



## Cue Energy Resources Limited

A.B.N. 45 066 383 971

26 February 2013

PAGES (including this page):25

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

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### Half-Year Report for the Financial Period Ended 31 December 2012

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Attached please find Cue Energy Resources Limited 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 projects 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)
- Timothy Dibb
- Steve Koroknay
- Paul Moore
- Andrew Young

#### CUE ENERGY MANAGEMENT

- Andrew Knox (CFO)
- David Whittam (Exp Man)

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#### LISTINGS

ASX:	CUE
NZX:	CUE
POMSOX:	CUE
ADR/OTCOX:	CUEYY

# HALF-YEAR REPORT

for the Financial Period Ended 31 December 2012



Grati Facilities, Sampang | INDONESIA



Cue Energy Resources Limited

A.B.N. 45 066 383 971



Maari Platform | NEW ZEALAND

## FINANCIAL SUMMARY

	31 DEC 2012	31 DEC 2011
	\$000's	\$000's
Production Income	28,392	19,976
Gross Profit from Production	17,560	12,161
Post Tax Profit	3,220	3,931

## HIGHLIGHTS

- Production income increased 42.1%.
- Total Cue BOE production for half-year increased 48.2%.
- Cash balance has increased in the last six months by 31.6% to \$44.39m.
- Average oil price received in excess of AUD108 per bbl.
- Wortel gas full half-year of production.
- Interest in WA-359-P increased to 100%.
- Award of new PEP34865 license in the Taranaki.
- Farm-out of PEP51313 to OMV for free carry/drilling of Whio prospect.
- Mahakam Hilir appraisal drilling planned.
- Second stage expansion of a Maari field development planned.

# RESULTS FOR ANNOUNCEMENT TO THE MARKET

for the Half-year Ended 31 December 2012

Current Reporting Period: Half-year ended 31 December 2012

Previous Corresponding Period: Half-year ended 31 December 2011

	<b>Percentage Change Over Comparative</b>	<b>Amount (6 month period ended 31 December 2012) \$'000</b>
Production income and other income	41.4%	28,472
Profit after tax attributable to members	(18.1)%	3,220
Net profit attributable to members	(18.1)%	3,220

## 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 the commencement of gas production at Wortel and significant increases in oil receipts at Oyong.

### (ii) Net Result

The \$3.22m profit after tax was primarily as a consequence of the following movements:-

	<b>31 DEC 2012 \$'000</b>	<b>31 DEC 2011 \$'000</b>	<b>Movement %</b>
Production Income	28,392	19,976	42
Amortisation Expense	(8,526)	(4,270)	(100)
Foreign Exchange (Loss)/Gain	(496)	2,684	(118)
Income Tax Credit/(Expense)	89	(4,138)	102

## Net Tangible Assets Per Ordinary Security

**31 DEC 2012**

17 cents

**31 DEC 2011**

17 cents

# Half-year FINANCIAL REPORT AND DIRECTORS' REPORT

## CORPORATE DIRECTORY

### **DIRECTORS:**

GJ King (Chairman)  
TE Dibb  
SJ Koroknay  
PD Moore  
AA Young (CEO)

### **ADMINISTRATION OFFICE:**

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### **REGISTERED OFFICE:**

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114 William Street  
MELBOURNE VIC 3000

### **SHARE REGISTER:**

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Melbourne Vic 3000  
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or 61 3 9415 4000 (outside Australia)  
Fax: 61 3 9473 2500  
Email: [web.queries@computershare.com.au](mailto:web.queries@computershare.com.au)  
Website: [www.computershare.com](http://www.computershare.com)

### **AUDITORS:**

BDO East Coast Partnership  
Level 14, 140 William Street  
MELBOURNE VIC 3000

### **SOLICITORS:**

Allens Linklaters  
101 Collins Street  
MELBOURNE VIC 3000

### **SECURITIES EXCHANGE LISTINGS:**

Australian Securities Exchange Ltd  
525 Collins Street  
MELBOURNE VIC 3000

New Zealand Exchange Limited  
Level 1, NZX Centre, 11 Cable Street  
PO Box 2959  
WELLINGTON, NEW ZEALAND

### **OTCQX**

OTC Markets  
304 Hudson Street 3rd Floor  
NEW YORK, NY 10013-1015

### **Port Moresby Stock Exchange**

Level 4, Defense Haus  
PO Box 1531  
PORT MORESBY, PAPUA NEW GUINEA

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\* All photos are for illustrative purposes, although the company may have an interest in some assets.

# DIRECTOR'S 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 2012.

## DIRECTORS

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

GJ King (Chairman)  
TE Dibb  
RG Tweedie (resigned 25 February 2013)  
SJ Koroknay  
PD Moore  
Leon Musca (retired 15 November 2012)  
AA Young (CEO)

## RESULT

The consolidated profit after tax for the half-year ended 31 December 2012 amounted to \$3.22m (2011: \$3.93m).

During the half-year the Group earned production income of \$28.39m (2011: \$19.98m) and incurred production costs of \$10.83m (2011: \$7.82m). There were no asset impairment expenses (2011: Nil) incurred during the half-year and foreign exchange movements resulted in a loss of \$0.5m (2011: \$2.68m gain).

## 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.

# DIRECTOR'S REPORT

## SUMMARY

### EXPLORATION

- WA-359-P NW Shelf WA permit renewed for a five-year term; Cue has assumed operatorship and 100% equity in the permit with significant structural traps identified.
- Award of PEP 54865 in the Taranaki Basin, NZ; increases Cue's exposure to emerging new plays in New Zealand's key petroleum province, adjacent to existing producing acreage.
- Farm-out of PEP 51313 in the Taranaki Basin to OMV; Cue will be 100% carried through the drilling of the first well on the Whio prospect. The Kan Tan IV drilling rig has been contracted for at least 2 wells (including Whio) commencing late 2013.

### DEVELOPMENT

- The Maari second stage development is progressing to fully develop this significant resource and will increase production in 2014.
- The Ensco 107 jack-up drilling rig has been secured for the drilling campaign which is likely to commence late in Q3 2013.

### FINANCIAL

#### Half-Year Revenue

Revenue receipts from hydrocarbon production for the half-year were A\$28.39m on sales of 178,513 barrels of oil at an average price AUD108 per barrel and 2,050,212 thousand cubic feet (Mcf) of gas at an average price AUD4.44 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 A\$44.39m.

### CORPORATE

- At the last Annual General Meeting, Cue announced the retirement of two Directors; Leon Musca did not offer himself for re-election and Richard Tweedie stood down as Chairman after 11 years in the position, and has resigned from the Board on 25 February 2013.
- In November 2012 Mark Paton, the Chief Executive Officer of the Group for the past 20 months, tendered his resignation to pursue other activities. While a search for a replacement CEO and Chairman progresses, Andrew Young has taken up the role as Executive Director and function as Chief Executive Officer and Geoff King as Chairman. Both men have significant experience in the industry and have overseen many operations as both executives and directors, in common with the rest of the Board, in companies over periods of significant growth.
- In January 2013 the Board and Management of Cue met to develop a coherent strategy for the Group to follow in the near term, focusing on maximising the value of existing producing assets, evaluating static resources, moving them to the reserves category and maturing the exploration acreage to drill prospects in the near future. This strategy is being developed with a solid plan for company expansion and growth into exploration opportunities that should accelerate success.
- With a strategy focused on rigorous analysis and a disciplined approach to evaluating existing projects and new opportunities, Cue is enhancing its people and assets to capture maximum value for its shareholders.
- The Group is debt free, has a strong cash balance (\$44m), has strong positive cash flow, and is poised to take advantage of opportunities which meet the Group's defined strategy and grow as a solid mid cap company.

# DIRECTOR'S REPORT

## ACTIVITY REVIEW

### AUSTRALIA - CARNARVON BASIN

Cue has over 7,000km<sup>2</sup> of modern 3D seismic data over the North Carnarvon Basin and is re-evaluating all permits with this data and integrating all recent key well data, including Banambu Deep-1.

This work will reinvigorate Cue's prospects and leads inventory in this highly prospective petroleum province.

#### WA-359-P

Cue Interest: 100%

Operator: Cue Exploration Pty Ltd

WA-359-P was renewed for a second five-year term commencing on 26th October 2012. The renewed permit covers an area of 645 km<sup>2</sup> and carries a commitment to drill a well in the third year of the renewal.

The existing Joint Venture partners elected not to continue into the renewal and assigned their interests to Cue; this arrangement was approved by NOPTA on 9th December 2012.

Cue has identified good potential for both oil and gas in the permit. Structural traps with Triassic-aged reservoirs that have the potential to hold approximately 1 TCF of gas have been recognised on the existing 3D seismic data. Cue has embarked on a program of data reprocessing and seismic inversion to firm-up a drilling location for a likely well in 2015.

Cue plans to farm-down its interest in the permit, commencing later this year, bringing in a partner capable of operating the drilling phase of the work program.

#### WA-409-P

Cue Interest: 35%

Operator: Apache Northwest Pty Ltd

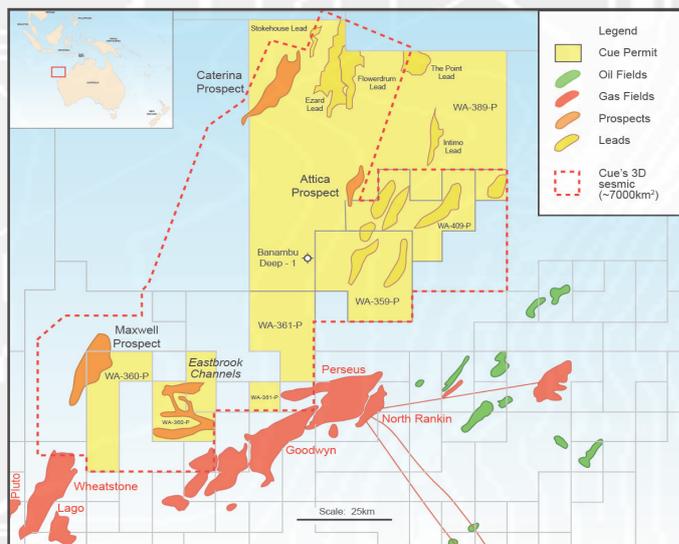
Interpretation of the Zeebries multi-client 3D seismic has continued and the operator is considering data reprocessing during 2013 to improve the structural definition of key prospects and leads.

#### WA-389-P

Cue Interest: 35%

Operator: Woodside Burrup Pty Ltd

Following drilling of Banambu Deep-1 during the half-year, the well results have been integrated into the evaluation of the remaining exploration potential of the permit prior to a decision on future activity.



#### WA-360-P

Cue Interest: 37.5%

Operator: MEO Australia Ltd

Following renewal of the permit in March 2012 for a five-year term, the Joint Venture accelerated the Year 1 work program by purchasing a portion of the Foxhound 3D seismic survey over WA-360-P. Additional data was purchased to improve the well tie to Wheatstone and the interpretation and mapping of the Maxwell prospect.

#### WA-361-P

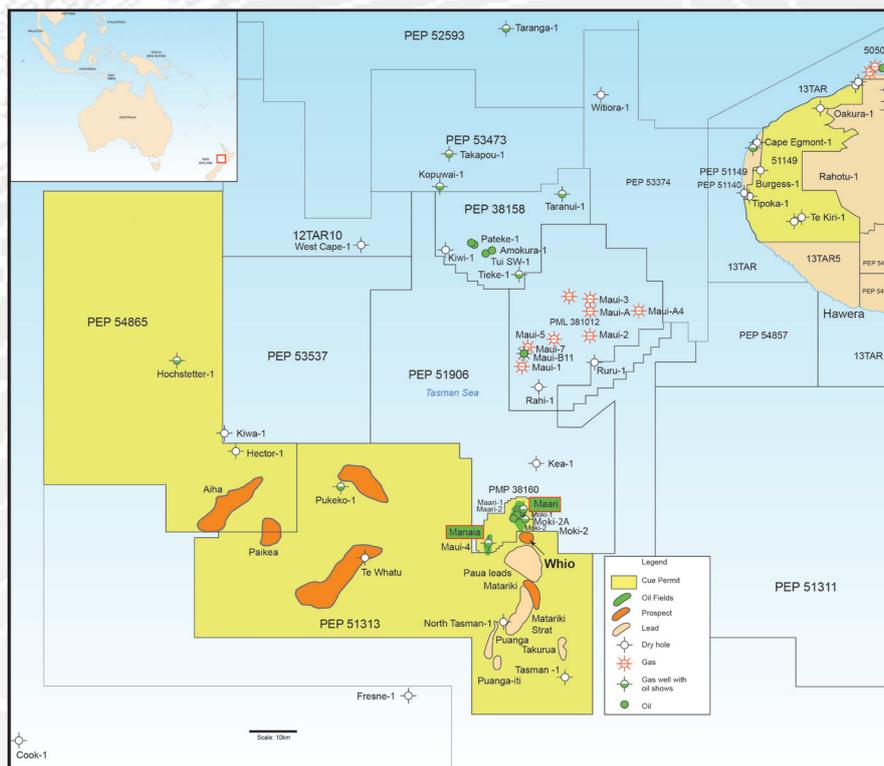
Cue Interest: 15%

Operator: MEO Australia Ltd

The Joint Venture purchased 363 km<sup>2</sup> of the Zeus multi-client 3D seismic survey which fulfilled the Permit Year 2 minimum work program obligation. The final processed data has been received and merged with the existing data set, prior to interpretation and prospect evaluation.

# DIRECTOR'S REPORT

## ACTIVITY REVIEW



### NEW ZEALAND - TARANAKI BASIN

#### PEP 51313

Cue Interest: 14% interest

Operator: Todd Exploration Ltd/ OMV New Zealand Ltd

In late November 2012, the PEP 51313 Joint Venture agreed to farm-out a 30% interest in the permit to OMV New Zealand Ltd. OMV will earn its interest by funding 100% of the drilling, testing and completion of the first well on the Whio prospect which is located approximately 4 km from the Maari production facilities. OMV will assume the operatorship of the permit (from Todd Exploration) at the beginning of April 2013. Cue will retain a 14% interest in the permit.

In the event that Whio is a commercial discovery (or additional activity is required to determine commerciality), OMV will increase its interest to 69% within a pre-defined area of the permit that covers the Whio prospect. Cue will, in this event, retain a 5% working interest in a Whio development and the oil will flow through the Maari facilities at minimal cost.

It is anticipated that the Whio well will spud in late 2013 or early 2014, depending on the timing of the arrival of the Kan Tan IV rig in the Taranaki Basin. New Zealand Petroleum and Minerals has recently agreed to extend the deadline for drilling the Whio well until July 2014.

The Joint Venture has committed to acquire and process 450 km<sup>2</sup> of 3D seismic in the Te Whatu area of the permit, which will fulfil the work program for Year 4 of the permit.

The original Joint Venture partners will acquire and pay for this program. The data will be acquired by SeaBird Exploration during the first quarter of 2013. The new data will be used to mature the Pukeko North-East and Te Whatu Deep prospects and select a drilling location for a well that is required before July 2014 to fulfill the permit work program. It is expected that this well will be drilled from the Kan Tan IV in the first half of 2014.

Processing of the Maari 3D survey acquired in 2012 is ongoing, with delivery of the final data volume expected in April 2013. The data will be used in Maari development planning, the selection of a drilling location for Whio, and follow-up to a Whio discovery.

Cue continues to view PEP 51313 as an important component of its exploration portfolio with potential to deliver both material new discoveries in the emerging Paleocene and Late Cretaceous plays in the western part of the permit and add incremental reserves to the Maari development with relatively low-risk, near-field prospects such as Whio.

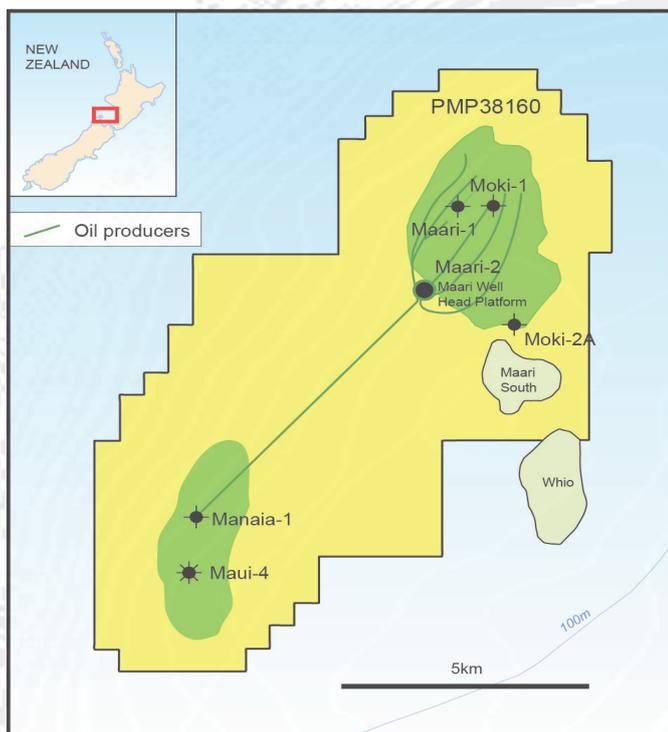
Estimates of the range of potential undiscovered oil in place for the Whio, Te Whatu and Pukeko North-East prospects are shown below.

	P90	P50	P10	MEAN
Te Whatu	42	137	399	187
Pukeko North-East	23	78	237	111
Whio	21	39	110	42

Table 1: PEP 51313 Potential Undiscovered Petroleum Initially In Place (million bbls)

# DIRECTOR'S REPORT

## ACTIVITY REVIEW



### PMP 38160

Cue Interest: 5%

Operator: OMV New Zealand Ltd

#### Maari and Manaia Fields

Cue's share of oil sales in the half-year from the Maari and Manaia fields was 100,466 barrels which generated A\$10.89m in revenue.

Oil from Maari and Manaia is being commingled and produced jointly. At the end of December 2012, cumulative field production reached 20.4 million barrels of oil. Average production during the period was approximately 9,800 bopd (Cue share 490 bopd).

The field was shut-in for five days in mid-December for routine scheduled maintenance. Although there was unscheduled downtime during the period rates returned to normal late in the half-year at approximately 9,000 bopd.

In November 2012, the Maari Joint Venture agreed to exercise an option in the FPSO lease contract to purchase the FPSO Raroa from Tanker Pacific Offshore Terminals Ltd. Upon completion of the purchase in March 2013, operation of the facilities will be by a third party contractor, Modec.

Planning for the second phase of Maari development is continuing. The Kan Tan IV semi-submersible drilling rig has been secured for a multi-well program in New Zealand and the Ensco 107 jack-up rig has been contracted for the Maari development programme. The semi-sub will be available for appraisal activity on the Manaia field/ Manaia-2, whilst the jack-up will be exclusively used for field development activities. Both rigs are anticipated to arrive in the Taranaki Basin late in Q3 2013.

### PEP 51149

Cue Interest: 20%

Operator: Todd Exploration Limited

Reprocessing of the existing 3D seismic data covering the Te Kiri prospect using pre-stack depth migration (PSDM) was completed in Q4 2012. The aim of the reprocessing is to provide improved resolution of the velocity anomaly over the Te Kiri North feature and potentially reduce the trap risk of the prospect.

During the half-year, New Zealand Petroleum and Minerals approved the relinquishment of the offshore portion of the permit (the Pungerahu area) as required under the permit conditions.

The permit now has acreage of 438 km<sup>2</sup>.

### PEP 54865

Cue Interest: 20%

Operator: Todd Exploration Limited

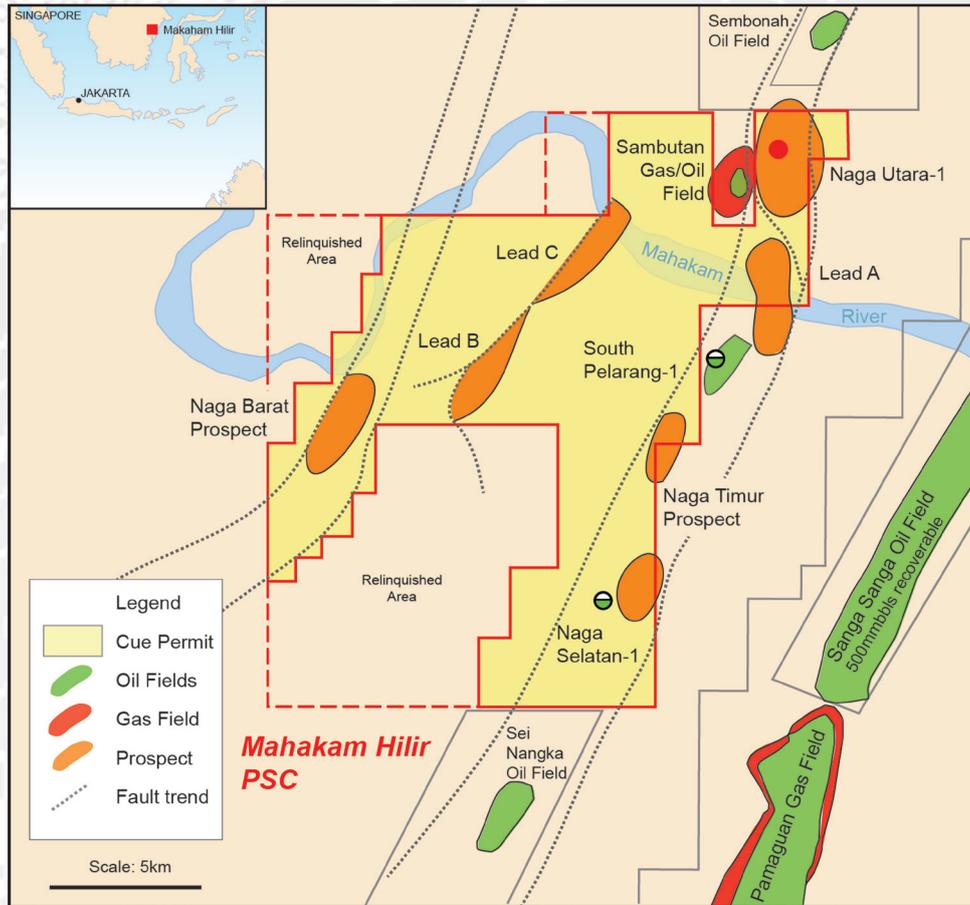
The award of PEP 54865 to Cue Taranaki Pty Ltd was announced on 11 December 2012. The award is one of ten new permits arising from New Zealand's 2012 Block Offer. The permit is located adjacent to PEP 51313 in the western portion of the Taranaki Basin and is valid for five years. PEP 54865 covers an area of approximately 2,475 km<sup>2</sup>.

The permit carries a minimum work program of 285 km<sup>2</sup> of 3D seismic to be acquired, processed and interpreted prior to June 2015, at which point 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.

PEP 54865 complements Cue's existing acreage holdings in the Taranaki Basin, principally as immediate offset acreage to PEP 51313 prospectivity. The work program is structured to allow the Joint Venture to quickly mature potential drilling candidates, but defer the decision to enter the drilling phase of the permit until after the results of exploration activities in adjacent blocks become available.

# DIRECTOR'S REPORT

## ACTIVITY REVIEW



### INDONESIA

**Sampang PSC - Madura Strait**  
 Cue Interest: 15%  
 Operator: Santos (Sampang) Pty Ltd

*Oyong Field*

Cue's share of oil sales was 66,517 barrels, which generated A\$7.2m in revenue during the half-year.

Cue's share of gas sales was 889,489 Mcf, which generated A\$2.3m in revenue during the half-year.

The Oyong oil production rate is currently around 2,500 bopd gross (Cue net 326 bopd) and the gas rate is 38 MMscfd gross (Cue net 5.3 MMscfd).

*Wortel Field*

Cue's share of gas sales was 1,160,723 Mcf which generated \$6.8m in revenue during the half-year.

The combined rate of Oyong and Wortel gas is gross 85 MMscfd (Cue net 11.8 MMscfd) (90 BBTU/d - Billion British thermal units per day), which is equal to the contract quantity to be sold to PT. Indonesia Power.

**Mahakam Hilir PSC**  
 Kutei Basin  
 Cue Interest: 40%  
 Operator: SPC Mahakam Hilir Pte Ltd

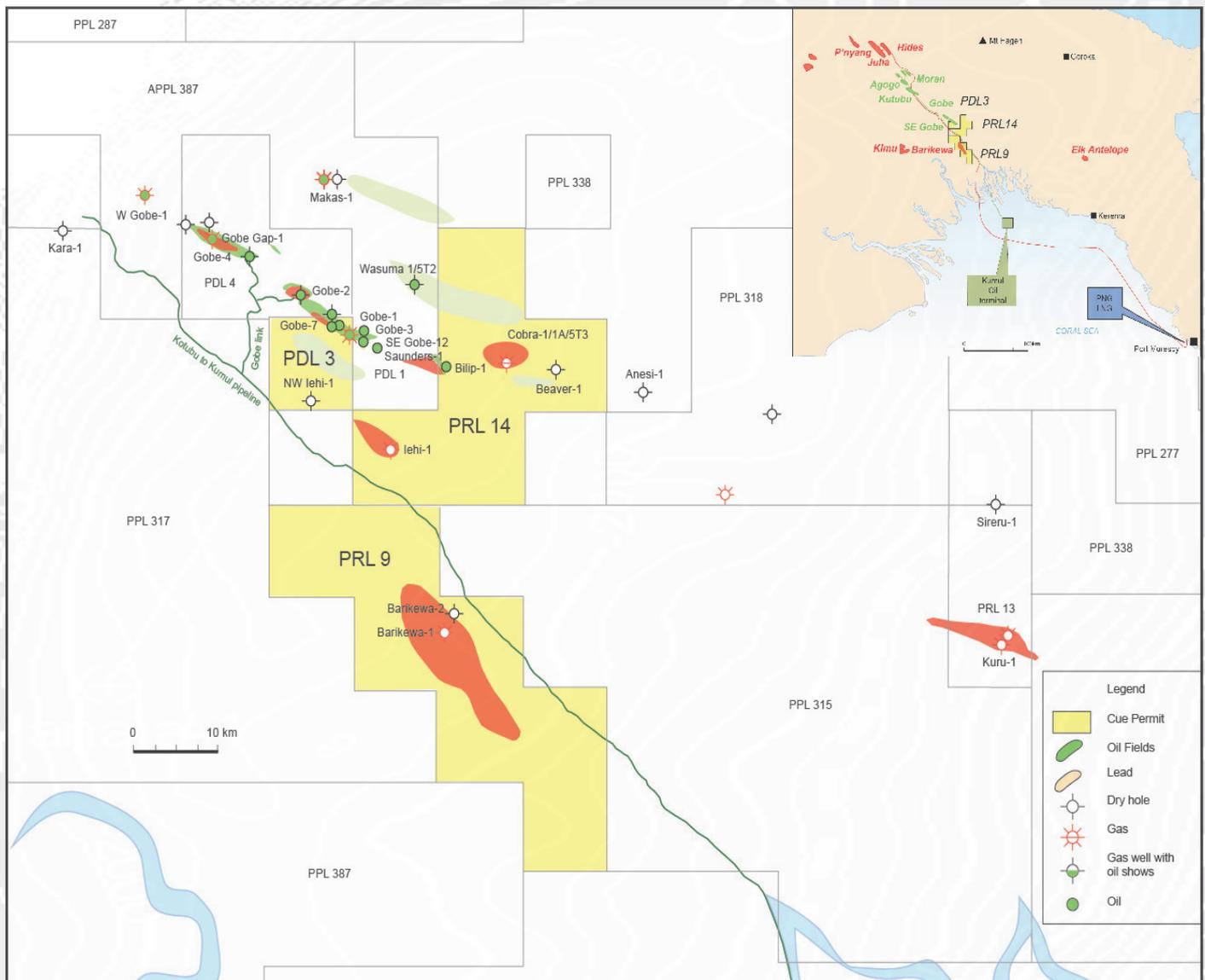
*Naga Utara*

Planning for the 2013 drilling campaign is underway. The first well in the program will be Naga Utara-2, which is expected to spud in mid 2013. The well will evaluate the Naga Utara-1 results and will have the key objectives of acquiring information on potential flow rates, pay thickness and gas quality.

Following the gathering of additional data from the zones of interest seen in Naga Utara-1, the well will be deepened to intersect potential gas-bearing intervals below the TD of Naga Utara-1. If successful it is intended to complete the well as a future producer.

# DIRECTOR'S REPORT

## ACTIVITY REVIEW



### PAPUA NEW GUINEA

#### 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 10,505 barrels of oil from the SE Gobe field during the half-year, which generated A\$1.12m in revenue received.

The construction of facilities to process the associated gas and gas cap from SE Gobe continues. The gas will be exported to the PNG LNG gas pipeline and LNG processing plant from June 2014.

The gas export rate from the SE Gobe field is expected to be approximately 35 MMscfd (Cue net 925 MMscfd) for ten years from June 2014.

#### PRL14

Cue Interest: 10.947%

Operator: Oil Search (PNG) Limited

No significant activity to report.

#### PRL9

Cue Interest: 14.894%

Operator: Oil Search (PNG) Limited

No significant activity to report.

# DIRECTOR'S REPORT

## 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 Director's Report. Amounts in the Director's Report and the Half-Yearly 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 13.

Signed in accordance with a resolution of Directors.



**Steven J Koroknay**

Director

Dated at Melbourne this 26th day of February 2013.

# AUDITOR'S INDEPENDENCE DECLARATION



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Fax: +61 3 9602 3870  
www.bdo.com.au

Level 14, 140 William St  
Melbourne VIC 3000  
GPO Box 5099 Melbourne VIC 3001  
AUSTRALIA

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

As lead auditor of Cue Energy Resources Limited for the year ended 31 December 2012, I declare that, to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

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

A handwritten signature in black ink, appearing to read 'AS', with a long horizontal flourish extending to the right.

Alex Swansson

Partner

**BDO East Coast Partnership**

Melbourne, 26 February 2013

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

		31 DEC 2012	31 DEC 2011
	NOTE	\$000's	\$000's
Production income		28,392	19,976
Production costs		(10,832)	(7,815)
<b>Gross Profit from Production</b>		17,560	12,161
Other income	2	80	156
Amortisation expense		(8,526)	(4,270)
Finance costs			
• Finance expense		-	(85)
• Net realised gain on oil hedge derivatives		-	154
• Net foreign currency exchange (loss)/gain		(496)	2,684
Other expenses	3	(5,487)	(2,731)
<b>Profit before income tax</b>		3,131	8,069
Tax credit/(expense)		89	(4,138)
<b>Profit after income tax for the half-year</b>		3,220	3,931
<b>Other comprehensive income</b>			
Other comprehensive income for the half-year, net of tax		-	-
<b>Profit for the half-year is attributable to: owners of Cue Energy Resources Limited</b>		3,220	3,931
<b>Total comprehensive income for the half-year is attributable to : owners of Cue Energy Resources Limited</b>		3,220	3,931
Basic earnings per share (cents per share)		0.46	0.57
Diluted earnings per share (cents per share)		0.46	0.57

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 2012

		31 DEC 2012	30 JUN 2012
	NOTE	\$000's	\$000's
<b>Current Assets</b>			
Cash and cash equivalents		44,385	33,733
Trade and other receivables		11,628	11,746
Inventories		289	1,500
<b>Total Current Assets</b>		<b>56,302</b>	<b>46,979</b>
<b>Non Current Assets</b>			
Property, plant and equipment		84	84
Deferred tax assets		188	322
Exploration and evaluation expenditure		34,167	31,765
Production properties		78,410	84,886
<b>Total Non Current Assets</b>		<b>112,849</b>	<b>117,057</b>
<b>Total Assets</b>		<b>169,151</b>	<b>164,036</b>
<b>Current Liabilities</b>			
Trade and other payables		10,961	8,631
Other financial liabilities		29	-
Tax liabilities		1,997	1,293
Provisions		425	381
<b>Total Current Liabilities</b>		<b>13,412</b>	<b>10,305</b>
<b>Non Current Liabilities</b>			
Deferred tax liabilities		21,926	23,098
Provisions		5,437	5,455
<b>Total Non Current Liabilities</b>		<b>27,363</b>	<b>28,553</b>
<b>Total Liabilities</b>		<b>40,775</b>	<b>38,858</b>
<b>Net Assets</b>		<b>128,376</b>	<b>125,178</b>
<b>Equity</b>			
Issued capital	5	152,416	152,416
Reserves		11	425
Accumulated losses		(24,051)	(27,663)
<b>Total Equity</b>		<b>128,376</b>	<b>125,178</b>

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 2012

Attributable to equity holders of the parent

Consolidated	Issued Capital	Reserves	Accumulated Losses	Total
	\$000's	\$000's	\$000's	\$000's
<b>At 1 July 2012</b>	<b>152,416</b>	<b>425</b>	<b>(27,663)</b>	<b>125,178</b>
Profit for the period	-	-	3,220	3,220
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>3,220</b>	<b>3,220</b>
<b>Transactions with owners in their capacity as owners:</b>				
Reversal of performance rights	-	(22)	-	(22)
Transfer of reserves to accumulated losses	-	(392)	392	-
Issue of shares	-	-	-	-
<b>As at 31 December 2012</b>	<b>152,416</b>	<b>11</b>	<b>(24,051)</b>	<b>128,376</b>
<b>At 1 July 2011</b>	<b>151,768</b>	<b>391</b>	<b>(33,326)</b>	<b>118,833</b>
Profit for the period	-	-	3,931	3,931
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>3,931</b>	<b>3,931</b>
<b>Transactions with owners in their capacity as owners:</b>				
Issue of shares	58	-	-	58
<b>As at 31 December 2011</b>	<b>151,826</b>	<b>391</b>	<b>(29,395)</b>	<b>122,822</b>

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 2012

	31 DEC 2012	31 DEC 2011
	\$000's	\$000's
<b>Cash Flows From Operating Activities</b>		
Production receipts	28,391	23,311
Interest received	79	158
Payments to employees and other suppliers	(9,339)	(8,791)
Income tax paid	(245)	(2,327)
Royalties paid	(1,439)	(752)
Oil hedge income	-	(833)
<b>Net Cash Provided by Operating Activities</b>	<b>17,447</b>	<b>10,766</b>
<b>Cash Flows From Investing Activities</b>		
Payments for exploration expenditure	(3,773)	(8,078)
Payments for property, plant and equipment	(14)	(41)
Payments for production property	(2,440)	(13,001)
Proceeds on sale of investments	-	7,984
<b>Net Cash Used by Investing Activities</b>	<b>(6,227)</b>	<b>(13,136)</b>
<b>Cash Flows From Financing Activities</b>		
Repayment of borrowings	-	(2,856)
Proceeds from issues of shares	-	58
<b>Net Cash Used by Financing Activities</b>	<b>-</b>	<b>(2,798)</b>
<b>Net increase/(decrease) in Cash and Cash Equivalents</b>	<b>11,220</b>	<b>(5,168)</b>
Cash and cash equivalents at the beginning of the period	33,733	52,811
Effect of exchange rate change on foreign currency balances held at the beginning of the period	(568)	3,034
<b>Cash and Cash Equivalents at the end of the Period</b>	<b>44,385</b>	<b>50,677</b>

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 2012

## 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 2012.

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.

### (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 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

### NOTE 2 OTHER INCOME

	31 DEC 2012 \$'000	31 DEC 2011 \$'000
Interest from Cash and Cash Equivalents	80	156
<b>Total Other Income</b>	<b>80</b>	<b>156</b>

### NOTE 3 OTHER EXPENSES

	31 DEC 2012 \$'000	31 DEC 2011 \$'000
Depreciation	10	27
Employee Benefits Expense	2,019	1,132
Operating Lease	103	90
Administration Expenses	1,017	783
Business Development	2,338	699
<b>Total Other Expenses</b>	<b>5,487</b>	<b>2,731</b>

### 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, tax, depreciation and amortisation. The information reported to the CODM is on at best a monthly basis.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

### NOTE 4 SEGMENT INFORMATION (continued)

	Australia \$'000	NZ \$'000	Indonesia \$'000	PNG \$'000	Total \$'000
<b>Half-year 2012</b>					
Total segment revenue	80	10,890	16,381	1,121	28,472
Inter-segment revenue	-	-	-	-	-
Revenue from external customers	80	10,890	16,381	1,121	28,472
<b>Earnings before interest, tax, depreciation and amortisation</b>	(5,894)	6,554	10,736	271	11,667
<b>Half-year 2011</b>					
Total segment revenue	2,994	13,874	4,543	1,559	22,970
Inter-segment revenue	-	-	-	-	-
Revenue from external customers	2,994	13,874	4,543	1,559	22,970
<b>Earnings before interest, tax, depreciation and amortisation</b>	290	10,736	542	881	12,449
<b>Total segment assets</b>					
31 December 2012	49,753	70,454	45,218	3,726	169,151
30 June 2012	38,216	60,554	61,336	3,930	164,036
<b>Total segment liabilities</b>					
31 December 2012	1,456	23,049	14,488	1,782	40,775
30 June 2012	1,116	11,851	24,322	1,569	38,858

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

### NOTE 4 SEGMENT INFORMATION (continued)

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

	31 DEC 2012 \$000's	31 DEC 2011 \$000's
EBITDA	11,667	12,449
Amortisation and depreciation expenses	(8,536)	(4,295)
Finance costs	-	(85)
Profit before Income Tax	3,131	8,069

The Board assesses the performance of the operating segments based upon a measure of EBITDA.

### NOTE 5 EQUITY - ISSUED CAPITAL

	31 DEC 2012 Number	30 JUN 2012 Number	31 DEC 2012 \$'000	30 JUN 2012 \$'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 reporting date, RG Tweedie resigned as a director on 25 February 2013. 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

There has been no change since 30 June 2012 in reportable contingent assets or liabilities.

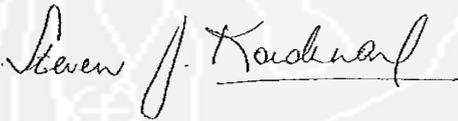
# NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

## 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 2012 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.



**Steven J Koroknay**  
Director

Dated at Melbourne this 26th day of February 2013

# INDEPENDENT AUDITOR'S REVIEW REPORT



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## 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 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the disclosing entity 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 disclosing entity 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 2012 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 Resource 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.

# INDEPENDENT AUDITOR'S REVIEW REPORT (continued)



## 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 2012 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 black ink, appearing to read 'Alex Swansson'. Above the signature, the letters 'BDO' are written in a simple, blocky font.

Alex Swansson

Partner

Melbourne, 26 February 2013