

# CEO Report and Overview of Operations and Finances

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During the year, Cue achieved first oil production and revenue from the PB field in the Mahato PSC, Indonesia and expanded our portfolio by announcing the acquisition of interests in the Mereenie, Palm Valley and Dingo production fields in the Amadeus Basin, onshore Australia from Central Petroleum. As a result of these activities, Cue now has four independent revenue producing projects as we enter into FY2022.

## Financials

In FY21, Cue added another revenue producing asset to the portfolio, the PB field in the Mahato PSC and announced the acquisition of interests in the Mereenie, Palm Valley and Dingo production fields in the Amadeus Basin, onshore Australia from Central Petroleum.

The addition of Mahato production during the second half of the year helped offset lower revenue from Maari, which was due to the oil price remaining in the \$40 range for most of the first half of the year, and no production from the major MR6a production well due to repairs, resulting in 6% lower revenue than the previous year.

Our assets performed well, recording \$11.6m gross profit from production with an 8% lower production costs (excludes amortisation).

Unfortunately, during the first half of the year the Ironbark-1 well was unsuccessful and was plugged and abandoned. This was a disappointing result for all stakeholders.

Cue's finished the year with cash holdings of \$17.6 m and no debt. This strong position will allow the acquisition of onshore Australian production assets to be paid from cash, with completion expected during Q2 FY22.

## Production

### AUSTRALIAN ONSHORE ACQUISITION

On 25 May 2021, Cue announced the execution of a sale and purchase agreement with Central Petroleum Limited (Central) (ASX:CTP) to acquire interests in the Mereenie, Dingo and Palm Valley onshore gas and oil fields, all located in the Amadeus Basin, onshore in the Northern Territory, Australia.

On completion, Cue will acquire a 7.5% interest in the Mereenie gas and oil field (OL4 and OL5 production licences), a 15% interest in the Palm Valley gas field (OL3 production licence), and a 15% interest in the Dingo gas field (L7 Production Licence).

Through the transaction Cue will acquire 4.4mmbbl of 2P reserves, with further upside potential from development and exploration activities. Cue will pay Central \$8.7m cash on completion and fund \$12m of Central's exploration, appraisal, and development costs in the fields.

On 2 July 2021, the Foreign Investment Review Board provided a no-objections letter for the acquisition. Other conditions to the transaction include approval by New Zealand Oil and Gas (NZOG) shareholders for NZOG to also enter into a transaction with CTP, which was satisfied on 24 June 2021, and other customary and regulatory approvals.

## Production

### AUSTRALIAN ONSHORE ACQUISITION (CONTINUED)

Cue held a general meeting on 28 July 2021 to seek shareholder approval to grant security to NZOG related to Deeds of Cross Security as part of the asset acquisition. Shareholders approved the granting of the security.

The Mereenie development program commenced with four well recompletions conducted. The re-completions have added incremental production. Long term performance is still undergoing review.

Drilling of the WM-27 well commenced late in FY21 and the WM-28 well spud during July 2021 and was completed on 6 September. The well was successfully completed as a dual zone production well with good flow test results and is expected to be tied into the gathering network during September. In addition to the main production target, sustained flow rates were also encountered in the Stairway Sandstone interval.

Preparation for the potential exploration and appraisal drilling at the Palm Valley and Dingo fields in FY22 continues.

Completion of the transaction is expected to occur around 1 October 2021. The transaction has an effective date of 1 July 2020.

### SAMPANG

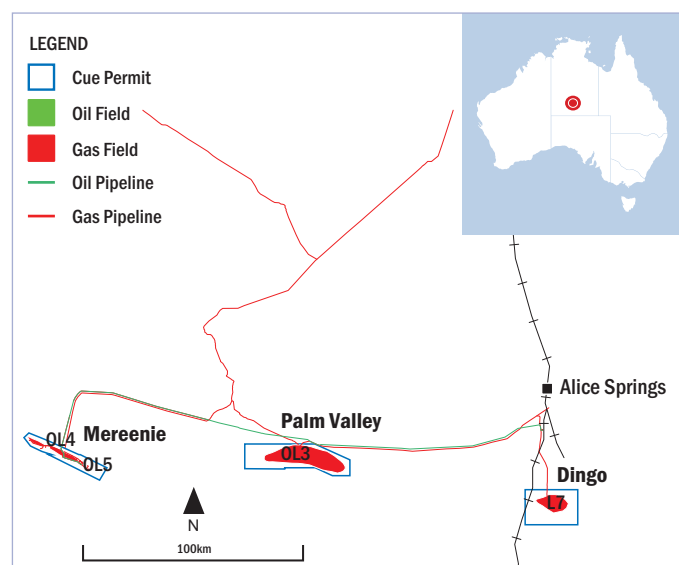
Gas production from the Sampang PSC was 21% higher than the previous year due to increased customer demand during the first half of the year. \$13.1 million revenue was received from Oyong and Wortel production.

The Paus Biru Plan of Development (POD) was approved by SKKMigas, the Indonesian upstream regulator and contingent resource booked during the year. The field was discovered by the Paus Biru-1 exploration well and announced as a gas discovery in December 2018. 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 and sold.

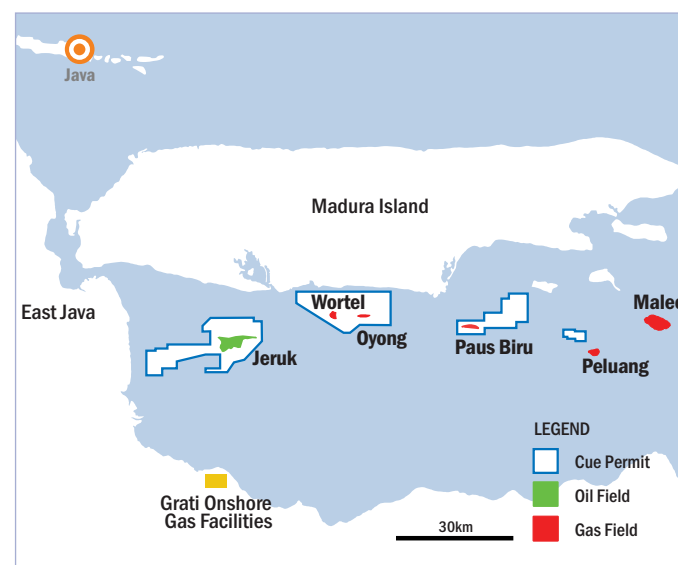
COVID-19 related market demand challenges have impacted finalising the gas sales agreement which is on the critical path to a Final Investment Decision (FID) for Paus Biru. The joint venture has been notified by the Indonesian regulator that Paus Biru gas has been allocated to the market from 2023. This notification is a significant step in the commercialisation of Paus Biru and customer discussions will now take place.

Preliminary FEED and permitting activities are ongoing. FID is currently targeted for 2022, with first gas in 2023.

### AMADEUS BASIN LOCATION MAP - AUSTRALIA



### SAMPANG PSC LOCATION MAP - INDONESIA



## MAHATO

Revenue from the Mahato PSC to 30 June 2021 was \$2.4 million. Commercial oil production commenced from the PB field in the Mahato PSC in Indonesia during the year from the first well, PB-1. Three additional development wells, PB-3, PB-4 and PB-5 were subsequently drilled and put into production along with PB-2 which was completed after being drilled as an exploration well.

At the end of the year, all five wells were in production totaling approximately 3400 barrels of oil per day (gross), increasing to 3600 bopd (405 bopd net to Cue) in early July.

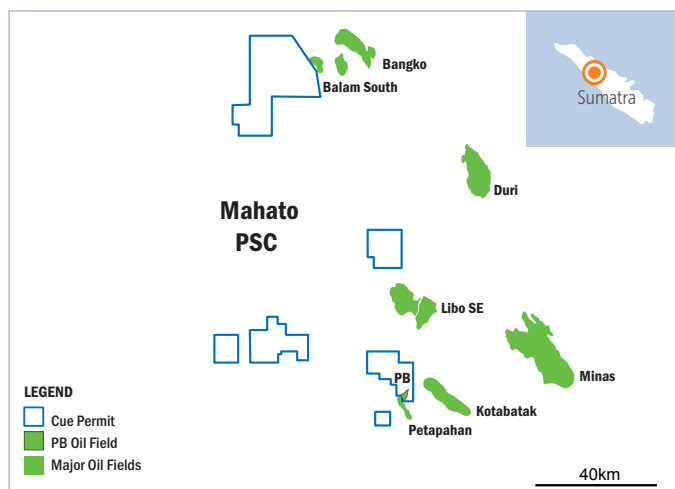
All five wells to date have encountered oil in the main Bekasap A, B and C reservoirs as anticipated. PB-1 is producing oil from the Bekasap B and PB-2, PB-3 and PB-5 are producing from Bekasap C and PB-4 has commingled production from both Bekasap B and C reservoirs. The unperforated reservoirs in all wells are candidates for future production.

Results of the five wells drilled to date indicate further development potential in the field, and the next phase of development drilling has commenced with PB-6 underway, to be followed by PB-7 and PB-8.

On 17 July 2021, the PBE-1 interfield well commenced in the PB field. The well did not encounter any hydrocarbons and was plugged and abandoned in early September.

During the year, Cue announced the settlement of a dispute with joint venture partners relating to the PB-1 and PB-2 wells.

### MAHATO PSC LOCATION MAP - INDONESIA



## MAARI

The Maari/Manaia fields provided \$6.9 million of revenue to Cue during the financial year, down 27% on the previous year due to a prolonged period of lower oil prices and production disruptions from key wells.

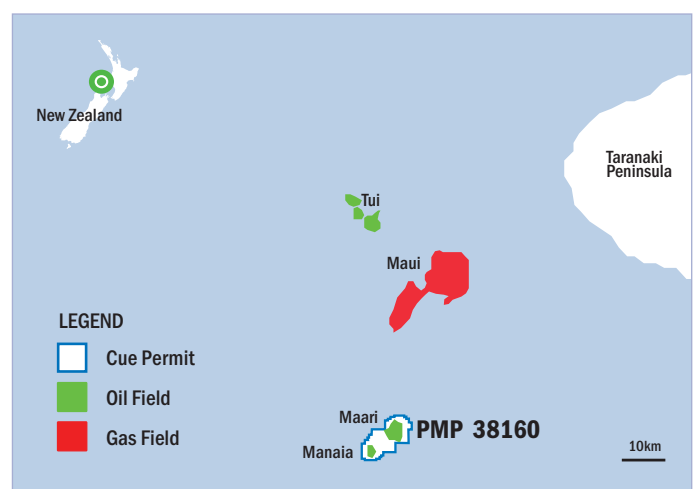
Production expenses were down by 36% as the operator took action to reduce expenditure and some operations were delayed due to COVID-19 restrictions.

MR9 and MR7 production wells underwent workovers to replace Electric Submersible Pumps which had reached their operative life early in the year and were both back online by the second quarter. MR6a, one of the most productive wells in the field was offline for the whole of the year after being shut in during March 2020 due to suspected failure of downhole sand screens.

Repairs to the MR6a well were completed during May 2021. For the remainder of the year, the well was flowing clean up fluids, with no increase in hydrocarbon production, as expected. In late June 2021, low levels of sand were detected in the clean-up flows and the well was shut-in as a precautionary measure. The operator is considering options, which may include the installation of temporary de-sanding equipment.

On 18 November 2019, Jadestone Energy Inc. (AIM:JSE, TSXV:JSE), announced that it had executed a sales and purchase agreement 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 regulatory approvals. New Zealand regulatory approval remains pending. Jadestone and OMV have amended the longstop date for the acquisition to 31 Dec 2021.

### TARANAKI PENINSULA LOCATION MAP - NEW ZEALAND



## Exploration

### WA-359-P

The Ironbark-1 exploration well in WA-359-P in the Carnarvon Basin, offshore Western Australia, commenced on 31 October 2020 and drilled to a total depth of 5618m. The primary target interval was intersected at a depth of 5275 metres, with no significant hydrocarbon shows encountered in any of the target sands.

The well was plugged and abandoned, and the Ocean Apex rig departed the well location on 11 January 2021. Based on the well results a decision was made not to renew the permit after expiry on 25 April 2021.

### WA-409-P

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

Upon completion of the prospectivity assessment of the permit following the Ironbark-1 well results, the Operator BP, recommended surrendering the permit. The joint venture is now finalising this surrender.

### WA-389-P

WA-389-P adjoins WA-359-P to the East and is mapped to contain part of a deep Mungaroo prospect which is the updip extension of the Ironbark structure, with similar scale. Interpretation of 900 km<sup>2</sup> of FWI PSDM reprocessed data was initiated with the goal of exploring the updip extension of a possible success in the downdip Ironbark-1 well in WA-359-P.

In April 2021, Cue was granted a 12-month suspension and extension to the permit term until 8 April 2022.

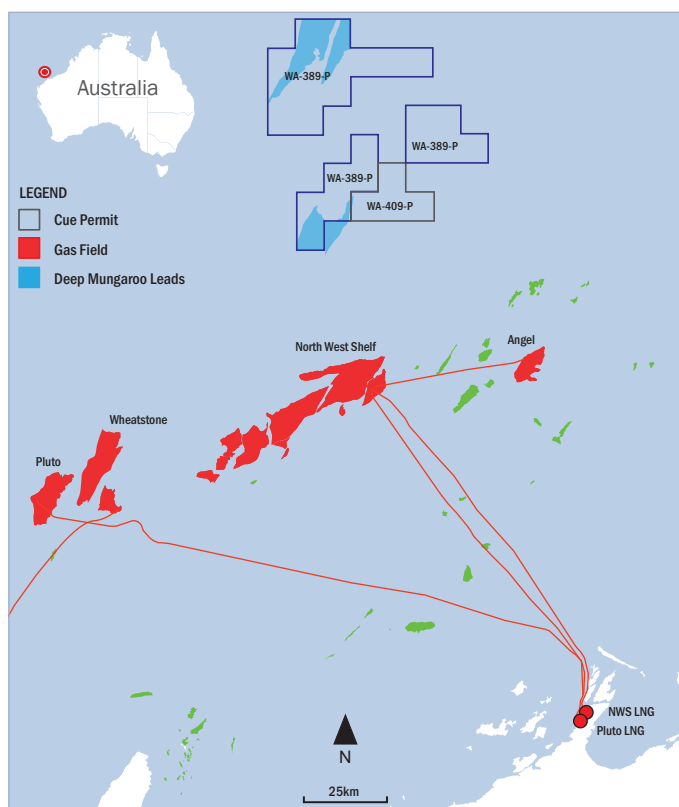
Prospectivity assessment of the permit is continuing, taking into account the results of the Ironbark-1 well.

### MAHAKAM HILIR

An extension to the exploration period of the PSC was granted by the Indonesian regulator, extending the end date to April 2021. As part of the extension, a condition was placed on the PSC, restricting title transfers during the extension period. After assessing the impact of this and COVID-19 restrictions on any future dealings and activities, Cue informed the Indonesian Regulator of its intention to relinquish the permit on expiry in April 2021.

Processes are underway for surrendering the permit. These processes could take until the end of the calendar year.

### CARNARVON BASIN LOCATION MAP – AUSTRALIA



## Corporate

In June 2018, 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. 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. In September 2020, the parties to the litigation entered into a settlement agreement that fully and finally concluded the litigation and dismisses it in its entirety. Cue's financial contribution to the settlement was US\$350,000.

Cue is taking necessary precautions to look after the wellbeing of staff during the COVID-19 outbreak, with all staff in Melbourne and Jakarta offices working remotely as required by local restrictions.