



## Cue Energy Resources Limited

A.B.N. 45 066 383 971

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

DATE : 25 February 2011

PAGES (including this page): 21

FROM : Andrew Knox

RE : **Half Year Report for the Financial Period Ended 31 December 2010**

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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



## Cue Energy Resources Limited

A.B.N. 45 066 383 971

### Half Year Report of Cue Energy Resources Limited for the Financial Period Ended 31 December 2010

#### FINANCIAL SUMMARY

	2010 \$000's	2009 \$000's
Production Revenue	23,165	28,509
Gross Margin	18,819	22,732
Post Tax Profit	1,329	8,423
<b>Cash</b>	<b>40,622</b>	<b>18,107</b>

#### HIGHLIGHTS

- Cash balance up 124% to \$40.6 million (from \$18.1 million at 31/12/09).
- Debt reduced by 60% to US\$8 million from 31/12/09.
- Wortel Gas Field gas sales contract signed and development approved. Added reserves of 14 BCF. Gas price up 77% plus escalation.
- 3D seismic acquisition by Apache begins in WA-359-P and WA-409-P.
- Woodside 3D seismic acquisition to start in WA-389-P in March 2011.
- Receipt of US\$5 million past costs for WA-389-P from Woodside in January 2011.
- 3D seismic acquisition to start in WA-389-P.
- Agreement has been reached for the sale of AC/RL7, the Cash-Maple field for US\$8 million, subject to a binding contract being entered into, which is expected to be finalised in first quarter 2011.
- Matariki 3D seismic processing completed.
- Oil price back up over USD100 bbl.



## Cue Energy Resources Limited

A.B.N. 45 066 383 971

### Half Year Report of Cue Energy Resources Limited for the Financial Period Ended 31 December 2010

*This Half Year Report is provided to the Australian Stock Exchange  
(ASX) under ASX Listing Rule 4.2A*

Current Reporting Period: Financial Period ending 31 December 2010 (6 months)  
Previous Corresponding Period: Financial Period ending 31 December 2009 (6 months)

#### Results for Announcement to the Market for the Half Year Ended 31 December 2010.

	Percentage Change Over Dec '10 (6 months)	Amount (6 months) \$'000
Revenue	Down 24%	23,364
Profit after tax attributable to members	Down 84%	1,329
Net profit attributable to members	Down 84%	1,329
Cash	Up 124%	40,622

#### Dividends

It is not proposed to pay dividends.

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

##### (i) Revenue from Ordinary Activities

Decreased revenues can be attributed mainly to a 33% reduction in oil sales in conjunction with a strengthening AUD; and mitigated by higher oil prices and \$824,000 of additional gas sales.

##### (ii) Net Result

The reduced net profit as well as including reduced revenue, includes impairment expenses of \$3 million and exchange losses of \$3.5 million.

	31/12/2010	31/12/2009
Net Tangible Assets Per Security	14.6 cents	9.3 cents



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**Cue Energy Resources Limited**

A.B.N. 45 066 383 971

**HALF YEAR FINANCIAL REPORT  
AND DIRECTORS' REPORT**

**31 December 2010**

## CORPORATE DIRECTORY

### DIRECTORS:

RG Tweedie (Chairman)  
L Musca  
SJ Koroknay

### ADMINISTRATION OFFICE:

Level 21  
114 William Street  
MELBOURNE VIC 3000

Phone: (03) 9670 8668  
Fax: (03) 9670 8661  
Email: mail@cuenrg.com.au

### REGISTERED OFFICE:

Level 21  
114 William Street  
MELBOURNE VIC 3000

### SHARE REGISTER:

Computershare Investor Services Pty Ltd  
Yarra Falls  
452 Johnston Street  
Abbotsford Vic 3067  
Australia

GPO Box 2975  
Melbourne Vic 3001  
Australia

Tel: 1300 850 505 (within Australia)  
or 61 3 9415 4000 (outside Australia)  
Fax: 61 3 9473 2500  
Email: web.queries@computershare.com.au  
Website: www.computershare.com

### AUDITORS:

PKF  
Level 14, 140 William Street  
MELBOURNE VIC 3000

### SOLICITORS:

Allens Arthur Robinson  
530 Collins Street  
MELBOURNE VIC 3000

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### SECURITIES EXCHANGE LISTINGS:

Australian Securities Exchange Ltd  
525 Collins Street  
MELBOURNE VIC 3000

New Zealand Exchange limited  
Level 2, NZX Centre, 11 Cable Street  
PO Box 2959  
WELLINGTON, NEW ZEALAND

Port Moresby Stock Exchange  
Cnr of Champion Parade & Hunter Street  
PORT MORESBY, PAPUA NEW GUINEA

## **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 2010.

### **DIRECTORS**

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

RG Tweedie  
L Musca  
SJ Koroknay

### **RESULT**

The consolidated profit after tax of the economic entity for the half-year ended 31 December 2010 amounted to \$1,329,000 (2009: gain \$8,423,000).

The decreased profit was primarily as a result of reduced production receipts and impairment expenses of \$3,000,000 (withdrawal from Bass Basin licences) and foreign exchanges losses of \$3,500,000 (AUD movement from USD0.85 to USD1.02).

### **DIVIDENDS**

No dividends were paid or declared during the half year.

### **REVIEW OF OPERATIONS**

#### **Papua New Guinea**

Cue's net share of oil production from the SE Gobe field for the half year was 13,938 barrels. The average oil production for calendar year 2010 was approximately 2,940 barrels of oil per day (Cue's share was approximately 97 barrels of oil per day).

Negotiations continue to sell SE Gobe gas to the PNG LNG project.

#### **Indonesia**

Cue's net share of oil production for the half year from the Oyong field was 69,975 barrels. P<sup>50</sup> gross reserves increased from 6.7 to 8.2 million bbl.

Cue's net share of gas production for the half year was 4108 million cubic feet. P<sup>50</sup> gross reserves increased from 103 to 111 BCF.

- **Wortel Field**

During the half year a gas sales agreement was signed for all of the field's gas with PT Indonesia Power (IP) for use in IP's electricity generating stations at Grati, East Java and the combined Oyong and Wortel gas production rate is expected to be around 90 mmscf/day when Wortel begins gas production around the end of 2011. Oyong is currently producing around 60 mmscf/day.

The financial investment decision for the development of Wortel was made during the half year.

## **DIRECTORS' REPORT cont'**

Development costs are expected to be approximately US\$100 million with Cue's share being approximately US\$15 million. The project, at the time of this report, is on schedule for completion in December 2011 and is under budget.

Wortel is currently assessed to contain 104 BCF.

### **New Zealand**

- **Maari and Manaia Fields**

Oil production revenue from the two fields during the half year was A\$10.1million which equated to 139,702 barrels net to Cue. Oil production from Maari and Manaia is being commingled and produced jointly. Production is currently below forecast as a consequence of an ESP failure in the MR9 well. This well is scheduled for workover in April 2011

A small oil leak on 18 October 2010 occurred during water de-ballasting operations on the Maari FPSO Ranoa due to a faulty flange. On 20 November production was shut in for 7 days when an oil sheen was observed. Divers examined the underside of the FPSO and determined that the sheen resulted from a small amount of residual oil trapped under the hull from the 18 October leak.

Measures have been implemented to ensure that this type of accidental discharge will not occur again.

### **Australia**

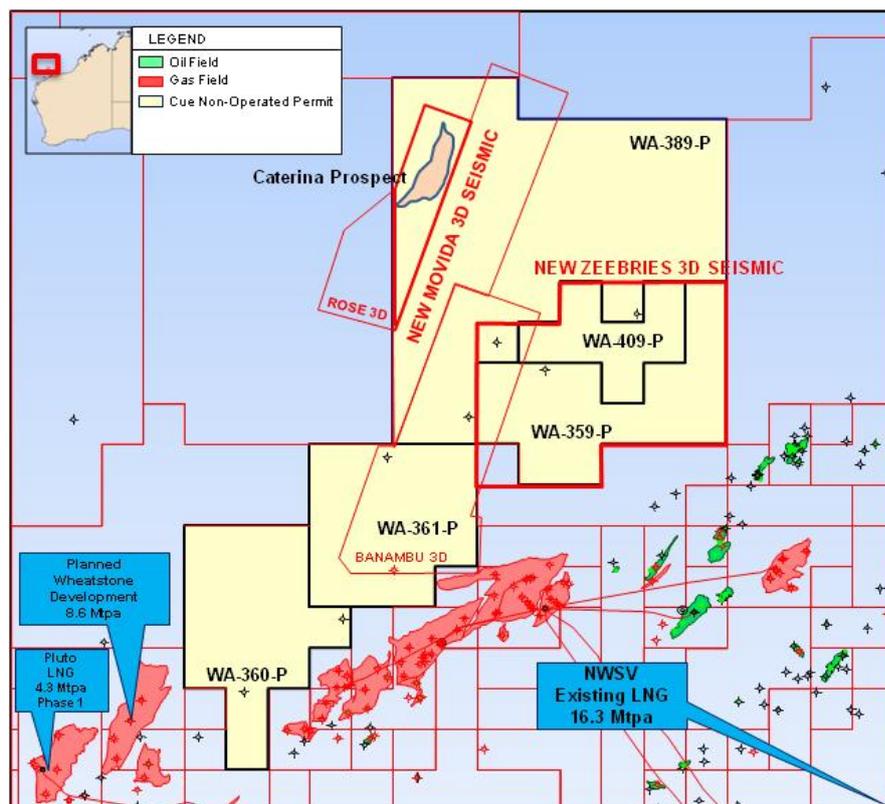
- **WA-359-P and WA-409-P Carnarvon Basin –Western Australia (30% interest)  
Operator: Apache Northwest Pty Ltd**

The farmout to Apache was finalised during the half year. Acquisition of the approximately 1750 square kilometre Zeebries 3D seismic survey began in late November 2011 and is expected to take approximately three months to acquire. It is expected to define several new drillable prospects.

- **WA-389-P Carnarvon Basin –Western Australia (35% interest)  
Operator: Woodside Burrup Pty Ltd**

In January 2011, Cue received payment from Woodside of US\$5 million for past costs. Acquisition of the Movida 3D seismic survey is expected to commence in first quarter 2011. Reprocessing of the Banambu 3D seismic survey has commenced.

Cue is free carried in a well in the permit which is expected to commence drilling late 2011 or early 2012

**DIRECTORS' REPORT cont'**

- **T/37P and T/38P Bass Strait Australia (50% interest)**

During the half year Cue gave notice that it would withdraw from T/37P and T/38P in the Bass Basin. Cue's co-venturer Exoil Limited has agreed to accept Cue's interest in the permits subject to various government approvals. Cue has elected to withdraw from the permits as it believes the remaining exploration potential does not warrant its participation in the upcoming well commitment in T/37P and 200 square kilometres of 3D seismic commitment in T/38P.

### ROUNDING OF AMOUNTS

The Company is of a kind referred to in class order 98/0100 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 6.

Signed in accordance with a resolution of Directors.

**RG Tweedie**  
Chairman

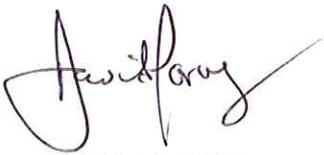
Dated at Melbourne this 25<sup>th</sup> day of February 2011.

**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the review of Cue Energy Resources Limited for the half-year ended 31 December 2010, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (b) 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 year.



**David J Garvey**  
Partner  
PKF

25 February 2011  
Melbourne

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**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE HALF-YEAR ENDED 31 December 2010**

		<b>2010</b>	<b>2009</b>
	<b>NOTE</b>	<b>\$000's</b>	<b>\$000's</b>
Production income		23,165	28,509
Production costs		(4,346)	(5,777)
<b>Gross Profit</b>		18,819	22,732
Other income	2	199	2,395
Amortisation costs		(5,471)	(5,507)
Finance costs		(152)	(83)
Impairment expenses		(2,995)	(15)
Other expenses	3	(6,028)	(1,040)
<b>Profit/before income tax</b>		4,372	18,482
Income tax expense		(3,043)	(10,059)
<b>Net Profit for the half year</b>		1,329	8,423
<b>Other comprehensive income</b>			
Change in the value of available for sale financial assets		-	-
Other comprehensive income for half year net of tax		-	-
<b>Profit is attributable to:</b>			
<b>owners of Cue Energy Resources Limited</b>		1,329	8,423
<b>Total comprehensive income for the half year Is attributable to :</b>			
<b>owners of Cue Energy Resources Limited</b>		1,329	8,423
Basic earnings per share (cents per share)		0.2	1.2
Diluted earnings per share (cents per share)		0.2	1.2

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
FOR THE HALF-YEAR ENDED 31 December 2010**

	NOTE	31/12/10 \$000's	30/06/10 \$000's
<b>Current Assets</b>			
Cash and cash equivalents		40,622	29,373
Trade and other receivables		10,939	14,455
<b>Total Current Assets</b>		<b>51,561</b>	<b>43,828</b>
<b>Non Current Assets</b>			
Property, plant and equipment		60	72
Deferred tax assets		12,840	15,124
Exploration and evaluation expenditure		12,253	24,817
Production properties		69,597	66,714
<b>Total Non Current Assets</b>		<b>94,750</b>	<b>106,727</b>
<b>Total Assets</b>		<b>146,311</b>	<b>150,555</b>
<b>Current Liabilities</b>			
Trade and other payables		5,894	4,089
Financial liability-secured		5,498	7,720
Tax liabilities		3,923	4,478
Provisions		473	348
<b>Total Current Liabilities</b>		<b>15,788</b>	<b>16,635</b>
<b>Non Current Liabilities</b>			
Financial liability - secured		2,536	6,403
Deferred tax liabilities		26,333	27,217
Provisions		898	873
<b>Total Non Current Liabilities</b>		<b>29,767</b>	<b>34,493</b>
<b>Total Liabilities</b>		<b>45,555</b>	<b>51,128</b>
<b>Net Assets</b>		<b>100,756</b>	<b>99,427</b>
<b>Equity</b>			
Contributed equity		151,468	151,468
Reserves		391	391
Accumulated losses		(51,103)	(52,432)
<b>Total Equity</b>		<b>100,756</b>	<b>99,427</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 2010**

Consolidated	Contributed Equity \$000's	Attributable to equity holders of the parent			Total \$000's
		Accumulated Losses \$000's	Available for sale Financial Asset Reserve \$000's	Share-based Payments Reserve \$000's	
<b>At 1 July 2010</b>	<b>151,468</b>	<b>(52,432)</b>	<b>-</b>	<b>391</b>	<b>99,427</b>
Profit for the period	-	1,329	-	-	1,329
Other comprehensive income	-	-	-	-	-
Employee share scheme	-	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>1,329</b>	<b>-</b>	<b>-</b>	<b>1,329</b>
<b>Transactions with owners in their capacity as owners:</b>					
Issue of shares	-	-	-	-	-
<b>As at 31 December 2010</b>	<b>151,468</b>	<b>(51,103)</b>	<b>-</b>	<b>391</b>	<b>100,756</b>
<b>At 1 July 2009</b>	<b>141,800</b>	<b>(75,874)</b>	<b>141</b>	<b>334</b>	<b>66,401</b>
Profit for the period	-	8,423	(141)	-	8,282
Other comprehensive income	-	-	-	-	-
Employee share scheme	-	-	-	60	60
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>8,423</b>	<b>(141)</b>	<b>60</b>	<b>8,342</b>
<b>Transactions with owners in their capacity as owners:</b>					
Issue of shares	9,668	-	-	-	9,668
<b>As at 31 December 2009</b>	<b>151,468</b>	<b>(67,451)</b>	<b>-</b>	<b>394</b>	<b>84,411</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 2010**

	<b>2010</b>	<b>2009</b>
	<b>\$000's</b>	<b>\$000's</b>
<b>Cash Flows From Operating Activities</b>		
Receipts from customers	26,038	24,309
Interest received	187	130
Payments to employees and other suppliers	(5,542)	(7,103)
Income tax paid	(2,198)	(190)
Royalties paid	(564)	(698)
Oil hedge income	944	-
<b>Net Cash Provided by Operating activities</b>	<b>18,865</b>	<b>16,448</b>
<b>Cash Flows From Investing Activities</b>		
Payments for exploration expenditure	(694)	(2,710)
Payment for office equipment	(3)	(11)
Payments for production property	(3,367)	(6,643)
Proceeds on sale of investments	5,757	670
<b>Net Cash Provided by/(Used in) Investing Activities</b>	<b>1,693</b>	<b>(8,694)</b>
<b>Cash Flows From Financing Activities</b>		
Proceeds from borrowing	-	486
Repayment of borrowings	(3,838)	(3,406)
Proceeds from issues of shares	-	9,668
<b>Net Cash (Used in)/Provided by Financing Activities</b>	<b>(3,838)</b>	<b>6,748</b>
<b>Net Increase in Cash and Cash Equivalents</b>		
	16,720	14,502
Cash and cash equivalents at the beginning of the period	29,373	4,324
Effect of exchange rate change on foreign currency balances held at the beginning of the year	(5,471)	(719)
<b>Cash and Cash Equivalents at the end of the Period</b>	<b>40,622</b>	<b>18,107</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 2010**

**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 applicable new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2010. When the adoption of the Standard or Interpretation is deemed to have an impact on the financial statements or performance of the Group, its impact is described below:

**AASB 107 Statement of Cash Flows**

States that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities. This amendment will impact amongst others, the presentation in the statement of cash flows of the contingent consideration on the business combination completed in 2010 upon cash settlement.

**AASB 136 Impairment of Assets**

The amendment clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in AASB 8 before aggregation for reporting purposes. The amendment has no impact on the Group as the annual impairment test is performed before aggregation.

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 2010.

The company is a company of the kind referred to in ASIC Class Order 98/0100, 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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 December 2010 (continued)**

**(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 year and at balance 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 2010 (continued)**

	<b>2010</b> \$000's	<b>2009</b> \$000's
<b>NOTE 2 OTHER INCOME</b>		
Interest from Cash and Cash Equivalents	153	137
Net Foreign Exchange Gains	-	1,739
Profit on Sale of Available for Sale Financial Assets	-	474
Management Fees	46	45
Total Other Income	<u>199</u>	<u>2,395</u>

**NOTE 3 OTHER EXPENSES**

Net Foreign Exchange Loss	3,495	-
Hedging	668	-
Depreciation	12	13
Employee Benefits Expense	1,129	505
Operating Lease	51	51
Administration Expenses	673	471
Total other expenses	<u>6,028</u>	<u>1,040</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 December 2010 (continued)**

**NOTE 4 SEGMENT INFORMATION**

The principal business of the group is the production and exploration for hydrocarbons in Australia, New Zealand, Indonesia and PNG.

Management has determined the operating segments based upon reports reviewed by the board and executive management that are used to make strategic decisions.

The board considers the business from both a product and geographic perspective and has identified four reportable segments.

Half-year 2010					All Other Segments	Total
	Australia	NZ	Indonesia	PNG		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total segment revenue	199	10,103	11,668	1,394	-	23,364
Inter-segment revenue	-	-	-	-	-	-
Revenue from external customers	199	10,103	11,668	1,394	-	23,364
<b>Earnings before interest, tax, depreciation and amortisation</b>	(5,817)	7,720	10,097	1,002	-	13,002
<b>Half-year 2009</b>						
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total segment revenue	2,395	15,517	10,673	2,319	-	30,904
Inter-segment revenue	-	-	-	-	-	-
Revenue from external customers	2,395	15,517	10,673	2,319	-	30,904
<b>Earnings before interest, tax, depreciation and amortisation</b>	1,355	12,038	9,116	1,578	-	24,087
<b>Total segment assets</b>						
31 December 2010	47,817	65,626	29,439	3,429	-	146,311
30 June 2010	47,377	68,116	31,084	3,978	-	150,555

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 December 2010 (continued)**

**NOTE 4 SEGMENT INFORMATION**

Reconciliation of adjusted Profit before Income Tax to Net Profit before Income Tax:

	<b>2010</b>	<b>2009</b>
	<b>\$000's</b>	<b>\$000's</b>
Adjusted Net Profit before income tax	13,002	24,087
Amortisation and depreciation expenses	(5,483)	(5,507)
Finance costs	(152)	(83)
Impairment writedowns	(2,995)	(15)
<b>Net Profit before Income Tax</b>	<b>4,372</b>	<b>18,482</b>

The Board assesses the performance of the operating segments based upon a measure of adjusted Net Profit before impairment writedowns and income tax.

The Company operated predominantly in one industry, exploration and production of hydrocarbons.

**NOTE 5 CONTRIBUTED CAPITAL**

	<b>Dec 2010</b>	<b>June 2010</b>	<b>Dec 2010</b>	<b>June 2010</b>
	<b>Number</b>	<b>Number</b>	<b>\$'000</b>	<b>\$'000</b>
Ordinary shares fully paid (no par value)	693,319,718	693,319,718	151,468	151,468
<b>Total Share Capital</b>	<b>693,319,718</b>	<b>693,319,718</b>	<b>151,468</b>	<b>151,568</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 December 2010 (continued)**

**NOTE 6 EVENTS SUBSEQUENT TO BALANCE DATE**

Subsequent to the end of the financial year, the Company received US\$5 million from Woodside Petroleum Limited for back costs pursuant to the WA-389-P Farmin Agreement.

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

**NOTE 7 CONTINGENT ASSETS/LIABILITIES**

There are no reportable contingent assets or liabilities at the period end and no changes since 30 June 2010.

## 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 2010 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
- (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.



Richard Tweedie  
Chairman

Dated at Melbourne this 25<sup>th</sup> day of February 2011

**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 consolidated half-year financial report of Cue Energy Resources Ltd which comprises the statement of financial position as at 31 December 2010, the statement of comprehensive income, statement of changes in equity and 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. The consolidated entity comprises Cue Energy Resources Ltd (the company) and the entities it controlled at 31 December 2010 or from time to time during the half-year ended on that date.

**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 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 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 2010 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 Ltd, 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 review opinion.

**Independence**

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

**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 the consolidated entity 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 2010 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*.



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25 February 2011  
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