

CEO Report and Overview of Operations and Finances

Matthew Boyall

2019 was an exciting year for Cue, where we were successful in farming out WA-359-P and confirming the drilling of the Ironbark prospect, discovering gas with the Paus Biru-1 well and maintaining a strong cashflow position from our production assets.

The Ironbark-1 well in exploration permit WA-359-P is fully funded and scheduled to be drilled in late 2020 by the Ocean Apex drilling rig. We are pleased to have BP Developments Australia Pty Ltd (BP) as Operator and Beach Energy Limited (Beach) and New Zealand Oil & Gas as technically and financially strong partners. The prospect size and proximity to infrastructure of Ironbark means that, if successful, it has the potential to significantly change the value of Cue.

In the Sampang PSC, Cue announced a gas discovery from the Paus Biru-1 exploration well in December 2018. The well was tested and flowed gas at 13.8mmcf. Planning is currently underway and development of the Paus Biru field will provide both a new revenue source and extend the life of the existing Oyong and Wortel field.

Oil production from the Maari and Manaia fields was above expectations for the year, after successful field operations in late 2018 resulted in a 18% increase in average daily production for the second half of the year.

Oyong and Wortel fields continued to be strong contributors to Cue's cash flow in their first full year of production as gas only fields, with steady production and significantly reduced costs.

Financials

Cue's strong financial results for the 2019 financial year included cashflow from operations of \$12.8 million and profit after tax of \$8.5 million. Net cash flow for the year was \$9.2m (including \$0.8 million effects from foreign exchange rate changes), increasing cash holdings to \$26.2 million. \$11.5 million of this is held in escrow to fund Cue's expected, uncarried share of the Ironbark-1 exploration well.

Revenue of \$25.7 million was a 4.8% increase over the previous year. 58% of Cue's revenue was from Oyong and Wortel fixed price gas contracts in Indonesia and 42% from Maari oil sales, which are undertaken against the Brent benchmark price plus a premium.

Production expenses were down by 27% overall, with Sampang PSC costs down by 60% against the previous year due to removal of high cost oil production infrastructure.

Administration costs were in line with 2019 and Cue continues to focus on managing costs.

Cue has no debt.

Production

MAARI AND MANAIA FIELDS - NEW ZEALAND PMP 38160

Maari and Manaia fields performed strongly in the second half of the year with a daily oil production rate of approximately 7500 bopd at the end of the year; 18% higher than the daily average over the whole year (6350 bopd). Total production was approximately 11% lower than the previous year.

The growth in production rates during the second half was a result of a higher capacity Electric Submersible Pump (ESP) installed in the MR6a well, conversion of the MR5 well to a water injector, with increased water injection rates and ongoing efforts to optimise all wells.

The ESP in production well MR6a was replaced in December 2018 with a higher capacity downhole pump to allow the lifting of larger fluid volumes. Post ESP replacement, the well increased oil production by more than 30%. The joint venture has approved a further project to be completed in H1 FY20 to replace other components of the ESP and further increase the fluid lifting capacity from the well.

The MR5 production well was converted from a production well to a water injection well in the first quarter of the year to provide pressure support for the Maari Moki reservoir. Along with the other existing water injection well, MR1, 20,000 to 25,000 barrels of water are now being injected into the Maari field, with ongoing optimisation.

The MR3a well was offline from April 2018 to the end of the year due to ESP failure. Prior to April, the well was producing approximately 450 bopd. The joint venture has approved a workover to replace the ESP and downhole sand screens which may have contributed to the pump failure. The workover was completed during August 2019.

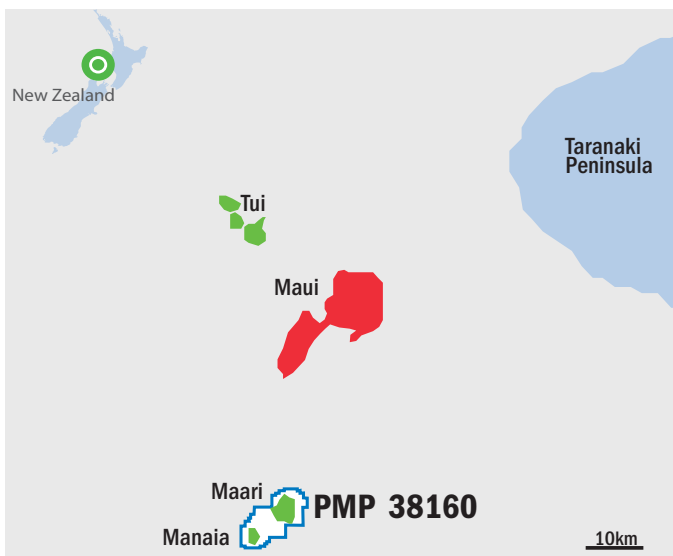
Production

MAARI AND MANAIA FIELDS - NEW ZEALAND PMP 38160

Further field optimisation and infill drilling opportunities are being reviewed by the joint venture to maintain or increase production rates.

During the year, Cue received an insurance settlement of \$1.1 million relating to the FPSO Raroa water injection line which was repaired in 2017.

TARANAKI PENINSULA LOCATION MAP - NEW ZEALAND



LEGEND

- Cue Permit
- Oil Field
- Gas Field
- Gas Condensate Field

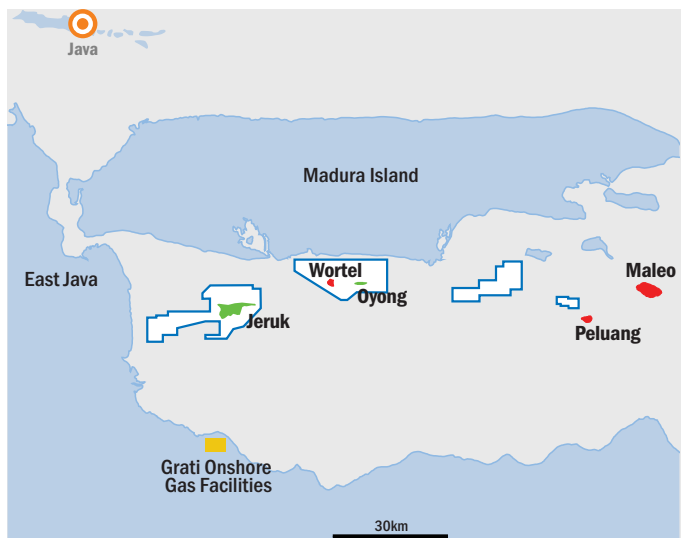
SAMPANG PSC

Gas production from the Oyong and Wortel fields has been consistent in the fields' first full year with a gas only production system. Production averaged 2.4 mmcf/d at Wortel and 1.5 mmcf/d from Oyong net to Cue over the year.

Production expenses were reduced by 60% against the previous year due to the removal of high cost oil infrastructure. The Oyong and Wortel fields now both operate with unmanned well head platforms, connected by pipeline to the joint venture operated Grati onshore gas plant. The gas is sold on long term, fixed price contracts to the adjacent Indonesia Power plant.

On 7 Dec 2018, Cue announced the Paus Biru-1 exploration well in the Sampang PSC as a gas discovery. A maximum flow test of 13.8 mmcf/d was achieved through a 120/64" choke over 5 hours

SAMPANG PSC LOCATION MAP - INDONESIA



from a drill stem test (DST) over a 29 metre interval between 576 and 605 meters Measured Depth. Technical analysis following the discovery is ongoing in preparation for a Plan of Development to be submitted to the Government of Indonesia. The preliminary development plan is for a single well development with a pipeline to the existing Oyong infrastructure.

Cue supported Paus Biru as an exploration opportunity for a number of years and worked in close partnership with the Operator and joint venture during drilling.

A project to increase compression at the Grati gas plant has been approved by the joint venture and is expected to be completed in Q3 FY20. The effect of these works will be to lower the intake pressure of the onshore compressor and improve recovery from the fields in future years.

The joint venture is reviewing a number of exploration opportunities in the PSC, some of which are of significant resource size. The most technically advanced is the Wortel East prospect, where, if approved by the joint venture, a drilling rig in the area during FY20 may provide the opportunity to drill an exploration well in the prospect.

On 6 September 2018, Ophir Energy announced the completion of the acquisition of Santos' Asian assets, making Ophir Energy the new parent company of Santos (Sampang) Pty Ltd, the PSC operator. Ophir Energy was subsequently taken over by Medco Energi Global Pte Ltd, an Indonesian exploration and production company.

Exploration

AUSTRALIA

WA-359-P

The Ironbark-1 well is planned to be drilled in late 2020 by the Ocean Apex rig with BP as Operator. With its very large prospective gas volume, Ironbark has the potential to dramatically change the value of Cue if successful.

Ironbark is a Deep Mungaroo Triassic gas prospect, which is located 50km from the Northwest Shelf LNG infrastructure at North Rankin, making it geographically and commercially well positioned to provide backfill to the existing LNG plants along the Western Australia coastline. The Ironbark-1 well is expected to drill to 5500 metres and will be the first test of the Ironbark prospect.

A number of activities occurred during the year which resulted in the transfer of Cue's participating interest (PI) to BP, Beach and New Zealand Oil & Gas and retention of 21.5% by Cue.

In October 2018, Cue executed a farmout agreement with New Zealand Oil & Gas for a 15% PI in WA-359-P. This agreement was in addition to existing farmout and option agreements which were in place with BP and Beach. The New Zealand Oil & Gas agreement was approved at a General Meeting of Cue shareholders on 8 January 2019.

Also in October 2018, Cue, BP, Beach and New Zealand Oil & Gas executed a Co-ordination Agreement, which committed the parties to work together, with BP undertaking the role of the Operator, to progress the planning of the well, while completion conditions under the existing option and farmout agreements were satisfied.

A rig contract was signed with Diamond Offshore in Feb 2019 for the Ocean Apex semi-submersible drilling rig to drill the Ironbark-1 well.

A 2 year suspension and extension was received in April 2019 and the permit is now due to expire in April 2021.

Completion of all agreements between Cue, BP, Beach and New Zealand Oil & Gas was achieved on 7 June 2019, resulting in the formation of the WA-359-P Joint Venture. Cue received approximately A\$1.8 million on completion and is now being funded by BP, Beach and New Zealand Oil & Gas for approximately US\$11 million of Ironbark well costs. A further US\$8 million of cash reserves has been escrowed by Cue to fund the un-carried portion of its expected participating interest cost for the well

The Ironbark-1 wellsite survey has been completed and the well Environment Plan is currently being prepared.

WA-409-P

Exploration Permit WA-409-P is adjacent to WA-359-P and contains a portion of the greater Ironbark structure and the independent NE Ironbark prospect.

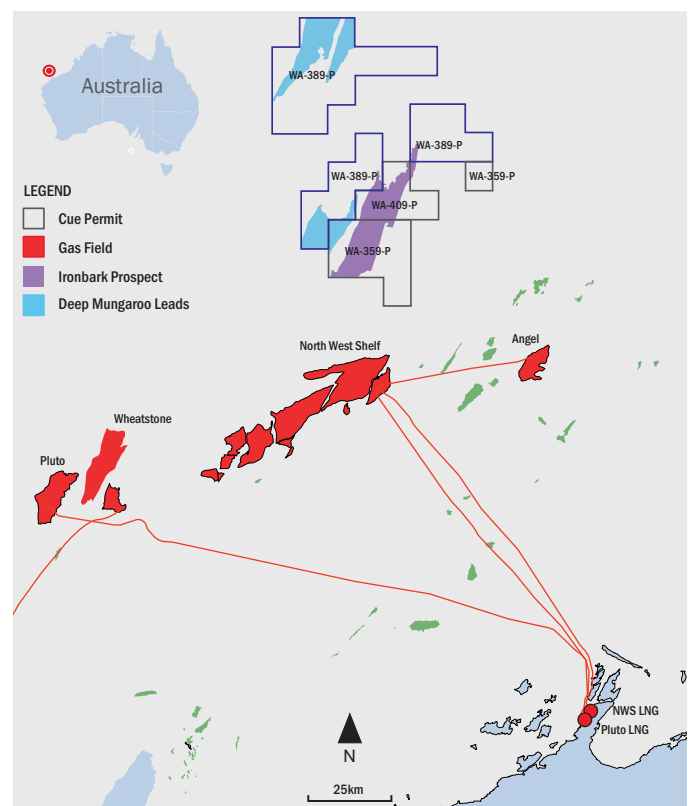
In October 2018, Cue granted New Zealand Oil & Gas an option to acquire 5.56% equity in WA-409-P. This agreement was approved at a General Meeting of Cue shareholders on 8 January 2019.

If exercised, this option includes a free carry to Cue for 5.56% of the cost of drilling a well in WA-409-P and a 10% royalty to Cue on all future revenue from New Zealand Oil & Gas' 5.56% equity in the Permit.

The current option expiry dates for the New Zealand Oil & Gas and Beach WA-409-P options have been extended temporarily until September 2019 while the terms of any further extensions are discussed.

Subsequent to the year end, BP, as operator, submitted an application to the National Offshore Petroleum Titles Administrator (NOPTA) to undertake further technical studies before being required to commit to an exploration well within the permit. The application has been approved, deferring the well commitment currently in permit year 4 to permit year 5, with a drilling decision not required until October 2021.

CARNARVON BASIN LOCATION MAP – AUSTRALIA



WA-389-P

WA-389-P contains the Blue Gum prospect, a Deep Mungaroo structure which Cue believes is part of the greater Ironbark structure. During the year, further work was undertaken to confirm the understanding of the Blue Gum and other prospects within the permit.

Exploration

AUSTRALIA

WA-389-P

Subsequent to the year end, Cue submitted an application to NOPTA to replace the permit year 5 exploration well commitment with seismic reprocessing over the Blue Gum prospect to assist with uncertainties in the current mapping. A 6 month extension of the permit was also applied for. This application was approved and the permit now expires in April 2021 with no well required during the current term.

INDONESIA

Mahakam Hilir PSC

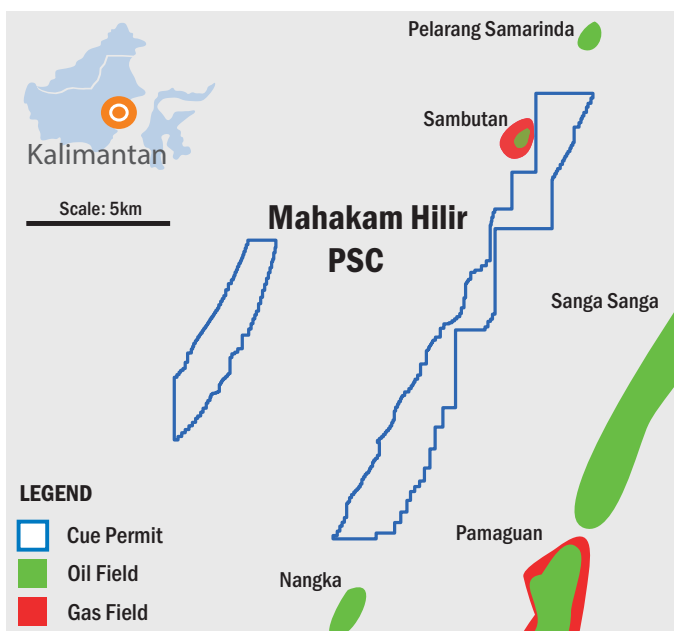
Cue is continuing with efforts to find a partner to participate in the Naga Utara 4 Appraisal well and Mahakam Hilir PSC.

The Naga-Utara 4 well opportunity is to test the previously drilled Sambutan-8 well where log analysis shows potential for 100m gross interval of gas pay. The proposed well location is adjacent to the producing Sambutan gas field and close to existing infrastructure for rapid commercialisation.

During the year, the Naga Selatan-2 well, which was drilled in 2016 was permanently plugged and abandoned safely.

The exploration phase of the PSC is due to expire in May 2020.

MAHAKAM HILIR PSC LOCATION MAP – INDONESIA



MAHATO PSC

Good progress was made during the year on the Mahato PSC, which is located in the highly prospective Central Sumatra Basin but has been previously delayed by partner funding issues.

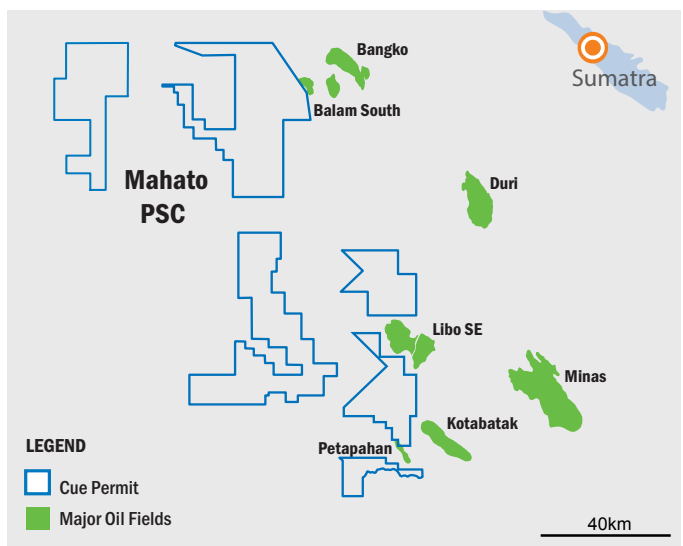
The ownership structure of the other partners in the PSC changed during the year, including that of the PSC Operator, Texcal Mahato EP Ltd. These changes provided funding to the parties and a renewed exploration focus. A 23 month extension of the exploration period was granted by the Indonesian government to June 2021 as a replacement for lost time due to previous land permitting delays.

In Q4 FY19, a Joint Venture operating agreement was agreed and signed by the partners, facilitating the commencement of well planning activities the PB-1 well, which is expected to be drilled mid-November. Well site civil works have been completed and drilling rig mobilisation is currently underway.

The PB prospect is in the southern section of the Mahato PSC and is in the same petroleum system as the giant Minas and Duri oilfields.

A second well is expected to be drilled before the end of the year, either as a follow up of PB-1 or targeting another exploration.

MAHATO PSC LOCATION MAP – INDONESIA



*Map does not include July 2018 relinquishment area, which is still pending approval.

CORPORATE

Cue Energy Resources Ltd and Cue Resources Inc. were named as defendants, along with a number of other companies, in litigation pending in Texas, USA in relation to the Pine Mills oilfield. On March 27, 2019 the court dismissed the claims against Cue in their entirety. On April 26, 2019, the plaintiff filed an amended lawsuit against Cue and the other defendants. Cue has filed a motion to dismiss, which is now pending in U.S. court.