



Cue Energy Resources Limited

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PAGES (including this page):4

FROM : Andrew Knox

RE : **Chairman's Address**
Annual General Meeting of Shareholders.

Attached please find the Chairman's address for Cue Energy Resources Limited's Annual General Meeting.

Yours faithfully

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

Andrew M Knox
Public Officer

Cue Annual General Meeting of Shareholders

10.30 am, 22 November 2006

Melbourne Australia

Chairman's Address

Good morning Ladies and Gentlemen, welcome to the 25th Annual General Meeting of Cue shareholders.

I am Richard Tweedie and it is a pleasure to be addressing you again as chairman.

Before I continue, let me introduce the other members of your board and the company's senior management.

Chairman introduces board members and management, noting that Chris Kernick has joined as exploration manager.

The past year was the sixth consecutive year in which your company has made a profit. We achieved an after tax profit of \$2.2 million and a before tax profit of \$4.6 million from sales revenue of \$8.4 million. Our cash reserves at the end of the financial year were \$30 million.

Our sales revenue of \$8.4 million is an increase of \$2.6 million from last year and reflects increased revenue from our interest in the South East Gobe oil field in Papua New Guinea, primarily driven by the strong increase in oil price.

Our realised average price per barrel was \$87 per barrel, an increase of approximately \$22 per barrel over last years average realised price.

South East Gobe currently provides the company's principal source of revenue and we expect that it will continue to provide base level income for several more years.

Next year we expect a substantial increase in income when the much delayed Oyong field oil production begins in Indonesia. The field should begin production in the second quarter, and is expected to generate average net operating revenue to Cue in excess of \$15 million in the first year of production.

First gas production from the field is expected in 2008.

The recent gas discovery at Wortel, some 7 Km west of Oyong, can potentially be produced through the Oyong facilities and will further contribute to our earnings from gas in the 2008 onwards time frame. A development well is scheduled for 2007. Wortel will potentially double gas production through the Oyong facilities.

The results from the Jeruk -3 appraisal well, which established a smaller oil column than previously expected, were disappointing and we expect that considerable effort will be expended by Santos in determining the future of the field.

Our transaction with Medco earlier this year, whereby we reduced our interest in Jeruk, has reduced Cue's exposure to Jeruk expenditure.

In New Zealand, development of the Maari oil field is well underway and our share of oil production from the field beginning second quarter 2008 onwards will see Cue's income increase again. We have been recently awarded the adjacent Manaia licence, which we will drill by end 2008.

We expect that Cue's average net operating income from the field will be around \$24 million in the first year of field production.

We continue to seek to grow the company through acquiring new acreage and producing assets. Last year I mentioned our bid for an Australian producing asset, but again the vendor did not proceed to complete a sale. We were however, granted a new exploration permit to the north of our existing areas in the Carnarvon Basin of Australia.

We plan to continue to evaluate opportunities to enhance share holder value.

Our exploration portfolio is substantial. We hold high hopes for our Bass Strait Permits. We plan to run a large 3D seismic survey over the Pelican gas condensate discovery and are conducting a scoping study on the potential of the field, which may hold several TCF gas in place and associated liquids.

Our Carnarvon Basin permits are adjacent to the giant Rankin gas condensate fields. Again we plan to run a significant seismic programme over these licenses. There is significant interest in our Bass Strait and Carnarvon permits from major international companies.

Our PNG discoveries at Barikewa and Kimu are valuable assets. Considerable interest is being shown by major parties interested in developing LNG or methanol production. We anticipate development of these fields over time.

Let me turn for a moment to talk about company funding.

In June this year we made a renounceable pro rata share offer which raised approximately \$21 million after fees.

This raising was made to assist funding the appraisal of Jeruk, the cost of the considerable amount of exploration drilling in the past year, the gas development phase of the Oyong field and ongoing development costs of the Maari field.

After the raising, Cue had some \$30 million in cash and no debt.

Cue has been steadily laying the foundations for a substantial growth phase in which we expect to see the company develop rapidly over the next few years.

Cue's gross revenue from 2007-2012 is projected at \$265 million from SE Gobe, Oyong, Maari oil and gas production.

Finally, let me say something about the value of our company. In the view of your directors the market is substantially undervaluing Cue Energy. We believe a fair market value of production and contingent production a loan comfortably exceeds our present share price. On top of that is the upside from our exploration portfolio.

Therefore a fair value of the company should be substantially in excess of the current 13-14 cents.

In closing I thank shareholders for their continuing support of the company and the board and our management and staff for their efforts during the year.

I now ask Bob Coppin, the company's Chief Executive Officer to present his review of the company's activities during the past year.

Thank You,

Richard Tweedie.