

Cue Energy Resources Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	Cue Energy Resources Limited
ABN:	45 066 383 971
Reporting period:	For the half-year ended 31 December 2018
Previous period:	For the half-year ended 31 December 2017

2. Results for announcement to the market

			\$'000
Revenues from ordinary activities	Up	5% to	13,396
Profit from ordinary activities after tax attributable to the owners of Cue Energy Resources Limited	up	34.6% to	4,625
Profit for the half-year attributable to the owners of Cue Energy Resources Limited	up	34.6% to	4,625

Dividends

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

Comments

The profit for the consolidated entity after providing for income tax amounted to \$4.63 million (31 December 2017: \$3.44 million).

Financial position

The net assets of the consolidated entity increased by \$4.23 million to \$37.5 million for the period ended 31 December 2018 (2017: \$33.27 million).

Operating results for the half year

The Group reported a net profit after tax of \$4.63 million for the period ended 31 December 2018, an increase of \$1.19 million from its \$3.44 million profit in 2017.

Production revenue for the period of \$13.4 million, an increase of \$0.65 million from the previous period (2017: \$12.75 million). Production costs decreased to \$7.43 million (2017: \$9.08 million).

Cash position

The consolidated cash and cash equivalents of the Group as at 31 December 2018 were \$20.99 million and have increased by \$4.01 million since the year ended 30 June 2018 (\$16.98 million) largely due to reduction in production costs.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>5.37</u>	<u>4.68</u>

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

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.

7. Details of associates and joint venture entities

Not applicable.

8. Foreign entities

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

Not applicable.

9. Audit qualification or review

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

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Financial Report.

10. Attachments

Details of attachments (if any):

The Interim Financial Report of Cue Energy Resources Limited for the half-year ended 31 December 2018 is attached.

11. Signed



Signed _____

Date: 19 February 2019

Alastair McGregor
Non-Executive Chairman

Cue Energy Resources Limited

ABN 45 066 383 971

Interim Financial Report - 31 December 2018

Cue Energy Resources Limited

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Cue Energy Resources Limited
Corporate directory
31 December 2018

Directors	Alastair McGregor (Non-Executive Chairman) Andrew Jefferies (Non-Executive Director) Peter Hood (Non-Executive Director) Rebecca DeLaet (Non-Executive Director) Richard Malcolm (Non-Executive Director) Rod Ritchie (Non-Executive Director) Samuel Kellner (Non-Executive Director)
Chief Executive Officer	Matthew Boyall
Chief Financial Officer and Company Secretary	Melanie Leydin
Registered office	Level 3, 10-16 Queen Street Melbourne, VIC 3000 Australia Telephone: 61 3 8610 4000 Fax: 61 3 9614 2142
Principal place of business	Level 3, 10-16 Queen Street Melbourne, VIC 3000 Australia Telephone: 61 3 8610 4000 Fax: 61 3 9614 2142
Share register	Computershare Investor Services Pty Limited Yarra Falls, 452 Johnston Street Abbotsford, VIC 3067 Australia Telephone: 61 3 9415 5000 Fax: 61 3 9473 2500
Auditor	BDO East Coast Partnership Collins Square, Tower Four Level 18, 727 Collins Street Melbourne, VIC 3000 Australia
Stock exchange listing	Cue Energy Resources Limited securities are listed on the Australian Securities Exchange. (ASX code: CUE)
Website	www.cuenrg.com.au

PRODUCTION

New Zealand

PMP 38160 Maari and Manaia fields

Cue Interest: 5%

Operator: OMV New Zealand Limited

A planned annual maintenance shutdown was successfully completed at the beginning of the half year with production back online during the first week of July.

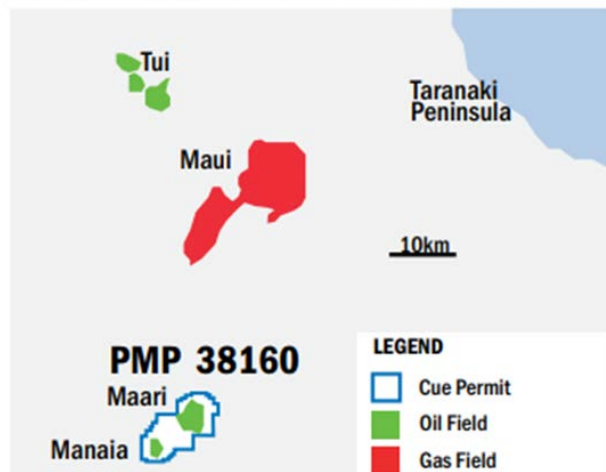
During the reporting period, production enhancement activities have continued to be undertaken to increase oil production from the fields.

The MR5 production well was converted to a water injector to provide pressure support for the Maari reservoir. MR5 and MR1 wells are now both being utilised for water injection with injection rate tests being conducted to optimise field production.

Workovers were completed on both MR3 and M10 wells during September after they experienced Electric Submersible Pump (ESP) operating issues. Both wells were back in production by the end of the September.

A workover was conducted subsequent to the half year end to replace the Electric Submersible Pump (ESP) in the MR6a with a larger capacity unit to increase oil production. The MR6a well was back in production in January 2019.

TARANAKI PENINSULA LOCATION MAP - NEW ZEALAND



Indonesia

Sampang PSC

Cue Interest: 15%

Operator: Santos (Sampang) Pty Ltd (an Ophir Energy Group Company)

Gas production from Oyong and Wortel fields continued strongly and Cue announced a gas discovery from the Paus Biru-1 Exploration well

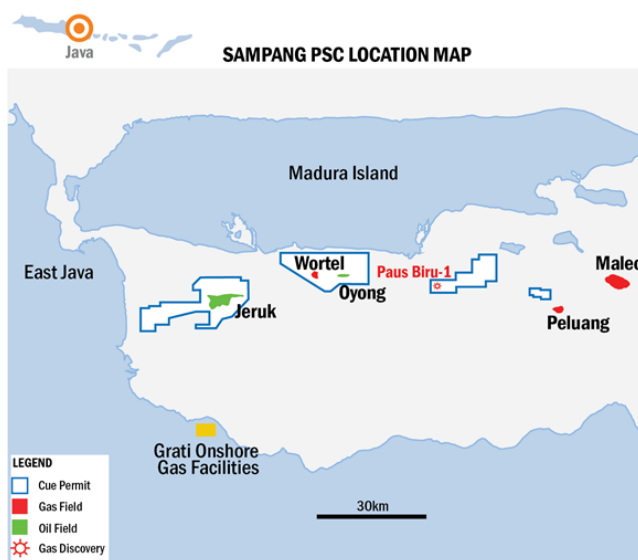
On 7 December 2018, Cue announced that Paus Biru-1 was drilled as an exploration well to a measured depth of 710 metres and intersected estimated net gas pay of 29 metres across the primary Mundu reservoir target.

An initial Drill Stem Test (DST) undertaken over the 576-605 mMD interval successfully flowed gas at a rate of 11.2 mmcsfd sustained over a 5 hour period through a 64/64" choke at 525 psi well head pressure. The well was shut in for 9 days for pressure build up before a maximum flow test which produced 13.8 mmcsfd through a 120/64" choke for 55 minutes. Preliminary gas sample analysis indicated low inert content.

Studies are underway for a Plan of Development with likely commercialisation through the existing Oyong facilities for submission to the regulator for approval.

On 6 September 2018, Ophir Energy announced the completion of the acquisition of Santos' Asian assets, making Ophir Energy the new parent company of Santos (Sampang) Pty Ltd, the PSC operator.

Subsequent to the end of the half year, Medco Energi Global has proposed a takeover of Ophir Energy, which the Ophir directors have recommended be accepted.



EXPLORATION

INDONESIA

Mahakam Hilir PSC

Cue Interest: 100%

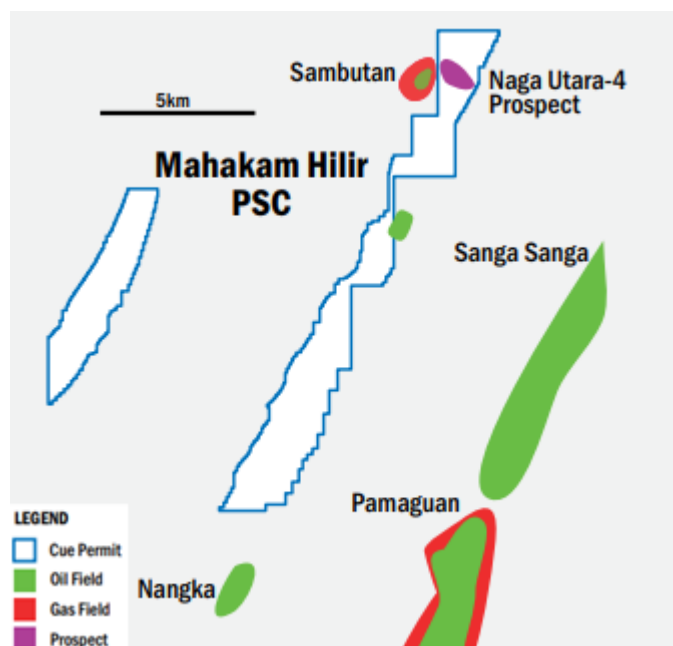
Operator: Cue Kalimantan Pte Ltd

Mahakam Hilir PSC contains the Naga Utara prospect and the Naga Utara-4 Appraisal well.

Cue is proceeding with planning for the drilling of the Naga Utara-4 (NU-4) well and is currently seeking partners to participate in the Mahakam Hilir PSC and the well.

NU-4 is planned to twin a 1930s Dutch drilled well within the PSC which is interpreted from logs as having intersected about 100m gross interbedded gas sands. There is also further appraisal potential within the prospect, which given the nearby location of the Sambutan production facilities could be rapidly commercialised.

The Naga-Selatan-2 well, which was drilled in 2016, was successfully plugged and abandoned during the reporting period.



Mahato PSC

Cue Interest: 12.5%

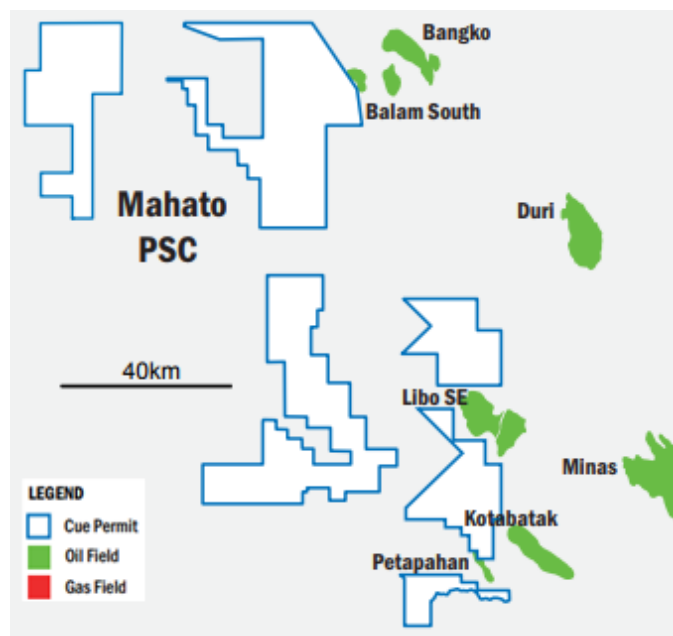
Operator: Texcal Mahato EP Ltd

Ownership changes to companies in the PSC occurred including change of ownership of the operator of the PSC.

A 23 Month extension to the exploration period of the Mahato PSC was granted by the Indonesian Government extending the PSC until June 2020.

The PSC partners, under the new operator ownership, are now finalising a joint operating agreement in order to continue to progress exploration within the PSC. Cue expects the 2019 work programme to include the drilling of 2 onshore exploration wells targeting high potential oil prospects.

The PB prospect within the southern portion of the PSC has drilling permits in place and is likely to be the first well drilled when exploration resumes.



AUSTRALIA

WA-359-P

Cue Interest: 100%

Operator: Cue Exploration Pty Ltd

Exciting progress was made towards the drilling of the Ironbark prospect.

On 26 October 2018, Cue completed the funding requirements for the Ironbark-1 well with the execution of a Farmout Agreement for 15% participating interest to New Zealand Oil & Gas. Subsequent to the end of the half year, Cue shareholders approved the transaction at a General Meeting held on 8 January 2019.

Under the terms of the agreement, New Zealand Oil & Gas will free carry Cue for 2.85% of the costs of the Ironbark well and pay \$642,600 in back costs on completion.

The agreement remains subject to a number of conditions, including the regulatory approval of a Suspension and Extension to WA-359-P. Cue also executed a Co-ordination Agreement with BP, Beach Energy and New Zealand Oil & Gas, where each party has agreed, subject to certain conditions, to form a joint venture to drill the Ironbark-1 well.

The Co-ordination Agreement sets out the activities that Cue, BP, Beach and New Zealand Oil & Gas have agreed to fund and undertake and will allow BP to commence work on the Ironbark-1 exploration well prior to the official title transfers and creation of a formal joint venture. Title transfer and joint venture formation is targeted during Q2 2019, once certain conditions, including regulatory approvals, are received. Until this time, Cue will retain 100% equity in WA-359-P and BP will act as operator on behalf of Cue in relation to planning for the Ironbark-1 well.

Under the Co-ordination Agreement, the partners have agreed to the final well location for the Ironbark-1 exploration well and BP is proceeding with drill rig tendering and environmental approvals on behalf of Cue.

On 13 February 2019, Cue announced that a rig contract had been signed with Diamond Drilling for the Ocean Apex drilling rig to drill the Ironbark-1 exploration well. Current timing of the well is late 2020. The well is fully funded, with Cue placing US\$8.08m into an escrow account to fund its share of the well costs.

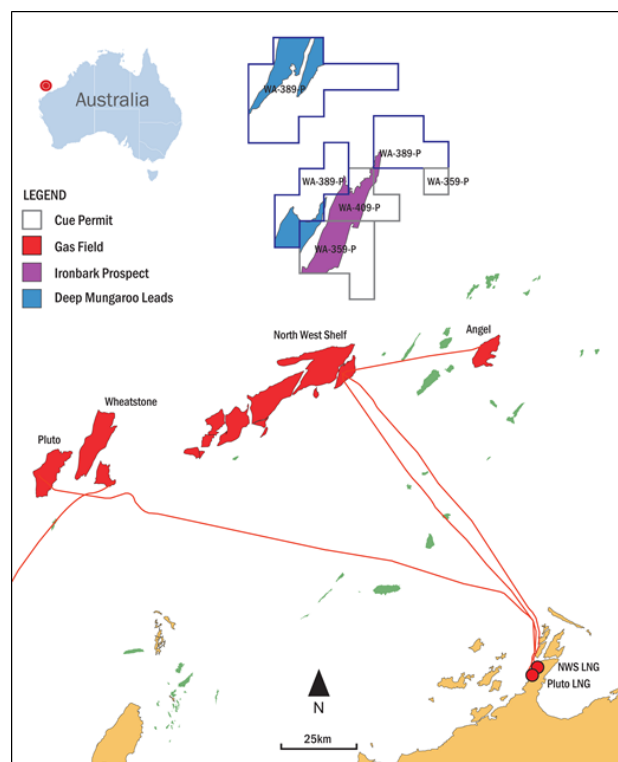
WA-409-P

Cue Interest: 20%

Operator: BP Developments Australia Pty Ltd

Cue executed an agreement to grant New Zealand Oil & Gas an option to take 5.36% participating interest in WA-409-P. If New Zealand Oil & Gas exercises the option, Cue will be free carried for 5.36% of the costs of drilling a well in WA-409-P or receive the cash equivalent. Cue will also be entitled to a 10% royalty on all future revenue generated from New Zealand Oil & Gas' 5.36% participating interest.

Cue shareholders approved the transaction at a General Meeting held on 8 January 2019.



Cue Energy Resources Limited
Activity review
31 December 2018

WA-389-P
Cue Interest: 100%
Operator: Cue Exploration Pty Ltd

Mapping and evaluation of the permit leads and prospects is continuing in WA-389-P.

The permit contains a number of potential Deep Mungaroo targets, including the Bluegum lead, within the Banambu Horst which is analogous to, and of similar scale to the Ironbark prospect.

Cue Energy Resources Limited
Directors' report
31 December 2018

The directors present their report, together with the financial statements, on the consolidated entity consisting of Cue Energy Resources Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2018.

Directors

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

Alastair McGregor
Andrew Jefferies
Peter Hood
Rebecca DeLaet
Richard Malcolm
Rod Ritchie
Samuel Kellner
Koh Ban Heng (resigned on 30 October 2018)

Chief Executive Officer

Matthew Boyall

Chief Financial Officer/Company Secretary

Melanie Leydin

Principal activities

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

Dividends

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

Review of operations

The profit for the consolidated entity after providing for income tax amounted to \$4.63 million (31 December 2017: \$3.44 million).

During the half year, the Group earned production revenue of \$13.4 million (2017: \$12.75 million) and incurred production costs of \$7.43 million (2017: \$9.08 million).

Refer to the detailed Activity review preceding this Director's report.

Significant changes in the state of affairs

On 9 August 2018, the consolidated entity announced that its 100% owned subsidiary, Cue Exploration Pty Ltd, has received notification from the National Offshore Petroleum Titles Administrator (NOPTA) of the approval of a 12 month suspension of Exploration Permit WA-359-P Permit Year 3, 4 and 5 work program commitments, a Year 4 work commitment variation, and a 12 month extension of the permit until 25 April 2019.

On 26 October 2018, the consolidated entity announced that through its 100% owned subsidiary, Cue Exploration Pty Ltd, the 42.5% equity option over exploration permit WA-359-P granted to BP Developments Australia Pty Ltd has been extended until 25 April 2019.

On the same day, the consolidated entity announced that through its 100% owned subsidiary, Cue Exploration Pty Ltd, it had executed agreements whereby New Zealand Oil & Gas will, subject to certain conditions and approvals, acquire equity in North West Shelf exploration permits WA-359-P and WA-409-P in the Carnarvon Basin, offshore Western Australia, which contain the Ironbark gas prospect.

Cue Energy Resources Limited
Directors' report
31 December 2018

Under the terms of the WA-359-P Farmout Agreement, New Zealand Oil & Gas will acquire a 15% participating interest in WA-359-P and will fund an additional 2.85% of Cue's costs of drilling the Ironbark-1 exploration well. New Zealand Oil & Gas will also reimburse Cue A\$642,600 for past costs associated with WA-359-P.

The WA-359-P Farmout Agreement is conditional on, amongst other things, Cue receiving shareholder approval for the transaction, regulatory approval of a Suspension and Extension to WA-359-P and the commitment well drilling deadline and Cue finalising escrow arrangements for its share of well costs.

Cue has also granted New Zealand Oil & Gas an option to take a 5.36% participating interest in exploration permit WA-409-P, which adjoins WA-359-P. If New Zealand Oil & Gas exercises the option, Cue will be free carried for 5.36% of the costs of drilling a well in WA-409-P or receive the cash equivalent. Cue will also be entitled to a 10% royalty on all future revenue generated from New Zealand Oil & Gas' equity in the permit. The option is currently valid until July 2019.

Both the WA-359-P Farmout Agreement and the WA-409-P equity option are on identical commercial terms, pro rata, as the Beach Energy farm out and option agreements executed in November 2017.

Cue received shareholders' approval for the transaction at a general meeting held on 8 January 2019.

In addition to these agreements with New Zealand Oil & Gas, the consolidated entity executed a Co-ordination Agreement between Cue, New Zealand Oil & Gas, BP and Beach Energy which allowed the parties to immediately begin work on detailed planning of the Ironbark-1 well. Pursuant to the Co-ordination Agreement, the parties will (subject to certain conditions and approvals) form a joint venture with BP as operator.

On 7 December 2018, the consolidated entity announced a gas discovery from the Paus Biru-1 Exploration well in the Sampang PSC. A plan of development is being prepared where commercialisation will occur through the existing Oyong facilities.

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

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.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the Board



Alastair McGregor
Non-Executive Chairman

19 February 2019

DECLARATION OF INDEPENDENCE BY DAVID GARVEY 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 2018, 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.



David Garvey
Partner

BDO East Coast Partnership

Melbourne, 19 February 2019

Cue Energy Resources Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2018

	Consolidated	
	31 December	31 December
Note	2018	2017
	\$'000	\$'000
Revenue		
Production revenue from continuing operations	13,396	12,754
Production costs	<u>(7,429)</u>	<u>(9,083)</u>
Gross Profit from production	5,967	3,671
Other income	673	207
Net foreign currency exchange gain/(loss)	936	(99)
Expenses		
Exploration and evaluation expenditure	(694)	(790)
Administration expenses	<u>4 (1,284)</u>	<u>(1,259)</u>
Profit before income tax (expense)/benefit	5,598	1,730
Income tax (expense)/benefit	<u>(973)</u>	<u>1,705</u>
Profit after income tax (expense)/benefit for the half-year attributable to the owners of Cue Energy Resources Limited	4,625	3,435
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Foreign currency translation	<u>(395)</u>	-
Other comprehensive income for the half-year, net of tax	<u>(395)</u>	-
Total comprehensive income for the half-year attributable to the owners of Cue Energy Resources Limited	<u><u>4,230</u></u>	<u><u>3,435</u></u>
	Cents	Cents
Basic earnings per share	0.66	0.49
Diluted earnings per share	0.66	0.49

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 31 December 2018

		Consolidated	
	Note	31 December	30 June 2018
		2018	\$'000
		\$'000	\$'000
Assets			
Current assets			
Cash and cash equivalents		20,990	16,983
Trade and other receivables		6,465	7,593
Inventories		211	519
Total current assets		<u>27,666</u>	<u>25,095</u>
Non-current assets			
Property, plant and equipment		19	24
Exploration and evaluation assets	5	2,439	-
Production properties	6	25,770	26,814
Deferred tax asset		2,750	2,733
Total non-current assets		<u>30,978</u>	<u>29,571</u>
Total assets		<u>58,644</u>	<u>54,666</u>
Liabilities			
Current liabilities			
Trade and other payables		2,237	3,456
Tax liabilities		4,861	4,946
Provisions		79	69
Total current liabilities		<u>7,177</u>	<u>8,471</u>
Non-current liabilities			
Deferred tax liabilities		2,649	3,052
Provisions		11,318	9,873
Total non-current liabilities		<u>13,967</u>	<u>12,925</u>
Total liabilities		<u>21,144</u>	<u>21,396</u>
Net assets		<u>37,500</u>	<u>33,270</u>
Equity			
Contributed equity		152,416	152,416
Reserves		(735)	(340)
Accumulated losses		(114,181)	(118,806)
Total equity		<u>37,500</u>	<u>33,270</u>

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 half-year ended 31 December 2018

Consolidated	Contributed Equity \$'000	Accumulated Losses \$'000	Total equity \$'000
Balance at 1 July 2017	152,416	(126,545)	25,871
Profit after income tax benefit for the half-year	-	3,435	3,435
Other comprehensive income for the half-year, net of tax	-	-	-
Total comprehensive income for the half-year	-	3,435	3,435
Balance at 31 December 2017	<u>152,416</u>	<u>(123,110)</u>	<u>29,306</u>

Consolidated	Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2018	152,416	(340)	(118,806)	33,270
Profit after income tax expense for the half-year	-	-	4,625	4,625
Other comprehensive income for the half-year, net of tax	-	(395)	-	(395)
Total comprehensive income for the half-year	-	(395)	4,625	4,230
Balance at 31 December 2018	<u>152,416</u>	<u>(735)</u>	<u>(114,181)</u>	<u>37,500</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 half-year ended 31 December 2018

	Consolidated	
	31 December	31 December
	2018	2017
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers	13,967	11,790
Insurance refunds received	418	-
Interest received	182	76
Payments to suppliers (inclusive of GST)	(4,932)	(8,515)
Exploration and evaluation expenditure	(1,019)	(1,140)
Income tax paid	(1,650)	(1,148)
Royalties paid	(298)	(281)
GST (paid) / refund	(50)	25
Royalty settlement	(277)	-
	<hr/>	<hr/>
Net cash from operating activities	6,341	807
Cash flows from investing activities		
Payments for production properties	(634)	(1,772)
Payments for exploration and evaluation assets	(2,434)	-
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Net cash used in investing activities	(3,068)	(1,772)
Cash flows from financing activities		
	<hr/>	<hr/>
Net cash from financing activities	-	-
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Net increase/(decrease) in cash and cash equivalents	3,273	(965)
Cash and cash equivalents at the beginning of the financial half-year	16,983	12,420
Effects of exchange rate changes on cash and cash equivalents	734	(119)
	<hr/>	<hr/>
Cash and cash equivalents at the end of the financial half-year	<u>20,990</u>	<u>11,336</u>

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 half-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 19 February 2019.

Note 2. Summary of significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2018 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

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 Australia 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 adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 9 Financial Instruments

The consolidated entity has adopted AASB 9 from 1 July 2018. AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of AASB 9 Financial Instruments resulted in changes in accounting policies. There were no changes to the classification of financial instruments in the financial statements. The new accounting policies are set out below. In accordance with the transitional provisions in AASB 9 (7.2.15) and (7.2.26), comparative figures have not been restated. There is no impact on the groups opening retained earnings as at 1 July 2018.

(i) Trade Receivables

Trade 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 2. Summary of significant accounting policies (continued)

The group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the group's impairment policies and the calculation of the loss allowance are provided in (ii) below.

(ii) Allowance for expected credit loss

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.

(iii) Trade and other payables

Trade payables are unsecured and are usually paid within 30 days of recognition. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

AASB 15 Revenue from Contracts with Customers

The consolidated entity has adopted AASB 15 from 1 July 2018. It has elected to adopt AASB 15 using the cumulative effect method, with any adjustment required when transitioning to the new standard being recognised on the 1 July 2018 (date of initial application) in retained earnings. Comparative figures have not been restated. There are no material changes in the Group's revenue recognition which means there have been no adjustments made to the opening retained earnings balance.

The accounting policies for revenue recognition are as follows:

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. Revenue from gas production is recognised during the month when gas is delivered to the buyer.

Note 3. 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, impairments, exploration and evaluation expenditure, 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 primarily in Australia but also has international operations in Indonesia and New Zealand.

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

2018	Geographical location			
	Australia \$'000	NZ \$'000	Indonesia \$'000	Total \$'000
Revenue				
Production revenue from continuing operations	-	5,450	7,946	13,396
Total segment revenue	-	5,450	7,946	13,396
Earnings before interest expense, tax, impairments, E&E expenditure, depreciation and amortisation	(295)	2,086	7,179	8,970

Note 3. Financial reporting by segments (continued)

2017	Geographical location			
	Australia \$'000	NZ \$'000	Indonesia \$'000	Total \$'000
Revenue				
Production revenue from continuing operations	-	4,718	8,036	12,754
Total segment revenue	-	4,718	8,036	12,754
Earnings before interest expense, tax, impairments, E&E expenditure, depreciation and amortisation	(1,130)	2,756	3,611	5,237

	Geographical location			
	Australia \$'000	NZ \$'000	Indonesia \$'000	Total \$'000
TOTAL SEGMENT ASSETS				
Current assets	21,023	1,939	4,704	27,666
Non-current assets	19	21,087	9,872	30,978
Total 31 December 2018 Assets	21,042	23,026	14,576	58,644
Current assets	17,027	2,414	5,654	25,095
Non-current assets	24	22,538	7,009	29,571
Total 30 June 2018 Assets	17,051	24,952	12,663	54,666
TOTAL SEGMENT LIABILITIES				
Current Liabilities	317	1,414	5,446	7,177
Non-current Liabilities	85	9,820	4,062	13,967
Total 31 December 2018 Liabilities	402	11,234	9,508	21,144
Current Liabilities	353	1,392	6,725	8,471
Non-current Liabilities	41	9,760	3,124	12,925
Total 30 June 2018 Liabilities	394	11,152	9,849	21,396

Reconciliation of earnings before interest expense, tax, impairments, exploration and evaluation expenditure, depreciation and amortisation to Profit before Income Tax:

	Consolidated	
	31 December 2018 \$'000	31 December 2017 \$'000
Earnings before interest expense, tax, impairments, exploration and evaluation expenditure, depreciation and amortisation	8,970	5,237
Amortisation and depreciation expenses	(2,678)	(2,717)
Exploration and evaluation expenditure	(694)	(790)
Profit before income tax expense	<u>5,598</u>	<u>1,730</u>

Note 4. Administration expenses

	Consolidated	
	31 December 2018	31 December 2017
	\$'000	\$'000
Depreciation of property, plant and equipment	5	8
Employee expenses	703	677
Superannuation contribution expense	32	59
Operating lease expenses	97	125
Other expenses	336	276
Business development expenses	111	114
	<u>1,284</u>	<u>1,259</u>
Total administration expenses	<u>1,284</u>	<u>1,259</u>

Note 5. Non-current assets - exploration and evaluation assets

	Consolidated	
	31 December 2018	30 June 2018
	\$'000	\$'000
Exploration and evaluation - Paus Biru-1 exploration well	<u>2,439</u>	<u>-</u>

During the half year ended 31 December 2018, the consolidated entity reviewed its criteria under its successful efforts method of accounting, resulting in the capitalisation of Paus Biru-1 exploration well drilling costs pending the determination of the success of the well. 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.

Note 6. Non-current assets - Production properties

	Consolidated	
	31 December 2018	30 June 2018
	\$'000	\$'000
Production properties	<u>25,770</u>	<u>26,814</u>

Reconciliations

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

Consolidated	Total
	\$'000
Balance at 1 July 2018	26,814
Expenditure incurred	564
Amortisation expense	(2,673)
Abandonment provision	<u>1,065</u>
Balance at 31 December 2018	<u>25,770</u>

Note 7. Contingent assets and liabilities

The Group has no contingent assets or liabilities as at 31 December 2018.

Cue Energy Resources Limited and Cue Resources Inc. have been named as defendants, along with a number of other companies, in litigation pending in Texas, USA in relation to the Pine Mills oilfield. Cue Energy Resources Limited and Cue Resources Inc. believe the suit has no merit and have filed motions to dismiss the proceedings. Motions to dismiss the lawsuit have been filed and are currently under consideration by the assigned judge in the case.

Note 8. Events after the reporting period

On 13 February 2019, the consolidated entity announced that a rig contract has been signed for the drilling of the Ironbark prospect in exploration permit WA-359-P, offshore Western Australia.

The Ocean Apex semisubmersible drilling rig, operated by Diamond Drilling, has been contracted by BP Developments Australia Pty Ltd ("BP"), which is acting as operator on behalf of Cue Exploration Pty Ltd under a co-ordination agreement. Cue has contributed US\$8.08 million from its existing cash into an escrow account to secure the proportion of its costs that are not carried by other parties. Cue will receive interest on the escrowed amount until drawn, which is expected to be closer to the well commencement date.

The execution of the rig contract and Cue's funding of the escrow account satisfy two outstanding conditions to completion of the co-ordination agreement, BP Option agreement and farm-in agreements with Beach and New Zealand Oil & Gas. Regulatory approval of an extension to the WA-359-P permit to allow time to drill is also required. Cue is preparing an extension application for submission to the National Offshore Petroleum Titles Administrator (NOPTA).

No other matter or circumstance has arisen since 31 December 2018 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.

Cue Energy Resources Limited
Directors' declaration
31 December 2018

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the financial half-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.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Alastair McGregor
Non-Executive Chairman

19 February 2019

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Cue Energy Resources Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Cue Energy Resources Limited (the Company) and its subsidiaries (the Group), which comprises the statement of financial position as at 31 December 2018, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the consolidated group for the half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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 the Group is not in accordance with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

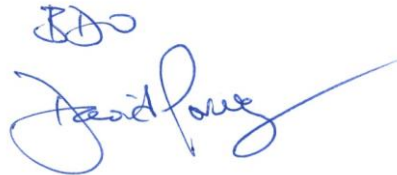
Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, 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 Group's financial position as at 31 December 2018 and its financial 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 the Group, 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 the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO East Coast Partnership

A handwritten signature in blue ink, appearing to read 'David Garvey'. Above the signature is a small, stylized logo consisting of the letters 'BDO' in a circular arrangement.

David Garvey
Partner

Melbourne, 19 February 2019