



ABN 45 066 383 971

24 February 2015

PAGES (including this page):41

ASX Market Announcements
ASX Limited
Exchange Centre
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Sydney NSW 2000

Cue Energy Resources Limited – Target's Statement in relation to the on-market cash takeover offer by NZOG Offshore Limited

As required by item 10 of section 635(1) of the Corporations Act 2001 (Cth), enclosed is a copy of the Target's Statement dated 24 February 2015 (the Target's Statement) prepared by Cue Energy Resources Limited (ABN 45 066 383 971) (Cue Energy) in relation to the on-market cash takeover offer by NZOG Offshore Limited (the Bidder) to acquire all of the shares in Cue Energy.

The Target's Statement has been lodged today with the Australian Securities and Investments Commission and sent to the Bidder.

Yours faithfully

Andrew M Knox
Chief Financial Officer

CUE ENERGY OVERVIEW

Cue is an Australian based oil & gas company with activities in Australia, New Zealand, Indonesia and PNG.

THE COMPANY HAS:

- Long life production
- A strong balance sheet
- An active exploration program

CUE ENERGY DIRECTORS

- Geoffrey King (Chairman)
- Stuart Brown
- Rowena Sylvester
- Andrew Young

CUE ENERGY MANAGEMENT

- David Biggs (CEO)
- Andrew Knox (CFO)
- Jeffrey Schroll (Exp Man)

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ASX: CUE



THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION. YOU SHOULD READ THE DOCUMENT IN ITS ENTIRETY. IF YOU ARE IN DOUBT AS TO WHAT YOU SHOULD DO, YOU SHOULD CONSULT YOUR INVESTMENT, FINANCIAL, TAXATION OR OTHER PROFESSIONAL ADVISER.

Target's Statement

REJECT

Your Directors unanimously recommend that you REJECT the Offer made by NZOG Offshore to acquire all of your shares in Cue Energy for just \$0.10 per share

IF YOU HAVE ANY QUESTIONS, PLEASE CONTACT THE CUE ENERGY SHAREHOLDER INFORMATION LINE ON 1300 373 864 (WITHIN AUSTRALIA) OR +61 3 9415 4109 (OUTSIDE AUSTRALIA) BETWEEN 9.00AM AND 5.00PM (MELBOURNE TIME) MONDAY TO FRIDAY.

Financial Adviser



Legal Adviser

Allens < Linklaters
Allens

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Important Notices

Nature of this Document

This document is the Target's Statement dated 24 February 2015 given by Cue Energy Resources Limited (ABN 45 066 383 971) (**Cue Energy** or the **Company**) under Part 6.5 Division 3 of the Corporations Act. This Target's Statement is given in response to the on-market takeover offer made by NZOG Offshore Limited (**NZOG Offshore**) on 12 February 2015. NZOG Offshore is a wholly-owned subsidiary of New Zealand Oil & Gas Limited (**NZ Oil & Gas**).

ASIC and ASX Disclaimer

A copy of this Target's Statement has been lodged with ASIC. Neither ASIC nor any of its officers takes any responsibility for the contents of this Target's Statement.

A copy of this Target's Statement has also been provided to the ASX. Neither the ASX nor any of its officers takes any responsibility for the contents of this Target's Statement.

Defined Terms and Interpretation

Capitalised terms used in this Target's Statement are defined in Section 8. Section 8 also sets out some rules of interpretation which apply to this Target's Statement.

Cue Energy Shareholder Information Line

Cue Energy has established the Cue Energy Shareholder Information Line, which Cue Energy Shareholders may call if they have any queries in relation to the Offer. The telephone number for the Cue Energy Shareholder Information Line is 1300 373 864 (within Australia) or +61 3 9415 4109 (outside Australia) and will be available between 9.00am and 5.00pm (Melbourne time) Monday to Friday.

No Account of Personal Circumstances

This Target's Statement and the recommendations and other information contained in it do not constitute financial product advice. The recommendations and other information contained in this Target's Statement should not be taken as personal financial or taxation advice, as each Shareholder's deliberations and decision will depend upon their own financial situation, tax position, investment objectives and particular needs.

It is important that you read this Target's Statement in its entirety before making any investment decision and any decision relating to the Offer. Your Directors encourage you to obtain independent advice from your investment, financial, taxation or other professional adviser before making a decision whether or not to accept the Offer.

Forward Looking Statements

This Target's Statement contains forward looking statements. All statements other than statements of historical fact are forward looking statements. Shareholders should note that those forward looking statements are only predictions and are inherently subject to uncertainties, in that they may be affected by a variety of known and unknown risks, variables and other important factors, many of which

are beyond the control of Cue Energy. Any reference to past performance in this Target Statement is not intended to be, nor should be relied upon, as a guide to future performance. Actual values or results, performance or achievements may differ materially from those expressed or implied by such statements. The risks, variables and other factors that may affect the forward looking statements include: matters specific to the energy sector, as well as economic and financial market conditions; legislative, fiscal or regulatory developments; the price performance of Cue Energy Shares, including the risk of possible price decline in the absence of the Offer or other takeover or merger speculation; and risks associated with the business and operations of Cue Energy.

None of Cue Energy, any of its officers or any person named in this Target's Statement with their consent or any person involved in the preparation of this Target's Statement makes any representation or warranty (express or implied) or gives any assurance as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statements, except to the extent required by law. You are cautioned not to place undue reliance on any such statement. The forward looking statements in this Target's Statement reflect views held only as at the date of this Target's Statement.

Reliance on Information Obtained from Public Sources

The information in this Target's Statement about NZOG Offshore has been compiled from or is otherwise based on information obtained from publicly available sources, and has not been independently audited or verified by Cue Energy or its advisers. Accordingly, subject to the Corporations Act, Cue Energy does not make any representation (express or implied) as to the accuracy or completeness of such information. If the information is inaccurate or incomplete, this may affect the information included in the Target's Statement. In particular, if the information has been used as the basis for forward looking statements in the Target's Statement, this may add to the risk that actual values, results, performance or achievements will differ materially from those expressed or implied by the forward looking statements.

Rounding

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Target's Statement are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Target's Statement.

Maps and Diagrams

Any charts, graphs and tables contained in this Target's Statement are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in maps, diagrams, charts, graphs and tables is based on information available as at the date of this Target's Statement.

Foreign Jurisdictions

The release, publication or distribution of this Target's Statement in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations. This Target's Statement has been prepared in accordance with Australian law and the information contained in this Target's Statement may not be the same as that which would have been disclosed if this Target's Statement had been prepared in accordance with the laws and regulations outside Australia.

Privacy

Cue Energy has collected your information from the register of Cue Energy Shareholders for the purpose of providing you

with this Target's Statement. The type of information Cue Energy has collected about you includes your name, contact details and information on your shareholding (as applicable) in Cue Energy. Without this information, Cue Energy would be hindered in its ability to issue this Target's Statement. The Corporations Act requires the name and address of Shareholders to be held in a public register. Your information may be disclosed on a confidential basis to external service providers (including the Cue Energy Share Registry and print and mail service providers) and may be required to be disclosed to regulators such as ASIC. If you would like details of information about you held by Cue Energy, please contact the Cue Energy Share Registry on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia) between 9.00am and 5.00pm (Melbourne time) Monday to Friday.

What You Need to Do

To REJECT the Offer by NZOG Offshore, simply DO NOTHING

- Read this Target's Statement, which contains your Directors' recommendation to REJECT the Offer and provides reasons for this recommendation.
- To **REJECT** the Offer, simply **DO NOTHING**.
- If you have any questions, please call the Cue Energy Shareholder Information Line on 1300 373 864 (within Australia) or +61 3 9415 4109 (outside Australia) between 9.00am and 5.00pm (Melbourne time) Monday to Friday.

Note to Cue Shareholders

The Offer is an on-market takeover offer. You should be aware that, if you accept the Offer, you will not benefit if the Offer Price is subsequently increased.

Key Dates

Event	Date
Announcement of Offer	12 February 2015
NZOG Offshore's appointed broker commences standing in the market	12 February 2015
Date of Bidder's Statement	12 February 2015
Date of this Target's Statement	24 February 2015
Offer Period commences	27 February 2015
Expected release date of the Independent Expert's Report	2 March 2015
Scheduled close of Offer Period (unless extended or withdrawn*)	Close of ASX trading 27 March 2015

* Note: the Offer may only be withdrawn in exceptional circumstances in accordance with the Corporations Act as summarised in Section 4.5.

Why You Should REJECT the Offer

1. The Offer Price of \$0.10 per share substantially undervalues Cue Energy
2. The timing of the Offer is opportunistic
3. NZOG Offshore already holds a 19.99% interest in the Shares of Cue Energy, and is seeking to gain control of Cue Energy without paying an appropriate control premium
4. Cue Energy has an existing, clear strategy for its business, which is designed to maximise value for all Shareholders. The Board believes that its strategy is superior to NZOG Offshore's announced intentions

To REJECT the Offer, simply DO NOTHING.

The Directors have appointed an Independent Expert to prepare an Independent Expert's Report opining on whether or not the Offer is fair and reasonable to Cue Energy Shareholders. The Independent Expert's Report will be made available to Cue Energy Shareholders in a supplementary Target's Statement expected to be released to the ASX on or about 2 March 2015.

Chairman's Letter

24 February 2015

Dear Shareholders

REJECT THE OFFER MADE BY NZOG OFFSHORE FOR YOUR CUE ENERGY SHARES

On 12 February 2015, New Zealand Oil & Gas Limited (**NZ Oil & Gas**) announced an unsolicited, on-market takeover offer by its wholly-owned subsidiary, NZOG Offshore Limited (**NZOG Offshore**), to acquire all of the shares in Cue Energy that it does not already own. The Offer Price of \$0.10 per share is only \$0.01 per share higher than the closing price of Cue Energy Shares, on the day prior to announcement of the Offer.

This Target's Statement sets out your Directors' response to the Offer and contains their recommendation, reasons for that recommendation, and other important information you should consider when deciding whether to accept or reject the Offer.

You own part of a growing oil and gas producer with a focus on South East Asian and Australasian regions. Cue Energy has strong production assets, an active exploration program and a robust balance sheet with no debt and cash reserves of A\$37 million¹ (those cash reserves are equivalent to A\$0.053 per share).

The Directors believe that the Offer Price of \$0.10 per Cue Energy share is inadequate and substantially undervalues your Cue Energy Shares. Accordingly, the Directors unanimously recommend that you REJECT the Offer.

The Directors believe that you should REJECT the Offer because:

1. the Offer Price of \$0.10 per share substantially undervalues Cue Energy;
2. the timing of the Offer is opportunistic;
3. NZOG Offshore already holds a 19.99% interest in the shares of Cue Energy, and is seeking to gain control of Cue Energy without paying an appropriate control premium; and
4. Cue Energy has an existing, clear strategy for its business, which is designed to maximise value for all Shareholders. The Board believes that its strategy is superior to NZOG Offshore's announced intentions.

To REJECT the Offer, simply DO NOTHING.

The Directors have appointed an Independent Expert, Grant Samuel, to prepare an Independent Expert's Report opining on whether or not the Offer is fair and reasonable to Cue Energy Shareholders. The Independent Expert's Report will be made available to Cue Energy Shareholders in a supplementary Target's Statement expected to be released to the ASX on or about 2 March 2015.

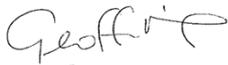
¹ As at 31 December 2014, see Cue Energy's Quarterly Report for the quarter ended 31 December 2014.

Your Directors recommend that you read this Target's Statement in full, including the detailed reasons for reaching their conclusions in Section 2 of this document. Your Directors also recommend that you consider the opinion of the Independent Expert when the Independent Expert's Report is made available. You should consider the Offer carefully, together with your individual circumstances in determining whether or not to accept the Offer.

If you are in doubt as to whether to accept or reject the Offer, you should seek your own independent professional advice.

If you have any queries about the Offer, please contact the Cue Energy Shareholder Information Line on 1300 373 864 (within Australia) or +61 3 9415 4109 (outside Australia) between 9.00am and 5.00pm (Melbourne time) Monday to Friday.

Yours sincerely

A handwritten signature in black ink, appearing to read "Geoffrey King". The signature is written in a cursive style with a prominent initial "G".

Geoffrey King

Chairman

1 Answers to Frequently Asked Questions

This Section answers some frequently asked questions about the Offer. It is not intended to address all issues relevant to Cue Energy Shareholders. This Section should be read together with all other parts of this Target's Statement.

Question	Answer
1 What is the Target's Statement?	This Target's Statement has been prepared by Cue Energy and provides Cue Energy's response to the Offer, including the recommendation of your Directors.
2 What is the Bidder's Statement?	The Bidder's Statement is the document setting out the terms of the Offer, a copy of which was lodged with ASIC and announced on the ASX and NZX on 12 February 2015.
3 What is NZOG Offshore offering for my Cue Energy Shares?	NZOG Offshore is offering \$0.10 for every Cue Energy Share that you hold. The Offer is unconditional.
4 What are the Directors recommending?	Your Directors unanimously recommend that you REJECT the Offer for the reasons explained in Section 2. To follow your Directors' recommendation that you REJECT the Offer, you should simply DO NOTHING . If there is a change in your Directors' recommendation or there are any material developments in relation to the Offer, your Directors will make appropriate supplementary disclosure.
5 Is an Independent Expert's Report being prepared?	Cue Energy has appointed an Independent Expert, Grant Samuel, to prepare an Independent Expert's Report assessing the Offer, and to provide an opinion on whether or not the Offer is fair and reasonable to Cue Energy Shareholders. The Independent Expert's Report will be made available to Cue Energy Shareholders in a supplementary Target's Statement expected to be released to the ASX on or about 2 March 2015.
6 Who is offering to purchase Cue Energy Shares?	The Offer is being made by NZOG Offshore Limited (NZOG Offshore), a company incorporated in New Zealand and a wholly-owned subsidiary of New Zealand Oil & Gas Limited (NZ Oil & Gas). NZ Oil & Gas is a company incorporated in New Zealand and listed on the ASX and NZX. As at close of ASX trading on 12 February 2015, NZOG Offshore had a relevant interest in 19.99% of Cue Energy Shares. ² See Part 2 of the Bidder's Statement for further information on NZOG Offshore and NZ Oil & Gas.

² Disclosed in the change of substantial holding notice of NZOG Offshore, announced on ASX on 13 February 2015.

Question	Answer
<p>7 What action can I take?</p>	<p>As a Cue Energy Shareholder you have three options available:</p> <ol style="list-style-type: none"> 1 DO NOTHING. If you agree with the Directors' recommendation to REJECT the Offer, then you should simply do nothing; 2 SELL your shares on ASX (unless you have already accepted the Offer); or 3 ACCEPT the Offer. You should be aware that, if you accept the Offer, you will not benefit if the price offered for your Cue Energy Shares is subsequently increased. Before accepting the Offer, Shareholders are encouraged to consider the opinion of the Independent Expert. The Independent Expert's Report will be made available to Shareholders in a supplementary Target's Statement expected to be released to the ASX on or about 2 March 2015. <p>You should note that brokerage or other fees may be payable upon acceptance of the Offer. See question 22 below for more information.</p> <p>If you are in any doubt as to what to do, your Directors recommend that you consult with your investment, financial, taxation or other professional adviser.</p>
<p>8 How do I REJECT the Offer?</p>	<p>To REJECT the Offer, simply DO NOTHING.</p> <p>If you wish to REJECT the Offer, do not respond to any calls or correspondence from or made on behalf of NZOG Offshore.</p>
<p>9 How do I ACCEPT the Offer?</p>	<p>You should follow the instructions in the Bidder's Statement if you wish to accept the Offer. Before accepting the Offer, Shareholders are encouraged to consider the opinion of the Independent Expert. The Independent Expert's Report will be made available to Shareholders in a supplementary Target's Statement expected to be released to the ASX on or about 2 March 2015.</p> <p>You should note that brokerage or other fees may be payable upon acceptance of the Offer. See question 22 below for more information.</p>
<p>10 When do I have to decide? How long will the Offer remain open?</p>	<p>If you wish to accept the Offer you need to do so before its scheduled closing date. NZOG Offshore has stated that its Offer is scheduled to close at the end of ASX trading (approximately 4.10pm Sydney time) on 27 March 2015, unless it is extended or withdrawn.</p> <p>The Offer may only be withdrawn in limited circumstances. These are described in Section 4.5.</p>
<p>11 If I accept the Offer now, can I withdraw my acceptance?</p>	<p>Once you have accepted the Offer, you will be legally bound to sell those Cue Energy Shares and you cannot later withdraw your acceptance.</p>
<p>12 What happens if I accept the Offer now and the Offer Price is increased?</p>	<p>If you accept the Offer now, you will not benefit if the Offer Price is subsequently increased.</p>
<p>13 What if there is a competing offer?</p>	<p>If a competing offer for Cue Energy emerges, Cue Energy Shareholders will be informed through an announcement to ASX.</p> <p>If you have already accepted the Offer at the time a competing offer emerges, you will be unable to accept the competing offer.</p>
<p>14 Can NZOG Offshore vary the Offer?</p>	<p>NZOG Offshore can only vary the Offer in certain circumstances. These are described in Section 4.4.</p>

Question	Answer
<p>15 Can NZOG Offshore withdraw the Offer?</p>	<p>NZOG Offshore can only withdraw the Offer in limited circumstances. These are described in Section 4.5.</p> <p>NZOG Offshore cannot withdraw its Offer in respect of Shares which have been accepted into the Offer.</p>
<p>16 Can I be forced to sell my Cue Energy Shares?</p>	<p>You cannot be forced to sell your Cue Energy Shares unless NZOG Offshore and its associates acquire a Relevant Interest in at least 90% of all Cue Energy Shares, in which case it is entitled to compulsorily acquire the remaining Cue Energy Shares under the Corporations Act (see Part 2, section 5.5 of the Bidder's Statement for more information).</p> <p>If NZOG Offshore proceeds to compulsory acquisition of Cue Energy Shares from Shareholders who did not accept the Offer, those Shareholders will receive the Offer Price for their Shares.</p> <p>NZOG Offshore's intentions with respect to compulsory acquisition are set out in Part 2, section 5.5 of the Bidder's Statement. In summary, NZOG Offshore has indicated that if it becomes entitled to do so under the Corporations Act, it intends to compulsorily acquire any outstanding Cue Energy Shares in accordance with the Corporations Act.</p>
<p>17 During the Offer Period, can I sell my Cue Energy Shares on ASX?</p>	<p>Yes. During the period of the Offer, you may sell your Cue Energy Shares on ASX to third parties other than NZOG Offshore, provided that you have not accepted the Offer.</p>
<p>18 What do the Directors intend to do with their Cue Energy Shares?</p>	<p>Your Directors intend to REJECT the Offer for all of their Cue Energy Shares.</p>
<p>19 What are NZOG Offshore's intentions?</p>	<p>NZOG Offshore's intentions are set out in Part 2, section 5 of the Bidder's Statement.</p> <p>NZOG Offshore's intentions are not entirely clear, and will depend upon the level of acceptances received to the Offer and the extent of Board control that might result. NZOG Offshore has indicated that it intends to conduct a strategic review of Cue Energy, and depending on the level of its shareholding at the end of the Offer Period, may proceed with compulsory acquisition and delisting of Cue Energy from ASX.</p>
<p>20 Can I buy Cue Energy Shares during the Offer Period?</p>	<p>Yes. Notwithstanding the Offer, you can still continue to buy Cue Energy Shares as you normally would through the ASX during the Offer Period.</p>
<p>21 What are the tax implications of accepting the Offer?</p>	<p>A general outline of the tax implications of accepting the Offer for certain Australian resident Cue Energy Shareholders is set out in Part 2, section 6 of the Bidder's Statement.</p> <p>You should not rely on that outline as advice on your own affairs. It does not deal with the position of all Cue Energy Shareholders. It also does not take into account the particular circumstances of each Cue Energy Shareholder. You should therefore seek your own professional financial and taxation advice before making a decision as to whether or not to accept the Offer for your Cue Energy Shares. You may, for example, be liable for Australian capital gains tax.</p>

Question	Answer
<p>22 Will I need to pay brokerage or stamp duty if I accept the Offer?</p>	<p>As the Offer is an on-market takeover offer, Shareholders may only accept the Offer through Brokers or Controlling Participants who are members of ASX. You should ask your Broker or Controlling Participant if any fees or charges will apply. Any fees or other charges of such Brokers or Controlling Participants will be your responsibility, as the accepting Cue Energy Shareholder.</p> <p>NZOG Offshore will bear its own brokerage, if any, on transfers of Cue Energy Shares acquired through acceptances of the Offer.</p> <p>No stamp duty or GST will be payable by you on the transfer of your Cue Energy Shares pursuant to the Offer (other than GST payable to your Broker in respect of brokerage fees charged to you).</p>
<p>23 Who should I call if I have questions?</p>	<p>You can contact the Cue Energy Shareholder Information Line on 1300 373 864 (within Australia) or +61 3 9415 4109 (outside Australia) between 9.00am and 5.00pm Monday to Friday (Melbourne time), or you can speak to your financial or other professional adviser.</p>

2 Directors' Review of the Offer and Recommendation

2.1 Directors' Recommendation

The Directors believe that the Offer Price of \$0.10 per share **is inadequate and substantially undervalues your Cue Energy Shares**. Accordingly, **the Directors unanimously recommend that you REJECT the Offer**.

The reasons for the Directors' recommendation are set out below.

The Directors do not intend to accept the Offer in respect of Cue Energy Shares they hold or control. Details of each Director's relevant interest in Cue Energy are set out in Section 5.

2.2 Why You Should REJECT the Offer

(a) The Offer Price of \$0.10 per share substantially undervalues Cue Energy

The Directors consider that at \$0.10, the Offer fails to adequately reflect the attractiveness of Cue Energy's portfolio of assets.

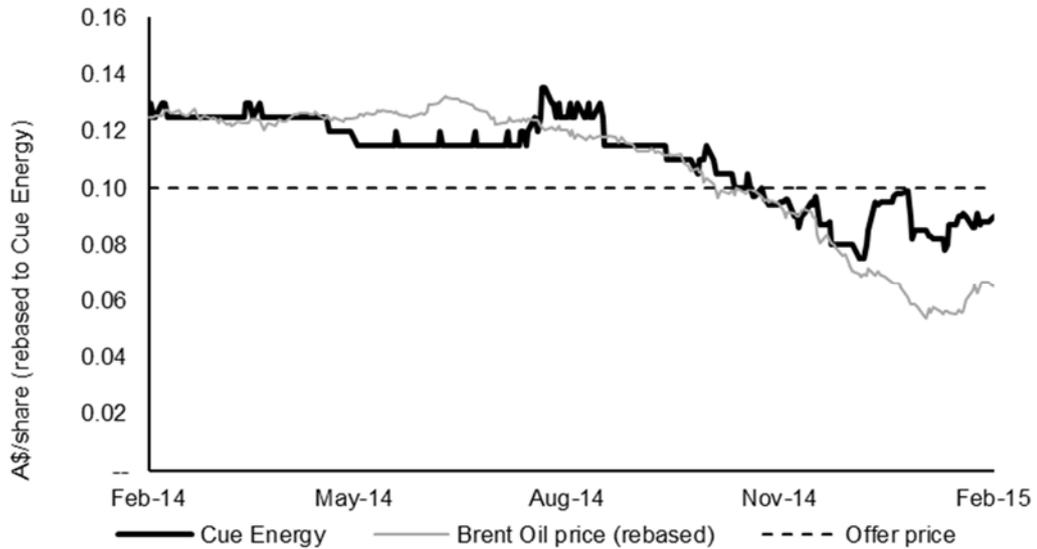
Cue Energy is one of a limited number of junior ASX-listed exploration and production companies with meaningful production, having built a diversified production base through its interests in the Maari field in New Zealand and the Oyong and Wortel fields in Indonesia.

The Company also has exposure to significant potential upside through its portfolio of near term exploration prospects across Indonesia, Australia and New Zealand and has a strong balance sheet. As at 31 December 2014, Cue Energy had zero debt and cash reserves of A\$37 million, equivalent to \$0.053 per Cue Energy share.

The Directors consider that the Offer fails to appropriately value the established and diversified nature of Cue Energy's production base, the low level of future capital expenditure required to exploit the Company's reserves, and the additional upside represented by the Company's exploration prospects.

(b) The timing of the Offer is opportunistic

The Offer comes following a period when oil prices have experienced a substantial decline. The price of Brent crude has dropped from US\$112/barrel on 30 June 2014 to US\$60/barrel on 20 February 2015. This has led to material reductions in the valuations of most oil and gas companies listed both in Australia and globally, including Cue Energy.



Source: Brent Oil and Cue Energy Shares price data published by IRESS as at 11 February 2015 (being the last day prior to the announcement of the Offer).

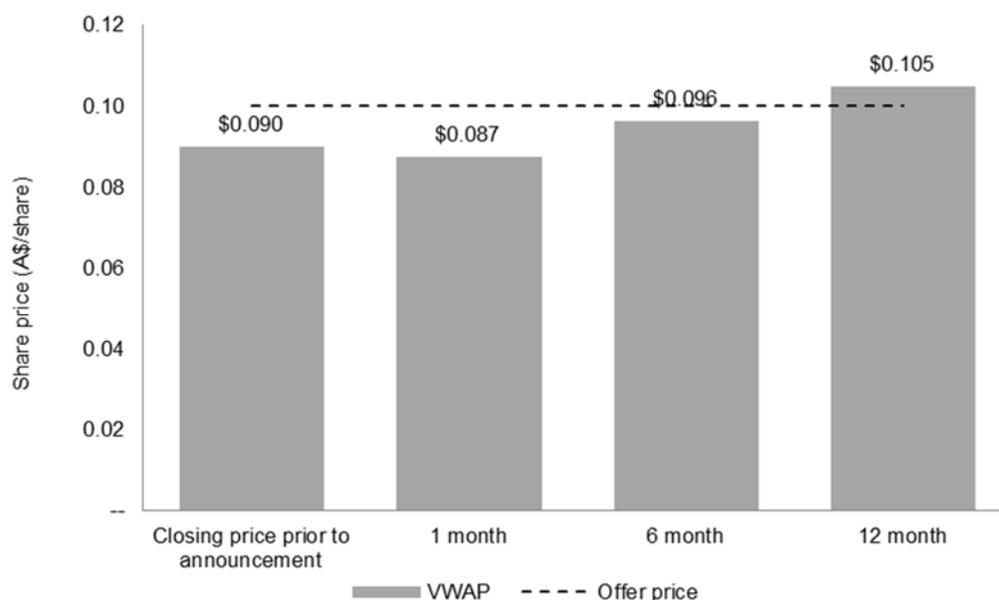
As the Offer is in cash, if you accept the Offer, you will crystallise the value of your investment in Cue Energy at the Offer Price. You will no longer have exposure to any recovery in oil markets or the improvement in valuations that may follow for listed oil and gas companies should oil prices recover.

(c) NZOG Offshore already holds a 19.99% interest in the Shares of Cue Energy, and is seeking to gain control of Cue Energy without paying an appropriate control premium

NZOG Offshore is not offering an adequate premium to Cue Energy Shareholders in exchange for control of the Company.

The Offer Price of A\$0.10 per share implies a premium of just:

- 11% to the closing price of Cue Energy shares of \$0.090 on 11 February 2015, being the last day prior to announcement of the Offer;
- 15% to the 1 month VWAP to 11 February 2015 of \$0.087;
- 4% to the 6 month VWAP to 11 February 2015 of \$0.096; and
- a discount of 5% to the 12 month VWAP to 11 February 2015 of \$0.105.



Source: Cue Energy Share price data supplied by IRESS.

These premiums are substantially below the premiums typically paid in an Australian context, and below what the Directors consider to be appropriate. The Directors note two example cash takeover offers of junior ASX-listed exploration and production companies with Australasian asset portfolios, in the context of premiums paid, which were completed in 2014, being Roc Oil Company Limited and Nido Petroleum Limited. The premium paid in the Roc Oil Company Limited transaction was 51.6%.³ In the Nido Petroleum Limited transaction the premium paid was 34.1%.⁴

³ Based on an offer price of \$0.690 and an undisturbed price of \$0.455 as at 23 April 2014, being the last closing price on the day prior to Roc Oil Company Limited's announcement of its proposed merger with Horizon Oil Limited. Source of trading data: IRESS.

⁴ Based on an offer price of \$0.055 and an undisturbed price of \$0.041 as at 29 July 2014, being the last closing price on the day prior to Nido Petroleum Limited entering into a trading halt in relation to the proposed transaction. Source of trading data: IRESS.

(d) Cue Energy has an existing, clear strategy for its business, which is designed to maximise value for all Shareholders. The Board believes that its strategy is superior to NZOG Offshore's announced intentions

Cue Energy has a clear strategy to grow through maximising the value of its existing assets and developing a diversified and balanced portfolio of exploration, development and production opportunities.

In addition to its production assets in New Zealand, a key component of Cue Energy's strategy is its producing interests in the Oyong and Wortel fields in East Java and its exposure to a growing portfolio of exploration interests and growth prospects with near-term production in Indonesia, and exploration and growth prospects in Australia.

NZOG Offshore has stated in its Bidder's Statement in Part 2, section 5.3(d) that its primary interest in Cue Energy is in its production and development interests in the Maari and Manaia fields in New Zealand's Taranaki Basin. NZOG Offshore intends to undertake a review of Cue Energy with a view to identifying potential areas where Cue Energy's business can be enhanced. NZOG Offshore anticipates that this review may identify some of Cue Energy's assets that may be considered for divestment in the short to medium term.

The Directors believe that its current strategy of maximising value from existing assets and maintaining a diversified and balanced portfolio of exploration, development and production opportunities remains in the best interests of Cue Energy Shareholders and is superior to the strategy reflected in NZOG Offshore's intentions for the Company.

2.3 Other Considerations

(a) Preparation of an Independent Expert's Report

On 12 February 2015, the date of announcement of the Offer, the Directors appointed an Independent Expert, Grant Samuel, to prepare an Independent Expert's Report opining on whether or not the Offer is fair and reasonable to Cue Energy Shareholders. It will also include a valuation range for Cue Energy Shares on a controlling interest basis.

The Independent Expert's Report will be made available to Cue Energy Shareholders in a supplementary Target's Statement expected to be released to the ASX on or about 2 March 2015.

As part of the preparation of the Independent Expert's Report, Grant Samuel has engaged a Technical Specialist (RISC Advisory) to prepare a Technical Specialist's Report for inclusion in the Independent Expert's Report. The Technical Specialist's Report will provide detailed information about Cue Energy's assets, including valuations of its exploration assets.

The Independent Expert's Report is an important document that will contain information relevant to your decision in relation to the Offer. The Directors encourage you to consider the Independent Expert's Report as part of your assessment of the Offer.

(b) Effect of Acceptance

If you accept the Offer, you will forfeit the opportunity to benefit from any increase to the Offer Price. Once you have accepted the Offer, you will be legally bound to sell those Cue Energy Shares to NZOG Offshore at \$0.10 and you cannot later withdraw your acceptance.

(c) Minority Ownership Consequences

If control of Cue Energy passes to NZOG Offshore, Cue Energy Shareholders who do not accept the Offer will become minority shareholders in Cue Energy with respect to NZOG Offshore's position as controlling shareholder. If this occurs, there may be additional factors that need to be considered, alongside the Directors' recommendation. These factors may include:

- the number of Cue Energy Shares traded on ASX could be significantly reduced. Cue Energy Shares not accepted into the Offer could become an illiquid and infrequently traded share and, as such, the ASX market price may no longer be a reliable indicator of value.
- NZOG Offshore may be in a position to control the composition of senior management and the strategic direction of Cue Energy and its subsidiaries. This would be effected through control of the Board. NZOG Offshore has stated, in Part 2, section 5.3 of the Bidder's Statement, that it intends to seek the appointment of its nominees to the Board in such proportion as at least equates to NZOG Offshore's proportionate shareholding in the Company.
- NZOG Offshore may be in a position to pass special resolutions at meetings of Cue Energy Shareholders. This will enable NZOG Offshore to, among other things, change Cue Energy's Constitution.
- NZOG Offshore may be in a position to arrange for Cue Energy to be removed from the official list of ASX.

You should also read Part 2, sections 5.4 and 5.5 of the Bidder's Statement which describes NZOG Offshore's intentions in the event that it acquires control of Cue Energy.

2.4 Reasons Why You May Decide to Accept the Offer

Although the Directors unanimously recommend that Cue Energy Shareholders REJECT the Offer, Shareholders should consider their individual circumstances in determining whether or not to accept the Offer.

Some of the reasons why you may consider accepting the Offer include:

- (a) you may disagree with the recommendation of the Directors;
- (b) you may consider that the price of Cue Energy shares may decline in the absence of the Offer;
- (c) you may consider that by accepting the Offer, you will no longer be exposed to risks associated with being an investor in Cue Energy Shares, including:
 - risks associated with oil and gas price fluctuations;
 - operating, exploration and development risks;
 - changes to estimates or opinions of oil or gas reserves;
 - financing risks, including changes to exploration and production plans due to cash flow changes, or access to equity or debt funding on commercially acceptable terms;
 - regulatory, environmental, health and safety or litigation risks; and
 - general risks associated with the sharemarket and any impact on the trading price of Cue Energy Shares.

3 About Cue Energy

Cue Energy is an ASX-listed oil and gas exploration and production company with a focus on South East Asia and Australasia.

Cue Energy's key assets include the producing Maari and Manaia fields in the Taranaki Basin, New Zealand, as well the Oyong and Wortel fields offshore East Java, Indonesia. In FY2014, Cue Energy's average daily production was approximately 1,800 barrels of oil equivalent per day (boepd).

In addition to its production assets, Cue Energy also has a portfolio of exploration interests across New Zealand, Indonesia and Australia.

Cue Energy : Regional Portfolio



3.1 Asset Overview

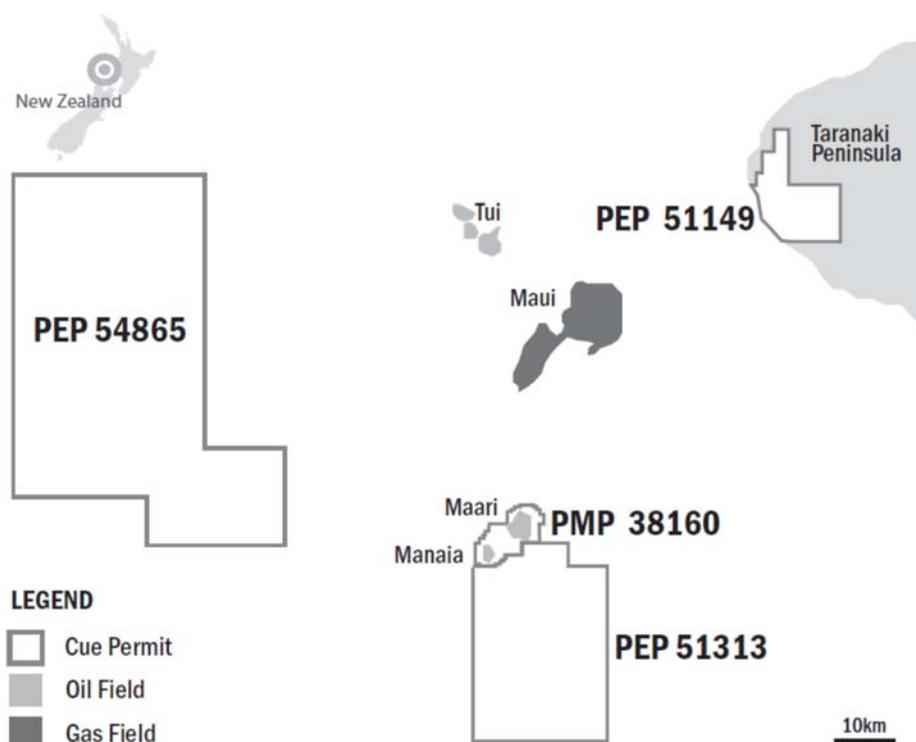
Asset	Cue Interest	Operator	Status
New Zealand			
PMP 38160 (Maari and Manaia)	5%	OMV New Zealand	Production
PEP 51313	14%	OMV New Zealand	Exploration
PEP 51149	20%	Todd Exploration	Exploration
PEP 54865	20%	Todd Exploration	Exploration
Indonesia			
Sampang PSC (Oyong and Wortel)	15%	Santos	Production
Mahato PSC	12.5%*	Texcal Mahato	Exploration

Mahakam Hilir PSC	100%*	Cue Energy	Exploration
Australia			
WA-359-P	100%	Cue Energy	Exploration
WA-360-P	37.5%	MEO Australia	Exploration
WA-361-P	15%	MEO Australia	Exploration
WA-389-P	40%	BHP Billiton	Exploration
WA-409-P	100%	Cue Energy	Exploration

*Subject to approvals

(a) New Zealand

Cue Energy's New Zealand interests include the producing PMP 38160 field, referred to as the Maari and Manaia fields. Cue Energy also has interests in three exploration permits located both offshore and onshore Taranaki, New Zealand.



(i) PMP 38160 (Maari and Manaia)

The Maari development and the Manaia structure are located in PMP 38160 approximately 80 km offshore Taranaki, New Zealand, in 102 metres of water.

Production at the field commenced in February 2009 from three producing reservoirs flowing to a single wellhead platform located adjacent to the Maari field, before connecting to a floating production storage and offload (**FPSO**) vessel moored approximately 1.5 km from the wellhead platform.

The Maari field is currently undertaking a growth programme, with one new well (MR8A) complete, the MR6A well currently drilling and the joint venture is considering 2-3 further production wells, one of which will be converted into an

injector in the future. A workover of the existing MR5A well has been completed and workovers are planned on 3 existing wells once the Ensco 107 rig has been released.

Cue Energy's net share of oil sales in FY14 from the Maari and Manaia fields was 82,569 barrels which generated \$10.16 million in revenue. Production was interrupted in the second half of calendar 2013 for repairs and maintenance to the FPSO.

(ii) PEP 51313

The PEP 51313 field is located to the south of PMP 38160 in the offshore Taranaki Basin. Additional exploration potential exists along the Tasman Ridge to the south of Maari where several opportunities including the Matariki prospect have been identified on existing 3D seismic data. The joint venture is focused on the remaining potential associated with the Matariki trend which is up-dip of Maari. Studies will be undertaken in 2015 to determine the best approach to seismic processing to mature a potentially drillable prospect.

(iii) PEP 51149

PEP 51149 is an onshore permit located on the western Taranaki Peninsula. Cue Energy and its joint venture partner, Todd Exploration Limited, have matured a drillable prospect called Te Kiri North.

The drilling of the Te Kiri North-1 well is expected in Q4 2015. The prospect has dual objectives, the oil objective in the Miocene-age Mount Messenger Formation and a deeper Eocene-age gas objective. Existing infrastructure nearby will facilitate early commercialisation in a success case.

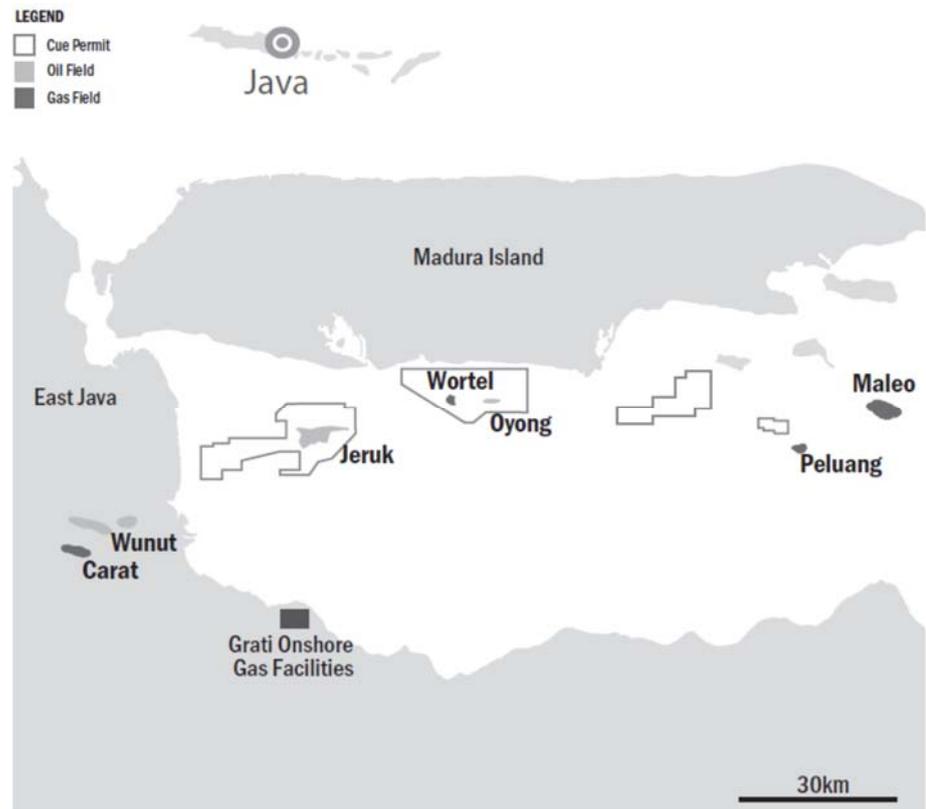
(iv) PEP 54865

PEP 54865 lies to the North West of the Maari and Manaia oil fields in the Taranaki Basin. The permit covers an area of 2,475 km² and contains several prospects and leads that have potential for future oil and gas discoveries.

The permit, awarded in December 2012, carries a minimum work program of 285 km² of 3D seismic to be acquired, processed and interpreted prior to June 2015. The joint venture is seeking to defer this obligation. The joint operation is seeking a farm-in to fund the seismic programme.

(b) Indonesia

(i) Sampang Production Sharing Contract (Oyong and Wortel)



The Oyong and Wortel fields are located in 45 metres of water offshore East Java, Indonesia.

Gas from the Oyong and Wortel fields is transported via a 60 kilometre pipeline to an onshore gas processing facility at Grati in East Java where it is sold for domestic power generation. Oil from the Oyong field is piped to the Surya Putra Jaya floating storage and offloading facility (**FSO**) for storage and export.

Oil production commenced from Oyong in 2007, followed by gas production in 2009. All of the gas produced from the Oyong field is sold to PT Indonesia Power. Wortel gas production commenced in February 2012.

Oyong

Cue Energy's share of FY14 oil sales from the Oyong field was 49,699 barrels which generated \$5.81 million in production income. Cue Energy's share of condensate sales from the Oyong field in FY14 was 581 barrels which generated \$0.042 million in revenue and its share of gas sales was 1,117,608 Mcf which generated \$3.33 million in production income. Based on continued improved production rates, the joint operation approved extension of the contracts for the Oyong production barge and FSO until September 2015. A programme of well interventions and recompletions is taking place during FY15. The planned workovers are expected to improve Oyong oil production and extend field life for an additional 1-2 years until 2017.

Wortel

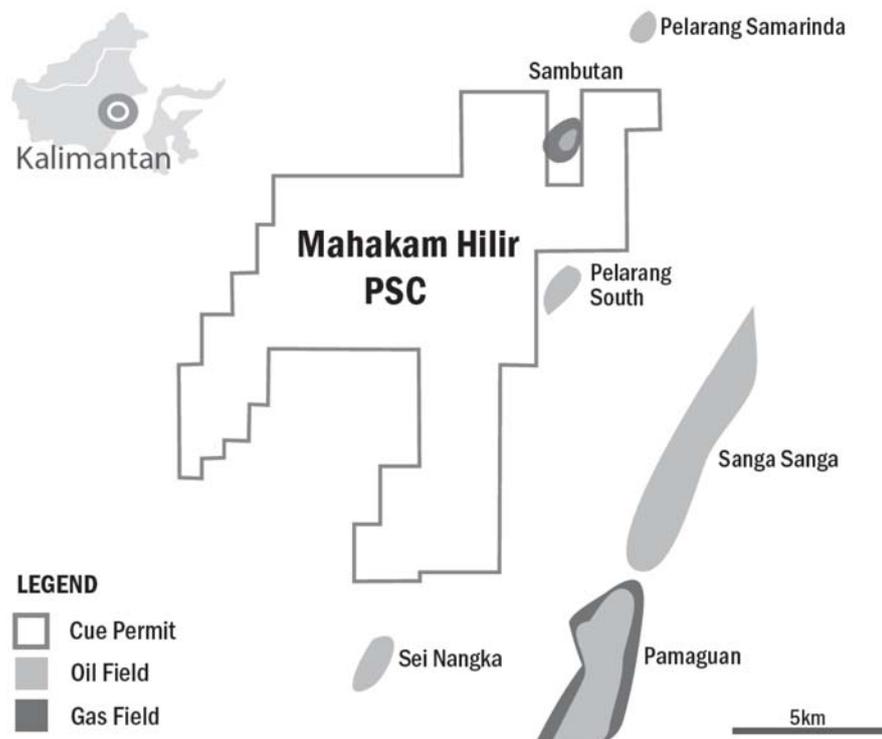
Cue Energy's share of gas sales during FY14 was 1,866,870 Mcf, which generated \$12.85 million in production income. Condensate sales were 795 barrels which generated \$0.057 million in revenue. The joint operation has approved the installation of compression at the Grati gas plant which will ensure that the Wortel project will continue to meet its gas sales contract volumes. Installation of the compressors is progressing and is scheduled to be complete by the end of Q1 2015.

(ii) Mahato Production Sharing Contract

On 21 November 2014, Cue Energy announced the execution of a farm-in agreement with Bukit Energy to acquire a 12.5% interest in the Mahato PSC, onshore Central Sumatra, Indonesia. This transaction is currently pending Indonesian Government approval.

The Mahato PSC covers a highly prospective area, close to several large producing oil fields. Multiple appraisal and exploration opportunities have been mapped and two wells are currently planned for mid-2015. A 2D seismic programme to high grade further exploration prospects is also planned for 2015.

(iii) Mahakam Hilir Production Sharing Contract



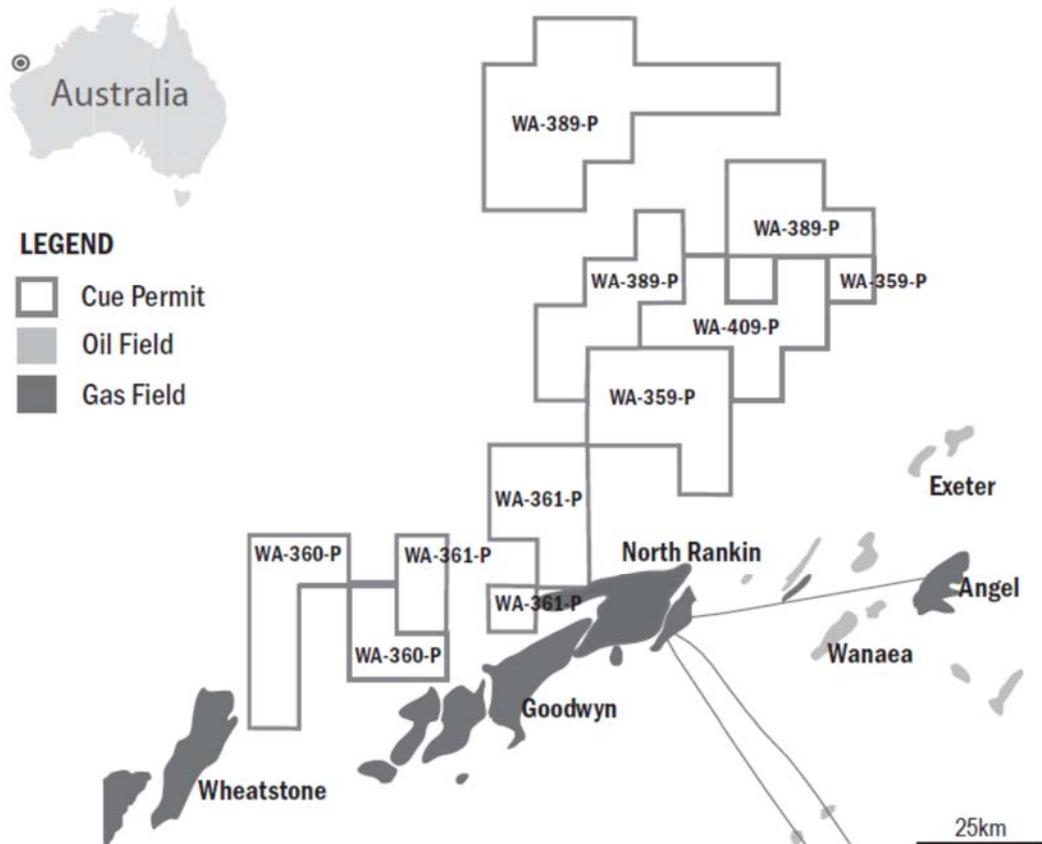
Cue Energy has entered into a sale and purchase agreement to move from 40% to 100% interest and operatorship in the Mahakam Hilir PSC in the prolific Kutei Basin onshore Kalimantan, Indonesia.

Cue Energy's move to a 100% interest in the permit followed an internal review which identified a robust drill ready oil prospect, Naga Selatan -2 (Southern Dragon). This oil prospect lies along trend from the large Sei Nangka and South Pelarang oil fields. The multiple targets are shallow, located at depths of

approximately 1000'-3000' feet. Drilling programme preparations have commenced and the well is planned for 2015. This marks Cue Energy's first well as a drilling operator.

(c) Carnarvon Basin, Australia

Cue Energy has five exploration assets in the Carnarvon Basin, in North-West Western Australia. The Carnarvon Basin is one of Australia's most prospective resource regions, with existing oil and gas production from a number of fields.



(i) WA-359-P

The WA-359-P permit is 100% held by Cue Energy and covers an area of 645 km² in water depth of approximately 300m.

Interpretation of the reprocessed existing multi-client 3D data has confirmed the key Sherlock prospect. Cue Energy will market the permit as part of a farmdown of its portfolio of Western Australian opportunities to interested parties in 2015.

(ii) WA-360-P

The WA-360-P permit was renewed in early 2012. The WA-360-P joint venture is completing the reprocessing of approximately 650 km² of existing 3D seismic data over the Maxwell prospect to improve imaging of the structure. On completion of the reprocessing, it is expected that activity to farm-down Cue Energy's interest in the permit will recommence before the end of the primary term of the permit in 2016. There is no well commitment in the primary term.

(iii) WA-361-P

WA-361-P permit was renewed in early 2011. The National Offshore Petroleum Titles Administrator (**NOPTA**) has approved an application for a work programme variation to allow the joint venture to complete geotechnical studies ahead of making any commitment to drill a well. The reduced work programme term concludes on 30 January 2016.

(iv) WA-389-P

The permit was renewed by NOPTA on 9 October 2013 for a five year term on a reduced area. Reprocessing of existing 2D and 3D seismic data has been approved by the joint venture and is expected to be complete in mid-2015.

(v) WA-409-P

Cue Energy has acquired operatorship and 100% interest in the block due to the withdrawal of the other joint venture parties. An extension has been granted until the end of April 2015 to complete the evaluation of the block using the seismic data reprocessed by Apache in 2014. There is currently no well commitment on the block.

3.2 Board and Management

(a) Geoffrey King, Non-Executive Chairman

Geoffrey has a BA from UNSW, an LLB from ANU and 37 years of international, commercial and government legal experience, with much of that in the oil and gas industry including for Esso Australia (Area Legal Counsel, Bass Strait), Ampolex Ltd (General Counsel, Company Secretary and General Manager Law and Secretariat), and the Asian Development Bank. Since 1997 he has been an independent legal consultant providing commercial advice and legal services to public and private commercial entities worldwide, primarily in the oil and gas sector. He is advisor to the government of Papua New Guinea in oil and gas legislation and project development and mining legislation and has just completed drafting of the Mining (Health and Safety) Act and Regulations which was delivered to the Papua New Guinea Government in July 2014.

Geoffrey is a non-executive director of Vermilion Oil and Gas Australia, Non-Executive Deputy Chairman of High Peak Royalties Limited and a former director of Singapore Petroleum.

(b) Stuart Brown, Non-Executive Director

Stuart has a BSc (First Class) Geology (Sydney) and has held senior positions with Woodside Energy from 2002 to 2012, Shell International Exploration & Production from 1998 to 2002, and Shell UK E&P from 1990 to 1998. Prior to that he held various positions with Shell in Australia, The Netherlands, Syria and Turkey.

From September 2012 he has been a director of International Oil and Gas Strategies Pty Ltd and is currently a non-executive director of Empire Oil & Gas and WHL Energy Ltd.

(c) Rowena Sylvester, Non-Executive Director

Rowena has over 22 years' experience in finance and risk management, including roles as Treasurer at Ampolex Ltd and Optus Vision Ltd, and director of Syndications at ANZ Investment Bank. She has subsequently been a director of Essential Energy and Chairman of the Audit and Risk Committee, Australian Inland Energy Water Infrastructure, Emmlink Pty Ltd and Optus Superannuation Fund. Her current

directorships include Yass Valley Council (Mayor), Yass Valley Aged Care Ltd, Yass District Education Foundation and Bellevalle Cattle Company Pty Ltd.

(d) Andrew Young, Non-Executive Director

Andrew has a BE (Chemical Engineering) from Melbourne University and MBA (Hons) from University of Rochester, New York. He has 39 years' experience in the oil and gas industry having held technical, leading management and board positions in major and small exploration and production operating companies and contract service companies, including Esso Australia Ltd, Bridge Oil Ltd (GM), New Zealand Natural Gas Corporation Ltd (COO), Century Drilling (MD), Gaffney Cline and Associates, Anzon Australia Ltd/Anzon Energy Ltd (MD), Digitalcore Pty Ltd (MD) and was caretaker CEO of Cue Energy for 6 months during November 2012 to April 2013. He is presently a non-executive director of New Guinea Energy Ltd and Cliq Energy Berhad. Andrew was International President of The Society for Petroleum Engineers (2003) and is a recipient of a number of international awards.

(e) David Biggs, Chief Executive Officer

David holds an LLB degree from Victoria University of Wellington and has over 30 years of international experience in the oil and gas industry. Commencing in the oil and gas industry with Petroleum Corporation of New Zealand and Natural Gas Corporation of New Zealand, he has spent the last eighteen years working in senior positions in BHP Billiton Petroleum's gas marketing, commercial and exploration functions in both Melbourne and Houston. David was appointed CEO of Cue Energy in April 2013.

(f) Andrew Knox, Chief Financial Officer

Andrew holds a BCom degree from the University of Western Australia. He has over 30 years of experience in resource companies, predominantly in oil and gas in Australia, North America and South-East Asia. Andrew joined Cue Energy in 1994.

(g) Jeff Schrull, General Manager, Exploration and Production

Jeff previously served as Managing Director of Rialto Energy Limited from July 2010 to November 2012. From 2006 to 2010, he served as Corporate General Manager of Exploration at Addax Petroleum, responsible for building an exploration business which significantly enhanced the value of the company when it was sold to Sinopec. Prior to Addax, Jeff spent 19 years with Chevron, with his final 3 years at Chevron spent as Exploration and New Ventures Manager for West Africa.

He was a non-executive director of WHL Energy Limited from 17 April 2014 until his appointment at Cue Energy. Jeff holds a B.S. in Geophysics, from Northeast Louisiana University and an M.S. in Geophysics from Texas A & M University.

3.3 Summary Historical Financial Information

The following selected financial information for Cue Energy is extracted from the audited consolidated financial statements of Cue Energy for the financial years ended 30 June 2014 and 30 June 2013.

The financial information presented in the tables below does not represent complete financial statements and should therefore be read in conjunction with the financial statements for the respective periods, including the description of accounting policies contained in those financial statements and the notes to those financial statements.

Cue Energy Shareholders may view complete copies of the audited consolidated financial statements of Cue Energy for the years ended 30 June 2014 and 30 June 2013 on the ASX website at www.asx.com.au or the Cue Energy website at www.cuenrg.com.au.

Cue Energy Shareholders will be notified through both the ASX and a supplementary Target's Statement upon the release of Cue Energy's half-year report for the financial period ended 31 December 2014.

(i) Profit and Loss Statement

	2014 \$000s	2013 \$000s
Production income	34,005	49,798
Production costs	(18,213)	(19,131)
Gross profit from production	15,792	30,667
Other income	162	160
Loss on sale of fixed assets	(3)	-
Amortisation of production properties	(9,262)	(17,520)
Interest expense	-	(3)
Net foreign currency exchange gain	81	3,702
Other expenses	(6,692)	(8,597)
Profit before income tax expense	78	8,409
Income tax expense	(2,244)	(2,040)
(Loss)/profit after income tax expense for the year	(2,166)	6,369
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	(2,166)	6,369
(Loss)/profit for the year is attributable to:		
Owners of Cue Energy Resources Limited	(2,166)	6,369
Total comprehensive income for the year is attributable to:		
Owners of Cue Energy Resources Limited	(2,166)	6,369
Basic earnings per share (cents)	(0.31)	0.91
Diluted earnings per share (cents)	(0.31)	0.91

(ii) Balance Sheet

	2014 \$000s	2013 \$000s
Current Assets		
Cash and cash equivalents	40,558	58,828
Trade and other receivables	3,542	5,096
Inventories	843	1,157
Total Current Assets	44,943	65,081
Non-Current Assets		
Property, plant and equipment	118	63
Deferred tax assets	71	214
Exploration and evaluation expenditure	54,069	36,944
Production properties	79,458	73,935
Total Non-Current Assets	133,716	111,156
Total Assets	178,659	176,237
Current Liabilities		
Trade and other payables	21,184	11,977
Tax liabilities	2,398	3,973
Provisions	563	475
Total Current Liabilities	24,145	16,425
Non-Current Liabilities		
Deferred tax liabilities	19,484	22,106
Provisions	5,627	6,137
Total Non-Current Liabilities	25,111	28,243
Total Liabilities	49,256	44,668
Net Assets	129,403	131,569
Equity		
Issued capital	152,416	152,416
Reserves	-	22
Accumulated losses	(23,013)	(20,869)
Total Equity	129,403	131,569

(iii) Cash Flow Statement

	2014 \$000s	2013 \$000s
Cash Flows From Operating Activities		
Receipts from customers	35,801	58,127
Interest received	167	149
Payments to suppliers and employees	(23,319)	(23,420)
Income taxes paid	(6,298)	(244)
Royalties paid	(731)	(1,880)
Interest paid	-	(3)
Net Cash Provided by Operating Activities	5,620	32,729
Cash Flows From Investing Activities		
Payments for exploration and evaluation expenditure	(9,666)	(4,932)
Payments for production properties	(14,035)	(5,905)
Payments for property, plant and equipment	(155)	(18)
Net Cash Used In Investing Activities	(23,856)	(10,855)
Cash Flows From Financing Activities		
Proceeds from issue of shares	-	-
Repayment of borrowings	-	-
Net Cash Used In Financing Activities	-	-
Net (Decrease)/Increase in Cash and Cash Equivalents	(18,236)	21,874
Cash and cash equivalents at the beginning of the year	58,828	33,733
Effect of exchange rate change on foreign currency balances held at the beginning of the year	(34)	3,221
Cash and Cash Equivalents at the End of the Year	40,558	58,828

4 Other Important Information About the Offer

On 12 February 2015, NZOG Offshore served Cue Energy with a copy of NZOG Offshore's Bidder's Statement, which contains NZOG Offshore's Offer.

4.1 The Offer

NZOG Offshore is offering to acquire all of your Cue Energy Shares. NZOG Offshore has appointed Bell Potter Securities Limited to acquire Cue Energy Shares on-market at the Offer Price.

The Offer is unconditional.

4.2 Offer price

NZOG Offshore is offering \$0.10 for every Cue Energy Share that you hold.

4.3 Offer Period and Acceptance

The Offer is open for acceptance from 27 February 2015 until the close of ASX trading (approximately 4.10pm Sydney time) on 27 March 2015, unless it is withdrawn or the Offer Period is extended in accordance with the Corporations Act (see Section 4.4 and Section 4.5 below).

As the Offer is an on-market takeover offer, NZOG Offshore has instructed its broker Bell Potter Securities Limited to stand in the market and purchase shares at \$0.10 per Cue Energy Share since 12 February 2015.

If you choose to accept the Offer, then your acceptance must be received by NZOG Offshore before the end of the Offer Period.

4.4 Variation of the Offer

Pursuant to the Corporations Act, NZOG Offshore may announce an extension to the Offer Period, or an increase in the Offer Price, at any time up until five trading days before the end of the Offer Period. NZOG Offshore has stated in Part 1, section 1.2 of the Bidder's Statement that it will not increase the Offer Price during the Offer Period in the absence of a competing proposal.

An extension to the Offer Period may only be announced during those last five trading days of the Offer Period in limited circumstances prescribed by the Corporations Act, in particular if another person makes an offer under a takeover bid for Cue Energy Shares.

There will be an automatic extension of the Offer Period if NZOG Offshore's voting power in Cue Energy reaches more than 50% in the last seven days of the Offer Period. In that event, the Offer Period will then end 14 days after NZOG Offshore's voting power first increases to more than 50%.

NZOG Offshore has indicated in Part 1, section 1.6 of the Bidder's Statement that it is unlikely to extend the initial Offer Period in circumstances where it has a clear indication that it will receive acceptances for 10% of Cue Energy Shares.

4.5 Withdrawal of the Offer

In accordance with the Corporations Act, NZOG Offshore may withdraw the Offer in respect of any unaccepted Offers in three circumstances:

- (a) NZOG Offshore may seek the written consent of ASIC to such withdrawal. ASIC may provide its consent subject to conditions;
- (b) if one of the following events occur during the Offer Period, and NZOG Offshore's voting power in Cue Energy is at or below 50%:

- (i) Cue Energy converts all or any of its shares into a larger or smaller number of shares;
 - (ii) Cue Energy or a subsidiary resolves to reduce its share capital in any way;
 - (iii) Cue Energy or a subsidiary enters into a buy-back agreement or resolves to approve the terms of a buy-back agreement;
 - (iv) Cue Energy or a subsidiary issues shares, or grants an option over its shares, or agrees to make such an issue or grant such an option;
 - (v) Cue Energy or a subsidiary issues, or agrees to issue, convertible notes;
 - (vi) Cue Energy or a subsidiary disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
 - (vii) Cue Energy or a subsidiary grants, or agrees to grant, a security interest in the whole, or a substantial part, of its business or property; or
 - (viii) Cue Energy or a subsidiary resolves to be wound up;
- (c) if any of the following events occur during the Offer Period (regardless of NZOG Offshore's voting power at the time):
- (i) a liquidator or provisional liquidator of Cue Energy or of a subsidiary is appointed;
 - (ii) a court makes an order for the winding up of Cue Energy or of a subsidiary;
 - (iii) an administrator of Cue Energy, or of a subsidiary, is appointed under sections 436A, 436B or 436C of the Corporations Act;
 - (iv) Cue Energy or a subsidiary executes a deed of company arrangement; or
 - (v) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of Cue Energy or of a subsidiary.

Any withdrawal of the Offer must be announced to ASX.

4.6 Effect of Acceptance and any Subsequent Increase in Offer Price

Once made, an acceptance of the Offer cannot be withdrawn. If you accept the Offer and NZOG Offshore subsequently improves the Offer Price, you will not be entitled to the benefit of that improved Offer Price. Similarly, if you accept the Offer, you will forfeit the opportunity to benefit from any superior offer made by another bidder for your Cue Energy Shares, if that offer were to eventuate.

4.7 Compulsory Acquisition

NZOG Offshore will be entitled to compulsorily acquire any outstanding Cue Energy Shares for which it has not received acceptances on the same terms as the Offer if, during or at the end of the Offer Period, NZOG Offshore (taken together with its associates) has a Relevant Interest in at least 90% of Cue Energy Shares, and it is entitled to do so under the Corporations Act.

If this threshold and the requirements under the Corporations Act are satisfied, NZOG Offshore will have one month from the end of the Offer Period within which to give compulsory acquisition notices to Cue Energy Shareholders who have not accepted the Offer, but it may choose to commence compulsory acquisition as soon as the relevant thresholds are satisfied. A Cue Energy Shareholder has statutory rights to challenge compulsory acquisition, but this will require the relevant Shareholder to establish to the satisfaction of a court that the terms of the Offer do not represent fair value for Cue Energy Shares. Shareholders should be aware that, if their Cue Energy Shares are acquired compulsorily, they may receive payment more than one month after the compulsory acquisition notices are sent.

5 Directors' Interests

5.1 Details of Directors

The Directors of Cue Energy as at the date of this Target's Statement are:

Name	Position
Geoffrey King	Non-Executive Chairman
Stuart Brown	Non-Executive Director
Rowena Sylvester	Non-Executive Director
Andrew Young	Non-Executive Director

All of the Directors consider themselves independent for the purposes of the Offer and able to make a recommendation to Cue Energy Shareholders.

5.2 Directors' Interests in Cue Energy Shares

The number of marketable securities of Cue Energy in which each Director has a relevant interest as at the date of this Target's Statement is set out below:

Name	Number of Cue Energy Shares
Geoffrey King	22,500 ⁵
Stuart Brown	Nil
Rowena Sylvester	Nil
Andrew Young	450,000 ⁶

5.3 Intentions of the Directors

Each Director intends to reject the Offer in respect of the Cue Energy Shares held by them or on their behalf.

5.4 Dealings by Directors in Cue Energy Shares

Except for Andrew Young's acquisition of 300,000 ordinary Shares on 28 November 2014, no Director acquired or disposed of any Cue Energy Shares within the period of four months immediately preceding the date of this Target's Statement.

5.5 Directors' interests in NZ Oil & Gas Securities

No Director has a relevant interest in any marketable securities of NZ Oil & Gas.

5.6 Dealings by Directors in NZ Oil & Gas Securities

No Director acquired or disposed of any marketable securities in NZ Oil & Gas within the period of four months immediately preceding the date of this Target's Statement.

5.7 Conditional Agreements

No Director is a party to any agreement or arrangement with any other person in connection with or conditional on the outcome of NZOG Offshore's Offer.

⁵ 2,500 Cue Energy Shares are held jointly by Shayne-Maree King and Geoffrey King. 20,000 Cue Energy Shares are held by Geoffrey King.

⁶ The Cue Energy Shares are held by Burra (NSW) Pty Ltd as trustee for the Young & Bennett Superannuation Fund.

5.8 Contracts with NZOG Offshore

None of the Directors has any interest in any contract with NZOG Offshore.

5.9 Payments and Benefits

As a result of the Offer, no benefit (other than a benefit permitted by section 200F or 200G of the Corporations Act) will or may be given to a Director:

- in connection with their retirement from office in Cue Energy or a related body corporate of Cue Energy; or
- in connection with the transfer of the whole or any part of the undertaking or property of Cue Energy.

5.10 Insurance and Indemnities

Cue Energy has entered into standard form deeds of indemnity with each Director against liabilities which he or she may incur in the performance of his or her duties as a director or officer of Cue Energy. Cue Energy has arranged directors and officers (D&O) insurance cover for each Director as required by each Director's deed of indemnity.

6 Other Material Information

6.1 Cue Energy Capital Structure

Cue Energy's issued capital comprises 698,119,720 ordinary shares.

6.2 Substantial Shareholders in Cue Energy

Based on documents lodged with ASX, the following persons have substantial shareholdings in Cue Energy:

Name	Number of Cue Energy Shares	% of Cue Energy Shares
NZOG Offshore Limited	139,554,132 ⁷	19.99%
Singapore Petroleum Company Limited	112,996,671 ⁸	16.37%
Zeta Energy Pte. Ltd	88,644,161 ⁹	12.70%
The Todd Corporation Limited	49,469,182 ¹⁰	7.09%

6.3 Potential Impact of the Offer on Cue Energy's Material Contracts or Regulatory Approvals

Cue Energy is not aware of any:

- financing arrangement or other contract that has been entered into by Cue Energy; or
- regulatory approval or licence required for Cue Energy's operations,

that Cue Energy considers to be material and that contains a change of control provision, including any consent requirement, that may be triggered if NZOG Offshore acquires Cue Energy Shares as a result of the Offer.

Cue Energy is in the process of negotiating a lending facility with a financial institution, which may be finalised during the Offer Period. As at the date of this Target's Statement, Cue Energy has not made a decision as to whether it will enter into this facility. Should it decide to do so, the lending facility is likely to contain a provision requiring Cue Energy to obtain prior lender consent to any change of control, or to pay any amounts outstanding under the facility upon a change of control. Cue Energy will also likely grant security over its assets for the purposes of securing its obligations under the facility. In the event that Cue Energy does enter into the lending facility, appropriate announcements will be made to Cue Energy Shareholders through the ASX (and a supplementary Target's Statement as required, if the terms of a lending facility are finalised during the Offer Period).

6.4 Changes in Financial Position

So far as known to any Director, the financial position of Cue Energy has not materially changed since 25 September 2014 (the date of release of Cue Energy's last audited financial report) and the date of this Target's Statement, except as disclosed in this Target's Statement and in Cue Energy's announcements to ASX since 25 September 2014.

⁷ Disclosed in the change of substantial holding notice of NZOG Offshore, announced on ASX on 13 February 2015.

⁸ Disclosed in the change of substantial holding notice of Singapore Petroleum Company Limited, announced on ASX on 24 July 2009.

⁹ Disclosed in the change of substantial holding notice of Zeta Energy Pte. Ltd, announced on ASX on 19 December 2014.

¹⁰ Disclosed in the change of substantial holding notice of The Todd Corporation Limited, announced on ASX on 24 December 2014.

As at the date of this Target's Statement, the financial statements for the half-year period ended 31 December 2014 have not been finalised and so have not been included in this Target's Statement. Cue Energy's half-year report will be released both through the ASX and a supplementary Target's Statement. Cue Energy expects to release that report on 27 February 2015.

As part of the preparation of its financial statements for the half-year period ended 31 December 2014, Cue Energy will undertake a review of the carrying amounts of the consolidated entity's assets to determine whether there is any indication of impairment. As at the date of this Target's Statement, Cue Energy has not formed a view as to whether the lower oil price environment may lead to impairment of the valuation of its assets.

6.5 Material Litigation

Other than as set out in this Section 6.5 below, as at the date of this Target's Statement, Cue Energy has no knowledge of, nor any expectation of, any material litigation or dispute.

Jeruk field dispute

As a result of an economic project arrangement in the Jeruk field within the Sampang Production Sharing Contract (PSC) in Indonesia, Cue Energy may in certain circumstances have an obligation to reimburse certain monies spent by the incoming party from future profit oil within the Sampang PSC. As reported in the Cue Energy 2014 Annual Report released on 26 September 2014, there was an ongoing dispute between Cue Energy and the incoming party as to the quantum of monies that they may be entitled to claim by way of such reimbursement, and when any such reimbursement would be payable.

Cue Energy is of the view that any amount which might eventually become payable would not be likely to exceed the amount of US\$4.5 million. An arbitration hearing found in favour of Cue Energy's position, however claims made by the incoming party are yet to be settled. Cue Energy notes that, while it believes there is a reasonable basis for the estimated liability based on current information, it is an estimate only and may be subject to change.

6.6 Further Developments

Should there be any developments during the Offer Period which would alter the Directors' recommendations in relation to the Offer, Cue Energy Shareholders will be notified through a supplementary Target's Statement.

6.7 Taxation Considerations for Cue Energy Shareholders

Part 2, section 6 of the Bidder's Statement sets out advice on Australian capital gains tax consequences of accepting the Offer.

Cue Energy Shareholders should consult their own tax adviser for tax advice tailored to their own particular circumstances. Cue Energy Shareholders should not solely rely on section 6 of the Bidder's Statement in relation to the taxation implications of accepting the Offer.

6.8 Consents

The following persons have given and have not, before the date of issue of this Target's Statement, withdrawn their consent to:

- be named in this Target's Statement in the form and context in which they are named;
- the inclusion of their respective reports or statements noted next to their names and the references to those reports or statements in the form and context in which they are included in this Target's Statement; and

- the inclusion of other statements in this Target's Statement that are based on or referable to statements made in those reports or statements, or that are based on or referable to other statements made by those persons in the form and context in which they are included.

Name of Person	Named As	Reports or Statements
Each Director	a Director	N/A
Allens	Legal adviser	N/A
UBS AG, Australia Branch	Financial adviser	N/A
Grant Samuel	Independent Expert	N/A
RISC Advisory	Technical Specialist	N/A

Each of the above persons:

- does not make, or purport to make, any statement in this Target's Statement other than those statements referred to above and as consented to by that person; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Target's Statement other than as described in this Section with the person's consent.

As permitted by ASIC Class Order 13/521, this Target's Statement contains statements that are made, or based on statements made, in documents lodged with ASIC or ASX (in compliance with the Listing Rules), including the Bidder's Statement. Pursuant to this Class Order, the consent of persons to whom such statements are attributed is not required for the inclusion of those statements in this Target's Statement.

Any Cue Energy Shareholder who would like to receive a copy of any of the documents (or parts of the documents) that contain the statements which have been included pursuant to ASIC Class Order 13/521 may during the Offer Period obtain a copy free of charge by contacting the Cue Energy Shareholder Information line on 1300 373 864 (within Australia) or +61 3 9415 4109 (outside Australia) between 8:30am and 5:30pm (Sydney time) on Monday to Friday.

Additionally, as permitted by ASIC Class Order 13/523, this Target's Statement may include or be accompanied by certain statements:

- fairly representing a statement by an official person; or
- from a public official document or published book, journal or comparable publication.

Pursuant to that Class Order, the consent of persons to whom such statements are attributed is not required for inclusion of those statements in this Target's Statement.

As permitted by ASIC Class Order 07/429, this Target's Statement also contains trading data obtained from IRESS, without its consent to the inclusion of such trading data.

6.9 Continuous Disclosure

Cue Energy is a 'disclosing entity' under the Corporations Act and is subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules. These obligations require Cue Energy to notify ASX of information about specified matters and events as they occur for the purpose of making that information available to the market. In particular, Cue Energy has an obligation (subject to limited exceptions) to notify ASX immediately on becoming aware of any information that a reasonable person would expect to have a material effect on the price or value of Cue Energy Shares.

Copies of the documents filed with ASX may be obtained from the ASX website at www.asx.com.au, or Cue Energy's website at www.cuenrg.com.au.

Copies of documents lodged with ASIC in relation to Cue Energy may be obtained from, or inspected at, an ASIC office.

A list of documents filed with ASX by or concerning Cue Energy since its last Annual Report until close of trading on ASX on 23 February 2015 (being the last trading day before the date of this Target's Statement) is set out in the table below:

Date	Announcement
23/02/2015	NZO: Bidder's Statement
13/02/2015	Change in substantial holding from NZO
12/02/2015	Cue recommends shareholders reject 0.10 per share bid
12/02/2015	NZO: Cue Energy Resources - On-Market Cash Offer
12/02/2015	On-market Takeover Bid by NZOG Offshore Limited
28/01/2015	Quarterly Report for the Period Ended 31 December 2014
23/01/2015	Chairman's letter to shareholders
24/12/2014	Cue completes the sale of Papua New Guinea portfolio
24/12/2014	Change in substantial holding
22/12/2014	Notice of initial substantial holder from NZO
22/12/2014	Acquisition of Substantial Shareholding in Cue
22/12/2014	NZO: Purchase of Interest in Cue Energy
19/12/2014	Change in substantial holding from ZER
17/12/2014	Change in substantial holding from ZER
09/12/2014	Appendix 3Y - Change of Directors Interest Notice
02/12/2014	First Oil from the Maari Growth Project
27/11/2014	Results of Annual General Meeting 27 November 2014
27/11/2014	Chairman Address and Company Presentation AGM 2014
26/11/2014	Withdrawal of Director Nomination - D Morrison
21/11/2014	Cue Farms in to Highly Prospective Onshore Acreage, Indonesia
19/11/2014	Chairman's letter to shareholders
31/10/2014	Quarterly Report for Period Ended 30 September 2014
21/10/2014	Cue increases its interest in Mahakam Hilir PSC to 100%
20/10/2014	Notice of Annual General Meeting and Explanatory Memorandum
20/10/2014	Company response to withdrawal of requisition to elect Director
10/10/2014	Company Response to Requisition from Security Holder

6.10 ASIC Declarations and Listing Rule Waivers

Cue Energy has not been granted any modifications or exemptions by ASIC from the Corporations Act in connection with the Offer.

Cue Energy has not been granted any waivers by ASX in relation to the Offer.

6.11 Other Information

This Target's Statement is required to include all the information Cue Energy Shareholders and their professional advisers would reasonably require to make an informed assessment of whether to accept the Offer, but:

- only to the extent to which it is reasonable for investors and their professional advisers to expect to find this information in this Target's Statement; and
- only if the information is known to any of the Cue Energy Directors.

The Directors are of the opinion that the information that Cue Energy Shareholders and their professional advisers would reasonably require to make an informed assessment of whether to accept the Offer is:

- the information contained in the Bidder's Statement (to the extent that the information is not inconsistent with or superseded by information in this Target's Statement);
- the information which has been previously disclosed by Cue Energy as a disclosing entity in accordance with its continuous disclosure and reporting obligations to ASX and ASIC;
- the information contained in Cue Energy's announcements to ASX prior to the date of this Target's Statement; and
- the information contained in this Target's Statement, including the Annexures to this Target's Statement.

The Directors have assumed, for the purposes of preparing this Target's Statement, that the information contained in the Bidder's Statement is accurate (unless they have expressly indicated otherwise in this Target's Statement). However, the Cue Energy Directors do not take any responsibility for the contents of the Bidder's Statement and are not to be taken as endorsing, in any way, any or all statements contained in it.

In deciding what information should be included in this Target's Statement, the Directors have had regard to a number of factors, including:

- the nature of Cue Energy Shares;
- the matters Cue Energy Shareholders may reasonably be expected to know;
- the fact that certain matters may reasonably be expected to be known to the professional advisers of Cue Energy Shareholders; and
- the time available to Cue Energy to prepare this Target's Statement.

7 Authorisation

This Target's Statement has been approved by a resolution passed by the Directors of Cue Energy. Each Director of Cue Energy voted in favour of the resolution authorising this Target's Statement.

Dated 24 February 2015.

Signed for and on behalf of Cue Energy:



Geoffrey King
Chairman

8 Definitions and Interpretation

8.1 Definitions

The following definitions apply in this Target's Statement unless the context requires otherwise.

ASIC means the Australian Securities and Investments Commission.

ASX Settlement means ASX Settlement Pty Ltd (ABN 49 008 504 532).

ASX Settlement Operating Rules means the operating rules of ASX Settlement or of any relevant organisation which is an alternative or successor to or replacement of, ASX Settlement or of any applicable CS facility licensee.

ASX means ASX Limited (ABN 98 008 624 691) or, as the context requires, the financial market known as 'ASX' operated by it.

Bidder's Statement means the Bidder's Statement dated 12 February 2015 given by NZOG Offshore under Part 6.5 of the Corporations Act.

Board means the board of Directors of Cue Energy.

boe means barrel of oil equivalent.

Broker means a person who is a share broker and a participant of CHESSE.

Business Day means a day which is not a Saturday, Sunday or a public holiday in Sydney.

CHESSE means the Clearing House Electronic Subregister System, which provides for electronic security transfer in Australia.

CHESSE Holding means a holding of shares on the CHESSE sub register of Cue Energy.

Controlling Participant means, in relation to shares in a CHESSE Holding, the Participant with whom the holder has a sponsorship agreement, as defined in the ASX Settlement Operating Rules (usually your broker).

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

CS facility licensee means a person who holds a licence under the Corporations Act that authorises the person to operate a clearing and settlement facility.

Cue Energy or **Company** means Cue Energy Resources Limited (ABN 45 066 383 971).

Cue Energy Board or **Board** means the board of directors of Cue Energy.

Cue Energy Constitution means the Constitution of Cue Energy as amended from time to time.

Cue Energy Director or **Director** means a director of Cue Energy.

Cue Energy Group means Cue Energy and its subsidiaries.

Cue Energy Share or **Share** means a fully paid ordinary share in Cue Energy.

Cue Energy Shareholder or **Shareholder** means a person who is registered as the holder of a Cue Energy Share in the Cue Energy register of members.

Cue Energy Share Registry means the means Computershare Investor Services Pty Limited (ABN 48 078 279 277).

Director or **Cue Energy Director** means a director of Cue Energy.

FY2014 or **FY14** means the 2014 financial year for Cue Energy which ended on 30 June 2014.

Grant Samuel means Grant Samuel & Associates Pty Limited (ABN 28 050 036 372).

GST means Australian Goods and Services Tax.

Independent Expert means Grant Samuel & Associates Pty Limited (ABN 28 050 036 372).

Independent Expert's Report means the report and related financial services guide being prepared by the Independent Expert.

Listing Rules means the listing rules of ASX.

Mcf denotes 1000 cubic feet of natural gas.

NZOG Offshore means NZOG Offshore Limited (a wholly-owned subsidiary of New Zealand Oil & Gas Limited).

NZOG Offshore Bidder's Statement or **Bidder's Statement** means the bidder's statement dated 12 February 2014 lodged by NZOG Offshore with ASIC in relation to the Offer.

NZOG Offshore's Offer or **Offer** means the on market takeover offer by NZOG Offshore to acquire all of the Cue Energy Shares on the terms and conditions set out in NZOG Offshore's Bidder's Statement as subsequently varied in accordance with the Corporations Act.

NZ Oil & Gas means New Zealand Oil & Gas Limited.

NZX means NZX Limited or, as the context requires, the financial market known as 'NZX' operated by it.

Offer means the on-market cash takeover offer for Cue Energy Share at \$0.10 per share, announced by NZOG Offshore on 12 February 2015.

Offer Period means the period within which NZOG Offshore's Offer is open for acceptance in accordance with NZOG Offshore's Bidder's Statement and the Corporations Act.

Offer Price means \$0.10 for every Cue Energy Share, subject to the terms of the Offer.

Participant has the same meaning given in the ASX Settlement Operating Rules.

Q4 2015 means the period of 3 months ending on 31 December 2015

RISC Advisory means RISC Operations Pty Ltd (ACN 150 789 030).

Relevant Interest means has the meaning given in the Corporations Act.

Target's Statement means this document, being the statement of Cue Energy under Part 6.5 of the Corporations Act in relation to NZOG Offshore's Offer. It includes the Independent Expert's Report and the Technical Specialist's Report.

Technical Specialist means RISC Operations Pty Ltd (ACN 150 789 030).

Technical Specialist's Report means the report being prepared by the Technical Specialist, as part of the preparation of the Independent Expert's Report.

VWAP means the volume weighted average price of Cue Energy Shares.

8.2 Interpretation

The following rules of interpretation apply unless the context requires otherwise.

- (a) A term not specifically defined in this Target's Statement has the meaning given to it (if any) in the Corporations Act, the Listing Rules or the ASX Settlement Operating Rules (as is appropriate to the context).
- (b) A gender includes all genders.
- (c) The singular includes the plural, and the converse also applies.
- (d) A reference to a person includes a corporation, trust, partnership, unincorporated body or other entity, whether or not it comprises a separate legal entity.

- (e) A reference to legislation or to a provision of legislation includes any modification or re-enactment of it, any legislative provision substituted for it and any regulations and statutory instruments issued under it.
- (f) A reference to a person includes a reference to the person's executors, administrators, successors, substitutes (including, but not limited to, persons taking by novation) and assigns.
- (g) A reference to a right or obligation of any two or more people comprising a single party confers that right, or imposes that obligation, as the case may be, on each of them severally and each two or more of them jointly. A reference to that party is a reference to each of those people separately (so that, for example, a representation or warranty by that party is given by each of them separately).
- (h) A reference to an agreement or document is to the agreement or document as amended, supplemented, novated or replaced.
- (i) Headings used in this Target's Statement are for ease of reference only and do not affect the meaning or interpretation of this Target's Statement.
- (j) A reference to a Section, Schedule or Annexure is to a Section of or Schedule or Annexure to, this Target's Statement.
- (k) If a word or phrase is defined, its other grammatical forms have a corresponding meaning.
- (l) \$, A\$ or AUD is a reference to the lawful currency of Australia.