less. Well logs are run in a core hole, although a core is not necessarily taken.

Density - Mass per unit of volume. Density is typically reported in g/cc (for example, rocks) or pounds per barrel (drilling mud) in the oil field.

Desorption - The release of gas from the coal matrix as the pressure is lowered and the adsorption capacity of the coal is subsequently lowered.

Estimated Ultimate Recovery - Those quantities of petroleum, which are estimated, on a given date, to be potentially recoverable from an accumulation, plus those quantities already produced there from.

Exploration Well - A well drilled in order to locate an undiscovered petroleum reservoir, either by discovering a new field or a new shallower or deeper reservoir in a previously discovered field.

Fair Market Value - The amount of money (or the cash equivalent of some other consideration) determined by the expert in accordance with the provisions of the VALMIN Code for which the mineral or petroleum asset or security should change hands on the valuation date in an open and unrestricted market between a willing buyer and a willing seller in an "arm's length" transaction, with each party acting knowledgeably, prudently and without compulsion. Value is usually comprised of two components, the underlying or 'technical value' of the mineral or petroleum asset or security and a premium or discount relating to market, strategic, or other considerations. Value should be selected as the most likely figure from within a range after taking account of risk and the possible variation in ore grade, metallurgical recovery, capital and operating costs, commodity prices, exchange rates and the like.

Formation - A strata of rock that is sufficiently distinctive and continuous that it can be mapped.

Gas Content - For coalbed methane evaluations, this is the amount of gas adsorbed onto the coal matrix surfaces, usually expressed as cubic meters or standard cubic feet per ton of coal.

High Estimate - This is considered to be an optimistic estimate of the quantity that will actually be recovered from an accumulation by a project. If probabilistic methods are used, there should be at least a 10% probability (P10) that the quantities actually recovered will equal or exceed the high estimate. For prospective resources estimates, this estimate is dependent on a discovery being made. For contingent resources, this estimate is dependent on contingencies being successfully addressed.

Horizontal Well - A well that is drilled by deviation drilling and tracks the dip of a subsurface reservoir. A horizontal well traditionally consists of a vertical section and a lateral horizontal section which penetrates the target reservoir.

Langmuir Equation - Relates the coverage or adsorption of molecules on a solid surface to gas pressure or concentration of a medium above the solid surface at a fixed temperature. The equation was developed by Irving Langmuir in 1916.

Low Estimate - This is considered to be a conservative estimate of the quantity that will actually be recovered from the accumulation by a project. If probabilistic methods are used, there should be at least a 90% probability (P90) that the quantities actually recovered will equal or exceed the low estimate. For prospective resources estimates, this estimate is dependent on a discovery being made. For contingent resources, this estimate is dependent on contingencies being successfully addressed.

Net Coal Thickness - The net thickness of the coal bed. Net coal thickness is normally the distance between the top and base of the coal seam once the coal sections with densities above 1.75 g/cc are excluded.

Operating Costs - The direct operating costs plus district overhead plus employee benefits for a specific producing property.

Original Gas-in-Place (OGIP) - The total quantity of natural gas that is estimated to exist originally in naturally occurring reservoirs.

Overburden Thickness - The thickness of the overburden rock above top of the coal seam. The distance between ground level and the top of the coal seam.

Permeability - The measurement of a rock's ability to transmit fluids, typically measured in darcies or millidarcies.

Pilot - A small development project to validate the petroleum engineering estimates of recovery, rates, and spacing before the operator commits to commercial development.

Probabilistic Methods - The method of estimation of resources is called probabilistic when the known geoscience, engineering, and economic data are used to generate a continuous range of estimates and their associated probabilities.

Probability - The extent to which an event is likely to occur, measured by the ratio of the favourable cases to the whole number of cases possible. SPE convention is to quote cumulative probability of exceeding or equalling a quantity where P90 is the small estimate and P10 is the large estimate.

Production Sharing Contract (PSC) - An agreement between the parties to a well and a host country regarding the percentage of production each party will receive after the participating parties have recovered a specified amount of costs and expenses.

Prospect - A project associated with a potential accumulation that is sufficiently well defined to present a viable drilling target.

Prospective Resources - Those quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations.

Rat hole - Extra hole drilled at the end of the well (beyond the last zone of interest) to ensure that the zone of interest can be fully evaluated or a sump to enable dewatering.

Recovery Factor - A numeric expression of that portion of inplace quantities of petroleum estimated to be recoverable by specific processes or projects, most often represented as a percentage.

Reserves - Those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria: They must be discovered, recoverable, commercial, and remaining (as of a given date) based on the development project(s) applied.

Risk - The probability of loss or failure.

Risk Factor - The chance of success.

Structure - A geological feature produced by deformation of the Earth's crust, such as a fold or a fault; a feature within a rock, such as a fracture or bedding surface; or, more generally, the spatial arrangement of rocks.

Vertical Well - A well drilled vertically into the subsurface.

Volumetric Estimate - An estimate of the volume of gas-inplace or resources/reserves using generally accepted petroleum engineering equations.

Uncertainty - The range of possible outcomes in a series of estimates. For recoverable resources assessments, the range of uncertainty reflects a reasonable range of estimated potentially recoverable quantities for an individual accumulation or a project.

SRK Report Client Distribution Record

Project Number: PKF002

Report Title: Carnarvon Basin – WA-359-P Valuation Report

Date Issued: 20 November 2018

Name/Title	Company
Mr Paul Lom	Cue Energy

Rev No.	Date	Revised By	Revision Details
0	15/11/2018	Bruce McConachie	DRAFT for client review
1	16/11/2018	Bruce McConachie	DRAFT reissued for client review
2	16/11/2018	Bruce McConachie	DRAFT reissued for client review
3	20/11/2018	Bruce McConachie	Final issued to client

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SRN/HIN: I9999999999 **PIN: 99999**

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

For your vote to be effective it must be received by 10am (AEDT) Sunday 6 January 2019

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

GO ONLINE TO VOTE,
or turn over to complete the form ➔

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

☐ **Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with '**X**') should advise your broker of any changes.

I 9999999999 I N D

Proxy Form

Please mark ☒ to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of CUE Energy Resources Limited hereby appoint

☐ **the Chairman of the Meeting** **OR** _____

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the General Meeting of CUE Energy Resources Limited to be held at Allens, Level 37, 101 Collins Street, Melbourne on Tuesday, 8 January 2019 at 10am (AEDT) and at any adjournment or postponement of that meeting.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Resolution 1	CUE Exploration to sell 15% participating interest in WA-359-P and grant an option to acquire 5.36% participating interest in WA-409-P to NZOGIPL	☐	☐	☐

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1 | **Securityholder 2** | **Securityholder 3**

Sole Director and Sole Company Secretary | **Director** | **Director/Company Secretary**

Contact Name _____ **Contact Daytime Telephone** _____ **Date** / /