CEO Report and Overview of Operations and Finances

Matthew Boyall

Cue's financial results for FY2020 show the strength of the company's business model. Our mix of revenue, from fixed price gas in Indonesia and Brent linked oil in New Zealand, resulted in $24 million in revenue, only 7% lower than the previous year, even as the oil price went through lows of less than US$20 per barrel.

Cue increased its cash balance during the year to $31.9 million and has no debt. This is an enviable position as we participate in exploration and development projects in the coming year.

Gas production is expected to continue strongly in the Sampang PSC and Maari is expected to return to full production, with ESP replacements in 2 wells completed and a workover of MR6a being planned.

The Ironbark-1 exploration well in the Carnarvon Basin, Western Australia is due to be drilled in Q2 FY2021. This is a significant opportunity for Cue. Ironbark is a very large structure and, if successful, Cue's 21.5% interest could be company changing.

Cue is in a unique position as we enter FY2021 with a strong balance sheet, ongoing cashflow from production, development planning at Paus Biru and the Ironbark-1 exploration well.

Financials

Cue reported another successful year, with a strong balance sheet, cash flow from Operations of $7.4 million and an increase in cash balance to $31.9 million.

Revenue for the year of $23.9 million, was down 7% on the previous year due to lower oil price and lower Maari production. While the second half of FY20 saw historically low oil prices and global uncertainty due to the emergence of COVID- 19, Cue's revenue mix, with 60% from fixed price gas in Indonesia and 40% from Brent linked oil, limited the impact on the full year financial results.

Profit for the year of $1.31 million was down 85% from the previous year as a result of lower revenue, an increase in production costs and $2.7 million impairment of the Maari production asset due to lower oil price forecasts, in line with current market conditions.

Production costs increased by $0.9 million (7%) due to higher New Zealand Royalty payments and higher inventory costs at Maari. Direct operating costs at Sampang and Maari production assets were 4% lower than the previous year.

Cash balance increase to $31.94 million, an increase of 22% over the previous year, including $12.01m in escrow to fund the company's share of the Ironbark-1 well.

This strong balance sheet and continuing positive cash flow put the company in a good position as the Ironbark-1 well is drilled and Paus Biru development moves forward in FY2021.

Throughout the year, Cue has maintained its position of having no debt.

Production

MAARI

Maari field provided $9.5 million of revenue to Cue during the financial year, a reduction of 12% on the previous year due to production disruptions and the collapse of global oil prices from January 2020.

During the first half of the year, workovers were completed on MR3, MR4 and MN1 production wells to replace Electric Submersible Pumps (ESP) and undertake well maintenance. At the end of the half, all wells had returned to production.

After a good start to production in the second half of the year, a number of factors resulted in an overall 17% reduction in production for the year. MR6a, one of the highest producing wells in the field, was shut in mid-March after sudden sand production. Further investigation has assessed the cause as failure of downhole sand screens and a workover plan is currently being finalised to remediate the well, which is likely to take pace in late calendar year 2020. The MR2 well was also shut-in around this time with suspected water breakthrough, which is still being reviewed.

March and April 2020 saw the collapse of the global oil price, with Brent oil, the benchmark for Maari crude, trading at an average of less than US$20/bbl over April. Significant revenue reduction was experienced from scheduled liftings during this period.

Two further production wells, MR9 and MR7, suffered production

Production

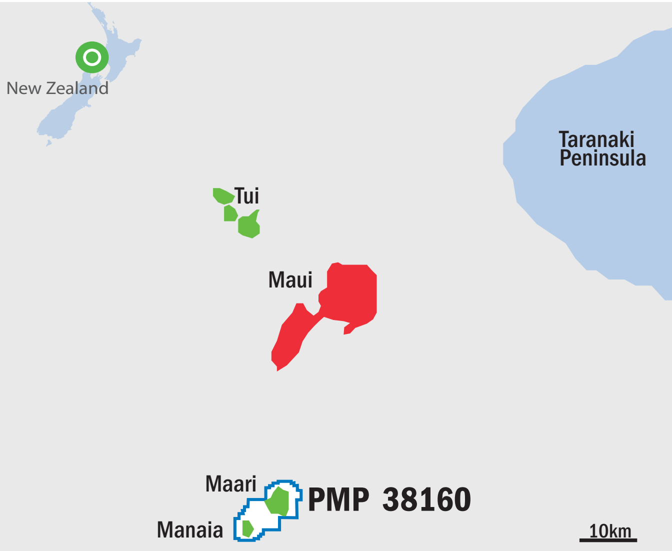
MAARI

disruptions late in the second half of the year due to electric submersible pump (ESP) failures. The failures occurred after significant run times for both pumps and installation of replacements has been completed.

Apart from the associated oil price reductions, direct impacts from COVID-19 were limited in the field. Production continued through the nationwide COVID-19 lockdown which took effect in New Zealand at midnight on 25 March 2020, with offshore staffing reduced to minimum levels required in order to maintain health, safety and environmental obligations. Some delays in well workovers and increased logistics costs are still being experienced but will not have material impacts.

On November 18 2019, Jadestone Energy Inc. (AIM:JSE, TSXV:JSE), announced that it had executed a sales and purchase agreement (SPA) with OMV to acquire OMV's 69% operated interest in the PMP 38160 Permit, containing the Maari and Manaia fields. Conditions for completion of the acquisition include acceptance of Jadestone as operator by the Joint Venture partners, and achieving Government approvals prior to 15 November 2020. Government and JV approvals are still pending.

TARANAKI PENINSULA LOCATION MAP – NEW ZEALAND



LEGEND

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

SAMPANG

Sampang revenue was in line with the previous year as gas production from Oyong and Wortel remained strong. The produced gas is sold on fixed price contracts which were not affected by the collapse of the global oil price during the second half of the year.

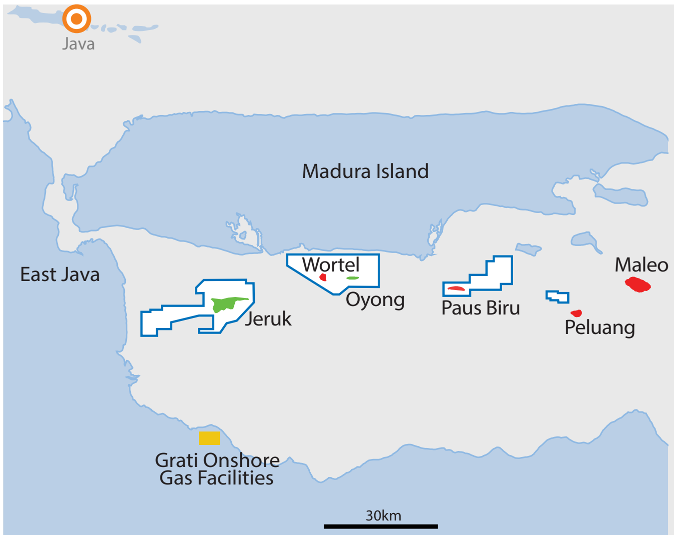
Overall, production was 9% lower than the previous year, although second half production was 11% higher than first half as the positive effects of the upgraded compression at the Grati Onshore Production Facility were realised.

The compressor installation was completed in late January 2020 on time and budget and is expected to extend the future productivity of the Oyong and Wortel fields by reducing the inlet pressure required at the onshore gas processing plant, allowing the wells to produce for longer.

During the second half of the year, the Indonesian Government introduced regulations to cap the price of gas sold by upstream producers to power generators and industrial users in Indonesia. The regulations include provisions that any loss of sales revenue to producers from lower sales price will be provided from the Government share of PSC revenue, so that producer revenue is not affected overall. These regulations are being implemented for all gas producers and will apply to a portion of Sampang production. No effect to Cue future revenue is expected from these new regulations. New developments, including Paus Biru, are not included in the Government pricing regulations.

The Plan of Development (POD) for the Paus Biru gas field, discovered in December 2018 by the Paus Biru-1 exploration well,

SAMPANG PSC LOCATION MAP – INDONESIA



was approved subsequent to the end of the year. The approved POD consists of a single horizontal development well with an unmanned wellhead platform (WHP), connected by a subsea pipeline to the existing WHP at the Oyong field, approximately 27km away.

From the Oyong WHP, gas from Paus Biru will be transported using the existing pipeline to the Grati Onshore Production Facility, which is operated by the Sampang PSC joint venture, where it will be processed.

The joint venture will now proceed into the Front End Engineering and Design (FEED) phase and negotiation of gas sales agreements. A Final Investment Decision (FID) for the development is expected to be taken by the joint venture mid 2021, with first gas expected late 2022.

The Sampang PSC is not being significantly affected by the ongoing COVID-19 situation in Indonesia. The Operator has an COVID-19 plan in place to manage the health and safety of staff and minimise the risk of disruptions to the operations.

Exploration

AUSTRALIA

WA-359-P

WA-359-P contains the Ironbark gas prospect which will be tested by the Ironbark-1 exploration well, scheduled to be drilled in Q2 FY2021 by the Ocean Apex drill rig.

During the year, a site survey of the well location was completed, detailed well and operations planning progressed and procurement plans and purchasing of long lead items continued on target.

The Environment Plan (EP) for the Ironbark-1 exploration well in exploration permit WA-359-P was approved by the National Offshore Petroleum Safety and Environment Management Authority (NOPSEMA) in July 2020.

Exploration permit WA-359-P is located in the Carnarvon Basin, offshore Western Australia, approximately 50km from existing North West Shelf LNG infrastructure. The Ironbark-1 well is expected to drill to approximately 5500 metres and will be the first test of the Ironbark gas prospect.

Cue is fully funded for its expected participating interest costs of the well through funding from farm-in agreements with partners BP, Beach Energy and New Zealand Oil & Gas and approximately $12 million of cash reserves which have been escrowed.

WA-409-P

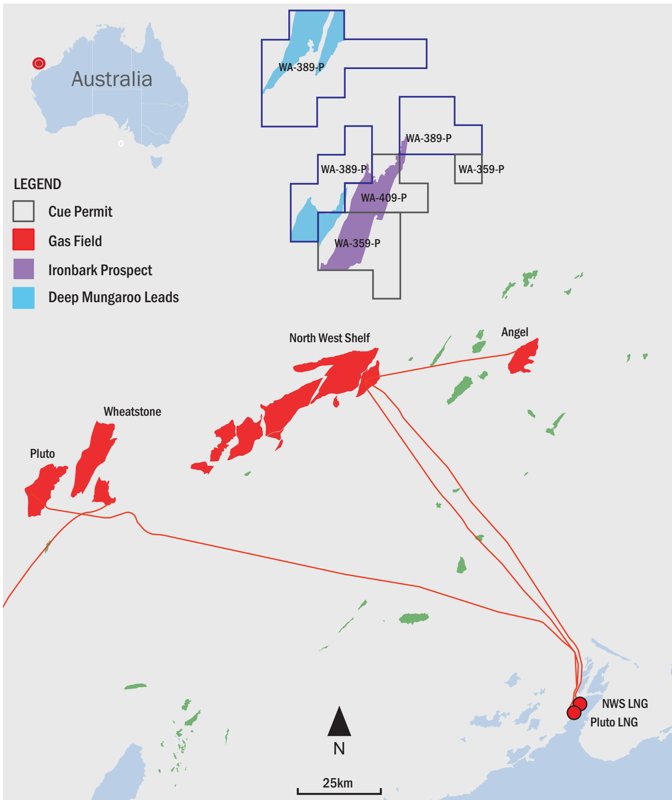
WA-409-P adjoins the WA-359-P exploration permit and is mapped as containing a portion of the Ironbark structure.

During the year, the Joint Venture was granted a variation, suspension and extension to the permit terms which deferred the requirement to drill an exploration well until October 2022, suspended Permit Year 3 for 12 months and extended the permit term by 12 months.

In conjunction with these amended permit terms, Cue executed agreements with Beach Energy and New Zealand Oil & Gas to extend the option periods for both companies until 90 days prior to the expiry of Permit Year 4, in line with the suspension, extension and variation to the drilling commitment in the Permit. As consideration of the extended period Beach Energy and New Zealand Oil & Gas each paid Cue an upfront fee equal to the estimated work program costs of each company's option interests until the end of Permit Year 4.

Geophysical studies being undertaken by the joint venture to further define the Ironbark prospect within WA-409-P include stochastic inversion of existing seismic data.

CARNARVON BASIN LOCATION MAP – AUSTRALIA



Exploration

AUSTRALIA

WA-389-P

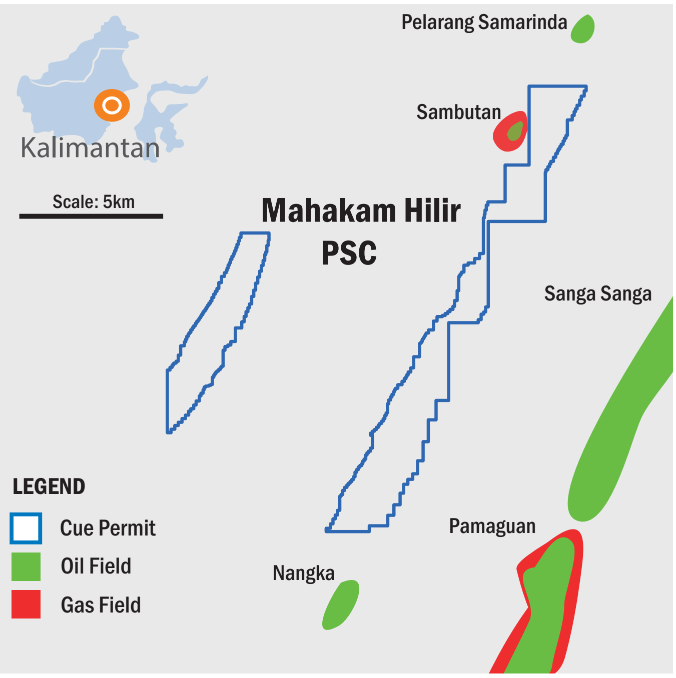
WA-389-P adjoins WA-359-P to the West and is mapped to contain part of a deep Mungaroo prospect which is the updip extension of the Ironbark structure, with similar scale.

Cue was granted a variation, suspension and extension of the permit terms in October 2019 which removed the requirement to drill an exploration well during the permit term and replaced it with 250km^2 of seismic reprocessing and interpretation and other geological and geophysical studies. The permit term was also extended by 6 months to April 2021.

Reprocessing of 900km^2 of seismic data over the Southern portion of the permit and surrounding areas to further delineate the Deep Mungaroo structure which is on trend with the immediately east and downdip horst block containing the Ironbark Prospect is almost complete.

Quantitative geophysical analysis of a shallower, Jurassic seismic amplitude play and a review of the existing charge model and sequence stratigraphy for both the Deep Mungaroo and the Jurassic plays is underway.

MAHAKAM HILIR PSC LOCATION MAP – INDONESIA



INDONESIA

Mahakam Hilir PSC

The Mahakam Hilir PSC contains the Naga Utara prospect and the Naga Utara-4 appraisal well opportunity.

During the year, planning for the drilling of the well and discussions with potential farm-in partners were progressed.

With the implementation of COVID-19 restrictions in Indonesia during the second half of the year, planning and execution of drilling operations was delayed indefinitely, and Cue initiated discussions with the regulator to work out a practical way forward.

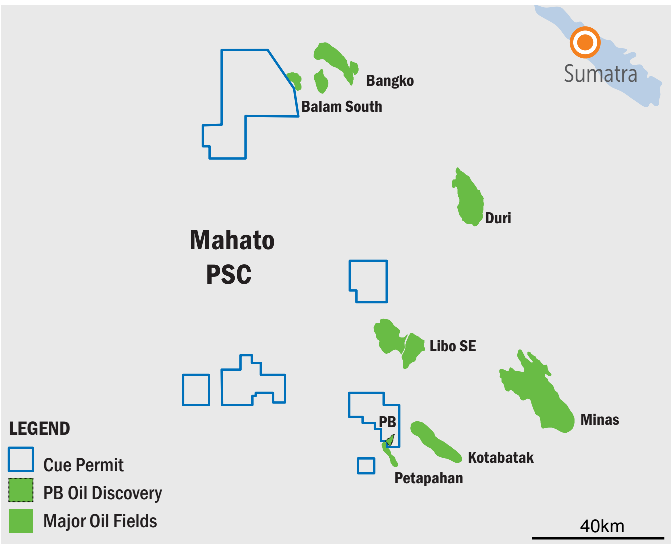
An extension to the exploration period of the PSC was granted by the Indonesian regulator, extending the end date from May 2020 to April 2021. As part of the extension, a condition was placed on the PSC restricting title transfers during the extension period.

Cue was in discussions with a potential partner prior to the extension grant and is assessing the impact of the title transfer restriction and continuing COVID-19 situation on any future dealings and activities.

Mahato PSC

Two exploration wells were drilled in the Mahato PSC during the year, resulting in the announcement of a 61.8 mmbbl OOIP discovery at the PB field, by SKK Migas, the Indonesian Regulator, on 16 April 2020.

MAHATO PSC LOCATION MAP – INDONESIA



The PB-1 exploration well commenced on 19 November 2019, targeting the Early Miocene Bekasap sands, with a secondary target, the overlying Telisa sands. Cue announced on 10 December 2019, that the PB-1 well was drilled to total depth and cased. Cue was issued a default notice by the Operator, Texcal Mahato EP Ltd (Texcal), referencing a deficient cash call which was not settled by Cue. Cue stopped receiving full information from the operator around the time of this notice.

On 17 December 2019 Cue announced that the cash call, which was not material, and was the subject of the default notice referred to in the ASX announcement of 10 December, had been paid.

Texcal, and other joint venture participants, are continuing their claim to have excluded Cue from participation in operations at the PB prospect, based on the issued default notice and claimed decisions made around the time. These claims are rejected by Cue as having no basis under the Joint Operating Agreement (JOA).

Cue is not receiving information from the Operator as required under the JOA, in order to be able to fully assess the announcement by SKKMigas or the status of current operations.

During the second half of the year, Texcal refused to refund Cue's share of the PSC performance bond, amounting to approximately US$268,750 which was released by the Indonesian Government on completion of the PSC work commitment. The return of the bond is governed by a separate agreement with Texcal and is unrelated to the claims being made by Texcal under the JOA.

Cue has Indonesian legal representation and continues to assert all its legal rights under the JOA and the agreement which governs the performance bond.

CORPORATE

As previously disclosed, Cue Energy Resources Ltd and Cue Resources Inc. were named as defendants, along with a number of other companies, in litigation in Texas, USA in relation to the Pine Mills oilfield. As previously disclosed, 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. The case is entitled Hammerhead Managing Partners, LLC v. Nostra Terra Oil & Gas Company, PLC, et al., In the United States District Court For the Northern District of Texas, No. 3:18-cv-1160. On March 27, 2019 the court dismissed the claims against Cue in their entirety, giving the plaintiff leave to refile its compliant. On April 26, 2019, the plaintiff filed an amended complaint against Cue and the other defendants.

Cue Energy Resources Ltd and Cue Resources Inc. filed a motion to dismiss the amended complaint, which was denied by the court on 5 March 2020 without commentary. A request by all parties to extend the current case timetable due to the impacts of COVID-19 was not approved by the court. The trial did not proceed as scheduled during July 2020, however, due to a health issue affecting one of the parties. The case currently does not have a new trial date.