Cue Energy PLC

Annual Report and Accounts

For the year ended 31 December 2006

Registered Number **5315922**

Cue Energy PLC

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CueEnergy PLC

COMPANY INFORMATION

Directors	Martin Thomas (Chairman) – appointed 28/03/07 Christopher Lambert (Non-Executive Director) Malcolm James (Non-Executive Director) Jade Styants (Non-Executive Finance Director) Toby Howell (Non-Executive Director)
Secretary and registered office	Gregory Kuenzel 7 Savoy Court London WC2R OER
Auditors	Chapman Davis LLP 2 Chapel Court London SE1 1HH
Nominated advisor	HB Corporate 40 Marsh Wall London E14 9TP
Brokers	Hichens, Harrison & Co plc Bell Court House 11 Blomfield Street London EC2M 1LB
Principal Bankers	Bank of Scotland St James Gate 14-16 Cockspur Street London SW1Y 5BL
Registrars	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Registered number	05315922

Cue Energy PLC

CHAIRMAN'S STATEMENT

Cue Energy plc ("Cue Energy" or the "Company") was successfully listed on AIM on 3 August 2006, having raised £3million before expenses. The Company was established for the purpose of making investments in the energy sector, which may include exploration, development or production projects in oil and gas, coal, uranium and renewable energy.

Since listing, the Directors have actively pursued the Company strategy by reviewing a number of investment opportunities, which is ongoing. The Directors believe that the current market conditions provide good opportunities for investment in situations which are, in their opinion, undervalued or capable of showing an above average return.

During this process the Directors have utilised the advice of industry specific consultants in reviewing and concluding the validity of the investment opportunities, their current and future usefulness, market potential and potential revenue streams.

On 3 January 2007, Cue Energy plc entered into an agreement with Oreion Australia Energy Pty Ltd ("Oreion") to provide funding for the evaluation and exploitation of Polymer Electrolyte Membrane (PEM) Technology for fuel cells and electrolysers, as contemplated under Oreion's commercialisation agreement with the Commonwealth Scientific and Industrial Research Organisation of Australia ("CSIRO"). Up to £500,000 sterling has been made available to Oreion as part of the working capital facility. To date Oreion had drawn down £200,000 sterling.

Under the terms of the facility agreement, funds provided will be used to advance PEM Technology, file patent applications to protect the intellectual property and commence the commercialisation planning of various applications.

Operational and Financial Review

During the course of the period the Company received investment income of £27,678 and incurred administrative expenses of £253,360 resulting in a loss for the period of £225,682.

Martin Thomas
Chairman
29 May 2007

CueEnergy PLC

DIRECTORS' REPORT

The Directors are pleased to present their report and the financial statements of the Company for the year ended 31 December 2006.

Company formation

The Company was formed and registered as 'Cue Energy Plc', a public company, with registration number 05315922 on 17 December 2004, and filed dormant accounts for the period to 31 December 2005.

Principal Activities and business review

The principal activities of the Company are to make investments and/or acquire projects in the energy sector, which may include exploration, development or production projects in oil and gas, coal, uranium and renewable energy.

The developments during the year are detailed in the Chairman's Statement.

Results and Dividends

The Company's loss on ordinary activities after taxation amounted to £225,682.

The Directors do not propose the payment of a dividend.

Directors and their interests

There have been no changes in Directors' interests since the year-end.

The Directors who served during the year ended 31 December 2006 had, at that time and at the date of appointment, the following beneficial interests in the shares of the Company:

	Number of Ordinary Shares			Number of Options
Director	**31 Dec 2006**	**%**	**Date of appointment**	**31 Dec 2006**
Christopher Lambert (appointed 06/04/2006)	4,600,000	2.00 %	-	1,151,040
Malcolm James* (appointed 06/04/2006)	10,630,989	4.62 %	-	1,151,040
Jade Styants ** (appointed 06/04/2006)	4,265,429	1.85 %	-	1,151,040
Toby Howell (appointed 05/04/2006)	4,275,000	1.86 %	-	2,302,079
Alwyn Davey (resigned 13/03/06)	-	-	-	-

**The sum of 4,001,000 shares are held by the James Family Superfund, the beneficiaries of which include Malcolm James*

***The shares are held by Black Ivory Ltd. The interest is a non-beneficial interest.*

Cue Energy PLC

DIRECTORS' REPORT (continued)

Substantial shareholdings
On 31 December 2006, the following shareholders were registered as being interested in 3% or more of the Company's ordinary share capital:

	31 December 2006	
Substantial Shareholder	Ordinary shares of £0.07 each	Percentage of issued share capital
SPGP	23,000,000	9.99 %
Seapoint Investments Limited	18,500,000	8.04 %
Resource Financial Services Limited	12,695,429	5.51 %

Share capital
Information relating to shares issued during the period is given in Note 11 to the accounts.

Charitable and political donations
During the period there were no charitable or political contributions.

Payment of suppliers
The Company's policy is to settle terms of payment with suppliers when agreeing terms of business, to ensure that suppliers agree to the terms and abide by them. It is usual for suppliers to be paid within 28 days of receipt of invoice.

Post balance sheet events
The post balance sheet events are set out in Note 16 to the accounts.

Financial Risks' management
Details of the group's financial risk management policies are set out in note 15.

International Financial Reporting Standards ("IFRS")
In light of the proposed new accounting rules published by AIM, the Directors have made the decision to publish their first set of financial statements under IFRS, which was applied from the date of incorporation.

Going Concern
The Directors consider the Company has adequate resources to continue in operational existence for the foreseeable future and that it is therefore appropriate to adopt the going concern basis in preparing financial statements.

DIRECTORS' REPORT (continued)

Directors Remuneration

The remuneration of the Directors has been fixed by the Board as a whole. This has been achieved by the Board acknowledging the need to maximise the effectiveness of the Company's limited resources during the year.

Details of Directors' fees and of payments made for professional services rendered are set out in Note 6 to the accounts, Directors' remuneration.

Management incentives

The Company has no bonus, share purchase, share option or other management incentive scheme.

Corporate governance

It is the opinion of the Board that compliance with the recommendations of the Combined Code on corporate governance at this stage in its development would be unduly onerous bearing in mind the size of the Company and limited cash resources.

However, the Board has established such procedures as are appropriate for the size of the Company and will keep the matter under review.

Control procedures

The Board has approved financial budgets and cash forecasts and implemented procedures to ensure compliance with accounting standards and effective reporting.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Directors' responsibilities for the financial statements

Company law in the United Kingdom requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- So far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and the Directors have taken all the steps that they ought to have taken as Directors' in order to make themselves aware of any relevant audit information and to establish that the Company's auditor are aware of that information.

The Directors are responsible for keeping proper accounting records, for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities. They are also responsible for ensuring that the annual report includes information required by the Alternative Investment Market.

The maintenance and integrity of the Company's website is the responsibility of the Directors. The work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

By order of the Board

Jade Styants
Non- Executive Finance Director
29 May 2007

INDEPENDENT AUDITORS REPORT TO THE SHAREHOLDERS OF CUE ENERGY PLC

We have audited the Company financial statements of Cue Energy Plc for the year ended 31 December 2006, which comprise the Income Statement, the Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report, and the financial statements in accordance with applicable law and International Financial Reporting Standards (**IFRS**) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, and the Chairman's Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

INDEPENDENT AUDITORS REPORT TO THE SHAREHOLDERS OF CUE ENERGY PLC (continued)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Company's affairs as at 31 December 2006 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Chapman Davis LLP
Registered Auditors
London
29 May 2007

INCOME STATEMENT
for the year ended 31 December 2006

	Note	2006 £	2005 £
Administrative expenses		(253,360)	-
Operating loss	2	**(253,360)**	-
Finance Revenue	3	27,678	-
Loss on ordinary activities before taxation		**(225,682)**	-
Income tax expense	4	-	-
Loss for the financial year & retained loss attributable to members of the Company		**(225,682)**	-
Loss per share expressed in pence per share - Basic	7	(0.22)p	-

There are no recognised gains or losses other than the loss for the year as shown above.

BALANCE SHEET
as at 31 December 2006

	Note	2006 £	2005 £
Assets			
Non current assets			
Tangible assets	8	3,341	-
Total non current assets		**3,341**	**-**
Current assets			
Trade and other receivables	9	43,643	-
Cash and cash equivalents	14	2,831,452	-
Total current assets		**2,875,095**	**-**
Total assets		**2,878,436**	**-**
Liabilities			
Current liabilities			
Trade and other payables	10	12,095	-
Total liabilities		**12,095**	-
Net Assets		**2,866,341**	
Shareholders Equity			
Share Capital	11	161,146	-
Share premium		2,755,170	-
Share Based Payment Reserve		175,707	-
Retained Losses		(225,682)	-
Total equity		**2,866,341**	**-**

These financial statements were approved by the board of Directors on 29 May 2007 and were signed on its behalf by:

Jade Styants
Director

Toby Howell
Director

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2006

	Called up share capital	Share premium reserve	Share based payment reserve	Retained earnings	Total equity
	£	£	£	£	£
As at 1 January 2006	-	-	-	-	-
Share capital issued	161,146	3,044,624	-	-	**3,205,770**
Share issue costs	-	(161,996)	-	-	**(161,996)**
Share based payments	-	-	48,249	-	**48,249**
Share based expenses	-	(127,458)	127,458	-	**-**
Loss for the year	-	-	-	(225,682)	**(225,682)**
As at 31 December 2006	**161,146**	**2,755,170**	**175,707**	**(225,682)**	**2,866,341**

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CASH FLOW STATEMENT
for the year ended 31 December 2006

	Note	2006 £	2005 £
Cash flows from operating activities			
Operating loss		(225,682)	-
Depreciation		276	-
Share options expensed		48,249	-
Increase in VAT due		(22,609)	-
Increase in prepayments		(20,601)	-
Increase in other receivables		(433)	
Increase in operating creditors		4,095	-
Increase in accruals		8,000	-
Net cash used in operating activities		**(208,705)**	**-**
Cash flows from investing activities			
Payments to acquire tangible assets		(3,617)	-
Net cash used in investing activities		**(3,617)**	**-**
Cash inflows from financing activities			
Proceeds from issue of shares		3,205,770	-
Shares issue costs		(289,454)	-
Share based payments		127,458	
Net cash flow from financing activities		**3,043,774**	**-**
Net increase in cash and cash equivalents		**2,831,452**	**-**
Cash and cash equivalents at 1 January		-	-
Cash and cash equivalents at 31 December	14	**2,831,452**	-

Cue Energy PLC

STATEMENT OF ACCOUNTING POLICIES
for the year ended 31 December 2006

1. Principal accounting policies

a) Authorisation of financial statements and statement of compliance with IFRS

The financial statements of Cue Energy plc for the year ended 31 December 2006 were authorised for issue by the board on 29 May 2007 and the balance sheets signed on the board's behalf by Ms Jade Styants and Mr Toby Howell. Cue Energy plc is a public limited Company incorporated and domiciled in England and Wales. The Company's ordinary shares are traded on the Alternative Investment Market operated by the London Stock Exchange.

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (**IFRS**). The principal accounting policies adopted by the group are set out below.

b) Basis of preparation

The financial statements have been prepared on the historical cost basis, except for the measurement to fair value of assets and financial instruments as described in the accounting policies below, and on a going concern basis.

The financial report is presented in Sterling and all values are in pounds (£) unless otherwise stated.

c) Revenue

The Company had no revenue during the year ended 31 December 2006.

d) Finance revenue

Finance revenue is recognised as interest accrues.

e) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

f) Income tax and deferred taxation

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the balance sheet date.

No deferred tax asset has been recognised because there is insufficient evidence of the timing of suitable future profits against which they can be recovered.

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STATEMENT OF ACCOUNTING POLICIES (continued)
for the year ended 31 December 2006

1. Principal accounting policies continued…

g) Foreign currencies

Both the functional and presentational currency of Cue Energy plc is sterling (£). Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

h) Significant accounting judgements, estimates and assumptions

Share based payment transaction
The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they were granted. The fair value is determined using a Black-Scholes model.

i) Tangible assets – Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided on all tangible assets to write off the cost less estimated residual value of each asset over its expected useful economic life on a straight line basis at the following annual rates:

Computer equipment – 40%

All assets are subject to annual impairment reviews.

j) Trade and other receivables

Trade receivables, which generally have 30 day terms, are recognised and carried at original invoice amount less any allowance for any uncollectible amounts.

k) Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services.

l) Financial Instruments

The Company's financial instruments comprise cash and items arising directly from its operation such as trade debtors and trade creditors.

There is no material difference between the book value and fair value of the Company's cash.

1. Principal accounting policies continued...

m) Share-based payment transactions

(i) Equity settled transactions

The Company provides benefits to employees (including senior executives) of the Company in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Cue Energy Plc (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Company's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The Income Statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see Note 7).

STATEMENT OF ACCOUNTING POLICIES (continued)
for the year ended 31 December 2006

n) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the Company, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the Company, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2006

1. Turnover & Segmental analysis

The Company had no turnover during the year.

All of the Company's losses, and net assets arose in the United Kingdom.

2. Operating loss

The operating loss is stated after charging:	2006 £	2005 £
Auditors' remuneration – audit services	8,000	-
Directors' emoluments	33,992	-
Depreciation	276	-
Share options expenses	48,249	-

Auditors' remuneration for non-audit services provided during the period amounting to £5,875 relates to the provision of an accountant's report for the purpose of the Company's AIM admission document and was charged to the share premium reserve, as part of share issue expenses

3. Finance Revenue

	2006 £	2005 £
Bank interest receivable	27,678	-

4. Taxation

	2006 £	2005 £
Current year taxation		
UK corporation tax at 30% on profits for the period	-	-
Factors affecting the tax charge for the period		
Loss on ordinary activities before tax	(225,682)	-
Loss on ordinary activities at the UK standard rate of 30%	(67,705)	-
Effect of tax benefit of loss carried forward	67,705	-
Current period taxation	-	-

5. Staff Costs

The Company had no full time employees during the year. The directors provided professional services as required on a part-time basis.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2006

6. Directors' remuneration

	2006 £	2005 £
Non Executive Directors:		
Chris Lambert	7,405	-
Malcolm James	7,405	-
Jade Styants	5,905	-
Toby Howell	13,277	-
Total	**33,992**	**-**

No pension benefits are provided for any Director.

Directors' share options

On Admission to AIM, the Company granted Directors options to subscribe for the following numbers of new ordinary shares, exercisable at 2p per share in the period 3 August 2006 to 2 August 2011. The fair value of these options has been fully expensed during the year, based on a Black-Scholes model, assuming a risk free rate of 4.6 % and expected volatility of 70% for the period of trading. There are no performance measures attached to the options.

	Number of options
Christopher Lambert	1,151,040
Malcolm James	1,151,040
Jade Styants	1,151,040
Toby Howell	2,302,079

7. Loss per share

The basic earnings per share is derived by dividing the loss for the period attributable to ordinary shareholders by the weighted average number of shares in issue.

For diluted earnings per share the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potential ordinary shares.

Loss for the period	£225,682
Weighted average number of ordinary shares of 0.07p in issue	104,645,967
Loss per share – basic	(0.22) p
Weighted average number of ordinary shares of 0.07p in issue inclusive of outstanding options	113,316,557

CueEnergy PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2006

8. Tangible assets

	Computer Equipment £
Cost	
At 1 January 2006	-
Additions	3,617
At 31 December 2006	3,617
Depreciation	
At 1 January 2006	-
Charge for the year	276
At 31 December 2006	276
Net Book Value	
At 31 December 2006	3,341

9. Trade and other receivables

Current trade and other receivables	2006 £	2005 £
Prepayments	20,601	-
Other receiveables	433	
Vat due	22,609	-
	43,643	**-**

10. Trade and other payables

Current trade and other payables	2006 £	2005 £
Trade Creditors	4,095	-
Accruals	8,000	-
	12,095	**-**

11. Share Capital

	2006 £
Authorised	
20,000,000,000 ordinary shares of 0.07 p each	14,000,000
Issued and fully paid	
230,207,901 ordinary shares of 0.07 p each	161,146

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2006

11. Share Capital continued...

The Company was incorporated on 17 December 2004 with an authorised share capital of £2,000,000 divided into 200,000,000 ordinary shares of 0.1p each, of which 2 shares were issued fully paid to the subscribers to the Memorandum of Association of the Company.

On 6 April 2006, 12 ordinary shares of 1p each were issued at par.

At the Company's first annual general meeting on 7 April 2006 the authorised share capital of the Company was increased from £2,000,000 to £14,000,000 by creation of 1,200,000,000 new ordinary shares of 1p each ranking equally with existing shareholders of 1p each. The authorised share capital was sub-divided from 1,400,000,000 ordinary shares of 1p each into 140,000,000,000 ordinary shares of 0.01p each and further consolidated from 140,000,000,000 ordinary shares of 0.01p each into 20,000,000,000 ordinary shares of 0.07p each.

Following the re-organisation, 200 ordinary shares were transferred by the initial subscribers to Black Ivory Limited on 18 May 2006.

On 21 June 2006, the Company issued and allotted 65,681,065 ordinary shares to certain founder subscribers, fully paid, at par value.

On 22 June 2006, 14,526,636 ordinary shares were issued and fully paid at 1.1p each

On 3 August 2006, 150,000,000 ordinary shares were placed at a price of 2p per share.

<u>Share options and warrants</u>

Under IFRS 2 'Share Based Payments', the Company determines the fair value of options issued to Directors and Employees as remuneration and recognises the amount as an expense in the income statement with a corresponding increase in equity.

Name	Date Granted/ Vested	Number	Exercise Price (pence)	Expiry Date	Fair Value at Grant Date (pence)
Chris Lambert	3 August 2006	1,151,040	2	2 August 2011	0.0084
Malcolm James	3 August 2006	1,151,040	2	2 August 2011	0.0084
Jade Styants	3 August 2006	1,151,040	2	2 August 2011	0.0084
Toby Howell	3 August 2006	2,302,079	2	2 August 2011	0.0084
Totals		**5,755,199**			

The fair value of the employee options vested during the year was £48,249. The assessed fair value at grant date is determined using the Black-Scholes Model that takes into account the exercise price, the term of the option, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2006

11. Share Capital (continued)

The following table lists the inputs to the model used for the year ended 31 December 2006:

Dividend Yield (%)	-
Expected Volatility (%)	70
Risk-free interest rate (%)	4.60
Share price at grant date (£)	0.02

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may, not necessarily be the actual outcome.

12. Commitments

As at 31 December 2006, the Company had no material capital commitments.

13. Related party transactions

Claridge House Services Limited (CHS) was a company set up for the purpose of administering the serviced office for a number of companies, including Cue Energy Plc. The directors of CHS are Jade Styants, Toby Howell and Malcolm James, with Greg Kuenzel being the beneficial owner. The Company has entered into an agreement with CHS for the provision of services and accommodation in relation to Suite 4, 32 Davies Street, London W1K 4ND, for a monthly fee of £5,000 plus VAT payable 3 months in advance. During the year CHS invoiced the Company £35,200 in respect of serviced office costs.

14. Analysis of changes in net funds

	£
Balance at 1 January 2006	-
Increase in the year	2,831,452
Balance at 31 December 2006	**2,831,452**

15. Financial instruments

The Company uses financial instruments comprising cash, liquid resources and debtors/ creditors that arise from its operations.

The Company's exposure to currency and liquidity risk is not considered significant.

The Company's cash balances are held in pound sterling. To date the Company has relied upon equity funding to finance operations. The Directors are confident that adequate cash resources exist to finance operations to commercial exploitation but controls over expenditure are carefully managed.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2006

16. Post balance sheet events

Cue Energy plc has entered into an agreement with Oreion Australia Energy Pty Ltd (formerly GTL Corporation Pty Ltd) (**"Oreion"**) whereby up to a maximum of £500,000 sterling has been made available to Oreion as part of a working capital facility. Interest is payable @ 9.1% on the outstanding balances. To date Oreion had drawn down £200,000 sterling. The loan is repayable to Cue Energy Plc by 31 July 2007 or will be converted into shares in Oreion on the repayment date.