ABN 45 066 383 971

24 February 2017 **PAGES (including this page): 36**

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

Half-Year Report for the period ended 31 December 2016

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 and gas company with activities in Australia, New Zealand and Indonesia.

THE COMPANY HAS:

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

CUE ENERGY DIRECTORS

- Grant Worner (Executive Chairman)
- Koh Ban Heng
- Duncan Saville

CUE ENERGY MANAGEMENT

- Andrew Knox (CFO)

OFFICE
Level 19
357 Collins Street
Melbourne Vic 3000

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

EMAIL
mail@cuenrg.com.au

WEBSITE
www.cuenrg.com.au

LISTINGS
ASX: CUE
ADR/OTC: CUEYY

Appendix 4D

Half-Year Report for the period ended 31 December 2016

FINANCIAL SUMMARY - 2017 First Half Financial Results

24 February 2017

- **Statutory loss after tax of $12.44m after significant impairment expenses of $6.39m.**
- **Net loss from continuing operations, excluding amortisation expense amounted to $6.44m.**
- **Cash of $22.9m at 31 December 2016**.

KEY POINTS

Finance

- Gross profit from production for the Company was an improvement on the previous year gross profit in the half-year to 31 December 2016.
- Production income was however lower by 29.28% compared to the corresponding period in FY16 due to decreased oil and gas production and oil prices from the Sampang PSC, Indonesia and Maari, New Zealand.
- A loss after income tax of $12.44m for the first half of FY17 was incurred principally due to a $2.31m loss from discontinued operations in the USA and a $6.39m impairment of Cue's (5%) interest in the Maari oil field in New Zealand primarily due to expectations of lower long term oil prices and lower production.

Exploration

- Cue received approval to transfer 80% equity and Operatorship of WA-409-P to BP. BP will fund the work program for a minimum $2m required under the permit for the next 3 years.
- Cue granted BP an option to farm-in to 42.5% of WA-359-P, which if exercised would result in 50% funding for the proposed Ironbark-1 well.
- In addition to the agreement with BP, discussions are continuing with major international companies to attract a partner for WA-359-P and join BP and Cue in drilling a well in 2018 to test the Ironbark prospect for gas.
- Cue has withdrawn from its exploration permits in New Zealand.

Production

- **Indonesia:** The Sampang Joint Venture has initiated the Sampang Sustainability Project (SSP) to convert to gas only production within the PSC and extend the life of the Oyong and Wortel fields by at least 2 years to 2020 or beyond.
- **New Zealand:** Maari production was suspended on 24th November for approximately 7 weeks as a precautionary measure to repair a crack in the Well Head platform. Production recommenced on 12th January 2017.
- **USA:** Cue divested its interest in the Pine Mills Field during the half-year.

RESULTS FOR ANNOUNCEMENT TO THE MARKET
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

Current Reporting Period: Half-year ended 31 December 2016
Previous Corresponding Period: Half-year ended 31 December 2015

	Percentage Change Over Comparative (restated)	Amount (6 month period ended 31 December 2016) $'000
Production income	(29.28)	18,128
Loss after tax attributable to members	(57.25)	12,482
Net loss attributable to members	(57.25)	12,482

Dividends

No dividends have been paid or proposed.

Brief Explanation of Revenue and Net Profit

(i) Revenue from Ordinary Activities.
Decrease in revenues can be attributed mainly to decreased production at Sampang, Indonesia and Maari, New Zealand.

(ii) Net Result
The $12.44m loss after tax was primarily as a consequence of the following movements:-

	31 Dec 2016 $'000	Restated 31 Dec 2015 $'000	Movement %
Production Income	18,128	25,634	(29.28)
Production Costs	(11,654)	(19,879)	41.37
Gross Profit from Production	6,474	5,755	12.49
Foreign Exchange Gain	377	374	0.80
Maari Impairment Expense	(6,386)	(25,103)	74.56
Other Impairment Expense	-	(2,665)	-
Insurance Refunds	-	3,720	-
Income Tax (Expense)/Credit	(3,402)	1,387	N/A
Loss from discontinued operations	(2,312)	(756)	(205.82)

Net Tangible Assets Per Ordinary Security	4.9 cents	8.0 cents

CONTENTS

CORPORATE DIRECTORY

Directors
Grant A. Worner – Executive Chairman
BE(Chemical Ist Hons), MBA, GAICD

Koh Ban Heng – Independent Non-Executive Director
BSc, GDipBA

Duncan P. Saville - Non-independent Non-Executive Director
BCom. (Hons), BSc (Hons), FCA, F Fin, FAICD

Chief Financial Officer/Company Secretary
A.M. Knox, *BCom, CA, CPA, FAICD*

Registered Office
Level 19, 357 Collins Street
Melbourne Victoria 3000 Australia
Telephone: + 61 3 8610 4000
Facsimile: + 61 3 9614 2142
Website: www.cuenrg.com.au
Email: mail@cuenrg.com.au
ABN 45 066 383 971

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

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

Auditor
BDO East Coast Partnership
Collins Square, Tower Four
Level 18, 727 Collins Street
Melbourne, Victoria 3008 Australia

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

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

PT. Bank Mandiri (Persero) Tbk
Corporate Banking V Group
Plaza Mandiri, 1st Floor
Jl. Jend. Gatot Soebroto Kav 36-38
Jakarta 12190, Indonesia

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

DIRECTORS REPORT

The Directors present their report together with the consolidated Financial Report of Cue Energy Resources Limited ("Cue") for the half-year ended 31 December 2016.

DIRECTORS

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

G.A. Worner (Executive Chairman)
Koh Ban Heng
D.P. Saville

RESULT

The consolidated loss after tax for the half-year ended 31 December 2016 amounted to $12.44m (2015: $29.20m).

During the half-year the Group earned production income of $18.13m (2015: $25.63m) and incurred production costs of $11.65m (2015: $19.88m). Impairment expenses incurred were $6.39m which was an impairment of Cue's 5% interest in the Maari oil field, New Zealand as a result of reduced oil prices and production. In addition the result was impacted by a loss on discontinued operations of $2.31m resulting from the sale of the Pine Mills interest in the USA.

DIVIDENDS

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the consolidated entity during the financial half-year other than the divestment of its interest in the Pine Mills Field during the half-year.

SUMMARY

Highlights

During the half year Cue continued the implementation of the strategy announced in June. The Company sold its loss making US operations, farmed out WA-409-P in the North West Shelf to BP, increased its cash balance, and announced further reductions in overheads and administration expenses which included the cutting of current directors fees from $300,000 to $160,000.

Sustainable Business

- The Company has no debt and the cash balance increased by more than two million dollars to $22.9 million at the end of the half-year, which is retained principally in US$.
- Total net production in the half year was 315,958 barrels of oil equivalent (boe) comprising of 109,879 barrels (bbls) of oil and 1.2 billion cubic feet (bcf) of gas.
- Revenue receipts from hydrocarbon production for the half-year were $18.13 million on sales of 106,340 bbls of oil at an average price of US$55 per barrel and 1.2 bcf of gas at an average price of $9 per thousand cubic feet (Mcf).
- **Indonesia:** Oyong and Wortel fields (Sampang PSC) continue favourable production, with total combined average gross rates of 927 barrels of oil per day (bopd) and 65 mmcf per day during the half-year.
- **New Zealand:** Maari (PMP 38160) gross field production averaged 8,118 bopd during the half-year. The Maari field was shut-in from the 24 November 2016 until 12 January 2017 to repair a crack in the Well Head Platform and to perform planned maintenance.
- Cue is implementing ongoing structural changes to reduce administration costs.

FINANCIAL

HALF-YEAR REVENUE

Revenue receipts from hydrocarbon production for the half-year were $18.13m on sales of 106,340 barrels of oil at an average price of $55 per barrel and 1.2 bcf of gas at an average price of $9 per mcf.

- Cue has no oil price and forex hedging in place.
- Cue has long-term gas sale contracts.
- Cue has no debt.
- Cash and cash equivalents on hand at the end of the half-year was $22.92m.

ACTIVITY REVIEW

NEW ZEALAND

PRODUCTION

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

Maari and Manaia Fields

Cue's net share of oil sales in the half-year from the Maari and Manaia fields was 85,055 bbls which generated $5.37 million in revenue received.

The average oil production rate was approximately 8,118 gross bopd (Cue net: 406 bopd).

Maari field production was shut-in as a precautionary measure on the 24 November 2016 when a crack was found in one of the platform's horizontal struts during a scheduled inspection.

During the shut-in clamps were installed as an intermediate repair solution to allow the field to continue while a permanent solution is selected. A permanent repair will likely be completed by mid 2017. Scheduled maintenance work was also conducted during the shut in period, including the repair of the water injection flowline.

Production from the Maari field resumed on the 12 January 2017 at a gross rate of 9,500 bopd.

INDONESIA

PRODUCTION

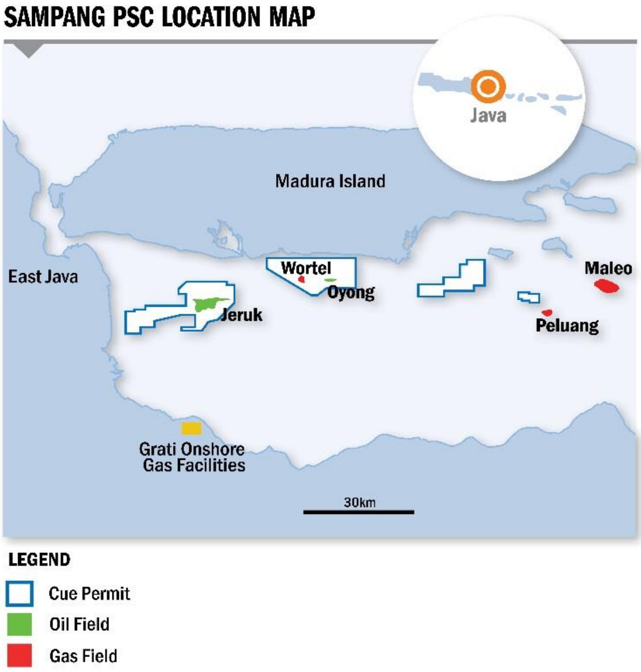
Sampang PSC- Madura Strait
Cue Interest: 15%
Operator: Santos (Sampang) Pty Ltd

Oyong Field

Oil sales of 21,219 bbls, resulted in $1.2m of revenue during the half-year.

Cue's share of condensate sales in the half-year was 27 barrels which generated $908 in revenue. Cue's share of gas sales was 505,911 Mcf, which generated $4.84m in revenue during the half-year.

The Oyong average oil production rate for the half-year was 927 bopd (gross) and the daily gas average was 27.23 mmcf (gross) (Cue net: 118.65 bopd and 2.17 mmcf – both net of government take under the Production Sharing Contract (PSC)).



The Sampang JV is progressing with the Sampang Sustainability Project (SSP) to convert to gas only production and extend the life of the Oyong and Wortel fields by at least 2 years to 2020 or beyond.

During this year, the Joint Venture is expected to make decisions about the remaining exploration opportunities in the Sampang PSC including the potential drilling of the Paus Prospect in 2018.

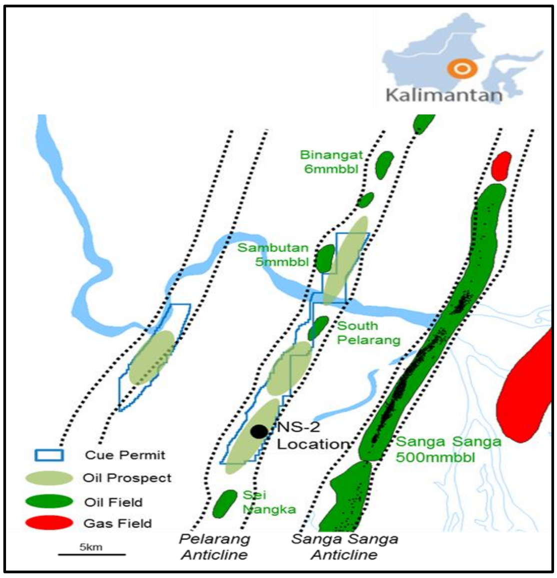
Wortel Field

Cue's share of gas sales was 737,219 mcf, which generated $6.71m in revenue during the half-year. Cue's share of condensate sales in the half-year was 39 barrels which generated $1,268 in revenue. Wortel-3 and Wortel-4 flowed gas at year end at a combined average rate of 37 mmscfd (gross) (Cue 3.8 mmscfd net of government take under the PSC.)

INDONESIA

EXPLORATION

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

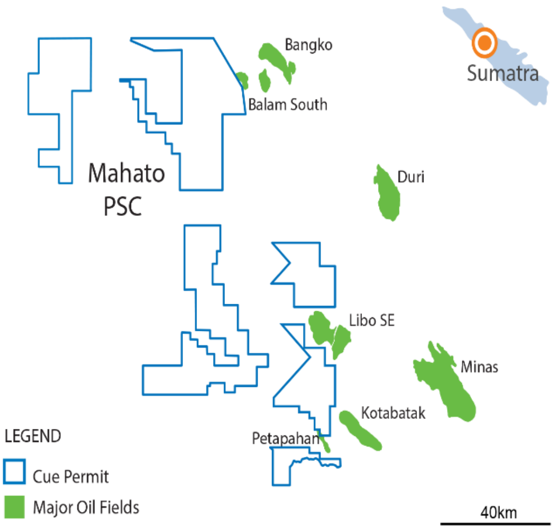


During the half-year, analysis of the Naga Selatan-2 discovery continued, focusing on estimating flow potential for oil and gas from both matrix and fracture porosity.

Cue completed data collection activities including airborne gravity gradiometry, high resolution LIDAR, shallow coring and field mapping focused on delineating areas of optimal reservoir quality and fractures for potential appraisal locations. This information is critical in making resource assessment estimates and planning for any future appraisal drilling of the Naga Selatan resource. Further drilling is required for the project to move forward towards development. The company will also consider future testing of the suspended NS-2 well pending results of our studies and considered in conjunction with future plans for drilling.

During H1 2017, Cue will be seeking a joint venture partner to participate in the Mahakam Hilir PSC.

Mahato PSC
Central Sumatra Basin
Cue Interest: 12.5%
Operator: Texcal Mahato Ltd



The Mahato PSC covers a highly prospective area, close to several large producing oil fields. Multiple appraisal and exploration opportunities have been mapped. The permit has a minimum work commitment of 1 well and 2D seismic acquisition by July 2018.

A well is planned for mid 2017 and joint venture discussions are continuing to finalise an Operating Agreement.

USA

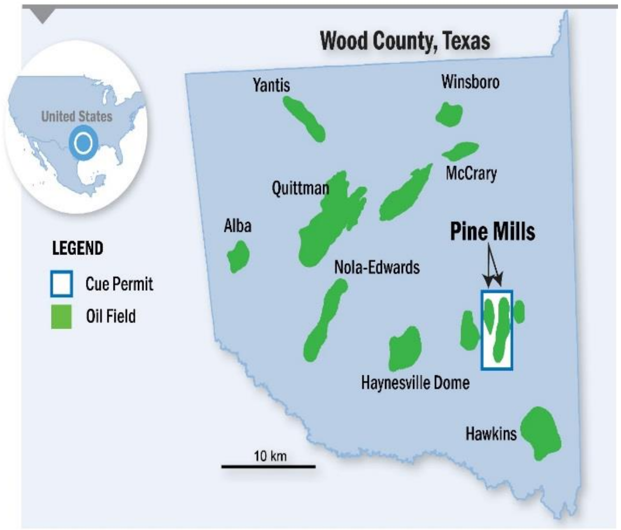
PRODUCTION

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

Oil sales in the half-year from the Pine Mills field were 12,009 bbls which generated $0.593 million in revenue received.

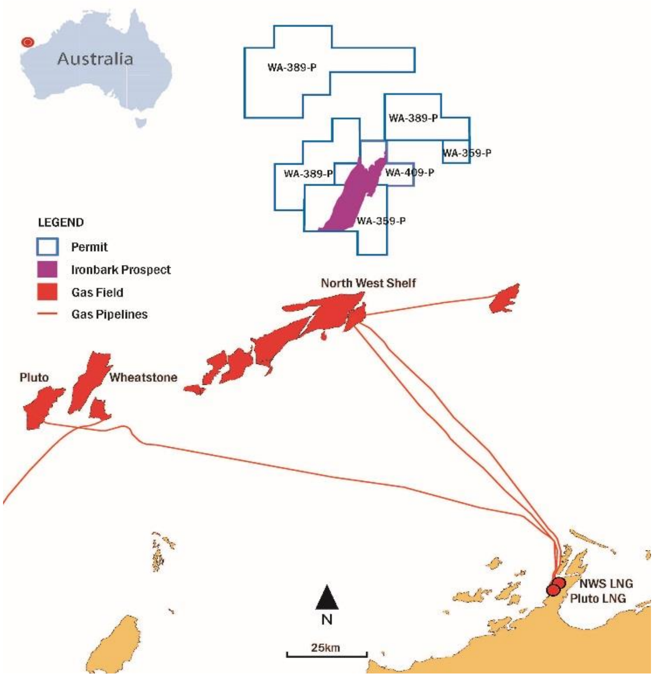
Cue finalised the sale of its entire interest in Pine Mills during the half-year.

PINE MILLS LOCATION MAP



AUSTRALIA - CARNARVON BASIN

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



WA-359-P contains the Ironbark prospect, a large and exciting Deep Mungaroo gas target.

As previously announced, Cue has granted BP Developments Australia Pty Ltd, an option to acquire 42.5% equity in WA-359-P, valid until May 2017.

Cue is continuing discussions with major international companies to attract a partner to form a joint venture together with BP to drill an exploration well in 2018 to test the Ironbark prospect.

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

During the half-year, the National Offshore Petroleum Titles Administrator approved the transfer of 80% equity and Operatorship to BP Developments Australia Pty Ltd (BP), completing the transaction that was announced on the 13 October 2016.

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

Reprocessing of existing 2D and 3D seismic data is completed and fulfils the Joint Venture’s minimum work obligations. The data is now being interpreted to compile a block wide prospect portfolio.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in the legislative instrument 2016/191 issued by the Australian Securities and Investments Commission relating to "rounding of amounts" in the Directors Report. Amounts in the Directors Report and the Half-Year Financial Report have been rounded off in accordance with that class order to the nearest thousand dollars, or in certain cases, to the nearest dollar where appropriate.

AUDITOR INDENDENCE DECLARATION

A copy of the auditor independence declaration is set out on page 14.

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

On behalf of the Board of Directors

Koh Ban Heng
Director
Dated at Melbourne this 24th day of February 2017.

Tel: +61 3 9603 1700
Fax: +61 3 9602 3870
www.bdo.com.au

Collins Square, Tower Four
Level 18, 727 Collins Street
Melbourne VIC 3008
GPO Box 5099 Melbourne VIC 3001
Australia

DECLARATION OF INDEPENDENCE BY DAVID GARVEY TO THE DIRECTORS OF CUE ENERGY RESOURCES LIMITED

As lead auditor for the review of for the half-year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

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

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

David Garvey
Partner

BDO East Coast Partnership

Melbourne, 24 February 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE LOSS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	NOTE	31 DEC 2016 $000's	RESTATED 31 DEC 2015 $000's
Production income		18,128	25,634
Production costs		(11,654)	(19,879)
Gross Profit from Production		6,474	5,755
Other revenue	2	35	3,749
Net foreign currency exchange gain		377	374
Impairment expense	4	(6,386)	(27,768)
E & E expenditure		(3,841)	(7,480)
Other expenses	3	(3,427)	(4,205)
Loss before income tax		(6,768)	(29,575)
Income tax (expense)/credit		(3,402)	1,131
Loss after income tax from continuing operations		(10,170)	(28,444)
Loss after income tax from discontinuing operations	7	(2,312)	(756)
Net Loss		(12,482)	(29,200)
Other comprehensive income			
Items that may be reclassified subsequent to profit or loss			
Foreign currency translation		(42)	1,953
Reversal of Non-Controlling Interest		669	-
Total comprehensive loss		(11,855)	(27,247)
Net Loss attributable to:			
Owners of Cue Energy Resources Limited		(12,437)	(29,099)
Non-Controlling Interest		(45)	(101)
Total loss		(12,482)	(29,200)

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE LOSS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	NOTE	31 DEC 2016 $000's	RESTATED 31 DEC 2015 $000's
Total comprehensive loss is attributable to:			
Owners of Cue Energy Resources Limited			
Continuing operations		(9,588)	(26,491)
Discontinuing operations		(2,267)	(655)
Owners of Cue Energy Resources Limited		(11,855)	(27,146)
Non-controlling interest			
Continuing operations		-	-
Discontinuing operations		(45)	(101)
Non-controlling interest		(45)	(101)
Basic loss per share (cents per share)		(1.78)	(3.90)
Diluted loss per share (cents per share)		(1.78)	(3.90)

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

CUE ENERGY RESOURCES LIMITED
ABN 45 066 383 971

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	NOTE	31 DEC 2016 $000's	30 JUN 2016 $000's
Current Assets			
Cash and cash equivalents		22,915	20,490
Trade and other receivables		4,488	4,481
Inventories		1,231	1,609
Non-current assets held for sale		-	4,095
Total Current Assets		28,634	30,675
Non Current Assets			
Property, plant and equipment		58	59
Production properties	4	33,710	42,564
Total Non Current Assets		33,768	42,623
Total Assets		**62,402**	**73,298**
Current Liabilities			
Liabilities directly associated with assets classified as held for sale		-	2,017
Trade and other payables		12,370	9,050
Tax liabilities		1,981	1,865
Provisions		614	640
Total Current Liabilities		14,965	13,572
Non Current Liabilities			
Deferred tax liabilities		3,772	4,167
Provisions		12,931	12,970
Total Non Current Liabilities		16,703	17,137
Total Liabilities		**31,668**	**30,709**
Net Assets		**30,734**	**42,589**
Equity			
Issue capital	6	152,416	152,416
Reserves		-	42
Accumulated losses		(121,682)	(109,245)
Equity attributable to the owners of Cue Energy Resources Limited		30,734	43,213
Non-controlling interest		-	(624)
Total Equity		**30,734**	**42,589**

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

CUE ENERGY RESOURCES LIMITED
ABN 45 066 383 971

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Issued Capital $000's	Foreign Currency Translation Reserve $000's	Accumulated Losses $000's	Non-controlling Interest $000's	Total $000's
At 1 July 2016	152,416	42	(109,245)	(624)	42,589
Loss after income tax expense	-	-	(12,437)	(45)	(12,482)
FCTR	-	(42)	-	-	(42)
Other comprehensive income	-	-	-	669	669
Total comprehensive (loss)/income for the period	**-**	**(42)**	**(12,437)**	**624**	**(11,855)**
As at 31 December 2016	152,416	-	(121,682)	-	30,734

	Issued Capital $000's	Foreign Currency Translation Reserve $000's	Accumulated Losses $000's	Non-controlling Interest $000's	Total $000's
At 1 July 2015	152,416	2,448	17,037	2	171,903
Loss after income tax expense (restated)	-	-	(29,099)	(101)	(29,200)
Other comprehensive income (restated)	-	1,953	-	-	1,953
Total comprehensive (loss)/income for the period	**-**	**1,953**	**(29,099)**	**(101)**	**(27,247)**
As at 31 December 2015	152,416	4,401	(12,062)	(99)	144,656

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

		31 DEC 2016	RESTATED 31 DEC 2015
		$000's	**$000's**
Cash Flows From Operating Activities			
Production receipts		18,927	24,494
Payments for Exploration expenditure		(2,282)	(5,682)
Interest received		28	30
Payments to employees and other suppliers		(10,631)	(11,975)
Royalties paid		(271)	(268)
Taxation paid		(3,682)	(1,336)
Net Cash provided by Operating Activities		2,089	5,263
Cash Flows From Investing Activities			
Insurance refunds		-	3,720
Payments for property, plant and equipment		(11)	-
Payments for production property		(1,163)	(8,370)
Proceeds from sale of Pine Mills	7	974	-
Net Cash used in Investing Activities		(200)	(4,650)
Net increase in Cash and Cash Equivalents		1,889	613
Cash and cash equivalents at the beginning of the period		20,490	27,605
Effect of exchange rate change on foreign currency balances held at balances held at the beginning of the period		536	1,388
Cash and Cash Equivalents at the end of the Period		22,915	29,606

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

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

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

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

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

(b) Basis of preparation

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

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's annual financial report for the year ended 30 June 2016 or as outlined below.

The company is a company of the kind referred to in ASIC Legislative Instrument 2016/191, and in accordance with that Instrument amounts in the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The fair values of assets and liabilities not carried at fair value as at 31 December 2016, are not materially different from the carrying values presented in these accounts.

(c) Business combinations

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

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

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

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

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

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

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

(d) Principles of consolidation

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

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

(e) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial period.

Where the Group restrospectively applies an accounting policy, makes a retrospective restatement or reclassifies items in its financial statements, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

(f) Non-current Assets Held for Sale Discontinued Operations

Non-current assets and disposal groups are classified as held for sale and measured at the lower of carrying amount and fair value less costs to sell, where the carrying amount will be recovered principally through sale as opposed to continued use. No depreciation or amortisation is charged against assets classified as held for sale.

Classification as “held for sale” occurs when: management has committed to a plan for immediate sale; the sale is expected to occur within one year from the date of classification; and active marketing of the asset has commenced. Such assets are classified as current assets.

A discontinued operation is a component of an entity, being a cash-generating unit (or a group of cash generation units), that either has been disposed of, or is classified as held for sale, and: represents a separate major line of business or geographical area of operations; is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or is a subsidiary acquired exclusively with the view to resale.

Impairment losses are recognised for any initial or subsequent write down of an asset (or disposal group) classified as held for sale to fair value less costs to sell. Any reversal of impairment recognised on classification as held for sale or prior to such classification is recognised as a gain in profit or loss in the period in which it occurs.

(g) Change in accounting policy – Exploration and Evaluation costs

AASB 6 Exploration for and Evaluation of Mineral Resources allows to either capitalise or expense the exploration and evaluation expenditure incurred by the Group.

The previous accounting policy was to capitalise and carry forward exploration and evaluation expenditure as an asset when rights to tenure of the area of interest were current and costs were expected to be recouped or activities in the area of interest had not, at the reporting date, reached a stage that permitted a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest were continuing.

The Group has made a voluntary change to its accounting policy relating to exploration and evaluation expenditure. The new accounting policy was adopted for the year 30 June 2016 with effect from 1 July 2015 and has been applied retrospectively.

The new exploration and evaluation accounting policy charges exploration and evaluation expenditure against profit and loss as incurred, except for expenditure incurred after a decision to proceed to development is made, in which case the expenditure is capitalised as an asset. This does not include acquisition costs or costs capitalised as a result of a business combination totalling $49.96 million which were expensed subsequent to 31 December 2015. The impact on the consolidated statement of cash flows is a movement from investing activities to a movement in operating activities. This amendment to the accounting policy has had a significant effect on the consolidated financial performance and consolidated financial position of the Group because it previously capitalised exploration expenditure in the period it was incurred.

The Group is of the view that the change in policy has resulted in the financial report providing more relevant and no less reliable information because capitalisation of costs will only begin once a decision to proceed with development has been made.

The following tables summarises the impact of the voluntary change in the accounting policy on exploration and evaluation costs, set out in the Group's consolidated financial statements.

	31 December 2015 as previously reported $000's	Effect of restatement in discontinued operations $000's	Effect of change in Accounting Policy $000's	31 December 2015 as restated $000's
Production revenue from continuing operations	26,027	(393)	-	25,634
Production costs	(21,284)	1,405	-	(19,879)
Gross profit from production	4,743	1,012	-	5,755
Other revenue	3,749	-	-	3,749
Net foreign currency exchange (loss)/gain	374	-	-	374
Impairment - production	(27,768)	-	-	(27,768)
E&E expenditure	-	-	(7,480)	(7,480)
Administration expenses	(4,205)			(4,205)
Loss before income tax benefit from continuing operations	(23,107)	1,012	(7,480)	(29,575)
Income tax benefit	1,387	(256)	-	1,131
Loss after income tax benefit from continuing operations	(21,720)	756	(7,480)	(28,444)
Loss after income tax benefit from discontinuing operations	-	(756)	-	(756)
Loss after income tax benefit	(21,720)	-	(7,480)	(29,200)
Other comprehensive loss				
Items that may be reclassified subsequent to profit or loss				
Foreign currency translation	1,953	-	-	1,953
Total comprehensive loss	(19,767)	-	(7,480)	(27,247)
Loss for the year is attributable to:				
Owners of Cue Energy Resources Limited	(21,619)	-	(7,480)	(29,099)
Non-Controlling Interest	(101)	-	-	(101)
	(21,720)	-	(7,480)	(29,200)
Total comprehensive loss is attributable to :				
Continuing operations	(19,666)	(756)	(7,480)	(27,902)
Discontinuing operations	(101)	756	-	655
	(19,767)	-	(7,480)	(27,247)

NOTE 2 OTHER REVENUE

	31 DEC 2016 $'000	31 DEC 2015 $'000
Interest from Cash and Cash Equivalents	35	29
Insurance Refunds	-	3,720
Total Other Revenue	35	3,749

NOTE 3 OTHER EXPENSES

	31 DEC 2016 $'000	31 DEC 2015 $'000
Depreciation	12	16
Employee Benefits Expense	2,733	3,122
Operating Lease	137	103
Administration Expenses	367	454
Business Development	178	510
Total Other Expenses	3,427	4,205

NOTE 4 PRODUCTION PROPERTIES

	31 DEC 2016 $'000	31 DEC 2015 $'000
Balance at beginning of half-year	46,113	78,131
Expenditure incurred	(2,153)	4,546
Abandonment provision	(133)	636
Amortisation expense	(3,731)	(7,280)
Impairment of production asset[(i)]	(6,386)	(27,768)
Closing balance at 31 December	33,710	48,265

(i) At 31 December 2016 the Group reassessed the carrying amount of its production properties for indicators of impairment such as changes in future prices, future costs and reserves. As a result, the recoverable amounts of cash-generating units were formally reassessed. An impairment of the Maari oil field development in New Zealand of $6.39m, primarily as a result of reduced oil prices, and production was recognised during the half- year.

Estimates of recoverable amounts are based on the assets' value-in-use, determined by discounting each asset's estimated future cash flows at asset specific discount rates. The pre-tax discount rates applied were 14.3% (2015: 14.3%) equivalent to post-tax discount rates of 10% (2015: 10%) depending on the nature of the risks specific to each asset. Where an asset does not generate cash flows that are largely independent from other assets or groups of assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Brent oil price assumptions used are based on forward prices rising to the consensus mean in four years. These (in USD) amounted to the following prices in the respective years: 2017 $57, 2018 $56, 2019 $58, 2020 $60, 2021 $62 flat real onwards (2015:USD70 onwards).

NOTE 5 SEGMENT INFORMATION

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

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

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

Geographic Segments

At reporting date the Group operates primarily in Australia but also has international operations in Indonesia and New Zealand. Therefore the Group is organised into three principles geographic segments: Australia, New Zealand and Indonesia. During the year, the Group also operated in the USA, but this operation was disposed of in November 2016. These segments are based on the internal reports that are reviewed and used by the board of directors (who are identified as the chief operating decision makers (CODM)) in assessing performance and in determining the allocation of resources.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Aust $'000	NZ $'000	Ind $'000	Total Cont. Ops	Disc. Ops USA	Grand Total $'000
Half-year 2016						
Production revenue from continuing operations	-	5,368	12,760	18,128	-	18,128
Production revenue from discontinuing operations	-	-	-	-	593	593
Total segment revenue	-	5,368	12,760	18,128	593	18,721
Inter-segment revenue	-	-	-	-	-	-
Revenue from external customers	-	5,368	12,760	18,128	593	18,721
Earnings before interest expense, tax, impairments, E&E expenditure, depreciation and amortisation	(3,002)	2,207	7,997	7,202	(2,252)	4,950
Half-year 2015						
Production revenue from continuing operations	-	8,867	16,767	25,634	-	25,634
Production revenue from discontinuing operations	-	-	-	-	393	393
Total segment revenue	-	8,867	16,767	25,634	393	26,027
Inter-segment revenue	-	-	-	-	-	-
Revenue from external customers	-	8,867	16,767	25,634	393	26,027
Earnings before interest expense, tax, impairments, E&E expenditure, depreciation and amortisation	(3,738)	8,738	7,969	12,969	(963)	12,006
Total segment assets						
31 December 2016	20,609	25,864	15,754	62,227	175	62,402
30 June 2016	16,647	34,540	18,016	69,203	4,095	73,298
Total segment liabilities						
31 December 2016	3,481	14,064	14,093	31,638	30	31,668
30 June 2016	1,354	13,630	13,708	28,692	2,017	30,709

Reconciliation of earnings from continuing operations before interest expense, tax, impairments, E&E expenditure, depreciation and amortisation (EBITDA) to Profit before Income Tax:

	31 DEC 2016 $'000	31 DEC 2015 $'000
EBITDA from continuing operations	7,202	12,969
Amortisation and depreciation expenses	(3,743)	(7,296)
E&E expenditure	(3,841)	(7,480)
Impairment write down	(6,386)	(27,768)
Loss before Income Tax	(6,768)	(29,575)

NOTE 6 EQUITY - ISSUED CAPITAL

	31 Dec 2016 Number	30 Jun 2016 Number	31 Dec 2016 $'000	30 Jun 2016 $'000
Ordinary shares fully paid	698,119,720	698,119,720	152,416	152,416

NOTE 7 DISCONTINUED OPERATIONS

Description
On 1 November 2016 the consolidated entity sold Cue Resources Inc which holds the interest in the Pine Mills production property in East Texas. Cue intends to focus on core business in South East Asia and Australasia.

Financial performance information:

	2016 $000's	Restated 2015 $000's
Production revenue	593	393
Foreign currency exchange gain	29	-
Total revenue	622	393
Operating expense	(845)	(1,405)
Amortisation expense	(60)	-
Loss on disposal	(1,360)	-
Total expenses	(2,265)	(1,405)
Loss before income tax benefit	(1,643)	(1,012)
Income tax benefit	-	256
Loss after income tax benefit from discontinued operations	(1,643)	(756)
Reversal of Non-controlling interest	(669)	-
Total comprehensive loss	2,312	(756)
Comprehensive loss from discontinued operations attributable to:		
Owners of Cue Energy Resources Limited	(2,267)	-
Non-controlling interest	(45)	-
Total comprehensive loss	(2,312)	(756)

Details of the Cue Resources Inc disposal:

The loss on disposal of the discontinued operations is calculated as follows:

	31 December 2016 $000's	31 December 2015 $000's
Total sale consideration	974	-
Carrying amount of net assets disposed	(2,334)	-
Loss on disposal before tax income	(1,360)	-
Income tax expense	-	-
Loss on disposal after income tax	(1,360)	-

Carrying amounts of assets and liabilities being disposed:

	2016 $000's
Bond	67
Accounts receivables	347
Acquisition cost	3,824
Capitalised expenditure	336
Pine Mills Abandonment Asset	554
Cheetah Rig Asset	115
Total assets	5,243
Acquisition Carry	(1,008)
Capital Contributions	(67)
Opex contributions	(79)
Abandonment provision	(559)
Pine Mills Impairment Write down	(1,196)
Total liabilities	(2,909)
Net assets	2,334

The net cash flows of the discontinued operations are as follows:

	31 December 2016 $000's	31 December 2015 $000's
Net cash outflow from operating activities	(446)	(934)
Net cash outflow from investing activities	(22)	(410)
Net decrease in cash generated by the discontinuing operations	(468)	(1,344)

NOTE 9 EVENTS SUBSEQUENT TO REPORTING DATE

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

NOTE 10 CONTINGENT ASSETS/LIABILITIES

As a result of an economic project arrangement in the Jeruk field within the Sampang PSC, Indonesia, Cue may in certain circumstances have an obligation to reimburse certain monies spent by the incoming party from future profit oil within the Sampang PSC. There is a dispute between Cue and the incoming party as to the quantum of monies that they may be entitled to claim by way of such reimbursement and when any such reimbursement would be payable. The Company is of the view that any amount which might eventually become payable would not be likely to exceed the amount of USD4.44m which has been provided for in the accounts and included within trade and other payables. 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, there has been no other change since 30 June 2016 in reportable contingent assets or liabilities.

DIRECTORS DECLARATION

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

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

   (i) giving a true and fair view of the financial position as at 31 December 2016 and the performance for the half-year ended on that date of the consolidated entity; and

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

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

On behalf of the Board of Directors

Koh Ban Heng
Director

Dated at Melbourne this 24th day of February 2017

Tel: +61 3 9603 1700
Fax: +61 3 9602 3870
www.bdo.com.au

Collins Square, Tower Four
Level 18, 727 Collins Street
Melbourne VIC 3008
GPO Box 5099 Melbourne VIC 3001
Australia

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Cue Energy Resources Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Cue Energy Resources Limited, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Cue Energy Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

(i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

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

BDO East Coast Partnership

David Garvey
Partner

Melbourne, 24 February 2017