



## Cue Energy Resources Limited

A.B.N. 45 066 383 971

Level 21  
114 William Street  
Melbourne Victoria 3000  
Australia

Telephone: (03) 9670 8668  
Facsimile: (03) 9670 8661  
Email: [mail@cuenrg.com.au](mailto:mail@cuenrg.com.au)  
Website: [www.cuenrg.com.au](http://www.cuenrg.com.au)

TO : Port Moresby Stock Exchange  
Level 4, Defens Haus  
Cnr of Champion Pde & Hunter St  
Papua New Guinea

DATE : 24 August 2010

PAGES (including this page): 16

FROM : Andrew Knox

RE : **Full Year Report for Cue Energy Resources Limited for the  
Financial Year Ended 30 June 2010**

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

Yours sincerely

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

### **Full Year Report of Cue Energy Resources Limited for the Financial Year Ended 30 June 2010**

#### **HIGHLIGHTS**

- **Production income up 80% to A\$54.7 million**
- **Gross profit up 98% to A\$43.6 million**
- **Record performance for the year**
  - **Net profit of A\$27.5 million**
- **579% increase in cash over 2009**
  - **Cash at year end increased to A\$29.4 million (current cash balance A\$40 million)**
- **Reduced debt to US\$12 million**
- **78% increase in oil sales**
  - **0.59 million barrels of oil sold in year with first full year of Maari field production**
- **First gas production from Oyong field**
  - **2.12 billion cubic feet sold since 1 October 2009**
- **Interest in Kimu gas field sold for US\$5.14 million**
- **Farmed out 65% interest in WA389P to Woodside for a collective consideration of US\$5 million in back costs yet to be paid to Cue, and Cue to be free carried through 1440 sqm km of new 3D seismic and one exploration well, anticipated to be drilled Q4 2011**
- **Petrobras farmin to WA361P. Artemis well to be drilled Q4 2010**
- **Wortel development decision before year end**



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# Cue Energy Resources Limited

A.B.N. 45 066 383 971

## **Full Year Report of Cue Energy Resources Limited for the Financial Year Ended 30 June 2010**

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

Current Reporting Period: Financial Year ended 30 June 2010

Previous Corresponding Period: Financial Year ended 30 June 2009

# **Results for Announcement to the Market for the Financial Year Ended 30 June 2010**

**(Previous Corresponding Period: Financial Year Ended 30 June 2009)**

## **HIGHLIGHTS**

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- **Wortel development decision before year end**

Revenue and Net Profit/(Loss)	Percentage Change Over June '09	Amount \$'000
Revenue	Up 98%	64,488
Profit after tax attributable to members	Up 222%	27,510
Net profit attributable to members	Up 222%	27,510

#### **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

Increased revenues can be attributed mainly to revenue of \$54.7M from significantly increased oil production from the Maari field in the Taranaki basin, New Zealand and the commencement of gas production at Oyong in the Sampang PSC, Indonesia.

##### (ii) Net Result

The net profit was primarily as a result of increased production receipts and comparatively negligible impairment writedowns.

	30/06/2010	30/06/2009
<b>Net Tangible Assets Per Security</b>	10.7 cents	7.5 cents



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**Cue Energy Resources Limited**

A.B.N. 45 066 383 971

**PRELIMINARY  
FINANCIAL REPORT**

**30 June 2010**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 30 June 2010**

		<b>2010</b>	<b>2009</b>
	<b>NOTE</b>	<b>\$000's</b>	<b>\$000's</b>
Production income		54,700	30,445
Production costs		(11,076)	(8,466)
<b>Gross Profit</b>		43,624	21,979
Other income	2	9,788	2,098
Amortisation costs		(11,418)	(15,504)
Finance costs		(240)	(323)
Impairment expenses		(236)	(26,972)
Other expenses	3	(2,167)	(2,183)
<b>Profit/(Loss) before income tax</b>		39,351	(20,905)
Income tax benefit/(expense)		(11,841)	(1,680)
<b>Net Profit/(Loss) for the year</b>		27,510	(22,585)
<b>Other comprehensive income</b>			
Change in the value of available for sale financial assets		-	-
Other comprehensive income for the year net of tax		-	-
<b>Total comprehensive income for the year</b>		27,510	(22,585)
<b>Profit/(loss) is attributable to:</b>			
<b>owners of Cue Energy Resources Limited</b>		27,510	(22,585)
<b>Total comprehensive income for the year</b>			
<b>Is attributable to :</b>			
<b>owners of Cue Energy Resources Limited</b>		27,510	(22,585)
Basic earnings (loss) per share (cents per share)		4.0	(3.6)
Diluted earnings (loss) per share (cents per share)		4.0	(3.6)

The above Statement of Comprehensive Income should be read in conjunction with the attached Notes.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
FOR THE FINANCIAL YEAR ENDED 30 June 2010**

		<b>2010</b>	<b>2009</b>
	<b>NOTE</b>	<b>\$000's</b>	<b>\$000's</b>
<b>Current Assets</b>			
Cash and cash equivalents	6	29,373	4,324
Receivables		14,455	7,035
<b>Total Current Assets</b>		<b>43,828</b>	<b>11,359</b>
<b>Non Current Assets</b>			
Property, plant and equipment		72	75
Other financial assets		-	337
Deferred tax asset		15,124	11,668
Exploration and evaluation expenditure		24,817	17,377
Production properties		66,714	68,290
<b>Total Non Current Assets</b>		<b>106,727</b>	<b>97,747</b>
<b>Total Assets</b>		<b>150,555</b>	<b>109,106</b>
<b>Current Liabilities</b>			
Payables		4,090	4,805
Tax liabilities		4,478	725
Bank loan		7,720	8,642
Provisions		348	113
<b>Total Current Liabilities</b>		<b>16,636</b>	<b>14,285</b>
<b>Non Current Liabilities</b>			
Bank loan		6,403	15,551
Deferred tax liabilities		27,217	15,902
Provisions		873	1,036
<b>Total Non Current Liabilities</b>		<b>34,493</b>	<b>32,489</b>
<b>Total Liabilities</b>		<b>51,129</b>	<b>46,774</b>
<b>Net Assets</b>		<b>99,426</b>	<b>62,332</b>
<b>Shareholders' Equity</b>			
Issued capital		151,468	141,800
Reserves		391	475
Accumulated losses		(52,433)	(79,943)
<b>Total Shareholders' Equity</b>		<b>99,426</b>	<b>62,332</b>

The above Statement of Financial Position should be read in conjunction with the attached Notes.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR  
ENDED 30 June 2010**

<b>Attributable to equity holders of the parent</b>					
	<b>Issued Capital</b>	<b>Accumulated Losses</b>	<b>Share-based Payment Reserve</b>	<b>Available for Sale Reserve</b>	<b>Total</b>
	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>
<b>Balance at 1 July 2009</b>	141,800	(79,943)	334	141	62,332
Security-based payments	-	-	57	-	57
Asset revaluation differences	-	-	-	(141)	(141)
Profit for the period	-	27,510	-	-	27,510
Issue of shares	9,668	-	-	-	9,668
Costs of capital rising	-	-	-	-	-
<b>Balance at 30 June 2010</b>	<b>151,468</b>	<b>(52,433)</b>	<b>391</b>	<b>-</b>	<b>99,426</b>

<b>Attributable to equity holders of the parent</b>					
	<b>Issued Capital</b>	<b>Accumulated Losses</b>	<b>Share-based Payment Reserve</b>	<b>Available for Sale Reserve</b>	<b>Total</b>
	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>	<b>\$000's</b>
<b>Balance at 1 July 2008</b>	141,800	(57,358)	118	141	84,701
Security-based payments	-	-	216	-	216
Asset revaluation differences	-	-	-	-	-
Profit for the period	-	(22,585)	-	-	(22,585)
Issue of shares	-	-	-	-	-
Costs of capital rising	-	-	-	-	-
<b>Balance at 30 June 2009</b>	<b>141,800</b>	<b>(79,943)</b>	<b>334</b>	<b>141</b>	<b>62,332</b>

The above Statement of Changes in Equity should be read in conjunction with the attached Notes.

**CONSOLIDATED CASH FLOWS STATEMENT FOR THE FINANCIAL YEAR ENDED 30  
June 2010**

		<b>2010</b>	<b>2009</b>
	<b>NOTE</b>	<b>\$000's</b>	<b>\$000's</b>
<b>Cash Flows from Operating Activities</b>			
Production income		54,713	31,872
Interest received		288	175
Payments to employees and other suppliers		(11,654)	(10,840)
Income tax paid		(229)	(2,067)
Royalties paid		(898)	(126)
Net cash provided by operating activities	6 (a)	<u>42,220</u>	<u>19,014</u>
<b>Cash Flows from Investing Activities</b>			
Payments with respect to exploration expenditure		(6,734)	(14,184)
Payments for office equipment		(23)	(1)
Payments with respect to production properties		(11,426)	(28,413)
Proceeds from sale of investments		670	-
Net cash (used in) investing activities		<u>(17,513)</u>	<u>(42,598)</u>
<b>Cash Flows from Financing Activities</b>			
Proceeds from borrowings		-	11,372
Repayment of borrowings		(10,070)	-
Proceeds from Entitlement Offer		9,668	-
Net cash provided by financing activities		<u>(402)</u>	<u>11,372</u>
<b>Net Increase (Decrease) in Cash Held</b>			
Cash and cash equivalents at the beginning of the period.		24,305	(12,212)
Effect of exchange rate change on foreign currency balances held at the beginning of the year		4,324	14,761
		744	1,775
<b>Cash and cash equivalents at the end of the period</b>	6 (b)	<u><u>29,373</u></u>	<u><u>4,324</u></u>

The above Statement of Cash Flows should be read in conjunction with the attached Notes.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30  
June 2010**
**NOTE 1 BASIS OF PREPARATION**

The preliminary financial report has 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 preliminary financial report are consistent with those adopted and disclosed in the company's annual financial report for the year ended 30 June 2009.

**NOTE 2 OTHER INCOME**

	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
Interest from cash and cash equivalents	322	157
Net foreign exchange gains	2,329	1,776
Profit on sale of available for sale financial assets (Sale of Octanex shares)	474	-
Profit on sale of exploration assets	4,505	-
Operating expense recovery	163	165
Oil Hedge Recognition		
- realised	575	-
- unrealised	1,420	-
<b>Total Other Income</b>	<b>9,788</b>	<b>2,098</b>

**NOTE 3 OTHER EXPENSES**

Depreciation	26	38
Employee remuneration	1,463	1,492
Office lease	156	154
Administration expenses	522	499
<b>Total Other Expenses</b>	<b>2,167</b>	<b>2,183</b>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30  
June 2010 (continued)**

<b>CONSOLIDATED ENTITY</b>	
<b>2010</b>	<b>2009</b>
<b>\$'000</b>	<b>\$'000</b>

**NOTE 4 INCOME TAX EXPENSE**

Current tax	2,149	2,311
Deferred tax	9,692	(631)
	<b>11,841</b>	<b>1,680</b>

Income tax expense (benefit) is attributable to:

Profit from continuing operations	11,841	1,680
	<b>11,841</b>	<b>1,680</b>

**Aggregate income tax expense**

**Deferred Income tax (revenue) expenses  
included in income tax comprises:**

Decrease (increase) in deferred tax assets	8,264	2,460
(Decrease) increase in deferred tax liabilities	1,428	(3,091)
	<b>9,692</b>	<b>(631)</b>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 June 2010 (continued)**
**NOTE 5 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.

2010					All Other Segments	Total
	Australia	NZ	Indonesia	PNG		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Production Revenue	-	28,480	22,574	3,646	-	54,700
Production Expenses	-	3,950	5,977	1,149	-	11,076
Gross Profit	-	24,530	16,597	2,497	-	43,624
Other revenue	9,788	-	-	-	-	9,788
<b>Earnings before interest, tax, depreciation and amortisation</b>	6,825	25,398	16,596	2,452	-	51,271
<b>2009</b>						
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Production Revenue	-	5,327	19,937	5,181	-	30,445
Production Expenses	-	965	6,476	1,025	-	8,466
Gross Profit	-	4,362	13,461	4,156	-	21,979
Other revenue	2,098	-	-	-	-	2,098
<b>Earnings before interest, tax, depreciation and amortisation</b>	(3,898)	8,211	13,463	4,156	-	21,932
<b>Total segment assets</b>						
30 June 2010	47,377	68,116	31,084	3,978	-	150,555
30 June 2009	14,138	49,816	41,666	5,179	-	110,799

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 June 2010 (continued)**
**NOTE 5 SEGMENT INFORMATION (cont')**

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

	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
EBITDA	51,271	21,932
Interest expense	(240)	(323)
Depreciation	(26)	(38)
Amortisation	(11,418)	(15,504)
Impairment writedowns	(236)	(26,972)
<b>Net Profit before Income Tax</b>	<b>39,351</b>	<b>(20,905)</b>

The Board assesses the performance of the operating segments based upon a measure of earnings before interest, tax, depreciation and amortisation.

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

**NOTE 6 CONTRIBUTED CAPITAL**

	<b>June 2010</b>	<b>June 2009</b>	<b>June 2010</b>	<b>June 2009</b>
	<b>Number</b>	<b>Number</b>	<b>\$'000</b>	<b>\$'000</b>
Ordinary shares fully paid (no par value)	693,319,718	628,239,007	151,468	141,800
<b>Total Share Capital</b>	<b>693,319,718</b>	<b>628,239,007</b>	<b>151,468</b>	<b>141,800</b>

Movements in contributed capital since 1 July 2009 were as follows:

	<b>Ordinary</b>	<b>Issue price</b>	<b>\$'000</b>
	<b>Shares</b>		
<b>01/07/09 balance at beginning period</b>	628,239,007		141,800
23/07/09 share issue	62,223,683	15 cents	9,333
06/08/09 share issue	2,232,028	15 cents	335
04/01/10 share issue	625,000	-	-
<b>30/06/10 balance at end period</b>	<b>693,319,718</b>		<b>151,468</b>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 June 2010 (continued)**

**NOTE 7 NOTES TO THE CASH FLOWS STATEMENT**

**Notes to Cash Flow Statement  
For the Financial Year Ended 30 June 2010**

	<b>2010</b>	<b>2009</b>
	<b>\$000's</b>	<b>\$000's</b>
<b>(a) Reconciliation of operating profit / (loss) to net cash flows from operating activities:</b>		
<i>Reported profit / (loss) after tax</i>	27,510	(22,585)
<i>Impact of changes in working capital items</i>		
Decrease/(increase) in assets	(11,483)	3,721
Increase/(decrease) in liabilities	15,763	(3,071)
<i>Items not involving cash flows</i>		
Depreciation	26	38
Amortisation	11,418	15,504
Employee benefits	72	(4)
Net loss/(gain) on foreign currency conversion	(744)	(1,775)
Write down/(up) value of exploration expenditure	75	26,972
Reserve movement	(417)	214
Net cash flows from operating activities	<u>42,220</u>	<u>19,014</u>
<b>(b) Cash comprises cash balances held within Australia and overseas:</b>		
Australia	29,364	4,322
Papua New Guinea	9	2
Cash and bank balances	<u>29,373</u>	<u>4,324</u>
<b>Cash Flow Statement cash balance</b>	<u><b>29,373</b></u>	<u><b>4,324</b></u>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 June 2010 (continued)**

**NOTE 8 EVENTS SUBSEQUENT TO BALANCE DATE**

Subsequent to the end of the financial year the Company finalised the farmout of an interest in WA-389-P to Woodside Petroleum Ltd. Apart from this farmout, the Directors are not aware of any matter or circumstance since the end of the financial year, not otherwise dealt with in this report or group financial statements that has significantly or may significantly affect the operations of Cue Energy Resources Limited, the results of those operations or the state of affairs of the Company or Group.

**NOTE 9 ADJUSTMENT TO PRIOR PERIOD DEFERRED TAX BALANCES**

At 30 June 2009 deferred tax liabilities were understated by \$2,376,000 and deferred tax assets were overstated by \$1,693,000. This had the effect of overstating operating profit after tax in the 30 June 2008 financial year by \$2,376,000 and understating the operating loss in the 30 June 2009 financial year by \$1,693,000. Operating profit before tax was not impacted. The affected line items in the Consolidated Statement of Financial Position and retained earnings as at 1 July 2008 and 30 June 2009 and operating profit after tax in the 30 June 2009 financial year have been restated in this Preliminary Financial Report. A restated 1 July 2008 Statement of Financial Position will be included in the Annual Report.

**NOTE 10 INFORMATION ON AUDITOR REVIEW**

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