



Cue Energy PLC

Registered Number 05315922

INTERIM REPORT

FOR THE SIX MONTHS ENDING 30 JUNE 2007

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CHAIRMAN'S STATEMENT

Dear Shareholder,

It is with pleasure that I provide you with an update on the work that has been going on behind the scenes at Cue.

On 3 January 2007 the Company announced it had entered into an agreement with Oreion Australia Energy Pty Ltd ("Oreion") to provide funding for the commercialisation of an advanced micro fuel cell technology developed by CSIRO, the Australian governments leading technology research organisation. CSIRO has invested over seven years and £12 million in this technology.

Under this agreement, Cue would make available up to £500,000 for Oreion to advance this technology, file patents and to commence its commercialisation. At 30 June 2007 Oreion had drawn down £200,000 whilst preparing for a further capital raising aimed at commercialising this technology.

Cue has conducted a detailed review of the technology through an independent technical assessment and the Directors believe that it has identified a significant commercial opportunity.

Accordingly, Cue has further produced a business plan for the development of this fuel cell technology which the Directors believe has the potential to provide a real alternative to lithium-ion batteries for the powering of portable electronic devices, such as mobile phones and laptops

In the laptop market alone, power demand and functionality is outstripping the capabilities of lithium-ion batteries and it is believed that fuel cells will provide this continuous power requirement. Frost & Sullivan predict that by 2012 consumer demand will exceed 80 million fuel-cell units in battery replacement and that this will be preceded by billions of dollars of government and commercial spending on fuel cell technology development.

The Directors believe given the size of the market that this technology will be sub-licensed to a number of key strategic partners in both the battery and the portable electronic devices industries.

The business plan envisages early revenue to be generated from the sale of fuel cell test stations, already near commercialisation, that CSIRO has developed for its own use. The market for these products will be existing fuel cell developers.

The Directors are also planning to develop derivative products from this technology such as a portable electrolyser-based oxygen generator for medical uses at home and in remote areas. Approximately 750,000 people in the USA alone require permanent oxygen therapy and The World Health Organisation estimates that 600 million people suffer from diseases requiring oxygen supply. The current option for these people is limited to bottled oxygen, which is bulky, and needs regular changing or oxygen "concentrators", which are noisy and bulky.

The Directors have also identified a first class management team that will lead the existing CSIRO technical team to achieve the commercial objectives developed in the business plan. It is proposed that Cue would second from CSIRO its highly experienced technical team to continue the technology development and will continue to have access to CSIRO's extensive facilities, specialised equipment and expertise.

It has been agreed in principle that, subject to appropriate funding being put in place, Cue will acquire its interest in CSIRO's PEM technology through the acquisition of 100% of the issued capital of Oreion. Completion of the proposed acquisition is conditional on, amongst other things, completion of satisfactory due diligence by Cue and approval by Cue shareholders.

CHAIRMAN'S STATEMENT CONTINUED

The proposed acquisition would be classified as a reverse takeover under the AIM Rules. Discussions are continuing, with financing being achieved through an equity issue in excess of the current market capitalisation of the Company. As mentioned in the results below, Cue has made a significant investment during the period on the legal, technical and commercialisation costs of this project which is indicative of the confidence which the Directors have in it.

Your Directors believe that the acquisition of Oreion represents an excellent opportunity for the Company's shareholders to participate in the growth of the fuel cell industry and to deliver attractive financial returns.

Results

During the six months to 30 June 2007, the Company received investment income of £40,950 and incurred administrative expense of £219,023 resulting in a loss of £178,074.

At 30 June 2007 the Company had provided £200,000 to Oreion under the finance facility agreement dated 3 January 2007 and incurred £462,729 for Oreion acquisition costs which includes due diligence work carried out. The total amount invested in the project as at 30 June 2007 was therefore £662,729 which has been carried forward in the balance sheet.

I would take this opportunity to thank the members of the Board for their efforts during the year, and your support as shareholders.

Martin Thomas
Chairman
28 September 2007

**INCOME STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2007**

	6 months to 30 Jun 2007 (unaudited) £'000	6 months to 30 Jun 2006 (unaudited) £'000	Year ended 31 Dec 2006 (audited) £'000
Administrative expenses	(219)	-	(253)
Operating loss	(219)	-	(253)
Interest receivable	41	-	28
Loss on ordinary activities before taxation	(178)	-	(225)
Taxation on loss on ordinary activities	-	-	-
Loss for the financial year	(178)	-	(225)
Basic loss per share (pence) (Note 3)	(0.08)p	(0.00)p	(0.22)p

BALANCE SHEET
FOR THE PERIOD ENDED 30 JUNE 2007

	6 months to 30 Jun 2007 (unaudited) £'000	6 months to 30 Jun 2006 (unaudited) £'000	Year ended 31 Dec 2006 (audited) £'000
ASSETS			
Non-current assets			
Tangible assets	3	-	3
	<u>3</u>	<u>-</u>	<u>3</u>
Current assets			
Cash	1,994	193	2,831
Prepayments - Oreion Acquisition (Note 4)	463	-	-
Other receivables	298	2	44
	<u>2,755</u>	<u>195</u>	<u>2,875</u>
LIABILITIES			
Current Liabilities			
Other payables	70	-	12
	<u>70</u>	<u>-</u>	<u>12</u>
Net current assets	<u>2,685</u>	<u>195</u>	<u>2,863</u>
NET ASSETS	<u>2,688</u>	<u>195</u>	<u>2,866</u>
Shareholders' equity			
Called up share capital	161	56	161
Share premium account	2,755	139	2,755
Other reserves	176	-	176
Retained loss	(404)	-	(226)
Total Equity	<u>2,688</u>	<u>195</u>	<u>2,866</u>

**CASH FLOW STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2007**

	6 months to 30 Jun 2007 (unaudited) £'000	6 months to 30 Jun 2006 (unaudited) £'000	Year ended 31 Dec 2006 (audited) £'000
Net cash used in operating activities	(174)	(2)	(209)
Prepayment - Oreion Acquisition	(463)	-	-
Payment to acquire tangible assets	-	-	(4)
Net cash used in investing activities	(463)	-	(4)
Finance Facility costs (note 5)	(200)	-	-
Proceeds from Issue of share	-	195	3,206
Share issue costs	-	-	(289)
Share based payments	-	-	127
Net cash inflow from financing	(200)	195	3,044
Increase/(decrease) in cash	(837)	193	2,831
Cash and cash equivalents at beginning of the period/year	2,831	-	-
Cash and cash equivalents at end of the period/year	1,994	193	2,831

**STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2007**

	Called up share capital	Share premium	Other Reserves	Retained Loss	Total Shareholder s Equity
	£'000	£'000	£'000	£'000	£'000
As at 1 January 2007	161	2,755	176	(226)	2,866
Shares issued during the period	-	-	-	-	-
Share issue expense	-	-	-	-	-
Equity-settled share-based payments	-	-	-	-	-
Equity-settled share issue expenses	-	-	-	-	-
Loss for the period	-	-	-	(178)	(178)
Balance as at 30 June 2007	161	2,775	176	(404)	2,688

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2007**

1. Financial Information

The financial information set out above does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. It has been prepared on a going concern basis in accordance with International Financial Reporting Standards (IFRS). The accounting policies applied in preparing the financial information are consistent with those that have been adopted in the Company's 2006 statutory accounts.

The financial information for the 6 months ended 30 June 2007 and the 6 months ended 30 June 2006 has not been audited.

2. Basis of Preparation

This financial information has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), IFRIC interpretations and the Companies Act 1985 applicable to companies reporting under IFRS. The financial information has been prepared under historical cost convention.

The preparation of this financial information in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial information and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

3. Earnings per share

The calculation of loss per share is based on a retained loss of £178,074 for the period ended 30 June 2007 (30 June 2006: nil; 31 December 2006: £225,682) and the weighted average number of shares in issue in the period 30 June 2007 of 230,207,901 (30 June 2006: 4,351,136; 31 December 2006: 104,645,967). There is no difference between the diluted loss per share and the loss per share shown.

4. Prepayments – Oreion Acquisition

The direct costs incurred in relation to the Oreion Australia Energy Pty Ltd acquisition at 30 June 2007 was £462,729.

5. Finance Facility

Cue Energy plc has entered into an agreement with Oreion Australia Energy Pty Ltd ("Oreion") whereby up to a maximum of £500,000 has been made available to Oreion as part of a working capital facility. Interest is payable @ 9.1% on the outstanding balances. During the six months ended 30 June 2007 Oreion had drawn down £200,000.

6. Called Up Share Capital

The authorised share capital of the Company and the called up and fully paid amounts at 30 June 2007 follows:

	£'000
Authorised	
20,000,000,000 ordinary shares of 0.7p each	<u>14,000,000</u>
Issued and fully paid	
230,207,901 ordinary shares of 0.7p each	<u>161,146</u>

**NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE PERIOD ENDED 30 JUNE 2007**

7. Share options and warrants

The following equity instruments have been issued by the Company and have not been exercised at 30 June 2007:

	Number of ordinary shares	Exercise Price	Expires
Incentive options	5,755,199	2 pence	2 August 2011