ABN 45 066 383 971

20 October 2016 **PAGES (including this page): 89**

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

Annual Report 2015/16

Attached please find Cue Energy Resources Limited's release with respect to the above mentioned.

Yours faithfully

Andrew M Knox
Chief Financial Officer

CUE ENERGY OVERVIEW

Cue is an Australian based oil and gas company with activities in Australia, New Zealand, Indonesia and the USA.

THE COMPANY HAS:
- Long life production
- A strong balance sheet
- An active exploration programme

CUE ENERGY DIRECTORS
- Grant Worner (Executive Chairman)
- Koh Ban Heng
- Duncan Saville
- Brian Smith

CUE ENERGY MANAGEMENT
- Andrew Knox (CFO)
- Jeffrey Schrull (Exp Man)

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LISTINGS
ASX: CUE
ADR/OTC: CUEYY

Annual Report
2015/16

cue energy

Contents

About

Cue Energy Resources Limited is an oil and gas exploration and production company with a focus on South East Asia and Australasia.

Cue Energy Resources has petroleum assets in New Zealand, Indonesia, Australia and the USA.

Cue Energy Resources' three strategic objectives to deliver short, medium, and long-term prosperity are:

1. To have a sustainable business operating within its means;
2. To deliver disciplined growth; whilst
3. Pursuing opportunities that offer step-change returns to shareholders.

COMPANY SNAPSHOT

Ordinary Shares	698,119,720
12 Month Trading Range	4.8¢-8.1¢
Cash at 30 June 2016	$20.5 million
Debt	Nil
Avg FY16 Production	~2285 boe/day

Snapshot
2015/16

The Company achieved significant growth in production and revenues from continuing operations that enabled gross profit to grow by 15% to $14.83 million from a 24% increase in production revenue to $45.41 million. However as a result of non-cash impairments of exploration and production assets and a change in accounting policy from full cost to successful efforts for exploration and evaluation expenditure, Cue delivered a net loss after tax of $87.46 million.

15%
INCREASE

GROSS PROFIT FROM PRODUCTION
2016: $14.83 million
2015: $12.92 million

24%
INCREASE

PRODUCTION REVENUE
2016: $45.41 million
2015: $36.70 million

24%
INCREASE

BARRELS OF OIL EQUIVALENT PRODUCED
2016: 0.83 million
2015: 0.66 million

CUE HAS RATIONALISED EXPLORATION PORTFOLIO

2 WELLS DRILLED

CUE ENERGY HAS $20.5M CASH AND NO DEBT

Activity Overview

Indonesia

- The Sampang PSC benefitted from very consistent gas production from Oyong and Wortel of ~65-70 mmcfd and also the previously announced improved terms of the new Oyong Gas Sales Agreement which started in July 2015. Oil production continued to decline to ~1,000 bopd and the Operator (Santos) has proposed a Sampang Sustainability Project which would switch the operations to gas only, significantly reducing operating costs and extending field life beyond 2020. The Joint Venture also evaluated the remaining exploration potential in the PSC, upgrading the Paus prospect to a possible drill candidate.
- The Naga Selatan-2 well (Mahakam Hilir PSC) was drilled and suspended with no Lost Time Injuries or safety incidents. The well encountered numerous hydrocarbon shows and recovered both oil and gas samples to the surface. The well data and additional G&G studies were progressed to develop an appropriate appraisal programme which is planned for 2017. The company is also considering farming down from the current 100% equity as a possible means for funding future drilling and testing.
- Final terms of the Joint Operating agreement are being negotiated in the Mahato PSC in Indonesia.

Australia

- Cue has identified and matured the world class Ironbark gas prospect which straddles the WA-359-P and WA-409-P permits offshore Western Australia (Cue 100% and operator). Cue received an extension of the drilling commitment in WA-359-P until April 2018 and have received an offer for renewal of WA-409-P. A farm-out process was initiated in September 2015 to find a suitable partner(s) to participate in the Ironbark-1 exploration well. Discussions are still underway and Cue are hopeful a Joint Venture will be formed in the second half of 2016.

New Zealand

- The Maari Field Growth drilling campaign in New Zealand was completed in July 2015. The Field now has 10 producing wells and 1 injection well. An intervention was completed on schedule and budget in early 2016 to fully repair and upgrade the mooring system which should now last beyond 2023. A project is planned for late 2016 to repair the water injection line, which was suspended during the year, and restart the critical pressure maintenance for the field. The Operator (OMV) is now focused on implementing a production optimization strategy along with appropriate cost reduction measures.

USA

- Cue operated the Pine Mills field in East Texas during the year and through a number of projects stabilized production at ~100 bopd. There were no Lost Time Injuries or safety incidents during the year. Due to a strategic change in direction the company announced it expects to sell the field in the second half of 2016.

Joint Ventures

INDONESIA

Mahakam Hilir PSC

*Cue	100%

Sampang PSC

*Santos	45%
SPC	40%
Cue(i)	15%

Mahato PSC

*Texcal Central Sumatra	62.50%
Bukit Energy	25%
Cue	12.50%

AUSTRALIA

Carnarvon Basin Permits

WA-359-P

*Cue	100%

WA-389-P

*BHP Billiton	60%
Cue	40%

WA-409-P

*Cue	100%

NEW ZEALAND

Maari and Manaia Oil Fields

PMP 38160

*OMV	69%
Todd	16%
Horizon	10%
Cue	5%

UNITED STATES

Pine Mills Permit

*Cue	80%
Gale Force Petroleum	20%

Additional Information

(i) 8.181878% in the Jeruk field

* Operator

Corporate Directory

Directors
Grant A. Worner (Executive Chairman)
BE(Chemical Ist Hons), MBA, GAICD
Koh Ban Heng
BSc, GDipBA
Duncan P. Saville
BCom. (Hons), BSc (Hons), FCA, F Fin, FAICD
Brian L. Smith

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

Co-Company Secretary
P.M. Moffatt
BCom, FGIA, AAICD

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Level 19, 357 Collins Street
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ABN 45 066 383 971

Stock Exchange Listings
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525 Collins Street
Melbourne, Victoria 3000 Australia

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

Auditor
BDO East Coast Partnership
Level 14, 140 William Street
Melbourne Victoria 3000 Australia

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

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

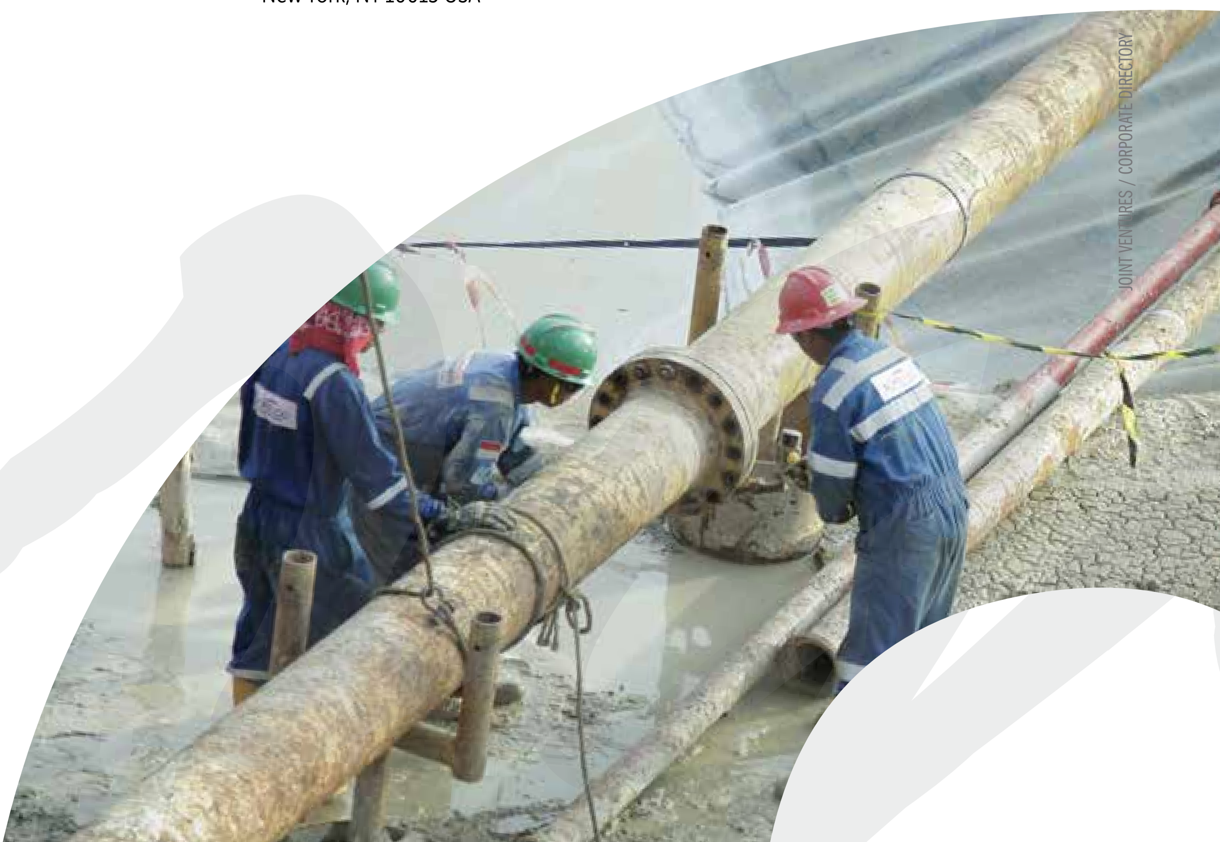
Green Bank
2900 North Loop West
Houston TX 77092 US

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

Share Registry
AUSTRALIA
Computershare Investor Services Pty Ltd
Yarra Falls, 452 Johnston Street
Abbotsford, Victoria 3067 Australia

GPO Box 2975
Melbourne, Victoria 3000 Australia

Telephone: 1300 850 505 (within Australia)
or +61 3 9415 4000 (outside Australia)
Email: web.queries@computershare.com.au
Website: www.computershare.com.au



Executive Chairman's Overview

Cue has a solid cash position, earns significant free cash flow from its production of oil in New Zealand and gas in Indonesia, is debt free, retains an attractive portfolio of assets and opportunities.

Dear shareholder,

I am pleased to provide my first report to shareholders as Chairman of the Board. At the outset I wish to acknowledge and thank Cue's staff for their efforts over the last twelve months and assistance since my arrival.

Since 2013, Cue has operated under a strategy of aiming to increase production and reserves in Asia, Australia, and New Zealand with a goal of adding 5 million barrels of reserves by the end of calendar year 2018. At that time the Company declared its only measures of success would be material increases to production and reserves. In attempting to achieve these stated goals over the last three years Cue used a large portion of their cash balance and revenues earned to fund exploration, development and asset acquisitions.

The outcome from these exploration and production growth initiatives have been mixed. The Sampang field life has successfully been extended and the Maari Growth Project has delivered additional production, though less than expected. Four non-operated exploration wells were drilled in New Zealand and Indonesia and all have been unsuccessful or uncommercial. A fifth operated well, the Naga-Selatan-2 in Indonesia, was drilled in the first quarter of 2016 and its results are under technical review. To date, the returns and value accretion from the asset acquisitions in the USA and Indonesia have been disappointing. Unfortunately Cue's implementation of the strategy of growing reserves and production coincided with a significant decline in oil prices, contributing to disappointing financial returns. The Company's cash balance declined for a third consecutive year and at the end of June 2016 was $20.5 million compared with $58.8 million at the end of June 2013.

As shareholders you would be aware that the mixed results from growth initiatives, a declining cash balance, and lower oil prices have resulted in a diminished valuation of Cue over the last three years.

In the 2015/16 year shareholders exercised their rights and chose to refresh the Company's Board of Directors. On the back of these appointments the new Board reset Cue's strategy, setting three objectives for Cue:

1. To have a sustainable business operating within its means;
2. To deliver disciplined growth; whilst
3. Pursuing opportunities that offer step-change returns to shareholders.

2015/2016 PERFORMANCE

Production

Cue's share of sales production for the year from our New Zealand and Indonesian fields was 0.833 million barrels of oil equivalent (mmboe), a 24% increase from the previous year.

Growth Initiatives

a. The Sampang joint venture in Indonesia focused on extending field life until at least 2018 and evaluating the remaining exploration potential in the permit. The extension of the predominantly gas production from the Oyong and Wortel fields and the gas sales on long-term contracted prices provides a level of financial protection against weak crude oil prices. The Oyong and Wortel Fields produced approximately 1,000 barrels of oil per day (bopd) and 60-65 million cubic feet per day (mmcf/d), equivalent to 10 to 11 thousand barrels of oil per day, with no major capex projects or planned shut-downs required. The Sampang Sustainability Project was launched aiming to extend the field life of the Oyong and Wortel fields from 2018 to 2020 or beyond;

b. The Maari joint venture in New Zealand focused on ensuring the asset integrity of the Floating Production Storage Offloading (FPSO) vessel and well-head platform while maximising current and ultimate recovery from the field. A major intervention was planned for the first half of 2016 to fully repair the mooring system and repair the damaged water injection line. The mooring repair was achieved on schedule and budget but due to weather constraints the water injection line is now scheduled to be completed in December 2016. Daily production from the Maari field varied during the fiscal year between about 9,000 – 16,000 bopd as a function of well work-overs and natural decline of the reservoirs with the rate at end June 2016 of circa 12,000 bopd;

c. Production at Pine Mills has been disappointing. The expected production growth did not eventuate because attention and investment was required to ensure the integrity of the assets. By the end of June 2016 production had stabilized at a little over 100 bopd. Cue has recently announced a plan to exit the USA.

d. Drilling results have been a disappointment

   - The non-operated onshore Te Kiri North -1 well in the Taranaki Basin in New Zealand was drilled and abandoned as a dry hole in late January 2016;
   - The 100% owned and operated Naga-Selatan-2 well in the Mahakam Hilir PSC onshore Kutei Basin in Indonesia encountered oil shows and high background gas. Cue subsequently received a 4-year extension of the exploration permit in May 2016;
   - Two wells were expected to be drilled in the first half of 2016 in the Mahato PSC in onshore central Sumatra in Indonesia but progress stalled as the joint venture partners have not signed a legally binding Joint Venture agreement; and

e. Farming out the highly significant Ironbark prospect in offshore Western Australia commenced with major oil companies accessing the data room and reviewing the opportunity. Pleasingly, the Company received an extension for the drilling of the Ironbark well in WA-359-P from NOPTA in the first half of 2016 which allows for an exploration well to be deferred to April 2018.

Financials

In the 2015/16 year, the Company's production revenues, from continuing operations, grew by circa 24% supporting a 15% gross profit growth. However when taking account of overheads and exploration expenses, but before insurance proceeds ($3.7 million), tax ($4.9 million expense) and impairments ($76.3 million) are taken into account, Cue operated at a loss of $10.0 million for the year.

As declared in the Preliminary Financial Report, at the end of the 2015/16 year Cue impaired a number of exploration and production assets and in addition, changed its accounting policy from capitalising full cost to successful efforts for exploration and evaluation expenditure. As a result of these changes Cue's net loss after tax in 2015/16 was $87.5 million.

At year end Cue's cash balance was $20.5 million, down from $27.6 million the previous year. A key short-term objective of Cue's new strategy is to limit further cash erosion by continuing to reduce overheads and manage exploration expenses carefully.

2016/17 EXPECTATIONS

Shareholders should expect to see progress in all three strategic objectives in the 2016/17 year.

Sustainable business

If the current economic conditions persist approximately two-thirds of Cue's revenues will continue to emanate from gas sales that are independent of oil price, meaning the Company is substantially protected from any further declines in oil prices and has the potential for revenue upside if oil prices rise. The historic investment in development project initiatives at Maari and Sampang, barring any production interruptions, should enable consistent production in 2016/17.

Historic overheads were too high for a Company of Cue's size and actions were taken to reduce corporate overheads and administration expenses by 40% on a cash basis from approximately $7.2 million each calendar year to a run rate of $4.4 million per annum by the end of December 2016.

The Company will have a more focused portfolio and will reduce overheads further with a view to becoming cash flow positive. Consistent with this objective, Cue's Directors have agreed to an additional reduction in remuneration such that after the Annual General Meeting the cumulative Board fees will be $160k per annum compared with the 2015 fees of $466k and $481k in 2016.

Disciplined growth

There are minimal interventions or major capital projects anticipated for either Maari or Sampang in the 2016/17 year. Sampang's field life extension to 2020 or beyond will require minimal capital and will largely be funded within operating expenses. The project to convert the Oyong and Wortel fields to produce and process only gas and cease uneconomic oil production should reduce production costs by approximately 50% per annum, increase 2P reserves by 37%, and increase operating margins by 34%.

The Sampang joint venture has identified near term exploration potential that if successful, could further extend the gas production from the Sampang PSC beyond 2020. The Paus prospect is believed to be a low risk opportunity and a potential drilling candidate for the 2017/18 year. The joint venture should make a decision on whether to proceed within the next 12 months.

Additional geology and geophysics activities are planned in the Mahakam Hilir PSC in 2016/17 to assess the Naga-Selatan prospect and have a firmly defined appraisal strategy for the licence. The Company will consider obtaining funding for future drilling in the Mahakam Hilir permit by seeking a suitable industry partner(s).

Cue will limit its exploration expenditure in the Mahato licence until the Company's legal rights are protected.

Furthermore, Pine Mills in the USA is expected to be sold and the remaining exploration acreage in New Zealand will be surrendered.

Consequently, Cue should have a more focused production and exploration portfolio in the next 12 months. Following the portfolio changes mentioned above Cue will continue to receive revenues from oil production in Maari and mainly gas production in Sampang with near-term reserve growth opportunities in Indonesia.

Step-change Opportunities

Cue completed a comprehensive regional study using 15,000km2 of 3D and 2D seismic data and 17 well ties to map the Triassic intra-Mungaroo sands (as encountered at the Gorgon gas field) and identified a drillable target within the Ironbark prospect which straddles the 100% owned WA-359-P and WA-409-P in moderate water depths.

Ironbark is a giant Mungaroo Formation prospect that is mapped with an area of up to 400km with a best technical estimate of 15 Trillion cubic feet (Tcf) of recoverable gas resource based on an internal technical assessment performed by Cue. To put this into perspective, if Cue's assessment is proven to be correct, Ironbark would be three times the size of the Scarborough, Wheatstone, or Pluto fields. The Ironbark prospect is only about 60km from the North Rankin platform and Wood Mackenzie forecast that the associated Northwest shelf LNG plants and infrastructure will have spare capacity from 2021.

Having de-risked the opportunity as much as it could afford, Cue recognised it needed partners that have the credibility, balance sheet and technical expertise to drill an exploration well and subsequently began a farm-out process in 2015/16. The Company is hopeful that it will have a joint venture formed with a suitable major industry partner(s) in the next financial year. To aid in the attractiveness of the opportunity Cue applied for a renewal of WA-409-P to ensure sufficient tenure of the licence.

In summary, Cue has a solid cash position, earns significant free cash flow from its production of oil in New Zealand and gas in Indonesia, is debt free, retains an attractive portfolio of assets and opportunities, and is strongly supported by shareholders who have taken large stakes in the Company.

In 2016/17 Cue will deliver a three part strategy of; controlling costs to ensure there is a sustainable business that is funded by producing assets, operating with a more focused portfolio investing in near term and affordable growth opportunities, and seeking industry partnerships capable of executing and funding our high impact step change opportunity.

Mr Brian Smith has chosen not to seek re-election at the upcoming Annual General Meeting and won't be replaced. On behalf of the Board I would like to thank Brian and former Cue Directors, Mr Andrew Knight, Mr Paul Foley, Mr Stuart Brown, Mr Peter Hazledine, Mr Geoffrey King, and Mr Andrew Young, for their contribution to Cue during the year.

PRODUCTION

NEW ZEALAND

PMP 38160

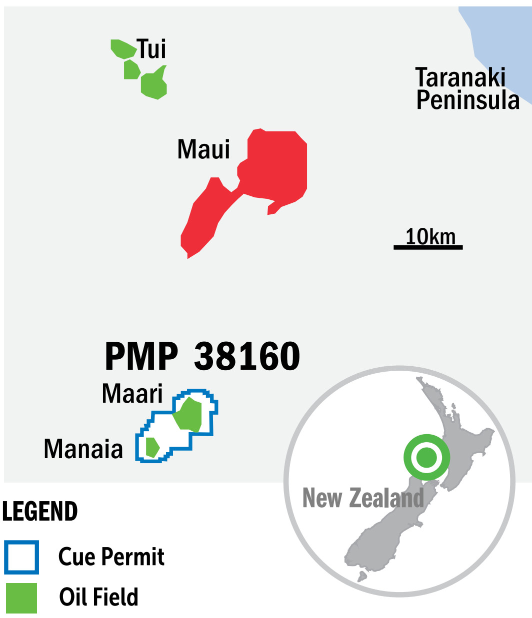
Cue Interest: 5%
Operator: OMV New Zealand Limited

Maari and Manaia Fields

The Maari Field now has a total of 10 producers and one water injector and was averaging ~12,000 bopd at the end of June 2016. No further drilling is currently planned and the focus going forward is to maximise production by optimising the up-time and deliverability of the wells. The only naturally flowing well is the MR6A well which was drilled as a producer in the Mangahewa reservoir during the growth project. The other 9 producers all rely on pumps (ESP's) for continued production and the Operator is optimising the use of the ESP's and top-sides facilities to enhance production. There is a work-over rig on the well-head platform to perform well interventions as required. An exciting production enhancement now being undertaken is adding additional perforations that are currently behind pipe of existing producers. The first one of these was the previously announced MR8A well which initially added ~1600 bopd. Similar workovers are planned for the MR9 and MN1 wells in Q3, calendar 2016.

The only planned shut-down over the next year is in December 2016 to repair the water injection line. Once this project is complete water injection will be reinitiated and is anticipated to provide pressure support to some of the producing wells, increasing production and ultimate recovery.

TARANAKI PENINSULA LOCATION MAP



LEGEND

- Cue Permit
- Oil Field
- Gas Field

INDONESIA

Sampang PSC- Madura Strait

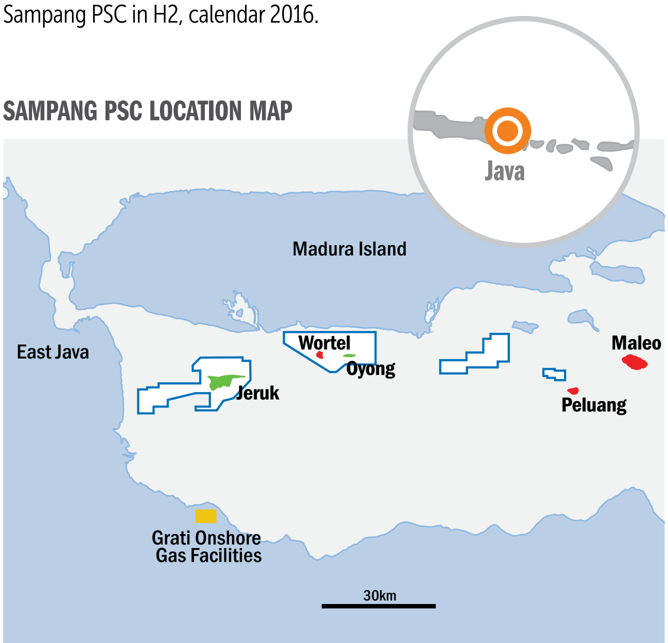
Cue Interest: 15%
Operator: Santos (Sampang) Pty Ltd

Oyong and Wortel Fields

The Sampang JV plans to agree on a Final Investment Decision for the Sampang Sustainability Project (SSP) in Q4, calendar 2016 with project planning and execution starting in early 2017. This project will extend the Field life and estimated ultimate recovery for both Oyong and Wortel. Further details of this exciting project, which will add significant value to Cue will be disclosed once the Joint Venture has approved the SSP. Production is anticipated to continue at current rates of ~1000 bopd and the combined gas rate of 60-65 mmcfgd.

The Joint Venture in addition will be making decisions about the remaining exploration potential, in the Sampang PSC in H2, calendar 2016.

SAMPANG PSC LOCATION MAP



LEGEND

- Cue Permit
- Oil Field
- Gas Field
- Gas Condensate Field
- Onshore Gas

EXPLORATION

INDONESIA

Mahakam Hilir PSC Kutei Basin

Cue Interest: 100%
Operator: Cue Kalimantan Pte Ltd

Cue now holds a 100% interest in, and is the Operator of, the Mahakam Hilir PSC in the prolific Kutei Basin onshore Kalimantan. A four year extension to the exploration phase of the Mahakam Hilir PSC was received in May 2016. The extension includes 2 contingent wells in the first 2 years, in which Cue can elect to drill or withdraw from the PSC or continue for the following 2 years with the wells as firm commitments.

Analysis of the Naga Selatan-2 discovery is continuing focusing on estimating flow potential for oil and gas from both matrix and fracture porosity. Several data collection initiatives are also underway to fully assess the resource focused on delineating areas of optimal reservoir quality and fractures for potential appraisal locations. These

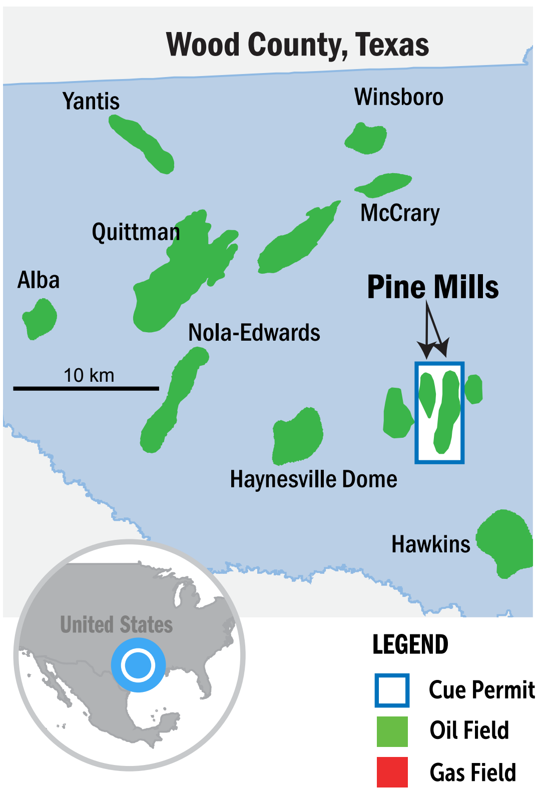
USA

Pine Mills – East Texas

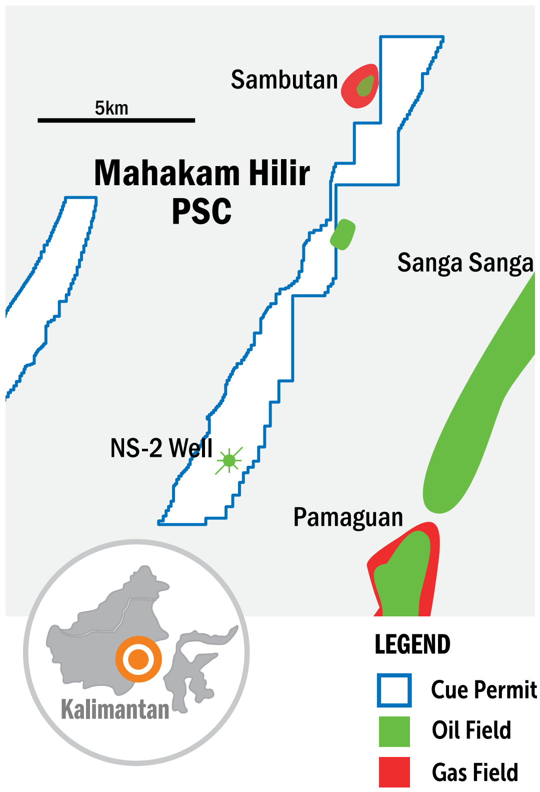
Cue Interest: 80%
Operator: Cue Resources, Inc

Cue's new strategic direction no longer includes on-shore production in the USA and a disposition strategy for Pine Mills is being implemented with a closing date anticipated in H2, calendar 2016.

PINE MILLS LOCATION MAP



MAHAKAM HILIR PSC LOCATION MAP



include: airborne gravity data, high resolution topographic relief (LIDAR) data, extensive field mapping and shallow coring. This information is critical in making resource assessment estimates and planning for any future appraisal drilling of the Naga Selatan resource. Further drilling is required for the project to move forward towards development. The company will also consider future testing of the suspended NS-2 well pending results of our studies and considered in conjunction with future plans for drilling.

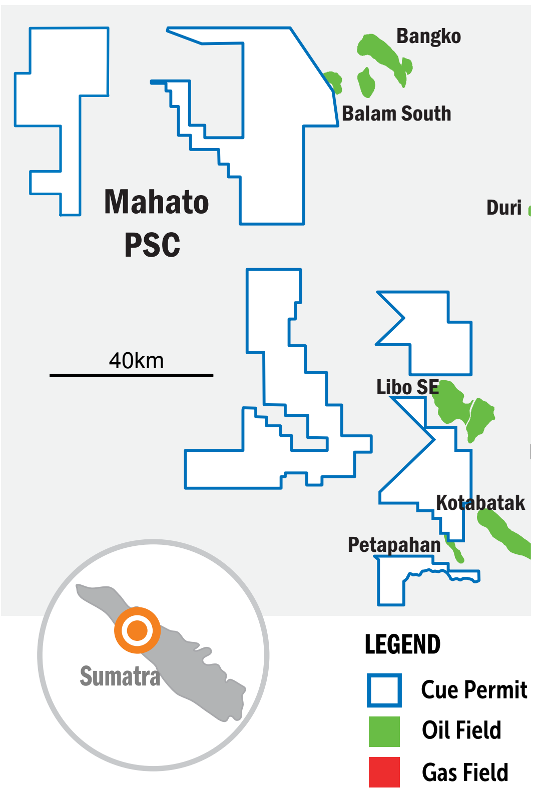
Given the Company holds 100% working interest, a suitable industry partner(s) will likely be sought in H1, calendar 2017 to help fund the appraisal programme of the exciting Naga Selatan opportunity.

Mahato PSC Central Sumatra Basin

Cue Interest: 12.5%
Operator: Texcal Mahato Ltd

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

MAHATO PSC LOCATION MAP



NEW ZEALAND

PEP 51149

Cue Interest: 20%
Operator: Todd Exploration Limited

The Te Kiri North-1 was drilled and abandoned as a dry hole and all of Cue's commitments have been fulfilled. Cue have withdrawn from the Joint Venture with no further obligations and are in the process of assigning its equity to Todd Exploration Limited.

PEP 54865

Cue Interest: 20%
Operator: Todd Exploration Limited

The Joint Venture is in the process of surrendering the permit.

PEP 51313

Cue Interest: 14% interest
Operator: OMV New Zealand Limited

The Joint Venture have received approval to surrender the permit from the Government.

AUSTRALIA

WA-359-P

Cue Interest: 100%
Operator: Cue Exploration Pty Ltd

Cue has evaluated the regional prospectivity in its Northern Carnarvon Basin permits and has identified an exciting new play type now referred to as the Deep Mungaroo Play (DMP). The Ironbark prospect has been identified as the primary candidate for testing the DMP and the ideal location is in WA-359-P where Cue currently has a well commitment. Cue has received approval to have the Permit Year 3 well commitment suspended to allow further time to mature the prospect and plan for drilling. The well is now required to be drilled by April 2018. Cue is continuing a farm-out process to find suitable joint venture partner(s) to participate in the drilling of the well.

WA-409-P

Cue Interest: 100%
Operator: Cue Exploration Pty Ltd

Cue acquired 100% of WA-409-P in February 2015 and is now Operator of the permit. The primary term expired in April 2016 and Cue have requested a renewal of the permit based on a work programme targeting the Deep Mungaroo Play focussed on the portion of the Ironbark prospect which extends into the Block. Cue expect to be granted the renewal in Q3, calendar 2016 and plan to continue the farm-out process for the Ironbark prospect.

WA-360-P

Cue Interest: 37.5%
Operator: MEO Australia Limited

The WA-360-P Joint Venture has relinquished the permit with no outstanding obligations.

WA-361-P

Cue Interest: 15%
Operator: MEO Australia Limited

The WA-361-P Joint Venture has relinquished the permit with no outstanding obligations.

WA-389-P

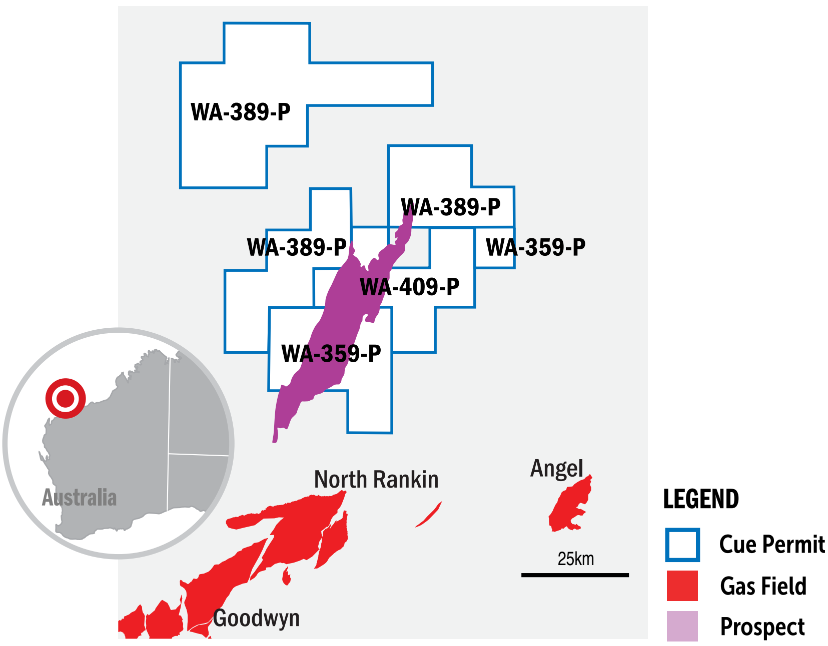
Cue Interest: 40%
Operator: BHP Billiton Petroleum (Australia) Pty Ltd

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

Grant A. Worner
Executive Chairman

30 September 2016

CARNARVON BASIN LOCATION MAP



Reserves and Resources

ANNUAL RESERVES AND RESOURCES SUMMARY

NET TO CUE ENERGY RESOURCES LIMITED AS AT 30 June 2016

RESERVES		PROVED (1P)				PROVED AND PROBABLE (2P)			
		DEVELOPED		UNDEVELOPED		DEVELOPED		UNDEVELOPED	
FIELD (LICENCE)	CUE INTEREST	OIL AND CONDEN-SATE	GAS	OIL AND CONDEN-SATE	GAS	OIL AND CONDEN-SATE	GAS	OIL AND CONDEN-SATE	GAS
		MMBBL	BCF	MMBBL	BCF	MMBBL	BCF	MMBBL	BSCF
INDONESIA									
Oyong [1] (Sampang PSC)	15%	0.036	0.914	-	-	0.057	1.845	-	-
Wortel [1] (Sampang PSC)	15%	0.003	2.917	0.003	2.711	0.003	2.951	0.004	3.335
NEW ZEALAND									
Maari [2] (PMP 38160)	5%	0.512	-	-	-	1.301	-	-	-
US									
Pine Mills [3] (TX)	80%	0.373	-	-	-	0.477	-	-	-
Total Reserves		**0.924**	**3.831**	**0.003**	**2.711**	**1.838**	**4.796**	**0.004**	**3.335**

CONTINGENT RESOURCES			BEST ESTIMATE (2C)	
FIELD (LICENCE)	CUE INTEREST		OIL AND CONDENSATE	GAS
			MMBBL	BCF
INDONESIA				
Oyong [1][4] (Sampang PSC)	15%		-	1.90
Jeruk (Sampang PSC)	8%		1.24	-
NEW ZEALAND				
Maari [2] (PMP 38160)	5%		1.32	-
Total Contingent Resources			**2.56**	**1.90**

NOTE:

(1) CUE reserves are net of Indonesian government share of production. Estimates of in-place and recoverable sales gas volumes include both free gas and solution gas.

(2) Maari field's reserves are based on an independent technical review conducted by RISC and calculated using RISC's technical recoverable quantities, cost and CUE's oil price assumptions. Deterministic methods were used for reserves and a combination of deterministic and probabilistic methods used for contingent resources.

(3) Pine Mills reserves are CUE's net entitlement.

(4) Oyong Contingent Gas Resources were based on CUE's analysis of Sampang Sustainability Project. Deterministic methods were used.

(5) Oil equivalent conversion factor: 5.4 MSCF per BOE (Barrel of Oil Equivalent).

GOVERNANCE ARRANGEMENTS AND INTERNAL CONTROLS

CUE estimates and reports its petroleum reserves and resources in accordance with the definitions and guidelines of the Petroleum Resources Management

System 2007 (SPE-PRMS), published by the Society of Petroleum Engineers (SPE).

All estimates of petroleum reserves reported by CUE are prepared by, or under the supervision of, a qualified petroleum reserves and resources evaluator.

To ensure the integrity and reliability of data used in the reserves estimation process, the reserves and production data is reviewed and quality controlled by senior professional reservoir and geological staff at CUE. During each petroleum reserves review, this data is updated, analysed and reconciled against the previous year's data. CUE has engaged the services of RISC to independently assess the Maari reserves.

CUE reviews and updates its oil reserves position on an annual basis and reports the updated estimates as of 30 June each year. CUE reviews and updates its gas reserves position as frequently as required by the magnitude of the petroleum reserves and changes indicated by new data.

QUALIFIED PETROLEUM RESERVES AND RESOURCES EVALUATOR STATEMENT

The reserves and contingent resources report as at 30 June 2016 was prepared in accordance with the SPE-PRMS. This reserve and resource information contained in this summary is based on and fairly represents information and supporting documentation prepared by, or under the supervision of Aung Moe (Senior Reservoir Engineer) who is a full time employee of the Company. Mr Moe is a is a member of SPE and his qualifications include a Master of Science (Petroleum Engineering) from Norwegian University of Science & Technology. Mr. Moe has more than 16 years of experience in the Oil & Gas industry and is a qualified petroleum reserves and resources evaluator (QPRRE) as defined by ASX oil and gas listing rules.

Pine Mills Reserves review was carried out in accordance with the SPE Reserves Auditing Standards and the SPE-PRMS guidelines by Mr. Christian Snyder who is contracted by CUE Resources Inc. Mr. Snyder holds a Bachelor's Degree in Petroleum Engineering from Texas A&M University and has over 19 years of experience in the Oil & Gas industry and is a member of the Society of Petroleum Engineers. Mr. Snyder is a qualified person as defined in the ASX Listing Rule 5.41.

RISC CONSENTS

Information on the Reserves and Contingent Resources in this release relating to the Maari fields is based on an independent review conducted by RISC Operations Pty Ltd (RISC) and fairly represents the information and supporting documentation reviewed. The review was carried out in accordance with the SPE Reserves Auditing Standards and the SPE-PRMS guidelines under the supervision of Mr. Geoffrey J Barker, a Partner of RISC, a leading independent petroleum advisory firm.

Mr. Barker is a member of SPE and his qualifications include a Master of Engineering Science (Petroleum Engineering) from Sydney University. Mr Barker has more than 30 years of global experience in the upstream hydrocarbon industry and is a qualified petroleum reserves and resources evaluator (QPRRE) as defined by ASX oil and gas listing rules. Mr Barker consents to the inclusion of this information in this report.

SUMMARY OF MOVEMENTS IN RESERVES AND RESOURCES

TABLE 1: Oil and Condensate Reserves and Resources Reconciliation with 30 June 2015

Proved Oil and Condensate Reserves (MMBBL)

FIELD (LICENCE)	CUE INTEREST	30 JUNE 2015 RESERVES	PRODUCTION	DISCOVERIES/ EXTENSIONS/ REVISIONS	ACQUISITIONS/ DIVESTMENTS	30 JUNE 2016 RESERVES
INDONESIA						
Oyong [1] (Sampang PSC)	15%	0.002	(0.051)	0.085	-	0.036
Wortel [1] (Sampang PSC)	15%	0.005	(0.001)	0.002	-	0.006
NEW ZEALAND						
Maari [2] (PMP 38160)	5%	0.920	(0.226)	(0.182)	-	0.512
US						
Pine Mills [3] (TX)	80%	0.566	(0.018)	(0.175)	-	0.373
Total Proved Oil and Condensate Reserves		**1.493**	**(0.295)**	**(0.270)**	**-**	**0.927**

Proved & Probable Oil and Condensate Reserves (MMBBL)

FIELD (LICENCE)	CUE INTEREST	30 JUNE 2015 RESERVES	PRODUCTION	DISCOVERIES/ EXTENSIONS/ REVISIONS	ACQUISITIONS/ DIVESTMENTS	30 JUNE 2016 RESERVES
INDONESIA						
Oyong [1] (Sampang PSC)	15%	0.068	(0.051)	0.040	-	0.057
Wortel [1] (Sampang PSC)	15%	0.008	(0.001)	-	-	0.007
NEW ZEALAND						
Maari [2] (PMP 38160)	5%	1.740	(0.226)	(0.213)	-	1.301
US						
Pine Mills [3] (TX)	80%	0.702	(0.018)	(0.208)	-	0.477
Total Proved & Probable Oil and Condensate Reserves		**2.518**	**(0.295)**	**(0.381)**	**-**	**1.842**

2C Contingent Oil and Condensate Resources (MMBBL)

FIELD (LICENCE)	CUE INTEREST	30 JUNE 2015 CONTINGENT RESOURCES	PRODUCTION	DISCOVERIES/ EXTENSIONS/ REVISIONS	ACQUISITIONS/ DIVESTMENTS	30 JUNE 2016 CONTINGENT RESOURCES
INDONESIA						
Jeruk (Sampang PSC)	8%	1.24	-	-	-	1.24
NEW ZEALAND						
Maari [2] (PMP 38160)	5%	0.46	-	0.86	-	1.32
Total Contingent Oil and Condensate Resources		**1.70**	**-**	**0.86**	**-**	**2.56**

TABLE 2: Gas Reserves and Resources Reconciliation with 30 June 2015

Proved Gas Reserves (BCF)

FIELD (LICENCE)	CUE INTEREST	30 JUNE 2015 RESERVES	PRODUCTION	DISCOVERIES/ EXTENSIONS/ REVISIONS	ACQUISITIONS/ DIVESTMENTS	30 JUNE 2016 RESERVES
INDONESIA						
Oyong [1] (Sampang PSC)	15%	0.699	(1.123)	1.338	-	0.914
Wortel [1] (Sampang PSC)	15%	5.188	(1.788)	2.228	-	5.628
Total Proved Gas Reserves		**5.887**	**(2.911)**	**3.566**	**-**	**6.542**

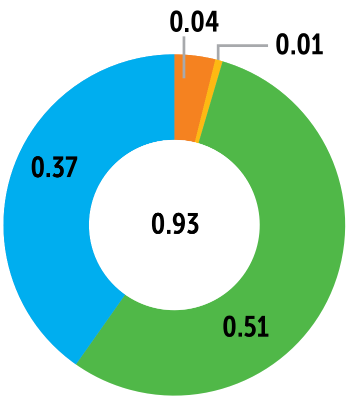
Proved & Probable Gas Reserves (BCF)

FIELD (LICENCE)	CUE INTEREST	30 JUNE 2015 RESERVES	PRODUCTION	DISCOVERIES/ EXTENSIONS/ REVISIONS	ACQUISITIONS/ DIVESTMENTS	30 JUNE 2016 RESERVES
INDONESIA						
Oyong [1] (Sampang PSC)	15%	2.784	(1.123)	0.183	-	1.845
Wortel [1] (Sampang PSC)	15%	8.441	(1.788)	(0.367)	-	6.286
Total Proved & Probable Gas Reserves		**11.225**	**(2.911)**	**(0.183)**	**-**	**8.131**

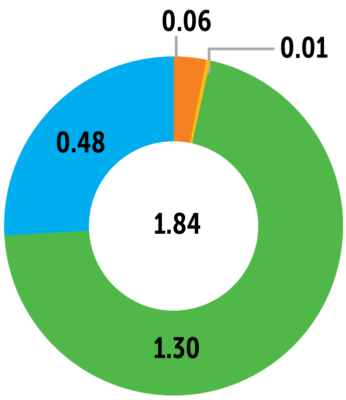
2C Contingent Gas Resources (BCF)

FIELD (LICENCE)	CUE INTEREST	30 JUNE 2015 CONTINGENT RESOURCES	PRODUCTION	DISCOVERIES/ EXTENSIONS/ REVISIONS	ACQUISITIONS/ DIVESTMENTS	30 JUNE 2016 CONTINGENT RESOURCES
INDONESIA						
Oyong [4] (Sampang PSC)	15%	-	-	1.90	-	1.90
Total Contingent Gas Resources		**-**	**-**	**1.90**	**-**	**1.90**

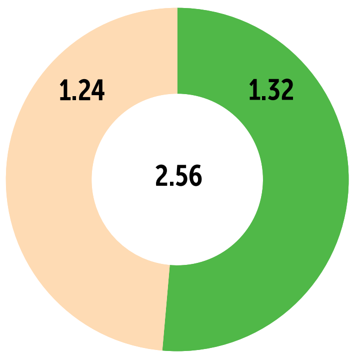
Proved (1P)
Oil and Condensate Reserves
(MMBBL)



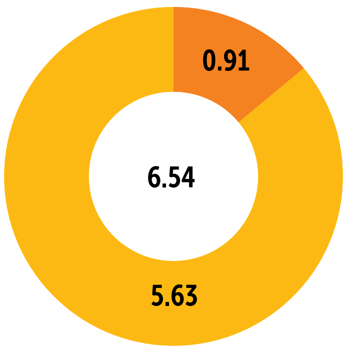
Proved & Probable (2P)
Oil & Condensate Reserves
(MMBBL)



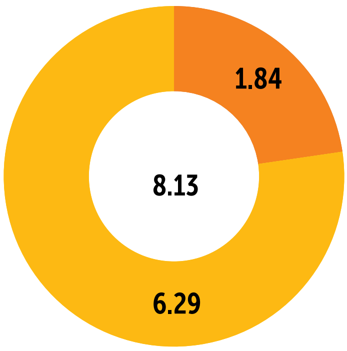
Contingent (2C)
Oil & Condensate Resources
(MMBBL)



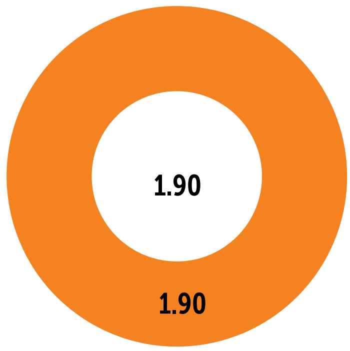
Proved (1P)
Gas Reserves (BCF)



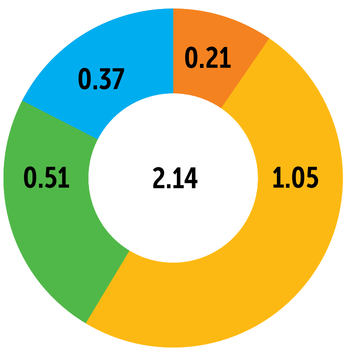
Proved & Probable (2P)
Gas Reserves (BCF)



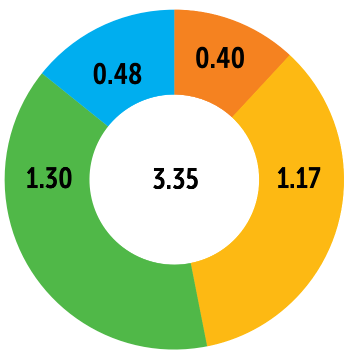
Contingent (2C)
Gas Resources (BCF)



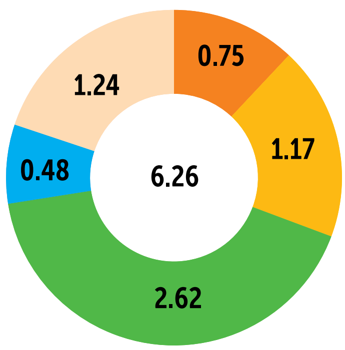
Proved (1P)
Oil Equivalent (MMboe)



Proved & Probable (2P)
Oil Equivalent (MMboe)



2P + 2C
Oil Equivalent (MMboe)



LEGEND

- **Oyong** (Indonesia)
- **Wortel** (Indonesia)
- **Jeruk** (Indonesia)
- **Maari** (New Zealand)
- **Pine Mills** (US)

Directors' Report

Your Directors present their report on the Company and its controlled entities ("the Group" or "consolidated entity") consisting of Cue Energy Resources Limited ("the Company" or "Parent Entity") and the entities it controlled at the end of, or during, the financial year ended 30 June 2016.

DIRECTORS

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

Grant A. Worner
Executive Chairman
(appointed 4 March 2016)

Koh Ban Heng
(appointed 29 July 2015)

Duncan Saville
(appointed 18 August 2016)

Brian L. Smith

Paul G. Foley
(resigned 4 March 2016)

Stuart A. Brown
(resigned 4 March 2016)

C. Peter Hazledine
(resigned 4 March 2016)

Geoffrey J. King
(removed 29 July 2015)

Andrew T.N. Knight
(appointed 4 March 2016,
resigned 18 August 2016)

Andrew A. Young
(removed 29 July 2015)

MANAGEMENT

Chief Executive Officer

Grant A. Worner
(Interim CEO appointed 23 March 2016)

David A.J. Biggs
(resigned 15 April 2016)

Chief Financial Officer/ Company Secretary

Andrew M. Knox

Co-Company Secretary

Pauline M. Moffatt

PRINCIPAL ACTIVITIES

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

Cue Energy Resources Limited ('Cue') is listed on the Australian Securities Exchange. The Company has an American Depositary Receipt (ADR) programme sponsored by the Bank of New York and these are traded via the OTC Market in the US.

Registered Office & Principal Place of Business

Level 19, 357 Collins Street
Melbourne 3000
Australia

CORPORATE GOVERNANCE STATEMENT

Details of the Company's corporate governance practices are included in the Corporate Governance Statement set out on the Company's website. This URL on our website is located at: www.cuenrg.com.au/irm/content/corporate-governance.aspx?RID=296.

DIVIDENDS

No dividends were paid during the financial year or have been approved subsequent to the reporting date (2015: nil).

REVIEW OF OPERATIONS

Production revenue from continuing operations for the year ended 30 June 2016 was $45.41 million (2015: $36.70 million).

Production and amortisation expenses from continuing operations totalled $30.59 million for the year (2015: $23.79 million).

Loss before income tax expense for the year from continuing operations was $79.60 million (2015: profit $26.92 million). Tax expense for the year was $4.80 million (2015: benefit $5.27 million), resulting in loss after income tax expense of $84.40 million for the year (2015: profit $32.19 million).

Loss from discontinuing operations amounted to $3.06 million (2015: profit $8.75 million) resulting in loss after income tax benefit for the year of $87.46 million (2015: profit $40.95 million).

Further information on the operations and financial position of the group and its business strategies and prospects is set out in the Executive Chairman's Overview in this annual report.

Significant changes in the state of affairs

During the financial year the Company:

- Changed its accounting policy from full costs to successful efforts for exploration and evaluation expenditure. This resulted in impairments of exploration and evaluation expenditure of $49.96 million (2015: nil) and exploration and evaluation expenditure expensed of $16.33 million (2015: $2.10 million).
- Resolved to divest of the 80% interest in the Pine Mills production in East Texas USA.

Apart from the above, there was no further significant change in the state of affairs of the consolidated entity.

Equity and capital structure

Total equity as at 30 June 2016 $42.59 million (2015: $131.67 million). At the reporting date, Cue had issued share capital of $152.42 million (2015: $152.42 million). No further shares have been issued subsequent to the reporting date.

The total number of shares on issue at 30 June 2016 was 698,119,720 (2015: 698,119,720).

Environmental disclosure

Within the last year there have been zero incidents, zero lost time injuries and zero significant spills within Cue Energy Resources. Among the joint venture operations there have been a number of incidents that have been reported and investigated by all the relevant parties. The increased reporting is showing a growth in the reporting culture and an openness to share learnings in order to reduce risk not only within Cue Energy Resources but within the industry. Cue Energy Resources continues to monitor the progress and close out of these incidents and work with the joint venture operation partners and operators to improve overall health and safety and minimise any impact on the environment.

There have been a number of steps taken in order to improve Health, Safety and Environment (HSE) and to implement an HSE management system that is suitable for all countries and all levels of operations that the business may wish to be involved with. The overall aim of the system is to not only meet legislative requirements but to show a true commitment to HSE for the sake of Cue Energy Resources personnel, contractors, assets and the environment.

Throughout this year, internally the HSE management system is in effect and beginning to grow a proactive safety culture with the business in line with industry best practice. While Cue is still a relatively small business, it has in place a management system that is fit for purpose regardless of the size of the company. The system will now be able to grow with the business.

Through ongoing commitment by both senior management and staff alike, this system will move Cue Energy Resources forward and will continually improve overall Health, Safety and Environmental risk to the company. This will demonstrate that Cue Energy Resources is a leader in all its current and projected fields of expertise and will give Cue Energy Resources the ability to remain competitive, whilst managing its risks to as low as reasonably practicable.

Likely developments and expected results of operations

The following activities may affect the expected results of operations:

- Farming down WA-409-P and WA-359-P permits, Carnarvon Basin
- Farming down the Mahakam Hilir PSC, Indonesia
- Actively seeking to acquire additional production

Apart from the above, no other matter or circumstance has arisen since 30 June 2016 that has significantly, 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.

Directors meetings, qualifications and experience

The following table sets out the number of meetings of the Board of Directors held during the year and the number of meetings attended by each Director.

	BOARD		AUDIT AND RISK COMMITTEE		REMUNERATION AND NOMINATION COMMITTEE	
	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED
Grant A. Worner[(i)]	2	2	-	-	-	-
Koh Ban Heng [(ii)]	8	8	2	2	-	-
Duncan P. Saville[(iii)]	-	-	-	-	-	-
Brian L. Smith	10	10	2	2	-	-
Paul G. Foley[(v)]	8	7	-	-	-	-
Stuart A. Brown[(iv)]	8	8	-	-	2	2
C. Peter Hazledine[(vi)]	8	8	-	-	2	2
Geoffrey J. King[(vii)]	1	1	-	-	-	-
Andrew T.N. Knight[(viii)]	2	2	-	-	-	-
Andrew A. Young[(ix)]	1	1	-	-	-	-

(i) Grant Worner, Executive Chairman (appointed 4 March 2016)
(ii) Koh Ban Heng (appointed 29 July 2015)
(iii) Duncan P. Saville (appointed 18 August 2016)
(iv) Stuart A. Brown (resigned 4 March 2016)
(v) Paul G. Foley, (resigned 4 March 2016)
(vi) C. Peter Hazledine (resigned 4 March 2016)
(vii) Geoffrey J. King (removed 29 July 2015)
(viii) Andrew T.N. Knight (appointed 4 March 2016, resigned 18 August 2016)
(ix) Andrew A. Young (removed 29 July 2015)

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Information on directors and executives, including qualifications and experience is as follows:

DIRECTORS	QUALIFICATIONS AND EXPERIENCE	SPECIAL RESPONSIBILITIES	PARTICULARS OF DIRECTORS' INTERESTS IN SHARES OF CUE ENERGY RESOURCES LIMITED AT THE DATE OF THIS REPORT	
			DIRECT	INDIRECT
G.A. Worner	BE(Chemical Ist Hons), MBA, GAICD Executive Chairman of Cue Energy Resources Limited(i) -Appointed 4 March 2016 Non-Executive Director of New Guinea Energy Ltd(i) -Appointed 15 July 2015 Executive Director of Pan Pacific Petroleum NL(ii) -Appointed 24 August 2015	Executive Chairman	Nil	Nil
B.H. Koh	BSc, GDipBA Non-Executive Director of Cue Energy Resources Limited(i) -Appointed 29 July 2015 Non-Executive Director of Tipco Asphalt Ltd PLC -Appointed 1 July 2011 Non-Executive Director of Keppel Infrastructure Holdings (KIH) Pte Ltd -Appointed 15 March 2013 Non-Executive Chairman of Keppel Infrastructure Fund Management Pte Ltd -Appointed 1 May 2015	Non-Executive Director Member of Audit and Risk Committee	Nil	Nil
D.P. Saville	BCom. (Hons), BSc (Hons), FCA, F Fin, FAICD Non-Independent Director of Cue Energy Resources Limited(i) -Appointed 18 August 2016 Non-Executive Director of Touchcorp Limited -Appointed 17 February 2014 Non-Executive Director of Infratil Limited -Resigned 24 August 2016 Non-independent Director of New Zealand Oil & Gas Limited -Appointed 4 November 2014	Non-Independent Director	Nil	337,623,791
B.L. Smith	Non-Executive Director of Cue Energy Resources Limited(i) -Appointed 13 April 2015	Non-Executive Director Chairman of Audit and Risk Committee	Nil	Nil

DIRECTORS	QUALIFICATIONS AND EXPERIENCE	SPECIAL RESPONSIBILITIES	PARTICULARS OF DIRECTORS' INTERESTS IN SHARES OF CUE ENERGY RESOURCES LIMITED AT THE DATE OF THIS REPORT	
			DIRECT	INDIRECT
S.A. Brown	BSc Hons (First Class) Non-Executive Director of Cue Energy Resources Limited[i] -Appointed 24 July 2014 -Resigned 4 March 2016[iii] Non-Executive Director of Galicia Energy Limited[i] -Appointed February 2014 -Resigned 19 February 2015[iii] Non-Executive Director of Empire Oil & Gas NL[ii] -Appointed January 2014 Non-Executive Chairman of WHL Energy Limited[i] -Appointed 6 December 2013 -Resigned 17 November 2015[iii]	Non-Executive Director Chairman of Remuneration and Nomination Committee	Nil	Nil
P.G. Foley	BCA, LL.B Non-Executive Chairman of Cue Energy Resources Limited[i] -Appointed 13 April 2015 -Resigned 4 March 2016[iii] Non-Executive Director of New Zealand Oil & Gas Limited[i] -Appointed July 2000 -Resigned November 2014[iii] Chairman of Grosvenor Financial Services Limited[ii] -Appointed April 2012 Deputy Chairman of Board of the National Provident Fund[ii] -Appointed September 2012 -Resigned June 2015[iii] Chairman of Racing Integrity Unit Limited[ii] -Appointed February 2013 -Resigned January 2014[iii]	Chairman	Nil	Nil
C.P. Hazledine	BSc (Hons) Non-Executive Director of Cue Energy Resources Limited[i] -Appointed 13 April 2015 -Resigned 4 March 2016[iii]	Non-Executive Director Member of Remuneration and Nomination Committee	Nil	Nil

DIRECTORS	QUALIFICATIONS AND EXPERIENCE	SPECIAL RESPONSIBILITIES	PARTICULARS OF DIRECTORS' INTERESTS IN SHARES OF CUE ENERGY RESOURCES LIMITED AT THE DATE OF THIS REPORT	
			DIRECT	INDIRECT
G.J. King	BA, LLB Non-Executive Chairman of Cue Energy Resources Limited[i] -Appointed 24 November 2011 -Removed 29 July 2015[iii] Deputy Chairman and Non-Executive Director of High Peak Royalties Limited[i] -Appointed 17 December 2008	Non-Executive Director Member of Audit and Risk Committee	20,000	2,500
A.T.N. Knight	BMS (Hons) CA Non-Executive Director of Cue Energy Resources Limited[i] -Appointed 4 March 2016 -Resigned 18 August 2016[iii] CEO of New Zealand Oil & Gas Limited[ii] -Appointed 8 December 2011 -Resigned 26 August 2016 Director of Gas Industry Company Ltd[ii] -Appointed June 2012 Taranaki Iwi Holdings Management Ltd[ii] -Appointed December 2015	Non-Executive Director Member of Audit and Risk Committee	Nil	335,854,341[iv]
A.A. Young	BE (Chemical Engineering), MBA (Hons) Non-Executive Director of Cue Energy Resources Limited[i] -Appointed 13 December 2011 -Removed 29 July 2015[iii] Non-Executive Director of New Guinea Energy Limited[i] -Appointed 20 October 2010 -Resigned 20 May 2015[iii] Non-Executive Director of Cliq Energy Berhad[ii] -Appointed May 2012 -Resigned 31 March 2013 -Re-appointed June 2013 Non-Executive Director of National Safety Council of Australia Limited[ii] -Appointed March 2009 -Resigned July 2014[iii] Non-Executive Chairman of Galilee Energy Limited -Appointed 19 August 2013[i] -Resigned October 2013[iii]	Non-Executive Director Chairman of Remuneration and Nomination Committee	Nil	450,000

EXECUTIVES	QUALIFICATIONS AND EXPERIENCE	SPECIAL RESPONSIBILITIES		
			DIRECT	INDIRECT
A.M. Knox	BCom, CA, CPA, FAICD	Chief Financial Officer Company Secretary	2,321,007	2,137,244

(i) Refers to ASX listed directorships held over the past three years.

(ii) Refers to unlisted public company directorships held over the past three years.

(iii) As at date of ceasing to be a director or executive.

(iv) As at date of resignation 18 August 2016

OTHER	QUALIFICATIONS AND EXPERIENCE	SPECIAL RESPONSIBILITIES		
			DIRECT	INDIRECT
P.M. Moffatt	BCom, FGIA, AAICD	Co Company Secretary	114,645	Nil

No shares in subsidiary companies are held by the Directors and no remuneration or other benefits were paid or are due and payable by subsidiary companies. No share options are held in the company by Directors or Executives. There are no Performance rights held by executives.

REMUNERATION REPORT (AUDITED)

This Remuneration Report which has been audited, and which forms part of the Directors' Report, sets out information about the remuneration of Cue Energy Resources Limited's Directors and its senior management for the financial year ended 30 June 2016, in accordance with the *Corporations Act 2001* and its regulations.

The prescribed details for each person covered by this report are detailed below under the following headings:

(A) Director and Executive Details

(B) Remuneration Policy

(C) Details of Remuneration

(D) Equity Based Remuneration

(E) Relationship between Remuneration Policy and Company Performance

(A) Director and executive details

The following persons acted as Directors of the company during or since the end of the financial year:

G.A. Worner (Executive Chairman) – appointed 4 March 2016 and (Interim CEO appointed 23 March 2016)

D.P. Saville (Non-Executive Director) – appointed 18 August 2016

B.H. Koh (Non-Executive Director) – appointed 29 July 2015

B.L. Smith (Non-Executive Director)

P.G. Foley (Non-Executive Chairman) – resigned 4 March 2016

S.A. Brown (Non-Executive Director) – resigned 4 March 2016

C.P. Hazledine (Non-Executive Director) – resigned 4 March 2016

G.J. King (Non-Executive Director) – removed 29 July 2015

A.T.N. Knight (Non-Executive Director) – appointed 4 March 2016, resigned 18 August 2016

A.A. Young (Non-Executive Director) – removed 29 July 2015

The term "Key Management Personnel" is used in this Remuneration Report to refer to the following persons:

A.M. Knox (Chief Financial Officer/Company Secretary)

J.L. Schrull (Production & Exploration Manager)

D.A.J. Biggs (Chief Executive Officer) – resigned 15 April 2016

Unless otherwise stated the persons named above held their current position for the whole of the financial year and since the end of the financial year.

(B) Remuneration policy

The Board's policy for remuneration of Executives and Directors is detailed below.

Remuneration packages are set at levels that are intended to attract and retain high calibre directors and employees and align the interest of the Directors and Executives with those of the company's shareholders. The Remuneration policy is established and implemented solely by the Board.

Remuneration and other terms and conditions of employment are reviewed annually by the Board having regard to performance and relevant employment market information. As well as a base salary, remuneration packages include superannuation, termination entitlements and fringe benefits.

The Board is conscious of its responsibilities in relation to the performance of the Company. Directors and Executives are encouraged to hold shares in the Company to align their interests with those of shareholders.

No remuneration or other benefits are paid to Directors or Executives by any subsidiary companies.

(C) Details of remuneration

The structure of non-executive Director and Executive remuneration is separate and distinct.

Non-Executive Directors

Remuneration of Non-Executive Directors is determined by the Board within the maximum amount approved by the shareholders from time to time. The amount currently approved is $700,000, which was approved at the Annual General Meeting held on 24 November 2011. The Company's policy is to remunerate Non-Executive Directors at a fixed fee based on their time involvement, commitment and responsibilities. Remuneration for Non-Executive Directors is not linked to individual or company performance, however, to align Directors' interests with shareholders' interests, Non-Executive Directors are encouraged to hold shares in the Company. The Board retains the discretion to award options or performance rights to Non-Executive Directors based on the recommendation of the Board, which is always subject to shareholder approval.

Executives

Executives receive a mixture of fixed and variable pay and a blend of short and long term incentives as appropriate. Remuneration packages contain the following key elements:

- Fixed compensation component inclusive of base salary, superannuation, non-monetary benefits and consultancy fees.
- Short term incentive programme.
- Long term employee benefits.
- Cash bonus scheme paid 1 February 2016.

The Board is currently reviewing policies going forward in relation to short and long term incentives.

The Board is responsible for determining and reviewing remuneration arrangements and in doing so assesses the appropriateness of the nature and amount of remuneration of executives on a periodic basis, by reference to relevant employment market conditions, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality, high performing Director and executive team.

Fixed compensation

Fixed compensation consists of base salary (which is calculated on a total cost base and including any FBT charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds.

The base salary is reflective of market rates for companies of similar size and industry which is reviewed annually to ensure market competitiveness. During 2016, the Board reviewed the salaries paid to peer company executives in determining the salary of Cue's Key Management Personnel. This base salary is fixed remuneration and is not subject to performance of the company. Base salary is reviewed annually and adjusted on 1 July each year. There is no guaranteed base salary increase included in any executive's contracts.

Cash Bonuses

In the first quarter of 2016 the Board approved a cash bonus payment equivalent to 30% of base salary to staff that remained with Cue for the 12 months following the on market take-over bid for the Company in February 2015 that resulted in New Zealand Oil and Gas Limited owning 48.11% of Cue. A total cash bonus of $1,143,799 (inclusive of super) was paid to Cue staff at the time.

Employment contracts

Remuneration and other terms of employment for key executives G.A. Worner and J.L. Schrull is formalised in service agreements. Details of the agreements are as follows:

G.A. Worner

Title: Executive Chairman

Agreement commenced: 23 March 2016

Details: The Company will pay the Executive (and in the case of superannuation, contribute) a total remuneration package having a total cost to the Company of $35,000 per month (comprising salary and superannuation contributions).

Terms of this agreement is a period for six months.

J.L. Schrull

Title: Production and Exploration Manager

Agreement commenced: 18 August 2014

Details: Base salary of $431,375 including superannuation to be reviewed annually by the Board. 3 months termination notice by either party. Non solicitation and non-compete clauses included.

Compensation levels are reviewed each year to take into account cost of living changes, any change in the scope of the role performed and any changes to meet the principles of the compensation policy.

Details of the nature and amount of each major element of remuneration of each Director of the Company and other Key Management Personnel of the consolidated entity are:

Compensation of key management personnel – 2016:

2016	SHORT-TERM				POST-EMPLOYMENT			
NAME	CASH SALARY AND FEES $	CASH BONUSES $	NON MONETARY BENEFITS [i] $	CONSULT-ING FEES $	LONG SERVICE LEAVE $	SUPER-ANNUATION $	TERMIN-ATION PAYMENTS $	TOTAL $
G.A. Worner[ii]	31,875	-	-	105,168	-	9,993	-	147,036
D.P. Saville[iii]	-	-	-	-	-	-	-	-
B.H. Koh[iV]	84,218	-	-	-	-	-	-	84,218
B.L. Smith	91,827	-	-	-	-	-	-	91,827
P.G. Foley[v]	85,575	-	-	-	-	-	-	85,575
S.A. Brown[vi]	61,719	-	-	61,875	-	5,863	-	129,457
C.P. Hazledine[vii]	67,582	-	-	-	-	-	-	67,582
G.J. King[viii]	10,245	-	-	-	-	-	-	10,245
*A.T.N. Knight[ix]	24,519	-	-	-	-	-	-	24,519
A.A. Young[ix]	7,880	-	-	-	-	-	-	7,880
Total	465,440	-	-	167,043	-	15,856	-	648,339
Other Key Management Personnel								
A.M. Knox	199,121	125,049	149,699	-	12,317	35,000	-	521,186
J.L. Schrull	412,067	143,792	-	-	6,358	19,308	-	581,525
D.A.J. Biggs[xi]	398,134	158,783	-	-	-	35,000	76,173	668,090
Total	1,009,322	427,624	149,699	-	18,675	89,308	76,173	1,770,801
Total remuneration of Executives and Directors	1,474,762	**427,624	149,699	167,043	18,675	105,164	76,173	2,419,140

* A Knight director fees paid directly to NZOG.

** Cash bonus disclosures paid.

(i) Non-performance based salary sacrifice benefits, including motor vehicle expenses

(ii) G.A. Worner appointed 4 March 2016

(iii) D.P. Saville appointed 18 August 2016

(iv) B.H. Koh appointed 29 July 2015

(v) P.G. Foley resigned 4 March 2016

(vi) S.A. Brown resigned 4 March 2016

(vii) C.P. Hazledine resigned 4 March 2016

(viii) G.J. King removed 29 July 2015

(ix) A.T.N. Knight appointed 4 March 2016, resigned 18 August 2016

(x) A.A. Young removed 29 July 2015

(xi) D.A.J. Biggs resigned 15 April 2016

Compensation of key management personnel – 2015:

2015	SHORT-TERM			POST-EMPLOYMENT			
NAME	CASH SALARY AND FEES $	CASH BONUSES $	NON MONETARY BENEFITS (i) $	LONG SERVICE LEAVE $	SUPER-ANNUATION $	TERMINATION PAYMENTS $	TOTAL $
P.G. Foley(ii)	21,703	-	-	-	-	-	21,703
S.A. Brown(iii)	87,785	-	-	-	5,965	-	93,750
C.P. Hazledine(iv)	21,703	-	-	-	-	-	21,703
B.L. Smith(v)	21,703	-	-	-	-	-	21,703
G.J. King(vi)	130,000	-	-	-	-	-	130,000
A.A. Young(vii)	100,000	-	-	-	-	-	100,000
R.A. Sylvester(viii)	48,750	-	-	-	28,723	-	77,473
Total	431,644	-	-	-	34,688	-	466,332
Other Key Management Personnel							
D.A.J. Biggs	433,792	70,396	-	2,270	34,992	-	541,450
A.M. Knox	255,509	36,990	87,415	2,304	35,000	-	417,218
J.L. Schrull(ix)	353,802	63,750	-	2,038	16,360	-	435,950
D. B. Whittam(x)	59,759	-	-	-	35,000	105,000	199,759
Total	1,102,862	171,136	87,415	6,612	121,352	105,000	1,594,377
Total remuneration of Executives and Directors	1,534,506	171,136	87,415	6,612	156,040	105,000	2,060,709

(i) Non performance based salary sacrifice benefits, including motor vehicle expenses.
(ii) P.G. Foley appointed 13 April 2015.
(iii) S.A. Brown appointed 24 July 2014.
(iv) C.P. Hazledine appointed 13 April 2015.
(v) B.L. Smith appointed 13 April 2015.
(vi) G.J. King removed 29 July 2015.
(vii) A.A. Young removed 29 July 2015.
(viii) R.A. Sylvester resigned 10 April 2015.
(ix) J.L. Schrull appointed 18 August 2014.
(x) D.B. Whittam resigned 22 August 2014.

All remuneration paid to D.A.J. Biggs, J.L. Schrull and A.M. Knox is incurred by the parent entity.

A.M. Knox is a Director of all the subsidiaries in the Group and an Executive of the parent company.

	FIXED REMUNERATION	
NAME	2016	2015
Non-Executive Directors:		
G.A. Worner	100%	-
D.P. Saville	-	-
B.H. Koh	100%	-
B.L. Smith	100%	100%
P.G. Foley	100%	100%
S. A. Brown	100%	100%
C.P. Hazledine	100%	100%
G.J. King	100%	100%
A.T.N. Knight	100%	-
A.A. Young	100%	100%
Other Key Management Personnel:		
A.M. Knox	100%	100%
J.L. Schrull	100%	100%
D.A.J. Biggs	100%	100%

(D) Equity based remuneration

Overview of share options and performance rights

Historically, the Company has granted performance rights to certain Key Management Personnel. These performance rights were granted under a Performance Rights Plan which was approved by shareholders at the Company's Annual General meeting on 24 November 2011. The Performance Rights Plan has a mechanism for providing a share based performance incentive for Key Management Personnel and to achieve alignment between Key Management Personnel and Shareholder objectives.

Performance rights were granted under the plan for no consideration, neither carry dividend or voting rights.

The Plan was designed to align the interests of executives with shareholders by providing direct participation in the benefits of future Company performance over the medium to long term.

The Board is currently reviewing policies going forward in relation to short and long term incentives.

Long term performance targets of the Company will be established every year and the future award of performance rights may be made at the Board's sole discretion.

No share options or performance rights were granted during the financial year to 30 June 2016 (2015: nil) (refer note 25).

All previously issued performance rights had lapsed as at 30 June 2014.

(E) Relationship between remuneration policy and company performance

Company performance review

The tables below set out summary information about the company's earnings and movements in shareholder wealth and key management remuneration for the five years to 30 June 2016.

PROFIT PERFORMANCE	30 JUNE 2016 $000'S	RESTATED 30 JUNE 2015 $000'S	30 JUNE 2014 $000'S	30 JUNE 2013 $000'S	30 JUNE 2012 $000'S
Production income from continuing operations	45,412	36,704	32,246	49,798	41,222
(Loss)/profit before income tax expense from continuing operations	(79,598)	26,916	753	8,409	13,621
(Loss)/profit after income tax expense	(84,398)	32,191	(2,166)	6,369	5,663
Total Key Management Personnel Remuneration	2,419	2,061	1,713	2,729	2,050

SHARE PERFORMANCE	30 JUNE 2016	30 JUNE 2015	30 JUNE 2014	30 JUNE 2013	30 JUNE 2012
Share price at start of year (cents)	7.60	12.0	11.0	18.0	26.5
Share price at end of year (cents)	8.10	7.60	12.0	11.0	18.0
Dividends (cents)	-	-	-	-	-
Basic (loss)/earnings per share (cents)	(12.44)	5.86[i]	(0.31)	0.91	0.81
Diluted (loss)/earnings per share (cents)	(12.44)	5.86 [i]	(0.31)	0.91	0.81

(i) restated due to change in accounting policy

The company's remuneration policy seeks to reward staff members for their contribution to adding shareholder value so there is a direct link between a portion of remuneration and financial performance.

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

ORDINARY SHARES	BALANCE AT THE START OF YEAR [1]	ADDITIONS[2]	DISPOSALS/ OTHER	BALANCE AT THE END OF THE YEAR [3]
Non-Executive Directors				
Grant A. Worner	-	-	-	-
Koh Ban Heng	-	-	-	-
Duncan P. Saville	335,854,341	1,769,450	-	337,623,791
Brian Smith	-	-	-	-
Paul D. Foley	-	-	-	-
Stuart A. Brown	-	-	-	-
C. Peter Hazledine	-	-	-	-
Geoffrey J. King	22,500	-	-	22,500
Andrew T.N. Knight	335,854,341	-	-	335,854,341
Andrew A. Young	450,000	-	-	450,000
Other Key Management Personnel				
David A.J. Biggs	8,045	-	-	8,045
Andrew M. Knox	4,458,251	-	-	4,458,251
Jeffrey L. Schrull	308,797	144,312	-	453,109

(1) or date of appointment

(2) acquisition of shares, after the end of the financial year

(3) or date of Directors Report

This concludes the Remuneration Report which has been audited.

AUDITOR

In accordance with the provisions of the *Corporations Act 2001* the Company's auditor, BDO East Coast Partnership, continues in office.

Non-audit Services

The Company may decide to employ the auditor on assignments additional to its statutory audit duties where the auditor's expertise and experience with the Company are important.

The Board of Directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor as set out below, did not compromise the audit independence requirement, of the *Corporations Act 2001*, based on advice received from the Audit and Risk Committee, for the following reasons:

- All non-audit services have been reviewed by the Board to ensure they do not impact the impartiality and objectivity of the auditor.
- None of the services undermine the general principle relating to auditor independence as set out in the Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and reward.

Audit Services

Amounts paid or due and payable to the auditor – BDO East Coast Partnership for:

	2016 $	2015 $
Audit or review of the financial statements	121,700	115,500
Other Services:		
Advisory Services	2,000	1,000
Tax compliance	20,000	36,900
Tax consulting	85,693	-
Total	229,393	153,400

INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001*, is set out on page 33.

ROUNDING OFF OF AMOUNTS

1. The Company is a company of the kind referred to in ASIC Legislative Instrument 2016/191, and in accordance with the Class Order amounts in the Directors' Report and the Financial Report are rounded off to the nearest thousand dollars, unless otherwise indicated.

DIRECTORS' INSURANCE AND INDEMNIFICATION OF DIRECTORS AND AUDITORS

During the financial year, the company paid a premium in respect of a contract insuring the directors of the company, the company secretary, and all executive officers against a liability incurred as a director, company secretary or executive officer to the extent permitted by the *Corporations Act 2001*. In accordance with commercial practice, the insurance policy prohibits disclosure of the terms of the policy, including the nature of the liability insured against and the amount of the premium.

The company has not otherwise, during or since the end of the financial year indemnified or agreed to indemnify an officer or auditor of the company or any related body corporate against a liability incurred as an officer or auditor.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Subsequent to the end of the financial year:

(i) Mr Andrew Knight resigned as a director, and Mr Duncan Saville was appointed as a director, effective 18 August 2016.

(ii) Cue together with all joint venture partners has elected to withdraw from PEP54865 and PEP51313, offshore New Zealand. These were fully impared as at 30 June 2016.

Apart from these matters the Directors are not aware of any matter or circumstance since the end of the financial year, not otherwise dealt with in this report that has significantly or may significantly affect the operations of Cue Energy Resources Limited, the results of those operations or the state of affairs of the Company or Group.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

This report is made in accordance with a resolution of directors, pursuant to section 298(a) of the *Corporations Act 2001*.

On behalf of the Board

Grant A. Worner

Executive Chairman

30 September 2016

Auditor's Independence Declaration

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Australia

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

As lead auditor of Cue Energy Resources Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

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

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

David Garvey
Partner

BDO East Coast Partnership

Melbourne, 30 September 2016

Directors' Declaration

The directors of Cue Energy Resources Limited declare that:

(a) in the Directors' opinion the financial statements and notes and the Remuneration report in the Directors' Report set out on pages 25 to 30, are in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance, for the financial year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and *Corporations Regulations 2001*.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1; 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.

The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* by the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2016.

Signed in accordance with a resolution of the Directors.

Dated in Melbourne 30th day of September 2016.

Grant A. Worner
Executive Chairman

Financial Statements
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FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	NOTE	2016 $000'S	RESTATED 2015 $000'S
Production revenue from continuing operations	3	45,412	36,704
Production costs	4	(30,585)	(23,787)
Gross profit from production		14,827	12,917
Other Income	3	3,780	36,129
Net foreign currency exchange (loss)/gain	3	(90)	6,916
Impairment - production	15	(25,103)	(18,015)
Impairment - E&E	13	(49,963)	-
E&E expenditure	12	(16,329)	(2,099)
Administration expenses	4	(6,720)	(8,932)
(Loss)/profit before income tax benefit/(expense) from continuing operations		(79,598)	26,916
Income tax benefit/(expense)	6	(4,800)	5,275
(Loss)/profit after income tax benefit/(expense) from continuing operations		(84,398)	32,191
(Loss)/profit after income tax benefit/(expense) from discontinuing operations	23	(3,062)	8,754
(Loss)/profit after income tax benefit/(expense) for the year		**(87,460)**	**40,945**
Other comprehensive income			
Items that may be reclassified subsequent to profit or loss			
Foreign currency translation		(1,624)	1,666
Total comprehensive income for the year		(89,084)	42,611
(Loss)/profit for the year is attributable to:			
Owners of Cue Energy Resources Limited		(86,834)	40,943
Non-controlling interest		(626)	2
		(87,460)	40,945
Total comprehensive income for the year is attributable to:			
Owners of Cue Energy Resources Limited			
Continuing operations		(85,396)	33,855
Discontinuing operations		(3,062)	8,754
		(88,458)	42,609
Non-controlling interest			
Continuing operations		-	2
Discontinuing operations		(626)	-
Non-controlling interest		(626)	2
		(89,084)	42,611

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Cont')

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	NOTE	2016 CENTS	RESTATED 2015 CENTS
Earnings per share for profit/(loss) from continuing operations attributable to the owners of Cue Energy Resources Limited			
Basic earnings per share	22	(12.09)	4.61
Diluted earnings per share	22	(12.09)	4.61
Earnings per share for profit/(loss) from discontinuing operations attributable to the owners of Cue Energy Resources Limited			
Basic earnings per share	22	(0.35)	1.25
Diluted earnings per share	22	(0.35)	1.25
Earnings per share for profit/(loss) attributable to the owners of Cue Energy Resources Limited			
Basic earnings per share	22	(12.44)	5.86
Diluted earnings per share	22	(12.44)	5.86

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

	NOTES	2016 $000'S	RESTATED 2015 $000'S	RESTATED 1 JULY 2014 $000'S
Current Assets				
Cash and cash equivalents	27(b)	20,490	27,605	40,558
Trade and other receivables	8	4,481	4,761	3,542
Inventories	10	1,609	3,728	843
Non-Current assets classified held for sale	16	4,095	-	-
Total Current Assets		30,675	36,094	44,943
Non-Current Assets				
Property, plant and equipment	9	59	76	118
Deferred tax assets	6	-	70	71
Exploration and evaluation expenditure	12	-	51,629	8,674
Production properties	14	42,564	78,131	79,458
Total Non-Current Assets		42,623	129,906	88,321
Total Assets		**73,298**	**166,000**	**133,264**
Current Liabilities				
Liabilities directly associated with assets classified as held for sale	16	2,017	-	-
Trade and other payables	17	9,050	15,936	21,184
Tax liabilities	6	1,865	580	2,398
Provisions	18	640	584	563
Total Current Liabilities		13,572	17,100	24,145
Non-Current Liabilities				
Deferred tax liabilities	6	4,167	5,818	14,430
Provisions	18	12,970	11,409	5,627
Total Non-Current Liabilities		17,137	17,227	20,057
Total Liabilities		**30,709**	**34,327**	**44,202**
Net Assets		**42,589**	**131,673**	**89,062**
Equity				
Contributed equity	7(a)	152,416	152,416	152,416
Reserves		42	1,666	-
Accumulated losses		(109,245)	(22,411)	(63,354)
Equity attributable to the owners of Cue Energy Resources Limited		43,213	131,671	89,062
Non-controlling interest		(624)	2	-
Total Equity		**42,589**	**131,673**	**89,062**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	CONTRIBUTE EQUITY $000'S	ACCUMULATED LOSSES $000'S	FOREIGN CURRENCY TRANSLATION RESERVE $000'S	NON-CONTROLLING INTEREST $000'S	TOTAL $000'S
Balance at 1 July 2015 restated	**152,416**	**(22,411)**	**1,666**	**2**	**131,673**
Loss after income tax benefit for the year	-	(86,834)	-	(626)	(87,460)
Other comprehensive income for the year, net of tax	-	-	(1,624)	-	(1,624)
Total comprehensive profit for the year	**-**	**(86,834)**	**(1,624)**	**(626)**	**(89,084)**
Balance at 30 June 2016	**152,416**	**(109,245)**	**42**	**(624)**	**42,589**

	CONTRIBUTE EQUITY $000'S	ACCUMULATED LOSSES $000'S	FOREIGN CURRENCY TRANSLATION RESERVE $000'S	NON-CONTROLLING INTEREST $000'S	TOTAL $000'S
Balance at 1 July 2014	**152,416**	**(23,013)**	**-**	**-**	**129,403**
Balance of restatements – refer note 1(d)	**-**	**(40,341)**	**-**	**-**	**(40,341)**
Balance at 1 July 2014 restated	**152,416**	**(63,354)**	**-**	**-**	**89,062**
Profit after income tax benefit for the year	-	40,943	-	2	40,945
Other comprehensive income for the year, net of tax	-	-	1,666	-	1,666
Total comprehensive profit for the year	**-**	**40,943**	**1,666**	**2**	**42,611**
Balance at 30 June 2015 restated	**152,416**	**(22,411)**	**1,666**	**2**	**131,673**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	NOTES	2016 $000'S	RESTATED 2015 $000'S
Cash Flows from Operating Activities			
Receipts from customers		45,166	35,992
Insurance refunds received		3,720	-
Interest received		58	115
Payments to suppliers (inclusive of GST)		(23,946)	(28,680)
Exploration and evaluation expenditure		(17,891)	(13,602)
Income tax paid		(5,160)	(5,159)
Royalties paid		(836)	(998)
Net cash provided by (used in) operating activities	27(a)	1,111	(12,332)
Cash Flows from Investing Activities			
Payments with respect to production properties		(7,122)	(17,927)
Payments for plant and equipment		(156)	(7)
Proceeds from sale of prospects, less costs of sale		-	8,289
Net cash used in investing activities		(7,278)	(9,645)
Net Decrease in Cash Held		(6,167)	(21,977)
Cash and cash equivalents at the beginning of the year		27,605	40,558
Effect of exchange rate change on foreign currency balances held at the beginning of the year		(948)	9,024
Cash and cash equivalents at the end of the year	27(b)	20,490	27,605

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cue Energy Resources Limited is a for-profit Public Company listed on the Australian Securities Exchange, incorporated and domiciled in Australia. The financial statements are presented in Australian Dollars, which is the Company's functional currency. The financial report was authorised for issue by the Directors on the date the Directors' Declaration was signed.

(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.

(c) Basis of preparation

The financial report 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 28.

(d) Changes in accounting policy

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

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

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

The new exploration and evaluation accounting policy is to charge exploration and evaluation expenditure against profit and loss as incurred, except for expenditure incurred after a decision to proceed to development is made, in which case the expenditure is capitalised as an asset. This does not include acquisition costs or costs capitalised as a result of a business combination totalling $49.96 million. The impact on the consolidated statement of cash flows is a movement from investing activities to a movement in operating activities. This amendment to the accounting policy has had a significant effect on the consolidated financial performance and consolidated financial position of the Group because it previously capitalised exploration expenditure in the period it was incurred. The Group has transferred at the beginning of the comparative period $45.40 million of exploration expenditure costs carried forward to accumulated losses as a result of the change in accounting policy.

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont')

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	30 JUNE 2015 AS PREVIOUSLY REPORTED $000'S	EFFECT OF RESTATEMENT IN DISCONTINUED OPERATIONS $000'S	EFFECT OF CHANGE IN ACCOUNTING POLICY $000'S	30 JUNE 2015 AS RESTATED $000'S
Production revenue from continuing operations	36,925	(221)	-	36,704
Production costs	(24,253)	466	-	(23,787)
Gross profit from production	12,672	245	-	12,917
Other revenue	41,986	(8,704)	2,847	36,129
Net foreign currency exchange (loss)/gain	6,911	5	-	6,916
Impairment - production	(18,015)	-	-	(18,015)
E&E expenditure	-	-	(2,099)	(2,099)
Administration expenses	(8,932)	-	-	(8,932)
(Loss)/profit before income tax benefit/(expense) from continuing operations	34,622	(8,454)	748	26,916
Income tax benefit/(expense)	5,200	(70)	145	5,275
(Loss)/profit after income tax benefit from continuing operations	39,822	(8,524)	893	32,191
Profit after income tax benefit from discontinuing operations	230	8,524	-	8,754
Profit after income tax benefit for the year	40,052	-	893	40,945
Other comprehensive income				
Items that may be reclassified subsequent to profit or loss				
Foreign currency translation	2,448	-	(782)	1,666
Total comprehensive income for the year	42,500	-	111	42,611
Profit for the year is attributable to:				
Owners of Cue Energy Resources Limited	40,050	-	893	40,943
Non-controlling interest	2	-	-	2
	40,052	-	893	40,945
Total comprehensive income for the year is attributable to:				
Continuing operations	42,268	(8,524)	111	33,855
Discontinuing operations	230	8,524	-	8,754
	42,498	-	111	42,609
Owners of Cue Energy Resources Limited				
Continuing operations	2	-	-	2
Discontinuing operations	-	-	-	-
Non-controlling interest	2	-	-	2
	42,500	-	111	42,611

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

	30 JUNE 2015 AS PREVIOUSLY REPORT $000'S	EFFECT OF RESTATEMENT $000'S	30 JUNE 2015 AS RESTATED $000'S
*Earnings per share for profit/(cents per share)			
Basic earnings per share	5.74	0.12	5.86
Diluted earnings per share	5.74	0.12	5.86
*Earnings per share for profit/(loss) (cents per share) – continuing operations			
Basic earnings per share	5.71	(1.10)	4.61
Diluted earnings per share	5.71	(1.10)	4.61
*Earnings per share for profit/(loss) (cents per share) – discontinued operations			
Basic earnings per share	0.03	0.41	1.25
Diluted earnings per share	0.03	0.41	1.25

* refer to Note 22 for detailed calculation of EPS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont')

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 JUNE 2015 $000'S	EFFECTS OF RESTATEMENT $000'S	30 JUNE 2015 RESTATED $000'S
Current Assets			
Cash and cash equivalents	27,605	-	27,605
Trade and other receivables	4,761	-	4,761
Inventories	3,728	-	3,728
Total Current Assets	36,094	-	36,094
Non-Current Assets			
Property, plant and equipment	76	-	76
Deferred tax assets	70	-	70
Exploration and evaluation expenditure	97,058	(45,429)	51,629
Production properties	78,131	-	78,131
Total Non-Current Assets	175,335	(45,429)	129,906
Total Assets	**211,429**	**(45,429)**	**166,000**
Current Liabilities			
Trade and other payables	15,936	-	15,936
Tax liabilities	580	-	580
Provisions	584	-	584
Total Current Liabilities	17,100	-	17,100
Non-Current Liabilities			
Deferred tax liabilities	11,017	(5,199)	5,818
Provisions	11,409	-	11,409
Total Non-Current Liabilities	22,426	(5,199)	17,227
Total Liabilities	**39,526**	**(5,199)**	**34,327**
Net Assets	**171,903**	**(40,230)**	**131,673**
Equity			
Contributed equity	152,416	-	152,416
Reserves	2,448	(782)	1,666
Accumulated gain/(losses)	17,037	(39,448)	(22,411)
Equity attributable to the owners of Cue Energy Resources Limited	171,901	(40,230)	131,671
Non-controlling interest	2	-	2
Total Equity	**171,903**	**(40,230)**	**131,673**

	1 JULY 2014 $000'S	EFFECTS OF RESTATEMENT $000'S	1 JULY 2014 RESTATED $000'S
Current Assets			
Cash and cash equivalents	40,558	-	40,558
Trade and other receivables	3,542	-	3,542
Inventories	843	-	843
Total Current Assets	44,943	-	44,943
Non-Current Assets			
Property, plant and equipment	118	-	118
Deferred tax assets	71	-	71
Exploration and evaluation expenditure	54,069	(45,395)	8,674
Production properties	79,458	-	79,458
Total Non-Current Assets	133,716	(45,395)	88,321
Total Assets	**178,659**	**(45,395)**	**133,264**
Current Liabilities			
Trade and other payables	21,184	-	21,184
Tax liabilities	2,398	-	2,398
Provisions	563	-	563
Total Current Liabilities	24,145	-	24,145
Non-Current Liabilities			
Deferred tax liabilities	19,484	(5,054)	14,430
Provisions	5,627	-	5,627
Total Non-Current Liabilities	25,111	(5,054)	20,057
Total Liabilities	**49,256**	**(5,054)**	**44,202**
Net Assets	**129,403**	**(40,341)**	**89,062**
Equity			
Contributed equity	152,416	-	152,416
Reserves	-	-	-
Accumulated losses	(23,013)	(40,341)	(63,354)
Equity attributable to the owners of Cue Energy Resources Limited	129,403	(40,341)	89,062
Non-controlling interest	-	-	-
Total Equity	**129,403**	**(40,341)**	**89,062**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont')

CONSOLIDATED STATEMENT OF CASH FLOWS

	30 JUNE 2015 AS PREVIOUSLY REPORTED	EFFECT OF RESTATEMENT	30 JUNE 2015 AS RESTATED
	$'000	$'000	$'000
Cash flows from operating activities			
Exploration and evaluation expenditure	-	(13,602)	(13,602)
Net cash (used in) operating activities	**-**	**(13,602)**	**(13,602)**
Cash flows from investing activities			
Exploration and evaluation expenditure	(13,602)	13,602	-
Net cash (used in) investing activities	**(13,602)**	**13,602**	**-**

(e) 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 judgements 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 resulting from unused tax losses have been recognised on the basis that management considers it is probable that future tax profits will be available to utilise the unused tax losses.

(ii) Impairment of Production Properties Assets

Production properties impairment testing requires an estimation of the value-in-use of the cash generating units to which deferred costs have been allocated. The value-in-use 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.

(iii) Useful Life of Production Property Assets

As detailed at note 1 (l) production properties are amortised on a unit-of-production basis, with separate calculations being 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) Joint Arrangements

The entity is subject to a number of joint arrangements in relation to both its production properties and exploration assets. The joint arrangement agreements require unanimous consent from all parties in some instances for all relevant activities, all assets are held jointly in common and all parties are severally liable for the liabilities incurred.

These arrangements are therefore classified as Joint Operations and the consolidated entity recognises its direct rights to jointly held assets, liabilities, revenues and expenses.

(vi) 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.

(vii) Legal Claim

As a result of an economic project arrangement in the Jeruk field within the Sampang PSC, Indonesia, Cue may in certain circumstances have an obligation to reimburse certain monies spent by the incoming party from future profit oil within the Sampang PSC. There is a dispute between Cue and the incoming party as to the quantum of monies that they may be entitled to claim by way of such reimbursement and when any such reimbursement would be payable. The Company is of the view that any amount which might eventually become payable would not be likely to exceed the amount of USD4.5 million (AUD6.1 million) which has been provided for in the financial statements.

(f) New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are mandatory for the current reporting period.

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

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

(g) 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 2016 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 the 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.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest is recognised directly in equity attributable to the parent.

Non-controlling interest is the results in equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

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

(h) Revenue recognition

Revenue is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer. Revenue is recognised and measured at the fair value of the consideration or contributions received, net of goods and service tax ("GST"), to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Sales revenue

Sales revenue is recognised on the basis of the Group's interest in a producing field ("entitlements" method), when the physical product and associated risks and rewards of ownership pass to the purchaser, which is generally at the time of ship or truck loading, or in certain instances the product entering the pipeline.

Revenue earned under a production sharing contract ("PSC") is recognised on a net entitlements basis according to the terms of the PSC.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont')

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.

Other income

Other income is recognised in profit or loss at the fair value of the consideration received or receivable, net of GST, when the significant risks and rewards of ownership have been transferred to the buyer or when the service has been performed.

The gain or loss arising on disposal of a non-current asset is included as other income at the date control of the asset passes to the buyer. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

(i) Exploration and evaluation project expenditure

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

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

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

The new exploration and evaluation accounting policy is to charge exploration and evaluation expenditure against profit and loss as incurred, except for expenditure incurred after a decision to proceed to development is made, in which case the expenditure is capitalised as an asset. This does not include acquisition costs or costs capitalised as a result of a business combination. The impact on the consolidated statement of cash flows is a movement from investing activities to a movement in operating activities. This amendment to the accounting policy has had a significant effect on the consolidated financial performance and consolidated financial position of the Group because it previously capitalised exploration expenditure in the period it was incurred. The Group has transferred at the beginning of the comparative period exploration expenditure costs carried forward to accumulated losses as a result of the change in accounting policy (refer note 1(d)).

(j) 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.

(k) 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 forward market prices where available. The recoverable amount of other assets is the greater of their net selling price and value-in-use.

In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-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.

(l) 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 shown as a separate line item in profit or loss.

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.

(m) Property, plant and equipment

CLASS OF FIXED ASSET	DEPRECIATION RATE
Office and computer equipment	5-40%

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.

(n) Cash and cash equivalents

For purposes of the statement of cash flows, cash includes deposits at call which are readily convertible to cash on hand and which are used in the cash management function on a day-to-day basis, net of outstanding bank overdrafts.

(o) Trade and other receivables

Trade receivables due from related parties and other receivables represent the principal amounts due at the reporting date plus accrued interest and less, where applicable, any unearned income and allowance for doubtful accounts. Trade receivables are generally due for settlement within 30 days.

(p) 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.

(q) 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.

(r) 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.

Restoration

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.

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.

(s) 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.

(t) 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.

(u) 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont')

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.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in 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.

(v) Foreign currency

Functional and presentation currency

The financial statements of each group entity are measured using their relevant functional currency, which is the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, as this is the parent entity's functional and presentation currency.

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 shall be translated into its presentation currency using the following procedures:

(a) assets and liabilities for each statement of financial position presented (ie 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 (ie including comparatives) shall be translated at exchange rates at the dates of the transactions; and

(c) all resulting exchange differences shall be recognised in other comprehensive income.

(w) Leases

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.

(x) 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.

(y) Rounding

The amounts contained in this financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the Company under ASIC Corporations (Rounding in Financials and Directors Reports) instrument 206/191. The Company is an entity to which the Class Order applies.

(z) Comparative Figures

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

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

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

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

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

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

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

(ab) Goods and Services tax ('GST') and other similar taxes

Revenues, expense 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.

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

(ac) 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 annual reporting period ended 30 June 2016. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont')

has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 16 Leases (applicable to annual reporting periods beginning on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

- recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-to-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
- additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

Although the directors anticipate that the adoption of AASB 16 will impact the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

2. FINANCIAL INSTRUMENTS

The Group's principal financial instruments comprise receivables, payables, cash and short term deposits.

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.

Primary responsibility for identification and control of financial risks rests with the Chief Financial Officer under the authority of the Board. The Board reviews and agrees management's assessment for managing each of the risks identified below.

The carrying amounts and net fair values of the economic entity's financial assets and liabilities at the reporting date are:

	CARRYING AMOUNT		NET FAIR VALUE	
CONSOLIDATED	2016 $'000'S	2015 $'000'S	2016 $'000'S	2015 $'000'S
Financial assets				
Cash and cash equivalents	20,490	27,605	20,490	27,605
Trade and other receivables	4,481	4,761	4,481	4,761
Non-traded financial assets	24,971	32,366	24,971	32,366
Financial liabilities				
Trade and other payables	9,050	15,936	9,050	15,936
Non-traded financial liabilities	9,050	15,936	9,050	15,936

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

Basis for determining fair values

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments:

Trade and other receivables

The carrying value less impairment provision of trade receivables is a reasonable approximation of their fair values due to the short-term nature of trade and other receivables.

Financial liabilities

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. Where these cash flows are in a foreign currency the present value is converted into Australian dollars at the foreign exchange spot rate prevailing at the reporting date.

Trade and other payables

The carrying value of trade payables is a reasonable approximation of their fair values due to the short term nature of trade payables.

2. FINANCIAL INSTRUMENTS (Cont')

(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	
	2016 $000'S	2015 $000'S
Cash and cash equivalents	20,490	27,605

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 following sensitivity analysis is based on the interest rate opportunity/risk in existence at the reporting date.

Based upon the balance of net exposure at the year end, if interest rates changed by +/-1%, with all other variables held constant, the estimated impact on post-tax profit and equity would have been:

	CONSOLIDATED	
	2016 $000'S	2015 $000'S
Impact on post-tax profit		
Interest rates +1%	205	341
Interest rates –1%	(205)	(341)
Impact on equity		
Interest rates +1%	205	341
Interest rates –1%	(205)	(341)

A movement of + and – 1% is selected because this is historically within a range of rate movements and available economic data suggests this range is reasonable.

(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.

The Board approved the policy of holding certain funds in United States dollars to manage foreign exchange risk.

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

	30 JUNE 2016			30 JUNE 2015		
CONSOLIDATED	USD $'000'S	NZD $'000'S	IDR $'000'S	USD $'000'S	NZD $'000'S	IDR $'000'S
Financial assets:						
Cash and cash equivalents	19,264	495	129	26,635	384	186
Receivables	4,207	258	16	4,394	240	-
Financial liabilities:						
Current payables	7,357	911	60	12,659	1,408	357

At the reporting date, if the currencies set out in the table above, strengthened or weakened against the Australian dollar by the percentage shown, with all other variables held constant, net profit for the year would increase/(decrease) and net assets would increase/(decrease) by:

				CONSOLIDATED
	USD $'000'S	NZD $'000'S	IDR $'000'S	2016 TOTAL $'000'S
Impact on post-tax profit				
Exchange rates +10%	1,611	15.8	8.5	1,989
Exchange rates -10%	(1,611)	(15.8)	(8.5)	(1,989)
Impact on equity				
Exchange rates +10%	1,611	15.8	8.5	1,989
Exchange rates -10%	(1,611)	(15.8)	(8.5)	(1,989)

				CONSOLDIATED
	USD $'000'S	NZD $'000'S	IDR $'000'S	2015 TOTAL $'000'S
Impact on post-tax profit				
Exchange rates +10%	(1,837)	75	17	(1,745)
Exchange rates -10%	1,837	(75)	(17)	1,745
Impact on equity				
Exchange rates +10%	(1,837)	75	17	(1,745)
Exchange rates -10%	1,837	(75)	(17)	1,745

Management believes the risk exposures as at the reporting date are representative of the risk exposure inherent in the financial instruments. A movement of +/– 10% is selected because a review of recent exchange rate movements and economic data suggests this range is reasonable.

(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.

At 30 June 2016 the Group had no open oil price swap contracts (2015: nil).

If the US dollar oil price changed by +/-20% from the average oil price during the year, with all other variables held constant, the estimated impact on post-tax profit and equity would have been:

	CONSOLIDATED	
	2016 $000'S	2015 $000'S
Impact on post-tax profit		
US dollar oil price +20%	3,662	3,872
US dollar oil price −20%	(3,662)	(3,872)
Impact on equity		
US dollar oil price +20%	3,662	3,872
US dollar oil price −20%	(3,662)	(3,872)

Management believes the risk exposures as at the reporting date are representative of the risk exposure inherent in the financial instruments. A movement of + and – 20% is selected because a review of historical oil price movements and economic data suggests this range is reasonable.

2. FINANCIAL INSTRUMENTS (Cont')

(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 reserve borrowing facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Group is consequently more than sufficiently solvent to meet its payment obligations in full as they fall due.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. 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. Estimated variable interest expense is based upon appropriate yield curves existing as at 30 June 2016.

	12 MONTHS OR LESS $000'S	1 TO 2 YEARS $000'S	2 TO 5 YEARS $000'S	MORE THAN 5 YEARS $000'S
Consolidated 2016				
Non-derivative financial liabilities				
Trade and other payables (Note 17)	9,050	-	-	-
	9,050	-	-	-
Consolidated 2015				
Non-derivative financial liabilities				
Trade and other payables	15,936	-	-	-
	15,936	-	-	-

(f) Credit Risk

Credit risk arises from the financial assets of the group, which comprise cash and cash equivalents and trade and other receivables. 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.

At the reporting date there are no significant concentrations of credit risk within the Group.

3. REVENUE AND OTHER INCOME

	CONSOLIDATED	
	2016 $000'S	2015 $000'S
Revenue from continuing operations:		
Production income	45,412	36,704
Other income:		
Interest from cash and cash equivalents	60	107
Maari insurance refund	3,720	-
Gain on acquisition of 60% Mahakam Hilir PSC[1]	-	36,022
Total other revenue from continuing operations	3,780	36,129
Net foreign currency exchange (loss)/gain	(90)	6,916

[1] Gain on bargain purchase of exploration assets

4. EXPENSES

Profit before income tax expense from continuing operations includes the following specific areas:

	2016 $000'S	2015 $000'S
Production Expenses		
Production costs	19,653	12,989
Amortisation of production properties	10,932	10,798
Total production expenses	30,585	23,787
Administration Expenses		
Depreciation of property, plant and equipment	34	49
Employee expense	4,793	4,150
Superannuation contribution expense	245	221
Operating lease expenses	254	265
Takeover defence related costs	-	2,003
Other expenses	1,005	765
Business development expenses	389	1,479
Total administration expenses	6,720	8,932

5. AUDITORS REMUNERATION

Amounts paid or due and payable to the auditor – BDO East Coast Partnership for:

	2016 $	2015 $
Audit or review of the financial statements	121,700	115,500
Other Services:		
Advisory Services	2,000	1,000
Tax compliance	20,000	36,900
Tax consulting	85,693	-
Total	229,393	153,400

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

6. TAXATION

	CONSOLIDATED	
	2016 $000'S	RESTATED 2015 $000'S
INCOME TAX BENEFIT/(EXPENSE)		
Current tax	(4,744)	(3,266)
Adjustment recognised for current tax in prior periods	(1,706)	-
Deferred tax	1,576	8,611
Aggregate income tax benefit/(expense)	**(4,874)**	**5,345**
Income tax expense is attributable to:		
Continuing operations	(4,800)	5,275
Discontinued operations	(74)	70
	(4,874)	**5,345**
Numerical reconciliation of income tax expense and tax at the statutory rate		
(Loss)/profit before income tax benefit/(expense) from continuing operations	(79,598)	26,916
(Loss)/profit before income tax benefit/(expense) from discontinuing operations	(2,989)	8,684
(Loss)/profit before income tax benefit/(expense)	(82,587)	35,600
Tax expense at Australian tax rate of 30% (2015: 30%)	24,776	(10,680)
Unrealised foreign exchange movements	(58)	1,666
Non-taxable gain reversal on bargain purchase	(11,287)	10,805
Non-assessable intercompany interest	470	86
Non-deductible / (deductible) mining deductions	407	3,529
Non-taxable gain on disposal of subsidiary	-	2,535
Unrecognised temporary differences	(11,532)	(175)
Unrecognised tax losses	(8,183)	(2,179)
Adjustments to current tax from prior periods[i]	(1,706)	-
Derecognition of deferred tax assets - continuing operations	3,279	-
Derecognition of deferred tax assets - discontinued operations	(74)	-
Difference in overseas tax rates	(966)	(242)
Income tax benefit/(expense)	**(4,874)**	**5,345**

(i) During the 2016 income year, Cue Sampang Pty Ltd received notices of amended assessments in respect of the 2011 tax year. Under the amended assessments the additional tax payable including penalties and interest is $1.7 million . Cue Sampang Pty Ltd is currently disputing these amended assessments. Cue Sampang Pty Ltd has paid $0.6 million of the additional tax liability and has provided for the balance of $1.1 million.

6. TAXATION (Cont')

	CONSOLIDATED	
	2016 $000'S	RESTATED 2015 $000'S
Current tax liabilities	**1,865**	**580**
Deferred tax assets recognised comprise of		
Restoration provision	228	3,238
Tax losses	-	5,267
Total deferred tax assets recognised	228	8,505
Deferred tax liabilities recognised comprise of		
Production properties	(4,104)	(12,731)
Inventories	(290)	(1,522)
Total deferred tax liabilities recognised	(4,395)	(14,253)
Net deferred tax liabilities recognised	**(4,167)**	**(5,748)**
Presentation in the consolidated statement of financial position as follows:		
Deferred tax asset	-	70
Deferred tax liability	(4,167)	(5,818)
Net	**(4,167)**	**(5,748)**
Deferred tax assets not recognised comprise of		
Restoration provision	3,672	-
Employee provisions	199	191
Tax losses	23,615	18,579
Total deferred tax assets not recognised	27,487	18,770
Deferred tax liabilities not recognised comprise of		
Production properties	(611)	-
Inventories	(266)	-
Total deferred tax liabilities not recognised	(877)	-
Net deferred tax assets not recognised	26,610	18,770

7. CAPITAL AND RESERVES

	CONSOLIDATED			
	2016 $000'S	2015 $000'S	2016 SHARES ON ISSUE	2015 SHARES ON ISSUE
(a) Issued Capital				
Issued and paid up ordinary fully paid shares				
Balance at 1 July	152,416	152,416	698,119,720	698,119,720
Options exercised	-	-	-	-
Closing balance at 30 June	**152,416**	**152,416**	**698,119,720**	**698,119,720**

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.

(b) 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 also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

Management are constantly adjusting 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, issue new shares or sell assets to reduce debt.

During 2016 management did not pay any dividends (2015: nil).

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

The gearing ratios for the years ended 30 June 2016 and 30 June 2015 are as follows:

	CONSOLIDATED	
	2016 $000'S	RESTATED 2015 $000'S
Trade and other payables	(9,050)	(15,936)
Tax liabilities	(1,865)	(580)
Total	(10,915)	(16,516)
Less cash and cash equivalents	20,490	27,605
Surplus cash	9,575	11,089
Total equity	42,589	131,673
Total capital	52,164	142,762
Gearing ratio	nil%	nil%

8. TRADE AND OTHER RECEIVABLES

	CONSOLIDATED	
	2016 $000'S	2015 $000'S
Current receivables		
Trade receivables	4,201	3,288
Other receivables and prepayments	280	1,473
	4,481	4,761
The ageing of trade receivables at the reporting date was as follows:		
Less than one month	4,201	3,288
	4,201	3,288

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

Trade receivables are neither past due nor impaired and relate to a number of independent customers for whom there is no recent history of default.

Impaired receivables

At 30 June 2016 there were no current trade receivables that were impaired (2015: nil).

The balance of the allowance for impairment in respect of trade receivables at 30 June 2016 was nil (2015: nil). There has been no movement in the allowance during the year.

The Directors consider that the carrying value of receivables reflects their fair values.

9. PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED	
	2016 $000'S	2015 $000'S
Office and computer equipment		
Cost	267	258
Accumulated depreciation	(208)	(182)
	59	76

Reconciliation of the carrying amount of office and computer equipment at the beginning and end of the current financial year is set out below:

	CONSOLIDATED	
	2016 $000'S	2015 $000'S
Balance at beginning of year	76	118
Additions	17	7
Depreciation expense	(34)	(49)
Balance at end of year	59	76

10. INVENTORIES

	CONSOLIDATED	
	2016 $000'S	2015 $000'S
Current Assets		
Inventory at cost	1,609	3,728

11. SHARES IN SUBSIDIARIES

Shares held by the parent entity at the reporting date:

	PARENT				
SUBSIDIARY COMPANIES	2016 $	2015 $	INTEREST HELD	COUNTRY OF INCORPORATION	PRINCIPAL ACTIVITY
Cue Mahato Pty Ltd	2	2	100%	Australia	Petroleum exploration
Cue Mahakam Hilir Pty Ltd	1	1	100%	Australia	Petroleum exploration
Cue Kalimantan Pte Ltd[1]	2	2	100%	Singapore	Petroleum exploration
Cue (Ashmore Cartier) Pty Ltd	2	2	100%	Australia	Petroleum exploration
Cue Sampang Pty Ltd	1	1	100%	Australia	Petroleum production and exploration
Cue Resources, Inc	1,371	1,371	100%	USA	Petroleum production and exploration
Buccaneer Operating LLC[2]	1	1	100%	USA	Petroleum production and exploration
Cheetah Energy LLC[2]	1,388	-	100%	USA	Petroleum production and exploration
Cue Taranaki Pty Ltd	1	1	100%	Australia	Petroleum production and exploration
Cue Cooper Pty Ltd[3]	2	-	100%	Australia	Petroleum exploration
Cue Exploration Pty Ltd	1,929,077	1,929,077	100%	Australia	Petroleum exploration
Less accumulated impairment losses	(1,343,808)	(1,343,808)			
	585,269	585,269			
Total	588,040	586,650			

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

1 shares held by Cue Mahakam Hilir Pty Ltd.

2 shares held by Cue Resources, Inc.

3 shares held by Parent Company (incorporated 18 August 2015).

12. EXPLORATION AND EVALUATION EXPENDITURE

	CONSOLIDATED	
	2016 $000'S	RESTATED 2015 $000'S
Costs carried forward in respect of areas of interest in exploration and evaluation phase	51,629	8,674
Expenditure assets acquired during the year	-	5,330
Fair value of assets acquired	-	37,625
Impairment of exploration asset[(i)]	(51,629)	-
Closing balance at 30 June	-	51,629
Accumulated costs incurred on current areas of interest net of amounts written off -		
Joint Venture assets:		
- Mahato PSC	-	5,330
- PEP 51313	-	2,634
- PEP 51149	-	1,287
	-	9,251
Controlled assets:		
- Mahakam Hilir PSC	-	42,378
	-	51,629

(i) Includes foreign currency translation revenue of $1.67 million.

Exploration Costs Expensed

	2016 $000'S	2015 $000'S
Exploration & Evaluation Expenditure		
Sampang PSC	213	(34)
Mahakam Hilir PSC	9,113	(721)
Mahato PSC	346	51
WA-359-P	488	1,249
WA-360-P	19	106
WA-361-P	23	4
WA-389-P	1,504	208
WA-409-P	537	663
PEP51313	159	165
PEP51149	3,860	321
PEP54865	67	87
	16,329	2,099

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

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

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

The new exploration and evaluation accounting policy is to charge exploration and evaluation expenditure against profit and loss as incurred, except for expenditure incurred after a decision to proceed to development is made, in which case the expenditure is capitalised as an asset. This does not include acquisition costs or costs capitalised as a result of a business combination. The impact on the consolidated statement of cash flows is a movement from investing activities to a movement in operating activities. This amendment to the accounting policy has had a significant effect on the consolidated financial performance and consolidated financial position of the Group because it previously capitalised exploration expenditure in the period it was incurred. The Group has transferred at the beginning of the comparative period exploration expenditure costs carried forward to accumulated losses as a result of the change in accounting policy.

Refer to Note 1(d) for further details.

13. IMPAIRMENT OF EXPLORATION & EVALUATION EXPENDITURE

Impairment of Exploration Assets

	2016 $000'S	2015 $000'S
Impairment Write Down		
Cue Mahakam Hilir PSC[(i)]	40,712	-
Mahato PSC	5,330	-
PEP51313	2,634	-
PEP51149	1,287	-
	49,963	-

(i) This includes the $36 million fair value on bargain purchase of the Mahakam Hilir PSC in accordance with AASB136. The full impairment of the Mahakam Hilir PSC was made as a result of the post well evaluation of the Naga Selatan -2 well drilling results. Although the results of the well were encouraging, as far as the original play concept was proven, the well could not be considered as a stand alone commercial discovery as at the current resource and cost estimates and oil price projections, development of the field would be sub-economic.

14. PRODUCTION PROPERTIES

	CONSOLIDATED	
	2016 $000'S	2015 $000'S
Balance at beginning of year	78,131	79,458
Production asset reclassified as Asset held for sale (Pine Mills)	(3,548)	-
Impairment – production from discontinuing operations (Pine Mills)	(1,200)	-
Impairment – production from continuing operations	(25,103)	(18,015)
Expenditure incurred during the year	4,461	17,332
Acquisition of production asset	-	3,906
Disposal of production asset	-	(553)
Changes in abandonment provision - production	930	6,831
Amortisation expense from continuing operations	(10,932)	(10,798)
Amortisation expense from discontinuing operations (Pine Mills)	(175)	(30)
Balance at end of year	42,564	78,131
Net accumulated costs incurred on areas of interest		
Joint Venture assets:		
- Oyong and Wortel – Sampang PSC	9,935	13,075
- Maari – PMP 38160	32,629	61,132
	42,564	74,207
Controlled assets:		
- Pine Mills	-	3,924
Total	42,564	78,131

15. IMPAIRMENT OF PRODUCTION PROPERTY ASSETS

At 30 June 2016 the Group reassessed the carrying amount of its oil and gas assets, Production Properties (refer note 14 and note 1(i)), for indicators of impairment such as changes in future prices, future costs and reserves. As a result, the recoverable amounts of cash-generating units were formally reassessed. An impairment of the Maari oil field development in New Zealand of $25.10 million (2015: $18.01 million) and the Pine Mills oil field development in the USA of $1.2 million (2015: nil), primarily as a result of significantly 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. The pre-tax discount rates applied were 14.3% (2015: 14.3%) equivalent to post-tax discount rates of 10% (2015: 10%) depending on the nature of the risks specific to each asset. Recoverable amounts are estimated as follows:

Maari	$20.46 million
Pines Mills	$2.08 million

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.

16. PRODUCTION ASSET RECLASSIFIED AS ASSET HELD FOR SALE

	2016 $000'S
Current Assets	
Trade and other receivables	371
Inventories	37
Total Current Assets	408
Non-Current Assets	
Property, plant and equipment	139
Production properties	3,548
Total Non-Current Assets	3,687
Total Assets	**4,095**
Current Liabilities	
Trade and other payables	1,447
Total Current Liabilities	1,447
Non-Current Liabilities	
Provisions	570
Total Non-Current Liabilities	570
Total Liabilities	**2,017**
Net Assets	**2,078**

It is expected the Pine Mills asset will be sold within six months.

17. TRADE AND OTHER PAYABLES

	2016 $000'S	2015 $000'S
Current		
Trade payables and accruals	8,961	15,637
Amounts due to directors and director related entities	89	299
	9,050	15,936

The Directors consider the carrying amount of payables reflect their fair values. Trade creditors are generally settled within 30 days. Included within trade payable and accruals is an amount of $6.1 million relating to liabilities associated with a dispute in relation to the Jeruk field within the Sampang PSC. Refer to note 29 for more information.

18. PROVISIONS

	CONSOLIDATED	
	2016 $000'S	2015 $000'S
Current		
Employee benefits	640	584
Non-Current		
Employee benefits	31	96
Restoration	12,939	11,313
	12,970	11,409

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

	EMPLOYEE BENEFITS $000'S	RESTORATION $000'S
Consolidated		
Balance at 1 July 2015	680	11,313
Provisions made during the year	250	1,888
Unused amounts reversed	-	(262)
Provisions used during the year	(259)	-
Balance at 30 June 2016	671	12,939

Restoration

Provisions for future removal and restoration costs 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 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.

19. INTERESTS IN JOINT OPERATIONS

PROPERTY	OPERATOR	CUE INTEREST (%)	GROSS AREA (KM²)	NET AREA (KM²)	PERMIT EXPIRY DATE
PETROLEUM EXPLORATION PROPERTIES					
Carnarvon Basin – Western Australia					
WA-359-P	Cue Exploration Pty Ltd	100	645	645	25/04/2018
WA-389-P	BHP Billiton (Australia) Pty Ltd	40	1,939	775.60	08/10/2018
*WA-409-P	Cue Exploration Pty Ltd	100	565	169.50	20/07/2016
New Zealand					
**PEP51149	Todd Exploration Limited	20	217	43.40	22/09/2018
Indonesia					
Mahakam Hilir PSC	Cue Kalimantan Pte Ltd	100	222.14	88.90	12/05/2020
Mahato PSC	Texcal Mahato Pte Ltd	12.50	5,600	700	20/07/2018
PETROLEUM PRODUCTION PROPERTIES					
New Zealand					
PMP 38160	OMV New Zealand Limited	5	80.18	4	01/12/2027
Madura - Indonesia					
Sampang PSC	Santos (Sampang) Pty Ltd	15 (8.181818 Jeruk field)	534.50	80.20	04/12/2027
USA					
Pine Mills	Cue Resources, Inc	80	8,903.08	7122.47	N/A

* Renewal for this permit has been submitted.

** Surrender of license has been submitted by the Operator.

19. INTERESTS IN JOINT OPERATIONS (Cont')

	CONSOLIDATED	
	2016 $000'S	2015 $000'S
The share of assets and liabilities of the joint operations and other financial liabilities attributed to Joint Operations have been included under the relevant headings:		
Current Assets:		
Receivables	4,201	4,192
Inventory	1,609	3,714
Non-Current Assets:		
Exploration and Evaluation Expenditure (note 12)	-	9,251
Production Properties (note 14)	42,564	74,207
Total Assets	48,374	91,364
Current Liabilities:		
Payables	8,298	6,596
Current Tax Liabilities	1,865	576
Non-Current Liabilities:		
Restoration Provisions	12,940	11,312
Deferred Tax Liabilities	4,167	5,818
Total Liabilities	27,270	24,302
Net Assets	21,104	67,062
Income and expenses of the consolidated entity attributable to joint ventures:		
Production Income	45,412	37,450
Production Expenses	16,684	15,637

Refer to note 29 in relation to contingent liabilities of the Group.

Commitments for expenditure are disclosed in note 20.

20. COMMITMENTS FOR EXPENDITURE

a) Exploration Tenements

In order to maintain current rights of tenure to petroleum exploration tenements, the Group has discretionary exploration expenditure requirements up until expiry of the primary term of the tenements. These requirements, which are subject to renegotiation and are not provided for in the financial statements, are payable as follows:

	CONSOLIDATED	
	2016 $000'S	2015 $000'S
Not later than 1 year	24	21,260
Later than 1 year but not later than 2 years	30,310	413
Later than 2 years but not later than 5 years	-	-
Later than 5 years	-	-
	30,334	21,673

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.

b) Production Development Expenditure

In order to maintain and improve existing production properties the Group has committed to expend funds as follows:

	CONSOLIDATED	
	2016 $000'S	2015 $000'S
Not later than 1 year	1,765	4,982
Later than 1 year but not later than 2 years	408	-
Later than 2 years but not later than 5 years	-	-
Later than 5 years	-	-
	2,173	4,982

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

c) Operating Lease Commitments

	CONSOLIDATED	
	2016 $000'S	2015 $000'S
Non-cancellable operating lease are payable as follows:		
Not later than 1 year	293	217
Later than 1 year but not later than 2 years	302	276
Later than 2 years but not later than 5 years	107	383
Later than 5 years	-	-
	702	876

Premises lease term for 5 years from the commencement date of 12 September 2013, with a fixed increase of 3.75% p.a. and further term of 5 years, at the Company's option.

21. EVENTS SUBSEQUENT TO THE REPORTING DATE

Subsequent to the end of the financial year:

(i) Mr Andrew Knight resigned as a director, and Mr Duncan Saville was appointed as a director, effective 18 August 2016.

(ii) Cue together with all joint venture partners has elected to withdraw from PEP54865 and PEP51313, offshore New Zealand. These were fully impaired as at 30 June 2016.

Apart from these matters the Directors are not aware of any matter or circumstance since the end of the financial year, not otherwise dealt with in this report that has significantly or may significantly affect the operations of Cue Energy Resources Limited, the results of those operations or the state of affairs of the Company or Group.

22. EARNINGS PER SHARE

	CONSOLIDATED	
	2016 $000'S	2015 $000'S
Earnings/(loss) per share for profit/(loss) from continuing operations		
Profit/(loss) after income tax	(84,398)	32,191
Non-controlling interest	-	(2)
Profit/(loss) after income tax attributable to the owners of Cue Energy Resources Limited	(84,398)	32,189

	NUMBER	NUMBER
Weighted average number of ordinary shares used in calculating basic earnings per share	698,119,720	698,119,720
Weighted average number of ordinary shares used in calculating diluted earnings per share	698,119,720	698,119,720

	CENTS	CENTS
Basic earnings per share	12.09	4.61
Diluted earnings per share	12.09	4.61

	CONSOLIDATED	
	2016 $000'S	2015 $000'S
Earnings/(loss) per share for profit/(loss) from discontinued operations		
Profit/(loss) after income tax attributable to the owners of Cue Energy Resources Limited	(3,062)	8,754
Non-controlling interest	626	-
Profit/(loss) after income tax attributable to the owners of Cue Energy Resources Limited	(2,436)	8,754

	NUMBER	NUMBER
Weighted average number of ordinary shares used in calculating basic earnings per share	698,119,720	698,119,720
Weighted average number of ordinary shares used in calculating diluted earnings per share	698,119,720	698,119,720

	CENTS	CENTS
Basic earnings per share	(0.35)	1.25
Diluted earnings per share	(0.35)	1.25

	CONSOLIDATED	
	2016 $000'S	2015 $000'S
Earnings/(loss) per share for profit/(loss)		
Profit/(loss) after income tax	(87,460)	40,945
Non-controlling interest	626	(2)
Profit/(loss) after income tax attributable to the owners of Cue Energy Resources Limited	(86,834)	40,943

	NUMBER	NUMBER
Weighted average number of ordinary shares used in calculating basic earnings per share	698,119,720	698,119,720
Weighted average number of ordinary shares used in calculating diluted earnings per share	698,119,720	698,119,720

	CENTS	CENTS
Basic earnings per share	(12.44)	5.86
Diluted earnings per share	(12.44)	5.86

23. DISCONTINUING AND DISCONTINUED OPERATIONS

Description

The Company has resolved to divest of its subsidiary Cue Resources Inc during the 2016 financial year which holds the interest in the Pine Mills production property in East Texas and the Pine Mills asset is held for sale (refer note 16). Cue intends to focus on core business in South East Asia and Australasia.

On 20 November 2014 the consolidated entity sold Cue PNG Oil Company Pty Ltd (incorporated in Australia), a subsidiary of Cue Energy Resources Limited, for consideration of USD7.03 million (AUD8.5 million) resulting in a profit on disposal before income tax restated to $8.67 million. Whilst Cue PNG Oil Company Pty Ltd was sufficiently profitable up to the date of sale, future losses were projected due to reduced production and expected exploration expenditure.

23. DISCONTINUING AND DISCONTINUED OPERATIONS (Cont')

Financial performance information

	2016 $000'S	RESTATED 2015 $000'S
Production revenue	984	965
Foreign currency exchange gain	123	(6)
Other Income	-	27
Total revenue	1,107	986
Operating expense	(2,720)	(949)
Impairment expense	(1,200)	-
E&E expenditure	-	-
Amortisation expense	(175)	(30)
Total expenses	(4,095)	(979)
(Loss)/profit before income tax expense	(2,988)	7
Income tax expense/benefit	(74)	70
(Loss)/profit after income tax expense from discontinued operations	(3,062)	77
Profit on disposal before income tax	-	8,677
Income tax expense	-	-
Profit on disposal after income tax	-	8,677
(Loss)/profit after income tax expense from discontinued operations	(3,062)	8,754

Carrying amounts of assets and liabilities being disposed/disposed

	RESTATED 2015 $000'S
Production income receivables	126
Inventories	-
Deferred tax asset	71
Exploration permits	-
Production properties	553
Total assets	750
Trade and other payables	(69)
Abandonment provision	(1,083)
Total liabilities	(1,152)
Net assets	(402)

The net cash flows of the discontinuing operation, which is not incorporated into the statement of cash flows, are as follows:

	2016 $000'S	2015 $000'S
Net cash inflow/(outflow) from operating activities	(2,239)	26
Net cash inflow from investing activities	(173)	-
Net cash (outflow)/inflow from financing activities	2,232	-
Net increase in cash generated by the discontinuing operation	(180)	26

Details of the Cue PNG Oil Company Pty Ltd disposal

	2016 $000'S	2015 $000'S
Total sale consideration	-	8,536
Carrying amount of net assets disposed	-	402
Disposal costs	-	(261)
Profit on disposal before tax income	-	8,677
Income tax expense	-	-
Profit on disposal after income tax	-	8,677

24. 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.

The principal business of the group is the production and exploration for hydrocarbons in Australia, New Zealand, Indonesia and USA. The Board considers the business from both a product and geographic perspective and has identified four reportable segments. Information regarding the Group's reportable segments is presented below:

2016	AUSTRALIA $000'S	NZ $000'S	INDONESIA $000'S	USA* $000'S	TOTAL $000'S
Gas Revenue from continuing operations	-	-	27,354	-	27,354
Oil Revenue from continuing operations	-	13,091	4,967	-	18,058
Production Revenue from continuing operations	-	13,091	32,321	-	45,412
Production Revenue from discontinuing oil operations	-	-	-	984	984
Production Revenue	-	13,091	32,321	984	46,396
Production Expenses	-	(6,608)	(13,045)	(2,720)	(22,373)
Gross Profit	-	6,483	19,276	(1,736)	24,023
Other revenue	60	3,720	-	123	3,903
Impairment - production	-	(25,103)	-	-	(25,103)
Impairment – E&E	-	(3,921)	(46,042)	-	(49,963)
Foreign exchange movement	(90)	-	-	-	(90)
Earnings before interest expense, tax, depreciation and amortisation	(9,289)	(22,907)	(36,438)	(2,811)	(71,445)

2015	AUSTRALIA $000'S	NZ $000'S	INDONESIA $000'S	USA* $000'S	PNG* $000'S	TOTAL $000'S
Gas Revenue from continuing operations	-	-	18,308	-	-	18,308
Oil Revenue from continuing operations	-	14,269	4,127	-	-	18,396
Production Revenue from continuing operations	-	14,269	22,435	-	-	36,704
Production Revenue from discontinuing oil operations	-	-	-	221	745	966
Production Revenue	-	14,269	22,435	221	745	37,670
Production Expenses	-	(4,010)	(8,978)	(437)	(515)	(13,940)
Gross Profit	-	10,259	13,457	(216)	230	23,730
Other revenue	107	-	36,022	27	8,677	44,833
Impairment - production	-	(18,015)	-	-	-	(18,015)
Impairment – E&E	-	-	-	-	-	-
Foreign exchange movement	7,322	-	(405)	(1)	-	6,916
Earnings before interest expense, tax, depreciation and amortisation	(3,685)	(8,329)	49,778	(195)	8,908	46,477

	AUSTRALIA $000'S	NZ $000'S	INDONESIA $000'S	USA $000'S	TOTAL $000'S
TOTAL SEGMENT ASSETS					
Current Assets	16,588	1,911	8,081	4,095	30,675
Non-current Assets	59	32,629	9,935	-	42,623
Total 30 June 2016 Assets	**16,647**	**34,540**	**18,016**	**4,095**	**73,298**
Current Assets	26,329	1,619	7,682	464	36,094
Non-current Assets	76	65,053	60,784	3,993	129,906
Total 30 June 2015 Assets	**26,405**	**66,671**	**68,466**	**4,458**	**166,000**
TOTAL SEGMENT LIABILITIES					
Current Liabilities	1,323	1,209	9,023	2,017	13,572
Non-current Liabilities	31	12,421	4,685	-	17,137
Total 30 June 2016 Liabilities	**1,354**	**13,630**	**13,708**	**2,017**	**30,709**
Current Liabilities	1,947	4,593	8,948	1,612	17,100
Non-current liabilities	96	14,149	2,982	-	17,227
Total 30 June 2015 Liabilities	**2,043**	**18,742**	**11,930**	**1,612**	**34,327**

* discontinuing/discontinued operations

Major Customers

The Group has a number of customers to whom it provides both oil and gas products. The Group supplies a single external customer in the gas segment who accounts for 100% of external gas revenue (2015: 100%).

Reconciliation of earnings before interest expense, tax, depreciation and amortisation (EBITDA) to Profit before Income Tax:

	2016 $000'S	2015 $000'S
EBITDA	(71,445)	46,477
Depreciation	(34)	(49)
Amortisation	(11,107)	(10,828)
(Loss)/profit before income tax expense	(82,586)	35,600
includes discontinued operations		

25. SHARE BASED PAYMENTS

No performance rights were outstanding as at 30 June 2016.

26. KEY MANAGEMENT PERSONNEL AND RELATED PARTY DISCLOSURES

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 superannuation, non-monetary benefits and consultancy fees
- Post employment benefits – superannuation
- Long term employee benefits

	CONSOLIDATED ENTITY	
	2016 $	2015 $
Short term employment benefits (including non-monetary benefits)	1,624,461	1,621,921
Cash bonuses	427,624	171,136
Consulting fees	167,043	-
	2,219,128	1,793,057
Long term benefits	18,675	6,612
Post employment benefits	105,164	156,040
Termination payments	76,173	105,000
Total employee benefits	**2,419,140**	**2,060,709**

Consolidated Entities

Details of controlled entities are shown in note 11.

Advances to/(from) controlled entities from/to Cue Energy Resources Limited, net of provisions for impairment, at the reporting date are as follows:

	2015 $	MOVEMENT $	2016 $
Cue Exploration Pty Ltd	8,877,521	2,689,337	11,566,858
Cue (Ashmore Cartier) Pty Ltd	(2,226,329)	-	(2,226,329)
Cue Resources, Inc	2,997,629	2,332,111	5,329,740
Cue Mahakam Hilir Pty Ltd	26,141,923	9,413,652	35,555,575
Cue Sampang Pty Ltd	7,754,247	(14,792,285)	(7,038,038)
Cue Mahato Pty Ltd	5,380,786	29,060	5,409,846
Cue Taranaki Pty Ltd	32,823,362	1,758,832	34,582,194
Total	81,749,139	1,430,707	83,179,846

Repayment of amounts owing to the Company as at 30 June 2016 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.

The parent company provides management, administration and accounting services to the subsidiaries. Management fees of $1,565,065 (2015: $3,714,214) were charged by the parent company to Cue Taranaki Pty Ltd.

The ultimate parent company is New Zealand Oil and Gas Limited, a company incorporated in New Zealand.

27. NOTES TO THE STATEMENT OF CASH FLOWS

	CONSOLIDATED ENTITY	
	2016 $000'S	RESTATED 2015 $000'S
(a) Reconciliation of operating profit to net cash flows from operating activities:		
Reported profit/(loss) after tax	(87,460)	40,945
Impact of changes in working capital items		
Increase/(decrease) in assets	2,060	(18,227)
(Increase)/decrease in liabilities	16	(11,564)
Items not involving cash flows		
Production property write down	26,303	18,015
Exploration impairments	49,990	2,099
Depreciation	34	49
Amortisation	11,107	10,828
Gain on purchase of assets	-	(36,022)
Profit on sale of assets	-	(8,677)
Net gain on foreign currency conversion	(939)	(9,778)
Decrease net cash flows from operating activities	**1,111**	**(12,332)**
(b) Cash comprises cash balances held in Australia and foreign currencies, principally US dollars, within Australia and overseas:		
Australia	16,501	26,197
New Zealand	495	384
Indonesia	3,413	763
USA	81	261
Cash Flow Statement cash balance	**20,490**	**27,605**

28. PARENT ENTITY INFORMATION

	PARENT ENTITY	
	2016 $000'S	2015 $000'S
Information relating to Cue Energy Resources Limited:		
Financial position		
Current assets	20,510	27,369
Non-current assets	22,847	82,411
Total assets	43,357	109,780
Current liabilities	1,293	1,798
Non-current liabilities	31	96
Total liabilities	1,324	1,894
Net assets	42,033	107,886
Contributed equity	152,416	152,416
Reserves	-	-
Accumulated losses	(110,383)	(44,530)
Net assets	42,033	107,886
Financial performance		
Profit/(loss) for the year	(65,854)	7,441
Total comprehensive income (loss)/profit for the year	(65,854)	7,441

Capital Commitments

The parent entity has no commitments for the acquisition of capital assets as at 30 June 2016 (2015: nil).

Leases Commitments

The parent entity has no commitments in relation to leases as at 30 June 2016 other than disclosed in note 20.

The parent entity has no contingent assets.

29. CONTINGENT LIABILITIES & ASSETS

Contingent Liabilities

As a result of an economic project arrangement in the Jeruk field within the Sampang PSC, Indonesia, Cue may in certain circumstances have an obligation to reimburse certain monies spent by the incoming party from future profit oil within the Sampang PSC. There is a dispute between Cue and the incoming party as to the quantum of monies that they may be entitled to claim by way of such reimbursement and when any such reimbursement would be payable. The Company is of the view that any amount which might eventually become payable would not be likely to exceed the amount of USD4.5 million (AUD 6.1 million) which has been provided for in the accounts. Claims made by the incoming party are yet to be settled and hence there is still significant judgement and estimation in relation to these legal claims.

Contingent Assets

The Group has no contingent assets.

Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

To the members of Cue Energy Resources Limited

Report on the Financial Report

We have audited the accompanying financial report of Cue Energy Resources Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Opinion

In our opinion:

(a) the financial report of Cue Energy Resources Limited is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 25 to 30 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Cue Energy Resources Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

BDO East Coast Partnership

David Garvey
Partner

Melbourne, 30 September 2016

Shareholder Information

1. Distribution of Equity Securities

The distribution of equity security holders of quoted shares in the Company as at 1 October 2016:

NUMBER HELD	ORDINARY
1 – 1,000	51
1,001 – 5,000	173
5,001 – 10,000	556
10,001 – 100,000	1,812
Over 100,000	340
Total	2,932

2. Unmarketable Parcels

The number of shareholders holding less than a marketable parcel as at 1 October 2016 is 254.

3. Substantial Shareholders

The names and holdings of substantial shareholders in the Company as at 1 October 2016:

	QUOTED SHARES FULLY PAID	% OF ISSUED ORDINARY SHARES
NZOG Offshore Limited	337,646,620	48.37
Singapore Petroleum Company Limited	112,996,671	16.19

4. Registered Top 20 Shareholders

The registered names and holdings of the 20 largest holdings of quoted ordinary shares in the Company as at 1 October 2016:

	SHAREHOLDER	ORDINARY SHARES	% HELD
1.	NZOG OFFSHORE LIMITED	337,646,620	48.37
2.	BNP PARIBAS NOMS PTY LTD <DRP>	113,117,671	16.20
3.	PORTFOLIO SECURITIES PTY LTD	10,000,000	1.43
4.	REVIRESCO NOMINEES PTY LTD <REVIRESCO S/F A/C>	7,500,000	1.07
5.	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	7,005,971	1.00
6.	FINOT PTY LTD	5,000,000	0.72
7.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	4,805,655	0.69
8.	BERNE NO 132 NOMINEES PTY LTD <52293 A/C>	4,300,000	0.62
9.	GRIZZLEY HOLDINGS PTY LIMITED	4,282,604	0.61
10.	TINTERN (VIC) PTY LTD <A & P MILLER FAMILY A/C>	4,160,701	0.60
11.	CITICORP NOMINEES PTY LIMITED	3,664,861	0.52
12.	MR TZE MIN GOH	3,600,000	0.52
13.	CUSTODIAL SERVICES LIMITED <BENEFICIARIES HOLDING A/C>	3,503,875	0.50
14.	MR RICHARD TWEEDIE <RICHARD TWEEDIE S/F A/C>	3,363,477	0.48
15.	HARDROCK CAPITAL PTY LTD	3,285,832	0.47
16.	LAKEMBA PTY LTD	3,224,051	0.46
17.	MS RACHEL IRENE ALEMBAKIS	2,960,000	0.42
18.	MILLIARA NOMINEES (AUST) PTY LIMITED <GILL FAMILY A/C>	2,818,289	0.40
19.	J P MORGAN NOMINEES AUSTRALIA LIMITED	2,377,815	0.34
20.	BRINKWORTH INVESTMENT PTY LTD <BRINKWORTH A/C>	2,300,000	0.33
		528,917,422	75.76

5. Holders

The number of holders of each class of equity securities as at 1 October 2016 was:

CLASS OF SECURITY	NUMBER
Ordinary Fully Paid Shares	2,932

6. Vendor Securities

There are no restricted securities on issue as at 1 October 2016.

7. Voting Rights

At meeting of members or classes of members:

(a) each member entitled to vote may vote in person or by proxy, attorney or representative;

(b) on a show of hands, every person present who is a member or a proxy, attorney or representative of a member has one vote; and

(c) on a poll, every person present who is a member or a proxy, attorney or representative of a member has:

(i) for each fully paid share held by person, or in respect of which he/she is appointed a proxy, attorney or representative, one vote for the share;

(ii) for each partly paid share, only the fraction of one vote which the amount paid (not credited) on the share bears to the total amounts paid and payable on the share (excluding amounts credited).

Subject to any rights or restrictions attached to any shares or class or classes of shares.

8. Annual General Meeting

Cue's 2016 Annual General Meeting will be held at the 'InterContinental Melbourne The Rialto, 495 Collins St, Melbourne VIC 3000, Victoria, Australia on Thursday 24th November 2016, commencing at 9.00am (AEDT).

9. Share registry

Enquiries

Cue's share register is managed by Computershare. Please contact Computershare for all shareholding and dividend related enquiries.

Change of shareholder details

Shareholders should notify Computershare of any changes in shareholder details via the Computershare website (www.computershare.com.au) or writing (fax, email, mail). Examples of such changes include:

- Registered name
- Registered address
- Direct credit payment details

Computershare Investor Services Pty Ltd
GPO Box 2975
Melbourne, Victoria 3001 Australia
Telephone: 1300 850 505 (within Australia)
or +61 3 9415 4000 (outside Australia)
Facsimile: +61 3 9473 2500
Email: web.queries@computershare.com.au
Website: www.computershare.com.au

10. Sharecodes

ASX Share Code: CUE
ADR Share Code: CUEYY

11. Cue Energy Website

A wide range of information on Cue Energy is available on the Company's website, at www.cuenrg.com.au. The following information for investors is available:

- Share price information
- Annual reports
- Quarterly reports
- Press releases

cue energy

Cue Energy Resources
ABN 45 066 383 971

Level 19, 357 Collins Street
Melbourne Victoria 3000 Australia

Telephone: + 61 3 8610 4000
Facsimile: + 61 3 9614 2142
Website: www.cuenrg.com.au
Email: mail@cuenrg.com.au