
CEO Report and Overview of Operations and Finances

Matthew Boyall

During the FY2018 year, Cue achieved the strategic goals of stabilising and building a sustainable, cash flow positive business while maintaining exposure to step change opportunities.

The Sampang PSC underwent a significant change during the year, with cessation of oil production and conversion to a gas only project completed late in CY2017. The significantly lower operating costs and simplified systems of gas only production has made the Sampang PSC more sustainable and extended the life of the existing production significantly.

In addition, the Sampang Joint Venture has approved the drilling of the Paus-Biru -1 well. The well is expected to spud late October 2018 and will target the known producing Mundu reservoirs that are seen at Oyong and Wortel. Success with this well will further extend the life of the Oyong and Wortel fields.

Maari continued to provide Cue with consistent revenue and exposure to the increased oil price seen over the year.

The Ironbark prospect in WA-359-P continued to be a main focus for Cue and significant support for the opportunity was achieved with Beach Energy executing a farm in agreement for 21% equity in the Permit in November 2017. In addition, Cue extended BP's option over 42.5% equity until October 2018.

With a 15 Tcf prospective volume, Ironbark has the potential to dramatically change the value of Cue if successful. The company continues to progress well planning and review funding options, targeting a 2019 drill date.

Subsequent to June 30, 2018, Cue announced that a suspension and extension to the current permit term had been approved to 25th April 2019.

Financials

During the 2018 financial year, Cue produced strong financial results, with an after tax profit of \$7.74 million, cashflow from Operations of \$6.83 million and an increase in cash of \$4.56 million.

Revenue of \$24.5 million was a reduction on the previous year due to no oil revenue from Oyong field and lower Sampang gas production associated with the production system changes. The

Oyong and Wortel fields are now stabilised at their long term production rates and annual revenues are expected to perform more predictably in future years.

The operating costs at Sampang are expected to halve under gas only production. Some of the benefits of this can be seen in the 25% reduction in Cue's production costs and only slight reduction in gross profit margin.

Overhead and administration costs were reduced significantly from previous years as Cue operated under a simplified and more focused model.

Production

NEW ZEALAND

PMP 38160

During the year, oil production from Maari averaged approximately 360 bopd to Cue (7200 bopd gross). Production was down from the previous year due to natural field decline and production interruptions while work was undertaken on the Well Head Platform (WHP) and individual wells over the year.

A number of significant projects were undertaken during the year to ensure the sustainability and life of the field. A workover of the MN1 well to deepen the Electric Submersible Pump (ESP) and complete new sections in the wellbore resulted in a 200% increase in production from the well. Workovers were also completed on other wells as part of routine maintenance or to gain access to new production zones.

Compression was successfully added to the Well Head Platform to lower the production pressure of the wells. Incremental production increases from this project are being seen and it is expected that further benefits will be realised in the future.

Permanent repairs to the Well Head Platform were completed early in FY2018 .

Production (Cont')

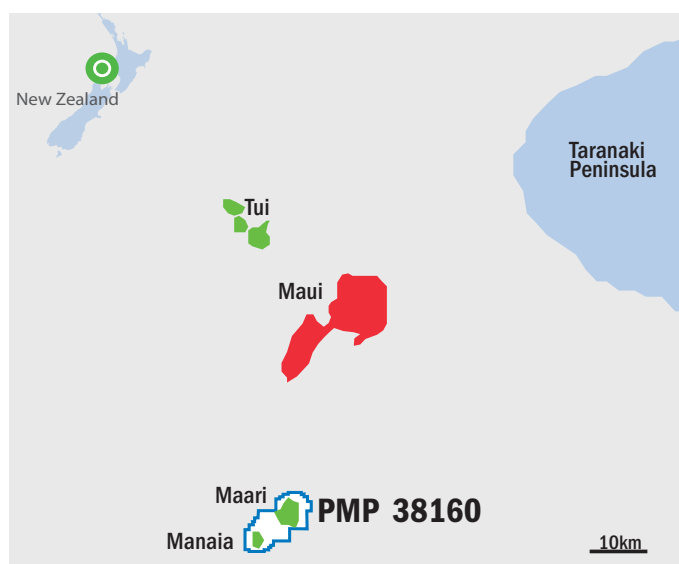
NEW ZEALAND (CONT')

PMP 38160 (Cont')

Planned conversion of the MR5 well to a Water Injector has been completed to provide pressure support and production enhancement for producing wells.

Sidetrack drilling opportunities are being investigated by the Operator and are expected to be assessed by the Joint Venture during this year. Reducing ongoing operating costs is also a focus of the Joint Venture.

TARANAKI PENINSULA LOCATION MAP - NEW ZEALAND



LEGEND

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

INDONESIA

Sampang PSC

During FY2018, Oyong gas production averaged 1.5 mmcf/d and Wortel gas production averaged 2.8 mmcf/d net to Cue. Both these production numbers are lower than the previous year due to the reconfiguration of the production system to gas only. Future year's production is not expected to show such a change year on year.

The final phase of the Sampang Sustainability Project, the removal of the Seagood production facility and the installation of a new compressor at the Grati onshore gas processing plant was completed in December 2017. The Oyong field now produces gas only, which

is sold directly to the Indonesia Power facility adjacent to the Joint Venture operated Grati gas processing plant. The gas is sold on long term fixed price contracts, which provides stable future revenues for Cue.

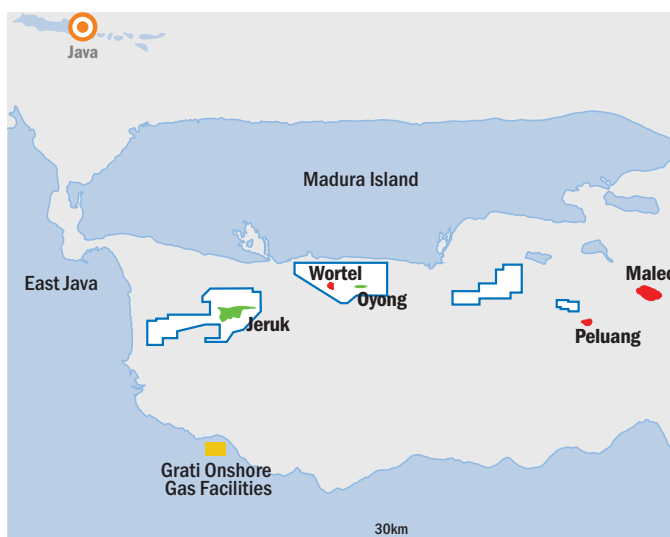
The conversion to a gas only project resulted in considerable reduction in operating costs in the Sampang PSC. These savings were only realised during the final 6 months of the financial year, and a full year of sustainable lower costs is anticipated to be achieved in FY2019 and beyond.

As part of ongoing review of production enhancement opportunities, the Joint Venture perforated and tested the Upper Mundu reservoir in the Oyong-9 well, a reservoir section which was previously untested sand thought to be non-productive. Oyong-9 flowed gas from the perforated section and has been contributing to production since. The Joint Venture is now assessing the results for further upside potential.

The Paus-Biru-1 exploration well, 27km East of the Oyong field was approved by the Sampang Joint venture during the year and is being finalised for drilling in late October 2018. The well is designed to test a four way dip structural closure and will target the Mundu globigerina formation, analogous to the gas producing zones at Oyong and Wortel. If successful, the field would be tied into the existing Oyong infrastructure.

The COSL HYSY 937 jackup drilling rig has been contracted to drill Paus Biru-1 and will be ready to drill after completing a series of nearby wells for another operator.

SAMPANG PSC LOCATION MAP - INDONESIA



Exploration

AUSTRALIA

WA-359-P

Cue is excited about the progress of the Ironbark gas prospect, which has the potential to add company changing value to Cue in the near term 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.

During the year, Cue executed an agreement with Beach Energy Limited (Beach), for Beach to acquire 21% equity in the WA-359-P. Under this agreement, Cue will be carried for 4% of the costs of drilling the Ironbark-1 well and Beach will reimburse Cue \$900,000 for past costs. The agreement is conditional on BP exercising its option to acquire 42.5% equity in the WA-359-P and other customary approvals.

BP's option to acquire 42.5% equity in the WA-359-P permit and participate in the Ironbark-1 exploration well was extended during the year and currently expires in October 2018.

Both of the BP and Beach agreements include a funding commitment to Cue for a portion of the Ironbark-1 well cost. Cue is currently reviewing options to fund the remaining approximately 25% of the estimated well cost.

On 9 August 2018, a suspension of the current work commitment and extension of the permit term was approved until 25 April 2019.

WA-409-P

WA-409-P contains a portion of the Ironbark structure that could contain significant gas resource if Ironbark is successful in WA-359-P.

The Operator, BP, is mapping the Ironbark structure in WA-409-P using recently reprocessed seismic data. BP is funding Cue's share of primary term work commitment costs under a farmout agreement signed in October 2016.

In November 2017, Cue granted Beach Energy an option to acquire 7.5% equity in WA-409-P. If exercised, this option includes a free carry to Cue for 7.5% of the costs of drilling a well in WA-409-P and a 10% royalty to Cue on all future revenue from Beach's 7.5% equity in the Permit. The option may be exercised until July 2019.

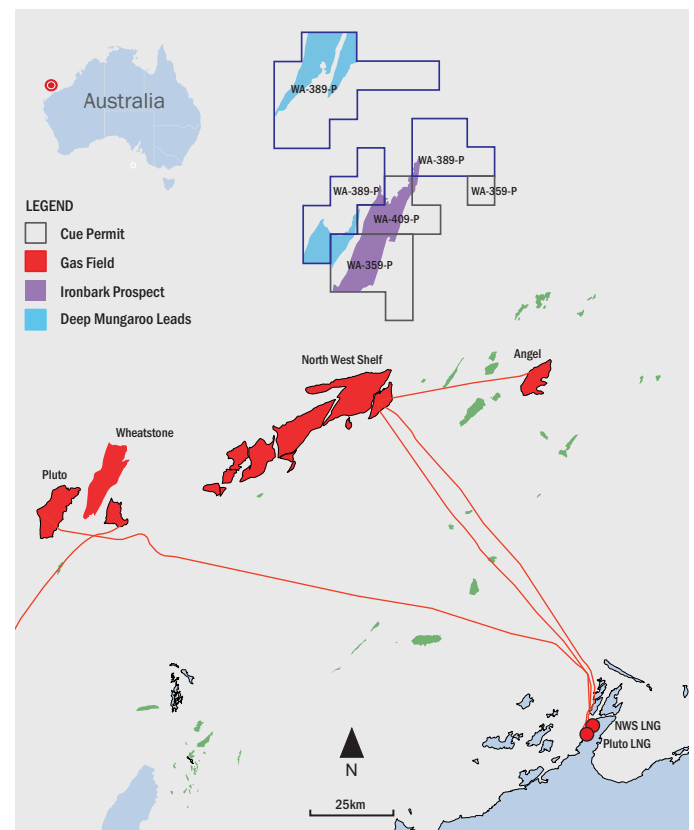
WA-389-P

WA-389-P contains a large structure and reservoir which Cue believes is similar to the Ironbark prospect.

A 2 year suspension to Year 4 of the permit term was approved in October 2017, which allows time for Cue to complete geological

and geophysical studies over the area. A decision on entering Permit year 5 and committing to a well in WA-389-P is not required until October 2019.

CARNARVON BASIN LOCATION MAP – AUSTRALIA



INDONESIA

Mahakam Hilir PSC

Analysis of newly available data continued to support Cue's view of the Naga Utara-4 (NU-4) prospect in the Mahakam Hilir PSC.

This data included additional 2D seismic lines and well data from the Sambutan producing gas field, which lies adjacent to the Naga Utara prospect in an adjoining permit.

The revised geological model has also uncovered the potential for further exploration in other underexplored areas of the PSC.

A variation in the work programme was approved by the Indonesian Government which resulted in the 2 well work programme being deferred to May 2019. Cue is continuing with the planning process for the Naga Utara-4 well, which would test the 100m interpreted interbedded gas sands logged in the 1930s Sambutan 8 well.

Exploration (Cont')

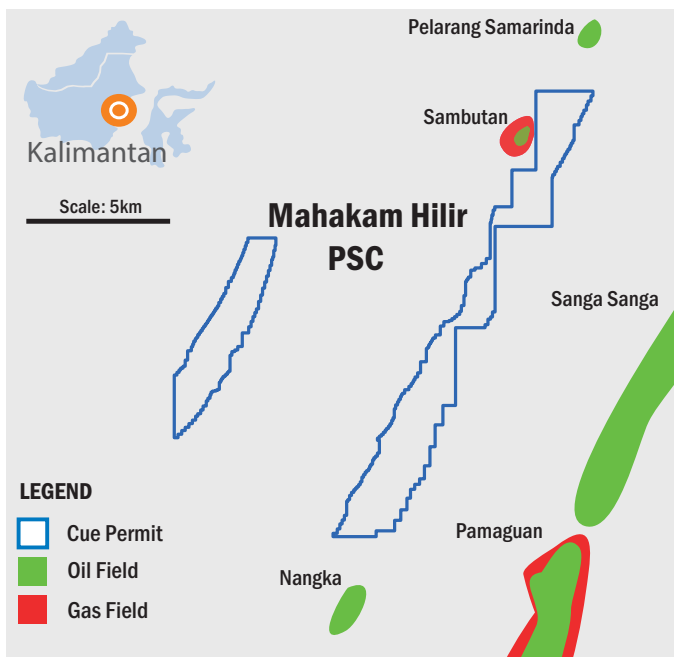
INDONESIA (CONT')

Mahakam Hilir PSC (Cont')

A farmout process is currently underway to attract a partner to participate in the permit.

Cue is proceeding with the plug and abandon of the Naga Selatan-2 well, which was drilled in January 2016. The works are expected to be started and completed during September 2018.

MAHAKAM HILIR PSC LOCATION MAP - INDONESIA



Mahato PSC

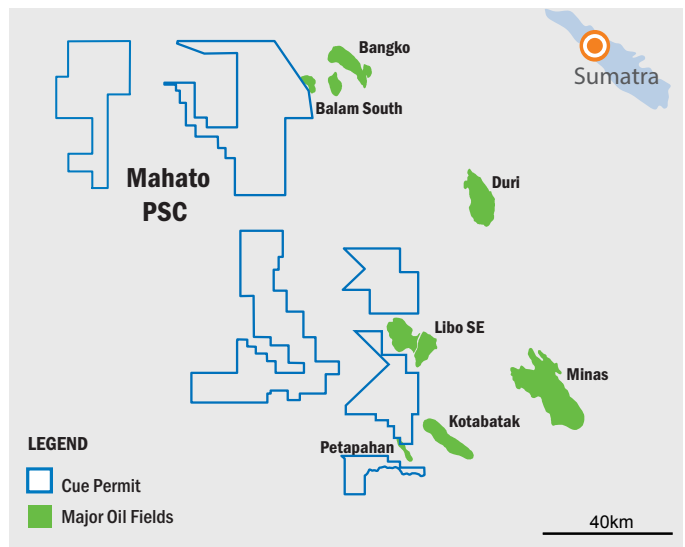
The Mahato PSC, is located in the highly prospective Central Sumatra Basin, close to the largest discovered Indonesian oilfields. During the year, exploration progress in the PSC has been delayed due to partner funding problems and the lack of a legally binding operating agreement.

Subsequent to June 30, 2018, Cue has been informed of changes in ownership structure of the other parties to the PSC, subject to Government of Indonesia approval, which the Company is hopeful will result in progress being made towards exploring this highly prospective permit.

The exploration term of the PSC officially ended on the 19th July 2018. Prior to this, the Operator, submitted an extension application to the Government of Indonesia for replacement of up to 2 years of time lost due to land ownership issues. The Operator has engaged with the government and Cue is optimistic about the extension being granted.

If the ownership changes and extension are approved, Cue believes that exploration of the PSC will proceed quickly, with the possibility of drilling 2 wells within 12-18 months.

MAHATO PSC LOCATION MAP - INDONESIA



CORPORATE

During the year, 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. Cue Energy Resources Ltd and Cue Resources Inc. believe the suit has no merit and have filed motions to dismiss the proceedings.