ABN 45 066 383 971

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ASX Market Announcements
ASX Limited
Exchange Centre
Level 4, 20 Bridge Street
Sydney NSW 2000

Cue Energy Strategy

Attached please find Cue Energy Resources Limited's release with respect to the above mentioned.

Yours faithfully

Andrew M Knox
Chief Financial Officer

CUE ENERGY OVERVIEW
Cue is an Australian based oil and gas company with activities in Australia, New Zealand, Indonesia and the USA.

THE COMPANY HAS:
- Long life production
- A strong balance sheet
- An active exploration programme

CUE ENERGY DIRECTORS
- Grant Worner (Executive Chairman)
- Koh Ban Heng
- Andrew Knight
- Brian Smith

CUE ENERGY MANAGEMENT
- Andrew Knox (CFO)
- Jeffrey Schrull (Exp Man)

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RELEASE

Cue Energy Strategy

On 4 March 2016 two new Directors joined two existing Independent Non-Executive Directors to form a new Board of Cue Energy Resources Ltd (Cue or Company). On 29 March 2016 the new Board announced the appointment of an Executive Chairman on an interim basis to lead the Company's short-term objectives of repositioning the portfolio and lowering overhead costs.

Today the Board is pleased to present an update on the actions taken to reposition the Company.

Strategic Objectives

Taking account of Cue's capabilities, assets, investments, financial position, overheads, historical performance and future opportunities, Cue's three strategic objectives to deliver short, medium, and long-term prosperity are:

1. To have a **sustainable business** operating within its means;
2. To deliver **disciplined growth**; whilst
3. Pursuing opportunities that offer **step-change returns** to shareholders.

1. Sustainable Business

Cue's share of two production assets, a 15% equity interest in the Sampang oil and gas production in Indonesia and a 5% equity interest in the Maari oil production in New Zealand, currently produce around 2,500 barrels of oil equivalent per day to Cue and are key to the Company's ability to be a sustainable business. The two fields are expected to deliver between A$10M and A$15M each year in operating cash flows and have supported the Company's strong balance sheet position, being debt free with a current cash balance of circa A$25M. In the current economic conditions approximately two-thirds of Cue's revenues emanate from gas sales that are independent of oil price, meaning the Company is well protected from further declines in oil prices and has the potential for significant revenue upside if oil prices rise.

Over the last three years Cue received A$60M in operating cash flow from the two production assets and a one-off A$8.5M benefit from selling its PNG assets, yet the Company's cash balance declined in 10 of the last 11 quarters, from A$59M on 30 June 2013 to A$22M by 31 March 2016. The decline over this period was partially due to lower revenues from falling crude oil prices, and spending A$95M on trying to maintain and grow the business through exploration and development, and funding high corporate overheads and administration expenses.

The new Board is taking action to ensure Cue is a sustainable business. The recent material expenditure on the Maari field stabilization and optimization activities is nearing completion. The operators of the Maari and Sampang fields currently do not anticipate any further significant development expenses.

The Board believes that lowering the Company's overhead costs, having a more focused portfolio, and a disciplined growth program will protect the inherent value of Cue and place it in a better position to take advantage of growth opportunities.

When Cue's Board was formed in early March 2016 corporate overheads and administration expenses were forecast at circa A$7.2M each year to support operational activities. Organisation changes and other interventions will reduce Cue's corporate overheads and administration expenses by 40% to a run-rate of about A$4.4M per annum by the year end. The Company will continue to seek opportunities for further savings as key business initiatives are implemented.

Included in the cost reduction activities will be the sale of unmarketable Cue share parcels, resulting in lower administration and shareholder communication costs.

2. Disciplined Growth

Cue is working with its joint venture partners to limit production declines within the existing producing fields and to progress attractive growth opportunities in offshore New Zealand and Indonesia.

The oil and gas discovery earlier this year in Cue's 100% owned Mahakam Hilir Production Sharing Contract (PSC) in onshore Indonesia proved the play and significantly de-risked the acreage. Additional geology and geophysics activities are planned in the third quarter of 2016 to enable an estimate of prospect volumes and more informed decisions on exploration and development activities in the block.

There has not been a legally binding agreement governing the Mahato PSC Joint Venture arrangements since the licence was granted in 2012. Cue will therefore limit its exploration expenditure on this licence until the Company's legal rights are protected.

The Board has decided that Cue will exit from the onshore production assets in the USA and from the exploration acreage in New Zealand.

3. Opportunities for step-change returns

Cue's first step-change opportunity lies in the highly prospective acreage near the North West Shelf infrastructure offshore Western Australia. Cue has 100% equity and is operator of both WA-359-P and WA-409-P which contain the world class "Ironbark" prospect. The best technical estimate of this prospect is more than 15 trillion cubic feet of unrisked prospective gas resource based on an internal technical assessment by Cue.

For this opportunity to materialize Cue needs to ensure the tenure of the acreage, attract suitable farm-in partners, and achieve success from the subsequent exploration activities. The first two steps in this process are well underway. As announced in April 2016 the WA-359-P licence tenure has been extended through to April 2018 and Cue has been granted an extension to submit a renewal application for the WA-409-P licence. The Company has been running a farm-out process for Ironbark over the last 6 months and is currently in discussions with several international oil companies who may become partners in the blocks.

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We believe Cue is entering an exciting time. The new Board is committed to adding value to Cue by ensuring in the short term that the Company operates as a sustainable business, growing returns in the medium term, and progressing opportunities that offer step-change returns to its shareholders.

We thank all shareholders for their support and will continue to announce material developments throughout the implementation of the Company strategy.

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

For and on behalf of the Board,
Grant Worner
Executive Chairman

8 June 2016

Disclaimer

Any forecast or other forward-looking statement contained in this announcement involves known and unknown risks and uncertainties and significant elements of subjective judgement and assumptions as to future events which may or may not be correct. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Cue Energy Resources Ltd, and may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements.