



## Cue Energy Resources Limited

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

DATE : 22 July 2010

PAGES (including this page): 15

FROM : Andrew Knox

RE : **Quarterly Report for Period Ended 30 June 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 30 JUNE 2010**



Maari FPSO



**QUARTERLY REPORT  
FOR THE QUARTER ENDING 30 JUNE 2010**

**HIGHLIGHTS:**

- **Cash up ~24% to A\$29.4 million**
- **Additional cash increase forecast for next quarter**
  - **including US\$5 million for WA-389-P back costs**
  - **and US\$5.14 million from sale of Kimu field**
- **Revenue up ~19% to A\$16.4 million**
- **Hedging receipts for May A\$.317 million**
- **Maari oil production increasing**
- **Oyong oil production 85% above forecast**
- **Wortel development and several high potential wells in the pipeline**

# SUMMARY

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## FINANCIAL AND CORPORATE

- **Quarterly revenue**

Revenue increased 19% over last quarter to A\$16.4 million on sales of 158,504 barrels of oil and 742.7 million cubic feet of gas.

- **Cash at end of quarter**

Cash increased 24% over last quarter to A\$29.4 million.

- **Hedging**

CUE has hedged approximately 15,000 barrels of oil per month or approximately one quarter of its forecast oil production for the period May to December 2010 at a price of US\$86 per barrel. Proceeds of the hedge for May was A\$0.317 million.

## OPERATIONS

### PNG

- **Barikewa Gas Field**

- Interpretation of the 60km 2D seismic survey over the Barikewa gas field supports the drilling of a Barikewa -3 appraisal well, most likely in 2Q 2011.

- **SE Gobe Field**

- Negotiations to sell SE Gobe gas to the PNG LNG project neared completion during the quarter with a final draft of a Memorandum of Understanding for the sale being negotiated.

- **Kimu Gas Field**

- CUE sold the subsidiary company holding its interest in the Kimu gas field for US\$5.14 million.

### New Zealand

- **Maari Field**

- At the end of the quarter 8.6 million barrels of oil had been produced.
- Installation of the permanent workover rig was completed and various well workovers commenced.
- The New Zealand government extended the Maari production mining permit PMP38160 to include the Manaia discovery.

- **Exploration**

- Acquisition of the 200sqkm Matariki 3D seismic survey was completed.

## **Indonesia**

- **Wortel Field**

A joint venture development decision is expected around the end of the third quarter.

- **Oyong Field**

Oil production continued at around 84% higher than forecast rates due to better than forecast reservoir performance.

## **Australia**

- **WA-389-P**

During the quarter, CUE announced that Woodside had agreed to farm in to the permit to obtain a 65% interest in return for paying CUE US\$5 million in back costs, acquiring 1440sqkm of new 3D seismic, reprocessing existing 3D seismic data and drilling one exploration well. CUE will retain a 35% interest and will be free carried through the farm in work programme.

# ACTIVITY REPORT

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## (1) 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\$0.72 million which equated to 7,980 barrels of oil.

The SE Gobe field average oil production rate for the quarter was approximately 2,900 barrels of oil per day (CUE share approximately 95 barrels of oil per day).

### 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\$7.23 million which equated to 79,400 barrels of oil.

CUE's received gas production revenue during the quarter from the field was A\$2.3 million which equated to 742.7 million cubic feet of sales gas.

The average oil production rate for the quarter was approximately 4,250 barrels of oil per day, approximately 84% above the forecast rate due to better than expected reservoir performance and the average gas production rate for the quarter was 63.1 million cubic feet per day.

#### **Wortel Field**

At the end of May, Front End Engineering and Development (FEED) studies were 68% completed and gas marketing discussions were continuing. A development decision for the field is expected around the end of the third quarter 2010, with first gas expected in the fourth quarter 2011.

## **NEW ZEALAND**

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

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

**Operator: OMV New Zealand**

### **Maari Field**

Oil production revenue received during the quarter was A\$6.12 million which equated to 71,124 barrels.

Installation of the permanent workover rig on the Maari platform was completed during the quarter and the defective electric submersible pump in the MR5 oil production well was replaced. The MR7 water injection well had additional perforations made to enhance water injectivity and hence reservoir pressure. Repair of the defective electric submersible pump in the MR3 oil production well has been completed and replacement of the MR1 pump is almost completed.

The field oil production rate which has been constrained by the defective pumps is increasing and is expected to increase further in the next quarter.

The New Zealand government has extended the Maari production mining permit PMP38160 to include the Manaia discovery. The permit will expire in 2027.

## **HEDGING**

CUE has hedged 15,000 barrels of oil per month for the period May through December 2010 at a price of US\$86 per barrel. This represents a quarter of what CUE's forecast oil production for the period. Total hedging receipts for the month of May was A\$0.317 million.

## **(2) EXPLORATION AND APPRAISAL ACTIVITIES**

### **PAPUA NEW GUINEA**

**PRL -8 – Papuan Basin, PNG (10.72% interest)**

**Operator: Oil Search**

CUE has signed an agreement to sell its 100% owned subsidiary Omati Oil Pty Ltd, which contains CUE's interest in the Kimu field, for US\$5.14 million. The sale is subject to joint venture preemptive rights. The sale is expected to be finalised in the next quarter.

**PRL -9 – Papuan Basin, PNG (14.894% interest)**

**Operator: Santos**

Interpretation of the new 60km Barikewa 2D seismic survey was undertaken during the quarter. The data supports the drilling of a Barikewa -3 appraisal well and the well is likely to be drilled in the second quarter of 2011. A location for the well remains to be chosen.

**NEW ZEALAND**

**PEP51313 – Taranaki Basin (20% interest)**

**Operator: Todd Exploration Limited**

Acquisition of the 200sqkm 3D seismic survey over the Matariki prospect was completed during the quarter using the Reflect Resolution seismic vessel.

Two reconnaissance 2D seismic lines were also acquired over the Te Whatu and Pukeko leads. Processing of the data is proceeding

**AUSTRALIA**

**WA-359-P and WA-409-P Carnarvon Basin –Western Australia (50% interest)**

**Operator: Cue Energy Resources Limited**

CUE is seeking to farmout in both permits and is in discussions with several companies.

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

**Operator: MEO Australia Limited**

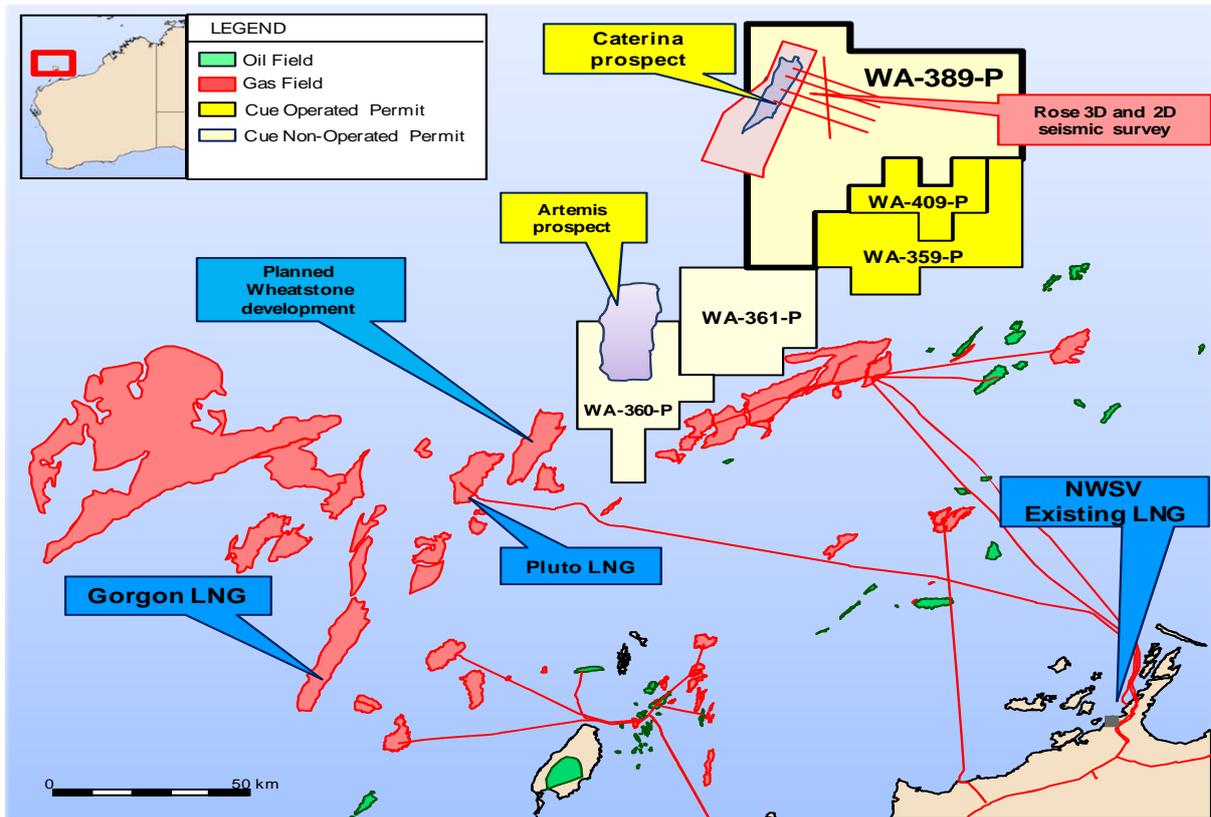
During the quarter, MEO announced a farmout to Petrobras International Braspetro BV to drill the Artemis -1 well in late 2010. CUE will be free carried for its 15% interest in the well.

**WA-389-P Carnarvon Basin – Western Australia (100% interest)**

**Operator: Cue Energy Resources Limited**

Woodside has agreed to farm in to the permit and will obtain a 65% interest and become operator. Woodside will pay CUE US\$5 million in back costs and fund the acquisition of a 1440sqkm 3D seismic survey, the reprocessing of existing 3D seismic data and the drilling of the first exploration well. Farm in documents have been signed by CUE and Woodside.

CUE will retain a 35% free carry through the farm in work programme.



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 know 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 2010

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date 12 months \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	16,367	54,420
1.2 Payments for (a) exploration and evaluation (refer 2.2)	(4,278)	(7,139)
(b) development	(2,464)	(11,037)
(c) production	(2,656)	(11,264)
(d) administration	(704)	(2,442)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	65	287
1.5 Interest and other costs of finance paid	(76)	(385)
1.6 Income taxes paid	(39)	(229)
1.7 Other – Hedging	317	317
<b>Net Operating Cash Flows</b>	<b>6,532</b>	<b>22,528</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects		
(b) equity investments		
(c) other fixed assets	(12)	(23)
1.9 Proceeds from sale of:		
(a) prospects		
(b) equity investments	-	670
(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>(12)</b>	<b>647</b>
1.13 Total operating and investing cash flows (carried forward)	6,520	23,175

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

1.13	Total operating and investing cash flows (brought forward)	6,520	23,175
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	-	9,617
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings (refer 3.1(i))	-	486
1.17	Repayment of borrowings	(2,714)	(8,972)
1.18	Dividends paid	-	-
1.19	Share Issue Costs	-	-
<b>Net financing cash flows</b>		(2,714)	1,131
<b>Net increase (decrease) in cash held</b>		3,806	24,306
1.20	Cash at beginning of quarter/year to date	23,614	4,324
1.21	Exchange rate adjustments to item 1.20	1,953	743
1.22	<b>Cash at end of quarter</b>	29,373	29,373

**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	56
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)	-	14,121
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	277
4.2 Development	4,597
<b>Total</b>	<b>4,874</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	250	147
5.2 Deposits at call	29,123	23,467
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>29,373</b>	<b>23,614</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	-	-	-	-

**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	1,000,000	-	35 cents	01/06/10
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: 22 July 2010  
 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 2010**

**Amended List of Mining Tenements**

PERMIT	OPERATOR	CUE INTEREST (%)
<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
PRL 8	Oil Search Limited	10.72
<b>Australia</b>		
T/37P	Cue Energy Resources Limited	50.00
T/38P <sup>(ii)</sup>	Cue Energy Resources Limited	50.00
WA-359-P	Cue Energy Resources Limited	50.00
WA-360-P	MEO Australia Limited	15.00
WA-361-P	MEO Australia Limited	15.00
WA-389-P <sup>(iii)</sup>	Cue Energy Resources Limited	35.00
WA-409-P	Cue Energy Resources Limited	50.00
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 <sup>(iii)</sup>	Todd Exploration Limited	20.00
PEP 51149 <sup>(iii)</sup>	Todd Exploration Limited	20.00
<sup>(i)</sup> Economic interest in the Jeruk field		8.181818
<sup>(ii)</sup> Working interest in Spikey Beach block		10.00
<sup>(iii)</sup> Subject to government approval		