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 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 20 August 2020.

Note 2. Significant accounting policies

Significant accounting policies have been disclosed in the respective notes to the financial statements and below.

(a) Operations and principal activities
Operations comprise petroleum exploration, development and production activities.

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

The accounting policies set out below have been applied consistently to all periods presented in this report, except for the adoption of AASB 16 *Leases* from 1 July 2019 (see Note 2 (i) below).

(c) Basis of preparation
The Group is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* and in accordance with that instrument, amounts in the consolidated financial statements and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

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

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 26.

(d) Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Cue Energy Resources Limited (''company'' or ''parent entity'') as at 30 June 2020 and the results of all subsidiaries for the year then ended. Cue Energy Resources Limited and its subsidiaries together are referred to in this financial report as the Group or consolidated entity.

Subsidiaries are all those entities over which the Group has control. The consolidated entity controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its power to direct the activities of the entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

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

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

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

Note 2. Significant accounting policies (continued)

(e) Production revenue
The consolidated entity generates production revenue from its interest in producing crude oil and gas fields. Revenue from oil production is recognised at a point in time when crude oil is delivered to the buyer. Oil contract price is negotiated when the operator lifts for the group. Revenue from gas production is recognised during the month when gas is delivered to the buyer, based on fixed price contracts.

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

(g) Property, plant and equipment

Class of Fixed Asset	Depreciation Rate
Office and computer equipment	20-40%

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

(h) Investments and other financial assets
Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it’s carrying value is written off.

Financial assets at amortised cost
A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

(i) Comparative figures
When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Certain comparative amounts in the statement of financial position have been restated as a result of a correction of a prior period error (refer to note 4)

(j) Goods and Services Tax (‘GST’) and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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

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

Note 2. Significant accounting policies (continued)

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

(k) Foreign currency
Functional and presentation currency

The functional currencies of Group companies is the currency of the primary economic environment in which it operates. The consolidated financial statements are presented in Australian dollars, as this is the Group's presentation currency.

Management have previously determined that in accordance with *AASB 121 Foreign Currency Translation*, the Group's interest in foreign operations Cue Sampang (Indonesia) and Cue Taranaki (New Zealand) are held in USD functional entities. During the current period management reviewed its functional currency translation practices and identified prior period errors in the translation of certain balances residing in these USD functional entities. These errors were not material and accordingly has been corrected in the 30 June 2020 financial statements through an adjustment of $846K to increase production properties (refer note 15) and a corresponding credit to the functional currency translation reserve.

Transactions and balances
Transactions in foreign currencies of entities within the consolidated entity are translated into functional currency at the rate of exchange ruling at the date of the transaction. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

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

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

Foreign operations

The results and financial position of Cue's foreign operations are translated into its presentation currency using the following procedures:
(a) assets and liabilities for each statement of financial position presented (i.e. including comparatives) shall be translated at the closing rate at the date of that statement of financial position;
(b) income and expenses for each statement presenting profit or loss and other comprehensive income (i.e. including comparatives) shall be translated at exchange rates at the month end; and
(c) all resulting exchange differences shall be recognised in other comprehensive income.

(l) New or amended Accounting Standards and Interpretations adopted

The Consolidated Entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

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

The following Accounting Standards and Interpretations are most relevant to the Consolidated Entity:

AASB 16 Leases
The consolidated entity has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in administration expenses) and an interest expense on the recognised lease liabilities (included in

Note 2. Significant accounting policies (continued)

finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Impact on application

The consolidated entity has adopted AASB 16 using the modified retrospective approach whereby the consolidated entity has recognised the cumulative effect of initially applying this standard as an adjustment to the opening balance of equity as at 1 July 2019. Accordingly, the consolidated entity has not restated comparative balances in this set of financial statements.

On adoption of AASB 16, the consolidated entity recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 5.5%. The associated right-of-use assets for these leases were measured on a modified retrospective basis, with the incremental borrowing rate applied as at each lease's commencement date and the assets depreciated on a straight-line basis over the term of the lease.

	Transitional impact at 1 July 2019 $'000
Right-of-use assets	172
Lease liabilities	(167)
Accumulated losses	(5)

	Transitional impact at 1 July 2019 $'000
Operating lease commitments at 30 June 2019 as disclosed under AASB 117 in the Group's consolidated financial statements	189
Discounting adjustment using the incremental borrowing rate at 1 July 2019	(22)
Lease liabilities recognised at 1 July 2019	167

Right-of-use assets
A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

Lease Liabilities
A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit

Note 2. Significant accounting policies (continued)

in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Accounting Policy for leases before 1 July 2019
Operating leases are leases which the lessor effectively retains substantially all the risks and benefits incidental to ownership of the leased asset. Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight line basis over the term of the lease.

AASB Interpretation 23 Uncertainty over Income Tax Treatments
Interpretation 23 requires the assessment of whether the effect of uncertainty over income tax treatments should be included in the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The Interpretation outlines the requirements to determine whether an entity considers uncertain tax treatments separately, the assumptions an entity makes about the examination of tax treatments by taxation authorities, how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates and how an entity considers changes in facts and circumstances.

The Company has adopted Interpretation 23 from 1 July 2019, based on an assessment of whether it is 'probable' that a taxation authority will accept an uncertain tax treatment. The Company's existing accounting policy for uncertain income tax treatment is consistent with the requirements under Interpretation 23. There has been no impact from the adoption of Interpretation 23 in this reporting period.

Note 3. Critical accounting estimates and judgements

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

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

(i) Recovery of deferred tax assets
Deferred tax assets are only recognised if management considers it is probable that future tax profits will be available to utilise the unused tax losses (refer to note 10).

(ii) Impairment of production properties
Production properties impairment testing requires an estimation of recoverable amount using a value-in-use model for respective cash generating units. The recoverable amount calculation requires the entity to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value. Other assumptions used in the calculations which could have an impact on future years includes USD rates, available reserves and oil and gas prices (refer to note 15).

(iii) Useful life of production properties
As detailed at note 15 production properties are amortised on a unit-of-production basis, with separate calculations being

Note 3. Critical accounting estimates and judgements (continued)

made for each resource. Estimates of reserve quantities are a critical estimate impacting amortisation of production property assets.

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

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

(vi) Capitalised exploration and evaluation costs
Exploration and evaluation costs have been capitalised on the basis that the consolidated entity expects to commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

(vii) Coronavirus (COVID-19) pandemic
In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread globally as well as in Australia. The spread of COVID-19 has caused significant volatility in Australian and international markets and had an impact on global oil prices. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19. To protect the health and safety of employees and comply with local regulations, the Company has closed its offices temporarily and arranged for employees to work remotely. At the date of this report, the impact of these measures is not expected to significantly affect the Company's business operations.

Note 4. Restatement of comparatives

Correction of error
The Group, through its wholly owned subsidiary, Cue Sampang Pty Ltd contributed to the Abandonment and Site Restoration (ASR) fund as agreed by Indonesian Government through SKKMigas. Cue Sampang Pty Ltd contributed AUD$5.27 million to the ASR fund up to 30 June 2019. Historically, the Group set off the funded portion of the ASR against its restoration provision on the balance sheet.

During 2020 financial year, the Group reviewed the contractual agreement and concluded that a prior year restatement is required to gross up the funded portion of the restoration provision, as Cue Sampang retains the obligation to fully fund its share of the rehabilitation. As such, the Group retrospectively recognised other financial asset of AUD$5.27 million as at 30 June 2019, with corresponding adjustments for Production properties ($0.1 million) and restoration provision ($5.38 million). There was no impact to the statement of profit or loss and other comprehensive income.

Note 4. Restatement of comparatives (continued)

Statement of profit or loss and other comprehensive income
When there is a restatement of comparatives, it is mandatory to provide a statement of profit or loss and other comprehensive income for the year ended 30 June 2019. However, as there were no adjustments made, the consolidated entity has elected not to show the statement of profit or loss and other comprehensive income.

Statement of financial position at the beginning of the earliest comparative period
When there is a restatement of comparatives, it is mandatory to provide a third statement of financial position at the beginning of the earliest comparative period, being 1 July 2018. The following tables summarise the impacts on the Group's consolidated financial statements.

Statement of financial position at the start of the earliest comparative period - 1 July 2018

		Consolidated	
Extract	**1 July 2018 $'000 Reported**	**$'000 Adjustment**	**1 July 2018 $'000 Restated**
Assets			
Non-current assets			
Other financial assets	-	4,699	4,699
Production properties	26,814	(11)	26,803
Total non-current assets	29,571	4,688	34,259
Total assets	54,666	4,688	59,354
Liabilities			
Non-current liabilities			
Provisions	9,873	4,688	14,561
Total non-current liabilities	12,925	4,688	17,613
Total liabilities	21,396	4,688	26,084
Net assets	33,270	-	33,270

Note 4. Restatement of comparatives (continued)

Statement of financial position at the end of the earliest comparative period – 30 June 2019

	Consolidated		
Extract	**2019 $'000 Reported**	**$'000 Adjustment**	**2019 $'000 Restated**
Assets			
Non-current assets			
Other financial assets	-	5,278	5,278
Production properties	24,547	98	24,645
Total non-current assets	30,971	5,376	36,347
Total assets	63,465	5,376	68,841
Liabilities			
Non-current liabilities			
Provisions	11,894	5,376	17,270
Total non-current liabilities	15,841	5,376	21,217
Total liabilities	22,056	5,376	27,432
Net assets	41,409	-	41,409

There is no impact on the Group's basic or diluted earnings per share and no impact on the total operating, investing or financing cash flows for year ended 30 June 2019.

Note 5. Financial reporting by segments

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

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

At reporting date, the Group operates in three principle geographic segments: Australia, New Zealand and Indonesia. 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 assessment performance and in determining the allocation of resources.

Australia
The parent entity resides in Melbourne, Australia. The Group, through its wholly owned subsidiary, Cue Exploration Pty Ltd, holds exploration permits in the Carnarvon Basin, Offshore Western Australia.

New Zealand
The Group, through its wholly owned subsidiary, Cue Taranaki Pty Ltd, holds 5% interest in petroleum production property, PMP38160 (Maari) in New Zealand.

Indonesia
The Group, through its wholly owned subsidiary, Cue Sampang Pty Ltd, holds 15% interest in gas production property in Indonesia (Sampang). The Group also holds interest in exploration permits in East Kalimantan, through Cue

Note 5. Financial reporting by segments (continued)

Mahakam Hilir Pty Ltd and Cue Kalimantan Pte Ltd (both wholly owned subsidiaries) and in Central Sumatra, through Cue Mahato Pty Ltd.

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

2020	Australia $'000	NZ $'000	Indonesia $'000	Total $'000
Revenue				
Revenue from continuing operations	-	9,489	14,427	23,916
Production expenses (excluding amortisation)	-	(6,227)	(2,577)	(8,804)
Gross profit (excluding amortisation)	-	3,262	11,850	15,112
Other revenue	438	-	393	831
Depreciation	(73)	-	-	(73)
Amortisation	-	(3,032)	(1,108)	(4,140)
Impairment of production properties	-	(2,722)	-	(2,722)
Exploration and evaluation expenditure	(747)	-	(691)	(1,438)
Other expenditure	(2,404)	-	-	(2,404)
Share-based payments	(106)	-	(40)	(146)
Foreign exchange movement	130	(192)	141	79
Profit/(loss) before income tax expense	(2,762)	(2,684)	10,545	5,099

2019	Australia $'000	NZ $'000	Indonesia $'000	Total $'000
Revenue				
Revenue from continuing operations	-	10,836	14,894	25,730
Production expenses (excluding amortisation)	-	(5,343)	(2,386)	(7,729)
Gross profit (excluding amortisation)	-	5,493	12,508	18,001
Other revenue	1,986	1,070	2	3,058
Depreciation	(10)	-	-	(10)
Amortisation	-	(2,986)	(1,366)	(4,352)
Impairment of production properties	-	-	-	-
Exploration and evaluation expenditure	(1,133)	-	(1,043)	(2,176)
Other expenditure	(2,416)	-	-	(2,416)
Share-based payments	(34)	-	-	(34)
Foreign exchange movement	858	(496)	423	785
Profit/(loss) before income tax expense	(749)	3,081	10,524	12,856

Note 5. Financial reporting by segments (continued)

	Australia $'000	NZ $'000	Indonesia $'000	Total $'000
TOTAL SEGMENT ASSETS				
Current Assets	28,982	789	7,346	37,117
Non-current Assets	123	14,970	16,949	32,042
Total 30 June 2020 Assets	**29,105**	**15,759**	**24,295**	**69,159**
Current Assets	23,822	1,487	7,185	32,494
Non-current Assets*	21	20,906	15,420	36,347
Total 30 June 2019 Assets*	**23,843**	**22,393**	**22,605**	**68,841**
TOTAL SEGMENT LIABILITIES				
Current Liabilities	536	692	3,323	4,551
Non-current Liabilities	97	10,315	10,632	21,044
Total 30 June 2020 Liabilities	**633**	**11,007**	**13,955**	**25,595**
Current Liabilities	218	905	5,092	6,215
Non-current Liabilities*	101	10,722	10,394	21,217
Total 30 June 2019 Liabilities*	**319**	**11,627**	**15,486**	**27,432**

*Restated, refer to Note 4.

Major customers
The Group has a number of customers to whom it provides oil products. The Group supplies a single external customer in the gas segment who accounts for 100% of external gas revenue (2019: 100%).

Note 6. Production costs

	Consolidated	
	2020 $'000	**2019 $'000**
Production costs	(8,804)	(7,729)
Amortisation of production properties	(4,140)	(4,352)
	(12,944)	(12,081)

Note 7. Other income

	Consolidated	
	2020 $'000	**2019 $'000**
Interest from cash and cash equivalents and restricted cash	360	381
Maari insurance refund	-	1,070
Other income	80	65
Reimbursement of Ironbark back costs	-	1,542
Performance bond receivable*	391	-
	831	3,058

*During the year ending 30 June 2020, Texcal Mahato EP Ltd, operator of the Mahato PSC refused to refund Cue's share of the PSC performance bond, amounting to approximately AUD$391K (US$269K) which was released by the Indonesian Government on completion of the PSC work commitment. The return of the bond is governed by a separate agreement with Texcal and is unrelated to the claims being made by Texcal under the Joint Operating Agreement

Note 7. Other income (continued)

('JOA'). Cue continues to assert its rights under the agreement which governs the performance bond and is evaluating its available options.

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

Note 8. Administration expenses

	Consolidated	
	2020 $'000	2019 $'000
Depreciation expense	73	10
Employee expenses	1,275	1,329
Superannuation contribution expense	70	67
Office rent and utilities*	35	147
Legal expenses	409	250
Other expenses	482	509
Business development expenses	128	114
Share based payments	146	34
Finance costs	5	-
Total administration expenses	2,623	2,460

*2019 balance includes $109K lease payment for the Melbourne office. This lease was recognised under AASB 16 *Leases* from 1 July 2019.

Note 9. Exploration and evaluation expenditure

	Consolidated	
Profit before income tax includes the following specific expenses:	2020 $'000	2019 $'000
Exploration Costs Expensed		
Sampang PSC	12	28
Mahakam Hilir PSC	679	806
Mahato PSC	-	209
WA-359-P	157	899
WA-389-P	550	148
WA-409-P	40	86
Total exploration and evaluation expenditure	1,438	2,176

Accounting policy for exploration and evaluation project expenditure

AASB 6 Exploration for and Evaluation of Mineral Resources allows the Group to either capitalise or expense the exploration and evaluation expenditure incurred. During the financial year the consolidated entity reviewed its criteria under its successful efforts method of accounting. The costs of a successful exploration well are capitalised and carried forward as exploration and evaluation assets pending the evaluation of the success of the well (refer note 14). If a well does not result in a successful discovery, the previously capitalised costs are immediately expensed.

Note 10. Income tax expense

	Consolidated 2020 $'000	Consolidated 2019 $'000
Income tax expense		
Current tax	4,217	3,678
Adjustment recognised for current tax in prior periods	(656)	3
Deferred tax – origination and reversal of temporary differences(i)	225	626
Aggregate income tax expense	3,786	4,307
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	5,099	12,856
Tax at the statutory tax rate of 30%	1,530	3,857
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Unrealised foreign exchange movements	(146)	(186)
Unrecognised temporary differences	(139)	(930)
Unrecognised tax losses	1,756	672
Recognition of deferred tax (assets)/liabilities (ii)	101	1,495
Difference in overseas tax rates	1,109	(614)
Share-based payments	32	10
Other	199	-
	4,442	4,304
Adjustment recognised for current tax in prior periods	(656)	3
Income tax expense	3,786	4,307

	Consolidated 2019 $'000	Consolidated 2018 $'000
(i) Deferred tax included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets	114	(269)
Increase/(decrease) in deferred tax liabilities	111	895
Deferred tax – origination and reversal of temporary differences	225	626

During the year, Cue was notified that it had been successful in an Indonesian Tax Court case against the Indonesian Tax Department for over-payment of AUD$659K in taxes relating to 2011, resulting in a partial refund of AUD$451K which was received in December 2019. The remaining balance was accrued at year end.

(ii) During the year, the consolidated entity capitalised Mahato PB exploration wells drilling costs (refer note 14). As a result, a deferred tax liability of $510K was recognised in the financial statements.

During the prior year, the consolidated entity capitalised Paus Biru-1 exploration well drilling costs pending the determination of the success of the well. As a result, a deferred tax liability of $1.5 million was recognised in the financial statements.

Note 10. Income tax expense (continued)

	Consolidated	
	2020 $'000	2019 $'000
Current tax liabilities	2,287	4,227

The Group has an ongoing Indonesian Tax matter relating to a notice of amended assessment which is being disputed by Cue Kalimantan Pte Ltd on behalf of SPC E&P Pte Ltd. Cue is indemnified by SPC for any losses arising from this disputed notice of assessment and has recognised a liability and receivable on the balance sheet.

	Consolidated	
	2020 $'000	2019 $'000
Deferred tax assets recognised		
Restoration provision - Maari	2,888	3,002

	Consolidated	
	2020 $'000	2019 $'000
Deferred tax liability recognised comprise of:		
Sampang:		
Production property	2,395	2,923
Exploration and evaluation assets	2,026	1,495
Restoration provision offset	(377)	(471)
Right of use assets	14	-
Deferred tax liability	4,058	3,947

	Consolidated	
	2020 $'000	2019 $'000
Deferred tax not recognised		
Deferred tax not recognised comprises temporary differences attributable to:		
Employee provisions	68	55
Tax losses	35,752	34,079
Less deferred tax liabilities not recognised - Production properties	(1,695)	(1,570)
Less deferred tax liabilities not recognised - Inventories	(128)	(281)
Net deferred tax not recognised	33,997	32,283

The above net potential tax benefit has not been recognised in the statement of financial position as the recovery of this benefit is uncertain.

At 30 June 2020 no franking and imputation credits were held for subsequent reporting periods (2019: nil).

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

Note 10. Income tax expense (continued)

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

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

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

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

Cue Energy Resources Limited (the ‘head entity’) and its wholly-owned Australian controlled entities have formed an income tax consolidated group under the tax consolidation regime effective 1 July 2010.

The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the group allocation approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

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

Note 11. Current assets - cash and cash equivalents and restricted cash

	Consolidated	
	2020 $’000	2019 $’000
Unrestricted operating accounts	19,936	14,671
Restricted - Ironbark Drilling Program Account	12,008	11,523
Total as disclosed in the statement of cash flows	31,944	26,194

The Ironbark drilling programme account represents cash held by the entity as required under the funding arrangement of the WA-359-P Co-ordination Agreement and is not available as free cash for the purposes of the group’s operations until BP Developments Australia Pty Ltd, as the operator, draws down on the balance for the purposes of the Ironbark-1 drilling work programme agreed by all parties.

Accounting policy for cash and cash equivalents and restricted cash

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

Note 12. Current assets - trade and other receivables

	Consolidated	
	2020 $'000	2019 $'000
Trade receivables	1,970	1,249
Other receivables	2,596	4,038
	4,566	5,287
Prepayments	149	10
	4,715	5,297

Allowance for expected credit losses
The group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The consolidated entity has not recognised any losses in profit or loss in respect of the expected credit losses for the year ended 30 June 2020 (2019: Nil).

The aging of trade receivables at the reporting date was as follows:

	Consolidated	
	2020 $'000	2019 $'000
Not overdue	3,866	4,038
Less than one month overdue, not impaired	700	591
1 to 6 months overdue, not impaired	-	658
	4,566	5,287

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

Trade and other receivables are not impaired and relate to a number of independent customers for whom there is no recent history of default.

Accounting policy for trade and other receivables

Trade and other receivables are amounts due from customers for goods sold in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value.

Note 13. Non-current assets - exploration and evaluation assets

	Consolidated	
	2020 $'000	Restated 2019 $'000
Prepaid restoration fund - Sampang	5,713	5,278

Note 13. Non-current assets - exploration and evaluation assets (continued)

During 2020 financial year, the Group reviewed the contractual agreement and concluded that a prior year restatement is required to gross up the funded portion of the restoration provision, as Cue Sampang retains the obligation to fully fund its share of the rehabilitation. As such, the Group retrospectively recognised other financial asset of AUD$5.28 million as at 30 June 2019 (refer to note 4).

Cue Sampang contributed a further AUD$435K to the restoration fund during the year ended 30 June 2020.

Accounting policy for other financial assets

Other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

Note 14. Non-current assets - exploration and evaluation assets

	Consolidated	
	2020 $'000	2019 $'000
Exploration and evaluation – Paus Biru-1 Exploration well*	3,446	3,401
Exploration and evaluation – PB exploration wells**	1,159	-
	4,605	3,401

Under the criteria the costs of a successful exploration well are capitalised and carried forward as exploration and evaluation assets pending the evaluation of the success of the well. If a well does not result in a successful discovery, the previously capitalised costs are immediately expensed.

*The plan of development (POD) for the Paus Biru discovery was approved on the 30th July 2020. Nothing has come to the attention of the Directors to indicate future economic benefits will not be achieved.

**Two exploration wells had been drilled in the Mahato PSC. The operator, Texcal Mahato EP Ltd (Texcal) and other joint venture parties are claiming to have excluded Cue from participation in these operations. These claims are disputed by Cue as having no basis under the Joint Operating Agreement (JOA). Cue continues to assert all its legal rights under the JOA and is currently evaluating its available options.

On 16 April 2020, the Indonesia regulator, SKKMigas made a public announcement of a 61.8 million (OOIP) barrel oil discovery in the Mahato PSC.

Note 15. Non-current assets - production properties

	Consolidated	
	2020 $'000	Restated 2019 $'000
Production properties	18,682	24,645

Note 15. Non-current assets - production properties (continued)

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

Consolidated	Restated Total $'000
Balance at 30 June 2018	26,803
Expenditure during the year	912
Changes in restoration provision – production	1,282
Amortisation expense	(4,352)
Balance at 30 June 2019	24,645
Expenditure during the year	744
Changes in restoration provision – production (note 17)	(691)
Changes in foreign currency translation (note 2(j))	846
Amortisation expense	(4,140)
Impairment of Maari production property*	(2,722)
Balance at 30 June 2020	18,682

	Consolidated 2020 $'000	Consolidated Restated 2019 $'000
Net accumulated cost incurred on areas of interest		
Joint operation assets		
Oyong and Wortel - Sampang PSC	6,600	6,740
Maari - PMP 38160	12,082	17,905
Balance as at 30 June 2020	18,682	24,645

* At 30 June 2020, the Group reassessed the carrying amount of its oil and gas assets for indicators of impairment such as changes in future prices, future costs and reserves. As a result, the recoverable amounts of Maari cash generating unit were formally reassessed. An impairment of the Maari oil field development in New Zealand of $2.72 million, primarily as a result of reduced oil prices, was recognised during the 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 and based upon the Group's long term pricing assumptions. The post-tax discount rates applied were 10% (2019: 10%) equivalent to pre-tax discount rates of 14.3% (2019: 14.3%) depending on the nature of the risks specific to each asset. Recoverable amounts are estimated as follows:

Maari	$'000
Carrying value as at 30 June 2020	12,082
Less restoration provision	(10,315)
Recoverable amount as at 30 June 2020	1,767

Note 15. Non-current assets - production properties (continued)

The restoration provision is deducted from the carrying value of the asset as the cost of restoration is included in its cost base. This adjustment is required to allow a true reflection of its carrying value against its recoverable value.

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.

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

Amortisation of costs is provided on the unit-of-production basis, separate calculations being made for each resource. The unit-of-production basis results in an amortisation charge proportional to the depletion of economically recoverable reserves (comprising both proven and probable reserves), and is expensed through the statement of profit or loss and other comprehensive income.

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

Accounting policy for calculation of recoverable amount

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

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

Accounting policy for Impairment

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

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

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

Note 16. Current liabilities - trade and other payables

	Consolidated	
	2020 $'000	2019 $'000
Trade payables and accruals	1,945	1,893
Amounts due to directors and director related entities	99	14
	2,044	1,907

Refer to note 21 for further information on financial instruments.

Note 16. Current liabilities - trade and other payables (continued)

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

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

Note 17. Non-current liabilities - provisions

	Consolidated	
	2020 $'000	**Restated 2019 $'000**
Employee benefits	81	101
Restoration provisions	16,889	17,169
	16,970	17,270

Movements in each class of provision during the financial year are set out below:

Consolidated - 2020	Restoration provisions Restated $'000
Carrying amount at the start of the year (Restated, refer note 4)	17,169
Balance sheet movement (note 15)	(691)
P&L movement	411
Carrying amount at the end of the year	16,889

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

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

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

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

Note 17. Non-current liabilities - provisions (continued)

Accounting policy for employee benefits
The following liabilities arising in respect of employee benefits are measured at their nominal amounts:
- wages and salaries and annual leave expected to be settled within twelve months of the reporting date; and
- other employee benefits expected to be settled within twelve months of the reporting date.

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

Note 18. Equity - contributed equity

	Consolidated			
	2020 Shares	**2019 Shares**	**2020 $'000**	**2019 $'000**
Ordinary shares - fully paid	698,119,720	698,119,720	152,416	152,416

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

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

Note 19. Equity - capital management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as maintaining optimal return for shareholders and benefits for other stakeholders.

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

During 2020 management did not pay any dividends (2019: nil).

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

The gearing ratio is nil for both 2019 and 2020 financial year, as the Group does not have external debt.

Note 20. Equity - reserves

	Consolidated	
	2020 $'000	**2019 $'000**
Foreign currency reserve	(93)	(784)
Options reserve	176	34
	83	(750)

Note 20. Equity - reserves (continued)

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.

Options reserve
The reserve is used to recognise the value of equity benefits provided to employees under the Employee Share Option Plan.

Movements in reserves
Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Foreign currency reserve $'000	Options reserve $'000	Total $'000
Balance at 1 July 2018	(340)	-	(340)
Foreign currency translation	(444)	-	(444)
Share-based payments	-	34	34
Balance at 30 June 2019	(784)	34	(750)
Foreign currency translation	691	-	691
Share-based payments	-	146	146
Transfer to accumulated losses	-	(4)	(4)
Balance at 30 June 2020	(93)	176	83

Note 21. Financial instruments

The Group's principal financial instruments comprise receivables, payables, cash and cash equivalents (inclusive of restricted balances).

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

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

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Board reviews and agrees management's assessment for managing each of the risks identified below.

In all instances the fair value of financial assets and liabilities approximates to their carrying value.

Risk Exposures and Responses

(a) Fair value risk

The financial assets and liabilities of the Group are recognised in the statement of financial position at their fair value in accordance with the accounting policies set out in note 2. The Group has no debt and trade receivable, other financial

Note 21. Financial instruments (continued)

assets and trade payables are reasonable approximation of their fair values due to the short-term nature. Therefore there is no significant fair value risk.

(b) Interest rate risk

The Group's exposure to market interest rates is related primarily to the Group's cash deposits.

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

	Consolidated	
	2020 $'000	2019 $'000
Cash and cash equivalents and restricted cash	31,944	26,194

The Group constantly analyses its interest rate opportunity and exposure. Within this analysis consideration is given to existing positions and alternative arrangement on fixed or variable deposits. The impact of interest rate movement is not material to the Group.

(c) Foreign exchange risk

The Group is subject to foreign exchange risk on its international exploration and appraisal activities where costs are incurred in foreign currencies, in particular United States dollars. However, given the group generates and holds significant balances of foreign currencies, the Group foreign exchange risk exposures are mitigated through natural hedging.

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

	30 June 2020			30 June 2019		
	USD	NZD	IDR	USD	NZD	IDR
Consolidated	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets						
Trade and other receivables	394	41	21	5,033	127	9
Financial liabilities						
Trade and other payables	622	608	27	957	794	10
Tax liabilities	-	-	20	-	-	-

Management believes the risk exposures as at the reporting date are representative of the risk exposure inherent in the financial instruments.

(d) Commodity price risk

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

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

Note 21. Financial instruments (continued)

At 30 June 2020, the Group had no open oil price swap contracts (2019: nil).

(e) Liquidity risk

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

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

The Group is consequently able to meet its payment obligations in full as they fall due.

Prudent liquidity risk management implies maintaining sufficient cash to meet the Group's obligations. The Group aims to maintain flexibility in funding to meet ongoing operational requirements, exploration and development expenditure, and small-to-medium-sized opportunistic projects and investments, by keeping committed credit facilities available.

The following table analyses the contractual maturities of the Group's financial liabilities into relevant groupings based on the remaining period at the reporting date to the contractual undiscounted cash flows comprising principal and interest repayments.

	12 months or less	1 to 2 years	2 to 5 years	More than 5 years
	$'000	$'000	$'000	$'000
Consolidated 2020				
Non-derivative financial liabilities				
Trade and other payable (Note 16)	2,044	-	-	-
Lease liabilities	80	16	-	-
Consolidated 2019				
Non-derivative financial liabilities				
Trade and other payables	1,907	-	-	-

(f) Credit risk

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

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

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

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

The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are

Note 21. Financial instruments (continued)

considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

As disclosed in note 4, the Group retrospectively recognised other financial asset of AUD$5.28 million as at 30 June 2019 for the funded portion of the restoration provision. Cue Sampang contributed a further AUD$435K to the restoration fund during the year ended 30 June 2020. Management assessed the credit risk as low, given the funds are held in an Indonesian state owned bank account, jointly controlled by Indonesian government and its agency, SSKMigas.

Note 22. Key management personnel disclosures and related party disclosures

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

Alastair McGregor (Non-executive Chairman)*
Andrew Jefferies (Non-Executive Director)
Peter Hood AO (Non-Executive Director)
Rebecca DeLaet (Non-Executive Director) (resigned 20 December 2019)*
Richard Malcolm (Non-Executive Director)
Rod Ritchie (Non-Executive Director)
Samuel Kellner (Non-Executive Director)*
Marco Argentieri (Non-Executive Director) (appointed 14 January 2020)*

*Alastair McGregor, Andrew Jefferies, Rebecca DeLaet, Samuel Kellner and Marco Argentieri have elected not to be paid by the Company.

Key management personnel
The following person also had the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, during the financial year:

Matthew Boyall (Chief Executive Officer)

Total remuneration payments and equity issued to Directors and key management personnel are summarised below. Elements of Directors and executives remuneration includes:
- Short term employment benefits, including non-monetary benefits and consultancy fees
- Post employment benefits – superannuation and long service leave entitlements
- Long term employee benefits

	Consolidated	
	2020	**2019**
Short term employment benefits (including non-monetary benefits)	513,737	502,406
Cash bonuses	91,800	112,200
Post employment benefits	33,459	26,584
Share-based payments	51,334	10,307
Total employee benefits	690,330	651,497

Other related party transactions

Repayment of amounts owing to the Company as at 30 June 2020 and all future debts due to the Company, by the controlled entities are subordinated in favour of all other creditors. Cue Energy has agreed to provide sufficient financial assistance to the controlled entities as and when it is needed to enable the controlled entities to continue operations.

Note 22. Key management personnel disclosures and related party disclosures (continued)

The parent company provides management, administration and accounting services to the subsidiaries. No Management fees were charged to subsidiaries in the 2019 and 2020 financial years.

The ultimate parent company is O.G. Oil & Gas (Singapore) Pte. Ltd., a company incorporated in Singapore. The immediate parent company is New Zealand Oil & Gas, a company incorporated in New Zealand.

During the financial year, New Zealand Oil & Gas provided technical and legal services to the Group under consulting agreements. The arrangements are on normal commercial terms. As at 30 June 2020, $99K was accrued for service rendered from the immediate parent company (2019: $14K).

Note 23. Auditors remuneration

During the financial year the following fees were paid or payable for services provided by the auditor of the company:

	Consolidated	
	2020	**2019**
	$	**$**
Audit services - KPMG (2019: BDO East Coast Partnership)		
Audit or review of the financial statements	97,290	114,857
Other assurance services	8,280	3,000
	105,570	117,857
Other services - KPMG (2019: BDO East Coast Partnership)		
Advisory services	7,349	-
Tax compliance	12,500	10,000
	19,849	10,000
	125,419	127,857

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

Note 24. Contingent assets and liabilities

The Directors are not aware of any contingent assets or contingent liabilities as at 30 June 2020 (2019: Nil).

Note 25. Commitments for expenditure

	Consolidated	
	2020	**2019**
	$'000	**$'000**
*a) Exploration tenements**		
The Group participates in a number of licences, permits and production sharing contracts for which the Group has made commitments with relevant governments to complete minimum work programmes.		
Within one year	24,593	1,645
One to five years	-	27,033
	24,593	28,678
*b) Production development expenditure***		
The Group participates in a number of development projects that were in progress at the end of the period. These projects require the Group, either directly or through joint venture arrangements, to enter into contractual commitments for future expenditures.		
Within one year	817	706

Note 25. Commitments for expenditure (continued)

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

All commitments relate to Joint Operation projects.

$24.59 million included in "within one year" category refers to the total Cue commitment for the Ironbark well. Approximately $12.1 million will be funded by joint venture partners, with the remaining $12.49 million funded from Cue's cash reserves which have been escrowed for this purpose (refer to note 11).

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

Note 26. Parent entity information

Cue Energy Resources Limited is the parent entity.

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2020 $'000	**2019 $'000**
Loss after income tax	(2,502)	(1,390)
Total comprehensive income	(2,502)	(1,390)

Statement of financial position

	Parent	
	2020 $'000	**2019 $'000**
Total current assets	16,938	12,214
Total assets	21,364	23,404
Total current liabilities	504	200
Total liabilities	601	301
Equity		
Contributed equity	152,416	152,416
Options reserve	176	34
Accumulated losses	(131,829)	(129,346)
Total equity	20,763	23,104

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2020 (2019: nil)

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2020 (2019: nil)

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for the acquisition of capital assets as at 30 June 2020 (2019: nil).

Note 27. Shares in subsidiaries

Shares held by parent entity at the reporting date:

Name	Principal place of business / Country of incorporation	Ownership interest 2020 %	2019 %
Cue Mahato Pty Ltd	Australia	100%	100%
Cue Mahakam Hilir Pty Ltd	Australia	100%	100%
Cue Kalimantan Pte Ltd*	Singapore	100%	100%
Cue (Ashmore Cartier) Pty Ltd	Australia	100%	100%
Cue Sampang Pty Ltd	Australia	100%	100%
Cue Taranaki Pty Ltd	Australia	100%	100%
Cue Exploration Pty Ltd	Australia	100%	100%

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

* Shares held by Cue Mahakam Hilir Pty Ltd

Note 28. Interests in joint operations

Property	Operator	Cue Interest 2020 (%)	Cue Interest 2019 (%)	Gross Area (km^2)	Net Area (km^2)	Permit expiry date
Petroleum exploration properties						
Carnarvon Basin – Western Australia						
WA-359-P	BP Developments Australia Pty Ltd	21.5	21.5	645	645	25/04/2021
WA-389-P	Cue Exploration Pty Ltd	100	100	1,939	775.60	08/04/2021
WA-409-P	BP Developments Australia Pty Ltd	20	20	565	169.50	12/10/2022
Indonesia						
Mahakam Hilir PSC	Cue Kalimantan Pte Ltd	100	100	222.14	88.90	15/04/2021
Mahato PSC	Texcal Mahato EP Ltd	12.5	12.5	5,600	700	20/07/2042
Petroleum production properties						
New Zealand						
PMP38160	OMV New Zealand Limited	5	5	80.18	4	02/12/2027
Madura - Indonesia						
Sampang	Medco Energi Sampang Pty Ltd	15 (8.18 Jeruk Field)	15 (8.18 Jeruk Field)	534.50	80.20	04/12/2027

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

Note 29. Events after the reporting period

On 16 July 2020, the Company issued 3,743,260 unlisted options to eligible employees under the share option scheme, exercisable at $0.1175 (11.75 cents), The options will vest on 1 July 2023 and expire on 1 July 2025.

On 17 July 2020, the Consolidated Entity announced that the Environment Plan (EP) for the Ironbark-1 exploration well in exploration permit WA-359-P had been approved by the National Offshore Petroleum Safety and Environment Management Authority (NOPSEMA).

On 19 August 2020, the Company announced the Indonesian Government approval of the Paus Biru gas field Plan of Development in the Sampang PSC and an independent certification of the contingent resources in the field.

No other matter or circumstances has arisen since 30 June 2020 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 30. Reconciliation of profit after income tax to net cash from operating activities

	Consolidated	
	2020 $'000	2019 $'000
Profit after income tax expense for the year	1,313	8,549
Adjustments for:		
Share-based payments	146	34
Abandonment provision expense	257	777
Impairment - production assets	2,722	-
Depreciation	73	10
Amortisation	4,140	4,352
Net gain on foreign currency conversion	(95)	(1,141)
Change in operating assets and liabilities:		
Decrease in trade and other receivables	582	2,296
Decrease/(increase) in inventories	545	(484)
Decrease/(increase) in deferred tax assets	114	(269)
Decrease in trade and other payables	(327)	(1,549)
(Decrease)/Increase in tax liabilities	(1,940)	(719)
Increase/(decrease) in deferred tax liabilities	111	895
Increase/(decrease) in provisions	(241)	72
Net cash from operating activities	7,400	12,823

Note 31. Earnings per share

	Consolidated	
	2020 $'000	2019 $'000
Profit after income tax attributable to the owners of Cue Energy Resources Limited	1,313	8,549
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	698,119,720	698,119,720
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	1,692,411	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	699,812,131	698,119,720
	Cents	Cents
Basic earnings per share	0.19	1.22
Diluted earnings per share	0.19	1.22

Note 31. Earnings per share (continued)

Accounting policy for earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the earnings attributable to the owners of Cue Energy Resources Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Note 32. Share-based payments

On 29 July 2019, the Company issued 4,277,888 unlisted options to eligible employee under the share option scheme. The options are exercisable at $0.07 (7 cents) per option and will vest on 1 July 2021 and expire on 1 July 2023.

Under IG4, which is set out in the Appendix to AASB 2 Share Based Payments, the service commencement date of these options were deemed to be 1 July 2018. The options were valued using Black-Scholes option pricing model. $34,255 of share-based payment expense was recorded in relation to these options for the financial year ending 30 June 2019.

On 4 October 2019, the Company issued 3,853,298 unlisted options to eligible employees under the share option scheme, exercisable at $0.09 (9 cents). The options will vest on 1 July 2022 and expire on 1 July 2024.

Set out below are summaries of options granted under the plan:

2020

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
29/07/2019	01/07/2023	$0.070	4,277,888	-	-	(493,863)	3,784,025
04/10/2019	01/07/2024	$0.090	-	3,853,298	-	-	3,853,298
			4,277,888	3,853,298	-	(493,863)	7,637,323
Weighted average exercise price			$0.070	$0.090	-	$0.070	$0.080

2019

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
29/07/2019	01/07/2023	$0.07	-	4,277,888	-	-	4,277,888
			-	4,277,888	-	-	4,277,888
Weighted average exercise price			-	$0.070	-	-	$0.070

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Note 32. Share-based payments (continued)

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
29/07/2019	01/07/2023	$0.092	$0.070	55.00%	-	0.99%	$0.040
04/10/2019	01/07/2024	$0.115	$0.090	53.00%	-	0.64%	$0.059

Accounting policy for share-based payments
Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.