



Cue Energy Resources Limited

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TO : Company Announcements Office
10th Floor
20 Bond Street
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DATE : 29 January 2007

PAGES (including this page):13

FROM : Andrew Knox

RE : **Quarterly Report for the Quarter Ending 31 December 2006**

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 2006

QUARTER SUMMARY

- Cash at the end of the quarter was A\$15.2 million.

Papua New Guinea

- Quarterly revenue from SE Gobe field was A\$2.1 million.
- A geological survey was undertaken over the Barikewa gas field.

Indonesia

- The Wortel -2 well failed to encounter hydrocarbons or reservoir.
- Subsequent to the end of the quarter, the Oyong production barge contract was awarded to PT Pulau Kencana Raya for use of the Seagood 101 production barge.

New Zealand

- Substantial development activity continued on the Maari oil field.

Australia

- A Retention Licence, AC/RL7 was granted over the Cash Maple gas field, in the Timor Sea.

1. PRODUCTION

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

Operator: Santos

SE Gobe Unit, PNG (3.285646 % interest)

Operator: Oil Search

At the end of the quarter, the SE Gobe field was producing at an average rate of approximately 7,100 barrels of oil per day (Cue's share approximately 233 barrels of oil per day). Cue's oil production revenue received during the quarter from the SE Gobe field was A\$2.1 million and equated to 24,940 barrels. Cue did not have any hedging arrangements in place during the quarter.

2. DEVELOPMENT ACTIVITY

• INDONESIA

Sampang PSC – Oyong Field - Madura Strait, East Java, Indonesia (15% Interest)

Operator: Santos

Oyong Background

The Oyong field was discovered in mid 2001.

The oil and gas discovery is in 45 metres of water approximately 8 kilometres south of Madura Island.

On July 19, 2003 a Gas Sales Agreement was signed with PT Indonesia Power for the entire gas reserves of the Oyong field.

The sale is denominated in US dollars.

Oyong is being developed in two phases, an oil phase followed by a gas development phase.

Development Progress

A well head platform has been installed on the field and development drilling has been completed. A floating oil storage vessel has been installed in the field.

Because of delays and rising costs associated with the floating production vessel a re tender of the contract for the vessel has been required by the Indonesian authorities.

The successful tenderer was PT Pulau Kencana Raya (PKR) and a contract was awarded in January 2007 for the PKR production barge Seagood 101. The Seagood 101 barge is being modified for Oyong service in a Batam Island, Indonesia shipyard.

Modifications are underway and the vessel is expected to be on location in the second quarter 2007, with first oil production expected in June 2007, at an estimated initial rate of approximately 10,000 barrels of oil per day.

First gas production is expected in 2008.

An interim analysis by Santos, the operator for the Oyong field, suggests that recoverable oil volumes for the field are now likely to be in the range 3-6-10 million barrels in low, mid and highside cases and that recoverable gas volumes are likely to be in the range 80-97-103 billion cubic feet in low, mid and highside cases.

- **NEW ZEALAND**

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

PEP 38413 (Five year extension approved to 1st January 2011)

Taranaki Basin - New Zealand (5% interest)

Operator: OMV New Zealand

Maari Oil Field

Development Progress

Substantial progress has been achieved on the Maari field development.

Construction continues on the well head platform at the Kencana, Malaysia fabrication yard.

The “Andaman Sea” tanker has arrived at the Jurong shipyard in Singapore and FPSO conversion work has begun. Fabrication of the mooring turret, process modules and vessels, continues in Batam, Indonesia.

The well head platform is expected to be installed in late 2007 ahead of first oil production in the second quarter of 2008.

Cue's share of the field development cost is expected to be approximately US\$23 million including contingency allowance.

3. EXPLORATION AND APPRAISAL ACTIVITIES

- **PAPUA NEW GUINEA**

PDL 3 - Papuan Basin, PNG (5.568892% Interest)

Operator: Santos

No exploration activity took place during the quarter.

PPL 190 - Papuan Basin, PNG (10.947% Interest)

Operator: Oil Search

Due to delays in receiving required government approvals and rig availability, the Murray Deep sub thrust prospect is now expected to be drilled in second half of 2007.

PRL -8 - Papuan Basin, PNG (10.72% Interest)

Operator: Oil Search

No exploration activity took place during the quarter.

PRL -8 contains the Kimu gas field. Oil Search estimates that Kimu contains approximately 900 billion cubic feet of recoverable gas that contains no sulphur or carbon dioxide. Cue's net share is approximately 100 billion cubic feet of recoverable gas.

PRL -9 - Papuan Basin, PNG (14.894% Interest)

Operator: Santos

During the quarter, the Greater Barikewa Field Survey was undertaken over the Barikewa gas field.

The survey consists of seven geological traverses totalling 40Km. The geological information obtained from the survey is designed to provide a better structural picture of the field and hence a narrower range of potential recoverable gas volumes.

Barikewa has been assessed, in the past, to have the potential to contain around 800 billion cubic feet of recoverable gas, with Cue's share being approximately 120 billion cubic feet in a most likely case.

Barikewa is located immediately adjacent to the likely route of the proposed gas development pipeline.

- **INDONESIA**

Sampang PSC – Madura Strait, East Java, Indonesia (15% Interest), (Jeruk interest 8.181818%)

Operator: Santos

Wortel -2

The Wortel -2 well, which is located 1 km east-south east of Wortel -1, began drilling on 26 September 2006. During the quarter, the well was plugged and abandoned at a total depth of 1421 metres after failing to encounter significant hydrocarbons or reservoir.

It is expected that a Wortel -3 well will be drilled in mid 2007, immediately to the east of Wortel -1, to establish the full potential of the Wortel accumulation.

The close proximity of Wortel to Oyong allows the possibility of developing Wortel gas through Oyong facilities.

Indonesian Participation

Under the terms of the Sampang PSC (and other Indonesian PSC's), BPMIGAS, has the right by itself, or its nominee to acquire one tenth of the participating interests of each of the participants subject to the reimbursement of all past costs. Petrogas Oyong Jatim, a company associated with the East Java regional government, is the nominee of BPMIGAS and could acquire the interest. As a result, Cue's participating interest in the PSC could then reduce to 13.5% and in Jeruk to 7.36%. Cue could be reimbursed past costs of approximately A\$6 million upon completion of the proposed transaction. The transaction has not yet been completed.

- **AUSTRALIA**

- AC/RL-7 – Timor Sea (Cue interest 20%)**

- Operator: Coogee Resources**

- During the quarter, the Northern Territory Department of Primary Industry, Fisheries and Mines awarded a 5 year Retention Lease over the Cash-Maple Field in AC/P20. The Retention Lease, designated AC/RL7, covers 5 graticular blocks; the remainder of AC/P20 will be surrendered.

- The field contains proven gas at Jurassic and Triassic Levels. The Jurassic reservoir is assessed to contain between 0.7 and 3.1 trillion cubic feet of recoverable gas depending on trap fill. Associated condensate yields are estimated at between 11.9 and 54.7MMstb. The Triassic reservoir contains up to 56BCF of recoverable gas and 9.5MMstb condensate.

- The Retention Lease has been granted in consideration of a work programme which will include investigating the market opportunity presented by gas to methanol conversion and a feasibility / front end engineering design (FEED) study to evaluate the commercialisation of the field.

Carnarvon Basin

- EP 363 Carnarvon Basin - Western Australia (10% participation option)**

- Operator: Apache Energy**

- No exploration activity took place during the quarter.

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

- Operator: Cue Energy Resources**

- WA-360-P Carnarvon Basin - Western Australia (50% interest)**

- Operator: Cue Energy Resources**

- WA-361-P Carnarvon Basin - Western Australia (50% interest)**

- Operator: Cue Energy Resources**

- The WA-359-P permit lies to the west of the Mutineer and Exeter oilfields. The WA-360-P and WA-361-P permits are adjacent to the giant Rankin trend gas fields and on trend with the Pluto and Wheatstone gas discoveries.

- Interpretation of the existing seismic data has been completed and regional time and depth maps have been constructed and integrated with well information. Prospect mapping is almost complete and prospect packages are being prepared. A scoping economic study for potential hydrocarbon accumulations in the permit has also been completed

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

Operator: Cue Energy Resources Ltd

Re-evaluation of existing technical data has been started and will be ongoing in 2007.

Bass Basin

T37/P Bass Basin - Tasmania (50% interest)

Operator: Cue Energy Resources

T38/P Bass Basin - Tasmania (50% interest)

Operator: Cue Energy Resources

T38/P and T37/P permits are immediately adjacent to the Yolla gas condensate field which has recently begun production. Yolla also contains oil.

Interpretation of the existing seismic data is largely completed and both time and depth maps have been constructed and integrated with existing well information. Prospect and leads have been identified and are currently being analysed.

By Order of the Board

A handwritten signature in black ink, appearing to read 'Andrew Knox', written in a cursive style.

Andrew Knox
Public Officer

Various statements in the release constitute statements relating to intentions, future acts and events. Such statements are generally classified as forward looking statements and involve known 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 2006

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	2,118	3,893
1.2 Payments for (a) exploration and evaluation (refer 2.2)	(5,670)	(11,612)
(b) development	(2,962)	(4,280)
(c) production	287	(743)
(d) administration	(559)	(1,071)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	224	530
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	(709)	(1,430)
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(7,271)	(14,713)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(12)	(20)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	771	771
(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	759	751
1.13 Total operating and investing cash flows (carried forward)	(6,512)	(13,962)

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(6,512)	(13,962)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Share Issue Costs	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(6,512)	(13,962)
1.20	Cash at beginning of quarter/year to date	22,267	29,903
1.21	Exchange rate adjustments to item 1.20	(581)	(767)
1.22	Cash at end of quarter	15,174	15,174

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	37
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	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	733
4.2 Development	3,193
Total	3,926

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	103	31
5.2 Deposits at call	15,071	22,236
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	15,174	22,267

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	AC/P20	Working	20%	-
6.2 Interests in mining tenements acquired or increased	AC/RL7	Working	-	20%

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	628,239,007	628,239,007	-	-
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>	1,000,000	-	<i>Exercise Price</i> 35 cents	02/05/07
	1,500,000	-	35 cents	01/06/08
7.8 Issued during quarter	-	-	-	-
7.9 Exercised during quarter	-	-	-	-
7.10 Expired during quarter	-	-	-	-
7.11 Debentures <i>(totals only)</i>	-	-		
7.12 Unsecured notes <i>(totals only)</i>	-	-		

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: 29 January 2007
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 2006

Amended List of Mining Tenements

PERMIT	OPERATOR	CUE INTEREST (%)
Petroleum Properties		
Indonesia		
⁽ⁱ⁾ Sampang PSC	Santos (Sampang) Pty Ltd	15.00
Papua New Guinea		
PPL 190	Oil Search Limited	10.947
PDL 3	Barracuda Pty Ltd	5.568892
PRL 9	" " "	14.894
SE Gobe Field Unit	Oil Search (PNG) Limited	3.285646
PRL 8	Oil Search Limited	10.72
Australia		
T/37P	Cue Energy Resources Limited	50.00
T/38P	Cue Energy Resources Limited	50.00
WA-359-P	Cue Energy Resources Limited	50.00
WA-360-P	Cue Energy Resources Limited	50.00
WA-361-P	Cue Energy Resources Limited	50.00
WA-389-P	Cue Energy Resources Limited	100.00
AC/RL7	Coogee Resources Limited	20.00
New Zealand		
PEP 38413	OMV New Zealand Limited	5.00
PMP 38160	OMV New Zealand Limited	5.00
⁽ⁱ⁾ Economic interest in the Jeruk field		8.181818