



Cue Energy Resources Limited

A.B.N. 45 066 383 971

Level 21
114 William Street
Melbourne Victoria 3000
Australia

Telephone: (03) 9670 8668
Facsimile: (03) 9670 8661
Email: mail@cuenrg.com.au
Website: www.cuenrg.com.au

FACSIMILE TRANSMISSION

TO : Company Announcements Office
10th Floor
20 Bond Street
Sydney NSW 2000

DATE : 13 September 2005

PAGES (including this page):18

FROM : Andrew Knox

RE : **Preliminary Final Report for the Financial Year Ended 30 June 2005**

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

Yours faithfully

A handwritten signature in black ink that reads "Andrew Knox".

Andrew M Knox
Public Officer

**Preliminary Final Report of Cue Energy Resources
Limited
for the Financial Year Ended 30 June 2005**

(ABN 45 066 383 971)

This Preliminary Final Report is provided to the Australian Stock
Exchange (ASX) under ASX Listing Rule 4.3A.

Current Reporting Period:

Financial Year ended 30 June 2005

Previous Corresponding Period:

Financial Year ended 30 June 2004

CUE ENERGY RESOURCES LIMITED
Results for Announcement to the Market
for the Financial Year ended 30 June 2005

Results		Change \$'000	Change %	30 June 2005 Amount \$'000
Revenue from ordinary activities	up	686	11.7	6,540
Profit/(loss) from ordinary activities after tax attributable to members	up	102	21.7	1,098
Net profit/loss attributable to members	up	102	21.7	1,098

Dividends (Distributions)

		Amount per security	Franked amount per security
Final dividend		Nil	Nil
Interim dividend		Nil	Nil
Record date for determining entitlements to the dividend			
• final dividend		n/a	n/a
• interim dividend		n/a	n/a

Brief Explanation of Revenue, Net Profit/(Loss) and Dividends (Distributions)

Cue recorded a net profit after income tax of \$1.1 million (2004: \$0.9 million) for the financial year, after income tax of \$0.8 million (2004: \$0.6 million).

The profit was achieved primarily from sales revenue of \$6.0 million (2004: \$5.8 million) received from oil sales from the SE Gobe oil field in Papua New Guinea. Operating costs totalled \$4.7 million (2004: \$4.4 million) for the financial year, comprising production costs of \$0.7 million (2004: \$1.34 million) and amortisation expense of \$2.2 million (2004: \$1.7 million).

No dividends have been paid or declared since the end of the prior financial year and no dividends have been recommended by the Directors in respect of the financial year ended 30 June 2005.

Cue Energy Resources Limited
Consolidated Statement of Financial Performance
for the Financial Year Ended 30 June 2005

	NOTE	2005 \$	2004 \$
Operating Revenue	2	6,539,560	5,853,901
Operating Expenses	2	(4,676,705)	(4,374,865)
Operating profit/(loss) before income tax		1,862,855	1,479,036
Income tax expense	4	(764,477)	(576,801)
Net profit/(loss) attributable to parent shareholders		1,098,378	902,235
Increase/(Decrease) in asset Revaluation reserve		(25,487)	52,849
Share issue costs		(2,368,796)	-
Total changes in Equity other than those resulting from transactions with owners as owners		(1,295,905)	955,084
<hr style="border: 1px solid black;"/>			
Basic earnings per share		\$0.0029	\$0.0027
Diluted earnings per share		\$0.0029	\$0.0027
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Net Tangible Assets per Security (cents)		5.2	3.0
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Cue Energy Resources Limited
Consolidated Statement of Financial Position
For the Financial Year Ended 30 June 2005

	NOTE	2005 \$	2004 \$
Current Assets			
Cash assets	8	25,036,031	4,284,080
Receivables		389,863	833,451
Total Current Assets		<u>25,425,894</u>	<u>5,117,531</u>
Non Current Assets			
Property, plant and equipment		19,267	24,207
Other financial assets		357,117	400,116
Exploration and evaluation expenditure		51,535,439	23,895,474
Production properties		4,760,315	6,059,429
Total Non Current Assets		<u>56,672,138</u>	<u>30,379,226</u>
Total Assets		<u>82,098,032</u>	<u>35,496,757</u>
Current Liabilities			
Payables		3,031,213	841,988
Tax liabilities		22,568	361,630
Provisions		184,934	76,117
Total Current Liabilities		<u>3,238,715</u>	<u>1,279,735</u>
Non Current Liabilities			
Provisions		-	83,426
Deferred tax liabilities		328,876	-
Total Non Current Liabilities		<u>328,876</u>	<u>83,426</u>
Total Liabilities		<u>3,567,591</u>	<u>1,363,161</u>
Net Assets		<u>78,530,441</u>	<u>34,133,596</u>
Shareholders' Equity			
Share capital		119,482,484	76,158,530
Reserves		154,128	179,615
Accumulated losses	3	(41,106,171)	(42,204,549)
Total Shareholders' Equity		<u>78,530,441</u>	<u>34,133,596</u>

Cue Energy Resources Limited
Consolidated Statement of Cash Flows
For the Financial Year Ended 30 June 2005

	NOTE	2005 \$	2004 \$
Cash Flows from (to) Operating Activities			
Production income		5,904,582	5,943,019
Interest received		455,465	45,904
Payments to employees and other suppliers		(1,965,772)	(2,778,629)
Income tax paid		(774,663)	(379,347)
Royalties paid		(88,299)	(79,368)
Net cash from (to) operating activities	8 (a)	<u>3,531,313</u>	<u>2,751,579</u>
Cash Flows from (to) Investing Activities			
Sale of investments proceeds		-	301,260
Refund of exploration expenditure		-	504,215
Payments for exploration expenditure		(24,975,511)	(2,943,756)
Payments for office equipment		(2,851)	(2,774)
Payments for production properties		(881,815)	(56,780)
Net cash from (to) investing activities		<u>(25,860,177)</u>	<u>(2,197,835)</u>
Cash Flows from (to) Financing Activities			
Proceeds from share issues		45,692,750	-
Payments for share issue costs		(2,368,796)	-
Performance bond released		68,181	-
Net cash from (to) financing activities		<u>43,392,135</u>	<u>-</u>
Net Increase (Decrease) in Cash Held		21,063,271	553,744
Opening Cash Brought Forward		4,215,899	3,825,757
Effect of exchange rate change on foreign currency balances held at the beginning of the year		(243,139)	(163,602)
Ending Cash Carried Forward	8 (b)	<u>25,036,031</u>	<u>4,215,899</u>

**Notes to the Financial Statements
for the Financial Year ended 30 June 2005**

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NOTES TO THE FINANCIAL STATEMENTS
For the Financial Year Ended 30 June 2005

1 BASIS OF PREPARATION

This preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

A resolution of members at the Annual General Meeting held on 26 November 2004, approved the migration of the Company from New Zealand to Australia. The migration was completed on 9 February 2005, with the result that the Company is incorporated under and subject to Australian Corporations Law.

The initial translation to the Australian dollar reporting currency has been carried out as at 1 July 2004 in accordance with Urgent Issues Group Abstract 46 "Initial Foreign Currency Translation for Redomiciled Entities". Comparative information for the preceding reporting period has been translated at the spot rate as at 30 June 2004 in accordance with UIG 46.

The accounting policies adopted in the preparation of the preliminary final report are consistent with those adopted and disclosed in the 2004 Annual Financial Report except for the translation to Australian dollars described above.

2 REVENUE, EXPENSES AND LOSSES

	2005	2004
	\$	\$
Operating Revenue		
<i>Continuing activities</i>		
Production income	6,010,137	5,804,135
Interest income	529,423	49,766
	6,539,560	5,853,901
Operating Expenses		
<i>Continuing activities</i>		
Net foreign currency losses	243,139	163,602
Depreciation	7,191	8,936
Employee expenses	840,051	817,667
Production costs	736,933	1,338,175
Administrative expenses	525,638	681,664
Amortisation production properties	2,180,929	1,726,844
Exploration and project expenditure expensed	125,312	-
Write (up)/down of the carrying value of investments	17,512	(362,023)
	4,676,705	4,374,865
Total expenses from Ordinary Activities	4,676,705	4,374,865

3 ACCUMULATED LOSSES

	2005	2004
	\$	\$
Accumulated losses at beginning of financial year	(42,204,549)	(43,106,784)
Net profit attributable to members of Cue Energy Resources Limited	1,098,378	902,235
Accumulated losses at end of financial year	<u>(41,106,171)</u>	<u>(42,204,549)</u>

4 TAXATION

Operating Surplus/(Loss) before tax	<u>1,862,855</u>	<u>1,479,036</u>
Income tax at current rate 30%	558,857	488,081
Tax effect of:		
Tax on foreign income due to different tax rate	305,791	196,112
Expenditure not deductible for tax	-	315
Allowable mining deductions	(294,998)	(523,220)
Losses carried forward	336,955	416,756
Equity cost deductions	(142,128)	(1,243)
Income tax recognised in statement of financial performance	<u>764,477</u>	<u>576,801</u>

5 CONTROLLED ENTITIES

<i>Name of Entity</i>	Country of Incorporation	Ownership and Voting Interest 2005 %	Ownership and Voting Interest 2004 %
<i>Parent entity</i>			
Cue Energy Resources Limited	Australia	100	100
<i>Controlled entities</i>			
Cue PNG Oil Company Pty Ltd	Australia	100	100
Cue Energy Holdings Ltd	Australia	100	100
Cue Energy Indonesia Pty Ltd	Australia	100	100
Tanjung Jabung Pty Ltd	Australia	100	100
Cue Sampang Pty Ltd	Australia	100	100
Highlands Oil & Gas Pty Ltd	Australia	100	100
Toro Oil Pty Ltd	Australia	100	100
Omati Oil Pty Ltd	Australia	100	100
Galveston Mining Corporation Pty Ltd	Australia	100	100
Cue Exploration Pty Ltd	Australia	100	100

6 INTERESTS IN JOINT VENTURES

The consolidated entity has an interest (rounded to two decimal places) in the following joint venture operations as at 30 June 2005:

	Principal Activities	Interest 2005 %	Interest 2004 %
<i>Bass Basin – Tasmania</i>			
T/37P	Oil and gas exploration	50	-
T/38P	Oil and gas exploration	50	-
<i>Western Australia</i>			
EP363	Oil and gas exploration	10 (option)	10 (option)
WA-359-P	Oil and gas exploration	50	-
WA-360-P	Oil and gas exploration	50	-
WA-361-P	Oil and gas exploration	50	-
<i>New Zealand</i>			
PEP 38413	Oil and gas exploration	5	-
<i>Papua New Guinea</i>			
PRL 9	Oil and gas exploration	14.89	14.89
PRL 8	Oil and gas exploration	10.72	10.72
PPL 190	Oil and gas exploration	10.95	10.95
PDL 3	Petroleum production and exploration	5.57	5.57
SE Gobe Unit	Oil production	3.29	3.29
<i>Madura – Indonesia</i>			
Sampang	Oil and gas exploration	15	15

	2005	2004
	\$	\$
The share of assets and liabilities of the joint ventures attributed to the Group have been included under the relevant headings:		
Non Current Assets:		
Exploration and Evaluation Expenditure	<u>51,535,439</u>	<u>23,895,474</u>
Production Properties	<u>4,760,315</u>	<u>6,059,429</u>
Net Assets employed in the Joint Ventures	<u>56,295,754</u>	<u>29,954,903</u>

7 FINANCIAL REPORTING BY SEGMENTS

Primary reporting – geographical segments

The consolidated entity's risks and returns are affected predominantly by differences in the geographical areas in which it operates; therefore, geographical segments is considered its primary reporting format.

Secondary reporting – business segments

The consolidated entity operates predominantly in one business, namely exploration, development and production of hydrocarbons.

Segment accounting policies

Segment accounting policies are the same as the consolidated entity's policies.

Composition of each geographical segment

The countries designated have areas of interest in those respective countries.

Geographic segments

	2005				
	INDONESIA	PNG	NZ	AUSTRALIA	TOTAL
	\$	\$	\$	\$	\$
Revenue Segment	-	6,010,137	-	529,423	6,539,560
Consolidated	-	6,010,137	-	529,423	6,539,560
Result Segment	-	2,327,803	-	(1,229,425)	1,098,378
Consolidated	-	2,327,803	-	(1,229,425)	1,098,378
Assets	39,393,218	10,513,982	6,641,806	25,549,026	82,098,032
	2004				
	INDONESIA	PNG	NZ	AUSTRALIA	TOTAL
	\$	\$	\$	\$	\$
Revenue Segment	-	5,804,135	-	49,766	5,853,901
Consolidated	-	5,804,135	-	49,766	5,853,901
Result Segment	-	2,162,314	-	(1,260,079)	902,235
Consolidated	-	2,162,314	-	(1,260,079)	902,235
Assets	19,112,674	11,640,130	88,691	4,655,262	35,496,757

8 NOTES TO THE STATEMENT OF CASH FLOW

Notes to Statement of Cash Flow
For the Financial Year Ended 30 June 2005

	2005	2004
	\$	\$
(a) Reconciliation of operating profit / (loss) to net cash flows from operating activities:		
Reported profit / (loss) after tax	1,098,378	902,235
<i>Impact of changes in working capital items</i>		
Decrease/(increase) in receivables	(274,363)	147,523
Increase/(decrease) in payables	232,536	158,461
<i>Items not involving cash flows</i>		
Depreciation	7,791	8,936
Amortisation	2,180,929	1,726,844
Employee benefits	25,391	6,001
Net loss on foreign currency conversion	243,139	163,602
Write down/(up) value of investments	17,512	(362,023)
Net cash flows from operating activities	<u>3,531,313</u>	<u>2,751,579</u>
(b) Cash comprises cash balances held within Australia and overseas:		
Australia	24,949,776	4,179,750
New Zealand	85,381	87,672
Papua New Guinea	874	16,658
Cash and bank balances	<u>25,036,031</u>	<u>4,284,080</u>
Performance bond not on demand	-	(68,181)
Statement of Cash Flows cash balance	<u><u>25,036,031</u></u>	<u><u>4,215,899</u></u>

9 EVENTS SUBSEQUENT TO BALANCE DATE

Since the end of the financial year no material events have occurred.

10 INFORMATION ON AUDIT OR REVIEW

This report is based on accounts that are in the process of being audited.

11 INTERNATIONAL FINANCIAL REPORTING STANDARDS

Australia has introduced International Financial Reporting Standards (IFRS) effective for financial years commencing on or after 1 January 2005.

The economic entity's management have assessed the significance of these changes and are preparing for their implementation. The Directors have been responsible for the economic entity's transition to IFRS.

For the first annual reporting period coming after 1 January 2005, which for the Company is the financial year commencing on 1 July 2005, the Company will become subject to the Australian equivalents of IFRS.

Impacts of adopting Australian Equivalents to IFRS

Under current Australian GAAP the financial report is generally prepared on the basis of historical costs while under the IFRS conceptual framework there is an emphasis on recording assets and liabilities at their fair value. Whilst this will increase the volatility in reported results in future earnings, it is not expected to change the company's business operations nor have any impact on either the quantity or the value of current or future oil and gas reserves, future borrowing facilities or the ability to pay dividends.

The known or reliably estimated impacts on the financial report for the year ended 30 June 2005 had it been prepared using AIFRS are set out below. The expected financial effects of adopting AIFRS are shown for each line item in the statement of financial performance and statement of financial position with descriptions of the difference. No impacts are expected in relation to the statement of cash flows.

Although the adjustments disclosed in this note are based on management's best knowledge of expected standards and interpretations and current facts and circumstances, these may change. For example, amended or additional standards or interpretations may be issued by the AASB and the Urgent Issues Group. Therefore, until the Company prepares its first full AIFRS financial statements, the possibility cannot be excluded that the accompanying disclosures may have to be adjusted.

	Existing GAAP \$	Effect of Change \$	AIFRS \$
Operating Revenue	6,539,560	-	6,539,560
Operating Expenses	(4,676,705)	(139,000)	(4,815,705)
Operating profit/(loss) before income tax	1,862,855	(139,000)	1,723,855
Income tax expense	(764,477)	-	(764,477)
Net profit/(loss) attributable to parent shareholders	1,098,378	(139,000)	959,378
Increase/(Decrease) in asset Revaluation reserve	(25,487)	-	(25,487)
Share issue costs	(2,368,796)	-	(2,368,796)
Total changes in Equity other than those resulting from transactions with owners as owners	(1,295,905)	(139,000)	(1,434,905)
<hr/>			
Basic earnings per share	\$0.0029		\$0.0025
Diluted earnings per share	\$0.0029		\$0.0025

	Existing GAAP \$	Effect of Change \$	AIFRS \$
Current Assets			
Cash assets	25,036,031	-	25,036,031
Receivables	389,863	-	389,863
Total Current Assets	25,425,894	-	25,425,894
Non Current Assets			
Property, plant and equipment	19,267	-	19,267
Other financial assets	357,117	-	357,117
Exploration and evaluation expenditure	51,535,439	-	51,535,439
Production properties	4,760,315	-	4,760,315
Total Non Current Assets	56,672,138	-	56,672,138
Total Assets	82,098,032	-	82,098,032
Current Liabilities			
Payables	3,031,213	-	3,031,213
Tax liabilities	22,568	-	22,568
Provisions	184,934	-	184,934
Total Current Liabilities	3,238,715	-	3,238,715
Non Current Liabilities			
Provisions	-	-	-
Deferred tax liabilities	328,876	-	328,876
Total Non Current Liabilities	328,876	-	328,876
Total Liabilities	3,567,591	-	3,567,591
Net Assets	78,530,441	-	78,530,441
Shareholders' Equity			
Share capital	119,482,484	-	119,482,484
Reserves	154,128	139,000	293,128
Accumulated losses	(41,106,171)	(139,000)	(41,245,171)
Total Shareholders' Equity	78,530,441	-	78,530,441

(a) Financial instruments

The Company will apply AASB132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments- Recognition and Measurement from 1 July 2005 in accordance with the provisions of AASB 1.

Under AASB 139, Financial instruments will be required to be classified into one of five categories which in turn, determine the accounting treatment of the item. The classifications are:

- Loans and receivables - measured at amortised cost;
- Held to maturity - measured at amortised cost;
- Held for trading - measured at fair value, with changes charged to the profit and loss;
- Available for sale - measured at fair value, with changes taken to equity; and
- Non—trading liabilities - measured at amortised cost

Loan and receivables and financial liabilities will remain unchanged. Measurement of these instruments will initially be at fair value with subsequent measurement at amortised cost, using the effective interest rate method.

This will result in a change to the current accounting policy, under which financial assets are carried at fair value, with decreases in value recognized in profit and loss and increases recognized in the asset revaluation reserve.

As a result of the application of the exemption under AASB 1, there would have been no adjustment to the classification or measurement of financial assets or liabilities from the application of AIFRS during the year ended 30 June 2005. Changes in classification and measurement will be recognized from 1 July 2005.

(b) Income Tax

Currently, Cue Energy Resources Limited adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account as either a provision for deferred income tax or future income tax benefit. Under the new standards the entity will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than the effects of the timing and permanent differences between taxable income and accounting profit.

It is not likely that the amount of deferred taxes recognised in the statement of financial position will change.

(c) Property, Plant and Equipment

On transition to the new standards the economic entity has several options in the determination of the cost of each tangible asset, and can also elect to use the cost or fair value basis for the measurement of each class of property, plant and equipment after transition. The Board has assessed that as at balance date there would be no likely impact on carrying values for property, plant and equipment on adoption of the new standards.

(d) Equity – based compensation benefits

Under AIFRS all equity share based payments, including the cost of employee remuneration (including shares and options) must be expensed. Equity instruments issued after 7 November 2002, that were vested as at 1 January 2005, are measured based on the fair value of those instruments and amortized over the vesting period to the profit and loss.

For the year ended 30 June 2005, the employee benefit expense would have increased by \$139,000 as there were employee options issued during the year with a corresponding increase in the share-based payment reserve.

(e) *Exploration and Evaluation Assets*

Currently, exploration and evaluation expenditure is carried forward separately for each area of interest, provided that such costs are expected to be recouped through successful development or sale, or exploration activities have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing. This is the case in all of the areas of interest.

Under AIFRS, exploration expenditure which no longer satisfies the above conditions is written off. In addition, a provision is raised against exploration expenditure where the directors are of the opinion that the carried forward net cost may not be recoverable. The increase in the provision is charged against the results for the period.

Treatment of Exploration and Evaluation Expenditures Under IFRS

Adoption of the new standards in relation to the Company's present situation is expected to have no impact in relation to exploration and evaluation cost as the new standard mandates the continued use of "area of interest" accounting for exploration and evaluation costs. The standard requires entities, which recognise exploration and evaluation assets, to perform impairment tests on those assets when facts and circumstances suggest that the carrying amount may be impaired. However, the directors believe that impairment testing has been aligned with the factors that must currently be satisfied for capitalisation of exploration and evaluation costs. Consequently the standard should provide similar outcomes for exploration and evaluation costs to the Company's present accounting policy and no changes at balance date are anticipated on adoption of the new standards.