ABN 45 066 383 971

26 February 2016 **PAGES (including this page): 34**

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

Half-Year Report for the period ended 31 December 2015

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

Yours faithfully

Andrew M Knox
Chief Financial Officer

CUE ENERGY OVERVIEW

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

THE COMPANY HAS:

- Long life production
- A strong balance sheet
- An active exploration programme

CUE ENERGY DIRECTORS

- Paul Foley (Chairman)
- Stuart Brown
- Peter Hazledine
- Koh Ban Heng
- Brian Smith

CUE ENERGY MANAGEMENT

- David Biggs (CEO)
- Andrew Knox (CFO)
- Jeffrey Schrull (Exp Man)

OFFICE

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LISTINGS

ASX: CUE
ADR/OTC: CUEYY

Appendix 4D

Half-Year Report for the period ended 31 December 2015

FINANCIAL SUMMARY - 2016 First Half Financial Results

26 February 2016

- **Statutory loss after tax of $21.72m after significant impairment expenses of $27.77m.**
- **Underlying net profit after tax of $6.05m.**
- **Cash of $29.61m at 31 December 2015**.

KEY POINTS

Finance

- Due to the significant contribution to Cue's revenue from gas production (56%), underlying financial performance of the Company remained strong in the half-year to 31 December 2015.
- Production income was significantly higher by 39.62% compared to the corresponding period in FY15 due to increased production and gas prices from the Sampang PSC, Indonesia.
- A loss after income tax of $21.72m for the first half of FY16 was incurred principally due to a $25.1m impairment of Cue's (5%) interest in the Maari oil field in New Zealand primarily due to continued falling oil prices.

Exploration

- Farm-out of the Ironbark Prospect in WA-359-P and WA-409-P in Australia initiated in September 2015 with several international oil companies expressing interest. Process ongoing in Q1 2016.
- Successfully drilled and operated the Naga Selatan –2 well in Kalimantan, Indonesia in January 2016 resulting in an oil discovery.
- Planning for 2D seismic and an exploration well underway in the Mahato PSC in Indonesia.
- Te Kiri North 1 (PEP 51149, New Zealand) onshore exploration well spudded in December 2015 and plugged and abandoned in January 2016.

Production

- Maari growth project drilling in permit PMP38160, New Zealand was completed with 10 development wells now on-line averaging ~13-14,000 bopd as of end 2015.
- Compression now fully functional and producing 70-75 mmscfd from Oyong and Wortel in the Sampang PSC, Indonesia.

RESULTS FOR ANNOUNCEMENT TO THE MARKET
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

Current Reporting Period: Half-year ended 31 December 2015
Previous Corresponding Period: Half-year ended 31 December 2014

	Percentage Change Over Comparative	Amount (6 month period ended 31 December 2015) $'000
Production income	39.62%	26,027
Loss after tax attributable to members	N/A	(21,720)
Net loss attributable to members	N/A	(21,619)

Dividends

No dividends have been paid or proposed.

Brief Explanation of Revenue and Net Profit

(i) Revenue from Ordinary Activities
Increase in revenues can be attributed mainly to increased production and increased/improved gas prices at Sampang, Indonesia.

(ii) Net Result
The $21.72m loss after tax was primarily as a consequence of the following movements:-

	31 Dec 2015 $'000	31 Dec 2014 $'000	Movement %
Production Income	26,027	18,641	39.62
Production Costs	(14,004)	(6,637)	111
Amortisation Expense	(7,280)	(5,024)	44.90
Foreign Exchange Gain	374	5,022	(92.55)
Maari Impairment Expense	(25,103)	-	-
Other Impairment Expense	(2,665)	-	-
Insurance Refunds	3,720	-	-
Sale of PNG Assets	-	5,830	-
Income Tax Credit/(Expense)	1,387	(358)	N/A

Net Tangible Assets Per Ordinary Security	8.0 cents	15.1 cents

RESULTS FOR ANNOUNCEMENT TO THE MARKET
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015 (*cont'*)

Entity over which control has been gained

The Group incorporated a new subsidiary Cheetah Energy Services, LLC on 3 November 2015.

Audit emphasis of matter

The interim financial statements for the period ended 31 December 2015 have no audit dispute or qualification, however there is an emphasis of matter in relation to the provisional accounting for the acquisition of Cue's remaining 60% working interest in the Mahakam Hilir PSC.

CONTENTS

CORPORATE DIRECTORY

Directors
Paul G. Foley, BCA, LL.B (Chairman)
Stuart A. Brown, BSc (Hons)
Peter C. Hazledine, BSc (Hons)
Koh Ban Heng, BSc
Brian L. Smith

Chief Executive Officer
D.A.J. Biggs, LL.B

Chief Financial Officer/Company Secretary
A.M. Knox, B.Com

Co-Company Secretary
P.M. Moffatt, B.Com

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ABN 45 066 383 971

Stock Exchange Listings
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Australian Securities Exchange Ltd
525 Collins Street
Melbourne, Victoria 3000 Australia

UNITED STATES OF AMERICA
OTC Markets
304 Hudson Street, 3rd Floor
New York, NY 10013 USA

Auditor
BDO East Coast Partnership
Level 14, 140 William Street
Melbourne Victoria 3000 Australia

Bankers
ANZ Banking Group Limited
91 William Street
Melbourne Victoria 3000 Australia

National Australia Bank Limited
Level 4, 330 Collins Street
Melbourne Victoria 3000 Australia

Share Registry
AUSTRALIA
Computershare Investor Services Pty Ltd
Yarra Falls, 452 Johnston Street
Abbotsford, Victoria 3067 Australia
GPO Box 2975
Melbourne, Victoria 3000 Australia
Telephone: 1300 850 505 (within Australia)
or +61 3 9415 4000 (outside Australia)
Email: web.queries@computershare.com.au
Website: www.computershare.com.au

DIRECTORS REPORT

The Directors present their report together with the consolidated Financial Report of Cue Energy Resources Limited ("Cue") for the half-year ended 31 December 2015.

DIRECTORS

The Directors of the Group in office during and since the half-year are as follows:

P.G. Foley (Chairman)
S.A. Brown
C.P. Hazledine
Koh Ban Heng
B.L. Smith

RESULT

The consolidated loss after tax for the half-year ended 31 December 2015 amounted to $21.72m (2014: $13.75m gain).

During the half-year the Group earned production income of $26.03m (2014: $18.64m) and incurred production costs of $14.00m (2014: $6.64m). Impairment expenses incurred were $27.77m which included an impairment of Cue's 5% interest in the Maari oil field, New Zealand of $25.1m as a result of significantly reduced oil prices in the second half of calendar 2015 (2014: nil). Foreign exchange movements resulted in a gain of $0.37m (2014: $5.02 gain).

DIVIDENDS

No dividends were paid or declared during the half-year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

SUMMARY

EXPLORATION

- Operations in Indonesia for drilling in the Mahakam Hilir PSC at Naga Selatan -2 (Cue 100% and operator) continued. The Naga Selatan -2 well spudded on 7 January 2016 resulting in an oil discovery.

- Cue has identified and matured the 15 tcf Mungaroo Formation Ironbark gas prospect which straddles both the WA-359-P and WA-409-P permits offshore Western Australia (Cue 100% and operator). A process is now underway to farm-out a material interest in both permits.

- In the Mahato PSC (Cue12.5%) in Indonesia planning is underway by the operator to drill one well and acquire 2D seismic in 2016-2017.

- The Te Kiri North-1 (Cue 20%) well in New Zealand spudded on 16 December 2015 and a decision to plug and abandon the well was made on 19 January 2016. The Miocene oil objective had uncommercial oil shows.

DEVELOPMENT

- The Maari Field (New Zealand – Cue 5%) growth project drilling was completed and the Ensco 107 rig was released in July 2015. The field now has 10 producers and one inactive injector pending a repair of the water injection line in H1 2016.

PRODUCTION

- The Maari Field was producing ~13,500 bopd at the end of 2015. Successful workovers have been completed on both MR3 and MR9 and several more are scheduled for Q1 calendar 2016 with the intention of increasing the production rates of underperforming wells. An upgrade to the Maari mooring system and repair to the water injection flow-line is planned to commence in March 2016. It is anticipated that once water injection is reinstated it should provide pressure support to several of the producers and enhance both short term and long term production.

- Oyong and Wortel fields in the Sampang PSC (Cue 15%) in Indonesia were producing at a total combined gross rate of ~1100 bopd and ~70-75 mmscfd at the end of 2015. Oyong is now fully benefitting from the increased gas price which came into effect during the half-year. The onshore gas compression at the Grati gas plant is helping to sustain deliverability from Wortel at 45 mmscfd of gas. Studies are now underway to extend field gas production from Oyong and Wortel.

FINANCIAL

HALF-YEAR REVENUE

Revenue receipts from hydrocarbon production for the half-year were $26.03m on sales of 180,801 barrels of oil at an average price of $62.95 per barrel and 1.6 bcf of gas at an average price of $9.09 per mcf.

- Cue has no hedging in place.
- Cue has no debt.
- Cash and cash equivalents on hand at the end of the half-year was $29.61m.

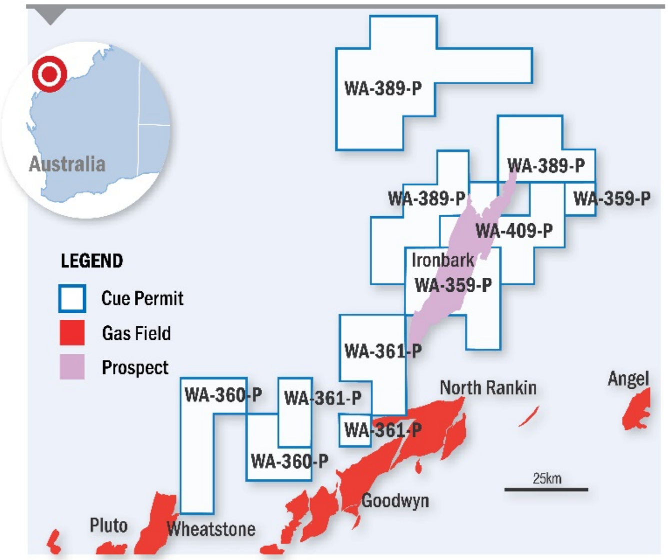
ACTIVITY REVIEW

AUSTRALIA - CARNARVON BASIN

WA-359-P
Cue Interest: 100%
Operator: Cue Exploration Pty Ltd

Cue has evaluated the regional prospectivity in all of its Western Australia offshore permits and has identified an exciting new play type associated with the prolific gas-bearing Mungaroo Formation. The “Ironbark” prospect, a Mungaroo Formation prospect with multiple objectives, has been identified as the primary candidate for drilling and Cue estimates that it holds a success case best technical estimate of 15 tcf of gas reserves. A farm-out process to find suitable joint venture partner(s) to participate in the drilling of the well is ongoing with several international oil companies currently expressing interest. Cue is hopeful that a farm-out agreement can be finalised in the first half of 2016.

CARNARVON BASIN LOCATION MAP



WA-360-P
Cue Interest: 37.5%
Operator: MEO Australia Limited

All obligations have been met for this block and the joint venture has surrendered the permit with no future financial commitments.

WA-361-P
Cue Interest: 15%
Operator: MEO Australia Limited

All obligations have been met for this block. The permit was not renewed in Q1 calendar 2016 and Cue has no further financial commitments.

WA-389-P
Cue Interest: 40%
Operator: BHP Billiton Petroleum (Australia) Pty Ltd

Reprocessing of existing 2D and 3D seismic data has been approved by the Joint Venture and is expected to be completed in Q1 calendar 2016. A full evaluation of the prospectivity of the block is planned for 2016 with the anticipation of farming out prior to committing to a well.

WA-409-P
Cue Interest: 100%
Operator: Cue Exploration Pty Ltd

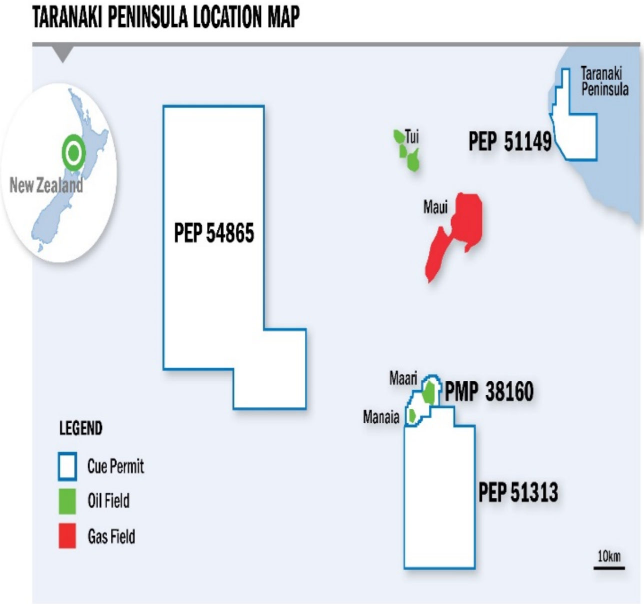
The Ironbark prospect has been mapped as straddling both WA-359-P and WA-409-P. A farm-out process is underway for a material interest in both the WA-359-P and WA-409-P permits which ensures the entire prospect is included in the commercial offer. Ironbark is planned to be tested by a well in WA-359-P and if successful, subsequent possible appraisal drilling would take place in WA-409-P.

NEW ZEALAND - TARANAKI BASIN

EXPLORATION

PEP 51149
Cue Interest: 20%
Operator: Todd Exploration Limited

The Te Kiri North-1 well spudded on 16 December 2015 and as of year-end 2015 was drilling the potentially oil-bearing objective in the Miocene-age Mount Messenger Formation. A decision to plug and abandon the well was made on 19 January 2016 as the well only encountered non-commercial oil shows. Drilling of the well fulfilled Cue's permit obligations. Cue is assessing its future involvement in this permit.



PEP 54865
Cue Interest: 20%
Operator: Todd Exploration Limited

The permit carries a minimum work programme of 285 km² of 3D seismic to be acquired, processed and interpreted prior to June 2016. The Joint Venture was unable to secure a seismic vessel for Q1 calendar 2016 and, subject to government consent, will now have to defer the seismic acquisition work programme until a suitable vessel can be procured.

PEP 51313
Cue Interest: 14% interest
Operator: OMV New Zealand Limited

The Joint Venture is focused on assessing the remaining potential associated with the Matariki trend, up-dip of the Maari field. Studies are being completed by the operator to determine the feasibility of acquiring additional 3D seismic to reduce the geologic risk of the remaining prospects. Cue will need to make a decision by 30 July 2016 whether to proceed into the next stage of the permit which will include either the acquisition and processing of 100sqkm of 3D seismic or the reprocessing of 100sqkm of 3D seismic.

NEW ZEALAND *(cont')*

PRODUCTION

PMP 38160
Cue Interest: 5%
Operator: OMV New Zealand Limited

Maari and Manaia Fields

Cue's share of oil sales in the half-year from the Maari and Manaia fields was 134,892 barrels which generated $8.87m in revenue.

The average oil production rate was approximately 14,340 gross barrels per day (Cue net: 717 bopd).

The Maari development drilling programme is now complete and both the MR3 and MR9 wells have been worked over and are back on production. The Joint Venture is planning to further increase the field's production with the optimisation of production and a 2015/2016 work-over campaign. In addition, water injection will be reinstated in H1 2016 with the repair of the damaged water injection flow-line and is modelled to enhance production by providing pressure support for key producers. The repairs will be part of an intervention which will also include an upgrade of the FPSO mooring system. As previously advised to the market, the cost of repairs to the water injection flowline and mooring system is estimated to be NZ$3m Cue share.

INDONESIA

EXPLORATION

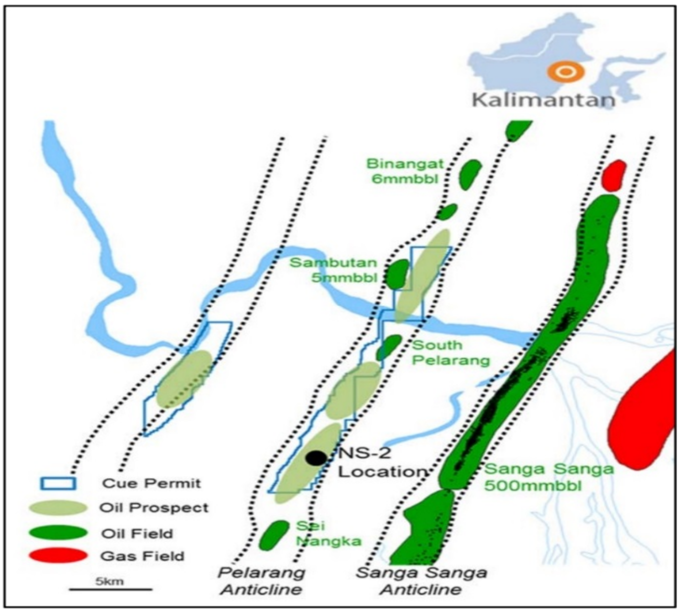
Mahakam Hilir PSC Kutei Basin
Cue Interest: 100%
Operator: Cue Kalimantan Pte Ltd

Cue holds a 100% interest in, and is the operator of, the Mahakam Hilir PSC in the prolific Kutei Basin onshore Kalimantan, Indonesia.

The Naga Selatan -2 well spudded on 7 January 2016 after the successful and LTI free construction of the drilling pad and access roads.

Extensive field mapping in the block helped identify a final location for the Naga Selatan -2 well. Field geologists identified several active oil seeps during their work and this critical information was used in updating the structural interpretation of the prospect and selecting a drill location which is very close to an active seep. Regional work also established the near-by Sanga Sanga oilfield as an analogy to the trap type that Cue is pursuing.

The well discovered oil and was suspended on 3 February 2016 to allow for future production testing.



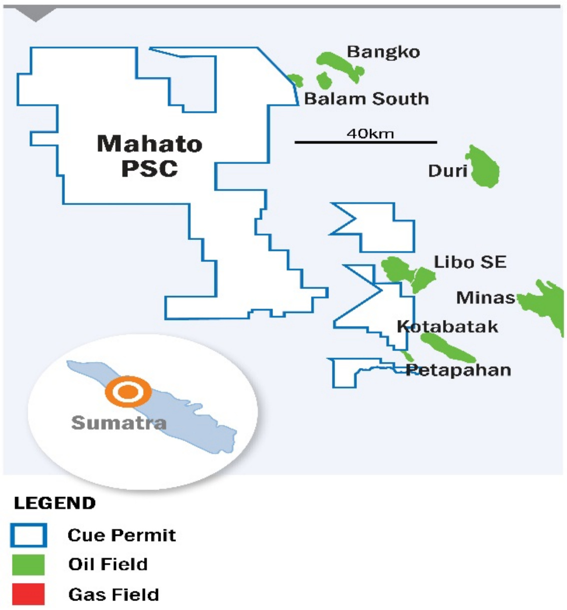
INDONESIA *(cont')*

EXPLORATION

Mahato PSC
Central Sumatra Basin
Cue Interest: 12.5% (subject to approval)
Operator: Texcal Mahato Ltd

The Mahato PSC covers a highly prospective area close to several large producing oil fields. Multiple appraisal and exploration opportunities have been mapped and at least 1 well is currently planned for 2016/17. A 2D seismic programme to high grade further exploration prospects is also planned for 2016.

MAHATO PSC LOCATION MAP



INDONESIA *(cont')*

PRODUCTION

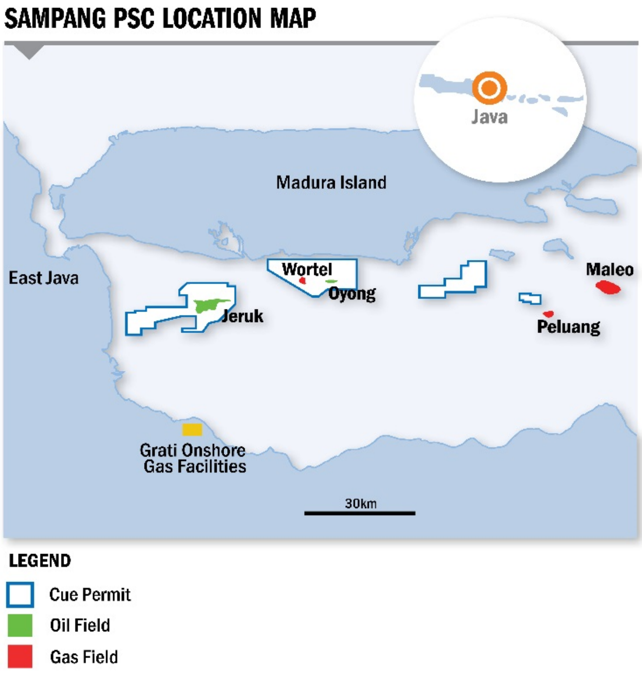
Sampang PSC- Madura Strait
Cue Interest: 15%
Operator: Santos (Sampang) Pty Ltd

Oyong Field

Oil sales of 36,901 barrels, resulted in $2.11m of revenue during the half-year.

Cue's share of condensate sales in the half-year was 98 barrels which generated $3,830 in revenue. Cue's share of gas sales was 577,391 Mcf, which generated $5m in revenue during the half-year.

The Oyong average oil production rate for the half-year was 1,182 bopd (gross) and the daily gas average was 25.49 mmcf (gross) (Cue net: 151 bopd and 3.15 mmcf – both net of government take under the PSC).



The Sampang PSC combined production from Oyong and Wortel is ~1100 bopd and ~75 mmscfd. Oyong is also now benefitting from an amendment to the existing gas contract, which included a significant price increase and became effective in July. Oyong maintains an average rate of 30-35 mmscfd produced as associated gas from the oil producing wells and also non-associated gas from Oyong 6 and Oyong-10 which are completed in the gas cap. Studies are currently underway to extend field gas production from Oyong and Wortel.

Wortel Field

Cue's share of gas sales was 1,033,431 mcf, which generated $9.65m in revenue during the half-year.

Cue's share of condensate sales in the half-year was 172 barrels which generated $6,563 in revenue.

Wortel-3 and Wortel-4 flowed gas at year end at a combined average rate of 40.51 mmscfd (gross) (Cue 5.62 mmscfd net of government take under the PSC.)

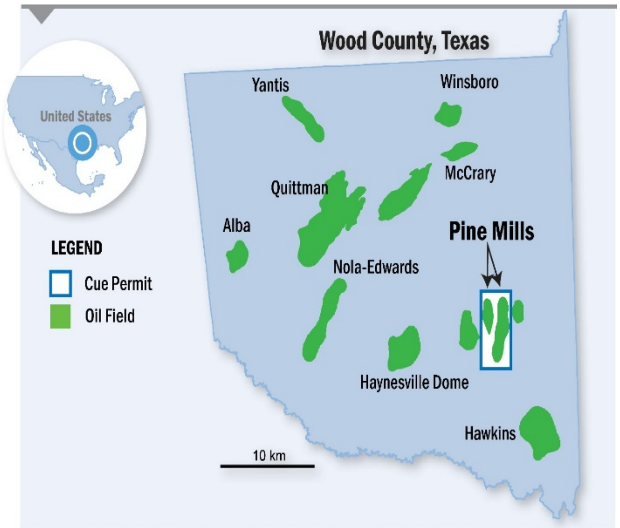
Installation of onshore gas compression at the Grati gas plant has now been completed and all three compressors are fully functional. Compression capacity has resulted in increased deliverability from Wortel to 45 mmcfg/d. This will also help maintain gas production from Oyong and Wortel and studies are underway to extend the combined fields' gas production from Oyong and Wortel.

USA

PRODUCTION

Pine Mills – East Texas
Cue Interest: 80%
Operator: Cue Resources, Inc

PINE MILLS LOCATION MAP



On the 5 June 2015, Cue finalised an agreement to purchase an 80% working interest in a conventional Woodbine oilfield in the prolific East Texas Basin. Cue now operates the field and have implemented several initiatives to reduce costs and increase daily production. One of these initiatives was to purchase a work-over rig and Cue has incorporated a company, Cheetah Energy Services, LLC on 3 November 2015, to hold this asset. Studies are also underway to potentially acquire modern 3D seismic over the field as to date the technology has not been applied and should lead to high quality, low risk drilling opportunities.

Oil sales for the half-year from the Pine Mills field was 8,737 barrels which generated $0.39m in revenue received.

The average gross oil production rate for the half-year was approximately 63 gross bopd (Cue net: 39 bopd).

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ROUNDING OF AMOUNTS

The Company is of a kind referred to in class order 98/100 issued by the Australian Securities and Investments Commission relating to "rounding of amounts" in the Directors Report. Amounts in the Directors Report and the Half-Year Financial Report have been rounded off in accordance with that class order to the nearest thousand dollars, or in certain cases, to the nearest dollar where appropriate.

AUDITOR INDENDENCE DECLARATION

A copy of the auditor independence declaration is set out on page 17.

Signed in accordance with a resolution of Directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the Board of Directors

Brian L Smith
Director
Dated at Melbourne this 26th day of February 2016.

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Melbourne VIC 3000
GPO Box 5099 Melbourne VIC 3001
Australia

DECLARATION OF INDEPENDENCE BY ALEX SWANSSON TO THE DIRECTORS OF CUE ENERGY RESOURCES LIMITED

As lead auditor for the review of Cue Energy Resources Limited for the half-year ended 31 December 2015, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Cue Energy Resources Limited and the entities it controlled during the period.

Alex Swansson
Partner

BDO East Coast Partnership

Melbourne, 26 February 2016

CUE ENERGY RESOURCES LIMITED
ABN 45 066 383 971

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	NOTE	31 DEC 2015 $000's	31 DEC 2014 $000's
Production income		26,027	18,641
Production costs		(14,004)	(6,637)
Gross Profit from Production		12,023	12,004
Other revenue	3	3,749	5,888
Amortisation expense		(7,280)	(5,024)
Net foreign currency exchange gain		374	5,022
Impairment expense	5, 6	(27,768)	-
Other expenses	4	(4,205)	(3,779)
(Loss)/profit before income tax		(23,107)	14,111
Tax credit/(expense)		1,387	(358)
(Loss)/profit/after income tax for the half-year		(21,720)	13,753
Other comprehensive income			
Items that may be reclassified subsequent to profit or loss		-	-
Foreign currency translation		1,953	-
Total comprehensive income		(19,767)	13,573
(Loss)/profit for the half-year is attributable to:			
owners of Cue Energy Resources Limited		(21,619)	13,753
non-controlling interest		(101)	-
		(21,720)	13,753
Total comprehensive income for the half-year is attributable to :			
owners of Cue Energy Resources Limited		(19,666)	13,753
non-controlling interest		(101)	-
		(19,767)	13,753
Basic (loss)/earnings per share (cents per share)		(3.11)	1.97
Diluted (loss)/earnings per share (cents per share)		(3.11)	1.97

The accompanying notes form part of and are to be read in conjunction with these Financial Statements.

CUE ENERGY RESOURCES LIMITED
ABN 45 066 383 971

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	NOTE	31 DEC 2015 $000's	30 JUN 2015 $000's
Current Assets			
Cash and cash equivalents		29,606	27,605
Trade and other receivables		5,495	4,761
Inventories		1,218	3,728
Total Current Assets		36,319	36,094
Non Current Assets			
Property, plant and equipment		252	76
Deferred tax assets		330	70
Exploration and evaluation expenditure	5	103,826	97,058
Production properties	6	48,265	78,131
Total Non Current Assets		152,673	175,335
Total Assets		188,992	211,429
Current Liabilities			
Trade and other payables		14,240	15,936
Tax liabilities		1,268	580
Provisions		642	584
Total Current Liabilities		16,150	17,100
Non Current Liabilities			
Deferred tax liabilities		7,838	11,017
Provisions		12,868	11,409
Total Non Current Liabilities		20,706	22,426
Total Liabilities		36,856	39,526
Net Assets		152,136	171,903
Equity			
Issue capital	8	152,416	152,416
Reserves		4,401	2,448
Accumulated losses		(4,582)	17,037
Non-controlling interest		(99)	2
Total Equity		152,136	171,903

The accompanying notes form part of and are to be read in conjunction with these Financial Statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Issued Capital $000's	Foreign Currency Translation Reserve $000's	Accumulated Losses $000's	Non-controlling Interest $000's	Total $000's
At 1 July 2015	152,416	2,448	17,037	2	171,903
Loss for the period	-	-	(21,619)	(101)	(21,720)
Other comprehensive income	-	1,953	-	-	1,953
Total comprehensive loss for the period	**-**	**1,953**	**(21,619)**	**(101)**	**(19,767)**
As at 31 December 2015	152,416	4,401	(4,582)	(99)	152,136
At 1 July 2014	152,416	-	(23,013)	-	129,403
Profit for the period	-	-	13,753	-	13,753
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	**-**	**-**	**13,753**	**-**	**13,753**
As at 31 December 2014	152,416	-	(9,260)	-	143,156

The accompanying notes form part of and are to be read in conjunction with these Financial Statements.

CUE ENERGY RESOURCES LIMITED
ABN 45 066 383 971

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	31 DEC 2015	31 DEC 2014
	$000's	$000's
Cash Flows From Operating Activities		
Production receipts	24,494	16,252
Interest received	30	63
Payments to employees and other suppliers	(11,975)	(9,998)
Royalties paid	(268)	(491)
Taxation paid	(1,336)	-
Net Cash provided by Operating Activities	10,945	5,826
Cash Flows From Investing Activities		
Insurance refunds	3,720	-
Payments for exploration expenditure	(5,682)	(13,157)
Payments for property, plant and equipment	-	(7)
Payments for production property	(8,370)	(9,675)
Proceeds from sale of Cue PNG Oil Company Pty Ltd	-	8,536
Net Cash used in Investing Activities	(10,332)	(14,303)
Net increase/(decrease) in Cash and Cash Equivalents	613	(8,477)
Cash and cash equivalents at the beginning of the period	27,605	40,558
Effect of exchange rate change on foreign currency balances held at balances held at the beginning of the period	1,388	5,022
Cash and Cash Equivalents at the end of the Period	29,606	37,103

The accompanying notes form part of and are to be read in conjunction with these Financial Statements.

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year financial report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report, together with any public announcements made by Cue Energy Resources Limited (the "Group").

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period.

There are no new and revised Standards and amendments thereof and Interpretations effective for the current reporting period that are material to the Group.

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior periods. The new and revised Standards and Interpretations have not had a material impact and not resulted in changes to the Group's presentation of, or disclosure in, its half-year financial statements.

The Group has not elected to early adopt any other new standards or amendments that are issued but not yet effective.

(b) Basis of preparation

The half-year financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's annual financial report for the year ended 30 June 2015 or as outlined below.

The company is a company of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The fair values of assets and liabilities not carried at fair value as at 31 December 2015, are not materially different from the carrying values presented in these accounts.

(c) Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

(d) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and of all entities which Cue Energy Resources Limited controlled from time to time during the period and at the reporting date.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies, which may exist. All inter-company balances and transactions, including any unrealised profits or losses have been eliminated on consolidation.

NOTE 2 ADJUSTMENT TO BUSINESS COMBINATION – CUE KALIMANTAN PTE LTD

On 2 March 2015, Cue Mahakam Hilir Pty Ltd, a subsidiary of Cue Energy Resources Limited, acquired 100% of the ordinary shares of Cue Kalimantan Pte Ltd, formerly SPC Mahakam Hilir Pte Ltd, for the total consideration transferred of USD 1. As a result the group increased its ownership of the Mahakam Hilir PSC from 40% to 100%. The acquisition complements the continuing expansion of Cue's Indonesian acreage portfolio and marks Cue's first entry as a drilling operator.

Although accounted for as a business combination in the 30 June 2015 annual financial report, there were some matters in recognition and presentation which, while having no material impact on the results and financial position of the group for the year ended 30 June 2015, should have been stated as follows:

- In note 21, the acquisition date for the business combination in the 30 June 2015 annual financial report was stated 30 June 2015. The correct acquisition date was 2 March 2015 as noted above.
- In note 3, the group disclosed a reversal of an impairment of exploration assets of $35.959m as other income, instead of part of the bargain purchase price, being the difference between the $1 consideration and fair value of assets acquired on 2 March 2015. The transaction resulted in a bargain purchase gain because in Cue's estimate the oil prospect had an oil resource of 25mmbls.
- In note 21, it was noted that the acquired business contributed income of $36.02m and profit after tax of $36.02m to the consolidated entity for the period from 1 January 2015 to 30 June 2015. This should have been stated as reflecting the period 2 March 2015 to 30 June 2015.

The consideration transferred and the value of the assets and liabilities assumed at the date of acquisition are as follows:

Consideration

Cash	$1
Net present value of total consideration	$1

Net assets acquired	**Fair Value Restated $'000**
Assets	
- Oil and gas assets - Mahakam Hilir PSC[i]	35,959
- Cash and cash equivalents	213
- Trade receivables	47
- Prepayments	1
- Other receivables	15
Total asset acquired	36,235
Liabilities	
- Payables	(213)
Total liabilities acquired	(213)
Net assets acquired	36,022
Gain from bargain purchase	**36,022**

[i] Previously disclosed as reversal of impairment

Provisional accounting

At 31 December 2015 the group continues to provisionally account for the transaction as the company has not finalised the independent valuations of the oil and gas assets to determine the fair value of the assets acquired at the acquisition date.

By its nature provisional accounting involves estimates and judgements based on the information available to the Group at the end of the reporting period, while it continues to seek information about facts and circumstances that existed as of the acquisition date. An independent valuation of the oil and gas assets (permit) is in process to finalise the fair value of the assets at the acquisition date in accordance with AASB 13 (Fair Value Measurement). This may result in the fair value of the oil and gas assets being adjusted to reflect the fair value at the acquisition date and a corresponding change to the gain from bargain purchase being recognised in profit and loss.

NOTE 3 OTHER REVENUE

	31 DEC 2015 $'000	31 DEC 2014 $'000
Sale of Cue PNG Oil Company Pty Ltd	-	5,830
Interest from Cash and Cash Equivalents	29	58
Insurance Refunds	3,720	-
Total Other Revenue	3,749	5,888

NOTE 4 OTHER EXPENSES

	31 DEC 2015 $'000	31 DEC 2014 $'000
Depreciation	16	44
Employee Benefits Expense(i)	3,122	1,969
Operating Lease	103	130
Administration Expenses	454	560
Business Development	510	1,076
Total Other Expenses	4,205	3,779

(i) This includes the employee contingent liability noted in the 30 June 2015 annual report, which was expensed during the half-year of $1,141,000 when the payment of the retention bonuses became probable. Included in the total are payments to the following KMP D Biggs $158,782, A Knox $125,049 and J Schrull $143,791.

NOTE 5 EXPLORATION AND EVALUATION EXPENDITURE

	31 DEC 2015 $'000
Balance at beginning of half-year	97,058
Expenditure incurred	9,433
Impairment of exploration assets	(2,665) (i)
Closing balance at 31 December	103,826

(i) Following a review of the Group exploration properties the Group decided to surrender exploration tenements 360P and 361P resulting in an impairment expense of $2.67m.

NOTE 6 PRODUCTION PROPERTIES

	31 DEC 2015 $'000	
Balance at beginning of half-year	78,131	
Expenditure incurred	1,881	
Abandonment provision	636	
Amortisation expense	(7,280)	
Impairment of production asset	(25,103)	(i)
Closing balance at 31 December	48,265	

(i) At 31 December 2015 the Group reassessed the carrying amount of its production properties for indicators of impairment such as changes in future prices, future costs and reserves. As a result, the recoverable amounts of cash-generating units were formally reassessed. An impairment of the Maari oil field development in New Zealand of $25.10m, primarily as a result of significantly reduced oil prices, was recognised during the half- year.

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. The pre-tax discount rates applied were 14.3% (2014: 14.3%) equivalent to post-tax discount rates of 10% (2014: 10%) depending on the nature of the risks specific to each asset. 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. Brent oil price assumptions used (in USD) were 2016 $38, 2017 $43, 2018 $50, 2019 $57, 2020 to 2029 $65.

NOTE 7 SEGMENT INFORMATION

The Group operates predominantly in one business, namely the exploration development and production of hydrocarbons. Revenue is derived from the sale of gas and liquid hydrocarbons.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest-earning assets and revenue, interest-bearing borrowings and expenses, and corporate assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Geographic Segments

The Group operates primarily in Australia but also has international operations in Indonesia, USA and New Zealand. Therefore the Group is organised into four principles geographic segments: Australia, New Zealand, Indonesia and USA. 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 assessing performance and in determining the allocation of resources.

The CODM assess the performance of the operating segments based upon a measure of earnings before interest expense, tax, depreciation and amortisation. The information reported to the CODM is on at best a monthly basis.

	Aust $'000	NZ $'000	Ind $'000	USA $'000	PNG $'000	Total $'000
Half-year 2015						
Total segment revenue	-	8,867	16,767	393	-	26,027
Inter-segment revenue	-	-	-	-	-	-
Revenue from external customers	-	8,867	16,767	393	-	26,027
Earnings before interest expense, tax, depreciation and amortisation	(3,787)	8,738	7,969	(963)	-	11,957
Half-year 2014						
Total segment revenue	-	7,486	10,410	-	745	18,641
Inter-segment revenue	-	-	-	-	-	-
Revenue from external customers	-	7,486	10,410	-	745	18,641
Earnings before interest expense, tax, depreciation and amortisation	7,175	4,407	7,327	-	270	19,179
Total segment assets						
31 December 2015	31,893	43,344	108,015	5,740	-	188,992
30 June 2015	35,935	71,369	99,667	4,458	-	211,429
Total segment liabilities						
31 December 2015	2,889	14,472	17,416	2,079	-	36,856
30 June 2015	2,043	20,058	15,813	1,612	-	39,526

Reconciliation of earnings before interest expense, tax, impairment write down, depreciation and amortisation (EBITDAX) to Profit before Income Tax:

	31 DEC 2015 $'000	31 DEC 2014 $'000
EBITDAX	11,957	19,179
Amortisation and depreciation expenses	(7,296)	(5,068)
Impairment write down	(27,768)	-
Profit/(loss) before Income Tax	(23,107)	14,111

NOTE 8 EQUITY - ISSUED CAPITAL

	31 Dec 2015 Number	30 Jun 2015 Number	31 Dec 2015 $'000	30 Jun 2015 $'000
Ordinary shares fully paid (no par value)	698,119,720	698,119,720	152,416	152,416

NOTE 9 EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to the half-year end, the Board announced to the market that the Naga Selatan -2 well had discovered oil and had been suspended to allow for future production testing.

The Te Kiri North-1 well spudded on 16 December 2015 and as of year-end 2015 was drilling the potentially oil-bearing objective in the Miocene-age Mount Messenger Formation. A decision to plug and abandon the well was made on 19 January 2016 as the well only encountered non-commercial oil shows. Drilling of the well fulfilled Cue's permit obligations. Cue is assessing its future involvement in this permit.

Apart from the above mentioned, the Directors are not aware of any matters or circumstances which have arisen since the end of the financial half-year, not otherwise dealt with in this report, which may significantly effect the operations of the entity, the results of those operations or state of affairs of the Group.

NOTE 10 CONTINGENT ASSETS/LIABILITIES

As a result of an economic project arrangement in the Jeruk field within the Sampang PSC, Indonesia, Cue may in certain circumstances have an obligation to reimburse certain monies spent by the incoming party from future profit oil within the Sampang PSC. There is a dispute between Cue and the incoming party as to the quantum of monies that they may be entitled to claim by way of such reimbursement and when any such reimbursement would be payable. The Company is of the view that any amount which might eventually become payable would not be likely to exceed the amount of USD4.44m which has been provided for in the accounts. Claims made by the incoming party are yet to be settled and hence there is still significant judgement and estimation in relation to these legal claims.

Apart from the above, the previous employee contingent liability has been expensed (see note 4). There has been no other change since 30 June 2015 in reportable contingent assets or liabilities.

DIRECTORS DECLARATION

In accordance with a resolution of the Directors of Cue Energy Resources Limited, I state that:
In the opinion of the Directors:

(a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the financial position as at 31 December 2015 and the performance for the half-year ended on that date of the consolidated entity; and

   (ii) complying with Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Regulations 2001 and other mandatory reporting requirements; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board of Directors

Brian L Smith
Director

Dated at Melbourne this 26th day of February 2016

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Cue Energy Resources Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Cue Energy Resources Limited, which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Cue Energy Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Cue Energy Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Cue Energy Resources Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of matter

We draw attention to Note 2 "Adjustment to business combination – Cue Kalimantan Pte Ltd" in the half-year financial report which describes the changes to the accounting and presentation reported in the 30 June 2015 financial report. The consolidated entity continues to provisionally account for the transaction as the company has not finalised the independent valuations of the oil and gas assets to determine the fair value of the assets acquired at the acquisition date. Finalisation of the values may result in the fair value of the oil & gas assets of $35,959k being adjusted to reflect the fair value at the acquisition date and a corresponding change to the gain from bargain purchase being recognised in profit and loss. Our conclusion is not modified in respect of this matter.

BDO East Coast Partnership

BDO

Alex Swansson
Partner

Melbourne, 26 February 2016