



ABN 45 066 383 971

26 February 2015

PAGES (including this page):30

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

Half-Year Report for the Financial Period Ended 31 December 2014

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 & gas company with activities in Australia, New Zealand, Indonesia and PNG.

THE COMPANY HAS:

- Long life production
- A strong balance sheet
- An active exploration program

CUE ENERGY DIRECTORS

- Geoffrey King (Chairman)
- Stuart Brown
- Rowena Sylvester
- Andrew Young

CUE ENERGY MANAGEMENT

- David Biggs (CEO)
- Andrew Knox (CFO)
- Jeffrey Schroll (Exp Man)

OFFICE

Level 19
357 Collins Street
Melbourne Vic 3000

CONTACT DETAILS

Tel: +613 8610 4000
Fax: +613 9614 2142

EMAIL

mail@cuenrg.com.au

WEBSITE

www.cuenrg.com.au

LISTINGS

ASX: CUE



HALF-YEAR REPORT

FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2014

FINANCIAL SUMMARY

	31 Dec 2014	31 Dec 2013	Percentage Change Over Comparative
	\$'000	\$'000	%
Production Income	18,641	14,776	26.16
Gross Profit from Production	12,004	5,177	131.87
Profit/(Loss) after Income Tax	13,753	(1,136)	N/A

KEY POINTS

Existing Permit Activity

- Sale of PNG asset portfolio for US\$7m completed.
- 100% working interest and operatorship of the Mahakam Hilir PSC, Indonesia acquired, subject to completion.

Production

- Maari growth project proceeding with the MR8A well on production and the MR6A well currently drilling. Growth project drilling expected to be completed in mid 2015.
- Sampang PSC well workover and compression installation underway which should extend the field life of Oyong oil production and maintain gas production from Oyong and Wortel.
- Cue is currently reviewing opportunities to acquire producing assets.

Exploration

- Planning underway for the Naga Selatan -2 well to be drilled in the Mahakam Hilir PSC in the second half of 2015.
- 12.5% interest acquired in the Mahato PSC in Indonesia (subject to government approval) with 2 wells planned for 2015.
- 100% of WA-409-P acquired. Cue is compiling a prospect portfolio across both WA-409-P and its other 100% owned permit, WA-359-P, with a view to farming out in 2015.
- PEP 51313 Whio (NZ) offshore exploration well plugged and abandoned with shows.
- PEP 51149 Te Kiri (NZ) onshore exploration well scheduled to be drilled in Q4 2015.
- Cue continues to review new exploration opportunities in Australia/Asia.

RESULTS FOR ANNOUNCEMENT TO THE MARKET FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

Current Reporting Period: Half-year ended 31 December 2014

Previous Corresponding Period: Half-year ended 31 December 2013

	Percentage Change Over Comparative	Amount (6 month period ended 31 December 2014) \$'000
Production income	26.16%	18,641
Profit after tax attributable to members	N/A	13,753
Net profit attributable to members	N/A	13,753

Dividends

No dividends have been paid or proposed.

Brief Explanation of Revenue and Net Profit

(i) Revenue from Ordinary Activities

Increase in revenues can be attributed mainly to increased production uptime at Maari.

(ii) Net Result

The \$13.75m profit after tax was primarily as a consequence of the following movements:-

	31 Dec 2014	31 Dec 2013	Movement
	\$'000	\$'000	%
Production Income	18,641	14,776	26.16
Production Costs	(6,637)	(9,599)	(30.86)
Amortisation Expense	(5,024)	(4,301)	16.81
Foreign Exchange Gain	5,022	2,391	110.04
Sale of PNG Assets	5,830	-	N/A
Income Tax (Expense)/Credit	(358)	(1,076)	(66.73)

	31 Dec 2014	31 Dec 2013
Net Tangible Assets Per Ordinary Security	15.1 cents	15 cents

CORPORATE DIRECTORY

Directors

Geoffrey J. King, BA, LL.B (Chairman)
Stuart A. Brown, BSc (Hons)
Rowena A. Sylvester, BBS
Andrew A. Young, BE, MBA (Hons)

Chief Executive Officer
D.A.J. Biggs, LL.B

Chief Financial Officer/Company Secretary
A.M. Knox, B.Com

Co-Company Secretary
P.M. Moffatt, B.Com

Registered Office

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
ABN 45 066 383 971

Stock Exchange Listings

AUSTRALIA

Australian Securities Exchange Ltd
525 Collins Street
Melbourne, Victoria 3000 Australia

UNITED STATES OF AMERICA

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

ASB Bank Limited
PO Box 35, Shortland Street
Auckland 1140 New Zealand

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

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

CONTENTS

Directors Report	5-16
Auditor's Independence Declaration	17
Consolidated Statement of Profit or Loss and Other Comprehensive Income	18
Consolidated Statement of Financial Position	19
Consolidated Statement of Changes in Equity	20
Consolidated Statement of Cash Flows	21
Notes to the Financial Statements	22-26
Directors Declaration	27
Independent Auditor's Review Report	28

DIRECTORS REPORT

The Directors present their report together with the consolidated Financial Report of Cue Energy Resources Limited ("Cue") for the half-year ended 31 December 2014.

DIRECTORS

The Directors of the Group in office during and since the half-year are as follows:

G.J. King (Chairman)
S.A. Brown
R.A. Sylvester
A.A. Young

RESULT

The consolidated profit after tax for the half-year ended 31 December 2014 amounted to \$13.75m (2013: \$1.14m loss).

During the half-year the Group earned production income of \$18.64m (2013: \$14.78m) and incurred production costs of \$6.64m (2013: \$9.60m). Foreign exchange movements resulted in a gain of \$5.02m (2013: \$2.4 gain). The Group divested its interests in PNG resulting in a profit of \$5.83m (2013: nil).

DIVIDENDS

No dividends were paid or declared during the half-year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

SUMMARY

EXPLORATION

- In New Zealand the PEP 51313 Whio offshore exploration well was plugged and abandoned with shows (Cue 100% carried) and the drilling of the Te Kiri well in PEP 51149 is now scheduled for late 2015.
- A farm-in for 12.5% of the Mahato PSC in the prolific Central Sumatra Basin in Indonesia was concluded (subject to government approval) with 2 wells planned for 2015 along with 2D seismic acquisition. The block is near several major oil fields, (including Minas and Duri) and has a deep portfolio of exploration and appraisal prospects.
- Seismic processing and planning for the drilling of the Naga Selatan -2 well in the Mahakam Hilir PSC (100% Cue - subject to completion) has progressed during the half-year with drilling planned for Q3 2015.
- Post 31 December 2015, Cue moved to a 100% operated position in the WA-409-P block offshore Western Australia following the withdrawal of the other partners in the permit. The forward plan in 2015 is to farm-out WA-409-P jointly with WA-359-P due to the shared high impact prospectivity of the 2 Blocks.

DEVELOPMENT

- The Maari growth project continued during the half-year with drilling activities on the MR6A, MR8A and MR7A wells. The MR8A well commenced production in November. The MR5 well was also worked over and brought on production. The MR6A and MR7A wells will be drilled and completed in Q1 2015.

It is anticipated the growth project will be completed in mid 2015.

PRODUCTION

- Oil production at the Maari field was significantly higher than the prior period. Production for the half-year ended 31 December 2013 was affected by repairs to the swivel and FPSO mooring system resulting in approximately five months of interrupted production.

FINANCIAL

HALF-YEAR REVENUE

Revenue receipts from hydrocarbon production for the half-year were \$18.64m on sales of 99,914 barrels of oil at an average price of \$88 per barrel and 1,347,428 thousand cubic feet (Mcf) of gas at an average price of \$6 per Mcf.

- Cue has no hedging in place.
- Cue has no debt.
- Cash and cash equivalents on hand at the end of the half-year was \$37.10m.

CORPORATE

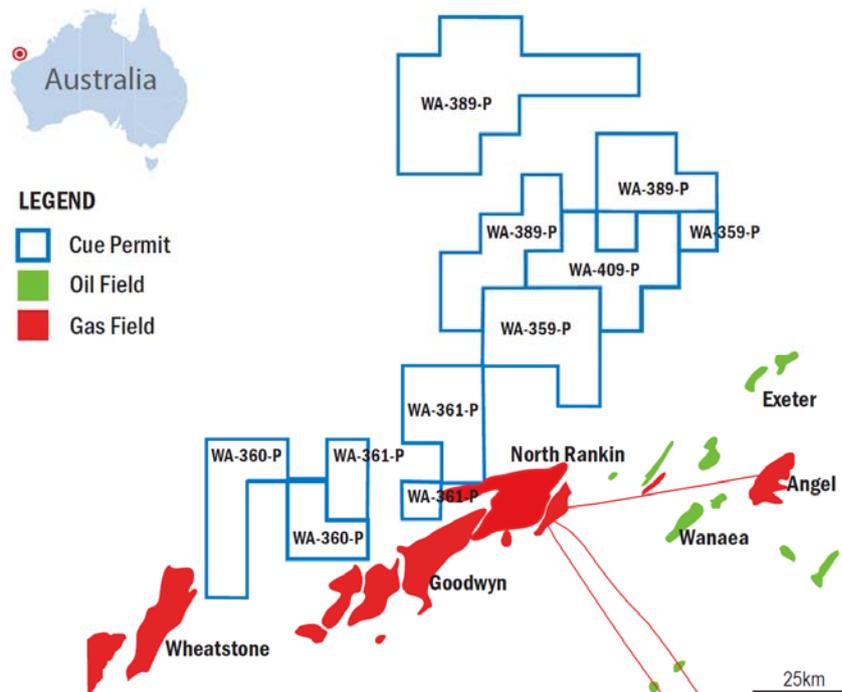
On 18 August, Cue announced the appointment of Mr Jeff Schrull as General Manager, Exploration and Production. Jeff is a highly experienced oil and gas industry executive with 25 year's experience in the upstream exploration and production business.

Cue welcomed New Zealand Oil & Gas Limited (NZOG) as a new substantial shareholder with 19.99% of the ordinary shares on issue.

Subsequent to the half-year end, NZOG announced to the market an on-market cash takeover offer for shares in Cue from NZOG Offshore Limited at \$0.10 per share. The offer will remain open until Friday 27 March 2015 (unless extended or withdrawn). The Board considers the offer from NZOG substantially undervalues the Company, and advised shareholders to reject the offer and not to sell their Cue Energy shares on-market at the offer price of \$0.10 per share. The offer is open from 27 February to 27 March 2015. The Board will keep shareholders duly informed of material developments.

ACTIVITY REVIEW

AUSTRALIA - CARNARVON BASIN



WA-359-P

Cue Interest: 100%

Operator: Cue Exploration Pty Ltd

Cue is evaluating the regional prospectivity in all of its WA permits and is maturing a significant new exploration play.

Cue will market WA-359-P as part of a farmdown of its portfolio of WA assets to interested parties in 2015. Additional technical work has been undertaken to lower the geologic risk on Sherlock, estimated to have a STOOIP of 300 million bbls.

WA-360-P

Cue Interest: 37.5%

Operator: MEO Australia Limited

The WA-360-P Joint Venture is completing the reprocessing of approximately 650 km² of existing 3D seismic data over the Maxwell prospect to improve imaging of the structure. On completion of the reprocessing, it is expected that activity to farm-down our interest in the permit will recommence before the end of the primary term of the permit in 2016. There is no well commitment in the primary term.

WA-361-P

Cue Interest: 15%

Operator: MEO Australia Limited

NOPTA has approved an application for a work programme variation to allow the Joint Venture to complete geotechnical studies ahead of making any commitment to drill a well. The reduced work programme term concludes on 30 January 2016.

WA-389-P

Cue Interest: 40%

Operator: BHP Billiton Petroleum (Australia) Pty Ltd

Reprocessing of existing 2D and 3D seismic data has been approved by the Joint Venture and is expected to be complete in mid 2015.

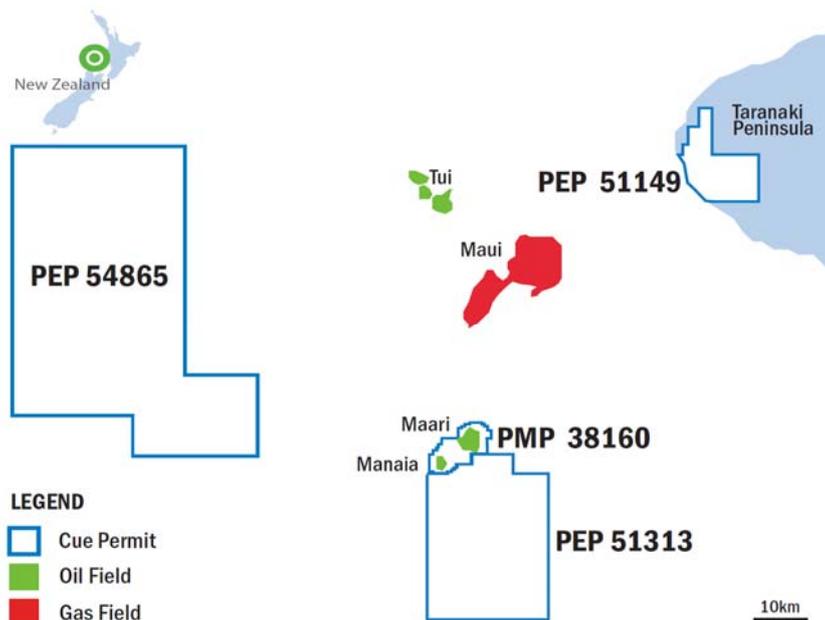
WA-409-P

Cue Interest: 100%

Operator: Cue Exploration Pty Ltd

Cue has acquired operatorship and 100% interest in the block due to the withdrawal of the other Joint Venture parties. An extension has been granted until the end of April 2015 to complete the evaluation of the block using the seismic data reprocessed by Apache in 2014. There is currently no well commitment on the block. Cue will market WA-409-P as part of a farmdown of its portfolio of WA assets to interested parties in 2015.

NEW ZEALAND - TARANAKI BASIN EXPLORATION



PEP 51149

Cue Interest: 20%

Operator: Todd Exploration Limited

The drilling of the Te Kiri North -1 well is expected in Q4 2015. Te Kiri North -1 will be drilled up dip of hydrocarbon shows in the Te Kiri -1 well. Cue's estimate in a success case of the mean prospective recoverable resource of the well is 2 million boe net to Cue. Existing infrastructure nearby will facilitate early commercialisation in a success case.

PEP 54865

Cue Interest: 20%

Operator: Todd Exploration Limited

PEP 54865 carries a minimum work programme of 285 km² of 3D seismic to be acquired, processed and interpreted prior to June 2015. After this, the Joint Venture may elect to drill a well before December 2016 to test Early Tertiary and Late Cretaceous reservoir objectives, or surrender the permit. Planning for the 3D seismic survey has commenced, however, data acquisition may be deferred until 2016 pending government approval and boat availability.

The Joint Venture is seeking a farminee to fund the seismic programme.

PEP 51313

Cue Interest: 14% interest

Operator: OMV New Zealand Limited

The Joint Venture is focused on the remaining potential associated with the Matariki trend which is up-dip of Maari. Studies will be undertaken in 2015 to determine the best approach to seismic processing to mature a potentially drillable prospect.

PRODUCTION

PMP 38160

Cue Interest: 5%

Operator: OMV New Zealand Limited

Maari and Manaia Fields

Cue's share of oil sales in the half-year from the Maari and Manaia fields was 77,673 barrels which generated \$7.486m in revenue.

The average oil production rate was approximately 7,036 gross barrels per day (Cue net: 352 bopd).

Maari growth project activities continued through the half-year with the Ensco 107 jack-up rig contracted for the drilling and work-over campaign. The drilling has taken longer than anticipated due to drilling conditions that have proved to be more challenging than anticipated. Drilling through geological faults in the field is a main contributor to delays in the programme. The operator has adjusted the drilling procedures to mitigate these delays in future wells. The MR8A well has been completed and is producing at 1,200 bopd, however an additional zone in the well will be completed via a workover after the drilling programme is finished. This should enhance the production rate from the well. The MR5 well has been worked over and is now on production. As of 24 February 2015 the MR6A well was drilling ahead in the Mangahewa reservoir and is planned to be completed once it reaches final depth. The MR7A well was suspended in January 2015 due to difficulties with the well and will be re-entered and drilling recommenced after the MR6A well is completed. The remainder of the programme includes a producer drilled in a position that will allow it to be converted to a future injector and potentially an additional producer which is currently under consideration by the Joint Venture. Production is expected to fluctuate whilst drilling the development wells as operations require individual wells to be temporarily shut in.



Ensco 107 at Maari WHP

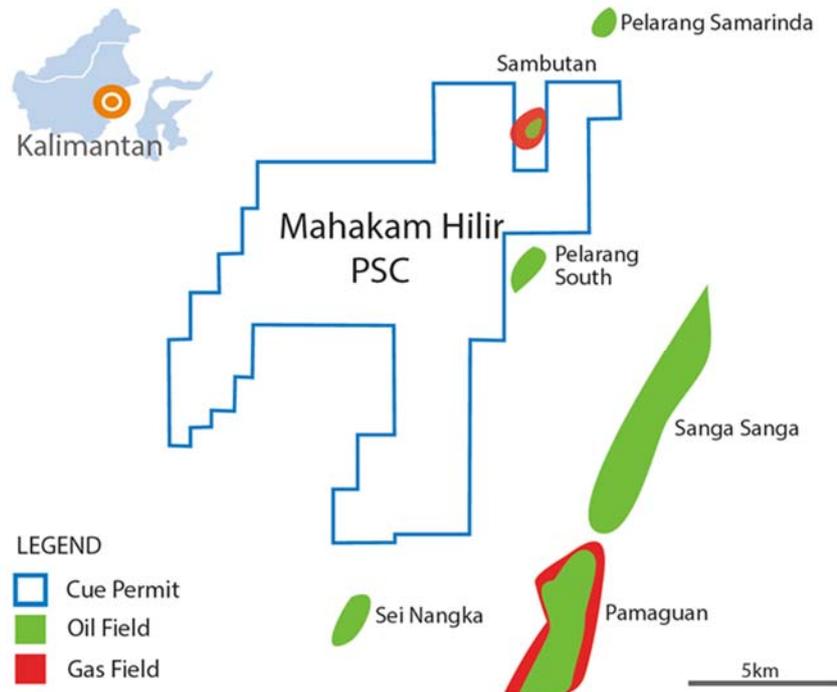
INDONESIA

EXPLORATION

Mahakam Hilir PSC Kutei Basin

Cue Interest: 100% (subject to completion)

Operator: SPC (Mahakam Hilir) Pte Ltd



Cue has entered into a sale and purchase agreement with SPC to move to 100% interest in the Mahakam Hilir PSC in the prolific Kutei Basin onshore Kalimantan, Indonesia. Cue will purchase SPC Mahakam Hilir Pte Ltd, which holds the remaining 60% interest in the Mahakam Hilir PSC. Cue will assume operatorship with a 100% interest in the PSC and drill the remaining commitment well in the PSC. Government approval for the transfer has been received.

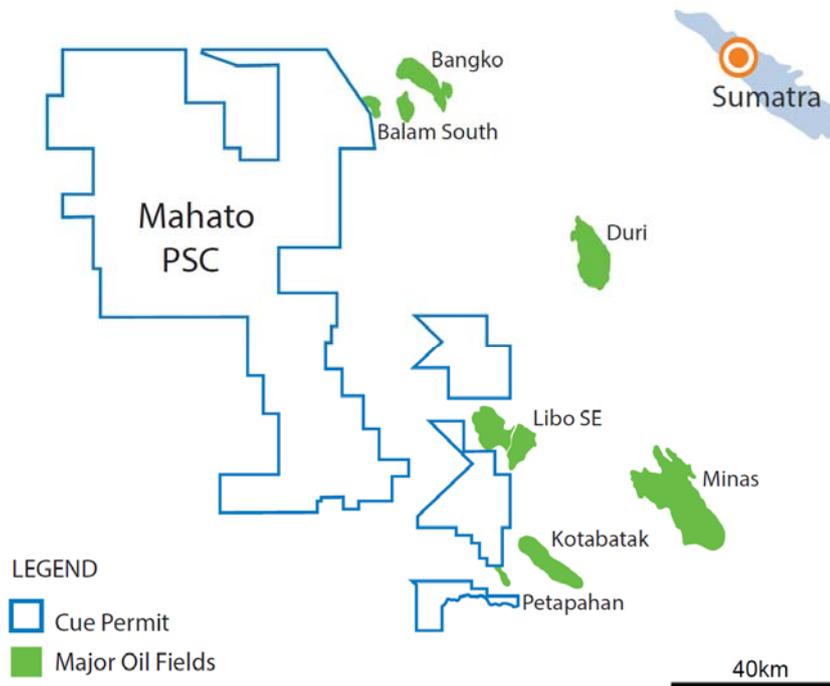
As part of an internal review of options around the permit Cue has identified a robust drill-ready oil prospect, Naga Selatan -2 (Southern Dragon) which has encouraged Cue to remain in the permit and move to a 100% interest.

This oil prospect lies along trend from the large Sei Nangka and South Pelarang oil fields. The multiple targets are shallow, located at approximately 1000' -3000' TVD. Additional exploration objectives have also been identified on the existing seismic data.

Drilling programme preparations have commenced and the well is planned for 2015.

This marks Cue's first entry as a drilling operator. This acquisition complements the continuing expansion of our Indonesian acreage portfolio.

Mahato PSC
Central Sumatra Basin
Cue Interest: 12.5% (subject to approval)
Operator: Texcal Mahato Ltd



On 21 November 2014, Cue announced the execution of a farm-in agreement with Bukit Energy to acquire a 12.5% interest in the Mahato PSC, onshore Central Sumatra, Indonesia. This transaction is currently pending Indonesian government approval, which is expected this quarter.

The Mahato PSC covers a highly prospective area, close to several large producing oil fields. Multiple appraisal and exploration opportunities have been mapped and 2 wells are currently planned for mid 2015. A 2D seismic programme to high grade further exploration prospects is also planned for 2015.

PRODUCTION

Sampang PSC- Madura Strait

Cue Interest: 15%

Operator: Santos (Sampang) Pty Ltd



Oyong Field

Oil sales of 15,161 barrels resulted in \$1.682m of revenue during the half-year.

Cue's share of condensate sales in the half-year was 185 barrels which generated \$0.011m in revenue. Cue's share of gas sales was 480,490 Mcf, which generated \$1.710m in revenue during the half-year.

The Oyong oil production rate at year end was approximately 1,300 bopd gross (Cue net 169 bopd) and the gas rate 26 MMscfd gross (Cue net 3.61 MMscfd).

Based on continued improved production rates, the Joint Venture approved extension of the contracts for the Oyong production barge and FSO until September 2015. A programme of well interventions and recompletions is currently underway. The planned workovers are expected to improve Oyong oil production and extend field life for an additional 1-2 years until 2017.

Wortel Field

Cue's share of gas sales was 866,938 Mcf, which generated \$6.990m in revenue during the half-year.

Cue's share of condensate sales in the half-year was 291 barrels which generated \$0.017m in revenue.

Wortel -3 and Wortel -4 flowed gas at year end at a combined average rate of 43 MMscfd (gross) (Cue 5.97 MMscfd net of government take under the PSC.)

The Joint Venture has approved the installation of compression at the Grati gas plant which will ensure that the Wortel project will continue to meet its gas sales contract volumes. Installation of the compressors is progressing and is scheduled to be complete by end Q1 2015.

PAPUA NEW GUINEA

EXPLORATION

PRL 14 (10.947% interest)
Operator: Oil Search (PNG) Limited
No significant activity to report.

PRL 9 (14.894% interest)
Operator: Oil Search (PNG) Limited
No significant activity to report.

PRODUCTION

PDL 3 SE Gobe Field, PNG
Cue Interest: 5.568892%
SE Gobe Unit, PNG
Cue Interest: 3.285646%
Operator: Oil Search (PNG) Limited

Cue's share of oil sales was 6,604 barrels of oil from the SE Gobe field during the half-year, which generated \$0.745m in revenue.

Cue has sold its PNG interests to the National Petroleum Company of Papua New Guinea. The sale proceeds of US\$7m for Cue's PNG asset portfolio have been received. This will be the last report referring to Cue's PNG interests.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in class order 98/100 issued by the Australian Securities and Investments Commission relating to “rounding of amounts” in the Directors Report. Amounts in the Directors Report and the Half-Year Financial Report have been rounded off in accordance with that class order to the nearest thousand dollars, or in certain cases, to the nearest dollar where appropriate.

AUDITOR INDEPENDENCE DECLARATION

A copy of the auditor independence declaration is set out on page 17.

Signed in accordance with a resolution of Directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the Board of Directors



Rowena A Sylvester

Director

Dated at Melbourne this 26th day of February 2015.

DECLARATION OF INDEPENDENCE BY ALEX SWANSSON TO THE DIRECTORS OF CUE ENERGY RESOURCES LIMITED

As lead auditor for the review of Cue Energy Resources Limited for the half-year ended 31 December 2014, 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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



Alex Swansson
Partner

BDO East Coast Partnership

Melbourne, 26 February 2015

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

		31 DEC 2014	31 DEC 2013
	NOTE	\$000's	\$000's
Production income		18,641	14,776
Production costs		(6,637)	(9,599)
Gross Profit from Production		12,004	5,177
Other revenue	2	5,888	84
Amortisation expense		(5,024)	(4,301)
Net foreign currency exchange gain		5,022	2,391
Other expenses	3	(3,779)	(3,411)
Profit/(loss) before income tax		14,111	(60)
Tax expense		(358)	(1,076)
Profit/(loss) after income tax for the half-year		13,753	(1,136)
Other comprehensive income			
Other comprehensive income for the half-year, net of tax		-	-
Profit/(loss) for the half-year is attributable to: owners of Cue Energy Resources Limited		13,753	(1,136)
Total comprehensive income for the half-year is attributable to : owners of Cue Energy Resources Limited		13,753	(1,136)
Basic earnings/(loss) per share (cents per share)		1.97	(0.16)
Diluted earnings/(loss) per share (cents per share)		1.97	(0.16)

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014**

		31 DEC 2014	30 JUN 2014
	NOTE	\$000's	\$000's
Current Assets			
Cash and cash equivalents		37,103	40,558
Trade and other receivables		4,282	3,542
Inventories		865	843
Total Current Assets		42,250	44,943
Non Current Assets			
Property, plant and equipment		82	118
Deferred tax assets		-	71
Exploration and evaluation expenditure		55,477	54,069
Production properties		83,103	79,458
Total Non Current Assets		138,662	133,716
Total Assets		180,912	178,659
Current Liabilities			
Trade and other payables		10,279	21,184
Tax liabilities		4,802	2,398
Provisions		685	563
Total Current Liabilities		15,766	24,145
Non Current Liabilities			
Deferred tax liabilities		17,437	19,484
Provisions		4,553	5,627
Total Non Current Liabilities		21,990	25,111
Total Liabilities		37,756	49,256
Net Assets		143,156	129,403
Equity			
Issue capital	5	152,416	152,416
Reserves		-	-
Accumulated losses		(9,260)	(23,013)
Total Equity		143,156	129,403

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 HALF-YEAR ENDED 31 DECEMBER 2014**

	Issued Capital \$000's	Reserves \$000's	Accumulated Losses \$000's	Total \$000's
At 1 July 2014	152,416	-	(23,013)	129,403
Profit for the period	-	-	13,753	13,753
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	13,753	13,753
As at 31 December 2014	152,416	-	(9,260)	143,156
At 1 July 2013	152,416	22	(20,869)	131,569
Loss for the period	-	-	(1,136)	(1,136)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	-	(1,136)	(1,136)
As at 31 December 2013	152,416	22	(22,005)	130,433

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

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

	31 DEC 2014	31 DEC 2013
	\$000's	\$000's
Cash Flows From Operating Activities		
Production receipts	16,252	15,301
Interest received	63	95
Payments to employees and other suppliers	(9,998)	(12,454)
Royalties paid	(491)	(466)
Net Cash provided by Operating Activities	5,826	2,476
Cash Flows From Investing Activities		
Payments for exploration expenditure	(13,157)	(5,442)
Payments for property, plant and equipment	(7)	(137)
Payments for production property	(9,675)	(7,946)
Proceeds from sale of Cue PNG Oil Company Pty Ltd	8,536	-
Net Cash used in Investing Activities	(14,303)	(13,525)
Net decrease in Cash and Cash Equivalents	(8,477)	(11,049)
Cash and cash equivalents at the beginning of the period	40,558	58,828
Effect of exchange rate change on foreign currency balances held at balances held at the beginning of the period	5,022	2,365
Cash and Cash Equivalents at the end of the Period	37,103	50,144

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year financial report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report, together with any public announcements made by Cue Energy Resources Limited (the "Group").

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period.

There are no new and revised Standards and amendments thereof and Interpretations effective for the current reporting period that are material to the Group.

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior periods. The new and revised Standards and Interpretations have not had a material impact and not resulted in changes to the Group's presentation of, or disclosure in, its half-year financial statements.

The Group has not elected to early adopt any other new standards or amendments that are issued but not yet effective.

(b) Basis of preparation

The half-year financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's annual financial report for the year ended 30 June 2014.

The company is a company of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The fair values of assets and liabilities not carried at fair value as at 31 December 2014, are not materially different from the carrying values presented in these accounts.

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont')

(c) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and of all entities which Cue Energy Resources Limited controlled from time to time during the period and at the reporting date.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies, which may exist. All inter-company balances and transactions, including any unrealised profits or losses have been eliminated on consolidation.

NOTE 2 OTHER REVENUE

	31 DEC 2014 \$'000	31 DEC 2013 \$'000
Sale of Cue PNG Oil Company Pty Ltd	5,830	-
Interest from Cash and Cash Equivalents	58	84
Total Other Revenue	5,888	84

NOTE 3 OTHER EXPENSES

	31 DEC 2014 \$'000	31 DEC 2013 \$'000
Depreciation	44	33
Employee Benefits Expense	1,969	1,865
Operating Lease	130	177
Administration Expenses	560	632
Business Development	1,076	704
Total Other Expenses	3,779	3,411

NOTE 4 SEGMENT INFORMATION

The Group operates predominantly in one business, namely the exploration development and production of hydrocarbons. Revenue is derived from the sale of gas and liquid hydrocarbons.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest-earning assets and revenue, interest-bearing borrowings and expenses, and corporate assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Geographic Segments

The Group operates primarily in Australia but also has international operations in Indonesia, Papua New Guinea and New Zealand. Therefore the Group is organised into four principal geographic segments: Australia, New Zealand, Indonesia and Papua New Guinea. These segments are based on the internal reports that are reviewed and used by the board of directors (who are identified as the chief operating decision makers (CODM)) in assessing performance and in determining the allocation of resources.

The CODM assess the performance of the operating segments based upon a measure of earnings before interest expense, tax, depreciation and amortisation. The information reported to the CODM is on at best a monthly basis.

NOTE 4 SEGMENT INFORMATION (cont')

	Australia \$'000	NZ \$'000	Indonesia \$'000	PNG \$'000	Total \$'000
Half-year 2014					
Total segment revenue	5,888	7,486	10,410	745	24,529
Inter-segment revenue	-	-	-	-	-
Revenue from external customers	5,888	7,486	10,410	745	24,529
Earnings before interest expense, tax, depreciation and amortisation	7,175	4,407	7,327	270	19,179
Half-year 2013					
Total segment revenue	84	1,453	12,421	902	14,860
Inter-segment revenue	-	-	-	-	-
Revenue from external customers	84	1,453	12,421	902	14,860
Earnings/(loss) before interest expense, tax, depreciation and amortisation	(904)	(154)	5,583	(251)	4,274
Total segment assets					
31 December 2014	44,311	78,611	57,795	195	180,912
30 June 2014	47,200	73,342	54,282	3,835	178,659
Total segment liabilities					
31 December 2014	1,745	12,844	23,167	-	37,756
30 June 2014	1,927	15,582	30,477	1,270	49,256

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

	31 DEC 2014 \$'000	31 DEC 2013 \$'000
EBITDA	19,179	4,274
Amortisation and depreciation expenses	(5,068)	(4,334)
Profit/(loss) before Income Tax	14,111	(60)

NOTE 5 EQUITY - ISSUED CAPITAL

	31 DEC 2014 Number	30 JUN 2014 Number	31 DEC 2014 \$'000	30 JUN 2014 \$'000
Ordinary shares fully paid (no par value)	698,119,720	698,119,720	152,416	152,416

NOTE 6 EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to the half-year end, the Board announced to the market that an on-market cash takeover offer for shares from NZOG Offshore Limited (a wholly owned subsidiary of New Zealand Oil & Gas Limited - "NZOG") at \$0.10 per share had been received. The offer will remain open until Friday 27 March 2015 (unless extended or withdrawn). As stated the Board considers the offer from NZOG substantially undervalues the Company, and advised shareholders to reject the offer and not to sell their Cue Energy shares on-market at the offer price of \$0.10 per share. The Board will keep shareholders duly informed of material developments.

Apart from the above, the Directors are not aware of any matters or circumstances which have arisen since the end of the financial half-year, not otherwise dealt with in this report, which may significantly effect the operations of the entity, the results of those operations or state of affairs of the Group.

NOTE 7 CONTINGENT ASSETS/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 US\$4.7m. An arbitration hearing found in favour of Cue's position, however 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.

Cue estimates its share of the cost of the Maari repairs programme is approximately US\$4m of which a portion is expected to be recovered from insurance.

Apart from the above, there has been no change since 30 June 2014 in reportable contingent assets or liabilities.

DIRECTORS DECLARATION

In accordance with a resolution of the Directors of Cue Energy Resources Limited, I state that:
In the opinion of the Directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position as at 31 December 2014 and the performance for the half-year ended on that date of the consolidated entity; and
 - (ii) complying with Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Regulations 2001 and other mandatory reporting requirements; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board of Directors



Rowena A Sylvester
Director

Dated at Melbourne this 26th day of February 2015

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Cue Energy Resources Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Cue Energy Resources Limited, which comprises the consolidated statement of financial position as at 31 December 2014, 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 half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Cue Energy Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, 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 review report.



Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*

BDO East Coast Partnership

A handwritten signature in blue ink, appearing to read 'Alex Swansson', with a long horizontal flourish extending to the right.

Alex Swansson
Partner

Melbourne, 26 February 2015