



Cue Energy Resources Limited

A.B.N. 45 066 383 971

20 July 2012

PAGES (including this page): 23

Company Announcements Office
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20 Bond Street
Sydney NSW 2000

Quarterly Report for Period Ending June 30 2012

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

Yours faithfully

Andrew M Knox
Public Officer

CUE ENERGY OVERVIEW

Cue is an Australian based oil & gas company with projects in Australia, New Zealand, Indonesia and PNG.

THE COMPANY HAS:

- Long life production
- A strong balance sheet
- An active exploration program

CUE ENERGY DIRECTORS

- Richard Tweedie (Chairman)
- Timothy Dibb
- Geoffrey King
- Steve Koroknay
- Paul Moore
- Leon Musca
- Andrew Young

CUE ENERGY MANAGEMENT

- Mark Paton (CEO)
- Andrew Knox (CFO)
- David Whittam (Exp Man)
- Alex Parks (CCO)

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LISTINGS

ASX:	CUE
NZX:	CUE
POMSOX:	CUE
ADR/OTCQX:	CUEYY



Cue Energy Resources Limited

QUARTERLY REPORT

FOR THE QUARTER ENDING 30 June 2012

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



Ocean America Drilling Rig on Location at Banambu Deep-1

QUARTERLY REPORT

FOR THE QUARTER ENDING 30 June 2012

HIGHLIGHTS

Exploration Projects

- Mahakam Hilir PSC onshore Kutei Basin, Indonesia:

The drilling and testing of the Naga Utara –1 gas discovery well was completed. Appraisal planning is underway.

Naga Selatan oil exploration well encounters hydrocarbons with interpretation of results indicating significant up-dip potential.

- Foxhound 3D seismic survey in WA-360-P confirms sizable Maxwell prospect.
- Banambu Deep free carried drilling completed, rig moving to Ananke-1 between Wheatstone and Maxwell prospect. Data from Banambu Deep-1 is being incorporated into Cue's significant North West Shelf seismic database to firm up drilling candidates for next phase of exploration, with the Caterina prospect showing promise.

Development Projects

- Wortel gas fully onstream and delivering the daily contract quantity of 90 Billion BTU/day with very high reliability.
- Maari second stage development being progressed with appraisal drilling confirmed for first half 2013 subject to rig contract.

FINANCIAL SUMMARY

- **Quarterly Revenue**

Revenue receipts from hydrocarbon production for the quarter were A\$11.1 million on sales of 50,994 barrels of oil and 378 million cubic feet of gas. Some Maari revenue delayed until July due to change to quarterly liftings.

- **Hedging**

Cue has no hedging in place.

- **Project Debt**

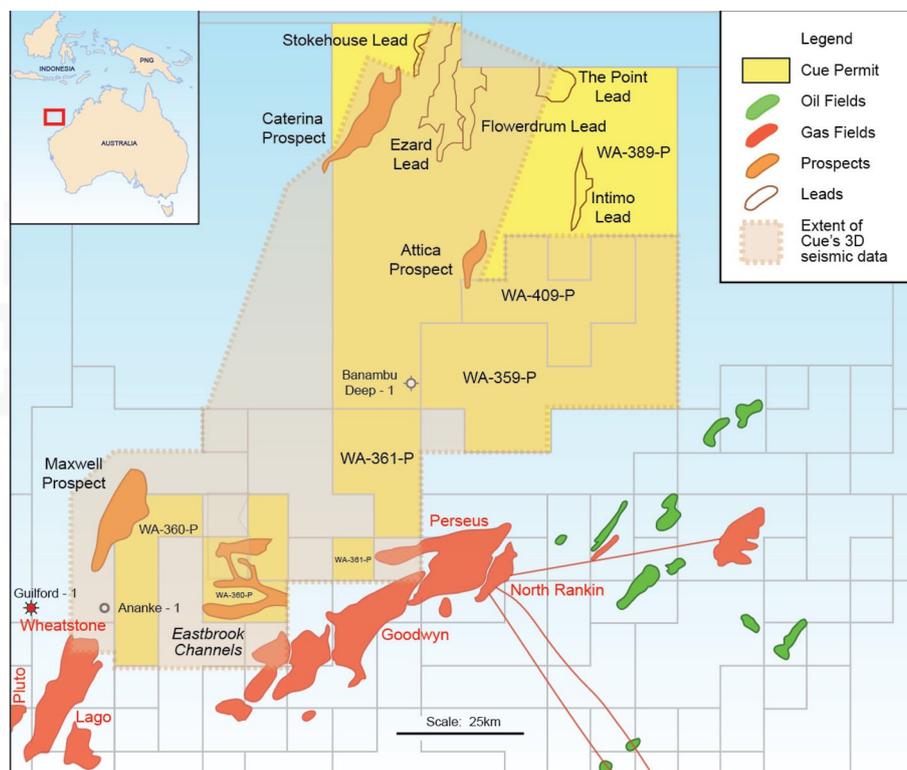
Cue has no debt.

- **Cash Position**

Cash on hand at the end of the quarter is A\$33.7 million.

ACTIVITY REVIEW

AUSTRALIA



Carnarvon Basin Licenses showing prospects, leads, seismic

Cue has over 7,000km² of modern 3D seismic data over the North Carnarvon Basin and is re-evaluating all permits with this data and integrating all recent key well data. This work will reinvigorate Cue's prospects and leads inventory in this highly prospective petroleum province.

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

The final Zeebries fully processed seismic data was delivered to Cue in May, 2012. The Joint Venture is undertaking detailed interpretation of this data to assess the prospectivity of the permit.

The primary permit expires on 31 July, 2012 and the Joint Venture has submitted a renewal program that is based on further geological and geophysical studies as a guaranteed work program. The operator is waiting to be notified by NOPTA of its acceptance of this proposal.

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

Cue as the original license holder had previously farmed down its equity to Woodside for a free carry through the seismic and initial drilling phase. During the last quarter Woodside farmed down part of their equity to BHP Billiton who earned 40% equity in return for funding the drilling of Banambu Deep-1 to a capped amount. The Banambu Deep-1 well was spudded on 29th May 2012 and reached total depth of 4696 mMD on the 26th June 2012 within the Mungaroo Formation.

The primary and secondary intra-Mungaroo channel fluvial sandstone units were intersected according to pre-drill prediction; however both intervals were found to be water-bearing. A full wire-line log evaluation was conducted prior to the well being plugged and abandoned as planned on the 12th July 2012.

Several prospects and leads remain within the acreage. The Banambu Deep-1 well results will be integrated into the evaluation of the remaining potential of the permit with a view to firming up candidates for future drilling in the permit. Significant work has already been done to bring the Caterina prospect to drillable status and this is a strong candidate for the next well.



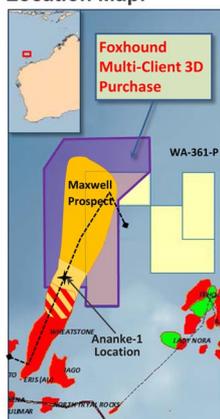
Ocean America Semi Submersible Drilling Rig

**WA-360-P Carnarvon Basin –Western Australia
(37.5% interest)**

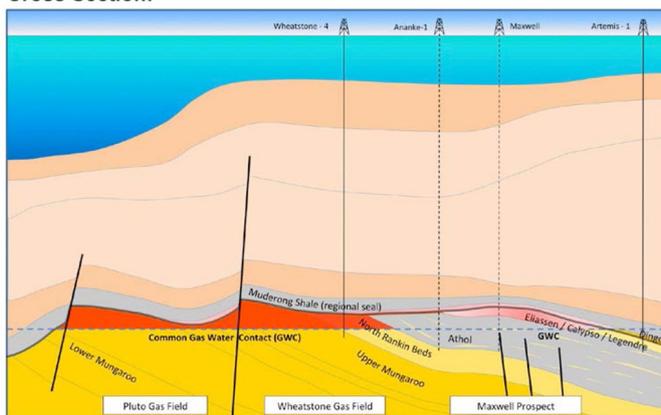
Operator: MEO Australia Ltd

Following the renewal of the permit in March 2012, the Joint Venture elected to accelerate the Year 1 Work Program with the purchase of a portion of the Foxhound 3D seismic survey over WA-360-P. Subsequently additional data was purchased in areas adjacent to the permit that will improve the well tie to Wheatstone and the interpretation and mapping of the Maxwell prospect. The initial interpretation of the data supports Cue’s earlier mapping of Maxwell and shows that the results of Woodside’s Ananke-1 well (which follows Banambu Deep on the Ocean America schedule) will be significant in advancing Maxwell to drillable status (see diagram below).

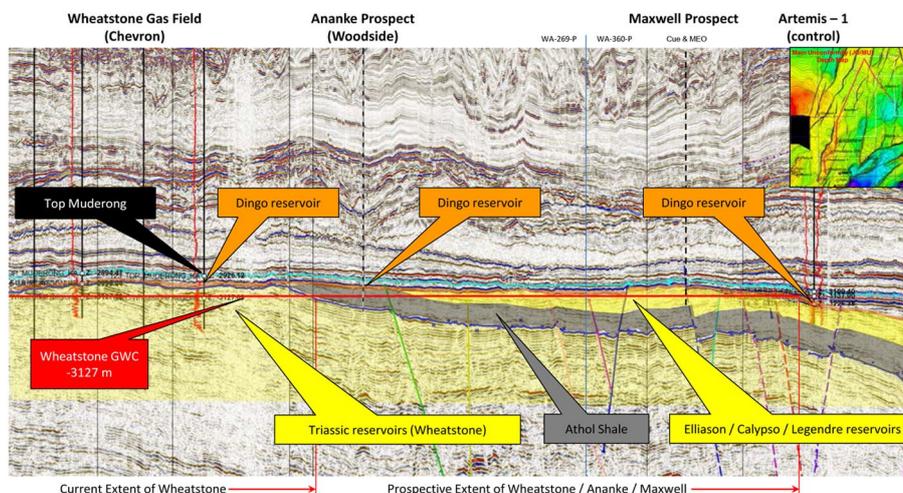
Location Map:



Cross Section:



Seismic Cross Section:



*Relationship between Maxwell Prospect (WA-360-P), forthcoming Ananke-1 well and Wheatstone
(Modified from MEO data)*

**WA-361-P Carnarvon Basin – Western Australia
(15% interest)
Operator: MEO Australia Ltd**

During 4Q, 2011 Fugro Multi Client Services Pty Ltd completed the acquisition of the 1,318 sq km Zeus multi-client 3D seismic survey. The Joint Venture has committed to purchase 363 sq km of this survey which will meet the Permit Year 2 (Jan 2012 – Jan 2013) work program obligation. The final processed data is expected to be received in Q3 2012 and will be merged with the existing data set, prior to interpretation and prospect evaluation.

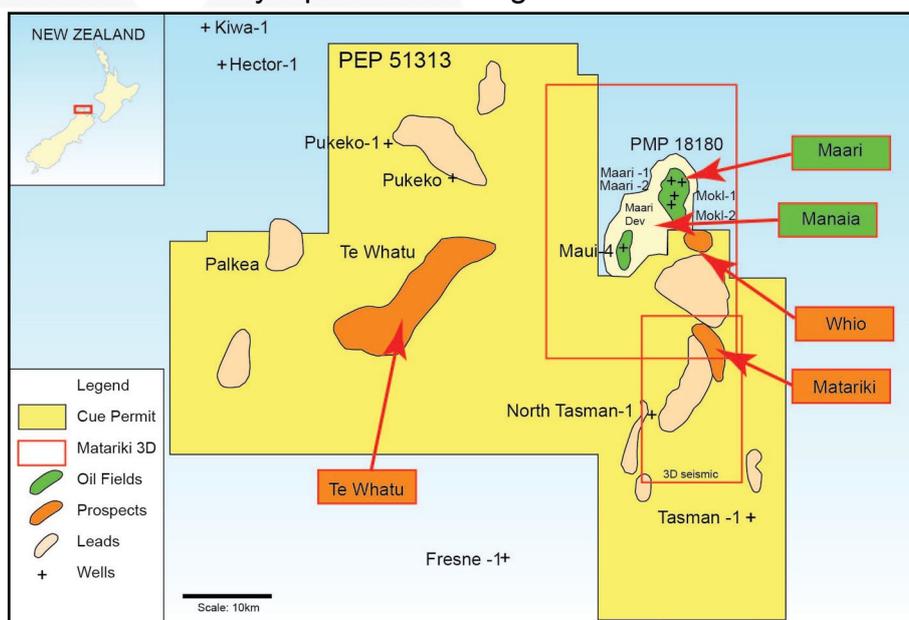


Ocean America Semi Submersible Drilling Rig

NEW ZEALAND

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

The new 2D seismic data acquired and processed in 2011 completed the license commitment until July 2012 for the western area of the permit. This data has been integrated with the existing 2D seismic and fully interpreted over the permit which has enhanced the understanding of the Cretaceous North Cape Formation and highlighted the potential for this to form a significant play in the acreage. The Te Whatu prospect and the Pukeko North East prospect both stand out as robust structures that have four way dip closure with good vertical relief.



PEP 51313 Prospects and Leads Map

Both prospects benefit from local well control with the Pukeko-1 well, drilled in 2004 by a previous block owner, which encountered live oil in sidewall cores taken within reservoir quality sandstones of the North Cape Formation, proving the key play elements are present in the prospect area. The well demonstrates the presence of reservoir and seal, both of which can be tied using the new 2D data across both structures and across to the Maui-4 well. Maui-4 was a deep well that penetrated the Rokopi Formation which contains coals and shales that provide the proven oil prone source rocks for the discovered fields. These source beds can be correlated into the western portion of PEP 51313 and directly underlie the Te Whatu and Pukeko East prospects, where they are currently mature for oil generation.

Estimates of the range of undiscovered oil in place for the Te Whatu and Pukeko North East prospects are shown in Table 1. Both prospects are assessed as having significant potential with moderate probability of success. The Joint Venture is currently electing to enter the next license phase which is a two year term requiring a commitment to acquire a minimum of 250km² of 3D seismic data.

	P90	P50	P10	Mean
Te Whatu	42	137	399	187
Pukeko North East	23	78	237	111
Whio	21	39	110	42

Table 1 PEP 51313: Undiscovered Petroleum Initially In Place

A new 288 square kilometre 3D seismic survey was acquired jointly over the PMP 38160 (Maari, Manaia Fields) and the PEP 51313 Whio prospect (formerly Pike) and the Paua lead. The survey was acquired in March 2012 and the data is currently being processed. The newly acquired 3D data will be merged with the existing Matariki 3D survey to provide a 3D seismic volume covering the Maari producing area and the prospects in the eastern portion of the permit. The merged volume is expected to be received during the 4Q of 2012 and will allow Cue to map the subsurface “fill and spill” chain from Maari through Whio, to Paua and Matariki.

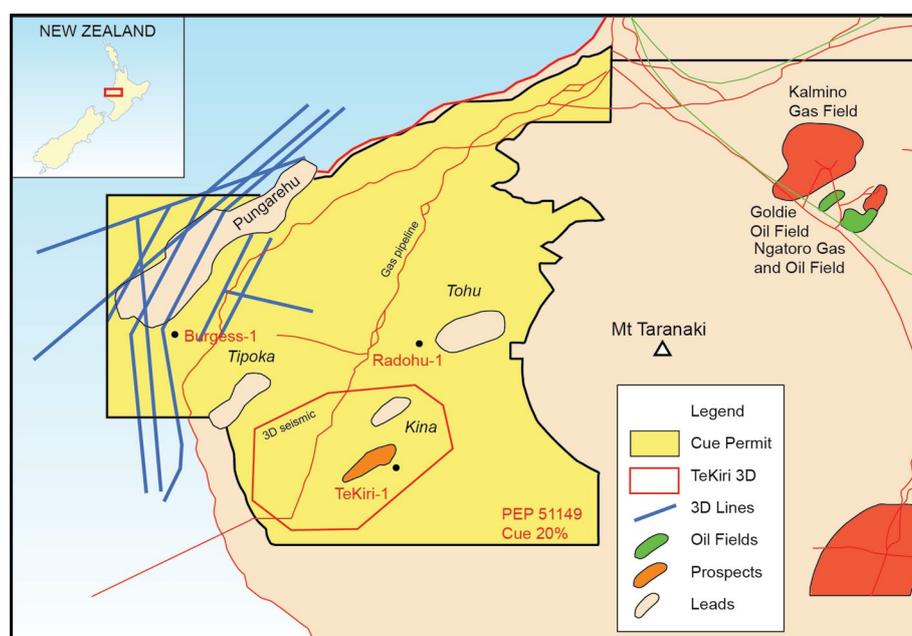
The Whio prospect has been evaluated using the existing 3D dataset and interpretation will be updated when the new processed data becomes available. The prospect is a modest-sized, robust structural culmination with four-way dip closure at the same three vertically stacked productive levels encountered within the Maari Field. The estimates of aggregated undiscovered in place petroleum for the three potential reservoir units are shown in Table 1. The Whio prospect is assessed to have a high probability of success.

The recent 3D data acquired over the Whio and Paua leads satisfies the eastern area license commitment and the current term is due for renewal before the 29th October 2012. The Joint Venture plans to enter the next license term which requires a

commitment to drill a well within a two year period. Discussions are ongoing with the Maari Joint Venture with a view to gaining access to the Maari facilities for Whio production, in the event of a discovery. The Joint Venture is liaising with other New Zealand permit holders with a view to sharing the mobilization costs of a rig in Q2 2013 which could be used to drill Whio.

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

Interpretation of the new Pungarehu 2D seismic data has been completed to mature the existing prospects and identify new leads. The operator has proposed that the Joint Venture complete reprocessing of the existing 3D seismic data covering the Te Kiri prospect using pre-stack depth migration (PSDM). The aim of the reprocessing is to provide improved resolution of the velocity anomaly over the Te Kiri North feature and potentially reduce the trap risk of the prospect. Acquisition of additional 3D seismic data in the permit is being considered to identify further prospectivity and to assess risks associated with the drilling of Pungarehu.



Map of New Zealand Permit 51149

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 41,667 barrels which generated A\$4.6 million in revenue received. Oil from Maari and Manaia is being commingled and produced jointly.

Reliability of the downhole electrical submersible pumps has improved significantly and all wells have been producing since late April. Average production during May and June was 12,000 bopd (Cue share 600 bopd) with 98.4% uptime.

Processing of the recently acquired 3D seismic over the Maari field and adjacent Whio prospect is on-going with first data expected in the fourth quarter of this year.



Maari Wellhead Platform and Raroa FPSO

INDONESIA

Sampang PSC- Madura Strait (15% interest)

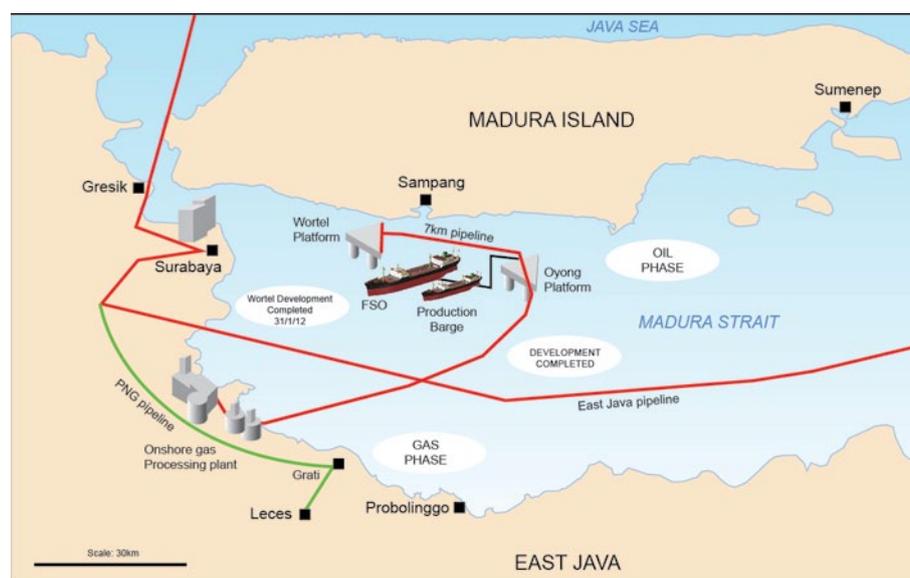
Operator: Santos

- **Oyong Field**

Cue's share of condensate sales receipts was 368 barrels which generated A\$0.03 million in revenue and gas sales of 377,829 mcf which generated A\$1.0 million in revenue received during the quarter. The Oyong oil production rate is currently around 2500 bopd (gross) and the gas rate is 38 MMscfd (gross). The reliability of the production facilities has been excellent.

- **Wortel Field**

Cue's share of gas sale receipts during the quarter was 827,078 mcf which generated A\$4.4 million in revenue. Wortel-3 and Wortel-4 are both flowing at a combined rate of 47MMscfd (million standard cubic feet per day). The combined rate of Oyong and Wortel gas is 85MMscfd (90BBTU/d) (Billion British thermal units per day) which is equal to the contract quantity to be sold to PT Indonesia Power.



Oyong and Wortel Field Schematic and Location Map

Mahakam Hilir PSC (40% interest)**Operator: SPC Mahakam Hilir Pte Ltd**

- **Naga Selatan**

Naga Selatan-1 spudded on the 21 April 2012 and was completed on the 1 July 2012, reaching a total depth of 8,300 feet MD in 8 ½ inch hole. The wire-line logs showed several zones of interest with possible low saturation gas. Thick sandstone intervals were encountered with fair to good porosity. Unfortunately, side-wall core and MDT pressure and fluid sample points required to test these zones could not be completed due to poor hole conditions. Naga Selatan-1 was plugged and abandoned as a well with oil and gas shows.

The well was positioned at the intersection of two 2D seismic lines, interpreted to be just off the crest of the structure. Data from the well and subsequent reinterpretation of the seismic indicates the well is further off the crest than originally thought. Given the down dip position of the well, (based on the dipmeter results), multiple zones of low saturation hydrocarbons, and reasonable reservoir facies, there may be substantial movable hydrocarbon volumes remaining up-dip in closure. The Mahakam Hilir Joint Venture will reassess the remaining potential at Naga Selatan. With the new wire-line log data, including VSP and sonic data, the existing seismic can be reprocessed to improve the structural interpretation.

- **Naga Utara**

Naga Utara-1 was spudded on the 5th January 2012 and was completed on the 26th March 2012. During the drilling of Naga Utara-1 the well intersected a high pressure gas zone below 4,780 feet. The well kicked and there was a significant flow of gas into the well. During the operations to kill the well, a 20-25 foot flame was observed in the flare pit over a seven day period.



25 foot high gas flare at Naga Utara-1 during operations to kill the well

During well kill operations the bottom hole assembly and drill pipe became stuck at a depth of 4,887 feet. The well was plugged back and sidetracked below the last casing shoe at 3,000 feet and the sidetrack well encountered two gas bearing sands at comparable depths to original hole which was 200 feet away. Wire-line logging resulted in a MDT test point giving 60mD permeability and sweet thermogenic gas with only 0.5% CO₂. A bare-foot well test was conducted during which there was an intermittent flow of gas and a small amount of crude oil was produced. However, the result was inconclusive and this has been attributed to hole collapse and the blocking of the sand screens which were run on the bottom of the test string.

The well has been suspended as a gas discovery with oil shows. Petrophysical interpretation and seismic mapping following completion of drilling has provided encouraging indications of a large resource at Naga Utara but it is too early to give an estimate of volume. The Mahakam Hilir Joint Venture is preparing a follow-up well to assess the discovery.

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 8959 barrels of oil from the SE Gobe field during the quarter which generated A\$1.1 million in revenue received.



SE Gobe Facilities

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

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

No significant activity to report.

CORPORATE

David Whittam, the new Exploration Manager commenced work with Cue on the 18th of June 2012. The Board and Management of Cue wish him the best of luck in his new role.



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 June 2012

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date 12 months \$A'000
1.1 Receipts from product sales and related debtors	11,127	41,548
1.2 Payments for (a) exploration and evaluation (refer 2.2)	(6,289)	(15,575)
(b) development	(1,925)	(21,701)
(c) production	(5,737)	(15,738)
(d) administration	(1,537)	(5,060)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	61	266
1.5 Interest and other costs of finance paid	-	(52)
1.6 Income taxes paid	(5,930)	(8,257)
1.7 Other – Hedging	-	(926)
Net Operating Cash Flows	(10,230)	(25,495)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects		
(b) equity investments		
(c) other fixed assets	(13)	(65)
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)		
Net investing cash flows	(13)	7,919
1.13 Total operating and investing cash flows (carried forward)	(10,243)	(17,576)

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(10,243)	(17,576)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	590	648
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings (refer 3.1(i))	-	-
1.17	Repayment of borrowings	-	(5,343)
1.18	Dividends paid	-	-
1.19	Share Issue Costs	-	-
	Net financing cash flows	590	(4,695)
	Net increase (decrease) in cash held	(9,653)	(22,271)
1.20	Cash at beginning of quarter/year to date	42,325	52,811
1.21	Exchange rate adjustments to item 1.20	1,061	3,193
1.22	Cash at end of quarter	33,733	33,733

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	350
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

Appendix 5B
Mining exploration entity quarterly report

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	2,212
4.2 Development	720
4.3 Production	3,452
4.4 Administration	1,617
Total	8,001

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	133	123
5.2 Deposits at call	33,600	42,202
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	33,733	42,325

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	698,119,720	698,119,720	-	-
7.4 Changes during quarter				
(a) Increases through issues	2,966,667	2,966,667	-	-
(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>	1,033,333	-	<i>Exercise Price</i> 15 cents	<i>Expiry</i> 19/04/12
	533,334		20 cents	19/04/12
	866,667		22.5 cents	19/04/12
	866,666		25 cents	19/04/12
	333,333		35 cents	19/04/12
7.8 Issued during quarter	-	-	-	-
7.9 Exercised during quarter	2,966,667	-	-	-
7.10 Expired during quarter	666,666	-	-	-
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: 20 July 2012
 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 JUNE 2012

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	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
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