



ABN 45 066 383 971

19 November 2014

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ASX Market Announcements  
ASX Limited  
Exchange Centre  
Level 4, 20 Bridge Street  
Sydney NSW 2000

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### Chairman's letter to shareholders

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Attached please find Cue Energy Resources Limited's release with respect to the above mentioned.

Yours faithfully

Andrew M Knox  
Chief Financial Officer

#### CUE ENERGY OVERVIEW

Cue is an Australian based oil & gas company with activities in Australia, New Zealand, Indonesia and PNG.

#### THE COMPANY HAS:

- Long life production
- A strong balance sheet
- An active exploration program

#### CUE ENERGY DIRECTORS

- Geoffrey King (Chairman)
- Stuart Brown
- Rowena Sylvester
- Andrew Young

#### CUE ENERGY MANAGEMENT

- David Biggs (CEO)
- Andrew Knox (CFO)
- Jeffrey Schroll (Exp Man)

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**Cue Energy Resources Limited**  
ABN 45 066 383 971

18 November 2014

Dear Shareholder,

Your Board considered it timely to update you on Cue's progress and direction before the Annual General Meeting on 27 November 2014. I also wish to address the nomination as a director of Mr Dugald Morrison by Zeta Resources Limited. Zeta recently became a 9% shareholder of Cue.

Consistent with its business plan, Cue's strategy is to grow by both organic and inorganic means.

Organic growth builds on our existing asset base by extracting maximum value from both our existing producing assets at Maari in New Zealand and Oyong and Wortel in Indonesia and continuously optimising and restocking our portfolio of assets through selective new venture opportunities. We will continue to focus our activities on Asia, New Zealand and Australia, but with an increasing bias towards Asia and Australia.

Inorganic growth involves the acquisition of producing assets which fit Cue's strategy at a price that adds value for shareholders.

In terms of organic growth, over the past 12 months the Company has:

- Committed \$1.6 million for the extension and maintenance of oil and gas production at Oyong and Wortel.
- Commenced development activities worth \$27 million (Cue share) at Maari designed to increase annual oil production by 200,000 barrels net to Cue in 2015 and beyond.
- Participated in drilling three exploration wells - Manaia-2, Naga Utara-2 and Whio. The Manaia-2 well results are still under review but both Naga Utara-2 and Whio were unsuccessful. Cue was fully carried on the Whio well.
- Subject to Indonesian Government approval, increased our participating interest to 100% in the Mahakam Hilir PSC following the identification of a promising and previously overlooked oil prospect that will be drilled in 2015 (Naga Selatan-2). Cue also assumed operatorship of the block.
- Committed to drill an exploration well in 2015 in our onshore New Zealand permit - PEP51149
- Signed a conditional agreement for the sale of our PNG assets which, on completion, will relieve the company of a \$10 million well obligation in PRL9 in 2015 and capture up front value for what is likely to be a gas project at an undetermined future date with long cycle time to first cash flows. A full announcement, including details of the sale price, will be made when the agreement is unconditional.
- Continued to add to the Company's technical skill base, necessary for growth, by recruiting additional geoscientists, including a new General Manager of Exploration and Production.

- Reviewed numerous new ventures opportunities in New Zealand, Australia and Asia, however most of them were rejected as they fell below our technical and commercial criteria.

During the year we also managed a five month interruption to our Maari production as the FPSO Raroa required repairs to its turret and mooring system. Given that these problems with the FPSO effectively halved our production for almost half a year, the Company's FY14 result was reasonable.

Turning to inorganic growth, the Company has previously stated that it is actively pursuing the purchase of a producing asset or assets which, at the right price, will further diversify our production base and also provide opportunities for further growth for Cue.

The Board is very mindful of the need to exercise discipline, care and diligence in the purchase of assets and will only do so after extensive due diligence and where such an acquisition is value accretive to shareholders. We believe the right acquisition will have a transformational impact on Cue and will lead to a rerating of the company.

Along with the considerable business activity mentioned above, the Cue Board has undergone some change since January 2014. Mr Tim Dibb and Mr Paul Moore resigned from the Board due to work commitments in other countries - Mr Dibb accepted fulltime employment for an oil company in Korea and Mr Moore has taken responsibility for Todd's assets in North America necessitating relocation to the USA.

Consequent upon these resignations, the opportunity was taken to recruit directors with specific skills to compliment and round out the capabilities of the Board. As a result, Rowena Sylvester and Stuart Brown were selected and appointed as Directors. Rowena brings extensive banking, finance and treasury skills to the Board, and Stuart brings strong geoscience and corporate governance skills from his time with Shell and Woodside.

Of the continuing Board members, Andrew Young has an internationally recognised geoscience and engineering background with deep technical and management experience in exploration and production. I have more than 30 years legal experience in the international oil and gas industry including over nine years as a director of Singapore Petroleum.

As shareholders will be aware, Zeta Resources Limited, a 9% shareholder of Cue has nominated Mr Dugald Morrison as a director of the company for election at the forthcoming Annual General Meeting.

Given the care taken to develop the current composition of the Board, I consider that Cue has a Board which has the right blend of discipline, independence, skills and experience. I also believe it is the right size for a company of Cue's scale and I can see no need to add further skills to the Board or incur the expense of further directors at this stage. Had I considered that there was a need for additional skills or experience at board level, I would have instituted a recruitment search to find a person with those attributes.

I have written to Zeta Resources (as advised to the ASX) setting out the Board's concerns regarding Mr Morrison's nomination. In short:

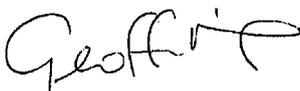
- Cue has two major shareholders with significantly higher shareholdings than Zeta and they do not seek Board representation.
- Zeta has yet to provide any information as to how a Zeta nominee will add shareholder value.
- The current Board comprising four independent members has been recently assembled with an appropriate balance of geological, engineering, commercial, legal and financial skills. Mr Morrison has no experience or qualifications that are lacking in the current Board composition and he has no oil and gas experience.

I therefore recommend to shareholders that they vote against Mr Morrison's nomination to the Board.

Your Board and management are committed to the prudent growth of Cue as an exploration and production company. Cue is in the fortunate position of having significant production relative to its size, and the resources and capability for profitable growth. The market in Australia is currently difficult, especially for smaller resources companies. However, the Board has a clear plan for growth which it believes will add value to shareholders in the short and medium term.

I hope to see you at the 2014 Annual General Meeting commencing at 10am on 27 November at the Langham Hotel, Melbourne.

Yours sincerely



**Geoffrey King**  
Chairman