



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

DATE : 24 January 2012

PAGES (including this page): 19

FROM : Andrew Knox

RE : **Quarterly Report for the Quarter Ending 31<sup>st</sup> December 2011**

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Attached please find Cue Energy Resources Limited 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

## QUARTERLY REPORT

FOR THE QUARTER ENDING 31 DECEMBER 2011  
(ASX: CUE, NZX: CUE, POMSOX: CUE, ADR/OTCQX: CUEYY)



*HPS Rig #6 on location at Naga Utara-1*

# QUARTERLY REPORT

## FOR THE QUARTER ENDING 31 DECEMBER 2011

### HIGHLIGHTS

- Mahakam Hilir PSC onshore Kalimantan, Indonesia  
Drilling of the Naga Utara –1 well commenced on 4 January 2012
- Wortel development project to be completed by the end of January 2012
- Interest in WA-360-P to be increased to 37.5%
- Shareholders approved the appointment of an additional four Directors to the Board of the company
- Debt reduced by 31.7% to A\$2.8 million at end of quarter



*Cue, SPC and Indonesian Government Officials at the Official Well Blessing Ceremony at Naga Utara-1*

## FINANCIAL SUMMARY

- **Quarterly Revenue**

Revenue receipts from hydrocarbon production for the quarter were A\$9.1 million on sales of 72,218 barrels of oil and 525 million cubic feet of gas.

- **Hedging**

Cue has no hedges in place.

- **Project Debt**

Project debt has been reduced by 31.7% to approximately A\$2.8 million since the last quarter, down from US\$20 million as at 31 December 2009. Final debt repayment is expected in first quarter 2012.

# ACTIVITY REVIEW

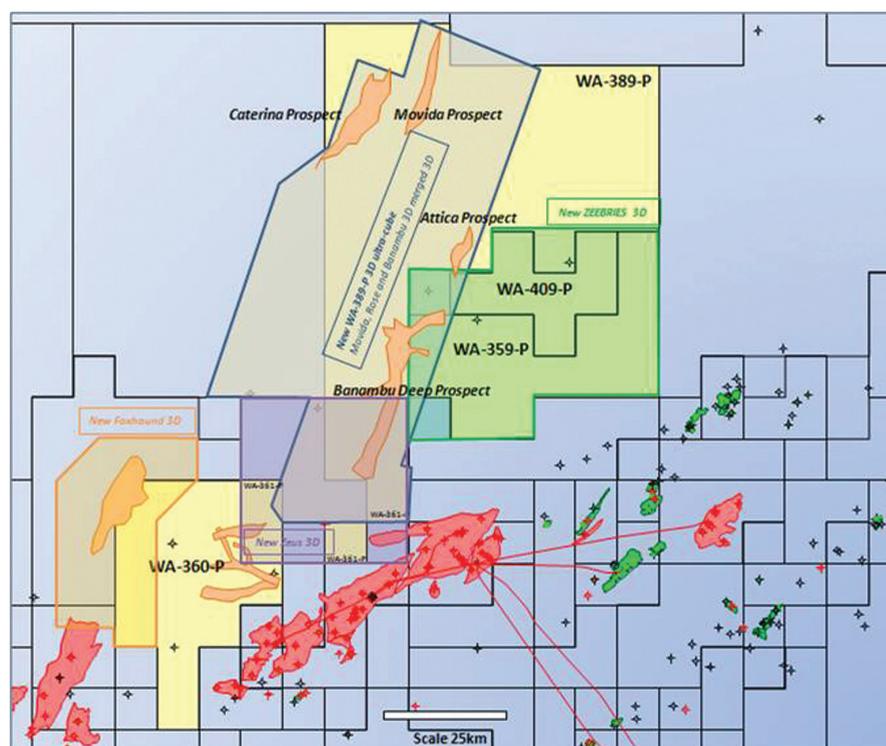
## AUSTRALIA

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

Processing of the Zeebries 3D seismic survey continues. The survey is expected to define several new drillable prospects and a drilling decision will be made by Apache within the next 3-6 months.

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

Interpretation of the new Movida 3D seismic data and integration with the reprocessed Rose and Banambu 3D seismic data was completed during the quarter. The drilling location for the commitment well in the permit is currently being reviewed with drilling expected in the second quarter 2012.



*Carnarvon Basin Licenses (WA-389-P, WA-409-P, WA-359-P, WA-360-P, WA-361-P)*

**WA-360-P Carnarvon Basin –Western Australia  
(15% interest)**

**Operator: MEO Australia Ltd**

Petrobras and Rankin Trend have withdrawn from the permit. The withdrawal of the parties resulted in an increase in Cue's participation. The remaining Joint Venture participants have renewed the permit. The focus of the joint venture is on defining the Maxwell lead through purchase of the Fox Hound 3D seismic data in the permit. Cue's equity will increase to 37.5% subject to government approval.



*File Photograph: Seismic vessel in operation*

**WA-361-P Carnarvon Basin –Western Australia  
(15% interest)**

**Operator: MEO Australia Ltd**

The acquisition of the Zeus-MC 3D seismic survey which will cover part of WA-361-P has commenced. The 3D seismic data is expected to be available for interpretation in first quarter 2012.

## NEW ZEALAND

**PEP51313 Offshore Taranaki Basin (20% interest)**  
**Operator: Todd Exploration Limited**

The new Te Whatu 2D seismic data has been processed and interpretation is underway. OMV, the operator of the Maari field in the adjacent permit will conduct a new 3D seismic survey across the Maari field to firm up drilling targets for further appraisal and development drilling. The PEP51313 Joint Venture has agreed to extend this survey into the PEP51313 permit with a view to further defining the Pike prospect for possible drilling using the rig which is mobilised for Maari appraisal drilling. The additional seismic data will also provide more information on the migration pathway for crude oil into the prospects to the south of Pike including Matariki.

**PEP51149 Offshore Taranaki Basin (20% interest)**  
**Operator: Todd Exploration Limited**

Processing of the new Pungarehu 2D onshore—transition zone and offshore seismic is still progressing. Data is expected to be received in first quarter 2012.



*Maari Wellhead Platform and Raroa FPSO*

**PMP 38160 Offshore Taranaki Basin (5% interest)**  
**Operator: OMV New Zealand Ltd**

**Maari and Manaia Fields**

Cue's net share of oil sales receipts from the Maari and Manaia fields was 63,761 barrels which generated A\$7.0 million in revenue received. Oil from Maari and Manaia is being commingled and produced jointly.

In the last quarter, the Operator has moved forward with plans for additional development of the Maari and Manaia fields. Planning is underway for new high definition seismic to be acquired in H1 2012 over the Maari, Manaia and Maari South fields, the seismic will also be extended into PEP 51313 to cover the Pike prospect (Cue 20%). The new 3D seismic will be used to develop the field in Phase 2.



*Maari Wellhead Platform*

In addition the Joint Venture is planning for two firm and one contingent appraisal wells to be drilled for the assessment of the untapped potential of the area in the 2012/13 summer drilling season. The first well is to target the Manaia structure to assess the discovered but unappraised and undeveloped accumulation in the Moki sands. It will also allow assessment of how the current production well is draining in the Mangahewa accumulation and to confirm whether there is commercial oil recoverable from the deeper F-Sands. A second firm appraisal well will be drilled to confirm the reservoir quality and size of the Maari South structure

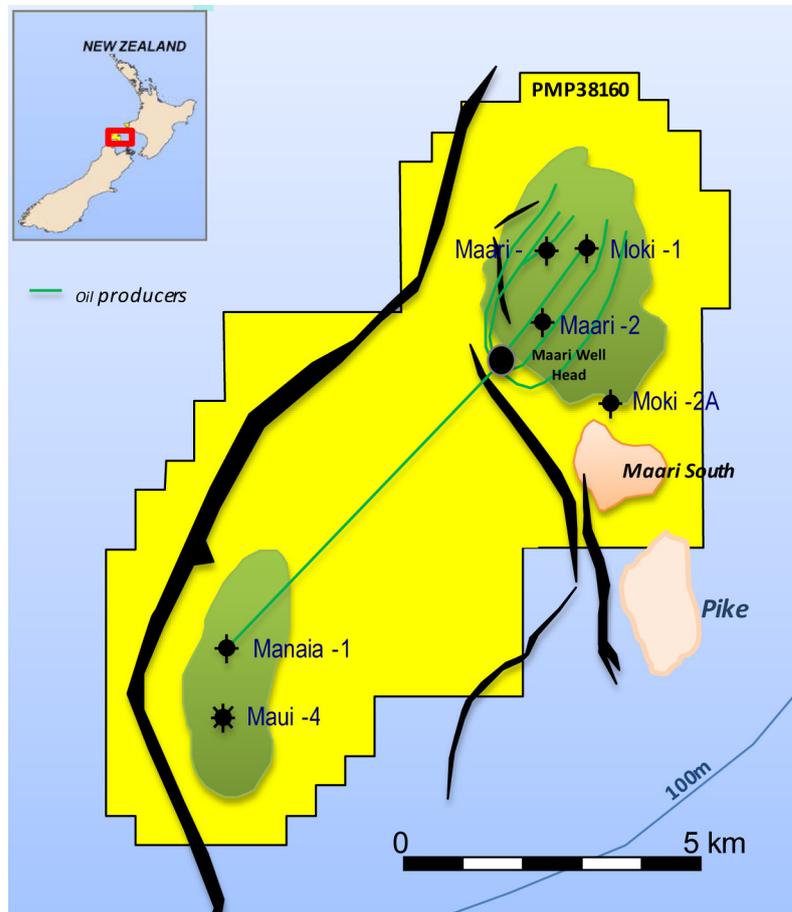
which can potentially be developed by extended reach drilling from the Maari platform. A third appraisal well is contingent on the new seismic interpretation.

Progress has been made during the quarter on enhancing the water flood in the main Maari field. Additional perforations

have been added to the Maari 7 and 8 injection wells which has resulted in improved injection performance and injection rates to provide enhanced support to the producers over the long term.

The Operator has a number of initiatives in place for 2012 aiming to improve the ESP performance, these include more regular washing of the pumps with acid to remove scale which has been one of the primary causes of pump failure. The motor design has also been improved to rectify another key source of failure.

Planning is underway for full field development of all the commercial accumulations associated with Maari and Manaia with the main development drilling to be conducted in 2013/14 summer drilling season.



Maari Field Location Map

# INDONESIA

## Sampang PSC- Madura Strait (15% interest)

Operator: Santos

- **Oyong Field**

Oil production was lower in the fourth quarter due to production shutdowns associated with tying in the Wortel project. Production averaged approximately 1000 bopd for the quarter (Cue share 150bopd) compared with the previous quarter average of 2400 bopd. The lower production resulted in no liftings and revenue in fourth quarter 2011.

Cue's share of gas sales was 525,193 million cubic feet which generated A\$1.6 million in revenue received during the quarter.

On 8th January the COSL Boss drilling rig completed the Wortel development drilling and moved over the Oyong wellhead platform to drill the Oyong-11 infill production well.



- **Wortel Field**

The Wortel gas field development is progressing well. During the quarter the Wortel-3 and Wortel-4 development wells were drilled and completed with the COSL Boss jackup drilling rig. Drilling was successfully completed on 8th January. The subsea pipeline connecting the Wortel and Oyong wellhead platforms was commissioned and is ready to receive gas. The



*Wortel platform deck ready to sail out from the fabrication yard*

construction and precommissioning of the platform topsides was completed in the fabrication yard and transported to the site on 12th January and were successfully installed on the 14th January. Hook-up and commissioning work is 75% complete and first gas production is expected by the end of January 2012.

The combined Oyong and Wortel gas production rate is expected to be around 90 mmscf per day from the beginning of 2012. The project is expected to be completed within the USD\$105.1 million budget (Cue share USD\$15.8 million).

**Mahakam Hilir PSC (40% interest)**  
**Operator: Singapore Petroleum**

- **Naga Utara & Naga Selatan**

Drilling of the first two exploration wells called Naga Utara (Northern Dragon) and Naga Selatan (Southern Dragon) began on 4 January, 2012. The most likely recoverable reserves have been estimated to be 80BCF of gas and 20 million barrels of oil from the two prospects, respectively. At the time of writing this report the drilling rig HPS Rig #6 was drilling the 17½ inch hole section to a depth of 988 feet after drilling a 12¼ inch pilot hole to the same depth. The pilot hole was drilled to mitigate the risk of encountering shallow gas.



*Well Site at Naga Utara-1*

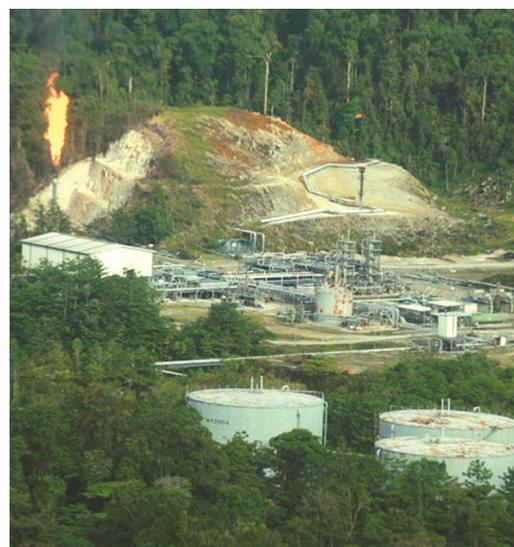
## PAPUA NEW GUINEA

**PDL 3** SE Gobe Field, PNG (5.568892% interest)  
 SE Gobe Unit, PNG (3.285646% interest)  
**Operator:** Oil Search (PNG) Limited

Cue's share of oil sales receipts was 8,095 barrels of oil from the SE Gobe field during the quarter which generated A\$0.91million in revenue received.

The construction of facilities to process the associated and gas cap gas 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 35mmscf/d for ten years from June 2014.



*SE Gobe Facilities*

**PRL 09 (14.89% interest)**  
**Operator:** Oil Search (PNG) Limited

Preparations have commenced to drill the Barikewa-3 appraisal well in late 2012. The well location and objectives are being revisited by the Joint Venture and the well site will be surveyed in first quarter 2012.

**PRL14 (10.947% interest)**  
**Operator:** Oil Search (PNG) Limited

No significant activity to report.

## CORPORATE

At the company's Annual General Meeting held on 24 November 2011, shareholders approved the appointment of four additional Directors to the Board. These are: Paul Moore, Timothy Dibb, Andrew Young and Geoffrey King.

By Order of the Board



Andrew Knox  
Public Officer

*Various statements in this report constitute statements relating to intentions, future acts and events. Such statements are generally classified as forward looking statements and involve unknown risks, expectations, uncertainties and other important factors that could cause those future acts, events and circumstances to differ from the way or manner in which they are expressly or impliedly portrayed herein.*

*Some of the more important of these risks, expectations and uncertainties are pricing and production levels from the properties in which the Company has interests and the extent of the recoverable reserves at those properties. In addition, the Company has a large number of exploration permits. Exploration for oil and gas is expensive, speculative and subject to a wide range of risks. Individual investors should consider these matters in light of their personal circumstances (including financial and taxation affairs) and seek professional advice from their accountant, lawyer or other professional adviser as to the suitability for them of an investment in the Company.*

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Cue Energy Resources Limited

ABN

45 066 383 971

Quarter ended ("current quarter")

31 December 2011

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date 6 months \$A'000
1.1 Receipts from product sales and related debtors	9,551	23,311
1.2 Payments for (a) exploration and evaluation (refer 2.2)	(7,280)	(8,078)
(b) development	(8,488)	(13,001)
(c) production	(4,128)	(6,588)
(d) administration	(1,975)	(2,932)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	85	158
1.5 Interest and other costs of finance paid	(23)	(23)
1.6 Income taxes paid	(577)	(2,327)
1.7 Other – Hedging	(382)	(833)
<b>Net Operating Cash Flows</b>	<b>(13,217)</b>	<b>(10,313)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects		
(b) equity investments		
(c) other fixed assets	(3)	(41)
1.9 Proceeds from sale of:		
(a) prospects	-	7,984
(b) equity investments		
(c) other fixed assets		
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
<b>Net investing cash flows</b>	<b>(3)</b>	<b>7,943</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(13,220)</b>	<b>(2,370)</b>

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(13,220)	(2,370)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	58
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings (refer 3.1(i))	-	-
1.17	Repayment of borrowings	(1,405)	(2,856)
1.18	Dividends paid	-	-
1.19	Share Issue Costs	-	-
	<b>Net financing cash flows</b>	(1,405)	(2,798)
	<b>Net increase (decrease) in cash held</b>	(14,625)	(5,168)
1.20	Cash at beginning of quarter/year to date	67,863	52,811
1.21	Exchange rate adjustments to item 1.20	(2,561)	3,034
1.22	<b>Cash at end of quarter</b>	50,677	50,677

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	150
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Directors fees

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

-

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest.

### Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities (i)	-	2,451
3.2 Credit standby arrangements	-	-

<sup>(i)</sup> Balance of project finance payable for the Maari oil field development in the Taranaki Basin, New Zealand. The facility was for US\$20M with BOS International (Australia) Limited, a part of the Bank of Scotland's global oil and gas business.

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	7,639
4.2 Development	7,695
4.3 Production	4,538
4.4 Administration	924
<b>Total</b>	<b>20,796</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	25	355
5.2 Deposits at call	50,652	67,508
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>50,677</b>	<b>67,863</b>

### Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	-	-	-	-
6.2 Interests in mining tenements acquired or increased	WA-361-P	Working	15%	37.5%

**Appendix 5B**  
**Mining exploration entity quarterly report**

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference +securities</b> <i>(description)</i>	-	-	-	-
7.2 Changes during quarter				
(a) Increases through issues	-	-	-	-
(b) Decreases through returns of capital, buy-backs, redemptions	-	-	-	-
7.3 <b>+Ordinary securities</b>	695,153,053	695,153,053	-	-
7.4 Changes during quarter				
(a) Increases through issues	-	-	-	-
(b) Decreases through returns of capital, buy-backs	-	-	-	-
7.5 <b>+Convertible debt securities</b> <i>(description)</i>	-	-	-	-
7.6 Changes during quarter				
(a) Increases through issues	-	-	-	-
(b) Decreases through securities matured, converted	-	-	-	-
7.7 <b>Options</b> <i>(description and conversion factor)</i>		-	<i>Exercise Price</i>	<i>Expiry</i>
	1,033,333		15 cents	19/04/12
	533,334		20 cents	19/04/12
	1,033,333		22.5 cents	19/04/12
	1,033,332		25 cents	19/04/12
	333,333		35 cents	19/04/12
7.8 Issued during quarter	-	-	-	-
7.9 Exercised during quarter	-	-	-	-
7.10 Expired during quarter	-	-	-	-
7.11 <b>Debentures (totals only)</b>	-	-		
7.12 <b>Unsecured notes (totals only)</b>	-	-		

**Compliance statement**

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here: ..... Date: 24 January 2011  
 Public Officer

Print name: Andrew Knox

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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**Appendix 5B**  
**Mining exploration entity quarterly report**

**APPENDIX A**

**QUARTERLY REPORT OF CONSOLIDATED CASHFLOWS**  
**- QUARTER ENDED 31 DECEMBER 2011**

**Amended List of Mining Tenements**

<b>PERMIT</b>	<b>OPERATOR</b>	<b>CUE INTEREST (%)</b>
<b>Petroleum Properties</b>		
<b>Indonesia</b>		
Sampang PSC <sup>(i)</sup>	Santos (Sampang) Pty Ltd	15.00
Mahakam Hilir PSC	SPC (Mahakam Hilir) Pte Ltd	40.00
<b>Papua New Guinea</b>		
PRL 14	Oil Search (PNG) Limited	10.947
PDL 3	Barracuda Pty Ltd	5.568892
PRL 9	Oil Search (PNG) Limited	14.894
SE Gobe Field Unit	Oil Search (PNG) Limited	3.285646
<b>Australia</b>		
WA-359-P	Apache Northwest Pty Ltd	30.00
WA-360-P <sup>(ii)</sup>	MEO Australia Limited	37.50
WA-361-P	MEO Australia Limited	30.00
WA-389-P	Woodside Burrup Pty Ltd	35.00
WA-409-P	Apache Northwest Pty Ltd	30.00
<b>New Zealand</b>		
PMP 38160	OMV New Zealand Limited	5.00
PEP 51313	Todd Exploration Limited	20.00
PEP 51149	Todd Exploration Limited	20.00
<sup>(i)</sup>	Economic interest in the Jeruk field	8.181818
<sup>(ii)</sup>	Subject to Joint Venture and Government Approval increased to 37.5%	