



Cue Energy Resources Limited

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

DATE : 29 April 2011

PAGES (including this page): 16

FROM : Andrew Knox

RE : **Quarterly Report for Period Ending 31 March 2011**

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



Cue Energy Resources Limited

QUARTERLY REPORT

FOR THE QUARTER ENDING 31 MARCH 2011

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



**2D seismic vessel, Aquila Explorer, acquiring data offshore PEP51149
over the Pungarehu Prospect.**

QUARTERLY REPORT

FOR THE QUARTER ENDING 31 MARCH 2011

HIGHLIGHTS

- > Cash up 17% from previous quarter to A\$47.4 million**
- > Revenue up 42% compared to same period in 2010 to A\$37 million for the year to date**
- > Debt reduced by 16% to US\$6.8 million (A\$6.6 million) at end of quarter**
- > The Zeebries 3D seismic acquisition is continuing as planned in WA-389-P, WA-359-P and WA-409-P. The survey will be completed by early May 2011**
- > The Movidia 3D seismic survey in WA-389-P was completed during the quarter**
- > The Sale and Purchase Agreement was signed for the sale of Cue's 20% equity in AC/RL7, the Cash-Maple field for US\$8 million**
- > Petroleum Retention License 14 (PRL14) grant was received over the Bilip, Iehi and Cobra field discoveries in Papua New Guinea**
- > 2D seismic data acquisition was completed in the Taranaki Basin over the Pungarehu prospect in PEP51149 and the Matariki and Te Whatu prospects in PEP51313**

FINANCIAL SUMMARY

· Quarterly revenue

Revenue receipts from hydrocarbon production for the quarter were A\$11 million on sales of 101,542 barrels of oil and 725 million cubic feet of gas.

· Cash at end of quarter

Cash increased A\$6.8 million over the quarter to A\$47.4 million.

· Hedging

Cue received the final payment for 2010 hedging of A\$0.07 million during the quarter. Cue has hedged 10,000 bbls per month from April to December 2011 at a price of dated Brent US\$98 per barrel.

· Debt

Borrowings have been reduced by 16% to approximately US\$6.8 million (A\$6.6 million) since the last quarter, down from US\$20 million as at 31 December 2009.

ACTIVITY REVIEW

AUSTRALIA

WA-359-P and WA-409-P Carnarvon Basin –Western Australia (30% interest)

Operator: Apache Northwest Pty Ltd

Acquisition of the Zeebries 3D seismic survey continued and is expected to be completed in early May 2011. It is expected to define several new drillable prospects.

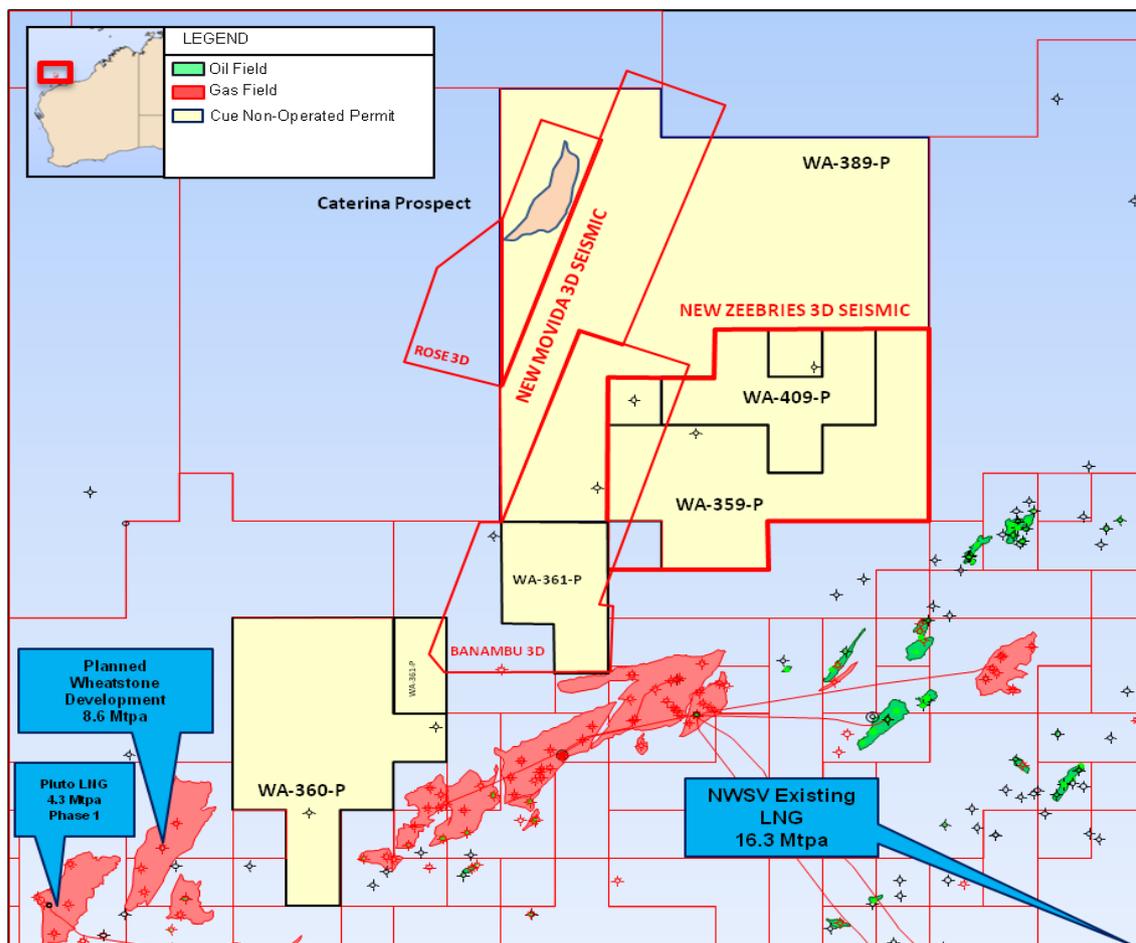
WA-389-P Carnarvon Basin –Western Australia (35% interest)

Operator: Woodside Burrup Pty Ltd

During the quarter Woodside continued reprocessing of the Banambu and Rose 3D surveys. Acquisition of the Movidia 3D seismic survey in the permit was completed.

In January 2011, Cue received payment from Woodside of US\$5million for past costs.

Cue is free carried in a well which is expected to commence drilling late 2011 or early 2012.



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

Operator: MEO Australia Ltd

Negotiations have commenced for a permit wide seismic reprocessing data set to ascertain post Artemis prospectivity.

WA-361-P Carnarvon Basin –Western Australia (15% interest)

Operator: MEO Australia Ltd

The secondary 3 year term of the licence has been entered into and in conjunction with the terms of the licence grant, 50% of the permit area has been relinquished. The forward work programme commitment consists of geotechnical studies and the acquisition and interpretation of 150 sq km 3D seismic. The 3D seismic acquisition will commence Q2 2011.

T/37P and T/38P Bass Strait Australia (50% interest)

Operator: Cue Energy Resources Limited

Cue has withdrawn from these permits subject to final government approval.

Drilling Operations in the Maari Field



NEW ZEALAND

PEP51313 Offshore Taranaki Basin (20% interest)

Operator: Todd Exploration Limited

Processing of the new Matariki 3D seismic survey was completed. Seismic interpretation of the prospect is ongoing. The Te Whatu 2D seismic survey was completed and the data is currently being processed.

PEP51149 Offshore Taranaki Basin (20% interest)

Operator: Todd Exploration Limited

Planning for the Pungarehu 2D onshore—transition zone and offshore seismic was undertaken and the acquisition was completed in April 2011.

PMP 38160 Offshore Taranaki Basin (5% interest)

Operator: OMV New Zealand Ltd

◆ Maari and Manaia Fields

Cue's net share of oil sales receipts from the Maari and Manaia fields was 69,953 barrels which generated A\$6.1 million in revenue received. Oil from Maari and Manaia is being commingled and produced jointly.

Production was below forecast due to electrical submersible pump problems.

A planned two day shutdown for variable speed drive installation was completed on 16th and 17th March 2011.

Commenced reinstallation of workover unit on the wellhead platform to permit replacement of the MR9 well ESP and acidisation of the MR1 well. The workover of the MR9 well is expected to commence in late April 2011.

INDONESIA

Sampang PSC – Madura Strait (15% interest)

Operator: Santos

◆ Oyong Field

Oil production continued at a total rate of 3,000 bopd which is above the original forecast rate. Cue's share of oil sales receipts was 24,651 barrels which generated A\$2.3 million in revenue received during the quarter. Cue's share of gas sales receipts was 725 million cubic feet which generated A\$1.94 million in revenue received during the quarter.

◆ Wortel Field

The Wortel gas field development is progressing to plan, all detailed engineering, and fabrication of the legs of the wellhead platform, have been completed, targeting first gas production in late 2011. The combined Oyong and Wortel gas production rate is expected to be around 90 mmscf per day. Oyong is currently producing around 60 MMscf per day.

Oil Production at Oyong



PAPUA NEW GUINEA

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

Operator: Santos

SE Gobe Unit, PNG (3.285646% interest)

Operator: Oil Search (PNG) Limited

Cue's share of oil sales receipts was 6,938 barrels of oil from the SE Gobe field during the quarter which generated A\$0.69 million in revenue received.

◆ PRL14 (formerly PPL190)

Operator: Oil Search (PNG) Limited

The PRL14 licence grant was received for a full 5 year term over the prospective graticular blocks within PPL190 which contain the Bilip, Iehi and Cobra discoveries. There is additionally exploration potential which will be evaluated during the 5 year term.

Drilling Operations in PNG



CORPORATE

During the quarter, additional staff were recruited, Alex Parks joined Cue as Chief Commercial Officer. Alex was formerly CEO of the ASX listed companies Mosaic Oil NL and Otto Energy Ltd. Andre Coffa, previously with Benaris will join Cue as a Senior Explorationist. Andre brings to Cue additional exploration knowledge and experience in other regional basins. These recruitment activities are consistent with Cue's strategy to build capability for growth.

An offer was made to purchase Woodside Petroleum's operated interest in the producing Laminaria Corallina fields offshore Australia. The vendor has elected to withdraw the assets from sale.

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 unknown 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 March 2011

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date 9 months \$A'000
1.1 Receipts from product sales and related debtors	10,984	37,022
1.2 Payments for (a) exploration and evaluation (refer 2.2)	4,644	3,950
(b) development	(1,656)	(5,023)
(c) production	(2,747)	(7,266)
(d) administration	(1,290)	(2,769)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	82	269
1.5 Interest and other costs of finance paid	(36)	(144)
1.6 Income taxes paid	(1,604)	(3,802)
1.7 Other – Hedging	67	1,011
Net Operating Cash Flows	8,444	23,248
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects		
(b) equity investments		
(c) other fixed assets	-	(3)
1.9 Proceeds from sale of:		
(a) prospects		
(b) equity investments	-	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
1.13 Total operating and investing cash flows (carried forward)	8,444	29,002

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	8,444	29,002
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	300	300
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings (refer 3.1(i))	-	-
1.17	Repayment of borrowings	(1,321)	(5,159)
1.18	Dividends paid	-	-
1.19	Share Issue Costs	-	-
	Net financing cash flows	(1,021)	(4,859)
	Net increase (decrease) in cash held	7,423	24,143
1.20	Cash at beginning of quarter/year to date	40,622	29,373
1.21	Exchange rate adjustments to item 1.20	(607)	(6,078)
1.22	Cash at end of quarter	47,438	47,438

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

Includes USD5 million of back costs received from Woodside Petroleum pursuant to the farm out terms of WA-389-P.

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)	-	6,634
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	2,991
4.2 Development	3,567
4.3 Production	3,128
4.4 Administration	1,211
Total	10,897

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	144	11
5.2 Deposits at call	47,294	40,611
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	47,438	40,622

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 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	694,819,718	694,819,718	-	-
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>
	1,200,000	-	15 cents	19/04/12
	700,002	-	20 cents	19/04/12
	1,033,333	-	22.5 cents	19/04/12
	1,033,332	-	25 cents	19/04/12
	333,333	-	35 cents	19/04/12
7.8 Issued during quarter	-	-	-	-
7.9 Exercised during quarter				
	500,000	-	15 cents	19/04/12
	333,332	-	20 cents	19/04/12
	333,334	-	22.5 cents	19/04/12
	333,334	-	25 cents	19/04/12
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 April 2011
 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 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	Cue Energy Resources Limited	50.00
WA-359-P ⁽ⁱⁱ⁾	Apache Northwest Pty Ltd	30.00
WA-360-P	MEO Australia Limited	15.00
WA-361-P	MEO Australia Limited	15.00
WA-389-P	Woodside Burrup Pty Ltd	35.00
WA-409-P ⁽ⁱⁱ⁾	Apache Northwest Pty Ltd	30.00
AC/RL7	PTTEP (Australasia) (Ashmore Cartier) Pty Ltd	20.00
New Zealand		
PMP 38160	OMV New Zealand Limited	5.00
PEP 51313	Todd Exploration Limited	20.00
PEP 51149	Todd Exploration Limited	20.00
⁽ⁱ⁾ Economic interest in the Jeruk field		8.181818
⁽ⁱⁱ⁾ Subject to government approval		