



ABN 45 066 383 971

23 January 2015

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

Chairman's letter to shareholders

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 Schrull (Exp Man)

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CONTACT DETAILS

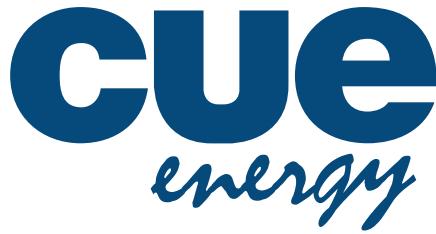
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Dear Shareholder

With the recent sharp decline in the price of oil and the emergence of New Zealand Oil and Gas Limited (NZOG) as a substantial shareholder of Cue, your Board considered it appropriate to update you on the implications of both events for Cue.

In late December 2014, NZOG announced that it had purchased 19.99% of Cue's issued capital by way of an off market purchase of a block of shares held by Todd. We have welcomed NZOG onto the register as a significant shareholder.

I have met with the Chairman of NZOG and, while I believe that NZOG sees the current share price as considerably undervaluing Cue, I remain unclear as to NZOG's future intentions with respect to the Company.

Turning to Cue's oil and gas business, as you know, the bulk of Cue's oil production is derived from its share of production from the Maari field in New Zealand and the Oyong field in Indonesia.

Cue sells most of its crude oil production at a price tied to the price of Brent crude oil – one of the world's key oil price benchmarks. Since early September 2014 the price of Brent crude has declined from approximately US\$100/barrel to the current price of less than US\$50/barrel – a decline of more than 50% in the space of about 5 months.

However, in the quarter to 31 December 2014, approximately 70% of Cue's revenue and production on a barrel of oil equivalent basis was derived from gas. Gas production from the Oyong and Wortel fields in Indonesia is priced in US dollars and is insulated from oil price movement as it is not indexed to the price of oil.

Therefore, despite current oil prices and due to both the stability of Cue's gas production revenue and prudent management of the company's cash flows, Cue continues to be able to fund from its own cash resources, commitments for both its existing assets and its exploration portfolio. In addition, consistent with the Company's recent exit for value from PNG, Cue will continue to optimise its existing exploration portfolio and also seek new exploration opportunities which fit its strategic objectives.

For the 2015 calendar year, consistent with our stated strategy, Cue also plans to participate in four onshore wells – three in Indonesia and one in New Zealand. Given our expressed target of drilling 3-5 wells a year, we are now looking to stock the portfolio with drilling opportunities for calendar 2016.

For a company of its size, Cue has an enviable set of producing assets. The company is currently investing in the expansion of production from Maari and the maintenance of existing production levels from Oyong and Wortel.

Maari and Oyong/Wortel production continues to be profitable at current oil and gas prices.

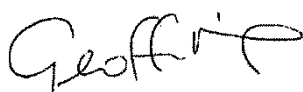
It is the Board's firm view that the company's current market capitalisation considerably undervalues our producing assets and our quality exploration portfolio. We continue to seek opportunities to purchase existing production, and we expect more producing assets will become available in the market if the current level of oil price persists.

Cue management remains focused on executing our business plan and extracting maximum value from our producing assets and maintaining a prudent but active exploration portfolio.

Your Board will continue to oversee the Company with great care, taking into account the current market uncertainties.

These are difficult times in the oil industry as a whole but I am very confident that Cue is in a position to continue to carry out its business profitably for the benefit of all shareholders.

Yours sincerely



Geoffrey King
Chairman