Cue Energy Resources Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	Cue Energy Resources Limited
ABN:	45 066 383 971
Reporting period:	For the half-year ended 31 December 2021
Previous period:	For the half-year ended 31 December 2020

2. Results for announcement to the market

				$'000
Production revenue from operations	up	91.4%	to	18,013
Profit from ordinary activities after tax attributable to the owners of Cue Energy Resources Limited	up	155.7%	to	8,241
Profit for the half-year attributable to the owners of Cue Energy Resources Limited	up	155.7%	to	8,241

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

Comments
The profit for the consolidated entity after providing for income tax amounted to $8.2 million (31 December 2020: loss of $14.8 million).

Financial position

The net assets of the consolidated entity increased by $8.8 million to $38.8 million for the period ended 31 December 2021 (30 June 2021: $30.0 million).

Operating results for the half year

	Consolidated	
	31 December 2021 $'000	31 December 2020 $'000
Profit/(loss) before tax	9,030	(11,242)
Finance costs	3	2
Depreciation and amortisation	2,516	1,781
EBITDA	11,549	(9,459)
Business development expenses	843	318
Share based payments	93	93
Exploration and evaluation (reversal)/expenses	(188)	10,099
One off settlement expenses	-	493
EBITDAX	12,297	1,544

*EBITDA is a financial measure which is not prescribed by Australian Accounting Standard ('AAS') and represents the profit under AAS adjusted for depreciation, amortisation, interest and tax. EBITDAX is EBITDA adjusted to exclude business development costs, exploration and evaluation expenses, share based payments and one-off legal expenses.

The Group reported a net profit after tax of $8.2 million for the period ended 31 December 2021. This was mainly attributable to a $3.4 million profit on $6.5 million in revenue generated from the Mahato PSC, which went into production in the second half of FY2021 and improved performance of Maari, with results improving by $2.1 million to a profit of $1.9 million for the six months to 31 December 2021 (31 December 2020: loss of $0.2 million). A tax benefit of $2.3 million was recognised in respect of previously unrecognised carry forward tax losses during this period.

Production revenue for the period was $18.0 million, an increase of $8.6 million from the previous period (31 December 2020: $9.4 million). This was mainly attributable to production commencing at the Mahato PSC, generating revenue of $6.5 million for 1H FY2022 and the acquisition of the Amadeus Basin business generating $2.8 million in production revenues from the date of acquisition on 1 October 2021. Production costs for the period of $7.2 million were higher than the previous period (31 December 2020: $5.6 million), primarily increasing in the Mahato PSC and the Amadeus Basin which incurred $2.1 million and $1.8 million in production costs, respectively. This was offset by a reduction of production costs at Maari of $1.7 million due to a build-up of inventories at 31 December 2021.

Administration expenses of $1.9 million were lower than the corresponding period (31 December 2020: $2.2 million). This was mainly due to lower legal costs in 2021 compared to 2020, which included costs associated with the resolution of the Hammerhead litigation. This was offset by higher business development costs arising from due diligence, compliance and related costs associated with the acquisition of the Amadeus Basin assets in 1H FY2022.

Exploration and evaluation expenses for the period are a credit as a result of the reversal of accruals previously made, no longer required for previously expected Ironbark costs.

Cash position

The consolidated cash and cash equivalents of the Group as at 31 December 2021 were $11.1 million, a decrease of $6.5 million from $17.6 million at 30 June 2021, primarily due to $9.6 million of expenditure incurred as settlement of obligations to Central Petroleum on completion of the Amadeus Basin acquisition.

3. Net tangible assets

	31 December 2021	30 June 2021
	Cents	Cents
Net tangible assets per ordinary security	5.56	4.29

4. Controlled businesses

Control gained over businesses
On 1 October 2021, the Company completed the acquisition of the Amadeus Basin business, being the acquisition of interests in the Mereenie, Palm Valley and Dingo gas and oil fields in the Northern Territory, Australia, from Central Petroleum Limited (ASX: CTP) (Central).

The Company's acquired interests are:

- 7.5% interest in the Mereenie gas and oil field (OL4 and OL5 Production Licences);
- 15% interest in the Palm Valley gas field (OL3 Production Licence); and
- 15% interest in the Dingo gas field (L7 Production Licence).

All three fields are in production and supply gas into the Eastern Australia gas market or local Northern Territory market.

The Consolidated Entity acquired the aforementioned interests for total consideration of $18.8 million, being the contractually agreed price of $20.7 million less $1.9 million in respect of agreed adjustments, refer to note 14 to the financial statements for further details. The total consideration comprised of an initial payment of $9.6 million to Central and deferred consideration, the provisional fair value of which was measured at $9.2 million at 1 October 2021. Subsequent to acquisition and prior to 31 December 2021, $0.9 million of deferred consideration was settled and of the remaining $8.3 million balance at 31 December 2021, $7.1 million is current and $1.2 million is a non-current liability.

The drilling of 2 new production wells and 4 well recompletions in the Mereenie field during the period ended 31 December 2021 were included in the deferred consideration.

	$'000
Contribution of the Amadeus Basin business to the reporting entity's revenues for the period from the date of acquisition to 31 December 2021	2,769
Contribution of the Amadeus Basin business to the reporting entity's consolidated profit from ordinary activities before tax for the period from the date of acquisition to 31 December 2021	936

	$'000
Net profit before tax from ordinary activities of the Amadeus Basin business for the six months ended 31 December 2021	960

5. Loss of control over entities

Not applicable.

6. Dividends

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

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

7. Details of associates and joint operation entities

Not applicable.

8. Foreign entities

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

Cue Energy Resources Limited and its subsidiaries, including its foreign subsidiary, use a common set of accounting policies based on Australian Accounting Standards.

9. Audit qualification or review

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

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

10. Attachments

Details of attachments (if any):

The Half-year Financial Report of Cue Energy Resources Limited for the half-year ended 31 December 2021 is attached.

11. Signed

Signed ____________________________ Date: 22 February 2022

Alastair McGregor
Non-Executive Chairman

Cue Energy Resources Limited

ABN 45 066 383 971

Half-year Financial Report - 31 December 2021

Contents

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

PRODUCTION AND DEVELOPMENT

AUSTRALIA

Cue Interests
Mereenie [OL4 & OL5]: 7.5%
Palm Valley [OL3]: 15%
Dingo [L7]: 15%
Operator: Central Petroleum Limited

Cue completed the acquisition of interests in the Mereenie, Palm Valley and Dingo fields, onshore Northern Territory, on 1 October 2021.

At Mereenie, a planned development program of four recompletions and two new development wells, WM27 and WM 28, was successfully undertaken during the period. A coil tubing unit will be mobilised to site during the current quarter to further improve production from a number of wells, including some of the previous development campaign wells. The planned coil tubing programme is aimed at improving downhole well conditions with post intervention sales capacity expected to increase from the current approximately 35 TJ/d level at Mereenie.

Preparations are being made for exploration drilling at Palm Valley and Dingo fields. Subsequent to the end of the half, Cue announced that mobilisation of the Ensign 963 drilling rig had been delayed due to ongoing drilling activities for another Operator. The rig is now mobilising to the Palm Valley well location and is expected to commence the Palm Valley-12 well in late March 2022. The Dingo-5 exploration well is expected to be drilled immediately following the Palm Valley-12 well.

The Palm Valley and Dingo wells have both exploration and development objectives in existing production reservoirs.

INDONESIA

SAMPANG PSC
Cue Interest: 15% (Cue Sampang Pty Ltd)
Operator: Medco Energi Sampang Pty Ltd

Gas production from the Oyong and Wortel fields in the Sampang PSC continued to perform well through the half.

Progress is being made on the commercial agreements and approvals required prior to the joint operation making a Final Investment Decision (FID) on the Paus Biru gas development. These activities are expected to be complete by mid-2022, with FID to follow. Due to the delays in these commercial arrangements, Front End Engineering and design (FEED) activities and expenditure were limited during the half.

The Paus Biru Development consists of a single horizontal development well with an unmanned wellhead platform (WHP) connected by a subsea pipeline to the existing WHP at the Oyong field, approximately 27km away. From the Oyong WHP, gas from Paus Biru will be transported using the existing pipeline to the Grati Onshore Production Facility, which is operated by the Sampang PSC joint operation, where it will be processed and sold.

The joint operation continues to review other opportunities within the PSC, including the historical Jeruk oil discovery.

MAHATO PSC

Cue Interest: 12.5% (Cue Mahato Pty Ltd)
Operator: Texcal Mahato EP Ltd

PB field oil production started the half at 3400 bopd and increased to 4800 bopd by 31 December 2021 as 3 production wells were drilled and brought online. A total of 7 wells were producing oil by the end of the half.

Cue's revenue during the half was $6.5 million from oil sales, which benefitted from high-cost recovery rates under the Production Sharing Agreement.

Development well PB-06 commenced drilling on 11 September 2021 and was successfully completed in the Bekasap C sand with reported flow rates of 800 bopd. PB-07, the seventh production well drilled in the PB field, was completed as an oil producer in the Bekasap B sand during December 2021. On 4 February 2022, Cue announced that the PB-08 well was completed as an oil producer from the Bekasap A sand. This is the first well in the field to produce from this sand.

The operator has indicated that 5 further production wells are planned to be drilled in the northern section of the PB field to further develop the field and increase oil production. The first of these wells started in early February.

After the next phase of development drilling is completed later this year, exploration is expected to recommence in the permit, with an exploration well planned outside of the PB field area.

On 17 July 2021, the PBE-1 well commenced in the PB field, targeting a structure away from the main PB field. The well did not encounter any hydrocarbons and was plugged and abandoned in early September.

NEW ZEALAND

PMP 38160

Cue Interest: 5% (Cue Taranaki Pty Ltd)
Operator: OMV New Zealand Limited

Oil production from Maari and Manaia fields averaged approximately 4,550 bopd during the half.

MR8 production well was shut-in in early August due to electric submersible pump (ESP) failure. Workover repairs to replace the ESP commenced mid-October and were successfully completed during November and the well brought back into production.

The MR6a production well remained shut in for the half as the operator progressed plans for the installation of temporary desanding equipment to allow the well to flow and assess the cause of the detected sand. The test is expected to be undertaken during Q4 FY22.

Late in the half, the New Zealand Government passed the Crown Minerals (Decommissioning and Other Matters) Amendment Bill which, amongst other things, changes the decommissioning obligations of Permit holders in New Zealand. Cue is reviewing the new requirements and the associated regulations, which are yet to be finalised, as a result of which it is not possible for management to conclude as to the impact of this legislative change on the Group.

Regulatory approval processes for Jadestone Energy to acquire 69% operated working interest in Maari from OMV are continuing.

EXPLORATION
AUSTRALIA

WA-409-P
Cue Interest: 20% (Cue Exploration Pty Ltd)
Operator: BP Developments Australia Pty Ltd

During the reporting period, the WA-409-P joint operation surrendered the permit with all work commitments complete.

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

Cue continued with a prospectively assessment of the WA-389-P permit based on the results of the Ironbark-1 explosion well. WA-389-P expires in April 2022.

INDONESIA

Mahakam Hilir PSC
Cue Interest: 100% (Cue Mahakam Hilir Pty Ltd and Cue Kalimantan Pte Ltd)
Operator: Cue Kalimantan Pte Ltd

Processes are underway for surrendering the permit, which expired in April 2021. The timing of finalisation of the PSC surrender relies on Indonesian Government processes and is uncertain.

The directors present their report, together with the financial statements, on the consolidated entity consisting of Cue Energy Resources Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2021.

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

Alastair McGregor
Andrew Jefferies
Peter Hood
Richard Malcolm
Rod Ritchie
Samuel Kellner
Marco Argentieri

Chief Executive Officer
Matthew Boyall

Chief Financial Officer/Company Secretary
Melanie Leydin

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

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

Review of operations
The profit for the consolidated entity after providing for income tax amounted to $8.2 million (31 December 2020: loss of $14.8 million). This was mainly attributable to a $3.4 million profit from $6.5 million in revenue generated by the Mahato PSC, which went into production in the second half of FY2021 and improved performance of the Maari operations, improving by $2.1 million to a profit of $1.9 million for the six months to 31 December 2021 (31 December 2020: loss of $0.2 million). Additionally, the Group recognised a tax benefit of $2.3 million as a result of the recognition of previously unrecognised carried forward tax losses.

During the half year, the Group earned production revenue of $18.0 million (31 December 2020: $9.4 million) and incurred production costs of $7.2 million (31 December 2020: $5.6 million).

Production revenue for the period was $18.0 million, an increase of $8.6 million from the previous period (31 December 2020: $9.4 million). This was mainly attributable to production commencing at the Mahato PSC, generating revenue of $6.5 million for 1H FY2022 and the acquisition of the Amadeus Basin business generating production revenue of $2.8 million from the date of acquisition on 1 October 2021. Production costs for the period of $7.2 million were higher than the previous period (31 December 2020: $5.6 million), primarily increasing at the Mahato PSC and the Amadeus Basin business, which incurred $2.1 million and $1.8 million in production costs respectively. This was offset by a reduction of production costs at Maari of $1.7 million due to a build up of inventories at 31 December 2021.

Administration expenses of $1.9 million were lower than the corresponding period (31 December 2020: $2.2 million). This was mainly due to lower legal costs in 2021 compared to 2020, which included costs associated with the resolution of the Hammerhead litigation. This was offset by higher business development costs arising from due diligence, compliance and related costs associated with the acquisition of the Amadeus Basin assets in 1H FY2022.

Exploration and evaluation expenses for the period are a credit as a result of the reversal of accruals previously made, no longer required, for Ironbark project costs.

The impact of Coronavirus (COVID-19) pandemic is ongoing and while there have been mixed financial and operational impacts for the Group up to 31 December 2021, it is not practical to estimate the potential impact, positive or negative, after the reporting date. The situation with the latest COVID-19 variant is rapidly developing and its potential impact on the consolidated entity's financial position and performance is dependent on measures imposed by the Australian and other sovereign governments, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

	Consolidated	
	31 December 2021 $'000	**31 December 2020 $'000**
Profit/(loss) before tax	9,030	(11,242)
Finance costs	3	2
Depreciation and amortisation	2,516	1,781
EBITDA	11,549	(9,459)
Business acquisition and development costs	843	318
Share based payments	93	93
Exploration and evaluation (reversal)/expenses	(188)	10,099
One off settlement expenses	-	493
EBITDAX	12,297	1,544

* EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit under AAS adjusted for depreciation, amortisation, interest and tax. EBITDAX is EBITDA adjusted to exclude business development costs, exploration and evaluation expenses, share based payments and one-off legal expenses. The Directors consider that these measures are useful in gaining an understanding of the performance of the entity, consistent with internal reporting.

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

Matters subsequent to the end of the financial half-year
No matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Auditor's independence declaration
The lead auditor's independence declaration is set out on page 5 and forms part of the directors' report for the six months ended 31 December 2021.

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

Signed in accordance with a resolution of the directors:

Alastair McGregor
Non-Executive Chairman

22 February 2022

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

To the Directors of Cue Energy Resources Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Cue Energy Resources Limited for the half-year ended 31 December 2021 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Vicky Carlson

Partner

Melbourne

22 February 2022

Cue Energy Resources Limited
Condensed consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2021

	Note	Consolidated 31 December 2021 $'000	Consolidated 31 December 2020 $'000
Production revenue from operations	4	18,013	9,411
Production costs		(7,201)	(5,600)
Gross profit		10,812	3,811
Other income		4	213
Net foreign currency exchange gain/(loss)		43	(2,914)
Expenses			
Exploration and evaluation reversal/(expenses)		188	(10,099)
Administration expenses	5	(1,924)	(2,160)
Share-based payments		(93)	(93)
Profit/(loss) before income tax expense		9,030	(11,242)
Income tax expense		(789)	(3,555)
Profit/(loss) after income tax expense for the half-year attributable to the owners of Cue Energy Resources Limited		8,241	(14,797)
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		524	(975)
Other comprehensive income/(loss) for the half-year, net of tax		524	(975)
Total comprehensive income/(loss) for the half-year attributable to the owners of Cue Energy Resources Limited		8,765	(15,772)
		Cents	**Cents**
Basic earnings/(loss) per share	16	1.18	(2.12)
Diluted earnings/(loss) per share	16	1.18	(2.12)

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

Cue Energy Resources Limited
Condensed consolidated statement of financial position
As at 31 December 2021

	Note	Consolidated 31 December 2021 $'000	Consolidated 30 June 2021 $'000
Assets			
Current assets			
Cash and cash equivalents		11,098	17,617
Trade and other receivables		6,994	7,342
Inventories		2,691	437
Restricted cash		-	27
Total current assets		20,783	25,423
Non-current assets			
Other financial assets		5,979	5,784
Property, plant and equipment		40	44
Right-of-use assets		196	194
Exploration and evaluation assets		415	-
Production properties	6	46,225	18,344
Development assets	7	3,945	3,670
Deferred tax asset	8	4,992	2,641
Total non-current assets		61,792	30,677
Total assets		82,575	56,100
Liabilities			
Current liabilities			
Trade and other payables		3,042	2,960
Contract liabilities		1,494	-
Lease liabilities		88	52
Tax liabilities		3,167	2,115
Provisions		278	232
Deferred consideration	14	7,162	-
Total current liabilities		15,231	5,359
Non-current liabilities			
Contract liabilities		1,526	-
Lease liabilities		120	145
Deferred tax liabilities	9	5,185	5,017
Provisions	10	20,532	15,656
Deferred consideration	14	1,200	-
Total non-current liabilities		28,563	20,818
Total liabilities		43,794	26,177
Net assets		38,781	29,923
Equity			
Contributed equity		152,416	152,416
Reserves	11	(198)	(815)
Accumulated losses		(113,437)	(121,678)
Total equity		38,781	29,923

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

Cue Energy Resources Limited
Condensed consolidated statement of changes in equity
For the half-year ended 31 December 2021

Consolidated	**Contributed equity $'000**	**Reserves $'000**	**Accumulated losses $'000**	**Total equity $'000**
Balance at 1 July 2020	152,416	83	(108,935)	43,564
Loss after income tax expense for the half-year	-	-	(14,797)	(14,797)
Other comprehensive loss for the half-year, net of tax	-	(975)	-	(975)
Total comprehensive loss for the half-year	-	(975)	(14,797)	(15,772)
Transactions with owners in their capacity as owners:				
Share-based payments	-	93	-	93
Balance at 31 December 2020	152,416	(799)	(123,732)	27,885

Consolidated	**Contributed equity $'000**	**Reserves $'000**	**Accumulated losses $'000**	**Total equity $'000**
Balance at 1 July 2021	152,416	(815)	(121,678)	29,923
Profit after income tax expense for the half-year	-	-	8,241	8,241
Other comprehensive income for the half-year, net of tax	-	524	-	524
Total comprehensive income for the half-year	-	524	8,241	8,765
Transactions with owners in their capacity as owners:				
Share-based payments	-	93	-	93
Balance at 31 December 2021	152,416	(198)	(113,437)	38,781

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

Cue Energy Resources Limited
Condensed consolidated statement of cash flows
For the half-year ended 31 December 2021

	Note	Consolidated 31 December 2021 $'000	31 December 2020 $'000
Cash flows from operating activities			
Receipts from customers		18,763	8,862
Interest received		3	23
Payments to suppliers		(8,350)	(5,033)
Exploration and evaluation expenditure		(722)	(2,698)
Income tax paid		(2,080)	(2,021)
Royalties paid		(246)	(60)
Net cash from/(used in) operating activities		7,368	(927)
Cash flows used in investing activities			
Payments for production properties	14	(2,955)	(92)
Payments for development assets	14	(315)	(2,395)
Payments for property, plant and equipment		(5)	(5)
Payments for exploration and evaluation assets		(285)	-
Payment for prospects acquired		(10,468)	-
Net cash used in investing activities		(14,028)	(2,492)
Cash flows used in financing activities			
Payments of principal element of lease liabilities		(26)	(43)
Net cash used in financing activities		(26)	(43)
Net decrease in cash and cash equivalents		(6,686)	(3,462)
Cash and cash equivalents at the beginning of the financial half-year		17,644	31,944
Effects of exchange rate changes on cash and cash equivalents		140	(2,856)
Cash and cash equivalents at the end of the financial half-year		11,098	25,626

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

Note 1. General information

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

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

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 22 February 2022.

Note 2. Summary of significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2021 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2021.

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

The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements. The impact of the COVID-19 Pandemic continues to cause volatility in Australian and international markets and impacts global oil prices. There continues to be significant uncertainty around the breadth and duration of business disruptions related to COVID-19, and management continue monitor its impact.

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 period ended 31 December 2021.

Note 3. Financial reporting by segments

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

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

At reporting date, the Group operates primarily in Australia but also has international operations in Indonesia and New Zealand.

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

Note 3. Financial reporting by segments (continued)

	Geographic location			
Consolidated - 31 December 2021	**Australia $'000**	**New Zealand $'000**	**Indonesia $'000**	**Total $'000**
Revenue				
Production revenues from continuing operations	2,769	2,385	12,859	18,013
EBITDAX	468	2,234	9,595	12,297
Depreciation and amortisation	(535)	(372)	(1,609)	(2,516)
Share based payments	(71)	-	(22)	(93)
Business development expenses	(843)	-	-	(843)
Finance costs	(3)	-	-	(3)
Exploration and evaluation reversal/(expenses)	229	-	(41)	188
Profit/(loss) before income tax expense	(755)	1,862	7,923	9,030
Income tax expense				(789)
Profit after income tax expense				8,241
Assets				
Capital expenditure	745	290	2,206	3,241

Consolidated - 31 December 2021	**Australia $'000**	**New Zealand $'000**	**Indonesia $'000**	**Total $'000**
Current assets	11,417	2,795	6,571	20,783
Non-current assets	30,108	13,173	18,511	61,792
Total assets	41,525	15,968	25,082	82,575
Current liabilities	11,110	932	3,189	15,231
Non-current liabilities	7,327	9,840	11,396	28,563
Total liabilities	18,437	10,772	14,585	43,794
Net assets	23,088	5,196	10,497	38,781

Note 3. Financial reporting by segments (continued)

	Geographic locations			
Consolidated - 31 December 2020	**Australia $'000**	**New Zealand $'000**	**Indonesia $'000**	**Total $'000**
Revenue				
Production revenues from continuing operations	-	2,730	6,681	9,411
EBITDAX	(3,993)	829	4,708	1,544
Depreciation and amortisation	(39)	(991)	(751)	(1,781)
One off legal expenses	-	-	(493)	(493)
Business development costs	(318)	-	-	(318)
Share based payments	(69)	-	(24)	(93)
Finance costs	(2)	-	-	(2)
Exploration and evaluation reversal/(expenses)	(9,864)	-	(235)	(10,099)
Profit/(loss) before income tax expense	(14,285)	(162)	3,205	(11,242)
Income tax expense				(3,555)
Loss after income tax expense				(14,797)
Assets				
Capital expenditure	-	843	2,308	3,151

Consolidated - 30 June 2021	**Australia $'000**	**New Zealand $'000**	**Indonesia $'000**	**Total $'000**
Current assets	15,390	2,989	7,044	25,423
Non-current assets	215	13,049	17,413	30,677
Total assets	15,605	16,038	24,457	56,100
Current liabilities	1,682	1,109	2,568	5,359
Non-current liabilities	375	9,432	11,011	20,818
Total liabilities	2,057	10,541	13,579	26,177
Net assets	13,548	5,497	10,878	29,923

Note 4. production revenues from operations

	Consolidated	
	31 December 2021 $'000	**31 December 2020 $'000**
Crude oil and condensate revenue	9,422	2,785
Natural gas revenue	8,591	6,626
	18,013	9,411

Note 5. Administration expenses

	Consolidated	
	31 December 2021 $'000	31 December 2020 $'000
Business development expenses	843	318
Employee expenses	713	459
Superannuation contribution expense	42	35
Depreciation of property, plant and equipment	38	39
Legal expenses	6	525
Finance costs	3	2
One-off settlement expenses	-	493
Other expenses	279	289
Total administration expenses	1,924	2,160

Note 6. Non-current assets - production properties

	Consolidated	
	31 December 2021 $'000	30 June 2021 $'000
Production properties	46,225	18,344

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

Consolidated	**Total $'000**
Balance at 1 July 2021	18,344
Additions through Amadeus Basin business combination (note 14)	27,310
Additions	2,675
Amortisation expense	(2,492)
Foreign exchange differences	619
Abandonment provision	(231)
Balance at 31 December 2021	46,225

Note 7. Non-current assets - development assets

	Consolidated	
	31 December 2021 $'000	30 June 2021 $'000
Sampang Paus Biru	3,889	3,670
Amadeus Basin	56	-
	3,945	3,670

During the six months ending 31 December 2021, the Consolidated Entity acquired the Amadeus Basin assets, as detailed in note 14.

Note 8. Non-current assets - deferred tax asset

	Consolidated	
	31 December 2021 $'000	30 June 2021 $'000
Deferred tax asset	4,992	2,641

During the period ended 31 December 2021, the Consolidated Entity recognised a deferred tax asset of $2.26 million in respect of previously unrecognised carried forward tax losses. The Consolidated Entity has a deferred tax asset for carried forward tax losses not recognised of $37.9 million at 31 December 2021 (30 June 2021: $40.6 million).

The Consolidated Entity also recognised $4.30 million on acquisition of the Amadeus Basin business, as detailed in note 14, which has been offset against deferred tax liabilities at 31 December 2021.

Note 9. Non-current liabilities - deferred tax liabilities

	Consolidated	
	31 December 2021 $'000	30 June 2021 $'000
Deferred tax liability	5,185	5,017

During the period ended 31 December 2021, the Consolidated Entity recognised a deferred tax liability of $4.30 million on acquisition of the Amadeus Basin business, as detailed in note 14, of which $4.3 million has been offset against deferred tax assets at 31 December 2021.

Note 10. Non-current liabilities - provisions

	Consolidated	
	31 December 2021 $'000	30 June 2021 $'000
Employee benefits	3	48
Restoration provisions	20,529	15,608
	20,532	15,656

During the six months ended 31 December 2021, the Consolidated Entity completed the acquisition of the Amadeus Basin business, as a result of which a restoration provision of $4.4 million was recognised upon acquisition, as detailed in note 14.

Note 11. Equity - reserves

	Consolidated	
	31 December 2021 $'000	30 June 2021 $'000
Foreign currency reserve	(654)	(1,178)
Options reserve	456	363
	(198)	(815)

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

Exchange differences arising on translation of subsidiaries with a different functional currency to the Group are taken to the foreign currency translation reserve. The reserve is subsequently reclassified from equity to profit or loss when the net investment is disposed of.

Option reserve
The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Note 12. Contingent assets and liabilities

The Directors are not aware of any contingent assets or contingent liabilities as at 31 December 2021 (30 June 2021: Nil).

Note 13. Commitments for expenditure

In order to maintain the various permits in which the Group is involved the Group has ongoing operational expenditure as part of its normal operations. The actual costs will be dependent on a number of factors such as joint operation decisions including final scope and timing of operations. These projects require the Group, either directly or through joint operation arrangements, to enter into contractual commitments for future expenditures. As of 31 December 2021, the Group had development and exploration well commitments in respect of the Mahato PSC of $4.0 million within a year of the reporting date.

The Group has committed to exploration and development expenditure as part of the acquisition of the Mereenie, Palm Valley and Dingo fields. These commitments as of 31 December 2021 were in respect of the Consolidated Entity's interest in exploration and development expenditure commitments, being $8.2 million in respect of Palm Valley and Dingo deep wells and tie in equipment in addition to Meerenie gas flare recovery and flare tip works. This is Group’s equity share of commitments associated with the Amadeus Basin Permits, excluding the deferred consideration associated with the Central Petroleum purchase agreement, which is reflected in the Statement of Financial Position as deferred consideration and detailed in note 14.

As part of the acquisition, the Group has an obligation to pay bonds of $0.5 million to Northern Territory and Always Powering Ahead.

Note 14. Business combinations

On 1 October 2021, the Consolidated Entity acquired the Amadeus Basin business, being the acquisition of interests in the Mereenie, Palm Valley and Dingo gas and oil fields in the Northern Territory, Australia, from Central Petroleum Limited (ASX: CTP) (Central).

The Consolidated Entity's acquired interests in the joint operation are a:
- 7.5% interest in the Mereenie gas and oil field (OL4 and OL5 Production Licences);
- 15% interest in the Palm Valley gas field (OL3 Production Licence); and
- 15% interest in the Dingo gas field (L7 Production Licence).

The ownership interests in the Amadeus Basin joint operation are as follows:

Ownership interest in Amadeus Basin business	Cue Energy Resources Limited %	New Zealand Oil & Gas Limited %	Central Petroleum Limited %	Macquarie Meerenie Pty Ltd %
Meerenie	7.5%	17.5%	25.0%	50.0%
Palm Valley	15.0%	35.0%	50.0%	-
Dingo	15.0%	35.0%	50.0%	-

The recent drilling of 2 new production wells and 4 well recompletions in the Mereenie field during the period were included in the carried cost contribution by the Group.

All three fields are in production and supply gas into the Eastern Australia and local Northern Territory gas markets.

The Consolidated Entity acquired the aforementioned interests for total consideration of $18.8 million, being the contractually agreed price of $20.7 million less $1.9 million in respect of a working capital adjustment and net revenues from the effective date of the transaction on 1 July 2020 through to the completion date. The total consideration comprised of an initial payment of $9.6 million to Central and deferred consideration, the provisional fair value of which was measured at $9.2 million upon acquisition at 1 October 2021. Subsequent to acquisition and prior to 31 December 2021, $0.9 million of the deferred consideration was settled. Of the remaining $8.3 million balance at 31 December 2021, $7.1 million is current and $1.2 million is a non-current liability.

Note 14. Business combinations (continued)

Details of the Consolidated Entity’s interest in the provisional fair value of the assets and liabilities upon acquisition are as follows:

	Provisional fair value $'000
Cash and cash equivalents	62
Trade receivables	59
Oil and gas production properties	27,310
Inventory	332
Right-of-use assets	50
Deferred tax asset	4,301
Trade and other payables	(1,122)
Rehabilitation provision	(4,439)
Contract liabilities	(3,372)
Lease liability	(50)
Deferred tax liability	(4,301)
Acquisition-date fair value of the total consideration transferred	18,830
Representing:	
Contractually agreed price	20,700
Net revenue received	(1,708)
Working capital adjustment	(162)
Acquisition date fair value of consideration paid and payable	18,830
Acquisition costs expensed to profit or loss	1,576
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	18,830
Less: deferred consideration	(9,246)
Net cash used	9,584

The valuation of any assets and liabilities identified as part of this process will be finalised post completion of the 31 December 2021 interim financial statements and therefore any amounts in the interim financial statements are reported as provisional. If new information obtained within one year of the date of acquisition, about facts and circumstances that existed at the date of acquisition identify adjustments to the above amounts, or any additional assets, liabilities or contingent liabilities that existed at the date of acquisition, then the accounting for the acquisition will be revised.

As part of the acquisition, the Consolidated Entity assumed an obligation to supply gas to a customer from which Central had received income prior to the Consolidated Entity acquiring its interest in the Amadeus Basin business. The fair value of this obligation is yet to be determined.

As detailed in note 13, the Group has entered into certain commitments for further exploration and development works in respect of the Amadeus Basin assets acquired. The obligations reflected therein represent the Group's proportion of the total cost of works committed to at 31 December 2021.

i. Goodwill
Based on the provisional fair value assessment, no goodwill was recognised on the acquisition of the Amadeus Basin business.

The Consolidated Entity operates as three operating segments, being the Australian, Indonesian and New Zealand geographic segments. The Amadeus Basin business is comprised of two cash generating units being the Dingo and Meerenie, including Palm Valley, fields within the Australian segment.

Note 14. Business combinations (continued)

ii. Deferred consideration
The acquisition of the Amadeus Basin acquisition included a deferred consideration element being based on the Consolidated Entity's obligation to fund Central's share of exploration, appraisal and development costs to a maximum of $12 million. The recent completion of 2 new production wells and 4 well recompletions in the Mereenie field was included in the deferred consideration. The provisional fair value of the deferred consideration on the date of acquisition was $9.2 million and $8.3 million at 31 December 2021, of which $7.1 million is expected to be settled within twelve months of the reporting date and $1.2 million thereafter.

iii. Contribution to the Consolidated Entity's results
The Amadeus Basin assets contributed revenues of $2.77 million and net profit before tax of $0.93 million to the Consolidated Entity from the date of the acquisition to 31 December 2021. The Amadeus Basin assets do not receive any allocations of acquisition costs, corporate overhead, listing or finance costs, all of which are absorbed by the Consolidated Entity's core operations.

The Amadeus Basin assets contributed estimated proforma revenues of $3.87 million and net profit before tax of $0.96 million for the period from 1 July 2021 to 31 December 2021, past earnings not necessarily being a reflection of future earning capacity.

Note 15. Events after the reporting period

No matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 16. Earnings/(loss) per share

	Consolidated	
	31 December 2021 $'000	31 December 2020 $'000
Profit/(loss) after income tax attributable to the owners of Cue Energy Resources Limited	8,241	(14,797)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings/(loss) per share	698,119,720	698,119,720
Weighted average number of ordinary shares used in calculating diluted earnings/(loss) per share	698,119,720	698,119,720
	Cents	**Cents**
Basic earnings/(loss) per share	1.18	(2.12)
Diluted earnings/(loss) per share	1.18	(2.12)

The potentially dilutive effects of any contingently issuable ordinary shares have not been considered in the diluted loss per share calculation for the six months ended 31 December 2021 as the effect of contingently issuable ordinary shares would have been anti-dilutive.

In the opinion of the directors of Cue Energy Resources Limited ("the Company"):

The condensed consolidated financial statements and notes are set out on pages 9 to 21, are in accordance with the *Corporation Act 2001*, including

(a) giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the six month period ended on that date;
(b) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; 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.

Signed in accordance with a resolution of directors:

Alastair McGregor
Non-Executive Chairman

22 February 2022

Independent Auditor's Review Report

To the shareholders of CUE Energy Resources Limited

Report on the Half-year Financial Report

Conclusion

We have reviewed the accompanying ***Half-year Financial Report*** of CUE Energy Resources Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Half-year Financial Report of CUE Energy Resources Limited does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 31 December 2021 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Half-year Financial Report*** comprises:

- Condensed consolidated statement of financial position as at 31 December 2021;
- Condensed Consolidated statement of profit or loss and other comprehensive income, Condensed Consolidated statement of changes in equity and Condensed Consolidated statement of cash flows for the Half-year ended on that date;
- Notes 1 to 16 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

The ***Group*** comprises CUE Energy Resources Limited (the Company) and the entities it controlled at the Half year's end or from time to time during the Half-year.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

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

Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

- the preparation of the Half-year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001;*
- such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Half-year Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the Half-Year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

KPMG

Vicky Carlson

Partner

Melbourne

22 February 2022