

WA-359-P Farmout and WA-409-P Option Agreements with New Zealand Oil & Gas

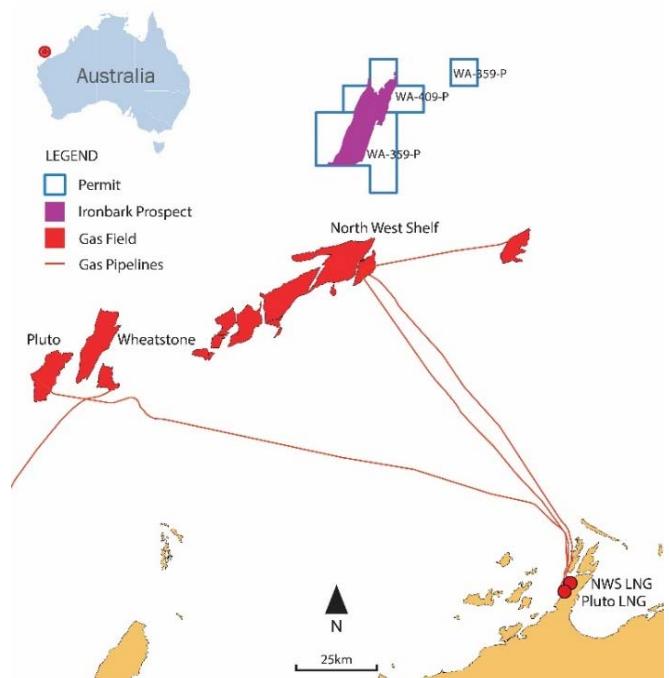
- New Zealand Oil & Gas to acquire 15% equity in WA-359-P and a 5.36% equity option in WA-409-P
- New Zealand Oil & Gas to carry 2.85% of Cue well costs in WA-359-P
- Ironbark-1 exploration well now fully funded and planned for early 2020
- A separate announcement regarding the formation of a WA-359-P Joint Venture between Cue, BP, Beach and New Zealand Oil & Gas to be released today

Melbourne, Australia 26 October 2018; Cue Energy Resources Limited (ASX:**CUE**) is pleased to advise that through its 100% owned subsidiary, Cue Exploration Pty Ltd, it has executed agreements whereby New Zealand Oil & Gas will, subject to certain conditions and approvals, acquire equity in North West Shelf exploration permits WA-359-P and WA-409-P in the Carnarvon Basin, offshore Western Australia. WA-359-P and WA-409-P contain the giant Ironbark gas prospect.

In addition to these agreements with New Zealand Oil & Gas, Cue will also announce the execution of a Co-ordination Agreement (**Co-ordination Agreement**) between Cue, New Zealand Oil & Gas, BP and Beach Energy which will allow the parties to immediately begin work on detailed planning of the Ironbark-1 well. Pursuant to the Coordination Agreement, the parties will (subject to certain conditions and approvals) form a joint venture with BP as operator.

WA-359-P Farmout Agreement

Under the terms of the WA-359-P Farmout Agreement, New Zealand Oil & Gas will acquire a 15% participating interest in WA-359-P and will fund an additional 2.85% of Cue's costs of drilling the Ironbark-1 exploration well. New Zealand Oil & Gas will also reimburse Cue A\$642,600 for past costs associated with WA-359-P.



The WA-359-P Farmout Agreement is conditional on, amongst other things, Cue receiving shareholder approval for the transaction, regulatory approval of a Suspension and Extension to WA-359-P and the commitment well drilling deadline and Cue finalising escrow arrangements for its share of well costs.

WA-409-P Equity Option

Cue has also granted New Zealand Oil & Gas an option to take a 5.36% participating interest in exploration permit WA-409-P, which adjoins WA-359-P. If New Zealand Oil & Gas exercises the option, Cue will be free carried for 5.36% of the costs of drilling a well in WA-409-P or receive the cash equivalent. Cue will also be entitled to a 10% royalty on all future revenue generated from New Zealand Oil & Gas' equity in the permit. The option is currently valid until July 2019.

Both the WA-359-P Farmout Agreement and the WA-409-P equity option are on identical commercial terms, pro rata, as the Beach Energy farm out and option agreements executed in November 2017⁽¹⁾.

Cue Shareholder Approval

New Zealand Oil & Gas currently holds 50.04% of Cue's shares. Under ASX listing rule 10.1, this transaction represents the disposal of a part of a substantial Asset to a related party. Cue will therefore seek approval from its shareholders (excluding New Zealand Oil & Gas) for the transaction at a general meeting of shareholders. A notice of meeting, including a report prepared by an independent expert evaluating the transaction, will be provided to shareholders no less than 28 days prior to the proposed meeting date.

Ironbark Prospect

Ironbark is a giant Mungaroo Formation prospect that is mapped with an area of up to 400km² and a best technical estimate of 15 Trillion cubic feet (Tcf) of prospective recoverable gas resource² based on an internal assessment performed by Cue.

Wood Mackenzie estimates that the North West Shelf LNG plant and infrastructure will have spare capacity from 2021. The Ironbark prospect is less than 50km from the North Rankin platform (which ties into North West Shelf LNG plant) and is near the Pluto and Wheatstone LNG infrastructure, providing multiple cost effective commercialisation options

Cue CEO Matthew Boyall commented:

"Cue welcomes New Zealand Oil & Gas as a partner in WA-359-P. Through this transaction, and previous agreements with BP and Beach Energy, Cue has attracted three technically and financially strong companies to the Ironbark prospect.

Cue shareholders now have the opportunity to participate in the potentially company changing Ironbark-1 exploration well at a significant 21.5% equity level."

Any queries regarding this announcement should be directed to the Company on +613 8610 4000 or email mail@cuenrg.com.au.

(1) See ASX announcement 29 Nov 2017

(2) Prospective Resource Estimates Cautionary Statement

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

About Cue Energy:

Cue Energy Resources Limited is an Australian Stock Exchange (ASX:CUE) listed oil and gas exploration and production company. Cue's FY18 revenue was A\$24million from oil production in the Maari field, offshore New Zealand and oil and gas production in Sampang PSC, Indonesia. Cue has operated and non-operated interests in exploration permits in the Carnarvon Basin, offshore Western Australia and onshore Indonesia.