



## Cue Energy Resources Limited

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

DATE : 24 January 2011

PAGES (including this page): 14

FROM : Andrew Knox

RE : **Quarterly Report for Period Ended 31 December 2010**

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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

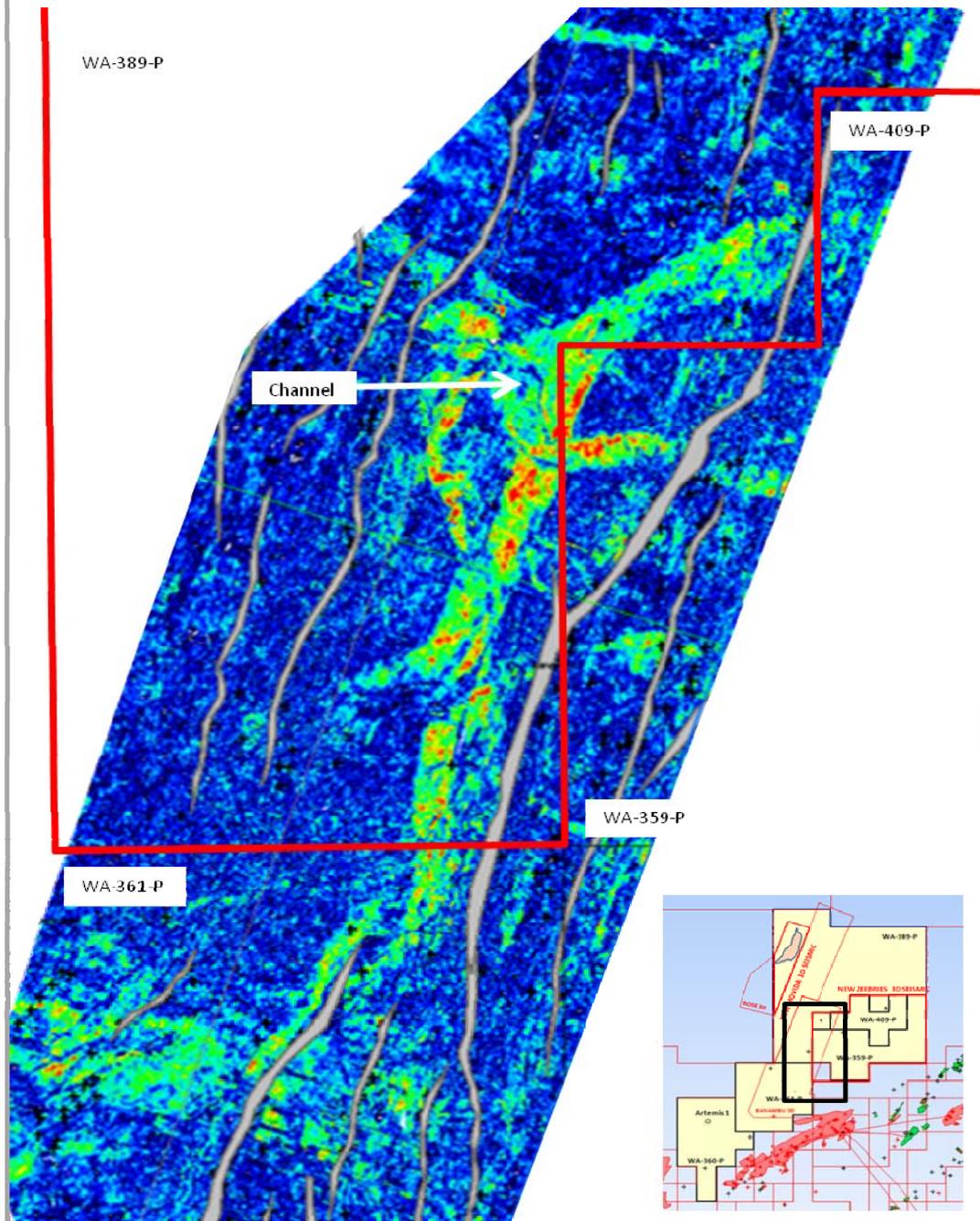


# QUARTERLY REPORT

FOR THE QUARTER ENDING 31 DECEMBER 2010

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

## *Carnarvon Basin- Triassic Channel Gas Play*





## **QUARTERLY REPORT**

**FOR THE QUARTER ENDING 31 DECEMBER 2010**

### **HIGHLIGHTS**

- > **Cash up 14% to A\$40.6 million**
- > **Revenue up 24% to A\$14.4 million**
- > **Debt reduced by 18% to US\$8 million at end of quarter**
- > **Receipt of US\$5 million past costs for WA-389-P from Woodside in January 2011**
- > **Wortel Gas Field gas sales contract signed and development approved. Added reserves of 14 BCF.**
- > **3D seismic acquisition begins in WA-359-P and WA-409-P**

### **UPCOMING EVENTS**

- > **3D seismic acquisition to start in WA-389-P around February 2011**
- > **The sale of 20% interest in AC/RL7, the Cash-Maple field is expected to be finalised in first quarter 2011**

# SUMMARY

## FINANCIAL AND CORPORATE

- **Quarterly revenue**

Revenue receipts for the quarter was A\$14.4 million on sales of 160,859 barrels of oil and 727 million cubic feet of gas.

- **Cash at end of quarter**

Cash increased A\$5.1 million over last quarter to A\$40.6 million.

Subsequent to the end of the quarter US\$5 million back costs for WA 389P was received from Woodside.

- **Hedging**

CUE has hedged 15,000 barrels of oil per month for the period May through December 2010 at a price of Tapis US\$86 per barrel. This represents a quarter of what CUE had forecast for oil production for the period. Net hedging receipts for the quarter was A\$0.3 million.

- **Debt**

Borrowings have been reduced by 18% to approximately US\$8 million since the last quarter and down from US\$20 million a year ago.

## OPERATIONS

### New Zealand

- ◆ **Maari Field**

- Various well work overs were undertaken during the quarter.
- A small oil spill required oil production to be shut in for 7 days.

### Indonesia

- ◆ **Oyong Field**

Oil production continued at above originally forecast rates.

- ◆ **Wortel Field**

Development of the field was approved by the Sampang PSC joint venture and a gas sales contract was signed for all the field gas with PT Indonesia Power.

### Australia

- ◆ **WA-359-P, WA-409-P**

During the quarter, Apache Northwest Pty Ltd agreed to farmin to both permits and began acquiring 3D seismic data over both.

# ACTIVITY REPORT

## PRODUCTION / DEVELOPMENT ACTIVITY

### PAPUA NEW GUINEA

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

***Operator: Santos***

***SE Gobe Unit, PNG (3.285646% interest)***

***Operator: Oil Search***

CUE's received oil production revenue during the quarter from the SE Gobe field was A\$0.83 million which equated to 9,817 barrels of oil.

### INDONESIA

***Sampang PSC – Oyong Field – Madura Strait, East Java, Indonesia (15% interest)***

***Operator: Santos***

#### ◆ **Oyong Field**

CUE's received oil production revenue during the quarter from the field was A\$3.88 million which equated to 45,852 barrels of oil.

CUE's received gas production revenue during the quarter from the field was A\$1.96 million which equated to 727 million cubic feet of sales gas.

Produced volumes were reduced due to a planned maintenance shutdown in early November.

#### ◆ **Wortel Field**

During the quarter a gas sales agreement was signed for all of the field's gas with PT Indonesia Power (IP) for use in IP's electricity generating stations at Grati, East Java.

The combined Oyong and Wortel gas production rate is expected to be around 90 mmscf/day when Wortel begins gas production around the end of 2011. Oyong is currently producing around 60 mmscf/day.

Following the signing of the gas sales agreement, the Sampang PSC joint venture approved development of the field. Development costs are expected to be approximately US\$100 million with Cue's share being approximately US\$15 million. Wortel is currently assessed to contain 104 BCF, 14 BCF net to Cue, of sales gas in a mid case.

## **NEW ZEALAND**

***PMP 38160 (Granted from December 2005, for 22 years)***

***Taranaki Basin – New Zealand (5% interest)***

***Operator: OMV New Zealand***

### **◆ Maari and Manaia Fields**

Oil production revenue from the two fields received during the quarter was A\$7.7 million which equated to 105,190 barrels. Oil production from Maari and Manaia is being commingled and produced jointly.

A small oil leak on 18 October 2010 occurred during water de-ballasting operations on the Maari FPSO Ranoa due to a faulty flange. On 20 November production was shut in for 7 days when an oil sheen was observed. Divers examined the underside of the FPSO and determined that the sheen resulted from a small amount of residual oil trapped under the hull from the 18 October leak.

Measures have been implemented to ensure that this type of accidental discharge will not occur again.

# EXPLORATION AND APPRAISAL ACTIVITIES

## AUSTRALIA

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

**Operator: Apache Northwest Pty Ltd**

The farmout to Apache was finalised during the quarter. Acquisition of the approximately 1750 square kilometre Zeebries 3D seismic survey began in late November 2011 and is expected to take approximately three months to acquire. It is expected to define several new drillable prospects.

### **WA-389-P Carnarvon Basin –Western Australia (35% interest)**

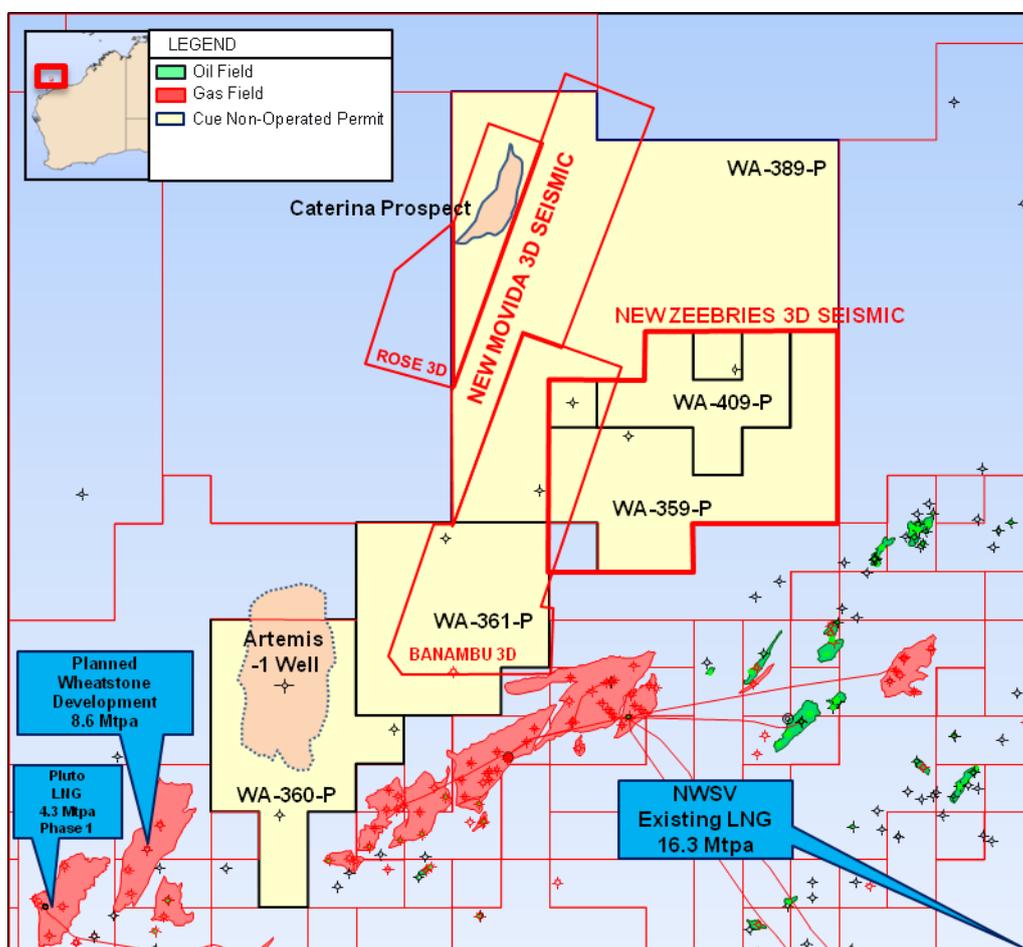
**Operator: Woodside Burrup Pty Ltd**

In January 2011, Cue received payment from Woodside of US\$5 million for past costs.

Acquisition of the Movidia 3D seismic survey is expected to commence in February 2011.

Reprocessing of the Banambu 3D seismic survey has commenced.

Cue is free carried in a well which is expected to commence drilling late 2011 or early 2012.



**T/37P and T/38P Bass Strait Australia (50% interest)**

**Operator: Cue Energy Resources Limited**

During the quarter Cue gave notice that it would withdraw from T/37P and T/38P in the Bass Basin. Cue's co-venturer Exoil Limited has agreed to accept Cue's interest in the permits subject to various government approvals. Cue has elected to withdraw from the permits as it believes the remaining exploration potential does not warrant its participation in the upcoming well commitment in T/37P and 200 square kilometres of 3D seismic commitment in T/38P.

**CORPORATE**

During the quarter Cue's Chief Executive Officer, Bob Coppin elected to retire in February 2011 after sixteen years in the company, 12 years as CEO. In that time Bob has overseen Cue's growth to its current position of a well balanced exploration and production portfolio with excellent potential for substantive future growth.

In December Mark Paton was appointed as the new CEO effective 8 February 2011. Mark began his career with BP followed by BHP Petroleum. He jointly founded the very successful Upstream Petroleum which provided operation and maintenance services, project management, engineering and subsea services to the Australian oil and gas industry. After ten years, Upstream Petroleum was sold to the AGR Group of Norway and Mark has currently been consulting to AGR Asia Pacific.

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 2010

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date 6 months \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	14,413	26,038
1.2 Payments for (a) exploration and evaluation (refer 2.2)	(58)	(694)
(b) development	(1,650)	(3,367)
(c) production	(1,810)	(4,519)
(d) administration	(646)	(1,479)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	60	187
1.5 Interest and other costs of finance paid	(44)	(108)
1.6 Income taxes paid	(2,126)	(2,198)
1.7 Other – Hedging	265	944
<b>Net Operating Cash Flows</b>	<b>8,404</b>	<b>14,804</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)
1.9 Proceeds from sale of:		
(a) prospects		
(b) equity investments	-	5,757
(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>-</b>	<b>5,754</b>
1.13 Total operating and investing cash flows (carried forward)	8,404	20,558

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

1.13	Total operating and investing cash flows (brought forward)	8,404	20,558
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings (refer 3.1(i))	-	-
1.17	Repayment of borrowings	(1,744)	(3,838)
1.18	Dividends paid	-	-
1.19	Share Issue Costs	-	-
	<b>Net financing cash flows</b>	(1,744)	(3,838)
	<b>Net increase (decrease) in cash held</b>	6,660	16,720
1.20	Cash at beginning of quarter/year to date	35,528	29,373
1.21	Exchange rate adjustments to item 1.20	(1,566)	(5,471)
1.22	<b>Cash at end of quarter</b>	40,622	40,622

**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	50
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

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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)	-	8,034
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	1,473
4.2 Development	4,158
4.3 Production	3,307
4.4 Administration	1,150
<b>Total</b>	<b>10,088</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	11	199
5.2 Deposits at call	40,611	35,329
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>40,622</b>	<b>35,528</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	WA-359-P	Working	50	30
	WA-409-P	Working	50	30
6.2 Interests in mining tenements acquired or increased	-	-	-	-

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

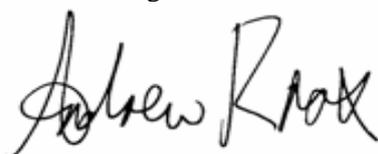
**Issued and quoted securities at end of current quarter**

*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 <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>	693,319,718	693,319,718	-	-
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>
	1,700,000	-	15 cents	19/04/12
	1,033,336	-	20 cents	19/04/12
	1,366,666	-	22.5 cents	19/04/12
	1,366,665	-	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: 21 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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**QUARTERLY REPORT OF CONSOLIDATED CASHFLOWS**  
**- QUARTER ENDED 31 DECEMBER 2010**

**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
<b>Papua New Guinea</b>		
PPL 190	Oil Search Limited	10.947
PDL 3	Barracuda Pty Ltd	5.568892
PRL 9	Barracuda Pty Ltd	14.894
SE Gobe Field Unit	Oil Search (PNG) Limited	3.285646
<b>Australia</b>		
T/37P	Cue Energy Resources Limited	50.00
T/38P	Cue Energy Resources Limited	50.00
WA-359-P <sup>(ii)</sup>	Apache Northwest Pty Ltd	30.00
WA-360-P	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 <sup>(ii)</sup>	Apache Northwest Pty Ltd	30.00
AC/RL7	PTTEP (Australasia) (Ashmore Cartier) Pty Ltd	20.00
<b>New Zealand</b>		
PEP 38413	OMV New Zealand Limited	5.00
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 government approval		