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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 : 29 October 2003

PAGES (including this page): 11

FROM : Andrew Knox

RE : **Quarterly Report for Quarter Ending 30 September 2003**

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Dear Sir

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

Yours faithfully

A handwritten signature in black ink that reads "Andrew Knox".

Andrew M Knox  
Chief Financial Officer

## **QUARTERLY REPORT FOR THE QUARTER ENDING 30 SEPTEMBER 2003**

### **QUARTER HIGHLIGHTS**

#### **Papua New Guinea**

- Quarterly revenue from SE Gobe field was US\$863,717.

#### **Indonesia**

- A Gas Sales Agreement was signed for the sale of all Oyong gas to PT Indonesia Power at Grati, on July 19, 2003.
- Oyong environmental impact studies continued.
- Engineering, Procurement, Construction and Installation (EPCI) contracts for Oyong development were released for bidding.
- A US\$293,996 insurance payment relating to Sampang past drilling problems was received in the quarter
- The Mangga -1 exploration well began drilling on 27 September 2003 and subsequent to the end of the quarter encountered a 12 metre gas column.

### **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: Chevron**

Cue's oil production revenue received during the quarter from the SE Gobe oil field in PNG was US\$863,717 and equated to 30,906 barrels. Cue did not have any hedging arrangements in place during the quarter.

At the end of the quarter, the SE Gobe field was producing at a rate of approximately 9,500 barrels of oil per day (Cue's net interest is approximately 366 barrels of oil per day).

## 2. DEVELOPMENT ACTIVITY

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

#### **Operator: Santos**

On July 19, 2003 a Gas Sales Agreement was signed with PT Indonesia Power for the entire gas reserves of the Oyong field. The Agreement is a significant step toward the commercialization of the field. The sale is denominated in US dollars

The Oyong field was discovered in mid 2001 and has over 90 billion cubic feet of proven and probable natural gas reserves and a conservatively estimated 6 million barrels of recoverable oil from the 80 million barrels of oil estimated to be in place. Additional oil reserves may be recovered depending on reservoir performance.

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 gas is expected to be produced from the field at a minimum 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 now expected to commence in mid 2005.

Various development and environmental impact studies continued during the quarter.

Engineering, procurement, construction and installation (EPCI) contracts for the offshore platform and pipeline and the onshore processing plant have been released for bidding.

#### **Finance**

During the quarter, discussions continued with several parties on letters of credit and other financial instruments with a view to securitizing payments made by the purchaser under the Gas Sales Agreement.

## 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)**

**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**

During the quarter, Oil Search announced that it had entered into an agreement with Mitsubishi Gas Chemical Corporation Inc and Itochu Corporation of Japan to complete a feasibility study into the potential for using PNG natural gas for manufacturing methanol in PNG.

The study will review location and infrastructure requirements and determine the funding and commercialisation options available for a methanol plant. The natural gas feedstock would largely be supplied by the Kimu gas field in PRL -8.

Kimu is estimated by the operator to contain in excess of 1 trillion cubic feet (Cue net share approximately 107 billion cubic feet) of recoverable gas that contains no sulphur and no carbon dioxide.

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

**Operator: Santos**

Mangga -1 began drilling on 27 September 2003. Mangga is located in the western portion of the contract area adjacent to the Anggur structure which was drilled in 2000 and 2001.

Subsequent to the end of the quarter, a 12 metre gas column was penetrated at the top of the Mundu objective. Other oil and gas shows were encountered beneath this column including in an over pressured zone below 1574 metres. An initial attempt to obtain pressure information and wire line samples was unsuccessful due to sticking of the tool. Coventurer elpaso then proceeded with further evaluation on a sole risk basis, including deepening the well to 1663 metres.

Cue declined to join the sole risk due to the significant risk that the poorer reservoir in which the hydrocarbon shows had been seen, limited the commercial potential of these zones and hence did not warrant the substantial cost for Cue to participate in evaluating them. The well was subsequently plugged and abandoned after a test recovered a small quantity of oil from the zone below 1560 metres.

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

**Operator: Apache Energy**

No activity.

### **New Ventures**

During the quarter, Cue and Santos jointly bid on an offshore Indonesian exploration block. The bid was unsuccessful. In July 2003, Cue made an unsuccessful offer to purchase Chevron Niugini Ltd which was purchased by Oil Search for US\$96.6 million. Chevron Niugini Ltd owns interests in the Kutubu, Moran, Gobe Main and SE Gobe producing fields as well as interests in undeveloped oil and gas resources within Papua New Guinea.

### **Corporate**

During the quarter, US\$293,996 was received as an insurance payment relating to the Anggur -2 blowout in 2001.

By Order of the Board

Andrew Knox  
Public Officer

29 October 2003

## 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 30/09/03 \$NZ 000</b>	<b>Year to Date (Three Months) \$NZ 000</b>
<b>1. CASH FLOWS RELATING TO OPERATING ACTIVITIES</b>		
a) Receipts from product sales and related debtors	1,497	1,497
b) Payments: for exploration and evaluation	(375)	(375)
for development	-	-
for production	(378)	(378)
for administration	(318)	(318)
c) Dividends received	-	-
d) Interest and other items of a similar nature received	15	15
e) Interest and other costs of finance paid	1	1
f) Income taxes paid	(221)	(221)
g) Other	-	-
<b>h) NET OPERATING CASH FLOWS</b>	<b>221</b>	<b>221</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	-	-
other fixed assets	-	-
c) Loans to other entities	-	-
d) Loans repaid by other entities	-	-
e) Other	-	-
<b>f) NET INVESTING CASH FLOWS</b>	<b>-</b>	<b>-</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>221</b>	<b>221</b>
b) Cash at beginning of quarter/year to date	4,208	4,208
c) Exchange rate adjustments to Item 4(a) above	(145)	(145)
<b>d) CASH AT END OF QUARTER</b>	<b>4,284</b>	<b>4,284</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>
1,150	1,474
21	-
1,171	1,474

# 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>
121	6
4,163	4,202
4,284	4,208

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	-	-	-	-
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

29 October 2003

**QUARTERLY REPORT OF CONSOLIDATED CASHFLOWS  
- QUARTER ENDED 30 SEPTEMBER 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.

Development Variation

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

**QUARTERLY REPORT OF CONSOLIDATED CASHFLOWS  
- QUARTER ENDED 30 SEPTEMBER 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 189	Barracuda Pty Ltd	14.894
PPL 190	“	10.947
PDL 3	“	5.568892
PRL 9	“	14.894
SE Gobe Field Unit	Chevron Niugini Pty Ltd	3.285646
PRL 8	Oil Search Limited	10.72