# Cue Energy Resources Limited

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FROM : Andrew Knox

RE : **Chairman's Address – Annual General Meeting 2011**

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

Yours faithfully

Andrew M Knox
Public Officer

# Cue Energy Resources Limited

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## *RELEASE*

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

## Cue Annual General Meeting of Shareholders

**10.00am, 24 November 2011**
**Melbourne Australia**

## Chairman's Address

Good morning ladies and gentlemen, welcome to the Annual General Meeting of members of Cue Energy Resources Limited. My name is Richard Tweedie and I am Chairman of the Company. With us today are the other members of the board Leon Musca and Steven Koroknay and our Chief Executive Officer Mark Paton, our Chief Financial Officer Andrew Knox, our Chief Commercial Officer, Alex Parks and our Exploration Manager, Terry White. Our auditors are also present to answer any audit questions you may have.

Mark Paton has replaced Bob Coppin as Chief Executive Officer after Bob retired in February. Mark has worked within the oil and gas industry for over 30 years. In the early part of his career he worked for BP and BHP Petroleum in a number of roles. He also established the successful oil and gas service company Upstream Petroleum which grew to become a significant provider of operations and project management and engineering services with over 400 employees. This company was acquired by the AGR group of Norway. Mark's background will be key in Cue building an operating competence as we move from a non operator to operator of assets we have an interest in.

The past year has been another good year for Cue in turbulent times. Stock markets around the world have fallen as a consequence of economic uncertainty in the United States and Europe, the fear of a worldwide recession and the European sovereign debt crisis. This has caused a movement of capital away from risk assets which has impacted the share price of oil and gas exploration and production companies all over the world. Cue has also been impacted by these events despite our strong earnings and balance sheet. Whilst these have been unsettling times for our shareholders the underlying performance of the company remains strong and the company is in a robust position to grow from a position of strength as markets recover.

During the year the company produced a record quantity of hydrocarbons, 984,000 barrels of oil equivalent from our producing assets in Papua New Guinea, Indonesia and New Zealand which was up from the previous year's record of 940,000 barrels of oil equivalent.  Revenue was $52.5M and gross profit $43.4M, similar to 2010.

Net profit after tax was $19.1 million which was down from our record of $27.5 million in 2010 but was still our second highest profit on record. The result was impacted negatively due to the high Australian dollar, accounting treatment of our oil hedges and the write off of our T/37P and T38P exploration activities.

At year end our cash balance was $52.8 million up from $29.4 million at the end of the 2010 financial year and our Maari project finance debt was reduced to just.$5.1 million.

In New Zealand, the Maari and Manaia production was significantly impacted by a number of electrical submersible pump failures. A number of workovers have been required to restore production from the wells. OMV the operator has been working closely with the pump supplier Schlumberger to resolve the issues. Pump reliability appears to be improving with time.

Further reserves are being evaluated for production within Maari and Manaia and it is expected that some additional appraisal wells will be drilled within the next 12-18months to more accurately define incremental reserves. Cue's current estimate of incremental reserves is of the order of 20-40 million barrels gross. Should these reserves be confirmed then a second phase of the Maari project will likely be initiated.

In Indonesia, the Oyong field continues to outperform expectations and the Wortel gas field development project is well advanced. The Wortel wellhead platform has been installed and the two development wells are currently being drilled. Production from Wortel is expected to increase Cue's share of production from the Sampang PSC to 2700 barrels of oil equivalent per day from late December or early January. The project is still being progressed within the budget of USD105.1 million. The gas will be exported to Grati where it will be used by Indonesia Power to generate electricity.

Also in Indonesia Cue farmed into the Mahakam Hilir permit in the prolific Kutei basin onshore Kalimantan. Cue farmed into a permit operated by one of our major shareholders SPC for a 40% interest. Two wells are planned to be drilled over the next three months. These wells have estimated prospective resources of 80 BCF of gas and 20 million barrels of oil and being onshore will be able to be developed quickly at relatively low cost if a discovery is made.

In Papua New Guinea, our SE Gobe production revenue continues to exceed expectations. A plant to process the associated and gas cap gas is currently under construction and it is expected that the SE Gobe gas will be exported via the PNG LNG gas pipeline from the end of June 2012. We expect the SE Gobe gas to be sold to the PNG LNG scheme thus extending field life to 2023.

In Australia our co-joint venturers, Woodside and Apache concluded two major 3D seismic surveys on our North West Shelf Licences. The data from these surveys is currently being evaluated to firm up drilling targets for 2012. We expect that the commitment well in WA389-P where Cue has a 35% free carried interest will be drilled by Woodside in the second quarter 2012. This exploration will make 2012 very exciting for Cue and its shareholders and a discovery could be transformational for the company.

Our 2010 & 2011 results have provided a solid platform for future growth. We have useful cash reserves, a solid production income and minimal debt. We see plenty of opportunities in front of us. Our current focus is Australia and New Zealand along with Indonesia, Malaysia, Thailand and the Philippines. Although exploration successes are the most cost effective vehicle for growth, the acquisition of assets and companies can offer a faster step up to higher production and reserves. As always the balancing of risk, price and shareholder value is a delicate one. Your board and management are very focused on implementing a growth strategy.

Finally, I would like to take this opportunity to acknowledge the service of our outgoing CEO Bob Coppin. Bob left Cue and retired in February after 16 years of service and left the company in good shape. The Board of Cue wish Bob well for his retirement.
Thank you for your continuing support.

Richard Tweedie
Chairman