

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity' or the 'Group') consisting of Cue Energy Resources Limited (referred to hereafter as the 'company', 'parent entity' or 'Cue') and the entities it controlled at the end of, or during, the year ended 30 June 2020.

Directors

The names of Directors of the Company in office during the year and up to the date of this report were:

Alastair McGregor
Andrew Jefferies
Peter Hood AO
Rebecca DeLaet (resigned 20 December 2019)
Richard Malcolm
Rod Ritchie
Samuel Kellner
Marco Argentieri (appointed 14 January 2020)

Chief Executive Officer

Matthew Boyall

Chief Financial Officer/Company Secretary

Melanie Leydin

Principal activities

The principal activities of the group are petroleum exploration, development and production.

Corporate governance statement

Details of the Company's corporate governance practices are included in the Corporate Governance Statement set out on the Company's website. This URL on the website is located at: <http://www.cuenrg.com.au/irm/content/corporate-directory.aspx?RID=295>

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Financial performance

The consolidated entity reported a net profit after tax of \$1.31 million for the financial year, a decrease of \$7.24 million from its \$8.55 million profit in 2019. The 2020 operating results included an impairment of \$2.7 million for the Maari production assets. This was mainly driven by the lower oil price forecasts, in line with current market conditions.

Production revenue for the year was \$23.92 million, a decrease of \$1.81 million from the previous period (2019: \$25.73 million). Production costs increased to \$12.94 million (2019: \$12.08 million).

The net assets of the consolidated entity increased by \$2.15 million to \$43.56 million for the year ended 30 June 2020 (30 June 2019: \$41.41 million). Working capital, being current assets less current liabilities, was \$32.57 million (30 June 2019: \$26.28 million).

The consolidated entity achieved positive cashflow from operating activities of \$7.4 million for the year ended 30 June 2020. The consolidated entity ended the year with a cash balance of \$31.94 million, including cash and cash equivalents of \$19.94 million and \$12.01 million restricted cash in an escrow account designated for Ironbark-1 drilling programme. The consolidated entity has no debt.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread globally as well as in Australia. The spread of COVID-19 has caused significant volatility in Australian and international markets and had an impact on global oil prices. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19. To protect the health and safety of employees and comply with local regulations, the Company has closed its offices temporarily and arranged for employees to work remotely. At the date of this report, the impact of these measures is not expected to significantly affect the Company's business operations.

Refer to the CEO Report and Overview of Operations and Finances preceding this Director's Report.

Significant changes in the state of affairs

On 29 July 2019, the Company issued 4,277,888 unlisted options to eligible employees under the share option scheme, exercisable at \$0.07 (7 cents). The options will vest on 1 July 2021 and expire on 1 July 2023.

On 4 October 2019, the Company issued 3,853,298 unlisted options to eligible employees under the share option scheme, exercisable at \$0.09 (9 cents). The options will vest on 1 July 2022 and expire on 1 July 2024.

On 21 April 2020, the Company advised that through its 100% subsidiary, Cue Mahato Pty Ltd, it had become aware that the Indonesian Ministry of Energy and Mineral Resources has announced a 61.8 million barrel oil discovery at the PB field in the Mahato PSC.

Two wells had been drilled in the Mahato PSC. The operator, Texcal Mahato EP Ltd (Texcal) and other joint venture parties are claiming to have excluded Cue from participation in these operations. These claims are rejected by Cue as having no basis under the Joint Operating Agreement (JOA). Cue continues to assert all its legal rights under the JOA and is currently evaluating its available options.

Cue is not receiving information from the operator as required under the JOA to enable full assessment of the SKK Migas announcement but interprets the 61.8 million barrels reference as an oil in place P50 resource estimate.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year

On 16 July 2020, the Company issued 3,743,260 unlisted options to eligible employees under the share option scheme, exercisable at \$0.1175 (11.75 cents). The options will vest on 1 July 2023 and expire on 1 July 2025.

On 17 July 2020, the Consolidated Entity announced that the Environment Plan (EP) for the Ironbark-1 exploration well in exploration permit WA-359-P had been approved by the National Offshore Petroleum Safety and Environment Management Authority (NOPSEMA).

On 19 August 2020, the Company announced the Indonesian Government approval of the Paus Biru gas field Plan of Development in the Sampang PSC and an independent certification of the contingent resources in the field.

No other matter or circumstances has arisen since 30 June 2020 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

The following activities may affect the expected results of operations:

- Farming down or funding alternatives for the Mahakam Hilir PSC, Indonesia
- Actively seeking to acquire additional production
- Progress on Paus Biru Front End Engineering and Design and Final Investment Decision
- Continuing claims by the Mahato PSC operator excluding Cue Mahato Pty Ltd from the PB field oil discovery

The Coronavirus/COVID-19 global pandemic presents strategic, operational and commercial uncertainties for the Company. There are increased uncertainties around the duration, scale and impact of the Coronavirus/COVID-19 outbreak. The Company is taking various measures to mitigate the impact on its operations including employees, partners and customers. The Board and management team continue to assess the potential impacts on the business, however given the continued uncertainties the future financial impact, if any, cannot be determined.

Environmental regulation

Within the last year there have been zero incidents, zero lost time injuries and zero significant spills within Cue Energy Resources Limited. Among the joint operations there have been a number of incidents that have been reported and investigated by all the relevant parties. Cue Energy Resources Limited continues to monitor the progress of reported incidents and work with the joint venture operation partners and operators to improve overall health and safety and minimise any impact on the environment.

Information on directors

Name:	Alastair McGregor
Title:	Non-Executive Chairman
Qualifications:	BEng, MSc
Experience and expertise:	Mr McGregor has been actively involved in the oil and gas sector since 2003. He is currently chief executive of O.G. Energy, which holds Ofer Global's broader energy interests, and Oil & Gas Limited, a company that holds directly or indirectly oil & gas exploration and production interests onshore and offshore. He leads the O.G. Energy Senior Management Committee, driving the strategy for Ofer Global's energy activities. Mr McGregor is also a director of New Zealand Oil & Gas Limited. In addition, Mr McGregor is chief executive of Omni Offshore Terminals Limited, a leading provider of floating, production, storage and offloading (FSO and FPSO) solutions to the offshore oil and gas industry. Omni's operations have spanned the globe from New Zealand, Australia, South East Asia, Middle East and South America. Prior to entering the oil and gas industry Mr McGregor spent 12 years as a banker with Citigroup and Salomon Smith Barney. Mr McGregor holds a BEng from Imperial College, London and an MSc from Cranfield University in the UK.
Other current directorships:	New Zealand Oil & Gas Limited O.G. Energy Holdings Ltd. O.G. Oil & Gas Limited
Former directorships (last 3 years):	None
Special responsibilities:	Member, Remuneration and Nomination Committee
Interests in shares:	None
Interests in options:	None
Name:	Andrew Jefferies
Title:	Non-Executive Director
Qualifications:	BE Hons (Mechanical), MBA, MSc in petroleum engineering, GAICD, Certified Petroleum Engineer
Experience and expertise:	Mr Jefferies is managing director of New Zealand Oil & Gas Limited. He started his career with Shell in Australia after graduating with a BE Hons (Mechanical) from the University of Sydney in 1991, an MBA in technology management from Deakin University in Australia, and an MSc in petroleum engineering from Heriot - Watt University in Scotland. Mr Jefferies is also a graduate of the Australian Institute of Company Directors (GAICD), and a Certified Petroleum Engineer with the Society of Petroleum Engineers. He has worked in oil and gas in Australia, Germany, the United Kingdom, Thailand and Holland.
Other current directorships:	NZOG Offshore Limited New Zealand Oil & Gas Limited Tuatara Energy Limited
Former directorships (last 3 years):	None
Special responsibilities:	Member, Audit and Risk Committee Member, Remuneration and Nomination Committee Member, Operational Risk and Sustainability Committee
Interests in shares:	8,000 fully paid ordinary shares
Interests in options:	None

Name: Peter Hood (AO)
Title: Non-Executive Director
Experience and expertise: Mr Hood is a professional chemical engineer with 45 years' experience in the development of projects in the resources and chemical industries. He began his career with WMC Ltd and then was chief executive officer of Coogee Chemicals Pty Ltd and Coogee Resources Ltd from 1998 to 2009. He is a graduate of the Harvard Business School Advanced Management Programme and is currently Chairman of Matrix Composites and Engineering Ltd and a Non-Executive Director of GR Engineering Ltd. He has been Vice-Chairman of the Australian Petroleum Production and Exploration Association Limited (APPEA), Chairman of the APPEA Health Safety and Operations Committee, and is a past President of the Western Australian and Australian Chambers of Commerce and Industry.

Other current directorships: De Grey Mining Ltd
GR Engineering Ltd
Matrix Composites and Engineering Ltd

Former directorships (last 3 years): None
Special responsibilities: Member, Audit and Risk Committee
Interests in shares: 80,000 fully paid ordinary shares
Interests in options: None

Name: Rebecca DeLaet
Title: Non-Executive Director (resigned on 20 December 2019)
Qualifications: M.Fin, B.Science
Experience and expertise: Ms DeLaet has worked for the Ofer Global group of companies since 1990. Prior to focusing exclusively on O.G. Energy activities in 2019, Ms DeLaet spent the previous ten years overseeing Ofer Global's finance activities, including debt and equity financing, treasury operations and risk management. Ms. DeLaet was responsible for the initial structuring and capitalisation of Omni Offshore Terminals' assets in 1994, establishing an independent oil and gas arm for Ofer Global. Since then, she has been responsible for all of the financing activities for the Omni organisation. Ms DeLaet is a director of O.G. Energy, O.G. Oil & Gas and New Zealand Oil & Gas, where she chairs the audit committee. As a member of the O.G. Energy Senior Management Committee, she helps drive strategy for Ofer Global's energy activities. Ms. DeLaet has a Masters in Finance and Bachelor of Science from the Wharton School at the University of Pennsylvania.

Name: Richard Malcolm
Title: Non-Executive Director
Experience and expertise: Mr Malcolm is a professional geoscientist with 34 years of varied oil and gas experience within seven international markets. He began his career as a Petroleum Geologist with Woodside Petroleum in Perth exploring for oil and gas on the Northwest Shelf. He spent ten years with Ampolex Limited (Perth and Sydney) as a Senior Explorationist and then Exploration Manager in Western Australia and Asset Manager in Northern & Eastern Australia. Following Mobil's takeover of Ampolex, Mr Malcolm was appointed manager of Mobil's assets in Papua New Guinea. Three years later he joined OMV, initially as Exploration Manager for Australia & New Zealand and later as Exploration & Reservoir Manager for OMV Libya, General Manager Norway and in 2006, Managing Director of OMV UK. Between 2008 and 2013, Mr Malcolm was chief executive of Gulfsands Petroleum plc, an AIM listed production, exploration and development company with operations in Syria, Tunisia, Morocco, USA and Colombia. He is currently a director of Larus Energy Limited.

Other current directorships: Larus Energy Limited
Former directorships (last 3 years): Puravida Energy NL
Special responsibilities: Chairman, Remuneration and Nomination Committee
Member, Operational Risk and Sustainability Committee
Interests in shares: None
Interests in options: None

Name: Rod Ritchie
Title: Non-Executive Director
Qualifications: B.Sc
Experience and expertise: Mr Ritchie is a director of New Zealand Oil and Gas limited. Mr Ritchie joined the board of New Zealand Oil and Gas in 2013. He began his career as a petroleum engineer with Schlumberger for 28 Years and then joined OMV where he worked for a further 12 years. Mr Ritchie has over 40 years of global experience in leadership roles and as a Health, Safety, Environmental and Security (HSSE) executive in the Oil and Gas industry, including being the corporate Senior Vice President of HSSE and Sustainability at OMV based in Vienna, Austria. He has also worked closely with the International Association of Oil and Gas produces (IOGP) to create Industry best practice standards for the Oil and Gas Industry. He is also an active leadership and cultural change consultant, and an author on the subject of Safety Leadership and several Society of Petroleum Engineers papers on the subject of HSSE and safety Leadership.

Other current directorships: New Zealand Oil & Gas Limited
Former directorships (last 3 years): None
Special responsibilities: Member, Remuneration and Nomination Committee
Chair, Operational Risk and Sustainability Committee

Interests in shares: None
Interests in options: None

Name: Samuel Kellner
Title: Non-Executive Director
Qualifications: BA, MBA
Experience and expertise: Mr Kellner has held a variety of senior executive positions with Ofer Global since joining the group in 1980. He has been deeply involved in all Ofer Global's business lines, with a particular emphasis on offshore oil and gas, shipping and real estate, and has advised Ofer Global companies on investments with a variety of investment managers, hedge funds and private equity funds. Most recently, Mr Kellner served as President of Global Holdings Management Group (US) Inc. where he led North American real estate acquisition, development and financing activities. Mr Kellner serves as a director of O.G. Energy, O.G. Oil & Gas and New Zealand Oil & Gas, where he is Chairman of the Board of Directors. As a member of the O.G. Energy Senior Management Committee, he helps drive strategy for Ofer Global's energy activities. He is also an Executive Director of the main holding companies for the Zodiac Maritime Limited shipping group and Omni Offshore Terminals Limited, a leading provider of floating, production, storage and offloading (FSO and FPSO) solutions to the offshore oil and gas industry. Mr Kellner graduated with a BA degree from Hebrew University in Jerusalem. He has an MBA from the University of Toronto, and taught at the University of Toronto while working toward a PhD in Applied Economics.

Other current directorships: O.G. Energy Holdings Ltd.
O.G. Oil & Gas Limited
New Zealand Oil & Gas Limited

Former directorships (last 3 years): None
Special responsibilities: Chair, Audit and Risk Committee
Interests in shares: None
Interests in options: None

Name:	Mr Marco Argentieri
Title:	Non-Executive Director (appointed 14 January 2020)
Experience and expertise:	Mr Argentieri is a Director of New Zealand Oil and Gas Limited, Senior Vice President and General Counsel for O.G. Energy, and a member of the Board of Directors of both O.G. Energy and O.G. Oil & Gas. Prior to O.G. Energy, Mr Argentieri worked extensively in finance, offshore oil services and shipping. Mr Argentieri started his career as an attorney at the New York offices of Skadden, Arps, Slate, Meagher & Flom LLP and Latham & Watkins LLP. He holds a B.A. from the University of Rochester, a J.D. from New York University and an MBA from Columbia University.
Other current directorships:	New Zealand Oil and Gas Limited
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	None
Interests in options:	None

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary

Ms Melanie Leydin, BBus (Acc. Corp Law) CA FGIA

Ms Leydin holds a Bachelor of Business majoring in Accounting and Corporate Law. She is a member of the Institute of Chartered Accountants, Fellow of the Governance Institute of Australia and is a Registered Company Auditor. She graduated from Swinburne University in 1997, became a Chartered Accountant in 1999 and since February 2000 has been the principal of Leydin Freyer. The practice provides outsourced company secretarial and accounting services to public and private companies across a host of industries including but not limited to the Resources, technology, bioscience, biotechnology and health sectors.

Ms Leydin has over 25 years' experience in the accounting profession and over 15 years as a Company Secretary. She has extensive experience in relation to public company responsibilities, including ASX and ASIC compliance, control and implementation of corporate governance, statutory financial reporting, reorganisation of Companies and shareholder relations.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2019, and the number of meetings attended by each director were:

	Full Board		Remuneration and Nomination Committee		Audit and Risk Committee		Operational Risk and Sustainability Committee	
	Attended	Held	Attended	Held	Attended	Held	Attended	Held
Alastair McGregor	6	6	-	-	-	-	-	-
Andrew Jefferies	6	6	3	3	2	2	3	3
Peter Hood	6	6	-	-	2	2	-	-
Rebecca DeLaet*	1	2	-	-	1	1	-	-
Richard Malcolm	6	6	3	3	-	-	3	3
Rod Ritchie	6	6	3	3	-	-	3	3
Samuel Kellner	6	6	-	-	1	1	-	-
Marco Argentieri**	4	4	-	-	-	-	-	-

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

* Ms Rebecca DeLaet resigned from the Board on 20 December 2019.

** Mr Marco Argentieri appointed as Non-Executive Director on 14 January 2020.

Remuneration report (audited)

This Remuneration Report which has been audited, and which forms part of the Directors' Report, sets out information about the remuneration of Cue Energy Resources Limited's Directors and its senior management for the financial year ended 30 June 2020, in accordance with the Corporations Act 2001 and its regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The prescribed details for each person covered by this report are detailed below under the following headings:

- (A) Director and executive details
- (B) Remuneration policy
- (C) Details of remuneration
- (D) Equity based remuneration
- (E) Relationship between remuneration policy and company performance

(A) Director and executive details

The following persons acted as Directors of the company during or since the end of the financial year:

- Alastair McGregor (Non-Executive Chairman)
- Andrew Jefferies (Non-Executive Director)
- Peter Hood (Non-Executive Director)
- Rebecca DeLaet (Non-Executive Director) - resigned on 20 December 2019
- Richard Malcolm (Non-Executive Director)
- Rod Ritchie (Non-Executive Director)
- Samuel Kellner (Non-Executive Director)
- Marco Argentieri (Non-Executive Director) - appointed on 14 January 2020

Unless otherwise stated the persons named above held their current position for the whole of the financial year and since the end of the financial year.

The term "Executive" is used in this Remuneration Report to refer to the following persons:

- Matthew Boyall (Chief Executive Officer)

(B) Remuneration policy

The Board's policy for remuneration of Executives and Directors is detailed below.

Remuneration packages are set at levels that are intended to attract and retain high calibre directors and employees and align the interest of the Directors and Executives with those of the company's shareholders. The Remuneration policy is established and implemented solely by the Board.

Remuneration and other terms and conditions of employment are reviewed annually by the Board having regard to performance and relevant employment market information. As well as a base salary, remuneration packages include superannuation, termination entitlements and fringe benefits.

The Board is conscious of its responsibilities in relation to the performance of the Company. Directors and Executives are encouraged to hold shares in the Company to align their interests with those of shareholders.

No remuneration or other benefits are paid to Directors or Executives by any subsidiary companies.

(C) Details of remuneration

The structure of Non-Executive Director and Executive remuneration is separate and distinct.

Non-Executive Directors

Remuneration of Non-Executive Directors is determined by the Board within the maximum amount approved by the shareholders from time to time. The amount currently approved is \$700,000, which was approved at the Annual General Meeting held on 24 November 2011. The Company's policy is to remunerate Non-Executive Directors at a fixed fee based on their time involvement, commitment and responsibilities. Remuneration for Non-Executive Directors is not linked to individual or company performance, however, to align Directors' interests with shareholders' interests, Non-Executive Directors are encouraged to hold shares in the Company. The Board retains the discretion to award options or performance rights to Non-Executive Directors based on the recommendation of the Board, which is always subject to shareholder approval.

Alastair McGregor, Andrew Jefferies, Rebecca DeLaet*, Samuel Kellner and Marco Argentieri have elected not to be paid by the Company.

* Ms Rebecca DeLaet resigned from the Board on 20 December 2019. She has elected not to be paid by the Company up to the date of her resignation.

Executives

Executives receive a mixture of fixed and variable pay and a blend of short and long term incentives as appropriate. Remuneration packages contain the following key elements:

- Fixed compensation component inclusive of base salary, superannuation, non-monetary benefits and consultancy fees
- Short term incentive programme
- Long term employee benefits

Fixed compensation

Fixed compensation consists of base salary (which is calculated on a total cost base and including any FBT charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds.

The base salary is reflective of market rates for companies of similar size and industry which is reviewed annually to ensure market competitiveness. During 2020 financial year, the Board reviewed the salaries paid to peer company executives in determining the salary of the Company's Key Management Personnel. This base salary is fixed remuneration and is not subject to performance of the company. Base salary is reviewed annually and adjusted on 1 July each year as required. There is no guaranteed base salary increase included in any executive's contracts.

Cash bonuses

A cash bonus was paid during this financial year. Details are disclosed in remuneration table below.

Employment contracts

Remuneration and other terms of employment for key executive Matthew Boyall is formalised in a service agreement. Details of the agreement is as follows:

Matthew Boyall

Title: Chief Executive Officer

Original Agreement effective from 1 July 2017, with salary terms revised on 1 October 2018.

Term: Permanent employment contract, no fixed terms.

Details: Base salary of \$360,000 per annum plus superannuation to be reviewed annually by the Board. Mr Boyall is also entitled to short-term incentive up to 30% (2019: 30%) of his base salary at the discretion of the Board at the end of each financial year dependent on the success of meeting key deliverables.

Notice period: 3 months

Compensation levels are reviewed each year to take into account cost of living changes, any change in the scope of the role performed and any changes to meet the principles of the compensation policy.

Details of the nature and amount of each major element of remuneration of each Director of the Company and other Key Management Personnel of the consolidated entity are:

Compensation of Key Management Personnel – 2020

2020	Short-term benefits		Long-term benefits	Post employment	Share-based payments	Total
	Cash salary and fees	Cash bonuses	Long service leave	Super-annuation	Equity-settled	
	\$	\$	\$	\$	\$	\$
<i>Directors</i>						
Alastair McGregor*	-	-	-	-	-	-
Andrew Jefferies*	-	-	-	-	-	-
Peter Hood	45,662	-	-	4,338	-	50,000
Rebecca DeLaet*	-	-	-	-	-	-
Richard Malcolm	43,379	-	-	4,121	-	47,500
Rod Ritchie	47,500	-	-	-	-	47,500
Samuel Kellner*	-	-	-	-	-	-
Marco Argentieri*	-	-	-	-	-	-
<i>Other Key Management Personnel:</i>						
Matthew Boyall**	356,003	91,800	21,193	25,000	51,334	545,330
	<u>492,544</u>	<u>91,800</u>	<u>21,193</u>	<u>33,459</u>	<u>51,334</u>	<u>690,330</u>

* Alastair McGregor, Andrew Jefferies, Rebecca DeLaet, Samuel Kellner and Marco Argentieri have elected not to be paid by the Company.

** Matthew Boyall's cash bonus consists of \$91,800 for achieving 85% weighting against 2019 key performance indicators (KPIs). The KPIs were measured against the actual results for the calendar year ending 31 December 2019. Mr Boyall is entitled to up to 30% of base salary in short term incentives.

Compensation of Key Management Personnel – 2019

2019	Short-term benefits		Long-term benefits	Post employment	Share-based payments	Total
	Cash salary and fees	Cash bonuses	Long service leave	Super-annuation	Equity-settled	
	\$	\$	\$	\$	\$	\$
<i>Directors</i>						
Alastair McGregor*	-	-	-	-	-	-
Koh Ban Heng**	12,534	-	-	-	-	12,534
Andrew Jefferies*	-	-	-	-	-	-
Peter Hood	44,698	-	-	2,151	-	46,849
Rebecca DeLaet*	-	-	-	-	-	-
Richard Malcolm	41,077	-	-	3,902	-	44,979
Rod Ritchie	42,459	-	-	-	-	42,459
Samuel Kellner*	-	-	-	-	-	-
<i>Other Key Management Personnel:</i>						
Matthew Boyall***	345,000	112,200	16,638	20,531	10,307	504,676
	485,768	112,200	16,638	26,584	10,307	651,497

* Alastair McGregor, Andrew Jefferies, Rebecca DeLaet and Samuel Kellner have elected not to be paid by the Company.

** Koh Ban Heng resigned from the Board on 30 October 2018.

*** Matthew Boyall's cash bonus consists of the following:

- \$60,000 once-off discretionary bonus in recognition of the Ironbark farmout; and
- \$52,200 for achieving 72.5% weighting against 2018 key performance indicators (KPIs). The KPIs were measured against the actual results for the calendar year ending 31 December 2018. Mr Boyall is entitled to up to 30% of base salary in short term incentives.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2020	2019	2020	2019	2020	2019
<i>Directors:</i>						
Koh Ban Heng	-	100%	-	-	-	-
Peter Hood	100%	100%	-	-	-	-
Richard Malcolm	100%	100%	-	-	-	-
Rod Ritchie	100%	100%	-	-	-	-
<i>Other Key Management Personnel:</i>						
Matthew Boyall	74%	76%	17%	22%	9%	2%

(D) Equity based remuneration

Overview of share options

The Board in their meeting held on 24 June 2019 approved the Employee Share Option Plan ('ESOP'), which was subsequently approved by shareholders at 2019 Annual General Meeting.

The ESOP has been developed to provide the greatest possible flexibility in choice to the Board in implementing the executive incentive schemes. The ESOP enables the Board to offer employees a number of Options.

A summary of material terms of the ESOP is set out as follows:

- the ESOP sets out the framework for the offer of Options by the Company, and is typical for a document of this nature;
- in making its decision to issue Options, the Board may decide the number of securities and the vesting conditions which are to apply in respect of the securities. The Board has flexibility to issue Options having regard to a range of potential vesting criteria and conditions;
- in certain circumstances, unvested Options will immediately lapse and any unvested Shares held by the participant will be forfeited if the relevant person is a "bad leaver" as distinct from a "good leaver";
- if a participant acts fraudulently or dishonestly or is in breach of their obligations to the Company or its subsidiaries, the Board may determine that any unvested Options held by the participant immediately lapse and that any unvested Shares held by the participant be forfeited;
- in certain circumstances Options can vest early upon a change of control event as defined under the Plan rules.
- the total number of Options and Shares which may be offered by the Company under these Rules shall not at any time exceed 5% of the Company's total issued Shares when aggregated with the number of Options and Shares issued or that may be issued as a result of offers made at any time during the previous three year period under an employee incentive scheme.
- the Board has discretion to impose restrictions (except to the extent prohibited by law or the ASX Listing Rules) on Shares issued or transferred to a participant on vesting of an Option or a Performance Right, and the Company may implement appropriate procedures to restrict a participant from so dealing in the Shares;
- the Board is granted a certain level of discretion under the EIP, including the power to amend the rules under which the EIP is governed and to waive vesting conditions, forfeiture conditions or disposal restrictions.

The options will vest on the date determined by the Board and as specified in the Invitation Letter.

8,131,186 options were granted under the ESOP during the financial year to 30 June 2020 (2019: Nil), of which 493,863 were forfeited due to employee departure from the Company. These options did not have any other vesting conditions other than time.

Share-based compensation

Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2020.

Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of key management personnel in this financial year or future reporting years are as follows:

Name	Number of options granted	Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
Matthew Boyall	1,288,338	29 July 2019	1 July 2021	1 July 2023	\$0.070	\$0.040
Matthew Boyall	1,399,595	4 October 2019	1 July 2022	1 July 2024	\$0.090	\$0.059

Options granted carry no dividend or voting rights.

E) Relationship between remuneration policy and company performance

Company performance review

The tables below set out summary information about the company's earnings and movements in shareholder wealth and key management remuneration for the five years to 30 June 2020.

	2020	2019	2018	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000
Production income from continuing operations	23,916	25,730	24,547	35,000	45,412
Profit/(Loss) before income tax expense from continuing operations	5,099	12,856	5,058	(6,975)	(79,599)
Profit/(Loss) after income tax benefit/(expense)	1,313	8,549	7,739	(15,032)	(84,399)
Total Key Management Personnel Remuneration	690	651	525	2,264	2,419

	2020	2019	2018	2017	2016
Share price at start of year (cents)	8.30	5.70	5.50	8.10	7.60
Share price at end of year (cents)	9.50	8.30	5.70	5.50	8.10
Basic earnings/(loss) per share (cents)	0.19	1.22	1.11	(2.48)	(12.44)
Diluted earnings/(loss) per share (cents)	0.19	1.22	1.11	(2.48)	(12.44)

The Company remuneration policy also seeks to reward staff members on achieving non-financial key performance indicators, including safety and operational performance.

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Balance on date of Board appointment	Additions	Disposals/ other	Balance at the end of the year
<i>Ordinary shares*</i>					
Non-Executive Directors					
Andrew Jefferies	8,000	-	-	-	8,000
Peter Hood	80,000	-	-	-	80,000
Other Key Management Personnel					
Matthew Boyall	200,000	-	-	-	200,000
	<u>288,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>288,000</u>

* Alastair McGregor, Koh Ban Heng, Rebecca DeLaet, Richard Malcolm, Rod Ritchie, Samuel Kellner and Marco Argentieri do not hold any fully paid ordinary shares.

NZOG Offshore Limited (a related entity to Alastair McGregor, Andrew Jefferies, Rebecca DeLaet, Rod Ritchie, Samuel Kellner and Marco Argentieri) holds 349,368,803 fully paid ordinary shares in Cue.

Option holding

The number of options over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
<i>Options over ordinary shares</i>					
Matthew Boyall	1,288,338	1,399,595	-	-	2,687,933

This concludes the remuneration report, which has been audited.

Shares under option

Unissued ordinary shares of Cue Energy Resources Limited under option at the date of this report are as follows:

Grant date	Expiry date	Vesting date	Exercise price	Number under option
29/07/2019	01/07/2023	01/07/2021	\$0.07	3,784,025
04/10/2019	01/07/2024	01/07/2022	\$0.09	3,853,298
16/07/2020	01/07/2025	01/07/2023	\$0.12	3,743,260

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

Shares issued on the exercise of options

There were no ordinary shares of Cue Energy Resources Limited issued on the exercise of options during the year ended 30 June 2020 and up to the date of this report.

Directors' insurance and indemnification of Directors and auditors

During the financial year, the company paid a premium in respect of a contract insuring the directors of the company, the company secretary, and all executive officers against a liability incurred as a director, company secretary or executive officer to the extent permitted by the Corporations Act 2001. In accordance with commercial practice, the insurance policy prohibits disclosure of the terms of the policy, including the nature of the liability insured against and the amount of the premium.

The company has not otherwise, during or since the end of the financial year indemnified or agreed to indemnify the auditor of the company or any related body corporate against a liability incurred as an officer or auditor.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 23 to the financial statement.

The Company may decide to employ the auditor on assignments additional to its statutory audit duties where the auditor's expertise and experience with the Company are important.

The Board of Directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditor, did not compromise the audit independence requirement, of the Corporations Act 2001, based on advice received from the Audit and Risk Committee, for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and

- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Officers of the company who are former partners of KPMG

There are no officers of the company who are former partners of KPMG.

Rounding of amounts

The Company is a company of the kind referred to in ASIC Legislative Instrument 2016/191, and in accordance with the Class Order amounts in the Directors' Report and the Financial Report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report and forms part of the directors' report.

Auditor

In accordance with the provisions of the Corporations Act 2001 the Company's auditor, KPMG, continues in office.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the Board



Alastair McGregor
Non-Executive Chairman

20 August 2020