



ABN 45 066 383 971

26 September 2014

PAGES (including this page):78

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

Annual Report 2013/14: Full Year Accounts

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)
- Stuart Brown
- Rowena Sylvester
- Andrew Young

CUE ENERGY MANAGEMENT

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

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Melbourne Vic 3000

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LISTINGS

ASX: CUE
ADR/OTCQX: CUEYY

ANNUAL REPORT

cue
energy



New Frontiers

Annual Report 2013/14

CUE ENERGY RESOURCES

About Us

Cue Energy Resources Limited is an oil and gas exploration and production company with a focus on South East Asia and Australasia.



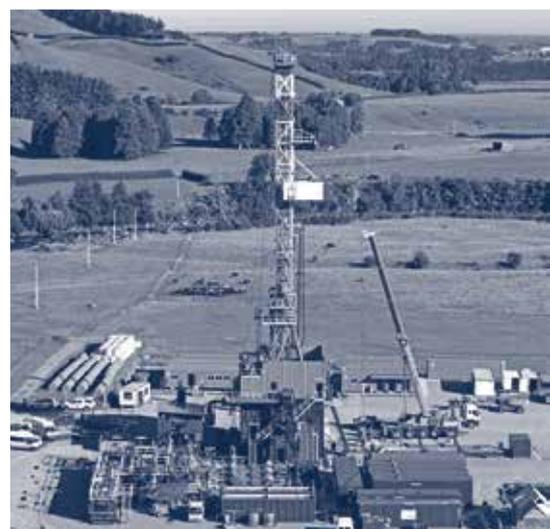
Cue Energy Resources has petroleum assets in New Zealand, Papua New Guinea, Indonesia, and Australia. The company has continuously grown over recent years through a mix of acquisitions and discoveries.

It is Cue Energy Resources' objective to develop a robust and substantial E & P company with a focus on the SE Asia and Australasia region through:

- maximising value of existing assets
- building organisational capability
- aggressively pursuing the capture of new exploration acreages
- developing a balanced portfolio of exploration, development and production assets
- actively pursuing value accretive acquisitions

Company snapshot

Ordinary Shares	698,119,720
12 Month Trading Range	10.5¢-15.0¢
Cash at 30 June 2014	\$40.6 million
Debt	Nil
Avg FY14 Production	~1800 boe/day





In the Maari field the Ensco 107 jack-up rig is on location and drilling field development wells.

As a result of better than expected production in the Sampang PSC, additional gas compression and oil well workovers are planned to maintain and extend production.



Grati Gas Plant, onshore Java, Indonesia

2013/14 ANNUAL REPORT

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Corporate Directory

Directors

Geoffrey J. King BA, LL.B (Chairman)

Stuart A. Brown BSc (Hons)

Rowena A. Sylvester BBS

Andrew 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

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ABN 45 066 383 971

Stock Exchange Listings

AUSTRALIA

Australian Securities Exchange Ltd

525 Collins Street
Melbourne, Victoria 3000 Australia

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

BOQ Specialist Bank 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

Website: www.computershare.com.au



Grati Gas Plant, onshore Java, Indonesia

Key Points for 2014



Corporate Results

- Production revenue \$34.0 million
- Sales production 0.65 million boe
- Gross profit of \$15.8 million
- Net loss after tax of \$2.2 million
- Cash at year end \$40.6 million
- Group is debt free

New Zealand

- Repairs completed to Maari facilities and oil production restarted December 2013
- Maari Growth Project drilling underway

Indonesia

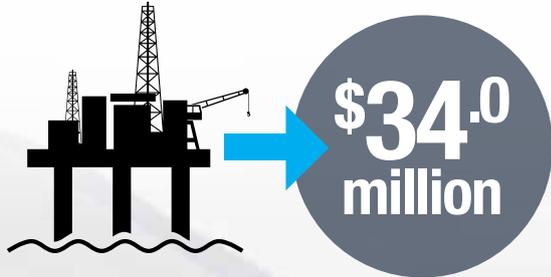
- Sampang PSC Joint Venture has:
 - approved a work over programme at Oyong to improve oil production
 - approved a Wortel compressor upgrade to maintain gas production

Asset portfolio realignment underway

- Cue is currently testing the market for sale of its PNG assets portfolio
- Farming down Mahakam Hilir PSC, Indonesia
- Farming down WA-359-P permit, Carnarvon Basin
- Actively seeking new exploration acreage onshore Australia and Asia
- Actively seeking to acquire additional production



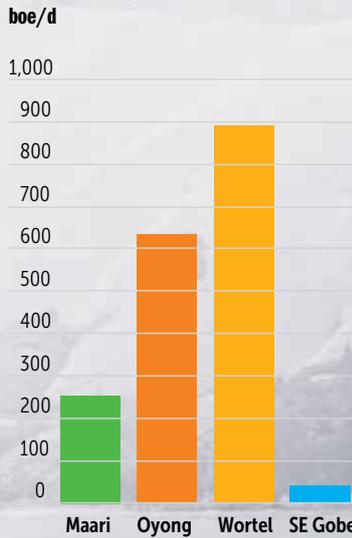
Production Revenue 2013/14



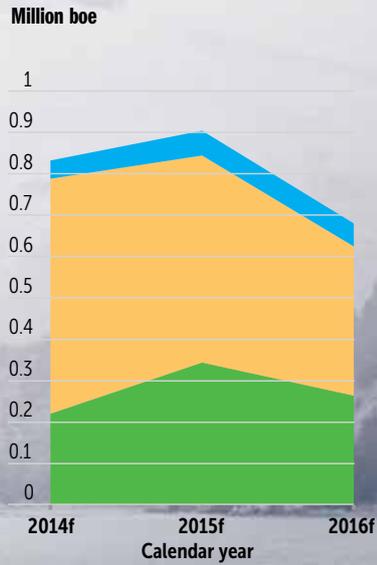
Corporate Information



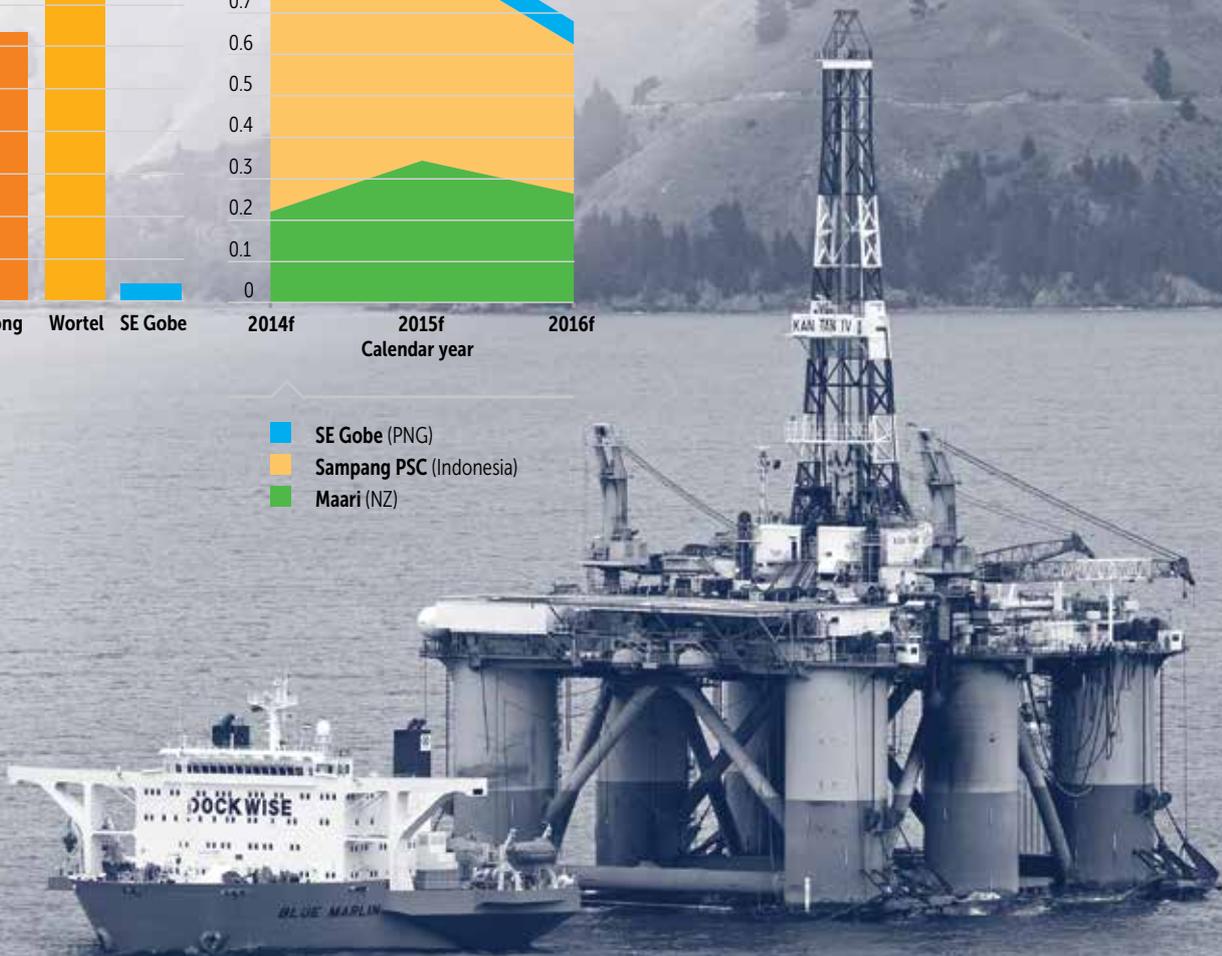
Net Daily Production



Net Production (2014f-2016f)



- SE Gobe (PNG)
- Sampang PSC (Indonesia)
- Maari (NZ)

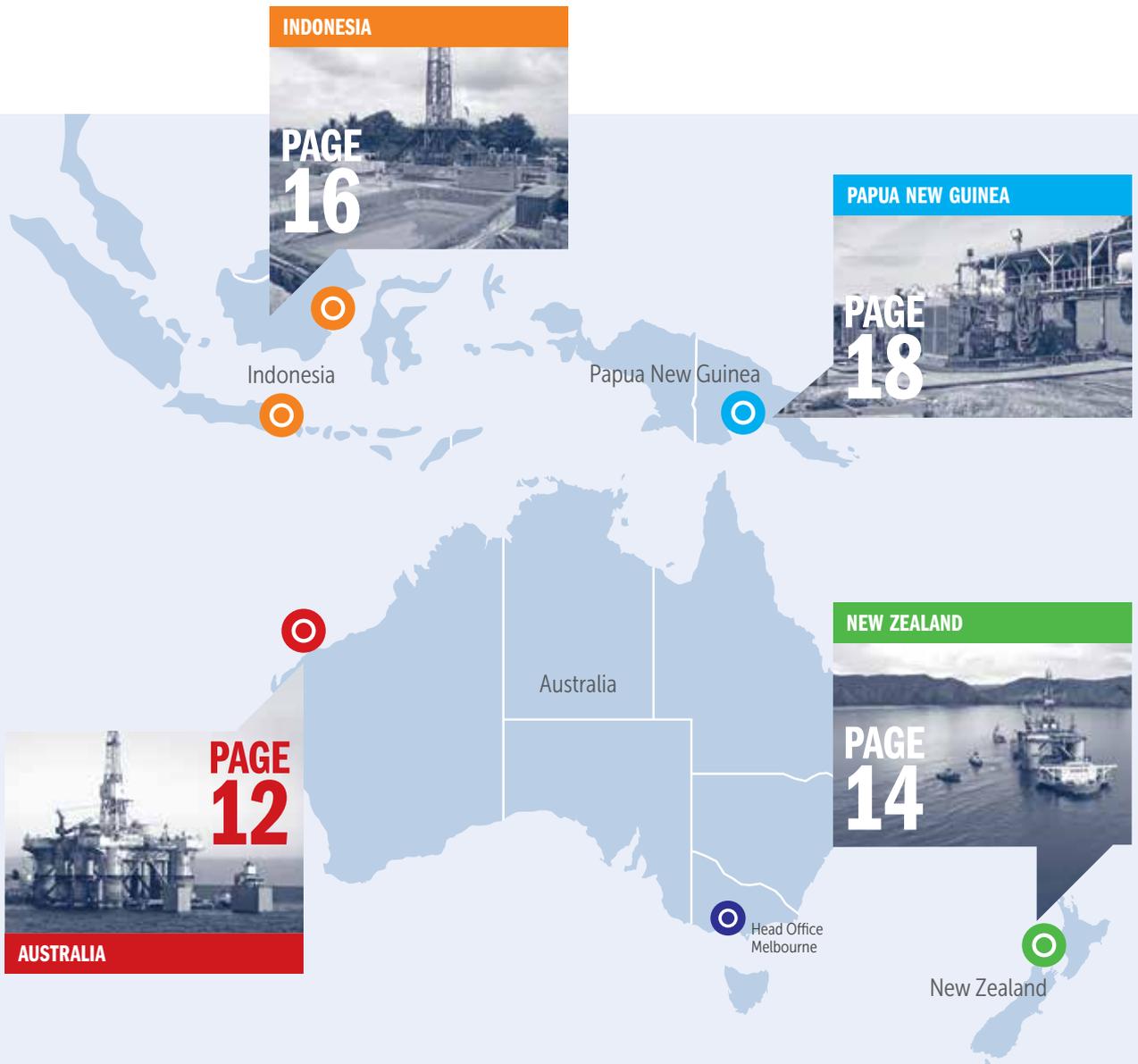


Kan Tan - IV drilling rig, New Zealand

CUE ENERGY RESOURCES

Joint Operations

Cue Energy Resources has a balanced portfolio of assets with emphasis on increasing near term production.





Joint Operation Legend

INDONESIA

Sampang PSC

Santos [#]	45%
SPC	40%
Cue ⁽ⁱ⁾	15%

Mahakam Hilir PSC

SPC [#]	60%
Cue	40%

Additional Information

[#] Operator

(i) 8.181878% in the Jeruk field

(ii) 5% in the Whio prospect on commercial success

^{^^} Title held by North West Shelf Exploration Pty Ltd

^{***} Title held by Barracuda Ltd

PAPUA NEW GUINEA

PDL 3

Santos ^{***}	15.921718%
SHP	40.149650%
Oil Search	36.35974%
Cue	5.568892%
(SE Gobe Unit)	3.285651%
PRG	2.0%

PRL14

Oil Search [#]	62.556%
Murray	26.497%
Cue	10.947%

PRL9

Santos ^{***}	40%
Oil Search [#]	45.106%
Cue	14.894%

NEW ZEALAND

Maari and Manaia Oil Fields PMP 38160

OMV [#]	69%
Todd	16%
Horizon	10%
Cue	5%

PEP 51149

Todd [#]	80%
Cue	20%

PEP 51313

OMV [#]	30%
Todd	35%
Horizon	21%
Cue ⁽ⁱⁱ⁾	14%

PEP 54865

Todd [#]	80%
Cue	20%

AUSTRALIA

Carnarvon Basin Permits

WA-389-P

BHP Billiton [#]	60%
Cue	40%

WA-359-P

Cue [#]	100%
------------------------	------

WA-360-P

MEO ^{^^^}	62.5%
Cue	37.5%

WA-361-P

MEO ^{^^^}	50%
Minerology	35%
Cue	15%

WA-409-P

Apache [#]	40%
Cue	30%
Rankin Trend	30%

GEOFFREY KING

Chairman's Overview

Cue Energy Resources is firmly set on a path of prudential reserves replacement and growth and has sufficient resources to undertake significant production asset acquisitions.



Dear Shareholders

It gives me no joy to report to shareholders that the year ended 30 June 2014 was a difficult one for the Company in both an operational and financial sense.

Significantly, Cue and its partners lost Maari production for five months due to required repairs to the FPSO mooring system and turret. This deferral of production reduced our annual oil production by 30% with consequent negative impact on our cashflows for the year.

Our operating and exploration costs were adversely affected by the unbudgeted costs of the repairs to the Maari FPSO mooring system and turret, and the drilling costs for Naga Utara-2 onshore Indonesia well which ran considerably over budget due to operational issues. Significant drilling costs have not been paid for drilling associated with Naga Utara-2 since the Company considers that those costs resulted from inadequate operational provisions by the drilling contractor.

In the past year we lost from the Board the capacities and contributions of Tim Dibb and Paul Moore. Both Tim and Paul resigned as the result of their moves from Australia/New Zealand to overseas locations that made it impractical for them to continue

as directors of the Company. I thank both Tim and Paul on behalf of the Board and shareholders for their valuable contributions to the business and growth of the Company.

As mentioned last year, the Board has resolved that a Board of four meets the current needs of Cue as it seeks to grow. Consequent upon the resignation of both Tim Dibb and Paul Moore as directors, we recruited Rowena Sylvester and Stuart Brown to join the Board to maintain the optimum number of directors and enhance the blend of skills on the Board. I am delighted that both Rowena and Stuart have accepted our invitation to join the Board and their positive contribution has already become apparent.

Apart from the maintenance of the Company's base business, the key focus for both the 2013/14 year and the 2014/15 year is capturing growth opportunities for the Company. Your Board is well aware that the patience of shareholders has been tested as the Company seeks to expand beyond its current core set of producing and exploration assets.

In keeping with its target to add at least 5 million barrels of reserves by the end of calendar year 2018, Cue is focussed on reserves replacement and growth through

the acquisition of new, suitably prospective onshore exploration acreage and the acquisition of near term production. The objective is to continue to maintain current production levels to fund a lower cost and a lower risk exploration programme that is more suited to Cue's size and resources to deliver short term returns in the event of a discovery.

These initiatives, along with the monetisation of some of the Company's static resources and value creation from the Company's current exploration acreage remain the key components of Cue's business plan going forward.

In line with its exploration and growth strategy, the Company has stretched its technical and commercial resources by methodically screening a number of exploration and production opportunities to advance our goal of securing, in the short term, new suitably attractive exploration acreage where any discovery can be commercialised in a short time frame and, as well, securing additional hydrocarbon production by purchase.

Turning to the performance of the Company during 2013/14, it is fair to say that it was a disappointing year for Cue.



Seagood Production Barge, Sampang PSC, Madura, Indonesia

Our production income of \$34 million, down \$16 million compared with the 2012/13 year, were reduced primarily due to the interruption of production at Maari from July to December 2013 and natural field decline at Oyong. Consequently the Company reported a loss of \$2.2 million.

However, I am pleased to report that the Maari facilities were restored to production in December 2013 and investments are being made to stabilise production at Oyong and Wortel at current levels for another year through 2016.

Due to the Maari production interruption, total oil sale volumes from Maari for the year were 0.083 million barrels, down 53.6% on the previous year.

Total sales production for the year was 0.65 million boe compared to 0.95 million boe last year, down 32%.

The Company participated in two exploration wells during the year: Manaia-2, offshore New Zealand and Naga Utara-2, onshore Indonesia.

Subsequent to year end, Cue also participated in the offshore New Zealand Whio exploration well where it was fully carried for its share of drilling costs.

Unfortunately the Whio and Naga Utara-2 wells were unsuccessful. However, the Manaia-2 well did encounter hydrocarbons. Currently the implications of the Manaia-2 well results are still under technical review.

Cue is also participating in development drilling at Maari. The drilling campaign is expected to add considerably to the reserves and should result in increased production at Maari during the 2015 calendar year.

At Oyong and Wortel, the joint operation has committed to well interventions to increase oil production at Oyong and the installation of additional onshore compression at the Wortel Grati gas plant to maintain gas production at the current plateau rate.

Further, the Company announced in July that it was testing the market for the sale of its PNG assets – the SE Gobe producing asset and two onshore retention leases.

The Company is also working to farm down its five Carnarvon Basin permits, and the outcome of these farm downs will be the subject of a later announcement.

The Company's balance sheet remains robust. At the end of the financial year Cue's cash balance remained healthy at \$40.6 million. Cue is currently putting in place a corporate debt facility to allow it to move quickly on any suitable production acquisition opportunity.

The Company is firmly set on a path of prudential reserves replacement and growth and has sufficient resources to undertake significant production asset acquisitions during the coming financial year.

I would like to thank both directors and staff for their efforts and support during the year.

We look forward to a more positive report in 2015.

Geoffrey J. King

Chairman

25th September 2014

DAVID BIGGS

Chief Executive Officer's Review

During the 2013/14 year Cue's priorities were to drill our existing exploration acreage and refocus our exploration portfolio going forward such that it is better suited to our financial capabilities and desire to book early reserves.



During the 2013/14 year Cue's priorities were to drill our existing exploration acreage and refocus our exploration portfolio going forward such that it is better suited to our financial capabilities and desire to book early reserves. The year was also notable due to the Maari production facilities being unavailable for five months which significantly impacted the Company's cashflow for the year.

Looking forward, 2014/15 promises a step up in production for the Company with development drilling underway or to commence in New Zealand and Indonesia over the next 12 months, and the capture of new exploration acreage.

2013/14

Cue's share of sales production for the year from our New Zealand, Indonesian and Papua New Guinea fields was 0.65 mmmboe. This was significantly down from last year primarily as a result of Maari being offline for five months for repairs and maintenance. The Maari facility is now fully back online with a new FPSO swivel and a refurbished mooring system. The opportunity was taken while the facility was offline to bring forward maintenance work on the FPSO and the wellhead platform which had been scheduled for calendar year 2014. Insurance claims have been lodged in respect of the failure of the turret and the mooring system but it is not expected that the result of these claims will be known until well into calendar year 2015.

Oil prices remained robust during the year, contributing to total production income of \$34 million.

The Company participated in two exploration wells during the year - Naga Utara-2 in the Mahakam Hilir PSC, onshore Kalimantan Indonesia and Manaia-2 offshore Taranaki, New Zealand. Subsequent to year end, we also participated in the Whio well, also offshore Taranaki where we were

free carried. Disappointingly, both Naga Utara-2 and Whio were unsuccessful. The results of the Manaia-2 well are still under technical review by the operator, OMV.

Post the restoration of Maari production, we continue to generate strong cash flows which are used to fund our further development and exploration activities. The Company's financial position is healthy with \$40.6 million in cash reserves as at 30 June 2014 and no debt.

A large part of the year was spent preparing for a very active 2014/15 year with development wells to be drilled in Indonesia and New Zealand. This significant activity comprises the Maari growth project which continues the appraisal and development of the Maari field in New Zealand, and workovers at Oyong and a new compressor at Wortel to maintain production from the Sampang PSC.

Our producing fields in Indonesia (Oyong and Wortel) performed well during the year. Production from the fields in the Sampang PSC averaged 14,158 boes per day (1,534 boes Cue share). The Maari field produced 5,112 barrels per day (256 barrels per day Cue share).



Grati Gas Plant, onshore Java, Indonesia

2014/15

As a result of the development activities at Maari and Sampang, the Company can look forward to strong production for calendar year 2015. However, post 2015, forecast production, assuming no near term exploration or appraisal success, begins to reduce due to natural field decline, largely driven by the reduction in oil production at Oyong, despite the increase in forecast Maari production from the current round of development drilling. Cue's Board and management are acutely aware of the challenge this presents and are very focused on taking steps to secure and at least maintain Cue's ongoing reserves position and production levels post 2015.

Cue is actively seeking out opportunities to purchase existing production assets on suitable terms as one avenue to maintain and enhance the Company's production levels.

At present, the Company is in the enviable position of being able to fund its exploration commitments and activities from existing cash flows. As I reported last year, the Company has revised its exploration strategy with a focus on increasing its presence onshore in Australia, in New Zealand and

in Asia and is actively seeking to replenish its existing exploration acreage portfolio by securing positions in those areas, in accordance with its announced strategy, to grow the Company's reserve base. As a result, Cue is currently reviewing a number of new exploration acreage capture opportunities that are consistent with its strategy. Also consistent with the exploration strategy, we have continued to recruit skilled technical staff to enable the company to properly work its existing exploration portfolio and to capture new exploration acreage in our focus areas.

The Company also continues to look to extract value from its current exploration assets. During 2013/14, we announced that we were seeking expressions of interest to purchase our PNG assets.

We are also working the farm down of our position in the Mahakam Hilir PSC. At the time of writing, this process is well advanced and I expect that the Company will be in a position to make an announcement around the future of its Mahakam Hilir asset before the AGM. We are also actively working the farm down of our Canarvon Basin blocks offshore Western Australia.

Looking briefly at our current assets:

Australia



Exploration

WA-359-P

Cue Interest: 100%

Operator: Cue Exploration Pty Ltd

Reprocessing of the existing multi-client 3D over the permit was completed and pre-stack depth migrated volume has been received. Interpretation of the reprocessed data has confirmed the key Sherlock prospect, with an estimated 300 million bbls of oil in place. Cue is marketing the prospect to interested parties to farm down its interest in the permit.

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 and it is expected that this work will commence in the second half calendar year 2014. There is an exit point from the permit at the end of the third year of the renewal (October 2016) prior to a well obligation in the fifth year of the renewal.

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. The Joint Operation applied for a Suspension and Extension of the Year 6 work programme and extension of time to allow completion of the seismic reprocessing and selection of a potential well location. NOPTA granted a nine-month Suspension and Extension of the permit on 18 March 2014. The decision to renew the permit will now be taken during the fourth quarter of calendar 2014. Under the terms of a farmout agreement with Apache, Cue is carried through the work programme and any well the Joint Operation elects to drill.

WA-360-P

Cue Interest: 37.5%

Operator: MEO Australia Ltd

The WA-360-P Joint Operation has commenced reprocessing of approximately 650 km² 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 farm down 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%

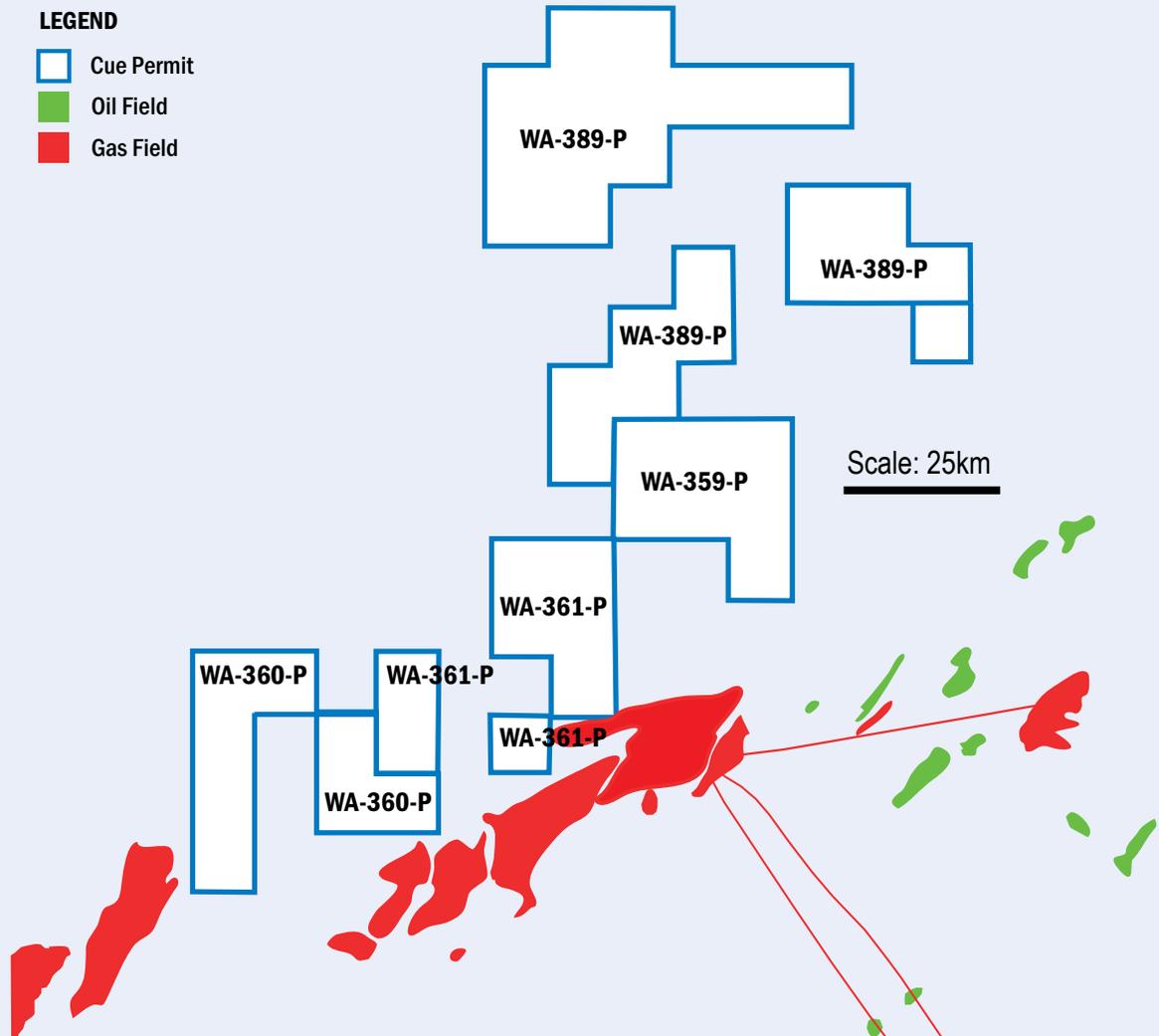
Operator: MEO Australia Ltd

NOPTA has approved an application for a work programme variation to allow the Joint Operation to complete geotechnical studies ahead of making any commitment to drill a well. The reduced work programme concludes 30 January 2016.



Drill ship and seismic vessel, Carnarvon Basin, Western Australia

AUSTRALIA - Carnarvon Basin Location Map



New Zealand



Exploration

PEP 51149

Cue Interest: 20%

Operator: Todd Exploration Limited

Planning for the commitment well, Te Kiri North-1 has commenced, however due to rig availability issues, drilling is now expected in the fourth quarter of calendar 2015. The well will be deviated from the surface location to intersect a potentially oil-bearing objective in the Miocene-age Mount Messenger Formation and a deeper Eocene-age gas-bearing objective. Te Kiri North-1 will be drilled up dip of hydrocarbon shows in the Te Kiri-1 well. The well has the potential, in Cue's estimate, of mean prospective resources of 2 million boe recoverable net to Cue. Existing infrastructure nearby will facilitate early commercialisation.

PEP 54865

Cue Interest: 20%

Operator: Todd Exploration Limited

The permit carries a minimum work program of 285 km² of 3D seismic to be acquired, processed and interpreted prior to June 2015, at which time the Joint Operation 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 Joint Operation is seeking a farminee to fund the seismic programme.

PEP 51313

Cue Interest: 14%

Operator: OMV New Zealand Ltd

The Whio-1 exploration well was spud on 23 July 2014. The well was located approximately 5 km from the Maari production facilities and was drilled using the Kan Tan IV semi-submersible drilling rig. Water depth at the well location was approximately 100m and the well had a total depth of 2700m.

All targeted reservoirs were water wet and the well was plugged and abandoned.

Additional exploration potential exists along the Tasman Ridge to the south of Maari where several opportunities including the Matariki prospect have been identified on existing 3D seismic data.

Production

PMP 38160

Cue Interest: 5%

Operator: OMV New Zealand Ltd

Maari and Manaia Fields

Cue's net share of oil sales in the year from the Maari and Manaia fields was 82,569 barrels which generated \$10.16 million in revenue.

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. 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.

The drilling campaign supporting the Maari Growth Project commenced. The Ensco 107 jack-up rig has been drilling a Mangahewa Formation production well at Maari. The remainder of the programme

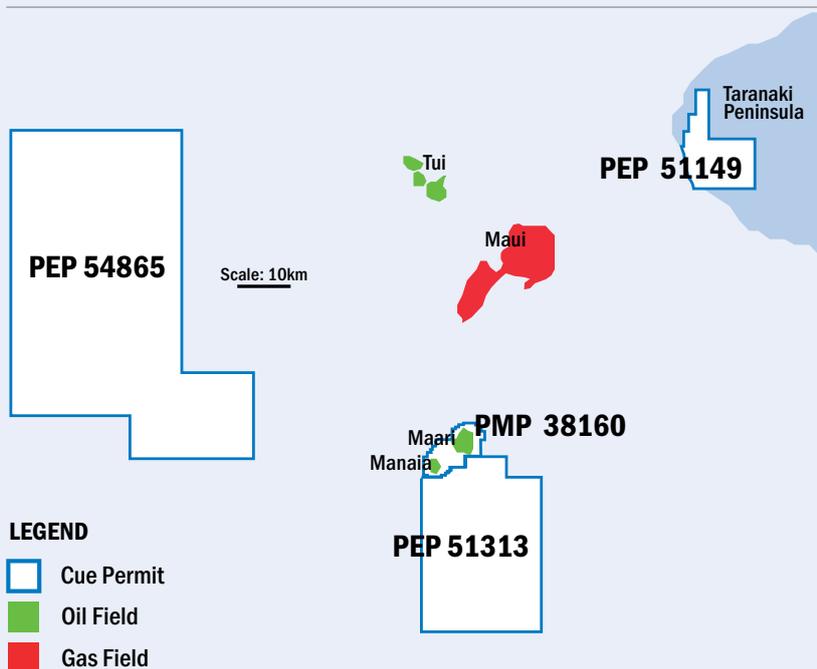


Kan Tan - IV drilling rig, New Zealand



includes a second production well to exploit the Mangahewa reservoir at Manaia, two additional production wells and a water injection well to exploit the Moki Formation at Maari. Production is expected to fluctuate whilst drilling the development wells as operations require individual wells to be temporarily shut in. The Growth Project is expected to add approximately 11,000 bopd gross (Cue net: 550 bopd) to production when complete in the first half of calendar year 2015.

NEW ZEALAND - Taranaki Peninsula Location Map



Indonesia



Exploration

Mahakam Hilir PSC - Kutei Basin

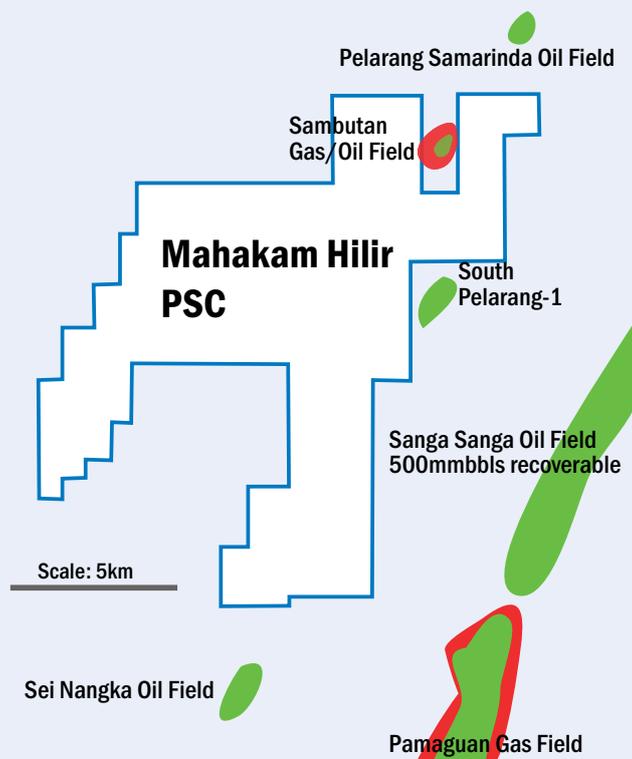
Cue Interest: 40%

Operator: SPC Mahakam Hilir Pte Ltd

Naga Utara

The third well in the licence, Naga Utara-2, was plugged and abandoned in early January 2014. Cue is attempting to farm down its interest in the permit before drilling a fourth well in the licence.

INDONESIA - Mahakam Hilir PSC Location Map



LEGEND

-  Cue Permit
-  Oil Field
-  Gas Field



NU-2 drilling, Mahakam Hilir PSC, Indonesia

Production

Sampang PSC - Madura Strait

Cue Interest: 15%

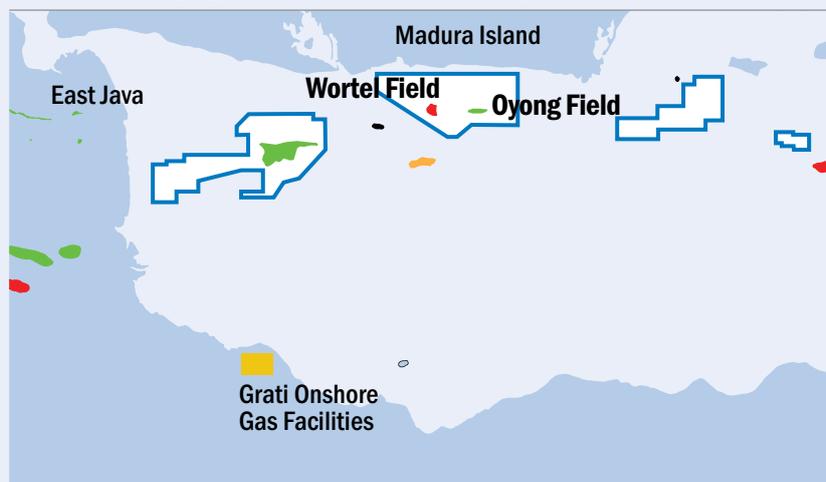
Operator: Santos (Sampang) Pty Ltd

Oyong Field

During the year, Cue's share of oil sales from the Oyong field was 49,699 barrels which generated \$5.81 million in production income. Cue's share of condensate sales from the Oyong field was 581 barrels which generated \$0.042 million in revenue and its share of gas sales was 1,117,608 Mcf which generated \$3.33 million in production income.

Based on continued improved production rates, the Joint Operation approved extension of the contracts for the Oyong production barge and FSO until September 2015. A programme of well interventions and recompletions, which will take place later this calendar year was also approved. The planned workovers will improve Oyong oil production with the potential to extend field life beyond the end of 2015.

INDONESIA - Sampang PSC Madura Strait Location Map



Wortel Field

Cue's gas sales during the year was 1,866,870 Mcf, which generated \$12.85 million in production income. Condensate sales was 795 barrels which generated \$0.057 million in revenue.

The Joint Operation has approved the installation of compression at the Grati gas plant which will ensure that the Wortel project will continue to meet its gas sales contract volumes. Installation of the compressors will take place during the 2014 fourth quarter so that compression is available in early 2015. Gas-lift compressors will also be installed on the Oyong platform offshore.

LEGEND

- Cue Permit
- Oil Field
- Gas Field
- Gas Condensate Field
- Onshore Gas

Papua New Guinea



Exploration

PRL14

Cue Interest: 10.947%

Operator: Oil Search (PNG) Limited

PRL9

Cue Interest: 14.894%

Operator: Oil Search (PNG) Limited

Production

PDL 3 SE Gobe Field

Cue Interest: 5.568892%

SE Gobe Unit

Cue Interest: 3.285646%

Operator: Oil Search (PNG) Limited

Cue's share of oil sales was 14,361 barrels of oil from the SE Gobe field during the year, which generated \$1.76 million in production income.

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.

Cue is seeking offers for the purchase of the Company's PNG asset portfolio. The marketing of the portfolio is well advanced.

A handwritten signature in black ink, appearing to read "David Biggs".

David Biggs

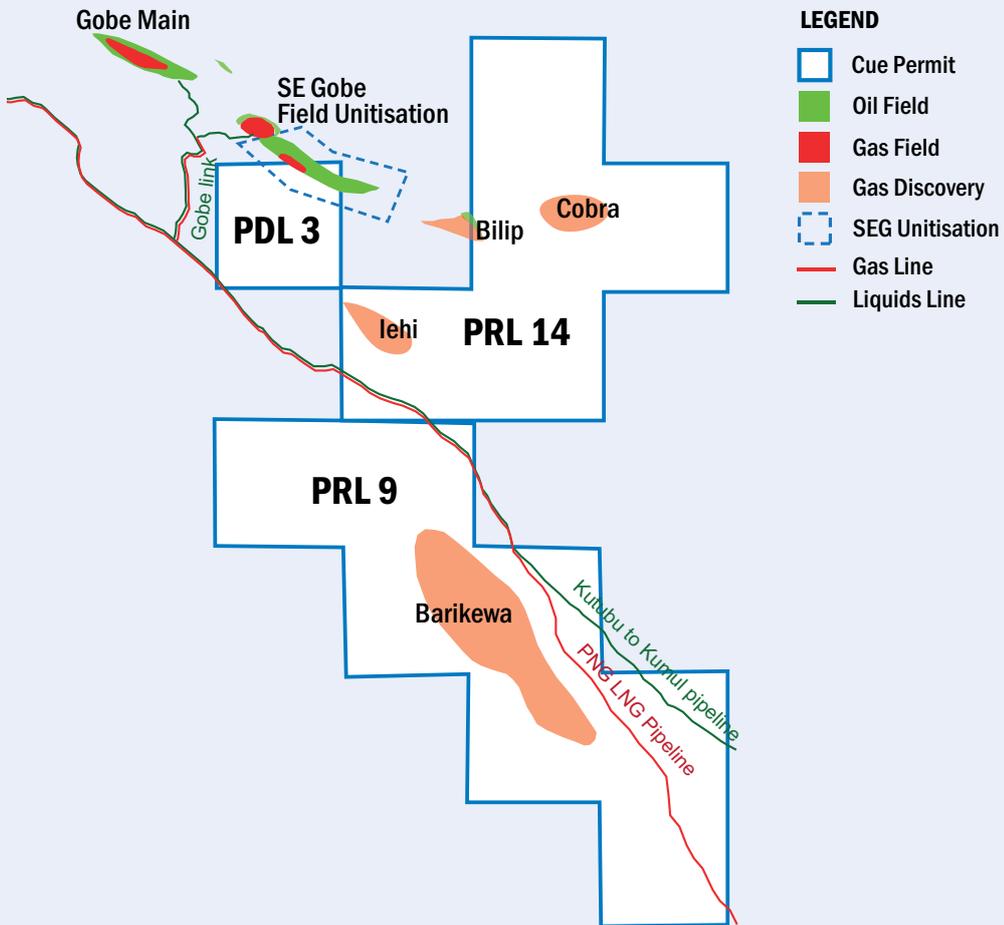
Chief Executive Officer

25th September 2014



SE Gobe Production Facilities, Southern Highlands, Papua New Guinea

PAPUA NEW GUINEA - Location Map



2013 Reserves and Resources Summary

RESERVES AND RESOURCES AS AT 31 DECEMBER 2013

NET TO CUE ENERGY RESOURCES LIMITED*		PROVED (1P)			PROVED & PROBABLE (2P)		
FIELD (LICENCE)	CUE INTEREST	LIQUIDS MMBBL	GAS BSCF	OIL EQUIVALENT ⁽⁴⁾ MMBOE	LIQUIDS MMBBL	GAS BSCF	OIL EQUIVALENT ⁽⁴⁾ MMBOE
Reserves							
INDONESIA							
 Oyong ⁽¹⁾⁽²⁾ (Sampang PSC)	15%	0.006	0.673	0.119	0.034	2.825	0.504
 Wortel ⁽¹⁾ (Sampang PSC)	15%	0.007	4.490	0.755	0.010	5.940	1.000
NEW ZEALAND							
 Maari (PMP 38160)	5%	1.009	-	1.009	2.344	-	2.344
PAPUA NEW GUINEA							
 SE Gobe ⁽³⁾ (PDL 3)	3.286%	0.029	3.760	0.656	0.045	4.584	0.809
Total Reserves		1.051	8.924	2.539	2.431	13.349	4.656
Contingent Resources					BEST ESTIMATE (2C)		
INDONESIA							
 Jeruk (Indonesia)	8.182%				1.244	-	1.244
PAPUA NEW GUINEA							
 Barikewa (PRL 9)	14.894%				-	44.533	7.422
 Cobra ⁽⁵⁾ (PRL 14)	10.947%				-	33.826	5.638
 Iehi ⁽⁵⁾ (PRL 14)	10.947%				-	27.368	4.561
 Bilip ⁽⁵⁾ (PRL 14)	10.947%				-	3.941	0.657
Total Contingent Resources					1.244	109.668	19.522
Total Reserves and Resources		1.051	8.924	2.539	3.675	123.016	24.178

* Rounded

(1) CUE reserves are net of Indonesian government share of production.

(2) Estimates of in-place and recoverable gas volumes include both free gas and solution gas.

(3) SE Gobe 1P and 2P Gas reserves are pending the expected conclusion of an agreement to commercialise the gas.

(4) Oil equivalent conversion factor: 6MSCF per BOE (Barrel of Oil Equivalent).

(5) PRL 14 Contingent Resource estimates were based on Mean recoverable gas resource estimates in the operator's submission to PNG Govt.

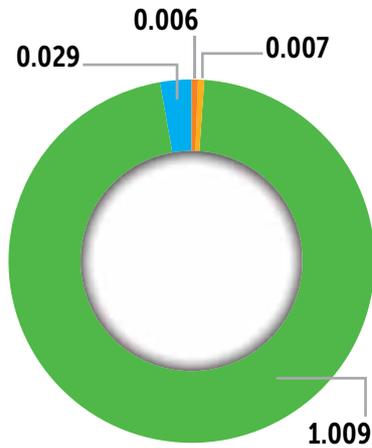
Competent Persons Statement

The information contained in these statements has been compiled by Aung Moe, Senior Petroleum Engineer, who is a full time employee of the Company, is qualified in accordance with ASX listing rule 5.11 and has consented to the publication of this report.

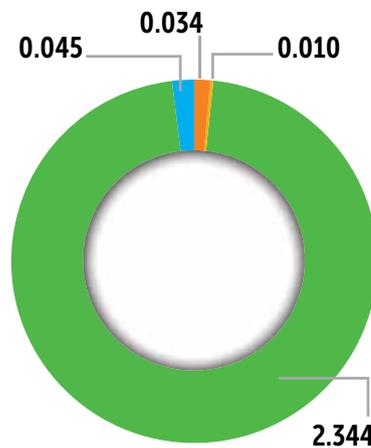
SUMMARY OF MOVEMENTS IN RESERVES

	PROVED (1P)			PROVED & PROBABLE (2P)		
	LIQUIDS MMBBL	GAS BSCF	OIL EQUIVALENT MMBOE	LIQUIDS MMBBL	GAS BSCF	OIL EQUIVALENT MMBOE
Total as at 31 December 2012	1.199	12.259	3.242	2.478	16.837	5.284
Plus/(less) adjustments	(0.001)	-	-	0.1	(0.153)	0.075
Production	(0.147)	(3.335)	(0.703)	(0.147)	(3.335)	(0.703)
Total as at 31 December 2013	1.051	8.924	2.539	2.431	13.349	4.656

**PROVED (1P)
Oil Reserves (MMbbls)**

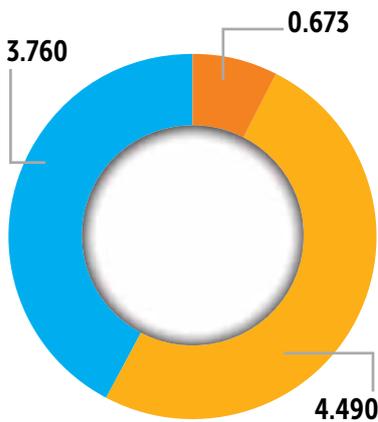


**PROVED & PROBABLE (2P)
Oil Reserves (MMbbls)**

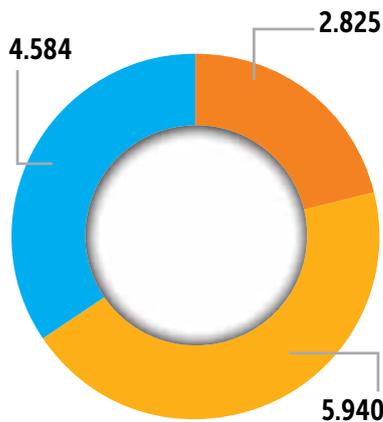


- Oyong (Indonesia)
- Wortel (Indonesia)
- Maari (New Zealand)
- SE Gobe (Papua New Guinea)

**PROVED (1P)
Gas Reserves (BSCF)**

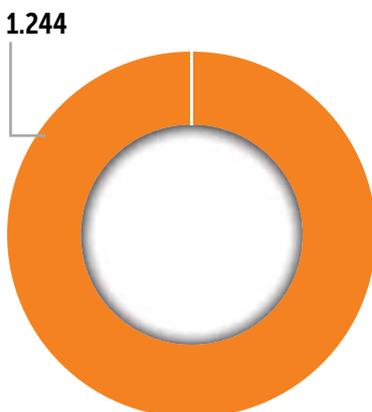


**PROVED & PROBABLE (2P)
Gas Reserves (BSCF)**

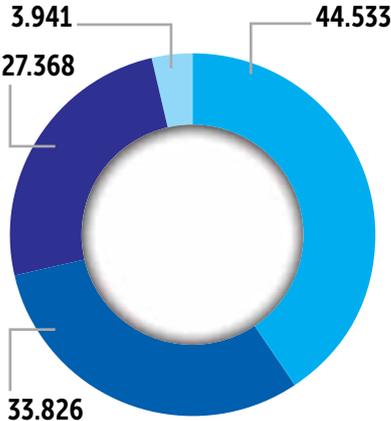


- Oyong (Indonesia)
- Wortel (Indonesia)
- Maari (New Zealand)
- SE Gobe (Papua New Guinea)

**CONTINGENT RESOURCES (2C)
Oil Reserves (MMbbls)**



**CONTINGENT RESOURCES (2C)
Gas Reserves (BSCF)**



- Jeruk (Indonesia)
- Barikewa (Papua New Guinea)
- Cobra (Papua New Guinea)
- Iehi (Papua New Guinea)
- Bilip (Papua New Guinea)

Corporate Governance Statement

The Directors of Cue Energy Resources Limited recognise the need for high standards of corporate governance and are focused on fulfilling their responsibilities individually and as a Board to all of the Company's stakeholders.



The Company endorses the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (with 2010 amendments) ("ASX Principles").

Unless otherwise disclosed, the Company has in place corporate governance practices which comply with the ASX Principles.

The following statement outlines the practices adopted by the Company.

Principle 1: Laying Solid Foundations for Management and Oversight

Recommendation 1.1: Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.

The role of the Board is to lead and oversee the management and direction of the Company.

After appropriate consultation with Executive Management, the Board:

- defines and sets the Company's strategic direction and business objectives and subsequently monitors performance and achievement of those objectives;
- oversees the reporting on matters of compliance with corporate policies and laws, takes responsibility for risk management processes, review of Executive management remuneration practices and insurance needs of the Company;
- monitors financial performance and approves budgets; and
- reports to shareholders.

The Board has delegated authority for the running of the day to day business to the CEO.

Recommendation 1.2: Companies should disclose the process for evaluating the performance of senior executives.

The performance of senior executives is reviewed annually as part of the duties performed by the Remuneration and Nomination Committee. Performance measures and targets for the Company and individual personnel are established annually. Company and individual performance in achieving these targets is assessed by the Board and line management.

Principle 2: Structure the Board to add value

Recommendation 2.1: A majority of the board should be independent directors.

Recommendation 2.2: The Chair should be an independent director.

Recommendation 2.3: The role of the Chairman and the CEO should not be exercised by the same individual.

The current board is made up of 4 independent non-executive directors. The chairman is non-executive and independent:

- Geoffrey J. King (Chairman)
- Stuart A. Brown
- Rowena A. Sylvester
- Andrew A. Young

The board comprises a broad base of industry, business, technical, administrative, corporate skills and experience considered necessary to represent the shareholders and fulfil the business objectives of the Company. The details of background, experience and professional skills of each Director are set out on the Company's website and on pages 28 to 29 of this report.

Each of the directors is entitled to seek independent advice at the Company's expense to assist them in carrying out their responsibilities.

The Board reviews, at least annually, the composition of the board to determine if additional core strengths are required to be added in light of the nature of the Company's businesses and its objectives.

One third of the Directors retires annually and is free to seek re-election by shareholders.

Recommendation 2.4: The board should establish a nomination committee.

The board has established a Remuneration and Nomination Committee charter. The charter outlines the responsibilities of the committee, and is available on the Company's website.

The committee is comprised of:

- Andrew A. Young (Chairman)
- Stuart A. Brown

Paul Moore was also Chairman of this committee whilst a director of the company.

Recommendation 2.5: Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.

The Remuneration and Nomination Committee have delegated responsibility to the chairman of the Board to undertake annual performance evaluations. The performance evaluations are designed to review the board's performance and effectiveness of achieving its set objectives and targets. The chairman also discusses with each Director their requirements, performance and aspects of involvement in the Company. The Remuneration and Nomination Committee is also responsible for the performance evaluations of the senior executives, individually and together.

This is reviewed against the discussed and agreed objectives of the Company and their effectiveness in carrying out those objectives.

Principle 3: Promote Ethical and Responsible Decision Making

Recommendation 3.1: Companies should establish a code of conduct and disclose the code or a summary of the code as to the practices necessary to maintain confidence in the Company's integrity, the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders and the responsibility and accountability of the individuals for reporting and investigating reports of unethical practices.

The Company has established a code of conduct which recognises the Company's commitment to business and corporate ethics and recognition of the interests of shareholders. Directors, senior management, employees and where relevant and to the extent possible, contractors of the Company are required to comply with the code of conduct.

Directors are required to disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the Director or the interests of any other party in so far as it affects the activities of the Company and to act in accordance with the Corporations Act if conflict cannot be removed or persists. That involves taking no part in the decision making process or discussions where that conflict does arise.

Directors are required to make disclosure of any share trading. The Company's policy in relation to share trading is that officers, employees and contractors are prohibited from trading whilst in possession of unpublished price sensitive information concerning the Company. That is information which a reasonable person would expect to have a material effect on the value of the Company's shares. An officer must discuss the proposal to acquire or sell shares with the Chairman prior to doing so to ensure that there is no price sensitive information of which that officer might not be aware. The undertaking of any trading in shares must also be notified to the Company Secretary who makes disclosure to the ASX.

Recommendation 3.2: Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives in achieving them.

The Company established a formal policy on diversity in June 2012. This policy supports the existing equal opportunity policy and non discrimination policy as well as states a commitment to improving gender diversity within the Company. The Remuneration and Nomination Committee has adopted the policy and set annual objectives for achieving gender diversity.

Recommendation 3.3: Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.

The measurable objectives set by the Board for achieving gender diversity include:

- adopting a Company wide Diversity policy;
- disclosing the policy in the corporate governance section on the Company's website; and
- tracking and reporting on the percentages of women employed by the Company as a whole, in senior management positions and on the board.

Recommendation 3.4: Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior management and women on the board.

As at 30 June 2014 the proportion of women in the whole organisation is 5 out of 13 (38%), the proportion of women in senior executive positions is 0 of 3 (0%) and proportion of women on the Board is 1 of 4 (25%).



Principle 4: Safeguarding Integrity in Financial Reporting

Recommendation 4.1: The board should establish an audit committee.

Recommendation 4.2: The audit committee should be structured so that it consists only of non-executive directors, a majority of independent directors, is chaired by an independent chair who is not the chair of the board, and has at least two members.

Recommendation 4.3: The audit committee should have a formal charter.

An Audit and Risk Committee and charter have been established. The charter is available on the Company's website.

The Committee consists of:

- Rowena A. Sylvester (Chairman)
- Geoffrey J. King

Timothy Dibb was also Chairman of this committee whilst a director of the company.

The primary role of the Audit and Risk Committee is to assist the Board to fulfil its corporate governance responsibilities relating to financial accounting practises, external financial reporting, financial risk management and internal control, the internal and external audit function, compliance with laws and regulations relating to these areas of responsibility and identification and development of strategies and actions to manage business risk.

All members of the Audit and Risk Committee are non-executive directors. It is chaired by an independent chair who is not the chairman of the board.

Principle 5: Make timely and balanced disclosure

Recommendation 5.1: Companies should establish written policies designed to ensure compliance with the ASX listing rules disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

The Company has in place an ASX Compliance procedure which outlines the requirements to comply with the ASX listing rules disclosure requirements and to ensure accountability at the senior executive level for that compliance.

The Public Officer, Company Secretary and Chief Financial Officer, A.M Knox, has been nominated as the person responsible for communications with the ASX. This role includes responsibility for ensuring compliance with the ASX listing rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, secondary exchanges, the media and the public.

Principle 6: Respect the rights of shareholders

Recommendation 6.1: Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

The Company has established a Communications Policy for promoting effective communication with shareholders and encouraging their participation at general meetings.

The Company maintains a website which is kept up to date with all relevant announcements to the market and related information after release to the ASX. The web address is www.cuenrg.com.au.

A copy of the communications policy is available on the Company's website.

Principle 7: Recognise and Manage Risk

Recommendation 7.1 Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

Risk recognition and management are viewed by the Company as integral to the Company's objectives of creating and maintaining shareholder value, and to

the successful execution of the Company's strategies. The board is responsible for the overall risk management framework and has delegated to the Audit and Risk Committee the responsibility for:

- reviewing the adequacy and effectiveness of CUE's risk management framework; and
- assisting the Board with regards to oversight of CUE's risk management by gaining assurance that all major identified risks are being adequately managed and that mitigation practices are appropriate.

Recommendation 7.2: The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.

Management is responsible for designing, implementing and reporting on the adequacy of the Company's risk management and internal control system and has to report to the Audit and Risk Committee on:

- the risk management and internal control system during the year; and
- the Company's management of its material business risks.

Management of the Company annually perform an assessment of Company's risks and identify measures to reduce the risk levels to as low as possible. A risk register for the Company is maintained to document the risks identified. The risk register is reviewed as part of the Board meetings. A risk assessment procedure is used to assess all risks when the Company is contemplating a new business venture. Should the risk profile of the Company change, the risk register will be updated to reflect this accordingly and any further controls required will be implemented.

Recommendation 7.3: The Board should disclose whether it has received assurance from the chief executive officer and the chief financial officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The CEO and CFO state in writing to the board every financial year that the statements made by them regarding the integrity of the financial statements are founded on a sound system of risk management, internal compliance and control, which in all material respects implements the policy as adopted by the Board and that the risk management and internal compliance control to the extent that they relate to financial reporting are operating effectively and efficiently in all material respects.

Principle 8: Remunerate Fairly and Responsibly

Recommendation 8.1: The board should establish a remuneration committee.

Recommendation 8.2: The remuneration committee should be structured so that it consists of a majority of independent directors, is chaired by an independent chair and has at least two members.

The board has established a Remuneration and Nomination Committee. It consists of two non-executive members. The chair is not the chairman of the overall board.

The committee consists of:

- Andrew A. Young (Chairman)
- Stuart A. Brown

Paul Moore was also Chairman of this committee whilst a director of the company.

The Remuneration and Nomination Committee makes recommendations to the full Board on remuneration packages and other terms and conditions of employment and reviews the composition of the Board having regard to the Company's present and future needs.

Remuneration and other terms and conditions of employment are reviewed annually by the committee having regard to the performance and relevant comparative data. As well as a base salary, remuneration packages include superannuation, termination entitlements, fringe benefits, annual cash bonuses linked to short term performance and shares and options linked to long term Company performance.

Remuneration packages are set at levels that are intended to attract and retain high calibre staff and align the interest of the executives with those of the Company's shareholders.

Recommendation 8.3: Companies should clearly distinguish the structure of non-executive director's remuneration from that of executive directors and senior executives.

Remuneration of non-executive directors is determined by the Board within the maximum amount approved by the shareholders from time to time.

Further information on Directors and Executives remuneration is set out in the Directors' Report and Remuneration Report on pages 26 to 35 of this report.

The Remuneration and Nomination committee charter is available on the Company's website.

Directors' Report

Your Directors present their report on the Company and its controlled entities (“the Group” or “consolidated entity”) for the financial year ended 30 June 2014.



Directors

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

Geoffrey J. King (Chairman)

Stuart A. Brown (appointed 24 July 2014)

Rowena A. Sylvester (appointed 30 May 2014)

Andrew A. Young

Timothy E. Dibb (resigned 20 February 2014)

Paul D. Moore (resigned 15 May 2014)

Chief Executive Officer

David A.J. Biggs

Chief Financial Officer/ Company Secretary

Andrew M. Knox

Co-Company Secretary

Pauline M. Moffatt

Principal Activities

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

Cue Energy Resources Limited ('Cue') is listed on the Australian Securities Exchange. The Company has an American Depositary Receipt (ADR) programme sponsored by the Bank of New York and these are traded via the OTCQX Market in the US.

Principal Place of Business

Level 19
357 Collins Street
Melbourne 3000
Australia

Registered Office

Level 19
357 Collins Street
Melbourne 3000
Australia

Dividends

No dividends were paid during the financial year or have been approved subsequent to the reporting date (2013: nil).

Review of operations

Production income for the year ended 30 June 2014 was \$34.0 million (2013: \$49.8 million).

Production and amortisation expenses totalled \$27.5 million for the year (2013: \$36.7 million).

Profit before income tax expense for the year was \$0.1 million (2013: \$8.4 million).

Tax expense for the year was \$2.2 million (2013: \$2.0 million), resulting in loss after income tax expense of \$2.2 million for the year (2013: profit \$6.4 million).

Further information on the operations and financial position of the group and its business strategies and prospects is set out in the Chairman's Overview and Chief Executive Officer's Review sections of this annual report.



Board of Directors from left: Geoffrey King, Andrew Young, Stuart Brown, Rowena Sylvester

Significant changes in the state of affairs

During the financial year there was no significant change in the state of affairs of the consolidated entity.

Equity and capital structure

Total equity as at 30 June 2014 was \$129.4 million (2013: \$131.6 million). At the reporting date, Cue had issued share capital of \$152.4 million (2013: \$152.4 million). No further shares have been issued subsequent to the reporting date.

The total number of shares on issue at 30 June 2014 was 698,119,720 (2013: 698,119,720).

Share options and performance rights

The 1,600,000 performance rights outstanding at 30 June 2013 all lapsed during the year ended 30 June 2014.

Environmental regulation

Within the last year there have been zero incidents, zero lost time injuries and zero significant spills within Cue Energy Resources. Among the joint operations there have been a number of incidents that have been reported

and investigated by all the relevant parties. The increased reporting is showing a growth in the reporting culture and an openness to share learnings in order to reduce risk not only within Cue Energy Resources but within the industry. Cue Energy Resources continues to monitor the progress and close out of these incidents and work with the joint operation partners and operators to improve overall health and safety and minimise any impact on the environment.

There have been a number of steps taken in order to improve Health, Safety and Environment (HSE) and to implement an HSE management system that is suitable for all countries and all levels of operations that the business may wish to be involved with. The overall aim of the system is to not only meet legislative requirements but to show a true commitment to HSE for the sake of Cue Energy Resources personnel, contractors, assets and the environment.

Throughout this year, internally the HSE management system is in effect and beginning to grow a proactive safety culture with the business in line with industry best practice. While Cue is still a relatively small business, it has in place a management

system that is fit for purpose regardless of the size of the company. The system will now be able to grow with the business.

Through ongoing commitment by both senior management and staff alike, this system will move Cue Energy Resources forward and will continually improve overall Health, Safety and Environmental risk to the company. This will demonstrate that Cue Energy Resources is a leader in all its current and projected fields of expertise and will give Cue Energy Resources the ability to remain competitive, whilst managing its risks to as low as reasonably practicable.

Likely developments and expected results of operations

The following activities may affect the expected results of operations:

- Cue is currently testing the market for sale of its PNG assets portfolio;
- farming down Mahakam Hilir PSC, Indonesia;
- farming down WA-359-P permit, Carnarvon Basin;
- actively seeking new exploration acreage onshore Australia and Asia; and
- actively seeking to acquire additional production.

Directors Meetings, Qualifications and Experience

The following table sets out the number of meetings of the Board of Directors held during the year and the number of meetings attended by each Director.

	Board		Audit and Risk Committee		Remuneration and Nomination Committee	
	Held	Attended	Held	Attended	Held	Attended
Geoffrey J. King	9	9	2	2	-	-
Stuart A. Brown ⁽ⁱ⁾	-	-	-	-	-	-
Rowena A. Sylvester ⁽ⁱⁱ⁾	-	-	-	-	-	-
Andrew A. Young	9	8	-	-	1	1
Timothy E. Dibb ⁽ⁱⁱⁱ⁾	7	7	2	2	-	-
Paul D. Moore ^(iv)	9	5	-	-	1	1

⁽ⁱ⁾ Stuart A. Brown (appointed 24 July 2014)

⁽ⁱⁱ⁾ Rowena A. Sylvester (appointed 30 May 2014)

⁽ⁱⁱⁱ⁾ Timothy E. Dibb (resigned 20 February 2014)

^(iv) Paul D. Moore (resigned 15 May 2014)

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Information on directors and executives, including qualifications and experience is as follows:

Directors	Qualifications and Experience	Special Responsibilities	Particulars of Directors' Interests in shares of Cue Energy Resources Limited at the date of this report	
			Direct	Indirect
G.J. King	BA, LL.B Non-Executive Chairman of Cue Energy Resources Limited ⁽ⁱ⁾ -Appointed 24 November 2011 Deputy Chairman and Non-Executive Director – High Peak Royalties Limited ⁽ⁱ⁾ -Appointed 17 December 2008	Non-Executive Chairman Board of Directors Member of Audit and Risk Committee	20,000	2,500
S.A. Brown	BSc Hons (First Class, Geology) Non-Executive Director of Cue Energy Resources Limited ⁽ⁱ⁾ -Appointed 24 July 2014 Non-Executive Director – Cossack Energy Limited ⁽ⁱ⁾ -Appointed February 2014 Non-Executive Director – Empire Oil & Gas NL ⁽ⁱⁱⁱ⁾ -Appointed January 2014 Non-Executive Director – WHL Energy Limited ⁽ⁱ⁾ -Appointed December 2013	Non-Executive Director Member of Remuneration and Nomination Committee	Nil	Nil
R.A. Sylvester	BBS Non-Executive Director of Cue Energy Resources Limited ⁽ⁱ⁾ -Appointed 30 May 2014 Non-Executive Director of Essential Energy ⁽ⁱⁱⁱ⁾ -Appointed March 2002 -Resigned June 2012	Non-Executive Director Chairman of Audit and Risk Committee	Nil	Nil

Directors	Qualifications and Experience	Special Responsibilities	Particulars of Directors' Interests in shares of Cue Energy Resources Limited at the date of this report	
			Direct	Indirect
A.A. Young	BE (Chemical Engineering), MBA (Hons) Non-Executive Director of Cue Energy Resources Limited ⁽ⁱ⁾ -Appointed 13 December 2011 Non-Executive Director of New Guinea Energy Limited ⁽ⁱ⁾ -Appointed 20 October 2010 Non-Executive Director of Cliq Energy Berhad -Appointed May 2012 -Resigned 31 March 2013 -Re-appointed June 2013 Non-Executive Director of National Safety Council of Australia Limited ⁽ⁱⁱ⁾ -Appointed March 2009 -Resigned July 2014 Non-Executive Chairman of Real Energy Corporation Limited ⁽ⁱⁱⁱ⁾ -Appointed 1 July 2012 -Resigned 31 March 2013 Non-Executive Chairman of Galilee Energy Limited -Appointed 19 August 2013 ^(iv) -Resigned October 2013	Non-Executive Director Chairman of Remuneration and Nomination Committee	Nil	150,000
P.D. Moore ^{(iii)(iv)}	BSc-Civil Eng, MBA Director of Otto Energy Limited ⁽ⁱ⁾ -Appointed 1 July 2009 -Resigned 1 July 2011 Non-Executive Director of Cue Energy Resources Limited ⁽ⁱ⁾ -Appointed 24 November 2011 -Resigned 15 May 2014	Non-Executive Director Chairman of Remuneration and Nomination Committee (until 15 May 2014)	Nil	Nil
T.E. Dibb ^(iv)	BSc, PhD, Dip M'gmt Non-Executive Director of Cue Energy Resources Limited ⁽ⁱ⁾ -Appointed 24 November 2011 -Resigned 20 February 2014	Non-Executive Director Chairman of the Audit and Risk Committee (until 20 February 2014)	Nil	Nil
Executives	Qualifications and Experience	Special Responsibilities	Direct	Indirect
D.A.J. Biggs	LL.B	Chief Executive Officer	8,045	Nil
A.M. Knox	B.Com, CA, CPA, FAICD Director of Rimfire Pacific Mining NL ⁽ⁱ⁾ -Appointed 8 July 2005 -Resigned 31 March 2011 Director of Axis Mining NL ⁽ⁱⁱ⁾ -Appointed 8 July 2005 -Resigned 31 March 2011	Chief Financial Officer Company Secretary	2,321,007	2,137,244
D.B. Whittam ^(iv)	BSc, MSc	Exploration Manager Appointed 18 June 2012 Resigned 22 August 2014	Nil	Nil
Other	Qualifications and Experience	Special Responsibilities	Direct	Indirect
P.M. Moffatt	B. Com, CSA(Cert)	Co Company Secretary	114,645	Nil

No shares in subsidiary companies are held by the Directors and no remuneration or other benefits were paid or are due and payable by subsidiary companies. No share options are held in the company by Directors or Executives. Performance rights held by Executives are detailed in the Remuneration Report.

⁽ⁱ⁾ Refers to ASX listed directorships held over the past three years.

⁽ⁱⁱ⁾ Refers to unlisted public company directorships held over the past three years.

⁽ⁱⁱⁱ⁾ P.D. Moore is an employee of the Todd Group of Companies which hold 189,023,314 shares in Cue Energy Resources Limited.

^(iv) As at date of ceasing to be a director or executive.

Remuneration Report (Audited)

This Remuneration Report which has been audited, and which forms part of the Directors' Report, sets out information about the remuneration of Cue Energy Resources Limited's Directors and its senior management for the financial year ended 30 June 2014, in accordance with the Corporations Act 2001 and its regulations.

The prescribed details for each person covered by this report are detailed below under the following headings:

- (A) Director and Executive Details
- (B) Remuneration Policy
- (C) Details of Remuneration of Directors and Executives
- (D) Equity Based Remuneration
- (E) Relationship between Remuneration Policy and Company Performance

(A) Director and Executive Details

The following persons acted as Directors of the company during or since the end of the financial year:

- G.J. King (Non-Executive Chairman)
- S.A. Brown (Non-Executive Director) – appointed 24 July 2014
- R.A. Sylvester (Non-Executive Director) – appointed 30 May 2014
- A.A. Young (Non-Executive Director)
- T.E. Dibb (Non-Executive Director) – resigned 20 February 2014
- P.D. Moore (Non-Executive Director) – resigned 15 May 2014

The term "Key Management Personnel" is used in this Remuneration Report to refer to the following persons:

- D.A.J. Biggs (Chief Executive Officer)
- A.M. Knox (Chief Financial Officer/Company Secretary)
- D.B. Whittam (Exploration Manager) – resigned 22 August 2014

Unless otherwise stated the persons named above held their current position for the whole of the financial year and since the end of the financial year.

Subsequent to year end J.L. Schroll was appointed Exploration Manager on 22 August 2014.

(B) Remuneration Policy

The Board's policy for remuneration of Executives and Directors is detailed below.

Remuneration packages are set at levels that are intended to attract and retain high calibre directors and employees and align the interest of the Directors and Executives with those of the company's shareholders. The Remuneration policy is established and implemented solely by the Remuneration and Nomination Committee which is comprised of Non-Executive Directors only.

Remuneration and other terms and conditions of employment are reviewed annually by the Remuneration and Nomination Committee having regard to performance and relevant employment market information. As well as a base salary, remuneration packages include superannuation, termination entitlements and fringe benefits.

The Board is conscious of its responsibilities in relation to the performance of the Company. Directors and Executives are encouraged to hold shares in the Company to align their interests with those of shareholders.

No remuneration or other benefits are paid to Directors or Executives by any subsidiary companies.

(C) Details of Remuneration

The structure of non-executive Director and Executive remuneration is separate and distinct.

Non-Executive Directors

Remuneration of Non-Executive Directors is determined by the Board within the maximum amount approved by the shareholders from time to time. The amount currently approved is \$700,000, which was approved at the Annual General Meeting held on 24 November 2011. The Company's policy is to remunerate Non-Executive Directors at a fixed fee based on their time involvement, commitment and responsibilities. Remuneration for Non-Executive Directors is not linked to individual or company performance, however, to align Directors' interests with shareholders' interests, Non-Executive Directors are encouraged to hold shares in the Company. The Board retains the discretion to award options or performance rights to Non-Executive Directors based on the recommendation of the Remuneration and Nomination Committee, which is always subject to shareholder approval.

Executives

Executives receive a mixture of fixed and variable pay and a blend of short and long term incentives as appropriate. Remuneration packages contain the following key elements:

- Fixed compensation component inclusive of base salary, superannuation and non-monetary benefits.
- Short term incentive programme.
- Superannuation.



The Board is currently reviewing policies going forward in relation to short and long term incentives.

The Remuneration and Nomination Committee is responsible for determining and reviewing remuneration arrangements. The Remuneration and Nomination Committee assesses the appropriateness of the nature and amount of remuneration of executives on a periodic basis, by reference to relevant employment market conditions, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality, high performing Director and executive team. The charter adopted by the Remuneration and Nomination Committee aims to align rewards with achievement of strategic objectives and creation of shareholder wealth.

Fixed compensation

Fixed compensation consists of base salary (which is calculated on a total cost base and including any FBT charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds.

The base salary is reflective of market rates for companies of similar size and industry which is reviewed annually to ensure market competitiveness. During 2014, the Remuneration and Nomination Committee reviewed the salaries paid to peer company executives in determining the salary of Cue's Key Management Personnel. This base salary is fixed remuneration and is not subject to performance of the company. Base salary is reviewed annually and adjusted as determined by the Remuneration and Nomination Committee on 1 January each year. There is no guaranteed base salary increase included in any executive's contracts.

Long term incentives

Previously the Board implemented a Performance Rights Plan. As at 30 June 2014, all Performance Rights had lapsed.

Post employment benefits

The Company makes superannuation contributions for the Australian based employees and directors as required by law.

Employment contracts

Remuneration and other terms of employment for D.A.J. Biggs and D.B. Whittam (resigned 22 August 2014) is formalised in a service agreement. Details of the agreement are as follows:

D.A.J. Biggs	
Title:	Chief Executive Officer
Agreement commenced:	22 April 2013
Details:	Base salary of \$450,000 plus statutory superannuation to be reviewed annually by the Remuneration and Nomination Committee. 6 months termination notice by either party and eligible to receive a discretionary short term incentive as per Remuneration and Nomination Committee approval and KPI achievement. Non solicitation and non compete clauses included.
D.B. Whittam	
Title:	Exploration Manager
Agreement commenced:	18 June 2012
Details:	Base salary of \$420,000 including superannuation to be reviewed annually by the Remuneration and Nomination Committee. 3 months termination notice by either party and eligible to receive a short term incentive up to 50% of base salary as per Remuneration and Nomination Committee approval and KPI achievement. Non solicitation and non compete clauses included.

Employment letters outline the components of compensation paid to other Key Management Personnel but does not prescribe how compensation levels are modified year to year. Compensation levels are reviewed each year to take into account cost of living changes, any change in the scope of the role performed and any changes to meet the principles of the compensation policy.

Details of the nature and amount of each major element of remuneration of each Director of the Company and other Key Management Personnel of the consolidated entity are:

Compensation of Key Management Personnel – 2014:

2014 Name	Short-Term			Post Employment	
	Cash Salary and Fees \$	Non Monetary Benefits ⁽ⁱ⁾ \$	Super- annuation \$	Performance Rights ⁽ⁱⁱ⁾ \$	Total \$
Non-Executive Directors					
G.J. King	100,000	-	-	-	100,000
S.A. Brown ⁽ⁱⁱⁱ⁾	-	-	-	-	-
R.A. Sylvester ^(iv)	8,791	-	-	-	8,791
A.A. Young	100,000	-	-	-	100,000
T.E. Dibb ^(v)	83,167	-	25,000	-	108,167
P.D. Moore ^(vi)	87,363	-	-	-	87,363
Total	379,321	-	25,000	-	404,321
Other Key Management Personnel					
D.A.J. Biggs	448,776	-	24,996	-	473,772
A.M. Knox	243,333	126,774	24,996	-	395,103
D.B. Whittam ^(vii)	415,004	-	24,996	-	440,000
Total	1,107,113	126,774	74,988	-	1,308,875
Total remuneration of Executives and Directors	1,486,434	126,774	99,988	-	1,713,196

(i) Non performance based salary sacrifice benefits, including motor vehicle expenses.

(ii) See note 22 for more information.

(iii) S.A. Brown appointed 24 July 2014.

(iv) R.A. Sylvester appointed 30 May 2014.

(v) T.E. Dibb resigned 20 February 2014.

(vi) P.D. Moore resigned 15 May 2014.

(vii) D.B. Whittam resigned 22 August 2014.

Compensation of Key Management Personnel – 2013:

2013 Name	Short-Term			Post Employment	
	Cash Salary and Fees \$	Non Monetary Benefits ⁽ⁱ⁾ \$	Super- annuation \$	Performance Rights ⁽ⁱⁱ⁾ \$	Total \$
Non-Executive Directors					
G.J. King	104,800	-	-	-	104,800
T.E. Dibb	98,000	-	25,000	-	123,000
P.D. Moore	100,000	-	-	-	100,000
A.A. Young ^(ix)	386,500	-	-	-	386,500
L. Musca ⁽ⁱⁱⁱ⁾	37,500	-	-	-	37,500
R.G. Tweedie ^(iv)	65,862	-	-	-	65,862
S.J. Koroknay ^(v)	85,695	-	7,712	-	93,407
Total	878,357	-	32,712	-	911,069
Other Key Management Personnel					
D.A.J. Biggs ^(vi)	83,159	-	6,249	-	89,408
A.M. Knox	324,679	25,060	25,000	11,200	385,939
D.B. Whittam	403,336	-	16,664	11,200	431,200
M.J. Paton ^(vii)	616,919	-	6,865	-	623,784
A.B. Parks ^(viii)	284,402	-	2,746	-	287,148
Total	1,712,495	25,060	57,524	22,400	1,817,479
Total remuneration of Executives and Directors	2,590,852	25,060	90,236	22,400	2,728,548

(i) Non performance based salary sacrifice benefits, including motor vehicle expenses.

(ii) See note 22 for more information.

(iii) L Musca retired 15 November 2012.

(iv) R.G. Tweedie retired 25 February 2013.

(v) S.J. Koroknay deceased 6 June 2013.

(vi) D.A.J. Biggs commenced 22 April 2013.

(vii) M.J. Paton resigned 14 November 2012.

(viii) A.B. Parks resigned 30 August 2012.

(ix) A.A. Young was acting CEO/Executive Director 14 November 2012 to 21 April 2013.

All remuneration paid to D.A.J. Biggs, A.M. Knox and D.B. Whittam is incurred by the parent entity.

A.M. Knox is a Director of all the subsidiaries in the Group and an Executive of the parent company.

Name	Fixed remuneration		At risk – STI		At risk - LTI	
	2014	2013	2014	2013	2014	2013
Non-Executive Directors:						
G.J. King	100%	100%	-	-	-	-
R.A. Sylvester	100%	-	-	-	-	-
A.A. Young	100%	100%	-	-	-	-
T.E. Dibb	100%	100%	-	-	-	-
P.D. Moore	100%	100%	-	-	-	-
R.G. Tweedie	-	100%	-	-	-	-
L. Musca	-	100%	-	-	-	-
S.J. Koroknay	-	100%	-	-	-	-
Other Key Management Personnel:						
D.A.J. Biggs	100%	100%	-	-	-	-
A.M. Knox	100%	98%	-	-	-	2%
D.B. Whittam	100%	98%	-	-	-	2%
M.J. Paton	-	100%	-	-	-	-
A.B. Parks	-	100%	-	-	-	-

(D) Equity Based Remuneration

Overview of Share Options and Performance Rights

Historically, the Company has granted performance rights to certain Key Management Personnel. These performance rights were granted under a Performance Rights Plan which was approved by shareholders at the Company's Annual General meeting on 24 November 2011. The Performance Rights Plan has a mechanism for providing a share based performance incentive for Key Management Personnel and to achieve alignment between Key Management Personnel and Shareholder objectives.

Performance rights were granted under the plan for no consideration, neither carry dividend or voting rights. No share options or performance rights were granted during the financial year to 30 June 2014 (2013: see note 22).

Performance rights over shares in Cue Energy Resources Limited granted during the 30 June 2013 financial year were granted under the Cue Energy Resources Ltd Performance Rights Plan ("Plan") for services provided from 1 July 2012 as approved by the Board on 28 September 2012. The performance rights were granted under the Company's Performance Rights Plan which was approved by shareholders at the Annual General Meeting on 24 November 2011.

The Plan was designed to align the interests of executives with shareholders by providing direct participation in the benefits of future Company performance over the medium to long term.

The Board is currently reviewing policies going forward in relation to short and long term incentives.

Long term performance targets of the Company will be established every year and the future award of performance rights may be made at the Board's sole discretion.

All previously issued performance rights have lapsed as at 30 June 2014.

The following performance rights granted to Key Management Personnel of the Company lapsed during the year as a result of a failure to meet a vesting condition (including employment conditions):

Participant	Tranche	Number of Performance Rights Lapsed	Value at lapse date*
A.M. Knox	2013/2014 Plan	800,000	\$96,000
D.B. Whittam	2013/2014 Plan	800,000	\$96,000

* The value is determined at the date of lapsing using the closing share price on the date of lapse multiplied by the number of performance rights assuming the condition was satisfied. The performance rights lapsed due to the resignation of an employee or vesting conditions not being met.

The performance hurdles for the grant of performance rights under the Plan to participants, as described above, were classified as market-based hurdles. In determining the value of the performance rights granted to participants, a risk based statistical analysis was used that took into account, as at the grant date, the following variables and assumptions:

- Expected life of the instrument – the performance rights would expire on 30 June 2014 should they not be exercised.
- Share price of the underlying share on grant date of 14 cents.
- Expected volatility – the price volatility of the shares was approximately 45%.
- Expected dividends – there was no dividends presently expected to be paid in respect of the underlying shares.
- The risk free interest rate for the expected life of the instrument – the average risk free interest rate at grant date was 3%.

On the above basis, the implied value of the 2012/2013 performance rights was 0.28 cents per right.

(E) Relationship Between Remuneration Policy and Company Performance

Company Performance Review

The tables below set out summary information about the company's earnings and movements in shareholder wealth and key management remuneration for the five years to 30 June 2014.

	30 June 2014	30 June 2013	30 June 2012	30 June 2011	30 June 2010
Profit Performance	\$000's	\$000's	\$000's	\$000's	\$000's
Production Income	34,005	49,798	41,222	52,506	54,700
Profit/(loss) before income tax expense	78	8,409	13,621	25,761	39,351
(Loss)/profit after income tax expense	(2,166)	6,369	5,663	19,107	27,510
Total Key Management Personnel Remuneration	1,713	2,729	2,050	2,237	963

Share Performance	30 June 2014	30 June 2013	30 June 2012	30 June 2011	30 June 2010
Share price at start of year (cents)	11.0	18.0	26.5	25.0	14.5
Share price at end of year (cents)	12.0	11.0	18.0	26.5	25.0
Dividends (cents)	-	-	-	-	-
Basic (loss)/earnings per share (cents)	(0.31)	0.91	0.81	2.7	4.0
Diluted (loss)/earnings per share (cents)	(0.31)	0.91	0.81	2.7	4.0

The company's remuneration policy seeks to reward staff members for their contribution to adding shareholder value so there is a direct link between a portion of remuneration and company share price or financial performance.

This concludes the Remuneration Report which has been audited.

Auditor

In accordance with the provisions of the Corporations Act 2001 the Company's auditor, BDO East Coast Partnership, continues in office.

Non-audit Services

The Company may decide to employ the auditor on assignments additional to its statutory audit duties where the auditor's expertise and experience with the Company are important.

The Board of Directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditor as set out below, did not compromise the audit independence requirement, of the Corporations Act 2001, based on advice received from the Audit and Risk Committee, for the following reasons:

- all non-audit services have been reviewed by the Board to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principle relating to auditor independence as set out in the Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and reward.

Audit Services

Amounts paid or due and payable to the auditor – BDO East Coast Partnership for:

	2014 \$	2013 \$
Audit or review of the financial statements	87,000	84,000
<i>Other Services:</i>		
Advisory Services	7,000	-
Tax compliance and other services	31,000	37,000
Total	125,000	121,000

Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001, is set out on page 37.

Rounding Off of Amounts

The Company is a company of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, 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.

Directors' Insurance and Indemnification of Directors and Auditors

During the financial year, the company paid a premium in respect of a contract insuring the directors of the company, the company secretary, and all executive officers of the against a liability incurred as a director, company secretary or executive officer to the extent permitted by the Corporations Act 2001. In accordance with commercial practice, the insurance policy prohibits disclosure of the terms of the policy, including the nature of the liability insured against and the amount of the premium.

The company has not otherwise, during or since the end of the financial year indemnified or agreed to indemnify an officer or auditor of the company or any related body corporate against a liability incurred as an officer or auditor.

Matters subsequent to the end of the financial year

The Directors are not aware of any matter or circumstance since the end of the financial year, not otherwise dealt with in this report that has significantly or may significantly affect the operations of Cue Energy Resources Limited, the results of those operations or the state of affairs of the Company or Group.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

On behalf of the Board



Geoffrey J. King

Chairman

25th September 2014





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

As lead auditor of Cue Energy Resources Limited for the year ended 30 June 2014, 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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, 25 September 2014

BDO East Coast Partnership ABN 83 236 985 726 is a member of a national association of independent entities which are all members of BDO (Australia) Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO East Coast Partnership and BDO (Australia) Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation (other than for the acts or omissions of financial services licensees) in each State or Territory other than Tasmania.

Directors' Declaration



The directors of Cue Energy Resources Limited declare that:

- (a) in the Directors' opinion the financial statements and notes and the Remuneration report in the Directors' Report set out on pages 30 to 35, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance, for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1; and
- (c) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 by the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2014.

Signed in accordance with a resolution of the Directors.

Dated in Melbourne 25th day of September 2014

A handwritten signature in black ink, appearing to read 'Geoffrey J. King'.

Geoffrey J. King
Chairman

ANNUAL REPORT

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Financial Report 2013/14

For the financial year ended 30 June 2014

Consolidated Statement Of Profit Or Loss And Other Comprehensive Income

For the financial year ended 30 June 2014

	Note	2014 \$000's	2013 \$000's
Production income	3	34,005	49,798
Production costs	4	(18,213)	(19,131)
Gross profit from production		15,792	30,667
Other income	3	162	160
Loss on sale of fixed assets		(3)	-
Amortisation of production properties	4	(9,262)	(17,520)
Interest expense	4	-	(3)
Net foreign currency exchange gain	3	81	3,702
Other expenses	4	(6,692)	(8,597)
Profit before income tax expense		78	8,409
Income tax expense	6	(2,244)	(2,040)
(Loss)/profit after income tax expense for the year		(2,166)	6,369
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		(2,166)	6,369
(Loss)/profit for the year is attributable to:			
Owners of Cue Energy Resources Limited		(2,166)	6,369
Total comprehensive income for the year is attributable to:			
Owners of Cue Energy Resources Limited		(2,166)	6,369
Basic earnings per share (cents)	20	(0.31)	0.91
Diluted earnings per share (cents)	20	(0.31)	0.91

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

Consolidated Statement Of Financial Position

As at ended 30 June 2014

	Note	2014 \$000's	2013 \$000's
Current Assets			
Cash and cash equivalents	24(b)	40,558	58,828
Trade and other receivables	8	3,542	5,096
Inventories	10	843	1,157
Total Current Assets		44,943	65,081
Non-Current Assets			
Property, plant and equipment	9	118	63
Deferred tax assets	6	71	214
Exploration and evaluation expenditure	12	54,069	36,944
Production properties	13	79,458	73,935
Total Non-Current Assets		133,716	111,156
Total Assets		178,659	176,237
Current Liabilities			
Trade and other payables	15	21,184	11,977
Tax liabilities	6	2,398	3,973
Provisions	16	563	475
Total Current Liabilities		24,145	16,425
Non-Current Liabilities			
Deferred tax liabilities	6	19,484	22,106
Provisions	16	5,627	6,137
Total Non-Current Liabilities		25,111	28,243
Total Liabilities		49,256	44,668
Net Assets		129,403	131,569
Equity			
Issued capital	7 (a)	152,416	152,416
Reserves	7 (b)	-	22
Accumulated losses		(23,013)	(20,869)
Total Equity		129,403	131,569

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 financial year ended 30 June 2014

	Issued Capital \$'000	Accumulated Losses \$'000	Share-based Payments Reserve \$'000	Total \$'000
Balance at 1 July 2013	152,416	(20,869)	22	131,569
Loss after income tax expense for the year	-	(2,166)	-	(2,166)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	(2,166)	-	(2,166)
Transactions with the owners in their capacity as owners:				
Share based payments	-	22	(22)	-
Balance at 30 June 2014	152,416	(23,013)	-	129,403
	Issued Capital \$'000	Accumulated Losses \$'000	Share-based Payments Reserve \$'000	Total \$'000
Balance at 1 July 2012	152,416	(27,663)	425	125,178
Profit after income tax expense for the year	-	6,369	-	6,369
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	6,369	-	6,369
Transactions with the owners in their capacity as owners:				
Share based payments	-	425	(403)	22
Balance at 30 June 2013	152,416	(20,869)	22	131,569

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



Consolidated Statement Of Cash Flows

For the financial year ended 30 June 2014

	Note	2014 \$000's	2013 \$000's
Cash Flows From Operating Activities			
Receipts from customers		35,801	58,127
Interest received		167	149
Payments to suppliers and employees		(23,319)	(23,420)
Income taxes paid		(6,298)	(244)
Royalties paid		(731)	(1,880)
Interest paid		-	(3)
Net Cash Provided by Operating Activities	24(a)	5,620	32,729
Cash Flows From Investing Activities			
Payments for exploration and evaluation expenditure		(9,666)	(4,932)
Payments for production properties		(14,035)	(5,905)
Payments for property, plant and equipment		(155)	(18)
Net Cash Used In Investing Activities		(23,856)	(10,855)
Cash Flows From Financing Activities			
Proceeds from issue of shares		-	-
Repayment of borrowings		-	-
Net Cash Used In Financing Activities		-	-
Net (Decrease)/Increase in Cash and Cash Equivalents		(18,236)	21,874
Cash and cash equivalents at the beginning of the year		58,828	33,733
Effect of exchange rate change on foreign currency balances held at the beginning of the year		(34)	3,221
Cash and Cash Equivalents at the End of the Year	24(b)	40,558	58,828

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

Notes To The Financial Statements

For the financial year ended 30 June 2014

1 Summary Of Significant Accounting Policies

Cue Energy Resources Limited is a for-profit Public Company listed on the Australian Securities Exchange incorporated and domiciled in Australia. The financial report was authorised for issue by the Directors on the date the Directors' Declaration was signed.

(a) Operations and Principal Activities

Operations comprise petroleum exploration, development and production activities.

(b) Statement of compliance

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

The accounting policies set out below have been applied consistently to all periods presented in this report.

(c) Basis of preparation

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

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 25.

(d) Critical accounting estimates and judgements

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

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

(i) Recovery of Deferred Tax Assets

Deferred tax assets resulting from unused tax losses have been recognised on the basis that management considers it is probable that future tax profits will be available to utilise the unused tax losses.

(ii) Impairment of Production Properties Assets

Production properties impairment testing requires an estimation of the value-in-use of the cash generating units to which deferred costs have been allocated. The value-in-use calculation requires the entity to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value. Other assumptions used in the calculations which could have an impact on future years includes USD rates, available reserves and oil and gas prices.

(iii) Useful Life of Production Property Assets

As detailed at note 1 (k) production properties are amortised on a unit-of-production basis, with separate calculations being made for each resource. Estimates of reserve quantities are a critical estimate impacting amortisation of production property assets.

(iv) Estimates of Reserve Quantities

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



(v) Joint Arrangements

The entity is subject to a number of joint arrangements in relation to both its production properties and exploration assets. The joint arrangement agreements require unanimous consent from all parties in some instances for all relevant activities, all assets are held jointly in common and all parties are severally liable for the liabilities incurred.

These arrangements are therefore classified as Joint Operations and the consolidated entity recognises its direct rights to jointly held assets, liabilities, revenues and expenses.

(vi) Restoration Provisions

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

(vii) Legal Claim

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 USD5.3 million which has been provided for in the financial statements.

During the year, an arbitration hearing found in favour of Cue's position, however 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.

(e) New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are mandatory for the current reporting period.

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

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

AASB 10 Consolidated Financial Statements

The consolidated entity has applied AASB 10 from 1 July 2013, which has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights that give it the current ability to direct the activities that significantly affect the investee's returns. The consolidated entity not only has to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes.

AASB 11 Joint Arrangements

The consolidated entity has applied AASB 11 from 1 July 2013. The standard defines which entities qualify as joint arrangements and removes the option to account for joint ventures using proportional consolidation. Joint ventures, where the parties to the agreement have the rights to the net assets are accounted for using the equity method. Joint operations, where the parties to the agreements have the rights to the assets and obligations for the liabilities, will account for its share of the assets, liabilities, revenues and expenses separately under the appropriate classifications.

AASB 12 Disclosure of Interests in Other Entities

The consolidated entity has applied AASB 12 from 1 July 2013. The standard contains the entire disclosure requirement associated with other entities, being subsidiaries, associates, joint arrangements (joint operations and joint ventures) and unconsolidated structured entities. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidation - Special Purpose Entities'.

AASB 13 Fair Value Measurement and AASB 2011-8

Amendments to Australian Accounting Standards arising from AASB 13

The consolidated entity has applied AASB 13 and its consequential amendments from 1 July 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach is used to measure non-financial assets whereas liabilities are based on transfer value. The standard requires increased disclosures where fair value is used.

1 Summary Of Significant Accounting Policies (cont')

AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)

The consolidated entity has applied AASB 119 and its consequential amendments from 1 July 2013. The standard eliminates the corridor approach for the deferral of gains and losses; streamlines the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income; and enhances the disclosure requirements for defined benefit plans. The standard also changed the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months. Annual leave that is not expected to be wholly settled within 12 months is now discounted allowing for expected salary levels in the future period when the leave is expected to be taken.

AASB 127 Separate Financial Statements (Revised), AASB 128 Investments in Associates and Joint Ventures (Reissued) and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards

The consolidated entity has applied AASB 127, AASB 128 and AASB 2011-7 from 1 July 2013. AASB 127 and AASB 128 have been modified to remove specific guidance that is now contained in AASB 10, AASB 11 and AASB 12 and AASB 2011-7 makes numerous consequential changes to a range of Australian Accounting Standards and Interpretations. AASB 128 has also been amended to include the application of the equity method to investments in joint ventures.

AASB 2012-2 Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities

The consolidated entity has applied AASB 2012-2 from 1 July 2013. The amendments enhance AASB 7 'Financial Instruments: Disclosures' and requires disclosure of information about rights of set-off and related arrangements, such as collateral agreements. The amendments apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement.

(f) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Cue Energy Resources Limited ("company" or "parent entity") as at 30 June 2014 and the results of all subsidiaries for the year then ended. Cue Energy Resources Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

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

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

A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest is recognised directly in equity attributable to the parent.

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

(g) Revenue recognition

Revenue is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer. Revenue is recognised and measured at the fair value of the consideration or contributions received, net of goods and service tax ("GST"), to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Sales revenue

Sales revenue is recognised on the basis of the Group's interest in a producing field ("entitlements" method), when the physical product and associated risks and rewards of ownership pass to the purchaser, which is generally at the time of ship or truck loading, or in certain instances the product entering the pipeline.

Revenue earned under a production sharing contract ("PSC") is recognised on a net entitlements basis according to the terms of the PSC.

Interest income

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

Other income

Other income is recognised in profit or loss at the fair value of the consideration received or receivable, net of GST, when the significant risks and rewards of ownership have been transferred to the buyer or when the service has been performed.



The gain or loss arising on disposal of a non-current asset is included as other income at the date control of the asset passes to the buyer. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

(h) Exploration and evaluation project expenditure

Costs incurred during the exploration, evaluation and development stages of specific areas of interest are accumulated. Such expenditure comprises net direct costs, but does not include general overheads or administrative expenditure not having a specific nexus with a particular area of interest.

Expenditure is only carried forward as an asset where it is expected to be fully recouped through the successful development of the area, or where activities to date have not yet reached a stage to allow adequate assessment regarding existence of economically recoverable reserves, and active and significant operations in relation to the area are continuing. Ultimate recoupment of costs is dependent on successful development and commercial exploitation, or alternatively, sale of respective areas.

Costs are written off as soon as an area has been abandoned or considered to be non-commercial.

No amortisation is provided in respect of projects in the exploration, evaluation and development stages until they are reclassified as production properties.

Restoration costs recognised in respect of areas of interest in the exploration and evaluation stage are carried forward as exploration, evaluation and development expenditure.

(i) Impairment

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

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

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

(j) Calculation of recoverable amount

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

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

(k) Production properties

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

Amortisation of costs is provided on the unit-of-production basis, separate calculations being made for each resource. The unit-of-production basis results in an amortisation charge proportional to the depletion of economically recoverable reserves (comprising both proven and probable reserves), and is shown as a separate line item in profit or loss.

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

(l) Property, plant and equipment

Class of Fixed Asset	Depreciation Rate
Office and computer equipment	5-40%

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

(m) Cash and cash equivalents

For purposes of the statement of cash flows, cash includes deposits at call which are readily convertible to cash on hand and which are used in the cash management function on a day-to-day basis, net of outstanding bank overdrafts.

(n) Trade and other receivables

Trade receivables due from related parties and other receivables represent the principal amounts due at the reporting date plus accrued interest and less, where applicable, any unearned income and allowance for doubtful accounts. Trade receivables are generally due for settlement within 30 days.

1 Summary Of Significant Accounting Policies (cont')

(o) Inventories

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

(p) Trade and other payables

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

(q) Provisions

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

Restoration

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

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

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

(r) Employee benefits

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

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

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

(s) Joint operations

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

(t) Income tax

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

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

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

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

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

Cue Energy Resources Limited (the 'head entity') and its wholly-owned Australian controlled entities have formed an income tax consolidated group under the tax consolidation regime effective 1 July 2010. The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts.



The tax consolidated group has applied the group allocation approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

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

(u) Foreign currency

Functional and presentation currency

The financial statements of each group entity are measured using their relevant functional currency, which is the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, as this is the parent entity's functional and presentation currency.

Transactions and balances

Transactions in foreign currencies of entities within the consolidated entity are translated into functional currency at the rate of exchange ruling at the date of the transaction.

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

Resulting exchange differences arising on settlement or re-statement are recognised as in profit or loss for the financial year.

(v) Leases

Lease payments for operating leases where substantial risks and benefits remain with the lessor are charged as expenses in the periods in which they are incurred.

(w) Contributed equity

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

(x) Rounding

The amounts contained in this financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/100. The Company is an entity to which the Class Order applies.

(y) New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2014. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments and its consequential amendments

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2017 and completes phases I and III of the IASB's project to replace IAS 39 (AASB 139) 'Financial Instruments: Recognition and Measurement'. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. Chapter 6 "Hedge Accounting" supersedes the general hedge accounting requirement in AASB 139 and provides a new simpler approach to hedge accounting that is intended to more closely align with risk management activities undertaken by entities when hedging financial and non-financial risks. The consolidated entity will adopt this standard and the amendments from 1 July 2017 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities

The amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The amendments add application guidance to address inconsistencies in the application of the offsetting criteria in AASB 132 'Financial Instruments: Presentation', by clarifying the meaning of 'currently has a legally enforceable right of set-off'; and clarifies that some gross settlement systems may be considered to be equivalent to net settlement. The adoption of the amendments from 1 July 2014 will not have a material impact on the consolidated entity.

1 Summary Of Significant Accounting Policies (cont')

AASB 2013-3 Amendments to AASB 136- Recoverable amount Disclosures for Non-Financial Assets

These amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The disclosure requirements of AASB 136 'Impairment of Assets' have been enhanced to require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposals. Additionally, if measured using a present value technique, the discount rate is required be disclosed. The adoption of these amendments from 1 July 2014 may increase the disclosures by the consolidated entity.

Annual Improvements to IFRSs 2010-2012 Cycle

These amendments are applicable to annual reporting periods beginning on or after 1 July 2014 and affects several Accounting Standards as follows: Amends the definition of 'vesting conditions' and 'market condition' and adds definitions for 'performance condition' and 'service condition' in AASB 2 'Share-Based Payment'; Amends AASB 3 'Business Combinations' to clarify that contingent consideration that is classified as an asset or liability shall be measured at fair value of each reporting date; Amends AASB 8 'Operating Segments' to require entities to disclose the judgements made by management in applying the aggregation criteria; Clarifies that AASB 8 only requires a reconciliation of the total reportable segments assets to the entity's assets, if the segment assets are reported regularly; clarifies that the issuance of AASB 13 'Fair Value Measurement' and the amending of AASB 139 'Financial Instruments: Recodition and Measurement' and AASB 9 'Financial Instruments' did not remove the ability to measure short-term receivables and payables with not stated interest rate at their invoice amount, if the effect of discounting is immaterial; Clarifies that in AASB 116 'Property, Plant and Equipment' and AASB 138 'Intangible Assets', when an asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount (i.e. proportional restatement of accumulated amortisation); and Amends AASB 124 'Related Party Disclosure' to clarify that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a 'related party' of the reporting entity. The adoption of these amendments from 1 July 2014 will not have a material impact on the consolidated entity.

Annual Improvement to IFRSs 2011-2013 Cycle

These amendments are applicable to annual reporting periods beginning or after 1 July 2014 and affects four Accounting Standards as follows: Clarifies the 'meaning of effective IFRSs' in AASB 1 'First-time Adoption of Australian Accounting Standards'; Clarifies that AASB 3 'Business Combination' excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself'; Clarifies that

the scope of the portfolio exemption in AASB 13 'Fair Value Measurement' includes all contracts accounted for with the scope of AASB 139 'Financial Instruments: Recodition and Measurement' or AASB 9 'Financial Instruments', regardless of whether they meet the definitions of financial assets or financial liabilities are defined AASB 132 'Financial Instruments: Presentation'; and Clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in AASB 3 'Business Combinations' and investment property as defined in AASB 140 'Investment Property' requires the separate application of both standards independently of each other. The adoption of these amendments from 1 July 2014 will not have a material impact on the consolidated entity.

(z) Goods and Services tax ('GST') and other similar taxes

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

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

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

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



2 Financial Instruments

The Group's principal financial instruments comprise receivables, payables, cash and short term deposits.

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

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

Primary responsibility for identification and control of financial risks rests with the Chief Financial Officer under the authority of the Board. The Board reviews and agrees management's assessment for managing each of the risks identified below.

The carrying amounts and net fair values of the economic entity's financial assets and liabilities at the reporting date are:

	CARRYING AMOUNT		NET FAIR VALUE	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Consolidated				
Financial assets				
Cash and cash equivalents	40,558	58,828	40,558	58,828
Trade and other receivables	3,542	5,096	3,542	5,096
Non-traded financial assets	<u>44,100</u>	<u>63,924</u>	<u>44,100</u>	<u>63,924</u>
Financial liabilities				
Trade and other payables	21,184	11,977	21,184	11,977
Tax liabilities - current	2,398	3,973	2,398	3,973
Non-traded financial liabilities	<u>23,582</u>	<u>15,950</u>	<u>23,582</u>	<u>15,950</u>

Risk Exposures and Responses

(a) Fair Value Risk

The financial assets and liabilities of the Group are recognised in the statement of financial position at their fair value in accordance with the accounting policies set out in note 1. In all instances the fair value of financial amounts and liabilities approximates to their carrying value.

Basis for determining fair values

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments:

Trade and other receivables

The carrying value less impairment provision of trade receivables is a reasonable approximation of their fair values due to the short-term nature of trade and other receivables.

Financial liabilities

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. Where these cash flows are in a foreign currency the present value is converted into Australian dollars at the foreign exchange spot rate prevailing at the reporting date.

Trade and other payables

The carrying value of trade payables is a reasonable approximation of their fair values due to the short term nature of trade payables.

NOTES TO THE FINANCIAL STATEMENTS (cont')

2 Financial Instruments (cont')

(b) Interest Rate Risk

The Group's exposure to market interest rates is related primarily to the Group's cash deposits (see note 24 (b)).

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

	Consolidated	
	2014 \$000's	2013 \$000's
Cash and cash equivalents	40,558	58,828

The Group constantly analyses its interest rate opportunity and exposure. Within this analysis consideration is given to existing positions and alternative arrangement on fixed or variable deposits.

The following sensitivity analysis is based on the interest rate opportunity/risk in existence at the reporting date.

Based upon the average balance of net exposure during the year, if interest rates changed by +/-1%, with all other variables held constant, the estimated impact on post-tax profit and equity would have been:

	Consolidated	
	2014 \$000's	2013 \$000's
Impact on post-tax profit		
Interest rates +1%	497	463
Interest rates -1%	(497)	(463)
Impact on equity		
Interest rates +1%	497	463
Interest rates -1%	(497)	(463)

A movement of + and - 1% is selected because this is historically is within a range of rate movements and available economic data suggests this range is reasonable.

(c) Foreign Exchange Risk

The Group is subject to foreign exchange risk on its international exploration and appraisal activities where costs are incurred in foreign currencies, in particular United States dollars.

The Board approved the policy of holding certain funds in United States dollars to manage foreign exchange risk.

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

	30 June 2014			30 June 2013		
	USD \$'000	NZD \$000's	PNG KINA \$'000	USD \$'000	NZD \$000's	PNG KINA \$'000
Consolidated						
Financial assets:						
Cash and cash equivalents	39,913	400	8	57,908	102	8
Receivables	2,687	842	-	4,473	614	-
Financial liabilities:						
Current payables	15,603	947	-	3,543	1,966	-



2 Financial Instruments (cont')

At the reporting date, if the currencies set out in the table above, strengthened or weakened against the Australian dollar by the percentage shown, with all other variables held constant, net profit for the year would increase/(decrease) and net assets would increase / (decrease) by:

	Consolidated			
	USD \$'000	NZD \$000's	PNG KINA \$'000	2014 Total \$000's
Impact on post-tax profit				
Exchange rates +10%	(2,700)	(30)	(1)	(2,731)
Exchange rates -10%	2,700	30	1	2,731
Impact on equity				
Exchange rates +10%	(2,700)	(30)	(1)	(2,731)
Exchange rates -10%	2,700	30	1	2,731

	Consolidated			
	USD \$'000	NZD \$000's	PNG KINA \$'000	2013 Total \$000's
Impact on post-tax profit				
Exchange rates +10%	(5,884)	125	(1)	(5,760)
Exchange rates -10%	5,884	(125)	1	5,760
Impact on equity				
Exchange rates +10%	(5,884)	125	(1)	(5,760)
Exchange rates -10%	5,884	(125)	1	5,760

Management believes the risk exposures as at the reporting date are representative of the risk exposure inherent in the financial instruments. A movement of +/- 10% is selected because a review of recent exchange rate movements and economic data suggests this range is reasonable.

(d) Commodity Price Risk

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

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

At 30 June 2014 the Group had no open oil price swap contracts (2013: nil).

If the US dollar oil price changed by +/-20% from the average oil price during the year, with all other variables held constant, the estimated impact on post-tax profit and equity would have been:

	Consolidated	
	2014 \$000's	2013 \$000's
Impact on post-tax profit		
US dollar oil price +20%	3,565	6,375
US dollar oil price -20%	(3,565)	(6,375)
Impact on equity		
US dollar oil price +20%	3,565	6,375
US dollar oil price -20%	(3,565)	(6,375)

Management believes the risk exposures as at the reporting date are representative of the risk exposure inherent in the financial instruments. A movement of + and - 20% is selected because a review of historical oil price movements and economic data suggests this range is reasonable.

2 Financial Instruments (cont')**(e) Liquidity Risk**

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

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

The Group is consequently more than sufficiently solvent to meet its payment obligations in full as they fall due.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group aims to maintain flexibility in funding to meet ongoing operational requirements, exploration and development expenditure, and small-to-medium-sized opportunistic projects and investments, by keeping committed credit facilities available.

The following table analyses the contractual maturities of the Group's financial liabilities into relevant groupings based on the remaining period at the reporting date to the contractual undiscounted cash flows comprising principal and interest repayments. Estimated variable interest expense is based upon appropriate yield curves existing as at 30 June 2014.

	12 months or less \$000's	1 to 2 years \$000's	2 to 5 years \$000's	More than 5 years \$000's
Consolidated 2014				
Non-derivative financial liabilities				
Trade and other payables	21,184	-	-	-
Tax liabilities - current	2,398	-	-	-
	<u>23,582</u>	-	-	-
Consolidated 2013				
Non-derivative financial liabilities				
Trade and other payables	11,977	-	-	-
Tax liabilities - current	3,973	-	-	-
	<u>15,950</u>	-	-	-

(f) Credit Risk

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

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

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

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

At the reporting date there are no significant concentrations of credit risk within the Group.



3 Revenue And Other Income

	Consolidated	
	2014 \$000's	2013 \$000's
Revenue from continuing operations:		
Production income	34,005	49,798
Other income:		
Interest from cash and cash equivalents	162	160
Net foreign currency exchange gain	81	3,702

4 Expenses

Operating Expenses		
Production costs	18,213	19,131
Amortisation of production properties	9,262	17,520
Interest expense	-	3
Other Expenses		
Depreciation of property, plant and equipment	100	39
Employee expense	3,582	4,556
Superannuation contribution expense	170	134
Administrative expenses	911	887
Operating lease expenses	793	208
Business development expenses	1,136	2,773
Other expenses	6,692	8,597

5 Auditors Remuneration

Amounts paid or due and payable to the auditor – BDO East Coast Partnership for:

	2014 \$	2013 \$
Audit or review of the financial statements	87,000	84,000
Other Services:		
Advisory Services	7,000	-
Tax compliance and other services	31,000	37,000
Total	125,000	121,000

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

NOTES TO THE FINANCIAL STATEMENTS (cont')

6 Taxation

	Consolidated Entity	
	2014 \$000's	2013 \$000's
INCOME TAX EXPENSE		
Current tax	4,843	3,073
Adjustment recognised for prior periods	(120)	(149)
Deferred tax	(2,479)	(884)
Aggregate income tax expense	2,244	2,040
Income tax expense is attributable to:		
Profit from continuing operations	2,244	2,040
Deferred tax included in income tax comprises:		
(Increase)/decrease in deferred tax assets	(2,773)	2,040
Increase/(decrease) in deferred tax liabilities	294	(2,924)
	(2,479)	(884)
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit from continuing operations before income tax expense	78	8,409
Tax expense at Australian tax rate of 30% (2013: 30%)	23	2,523
Unrealised timing differences	169	(387)
Difference in overseas tax rates	1,354	456
Allowable mining deductions	(1,824)	(1,002)
Tax losses carried forward	5,319	2,766
Adjustments to current tax from prior periods	(120)	(149)
Disallowable intercompany interest	(174)	(175)
Movements in deferred tax	(2,479)	(884)
Unrealised foreign exchange movements	(24)	(1,108)
Income tax expense	2,244	2,040
Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	52,188	30,831
Potential tax benefit at relevant local tax rates	15,775	9,181
Current tax liabilities	2,398	3,973
Non-current assets – deferred tax assets		
Movements - Consolidated		
Opening balance	8,800	10,840
Credit/(debit) to the income statement	2,773	(2,040)
Closing balance	(i) 11,573	8,800



6 Taxation (cont')

	Consolidated Entity	
	2014 \$000's	2013 \$000's
Non-current liabilities – deferred tax liabilities		
Movements - Consolidated		
Opening balance	(30,692)	(33,616)
(Debit)/credit to the income statement	(294)	2,924
	(i) (30,986)	(30,692)
Net	(i) (19,413)	(21,892)
(i) Presentation in the consolidated statement of financial position as follows:		
Deferred tax asset	71	214
Deferred tax liability	(19,484)	(22,106)
Net	(19,413)	(21,892)

7 Capital And Reserves

(a) Issued Capital

	Consolidated			
	2014 \$000's	2013 \$000's	2014 \$000's	2013 \$000's
Issued and paid up ordinary fully paid shares				
Balance at 1 July	152,416	152,416	698,119,720	698,119,720
Options exercised	-	-	-	-
Closing balance at 30 June	152,416	152,416	698,119,720	698,119,720

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

(b) Share Based Payment Reserve

	Consolidated	
	2014 \$000's	2013 \$000's
Balance at 1 July	22	425
Performance Share Rights payment expense	-	22
Performance Share Rights payment transferred	(22)	(425)
Closing balance at 30 June	-	22

Nature and purpose of reserve

This reserve is used to record the value of equity benefits provided as part of agreements entered into by the company during the year. Refer to note 22 and the Remuneration Report within the Directors' Report for details.

NOTES TO THE FINANCIAL STATEMENTS (cont')

7 Capital And Reserves (cont')

The following reconciles the outstanding options and Performance Share Rights granted as remuneration in the current and prior financial years at the beginning and end of the year:

	2014	2014	2013	2013
	Number of Performance Share Rights	Number of Options	Number of Performance Share Rights	Number of Options
Balance at beginning of the year	1,600,000	-	3,200,000	-
Granted during the year	-	-	3,200,000	-
Forfeited during the year	-	-	(4,000,000)	-
Exercised during the year	-	-	-	-
Lapsed during the year	(1,600,000)	-	(800,000)	-
Balance at end of the year	-	-	1,600,000	-

(c) Capital management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as maintaining optimal return for shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

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

During 2014 management did not pay any dividends (2013: nil).

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

The gearing ratios for the years ended 30 June 2014 and 30 June 2013 are as follows:

	Consolidated Group	
	2014 \$000's	2013 \$000's
Trade and other payables	(21,184)	(11,977)
Tax liabilities	(2,398)	(3,973)
Total	(23,582)	(15,950)
Less cash and cash equivalents	40,558	58,828
Surplus cash	16,976	42,878
Total equity	129,403	131,569
Total capital	146,379	174,447
Gearing ratio	nil%	nil%



8 Trade And Other Receivables

	Consolidated Group	
	2014 \$000's	2013 \$000's
Current receivables		
Trade receivables	2,673	4,469
Other receivables and prepayments	869	627
	3,542	5,096
The ageing of trade receivables at the reporting date was as follows:		
Less than one month	2,673	4,469
	2,673	4,469

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

Trade receivables are neither past due nor impaired and relate to a number of independent customers for whom there is no recent history of default.

Impaired receivables

At 30 June 2014 there were no current trade receivables that were impaired (2013: nil).

The balance of the allowance for impairment in respect of trade receivables at 30 June 2014 was nil (2013: nil). There has been no movement in the allowance during the year.

The Directors consider that the carrying value of receivables reflects their fair values.

9 Property, Plant And Equipment

	Consolidated	
	2014 \$000's	2013 \$000's
Office and computer equipment		
Cost	505	356
Accumulated depreciation	(387)	(293)
	118	63

Reconciliation of the carrying amount of office and computer equipment at the beginning and end of the current financial year is set out below:

	Consolidated	
	2014 \$000's	2013 \$000's
Balance at beginning of year	63	84
Additions	155	18
Depreciation expense	(100)	(39)
Balance at end of year	118	63

10 Inventories

	Consolidated	
	2014 \$000's	2013 \$000's
Current Assets		
Inventory	843	1,157

NOTES TO THE FINANCIAL STATEMENTS (cont')

11 Shares In Subsidiaries

Shares held by the parent entity at the reporting date:

Subsidiary Companies	2014	2013	Interest Held	Country of Incorporation	PARENT
	\$	\$			Principal Activity
Cue PNG Oil Company Pty Ltd	1	1	100%	Australia	Petroleum production and exploration
Cue Mahakam Hilir Pty Ltd	1	1	100%	Australia	Petroleum exploration
Cue (Ashmore Cartier) Pty Ltd	2	2	100%	Australia	Petroleum exploration
Cue Sampang Pty Ltd	1	1	100%	Australia	Petroleum production and exploration
Cue Taranaki Pty Ltd	1	1	100%	Australia	Petroleum production and exploration
Cue Exploration Pty Ltd	1,929,077	1,929,077	100%	Australia	Petroleum exploration
Less accumulated impairment losses	(1,343,808)	(1,343,808)			
	585,269	585,269			
Total	585,275	585,275			

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

12 Exploration And Evaluation Expenditure

	Consolidated	
	2014 \$000's	2013 \$000's
Costs carried forward in respect of areas of interest in exploration and evaluation phase	36,944	31,765
Expenditure incurred during the year	17,125	5,179
Closing balance at 30 June	54,069	36,944
Accumulated costs incurred on current areas of interest net of amounts written off -		
- Sampang PSC	8,862	8,969
- Mahakam Hilir PSC	27,017	11,831
- PNG PRL 9	2,221	2,196
- PNG PRL14	416	407
- PNG PDL 3 (non unitised)	209	209
- WA-359-P	1,670	269
- WA-360-P	1,979	1,947
- WA-361-P	561	539
- WA-389-P	2,888	2,694
- WA-409-P	201	187
- PEP 51313	6,073	6,163
- PEP 51149	1,889	1,533
- PEP 54865	83	-
Net accumulated exploration and evaluation expenditure	54,069	36,944

13 Production Properties

	Consolidated	
	2014 \$000's	2013 \$000's
Balance at beginning of year	73,935	84,886
Expenditure incurred during the year	14,785	6,569
Amortisation expense	(9,262)	(17,520)
Balance at end of year	79,458	73,935
Net accumulated costs incurred on areas of interest:		
- PNG PDL 3 (unitized)	512	601
- Oyong and Wortel – Sampang PSC	15,677	22,415
- Maari – PMP 38160	63,269	50,919
Total	79,458	73,935

14 Impairment Of Production Property Assets

At 30 June 2014 the Group reassessed the carrying amount of its oil and gas assets, Production Properties (refer note 13 and note 1(j)), 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. No impairment loss was recognised during the year (2013: nil).

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% (2013: 14.3%) equivalent to post-tax discount rates of 10% (2013: 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.

15 Trade And Other Payables

Current		
Trade payables and accruals	21,119	11,652
Amounts due to directors and director related entities	65	325
	21,184	11,977

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

Included within trade payable and accruals is an amount of \$5.6 million relating to liabilities associated with a dispute in relation to the Jeruk field within the Sampang PSC. Refer to note 26 for more information.

NOTES TO THE FINANCIAL STATEMENTS (cont')

16 Provisions

	Consolidated	
	2014 \$000's	2013 \$000's
Current		
Employee benefits	563	475
Non-Current		
Employee benefits	64	38
Restoration	5,563	6,099
	<u>5,627</u>	<u>6,137</u>

Movements in each class of provision during the financial year, other than provisions relating to employee benefits are set out below:

	Employee Benefits	Restoration
	\$000's	\$000's
Consolidated		
Balance at 1 July 2013	513	6,099
Provisions made during the year	296	242
Unused amounts reversed	-	(778)
Provisions used during the year	(182)	-
Balance at 30 June 2014	<u>627</u>	<u>5,563</u>

Restoration

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



17 Interests In Joint Operations

Property	Operator	Cue Interest (%)	Gross Area (Km ²)	Net Area (Km ²)	Permit Expiry Date
Petroleum Exploration Properties					
Carnarvon Basin – Western Australia					
WA-359-P	Cue Exploration Pty Ltd	100	645	645	25/10/2017
WA-360-P	MEO Australia Limited	37.50	643	241.1	05/03/2017
WA-361-P	MEO Australia Limited	15	644	96.6	30/01/2016
WA-389-P	BHP Billiton (Australia) Pty Ltd	40	1,939	775.6	08/10/2018
WA-409-P	Apache Northwest Pty Ltd	30	565	169.5	29/01/2015
New Zealand					
PEP51313	OMV New Zealand Limited	14	819	163.8	29/07/2021
PEP51149	Todd Exploration Limited	20	217	43.4	22/09/2018
PEP54865	Todd Exploration Limited	20	2,475	495	10/12/2017
Indonesia					
Mahakam Hilir PSC	Singapore Petroleum	40	222.14	88.9	12/11/2014
Papua New Guinea					
PRL 9 ⁽ⁱ⁾	Oil Search Ltd	14.894	598	89	17/12/2012
PRL 14	Oil Search Ltd	10.947	427	46.7	21/11/2015
Petroleum Production Properties					
New Zealand					
PMP 38160	OMV New Zealand Limited	5	80.18	4	01/12/2027
Madura - Indonesia					
Sampang PSC	Santos (Sampang) Pty Ltd	15 (8.181818 Jeruk field)	534.5	80.2	04/12/2027
Papua New Guinea					
PDL 3	Barracuda Pty Ltd	5.568892	85	4.7	23/12/2021

(i) Renewal under consideration by the PNG government.

17 Interests In Joint Operations (cont')

	Consolidated	
	2014 \$000's	2013 \$000's
The share of assets and liabilities of the joint operations and other financial liabilities attributed to Joint Operations have been included under the relevant headings:		
Current Assets:		
Receivables	2,998	4,469
Inventory	843	1,157
Non-Current Assets:		
Exploration and Evaluation Expenditure (note 12)	54,069	36,944
Deferred Tax Assets	71	214
Production Properties (note 13)	79,458	73,935
Total Assets	137,439	116,719
Current Liabilities:		
Payables	20,199	11,159
Current Tax Liabilities	2,398	3,973
Non-Current Liabilities:		
Restoration Provisions	5,563	6,099
Deferred Tax Liabilities	19,484	22,106
Total Liabilities	47,644	43,337
Net Assets	89,795	73,382
Income and expenses of the consolidated entity attributable to joint ventures:		
Income	34,005	49,798
Expenses	18,213	19,131

Refer to note 26 in relation to contingent liabilities of the Group.

Commitments for expenditure are disclosed in note 18.



18 Commitments For Expenditure

a) Exploration Tenements

In order to maintain current rights of tenure to petroleum exploration tenements, the Group has discretionary exploration expenditure requirements up until expiry of the primary term of the tenements. These requirements, which are subject to renegotiation and are not provided for in the financial statements, are payable as follows:

	Consolidated	
	2014 \$000's	2013 \$000's
Not later than 1 year	9,480	12,700
Later than 1 year but not later than 2 years	28,641	4,000
Later than 2 years but not later than 5 years	740	20,000
Later than 5 years	-	-
	<u>38,861</u>	<u>36,700</u>

If the economic entity decides to relinquish certain tenements and/or does not meet these obligations, assets recognised in the Statement of Financial Position may require review in order to determine the appropriateness of carrying values. The sale, transfer or farm-out of exploration rights to third parties could potentially reduce or extinguish these obligations, which comprise primarily drilling commitments entered into during the 2013 financial year.

All commitments relate to Joint Operation projects.

b) Production Development Expenditure

In order to maintain and improve existing production properties the Group has committed to expend funds as follows:

	Consolidated	
	2014 \$000's	2013 \$000's
Not later than 1 year	15,406	18,988
Later than 1 year but not later than 2 years	4,945	10,906
Later than 2 years but not later than 5 years	266	1,161
Later than 5 years	-	-
	<u>20,617</u>	<u>31,055</u>

All development expenditure commitments relates to the development of oil and gas fields.

c) Operating Lease Commitments

Non-cancellable operating lease relating to rental of premises are payable as follows:

	Consolidated	
	2014 \$000's	2013 \$000's
Not later than 1 year	-	62
Later than 1 year but not later than 2 years	265	-
Later than 2 years but not later than 5 years	611	-
Later than 5 years	-	-
	<u>876</u>	<u>62</u>

Premises lease term for 5 years from the commencement date of 12 September 2013, with a fixed increase of 3.75% p.a. and further option term of 5 years.

NOTES TO THE FINANCIAL STATEMENTS (cont')

19 Events Subsequent To The Reporting Date

The Directors are not aware of any matter or circumstance since the end of the financial year, not otherwise dealt with in this report that has significantly or may significantly affect the operations of Cue Energy Resources Limited, the results of those operations or the state of affairs of the Company or Group.

20 Earnings Per Share

	Consolidated	
	2014	2013
Basic (loss)/earnings per share (cents)	(0.31)	0.91
Diluted (loss)/earnings per share (cents)	(0.31)	0.91

Basic earnings per share is calculated by dividing profit after income tax expense for the year attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the profit after income tax expense for the year attributable to ordinary equity of the Parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

	Consolidated	
	2014 \$000's	2013 \$000's
Earnings used in the calculation of basic and diluted earnings per share:		
(Loss)/profit for the year attributable to ordinary equity holders of the Parent from continuing operations (\$'000)	(2,166)	6,369
Weighted average number of shares used for the purposes of calculating basic earnings per share	698,119,720	698,119,720
Weighted average adjustments for calculation of diluted earnings per share:		
Performance rights on issue	-	3,719,452
Share options on issue	-	-
Weighted average number of shares used for the purpose of calculating diluted earnings per share	698,119,720	701,839,172

During the year nil (2013: nil) share options and nil (2013: nil) performance rights were converted into ordinary shares. The diluted earnings per share calculation has not included any performance rights outstanding during the period as this would result in further dilution of the loss per share for the period.



21 Financial Reporting By Segments

Segment Information

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

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

The principal business of the group is the production and exploration for hydrocarbons in Australia, New Zealand, Indonesia and PNG. The board considers the business from both a product and geographic perspective and has identified four reportable segments. Information regarding the Group's reportable segments is presented below:

2014	Australia	NZ	Indonesia	PNG	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Production Revenue	-	10,156	22,090	1,759	34,005
Production Expenses	-	(5,688)	(10,280)	(2,245)	(18,213)
Gross Profit	-	4,468	11,810	(486)	15,792
Loss on sale of fixed assets	(3)	-	-	-	(3)
Other revenue	162	-	-	-	162
Foreign exchange movement	(25)	34	72	-	81
Earnings/(loss) before interest expense, tax, depreciation and amortisation	(6,458)	4,502	11,882	(486)	9,440
Profit/(loss) after income tax expense	(6,559)	1,206	3,885	(698)	(2,166)

2013	Australia	NZ	Indonesia	PNG	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Production Revenue	-	19,590	27,926	2,282	49,798
Production Expenses	-	(8,450)	(9,201)	(1,480)	(19,131)
Gross Profit	-	11,140	18,725	802	30,667
Other revenue	160	-	-	-	160
Foreign exchange movement	4,443	(237)	(504)	-	3,702
Earnings/(loss) before interest expense, tax, depreciation and amortisation	(3,955)	10,903	18,221	802	25,971
Profit/(loss) after income tax expense	(3,993)	5,426	4,501	435	6,369

Total segment assets					
30 June 2014	47,200	73,342	54,282	3,835	178,659
30 June 2013	63,905	61,394	46,912	4,026	176,237
Total segment liabilities					
30 June 2014	1,927	15,582	30,477	1,270	49,256
30 June 2013	1,340	13,949	27,651	1,728	44,668
Depreciation and Amortisation					
30 June 2014	(100)	(2,809)	(6,265)	(188)	(9,362)
30 June 2013	(39)	(4,048)	(13,378)	(94)	(17,559)
Additions to Non-Current Assets					
30 June 2014	1,641	16,567	14,818	278	33,304
30 June 2013	429	8,250	3,334	402	12,415

21 Financial Reporting By Segments (cont')

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

	2014 \$000's	2013 \$000's
EBITDA	9,440	25,971
Interest expense	-	(3)
Depreciation	(100)	(39)
Amortisation	(9,262)	(17,520)
Profit before income tax expense	78	8,409

22 Share Based Payments**Directors and Employee Benefits – Share Based Payment Plans**

Performance rights over shares in Cue Energy Resources Limited were granted under the Cue Energy Resources Limited Performance Rights Plan (the 'Plan') which was approved by shareholders at the general meeting held on 24 November 2011. The Plan is designed to align the interests of executives with shareholders by providing direct participation in the benefits of future Company performance over the medium to long term.

Ownership based compensation payments for employees and executives of the group are made at the discretion of the Board. At year end all outstanding performance rights had lapsed.

Under the Plan, participants were granted performance rights which only vest if certain performance standards (as disclosed in the Remuneration Report) were met and the executive remained employed by the Company until the end of the vesting period. The selection of suitable performance benchmarks was considered critical to securing the objectives of the Plan, and benchmark price levels for vesting were set at significantly higher levels than those prevailing at the time of structuring the Plan.

Performance rights are not listed and carry no dividend or voting rights. Upon exercise, each option or performance right was convertible into one ordinary share to rank pari passu in all respects with the Company's existing fully paid ordinary shares.

In addition, the company historically had share options on issue to certain employees and other executives. As at 30 June 2014, all these options had either been exercised or had expired.

Share-based payments

The following reconciles the outstanding share options and performance rights granted as remuneration as at the beginning and end of the year.

	2014	2014	2013	2013
	Number of Share Rights	Number of Options	Number of Share Rights	Number of Options
Balance at beginning of the year	1,600,000	-	3,200,000	-
Granted during the year	-	-	3,200,000	-
Forfeited during the year	-	-	(4,000,000)	-
Exercised during the year	-	-	-	-
Lapsed during the year	(1,600,000)	-	(800,000)	-
Balance at end of the year	-	-	1,600,000	-

No performance rights were outstanding as at 30 June 2014.

The fair value of performance rights previously granted was calculated using a risked statistical analysis. This expense has been apportioned pro-rata to reporting periods where vesting periods apply.



23 Key Management Personnel And Related Party Disclosures

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

Chairman

G.J. King (Non-Executive)

Non-Executive Directors

R.A. Sylvester (appointed 30 May 2014)

A.A. Young

T.E. Dibb (resigned 20 February 2014)

P.D. Moore (resigned 15 May 2014)

Key Management Personnel

The following executives, in addition to those directors identified above, comprise Key Management Personnel:

Name	Position
D.A.J. Biggs	Chief Executive Officer
A.M. Knox	Company Secretary and Chief Financial Officer
D.B. Whittam ⁽ⁱ⁾	Exploration Manager

(i) D.B. Whittam resigned 22 August 2014

Remuneration

Management Personnel

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

- Short term employment benefits, including non monetary benefits
- Post employment benefits – superannuation
- Share based payments

	Consolidated Entity	
	2014 \$	2013 \$
Short term employment benefits (including non-monetary benefits)	1,613,208	2,615,912
Post employment benefits	99,988	90,236
Share based payments	-	22,400
	1,713,196	2,728,548

Refer to the Remuneration Report in the Director's Report for detailed compensation disclosures on key management personnel.

Consolidated Entities

Details of controlled entities are shown in note 11.

Advances to/(from) controlled entities from/to Cue Energy Resources Limited, net of provisions for impairment, at the reporting date are as follows:

	2013 \$	Movement \$	2014 \$
Cue Exploration Pty Ltd	5,155,113	1,325,728	6,480,841
Cue PNG Oil Pty Ltd	1,570,700	1,744,011	3,314,711
Cue (Ashmore Cartier) Pty Ltd	(2,226,329)	-	(2,226,329)
Cue Mahakam Hilir Pty Ltd	11,806,796	7,180,867	18,987,663
Cue Sampang Pty Ltd	14,928,101	(5,633,185)	9,294,916
Cue Taranaki Pty Ltd	14,399,546	10,001,530	24,401,076
Total	45,633,927	14,618,951	60,252,878

Repayment of amounts owing to the Company as at 30 June 2014 and all future debts due to the Company, by the controlled entities are subordinated in favour of all other creditors. Cue Energy has agreed to provide sufficient financial assistance to the controlled entities as and when it is needed to enable the controlled entities to continue operations.

The parent company has provided a financial guarantee for Cue Taranaki's performance, as required by the Maari FPSO lease and contract.

The parent company provides management, administration and accounting services to the subsidiaries. A management fee of \$480,000 (2013: \$480,000) and interest of \$417,486 (2013: \$422,873) were charged by the parent company to Cue PNG Oil Company Pty Ltd. Management fees of \$1,706,042 (2013: \$2,494,234) and nil interest (2013: \$858,562) were charged by the parent company to Cue Taranaki Pty Ltd.

24 Notes To The Statement Of Cash Flows

	Consolidated	
	2014 \$000's	2013 \$000's
(a) Reconciliation of operating (loss)/profit to net cash flows from operating activities:		
<i>(Loss)/profit after income tax expense for the year</i>	(2,166)	6,369
Adjustments for:		
Depreciation	100	39
Amortisation	9,262	17,520
Share based payments	-	22
Loss on sale of fixed assets	3	-
Net gain on foreign currency conversion	(73)	(3,752)
<i>Impact of changes in working capital items</i>		
Decrease in assets	2,008	7,101
(Decrease)/increase in liabilities	(3,514)	5,430
Net cash flows from operating activities	5,620	32,729

(b) Cash comprises cash balances held in Australia dollars and foreign currencies, principally US dollars, within Australia and overseas:

Australia	39,873	57,554
New Zealand	400	102
Papua New Guinea	8	8
Indonesia	277	1,164
Cash and bank balances	40,558	58,828
Cash Flow Statement cash balance	40,558	58,828



25 Parent Entity Information

	Parent Entity	
	2014 \$000's	2013 \$000's
Information relating to Cue Energy Resources Limited:		
Financial position		
Current assets	41,102	59,457
Non-current assets	60,956	46,282
Total assets	102,058	105,739
Current liabilities	(1,548)	(1,300)
Non-current liabilities	(64)	(38)
Total liabilities	(1,612)	(1,338)
Net assets	100,446	104,401
Contributed equity	152,416	152,416
Reserves	-	22
Accumulated losses	(51,970)	(48,037)
Net assets	100,446	104,401
Financial performance		
(Loss)/profit for the year	(3,955)	29,257
Total comprehensive (loss)/profit for the year	(3,955)	29,257

Capital Commitments

The parent entity has no commitments for the acquisition of capital assets as at 30 June 2014 (2013: nil).

Finance Leases

The parent entity has no commitments in relation to finance leases as at 30 June 2014 (2013: nil).

Contingent Liabilities

The parent entity has no contingent liabilities.

Contingent Assets

The parent entity has no contingent assets.

26 Contingent Liabilities And Assets

Contingent 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 USD5.3 million which has been provided for in the accounts. During the year, an arbitration hearing found in favour of Cue's position, however 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 parent entity and the group are not subject to any liabilities that are considered contingent upon events known at the reporting date.

Contingent Assets

In relation to the legal claims above, the quantum of costs awarded cannot currently be reliably estimated and hence has not been recognised as a receivable at year end.

However, this is a contingent asset that exists relating to these costs that will crystallise in future periods.





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INDEPENDENT AUDITOR'S REPORT

To the members of Cue Energy Resources Limited

Report on the Financial Report

We have audited the accompanying financial report of Cue Energy Resources Limited, which comprises the consolidated statement of financial position as at 30 June 2014, 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 year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1(b), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Independence

In conducting our audit, 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 report.

Opinion

In our opinion:

- (a) the financial report of Cue Energy Resources Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1(b).

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 30 to 35 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

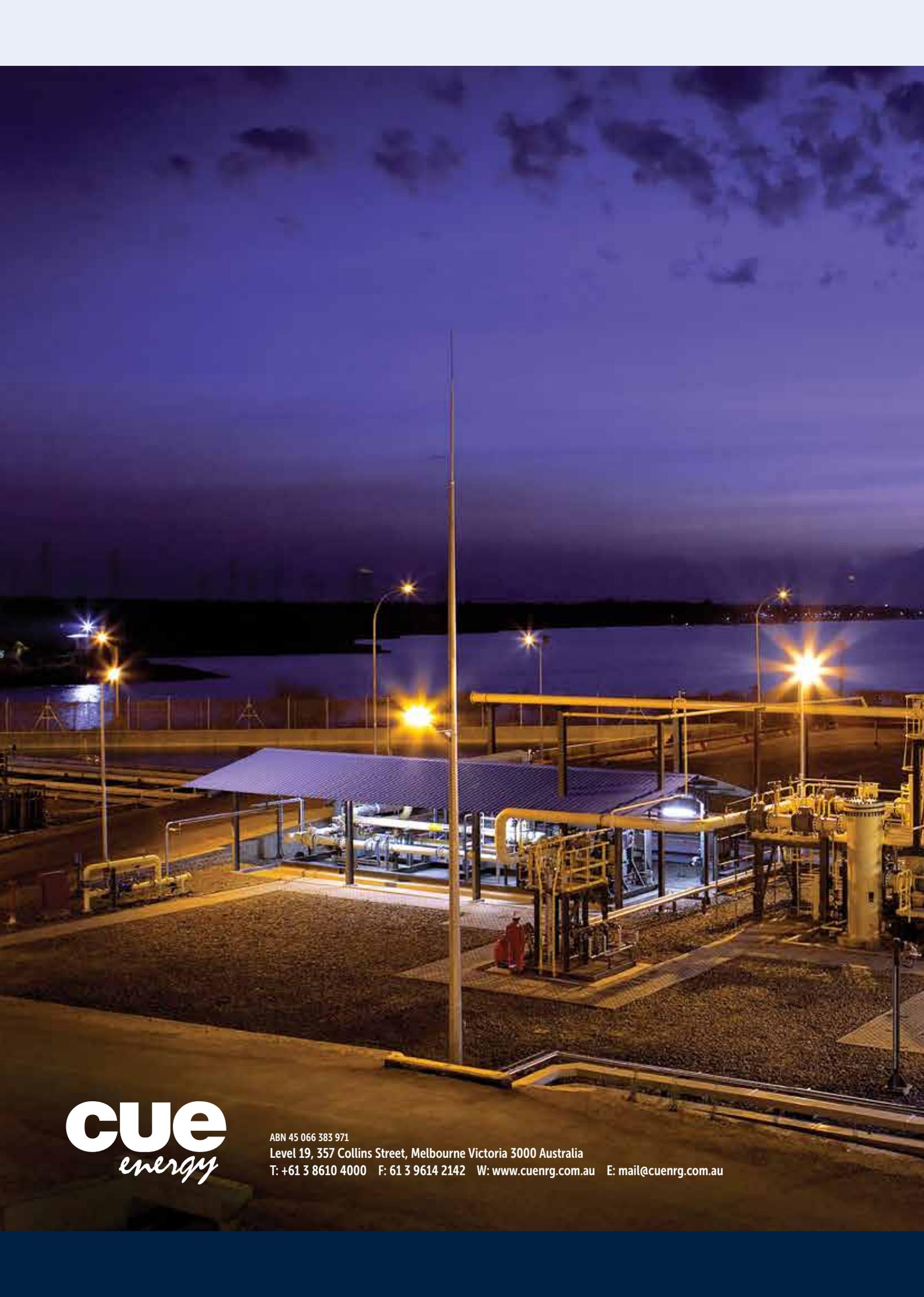
Opinion

In our opinion, the Remuneration Report of Cue Energy Resources Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

BDO East Coast Partnership

Alex Swansson
Partner

Melbourne, 25 September 2014



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energy

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