



2019 Corporate Governance Statement

The Board and management of Cue Energy Resources Limited ACN 066 383 971 (“CUE” or the “Company”) recognise their duties and obligations to shareholders and other stakeholders to implement and maintain a proper system of corporate governance. CUE believes that good corporate governance helps ensure the future sustainability of the Company, adds value to stakeholders and enhances investor confidence.

The ASX Listing Rules require listed companies to prepare a statement disclosing the extent to which they have complied with the recommendations of the ASX Corporate Governance Council (“ASX Recommendations”) in the reporting period. The Recommendations are guidelines designed to improve the efficiency, quality and integrity of the Company. They are not prescriptive, so that if a company considers a recommendation to be inappropriate having regard to its own circumstances, it has the flexibility not to follow it. Where a company has not followed all the Recommendations, it must identify which Recommendations have not been followed and give reasons for not following them.

This Corporate Governance Statement (“Statement”) sets out a description of the Company’s main corporate practices and provides details of the Company’s compliance with the Recommendations, or where appropriate, indicates a departure from the Recommendations with an explanation.

This Statement is current as at 21 August 2019 and has been approved by the Board of Directors of CUE. The statement, with the supplementary policies and charters, are available on the Company’s website (<http://www.cuenrg.com.au>).

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

RECOMMENDATION 1.1 - ROLE OF THE BOARD AND MANAGEMENT

The Board's primary responsibility is to oversee the Company's business activities and management for the benefit of all shareholders, which it accomplishes by:

- setting and monitoring organisational performance and the achievement of the Company's strategic goals and objectives;
- reviewing and approving corporate strategies, the annual budget and financial plans;
- establishing corporate governance and ethical business standards;
- monitoring financial performance and liaising with the Company's external auditor;
- appointing and assessing the performance of the Managing Director (or equivalent), and overseeing succession plans for senior executives;
- reviewing and monitoring the systems of risk management and internal control, codes of conduct and legal compliance;
- ensuring the composition of the Board is appropriate, selecting directors for appointment to the Board and reviewing the performance of the Board and the contributions of individual directors; and
- reporting to and communicating with shareholders.

The Board Charter which was last reviewed during this reporting period sets out the functions and responsibilities of the Board of CUE and is available on the CUE website (<http://www.cuenrg.com.au>).

The Board has delegated to the Chief Executive officer ("CEO") responsibility for the day-to-day management of the Company, including the overall operational and business management and profit performance of CUE, whilst also managing the Company in accordance with the strategy, plans and policies approved by the Board to achieve agreed goals. The scope of, and limitations to, these delegations are clearly documented and balance oversight with appropriate empowerment and accountability of senior executives.

RECOMMENDATION 1.2 - APPOINTMENT OF DIRECTORS

The Board has procedures for the selection and appointment of new directors and the re-election of incumbent directors.

Selected candidates for Board positions undergo appropriate background checks before being appointed to the Board. Any Director appointed during the year to fill a casual vacancy or as an addition to the existing Directors must stand for election at the next Annual General Meeting ("AGM").

A regular assessment is made of the current qualifications, skills, and experience of the directors, as well as the skills, experience and expertise needed to deal with current and emerging issues of the business and to effectively review and challenge the performance of management and exercise independent judgement.

Board support for Directors retiring and seeking re-election is not automatic and is reviewed against criteria based on the Board's current skills and qualities and the current and future needs of the Company. The notice of AGM includes the material information relevant to a decision on whether or not to elect or re-elect a director.

RECOMMENDATION 1.3 - APPOINTMENT TERMS

Non-Executive Directors have a written agreement with the Company setting out the terms of their appointment as directors.

The CEO and Senior Executives all have written agreements with the Company setting out the terms of their employment.

RECOMMENDATION 1.4 - COMPANY SECRETARY

The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board. The Company Secretary's role includes advising the board and its committees on governance matters; monitoring that board and committee policy and procedures are followed; coordinating the timely completion and despatch of board and committee papers; ensuring that the business at board and committee meetings is accurately captured in the minutes; and helping to organise and facilitate the induction and professional development of directors.

All Directors have unfettered access to the Company Secretary and the appointment and removal of the Company Secretary must be made or approved by the Board.

RECOMMENDATION 1.5 – DIVERSITY POLICY

CUE recognises the benefits of diversity of gender, age, experience, relationships and background and is proud to have a strong representation of both genders in its workforce. The Company's Diversity Policy is available on the CUE website (<http://www.cuenerg.com.au>).

The proportion of women on the Board, in senior executive positions and women across the entire organisation as at 30 June 2019 was as follows:

- Women on the Board – 14.29
- Women in senior executive positions – 50%
- Women across the entire organisation – 35.71%

The measurable objectives set by the Board for achieving gender diversity include:

- adopting a Company wide Diversity policy
- disclosing the policy in the corporate governance section on the Company's website; and
- tracking and reporting on the percentages of women employed by the Company as a whole, in senior management positions and on the Board.

RECOMMENDATION 1.6 - BOARD PERFORMANCE ASSESSMENT

The Board is committed to formally evaluating its performance, the performance of its committees (if applicable) and individual Directors, as well as the governance processes supporting the Board. The Board has commenced a formal review process which is anticipated to be completed by the end of the year.

The review process involves:

- completion of a questionnaire/survey by each director, facilitated by the Company Secretary;
- the preparation and provision of a report to each director with feedback on the performance of the Board based on the survey results; and
- The Board meeting to discuss any areas and actions for improvement.

RECOMMENDATION 1.7 - SENIOR EXECUTIVE PERFORMANCE ASSESSMENT

The Performance of the Managing Director was evaluated in February 2019 in accordance with the Company's Performance Evaluation Process. During the 2019 financial year, CUE also conducted formal senior executive staff reviews.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

RECOMMENDATION 2.1 – NOMINATION COMMITTEE

The Board has established a Remuneration and Nomination Committee. The Committee comprises three members, only one of which is an independent Director, being Richard Malcolm. Andrew Jefferies and Roderick Ritchie are considered non-independent on the basis as outlined in Recommendation 2.3. The Committee is chaired by Richard Malcolm who is not the Chairman of the Board.

All directors have relevant experience as shown in their biographies in the Directors Report and details of meetings held by the Committee during the year and member attendances are set out in the 2019 Directors' Report.

The Remuneration and Nomination Committee Charter which was last reviewed during this reporting period is available on the CUE website (<http://www.cuenerg.com.au>).

The primary function of the Remuneration and Nomination Committee Charter is to assist the Board to carry out the following:

- review director competence standards;
- review Board succession plans;
- evaluate the Board's performance;
- make recommendations for the appointment and removal of directors to the Board; and
- make recommendations to the Board on recruitment, retention and termination policies for senior management.

RECOMMENDATION 2.2 – BOARD SKILLS MATRIX

Given the size of the Board, a formal board skills matrix has not been adopted.

The Board comprises a broad base of industry, business, technical, administrative, corporate skills and experience considered necessary to represent the shareholders and fulfil the business objectives of the

Company. The details of background, experience and professional skills of each Director are set out on the Company's website.

Each of the Directors is entitled to seek independent advice at the Company's expense to assist them to carrying out their responsibilities.

The Board reviews, at least annually, the composition of the Board to determine if additional core strengths are required to be added in light of the nature of the Company's businesses and its objectives.

One third of the Directors retires annually and is free to seek re-election by shareholders.

Details of the skills, expertise and experience of each director are provided in the Director's Report contained in the Company's 2019 Annual Report.

RECOMMENDATION 2.3 – INDEPENDENT DIRECTORS

An independent director is a non-executive director who is not a member of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of judgement.

The Board regularly assesses the independence of each Non-Executive Director in light of the information which each Director is required to disclose in relation to any material contract or other relationship with the Company in accordance with the director's terms of appointment, the Corporations Act 2001, and the Board Charter.

When appointing an independent director or reviewing the independence of its Directors, the Board will have regard to the definition of independent director and the factors set out in the Recommendations, in particular the factors relevant to assessing the independence of a director set out in Recommendation 2.3.

The Board has two independent directors, Richard Malcolm (Non-Executive Director) and Peter Hood (Non-Executive Director).

Samuel Kellner is considered by the Board to not be independent on the basis that he is the Chairman of a substantial shareholder of the Company.

Andrew Jeffries is considered by the Board to not be independent on the basis that he is the Chief Executive Officer of a substantial shareholder of the Company.

Rebecca DeLaet, Alastair McGregor and Roderick Ritchie are considered by the Board to not be independent on the basis that they are Directors of a substantial shareholder of the Company.

The Board considers the Non-Executive directors to be independent having regard to the indicia in Box 2.3 in the ASX Recommendations. The Board has considered the holdings of shares in the Company by these Non-Executive directors and is of the opinion that their respective interests in shares would not materially interfere with, or could be reasonably perceived to interfere with, the independent exercise of their judgement in their position as a Director. The Board also considers that they are otherwise free from any business or other relationship that could materially interfere with, or reasonably be perceived to interfere with, the independent exercise of their judgement, and that each of these Directors is able to fulfil the role of independent Director for the purposes of the ASX Recommendations.

The Board's assessment of each current Director is set out below.

Name	Position	Appointment date	Status
Samuel Kellner	Non-Executive Director	23/02/2018	Non-Independent
Richard Malcolm	Non-Executive Director	23/02/2018	Independent
Roderick Ritchie	Non-Executive Director	23/02/2018	Non-Independent
Andrew Jeffries	Non-Executive Director	23/02/2018	Non-Independent
Peter Hood	Non-Executive Director	23/02/2018	Independent
Rebecca DeLaet	Non-Executive Director	11/04/2018	Non-Independent
Alastair McGregor	Non-Executive Director	23/02/2018	Non-Independent

RECOMMENDATION 2.4 – MAJORITY INDEPENDENCE

As at the date of this Statement, two of our seven Directors are deemed independent. Although the composition of our Board does not comply with Recommendation 2.4, the current Board composition reflects an appropriate balance of skills, expertise and experience to fulfil its obligations to act in the best interests of the Company and all stakeholders.

The Board also considers that there are appropriate safeguards in place including policies and protocols to ensure independent thought and decision making.

RECOMMENDATION 2.5 – INDEPENDENT CHAIR

The Chairman, Alastair McGregor is considered not to be an independent Non-Executive Director. The Board is of the view that during this period, Alastair McGregor has and continues to exercise independent judgement and has acted in the best interest of the Company and its shareholders at all times.

The roles of Chairman and Chief Executive Officer are exercised by different individuals, being Alastair McGregor and Matthew Boyall respectively.

RECOMMENDATION 2.6 – INDUCTION, EDUCATION AND TRAINING

New directors are provided with copies of all relevant documents and policies governing the Company's business, operations and management, at the time of joining the Board. The Company is able to provide appropriate professional development opportunities for directors to assist in their roles. Directors are also encouraged to personally undertake appropriate training and refresher courses conducted by the Australian Institute of Company Directors.

PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY

RECOMMENDATION 3.1 – CODE OF CONDUCT

The Board recognises the need to observe the highest standards of corporate practice and business conduct. Accordingly, the Board has adopted a Code of Conduct (**Code**) designed to:

- provide a framework for decisions and actions in relation to ethical conduct in employment;
- support the Company's business reputation and corporate image; and
- make Directors' and senior executives aware of the consequences if they breach the Code.

The Code of Conduct is available on the Company's website (<http://www.cuenrg.com.au>).

The key aspects of this code are to:

- act fairly with honesty and integrity in the best interests of the Company and in the reasonable expectations of shareholders;
- act in accordance with all applicable laws, regulations, and the Company policies and procedures; and
- have responsibility and accountability for individuals for reporting and investigating reports of unethical practices; and
- use the Company's resources and property properly.

The Code of Conduct sets out the Company's policies on various matters including ethical conduct, integrity, conflicts of interest, confidentiality and protection and proper use of assets.



PRINCIPLE 4: SAFEGUARD INTEGRITY IN CORPORATE REPORTING

RECOMMENDATION 4.1 – AUDIT AND RISK COMMITTEE CHARTER

The Company has established an Audit and Risk Committee. The Committee comprises three members only one of which is an independent Director, being Peter Hood. Andrew Jefferies and Rebecca DeLaet are considered non-independent on the basis as outlined in Recommendation 2.3. The Committee is chaired by Rebecca DeLaet, a non-independent director who is not the Chair of the Board in accordance with the ASX Recommendations.

All directors have relevant experience as shown in their biographies in the Directors Report.

The Audit and Risk Committee Charter (available on the CUE website <http://www.cuenrg.com.au>) sets out the role of the Committee, which includes assisting the Board to:

- review and monitor the integrity of the Company's financial reports and statements;
- monitor the performance and independence of the external auditor; and
- reviewing the consolidated accounts of the company.

It also has risk management and internal control functions as set out under Recommendation 6.1.

The number of meetings held and the individual attendances of Committee members at those meetings are disclosed in the 2019 Directors' Report.

RECOMMENDATION 4.2 - ASSURANCES

Prior to approval of the Company's annual financial statements, the Board obtains a declaration from the Chief Financial Officer and Chief Executive Officer that, in their opinion, the financial records of the Company have been properly maintained and that the financial statements comply with appropriate accounting standards and give a true and fair view of the financial position and performance of the Company, and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

RECOMMENDATION 4.3 – EXTERNAL AUDITOR ATTENDS AGM

The Company's external auditor attends every Annual General Meeting as required by the Corporations Act, and members are allowed a reasonable opportunity at the meeting to ask the auditor questions relevant to the audit, their report and independence, and the accounting policies adopted by the Company.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

RECOMMENDATION 5.1 – CONTINUOUS DISCLOSURE POLICY

We are committed to providing information to shareholders and to the market in a manner that is consistent with the meaning and intention of the ASX Listing Rules and the Corporations Act.

The Company has in place an ASX Compliance procedure which outlines the requirements to comply with the ASX listing rules disclosure requirements and to ensure accountability at the senior executive level for that compliance.

The Board has overarching responsibility for compliance with CUE's continuous disclosure obligations and Board approval is required for certain key matters and matters may be referred to the Board for approval by the Managing Director or the Company Secretary.



The Board is committed to the promotion of investor confidence by ensuring that trading in the Company's securities takes place in an efficient, competitive and informed market. In accordance with continuous disclosure obligations under the ASX Listing Rules, the Company has procedures in place to ensure that all price sensitive information is identified, reviewed by management and disclosed to the ASX in a timely manner. The Company website includes a link to all information disclosed to the ASX.

PRINCIPLE 6: RESPECT THE RIGHTS OF SECURITY HOLDERS

RECOMMENDATION 6.1 – INFORMATION AND GOVERNANCE

CUE's website at <http://www.cuenrg.com.au> contains key information about the company and its corporate governance practices and policies, as well as biographies of the Board members and the Company Secretary.

CUE also maintains a separate investor page on its website to provide shareholders with links to annual and interim reports, ASX announcements, presentations and other key information.

RECOMMENDATION 6.2 – INVESTOR RELATIONS PROGRAM

We endeavour to communicate with shareholders and other stakeholders in an open, regular and timely manner so that the market has sufficient information to make informed investment decisions. The Company has established a Communications Policy for promoting effective communication with shareholders and encouraging their participation at general meetings.

Shareholder queries should be referred to the Company Secretary in the first instance.

RECOMMENDATION 6.3 – SHAREHOLDER MEETING PARTICIPATION

Shareholders are forwarded the Company's Annual Report, if requested (it is otherwise made available on the CUE website <http://www.cuenrg.com.au>), and documents relating to each General Meeting, being the Notice of Meeting, any Explanatory Memorandum and a Proxy Form, and shareholders are invited to attend these meetings. Shareholders may elect to receive communications electronically.

The Board regards the AGM as an important opportunity to communicate with shareholders and it provides a key forum for shareholders to ask questions about the Company, its strategy and performance. At shareholder meetings, the Company will provide an opportunity for shareholders and other stakeholders to hear from and put questions to the Board, management and the external auditor of the Company.

RECOMMENDATION 6.4 – ELECTRONIC COMMUNICATION WITH SHAREHOLDERS

Shareholders are actively encouraged to take advantage of the benefits of electing to receive communication from the Company and its share registry electronically.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

RECOMMENDATION 7.1 – RISK COMMITTEE

The Group's risk management framework is supported by the Board of directors, management team and the Audit and Risk Committee. Further the Board established a Health, Safety, Security, Sustainability and Operational Risk Committee (HSSSOR). The Board is responsible for approving and review the Company's risk management strategy and policy. Management are responsible for monitoring that appropriate processes and controls are in place to effectively and efficiently manage risk.

Management, through the Chief Executive Officer is primarily responsible for identifying, monitoring and responding to risk events and communicating them to the Board. Regular updates are provided to the Board by management on the management of material business risks.

The systems of internal financial control have been determined by the Board as adequate to provide appropriate but not absolute, protection against fraud, material misstatement or loss.

CUE's Audit and Risk Committee also has delegated responsibilities in relation to risk management as set out in the Audit and Risk Committee Charter. Its role includes assisting the Board to:

- review and make recommendations regarding the adequacy and integrity of the Company's risk management framework and system of internal controls; and
- reviewing compliance with relevant laws and regulations.

CUE's HSSSOR Committee also has delegated responsibilities in relation to risk management as set out in the HSSSOR Charter. Its role includes assisting the Board to:

- meet its specific governance duties with respect to the health, safety, security, sustainability and operational risk aspects of the operations of CUE, by providing oversight of these matters, having regard to law and industry best practice.

RECOMMENDATION 7.2 – RISK MANAGEMENT FRAMEWORK

CUE's risk management framework is supported by the Board of directors, management, Audit and Risk Committee and the HSSSOR Committee. The Board is responsible for approving and reviewing the Company's risk management strategy and policy. Management are responsible for monitoring that appropriate processes and controls are in place to effectively and efficiently manage risk.

Management, through the Chief Executive Officer is primarily responsible for identifying, monitoring and responding to risk events and communicating them to the Board. Regular updates are provided to the Board by management on the management of material business risks.

The systems of internal financial control have been determined by the Board as adequate to provide appropriate but not absolute, protection against fraud, material misstatement or loss.

RECOMMENDATION 7.3 – INTERNAL AUDIT

The Audit and Risk Committee Charter provides for the Committee to monitor the need for an internal audit function.

The Company did not have an internal audit function for the past financial year and due to the size of the Company the Board does not consider it necessary to have an internal audit function.

The Company will employ the following process for evaluating and continually improving the effectiveness of its risk management and internal control processes:

- the Audit and Risk Committee will monitor the need for an internal audit function having regard to the size, location and complexity of the Company's operations; and
- the Audit and Risk Committee will periodically undertake an internal review of financial systems and processes where systems are considered to require improvement these systems are developed.

RECOMMENDATION 7.4 – ECONOMIC, ENVIRONMENTAL AND SOCIAL SUSTAINABILITY RISK

The Board had established a Health, Safety, Security, Sustainability and Operational Risk Committee (HSSSOR). The Committee consists of three members, only one of which is an independent Director, being Richard Malcolm. Andrew Jefferies and Roderick Ritchie are considered non-independent on the basis as outlined in Recommendation 2.3. The Committee is chaired by Roderick Ritchie who is not the Chairman of the Board.

A risk register for the Company is maintained to document the risks identified. Risk is reviewed as part of the Board meetings. A risk assessment procedure is used to assess all risks when the Company is contemplating a new business venture. Should the risk profile of the Company change, the risk register will be updated to reflect this accordingly and any further controls required will be implemented.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

RECOMMENDATION 8.1 – REMUNERATION AND NOMINATION COMMITTEE

CUE's Remuneration and Nomination Committee also has delegated responsibilities in relation to remuneration matters as set out in the Remuneration and Nomination Committee Charter. The Committee comprises three members, only one of which is an independent Director, being Richard Malcolm. Andrew Jefferies and Roderick Ritchie are considered non-independent on the basis as outlined in Recommendation 2.3. The Committee is chaired by Richard Malcolm who is not the Chairman of the Board.

Its role includes assisting the Board to:

- assessing the size and composition of the board, having regard the objective that the board comprise directors with a broad range of skills, expertise and experience from a broad range of backgrounds, including gender;
- assisting the board in reviewing the performance of the board, its committees and individual non-executive directors;
- reviewing and recommending to the board candidates for election and re-election as directors in accordance with the board's criteria; and
- annually reviewing and making recommendations to the board about the board diversity policy.



Details of meetings held by the Committee during the year and member attendances are set out in the 2019 Directors' Report.

RECOMMENDATION 8.2 – REMUNERATION POLICIES AND PRACTICES

The Remuneration and Nomination Committee is responsible for determining and reviewing remuneration policies for the directors and executives. If necessary, it obtains independent advice on the appropriateness of remuneration packages given trends in comparable companies and in accordance with the objectives of the Company.

Details of CUE's remuneration practices for its Non-Executive Directors and Senior Executives are disclosed in the Remuneration Report in the Company's Annual Report. The Remuneration Report highlights the balance between fixed pay, short-term incentive and long-term incentives, and includes details of the remuneration paid and the relationship to the Company's performance.

RECOMMENDATION 8.3 – EQUITY BASED REMUNERATION SCHEME

The Company's long-term Incentive Plan prohibits participants from entering into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme.

The Company also has a Securities Trading Policy, as displayed on the Company's website, provides that participants must not, without prior approval of the Company Secretary, enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme.