

Cue Energy Resources Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	Cue Energy Resources Limited
ABN:	45 066 383 971
Reporting period:	For the half-year ended 31 December 2019
Previous period:	For the half-year ended 31 December 2018

2. Results for announcement to the market

			\$'000
Revenues from ordinary activities	up	3.9% to	13,917
Profit from ordinary activities after tax attributable to the owners of Cue Energy Resources Limited	down	67.9% to	1,485
Profit for the half-year attributable to the owners of Cue Energy Resources Limited	down	67.9% to	1,485

Dividends

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

Comments

The profit for the consolidated entity after providing for income tax amounted to \$1.49 million (31 December 2018: \$4.63 million).

Financial position

The net assets of the consolidated entity increased by \$1.58 million to \$42.99 million for the period ended 31 December 2019 (30 June 2019: \$41.41 million).

Operating results for the half year

The Group reported a net profit after tax of \$1.49 million for the period ended 31 December 2019, a decrease of \$3.14 million from its \$4.63 million profit in 2018, mainly attributable to higher reported production costs, exploration expenditure and tax payments.

Production revenue for the period was \$13.92 million, an increase of \$0.52 million from the previous period (2018: \$13.40 million). Production costs for the period of \$9.24 million were higher than the previous period (2018: \$7.43 million), primarily due to timing of expenditure and increased royalties from Maari.

Administration expenses of \$0.95 million were 26% lower than the corresponding period (2018: \$1.28 million).

Cash position

The consolidated cash and cash equivalents of the Group as at 31 December 2019 were \$29.12 million, including \$11.72 million restricted cash for the Ironbark drilling program.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>6.25</u>	<u>5.37</u>

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

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

Previous period

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

7. Details of associates and joint venture entities

Not applicable.

8. Foreign entities

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

Not applicable.

9. Audit qualification or review

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

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

10. Attachments

Details of attachments (if any):

The Interim Financial Report of Cue Energy Resources Limited for the half-year ended 31 December 2019 is attached.

11. Signed

Signed _____



Alastair McGregor
Non-Executive Chairman

Date: 19 February 2020

Cue Energy Resources Limited

ABN 45 066 383 971

Interim Financial Report - 31 December 2019

Cue Energy Resources Limited

Contents

31 December 2019

Corporate directory	2
Activity Review	3
Directors' report	7
Auditor's independence declaration	9
Condensed consolidated statement of profit or loss and other comprehensive income	10
Condensed consolidated statement of financial position	11
Condensed consolidated statement of changes in equity	12
Condensed consolidated statement of cash flows	13
Notes to the condensed consolidated financial statements	14
Directors' declaration	19
Independent auditor's review report to the members of Cue Energy Resources Limited	20

Cue Energy Resources Limited
Corporate directory
31 December 2019

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

ACTIVITY REVIEW

PRODUCTION

New Zealand

PMP 38160 Maari and Manaia fields

Cue Interest: 5%

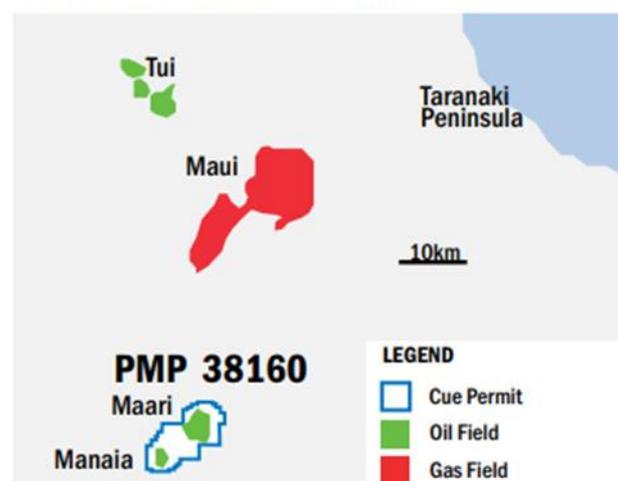
Operator: OMV New Zealand Limited

During the reporting period, workovers were completed on MR3, MR4 and MN1 production wells well to replace Electric Submersible Pumps (ESP) and undertake well maintenance. At the end of the half, all wells had returned to production.

On November 18 2019, Jadestone Energy Inc. (AIM:JSE, TSXV:JSE), announced the that it had executed a sales and purchase agreement (SPA) with OMV to acquire OMV's 69% operated interest in the PMP 38160 Permit, containing the Maari and Manaia fields.

Conditions for completion of the acquisition include acceptance of Jadestone as operator by the Joint Venture partners, and achieving Government approvals prior to 15 November 2020.

TARANAKI PENINSULA LOCATION MAP - NEW ZEALAND



Indonesia

Sampang PSC

Cue Interest: 15%

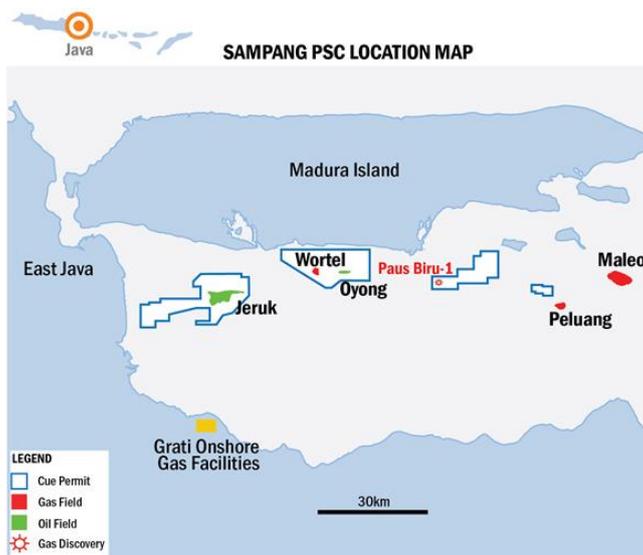
Operator: Medco Energi

The Operator is continuing with preparation of the Paus Biru Plan of Development (POD) in line with Indonesian regulatory requirements. Reserves certification is expected to be completed by first quarter of CY2020. Concept design and Pre-Feed studies are expected to be complete by mid 2020 with POD approval targeted for the third quarter of 2020.

Wortel East exploration well opportunity was reviewed by the Joint Venture during the second quarter. Further review is being undertaken into the technical and commercial opportunity of this and other prospects in the PSC.

During the half, Cue was notified that it had been successful in an Indonesian Tax Court case against the Indonesian Tax Department for over-payment of approximately \$650,000 in taxes relating to 2011, resulting in a refund of the full amount. \$450,842 of this was paid to Cue in December 2019, with the remaining amount expected to be paid early in CY2020. In February 2020, Cue was notified that the Indonesian Tax Department had lodged an appeal to the Indonesian Supreme Court over the ruling. Cue is assessing its position on the appeal.

Subsequent to the reporting period, final installation of upgraded compression at the Grati onshore gas processing plant was completed in late January 2020, with full production reinstated. The new compression is aimed at extending future productivity as well pressures reduce.



EXPLORATION

AUSTRALIA

WA-359-P

Cue Interest: 21.5%

Operator: BP Developments Australia Pty Ltd

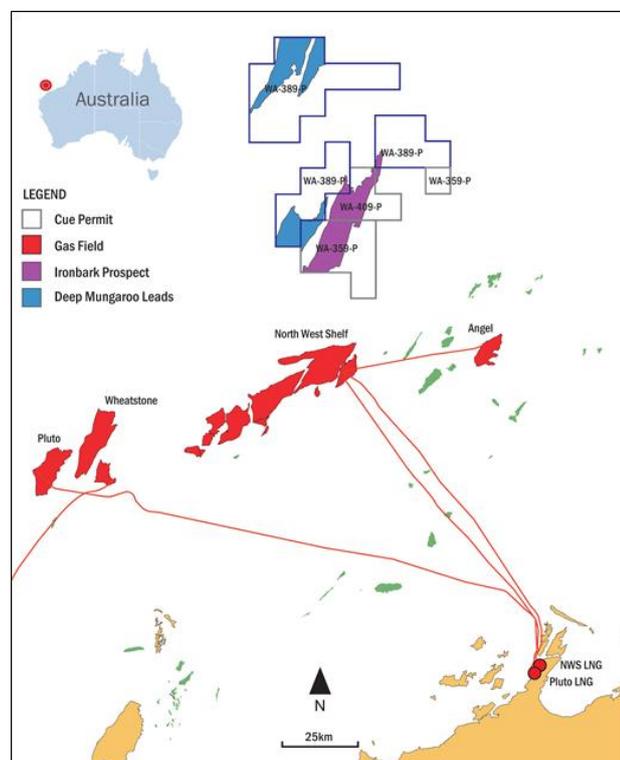
WA-359-P contains the Ironbark prospect which will be tested by the Ironbark-1 exploration well, to be drilled in late 2020 by the Ocean Apex drill rig.

Well site survey operations were conducted during the half to provide information for detailed operations planning.

The Environment Plan for Ironbark-1 was submitted to NOPSEMA during December and released for public comment, which was completed on 11 Jan 2020. Further processes associated with this approval are continuing.

Procurement plans and purchasing of equipment are proceeding as expected at this stage of the operation.

As part of the farmout agreements with BP, Beach Energy and New Zealand Oil & Gas, approximately US\$11.3 million of Cue's costs will be paid by the JV partners. Cue has escrowed a further US\$8.08 million to fund the remainder of its well obligations.



WA-409-P

Cue Interest: 20%

Operator: BP Developments Australia Pty Ltd

During the reporting period, the Joint Venture was granted a variation, suspension and extension to the permit terms.

The terms of the approval defer the requirement to drill an exploration well until October 2022, suspend Permit Year 3 for 12 months and extend the permit term by 12 months. Additional geophysical studies will be undertaken by the joint venture over the next 12 months.

A summary of the new WA-409-P work program is outlined in the table below. The permit is currently in the primary term, Years 1-3.

Year of Permit Term	Permit Year Starts	Permit Year Ends	Minimum Work Requirements Summary
1-3	13/10/2016	12/10/2020	325km ² 3D seismic PSDM reprocessing Geotechnical studies Well planning Geophysical studies including 200km ² of stochastic inversion
4	13/10/2020	12/10/2021	Ongoing well planning
5	13/10/2021	12/10/2022	Drill one exploration well Geotechnical Studies

As part of the new work program geophysical studies and seismic processing are currently being undertaken by the Operator.

Cue is in the process of finalising agreements with Beach Energy and New Zealand Oil & Gas to extend each company's option over WA-409-P, due to the variation, suspension and extension granted to the Permit.

WA-389-P

Cue Interest: 100%

Operator: Cue Exploration Pty Ltd

Cue was granted a variation, suspension and extension of the permit terms in October 2019.

The terms of the approval remove the requirement to drill an exploration well during the permit term and replace it with 250km² of seismic reprocessing and interpretation and other geological and geophysical studies. The permit term has also been extended by 6 months to April 2021.

The new WA-389-P work commitments are outlined in the table below. The permit is currently in Year 5 and Cue will have the opportunity to submit a renewal application at the end of the permit term.

Year of Permit Term	Permit Year Starts	Permit Year Ends	Minimum Work Requirements Summary
1-3	9/10/2013	8/10/2016	Geotechnical Studies 1250km ² 3D PSDM reprocessing 450km 2D reprocessing
4	9/10/2016	8/10/2019	Geological and Geotechnical studies
5	9/10/2019	8/ 4 /2021	250km ² Seismic reprocessing and interpretation Geological and Geophysical studies

Reprocessing of 900km² of existing seismic data has been initiated over the southern portion of the permit and surrounding areas to further delineate the Deep Mungaroo structure which is on trend with the immediately east and downdip horst block containing the Ironbark Prospect.

Additional G&G work planned includes quantitative geophysical analysis of a Jurassic seismic amplitude play and a review of the existing charge model and sequence stratigraphy for both the Deep Mungaroo and the Jurassic plays.

INDONESIA

Mahakam Hilir PSC

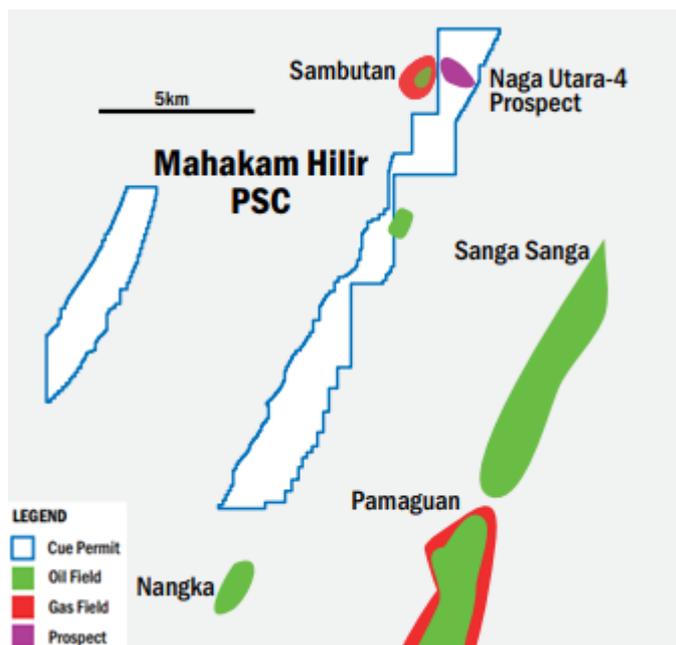
Cue Interest: 100%

Operator: Cue Kalimantan Pte Ltd

The Mahakam Hilir PSC contains the Naga Utara prospect and the Naga Utara-4 appraisal well opportunity.

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

The exploration period of the PSC is currently due to expire in May 2020.



Mahato PSC

Cue Interest: 12.5%

Operator: Texcal Mahato EP Ltd

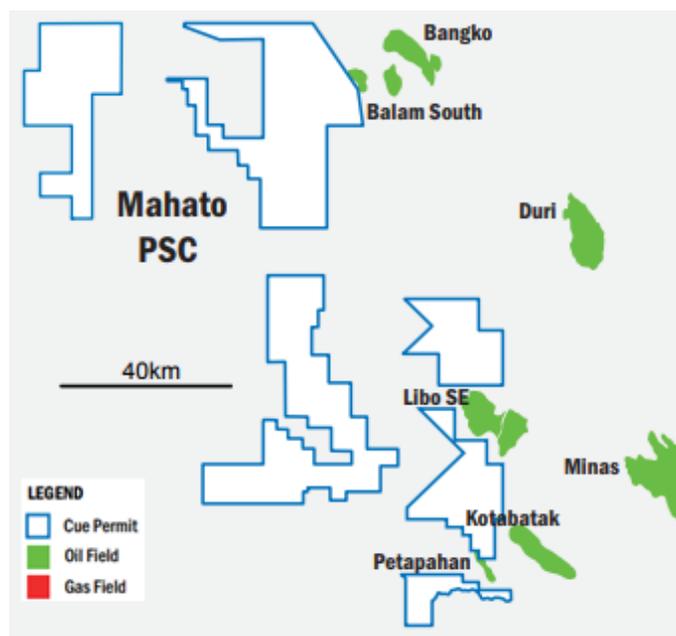
The PB-1 exploration well commenced on the 19th November 2019, targeting the Early Miocene Bekasap sands, with a secondary target, the overlying Telisa sands. Cue announced on 10 Dec 2019, that the PB-1 well was drilled to total depth and cased.

Cue was issued a default notice by the Operator, Texcal Mahato EP Ltd, referencing a deficient cash call which was not settled by Cue. Cue stopped receiving full information from the operator around the time of this notice.

On 17 Dec 2019 Cue announced that the cash call, which was not material, and was the subject of the default notice referred to in the ASX announcement of 10 December, had been paid.

The Operator, and other Joint Venture participants, are claiming to have excluded Cue from participation in recent operations, based on the issued default notice and claimed decisions made around the time. These claims are disputed by Cue as having no basis under the Joint Operating Agreement (JOA). Discussions between Cue and Texcal are ongoing in an attempt to solve these issues. Cue is evaluating all available options and is asserting all its legal rights under the JOA.

As announced on 10 January 2020, Cue was informed by the Operator that the PB-2 well was drilled. The Company is awaiting further information on the status of the current operations.



Corporate

Cue Energy Resources Ltd and Cue Resources Inc. were named as defendants, along with a number of other companies, in litigation pending in Texas, USA in relation to the Pine Mills oilfield. On March 27, 2019 the court dismissed the claims against Cue in their entirety. On April 26, 2019, the plaintiff filed an amended lawsuit against Cue and the other defendants. Cue has filed a motion to dismiss, which remains pending in U.S. court.

Cue Energy Resources Limited
Directors' report
31 December 2019

The directors present their report, together with the financial statements, on the consolidated entity consisting of Cue Energy Resources Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2019.

Directors

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

Alastair McGregor
Andrew Jefferies
Peter Hood
Rebecca DeLaet (resigned on 20 December 2019)
Richard Malcolm
Rod Ritchie
Samuel Kellner
Marco Argentieri (appointed on 14 January 2020)

Chief Executive Officer

Matthew Boyall

Chief Financial Officer/Company Secretary

Melanie Leydin

Principal activities

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

Dividends

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

Review of operations

The profit for the consolidated entity after providing for income tax amounted to \$1.49 million (31 December 2018: \$4.63 million). The decrease in profit was mainly attributable to higher reported production costs, exploration expenditure and tax payments.

During the half year, the Group earned production revenue of \$13.92 million (2018: \$13.40 million) and incurred production costs of \$9.24 million (2018: \$7.43 million).

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

Significant changes in the state of affairs

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

On 4 October 2019, the consolidated entity 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.

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

Matters subsequent to the end of the financial half-year

Cue Sampang Pty Ltd has received notification that the Indonesian Tax authorities have submitted an appeal to the Indonesian Supreme Court over the Tax Court decision which awarded Cue a refund of approximately \$650,000 of overpaid taxes. Cue is reviewing the situation.

No other matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Auditor's independence declaration

The lead auditor's independence declaration is set out on page 9 and forms part of the directors' report for the six months ended 31 December 2019

Cue Energy Resources Limited
Directors' report
31 December 2019

Rounding of amounts

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

Signed in accordance with a resolution of the directors:



Alastair McGregor
Non-Executive Chairman
19 February 2020



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

To the Directors of Cue Energy Resources Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Cue Energy Resources Limited for the half-year ended 31 December 2019 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

Vicky Carlson
Partner
Melbourne
19 February 2020

Cue Energy Resources Limited
Condensed consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2019

	Note	Consolidated 31 December 2019 \$'000	31 December 2018 \$'000
Revenue			
Production revenue		13,917	13,396
Production costs		(9,243)	(7,429)
Gross Profit from production		<u>4,674</u>	<u>5,967</u>
Other income		905	673
Net foreign currency exchange gain/(loss)		(162)	936
Expenses			
Exploration and evaluation expenditure		(1,137)	(694)
Administration expenses	4	(945)	(1,284)
Share-based payments		(83)	-
Profit before income tax expense		3,252	5,598
Income tax expense		(1,767)	(973)
Profit after income tax expense for the half-year attributable to the owners of Cue Energy Resources Limited		1,485	4,625
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		7	(395)
Other comprehensive income for the half-year, net of tax		7	(395)
Total comprehensive income for the half-year attributable to the owners of Cue Energy Resources Limited		<u>1,492</u>	<u>4,230</u>
		Cents	Cents
Basic earnings per share		0.21	0.66
Diluted earnings per share		0.21	0.66

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

Cue Energy Resources Limited
Condensed consolidated statement of financial position
As at 31 December 2019

	Consolidated	
	31 December	30 June 2019
Note	2019	\$'000
	\$'000	\$'000
Assets		
Current assets		
Cash and cash equivalents	17,399	14,671
Restricted cash	11,716	11,523
Trade and other receivables	5,220	5,297
Inventories	274	1,003
Total current assets	<u>34,609</u>	<u>32,494</u>
Non-current assets		
Property, plant and equipment	40	21
Right-of-use assets	131	-
Exploration and evaluation assets	5 3,404	3,401
Production properties	6 22,433	24,547
Deferred tax asset	3,079	3,002
Total non-current assets	<u>29,087</u>	<u>30,971</u>
Total assets	<u>63,696</u>	<u>63,465</u>
Liabilities		
Current liabilities		
Trade and other payables	2,758	1,907
Lease liabilities	89	-
Tax liabilities	2,159	4,227
Provisions	104	81
Total current liabilities	<u>5,110</u>	<u>6,215</u>
Non-current liabilities		
Lease liabilities	48	-
Deferred tax liabilities	3,724	3,947
Provisions	11,825	11,894
Total non-current liabilities	<u>15,597</u>	<u>15,841</u>
Total liabilities	<u>20,707</u>	<u>22,056</u>
Net assets	<u>42,989</u>	<u>41,409</u>
Equity		
Contributed equity	152,416	152,416
Reserves	(665)	(750)
Accumulated losses	(108,762)	(110,257)
Total equity	<u>42,989</u>	<u>41,409</u>

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

Cue Energy Resources Limited
Condensed consolidated statement of changes in equity
For the half-year ended 31 December 2019

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

Consolidated	Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2019	152,416	(750)	(110,257)	41,409
Adjustment to opening accumulated losses for change in accounting standard (Note 2)	-	-	5	5
Balance at 1 July 2019 - restated	152,416	(750)	(110,252)	41,414
Profit after income tax expense for the half-year	-	-	1,485	1,485
Other comprehensive income for the half-year, net of tax	-	7	-	7
Total comprehensive income for the half-year	-	7	1,485	1,492
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	-	83	-	83
Transfer	-	(5)	5	-
Balance at 31 December 2019	<u>152,416</u>	<u>(665)</u>	<u>(108,762)</u>	<u>42,989</u>

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

Cue Energy Resources Limited
Condensed consolidated statement of cash flows
For the half-year ended 31 December 2019

	Consolidated	
	31 December 2019	31 December 2018
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers	11,996	13,967
Insurance refunds received	-	418
Interest received	254	182
Payments to suppliers (inclusive of GST)	(5,117)	(4,982)
Exploration and evaluation expenditure	(1,287)	(1,019)
Income tax paid	(2,251)	(1,650)
Royalties paid	(367)	(298)
Royalty settlement	-	(277)
Other receipts	451	-
	<hr/>	<hr/>
Net cash from operating activities	3,679	6,341
	<hr/>	<hr/>
Cash flows from investing activities		
Payments for production properties	(530)	(634)
Payments for plant and equipment	(25)	-
Payments for exploration and evaluation assets	(4)	(2,434)
	<hr/>	<hr/>
Net cash used in investing activities	(559)	(3,068)
	<hr/>	<hr/>
Cash flows from financing activities		
Payments of principal element of lease liabilities	(44)	-
	<hr/>	<hr/>
Net cash used in financing activities	(44)	-
	<hr/>	<hr/>
Net increase in cash and cash equivalents and restricted cash	3,076	3,273
Cash and cash equivalents and restricted cash at the beginning of the financial half-year	26,194	16,983
Effects of exchange rate changes on cash and cash equivalents and restricted cash	(155)	734
	<hr/>	<hr/>
Cash and cash equivalents and restricted cash at the end of the financial half-year	<u>29,115</u>	<u>20,990</u>

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

Cue Energy Resources Limited
Notes to the condensed consolidated financial statements
31 December 2019

Note 1. General information

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

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

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 19 February 2020.

Note 2. Summary of significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2019 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2019.

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

New Accounting Standards and Interpretations adopted

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 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 retrospective basis as if AASB 16 had always been applied, 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. The provisions recognised in respect of onerous lease contracts were netted off against the associated right-of-use assets at the date of transition.

Note 2. Summary of significant accounting policies (continued)

	Transitional impact at 1 July 2019 \$'000
Right-of-use assets	172
Lease liabilities	(177)
Accumulated losses	5

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 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.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the period ended 31 December 2019.

Note 3. Financial reporting by segments

Segment Information

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

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

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

Note 3. Financial reporting by segments (continued)

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

2019	Geographical location			
	Australia \$'000	NZ \$'000	Indonesia \$'000	Total \$'000
Revenue				
Production revenue from continuing operations	-	6,698	7,219	13,917
Total segment revenue	-	6,698	7,219	13,917
Earnings before interest expense, tax, impairments, E&E expenditure, depreciation and amortisation	(895)	2,201	5,639	6,945

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

	Geographical location			
	Australia \$'000	NZ \$'000	Indonesia \$'000	Total \$'000
TOTAL SEGMENT ASSETS				
Current assets	27,212	2,439	4,958	34,609
Non-current assets	124	19,694	9,269	29,087
Total 31 December 2019 Assets	27,336	22,133	14,227	63,696
Current assets	23,822	1,487	7,185	32,494
Non-current assets	21	20,906	10,044	30,971
Total 30 June 2019 Assets	23,843	22,393	17,229	63,465
TOTAL SEGMENT LIABILITIES				
Current Liabilities	199	2,341	2,570	5,110
Non-current Liabilities	176	10,996	4,425	15,597
Total 31 December 2019 Liabilities	375	13,337	6,995	20,707
Current Liabilities	218	905	5,092	6,215
Non-current Liabilities	101	10,722	5,018	15,841
Total 30 June 2019 Liabilities	319	11,627	10,110	22,056

Cue Energy Resources Limited
Notes to the condensed consolidated financial statements
31 December 2019

Note 3. Financial reporting by segments (continued)

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

	Consolidated	
	31 December	31 December
	2019	2018
	\$'000	\$'000
Earnings before interest expense, tax, impairments, exploration and evaluation expenditure (E&E), depreciation and amortisation	6,945	8,970
Amortisation and depreciation expenses	(2,553)	(2,678)
Exploration and evaluation expenditure	(1,137)	(694)
Interest expense	(3)	-
	<u>3,252</u>	<u>5,598</u>
Profit before income tax expense	<u>3,252</u>	<u>5,598</u>

Note 4. Administration expenses

	Consolidated	
	31 December	31 December
	2019	2018
	\$'000	\$'000
Depreciation of property, plant and equipment	33	5
Employee expenses	517	696
Superannuation contribution expense	33	32
Lease expenses	18	97
Other expenses	266	343
Business development expenses	75	111
Finance costs	3	-
	<u>945</u>	<u>1,284</u>
Total administration expenses	<u>945</u>	<u>1,284</u>

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

	Consolidated	
	31 December	30 June 2019
	2019	2019
	\$'000	\$'000
Exploration and evaluation - Paus Biru-1 exploration well	<u>3,404</u>	<u>3,401</u>

Note 6. Non-current assets - production properties

	Consolidated	
	31 December	30 June 2019
	2019	2019
	\$'000	\$'000
Production properties	<u>22,433</u>	<u>24,547</u>

Cue Energy Resources Limited
Notes to the condensed consolidated financial statements
31 December 2019

Note 6. Non-current assets - production properties (continued)

Reconciliations

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

Consolidated	Total \$'000
Balance at 1 July 2019	24,547
Expenditure incurred	560
Amortisation expense	(2,520)
Abandonment provision	<u>(154)</u>
Balance at 31 December 2019	<u><u>22,433</u></u>

Note 7. Contingent assets and liabilities

The Directors are not aware of any contingent assets or contingent liabilities as at 31 December 2019 (30 June 2019: Nil).

Note 8. Events after the reporting period

Cue Sampang Pty Ltd has received notification that the Indonesian Tax authorities have submitted an appeal to the Indonesian Supreme Court over the Tax Court decision which awarded Cue a refund of approximately \$650,000 of overpaid taxes. Cue is reviewing the situation.

No other matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Cue Energy Resources Limited
Directors' declaration
31 December 2019

1. the condensed consolidated financial statements and notes set out on pages 10 to 18 are in accordance with the Corporation Act 2001 including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the six month period ended on that date and
- (b) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001 and

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

Signed in accordance with a resolution of directors:



Alastair McGregor
Non-Executive Chairman

19 February 2020



Independent Auditor's Review Report

To the shareholders of Cue Energy Resources Limited

Conclusion

We have reviewed the accompanying **Interim Financial Report** of Cue Energy Resources Limited.

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

- giving a true and fair view of the **Group's** financial position as at 31 December 2019 and of its performance for the six months ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Interim Financial Report** comprises:

- Condensed consolidated statement of financial position as at 31 December 2019
- Condensed consolidated statement of profit or loss and other comprehensive income, Condensed consolidated statement of changes in equity and Condensed consolidated statement of cash flows for the Half-year ended on that date
- Notes 1 to 9 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration

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

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

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

Auditor's responsibility for the review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim 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 Interim Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company's financial position as at 31 December 2019 and its performance for the interim period ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As 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 an Interim Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



KPMG



Vicky Carlson
Partner
Melbourne
19 February 2020