



APPENDIX 4E

AND

30 JUNE 2020 ANNUAL REPORT

## 1. Company details

|                   |                                 |
|-------------------|---------------------------------|
| Name of entity:   | Cue Energy Resources Limited    |
| ABN:              | 45 066 383 971                  |
| Reporting period: | For the year ended 30 June 2020 |
| Previous period:  | For the year ended 30 June 2019 |

## 2. Results for announcement to the market

|                                                                                                      |      |          | \$'000 |
|------------------------------------------------------------------------------------------------------|------|----------|--------|
| Revenues from ordinary activities                                                                    | down | 7.1% to  | 23,916 |
| Profit from ordinary activities after tax attributable to the owners of Cue Energy Resources Limited | down | 84.6% to | 1,313  |
| Profit for the year attributable to the owners of Cue Energy Resources Limited                       | down | 84.6% to | 1,313  |

### *Dividends*

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

### *Profit*

The profit for the consolidated entity after providing for income tax amounted to \$1.31 million (2019: \$8.55 million).

### *Financial position*

The net assets of the consolidated entity increased by \$2.15 million to \$43.56 million for the year ended 30 June 2020 (2019: \$41.41 million) largely due to positive net cashflow for the year, offset by impairment of Maari production assets.

### *Operating results for the year*

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).

### *Cash position*

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 \$12.01 million restricted cash in an escrow account designated for Ironbark-1 drilling programme. The consolidated entity has no debt.

## 3. Net tangible assets

|                                           | Reporting<br>period<br>Cents | Previous<br>period<br>Cents |
|-------------------------------------------|------------------------------|-----------------------------|
| Net tangible assets per ordinary security | 6.24                         | 6.07                        |

#### 4. Control gained over entities

Not applicable.

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#### 5. Loss of control over entities

Not applicable.

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#### 6. Dividends

*Current period*

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

*Previous period*

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

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#### 7. Details of associates and joint venture entities

Not applicable.

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#### 8. Foreign entities

*Details of origin of accounting standards used in compiling the report:*

Not applicable.

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#### 9. Audit qualification or review

*Details of audit/review dispute or qualification (if any):*

The financial statements have been audited and an unqualified opinion has been issued.

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#### 10. Attachments

*Details of attachments (if any):*

The Annual Report of Cue Energy Resources Limited for the year ended 30 June 2020 is attached.

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#### 11. Signed

Signed



Alastair McGregor  
Non-Executive Chairman

Date: 20 August 2020

# **Cue Energy Resources Limited**

**ABN 45 066 383 971**

**Annual Report - 30 June 2020**

## **Cue Energy Resources Limited**

### **Contents**

**30 June 2020**

|                                                                             |    |
|-----------------------------------------------------------------------------|----|
| Corporate directory                                                         | 2  |
| CEO report and review of operations and finances                            | 3  |
| Directors' report                                                           | 7  |
| Auditor's independence declaration                                          | 20 |
| Statement of profit or loss and other comprehensive income                  | 21 |
| Statement of financial position                                             | 22 |
| Statement of changes in equity                                              | 23 |
| Statement of cash flows                                                     | 24 |
| Notes to the financial statements                                           | 25 |
| Directors' declaration                                                      | 54 |
| Independent auditor's report to the members of Cue Energy Resources Limited | 55 |
| Shareholder information                                                     | 61 |

**Cue Energy Resources Limited**  
**Corporate directory**  
**30 June 2020**

|                                                  |                                                                                                                                                                                                                                                                                                               |
|--------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Directors                                        | Alastair McGregor (Non-Executive Chairman)<br>Andrew Jefferies (Non-Executive Director)<br>Peter Hood AO (Non-Executive Director)<br>Richard Malcolm (Non-Executive Director)<br>Rod Ritchie (Non-Executive Director)<br>Samuel Kellner (Non-Executive Director)<br>Marco Argentieri (Non-Executive Director) |
| Chief Executive Officer                          | Matthew Boyall                                                                                                                                                                                                                                                                                                |
| Chief Financial Officer and<br>Company Secretary | Melanie Leydin                                                                                                                                                                                                                                                                                                |
| Registered office                                | Level 3, 10-16 Queen Street<br>Melbourne, VIC 3000<br>Australia<br>Telephone: +61 3 8610 4000<br>Fax: +61 3 9614 2142                                                                                                                                                                                         |
| Principal place of business                      | Level 3, 10-16 Queen Street<br>Melbourne, VIC 3000<br>Australia<br>Telephone: +61 3 8610 4000<br>Fax: +61 3 9614 2142                                                                                                                                                                                         |
| Share register                                   | Computershare Investor Services Pty Limited<br>Yarra Falls, 452 Johnston Street<br>Abbotsford, VIC 3067<br>Australia<br>Telephone: +61 3 9415 5000<br>Fax: +61 3 9473 2500                                                                                                                                    |
| Auditor                                          | KPMG<br>Level 36, Tower Two, Collins Square<br>727 Collins Street<br>Melbourne, VIC 3008<br>Australia                                                                                                                                                                                                         |
| Stock exchange listing                           | Cue Energy Resources Limited securities are listed on the Australian Securities<br>Exchange.<br>(ASX code: CUE)                                                                                                                                                                                               |
| Website                                          | <a href="http://www.cuenrg.com.au">www.cuenrg.com.au</a>                                                                                                                                                                                                                                                      |

## **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 well 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 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 is scheduled for August 2020.

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.

## **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 was 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, 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 October 2020 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 the 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 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.

## **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<sup>2</sup> 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<sup>2</sup> 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**

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**

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.

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 Dec 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 Dec 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 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 complaint. 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 is currently expected to be set for trial before the judge in the third quarter of calendar year 2020.

**Cue Energy Resources Limited**  
**Directors' report**  
**30 June 2020**

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 and 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<br>O.G. Energy Holdings Ltd.<br>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<br>New Zealand Oil & Gas Limited<br>Tuatara Energy Limited                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Former directorships (last 3 years): | None                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Special responsibilities:            | Member, Audit and Risk Committee<br>Member, Remuneration and Nomination Committee<br>Member, Operational Risk and Sustainability Committee                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Interests in shares:                 | 8,000 fully paid ordinary shares                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Interests in options:                | None                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |

**Cue Energy Resources Limited**  
**Directors' report**  
**30 June 2020**

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

**Cue Energy Resources Limited**  
**Directors' report**  
**30 June 2020**

|                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|--------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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<br>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.<br>O.G. Oil & Gas Limited<br>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                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |

**Cue Energy Resources Limited**  
**Directors' report**  
**30 June 2020**

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**

|                    | Full Board Attended | Full Board Held | Remuneration and Nomination Committee Attended | Remuneration and Nomination Committee Held | Audit and Risk Committee Attended | Audit and Risk Committee Held | Operational Risk and Sustainability Committee Attended | Operational Risk and Sustainability Committee 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**

|                                            | Short-term benefits<br>Cash salary<br>and fees<br>\$ | Cash<br>bonuses<br>\$ | Long-term<br>benefits<br>Long service<br>leave<br>\$ | Post<br>employment<br>Superannuation<br>\$ | Share-based<br>payments<br>Equity-settled<br>\$ | Total<br>\$ |
|--------------------------------------------|------------------------------------------------------|-----------------------|------------------------------------------------------|--------------------------------------------|-------------------------------------------------|-------------|
| <b>2020</b>                                |                                                      |                       |                                                      |                                            |                                                 |             |
| <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<br/>Personnel:</i> |                                                      |                       |                                                      |                                            |                                                 |             |
| Matthew Boyall**                           | 356,003                                              | 91,800                | 21,193                                               | 25,000                                     | 51,334                                          | 545,330     |
|                                            | 492,544                                              | 91,800                | 21,193                                               | 33,459                                     | 51,334                                          | 690,330     |

\* 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**

|                                            | Short-term benefits<br>Cash salary<br>and fees<br>\$ | Cash<br>bonuses<br>\$ | Long-term<br>benefits<br>Long service<br>leave<br>\$ | Post<br>employment<br>Superannuation<br>\$ | Share-based<br>payments<br>Equity-settled<br>\$ | Total<br>\$ |
|--------------------------------------------|------------------------------------------------------|-----------------------|------------------------------------------------------|--------------------------------------------|-------------------------------------------------|-------------|
| <b>2019</b>                                |                                                      |                       |                                                      |                                            |                                                 |             |
| <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<br/>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<br>\$'000 | 2019<br>\$'000 | 2018<br>\$'000 | 2017<br>\$'000 | 2016<br>\$'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 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 |
|---------------------------------------|----------------------------------|--------------------------------------|-----------|------------------|--------------------------------|
| <b>Ordinary shares*</b>               |                                  |                                      |           |                  |                                |
| <b>Non-Executive Directors</b>        |                                  |                                      |           |                  |                                |
| Andrew Jefferies                      | 8,000                            | -                                    | -         | -                | 8,000                          |
| Peter Hood                            | 80,000                           | -                                    | -         | -                | 80,000                         |
| <b>Other Key Management Personnel</b> |                                  |                                      |           |                  |                                |
| Matthew Boyall                        | 200,000                          | -                                    | -         | -                | 200,000                        |
|                                       | 288,000                          | -                                    | -         | -                | 288,000                        |

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

**Cue Energy Resources Limited**  
**Directors' report**  
**30 June 2020**

NZOG Offshore Limited (a related entity to Alastair McGregor, Andrew Jefferies, Rebecca DeLaet, Rod Richie, 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<br>the start of<br>the year | Granted          | Exercised | Expired/<br>forfeited/<br>other | Balance at<br>the end of<br>the year |
|-------------------------------------|----------------------------------------|------------------|-----------|---------------------------------|--------------------------------------|
| <i>Options over ordinary shares</i> |                                        |                  |           |                                 |                                      |
| Matthew Boyall                      | 1,288,338                              | 1,399,595        | -         | -                               | 2,687,933                            |
|                                     | <u>1,288,338</u>                       | <u>1,399,595</u> | <u>-</u>  | <u>-</u>                        | <u>2,687,933</u>                     |

***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<br>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.

**Cue Energy Resources Limited**  
**Directors' report**  
**30 June 2020**

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



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Alastair McGregor  
Non-Executive Chairman

20 August 2020



# Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Cue Energy Resources Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Cue Energy Resources Limited for the financial year ended 30 June 2020 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Vicky Carlson

*Partner*

Melbourne

20 August 2020

**Cue Energy Resources Limited**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2020**

|                                                                                                                | <b>Note</b> | <b>Consolidated<br/>2020<br/>\$'000</b> | <b>2019<br/>\$'000</b> |
|----------------------------------------------------------------------------------------------------------------|-------------|-----------------------------------------|------------------------|
| <b>Revenue</b>                                                                                                 |             |                                         |                        |
| Production revenue from operations                                                                             |             | 23,916                                  | 25,730                 |
| Production costs                                                                                               | 6           | (12,944)                                | (12,081)               |
| Gross profit from production                                                                                   |             | 10,972                                  | 13,649                 |
| Other income                                                                                                   | 7           | 831                                     | 3,058                  |
| Net foreign currency exchange gain                                                                             |             | 79                                      | 785                    |
| <b>Expenses</b>                                                                                                |             |                                         |                        |
| Impairment - Production properties                                                                             | 15          | (2,722)                                 | -                      |
| Exploration and evaluation expenditure                                                                         | 9           | (1,438)                                 | (2,176)                |
| Administration expenses                                                                                        | 8           | (2,623)                                 | (2,460)                |
| <b>Profit before income tax expense</b>                                                                        |             | 5,099                                   | 12,856                 |
| Income tax expense                                                                                             | 10          | (3,786)                                 | (4,307)                |
| <b>Profit after income tax expense for the year attributable to the owners of Cue Energy Resources Limited</b> |             | 1,313                                   | 8,549                  |
| <b>Other comprehensive income</b>                                                                              |             |                                         |                        |
| <i>Items that may be reclassified subsequently to profit or loss</i>                                           |             |                                         |                        |
| Foreign currency translation                                                                                   |             | 691                                     | (444)                  |
| Other comprehensive income for the year, net of tax                                                            |             | 691                                     | (444)                  |
| <b>Total comprehensive income for the year attributable to the owners of Cue Energy Resources Limited</b>      |             | <u>2,004</u>                            | <u>8,105</u>           |
|                                                                                                                |             | <b>Cents</b>                            | <b>Cents</b>           |
| Basic earnings per share                                                                                       | 31          | 0.19                                    | 1.22                   |
| Diluted earnings per share                                                                                     | 31          | 0.19                                    | 1.22                   |

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

**Cue Energy Resources Limited**  
**Statement of financial position**  
**As at 30 June 2020**

|                                   |             | <b>Consolidated</b> | <b>Restated</b>  |
|-----------------------------------|-------------|---------------------|------------------|
|                                   | <b>Note</b> | <b>2020</b>         | <b>2019</b>      |
|                                   |             | <b>\$'000</b>       | <b>\$'000</b>    |
| <b>Assets</b>                     |             |                     |                  |
| <b>Current assets</b>             |             |                     |                  |
| Cash and cash equivalents         | 11          | 19,936              | 14,671           |
| Restricted cash                   | 11          | 12,008              | 11,523           |
| Trade and other receivables       | 12          | 4,715               | 5,297            |
| Inventories                       |             | 458                 | 1,003            |
| Total current assets              |             | <u>37,117</u>       | <u>32,494</u>    |
| <b>Non-current assets</b>         |             |                     |                  |
| Other financial assets            | 13          | 5,713               | 5,278            |
| Property, plant and equipment     |             | 64                  | 21               |
| Right-of-use assets               |             | 90                  | -                |
| Exploration and evaluation assets | 14          | 4,605               | 3,401            |
| Production properties             | 15          | 18,682              | 24,645           |
| Deferred tax assets               | 10          | 2,888               | 3,002            |
| Total non-current assets          |             | <u>32,042</u>       | <u>36,347</u>    |
| <b>Total assets</b>               |             | <u>69,159</u>       | <u>68,841</u>    |
| <b>Liabilities</b>                |             |                     |                  |
| <b>Current liabilities</b>        |             |                     |                  |
| Trade and other payables          | 16          | 2,044               | 1,907            |
| Lease liabilities                 |             | 80                  | -                |
| Tax liabilities                   | 10          | 2,287               | 4,227            |
| Provisions                        |             | 140                 | 81               |
| Total current liabilities         |             | <u>4,551</u>        | <u>6,215</u>     |
| <b>Non-current liabilities</b>    |             |                     |                  |
| Lease liabilities                 |             | 16                  | -                |
| Deferred tax liabilities          | 10          | 4,058               | 3,947            |
| Provisions                        | 17          | 16,970              | 17,270           |
| Total non-current liabilities     |             | <u>21,044</u>       | <u>21,217</u>    |
| <b>Total liabilities</b>          |             | <u>25,595</u>       | <u>27,432</u>    |
| <b>Net assets</b>                 |             | <u>43,564</u>       | <u>41,409</u>    |
| <b>Equity</b>                     |             |                     |                  |
| Contributed equity                | 18          | 152,416             | 152,416          |
| Reserves                          | 20          | 83                  | (750)            |
| Accumulated losses                |             | <u>(108,935)</u>    | <u>(110,257)</u> |
| <b>Total equity</b>               |             | <u>43,564</u>       | <u>41,409</u>    |

Refer to note 4 for detailed information on Restatement of comparatives.

*The above statement of financial position should be read in conjunction with the accompanying notes*

**Cue Energy Resources Limited**  
**Statement of changes in equity**  
**For the year ended 30 June 2020**

| <b>Consolidated</b>                                                                 | <b>Contributed equity<br/>\$'000</b> | <b>Reserves<br/>\$'000</b> | <b>Accumulated losses<br/>\$'000</b> | <b>Total equity<br/>\$'000</b> |
|-------------------------------------------------------------------------------------|--------------------------------------|----------------------------|--------------------------------------|--------------------------------|
| Balance at 1 July 2018                                                              | 152,416                              | (340)                      | (118,806)                            | 33,270                         |
| Profit after income tax expense for the year                                        | -                                    | -                          | 8,549                                | 8,549                          |
| Other comprehensive income for the year, net of tax                                 | -                                    | (444)                      | -                                    | (444)                          |
| Total comprehensive income for the year                                             | -                                    | (444)                      | 8,549                                | 8,105                          |
| <i>Transactions with owners in their capacity as owners:</i>                        |                                      |                            |                                      |                                |
| Share-based payments                                                                | -                                    | 34                         | -                                    | 34                             |
| Balance at 30 June 2019                                                             | <u>152,416</u>                       | <u>(750)</u>               | <u>(110,257)</u>                     | <u>41,409</u>                  |
|                                                                                     |                                      |                            |                                      |                                |
| <b>Consolidated</b>                                                                 | <b>Contributed equity<br/>\$'000</b> | <b>Reserves<br/>\$'000</b> | <b>Accumulated losses<br/>\$'000</b> | <b>Total equity<br/>\$'000</b> |
| Balance at 1 July 2019                                                              | 152,416                              | (750)                      | (110,257)                            | 41,409                         |
| Adjustment to opening accumulated losses for change in accounting standard (Note 2) | -                                    | -                          | 5                                    | 5                              |
| Balance at 1 July 2019 - restated                                                   | 152,416                              | (750)                      | (110,252)                            | 41,414                         |
| Profit after income tax expense for the year                                        | -                                    | -                          | 1,313                                | 1,313                          |
| Other comprehensive income for the year, net of tax                                 | -                                    | 691                        | -                                    | 691                            |
| Total comprehensive income for the year                                             | -                                    | 691                        | 1,313                                | 2,004                          |
| <i>Transactions with owners in their capacity as owners:</i>                        |                                      |                            |                                      |                                |
| Share-based payments                                                                | -                                    | 146                        | -                                    | 146                            |
| Transfer                                                                            | -                                    | (4)                        | 4                                    | -                              |
| Balance at 30 June 2020                                                             | <u>152,416</u>                       | <u>83</u>                  | <u>(108,935)</u>                     | <u>43,564</u>                  |

*The above statement of changes in equity should be read in conjunction with the accompanying notes*

**Cue Energy Resources Limited**  
**Statement of cash flows**  
**For the year ended 30 June 2020**

|                                                                                      |             | <b>Consolidated</b> |               |
|--------------------------------------------------------------------------------------|-------------|---------------------|---------------|
|                                                                                      | <b>Note</b> | <b>2020</b>         | <b>2019</b>   |
|                                                                                      |             | <b>\$'000</b>       | <b>\$'000</b> |
| <b>Cash flows from operating activities</b>                                          |             |                     |               |
| Receipts from customers                                                              |             | 23,004              | 28,154        |
| Other receipts                                                                       |             | 606                 | 1,070         |
| Interest received                                                                    |             | 374                 | 368           |
| Payments to suppliers and employees                                                  |             | (9,298)             | (10,114)      |
| Payments for exploration and evaluation expenditure                                  |             | (1,496)             | (3,127)       |
| Income tax paid                                                                      |             | (4,314)             | (4,593)       |
| Royalties paid                                                                       |             | (1,476)             | (715)         |
| Reimbursement of Ironbark past costs                                                 |             | -                   | 1,780         |
| Net cash from operating activities                                                   | 30          | 7,400               | 12,823        |
| <b>Cash flows from investing activities</b>                                          |             |                     |               |
| Payments with respect to production properties                                       |             | (881)               | (1,042)       |
| Payments for plant and equipment                                                     |             | (62)                | (7)           |
| Payments for exploration and evaluation (Capex)                                      | 14          | (729)               | (3,401)       |
| Net cash used in investing activities                                                |             | (1,672)             | (4,450)       |
| <b>Cash flows from financing activities</b>                                          |             |                     |               |
| Payments of principal element of lease liabilities                                   |             | (85)                | -             |
| Net cash used in financing activities                                                |             | (85)                | -             |
| Net increase in cash and cash equivalents and restricted cash                        |             | 5,643               | 8,373         |
| Cash and cash equivalents and restricted cash at the beginning of the financial year |             | 26,194              | 16,983        |
| Effects of exchange rate changes on cash and cash equivalents and restricted cash    |             | 107                 | 838           |
| Cash and cash equivalents and restricted cash at the end of the financial year       | 11          | 31,944              | 26,194        |

*The above statement of cash flows should be read in conjunction with the accompanying notes*

## **Note 1. General information**

The financial statements cover Cue Energy Resources Limited as a consolidated entity consisting of Cue Energy Resources Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Cue Energy Resources Limited's functional and presentation currency.

Cue Energy Resources Limited is a listed public company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange.

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 20 August 2020.

## **Note 2. Significant accounting policies**

Significant accounting policies have been disclosed in the respective notes to the financial statements and below.

### **(a) Operations and principal activities**

Operations comprise petroleum exploration, development and production activities.

### **(b) Statement of compliance**

The financial report is a general purpose financial report presented in Australian dollars which has been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001, as appropriate for for-profit oriented entities. International Financial Reporting Standards ("IFRSs") form the basis of Australian Accounting Standards adopted by the AASB. The financial reports of the consolidated entity also comply with IFRS and interpretations adopted by the International Accounting Standards Board.

The accounting policies set out below have been applied consistently to all periods presented in this report, except for the adoption of AASB 16 *Leases* from 1 July 2019 (see Note 2 (k) below).

### **(c) Basis of preparation**

The Group is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* and in accordance with that instrument, amounts in the consolidated financial statements and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

The consolidated financial statements has been prepared on a going concern basis using the historical cost convention.

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 26.

### **(d) Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Cue Energy Resources Limited ("company" or "parent entity") as at 30 June 2020 and the results of all subsidiaries for the year then ended. Cue Energy Resources Limited and its subsidiaries together are referred to in this financial report as the Group or consolidated entity.

Subsidiaries are all those entities over which the Group has control. The consolidated entity controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its power to direct the activities of the entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Cue Energy Resources Limited.

## Note 2. Significant accounting policies (continued)

### (e) Production revenue

The consolidated entity generates production revenue from its interest in producing crude oil and gas fields. Revenue from oil production is recognised at a point in time when crude oil is delivered to the buyer. Oil contract price is negotiated when the operator lifts for the group. Revenue from gas production is recognised during the month when gas is delivered to the buyer, based on fixed price contracts.

### (f) Inventories

Inventories consist of hydrocarbon stock. Inventories are valued at the lower of cost and net realisable value. Cost is determined on a weighted average basis and includes direct costs and an appropriate portion of fixed production overheads where applicable.

### (g) Property, plant and equipment

| Class of Fixed Asset          | Depreciation Rate |
|-------------------------------|-------------------|
| Office and computer equipment | 20-40%            |

Property, plant and equipment is carried at historical cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on a diminishing value basis so as to allocate the cost of each item of equipment over its expected economic life. The economic life of equipment has due regard to physical life limitations and to present assessments of economic recovery. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessment for major items. Gains and losses on disposal of property, plant and equipment are taken into account in determining the operating results for the year.

### (h) Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

#### *Financial assets at amortised cost*

A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

### (h) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Certain comparative amounts in the statement of financial position have been restated as a result of a correction of a prior period error (refer to note 4)

### (i) Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

**Note 2. Significant accounting policies (continued)**

**(j) Foreign currency**

*Functional and presentation currency*

The functional currencies of Group companies is the currency of the primary economic environment in which it operates. The consolidated financial statements are presented in Australian dollars, as this is the Group's presentation currency.

Management have previously determined that in accordance with AASB 121 *Foreign Currency Translation*, the Group's interest in foreign operations Cue Sampang (Indonesia) and Cue Taranaki (New Zealand) are held in USD functional entities. During the current period management reviewed its functional currency translation practices and identified prior period errors in the translation of certain balances residing in these USD functional entities. These errors were not material and accordingly has been corrected in the 30 June 2020 financial statements through an adjustment of \$846K to increase production properties (refer note 15) and a corresponding credit to the functional currency translation reserve.

*Transactions and balances*

Transactions in foreign currencies of entities within the consolidated entity are translated into functional currency at the rate of exchange ruling at the date of the transaction. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of financial year.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

*Foreign operations*

The results and financial position of Cue's foreign operations are translated into its presentation currency using the following procedures:

- (a) assets and liabilities for each statement of financial position presented (i.e. including comparatives) shall be translated at the closing rate at the date of that statement of financial position;
- (b) income and expenses for each statement presenting profit or loss and other comprehensive income (i.e. including comparatives) shall be translated at exchange rates at the month end; and
- (c) all resulting exchange differences shall be recognised in other comprehensive income.

**(k) New or amended Accounting Standards and Interpretations adopted**

The Consolidated Entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the Consolidated Entity:

**AASB 16 Leases**

The consolidated entity has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in administration expenses) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

**Note 2. Significant accounting policies (continued)**

**Impact on application**

The consolidated entity has adopted AASB 16 using the modified retrospective approach whereby the consolidated entity has recognised the cumulative effect of initially applying this standard as an adjustment to the opening balance of equity as at 1 July 2019. Accordingly, the consolidated entity has not restated comparative balances in this set of financial statements.

On adoption of AASB 16, the consolidated entity recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 5.5%. The associated right-of-use assets for these leases were measured on a modified retrospective basis, with the incremental borrowing rate applied as at each lease's commencement date and the assets depreciated on a straight-line basis over the term of the lease.

|                                                                                                                          | Transitional<br>impact at 1<br>July 2019<br>\$'000 |
|--------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------|
| Right-of-use assets                                                                                                      | 172                                                |
| Lease liabilities                                                                                                        | (167)                                              |
| Accumulated losses                                                                                                       | (5)                                                |
|                                                                                                                          | Transitional<br>impact at 1<br>July 2019<br>\$'000 |
| Operating lease commitments at 30 June 2019 as disclosed under AASB 117 in the Group's consolidated financial statements | 189                                                |
| Discounting adjustment using the incremental borrowing rate at 1 July 2019                                               | (22)                                               |
| Lease liabilities recognised at 1 July 2019                                                                              | <u>167</u>                                         |

**Right-of-use assets**

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

**Lease Liabilities**

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

## **Note 2. Significant accounting policies (continued)**

### *Accounting Policy for leases before 1 July 2019*

Operating leases are leases which the lessor effectively retains substantially all the risks and benefits incidental to ownership of the leased asset. Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight line basis over the term of the lease.

### *AASB Interpretation 23 Uncertainty over Income Tax Treatments*

Interpretation 23 requires the assessment of whether the effect of uncertainty over income tax treatments should be included in the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The Interpretation outlines the requirements to determine whether an entity considers uncertain tax treatments separately, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and how an entity considers changes in facts and circumstances.

The Company has adopted Interpretation 23 from 1 July 2019, based on an assessment of whether it is 'probable' that a taxation authority will accept an uncertain tax treatment. The Company's existing accounting policy for uncertain income tax treatment is consistent with the requirements under Interpretation 23. There has been no impact from the adoption of Interpretation 23 in this reporting period.

## **Note 3. Critical accounting estimates and judgements**

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgement about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by each entity in the consolidated entity, and the estimates and underlying assumptions are reviewed on an ongoing basis.

The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying values of assets and liabilities within the next financial year are discussed below.

### *(i) Recovery of deferred tax assets*

Deferred tax assets are only recognised if management considers it is probable that future tax profits will be available to utilise the unused tax losses (refer to note 10).

### *(ii) Impairment of production properties*

Production properties impairment testing requires an estimation of recoverable amount using a value-in-use model for respective cash generating units. The recoverable amount calculation requires the entity to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value. Other assumptions used in the calculations which could have an impact on future years includes USD rates, available reserves and oil and gas prices (refer to note 15).

### *(iii) Useful life of production properties*

As detailed at note 15 production properties are amortised on a unit-of-production basis, with separate calculations being made for each resource. Estimates of reserve quantities are a critical estimate impacting amortisation of production property assets.

### *(iv) Estimates of reserve quantities*

The estimated quantities of Proven and Probable hydrocarbon reserves reported by the Company are integral to the calculation of the amortisation expense relating to Production Property Assets, and to the assessment of possible impairment of these assets. Estimated reserve quantities are based upon interpretations of geological and geophysical models and assessments of the technical feasibility and commercial viability of producing the reserves. These assessments require assumptions to be made regarding future development and production costs, commodity prices, exchange rates and fiscal regimes. The estimates of reserves may change from period to period as the economic assumptions used to estimate the reserves can change from period to period, and as additional geological data is generated during the course of operations. Reserves estimates are prepared in accordance with the Company's policies and procedures for reserves estimation which conform to guidelines prepared by the Society of Petroleum Engineers.

### Note 3. Critical accounting estimates and judgements (continued)

#### *(v) Restoration provisions*

Provisions for future environmental restoration are recognised where there is a present obligation as a result of exploration, development, production, transportation or storage activities having been undertaken, and it is probable that an outflow of economic benefits will be required to settle the obligation. The estimated future obligations include the costs of removing facilities, abandoning wells and restoring the affected areas.

#### *(vi) Capitalised exploration and evaluation costs*

Exploration and evaluation costs have been capitalised on the basis that the consolidated entity expects to commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

#### *(vii) Coronavirus (COVID-19) pandemic*

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.

### Note 4. Restatement of comparatives

#### *Correction of error*

The Group, through its wholly owned subsidiary, Cue Sampang Pty Ltd contributed to the Abandonment and Site Restoration (ASR) fund as agreed by Indonesian Government through SKKMigas. Cue Sampang Pty Ltd contributed AUD\$5.27 million to the ASR fund up to 30 June 2019. Historically, the Group set off the funded portion of the ASR against its restoration provision on the balance sheet.

During 2020 financial year, the Group reviewed the contractual agreement and concluded that a prior year restatement is required to gross up the funded portion of the restoration provision, as Cue Sampang retains the obligation to fully fund its share of the rehabilitation. As such, the Group retrospectively recognised other financial asset of AUD\$5.27 million as at 30 June 2019, with corresponding adjustments for Production properties (\$0.1 million) and restoration provision (\$5.38 million). There was no impact to the statement of profit or loss and other comprehensive income.

#### *Statement of profit or loss and other comprehensive income*

When there is a restatement of comparatives, it is mandatory to provide a statement of profit or loss and other comprehensive income for the year ended 30 June 2019. However, as there were no adjustments made, the consolidated entity has elected not to show the statement of profit or loss and other comprehensive income.

#### *Statement of financial position at the beginning of the earliest comparative period*

When there is a restatement of comparatives, it is mandatory to provide a third statement of financial position at the beginning of the earliest comparative period, being 1 July 2018. The following tables summarise the impacts on the Group's consolidated financial statements.

**Note 4. Restatement of comparatives (continued)**

*Statement of financial position at the start of the earliest comparative period - 1 July 2018*

|                                | 1 July 2018<br>\$'000<br>Reported | Consolidated<br>\$'000<br>Adjustment | 1 July 2018<br>\$'000<br>Restated |
|--------------------------------|-----------------------------------|--------------------------------------|-----------------------------------|
| <b>Extract</b>                 |                                   |                                      |                                   |
| <b>Assets</b>                  |                                   |                                      |                                   |
| <b>Non-current assets</b>      |                                   |                                      |                                   |
| Other financial assets         | -                                 | 4,699                                | 4,699                             |
| Production properties          | 26,814                            | (11)                                 | 26,803                            |
| Total non-current assets       | 29,571                            | 4,688                                | 34,259                            |
| <b>Total assets</b>            | 54,666                            | 4,688                                | 59,354                            |
| <b>Liabilities</b>             |                                   |                                      |                                   |
| <b>Non-current liabilities</b> |                                   |                                      |                                   |
| Provisions                     | 9,873                             | 4,688                                | 14,561                            |
| Total non-current liabilities  | 12,925                            | 4,688                                | 17,613                            |
| <b>Total liabilities</b>       | 21,396                            | 4,688                                | 26,084                            |
| <b>Net assets</b>              | 33,270                            | -                                    | 33,270                            |

*Statement of financial position at the end of the earliest comparative period – 30 June 2019*

|                                | 2019<br>\$'000<br>Reported | Consolidated<br>\$'000<br>Adjustment | 2019<br>\$'000<br>Restated |
|--------------------------------|----------------------------|--------------------------------------|----------------------------|
| <b>Extract</b>                 |                            |                                      |                            |
| <b>Assets</b>                  |                            |                                      |                            |
| <b>Non-current assets</b>      |                            |                                      |                            |
| Other financial assets         | -                          | 5,278                                | 5,278                      |
| Production properties          | 24,547                     | 98                                   | 24,645                     |
| Total non-current assets       | 30,971                     | 5,376                                | 36,347                     |
| <b>Total assets</b>            | 63,465                     | 5,376                                | 68,841                     |
| <b>Liabilities</b>             |                            |                                      |                            |
| <b>Non-current liabilities</b> |                            |                                      |                            |
| Provisions                     | 11,894                     | 5,376                                | 17,270                     |
| Total non-current liabilities  | 15,841                     | 5,376                                | 21,217                     |
| <b>Total liabilities</b>       | 22,056                     | 5,376                                | 27,432                     |
| <b>Net assets</b>              | 41,409                     | -                                    | 41,409                     |

There is no impact on the Group's basic or diluted earnings per share and no impact on the total operating, investing or financing cash flows for year ended 30 June 2019.

**Note 5. Financial reporting by segments**

**Segment Information**

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ("CODM")) in assessing performance and in determining the allocation of resources.

The CODM assesses the performance of the operating segments based upon a measure of earnings before interest expense, tax, depreciation and amortisation. The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the Group financial statements.

At reporting date, the Group operates in three principle geographic segments: Australia, New Zealand and Indonesia. These segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers (CODM)) in assessment performance and in determining the allocation of resources.

**Australia**

The parent entity resides in Melbourne, Australia. The Group, through its wholly owned subsidiary, Cue Exploration Pty Ltd, holds exploration permits in the Carnarvon Basin, Offshore Western Australia.

**New Zealand**

The Group, through its wholly owned subsidiary, Cue Taranaki Pty Ltd, holds 5% interest in petroleum production property, PMP38160 (Maari) in New Zealand.

**Indonesia**

The Group, through its wholly owned subsidiary, Cue Sampang Pty Ltd, holds 15% interest in gas production property in Indonesia (Sampang). The Group also holds interest in exploration permits in East Kalimantan, through Cue Mahakam Hilir Pty Ltd and Cue Kalimantan Pte Ltd (both wholly owned subsidiaries) and in Central Sumatra, through Cue Mahato Pty Ltd.

Information regarding the Group's reportable segments is presented below:

| <b>2020</b>                                    | <b>Australia<br/>\$'000</b> | <b>NZ<br/>\$'000</b> | <b>Indonesia<br/>\$'000</b> | <b>Total<br/>\$'000</b> |
|------------------------------------------------|-----------------------------|----------------------|-----------------------------|-------------------------|
| <b>Revenue</b>                                 |                             |                      |                             |                         |
| Revenue from continuing operations             | -                           | 9,489                | 14,427                      | 23,916                  |
| Production expenses (excluding amortisation)   | -                           | (6,227)              | (2,577)                     | (8,804)                 |
| Gross profit (excluding amortisation)          | -                           | 3,262                | 11,850                      | 15,112                  |
| Other revenue                                  | 438                         | -                    | 393                         | 831                     |
| Depreciation                                   | (73)                        | -                    | -                           | (73)                    |
| Amortisation                                   | -                           | (3,032)              | (1,108)                     | (4,140)                 |
| Impairment of production properties            | -                           | (2,722)              | -                           | (2,722)                 |
| Exploration and evaluation expenditure         | (747)                       | -                    | (691)                       | (1,438)                 |
| Other expenditure                              | (2,404)                     | -                    | -                           | (2,404)                 |
| Share-based payments                           | (106)                       | -                    | (40)                        | (146)                   |
| Foreign exchange movement                      | 130                         | (192)                | 141                         | 79                      |
| <b>Profit/(loss) before income tax expense</b> | <b>(2,762)</b>              | <b>(2,684)</b>       | <b>10,545</b>               | <b>5,099</b>            |

**Note 5. Financial reporting by segments (continued)**

| 2019                                           | Australia<br>\$'000 | NZ<br>\$'000  | Indonesia<br>\$'000 | Total<br>\$'000 |
|------------------------------------------------|---------------------|---------------|---------------------|-----------------|
| <b>Revenue</b>                                 |                     |               |                     |                 |
| Revenue from continuing operations             | -                   | 10,836        | 14,894              | 25,730          |
| Production expenses (excluding amortisation)   | -                   | (5,343)       | (2,386)             | (7,729)         |
| Gross profit (excluding amortisation)          | -                   | 5,493         | 12,508              | 18,001          |
| Other revenue                                  | 1,986               | 1,070         | 2                   | 3,058           |
| Depreciation                                   | (10)                | -             | -                   | (10)            |
| Amortisation                                   | -                   | (2,986)       | (1,366)             | (4,352)         |
| Impairment of production properties            | -                   | -             | -                   | -               |
| Exploration and evaluation expenditure         | (1,133)             | -             | (1,043)             | (2,176)         |
| Other expenditure                              | (2,416)             | -             | -                   | (2,416)         |
| Share-based payments                           | (34)                | -             | -                   | (34)            |
| Foreign exchange movement                      | 858                 | (496)         | 423                 | 785             |
| <b>Profit/(loss) before income tax expense</b> | <b>(749)</b>        | <b>3,081</b>  | <b>10,524</b>       | <b>12,856</b>   |
|                                                | Australia<br>\$'000 | NZ<br>\$'000  | Indonesia<br>\$'000 | Total<br>\$'000 |
| <b>TOTAL SEGMENT ASSETS</b>                    |                     |               |                     |                 |
| Current Assets                                 | 28,982              | 789           | 7,346               | 37,117          |
| Non-current Assets                             | 123                 | 14,970        | 16,949              | 32,042          |
| <b>Total 30 June 2020 Assets</b>               | <b>29,105</b>       | <b>15,759</b> | <b>24,295</b>       | <b>69,159</b>   |
| Current Assets                                 | 23,822              | 1,487         | 7,185               | 32,494          |
| Non-current Assets*                            | 21                  | 20,906        | 15,420              | 36,347          |
| <b>Total 30 June 2019 Assets*</b>              | <b>23,843</b>       | <b>22,393</b> | <b>22,605</b>       | <b>68,841</b>   |
| <b>TOTAL SEGMENT LIABILITIES</b>               |                     |               |                     |                 |
| Current Liabilities                            | 536                 | 692           | 3,323               | 4,551           |
| Non-current Liabilities                        | 97                  | 10,315        | 10,632              | 21,044          |
| <b>Total 30 June 2020 Liabilities</b>          | <b>633</b>          | <b>11,007</b> | <b>13,955</b>       | <b>25,595</b>   |
| Current Liabilities                            | 218                 | 905           | 5,092               | 6,215           |
| Non-current Liabilities*                       | 101                 | 10,722        | 10,394              | 21,217          |
| <b>Total 30 June 2019 Liabilities*</b>         | <b>319</b>          | <b>11,627</b> | <b>15,486</b>       | <b>27,432</b>   |

\*Restated, refer to Note 4.

**Major customers**

The Group has a number of customers to whom it provides oil products. The Group supplies a single external customer in the gas segment who accounts for 100% of external gas revenue (2019: 100%).

**Note 6. Production costs**

|                                       | <b>Consolidated</b>    |                        |
|---------------------------------------|------------------------|------------------------|
|                                       | <b>2020<br/>\$'000</b> | <b>2019<br/>\$'000</b> |
| Production costs                      | (8,804)                | (7,729)                |
| Amortisation of production properties | (4,140)                | (4,352)                |
|                                       | <u>(12,944)</u>        | <u>(12,081)</u>        |

**Note 7. Other income**

|                                                             | <b>Consolidated</b> |               |
|-------------------------------------------------------------|---------------------|---------------|
|                                                             | <b>2020</b>         | <b>2019</b>   |
|                                                             | <b>\$'000</b>       | <b>\$'000</b> |
| Interest from cash and cash equivalents and restricted cash | 360                 | 381           |
| Maari insurance refund                                      | -                   | 1,070         |
| Other income                                                | 80                  | 65            |
| Reimbursement of Ironbark back costs                        | -                   | 1,542         |
| Performance bond receivable*                                | 391                 | -             |
|                                                             | <u>831</u>          | <u>3,058</u>  |

\*During the year ending 30 June 2020, Texcal Mahato EP Ltd, operator of the Mahato PSC refused to refund Cue's share of the PSC performance bond, amounting to approximately AUD\$391K (US\$269K) 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 Joint Operating Agreement ('JOA'). Cue continues to assert its rights under the agreement which governs the performance bond and is evaluating its available options.

*Accounting policy for interest income*

Interest revenue is recognised as interest accrues using the effective interest method. This is a method calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets to the net carrying amount of the financial asset.

**Note 8. Administration expenses**

|                                     | <b>Consolidated</b> |               |
|-------------------------------------|---------------------|---------------|
|                                     | <b>2020</b>         | <b>2019</b>   |
|                                     | <b>\$'000</b>       | <b>\$'000</b> |
| Depreciation expense                | 73                  | 10            |
| Employee expenses                   | 1,275               | 1,329         |
| Superannuation contribution expense | 70                  | 67            |
| Office rent and utilities*          | 35                  | 147           |
| Legal expenses                      | 409                 | 250           |
| Other expenses                      | 482                 | 509           |
| Business development expenses       | 128                 | 114           |
| Share based payments                | 146                 | 34            |
| Finance costs                       | 5                   | -             |
|                                     | <u>2,623</u>        | <u>2,460</u>  |
| Total administration expenses       |                     |               |

\*2019 balance includes \$109K lease payment for the Melbourne office. This lease was recognised under AASB 16 *Leases* from 1 July 2019.

**Note 9. Exploration and evaluation expenditure**

|                                                                    | <b>Consolidated</b> |               |
|--------------------------------------------------------------------|---------------------|---------------|
|                                                                    | <b>2020</b>         | <b>2019</b>   |
|                                                                    | <b>\$'000</b>       | <b>\$'000</b> |
| Profit before income tax includes the following specific expenses: |                     |               |
| <i>Exploration Costs Expensed</i>                                  |                     |               |
| Sampang PSC                                                        | 12                  | 28            |
| Mahakam Hilir PSC                                                  | 679                 | 806           |
| Mahato PSC                                                         | -                   | 209           |
| WA-359-P                                                           | 157                 | 899           |
| WA-389-P                                                           | 550                 | 148           |
| WA-409-P                                                           | 40                  | 86            |
| Total exploration and evaluation expenditure                       | <u>1,438</u>        | <u>2,176</u>  |

*Accounting policy for exploration and evaluation project expenditure*

AASB 6 Exploration for and Evaluation of Mineral Resources allows the Group to either capitalise or expense the exploration and evaluation expenditure incurred. During the financial year the consolidated entity reviewed its criteria under its successful efforts method of accounting. The costs of a successful exploration well are capitalised and carried forward as exploration and evaluation assets pending the evaluation of the success of the well (refer note 14). If a well does not result in a successful discovery, the previously capitalised costs are immediately expensed.

**Note 10. Income tax expense**

|                                                                                      | <b>Consolidated</b> |               |
|--------------------------------------------------------------------------------------|---------------------|---------------|
|                                                                                      | <b>2020</b>         | <b>2019</b>   |
|                                                                                      | <b>\$'000</b>       | <b>\$'000</b> |
| <i>Income tax expense</i>                                                            |                     |               |
| Current tax                                                                          | 4,217               | 3,678         |
| Adjustment recognised for current tax in prior periods                               | (656)               | 3             |
| Deferred tax - origination and reversal of temporary differences (i)                 | 225                 | 626           |
| Aggregate income tax expense                                                         | <u>3,786</u>        | <u>4,307</u>  |
| <i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>  |                     |               |
| Profit before income tax expense                                                     | <u>5,099</u>        | <u>12,856</u> |
| Tax at the statutory tax rate of 30%                                                 | 1,530               | 3,857         |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income: |                     |               |
| Unrealised foreign exchange movements                                                | (146)               | (186)         |
| Unrecognised temporary differences                                                   | (139)               | (930)         |
| Unrecognised tax losses                                                              | 1,756               | 672           |
| Recognition of deferred tax (assets)/liabilities (ii)                                | 101                 | 1,495         |
| Difference in overseas tax rates                                                     | 1,109               | (614)         |
| Share-based payments                                                                 | 32                  | 10            |
| Other                                                                                | 199                 | -             |
| Adjustment recognised for current tax in prior periods                               | <u>4,442</u>        | <u>4,304</u>  |
| Income tax expense                                                                   | <u>(656)</u>        | <u>3</u>      |
|                                                                                      | <u>3,786</u>        | <u>4,307</u>  |

**Note 10. Income tax expense (continued)**

|                                                                  | <b>Consolidated</b> |               |
|------------------------------------------------------------------|---------------------|---------------|
|                                                                  | <b>2020</b>         | <b>2019</b>   |
|                                                                  | <b>\$'000</b>       | <b>\$'000</b> |
| (i) Deferred tax included in income tax expense comprises:       |                     |               |
| Decrease/(increase) in deferred tax assets                       | 114                 | (269)         |
| Increase/(decrease) in deferred tax liabilities                  | 111                 | 895           |
|                                                                  | <u>225</u>          | <u>626</u>    |
| Deferred tax – origination and reversal of temporary differences |                     |               |

During the year, Cue was notified that it had been successful in an Indonesian Tax Court case against the Indonesian Tax Department for over-payment of AUD\$659K in taxes relating to 2011, resulting in a partial refund of AUD\$451K which was received in December 2019. The remaining balance was accrued at year end.

(ii) During the year, the consolidated entity capitalised Mahato PB exploration wells drilling costs (refer note 14). As a result, a deferred tax liability of \$510K was recognised in the financial statements.

During the prior year, the consolidated entity capitalised Paus Biru-1 exploration well drilling costs pending the determination of the success of the well. As a result, a deferred tax liability of \$1.5 million was recognised in the financial statements.

|                         | <b>Consolidated</b> |               |
|-------------------------|---------------------|---------------|
|                         | <b>2020</b>         | <b>2019</b>   |
|                         | <b>\$'000</b>       | <b>\$'000</b> |
| Current tax liabilities | 2,287               | 4,227         |

The Group has an ongoing Indonesian Tax matter relating to a notice of amended assessment which is being disputed by Cue Kalimantan Pte Ltd on behalf of SPC E&P Pte Ltd. Cue is indemnified by SPC for any losses arising from this disputed notice of assessment and has recognised a liability and receivable on the balance sheet.

|                                | <b>Consolidated</b> |               |
|--------------------------------|---------------------|---------------|
|                                | <b>2020</b>         | <b>2019</b>   |
|                                | <b>\$'000</b>       | <b>\$'000</b> |
| Deferred tax assets recognised |                     |               |
| Restoration provision - Maari  | 2,888               | 3,002         |

|                                                       | <b>Consolidated</b> |               |
|-------------------------------------------------------|---------------------|---------------|
|                                                       | <b>2020</b>         | <b>2019</b>   |
|                                                       | <b>\$'000</b>       | <b>\$'000</b> |
| <b>Deferred tax liability recognised comprise of:</b> |                     |               |
| Sampang:                                              |                     |               |
| Production property                                   | 2,395               | 2,923         |
| Exploration and evaluation assets                     | 2,026               | 1,495         |
| Restoration provision offset                          | (377)               | (471)         |
| Right of use assets                                   | 14                  | -             |
|                                                       | <u>4,058</u>        | <u>3,947</u>  |
| Deferred tax liability                                |                     |               |

**Note 10. Income tax expense (continued)**

|                                                                              | <b>Consolidated</b> |               |
|------------------------------------------------------------------------------|---------------------|---------------|
|                                                                              | <b>2020</b>         | <b>2019</b>   |
|                                                                              | <b>\$'000</b>       | <b>\$'000</b> |
| <i>Deferred tax not recognised</i>                                           |                     |               |
| Deferred tax not recognised comprises temporary differences attributable to: |                     |               |
| Employee provisions                                                          | 68                  | 55            |
| Tax losses                                                                   | 35,752              | 34,079        |
| Less deferred tax liabilities not recognised - Production properties         | (1,695)             | (1,570)       |
| Less deferred tax liabilities not recognised - Inventories                   | (128)               | (281)         |
|                                                                              | <u>33,997</u>       | <u>32,283</u> |
| Net deferred tax not recognised                                              | <u>33,997</u>       | <u>32,283</u> |

The above net potential tax benefit has not been recognised in the statement of financial position as the recovery of this benefit is uncertain.

At 30 June 2020 no franking and imputation credits were held for subsequent reporting periods (2019: nil).

*Accounting policy for Income tax*

The income tax expense for the year is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Cue Energy Resources Limited (the 'head entity') and its wholly-owned Australian controlled entities have formed an income tax consolidated group under the tax consolidation regime effective 1 July 2010.

The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the group allocation approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

Assets or liabilities arising under tax funding agreement with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

**Note 11. Current assets - cash and cash equivalents and restricted cash**

|                                                   | Consolidated<br>2020<br>\$'000 | Consolidated<br>2019<br>\$'000 |
|---------------------------------------------------|--------------------------------|--------------------------------|
| Unrestricted operating accounts                   | 19,936                         | 14,671                         |
| Restricted - Ironbark Drilling Program Account    | 12,008                         | 11,523                         |
| Total as disclosed in the statement of cash flows | <u>31,944</u>                  | <u>26,194</u>                  |

The Ironbark drilling programme account represents cash held by the entity as required under the funding arrangement of the WA-359-P Co-ordination Agreement and is not available as free cash for the purposes of the group's operations until BP Developments Australia Pty Ltd, as the operator, draws down on the balance for the purposes of the Ironbark-1 drilling work programme agreed by all parties.

*Accounting policy for cash and cash equivalents and restricted cash*

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

**Note 12. Current assets - trade and other receivables**

|                   | Consolidated<br>2020<br>\$'000 | Consolidated<br>2019<br>\$'000 |
|-------------------|--------------------------------|--------------------------------|
| Trade receivables | 1,970                          | 1,249                          |
| Other receivables | 2,596                          | 4,038                          |
|                   | <u>4,566</u>                   | <u>5,287</u>                   |
| Prepayments       | 149                            | 10                             |
|                   | <u>4,715</u>                   | <u>5,297</u>                   |

*Allowance for expected credit losses*

The group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The consolidated entity has not recognised any losses in profit or loss in respect of the expected credit losses for the year ended 30 June 2020 (2019: Nil).

The aging of trade and other receivables at the reporting date was as follows:

|                                           | Consolidated<br>2020<br>\$'000 | Consolidated<br>2019<br>\$'000 |
|-------------------------------------------|--------------------------------|--------------------------------|
| Not overdue                               | 3,866                          | 4,038                          |
| Less than one month overdue, not impaired | 700                            | 591                            |
| 1 to 6 months overdue, not impaired       | -                              | 658                            |
|                                           | <u>4,566</u>                   | <u>5,287</u>                   |

## Note 12. Current assets - trade and other receivables (continued)

Trade and other receivables are non-interest-bearing and settlement terms are generally within 30 days.

Trade and other receivables are not impaired and relate to a number of independent customers for whom there is no recent history of default.

### *Accounting policy for trade and other receivables*

Trade and other receivables are amounts due from customers for goods sold in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value.

## Note 13. Non-current assets - other financial assets

|                                    | <b>Consolidated</b> |                 |
|------------------------------------|---------------------|-----------------|
|                                    | <b>2020</b>         | <b>Restated</b> |
|                                    | <b>\$'000</b>       | <b>2019</b>     |
|                                    |                     | <b>\$'000</b>   |
| Prepaid restoration fund - Sampang | 5,713               | 5,278           |

During 2020 financial year, the Group reviewed the contractual agreement and concluded that a prior year restatement is required to gross up the funded portion of the restoration provision, as Cue Sampang retains the obligation to fully fund its share of the rehabilitation. As such, the Group retrospectively recognised other financial asset of AUD\$5.28 million as at 30 June 2019 (refer to note 4).

Cue Sampang contributed a further AUD\$435K to the restoration fund during the year ended 30 June 2020.

### *Accounting policy for other financial assets*

Other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

## Note 14. Non-current assets - exploration and evaluation assets

|                                                            | <b>Consolidated</b> |               |
|------------------------------------------------------------|---------------------|---------------|
|                                                            | <b>2020</b>         | <b>2019</b>   |
|                                                            | <b>\$'000</b>       | <b>\$'000</b> |
| Exploration and evaluation - Paus Biru-1 exploration well* | 3,446               | 3,401         |
| Exploration and evaluation - PB exploration wells**        | 1,159               | -             |
|                                                            | 4,605               | 3,401         |

Under the criteria the costs of a successful exploration well are capitalised and carried forward as exploration and evaluation assets pending the evaluation of the success of the well. If a well does not result in a successful discovery, the previously capitalised costs are immediately expensed.

\*The plan of development (POD) for the Paus Biru discovery was approved on the 30th July 2020. Nothing has come to the attention of the Directors to indicate future economic benefits will not be achieved.

**Note 14. Non-current assets - exploration and evaluation assets (continued)**

\*\*Two exploration 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 disputed 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.

On 16 April 2020, the Indonesia regulator, SKKMigas made a public announcement of a 61.8 million (OOIP) barrel oil discovery in the Mahato PSC.

**Note 15. Non-current assets - production properties**

|                       | <b>Consolidated</b> | <b>Restated</b> |
|-----------------------|---------------------|-----------------|
|                       | <b>2020</b>         | <b>2019</b>     |
|                       | <b>\$'000</b>       | <b>\$'000</b>   |
| Production properties | 18,682              | 24,645          |

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

|                                                         | <b>Restated</b> |
|---------------------------------------------------------|-----------------|
|                                                         | <b>Total</b>    |
|                                                         | <b>\$'000</b>   |
| Consolidated                                            |                 |
| Balance at 30 June 2018                                 | 26,803          |
| Expenditure during the year                             | 912             |
| Changes in restoration provision – production           | 1,282           |
| Amortisation expense                                    | (4,352)         |
| Balance at 30 June 2019                                 | 24,645          |
| Expenditure during the year                             | 744             |
| Changes in restoration provision – production (note 17) | (691)           |
| Changes in foreign currency translation (note 2(j))     | 846             |
| Amortisation expense                                    | (4,140)         |
| Impairment of Maari production property*                | (2,722)         |
| Balance at 30 June 2020                                 | 18,682          |

|                                                           | <b>Consolidated</b> | <b>Restated</b> |
|-----------------------------------------------------------|---------------------|-----------------|
|                                                           | <b>2020</b>         | <b>2019</b>     |
|                                                           | <b>\$'000</b>       | <b>\$'000</b>   |
| <b>Net accumulated cost incurred on areas of interest</b> |                     |                 |
| Joint operation assets                                    |                     |                 |
| Oyong and Wortel - Sampang PSC                            | 6,600               | 6,740           |
| Maari - PMP 38160                                         | 12,082              | 17,905          |
| Balance as at 30 June 2020                                | 18,682              | 24,645          |

\* At 30 June 2020, the Group reassessed the carrying amount of its oil and gas assets for indicators of impairment such as changes in future prices, future costs and reserves. As a result, the recoverable amounts of Maari cash generating unit were formally reassessed. An impairment of the Maari oil field development in New Zealand of \$2.72 million, primarily as a result of reduced oil prices, was recognised during the year.

**Note 15. Non-current assets - production properties (continued)**

Estimates of recoverable amounts are based on the assets' value-in-use, determined by discounting each asset's estimated future cash flows at asset specific discount rates and based upon the Group's long term pricing assumptions. The post-tax discount rates applied were 10% (2019: 10%) equivalent to pre-tax discount rates of 14.3% (2019: 14.3%) depending on the nature of the risks specific to each asset. Recoverable amounts are estimated as follows:

|                                       |                     |
|---------------------------------------|---------------------|
| Maari                                 | \$'000              |
| Carrying value as at 30 June 2020     | 12,082              |
| Less restoration provision            | <u>(10,315)</u>     |
| Recoverable amount as at 30 June 2020 | <u><u>1,767</u></u> |

The restoration provision is deducted from the carrying value of the asset as the cost of restoration is included in its cost base. This adjustment is required to allow a true reflection of its carrying value against its recoverable value.

Where an asset does not generate cash flows that are largely independent from other assets or groups of assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

*Accounting policy for production properties*

Production properties are carried at the reporting date at cost less accumulated amortisation and accumulated impairment losses. Production properties represent the accumulation of all exploration, evaluation, development and acquisition costs in relation to areas of interest in which production licences have been granted.

Amortisation of costs is provided on the unit-of-production basis, separate calculations being made for each resource. The unit-of-production basis results in an amortisation charge proportional to the depletion of economically recoverable reserves (comprising both proven and probable reserves), and is expensed through the statement of profit or loss and other comprehensive income.

Amounts (including subsidies) received during the exploration, evaluation, development or construction phases which are in the nature of reimbursement or recoupment of previously incurred costs are offset against such capitalised costs.

*Accounting policy for calculation of recoverable amount*

For oil and gas assets the estimated future cash flows are based on value-in-use calculations using estimates of hydrocarbon reserves, future production profiles, commodity prices, operating costs and any future development costs necessary to produce the reserves. Estimates of future commodity prices are based on contracted prices where applicable or based on consensus estimates of forward market prices where available. The recoverable amount of other assets is the greater of their fair value less cost to dispose and value-in-use.

In assessing value-in-use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

*Accounting policy for Impairment*

The carrying amounts of the consolidated entity's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds the recoverable amount. Impairment losses are recognised in profit or loss, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (group of units) on a pro rata basis.

**Note 16. Current liabilities - trade and other payables**

|                                                        | Consolidated<br>2020<br>\$'000 | 2019<br>\$'000 |
|--------------------------------------------------------|--------------------------------|----------------|
| Trade payables and accruals                            | 1,945                          | 1,893          |
| Amounts due to directors and director related entities | 99                             | 14             |
|                                                        | <u>2,044</u>                   | <u>1,907</u>   |

Refer to note 21 for further information on financial instruments.

The Directors consider the carrying amount of payables reflect their fair values. Trade creditors are generally settled within 30 days.

*Accounting policy for trade and other payables*

These amounts represent the principal amounts outstanding at the reporting date plus, where applicable, any accrued interest. Trade payables are normally paid within 30 days, and due to their short term nature are generally unsecured and not discounted.

**Note 17. Non-current liabilities - provisions**

|                        | Consolidated<br>2020<br>\$'000 | Restated<br>2019<br>\$'000 |
|------------------------|--------------------------------|----------------------------|
| Employee benefits      | 81                             | 101                        |
| Restoration provisions | 16,889                         | 17,169                     |
|                        | <u>16,970</u>                  | <u>17,270</u>              |

Movements in restoration provision during the financial year are set out below:

| <b>Consolidated - 2020</b>                                        | Restoration<br>provisions<br>Restated<br>\$'000 |
|-------------------------------------------------------------------|-------------------------------------------------|
| Carrying amount at the start of the year (Restated, refer note 4) | 17,169                                          |
| Balance sheet movement (note 15)                                  | (691)                                           |
| P&L movement                                                      | 411                                             |
| Carrying amount at the end of the year                            | <u>16,889</u>                                   |

*Accounting policy for provisions*

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risk specific to the liability.

**Abandonment provision**

Provisions for future environmental restoration are recognised where there is a present obligation as a result of exploration, development, production, transportation or storage activities having been undertaken, and it is probable that an outflow of economic benefits will be required to settle the obligation. The estimated future obligations include the costs of removing facilities, abandoning wells and restoring the affected areas. Expected timing of outflow of restoration liabilities is not within the next 12 months from the reporting date.

#### Note 17. Non-current liabilities - provisions (continued)

The provision of future restoration costs is the best estimate of the present value of the future expenditure required to settle the restoration obligation at the reporting date, based on current legal requirements. Future restoration costs are reviewed annually and any changes in the estimate are reflected in the present value of the restoration provision at the reporting date, with a corresponding change in the cost of the associated asset.

The amount of the provision for future restoration costs relating to exploration, development and production facilities is capitalised and depleted as a component of the cost of those activities.

##### *Accounting policy for employee benefits*

The following liabilities arising in respect of employee benefits are measured at their nominal amounts:

- wages and salaries and annual leave expected to be settled within twelve months of the reporting date; and
- other employee benefits expected to be settled within twelve months of the reporting date.

All other employee benefit liabilities expected to be settled more than 12 months after the reporting date are measured at the present value of the estimated future cash outflows in respect of services provided up to the reporting date. Liabilities are determined after taking into consideration estimated future increase in wages and salaries and past experience regarding staff departures. Related on-costs are included.

#### Note 18. Equity - contributed equity

|                              | 2020<br>Shares | Consolidated<br>2019<br>Shares | 2020<br>\$'000 | 2019<br>\$'000 |
|------------------------------|----------------|--------------------------------|----------------|----------------|
| Ordinary shares - fully paid | 698,119,720    | 698,119,720                    | 152,416        | 152,416        |

Ordinary shares entitle the holder to the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid on the shares held. Ordinary shares entitle holders to one vote, either in person or by proxy at a meeting of the Company. The Company has an unlimited authorised capital and the shares have no par value.

##### *Accounting policy for contributed equity*

Ordinary share capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received. Ordinary share capital bears no special terms or conditions affecting income or capital entitlements of the shareholders.

#### Note 19. Equity - capital management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as maintaining optimal return for shareholders and benefits for other stakeholders.

Management will assess the capital structure of the entity to take advantage of favourable costs of capital or high returns on assets. As the market is constantly changing, management may change the amount of dividends to be paid to shareholders, return capital to shareholders, or issue new shares.

During 2020 management did not pay any dividends (2019: nil).

There has been no change during the year to the strategy adopted by management to control the capital of the entity.

The gearing ratio is nil for both 2019 and 2020 financial year, as the Group does not have external debt.

**Note 20. Equity - reserves**

|                          | Consolidated<br>2020<br>\$'000 | 2019<br>\$'000 |
|--------------------------|--------------------------------|----------------|
| Foreign currency reserve | (93)                           | (784)          |
| Options reserve          | 176                            | 34             |
|                          | <u>83</u>                      | <u>(750)</u>   |

*Foreign currency reserve*

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars.

*Options reserve*

The reserve is used to recognise the value of equity benefits provided to employees under the Employee Share Option Plan.

*Movements in reserves*

Movements in each class of reserve during the current and previous financial year are set out below:

| Consolidated                   | Foreign<br>currency<br>reserve<br>\$'000 | Options<br>reserve<br>\$'000 | Total<br>\$'000 |
|--------------------------------|------------------------------------------|------------------------------|-----------------|
| Balance at 1 July 2018         | (340)                                    | -                            | (340)           |
| Foreign currency translation   | (444)                                    | -                            | (444)           |
| Share-based payments           | -                                        | 34                           | 34              |
| Balance at 30 June 2019        | (784)                                    | 34                           | (750)           |
| Foreign currency translation   | 691                                      | -                            | 691             |
| Share-based payments           | -                                        | 146                          | 146             |
| Transfer to accumulated losses | -                                        | (4)                          | (4)             |
| Balance at 30 June 2020        | <u>(93)</u>                              | <u>176</u>                   | <u>83</u>       |

**Note 21. Financial instruments**

The Group's principal financial instruments comprise receivables, payables, cash and cash equivalents (inclusive of restricted balances).

The Group manages its exposure to key financial risks, including interest rate and currency risk through management's regular assessment of financial risks. The objective of the assessment is to support the delivery of the Group's financial targets whilst protecting future financial security.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, commodity price risk, credit risk and liquidity risk. The Group uses different methods to measure and manage different types of risk to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate, foreign exchange and commodity prices. These risks are summarised below.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Board reviews and agrees management's assessment for managing each of the risks identified below.

In all instances the fair value of financial assets and liabilities approximates to their carrying value.

## Note 21. Financial instruments (continued)

### Risk Exposures and Responses

#### (a) Fair value risk

The financial assets and liabilities of the Group are recognised in the statement of financial position at their fair value in accordance with the accounting policies set out in note 2. The Group has no debt and trade receivable, other financial assets and trade payables are reasonable approximation of their fair values due to the short-term nature. Therefore there is no significant fair value risk.

#### (b) Interest rate risk

The Group's exposure to market interest rates is related primarily to the Group's cash deposits.

At the reporting date, the Group had the following financial assets exposed to Australian and overseas variable interest rate risk that are not designated in cash flow hedges:

|                                               | <b>Consolidated</b> |               |
|-----------------------------------------------|---------------------|---------------|
|                                               | <b>2020</b>         | <b>2019</b>   |
|                                               | <b>\$'000</b>       | <b>\$'000</b> |
| Cash and cash equivalents and restricted cash | 31,944              | 26,194        |

The Group constantly analyses its interest rate opportunity and exposure. Within this analysis consideration is given to existing positions and alternative arrangement on fixed or variable deposits. The impact of interest rate movement is not material to the Group.

#### (c) Foreign exchange risk

The Group is subject to foreign exchange risk on its international exploration and appraisal activities where costs are incurred in foreign currencies, in particular United States dollars. However, given the group generates and holds significant balances of foreign currencies, the Group foreign exchange risk exposures are mitigated through natural hedging.

The Group's exposure to foreign exchange risk at the reporting date was as follows (holdings are shown in AUD equivalent):

|                                      | <b>30 June 2020</b> |               |               | <b>30 June 2019</b> |               |               |
|--------------------------------------|---------------------|---------------|---------------|---------------------|---------------|---------------|
|                                      | <b>USD</b>          | <b>NZD</b>    | <b>IDR</b>    | <b>USD</b>          | <b>NZD</b>    | <b>IDR</b>    |
|                                      | <b>\$'000</b>       | <b>\$'000</b> | <b>\$'000</b> | <b>\$'000</b>       | <b>\$'000</b> | <b>\$'000</b> |
| <b>Consolidated Financial assets</b> |                     |               |               |                     |               |               |
| Trade and other receivables          | 394                 | 41            | 21            | 5,033               | 127           | 9             |
| <b>Financial liabilities</b>         |                     |               |               |                     |               |               |
| Trade and other payables             | 622                 | 608           | 27            | 957                 | 794           | 10            |
| Lease liabilities                    | -                   | -             | 20            | -                   | -             | -             |

Management believes the risk exposures as at the reporting date are representative of the risk exposure inherent in the financial instruments.

#### (d) Commodity price risk

The Group is involved in oil and gas exploration and appraisal, and since April 1998 has received revenue from the sale of hydrocarbons. Exposure to commodity price risk is therefore limited to this production and from successful exploration and appraisal activities the quantum of which at this stage cannot be measured.

The Group is exposed to commodity price fluctuations through the sale of petroleum products denominated in US dollars. The Group may enter into commodity crude oil price swap and option contracts to manage its commodity price risk.

At 30 June 2020, the Group had no open oil price swap contracts (2019: nil).

**Note 21. Financial instruments (continued)**

**(e) Liquidity risk**

Liquidity Risk is the risk that the group, although balance sheet solvent, cannot meet or generate sufficient cash resources to meet its payment obligations in full as they fall due, or can only do so at materially disadvantageous terms.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Group is consequently able to meet its payment obligations in full as they fall due.

Prudent liquidity risk management implies maintaining sufficient cash to meet the Group's obligations. The Group aims to maintain flexibility in funding to meet ongoing operational requirements, exploration and development expenditure, and small-to-medium-sized opportunistic projects and investments, by keeping committed credit facilities available.

The following table analyses the contractual maturities of the Group's financial liabilities into relevant groupings based on the remaining period at the reporting date to the contractual undiscounted cash flows comprising principal and interest repayments.

|                                             | 12 months or<br>less<br>\$'000 | 1 to 2 years<br>\$'000 | 2 to 5 years<br>\$'000 | More than 5<br>years<br>\$'000 |
|---------------------------------------------|--------------------------------|------------------------|------------------------|--------------------------------|
| <b>Consolidated 2020</b>                    |                                |                        |                        |                                |
| <b>Non-derivative financial liabilities</b> |                                |                        |                        |                                |
| Trade and other payable (Note 16)           | 2,044                          | -                      | -                      | -                              |
| Lease liabilities                           | 80                             | 16                     | -                      | -                              |
| <b>Consolidated 2019</b>                    |                                |                        |                        |                                |
| <b>Non-derivative financial liabilities</b> |                                |                        |                        |                                |
| Trade and other payables                    | 1,907                          | -                      | -                      | -                              |

**(f) Credit risk**

Credit risk arises from the financial assets of the group, which comprise cash and cash equivalents and restricted cash, trade and other receivables and other financial assets. The Group's exposure to credit risk arises from potential default by the counter-party, with maximum exposure equal to the carrying amount of these instruments. Exposure at the reporting date is addressed in each applicable note.

The Group does not hold any credit derivatives to offset its credit exposure.

The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitize its trade and other receivables.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. The risks are regularly monitored.

The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

As disclosed in note 4, the Group retrospectively recognised other financial asset of AUD\$5.28 million as at 30 June 2019 for the funded portion of the restoration provision. Cue Sampang contributed a further AUD\$435K to the restoration fund during the year ended 30 June 2020. Management assessed the credit risk as low, given the funds are held in an Indonesian state owned bank account, jointly controlled by Indonesian government and its agency, SSKMigas.

## **Note 22. Key management personnel disclosures and related party disclosures**

### *Directors*

The following persons were directors of Cue Energy Resources Limited during the financial year:

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

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

### *Key management personnel*

The following person also had the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, during the financial year:

Matthew Boyall (Chief Executive Officer)

Total remuneration payments and equity issued to Directors and key management personnel are summarised below. Elements of Directors and executives remuneration includes:

- Short term employment benefits, including non-monetary benefits and consultancy fees
- Post employment benefits – superannuation and long service leave entitlements
- Long term employee benefits

|                                                                  | <b>Consolidated</b> |                |
|------------------------------------------------------------------|---------------------|----------------|
|                                                                  | <b>2020</b>         | <b>2019</b>    |
| Short term employment benefits (including non-monetary benefits) | 513,737             | 502,406        |
| Cash bonuses                                                     | 91,800              | 112,200        |
| Post employment benefits                                         | 33,459              | 26,584         |
| Share-based payments                                             | 51,334              | 10,307         |
| Total employee benefits                                          | <u>690,330</u>      | <u>651,497</u> |

### **Other related party transactions**

Repayment of amounts owing to the Company as at 30 June 2020 and all future debts due to the Company, by the controlled entities are subordinated in favour of all other creditors. Cue Energy has agreed to provide sufficient financial assistance to the controlled entities as and when it is needed to enable the controlled entities to continue operations.

The parent company provides management, administration and accounting services to the subsidiaries. No Management fees were charged to subsidiaries in the 2019 and 2020 financial years.

The ultimate parent company is O.G. Oil & Gas (Singapore) Pte. Ltd., a company incorporated in Singapore. The immediate parent company is New Zealand Oil & Gas, a company incorporated in New Zealand.

During the financial year, New Zealand Oil & Gas provided technical and legal services to the Group under consulting agreements. The arrangements are on normal commercial terms. As at 30 June 2020, \$99K was accrued for service rendered from the immediate parent company (2019: \$14K).

## Note 23. Auditors remuneration

During the financial year the following fees were paid or payable for services provided by the auditor of the company:

|                                                                 | Consolidated   |                |
|-----------------------------------------------------------------|----------------|----------------|
|                                                                 | 2020           | 2019           |
|                                                                 | \$             | \$             |
| <i>Audit services - KPMG (2019: BDO East Coast Partnership)</i> |                |                |
| Audit or review of the financial statements                     | 97,290         | 114,857        |
| Other assurance services                                        | 8,280          | 3,000          |
|                                                                 | <u>105,570</u> | <u>117,857</u> |
| <i>Other services - KPMG (2019: BDO East Coast Partnership)</i> |                |                |
| Advisory services                                               | 7,349          | -              |
| Tax compliance                                                  | 12,500         | 10,000         |
|                                                                 | <u>19,849</u>  | <u>10,000</u>  |
|                                                                 | <u>125,419</u> | <u>127,857</u> |

No other services were provided by the auditor during the year, other than those set out above.

## Note 24. Contingent assets and liabilities

The Directors are not aware of any contingent assets or contingent liabilities as at 30 June 2020 (2019: Nil).

## Note 25. Commitments for expenditure

|                                                                                                                                                                                                                                                                    | Consolidated  |               |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|---------------|
|                                                                                                                                                                                                                                                                    | 2020          | 2019          |
|                                                                                                                                                                                                                                                                    | \$'000        | \$'000        |
| <i>a) Exploration tenements*</i>                                                                                                                                                                                                                                   |               |               |
| The Group participates in a number of licences, permits and production sharing contracts for which the Group has made commitments with relevant governments to complete minimum work programmes.                                                                   |               |               |
| Within one year                                                                                                                                                                                                                                                    | 24,593        | 1,645         |
| One to five years                                                                                                                                                                                                                                                  | -             | 27,033        |
|                                                                                                                                                                                                                                                                    | <u>24,593</u> | <u>28,678</u> |
| <i>b) Production development expenditure**</i>                                                                                                                                                                                                                     |               |               |
| The Group participates in a number of development projects that were in progress at the end of the period. These projects require the Group, either directly or through joint venture arrangements, to enter into contractual commitments for future expenditures. |               |               |
| Within one year                                                                                                                                                                                                                                                    | 817           | 706           |

\* If the economic entity decides to relinquish certain tenements and/or does not meet these obligations, assets recognised in the Statement of Financial Position may require review in order to determine the appropriateness of carrying values. The sale, transfer or farm-out of exploration rights to third parties could potentially reduce or extinguish these obligations.

All commitments relate to Joint Operation projects.

\$24.59 million included in "within one year" category refers to the total Cue commitment for the Ironbark well. Approximately \$12.1 million will be funded by joint venture partners, with the remaining \$12.49 million funded from Cue's cash reserves which have been escrowed for this purpose (refer to note 11).

\*\* All development expenditure commitments relate to the development of oil and gas fields.

**Note 26. Parent entity information**

Cue Energy Resources Limited is the parent entity.

Set out below is the supplementary information about the parent entity.

*Statement of profit or loss and other comprehensive income*

|                            | <b>Parent</b> |               |
|----------------------------|---------------|---------------|
|                            | <b>2020</b>   | <b>2019</b>   |
|                            | <b>\$'000</b> | <b>\$'000</b> |
| Loss after income tax      | (2,502)       | (1,390)       |
| Total comprehensive income | (2,502)       | (1,390)       |

*Statement of financial position*

|                           | <b>Parent</b> |               |
|---------------------------|---------------|---------------|
|                           | <b>2020</b>   | <b>2019</b>   |
|                           | <b>\$'000</b> | <b>\$'000</b> |
| Total current assets      | 16,938        | 12,214        |
| Total assets              | 21,364        | 23,404        |
| Total current liabilities | 504           | 200           |
| Total liabilities         | 601           | 301           |
| Equity                    |               |               |
| Contributed equity        | 152,416       | 152,416       |
| Options reserve           | 176           | 34            |
| Accumulated losses        | (131,829)     | (129,346)     |
| Total equity              | 20,763        | 23,104        |

*Guarantees entered into by the parent entity in relation to the debts of its subsidiaries*

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2020 (2019: nil)

*Contingent liabilities*

The parent entity had no contingent liabilities as at 30 June 2020 (2019: nil)

*Capital commitments - Property, plant and equipment*

The parent entity had no capital commitments for the acquisition of capital assets as at 30 June 2020 (2019: nil).

**Note 27. Shares in subsidiaries**

Shares held by parent entity at the reporting date:

| <b>Name</b>                   | <b>Principal place of business /<br/>Country of incorporation</b> | <b>Ownership interest</b> |             |
|-------------------------------|-------------------------------------------------------------------|---------------------------|-------------|
|                               |                                                                   | <b>2020</b>               | <b>2019</b> |
|                               |                                                                   | <b>%</b>                  | <b>%</b>    |
| Cue Mahato Pty Ltd            | Australia                                                         | 100%                      | 100%        |
| Cue Mahakam Hilir Pty Ltd     | Australia                                                         | 100%                      | 100%        |
| Cue Kalimantan Pte Ltd*       | Singapore                                                         | 100%                      | 100%        |
| Cue (Ashmore Cartier) Pty Ltd | Australia                                                         | 100%                      | 100%        |
| Cue Sampang Pty Ltd           | Australia                                                         | 100%                      | 100%        |
| Cue Taranaki Pty Ltd          | Australia                                                         | 100%                      | 100%        |
| Cue Exploration Pty Ltd       | Australia                                                         | 100%                      | 100%        |

All companies in the Group have a 30 June reporting date.

\* Shares held by Cue Mahakam Hilir Pty Ltd

**Note 28. Interests in joint operations**

| Property                                   | Operator                          | Cue<br>Interest<br>2020<br>(%) | Cue<br>Interest<br>2019<br>(%) | Gross<br>Area<br>(km2) | Net<br>Area<br>(km2) | Permit<br>expiry<br>date |
|--------------------------------------------|-----------------------------------|--------------------------------|--------------------------------|------------------------|----------------------|--------------------------|
| <b>Petroleum exploration properties</b>    |                                   |                                |                                |                        |                      |                          |
| <b>Carnarvon Basin - Western Australia</b> |                                   |                                |                                |                        |                      |                          |
| WA-359-P                                   | BP Developments Australia Pty Ltd | 21.5                           | 21.5                           | 645                    | 645                  | 25/04/2021               |
| WA-389-P                                   | Cue Exploration Pty Ltd           | 100                            | 100                            | 1,939                  | 775.60               | 08/04/2021               |
| WA-409-P                                   | BP Developments Australia Pty Ltd | 20                             | 20                             | 565                    | 169.50               | 12/10/2022               |
| <b>Indonesia</b>                           |                                   |                                |                                |                        |                      |                          |
| Mahakam Hilir PSC                          | Cue Kalimantan Pte Ltd            | 100                            | 100                            | 222.14                 | 88.90                | 15/04/2021               |
| Mahato PSC                                 | Texcal Mahato EP Ltd              | 12.5                           | 12.5                           | 5,600                  | 700                  | 20/07/2042               |
| <b>Petroleum production properties</b>     |                                   |                                |                                |                        |                      |                          |
| PMP38160                                   | OMV New Zealand Limited           | 5                              | 5                              | 80.18                  | 4                    | 02/12/2027               |
| Madura - Indonesia                         | Ophir Indonesia (Sampang) Pty Ltd | 15 (8.18<br>Jeruk<br>Field)    | 15 (8.18<br>Jeruk<br>Field)    | 534.50                 | 80.20                | 04/12/2027               |
| Sampang                                    |                                   |                                |                                |                        |                      |                          |

*Accounting policy for joint operations*

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The consolidated entity has recognised its share of jointly held assets, liabilities, revenues and expenses of joint operations. These have been incorporated in the financial statements under the appropriate classifications.

**Note 29. Events after the reporting period**

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.

**Note 30. Reconciliation of profit after income tax to net cash from operating activities**

|                                                 | <b>Consolidated</b> |               |
|-------------------------------------------------|---------------------|---------------|
|                                                 | <b>2020</b>         | <b>2019</b>   |
|                                                 | <b>\$'000</b>       | <b>\$'000</b> |
| Profit after income tax expense for the year    | 1,313               | 8,549         |
| Adjustments for:                                |                     |               |
| Share-based payments                            | 146                 | 34            |
| Abandonment provision expense                   | 257                 | 777           |
| Impairment - production assets                  | 2,722               | -             |
| Depreciation                                    | 73                  | 10            |
| Amortisation                                    | 4,140               | 4,352         |
| Net gain on foreign currency conversion         | (95)                | (1,141)       |
| Change in operating assets and liabilities:     |                     |               |
| Decrease in trade and other receivables         | 582                 | 2,296         |
| Decrease/(increase) in inventories              | 545                 | (484)         |
| Decrease/(increase) in deferred tax assets      | 114                 | (269)         |
| Decrease in trade and other payables            | (327)               | (1,549)       |
| (Decrease)/Increase in tax liabilities          | (1,940)             | (719)         |
| Increase/(decrease) in deferred tax liabilities | 111                 | 895           |
| Increase/(decrease) in provisions               | (241)               | 72            |
| Net cash from operating activities              | <u>7,400</u>        | <u>12,823</u> |

**Note 31. Earnings per share**

|                                                                                           | <b>Consolidated</b> |                    |
|-------------------------------------------------------------------------------------------|---------------------|--------------------|
|                                                                                           | <b>2020</b>         | <b>2019</b>        |
|                                                                                           | <b>\$'000</b>       | <b>\$'000</b>      |
| Profit after income tax attributable to the owners of Cue Energy Resources Limited        | <u>1,313</u>        | <u>8,549</u>       |
|                                                                                           | <b>Number</b>       | <b>Number</b>      |
| Weighted average number of ordinary shares used in calculating basic earnings per share   | 698,119,720         | 698,119,720        |
| Adjustments for calculation of diluted earnings per share:                                |                     |                    |
| Options over ordinary shares                                                              | <u>1,692,411</u>    | <u>-</u>           |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | <u>699,812,131</u>  | <u>698,119,720</u> |
|                                                                                           | <b>Cents</b>        | <b>Cents</b>       |
| Basic earnings per share                                                                  | 0.19                | 1.22               |
| Diluted earnings per share                                                                | 0.19                | 1.22               |

*Accounting policy for earnings per share*

*Basic earnings per share*

Basic earnings per share is calculated by dividing the earnings attributable to the owners of Cue Energy Resources Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

*Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

**Note 32. Share-based payments**

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

Under IG4, which is set out in the Appendix to AASB 2 Share Based Payments, the service commencement date of these options were deemed to be 1 July 2018. The options were valued using Black-Scholes option pricing model. \$34,255 of share-based payment expense was recorded in relation to these options for the financial year ending 30 June 2019.

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.

Set out below are summaries of options granted under the plan:

| 2020                            |             |                |                                  |           |           |                           |                                |
|---------------------------------|-------------|----------------|----------------------------------|-----------|-----------|---------------------------|--------------------------------|
| Grant date                      | Expiry date | Exercise price | Balance at the start of the year | Granted   | Exercised | Expired/ forfeited/ other | Balance at the end of the year |
| 29/07/2019                      | 01/07/2023  | \$0.070        | 4,277,888                        | -         | -         | (493,863)                 | 3,784,025                      |
| 04/10/2019                      | 01/07/2024  | \$0.090        | -                                | 3,853,298 | -         | -                         | 3,853,298                      |
|                                 |             |                | 4,277,888                        | 3,853,298 | -         | (493,863)                 | 7,637,323                      |
| Weighted average exercise price |             |                | \$0.070                          | \$0.090   | -         | \$0.070                   | \$0.080                        |
| 2019                            |             |                |                                  |           |           |                           |                                |
| Grant date                      | Expiry date | Exercise price | Balance at the start of the year | Granted   | Exercised | Expired/ forfeited/ other | Balance at the end of the year |
| 29/07/2019                      | 01/07/2023  | \$0.070        | -                                | 4,277,888 | -         | -                         | 4,277,888                      |
|                                 |             |                | -                                | 4,277,888 | -         | -                         | 4,277,888                      |
| Weighted average exercise price |             |                | -                                | \$0.070   | -         | -                         | \$0.070                        |

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

| Grant date | Expiry date | Share price at grant date | Exercise price | Expected volatility | Dividend yield | Risk-free interest rate | Fair value at grant date |
|------------|-------------|---------------------------|----------------|---------------------|----------------|-------------------------|--------------------------|
| 29/07/2019 | 01/07/2023  | \$0.092                   | \$0.070        | 55.00%              | -              | 0.99%                   | \$0.040                  |
| 04/10/2019 | 01/07/2024  | \$0.115                   | \$0.090        | 53.00%              | -              | 0.64%                   | \$0.059                  |

*Accounting policy for share-based payments*

Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

**Note 32. Share-based payments (continued)**

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

**Cue Energy Resources Limited**  
**Directors' declaration**  
**30 June 2020**

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



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Alastair McGregor  
Non-Executive Chairman

20 August 2020



# Independent Auditor's Report

To the shareholders of Cue Energy Resources Limited

## Report on the audit of the Financial Report

### Opinion

We have audited the **Financial Report** of Cue Energy Resources Limited (the **Company**).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Consolidated statement of financial position as at 30 June 2020;
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The **Group** consists of Cue Energy Resources Limited (the Company) and the entities it controlled at the year end or from time to time during the financial year.

### Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with *the Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code)* that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

## Key Audit Matters

The **Key Audit Matters** we identified are:

- Impairment of production properties; and
- Restoration provisions

**Key Audit Matters** are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Impairment of production properties

Non-current assets – production properties: \$18.7m (refer to Note 15)

Impairment of production properties: \$2.7m (refer to Note 15)

| The key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | How the matter was addressed in our audit                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>We identified the assessment of possible indicators of impairment and where required impairment testing of CGUs as a key audit matter. This was due to the size of production properties and the complex auditor judgement and level of specialised skills needed to evaluate certain assumptions used in this process.</p> <p>As part of their assessment of indicators of impairment, the Group determines an estimate of future cash flows for each cash generating unit ('CGU'), considering different internal and external factors.</p> <p>The Group determined there was an impairment indicator for the Maari CGU and recognised an impairment expense of \$2.7m.</p> <p>The process for identifying impairment indicators and the recoverable amount of the Maari CGU use forward looking assumptions which are inherently difficult to determine with precision and require judgement to be applied. These conditions require additional scrutiny by us, in particular to address the objectivity of the inputs, and their consistent application. Key inputs into these forward looking estimates that we focused on, include:</p> <ul style="list-style-type: none"> <li>• Future oil and gas prices. The Group's models are sensitive to small changes in price assumptions;</li> <li>• Reserves, future production volumes and future capital expenditure and operating</li> </ul> | <p>Our procedures included:</p> <ul style="list-style-type: none"> <li>• Testing key internal controls in the Group's impairment assessment process. This included the determination, review and approval by the Group of indicators of impairment and key impairment model inputs;</li> <li>• Assessing the appropriateness of the impairment testing methodology applied by the Group against the requirements of accounting standards;</li> <li>• Evaluating the Group's impairment indicator assessment utilising our knowledge of the Group and the Oil and Gas industry;</li> <li>• Assessing the integrity of the impairment model including the accuracy of the underlying calculation formulas;</li> <li>• Evaluating key inputs used in the Group's impairment model for the Maari CGU by: <ul style="list-style-type: none"> <li>– Working with our valuation specialists we evaluated future oil and gas prices by comparing to published forecast commodity prices and views of market commentators on future trends;</li> <li>– Comparing future capital and operating expenditures and reserves to board approved asset plans and long term budgets. We assessed the Group's ability to budget accurately by comparing prior years' estimated cash flows to actual results;</li> <li>– Evaluating the scope, competency, and</li> </ul> </li> </ul> |

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>cash flows. These are determined by the Group based on historical performance adjusted for expected changes. This drives additional audit effort around the feasibility of forecasts; and</p> <ul style="list-style-type: none"> <li>• Discount rates. These are complicated in nature and vary according to the conditions and environment that the CGUs are subject to from time to time.</li> </ul> <p>We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.</p> | <p>objectivity of the Group's external experts who produced reserve estimates and future production volumes used in the impairment model. We assessed the methodology used by the Group's external experts against industry accepted practice. We also compared for consistency the assumptions used by the Group's external experts in the reserves estimate and future production volumes to publicly available information from joint venture partners and assumptions used by the Group in their impairment model;</p> <ul style="list-style-type: none"> <li>– Assessed the feasibility of future operating and capital expenditure and future production volumes by comparing to publically available information from joint venture partners, past performance and the Group's long term budgets;</li> <li>– Working with our valuation specialists we analysed the Group's discount rate against publicly available risk free rates and data of a group of comparable entities; and</li> <li>– Considering the sensitivity of the model by varying key assumptions, such as future oil and gas prices, production volumes, capital and operating expenditures, and discount rates, within a reasonably possible range. We did this to identify those assumptions at higher risk of bias or inconsistency in application and to focus our further procedures.</li> </ul> <ul style="list-style-type: none"> <li>• Re-calculating the impairment charge for the Maari CGU against the recorded amount disclosed; and</li> <li>• Assessing the appropriateness of the Group's disclosures in the financial report using our understanding obtained from our testing and against the requirements of accounting standards.</li> </ul> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

| Restoration provisions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Non-current liabilities – restoration: \$16.9m (refer to Note 17)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| The key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | How the matter was addressed in our audit                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <p>We identified restoration provisions as a key audit matter due to:</p> <ul style="list-style-type: none"> <li>• The Group's assets being long-life, which increases estimation uncertainty relating to forecast restoration cash flows which require auditor judgement and specialised skills to evaluate their appropriateness;</li> <li>• The significant size of the restoration provisions relative to the Group's financial position; and</li> <li>• Our audit focus being first year as auditor and the restatement due to the identification of errors in accounting of the restoration provision in the previously issued 30 June 2019 financial report.</li> </ul> <p>The Group incurs obligations to close, restore and rehabilitate its sites and associated facilities. We focussed on the following key estimates made by the Group in determining its restoration provision:</p> <ul style="list-style-type: none"> <li>• The useful life of asset including the economic reserves and production profiles;</li> <li>• The interpretation of legislative regulatory requirements governing its sites;</li> <li>• The cost and timing of future rehabilitation costs; and</li> <li>• Discount rates applied to the Group's net present value of forecast cash flows used to determine the restoration provision.</li> </ul> | <p>Our procedures included:</p> <ul style="list-style-type: none"> <li>• Testing key controls in the Group's process to determine the restoration provision. This included the determination, review and approval by the Group of key inputs included in the calculation such as life of asset reserves and production profiles, discount rates, future restoration costs, and timing of future cash flows;</li> <li>• Assessing the nature and extent of the work performed by the Group's external expert in identifying future restoration activities and assessing the timing and likely cost of such activities. We compared the nature and extent of restoration work to the relevant regulatory requirements. We compared the timing of restoration activities to the Group's reserves and resources estimates, expected production profile and useful life;</li> <li>• Using our knowledge of the Group and our industry experience, and considering other publically available information from the joint venture partners, we assessed the feasibility of the future restoration costs and their timing;</li> <li>• Evaluating the scope, competency and objectivity of the Group's external expert;</li> <li>• Evaluating the discount rates applied to the Group's net present value of the restoration provision against publicly available data, including risk free rates;</li> <li>• Assessing the integrity of the provision calculation including the accuracy of the underlying calculation formulas; and</li> <li>• Assessing the appropriateness of the Group's disclosures in the financial report, including the restatement of the 30 June 2019 restoration provision, using our understanding obtained from our testing and against the requirements of accounting standards.</li> </ul> |

## Other Information

Other Information is financial and non-financial information in Cue Energy Resources Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Directors' Report, CEO Report and Review of Operations and Finances and the Shareholder Information. The Chairman's Overview, Reserves and Resources Summary and Sustainability are expected to be made available to us after the date of the Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

## Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.



A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: [https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf)

This description forms part of our Auditor's Report.

## Report on the Remuneration Report

### Opinion

In our opinion, the Remuneration Report of Cue Energy Resources Limited for the year ended 30 June 2020, complies with *Section 300A of the Corporations Act 2001*.

### Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A of the Corporations Act 2001*.

### Our responsibilities

We have audited the Remuneration Report included in the Directors' report for the year ended 30 June 2020.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

Vicky Carlson

*Partner*

Melbourne

20 August 2020

## Shareholder Information

### 1. Distribution of equitable securities

The shareholder information set out below was applicable as at 10 August 2020:

|                                       | Number<br>of<br>holders<br>of ordinary<br>shares | Number<br>of<br>ordinary<br>shares | %<br>of<br>ordinary<br>shares | Number<br>of<br>holders of<br>unquoted<br>options | Number<br>of<br>unquoted<br>options | %<br>of<br>holders of<br>unquoted<br>options |
|---------------------------------------|--------------------------------------------------|------------------------------------|-------------------------------|---------------------------------------------------|-------------------------------------|----------------------------------------------|
| 1 to 1,000                            | 60                                               | 10,786                             | 0.00                          | -                                                 | -                                   | -                                            |
| 1,001 to 5,000                        | 167                                              | 533,160                            | 0.08                          | -                                                 | -                                   | -                                            |
| 5,001 to 10,000                       | 490                                              | 4,405,289                          | 0.63                          | -                                                 | -                                   | -                                            |
| 10,001 to 100,000                     | 1,470                                            | 49,351,430                         | 7.07                          | -                                                 | -                                   | -                                            |
| 100,001 and over                      | 311                                              | 643,819,055                        | 92.22                         | 8                                                 | 11,380,584                          | 100.00                                       |
|                                       | 2,498                                            | 698,119,720                        | 100.00                        | 8                                                 | 11,380,584                          | 100.00                                       |
| Holding less than a marketable parcel | 164                                              | 261,864                            | 0.04                          | -                                                 | -                                   | -                                            |

### 2. Registered Top 20 Shareholders

The registered names and holdings of the 20 largest holdings of quoted ordinary shares in the Company as at 10 August 2020:

| Shareholder                                                    | Number held | Ordinary shares<br>% of total<br>shares<br>issued |
|----------------------------------------------------------------|-------------|---------------------------------------------------|
| 1. NZOG Offshore Limited                                       | 349,368,803 | 50.04                                             |
| 2. BNP Paribas Noms Pty Ltd (DRP)                              | 114,763,393 | 16.44                                             |
| 3. ABN Amro Clearing Sydney Nominees Pty Ltd (Custodian A/C)   | 12,197,050  | 1.75                                              |
| 4. Portfolio Securities Pty Ltd                                | 10,000,000  | 1.43                                              |
| 5. HSBC Custody Nominees (Australia) Limited                   | 8,426,602   | 1.21                                              |
| 6. Reviresco Nominees Pty Ltd (Reviresco S/F A/C)              | 7,500,000   | 1.07                                              |
| 7. Citicorp Nominees Pty Limited                               | 5,620,136   | 0.81                                              |
| 8. Finot Pty Ltd                                               | 5,000,000   | 0.72                                              |
| 9. Andrew Mark Wilmot Seton                                    | 4,328,587   | 0.62                                              |
| 10. Grizzley Holdings Pty Limited                              | 3,202,203   | 0.46                                              |
| 11. Lakemba Pty Ltd                                            | 3,084,051   | 0.44                                              |
| 12. Berne No 132 Nominees Pty Ltd (52293 A/C)                  | 3,000,000   | 0.43                                              |
| 13. Milliarda Nominees (Aust) Pty Limited (Gill Family A/C)    | 2,818,289   | 0.40                                              |
| 14. Beira Pty Limited                                          | 2,762,159   | 0.40                                              |
| 15. HSBC Custody Nominees (Australia) Limited – A/C 2          | 2,752,025   | 0.39                                              |
| 16. Ms Rachel Irene Alembakis                                  | 2,700,000   | 0.39                                              |
| 17. Equity Trustees Limited (Lowell Resources Fund A/C)        | 2,150,176   | 0.31                                              |
| 18. Custodial Services Limited (Beneficiaries Holdings A/C)    | 2,033,344   | 0.29                                              |
| 19. Mr Damiano Giorgio Pilla                                   | 1,996,427   | 0.29                                              |
| 20. BNP Paribas Nominees Pty Ltd (IB AU Noms Retailclient DRP) | 1,918,005   | 0.27                                              |
|                                                                | 545,621,250 | 78.16                                             |

### 3. Unquoted equity securities

|                                       | Number<br>on issue | Number<br>of holders |
|---------------------------------------|--------------------|----------------------|
| Unquoted options over ordinary shares | 11,380,584         | 8                    |

**Cue Energy Resources Limited**  
**Shareholder information**  
**30 June 2020**

The following persons hold 20% or more of unquoted equity securities:

| <b>Name</b>         | <b>Class</b>     | <b>Number held</b> |
|---------------------|------------------|--------------------|
| Balakrishnan Kunjan | Unquoted options | 3,932,514          |
| Matthew Boyall      | Unquoted options | 3,790,540          |

#### **4. Substantial holders**

Substantial holders in the company are set out below:

|                                | <b>Ordinary shares</b> |                                |
|--------------------------------|------------------------|--------------------------------|
|                                | <b>Number held</b>     | <b>% of total share issued</b> |
| NZOG Offshore Limited          | 349,368,803            | 50.04                          |
| BNP Paribas Noms Pty Ltd (DRP) | 114,763,393            | 16.44                          |

#### **5. Vendor Securities**

There are no restricted securities on issue as at 10 August 2020.

#### **6. Voting rights**

At meeting of members or classes of members:

- (a) each member entitled to vote may vote in person or by proxy, attorney or respective;
- (b) on a show of hands, every person present who is a member or a proxy, attorney or representative of a member has one vote; and
- (c) on a poll, every person present who is a member or a proxy, attorney or representative of a member has:
  - (i) for each fully paid share held by person, or in respect of which he/she is appointed a proxy, attorney or representative, one vote for the share;
  - (ii) for each partly paid share, only the fraction of one vote which the amount paid (not credited) on the share bears to the total amounts paid and payable on the share (excluding amounts credited).

Subject to any rights or restrictions attached to any shares or class of shares.

#### **7. Annual General Meeting and Director Nominations Closing date**

Cue Energy Resources Limited advises that its Annual General Meeting will be held on or about Friday 30 October 2020. The time and other details relating to the meeting will be advised in the Notice of Meeting to be sent to all Shareholders and released to ASX immediately upon despatch.

The Closing date for receipt of nomination for the position of Director is Friday 18 September 2020. Any nominations must be received in writing no later than 5.00pm (Melbourne time) on Friday, 18 September 2020 at the Company's Registered Office.

The Company notes that the deadline for nominations for the position of Director is separate to voting on Director elections. Details of the Director's to be elected will be provided in the Company's Notice of Annual General Meeting in due course.

#### **8. Share registry**

##### **Enquiries**

Cue's share register is managed by Computershare. Please contact Computershare for all shareholding and dividend related enquiries.

### **Change of shareholder details**

Shareholders should notify Computershare of any changes in shareholder details via the Computershare website ([www.computershare.com.au](http://www.computershare.com.au)) or writing (fax, email, mail). Examples of such changes include:

- Registered name
- Registered address
- Direct credit payment details

### **Computershare Investor Services Pty Ltd**

GPO Box 2975  
Melbourne, Victoria 3001 Australia  
Telephone: 1300 850 505 (within Australia)  
or +61 3 9415 4000 (outside Australia)  
Facsimile: +61 3 9473 2500  
Email: [web.queries@computershare.com.au](mailto:web.queries@computershare.com.au)  
Website: [www.computershare.com.au](http://www.computershare.com.au)

### **9. Sharecodes**

ASX Share Code: CUE