



A.B.N. 45 066 383 971

20 February 2014

PAGES (including this page):34

Company Announcements Office  
10th Floor  
20 Bond Street  
Sydney NSW 2000

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**Half-Year Report for the Financial Period Ended 31 December 2013**

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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 PNG.

**THE COMPANY HAS:**

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

**CUE ENERGY DIRECTORS**

- Geoffrey King (Chairman)
- Timothy Dibb
- Paul Moore
- Andrew Young

**CUE ENERGY MANAGEMENT**

- David Biggs (CEO)
- Andrew Knox (CFO)
- David Whittam (Exp Man)

**OFFICE**

Level 19  
357 Collins Street  
Melbourne Vic 3000

**CONTACT DETAILS**

Tel: +613 8610 4000  
Fax: +613 9614 2142

**EMAIL**

mail@cuenrg.com.au

**WEBSITE**

www.cuenrg.com.au

**LISTINGS**

ASX:	CUE
NZX:	CUE
POMSOX:	CUE
ADR/OTCQX:	CUEYY



# HALF-YEAR REPORT

FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2013

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## FINANCIAL SUMMARY

	31 DEC 2013	31 DEC 2012
	\$000's	\$000's
Production Income	14,776	28,392
Gross Profit from Production	5,177	17,560
(Loss)/Profit after Income Tax	(1,136)	3,220

## KEY POINTS

- No Maari production for five months due to facility repairs and maintenance.
- Cash balance in excess of \$50m.
- Average oil price received in excess of AUD116 per bbl.
- Farmout campaign in WA-359-P commenced.
- Renewal of PEP51149 license in the onshore Taranaki - well committed 2H 2014.
- PEP51313 free carry/drilling of Whio prospect to commence 2<sup>nd</sup> quarter calendar 2014.
- Second stage expansion of Maari field development to commence in 2<sup>nd</sup> quarter calendar 2014.
- Two wells were drilled:
  - Manaia -2 PMP38160, New Zealand - plugged and abandoned - oil discovery - Moki formation.
  - Naga Utara -2 Mahakam Hilir PSC, Indonesia - plugged and abandoned - indications of gas.

## RESULTS FOR ANNOUNCEMENT TO THE MARKET FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

Current Reporting Period: Half-year ended 31 December 2013

Previous Corresponding Period: Half-year ended 31 December 2012

	Percentage Change Over Comparative	Amount (6 month period ended 31 December 2013) \$'000
Production income	(48.0)%	14,776
Loss after tax attributable to members	N/A	(1,136)
Net loss attributable to members	N/A	(1,136)

### Dividends

No dividends have been paid or proposed.

### Brief Explanation of Revenue and Net Profit

(i) Revenue from Ordinary Activities

Decrease in revenues can be attributed mainly to production downtime for repairs at Maari.

(ii) Net Result

The \$1.14m loss after tax was primarily as a consequence of the following movements:-

	31 DEC 2013	31 DEC 2012	Movement
	\$'000	\$'000	%
Production Income	14,776	28,392	(48.0)
Amortisation Expense	(4,301)	(8,526)	49.6
Foreign Exchange Gain/(Loss)	2,391	(496)	582.1
Income Tax (Expense)/Credit	(1,075)	89	(1,307.9)

Net Tangible Assets Per Ordinary Security

31 DEC 2013

15 cents

31 DEC 2012

17 cents

## CORPORATE DIRECTORY

### Directors

G.J. King BA, LL.B (Chairman)  
P.D. Moore BSc, MBA  
T.E. Dibb BSc, PhD  
A.A. Young BE, MBA (Hons)

### 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

### Registered Office

Level 19, 357 Collins Street  
Melbourne Victoria 3000 Australia  
Telephone: + 61 3 8610 4000  
Facsimile: + 61 3 9614 2142  
Website: [www.cuenrg.com.au](http://www.cuenrg.com.au)  
Email: [mail@cuenrg.com.au](mailto:mail@cuenrg.com.au)  
ABN 45 066 383 971

### Stock Exchange Listings

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

### NEW ZEALAND

New Zealand Exchange Limited  
Level 1, NZX Centre, 11 Cable Street  
PO Box 2959  
Wellington, New Zealand

### PAPUA NEW GUINEA

Port Moresby Stock Exchange  
Level 4, Defence Haus  
Port Moresby, Papua New Guinea

### UNITED STATES OF AMERICA

OTCQX  
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

Investec Bank (Australia) Limited  
Level 23, The Chifley Tower  
2 Chifley Square, Philip Street  
Sydney NSW 2000 Australia

ASB Bank Limited  
PO Box 35, Shortland Street  
Auckland 1140 New Zealand

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](mailto:web.queries@computershare.com.au)  
Website: [www.computershare.com.au](http://www.computershare.com.au)

### PAPUA NEW GUINEA

Computershare Investor Services Pty Limited  
C/- Kina Securities  
Level 2, Deloitte Tower  
Douglas Street  
(PO Box 1141)  
Port Moresby, National Capital District  
Papua New Guinea  
Telephone: +67 5 308 3888  
Facsimile: +67 5 308 3899

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## 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 2013.

### DIRECTORS

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

G.J. King (Chairman)

T.E. Dibb

P.D. Moore

A.A. Young

### RESULT

The consolidated loss after tax for the half-year ended 31 December 2013 amounted to \$1.14m (2012: \$3.22m profit).

During the half-year the Group earned production income of \$14.78m (2012: \$28.39m) and incurred production costs of \$9.60m (2012: \$10.83m). There were no asset impairment expenses (2012: Nil) incurred during the half-year and foreign exchange movements resulted in a gain of \$2.4m (2012: \$0.5m loss).

### 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

- Two wells were drilled in the half year - Manaia -2 in PMP38160, New Zealand and Naga Utara -2 in the Mahakam Hilir PSC, Indonesia.
- The Manaia -2 appraisal/exploration well:
  - Successful in its key objective of obtaining fluid and pressure information from the Mangahewa Formation.
  - The Moki Formation had good indications of hydrocarbons.
  - Oil was recovered from the Moki using a wireline sampling tool.
  - The Farewell and North Cape formations were found to contain water-bearing sandstones.
- The Naga Utara-2 appraisal/exploration well:
  - Indications of gas but testing was not deemed warranted.
  - Further technical evaluation of the permit is underway.
- Onshore Taranaki Basin permit PEP51149 (Cue 20%, Todd 80% Operator) was renewed with a well commitment to be drilled in calendar year 2014.

### DEVELOPMENT

Maari was shut-in for a period of 145 days during which time the Floating Production Storage and Offloading (FPSO) was disconnected from its mooring, towed to Port Nelson where a new production swivel was installed, and refurbishment of the vessel and the on-board process facilities was undertaken. The vessel departed Port Nelson on 18 November 2013. Whilst the FPSO was off-station, repairs to several of the mooring lines were successfully completed.

Production of oil from the Maari and Manaia fields restarted on 17 December 2013 following the successful reconnection of the FPSO Raroa to its mooring on 20 November 2013. Following the re-start, oil production rate was approximately 11,600 barrels of oil per day and is presently close to 9,500 barrels of oil per day.

The Maari Growth Project is continuing after a final investment decision was taken by the Joint Venture in July 2013.

This Maari second stage development will result in increased production in 2014.

The Ensco 107 jack-up drilling rig has been secured for the drilling campaign which is likely to commence in Q2 2014.

## FINANCIAL

### HALF-YEAR REVENUE

Revenue receipts from hydrocarbon production for the half-year were A\$14.78m on sales of 51,591 barrels of oil at an average price AUD116 per barrel and 1,612,742 thousand cubic feet (Mcf) of gas at an average price AUD5.43 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 \$50.14m.

### CORPORATE

The Company moved to new office premises at Level 19, 357 Collins Street, Melbourne in late November 2013.



## ACTIVITY REVIEW

### AUSTRALIA - CARNARVON BASIN

WA-359-P

Cue Interest: 100%

Operator: Cue Exploration Pty Ltd

WA-359-P was renewed for a second five-year term commencing on 26 October 2012. The renewed permit covers an area of 645 km<sup>2</sup> and carries a commitment to drill a well in the third year of the renewal.

Cue has identified good potential for both oil and gas in the permit. Structural traps with Triassic-aged reservoirs that have the potential to hold approximately 1 TCF of gas have been recognised on the existing 3D seismic data. Cue has embarked on a program of data reprocessing and seismic inversion to firm-up a drilling location for a well in 2015.

Reprocessing of the existing multi-client 3D over the permit commenced in July 2013 and the pre-stack time migration has been received. A post-stack depth migration is in progress and is expected to be completed at the end of the first quarter of calendar 2014. Preliminary interpretation of the reprocessed data has confirmed the key prospect, with an estimated 150 million bbls of oil in place. Cue has commenced marketing the prospect to farmdown its interest in the permit and bring in a partner capable of operating the drilling phase of the work program.

WA-409-P

Cue Interest: 30%

Operator: Apache Northwest Pty Ltd

The Operator is conducting reprocessing of existing 3D seismic data, seismic attribute studies and other technical work to assess the petroleum potential of the permit and evaluate potential drilling locations. Any commitment to drill a well in the period has been deferred until after a decision is taken on the renewal of the permit in the second calendar quarter 2014. Under the terms of the farmout agreement with Apache, Cue is carried through the work programme and any well the Joint Venture elects to drill.

WA-389-P

Cue Interest: 40%

Operator: BHP Billiton Petroleum (Australia) Pty Ltd

The permit was renewed by NOPTA on 9 October 2013 for a five year term on a reduced area. The Primary Term work commitment includes reprocessing of existing 2D and 3D seismic data with a well obligation in the fifth year of the renewal.

#### WA-360-P

Cue Interest: 37.5%

Operator: MEO Australia Ltd

MEO and Cue jointly marketed their respective interests in both permits to potential new entrants during the past half year but did not receive an acceptable offer from a potential farminee and the farmdown process has been terminated.

The WA-360-P Joint Venture will commence reprocessing of approximately 650 km<sup>2</sup> of existing 3D seismic data over the Maxwell prospect to improve imaging of the structure. On completion of the reprocessing, it is expected that activity to farmdown our interest in the permit will recommence before the end of the primary term of the permit in 2015. There is no well commitment in the primary term.

#### WA-361-P

Cue Interest: 15%

Operator: MEO Australia Ltd

Subsequent to the end of December 2013, NOPTA has approved an application for a work programme variation for permit WA-361-P to allow the Joint Venture to complete geotechnical studies ahead of making any commitment to drill a well. The reduced work programme concludes 30 January 2016.

## NEW ZEALAND - TARANAKI BASIN

PEP 51313

Cue Interest: 14% interest

Operator: OMV New Zealand Limited

During 2012, the PEP 51313 Joint Venture agreed to farm-out a 30% interest in the permit to OMV New Zealand Ltd. OMV will earn its interest by funding all of the drilling, testing and completion of the first well on the Whio prospect (to an agreed total depth) which is located approximately 4 km from the Maari production facilities. OMV assumed the operatorship of the permit (from Todd Exploration) at the beginning of April 2013. Cue will retain a 14% interest in the permit.

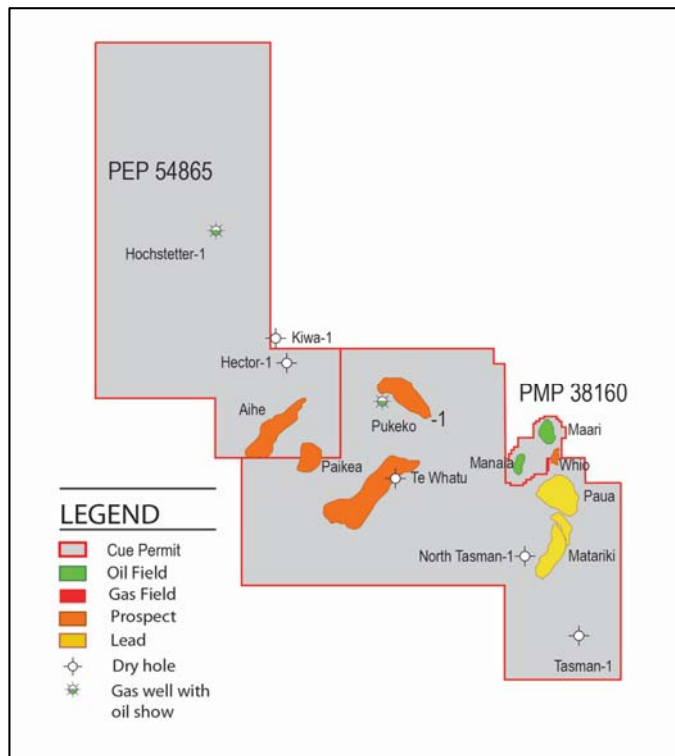
Planning is in progress for drilling the Whio well, which will spud during the second quarter of calendar 2014. If Whio is a commercial discovery (or additional activity is required to determine commerciality), OMV will increase its interest to 69% within a predefined area of the permit that covers the Whio prospect.

Cue will, in this event, retain a 5% interest in a Whio development and any oil discovered could flow through the Maari facilities at minimal cost.

Processing of the 450 km<sup>2</sup> "Pipeline" 3D seismic survey (acquired in the second quarter of calendar 2013) was completed in mid August 2013 and the Joint Venture is currently finalising a depth migration of the data which will be completed in the first quarter of calendar 2014.

Cue anticipates that the Joint Venture will make a decision regarding the drilling of a well in the Te Whatu area during the first quarter of calendar 2014. If a decision to drill the well is taken, an option slot is available on the Kan Tan IV with a likely spud in the first half of 2014. If a decision is taken not to drill the well, the Joint Venture will be obliged to relinquish the western part of PEP 51313.

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 11,535 barrels which generated \$1.45m in revenue.

Oil from Maari and Manaia is being commingled and produced jointly.

Production of oil from the Maari and Manaia fields restarted on 17 December 2013 following the successful reconnection of the FPSO Raroa to its mooring on 20 November 2013. Following the re-start, oil production rate was approximately 11,600 barrels of oil per day and is presently close to 11,000 barrels of oil per day.

Maari was shut-in for a period of 145 days during which time the FPSO was disconnected from its mooring, towed to Port Nelson where a new production swivel was installed and refurbishment of the vessel and the on board process facilities was undertaken. The vessel departed Port Nelson on 18 November 2013. Whilst the FPSO was off-station, repairs to several of the mooring lines were successfully completed. Cue estimates its share of the cost of this works programme is approximately USD4m of which a portion is expected to be recovered from insurance.



*Raroa FPSO leaving Port Nelson*

The Manaia-2 appraisal well spud on 1 September 2013 and reached a final depth of 2,891m on 4 November 2013; the rig was released on 24 November 2013. The well was successful in its key objective of obtaining fluid and pressure information from the Mangahewa Formation (which is currently being produced via an extended-reach well from the Maari Wellhead Platform). The data obtained will be used in the planning of a second extended-reach well that will be drilled as part of the Maari Growth Project to further develop the Manaia field.

Manaia-2 also had the objective of evaluating potential hydrocarbon-bearing zones in the Moki and Farewell formations that were intersected by Maui-4 and the well reached total depth in the North Cape Formation.

The Moki Formation had good indications of hydrocarbons (including fluorescence and associated elevated gas readings) and an extensive programme of wireline logging, pressure measurements and sampling of both the formation and the fluids was undertaken. Oil was recovered using wireline sampling tool.

The Farewell and North Cape formations were found to contain water-bearing sandstones. The Joint Venture is continuing to evaluate the data obtained from the Moki Formation prior to making a decision on the next stage of evaluating the reservoir.

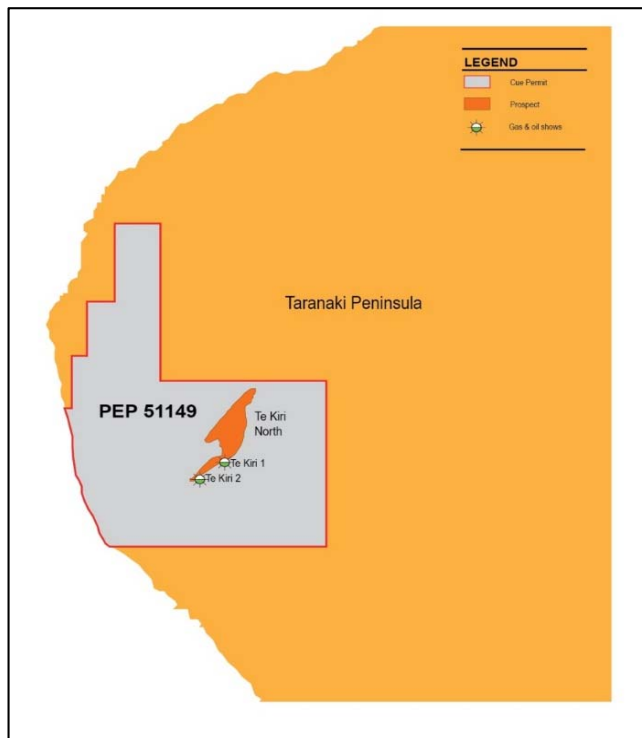
Planning for the Maari Growth Project is continuing with a final investment decision taken by the Joint Venture in July 2013. The Ensco 107 jack-up rig has been contracted for drilling activities to support the Maari Growth Project and is expected to arrive in the second quarter of calendar 2014. The programme will include drilling a second production well to exploit the Mangahewa reservoir at Manaia, and three producers and a water injection well at Maari.

The programme when complete is expected to add approximately 11,000 bopd gross to production. The workover to convert an existing oil producer to a water injection well, which was suspended for the duration of the shut-in, has now been completed.



*Kan Tan IV*

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



The Joint Venture was advised during November 2013 that New Zealand Petroleum & Minerals (NZP&M) had approved the extension of the duration of the permit for a further five years. The permit conditions include an obligation well during the first 15 months of the permit extension. Planning for the well has commenced and drilling is expected in the fourth quarter of calendar 2014. The principal targets are Miocene oil and Eocene gas up dip of hydrocarbon shows in the Te Kiri-1 well. The prospect has the potential in Cue's estimate to hold 2 million boe recoverable net to Cue and existing infrastructure nearby will facilitate early commercialisation. The extension of the permit required the relinquishment of approximately half of the surface area of the permit which now stands at 217 km<sup>2</sup>.

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

The permit carries a minimum work program of 285 km<sup>2</sup> of 3D seismic to be acquired, processed and interpreted prior to June 2015, at which time the Joint Venture may elect to drill a well before December 2016 to test early Tertiary and late Cretaceous reservoir objectives, or surrender the permit. Planning for the 3D seismic survey has commenced, however data acquisition is not expected to start until late 2014 or early 2015.

The work program is structured to allow the Joint Venture to quickly mature potential drilling candidates, but defer the decision to enter the drilling phase of the permit until after the results of exploration activities in adjacent blocks become available.



## INDONESIA

Sampang PSC- Madura Strait

Cue Interest: 15%

Operator: Santos (Sampang) Pty Ltd

### *Oyong Field*

Cue's share of oil sales was 31,954 barrels, which generated \$3.60m in revenue during the half-year.

Cue's share of gas sales was 602,108 Mcf, which generated \$1.80m in revenue during the half-year.

The Oyong oil production rate is currently around 1,800 bopd gross (Cue net 234 bopd) and the gas rate is 38 MMscfd gross (Cue net 5.3 MMscfd).

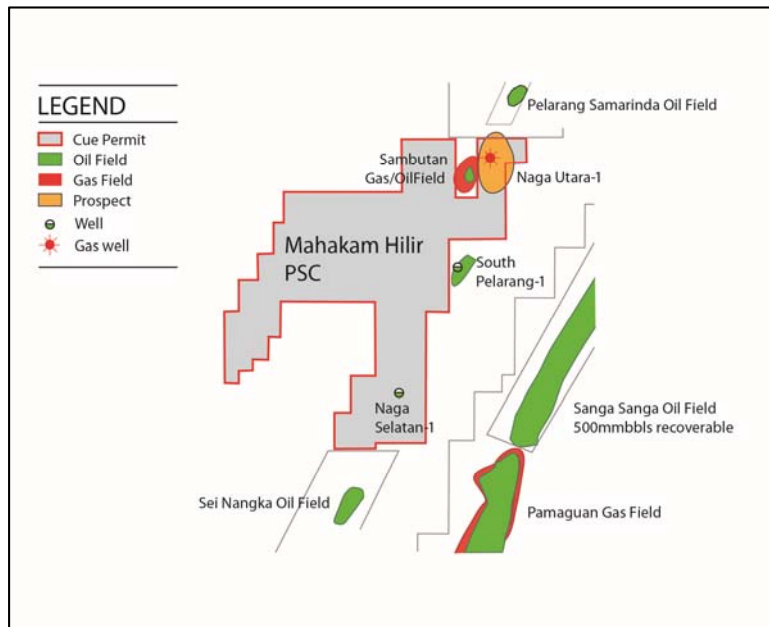
The FSO was replaced during the half-year with minimal production downtime to be compliant with Indonesia twin hull and cabotage requirements, reduce operating costs and provide flexibility for field life extension.

### *Wortel Field*

Cue's share of gas sales was 1,010,634 Mcf which generated \$6.96m in revenue during the half-year.

The combined rate of Oyong and Wortel gas is gross 76 MMscfd (Cue net 10.5 MMscfd) (81 BBTU/d - Billion British thermal units per day).

Mahakam Hilir PSC Kutei Basin  
Cue Interest: 40%  
Operator: SPC (Mahakam Hilir) Pte Ltd



### *Naga Utara*

The Naga Utara-2 well spud on 5 October 2013, and reached total depth (TD) of 6,060 ft measured depth (1,847m) on 26 December 2013 in sidetracked hole. The well was drilled from the same surface location as Naga Utara-1 and was deviated towards a target location approximately 500m north of the first well. Whilst drilling in 8½ inch hole, the drill pipe became stuck at 5,677 ft which necessitated severing the drill string and plugging-back and sidetracking (Naga Utara-2 ST). Following wireline logging, the well was plugged and abandoned and the rig was released on 8 January 2014.

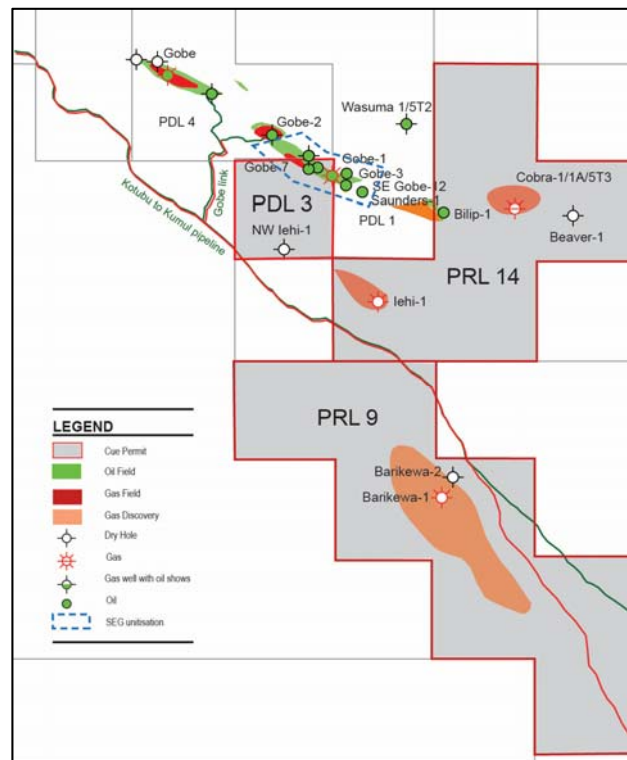
The well achieved the primary objective of appraising the intervals seen in Naga Utara-1 that were interpreted to be gas-bearing and intersecting deeper prospective sands which were below the TD of the first well. However, only minor indications of gas were seen in the 8½ inch hole at Naga Utara-2 which could not be evaluated with wireline logs due to the stuck pipe incident. Naga Utara-2 ST intersected similar stratigraphy, but following evaluation of the logs it was decided that testing was not warranted. Naga Utara-2 is interpreted to have intersected the key reservoir intervals in a down-dip position relative to Naga Utara-1.

The Joint Venture is conducting a detailed evaluation of the well results to understand the remaining petroleum potential of the Mahakam Hilir PSC before making a decision on the next phase of exploration activity.



*Naga Utara-2 Drilling*

# PAPUA NEW GUINEA



PDL 3 SE Gobe Field, PNG Cue Interest: 5.568892%  
 SE Gobe Unit, PNG  
 Cue Interest: 3.285646% Operator: Oil Search (PNG) Limited

Cue’s share of oil sales was 7,242 barrels of oil from the SE Gobe field during the half-year, which generated \$0.90m in revenue.

The construction of facilities to process the associated gas and gas cap from SE Gobe continues. The gas will be exported to the PNG LNG gas pipeline and LNG processing plant from June 2014.

PRL14  
 Cue Interest: 10.947%  
 Operator: Oil Search (PNG) Limited

No significant activity to report.

PRL9  
 Cue Interest: 14.894%  
 Operator: Oil Search (PNG) Limited

No significant activity to report.

## 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 INDEPENDENCE DECLARATION

A copy of the auditor independence declaration is set out on page 21.

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



**Timothy E Dibb**  
*Director*

Dated at Melbourne this 20<sup>th</sup> day of February 2014.

**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 2013, 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, 20 February 2014

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

		31 DEC 2013	31 DEC 2012
	NOTE	\$000's	\$000's
Production income		14,776	28,392
Production costs		(9,599)	(10,832)
<b>Gross Profit from Production</b>		<b>5,177</b>	<b>17,560</b>
Other revenue	2	84	80
Amortisation expense		(4,301)	(8,526)
Finance costs			
• Net foreign currency exchange gain/(loss)		2,391	(496)
Other expenses	3	(3,412)	(5,487)
<b>(Loss)/profit before income tax</b>		<b>(61)</b>	<b>3,131</b>
Tax (expense)/credit		(1,075)	89
<b>(Loss)/profit after income tax for the half-year</b>		<b>(1,136)</b>	<b>3,220</b>
<b>Other comprehensive income</b>			
Other comprehensive income for the half-year, net of tax		-	-
<b>(Loss)/profit for the half-year is attributable to: owners of Cue Energy Resources Limited</b>		<b>(1,136)</b>	<b>3,220</b>
<b>Total comprehensive income for the half-year is attributable to : owners of Cue Energy Resources Limited</b>		<b>(1,136)</b>	<b>3,220</b>
Basic (loss)/earnings per share (cents per share)		(0.16)	0.46
Diluted (loss)/earnings per share (cents per share)		(0.16)	0.46

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2013**

		31 DEC 2013	30 JUN 2013
	NOTE	\$000's	\$000's
<b>Current Assets</b>			
Cash and cash equivalents		50,144	58,828
Trade and other receivables		3,878	5,096
Inventories		1,084	1,157
<b>Total Current Assets</b>		<b>55,106</b>	<b>65,081</b>
<b>Non Current Assets</b>			
Property, plant and equipment		164	63
Deferred tax assets		113	214
Exploration and evaluation expenditure		45,267	36,944
Production properties		79,269	73,935
<b>Total Non Current Assets</b>		<b>124,813</b>	<b>111,156</b>
<b>Total Assets</b>		<b>179,919</b>	<b>176,237</b>
<b>Current Liabilities</b>			
Trade and other payables		15,768	11,977
Tax liabilities		5,880	3,973
Provisions		518	475
<b>Total Current Liabilities</b>		<b>22,166</b>	<b>16,425</b>
<b>Non Current Liabilities</b>			
Deferred tax liabilities		21,173	22,106
Provisions		6,147	6,137
<b>Total Non Current Liabilities</b>		<b>27,320</b>	<b>28,243</b>
<b>Total Liabilities</b>		<b>49,486</b>	<b>44,668</b>
<b>Net Assets</b>		<b>130,433</b>	<b>131,569</b>
<b>Equity</b>			
Issue capital	5	152,416	152,416
Reserves		22	22
Accumulated losses		(22,005)	(20,869)
<b>Total Equity</b>		<b>130,433</b>	<b>131,569</b>

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 2013**

Attributable to equity holders of the parent

	Issued Capital \$000's	Reserves \$000's	Accumulated Losses \$000's	Total \$000's
<b>At 1 July 2013</b>	152,416	22	(20,869)	131,569
Loss for the period	-	-	(1,136)	(1,136)
Other comprehensive income	-	-	-	-
<b>Total comprehensive loss for the period</b>	-	-	(1,136)	(1,136)
<b>As at 31 December 2013</b>	152,416	22	(22,005)	130,433
<b>At 1 July 2012</b>	152,416	425	(27,663)	125,178
Profit for the period	-	-	3,220	3,220
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the period</b>	-	-	3,220	3,220
<b>Transactions with owners in their capacity as owners:</b>				
Reversal of performance rights	-	(22)	-	(22)
Transfer of reserves to accumulated losses	-	(392)	392	-
<b>As at 31 December 2012</b>	152,416	11	(24,051)	128,376

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

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013**

	31 DEC 2013	31 DEC 2012
	\$000's	\$000's
<b>Cash Flows From Operating Activities</b>		
Production receipts	15,301	28,391
Interest received	95	79
Payments to employees and other suppliers	(12,454)	(9,339)
Income tax paid	-	(245)
Royalties paid	(466)	(1,439)
<b>Net Cash provided by Operating Activities</b>	<b>2,476</b>	<b>17,447</b>
<b>Cash Flows From Investing Activities</b>		
Payments for exploration expenditure	(5,442)	(3,773)
Payments for property, plant and equipment	(137)	(14)
Payments for production property	(7,946)	(2,440)
<b>Net Cash used in Investing Activities</b>	<b>(13,525)</b>	<b>(6,227)</b>
<b>Net (decrease)/increase in Cash and Cash Equivalents</b>	<b>(11,049)</b>	<b>11,220</b>
Cash and cash equivalents at the beginning of the period	58,828	33,733
Effect of exchange rate change on foreign currency balances held at balances held at the beginning of the period	2,365	(568)
<b>Cash and Cash Equivalents at the end of the Period</b>	<b>50,144</b>	<b>44,385</b>

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

### 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 2013.

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 2013, are not materially different from the carrying values presented in these accounts.

## NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont')

### (c) 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 OTHER REVENUE

	31 DEC 2013 \$'000	31 DEC 2012 \$'000
Interest from Cash and Cash Equivalents	84	80
<b>Total Other Revenue</b>	<b>84</b>	<b>80</b>

## NOTE 3 OTHER EXPENSES

	31 DEC 2013 \$'000	31 DEC 2012 \$'000
Depreciation	33	10
Employee Benefits Expense	1,865	2,019
Operating Lease	177	103
Administration Expenses	632	1,017
Business Development	705	2,338
<b>Total Other Expenses</b>	<b>3,412</b>	<b>5,487</b>

## NOTE 4 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, Papua New Guinea and New Zealand. Therefore the Group is organised into four principal geographic segments: Australia, New Zealand, Indonesia and Papua New Guinea. 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.

NOTE 4 SEGMENT INFORMATION (cont')

	Australia \$'000	NZ \$'000	Indonesia \$'000	PNG \$'000	Total \$'000
<b>Half-year 2013</b>					
Total segment revenue	84	1,453	12,421	902	14,860
Inter-segment revenue	-	-	-	-	-
Revenue from external customers	84	1,453	12,421	902	14,860
(Loss)/earnings before interest expense, tax, depreciation and amortisation	(904)	(154)	5,582	(251)	4,273
<b>Half-year 2012</b>					
Total segment revenue	80	10,890	16,381	1,121	28,472
Inter-segment revenue	-	-	-	-	-
Revenue from external customers	80	10,890	16,381	1,121	28,472
(Loss)/earnings before interest expense, tax, depreciation and amortisation	(5,894)	6,554	10,736	271	11,667
<b>Total segment assets</b>					
31 December 2013	56,496	70,306	49,305	3,812	179,919
30 June 2013	63,905	61,394	46,912	4,026	176,237
<b>Total segment liabilities</b>					
31 December 2013	886	15,016	32,568	1,016	49,486
30 June 2013	1,340	13,949	27,651	1,728	44,668

Reconciliation of earnings before interest expense, tax, depreciation and amortisation (EBITDA) to Profit before Income Tax:

	31 DEC 2013 \$'000	31 DEC 2012 \$'000
EBITDA	4,273	11,667
Amortisation and depreciation expenses	(4,334)	(8,536)
Profit before Income Tax	(61)	3,131

## NOTE 5 EQUITY - ISSUED CAPITAL

	31 DEC 2013 Number	30 JUN 2013 Number	31 DEC 2013 \$'000	30 JUN 2013 \$'000
Ordinary shares fully paid (no par value)	698,119,720	698,119,720	152,416	152,416

## NOTE 6 EVENTS SUBSEQUENT TO REPORTING DATE

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 7 CONTINGENT ASSETS/LIABILITIES

Cue estimates its share of the cost of the Maari repairs programme is approximately USD4m of which a portion is expected to be recovered from insurance.

Apart from the above, there has been no change since 30 June 2013 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 2013 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



**Timothy E Dibb**  
*Director*

Dated at Melbourne this 20<sup>th</sup> day of February 2014



## 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 2013, 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 2013 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 2013 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*

## BDO East Coast Partnership

A handwritten signature in blue ink, appearing to read 'Alex Swansson', with the 'BDO' logo written above it.

**Alex Swansson**  
Partner

Melbourne, 20 February 2014