

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 2020
Previous period:	For the half-year ended 31 December 2019

2. Results for announcement to the market

			\$'000
Revenues from ordinary activities	down	32.4% to	9,411
Loss from ordinary activities after tax attributable to the owners of Cue Energy Resources Limited	down	1096.4% to	(14,797)
Loss for the half-year attributable to the owners of Cue Energy Resources Limited	down	1096.4% to	(14,797)

Dividends

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

Comments

The loss for the consolidated entity after providing for income tax amounted to \$14.80 million (31 December 2019: profit of \$1.49 million).

Financial position

The net assets of the consolidated entity decreased by \$15.68 million to \$27.89 million for the period ended 31 December 2020 (30 June 2020: \$43.56 million).

Operating results for the half year

The Group reported a net loss after tax of \$14.80 million for the period ended 31 December 2020. This was mainly attributable to \$9.83 million exploration expense on Ironbark-1 exploration well, including a provision for abandonment. The strong Australian dollar also resulted in \$2.91 million in unrealised foreign currency translation losses for the period.

Production revenue for the period was \$9.41 million, a decrease of \$4.51 million from the previous period (31 December 2019: \$13.92 million). This was mainly attributable to reduced liftings at Maari field and lower global oil prices. Production costs for the period of \$5.60 million were lower than the previous period (31 December 2019: \$9.24 million).

Administration expenses of \$2.16 million were higher than corresponding period (31 December 2019: \$0.95 million). This was mainly due to increased legal expenses associated with the US litigation settlement in September 2020 and accrued Mahato PSC settlement.

Cash position

The consolidated cash and cash equivalents of the Group as at 31 December 2020 were \$25.63 million, including \$8.91 million restricted cash which will be used to complete payment obligations related to the Ironbark-1 exploration well.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>3.99</u>	<u>6.25</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:

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

9. Audit qualification or review

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

The financial statements were subject to a review by the auditors and the review report is attached as part of the 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 2020 is attached.

11. Signed

Signed  _____

Date: 23 February 2021

Alastair McGregor
Non-Executive Chairman

Cue Energy Resources Limited

ABN 45 066 383 971

Interim Financial Report - 31 December 2020

Cue Energy Resources Limited

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31 December 2020

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Cue Energy Resources Limited
Corporate directory
31 December 2020

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 AND DEVELOPMENT

NEW ZEALAND

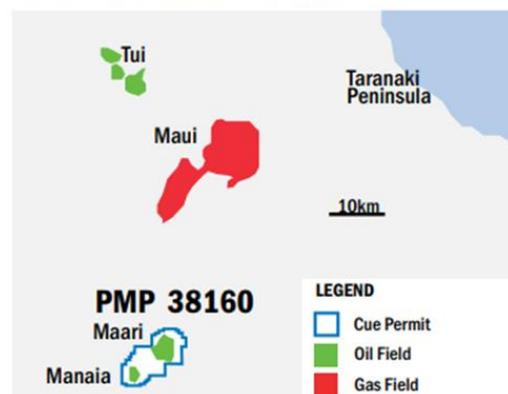
PMP 38160

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

Production from the Maari field ended the half strongly at approximately 5350 barrels of oil per day (bopd) gross. During the half, workovers were completed on production wells MR7 and MR9 to replace Electric Submersible Pumps (ESP) in both wells and production optimisation activities were undertaken. Both workovers were completed safely on time and budget.

The MR6a well, the largest producer in the field, was offline for the reporting period due to downhole equipment malfunction. Repairs on the well are due to take place during the second half of the 2021 financial year.

TARANAKI PENINSULA LOCATION MAP - NEW ZEALAND



Jadestone Energy and OMV have amended the longstop date for Jadestone's acquisition of a 69% operated working interest in Maari until April 30, 2021 to allow time for New Zealand regulatory approvals.

INDONESIA

SAMPANG PSC

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

Gas production from the Sampang PSC during the half was higher than the corresponding period due to the Grati onshore compressor upgrade which was completed in January 2020.

The Plan of Development (POD) for the Paus Biru Gas discovery was approved by the Indonesian Upstream regulator, SKK Migas. The approved POD consists of a single horizontal development well with an unmanned wellhead platform (WHP), connected by a subsea pipeline to the existing WHP at the Oyong field, approximately 27km away.

The joint venture is progressing early stages of the Front End Engineering and Design (FEED) phase for the Paus Biru development. Significant FEED activities and a Final Investment Decision (FID) for the development are expected to be delayed due to current COVID-19 demand changes affecting buyer's abilities to contract future gas.

SAMPANG PSC LOCATION MAP - INDONESIA



MAHATO PSC

Cue Interest: 12.5% (Cue Mahato Pty Ltd)

Operator: Texcal Mahato EP Ltd

Commercial production of oil has commenced from the PB field in the Mahato PSC in Indonesia and the dispute between Cue and the Joint Venture partners has been settled.

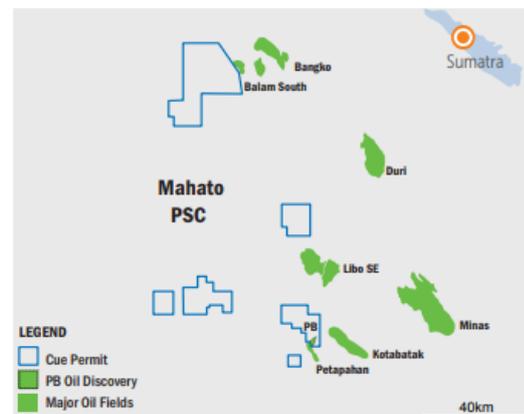
The PB-1 well is producing at approximately 600 barrels of oil per day, with the oil processed and exported through existing third party facilities. A workover of exploration well PB-2 to bring it into production and the drilling of three further development wells are expected to commence during the current quarter. The PB-1 and PB-2 wells were drilled as exploration wells in late 2019 and early 2020.

Cue and the Mahato PSC joint venture partners have agreed on a settlement to the dispute relating to the PB-1 and PB-2 wells. As part of the settlement, Cue paid a cash call of approximately US\$300,000 related to the PB-2 exploration well. Additionally, Cue paid US\$380,000 to the joint venture. Of that amount, US\$111,000 was paid from Cue's cash reserves, with the remainder paid from Cue's share of the PSC performance bond, which was being held by the Operator.

Cue has previously paid for its participating interest in the field infrastructure, the PB-2 well workover and three upcoming development wells.

During the half studies commenced on other exploration targets within the PSC.

MAHATO PSC LOCATION MAP - INDONESIA



EXPLORATION

AUSTRALIA

WA-359-P

Cue Interest: 21.5% (Cue Exploration Pty Ltd)

Operator: BP Developments Australia Pty Ltd

The Ironbark-1 exploration well in WA-359-P in the Carnarvon Basin, offshore Western Australia, commenced on 31 October 2020 and drilled to a total depth of 5618m. The primary target interval was intersected at a depth of 5275 metres, with no significant hydrocarbon shows encountered in any of the target sands.

The well was plugged and abandoned, and the Ocean Apex rig departed the well location on 11 January 2021.

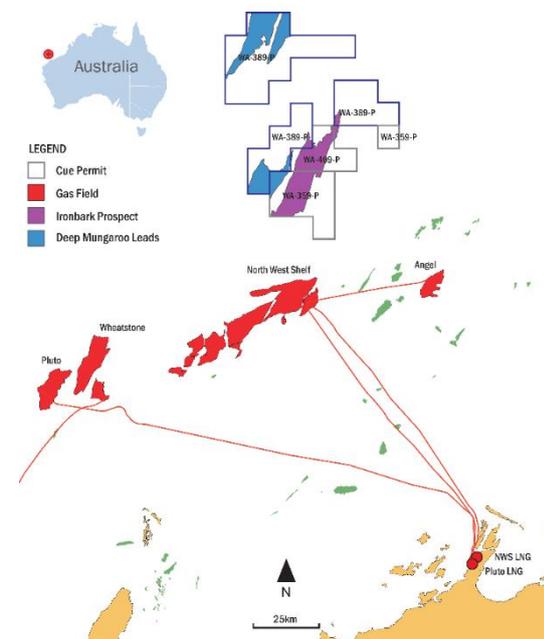
Analysis of the well data and results will be undertaken to understand the implications for the Deep Mungaroo play.

WA-409-P

Cue Interest: 20% (Cue Exploration Pty Ltd)

Operator: BP Developments Australia Pty Ltd

During the reporting period, the joint venture continued quantitative seismic processing and is assessing the prospectivity of the permit following the Ironbark-1 well results.



Cue Energy Resources Limited
Activity review
31 December 2020

WA-389-P

Cue Interest: 100% (Cue Exploration Pty Ltd)

Operator: Cue Exploration Pty Ltd

During the half, Cue completed Year 5 permit work commitments, including seismic reprocessing over a portion of the WA-389-P permit. Following the drilling of Ironbark-1, Cue is assessing the prospectivity of the permit and has submitted an application for a suspension and extension to the permit term to allow this analysis to be undertaken.

INDONESIA

Mahakam Hilir PSC

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

Operator: Cue Kalimantan Pte Ltd

The exploration period of the PSC is due to end in April 2021. Under the current permit terms, title transfers are not permitted. Due to the impact of this restriction and current COVID-19 restrictions, the permit is expected to be relinquished on expiry in April 2021.

CORPORATE

In June 2018, Cue Energy Resources Ltd and Cue Resources Inc. were named as defendants, along with a number of other companies, in litigation in Texas, USA in relation to the Pine Mills oilfield. The case is entitled *Hammerhead Managing Partners, LLC v. Nostra Terra Oil & Gas Company, PLC, et al., In the United States District Court For the Northern District of Texas, No. 3:18-cv-1160*.

In September 2020, the parties to the litigation entered into a settlement agreement that fully and finally concluded the litigation and dismisses it in its entirety. Cue's financial contribution to the settlement was US\$350,000.

Cue is taking necessary precautions to look after the wellbeing of staff during the COVID-19 outbreak, with all staff in Melbourne and Jakarta offices continuing to work remotely.

Cue Energy Resources Limited
Directors' report
31 December 2020

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 2020.

Directors

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

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

Chief Executive Officer

Matthew Boyall

Chief Financial Officer/Company Secretary

Melanie Leydin

Principal activities

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

Dividends

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

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$14.80 million (31 December 2019: profit of \$1.49 million). The significant operating loss was mainly attributable to \$9.83 million exploration expense on Ironbark-1 exploration well, including a provision for abandonment. The strong Australian dollar also resulted in \$2.91 million in unrealised foreign currency translation losses for the six months ending 31 December 2020.

During the half year, the Group earned production revenue of \$9.41 million (31 December 2019: \$13.92 million) and incurred production costs of \$5.60 million (31 December 2019: \$9.24 million).

The impact of Coronavirus (COVID-19) pandemic is ongoing and while there have been mixed financial and operational impacts for the Group up to 31 December 2020, it is not practical to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

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

Significant changes in the state of affairs

On 16 July 2020, the Company issued 3,743,260 unlisted options to eligible employees under the share option scheme, exercisable at \$0.117 (11.7 cents), The options will vest on 1 July 2023 and expire on 1 July 2025.

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.

On 29 December 2020, the Company provided an update on Ironbark-1 exploration well in WA-359-P in the Carnarvon Basin, offshore Western Australia. The primary target interval was intersected at a depth of 5,275 metres, with no significant hydrocarbon shows encountered in any of the target sands. The well was subsequently plugged and abandoned.

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

Cue Energy Resources Limited
Directors' report
31 December 2020

Matters subsequent to the end of the financial half-year

On 15 January 2021, the Company announced that commercial production of oil had commenced from the PB field in the Mahato PSC in Indonesia and the dispute between Cue and the Joint Venture partners had been settled.

The PB-1 well is producing at approximately 600 barrels of oil per day. The oil is processed and exported through existing third party facilities. A workover of exploration well PB-2 to bring it into production and the drilling of three further development wells are expected to commence during the current quarter.

Cue and the Mahato PSC joint venture partners agreed on a settlement to the dispute relating to the PB-1 and PB-2 wells. As part of the settlement, the Operator issued Cue with a cash call for approximately US\$300,000 for the PB-2 exploration well. Additionally, Cue paid US\$380,000 to the joint venture partners, of which US\$111,000 was paid from Cue's cash reserves, with the remainder paid from Cue's share of the PSC performance bond, which was held by the Operator. All payments have been settled by the end of January 2021.

No other matter or circumstance has arisen since 31 December 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.

Auditor's independence declaration

The lead auditor's independence declaration is set out on page 8 and forms part of the Directors' report for the six months ended 31 December 2020.

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

23 February 2021



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 2020 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

23 February 2021

Cue Energy Resources Limited
Condensed consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2020

	Note	Consolidated 31 December 2020 \$'000	31 December 2019 \$'000
Revenue			
Production revenue		9,411	13,917
Production costs		<u>(5,600)</u>	<u>(9,243)</u>
Gross profit from production		3,811	4,674
Other income		213	905
Net foreign currency exchange loss		(2,914)	(162)
Expenses			
Exploration and evaluation expenditure		(10,099)	(1,137)
Administration expenses	4	(2,160)	(945)
Share-based payments		<u>(93)</u>	<u>(83)</u>
Profit/(loss) before income tax expense		(11,242)	3,252
Income tax expense		<u>(3,555)</u>	<u>(1,767)</u>
Profit/(loss) after income tax expense for the half-year attributable to the owners of Cue Energy Resources Limited		(14,797)	1,485
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		<u>(975)</u>	<u>7</u>
Other comprehensive income for the half-year, net of tax		<u>(975)</u>	<u>7</u>
Total comprehensive income for the half-year attributable to the owners of Cue Energy Resources Limited		<u><u>(15,772)</u></u>	<u><u>1,492</u></u>
		Cents	Cents
Basic earnings/(loss) per share		(2.12)	0.21
Diluted earnings/(loss) per share		(2.12)	0.21

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 2020

	Note	Consolidated 31 December 2020 \$'000	30 June 2020 \$'000
Assets			
Current assets			
Cash and cash equivalents		16,712	19,936
Restricted cash		8,914	12,008
Trade and other receivables		5,352	4,715
Inventories		120	458
Total current assets		<u>31,098</u>	<u>37,117</u>
Non-current assets			
Other financial assets		5,097	5,713
Property, plant and equipment		54	64
Right-of-use assets		49	90
Exploration and evaluation assets		-	4,605
Production properties		16,097	18,682
Development assets	5	6,650	-
Deferred tax asset		2,694	2,888
Total non-current assets		<u>30,641</u>	<u>32,042</u>
Total assets		<u>61,739</u>	<u>69,159</u>
Liabilities			
Current liabilities			
Trade and other payables		4,467	2,044
Lease liabilities		53	80
Tax liabilities		2,186	2,287
Provisions	6	5,793	140
Total current liabilities		<u>12,499</u>	<u>4,551</u>
Non-current liabilities			
Lease liabilities		-	16
Deferred tax liabilities		5,292	4,058
Provisions		16,063	16,970
Total non-current liabilities		<u>21,355</u>	<u>21,044</u>
Total liabilities		<u>33,854</u>	<u>25,595</u>
Net assets		<u>27,885</u>	<u>43,564</u>
Equity			
Contributed equity		152,416	152,416
Reserves	7	(799)	83
Accumulated losses		(123,732)	(108,935)
Total equity		<u>27,885</u>	<u>43,564</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 2020

Consolidated	Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2019	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>

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

	Consolidated	
	31 December 2020	31 December 2019
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers	8,862	11,996
Interest received	23	254
Payments to suppliers (inclusive of GST)	(5,033)	(5,117)
Exploration and evaluation expenditure	(2,698)	(1,287)
Income tax paid	(2,021)	(2,251)
Royalties paid	(60)	(367)
Other receipts	-	451
	<u>(927)</u>	<u>3,679</u>
Cash flows from investing activities		
Payments for production properties	(92)	(530)
Payments for development assets	(2,395)	-
Payments for exploration and evaluation assets	-	(4)
Payments for plant and equipment	(5)	(25)
	<u>(2,492)</u>	<u>(559)</u>
Cash flows from financing activities		
Payments of principal element of lease liabilities	(43)	(44)
	<u>(43)</u>	<u>(44)</u>
Net increase/(decrease) in cash and cash equivalents and restricted cash	(3,462)	3,076
Cash and cash equivalents and restricted cash at the beginning of the financial half-year	31,944	26,194
Effects of exchange rate changes on cash and cash equivalents and restricted cash	(2,856)	(155)
	<u>25,626</u>	<u>29,115</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 2020

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 23 February 2021.

Note 2. Summary of significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2020 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 2020.

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

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

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the period ended 31 December 2020.

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.

Cue Energy Resources Limited
Notes to the condensed consolidated financial statements
31 December 2020

Note 3. Financial reporting by segments (continued)

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

2020	Geographical location			
	Australia \$'000	NZ \$'000	Indonesia \$'000	Total \$'000
Revenue				
Production revenue from continuing operations	-	2,730	6,681	9,411
Total segment revenue	-	2,730	6,681	9,411
Earnings before interest expense, tax, impairments, E&E expenditure, depreciation and amortisation				
	(4,381)	829	4,191	639

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

	Geographical location			
	Australia \$'000	NZ \$'000	Indonesia \$'000	Total \$'000
TOTAL SEGMENT ASSETS				
Current assets	23,651	2,298	5,149	31,098
Non-current assets	91	13,613	16,937	30,641
Total 31 December 2020 Assets	23,742	15,911	22,086	61,739
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
TOTAL SEGMENT LIABILITIES				
Current liabilities	8,204	812	3,483	12,499
Non-current liabilities	44	10,153	11,158	21,355
Total 31 December 2020 Liabilities	8,248	10,965	14,641	33,854
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

Cue Energy Resources Limited
Notes to the condensed consolidated financial statements
31 December 2020

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
	2020	2019
	\$'000	\$'000
Earnings before interest expense, tax, impairments, exploration and evaluation expenditure (E&E), depreciation and amortisation	639	6,945
Amortisation and depreciation expenses	(1,780)	(2,553)
Exploration and evaluation expenditure	(10,099)	(1,137)
Interest expense	(2)	(3)
	<u>(2)</u>	<u>(3)</u>
Profit/(loss) before income tax expense	<u>(11,242)</u>	<u>3,252</u>

Note 4. Administration expenses

	Consolidated	
	31 December	31 December
	2020	2019
	\$'000	\$'000
Depreciation of property, plant and equipment	39	33
Employee expenses	459	517
Superannuation contribution expense	35	33
Lease expenses	12	18
Legal expenses	525	17
Other expenses	277	249
Business development expenses	318	75
Finance costs	2	3
Once-off settlement expenses	493	-
	<u>493</u>	<u>-</u>
Total administration expenses	<u>2,160</u>	<u>945</u>

Note 5. Non-current assets - development assets

	Consolidated	
	31 December	30 June 2020
	2020	2020
	\$'000	\$'000
Sampang Paus Biru	<u>3,452</u>	<u>-</u>
Mahato development	<u>3,198</u>	<u>-</u>
	<u>6,650</u>	<u>-</u>

During the six month ending 31 December 2020, Paus Biru gas field Plan of Development in the Sampang PSC was approved by the Indonesian Government. The Company subsequently reclassified and transferred the exploration and evaluation assets to Development assets.

Cue Energy Resources Limited
Notes to the condensed consolidated financial statements
31 December 2020

Note 5. Non-current assets - development assets (continued)

Mahato development assets include the PB-1 and PB-2 wells which were drilled as exploration wells in late 2019 and early 2020. Subsequent to the half year ending 31 December 2020, the PB-1 well is producing at approximately 600 barrels of oil per day, with the oil processed and exported through existing third party facilities. A workover of exploration well PB-2 to bring it into production and the drilling of three further development wells is expected to commence during Q1 2021.

As the Mahato assets entered the development phase during this reporting period, the Company had an obligation for its share of restoration provision. However as at 31 December 2020, the operator had not cash called for any restoration funds nor this costs could be reliably measured.

Note 6. Current liabilities - provisions

	Consolidated	
	31 December	
	2020	30 June 2020
	\$'000	\$'000
Annual leave	140	117
Long service leave	78	23
Ironbark abandonment provision*	5,575	-
	<u>5,793</u>	<u>140</u>

*On 29 December 2020, the Company announced no significant hydrocarbon shows encountered in any of the target sands at Ironbark-1 exploration well. The operator began to plug and abandon the well. Consequently the Company recognised a provision for abandonment as at 31 December 2020.

Note 7. Equity - reserves

	Consolidated	
	31 December	
	2020	30 June 2020
	\$'000	\$'000
Foreign currency reserve	(1,068)	(93)
Option reserve	269	176
	<u>(799)</u>	<u>83</u>

Foreign currency reserve

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

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

Option reserve

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

Note 8. Contingent assets and liabilities

The Directors are not aware of any contingent assets or contingent liabilities as at 31 December 2020 (30 June 2020: Nil).

Note 9. Events after the reporting period

On 15 January 2021, the Company announced that commercial production of oil had commenced from the PB field in the Mahato PSC in Indonesia and the dispute between Cue and the Joint Venture partners had been settled.

The PB-1 well is producing at approximately 600 barrels of oil per day. The oil is processed and exported through existing third party facilities. A workover of exploration well PB-2 to bring it into production and the drilling of three further development wells is expected to commence during the current quarter.

Cue and the Mahato PSC joint venture partners agreed on a settlement to the dispute relating to the PB-1 and PB-2 wells. As part of the settlement, the Operator issued Cue with a cash call for approximately US\$300,000 for the PB-2 exploration well. Additionally, Cue paid US\$380,000 to the joint venture partners, of which US\$111,000 were paid from Cue's cash reserves, with the remainder paid from Cue's share of the PSC performance bond, which was held by the Operator. All payments have been settled by the end of January 2021.

No other matter or circumstance has arisen since 31 December 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.

Cue Energy Resources Limited
Directors' declaration
31 December 2020

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

The condensed consolidated financial statements and notes are set out on pages 9 to 17, 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 2020 and of its performance for the six month period ended on that date;
- (b) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors:



Alastair McGregor
Non-Executive Chairman

23 February 2021



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 2020 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 2020;
- 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; and
- The Directors' Declaration.

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

Basis for Conclusion

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

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

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*; and
- such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that gives a true and fair view and 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. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Interim Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the Half-Year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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



KPMG



Vicky Carlson

Partner

Melbourne

23 February 2021