



CUE ENERGY RESOURCES LIMITED
ABN 45 066 383 971

Notice of General Meeting

Explanatory Statement and Proxy Form

Date of Meeting:
Wednesday, 28 July 2021

Time of Meeting:
9:00am (AEST)

Location:
**Chartered Accountants Australia and New Zealand
Level 18, Bourke Place, 600 Bourke Street
Melbourne, VIC 3000**

The Independent Directors of CUE unanimously recommend that Shareholders vote 'FOR' the Proposed Resolution.

The Independent Expert has concluded that the granting of Security pursuant to Resolution 1 as set out in this Notice of Meeting is **fair and reasonable** to the Non-associated Shareholders.

This Notice of General Meeting and Explanatory Statement 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

CUE ENERGY RESOURCES LIMITED

ABN 45 066 383 971

Registered office: Level 3, 10-16 Queen Street, Melbourne, Victoria, 3000

NOTICE OF GENERAL MEETING

Notice is hereby given that the General Meeting of Shareholders of Cue Energy Resources Limited ("Company" or "CUE") will be held at the offices of Chartered Accountants Australia and New Zealand at Level 18, Bourke Place, 600 Bourke Street, Melbourne, VIC 3000 on Wednesday, 28 July 2021 ("Meeting").

AGENDA

The Explanatory Statement and proxy form, which accompany and form part of this Notice of Meeting, include defined terms and describe in more detail the matters to be considered. Please consider this Notice of Meeting, the Explanatory Statement and the proxy form in their entirety.

ORDINARY BUSINESS

Resolution 1: Grant of security over a significant asset to a substantial holder

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

"THAT for the purposes of Listing Rule 10.1 and for all other purposes, approval is given for:

- (a) *CUE and the CUE Project Entities to grant a charge to NZOG and/or the NZOG Project Entities over its interest in the Mereenie Project, Palm Valley Project and Dingo Project pursuant to Deeds of Cross Security between the joint venture parties; and*
- (b) *any subsequent disposals by CUE and the CUE Project Entities to NZOG and/or the NZOG Project Entities or to another wholly-owned subsidiary of NZOG of ownership interests in the Mereenie Project, Palm Valley Project and Dingo Project (or in any assets which are or in the future become part of a Project) pursuant to any enforcement of a Deed of Cross Security,*

on the terms and conditions described in the Explanatory Statement."

In accordance with ASX Listing Rule 10.5.10, the Company has engaged PKF to provide an independent expert's report in respect of Resolution 1. Shareholders should carefully consider the Independent Expert's Report at Schedule 1 of the Explanatory Statement. The Independent Expert's Report comments on the fairness and reasonableness of the proposed granting of the Security by the Company. PKF has determined that the proposed granting of the Security proposed by Resolution 1 **is fair and reasonable** to the Non-associated Shareholders.

By order of the Board



Melanie Leydin

Company Secretary

Dated: 17 June 2021

Notes

1. **Entire Notice:** The details of the resolutions contained in the Explanatory Statement accompanying this Notice of Meeting should be read together with, and form part of, this Notice of Meeting.
2. **Record Date:** The Company has determined that for the purposes of the Meeting, shares will be taken to be held by the persons who are registered as holding the shares at 7pm (AEST) on Monday, 24 July 2021. Only those persons will be entitled to vote at the Meeting and transfers registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting. On a poll, members have one vote for every fully paid ordinary share held.
3. **Proxies**
 - a. Votes at the Meeting may be given personally or by proxy, attorney or representative.
 - b. Each shareholder has a right to appoint one or two proxies.
 - c. A proxy need not be a shareholder of the Company.
 - d. If a shareholder is a company it must execute under its common seal or otherwise in accordance with its constitution or the Corporations Act.
 - e. Where a shareholder is entitled to cast two or more votes, the shareholder may appoint two proxies and may specify the proportion of number of votes each proxy is appointed to exercise.
 - f. If a shareholder appoints two proxies, and the appointment does not specify the proportion or number of the shareholder's votes, each proxy may exercise half of the votes. If a shareholder appoints two proxies, neither proxy may vote on a show of hands.
 - g. A proxy must be signed by the shareholder or his or her attorney who has not received any notice of revocation of the authority. Proxies given by corporations must be signed in accordance with corporation's constitution and Corporations Act.
 - h. If you sign the proxy form and do not appoint a proxy, you will have appointed the Chair of the meeting as your proxy.
 - i. To be effective, proxy forms must be received by the Company's share registry (Computershare Investor Services Pty Ltd) no later than 48 hours before the commencement of the Meeting, this is no later than 9am (AEST) on Monday, 26 July 2021.. Any proxy received after that time will not be valid for the scheduled meeting.

4. Corporate Representative

Any corporate shareholder who has appointed a person to act as its corporate representative at the Meeting should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company's representative. The authority may be sent to the Company and/or registry in advance of the Meeting or handed in at the Meeting when registering as a corporate representative.

5. How the Chair will vote Undirected Proxies

Subject to the restrictions set out in Note 6 below, the Chair of the meeting will vote undirected proxies in favour of all of the proposed resolutions. In exceptional circumstances, the Chair may change his or her voting intention on the Resolution, in which case an ASX announcement will be made. Shareholders may also choose to direct the Chair to vote against the Resolution or to abstain from voting.

6. Voting Exclusion Statement:

A voting exclusion applies for Resolution 1, whereby the Company will disregard any votes cast in favour of Resolution 1 by or on behalf of:

- (a) NZOG;
- (b) an associate of NZOG; or
- (c) any other person who will obtain a material benefit as a result of the transaction (except a benefit solely by reason of being a holder of ordinary securities in the Company).

However, this does not apply to a vote cast in favour of Resolution 1 by:

- (a) a person as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with directions given to the proxy or attorney to vote on the resolution in that way; or
- (b) the chair of the meeting as proxy or attorney for a person who is entitled to vote on the resolution, in accordance with a direction given to the chair to vote on the resolution as the chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the resolution; and
 - (ii) the holder votes on the resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

7. Enquiries

Shareholders are invited to contact the Company Secretary on (03) 9692 7222 if they have any queries in respect of the matters set out in these documents.

EXPLANATORY STATEMENT

Purpose of Information

This Explanatory Statement is included in and forms part of the Notice of Meeting. The purpose of this Explanatory Statement is to provide Shareholders with information they require in order to make an informed decision on the Resolution.

If you are in doubt as to how to vote, you should seek advice from your accountant, solicitor, tax advisor or other professional adviser prior to voting. It is important that you read this Explanatory Statement in its entirety for a detailed explanation of the Resolution.

Defined terms used in this Notice of Meeting have the meanings given to them in the Glossary in Section 2 of this Explanatory Statement.

The Notice of Meeting incorporates, and should be read together with, this Explanatory Statement.

1. Resolution 1 - Grant of security over a significant asset to a substantial holder

1.1 The Resolution

Resolution 1 seeks Shareholder approval for CUE and the CUE Project Entities to grant the Security to New Zealand Oil and Gas Limited (ASX:NZO) (**NZOG**) and the NZOG Project Entities pursuant to Deeds of Cross Security granted in favour of NZOG and the relevant NZOG Project Entities for the purposes of Listing Rule 10.1 and for all other purposes.

Shareholder approval is not required to be obtained for CUE to enter into the Deeds of Cross Security with the CTP Project Entities and Macquarie Mereenie.

CUE is not required to seek Shareholder approval for the Transaction generally (as set out in Section 1.2), and Shareholder approval is only required for the granting of Security pursuant to the Deeds of Cross Security.

Shareholder approval is not sought for the purposes of Chapter 2E of the Corporations Act as the grant of the Security is on arm's length terms (as discussed at Section 1.6).

1.2 Background on Transaction

(a) Introduction

On 25 May 2021, CUE announced to the ASX that it had signed a sale and purchase agreement to acquire interests in the Mereenie Project, Palm Valley Project and Dingo Project from Central Petroleum Limited (ASX:CTP) (**CTP**) and the CTP Project Entities.

Concurrently with that acquisition, NZOG and the NZOG Project Entities will also acquire interests in the Mereenie Project, Palm Valley Project and Dingo Project from CTP and the CTP Project Entities.

(b) Projects

CTP currently holds the following interests in the Projects through its respective CTP Project Entities:

- (i) **Mereenie Project** - 50% of the Mereenie Oil & Gas Field project located in Amadeus Basin, Northern Territory, comprising of Tenements OL 4 and OL 5 held by CTP Mereenie. The other 50% of the Mereenie Project is held by Macquarie Mereenie;

- (ii) **Palm Valley Project** - 100% of the Palm Valley Gas Field project located in Amadeus Basin, Northern Territory being Tenement OL 3 held by CTP NT; and
- (iii) **Dingo Project** - 100% of the Dingo Gas Field and surrounding areas project located in Amadeus Basin, Northern Territory comprising of the OP Tenement L7 held by CTP NT.

(c) Transaction

CUE, the CUE Project Entities, NZOG, and the NZOG Project Entities have entered into transaction documents with CTP and the CTP Project Entities to acquire the following interests in each of the Projects from the relevant CTP Project Entities:

- (i) **Mereenie Project** – 7.5% to be acquired by CUE Mereenie and 17.5% to be acquired by NZOG Mereenie;
- (ii) **Palm Valley Project** – 15% to be acquired by CUE Palm Valley and 35% to be acquired by NZOG Palm Valley; and
- (iii) **Dingo Project** – 15% to be acquired by CUE Dingo and 35% to be acquired by NZOG Dingo.

CUE will pay CTP \$8.7 million cash on completion of the Transaction, and will fund \$12 million of CTP's exploration, appraisal and development costs in the Projects.

On completion of the Transaction, each Project will be held by the joint venturers in the following proportions:

Parties	Mereenie Project	Palm Valley Project	Dingo Project
CUE Project Entities	7.50%	15%	15%
NZOG Project Entities	17.50%	35%	35%
CTP Project Entities	25%	50%	50%
Macquarie Mereenie	50%	-	-
Total	100.00%	100.00%	100.00%

The relevant CTP Project Entity is, and will continue to be on completion of the Transaction, the Operator of each Project.

CTP is not a related party, a substantial shareholder or an associate of CUE. Nor is CTP a related party, substantial shareholder or associate of NZOG.

By a JOA dated 1 September 2015 (**Mereenie JOA**), CTP and other third party joint venturers entered into an agreement to regulate the operations and activities under the permits and pipeline licence in respect of the Mereenie Project.

The joint venture parties have entered into the following documents (and which take effect from completion of the Transaction):

- (i) CUE Mereenie and NZOG Mereenie have entered into a Deed of Assignment and Assumption of the Mereenie JOA;
- (ii) the relevant CUE Project Entities and the relevant NZOG Project Entities (as joint venturers) have entered into a Deed of Cross Security to provide cross securities in favour of:
 - (A) the relevant CTP Project Entities in relation to each Project, and Macquarie Mereenie in relation to the Mereenie Project; and
 - (B) each other, subject to Shareholder approval being obtained,
 in respect of each party's respective joint venture interests in those Projects; and
- (iii) the CUE Project Entities and the NZOG Project Entities as joint venturers have entered into a JOA for the Palm Valley Project and the Dingo Project.

(d) **Terms of the JOAs**

The joint venturers of each JOA will agree to undertake the operation, management and maintenance of the joint venture assets of each Project.

The JOAs are on standard terms for an oil and gas joint operating agreement for a project such as the Projects, and create certain rights, interests, liabilities and obligations on each joint venturer, including:

- (i) the ownership of, and rights and interests in, the joint venturer's percentage share of joint venture assets; and
- (ii) the obligation and liability to contribute each joint venturer's percentage share of all joint venture expenditure (including costs and liabilities incurred by the Operator in connection with the joint venture operations).

For the purposes of securing the payments of the joint venturer's contribution to the expenses, and other obligations, in connection with joint venture operations, each joint venture will be required to grant the other joint venturers and the Operator a first-ranking cross security pursuant to the terms of the Deed of Cross Security. However, the grant of Security pursuant to the Deed of Cross Security between the CUE Project Entities and the NZOG Project Entities (but not the CTP Project Entities and Macquarie Mereenie) is conditional upon CUE obtaining Shareholder approval pursuant to Resolution 1.

(e) **Terms of the Deed of Cross Security**

Subject to completion of the sale and purchase agreement, the CUE Project Entities and the NZOG Project Entities have entered into a Deed of Cross Security in favour of the CTP Project Entities in relation to each Project, and Macquarie Mereenie in relation to the Mereenie Project.

The CUE Project Entities and the NZOG Project Entities have also entered into Deeds of Cross Security in favour of each other in relation to the Projects. These Deeds of Cross Security provide that the grant of the Security by each relevant CUE Project Entity and the relevant NZOG Project Entity will be conditional on and not take effect until the earlier of:

- (i) CUE obtaining the necessary approval of the holders of its ordinary securities in accordance with Listing Rule 10.1; or

- (ii) Listing Rule 10.1 ceasing to apply to the grant of the Security by the relevant CUE Project Entity and the relevant NZOG Project Entity.

Each Deed of Cross Security secures each joint venturer's obligations to pay its indebtedness in respect of called sums and other moneys due but unpaid, which the joint venturer is at any time liable to pay to or for the account of the Operator or any other party under the JOA or the Deed of Cross Security.

Consequently, under each Deed of Cross Security for each JOA, the CUE Project Entities will:

- (i) grant to the other joint venturers, including the NZOG Project Entities (subject to Shareholder approval being obtained), and the Operator security interests in the relevant CUE Project Entity's present and future right, title estate and interest in, under and pursuant to the relevant JOA for the Project;
- (ii) charge to the other joint venturers, including the NZOG Project Entities (subject to Shareholder approval being obtained), and the Operator, all of the relevant CUE Project Entity's present and future interest and all its present and future rights in the land, permits and licence included in the joint venture asset of the relevant Project as specified in the JOA; and
- (iii) be the grantee of, and benefit from, the securities granted by the other joint venturers, including the NZOG Project Entities (subject to Shareholder approval being obtained), under the Deeds of Cross Security.

The security interests and charge to be granted by the CUE Project Entities to each joint venturer, including the NZOG Project Entities (subject to Shareholder approval being obtained), under the Deed of Cross Security will rank ahead of, and will take priority over, all other mortgages, pledges, liens, charges or other forms of security interests, and will be a first ranking registered security over the relevant CUE Project Entity's interest in the joint venture asset of each Project.

The Deed of Cross Security only becomes enforceable against the relevant CUE Project Entity if it is in default under the JOA, such as failing to pay any cash calls or other monies due under the JOA or the Deed of Cross Security, and such failure to pay continues for a period as specified in the Deed of Cross Security. Upon such an event occurring in respect of the relevant CUE Project Entity, the other joint venturers, including NZOG (subject to Shareholder approval), are entitled to exercise certain powers under the Deed of Cross Security to enforce the security interest and charge granted by the relevant CUE Project Entity, including the power to sell, transfer or otherwise dispose all or any part of the relevant CUE Project Entity's assets and interest in the joint venture, and to use and apply any moneys realised from the exercise of such power to remedy default.

1.3 ASX Listing Rule 10.1

Shareholder approval is required under Listing Rule 10.1 where an entity proposes to dispose of a substantial asset to:

- (a) a related party of the entity;
- (b) a child entity of the entity;
- (c) a person who is, or was at any time in the 6 months before the transaction or agreement, a substantial (10%) holder in the entity;

- (d) an associate of a person referred to in rules 10.1.1 to 10.1.3; or
- (e) a person whose relationship to the entity or a person referred to in rules 10.1.1 to 10.1.4 is such that, in ASX's opinion, the transaction should be approved by security holders.

The proposed grant of the Security falls within Listing Rule 10.1.3 and involves the disposal of a substantial asset on the basis that:

- (a) "dispose" includes using an asset as collateral (as is the case for the proposed grant of the Security by the relevant CUE Project Entity to the relevant NZOG Project Entity pursuant to the Deed of Cross Security); and
- (b) pursuant to Listing Rule 10.2, an asset is a "substantial asset" if its value is equal to 5% or more of the entity's equity interests, where the value of CUE's interest in each of the Mereenie Project, Palm Valley Project and Dingo Project will exceed 5% of the Company's equity interests.

Resolution 1 seeks the required shareholder approval for the purposes of Listing Rule 10.1 of the Company's proposed grant of Security to the NZOG Project Entities pursuant to the Deeds of Cross Security.

Resolution 1 is an ordinary resolution to be passed by the Shareholders of the Company.

1.4 ASX Listing Rule 10.5

The following information is provided for the purposes of Listing Rule 10.5.1:

- (a) The name of the person from whom the entity is acquiring the substantial asset or to whom the entity is disposing of the substantial asset.

NZOG and the NZOG Project Entities.

- (b) Which category in rules 10.1.1 – 10.1.5 the person falls within and why.

NZOG's subsidiary, NZOG Offshore Limited, is a major shareholder of CUE, holding 50.04% of the issued share capital of CUE, and is therefore a substantial (10%) holder in the Company.

- (c) Details of the asset being acquired or disposed of.

Details of the assets that may be acquired upon enforcement of the Security pursuant to the Deeds of Cross Security is set out at Section 1.2.

- (d) The consideration for the acquisition or disposal.

There is no direct consideration provided for the disposal. A summary of the terms of the JOA and the Deeds of Cross Security, and the circumstances for enforcement of the Security, is set out at Sections 1.2(d) and 1.2(e) respectively.

- (e) In the case of a disposal, the intended use of funds (if any) received for the disposal.

Not applicable, as there is no consideration received by CUE as a result of the grant of the Security pursuant to the Deeds of Cross Security.

- (f) The timetable for completing the acquisition or disposal.

The CUE Project Entities have entered into the Deeds of Cross Security with the NZOG Project Entities whereby the Security granted takes effect on Shareholder approval being obtained (and subject to completion of the Transaction).

It is unclear when the disposal pursuant to the Deed of Cross Security will occur (if at all), as the Deeds of Cross Security only becomes enforceable against the relevant CUE Project Entity if it is in default under the JOA, such as failing to pay any cash calls or other monies due under the JOA or the Deed of Cross Security, and such failure to pay continues for a period as specified in the Deed of Cross Security.

- (g) If the acquisition or disposal is occurring under an agreement, a summary of any other material terms of the agreement.

A summary of the terms of the JOA and the Deed of Cross Security is set out at Sections 1.2(d) and 1.2(e) respectively.

- (h) A voting exclusion statement.

A voting exclusion statement is set out in the Notice of Meeting.

- (i) A report on the transaction from an independent expert.

The Company has engaged PKF to provide a report on the transaction as an independent expert. This Independent Expert's Report is set out at Schedule 1 to this Explanatory Statement.

The Independent Expert's Report comments on the fairness and reasonableness of the proposed granting of Security by CUE and the CUE Project Entities. PKF has determined that the proposed granting of Security pursuant to Resolution 1 is **fair and reasonable** to the Non-associated Shareholders.

1.5 Independent Board Committee

As the Company and NZOG have common directors, being Alastair McGregor, Samuel Kellner, Rod Ritchie, Andrew Jefferies and Marco Argentieri, the Company has established an Independent Board Committee to assist it in its assessment of the Transaction, including the grant of the Security in favour of NZOG and the NZOG Project Entities. The members of the Independent Board Committee are:

- (a) Peter Hood, Non-executive Director of the Company (being an Independent Director);
- (b) Richard Malcolm, Non-executive Director of the Company (being an Independent Director); and
- (c) Matthew Boyall, Chief Executive Officer of the Company.

1.6 Chapter 2E of the Corporations Act

NZOG is a related party of the Company by virtue of section 228(1) of the Corporations Act.

A "financial benefit" is defined in the Corporations Act in broad terms and can include the granting of security. The giving of a financial benefit to a related party of a public company is ordinarily prohibited by Chapter 2E of the Corporations Act. The exceptions to the general prohibition are where the benefit is given with the approval of shareholders or the benefit is given in one or more of the limited circumstances in which the giving of a financial benefit to a related party of a public company is permitted. One exception to the general rule is where the provision of the financial benefit is on terms that would be reasonable in the circumstances if the company and the related party were dealing at arm's length terms (or on terms less favourable than arm's length).

The members of the Independent Board Committee have determined that the proposed grant of the Security to NZOG and the NZOG Project Entities the subject of Resolution 1 is reasonable in the circumstances if CUE and NZOG were dealing at arm's length terms. In making this determination, the Independent Board Committee considered the fact that the Deeds of Cross Security between the CUE Project Entities and the NZOG Project Entities:

- (a) were negotiated at arm's length with the CTP Project Entities and Macquarie Mereenie as a condition of the Transaction;
- (b) are consistent with the Deed of Cross Security between CTP Mereenie and Macquarie Mereenie that is presently in existence; and
- (c) are on standard terms for an oil and gas joint venture for a project such as the Projects.

On this basis, as the provision of such benefits is expressly permitted by the arm's length exception under the Corporations Act, CUE does not consider that it is required to seek Shareholder approval in order to grant the Security to NZOG and the NZOG Project Entities pursuant to the Deeds of Cross Security for the purposes of Chapter 2E of the Corporations Act.

1.7 Directors' Recommendation and Voting Intentions

The Independent Directors, being Peter Hood and Richard Malcolm, recommend to Shareholders that they vote in favour of Resolution 1. Mr Hood intends to vote the CUE shares that he controls in favour of the Resolution. As at the date of this Notice, Mr Malcolm does not hold or control any CUE shares.

The other Directors, being Alastair McGregor, Samuel Kellner, Rod Ritchie, Andrew Jefferies and Marco Argentieri, do not provide a recommendation as they are also directors of NZOG.

2. Glossary

The following terms have the following meanings in the Notice of Meeting and the Explanatory Statement:

\$ means Australian Dollars;

AEST means Australian Eastern Standard Time;

associate has the meaning given to it in the Listing Rules;

ASX means ASX Limited ABN 98 008 624 691 or the Australian Securities Exchange, as the context requires;

Board means the board of Directors;

Company or **CUE** means Cue Energy Resources Limited (ACN 066 383 971);

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

CTP means Central Petroleum Limited (ACN 083 254 308);

CTP Mereenie means Central Petroleum Mereenie Pty Ltd (ACN 605 831 025) as Trustee of the Central Petroleum Mereenie Unit Trust;

CTP NT means Central Petroleum (NT) Pty Ltd (ACN 009 718 183);

CTP Project Entities means, in relation to:

- (a) the Mereenie Project, CTP Mereenie; and
- (b) the Palm Valley Project and the Dingo Project, CTP NT;

CUE Dingo means CUE Dingo Pty Limited (ACN 650 386 020);

CUE Mereenie means CUE Mereenie Pty Limited (ACN 650 385 336);

CUE Palm Valley means CUE Palm Valley Pty Limited (ACN 650 385 541);

CUE Project Entities means, in relation to:

- (a) the Mereenie Project, CUE Mereenie;
- (b) the Palm Valley Project, CUE Palm Valley; and
- (c) the Dingo Project, CUE Dingo;

Deed of Assignment and Assumption means the deed of assignment and assumption in relation to which CUE Mereenie and NZOG Mereenie agree to be bound by the JOA for the Mereenie Project;

Deed of Cross Security means the deed of cross security in relation to each joint venturer's interest in a Project, where a summary of its key terms is set out at Section 1.2(e);

Dingo Project means the Dingo Gas Field and surrounding areas project located in Amadeus Basin, Northern Territory comprising the OL Tenement L7;

Director means a director of the Company;

Explanatory Statement means the explanatory statement that accompanies the Notice of Meeting;

Independent Board Committee means the independent board committee as set out at Section 1.5;

Independent Directors means Peter Hood and Richard Malcolm;

Independent Expert's Report means the independent expert's report prepared by PKF as set out at Schedule 1;

JOA means a joint operating agreement for a Project, where a summary of its key terms is set out at Section 1.2(d);

Listing Rules means the Listing Rules of the ASX;

Macquarie Mereenie means Macquarie Mereenie Pty Limited (ACN 616 486 974);

Meeting has the meaning given in the introductory paragraph of the Notice of Meeting;

Mereenie JOA means the joint operating agreement between CTP, CTP Mereenie and Macquarie Mereenie dated 1 September 2015;

Mereenie Project means the Mereenie Oil & Gas Field project located in Amadeus Basin, Northern Territory, comprising of Tenements OL 4 and OL 5;

Non-associated Shareholders means Shareholders other than NZOG or an associate of NZOG;

Notice of Meeting means this notice of general meeting for CUE;

NZOG means New Zealand Oil & Gas Limited (ARBN 003 064 962);

NZOG Dingo means NZOG Dingo Pty Limited (ACN 650 385 756)];

NZOG Mereenie means NZOG Mereenie Pty Limited (ACN 650 386 360);

NZOG Offshore Limited means NZOG Offshore Limited (NZBN 9429033675251);

NZOG Palm Valley means NZOG Palm Valley Pty Limited (ACN 650 386 397);

NZOG Project Entities means, in relation to:

- (a) the Mereenie Project, NZOG Mereenie;
- (b) the Palm Valley Project, NZOG Palm Valley; and
- (c) the Dingo Project, NZOG Dingo;

Operator means the operator of each Project pursuant to the relevant JOA;

Palm Valley Project means the Palm Valley Gas Field project located in Amadeus Basin, Northern Territory being Tenement OL 3;

PKF means PKF Melbourne Corporate Pty Ltd (ACN 063 564 045);

Projects means the Mereenie Project, the Palm Valley Project and the Dingo Project, and each a **Project**;

Proxy Form means the proxy form attached to the Notice of Meeting;

Resolution means a resolution referred to in the Notice of Meeting;

Section means a section of this Explanatory Statement;

Security means the security granted, or to be granted, by CUE and the relevant CUE Project Entity in favour of the other joint venturers of a Project pursuant to each Deed of Cross Security;

Shareholder means a shareholder of the Company;

substantial (10%) holder means in relation to an Australian company, a person who would have a "substantial holding" in the company or scheme under paragraph (a) of the definition of that term in section 9 of the Corporations Act if the reference in that paragraph to 5% was 10%; and

Transaction means the acquisition by CUE and the CUE Project Entities of the interests in the Projects, where a summary of the key terms is set out at Section 1.2.

Schedule 1 - Independent Expert's Report



17 June 2021

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 resolution to be put at the forthcoming general meeting of the Company. The details of the resolution are set out in Section 2.2 below ("the Proposed Transaction").

On 25 May 2021, CUE announced to the Australian Securities Exchange ("ASX") that it had signed a sale and purchase agreement to acquire various interests in the Mereenie, Dingo and Palm Valley onshore gas and oil fields in the Northern Territory, Australia ("Projects") from Central Petroleum Limited ("CTP"), which is an unrelated party to CUE.

We understand that CUE's major shareholder, New Zealand Oil & Gas Limited ("NZOG"), has also agreed to acquire interests in these projects. NZOG, via its wholly owned subsidiary NZOG Offshore Limited holds 50.04% of CUE's shares on issue and Messrs. Alastair McGregor, Andrew Jefferies, Rod Ritchie, Samuel Kellner and Marco Argentieri are all currently directors of both CUE and NZOG and consequently CUE and NZOG are related parties.

The acquisition of the interests by CUE and NZOG from CTP is documented in a Sale and Purchase Agreement, which has been executed by the parties. The Sale and Purchase Agreement provides that the parties to the agreement are to enter into a deed of cross security ("Deed of Cross Security") to provide cross security in favour of each joint venture party. Each Deed of Cross Security secures each joint venturer's obligations to pay its indebtedness in respect of called sums and other moneys due but unpaid, which the joint venturer is at any time liable to pay to or for the account of the operator (CTP) or any other party under the joint operating agreement ("JOA") or the Deed of Cross Security.

In compliance with the Sale and Purchase Agreement CUE and NZOG have entered into Deeds of Cross Security in favour of each other in relation to the Projects, however these deeds are conditional on and do not take effect until CUE obtains the necessary approval of the holders of its ordinary securities in accordance with ASX Listing Rule 10.1.

ASX Listing Rule 10.1 requires that a company obtain shareholder approval at a general meeting when the disposal of a substantial asset is made to a related party or a shareholder holding shares in at least 10% of the company's voting securities. The notice of any meeting of shareholders to approve any transaction referred to in ASX Listing Rule 10.1 shall be accompanied by a report from an independent qualified person who shall state his opinion as to whether the transaction is fair and reasonable to the shareholders, other than those whose votes are to be disregarded.

ASX Listing rule 10.2 defines a substantial asset if its value, or the value of the consideration for it is, 5% or more of the equity interests of the entity as set out in the latest financial statements given to the ASX.

PKF Melbourne Corporate Pty Ltd
ACN 063 564 045
AFSL No. 222050

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For office locations visit www.pkf.com.au

As NZOG is a related party of CUE, the giving of the cross security by CUE is deemed to be a disposal of a substantial asset and hence compliance with ASX Listing Rule 10.1 is mandatory.

2. The Proposed Transaction

2.1 Background to the Proposed Transaction

Prior to 25 May 2021 the Mereenie project was held as to 50% by CTP, with the remaining 50% being held by Macquarie Mereenie Pty Ltd. CTP was operator of the project under an existing JOA. The Dingo and Palm Valley projects were wholly owned by CTP. Following acquisitions of interests in these projects by Cue and NZOG, the interests in these projects are as follows:

Party	Project		
	Mereenie	Palm Valley	Dingo
CUE	7.5%	15.0%	15.0%
NZOG	17.5%	35.0%	35.0%
CTP	25.0%	50.0%	50.0%
Macquarie	50.0%	0.0%	0.0%
Total	100.0%	100.0%	100.0%

Shareholders should be aware that CUE does not require shareholder approval to acquire the interests in the Mereenie, Dingo and Palm Valley projects and hence the terms on which CUE is acquiring these interests is not dealt with in this report. An overview to the overall transaction is provided in section 1.2 of the Explanatory Statement of the Notice of General Meeting to which this report is an attachment and shareholders should refer to this overview for the background to the overall transaction.

This report merely deals with the Proposed Transaction, being the giving of security to NZOG over CUE's interests in the three projects, each of which is to be held in a separate wholly owned subsidiary of CUE (Cue Mereenie Pty Ltd, Cue Palm Valley Pty Ltd and Cue Dingo Pty Ltd), together "the CUE Project Entities".

Subject to completion of the Sale and Purchase Agreement, the CUE Project Entities and the corresponding NZOG Project Entities have entered into Deeds of Cross Security in favour of the CTP Project Entities in relation to each Project, and Macquarie Mereenie Pty Ltd in relation to the Mereenie Project.

The CUE Project Entities and the NZOG Project Entities have also entered into Deeds of Cross Security in favour of each other in relation to the Projects. These Deeds of Cross Security provide that the grant of the security by each relevant CUE Project Entity and the relevant NZOG Project Entity will be conditional on and not take effect until the earlier of:

CUE obtaining the necessary approval of the holders of its ordinary securities in accordance with Listing Rule 10.1; or

Listing Rule 10.1 ceasing to apply to the grant of the Security by the relevant CUE Project Entity and the relevant NZOG Project Entity.

Each Deed of Cross Security secures each joint venturer's obligations to pay its indebtedness in respect of called sums and other moneys due but unpaid, which the joint venturer is at any time liable to pay to or for the account of CTP as the operator or any other party under the JOA or the Deed of Cross Security.

Consequently, under each Deed of Cross Security for each JOA, the CUE Project Entities will:

- (i) grant to the other joint venturers, including the NZOG Project Entities (subject to approval being obtained), and the Operator security interests in the relevant CUE Project Entity's present and future right, title, estate and interest in, under and pursuant to the relevant JOA for the Project;
- (ii) charge to the other joint venturers, including the NZOG Project Entities (subject to shareholder approval being obtained), and the Operator, all of the relevant CUE Project Entity's present and future interest and all its present and future rights in the land, permits and licence included in the joint venture assets of the relevant Project as specified in the JOA; and
- (iii) be the grantee of, and benefit from, the securities granted by the other joint venturers, including the NZOG Project Entities (subject to shareholder approval being obtained), under the Deeds of Cross Security.

The security interests and charge to be granted by the CUE Project Entities to each joint venturer, including the NZOG Project Entities (subject to shareholder approval being obtained), under the Deeds of Cross Security will rank ahead of, and will take priority over, all other mortgages, pledges, liens, charges or other forms of security interests, and will be a first ranking registered security over the relevant CUE Project Entity's interest in the joint venture assets of each Project.

The Deed of Cross Security only becomes enforceable against the relevant CUE Project Entity if it is in default under the JOA, such as failing to pay any cash calls or other moneys due under the JOA or the Deed of Cross Security, and such failure to pay continues for a period as specified in the Deed of Cross Security. Upon such an event occurring in respect of the relevant CUE Project Entity, the other joint venturers, including NZOG (subject to shareholder approval), are entitled to exercise certain powers under the Deed of Cross Security to enforce the security interest and charge granted by the relevant CUE Project Entity, including the power to sell, transfer or otherwise dispose all or any part of the relevant CUE Project Entity's assets and interest in the joint venture, and to use and apply any moneys realised from the exercise of such power to remedy default.

2.2 Proposed Resolution to be Approved by Shareholders

CUE intends to seek shareholder approval of the Proposed Transaction at the forthcoming General Meeting. The Notice of General Meeting 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:*

- (a) *CUE and the CUE Project Entities to grant a charge to NZOG and/or the NZOG Project Entities over its interest in the Mereenie Project, Palm Valley Project and Dingo Project pursuant to Deeds of Cross Security between the joint venture parties; and*

- (b) *any subsequent disposals by CUE and the CUE Project Entities to NZOG and/or the NZOG Project Entities or to another wholly-owned subsidiary of NZOG of ownership interests in the Mereenie Project, Palm Valley Project and Dingo Project (or in any assets which are or in the future become part of a Project) pursuant to any enforcement of a Deed of Cross Security,*

on the terms and conditions described in the Explanatory Statement."

The Independent 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

After considering all of the information set out in Section 7 of the report, we have formed the opinion that the Proposed Transaction is **fair and reasonable** to the Non-Associated Shareholders. Our key reasons for the above opinion are:

- As part of the Sale and Purchase Agreement, each CUE Project Entity has already granted security over its share of the projects to CTP, and in the case of the Mereenie Project also to Macquarie Mereenie Pty Ltd. Approval of the Proposed Transaction will result in all parties to the three projects cross securitising each other's obligations. As such it will result in all parties proceeding forward on proportionally equal terms.
- Approval of the Proposed Transaction will satisfy the condition precedent to the NZOG Project Entities providing cross security for the performance of each NZOG Project Entity in favour of CUE. As such approval of the Proposed Transaction will provide CUE with the benefit of sharing in the benefit of the security already provided by the NZOG Project Entities to the other parties to each JOA.
- The terms of the Deeds of Cross Security are on normal commercial terms and are designed to provide comfort to the operator of each project (CTP) that it will be able to operate the project without the need to take recovery action against any of the other parties to the JOA if there is a delay in meeting funding obligations. Unless shareholders approve the Proposed Transaction, the operator will be able to enforce the security against each participant but CUE and NZOG will not be able to enforce security against one another on the terms set out in the Deeds of Cross Security. This will hinder operations of the projects should the need arise for enforcement of the security. Approval of the Proposed Transaction will prevent this potential hindrance from arising.

4. Structure of this Report

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

<u>Section</u>		<u>Page</u>
5	Purpose of the Report	5
6	CUE - Key Information	6
7	Evaluation of the Proposed Transaction	10
8	Assessment as to Fairness and Reasonableness	11
9	Financial Services Guide	11
 <u>Appendix</u>		
A	Sources of Information	13
B	Declarations, Qualifications and Consents	14

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

- NZOG, via its wholly owned subsidiary NZOG Offshore Limited, holds 50.04% of CUE's voting power; and
- the shareholders' funds of CUE at 31 December 2020 were \$27,885,000 and 5% thereof was \$1,394,250; and
- the value of CUE's share of the CUE Project Entities that is to be offered as security to NZOG exceeds \$1,394,250,

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”)

The terms “fair” and “reasonable” are not defined in the Corporations Act 2001 (“the Act”), however guidance as to the meaning of these terms is provided by ASIC in Regulatory Guide 111.

Generally, where a transaction involves the issue of securities or a change in the underlying economic interests of security holders, Regulatory Guide 111 requires that separate assessments be made of fairness and reasonableness, with the proposed related party transaction being “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 by the entity (RG111.57).

The Proposed Transaction does not involve:

- (a) a change in the underlying economic interests of security holders;
- (b) a change of control; or
- (c) selective treatment of different security holders.

RG111.36 provides that in such circumstances the expert should provide an opinion as to whether the advantages of the transaction outweigh the disadvantages.

As such, for the purposes of this report, we have treated the words “fair and reasonable” as a compound phrase and in determining whether the Proposed Transaction is fair and reasonable we have analysed the advantages and disadvantages of the Proposed Transaction that shareholders should consider prior to accepting or rejecting the Proposed Transaction.

6. CUE - Key Information

6.1 Background

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

In the past six months the Ironbark-1 exploration well was drilled in exploration permit WA-359-P located off the north west coast of Australia in the 'Carnarvon Basin'. The well was plugged and abandoned and the permit expired on 25 April 2021.

On 29 April 2021 CUE released its most recent quarterly report for the quarter ended 31 March 2021. This report included the following production and finance summary:

			Q3	Q2	Change %
			FY2021	FY2021	
Production	Oil	bbl	32,166	23,752	35
	Gas	mmcf	367	404	(9)
Sales	Oil	bbl	21,758	24,699	(12)
	Gas	mmcf	313	509	(38)
Revenue (cash basis)	Oil	\$ million	1.40	1.39	1
	Gas	\$ million	2.61	4.07	(36)
Expenditure	Production and Development	\$ million	2.22	1.80	23
	Exploration	\$ million	8.63	2.38	>100
Closing Cash		\$ million	17.40	25.63	(32)

Source: ASX announcement

6.2 Directors

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

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)	
Richard Malcolm (Non Executive Director)	
Rod Ritchie (Non Executive Director)*	
Samuel Kellner (Non Executive Director)*	
Marco Argentieri (Non Executive Director)*	

Source: ASX announcements

* denotes directorship held in NZOG

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 27 May 2021 are presented in the table below. As at that date, the top 10 shareholders, as recorded on the share register, held 73.87% of the issued ordinary capital of CUE.

Cue Energy Resources Limited Shareholder name	Number of shares held	Percentage interest
NZOG Offshore Limited	349,368,803	50.04%
BNP Paribas Noms Pty Ltd (DRP)	116,314,660	16.66%
Portfolio Securities Pty Ltd	10,000,000	1.43%
Citicorp Nominees Pty Ltd	9,862,924	1.41%
HSBC Custody Nominees (Australia) Limited	6,831,125	0.98%
Reviresco Nominees Pty Ltd (Reviresco S/F A/C)	6,000,000	0.86%
Finot Pty Ltd	5,000,000	0.72%
Zilstame Nominees Pty Ltd	4,735,059	0.68%
Andrew Mark Wilmot Seton	4,393,386	0.63%
Grizzley Holdings Pty Ltd	3,202,203	0.46%
	<u>515,708,160</u>	<u>73.87%</u>

Source: Cue's Share Register – 27 May 2021

NZOG Offshore Limited, a wholly owned subsidiary of NZOG, 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 also has the following options on issue:

Cue Energy Resources Limited Options on issue	No of options	Exercise price	Vesting date	Expiry date
Employee options	3,784,025	\$ 0.0700	1/07/2021	1/07/2023
Employee options	3,853,299	\$ 0.0900	1/07/2022	1/07/2024
Employee options	3,743,260	\$ 0.1175	1/07/2023	1/07/2025
	<u>11,380,584</u>			

Source: CUE Annual Report – 30 June 2020

6.4 Statements of financial position

CUE's audited consolidated statements of financial position as at 30 June 2019 and 2020 as well as the reviewed statement of financial position as at 31 December 2020 are presented in the table below.

Cue Energy Resources Limited Consolidated statement of financial position	Audited 30-Jun-19 AUD \$'000	Audited 30-Jun-20 AUD \$'000	Reviewed 31-Dec-20 AUD \$'000
Assets			
Current assets			
Cash and cash equivalents	14,671	19,936	16,712
Restricted cash	11,523	12,008	8,914
Trade and other receivables	5,297	4,715	5,352
Inventories	1,003	458	120
Total current assets	32,494	37,117	31,098
Non current assets			
Other financial assets	5,278	5,713	5,097
Property, plant and equipment	21	64	54
Right-of-use assets	-	90	49
Exploration and evaluation assets	3,401	4,605	-
Production properties	24,645	18,682	16,097
Development assets	-	-	6,650
Deferred tax assets	3,002	2,888	2,694
Total non current assets	36,347	32,042	30,641
Total assets	68,841	69,159	61,739
Liabilities			
Current liabilities			
Trade and other payables	1,907	2,044	4,467
Lease liabilities	-	80	53
Tax liabilities	4,227	2,287	2,186
Provisions	81	140	5,793
Total current liabilities	6,215	4,551	12,499
Non current liabilities			
Lease liabilities	-	16	-
Deferred tax liabilities	3,947	4,058	5,292
Provisions	17,270	16,970	16,063
Total non current liabilities	21,217	21,044	21,355
Total liabilities	27,432	25,595	33,854
Net assets	41,409	43,564	27,885
Equity			
Contributed equity	152,416	152,416	152,416
Reserves	(750)	83	(799)
Accumulated losses	(110,257)	(108,935)	(123,732)
Net assets	41,409	43,564	27,885

Source: CUE Annual Report – 30 June 2020 and CUE's 31 December 2020 Half-year Accounts

6.5 Operating performance

CUE's audited consolidated statements of comprehensive income for the financial years ended 30 June 2019 and 2020 as well as the reviewed statement of comprehensive income for the six months to 31 December 2020 are presented in the table below.

Cue Energy Resources Limited	Audited	Audited	Reviewed
Consolidated statement of profit or loss	Financial year ended 30 June	2020	Period ended
and other comprehensive income	2019	2020	31 Dec 20
	AUD \$'000	AUD \$'000	AUD \$'000
Revenue			
Production revenue from continuing operations	25,730	23,916	9,411
Production costs	(12,081)	(12,944)	(5,600)
Gross profit from production	13,649	10,972	3,811
Other income	3,058	831	213
Net foreign currency exchange gain/(loss)	785	79	(2,914)
	17,492	11,882	1,110
Expenses			
Impairment - Production	-	(2,722)	-
Exploration and evaluation expenditure	(2,176)	(1,438)	(10,099)
Administration expenses	(2,460)	(2,623)	(2,160)
Share based payments	-	-	(93)
	(4,636)	(6,783)	(12,352)
Profit/(loss) before income tax from continuing operations	12,856	5,099	(11,242)
Income tax benefit/(expense)	(4,307)	(3,786)	(3,555)
Profit/(loss) after income tax from continuing operations	8,549	1,313	(14,797)
Other comprehensive income, net of tax	(444)	691	(975)
Total comprehensive income for the year	8,105	2,004	(15,772)

Source: CUE Annual Report – 30 June 2020 and CUE's 31 December 2020 Half-year Accounts

6.6 Cash flow statements

CUE's audited consolidated statements of cash flows for the financial years ended 30 June 2019 and 2020 as well as the reviewed statement of cash flows for the six months to 31 December 2020 are presented in the table below.

Cue Energy Resources Limited Consolidated statement of cash flows	Audited Financial year ended 30 June 2019 AUD \$'000	Audited 2020 AUD \$'000	Reviewed Period ended 31 Dec 20 AUD \$'000
Cash flows from operating activities			
Receipts from customers	28,154	23,004	8,862
Other receipts	1,070	606	-
Interest received	368	374	23
Payments to suppliers and employees	(10,114)	(9,298)	(5,033)
Payments for exploration and evaluation expenditure	(3,127)	(1,496)	(2,698)
Income tax paid	(4,593)	(4,314)	(2,021)
Royalties paid	(715)	(1,476)	(60)
Reimbursement of Ironbark past costs	1,780	-	-
Net cash from/(used in) operating activities	<u>12,823</u>	<u>7,400</u>	<u>(927)</u>
Cash flows from investing activities			
Payments with respect to production properties	(1,042)	(881)	(92)
Payments for plant and equipment	(7)	(62)	(5)
Payments for development assets	-	-	(2,395)
Payments for exploration and evaluation (Capex)	(3,401)	(729)	-
Net cash used in investing activities	<u>(4,450)</u>	<u>(1,672)</u>	<u>(2,492)</u>
Cash flows from financing activities			
Payments of lease liabilities	-	(85)	(43)
Net cash from financing activities	<u>-</u>	<u>(85)</u>	<u>(43)</u>
Net increase/decrease in cash and cash equivalents	8,373	5,643	(3,462)
Cash and cash equivalents at the beginning of the financial year	16,983	26,194	31,944
Effects of exchange rate changes on cash and cash equivalents	838	107	(2,856)
Cash and cash equivalents at the end of the financial year	<u><u>26,194</u></u>	<u><u>31,944</u></u>	<u><u>25,626</u></u>

Source: CUE Annual Report – 30 June 2020 and CUE's 31 December 2020 Half-year Accounts

7. Evaluation of the Proposed Transaction

7.1 The Proposed Transaction is limited to the CUE Project Entities giving a security to the NZOG Project Entities over their respective interests in the Mereenie, Dingo and Palm Valley projects. Unless those securities are invoked, entering into of the Cross Security Deeds will not result in a change in the economic interests of the CUE shareholders. As such the Proposed Transaction does not raise a separate issue of fairness that could be measured by comparing the value of what CUE receives from the Proposed Transaction with the value of the consideration given in return by CUE. Hence the Proposed Transaction can only be evaluated by comparing the advantages of approving the Proposed Transaction with the disadvantages of approving the Proposed Transaction. This evaluation is set out below.

7.2 Advantages of Approving the Proposed Transaction

- As part of the Sale and Purchase Agreement, each CUE Project Entity has already granted security over its share of the projects to CTP, and in the case of the Mereenie Project also to Macquarie Mereenie Pty Ltd. Approval of the Proposed Transaction will result in all parties to the three projects cross securitising each other's obligations. As such it will result in all parties proceeding forward on proportionally equal terms.

- Approval of the Proposed Transaction will satisfy the condition precedent to the NZOG Project Entities providing cross security for the performance of each NZOG Project Entity in favour of CUE. As such approval of the Proposed Transaction will provide CUE with the benefit of sharing in the benefit of the security already provided by the NZOG Project Entities to the other parties to each JOA.
- The terms of the Deeds of Cross Security are on normal commercial terms and are designed to provide comfort to the operator of each project (CTP) that it will be able to operate the project without the need to take recovery action against any of the other parties to the JOA if there is a delay in meeting funding obligations. Unless shareholders approve the Proposed Transaction, the operator will be able to enforce the security against each participant but CUE and NZOG will not be able to enforce security against one another on the terms set out in the Deeds of Cross Security. This will hinder operations of the projects should the need arise for enforcement of the security. Approval of the Proposed Transaction will prevent this potential hindrance from arising.
- Approval of the Proposed Transaction will result in the CUE Project Entities and the NZOG Project Entities cross guaranteeing each other's performance. As NZOG has a larger interest in each project than CUE (refer table at paragraph 2.1 above), the value of the security being offered by the NZOG Project Entities is proportionately greater than the value of the security offered by the CUE Project Entities.

7.2 Disadvantages of Approving the Proposed Transaction

Our analysis of the Proposed Transaction has not identified any material disadvantages of shareholders approving the Proposed Transaction.

8. Assessment as to Fairness and Reasonableness

After considering the analysis set out in Section 7 above, we have formed the opinion that **the Proposed Transaction is fair and reasonable** to the Non-Associated Shareholders.

9. 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.

9.1 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.

9.2 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.

9.3 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.

9.4 Independence

At the date of this report, none of PKF Corporate, Mr Paul Lom or Mr Steven Perri have any interest in the outcome of the Proposed Transaction, nor any relationship with CUE, NZOG 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.

9.5 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.

9.6 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 should be in writing and sent to PKF Corporate at the above address.

PKF Corporate will make every effort to resolve a complaint within 45 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Australian Financial Complaints Authority – GPO Box 3, Melbourne VIC 3000.

Yours faithfully

PKF Melbourne Corporate Pty Ltd



Paul Lom
Director



Steven Perri
Director

Cue Energy Resources Limited

Sources of Information

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

- Executed version of the Sale and Purchase Agreement for the acquisition of the project interests;
- Cross Security Deed;
- CUE's ASX announcements since 1 January 2021;
- CUE's 2020 Annual Report and 31 December 2020 Half Year report;
- CUE's draft Notice of General Meeting and Explanatory Memorandum;
- CUE's share register as at 28 May 2021;
- CTP's ASX announcement dated 25 May 2021; and
- Discussions with the management of CUE.

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

Messrs Paul Lom and Steven Perri, directors of PKF Corporate 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 40 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 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.



Cue Energy Resources Limited
ABN 45 066 383 971

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 **Online:**
www.investorcentre.com/contact



YOUR VOTE IS IMPORTANT

For your proxy appointment to be effective it must be received by **9:00am (AEST) on Monday, 26 July 2021.**

Proxy Form

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.

PARTICIPATING IN THE MEETING

Corporate Representative

If a representative of a corporate securityholder or proxy is to participate in the meeting you will need to provide the appropriate "Appointment of Corporate Representative". A form may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Lodge your Proxy Form:

XX

Online:

Lodge your vote online at www.investorvote.com.au using your secure access information or use your mobile device to scan the personalised QR code.

Your secure access information is



Control Number: 999999

SRN/HIN: I9999999999

PIN: 99999

For Intermediary Online subscribers (custodians) go to www.intermediaryonline.com

By Mail:

Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001
Australia

By Fax:

1800 783 447 within Australia or
+61 3 9473 2555 outside Australia



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

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 ND

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 Chair of the Meeting **OR**

PLEASE NOTE: Leave this box blank if you have selected the Chair 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 Chair 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 the offices of Chartered Accountants Australia and New Zealand, Level 18, Bourke Place, 600 Bourke Street, Melbourne, VIC 3000 on Wednesday, 28 July 2021 at 9:00am (AEST) and at any adjournment or postponement of that meeting.

Step 2 Item of Business

PLEASE NOTE: If you mark the **Abstain** box for the 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 Grant of security over a significant asset to a substantial holder	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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

Step 3 Signature of Securityholder(s) *This section must be completed.*

<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Sole Director & Sole Company Secretary	Director	Director/Company Secretary	Date

Update your communication details *(Optional)*

<input type="text"/>	<input type="text"/>
Mobile Number	Email Address

By providing your email address, you consent to receive future Notice of Meeting & Proxy communications electronically

