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## Cue Energy Resources Limited

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### **FACSIMILE TRANSMISSION**

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

DATE : 22 April 2004

PAGES (including this page): 11

FROM : Andrew Knox

RE : **Quarterly Report for Quarter Ending 31 March 2004**

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Attached please find the above mentioned Quarterly for Cue Energy Resources Limited.

Yours faithfully

A handwritten signature in black ink that reads "Andrew Knox". The signature is written in a cursive, flowing style.

Andrew M Knox  
Chief Financial Officer

# QUARTERLY REPORT FOR THE QUARTER ENDING 31 MARCH 2004

## QUARTER HIGHLIGHTS

### Papua New Guinea

- Quarterly revenue from SE Gobe field was US\$856,142.

## 1. PRODUCTION

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

**Operator: Santos**

### SE Gobe Unit, PNG (3.285646 % interest, over lift interest 3.8565%)

**Operator: Oil Search**

At the end of the quarter, the SE Gobe field was producing at a rate of approximately 8,100 barrels of oil per day (Cue share approximately 312 barrels of oil per day). Cue's oil production revenue received during the quarter from the SE Gobe oil field was US\$856,142 and equated to 26,006 barrels. Cue did not have any hedging arrangements in place during the quarter.

During the quarter, work began on increasing the water injection capacity of the SE Gobe and Gobe Main production system. Gobe 8x, a non producing well in the Gobe Main field, has been converted to a water injection well for the benefit of the Gobe Main and SE Gobe fields. Produced water from both fields is currently being injected into Gobe 3x, which is unable to handle the increasing amount of water being produced. The additional water injection capacity will allow a higher oil production rate than would otherwise be the case.

## 2. DEVELOPMENT ACTIVITY

### Sampang PSC – Madura Strait, East Java, Indonesia (15% Interest)

**Operator: Santos**

### Oyong Background

The Oyong field was discovered in mid 2001 and is assessed by the Operator, Santos, to have 128 billion cubic feet of recoverable natural gas and an estimated 8.3 million barrels of recoverable oil from the approximately 80 million barrels of oil estimated to be in place.

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 in 45 metres of water, 60 kilometres north east of PT Indonesian Power's 766 Megawatt open and combined cycle gas turbine facility at Grati, Indonesia. The Oyong development involves an offshore well-head platform with two gas production wells and initially three oil production wells. The gas and oil are expected to be produced from the field via a dedicated 55km multi phase pipeline with a minimum gas production rate of 40 million cubic feet of gas per day. The combined gas and oil flow stream will be processed onshore at a facility which will be established adjacent to the Grati Power station.

First production is expected to commence in early 2006.

### **Oyong Development**

The Oyong plan of development and the environmental plan have been submitted to the Indonesian authorities.

Fixed price, engineering, procurement, construction and installation (EPCI) bids have been received for the offshore platform and pipeline and the onshore processing plant.

### **Oyong Funding**

Discussions are ongoing with respect to letters of credit and other financial instruments, with a view to securitizing payments to be made by the purchaser under the Gas Sales Agreement pursuant to which the gas reserves of the Oyong field will be sold to PT Indonesia Power. Discussions have also been held with several potential financiers with the intention being to partly debt fund Cue Energy Resources' share of development costs.

Cue Energy Resources' share of Oyong development costs is expected to be approximately AUD26 million, with the bulk of the funds expected to be required in calendar year 2005. The funding strategy is a combination of project finance and equity. It is not yet clear when total funding for the Oyong development will need to be in place. However when a development decision is made, there will be a need to raise additional equity funds to meet a proportion of the company's anticipated share of Oyong oil and gas field development costs. It is currently anticipated that the proportion of equity funding required will be not less than 40% of our share of development costs.

When equity funds are required, it is the Company's intention that these would be raised in a manner deemed most expedient by the Board of Directors at the time, taking into account available working capital, proportion of debt available, budgets and share market and industry conditions. It is the Company's intention that any such equity funds will be raised by, any one or a combination of, a pro-rata issue to shareholders and placement of shares to professional investors.

### **3. EXPLORATION ACTIVITIES**

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

**Operator: Santos**

No exploration activity took place during the quarter in the SE Gobe licence.

#### **PPL 189 - Papuan Basin, PNG (14.894% Interest)**

The licence was surrendered during the quarter as agreement could not be reached with PNG authorities on an appropriate ongoing work programme.

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

No exploration activity took place during the quarter.

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

**Operator: Santos**

No exploration activity took place during the quarter.

#### **PRL 8 - Papuan Basin, PNG (10.72% Interest) (formerly PPL 193)**

**Operator: Oil Search**

Preparation of a report continued during this quarter, into the potential for using PNG natural gas for manufacturing methanol in PNG.

The Kimu gas field in PRL-8 could supply natural gas feed stock for such a development.

#### **Sampang PSC – Madura Strait, East Java, Indonesia (15% Interest)**

**Operator: Santos**

The Jeruk -1 well began drilling on 21 November 2003. Jeruk -1 is located 35km WSW of the Oyong field and 40km SE of Surabaya and was drilled by Santos Ltd on a sole risk basis. Cue declined to join the sole risk.

On 8 April 2004, Santos Ltd announced that the well reached a total depth of 5,027 metres. Lost drill pipe in the hole prevented the well being drilled and evaluated to the planned total depth of 5,250 metres. An open-hole drill stem test of the Kujung carbonate objective section flowed oil and water emulsion (up to 80% water) at the rate of 4,700 barrels per day, 0.3 million cubic feet of gas per day and 470 barrels of water per day.

An assessment of what follow up activity may be undertaken is currently being made.

Cue retains its right to participate in any appraisal or development of any discovery, subject to a sole risk premium.

It is likely that an additional exploration well will be drilled in the Sampang PSC contract area in the second half of 2004.

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

**Operator: Apache Energy**

The Rugborne -1 well was spudded in EP 363 on 13 February 2004 and plugged and abandoned around the 16 February 2004 after reaching a total depth of 1,230 metres measured depth without encountering any hydrocarbons. Rugborne -1 tested a Lower Cretaceous - Upper Jurassic stratigraphic play. Sands were encountered in the objective interval.

By Order of the Board

A handwritten signature in black ink, appearing to read "Andrew Knox". The signature is written in a cursive, somewhat stylized font.

Andrew Knox  
Public Officer

22 April 2004

## APPENDIX II

(Rule 10.10.4)

### QUARTERLY REPORT OF CONSOLIDATED CASH FLOWS

## Cue Energy Resources Limited

Quarterly Report of Consolidated Cash Flows in accordance with Listing Rule 10.10.4. These figures are based on accounts which are **unaudited**. If these figures are based on audited accounts, a statement is required of any material qualification made by the auditor. The Mining Issuer **does have** a formally constituted Audit Committee of the Board of Directors.

	<b>Quarter Ended 31/03/04 \$NZ 000</b>	<b>Year to Date (Nine Months) \$NZ 000</b>
<b>1. CASH FLOWS RELATING TO OPERATING ACTIVITIES</b>		
a) Receipts from product sales and related debtors	1,290	4,412
b) Payments: for exploration and evaluation	(657)	(2,023)
for development	-	-
for production	(366)	(1,171)
for administration	(228)	(969)
c) Dividends received	-	-
d) Interest and other items of a similar nature received	11	38
e) Interest and other costs of finance paid	(1)	(1)
f) Income taxes paid		(340)
g) Other	-	-
<b>h) NET OPERATING CASH FLOWS</b>	<b>49</b>	<b>(54)</b>
<b>2. CASH FLOWS RELATED TO INVESTING ACTIVITIES</b>		
a) Cash paid for purchases of prospects	-	-
equity investments	-	-
other fixed assets	-	-
b) Cash proceeds from sale of prospects	-	-
equity investments	331	331
other fixed assets	-	-
c) Loans to other entities	-	-
d) Loans repaid by other entities	-	-
e) Other	-	-
<b>f) NET INVESTING CASH FLOWS</b>	<b>331</b>	<b>331</b>
<b>3. CASH FLOWS RELATED TO FINANCING ACTIVITIES</b>		
a) Cash proceeds from issues of shares, options, etc	-	-
b) Proceeds from sale of forfeited shares	-	-
c) Borrowings	-	-
d) Repayments of borrowings	-	-
e) Dividends paid	-	-
f) Other (provide details if material)	-	-
<b>g) NET FINANCING CASH FLOWS</b>	<b>-</b>	<b>-</b>
<b>4. a) *NET INCREASE (DECREASE) IN CASH HELD</b>	<b>380</b>	<b>277</b>
b) Cash at beginning of quarter/year to date	3,647	4,208
c) Exchange rate adjustments to Item 4(a) above	(66)	(524)
<b>d) CASH AT END OF QUARTER</b>	<b>3,961</b>	<b>3,961</b>

5. **NON-CASH FINANCING AND INVESTING ACTIVITIES**

- a) Provide details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows.

N/A

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- b) Provide details of outlays made by other entities to establish or increase their shares in projects in which the reporting entity has an interest.

N/A

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6. **FINANCING FACILITIES AVAILABLE**

Provide details of used and unused loan facilities and credit standby arrangements, adding such notes as are necessary for an understanding of the position.

**TOTAL**

<b>Amount Available \$NZ 000</b>	<b>Amount Used \$NZ 000</b>
-	-
-	-

7. **ESTIMATED OUTLAYS FOR SPECIFIED QUARTERS**

- a) Exploration and evaluation

- b) Development

**TOTAL**

<b>Current Quarter # \$NZ 000</b>	<b>Following Quarter \$NZ 000</b>
1,319	1,082
-	312
1,319	1,394

# The outlays to be shown in this column are the estimates made for this quarter in the previous quarterly report. Where these estimates differ by more than 15% from the actual outlays reported in Item 1(b) of this report, provide an explanation of the reason(s) for these differences as an attachment to this report.

8. **RECONCILIATION OF CASH**

For the purposes of this statement of cash flows, cash includes:

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Cash at the end of the quarter as shown in the statement of cash flows is reconciled to the related items in the amounts as follows:

Cash on hand and at bank

Deposits at call

Bank overdraft

Other (provide details)

**TOTAL = CASH AT END OF QUARTER [Items 4(d)/4(b)]**

<b>Current Quarter \$NZ 000</b>	<b>Previous Quarter \$NZ 000</b>
57	6
3,904	3,641
3,961	3,647

9. CHANGES IN INTERESTS IN MINING TENEMENTS

	<b>Tenement Reference</b>	<b>Nature of Interest</b>	<b>Interest at Beginning Of Quarter</b>	<b>Interest at End of Quarter</b>
a) Interests in mining tenements relinquished, reduced and/or lapsed	PPL189	Working	14.894	-
b) Interests in mining tenements acquired and/or increased	-	-	-	-

- c) Where changes are reported in (a) and/or (b), an amended list of interests in mining tenements is to be attached to this statement.



10. ISSUED AND QUOTED SECURITIES AT END OF CURRENT QUARTER

Category of Securities	Note	Number Issued	Number Quoted	Par Value Cents	Paid-Up Value Cents
<b>PREFERENCE SHARES:</b>					
Of which issued during current quarter:		-	-	-	-
<b>ORDINARY SHARES:</b>					
		333,943,755	333,943,755	N/A	N/A
Of which issued during current quarter:		-	-	N/A	N/A
<b>CONVERTIBLE NOTES:</b>					
Of which issued during current quarter:		-	-	-	-
<b>OPTIONS:</b>					
		500,000	-	Exercise Price AUD Cents 8	Expiry Date 02/05/04
		500,000	-	10	02/05/04
		500,000	-	12	02/05/04
		500,000	-	15	02/05/04
Of which issued during current quarter		-	-	-	-
		-	-	-	-
		-	-	-	-
		-	-	-	-
<b>DEBENTURES</b>					
- Totals only:		-	-	-	-
<b>UNSECURED NOTES</b>					
- Totals only:		-	-	-	-



Andrew Knox  
Public Officer

22 April 2004

**QUARTERLY REPORT OF CONSOLIDATED CASHFLOWS  
- QUARTER ENDED 31 DECEMBER 2003**

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**ESTIMATED OUTLAYS FOR SPECIFIED QUARTERS**

Exploration Variation

The variation in the quarter was due to variation in the exploration programme.

**QUARTERLY REPORT OF CONSOLIDATED CASHFLOWS  
- QUARTER ENDED 31 DECEMBER 2003**

**Amended List of Mining Tenements**

<b>PERMIT</b>	<b>OPERATOR</b>	<b>CUE INTEREST (%)</b>
<b>Petroleum Properties</b>		
<b>Indonesia</b>		
Sampang PSC	Santos Asia Pacific Pty Ltd	15.0
<b>Papua New Guinea</b>		
PPL 190	Barracuda Pty Ltd	10.947
PDL 3	“	5.568892
PRL 9	“	14.894
SE Gobe Field Unit	Oil Search (PNG) Limited	3.285646
PRL 8	Oil Search Limited	10.72