



Cue Energy Resources Limited

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TO : Company Announcements Office
10th Floor
20 Bond Street
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DATE : 26 October 2011

PAGES (including this page): 18

FROM : Andrew Knox

RE : **Quarterly Report Ending 30 September 2011**

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

QUARTERLY REPORT

FOR THE QUARTER ENDING 30 SEPTEMBER 2011

(ASX: CUE, NZX: CUE, POMSOX: CUE, ADR/OTCQX: CUEYY)



**Wortel Jacket on Barge Prior to Installation
Madura Strait, Indonesia**

QUARTERLY REPORT

FOR THE QUARTER ENDING 30 SEPTEMBER 2011

HIGHLIGHTS

- **Cash up 28.5% from previous quarter to A\$67.9 million at 30 September 2011**
- **Debt reduced by 20% to A\$4.1 million at end of quarter**
- **Government of Indonesia approval received for farm-in for 40% of Mahakam Hilir PSC onshore Kalimantan, Indonesia. Drilling to commence December 2011**
- **Payment received for the sale of Cue's 20% equity in AC/RL7, the Cash-Maple field for US\$8 million**
- **Wortel development project on schedule for completion in December 2011.**
- **Interest in WA-360-P to be increased to 30%**

FINANCIAL SUMMARY

- **Quarterly revenue**

Revenue receipts from hydrocarbon production for the quarter were A\$13.8 million on sales of 108,329 barrels of oil and 655 million cubic feet of gas.

- **Cash at end of quarter**

Cash increased A\$15 million (28.5%) over the quarter to A\$67.9 million.

- **Hedging**

Cue has a remaining hedge contract of 10,000 bbls per month from October to December 2011 at a price of dated Brent US\$98 per bbl.

- **Project Debt**

Project debt has been reduced by 20% to approximately A\$4.1 million since the last quarter, down from US\$20 million as at 31 December 2009.

ACTIVITY REVIEW

AUSTRALIA

WA-359-P and WA-409-P Carnarvon Basin –Western Australia (30% interest)

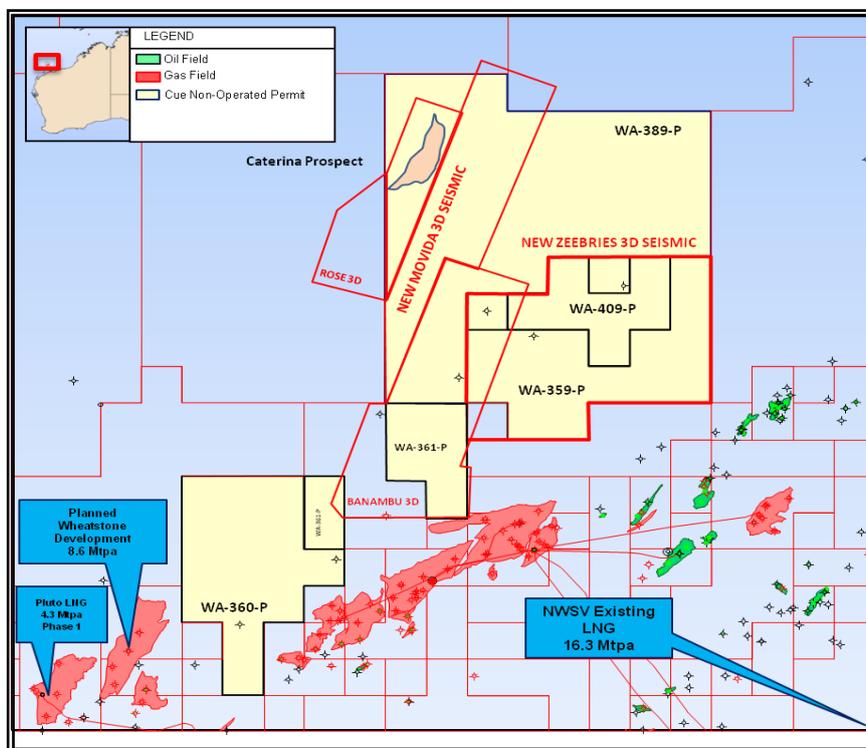
Operator: Apache Northwest Pty Ltd

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 continued during the quarter. It is expected that Woodside will propose the drilling location for the commitment well in the permit in the next quarter.



Carnarvon Permits

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

Operator: MEO Australia Ltd

On 22nd September 2011 Petrobras withdrew from the permit. The remaining Joint Venture participants are determining their positions in relation to renewal of the permit. The focus of the joint venture is on further defining the Maxwell lead through further 3D seismic acquisition in the permit. Subject to other JV participants continuing in the permit, Cue's equity will increase to 30%.

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

Operator: MEO Australia Ltd

The secondary 3 year term of the licence has been entered into. The forward work programme commitment consists of geotechnical studies and the acquisition and interpretation of 150 sq km 3D seismic. 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 1Q 2012.



Movida 3D Seismic Survey Acquisition

NEW ZEALAND

PEP51313 Offshore Taranaki Basin (20% interest)

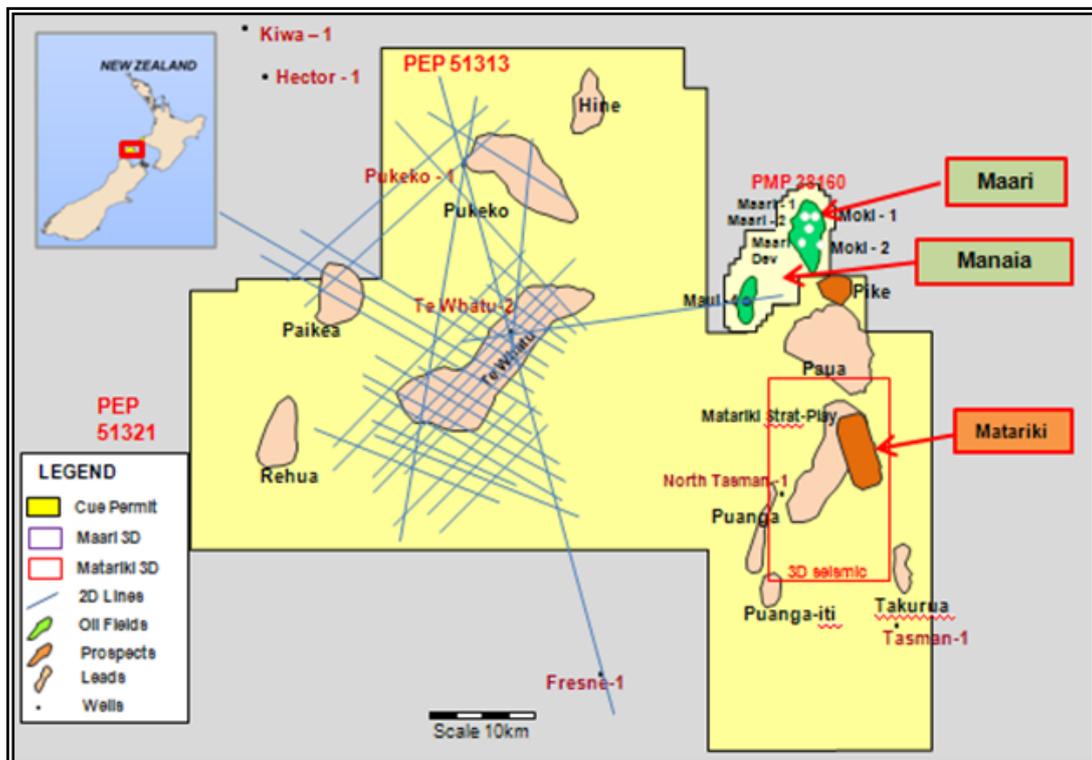
Operator: Todd Exploration Limited

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 has proposed to 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 is considering whether to extend this survey into the PEP51313 permit with a view to further defining the Pike prospect with a view to drilling the prospect using the rig which is mobilised for Maari appraisal drilling.

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 1Q 2012



Permit PEP 51313 adjacent to Maari Field

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 57,013 barrels which generated A\$6.5 million in revenue received. Oil from Maari and Manaia is being commingled and produced jointly.

Production was below forecast due to continued electrical submersible pump (ESP) problems. The ESP in the MR1 well was replaced during the quarter and problems were experienced in restarting the pump after the workover. The fault was eventually traced to a failure in the power console of the variable speed drive unit at surface. A workover was successfully completed to replace the ESP in MR4. The well was brought back into production in mid July. A further failure of the MR5 ESP during the quarter was traced to a failure of a cable splice 12 metres below tubing hanger. A workover was successfully completed to resplice the cable. The MN1 well tripped on high current. Several attempts to restart the pump failed. It has been concluded that the ESP has failed downhole. A workover is in progress to replace the defective ESP. The operator is working with the pump supplier, Schlumberger to maximise the pump run life. Weatherford's Clearwell scale control technology has been installed and is being trialled to determine whether it will inhibit scale formation within the ESPs.



Workover Rig in Operation—Maari Platform

A subsurface workshop was held in September to review reservoir performance to date and to determine further appraisal and development activities required to develop the additional reserves within the Maari and Manaia fields

INDONESIA

Sampang PSC – Madura Strait (15% interest)

Operator: Santos

◆ Oyong Field

Oil production continued at an average rate of 2,440 bopd for the quarter which is above the 2011 budget of 2000bopd. Cue's share of oil sales receipts was 45,324 barrels which generated A\$4.9 million in revenue received during the quarter. Cue's share of gas sales receipts was 655,346 million cubic feet which generated A\$1.7 million in revenue received during the quarter. The Oyong facility continues to operate in excess of 98% uptime.

The Oyong facility was shut down on 28th September to execute the project works required to tie in the Wortel wellhead platform and for installation of the Oyong Platform jacket extension.

◆ Wortel Field

The Wortel gas field development continues to progress to plan with first gas expected in December 2011. The project is expected to be completed within the budget of USD105.1 million (Cue share USD15.8 million). The Wortel wellhead platform jacket and the Oyong platform jacket extensions have been successfully installed and piled into position. The pipeline interconnecting Wortel with Oyong is currently being laid. The combined Oyong and Wortel gas production rate is expected to be around 90 mmscf per day from the end of 2011.



Oyong Platform Extension Jacket Piling

Mahakam Hilir PSC (40% interest)

Operator: Singapore Petroleum

Cue has received approval from MIGAS for the farmin to the Mahakam Hilir Permit. The farmin transaction has been completed and the farmin consideration paid to SPC. Preparations are underway to drill the first two exploration wells called Naga Utara (Northern Dragon) and Naga Selatan (Southern Dragon). Drilling is expected to commence in December. The most likely recoverable reserves have been estimated to be 80BCF of gas and 20 million barrels of oil from the two prospects, respectively.



**SPC Staff Surveying Naga Selatan Well Location
Kalimantan, Indonesia**

PAPUA NEW GUINEA

PDL 3 – SE Gobe Field, PNG (5.568892% interest)

Operator: Santos

SE Gobe Unit, PNG (3.285646% interest)

Operator: Oil Search (PNG) Limited

Cue's share of oil sales receipts was 5,992 barrels of oil from the SE Gobe field during the quarter which generated A\$0.68 million in revenue received.

The construction of facilities to process the associated and gas cap gas from SE Gobe is underway. The gas which will be used for commissioning the PNG LNG gas pipeline and LNG processing plant is expected to be produced from June 2012



**Construction of the Associated Gas Processing Plant
in Progress at SE Gobe, PNG**

- ◆ **PRL14 (formerly PPL190)**
Operator: Oil Search (PNG) Limited

No significant activity to report.

CORPORATE

During the quarter Standards and Poors initiated coverage of Cue Energy Resources and issued its first Factual Stock Report on 24th September 2011.

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")

30 September 2011

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date 3 months \$A'000
1.1 Receipts from product sales and related debtors	13,760	13,760
1.2 Payments for (a) exploration and evaluation (refer 2.2)	(798)	(798)
(b) development	(4,513)	(4,513)
(c) production	(2,460)	(2,460)
(d) administration	(957)	(957)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	73	73
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	(1,750)	(1,750)
1.7 Other – Hedging	(451)	(451)
Net Operating Cash Flows	2,904	2,904
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects		
(b) equity investments		
(c) other fixed assets	(38)	(38)
1.9 Proceeds from sale of:		
(a) prospects	7,984	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)		
Net investing cash flows	7,946	7,946
1.13 Total operating and investing cash flows (carried forward)	10,850	10,850

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	10,850	10,850
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	58	58
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings (refer 3.1(i))	-	-
1.17	Repayment of borrowings	(1,451)	(1,451)
1.18	Dividends paid	-	-
1.19	Share Issue Costs	-	-
	Net financing cash flows	(1,393)	(1,393)
	Net increase (decrease) in cash held	9,457	9,457
1.20	Cash at beginning of quarter/year to date	52,811	52,811
1.21	Exchange rate adjustments to item 1.20	5,595	5,595
1.22	Cash at end of quarter	67,863	67,863

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	73
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)	-	4,102
3.2 Credit standby arrangements	-	-

⁽ⁱ⁾ 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	8,717
4.2 Development	8,597
4.3 Production	5,781
4.4 Administration	949
Total	24,044

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	355	10
5.2 Deposits at call	67,508	52,801
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	67,863	52,811

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	-	-	-

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 Preference +securities <i>(description)</i>	-	-	-	-
7.2 Changes during quarter				
(a) Increases through issues	-	-	-	-
(b) Decreases through returns of capital, buy-backs, redemptions	-	-	-	-
7.3 +Ordinary securities	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 +Convertible debt securities <i>(description)</i>	-	-	-	-
7.6 Changes during quarter				
(a) Increases through issues	-	-	-	-
(b) Decreases through securities matured, converted	-	-	-	-
7.7 Options <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 Debentures (totals only)	-	-		
7.12 Unsecured notes (totals only)	-	-		

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: 26 October 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 30 SEPTEMBER 2011

Amended List of Mining Tenements

PERMIT	OPERATOR	CUE INTEREST (%)
Petroleum Properties		
Indonesia		
Sampang PSC ⁽ⁱ⁾	Santos (Sampang) Pty Ltd	15.00
Mahakam Hilir PSC	SPC (Mahakam Hilir) Pte Ltd	40.00
Papua New Guinea		
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
Australia		
WA-359-P	Apache Northwest Pty Ltd	30.00
WA-360-P ⁽ⁱⁱ⁾	MEO Australia Limited	15.00
WA-361-P	MEO Australia Limited	15.00
WA-389-P	Woodside Burrup Pty Ltd	35.00
WA-409-P	Apache Northwest Pty Ltd	30.00
New Zealand		
PMP 38160	OMV New Zealand Limited	5.00
PEP 51313	Todd Exploration Limited	20.00
PEP 51149	Todd Exploration Limited	20.00
⁽ⁱ⁾	Economic interest in the Jeruk field	8.181818
⁽ⁱⁱ⁾	Subject to Joint Venture and Government Approval increased to 30%	