



Cue Energy Resources Limited

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TO : Company Announcements Office
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DATE : 29 October 2010

PAGES (including this page): 14

FROM : Andrew Knox

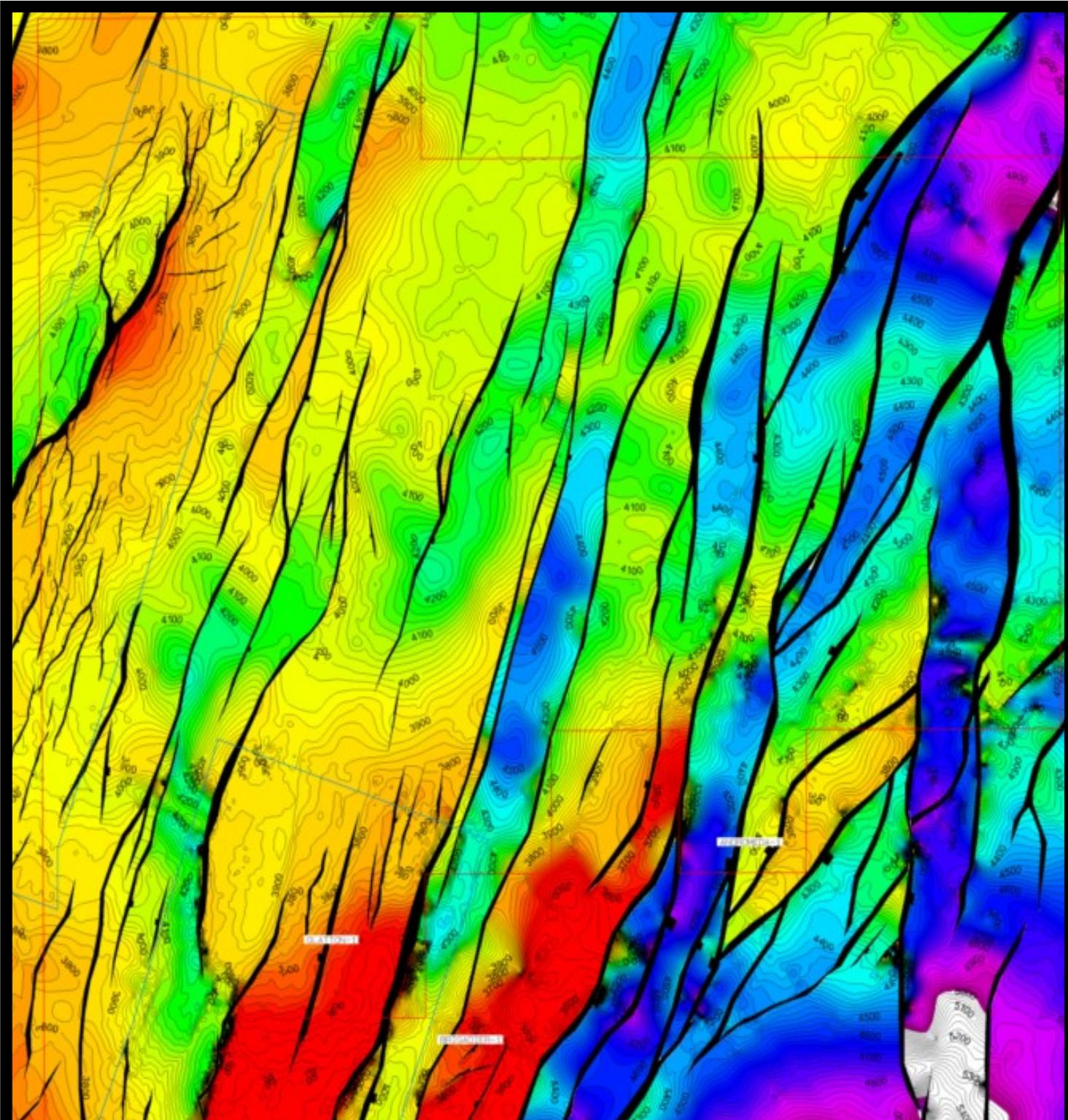
RE : **Quarterly Report for Period Ended 30 September 2010**

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



WA-389-P Top Triassic Map



QUARTERLY REPORT

FOR THE QUARTER ENDING 30 SEPTEMBER 2010

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



QUARTERLY REPORT

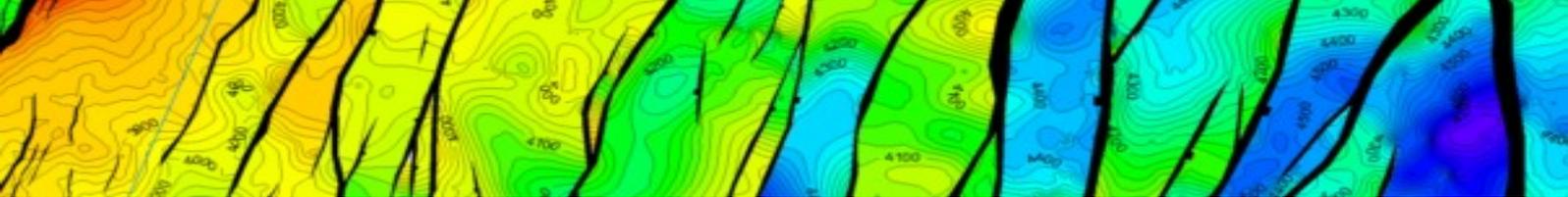
FOR THE QUARTER ENDING 30 SEPTEMBER 2010

HIGHLIGHTS

- > **Cash up ~22% to A\$36 million**
- > **US\$5.14 million received from sale of Kimu field**
- > **Revenue A\$11.62 million**
- > **Hedging receipts A\$0.68 million for the quarter**
- > **Farmout to Apache in WA-359-P and WA-409-P**
- > **Manaia field oil production begins**
- > **Oyong oil production continues above forecast**
- > **Wortel FEED studies completed and gas sale contract negotiated**

UPCOMING EVENTS

- > **Artemis –1 expected to spud in WA-360-P around mid November**
- > **Apache to begin acquiring 3D seismic in mid November**
- > **CUE AGM on 11th November at RACV Melbourne**



SUMMARY

FINANCIAL AND CORPORATE

- **Quarterly revenue**

Revenue for the quarter was A\$11.62 million on sales of 119,639 barrels of oil and 740.6 million cubic feet of gas.

- **Cash at end of quarter**

Cash increased 22% over last quarter to A\$36 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 the quarter was A\$0.68 million.

OPERATIONS

New Zealand

- ◆ **Maari Field**

- At the end of the quarter 10.3 million barrels of oil had been produced.
- Subsequent to the end of the quarter, oil production began from the Manaia field.
- Various well workovers were undertaken during the quarter.

Indonesia

- ◆ **Oyong Field**

Oil production continued at above forecast rates.

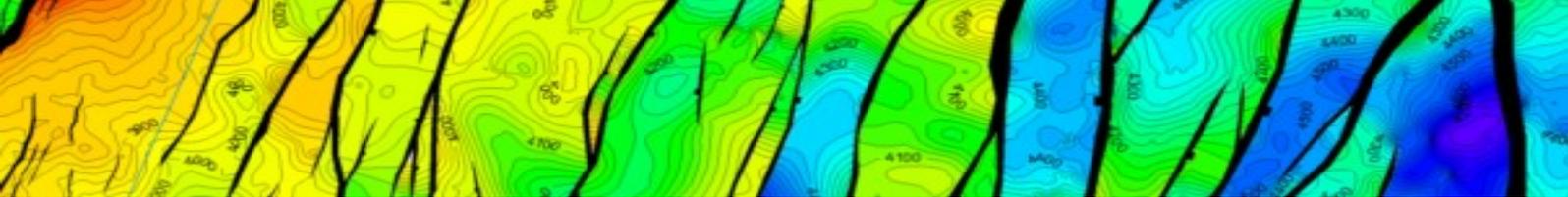
- ◆ **Wortel Field**

Front end engineering studies were completed and a gas sale contract negotiated.

Australia

- ◆ **WA-359-P, WA-409-P**

Subsequent to the end of the quarter, Apache Northwest Pty Ltd agreed to farm in to both permits and will acquire 3D seismic data over both, with an option to drill one well in one of the permits to earn up to 70% interest in 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\$0.7 million which equated to 8,261 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\$3.86 million which equated to 45,645 barrels of oil.

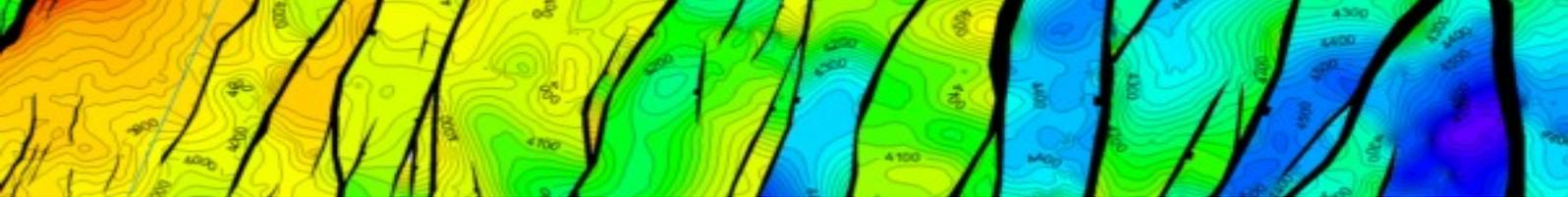
CUE's received gas production revenue during the quarter from the field was A\$2.22 million which equated to 740.6 million cubic feet of sales gas.

The average oil production rate for the quarter remained above forecast.

◆ **Wortel Field**

The front end engineering and development studies for the field have been completed and a gas marketing agreement negotiated and awaiting signing.

A development decision is expected shortly, 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\$4.84 million which equated to 65,733 barrels. The field rate continued to be constrained during the quarter with remedial work required on the MR2 and MR9 oil production wells. Work has begun on the MR2 well and will be followed by the MR9 well.

◆ **Manaia Field**

Oil production has begun from the Manaia field with oil flowing from the field through the approximately eight kilometre long reach well to the Maari platform.

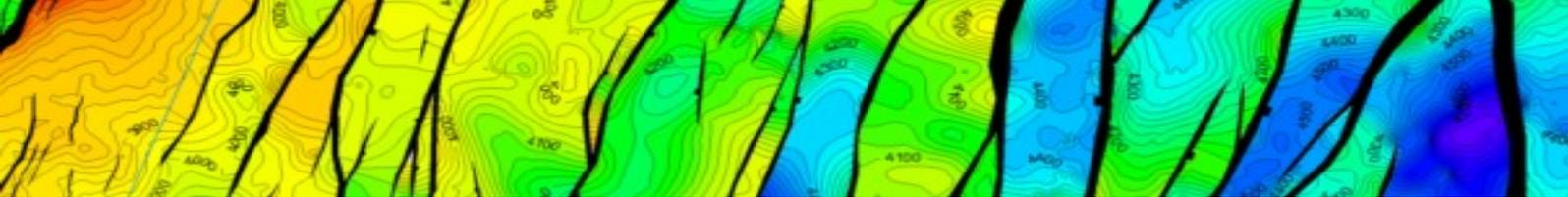
The initial flow rate from the well was approximately 4,000 barrels of oil per day.

The fields' sustainable production rate, and oil properties are being assessed.

It is anticipated that several months of production will be required to determine the most effective development plan for the field and likely oil reserve in the Mangahewa reservoir.

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 has forecast for oil production for the period. Total hedging receipts for the quarter was A\$0.68 million.



EXPLORATION AND APPRAISAL ACTIVITIES

PAPUA NEW GUINEA

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

Operator: Oil Search

The sale of CUE's 100% owned subsidiary Omati Oil Pty Ltd was finalised during the quarter and the US\$5.14 million consideration received.

AUSTRALIA

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

Operator: Cue Energy Resources Limited

Apache Northwest Pty Ltd has agreed to farmin to both permits. Apache will acquire a minimum of 1000 square kilometres of 3D seismic over the two permits, Apache is planning to acquire approximately 1750 square kilometres, in return for a 40% interest in both permits.

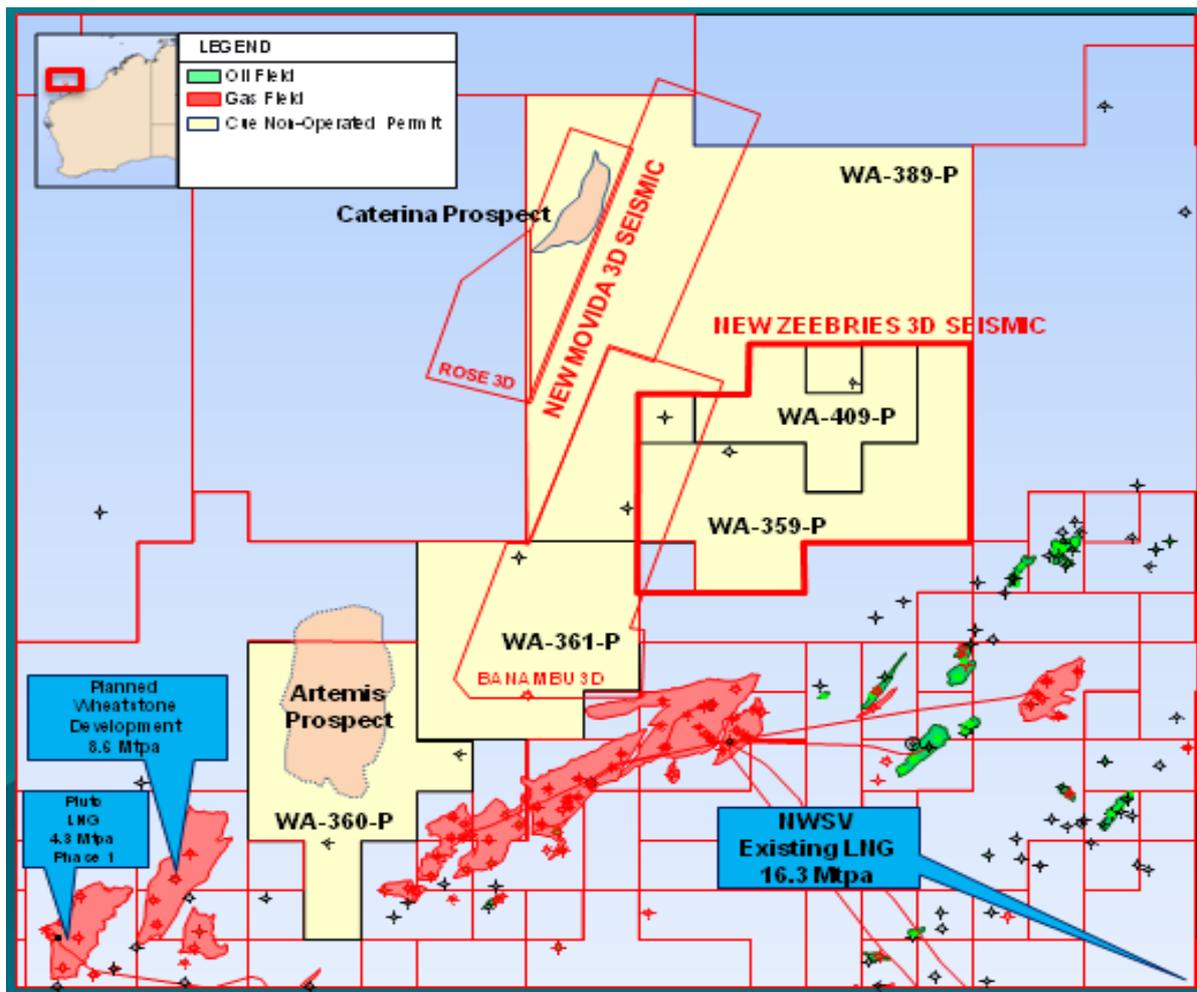
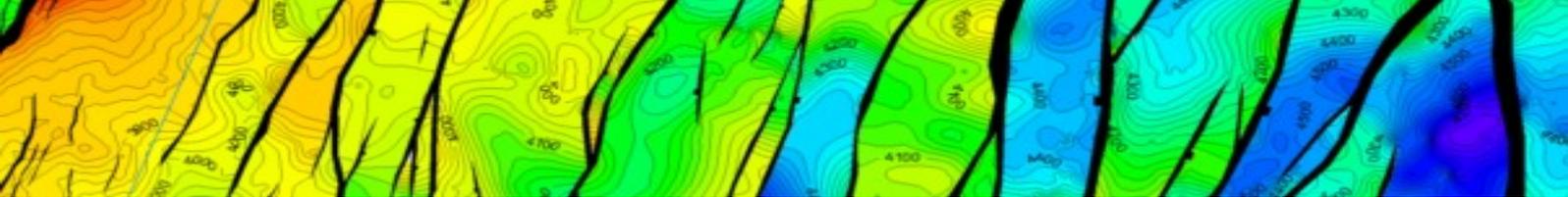
Apache will have the right to earn up to a 70% interest in both permits by drilling one well in one of the permits.

CUE will be free carried through all the seismic costs and the optional well costs and will retain a 15% interest in both permits. Cue can increase its interest in both permits to 20% by paying 5% of the well cost.

If Apache does not elect to drill the well CUE will be reassigned its original 50% interest at no cost.

Apache will become operator of the two permits.

Acquisition of the 3D seismic survey is expected to begin later in 2010.



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 September 2010

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date 3 months \$A'000
1.1 Receipts from product sales and related debtors	11,625	11,625
1.2 Payments for (a) exploration and evaluation (refer 2.2)	(636)	(636)
(b) development	(1,717)	(1,717)
(c) production	(2,709)	(2,709)
(d) administration	(833)	(833)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	127	127
1.5 Interest and other costs of finance paid	(64)	(64)
1.6 Income taxes paid	(72)	(72)
1.7 Other – Hedging	679	679
Net Operating Cash Flows	6,400	6,400
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects		
(b) equity investments		
(c) other fixed assets	(3)	(3)
1.9 Proceeds from sale of:		
(a) prospects		
(b) equity investments	5,757	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)		
Net investing cash flows	5,754	5,754
1.13 Total operating and investing cash flows (carried forward)	12,154	12,154

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	12,154	12,154
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 (refer 3.1(i))	-	-
1.17	Repayment of borrowings	(2,094)	(2,094)
1.18	Dividends paid	-	-
1.19	Share Issue Costs	-	-
Net financing cash flows		(2,094)	(2,094)
Net increase (decrease) in cash held		10,060	10,060
1.20	Cash at beginning of quarter/year to date	29,373	29,373
1.21	Exchange rate adjustments to item 1.20	(3,905)	(3,905)
1.22	Cash at end of quarter	35,528	35,528

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

-

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)	-	10,282
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	2,757
4.2 Development	1,919
4.3 Production	3,659
4.4 Administration	682
Total	9,017

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	199	250
5.2 Deposits at call	35,329	29,123
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	35,528	29,373

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	PRL8	Working	10.72	-
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 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	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 +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>		-	<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 Debentures (totals only)	-	-		
7.12 Unsecured notes (totals only)	-	-		

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 October 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 SEPTEMBER 2010

Amended List of Mining Tenements

PERMIT	OPERATOR	CUE INTEREST (%)
Petroleum Properties		
Indonesia		
Sampang PSC ⁽ⁱ⁾	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	Barracuda Pty Ltd	14.894
SE Gobe Field Unit	Oil Search (PNG) Limited	3.285646
Australia		
T/37P	Cue Energy Resources Limited	50.00
T/38P ⁽ⁱⁱ⁾	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 ⁽ⁱⁱⁱ⁾	Woodside Burrup Pty Ltd	35.00
WA-409-P	Cue Energy Resources Limited	50.00
AC/RL7	PTTEP (Australasia) (Ashmore Cartier) Pty Ltd	20.00
New Zealand		
PEP 38413	OMV New Zealand Limited	5.00
PMP 38160	OMV New Zealand Limited	5.00
PEP 51313 ⁽ⁱⁱⁱ⁾	Todd Exploration Limited	20.00
PEP 51149 ⁽ⁱⁱⁱ⁾	Todd Exploration Limited	20.00
⁽ⁱ⁾ Economic interest in the Jeruk field		8.181818
⁽ⁱⁱ⁾ Working interest in Spikey Beach block		10.00
⁽ⁱⁱⁱ⁾ Subject to government approval		