



A.C.N. 006 045 790

# **ANNUAL REPORT 30 JUNE 2008**



## **CULLEN RESOURCES LIMITED - ANNUAL REPORT 2008**

ABN: 46 006 045 790

### **CORPORATE DIRECTORY**

#### **Directors**

Denis E. Clarke (Chairman)  
Chris Ringrose (Managing Director)  
John Horsburgh  
Grahame Hamilton  
Wayne John Kernaghan

#### **Secretary**

Wayne John Kernaghan

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#### **Auditors**

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#### **Solicitors**

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#### **Bankers**

Australia and New Zealand Banking Group  
Limited  
St Leonards NSW 2065

#### **Securities Quoted**

Australian Stock Exchange Limited  
Home Exchange - Sydney  
ASX Code: CUL

#### **Share Registry**

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|                                                |             |
|------------------------------------------------|-------------|
| <b>CONTENTS .....</b>                          | <b>Page</b> |
| <b>Chairman's Report .....</b>                 | <b>1</b>    |
| <b>Exploration Review .....</b>                | <b>4</b>    |
| <b>Directors' Report.....</b>                  | <b>14</b>   |
| <b>Corporate Governance Statement .....</b>    | <b>22</b>   |
| <b>Independent Audit Report .....</b>          | <b>25</b>   |
| <b>Directors' Declaration .....</b>            | <b>27</b>   |
| <b>Balance Sheet .....</b>                     | <b>28</b>   |
| <b>Income Statement .....</b>                  | <b>31</b>   |
| <b>Statement of Cash Flows .....</b>           | <b>32</b>   |
| <b>Notes to the Financial Statements .....</b> | <b>33</b>   |
| <b>Shareholder Information.....</b>            | <b>55</b>   |

## **CHAIRMAN'S REPORT**

### **DEAR FELLOW SHAREHOLDER**

During 2007/2008, the Company's position as a participant in a potential, new iron ore development project in the West Pilbara Region of Western Australia has been consolidated. As a partner with API Management Pty Limited (API) in the Mt Stuart Iron Ore Joint Venture, our Company is now contributing funds, in part, for the completion of a Definitive Feasibility Study. The published results of a Pre Feasibility Study (May, 2008) envisaged that Mt Stuart Joint Venture iron ore could be commingled with iron resources from the adjoining API/Red Hill Iron Limited project as part of a viable 25 million tonne per annum operation.

Our ownership of iron ore resources has underpinned the Company's share price through the difficult 2007/2008 period, and we gained two Substantial Shareholders during the year. In November 2007, we placed 13% of our stock with Aquila Resources Limited (Aquila); and AMCI Holdings Pty Limited (AMCI), a 50% partner in the API Joint Venture with Aquila, has bought shares on-market. As at 30th June, AMCI and Aquila were Cullen's largest shareholders at 16% and 15.8% respectively.

In addition to participating in the Mt Stuart iron ore Joint Venture, the company had a very busy and successful year exploring and prioritising targets for gold from its 100% owned projects. This work has dominantly involved careful assessment by the Company's Chief Geologist, Dr. Matthias Cornelius. Using his specialised experience in geochemistry, Dr. Cornelius has assisted in scrutinising our databases and evaluating new areas to identify priority targets.

In particular, the Company has initiated work on a gold-prospective area along the western boundary of the Agnew greenstone belt in Western Australia. The area is close (<3 km) to known, large, gold deposits but has remained unexplored because the bedrocks are hidden beneath thick alluvial cover. The Company believes it has the technical capacity to effectively explore this difficult type of target, and we look forward to the results of further evaluation.

On other fronts, the Company has completed a successful drilling campaign at its 100%-owned Minter tungsten project, and reported some very significant, shallow intersections of tungsten mineralisation.

Further, the tenements and applications we have for uranium in WA and the NT are being progressively evaluated and prioritised; we have extended our areas of interest in the Kimberley Region of WA to include a potential coal play; and we have reviewed exploration opportunities in Scandinavia at a low-key level.

In summary, it is pleasing to look back on a very workmanlike and successful year for the Company. Dr. Ringrose, the Company's Managing Director, has built a small, cohesive and highly effective exploration team in Perth and there is a sharp, hands-on focus in the operation of the projects.

All members of the Board, our staff and contractors are thanked for their contribution during the year, and I thank all shareholders for their continued interest and support.

**Dr. Denis Clarke**  
**Chairman**

## THE COMPANY

The Company seeks to increase shareholder value from its tenement portfolio by discovery of economic mineral deposits. Substantial efforts are concentrated on identification of new project opportunities, particularly those where value can be added most cost effectively. A joint venture-funded exploration model for discovery is applied where appropriate.

While the majority of the Company's projects are in Western Australia, Cullen reviews project

opportunities throughout Australia and selected locations overseas.

Cullen is led by a team of highly experienced, successful and motivated geologists. The depth of technical, managerial and corporate skills possessed by the Company's Directors collectively cover all aspects of project generation, exploration management, development and corporate governance.

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## CORPORATE STRATEGY

A farm-out policy has been a principle strand of Cullen's corporate strategy between 2004 and 2007, when the Company successfully farmed out a number of major projects to mainstream partners. As a result, exploration expenditure rose substantially in 2005-2006 and was maintained at a high level in 2006-2007 (~\$3M), including joint venture partners' contributions. The objective of this strategy has been to maximise exploration activity, spread exploration risk, and increase the technical depth and range of techniques brought to bear on Cullen's projects.

In most cases, Cullen retains a free carried interest. At this stage Cullen has eight active Joint Ventures managed by partners (see Summary Table).

During 2006/2007 and more so during 2007/2008, there has been an increased level of exploration by Cullen on new, 100%-owned projects complementing the Joint Venture activities. Cullen's activities have included: reconnaissance geochemical sampling programmes over selected areas; systematic reviews of targets, prioritisation and drilling.

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## HIGHLIGHTS - 2007/2008

- An upgraded Resource Estimate for the Catho Well Channel Iron Deposit of 79.5Mt @ 55.34% Fe (Cullen's share ~23.8Mt).
- Addition of two substantial shareholders in: Aquila Resources Limited and AMCI Holdings Pty Ltd.
- Prioritisation of uranium projects with properties in WA and NT selected for farmout or further exploration.
- Identification of shallow, tungsten mineralisation at the Doyenwae Prospect in Central NSW with on-strike potential along a 10km trend.
- Recognition of substantial prospectivity in the Agnew project area, with initial drill testing planned for late 2008.
- Nickel exploration on-going at Forrestania (Hannans Reward JV Manager) project with EM anomalies identified for drilling.
- Identification of new target areas for gold at Irwin Bore and near the Southern Prospect, in the Gunbarrel Project area in WA.
- Clearance for drilling to test a sub-circular, aeromagnetic anomaly in the NE Goldfields as a possible carbonatite.

## JOINT VENTURES - SUMMARY TABLE

| Joint Venture    | Commodity          | JV Partner                      | Earning (Earned) | Expenditure required and time     | Minimum Commitment | Cullen's FCI | Cullen's NSR      | Partner profile and synergy                                                                                                      |
|------------------|--------------------|---------------------------------|------------------|-----------------------------------|--------------------|--------------|-------------------|----------------------------------------------------------------------------------------------------------------------------------|
| Gunbarrel Nickel | Nickel             | BHP Billiton Ltd                | (75%)            | -                                 | -                  | 25%          | 1.5%*             | Australia's premier nickel explorer and producer with significant exploration interests in North Eastern Goldfields of WA        |
| Red Hill         | Gold & base metals | Red Hill Iron Limited           | 70%              | \$1M/4 years                      | \$200,000          | -            | 2%                | JV excludes the iron ore rights (subject to separate JV between Cullen and API) - except on E08/1622                             |
| Paraburdoo       | Iron ore           | FMG Ltd                         | 51%+ 29%         | \$0.6M/ 3 years+<br>\$1M/ 3 years | \$75,000           | 49-20%       | 1.5%              | FOB Royalty capped to 20Mt                                                                                                       |
| Hardey Junction  | Gold               | Intrepid Mining Ltd             | (70%)            |                                   |                    | 30%          | 2%                | Intrepid is mining the Paulsen's gold deposit, located ~15km north of Cullen's tenements, production of gold started in mid 2005 |
| Mt. Stuart       | Iron Ore           | API (50% owned by Aquila)       | (70%)            | -                                 | -                  | -            | 50c tonne royalty | API/Red Hill has completed Pre-Feasibility study of its regional interest                                                        |
| Tunnel Creek     | Uranium            | Thundelarra/ Element 92 Pty Ltd | 70%              | \$1.5M /5 years                   | \$500,000          | 20%          | 2%                |                                                                                                                                  |
| Wyloo            | Iron Ore           | FMG Ltd                         | 51% + 29%        | \$1M / 3 years+<br>\$1M/3 years   | \$150,000          | 49-20%       | 1.5%              | FOB Royalty capped to 15Mt                                                                                                       |
| Forrestania      | Nickel, Gold       | Hannans Reward Ltd              | (80%)            | -                                 | -                  | 20%          | 2.5%              | Hannans Director, Mr. Terry Grammer, past founding director of Western Areas and co-discoverer of "Cosmos" orebody               |

FOB = Free on board

FCI = Free carried interest

NSR = Net smelter return

\* Subject to Pegasus Royalty

## EXPLORATION REVIEW

### ASHBURTON / PILBARA, WA

Cullen holds a number of tenements in the Ashburton/West Pilbara Region, nearly all of which are in Joint Venture, in the search for iron, gold, base metals and uranium. This provides the Company with exposure to a number of exploration plays in an environment where local concentration of exploration

effort by well-positioned players represents the most cost effective route to a discovery. Exploration programmes are in progress on most of the tenement areas. Work completed has included: rock chip sampling, mapping, IP surveying and drilling.

### WEST PILBARA MT STUART JV

Australian Premium Iron JV (API), owned 50% by Aquila Resources Limited (Aquila), and AMCI Holdings Pty Limited, completed programmes of drilling and resource estimation concentrating on the Catho Well deposit. On 7 March 2008, the Company announced an updated Resource Estimate for its Catho Well Channel Iron Deposit (CID) of 79.5Mt @ 55.34% Fe – see Table below.

The Catho Well CID is one of nine separate iron resources in the West Pilbara Region, centred approximately 50 kilometres southwest of Pannawonica in which API has an interest. Aquila has reported that these nine CIDs, collectively comprise: 430Mt @ 56.86% Fe. The Catho Well CID therefore comprises 18.5% of the CID resources estimated to date in API's West Pilbara Iron Ore Project area, and

Cullen's attributable share of the Catho Well deposit is 23.85Mt @ 55.34% Fe. (Golder Associates Pty Ltd was commissioned to complete the in-situ, JORC-compliant resource estimate). API's various West Pilbara CID Project interests have been the subject of a Pre Feasibility Study (PFS) completed by API/Red Hill Iron Limited in May, 2008.

Following the positive results of this study, API and Cullen have initiated a Definitive Feasibility Study for mining in a scenario where Catho Well ore is commingled with other iron ore resources from the API/Red Hill Iron JV tenements in a 20:80 mix (life of mine average based on current resources). This could provide the product for a 25 Million tpa project over 15 years (as envisaged by the results of the PFS).

**Table 1: Catho Well CID - Cullen 30% (cut-off grade >52% Fe, no Al<sub>2</sub>O<sub>3</sub> cut-off applied; SG - 2.7)**

| Resource Classification | Tonnage (Mt) | Average Grade |                    |                                  |              |              |              |              |              |
|-------------------------|--------------|---------------|--------------------|----------------------------------|--------------|--------------|--------------|--------------|--------------|
|                         |              | Fe%           | SiO <sub>2</sub> % | Al <sub>2</sub> O <sub>3</sub> % | P%           | S%           | Mn%          | MgO%         | LOI%         |
| Indicated               | 55.1         | 55.40         | 6.67               | 3.00                             | 0.037        | 0.016        | 0.080        | 0.170        | 10.32        |
| Inferred                | 24.4         | 55.20         | 7.06               | 3.18                             | 0.036        | 0.016        | 0.080        | 0.170        | 9.99         |
| <b>Total</b>            | <b>79.5</b>  | <b>55.34</b>  | <b>6.79</b>        | <b>3.06</b>                      | <b>0.037</b> | <b>0.016</b> | <b>0.080</b> | <b>0.170</b> | <b>10.22</b> |

#### **Competent Person Statement**

*The information in this announcement that relates to Mineral Resources is based on information compiled by Mr Stuart H Tuckey, Dr Sia Khosrowshahi and Mr Jani Kalla who are members of the Australian Institute of Mining and Metallurgy. Mr Tuckey is a full-time employee of Australian Premium Iron. Dr Khosrowshahi and Mr Kalla are employees of Golder Associates Pty Ltd. Messrs Tuckey, Khosrowshahi and Kalla have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2004 Edition of the 'Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Tuckey, Dr Khosrowshahi and Mr Kalla consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.*



## **WYLOO AND PARABURDOO JV'S**

The Company has two iron ore Joint Ventures with FMG Limited - at Paraburdoo and Wyloo in the Pilbara.

Work has commenced, with drilling of some targets in the planning stage.

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## **RED HILL IRON JV**

The Company has a Joint Venture with Red Hill Iron Limited which covers the same tenements as those the subject of the Mt Stuart Iron Ore JV, on which Red Hill is searching for gold and base metals.

The Cullen/Red Hill JV also includes E08/1662, which is outside the Mt Stuart iron ore JV, on which Red Hill has identified a target for Channel Iron Deposits to be drill tested in late 2008.

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## **TUNNEL CREEK JV FOR URANIUM**

The Company has signed a Letter Agreement with Element 92 Pty Ltd a wholly-owned subsidiary of Thundelarra Exploration Ltd (Thundelarra), for an Earn In and Joint Venture arrangement over three applications at Tunnel Creek located to the SE of Paraburdoo in the Ashburton. Thundelarra has finalised the negotiation of access agreements with a number of native title groups in the area and it is anticipated that on-ground fieldwork will now proceed. Thundelarra's radiometric survey was flown over its Kunderong Project area, which includes the Cullen-Thundelarra JV project

area, to identify target areas for unconformity and structurally-controlled uranium mineralisation of the Ranger and Jabiluka type. The results from this survey are very encouraging and a number of trends of uranium channel anomalies have been identified within the Cullen-Thundelarra JV area. A TEMPEST airborne electromagnetic survey has also been flown over part of the JV area and a conductive east-west shale and sediment sequence and a north-south trending palaeo-drainage was defined for further evaluation.

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## **NORTH EASTERN GOLDFIELDS, WA**

The Company has a strong tenement position in the North Eastern Goldfields for gold and nickel, and uranium in Tertiary palaeochannels. At Gunbarrel, the Company has outlined a gold geochemical anomaly that is interpreted to extend over an area of ~12 x 3.5 km. This anomaly strikes ~NNE and is distinct on a regional scale. This is an important new gold target which includes known gold prospects (from previous

drilling), gold nugget patches, and interpreted NW-SE structures which have not previously been drill tested. This target region is the focus for on-going exploration.

Also in this region, the Company has identified the Agnew tenement as prospective for gold in bedrock and detrital laterites.

## AGNEW PROJECT

The Company has tenements and applications over granite and greenstone terrain north, south and west of the Agnew-Lawlers gold camp in the Lawlers greenstone sequence. Some deposits of the Agnew-Lawlers gold camp are located only ~3km along strike to the northeast of Cullen's tenements. Aeromagnetic data indicate the Scotty Creek Sandstone Sequence hosting the New Holland and Genesis gold deposits may extend south into the Cullen tenements. The interpreted stratigraphy within the Cullen tenements is therefore considered highly prospective for primary gold mineralisation.

Transported overburden forms a gently south-sloping plain covering the Cullen tenements and is likely to have rendered previous surface exploration ineffective.

There is no record and very little evidence of any exploration drilling within the tenement area, which is therefore unexplored despite its "brownfields" setting adjacent to a multi-million ounce gold camp.

Cullen has completed plant-based geochemical sampling which shows clusters of gold anomalies in plant matter in E36/632, ranging from 10 to 57 ppb Au (considered highly anomalous in this sample type) within a ~5 x 0.5km polymetallic anomaly. The strongest Au anomaly in plant matter is ~950m long, ~150m wide and trending approximately west. Several high-priority geochemical targets within E36/632 will be drill-tested as soon as the DOIR approval and heritage clearance have been obtained.



## **EASTERN GOLDFIELDS, WA**

### **COOLGARDIE PROJECT**

The Company has an Option to Purchase Agreement over a group of four tenements in the Coolgardie area of Western Australia, namely: M15/128, MLA15/876, M15/237 and PL15/4593. During 2007/2008, Cullen completed an initial RC drilling test of targets at the

Melanie Anne and McPherson's South targets. The results highlighted potential at Melanie Anne with the best intersection of 3m @ 60.6 g/t Au from 69m and 4m @ 6.0 g/t Au from 92m. A further programme of RC drilling to test "Lode 1" at Melanie Anne is planned.

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### **KILLALOE PROJECT**

Killaloe is located approximately 25km NE of Norseman in the Eastern Goldfields of WA and covers approximately 150km<sup>2</sup> of Archaean greenstones between the Zuleika Shear and the Boulder-Lefroy Fault at the southern end of the Norseman-Wiluna Greenstone Belt, an area highly prospective for gold. The Killaloe Project covers about 20 strike km of greenstones and includes the Duke, Baseline, Cashel, Peninsula and Killaloe, structurally-controlled gold prospects. At Cashel, a sub-cropping narrow quartz vein with bonanza-grade native gold was discovered by pitting.

Following a review of the extensive database generated by past explorers, Cullen has completed plant-based geochemical surveys across previously

identified geophysical and geochemical nickel and kimberlite targets, as well as along a broad corridor (2.5 x 1.5km) that includes Au occurrences at Cashel. The geochemical results show a regional, NNW gold trend that is centred on the Cashel gold discovery and extends for approximately 1200m. This gold trend is located only ~6km NW of Avoca's Musket gold discovery. Drill testing of the Cashel gold trend and deeper drilling (80-150m) of the known surface mineralisation is planned.

Several geophysical targets and previously identified soil or auger anomalies were tested for surface expressions of Ni sulphide mineralisation. Some targets show discrete Ni anomalies that warrant drill testing and/or follow-up geochemical work.

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### **WOODCUTTERS PROJECT**

The Woodcutters tenement (E28/1662) lies within an important, emerging, new exploration corridor which includes the Tropicana and Beachcomber gold discoveries and where there is a major exploration push by Newmont-SIPA and AngloGold-Independence Group.

Cullen has completed a geochemical survey using nodular/pisolitic calcrete sampling over E28/1662 and defined copper-gold and arsenic geochemical anomalies. Interpretation of aeromagnetics data highlighted a prominent NNW-SSE stratigraphic trend thought to be a banded iron formation (BIF).

A reconnaissance aircore drilling program was completed to provide a preliminary investigation of the transported profile and the regolith in the general area of the geochemical anomalies and an interpreted BIF.

The drilling results show very weak Au anomalism in the calcrete and lignite horizons (max. 37 ppb Au) within the transported overburden, but none of the fresh rock or saprolite samples has anomalous gold concentrations. Cullen is currently reviewing these results and considering the best approach for further exploration.

## **FORRESTANIA, WA**

### **STORMBREAKER AND NORTH IRONCAP JV PROJECTS**

The Stormbreaker and North Ironcap Projects lie along the western margin of the nickel-rich Forrestania greenstone belt and are centred about 12km on strike north of the Flying Fox, New Morning and Daybreak nickel deposits of Western Areas NL.

Fixed loop TEM geophysical survey conducted by the JV has provided better data coverage than was previously obtained from the MLEM surveys, resulting in more accurate modelling. A number of deep drill

holes have been recommended to test these geophysical anomalies. An auger soil sampling programme was also completed within E77/1354. Preliminary data received to date includes elevated levels of nickel, copper, chromium, platinum and palladium, indicating the possible presence of ultramafic rocks along the eastern edge of the tenement. Aircore drilling is planned to test this target area.

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## **QUEENSLAND**

### **DUCHESS, MT ISA PROVINCE**

At Duchess, 80 km southwest of Cloncurry (EPMs 11990, 12395), ground magnetics and reconnaissance rock chip sampling have highlighted the prospectivity of the Pilgrim Fault “megabend” area, where gravity surveys had previously indicated potential for ironstone-related copper-gold mineralisation.

Five angled RC holes were drilled by Minotaur Exploration Ltd (as JV Manager) into a gravity anomaly, two magnetic anomalies and two surface geochemical anomalies. The drill holes each penetrated a sedimentary sequence (siltstone,

sandstone, quartzite) with widespread mixed magnetite and haematite alteration of varying intensity. Better drill intercepts included: 24m @ 0.31% copper from surface.

Following evaluation of these results, Minotaur elected to withdraw from the Joint Venture. Cullen is undertaking a review of the prospectivity of the area for copper and gold, and phosphate, as the area lies along strike to the north (~60km) of the Phosphate Hill Mine, owned and operated by Incitec Pivot Limited.

## NEW SOUTH WALES

### MINTER PROJECT, CENTRAL LACHLAN FOLD BELT

The Minter Project (EL's 6748 and 6572 – Cullen 100%) is centred approximately 90km NW of West Wyalong in the Central Lachlan Fold belt of NSW. The project area (approximately 275 km<sup>2</sup>) covers several historical tungsten prospects, comprising a north-trending chain of fractured and quartz-veined zones in hornfelsed Ordovician sediments. These prospects are interpreted to be spatially and genetically related to a large, underlying, granitic intrusive body, with focus points of tungsten mineralisation localised above cupolas of this batholith.

During June 2008, Cullen completed a programme of close-spaced, shallow aircore/RC drilling at the Doyenwae prospect that intersected multiple zones of tungsten mineralisation hosted by ferruginous, quartz-veined sandstones with 2m composite samples assaying from 0.05 to 0.87% WO<sub>3</sub>. The mineralised zones range from 2m to 30m thick downhole and are interpreted to dip moderately to steeply west. The zones form a north-easterly trend at least 550m long, which is open for more drill testing in each direction.

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### OTHER PROJECTS

The Company is undertaking data compilation and early stage exploration on a number of new project areas including: the Lennard Shelf in the Kimberley Region of WA (Pb-Zn); at Bindabu Bore, an area of approximately 900km<sup>2</sup> centred 100km W of Coober Pedy in the northern Gawler Craton of South Australia (IOCG); and in Scandinavia, mainly for Cu-Au and Fe deposits. The company also plans to drill-test two distinctive aeromagnetic features located in the NE Yilgarn of WA which it postulates maybe carbonatites - a drill rig is awaited.

The Company has applied for three large exploration licences in the Canning Basin of Western Australia which cover Permian and Triassic sedimentary sequences it considers may be prospective for coal (in the Permian Liveringa Group) and phosphate (in the Triassic sequences). The new ELA's extend to the SE of a large tenement area where Rey Resources Limited is undertaking exploration drilling for coal. One of Cullen's new ELA's includes a mapped occurrence of phosphate in Triassic rocks.

## URANIUM PORTFOLIO

The Company's exploration portfolio for uranium includes applications and tenure in WA and the NT. The target types include: unconformity-type uranium targets in the Ashburton province of WA (Thundelarra JV); calcrete-type uranium targets in the northern and north-eastern portions of the Yilgarn in WA; and sandstone-hosted, lignite and/or vein-alteration type uranium targets in the Amadeus Basin-Arunta region around Alice Springs in the Northern Territory. The process of prioritising target areas is continuing.

A programme of reconnaissance aircore drilling was completed to test a coherent uranium anomaly extending ~7km x 1km along the trend of the drainage channel at the Stirling Project centred approximately 13km SE of the Maitland Palaeochannel Uranium deposit, in the Yilgarn of WA. The preliminary results, based on handheld spectrometer readings, show the source of the U response in surface geochemistry is saprolite and granitic bedrock beneath only 10m of transported cover.

Cullen's field investigations in the NT have confirmed that there are indications of uranium mineralisation in the Yambla prospect area (The Peak/Mt Gordon), with elevated scintillometer readings related to spot occurrences (as nodules) of a black mineral with a yellow weathering product – thought to be pitchblende (uraninite). A grab sample of surface soil taken from an area of elevated scintillometer readings, assayed 4.21% U<sub>3</sub>O<sub>8</sub> (repeat 4.03% U<sub>3</sub>O<sub>8</sub>) with 0.58% Thorium.

In June 2008, the company held a meeting with the Traditional Owners regarding access to ELA 25493 and is awaiting a response from the Central Land Council. It is hoped to hold a similar meeting to consider access on ELA 25494 in late 2008. These tenements are in the Amadeus Basin approximately 50km and 100km SSW of Alice Springs and approximately 80km west of the Angela-Pamela uranium deposits.

## SCHEDULE OF TENEMENTS

| REGION                         | TENEMENTS                                                                            | ASSOCIATED TENEMENTS / APPLICATIONS                          | CULLEN INTEREST | COMMENTS                                                                                                                                   |
|--------------------------------|--------------------------------------------------------------------------------------|--------------------------------------------------------------|-----------------|--------------------------------------------------------------------------------------------------------------------------------------------|
| <b>WESTERN AUSTRALIA</b>       |                                                                                      |                                                              |                 |                                                                                                                                            |
| <b>ASHBURTON / PILBARA</b>     |                                                                                      |                                                              |                 |                                                                                                                                            |
| Mt Stuart & Red Hill Iron JV's | E08/1135, E08/1330, E08/1341, E08/1375, E08/1292                                     |                                                              | 30% & 100%      | API has earned 70% of iron ore rights and Red Hill Iron Limited can earn 70% of other mineral rights                                       |
| Red Hill Iron JV               | E08/1622                                                                             |                                                              | 100%            | Red Hill Iron can earn 70%                                                                                                                 |
| Hardey Junction JV             | E08/1145, 1166, 1189,1763,P08/546                                                    |                                                              | 100%            | Intrepid can earn up to 70%                                                                                                                |
| Wyloo JV                       | E08/1393, E47/1154<br>E47/1649-1650<br>P08/0505                                      | M47/553<br>P08/546, P08/556<br>P47/1384-1385                 | 100%            | FMG can earn up to 80% of iron ore rights                                                                                                  |
| Paraburdoo JV                  | E52/1667                                                                             |                                                              | 100%            | FMG can earn up to 80% of iron ore rights                                                                                                  |
| Tunnel Creek JV                | E52/1890-1892                                                                        |                                                              | 100%            | Thundelarra Exploration can earn up to 70%                                                                                                 |
| Bangemall                      | E52/2073                                                                             | E52/2074,2075                                                |                 |                                                                                                                                            |
| <b>NE GOLDFIELDS</b>           |                                                                                      |                                                              |                 |                                                                                                                                            |
| Gunbarrel JV                   | E53/0535+, E53/0568+<br>E53/0818*, E53/0837*                                         | M53/1021-1047<br>M53/868-870<br>M53/952-954<br>E53/1299-1300 | 100%            | +2.5% NPI Royalty to Pegasus on Cullen's Rights<br>*1.5% NSR Royalty to Aurora<br>BHP Billiton has 75% of the nickel and base metal rights |
| Irwin Well                     | E53/1137                                                                             |                                                              | 90%             | Western Australian Resources - 10%                                                                                                         |
| Irwin Bore JV                  | E53/1209, P53/1219,<br>P53/1251, P53/1264-1265                                       |                                                              | 90%             | Western Australian Resources - 10%                                                                                                         |
| New Taffy Well                 | E53/1040, P53/1154                                                                   |                                                              | 100%            |                                                                                                                                            |
| Quantum JV                     | E53/988                                                                              |                                                              | 80%             | Quantum Resources Ltd 20%                                                                                                                  |
| Stirling                       | E53/851                                                                              |                                                              | 100%            |                                                                                                                                            |
| Hillview                       |                                                                                      | E51/1249                                                     | 100%            |                                                                                                                                            |
| Wonganoo                       | E53/1046, E53/1069, E53/1083,                                                        | E53/1350,1318                                                | 100%            |                                                                                                                                            |
| St Andrews                     |                                                                                      | E51/1257                                                     | 100%            |                                                                                                                                            |
| Agnew                          | E36/632                                                                              | E36/681,656,683,682                                          | 100%            |                                                                                                                                            |
| Rason                          |                                                                                      | E38/2036-2038                                                | 100%            |                                                                                                                                            |
| Cundeleee                      |                                                                                      | E39/1312                                                     | 100%            |                                                                                                                                            |
| Darlot                         | E37/921,920                                                                          |                                                              | 100%            |                                                                                                                                            |
| Yeelirrie                      | E53/1333,1336                                                                        |                                                              | 100%            |                                                                                                                                            |
| Albion Downs                   | E53/1346,1347                                                                        |                                                              | 100%            |                                                                                                                                            |
| <b>EASTERN GOLDFIELDS</b>      |                                                                                      |                                                              |                 |                                                                                                                                            |
| Coolgardie                     | M15/0128, M15/0237, P15/4593                                                         | P15/5209                                                     | 100%            | Cullen has option to purchase                                                                                                              |
| Killaloe                       | E63/1018-1019<br>E63/1034, M63/0588-0589<br>P63/1331-1339                            | E63/1199, P63/1672                                           | 100%            |                                                                                                                                            |
| Woodcutters                    | E28/1662                                                                             |                                                              | 100%            |                                                                                                                                            |
| <b>FORRESTANIA</b>             |                                                                                      |                                                              |                 |                                                                                                                                            |
| Forrestania JV                 | E77/1406, E77/1327, E77/1354<br>M77/0544 ,P77/3607,3613<br>P77/3582-3588<br>P77/3055 | P77/3762<br>M77/0875                                         | 20%             | Hannans Reward Ltd - 80%                                                                                                                   |
| <b>KIMBERLEY</b>               |                                                                                      |                                                              |                 |                                                                                                                                            |
| Lennard Shelf<br>Canning Basin |                                                                                      | E04/1745-1747;1762-<br>1765, 1836-1838;<br>E80/4036,         |                 |                                                                                                                                            |
| <b>QUEENSLAND</b>              |                                                                                      |                                                              |                 |                                                                                                                                            |
| Duchess                        | EPM11990, EPM12395                                                                   |                                                              | 100%            |                                                                                                                                            |
| <b>NEW SOUTH WALES</b>         |                                                                                      |                                                              |                 |                                                                                                                                            |
| Minter                         | EL6572, EL6748                                                                       |                                                              | 100%            |                                                                                                                                            |
| <b>NORTHERN TERRITORY</b>      |                                                                                      |                                                              |                 |                                                                                                                                            |
| Arunta                         | E26142, 25716, 25620                                                                 | E25619, 25773,                                               | 100%            |                                                                                                                                            |
| Amadeus                        |                                                                                      | E25493, 25494,                                               |                 |                                                                                                                                            |
| <b>SOUTH AUSTRALIA</b>         |                                                                                      |                                                              |                 |                                                                                                                                            |
| Bindabu Bore                   | E3984                                                                                |                                                              | 100%            |                                                                                                                                            |

### **Competent Person Statements**

*The information in this report that relates to Exploration Results is based on information compiled by Dr Chris Ringrose, Managing Director, Cullen Resources Ltd who is a Member of the Australian Institute of Mining and Metallurgy. Dr. Ringrose is a full-time employee of Cullen Resources Ltd. He has sufficient experience which is relevant to the style of mineralisation and types of deposits under consideration, and to the activity which has been undertaken, to qualify as a Competent Person as defined by the 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Dr. Ringrose consents to the report being issued in the form and context in which it appears.*

*The information in this report that relates to Exploration Results for uranium is based on information compiled by Dr Chris Ringrose, Managing Director of Cullen Resources Ltd and reviewed by Mr Grahame Hamilton, Director, Cullen Resources Ltd, both of whom are Members of the Australian Institute of Mining and Metallurgy. Mr Hamilton is also a geological consultant to Cullen Resources Ltd. He has sufficient experience which is relevant to the style of mineralisation and types of deposits under consideration, and to the activity which has been undertaken, to qualify as a Competent Person as defined by the 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Dr. Ringrose and Mr Hamilton consent to the report being issued in the form and context in which it appears.*

## DIRECTORS' REPORT

Your Directors submit their report for the year ended 30 June 2008.

### Directors

The names and details of the company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

**Δ Dr Denis Clarke BSc, BA, PhD, FAIMM (Non-Executive Chairman) (Appointed 1 April 1999)**

Denis Clarke has more than 30 years experience in exploration and mining operations. Over 15 years with Plutonic Resources ("Plutonic"), he contributed significantly at the General Manager level to its success as it developed from a small explorer in 1983 to one of Australia's largest gold miners prior to its take-over in 1998 in a transaction which valued Plutonic at \$1 billion. Dr. Clarke at various times managed the exploration, finance, administration and corporate divisions. He brings to the Board broad technical, financial, administrative and corporate experience and a wide range of industry contacts. During the past three years Dr Clarke has held the following listed company directorships:

- Troy Resources NL
- Anglo Australian Resources NL
- Beaconsfield Gold NL
- Allstate Explorations NL (from 27 February 2007)

**Δ Dr Chris Ringrose BSc, PhD, MBA, MAIMM, MAICD (Managing Director) (Appointed 19 June 2003)**

Chris Ringrose has been an exploration geologist based mainly in Western Australia since he completed his geology degrees in Scotland in 1982. His career has included experience with EZ, Chevron and Aztec, and prior to joining Cullen, Chris was Exploration Manager with Troy Resources NL for nine years. Chris has also completed an MBA at Deakin University and brings to the Company significant management, exploration and project evaluation experience gained both in Australia and overseas.

**Δ Grahame Hamilton BSc, MSc, MAIG (Non-Executive Director) (Appointed 1 April 1999)**

Grahame Hamilton, a graduate of the University of NSW, has extensive experience over 30 years in exploration, corporate and project management. He has wide ranging expertise in project evaluation. Between 1994 and 1996 he managed the Brocks Creek exploration, environmental impact statement, feasibility study, mine development and construction for Solomon Pacific Resources NL. Before Solomon, Grahame worked with Getty Oil Development Co. - Minerals Division as Queensland Manager. He is a director of AIM-listed public company Mariana Resources Limited.

**Δ John Horsburgh BSc, MSc, FAIMM (Non-Executive Director) (Appointed 1 April 1999)**

John Horsburgh, a graduate of the Royal School of Mines, has over 32 years industry experience including 11 years with Solomon Pacific Resources NL. Prior to this he gained extensive experience in Australia and overseas with Getty Oil Development Co., Billiton and RTZ Group. He is Executive Chairman of AIM-listed public company Mariana Resources Limited.

**Δ Wayne John Kernaghan BBus, ACA, FAICD, ACIS (Non-Executive Director and Company Secretary)  
(Appointed 11 November 1997)**

Wayne Kernaghan is a member of the Institute of Chartered Accountants in Australia with a number of years experience in various areas of the mining industry. He is also a Fellow of the Australian Institute of Company Directors. During the past three years Mr Kernaghan has held the following listed company directorships:

- Gulf Resources Limited
- Australian Motor Finance Group Limited (from 8 September 2006)
- Goldlink Income Plus Limited (from 18 December 2003 to 29 November 2007)

**Principal Activities**

The principal activity for the consolidated entity during the course of the financial year was mineral exploration. There was no significant change in the nature of the consolidated entity's activities during the year.

**Results**

The consolidated loss of the consolidated entity for the financial year was \$(2,314,751) [2007: loss \$1,714,764]. No income tax was attributable to this result [2007: Nil].

**Dividends**

The directors do not recommend the payment of a dividend for this financial year. No dividend has been declared or paid by the company since the end of the previous financial year.

**Significant Changes in the State of Affairs**

In the opinion of the directors there were no significant changes in the state of affairs of the consolidated entity that occurred during the financial year under review not otherwise disclosed in this report or the consolidated financial statements.

**Review of Operations**

Cullen is a mineral deposits discovery company and is exploring for gold, nickel, copper and/or iron ore deposits in its own right, or with a joint venture partner.

During the year under review, the Company continued its mineral exploration activities including: project generation, database reviews, field sampling and drilling programmes, and farm-out of projects. Company activities, including Joint Venture managed projects, were focused in Western Australia with additional projects in New South Wales, Northern Territory, South Australia and Queensland as follows:

- Ashburton Province, WA (Red Hill JV, Hardey Junction JV, Mt Stuart JV, Wyloo JV, Paraburdoo JV and Tunnel Creek JV - gold, uranium and /or iron ore projects)
- North Eastern Goldfields, WA (Gunbarrel and Irwin Bore, gold and nickel JV projects)
- Eastern Goldfields, WA (Killaloe and Woodcutters, gold and nickel projects)
- Forrestania, WA (gold and nickel JV project)
- Central Lachlan Fold Belt, NSW (Minter tungsten project)
- Mt Isa Region, Queensland (Duchess copper-gold project)



In addition the Company continued exploration and evaluation of tenements and applications in its portfolio of properties for uranium in Western Australia and the Northern Territory. The Company also completed a preliminary review of opportunities in Scandinavia and made two claim reservations in Finland over areas with prospectivity for iron and copper.

Drilling by Cullen or its partners during the year to 30 June 2008 included RC drilling to test: for iron ore at the Mt Stuart JV; EM targets for nickel sulphides in the Forrestania JV; iron oxide copper gold deposits in the Duchess area in the Minotaur JV; and for gold at the Coolgardie Project. In addition, the company completed a programme of air core drilling at the Minter Project in central NSW. Other exploration work has included: field reconnaissance, geological mapping, geochemical surveys, electro-magnetic geophysical surveys and evaluations of new project opportunities.

The Company continued to market projects for Joint Venture, and attracted BHP Billiton to join in exploration for nickel sulphides in its Wonganoo Project in the NE Goldfields of WA. (BHP Billiton subsequently withdrew in September 2008.)

A total of \$1,681,680 was spent on exploration by Cullen during the year, with Joint Venture Partners contributing approximately \$1.6 million more to exploration on Cullen tenements.

Cullen will continue to identify and evaluate both advanced and “grass roots” projects throughout Australia. And in selected overseas locations. Cullen’s portfolio is under continual evaluation to focus on projects likely to result in an economic mineral deposit.

#### **Corporate**

At 30 June 2008 available cash at year end totalled approximately \$7.4 million.

#### **After Balance Date Events**

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the parent entity, to affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in the subsequent financial years.

#### **Likely Developments and Future Results**

Other than as referred to in this report, further information as to likely developments in the operations of the consolidated entity and the expected results of those operations would, in the opinion of the directors, be speculative and not in the best interests of the consolidated entity.

#### **Environmental Regulation**

The exploration activities of the consolidated entity in Australia are subject to environmental regulation under the laws of the Commonwealth and the States in which those exploration activities are conducted. The environmental laws and regulations generally address the potential impact of the consolidated entity’s activities in the areas of water and air quality, noise, surface disturbance and the impact upon flora and fauna. The directors are not aware of any environmental matter which would have a materially adverse impact on the overall business of the consolidated entity.

#### **Options**

As at 30 June 2008 the Company has 22,000,000 (2007: 22,500,000) options which were outstanding. Refer to Note 11 of the financial statements for further details of the options outstanding.

During the year 8,500,000 (2007: Nil) fully paid ordinary shares were issued by virtue of the exercise of options. Since the end of the financial year Nil (2007:Nil) shares have been issued by virtue of the exercise of options.

### Directors' Interest

At the date of this report, the interest of the directors in the shares and options of the company were:

| 2008           | Direct            |           |  | Indirect          |         |
|----------------|-------------------|-----------|--|-------------------|---------|
|                | Fully Paid Shares | Options   |  | Fully Paid Shares | Options |
| D. E. Clarke   | -                 | 2,000,000 |  | 3,050,000         | -       |
| C. Ringrose    | 200,000           | 8,000,000 |  | -                 | -       |
| G. Hamilton    | -                 | 2,000,000 |  | 14,808,004        | -       |
| J. Horsburgh   | 2                 | 2,000,000 |  | 15,770,122        | -       |
| W.J. Kernaghan | 2,000,000         | 2,000,000 |  | 1,000,000         | -       |

### Directors' Meetings

During the year the company held seven meetings of directors. The attendance of the directors at meetings of the Board were:

|                | Board of Directors<br>Attended | Maximum possible<br>eligible to attend |
|----------------|--------------------------------|----------------------------------------|
| D.E. Clarke    | 7                              | 7                                      |
| C. Ringrose    | 7                              | 7                                      |
| G. Hamilton    | 7                              | 7                                      |
| J. Horsburgh   | 7                              | 7                                      |
| W.J. Kernaghan | 7                              | 7                                      |

### Indemnification and insurance of Directors and Officers

The Company has entered into deeds of indemnity with the Directors indemnifying them against certain liabilities and costs to the extent permitted by law. The company has paid premiums totalling \$23,135 in respect of Directors and Officers Liability Insurance and company reimbursement policies, which covers all Directors and Officers of the Company. The policy conditions preclude the Company from any detailed disclosures.

### Employees

The consolidated entity employed four employees as at 30 June 2008 (2007:2).

### Corporate Governance

In recognising the need for the highest standard of corporate behaviour and accountability, the directors of Cullen Resources Limited support and have adhered to the principles of good corporate governance. The company's corporate governance statement is on page 22.

### Auditor Independence

The directors have received the auditor's independence declaration for the year ended 30 June 2008 which is on page 21.

## REMUNERATION REPORT (AUDITED)

This report details the nature and amount of remuneration for each director of Cullen Resources Limited.

This remuneration report outlines the director and executive remuneration arrangements on the Company and the Group in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report, key management personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company. Only directors of the group meet the definition of key management personnel as the executive role is performed by the executive director.

Details of key management personnel:

(i) Directors

|              |                          |
|--------------|--------------------------|
| D. Clarke    | Chairman (Non-Executive) |
| C. Ringrose  | Managing Director        |
| G. Hamilton  | Director (Non-Executive) |
| J. Horsburgh | Director (Non-Executive) |
| W. Kernaghan | Director (Non-Executive) |

### Remuneration Policy

The remuneration policy of Cullen Resources Limited has been designed to align director objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives. The board of Cullen Resources Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the company as well as create goal congruence between directors and shareholders.

The board's policy for determining the nature and amount of remuneration for board members is as follows.

The remuneration policy, setting the terms and conditions for the executive director was developed by the board. The executive receives a base salary on factors such as length of service and experience, superannuation, options and incentives. The board reviews executive packages annually by reference to the company's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to either long term or short term performance of the company. However, to align directors' interest with shareholder interests, the directors are encouraged to hold shares in the company. There is a specified aggregate remuneration of \$150,000 for non-executive directors which was approved by shareholders at a general meeting of the company.

### Remuneration Incentives

Director and executive remuneration is currently not linked to either long term or short term performance conditions. The Board feels that the expiry date and exercise price of the options currently on issue to the directors and executives is sufficient to align the goals of the directors and executives with those of the shareholders to maximise shareholder wealth, and as such, has not set any performance conditions for the directors or the executives of the Company. The Board will continue to monitor this policy to ensure that it is appropriate for the Company in future years.

## Employment Contracts

### *Managing Director*

Pursuant to an agreement between the Company and Dr Chris Ringrose, Dr Ringrose will provide managing director services to the Company. The term of this arrangement is from 1 November 2006 and will continue thereafter unless terminated on not less than three months' notice given at any time. The position of the director will become redundant under this agreement in the limited circumstances where the employment of the Executive is terminated as a result of a takeover or merger of the Company. The Company will pay the Executive the equivalent of four weeks per year of service or part thereof of his base salary as a redundancy payment.

The options will expire on the earlier of the date which is one month after the Director to whom the options are issued ceases to be a Director of the Company (or such longer period as determined by the Board of Directors) or at 5.00 pm on 28 February 2010 ("the Expiry Date"). This is contained in the notice of meeting which was approved by shareholders.

### *Non Executive Directors*

The options will expire on the earlier of the date which is one month after the Director to whom the options are issued ceases to be a Director of the Company (or such longer period as determined by the Board of Directors) or at 5.00 pm on 30 November 2010 ("the Expiry Date"). This is contained in the notice of meeting which was approved by shareholders.

### *Other Executives*

Other senior executives will be employed under contract. The employment contracts will usually be terminated by either party giving to the other not less than three months' written notice.

## Directors' and Executives' Remuneration

Details of remuneration provided to directors who include the most highly remunerated executives for the year ended 30 June 2008 are as follows:

| Directors      | Short Term            |                             | Post<br>Employment | Long<br>Term             | Share Based<br>Payments                           | Total   |
|----------------|-----------------------|-----------------------------|--------------------|--------------------------|---------------------------------------------------|---------|
|                | Primary<br>Salary/Fee | Non<br>Monetary<br>Benefits | Superannuation     | Long<br>Service<br>Leave | Equity<br>Amortised cost<br>of options<br>granted |         |
|                | \$                    | \$                          | \$                 | \$                       | \$                                                | \$      |
| D.E. Clarke    | 35,000                | -                           | 3,150              | -                        | 78,735                                            | 116,885 |
| C. Ringrose    | 203,333               | 7,401 *                     | 18,300             | 5,867                    | 40,979                                            | 275,880 |
| G. Hamilton    | 102,377               | -                           | 2,700              | -                        | 78,735                                            | 183,812 |
| J. Horsburgh   | 68,610                | -                           | 2,700              | -                        | 78,735                                            | 150,045 |
| W.J. Kernaghan | 63,672                | -                           | 2,700              | -                        | 78,735                                            | 145,107 |

\* This relates to the provision of a motor vehicle.

The Company has no policy on directors and executives entering into contracts to hedge their exposure to options or shares granted as part of their remuneration package.

Details of remuneration provided to directors who include the most highly remunerated executives for the year ended 30 June 2007 are as follows:

| Directors      | Short Term         |                       | Post Employment |                     | Long Term          | Share Based Payments                     | Total   |
|----------------|--------------------|-----------------------|-----------------|---------------------|--------------------|------------------------------------------|---------|
|                | Primary Salary/Fee | Non Monetary Benefits | Superannuation  | Termination Payment | Long Service Leave | Equity Amortised cost of options granted |         |
|                | \$                 | \$                    | \$              | \$                  | \$                 | \$                                       | \$      |
| D.E. Clarke    | 27,500             | -                     | 2,475           | -                   | -                  | -                                        | 29,975  |
| C. Ringrose    | 164,667            | 7,401 *               | 14,820          | -                   | 2,301              | 81,958                                   | 271,147 |
| G. Hamilton    | 93,796             | -                     | 4,728           | 112,259             | -                  | -                                        | 210,783 |
| J. Horsburgh   | 73,251             | -                     | 4,373           | 109,189             | -                  | -                                        | 186,813 |
| W.J. Kernaghan | 43,569             | -                     | 1,687           | -                   | -                  | -                                        | 45,256  |

\* This relates to the provision of a motor vehicle.

#### Options granted as part of remuneration for the year ended 30 June 2008

There were 8,000,000 (2007: 8,000,000) options granted as part of director and executive emoluments during the year.

#### Shares issued on exercise of remunerated options

During the financial year 8,000,000 (2007: Nil) remunerated options were exercised at \$0.04 and 500,000 (2007: Nil) were exercised at \$0.05.

The directors exercised 8,000,000 (2007: Nil) options at \$0.04 during the year.

The weighted average share price at the date of exercise in 2008 was \$0.11.

| Directors      | Value of options granted during the year | Value of options exercised during the year | Value of options lapsed during the year | Total value of options granted, exercised and lapsed during the year | Remuneration consisting of options for the year |
|----------------|------------------------------------------|--------------------------------------------|-----------------------------------------|----------------------------------------------------------------------|-------------------------------------------------|
|                | \$                                       | \$                                         | \$                                      | \$                                                                   | %                                               |
| D.E. Clarke    | 78,735                                   | -                                          | -                                       | 78,735                                                               | 67%                                             |
| C. Ringrose    | -                                        | -                                          | -                                       | -                                                                    | -                                               |
| G. Hamilton    | 78,735                                   | -                                          | -                                       | 78,735                                                               | 43%                                             |
| J. Horsburgh   | 78,735                                   | -                                          | -                                       | 78,735                                                               | 52%                                             |
| W.J. Kernaghan | 78,735                                   | -                                          | -                                       | 78,735                                                               | 54%                                             |

The options issued are not subject to any performance conditions.

#### Options granted as part of remuneration for the year ended 30 June 2007

| Directors      | Value of options granted during the year | Value of options exercised during the year | Value of options lapsed during the year | Total value of options granted, exercised and lapsed during the year | Remuneration consisting of options for the year |
|----------------|------------------------------------------|--------------------------------------------|-----------------------------------------|----------------------------------------------------------------------|-------------------------------------------------|
|                | \$                                       | \$                                         | \$                                      | \$                                                                   | %                                               |
| D.E. Clarke    | -                                        | -                                          | -                                       | -                                                                    | -                                               |
| C. Ringrose    | 81,958                                   | -                                          | -                                       | 81,958                                                               | 30%                                             |
| G. Hamilton    | -                                        | -                                          | -                                       | -                                                                    | -                                               |
| J. Horsburgh   | -                                        | -                                          | -                                       | -                                                                    | -                                               |
| W.J. Kernaghan | -                                        | -                                          | -                                       | -                                                                    | -                                               |

The options issued are not subject to any performance conditions.

## **Auditor's Independence Declaration to the Directors of Cullen Resources Limited**

In relation to our audit of the financial report of Cullen Resources Limited for the financial year ended 30 June 2008, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

VW Tidy  
Partner  
Perth  
26 September 2008

Signed in accordance with a resolution of the directors

C. Ringrose  
Director  
Perth, WA  
26 September 2008

## CORPORATE GOVERNANCE STATEMENT

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Cullen Resources Limited ("the Company") have adhered to the principles of corporate governance. A description of the main corporate governance practices, as well as any disclosures required by the Australian Stock Exchange's "Principles of Good Corporate Governance and Best Practice Recommendations", is set out below. Unless otherwise stated, the practices were in place for the entire year.

### Board of Directors

The Board of Directors of the Company is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

As the Board acts on behalf of shareholders, it seeks to identify the expectations of shareholders, as well as other ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuing arrangements are in place to adequately manage those risks.

The primary responsibility of the Board includes:

- formulation and approval of the strategic direction, objectives and goals of the Company;
- monitoring the financial performance of the Company, including approval of the Company's financial statements;
- ensuring that adequate internal control systems and procedures exists and that compliance with these systems and procedures is maintained;
- the identification of significant business risks and ensuring that such risks are adequately managed;
- the review of performance and remuneration of Executive Directors; and
- the establishment and maintenance of appropriate ethical standards.

The responsibility for the operation and administration of the Company is carried out by the Directors, who operate in an executive capacity, supported by senior professional staff. The Board ensures that this team is suitably qualified and experienced to discharge their responsibilities, and assesses on an ongoing basis the performance of the management team, to ensure that management's objectives and activities are aligned with the expectations and risks identified by the board.

The Directors of the company are as follows:

Dr Denis Clarke  
Dr Chris Ringrose  
Grahame Hamilton  
John Horsburgh  
Wayne Kernaghan

For information in respect to each director refer to the Directors' Report.

### **Independent Directors**

Under ASX guidelines two of the current board are considered to be independent directors. Dr Ringrose is the executive director and Mr Horsburgh and Mr Hamilton, who are former executive directors, are, under the ASX guidelines deemed not to be independent by virtue of their positions or former positions. The Board is satisfied that the structure of the Board is appropriate for the size of the company and the nature of its operations and is a cost effective structure for managing the company.

### **Communication to Market & Shareholders**

The Board of Directors aims to ensure that the shareholders, on behalf of whom they act, are informed of all information necessary to assess the performance of the Directors and the Company. Information is communicated to shareholders and the market through:

- the Annual Report which is available to all shareholders;
- other periodic reports which are lodged with ASX and available for shareholder scrutiny;
- other announcements made in accordance with ASX Listing Rules;
- special purpose information memoranda issued to shareholders as appropriate; and
- the Annual General Meeting and other meetings called to obtain approval for board action as appropriate.

### **Board Composition**

When the need for a new director is identified, selection is based on the skills and experience of prospective directors, having regard to the present and future needs of the Company. Any director so appointed must then stand for election at the next Annual General Meeting of the Company.

### **Terms of Appointment as a Director**

The constitution of the Company provides that a Director other than the Managing Director may not retain office for more than three calendar years or beyond the third annual general meeting following his or her election, whichever is longer, without submitting for re-election. One third of the Directors must retire each year and are eligible for re-election. The Directors who retire by rotation at each annual general meeting are those with the longest length of time in office since their appointment or last election.

### **Board Committees**

In view of the size of the Company and the nature of its activities, the Board has considered that establishing formally constituted committees for audit, board nominations and remuneration would contribute little to its effective management. Accordingly audit matters, the nomination of new Directors and the setting, or review, of remuneration levels of Directors and senior executives are reviewed by the Board as a whole and approved by resolution of the Board (with abstentions from relevant Directors where there is a conflict of interest). Where the Board considers that particular expertise or information is required, which is not available from within their number, appropriate external advice may be taken and reviewed prior to a final decision being made by the Board.

### **Remuneration**

Remuneration and other terms of employment of executives, including executive directors, are reviewed periodically by the Board having regard to performance, relevant comparative information and, where necessary, independent expert advice. Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the Company's operations.

The terms of engagement and remuneration of executive directors is reviewed periodically by the Board, with recommendations being made by the non-executive director. Where the remuneration of a particular executive director is to be considered, the director concerned does not participate in the discussion or decision making.

**Make Timely and Balanced Disclosure**

The board has in place written policies and procedures to ensure the Company complies with its obligations under the continuous disclosure rule 3.1 and other ASX Listing Rule disclosure requirements.

**Independent Professional Advice**

Directors have the right, in connection with their duties and responsibilities as directors, to seek independent professional advice at the Company's expense. Prior approval of the Chairman is required, which will not be unreasonably withheld.

**Share Trading**

Dealings are not permitted at any time whilst in the possession of price sensitive information not already available to the market. In addition, the Corporations Act 2001 prohibits the purchase or sale of securities whilst a person is in possession of inside information.

**Code of Conduct**

In view of the size of the Company and the nature of its activities, the Board has considered that an informal code of conduct is appropriate to guide executives, management and employees in carrying out their duties and responsibilities.

**External Auditors**

The external auditor is Ernst and Young. The external auditors are invited to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

Full details of the company's corporate governance practices can be viewed at its website - [www.cullenresources.com.au](http://www.cullenresources.com.au).

## **Independent auditor's report to the members of Cullen Resources Limited**

### **Report on the Financial Report**

We have audited the accompanying financial report of Cullen Resources Limited and its controlled entities, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

### ***Directors' Responsibility for the Financial Report***

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Independence***

In conducting our audit we have met the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

### **Auditor's Opinion**

In our opinion:

1. the financial report of Cullen Resources Limited is in accordance with the Corporations Act 2001, including:
  - i giving a true and fair view of the financial position of Cullen Resources Limited and the consolidated entity at 30 June 2008 and of their performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### **Report on the Remuneration Report**

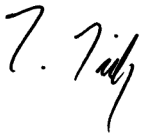
We have audited the Remuneration Report included in pages 18 to 20 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

### **Auditor's Opinion**

In our opinion the Remuneration Report of Cullen Resources Limited for the year ended 30 June 2008, complies with section 300A of the Corporations Act 2001.

A handwritten signature in black ink, appearing to read 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink, appearing to read 'VW Tidy'.

VW Tidy  
Partner  
Perth  
26 September 2008

## **Directors' Declaration**

In accordance with a resolution of the directors of Cullen Resources Limited, I state that:

- (1) In the opinion of the directors:
  - (a) the financial statements and notes of the company and of the consolidated entity are in accordance with the Corporations Act 2001, including:
    - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
    - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
  - (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (2) This declaration has been made after receiving the declaration required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial period ending 30 June 2008.

On behalf of the Board

**C. Ringrose**  
**Director**  
**Perth, WA**  
**26 September 2008**

## Balance Sheet as at 30 June 2008

|                                      |       | Consolidated      |                  | The Company       |                  |
|--------------------------------------|-------|-------------------|------------------|-------------------|------------------|
|                                      | Note  | 2008<br>\$        | 2007<br>\$       | 2008<br>\$        | 2007<br>\$       |
| <b>Current Assets</b>                |       |                   |                  |                   |                  |
| Cash and cash equivalents            | 19(i) | 7,426,212         | 1,802,054        | 7,258,188         | 1,795,634        |
| Receivables                          | 5     | 49,728            | -                | 3,526,574         | 4,989,759        |
| <b>Total Current Assets</b>          |       | <b>7,475,940</b>  | <b>1,802,054</b> | <b>10,784,762</b> | <b>6,785,393</b> |
| <b>Non Current Assets</b>            |       |                   |                  |                   |                  |
| Deferred tax assets                  | 4     | -                 | -                | 1,564,355         | -                |
| Other financial assets               | 6     | 100,000           | 100,000          | 1                 | -                |
| Plant & Equipment                    | 7     | 56,988            | 70,877           | 19,056            | 10,373           |
| Exploration & Evaluation             | 8     | 5,214,517         | 4,984,382        | -                 | -                |
| <b>Total Non Current Assets</b>      |       | <b>5,371,505</b>  | <b>5,155,259</b> | <b>1,583,412</b>  | <b>10,373</b>    |
| <b>Total Assets</b>                  |       | <b>12,847,445</b> | <b>6,957,313</b> | <b>12,368,174</b> | <b>6,795,766</b> |
| <b>Current Liabilities</b>           |       |                   |                  |                   |                  |
| Trade and other payables             | 9     | 419,498           | 186,434          | 58,217            | 83,238           |
| Provisions                           | 10    | 65,830            | 48,915           | -                 | -                |
| <b>Total Current Liabilities</b>     |       | <b>485,238</b>    | <b>235,349</b>   | <b>58,217</b>     | <b>83,238</b>    |
| <b>Non Current Liabilities</b>       |       |                   |                  |                   |                  |
| Provisions                           | 10    | 18,097            | 9,436            | -                 | -                |
| <b>Total Non Current Liabilities</b> |       | <b>18,097</b>     | <b>9,436</b>     | <b>-</b>          | <b>-</b>         |
| <b>Total Liabilities</b>             |       | <b>503,425</b>    | <b>244,785</b>   | <b>58,217</b>     | <b>83,238</b>    |
| <b>Net Assets</b>                    |       | <b>12,344,020</b> | <b>6,712,528</b> | <b>12,309,957</b> | <b>6,712,528</b> |
| <b>Equity</b>                        |       |                   |                  |                   |                  |
| Issued Capital                       | 11    | 31,524,656        | 23,949,656       | 31,524,656        | 23,949,656       |
| Share based payment reserve          |       | 532,895           | 161,652          | 532,895           | 161,652          |
| Accumulated Losses                   | 12    | (19,713,531)      | (17,398,780)     | (19,747,594)      | (17,398,780)     |
| <b>Total Equity</b>                  |       | <b>12,344,020</b> | <b>6,712,528</b> | <b>12,309,957</b> | <b>6,712,528</b> |

## Statement of Changes in Equity for the year ended 30 June 2008

|                                                                        | Consolidated      |                                   |                       |                 |
|------------------------------------------------------------------------|-------------------|-----------------------------------|-----------------------|-----------------|
|                                                                        | Issued<br>Capital | Share Based<br>Payment<br>Reserve | Accumulated<br>Losses | Total<br>Equity |
|                                                                        | \$                | \$                                | \$                    | \$              |
| <b>At 1 July 2006</b>                                                  | 21,313,506        | 12,837                            | (15,684,016)          | 5,642,327       |
| Share Issue Costs                                                      | (81,850)          | -                                 | -                     | (81,850)        |
| Total income and expense for<br>the year recognised directly in Equity | (81,850)          | -                                 | -                     | (81,850)        |
| Loss for the year                                                      | -                 | -                                 | (1,714,764)           | (1,714,764)     |
| Total income/expense for the year                                      | (81,850)          | -                                 | (1,714,764)           | (1,796,614)     |
| Issue of share capital                                                 | 2,718,000         | -                                 | -                     | 2,718,000       |
| Share based payments                                                   | -                 | 148,815                           | -                     | 148,815         |
| <b>At 30 June 2007</b>                                                 | 23,949,656        | 161,652                           | (17,398,780)          | 6,712,528       |
| <b>At 1 July 2007</b>                                                  | 23,949,656        | 161,652                           | (17,398,780)          | 6,712,528       |
| Total income and expense for<br>the year recognised directly in Equity | -                 | -                                 | -                     | -               |
| Loss for the year                                                      | -                 | -                                 | (2,314,751)           | (2,314,751)     |
| Total income/expense for the year                                      | -                 | -                                 | (2,314,751)           | (2,314,751)     |
| Issue of share capital                                                 | 7,230,000         | -                                 | -                     | 7,230,000       |
| Exercise of options                                                    | 345,000           | -                                 | -                     | 345,000         |
| Share based payments                                                   | -                 | 371,243                           | -                     | 371,243         |
| <b>At 30 June 2008</b>                                                 | 31,524,656        | 532,895                           | (19,713,531)          | 12,344,020      |

## Statement of Changes in Equity for the year ended 30 June 2008

|                                                                           | The Company       |                                   |                       |                 |
|---------------------------------------------------------------------------|-------------------|-----------------------------------|-----------------------|-----------------|
|                                                                           | Issued<br>Capital | Share Based<br>Payment<br>Reserve | Accumulated<br>Losses | Total<br>Equity |
|                                                                           | \$                | \$                                | \$                    | \$              |
| <b>At 1 July 2006</b>                                                     | 21,313,506        | 12,837                            | (15,684,016)          | 5,642,327       |
| Share Issue Costs                                                         | (81,850)          | -                                 | -                     | (81,850)        |
| Total income and expense<br>for the year recognised<br>directly in Equity | (81,850)          | -                                 | -                     | (81,850)        |
| Loss for the year                                                         | -                 | -                                 | (1,714,764)           | (1,714,764)     |
| Total income/expense for the year                                         | (81,850)          | -                                 | (1,714,764)           | (1,796,614)     |
| Issue of share capital                                                    | 2,718,000         | -                                 | -                     | 2,718,000       |
| Share based payments                                                      | -                 | 148,815                           | -                     | 148,815         |
| <b>At 30 June 2007</b>                                                    | 23,949,656        | 161,652                           | (17,398,780)          | 6,712,528       |
| <b>At 1 July 2007</b>                                                     | 23,949,656        | 161,652                           | (17,398,780)          | 6,712,528       |
| Total income and expense<br>for the year recognised<br>directly in Equity | -                 | -                                 | -                     | -               |
| Loss for the year                                                         | -                 | -                                 | (2,348,814)           | (2,348,814)     |
| Total income/expense for the year                                         | -                 | -                                 | (2,348,814)           | (2,348,814)     |
| Issue of share capital                                                    | 7,230,000         | -                                 | -                     | 7,230,000       |
| Exercise of options                                                       | 345,000           | -                                 | -                     | 345,000         |
| Share based payments                                                      | -                 | 371,243                           | -                     | 371,243         |
| <b>At 30 June 2008</b>                                                    | 31,524,656        | 532,895                           | (19,747,594)          | 12,309,957      |

## Income Statement for the year ended 30 June 2008

|                                                                             | Note | Consolidated |             | The Company |             |
|-----------------------------------------------------------------------------|------|--------------|-------------|-------------|-------------|
|                                                                             |      | 2008<br>\$   | 2007<br>\$  | 2008<br>\$  | 2007<br>\$  |
| Revenues                                                                    | 3    | 265,215      | 86,731      | 261,590     | 53,602      |
| Exploration expenditure                                                     | 8    | (1,451,225)  | (752,204)   | -           | -           |
| Rent                                                                        |      | (44,782)     | (78,692)    | (22,744)    | (55,916)    |
| Salaries and Consultants                                                    |      | (312,393)    | (550,463)   | (145,011)   | (114,623)   |
| Compliance expenses                                                         |      | (228,318)    | (109,682)   | (201,983)   | (101,811)   |
| Impairment of loan to controlled entity                                     |      | -            | -           | (1,750,440) | (1,196,036) |
| Share based payments                                                        |      | (371,243)    | (148,815)   | (371,243)   | (148,815)   |
| Depreciation                                                                |      | (28,209)     | (16,045)    | (5,637)     | (7,219)     |
| Other expenses                                                              |      | (143,796)    | (145,594)   | (113,346)   | (143,946)   |
| (Loss) before income tax                                                    | 3    | (2,314,751)  | (1,714,764) | (2,348,814) | (1,714,764) |
| Income tax                                                                  | 4    | -            | -           | -           | -           |
| Net (Loss) attributable to members of<br>Cullen Resources Limited after tax |      | (2,314,751)  | (1,714,764) | (2,348,814) | (1,714,764) |
| Basic (loss) per share<br>(cents per share)                                 | 20   | (0.44)       | (0.40)      |             |             |
| Diluted (loss) per share<br>(cents per share)                               | 20   | (0.44)       | (0.40)      |             |             |

## Statement of Cash Flows for the year ended 30 June 2008

|                                                                       |        | Consolidated       |             | The Company |             |
|-----------------------------------------------------------------------|--------|--------------------|-------------|-------------|-------------|
|                                                                       | Note   | 2008<br>\$         | 2007<br>\$  | 2008<br>\$  | 2007<br>\$  |
|                                                                       |        | Inflows/(Outflows) |             |             |             |
| <b>Cash flows from operating activities</b>                           |        |                    |             |             |             |
| Cash receipts in the course of operations                             |        | -                  | 45,281      | -           | 15,465      |
| Cash payments in the course of operations                             |        | (679,265)          | (1,016,239) | (554,816)   | (409,938)   |
| GST refunded                                                          |        | 158,888            | 132,826     | 38,741      | 37,305      |
| Interest received                                                     |        | 265,215            | 41,450      | 261,590     | 38,137      |
| <b>Net operating cash flows</b>                                       | 19(ii) | (255,162)          | (796,682)   | (254,485)   | (319,031)   |
| <b>Cash flows from investing activities</b>                           |        |                    |             |             |             |
| Investment in controlled entity                                       |        | -                  | -           | (1)         | -           |
| Loan to controlled entities                                           |        | -                  | -           | (1,843,640) | (1,588,639) |
| Payment for plant & equipment                                         |        | (14,320)           | (79,742)    | (14,320)    | (11,616)    |
| Payments for exploration                                              |        | (1,681,680)        | (1,086,779) | -           | -           |
| <b>Net investing cash flows</b>                                       |        | (1,695,680)        | (1,166,521) | (1,857,961) | (1,600,255) |
| <b>Cash flows from financing activities</b>                           |        |                    |             |             |             |
| Proceeds from issue of shares<br>(net of share issue costs)           |        | 7,575,000          | 2,636,150   | 7,575,000   | 2,636,150   |
| <b>Net financing cash flows</b>                                       |        | 7,575,000          | 2,636,150   | 7,575,000   | 2,636,150   |
| Net increase/(decrease) in cash<br>and cash equivalents               |        | 5,624,158          | 672,947     | 5,462,554   | 716,864     |
| Cash and cash equivalents at the<br>Beginning of the financial year   |        | 1,802,054          | 1,129,107   | 1,795,634   | 1,078,770   |
| <b>Cash and cash equivalents at the end<br/>of the financial year</b> | 19(i)  | 7,426,212          | 1,802,054   | 7,258,188   | 1,795,634   |

## NOTES TO THE FINANCIAL STATEMENTS

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of accounting

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, and Australian Accounting Standards. The financial report has also been prepared in accordance with the historical cost convention using the accounting policies described below and do not take account of changes in either the general purchasing power of the dollar or in prices of specific assets.

#### (b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to the International Financial Reporting Standards (AIFRS) in their entirety. The financial report also complies with International Financial Reporting Standards (IFRS).

#### (c) Principles of consolidation

The consolidated financial statements include the financial statements of Cullen Resources Limited and the results of all of its controlled entities which are referred to collectively throughout these financial statements as the "Consolidated Entity". The results of controlled entities are prepared for the same reporting period as the parent, using consistent accounting policies. All inter-entity balances and transactions, and unrealised profits arising from intra-economic entity transactions, have been eliminated in full.

#### (d) Taxes

##### Income tax

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interest in joint venture, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

## CULLEN RESOURCES AND ITS CONTROLLED ENTITIES

### Notes to the financial statements for the year ended 30 June 2008

#### **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

#### **(e) Provision for employee benefits**

Provision has been made in the financial statements for benefits accruing to employees in relation to annual leave and long service leave. Annual leave and long service leave provisions expected to be settled within twelve months are measured at their nominal amounts. All other employee entitlement liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

#### **(f) Investments in controlled entities**

Investments in controlled entities are carried in the company's financial statements at the lower of cost and recoverable amount. Dividends and distributions are brought to account when they are proposed by the controlled entities.

#### **(g) Exploration and Evaluation Expenditure**

##### *(i) Expenditure is deferred*

Expenditure on exploration and evaluation is accounted for in accordance with the 'area of interest' method. Exploration and evaluation expenditure is capitalised provided the rights to tenure of the area of interest is current and either:

- the exploration and evaluation activities are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; or
- exploration and evaluation activities in the area of interest have not at the reporting date reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or relating to, the area of interest are continuing.

When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated then any capitalised exploration and evaluation expenditure is reclassified as capitalised mine development. Prior to reclassification, capitalised exploration and evaluation expenditure is assessed for impairment.

##### *Impairment*

The carrying value of capitalised exploration and evaluation expenditure is assessed for impairment at the cash generating unit level whenever facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount.

An impairment exists when the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. Any impairment losses are recognised in the income statement.

##### *(ii) Expenditure is expensed immediately*

Expenditure on exploration and evaluation is expensed as incurred. Costs related to the acquisition of properties that contain mineral resources are allocated separately to specific areas of interest. These costs are capitalised until the viability of the area of interest is determined.

## CULLEN RESOURCES AND ITS CONTROLLED ENTITIES

### Notes to the financial statements for the year ended 30 June 2008

#### **(h) Foreign currency**

Both the functional and presentation currency of Cullen Resources Limited and its Australian subsidiaries is Australian dollars (\$A).

Foreign currency transactions are translated to Australian currency at the rate of exchange ruling at the date of the transactions. Monetary items in foreign currencies at balance date are translated at the rates of exchange ruling on that date.

Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account in the Income Statement in the financial year in which the exchange rates change, as exchange gains or losses.

#### **(i) Plant and equipment**

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Plant and equipment – over 3 to 8 years.

The assets residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate at each financial year end.

#### **(j) Revenue and other income**

Other revenue includes interest income on short term deposit received from other persons. It is brought to account using the effective interest rate method.

#### **(k) Joint venture**

An interest in a joint venture operation is brought to account by including in the respective financial statement categories:

- the consolidated entity's share in each of the individual assets employed in the joint venture;
- liabilities incurred by the consolidated entity in relation to the joint venture including the economic entity's share of any liabilities for which the consolidated entity is jointly and/or severally liable; and
- the consolidated entity's share of expenses of the joint venture.

#### **(l) Payables**

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

#### **(m) Cash and cash equivalents**

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within 2 working days.

#### **(n) Leases**

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

#### **(o) Issued capital**

Issued and paid up capital is recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

## CULLEN RESOURCES AND ITS CONTROLLED ENTITIES

Notes to the financial statements for the year ended 30 June 2008

### (p) Earnings per share (EPS)

Basic EPS is calculated as net profit/(loss) attributable to members, adjusted to exclude costs of servicing equity, divided by the weighted average number of ordinary shares, adjusted for any bonus element. Diluted EPS is calculated as net profit/(loss) attributable to members, adjusted for:

- costs of servicing equity;
  - the after tax effect of interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
  - other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;
- divided by the weighted average number of ordinary shares, adjusted for any bonus element.

### (q) Change in accounting policies

The accounting policies adopted are consistent with those of the previous year.

### (r) Share based payments

The cost of equity – settled transactions is measured by reference to the fair value of the equity instruments at the date at which they are granted using the Binomial methodology taking into account the terms and conditions upon which the instruments were granted.

### (s) Investment and other financial assets

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

### (t) Financial instruments

Included in Assets are security deposits which are stated at cost and are non interest bearing.

### (u) Impact of pending accounting standards

There are no material impacts to the Financial Statements known from pending accounting standards that have not been adopted in the preparation of these Financial Statements. The table below discloses those applicable to the group.

| Reference              | Title                                                                                    | Summary                                                                                                                       | Application date of standard* | Impact on Group financial report                                                                                           | Application date for Group* |
|------------------------|------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|-------------------------------|----------------------------------------------------------------------------------------------------------------------------|-----------------------------|
| AASB 8 and AASB 2007-3 | Operating Segments and consequential amendments to other Australian Accounting Standards | New standard replacing AASB 114 <i>Segment Reporting</i> , which adopts a management reporting approach to segment reporting. | 1 January 2009                | AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements. | 1 July 2009                 |

# CULLEN RESOURCES AND ITS CONTROLLED ENTITIES

Notes to the financial statements for the year ended 30 June 2008

| Reference                          | Title                                                                                                      | Summary                                                                                                                                                                                                                                                                                                                                                                            | Application date of standard* | Impact on Group financial report                                                                                                                                                                                                                                                                                                                      | Application date for Group* |
|------------------------------------|------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|
| AASB 123 (Revised) and AASB 2007-6 | Borrowing Costs and consequential amendments to other Australian Accounting Standards                      | The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised.                                                                                                                                                                                                                                                                     | 1 January 2009                | These amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised. The Group has no borrowing costs associated with qualifying assets and as such the amendments are not expected to have any impact on the Group's financial report.                                                                   | 1 July 2009                 |
| AASB 101 (Revised) and AASB 2007-8 | Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards | Introduces a statement of comprehensive income.<br><br>Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements. | 1 January 2009                | These amendments are only expected to affect the presentation of the Group's financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report. The Group has not determined at this stage whether to present a single statement of comprehensive income or two separate statements. | 1 July 2009                 |
| AASB 2008-1                        | Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations  | The amendments clarify the definition of 'vesting conditions', introducing the term 'non-vesting conditions' for conditions other than vesting conditions as specifically defined and prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied.                                                               | 1 January 2009                | The Group has share-based payment arrangements that may be affected by these amendments. However, the Group has not yet determined the extent of the impact, if any.                                                                                                                                                                                  | 1 July 2009                 |

# CULLEN RESOURCES AND ITS CONTROLLED ENTITIES

Notes to the financial statements for the year ended 30 June 2008

| Reference          | Title                                                                          | Summary                                                                                                                                                                  | Application date of standard* | Impact on Group financial report                                                                                                                                                                                                                                | Application date for Group* |
|--------------------|--------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|
| AASB 3 (Revised)   | Business Combinations                                                          | The revised standard introduces a number of changes to the accounting for business combinations.                                                                         | 1 July 2009                   | The Group may enter into some business combinations during the next financial year and may therefore consider early adopting the revised standard. The Group has not yet assessed the impact of early adoption, including which accounting policy to adopt.     | 1 July 2009                 |
| AASB 127 (Revised) | Consolidated and Separate Financial Statements                                 | Under the revised standard, a change in the ownership interest of a subsidiary (that does not result in loss of control) will be accounted for as an equity transaction. | 1 July 2009                   | If the Group changes its ownership interest in existing subsidiaries in the future, the change will be accounted for as an equity transaction. This will have no impact on goodwill, nor will it give rise to a gain or a loss in the Group's income statement. | 1 July 2009                 |
| AASB 2008-3        | Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 | Amending standard issued as a consequence of revisions to AASB 3 and AASB 127.                                                                                           | 1 July 2009                   | Refer to AASB 3 (Revised) and AASB 127 (Revised) above.                                                                                                                                                                                                         | 1 July 2009                 |

# CULLEN RESOURCES AND ITS CONTROLLED ENTITIES

Notes to the financial statements for the year ended 30 June 2008

| Reference                                                    | Title                                                                         | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Application date of standard*                                                         | Impact on Group financial report                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Application date for Group* |
|--------------------------------------------------------------|-------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|
| Amendments to International Financial Reporting Standards*** | Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate | <p>The main amendments of relevance to Australian entities are those made to IAS 27 deleting the 'cost method' and requiring all dividends from a subsidiary, jointly controlled entity or associate to be recognised in profit or loss in an entity's separate financial statements (i.e., parent company accounts). The distinction between pre- and post-acquisition profits is no longer required. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment.</p> <p>AASB 127 has also been amended to effectively allow the cost of an investment in a subsidiary, in limited reorganisations, to be based on the previous carrying amount of the subsidiary (that is, share of equity) rather than its fair value.</p> | 1 January 2009                                                                        | <p>Recognising all dividends received from subsidiaries, jointly controlled entities and associates as income will likely give rise to greater income being recognised by the parent entity after adoption of these amendments.</p> <p>In addition, if the Group enters into any group reorganisation establishing new parent entities, an assessment will need to be made to determine if the reorganisation meets the conditions imposed to be effectively accounted for on a 'carry-over basis' rather than at fair value.</p> | 1 July 2009                 |
| Amendments to International Financial Reporting Standards*** | Improvements to IFRSs                                                         | The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRSs. The IASB has separated the amendments into two parts: Part 1 deals with changes the IASB identified resulting in accounting changes; Part II deals with either terminology or editorial amendments that the IASB believes will have minimal impact.                                                                                                                                                                                                                                                                                                                                                                                                | 1 January 2009 except for amendments to IFRS 5, which are effective from 1 July 2009. | The Group has not yet determined the extent of the impact of the amendments, if any.                                                                                                                                                                                                                                                                                                                                                                                                                                              | 1 July 2009                 |

# CULLEN RESOURCES AND ITS CONTROLLED ENTITIES

Notes to the financial statements for the year ended 30 June 2008

| Reference   | Title                                             | Summary                                                                                                                                                                                                                                                                                                                                             | Application date of standard* | Impact on Group financial report                                                                                                                                                                            | Application date for Group* |
|-------------|---------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|
| IFRIC 15*** | Agreements for the Construction of Real Estate    | This interpretation proposes that when the real estate developer is providing construction services to the buyer's specifications, revenue can be recorded only as construction progresses. Otherwise, revenue should be recognised on completion of the relevant real estate unit.                                                                 | 1 January 2009                | The Group does not enter into agreements to provide construction services to the buyer's specifications and as such this interpretation is not expected to have any impact on the Group's financial report. | 1 July 2009                 |
| IFRIC 16*** | Hedges of a Net Investment in a Foreign Operation | This interpretation proposes that the hedged risk in a hedge of a net investment in a foreign operation is the foreign currency risk arising between the functional currency of the net investment and the functional currency of any parent entity. This also applies to foreign operations in the form of joint ventures, associates or branches. | 1 January 2009                | The Interpretation is unlikely to have any impact on the Group since it does not significantly restrict the hedged risk or where the hedging instrument can be held.                                        | 1 July 2009                 |

\*designates the beginning of the applicable annual reporting period unless otherwise stated

\*\*\* pronouncements that have been issued by the IASB and IFRIC but have not yet been issued by the AASB.

## CULLEN RESOURCES AND ITS CONTROLLED ENTITIES

### Notes to the financial statements for the year ended 30 June 2008

#### **(v) Impairment of non-financial assets**

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

## **2. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS**

In applying the Group's accounting policies management continually evaluates estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the estimates and assumptions. Significant estimates and assumptions made by the management in the preparation of these financial statements are outlined below:

#### ***Significant accounting estimates and assumptions***

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

#### ***(a) Impairment of capitalised exploration and evaluation expenditure***

The future recoverability of capitalised exploration expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale. Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices. To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made. In addition, exploration and evaluation is capitalised if activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent it is determined in the future that this capitalised expenditure should be written off, profits and net assets will be reduced in the period in which this determination is made.

#### ***(b) Share-based payment transactions***

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using either a binomial or Black-Scholes model, with the assumption detailed in note 14. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amount of assets and liabilities within the next annual reporting period but may impact expenses and equity.

## CULLEN RESOURCES AND ITS CONTROLLED ENTITIES

Notes to the financial statements for the year ended 30 June 2008

|                                                | Consolidated   |               | The Company    |               |
|------------------------------------------------|----------------|---------------|----------------|---------------|
|                                                | 2008           | 2007          | 2008           | 2007          |
|                                                | \$             | \$            | \$             | \$            |
| <b>3. PROFIT AND LOSS ITEMS</b>                |                |               |                |               |
| (Loss) after crediting the following revenues: |                |               |                |               |
| Other Revenues                                 |                |               |                |               |
| Interest received                              | 265,215        | 41,450        | 261,590        | 38,137        |
| Other                                          | -              | 45,281        | -              | 15,465        |
|                                                | <u>265,215</u> | <u>86,731</u> | <u>261,590</u> | <u>53,602</u> |

(Loss) is after charging the following expenses:

|                                                                           |           |          |           |           |
|---------------------------------------------------------------------------|-----------|----------|-----------|-----------|
| Auditors remuneration in respect of the Audit of the financial statements | 40,000    | 41,255   | 40,000    | 41,255    |
| Exploration expenditure written off                                       | 1,451,225 | 752,204  | -         | -         |
| Depreciation                                                              | 28,209    | 16,045   | 5,637     | 7,219     |
| Provision for employee benefits                                           | 25,576    | (68,655) | -         | -         |
| Share based payments                                                      | 371,243   | 148,815  | 371,243   | 148,815   |
| Impairment of loan to controlled entities                                 | -         | -        | 1,750,440 | 1,196,036 |

|                                                                 | Consolidated   |                | The Company   |                |
|-----------------------------------------------------------------|----------------|----------------|---------------|----------------|
|                                                                 | 2008           | 2007           | 2008          | 2007           |
|                                                                 | \$             | \$             | \$            | \$             |
| <b>4. INCOME TAX</b>                                            |                |                |               |                |
| Operating (loss) before income tax                              | (2,314,751)    | (1,714,764)    | (2,348,814)   | (1,714,764)    |
| Prima facie income tax (benefit) calculated at 30% (2007: 30%)  | (694,425)      | (514,429)      | (704,644)     | (514,429)      |
| Non-deductible expenses                                         | 111,373        | 44,645         | 111,373       | 44,645         |
| Impairment of inter-company loan                                | -              | -              | 525,132       | 358,811        |
| Under provision of income tax in prior year                     | (32,695)       | -              | -             | -              |
| Less income tax benefits not brought to account at balance date | <u>615,747</u> | <u>469,784</u> | <u>68,139</u> | <u>110,973</u> |
| Total income tax expense                                        | <u>-</u>       | <u>-</u>       | <u>-</u>      | <u>-</u>       |

Cullen Resources Limited and its 100% owned subsidiaries have entered the tax consolidation regime from 1 July 2002. The head entity of the tax consolidation group is Cullen Resources Limited.

The entity has adopted the stand alone taxpayer method for measuring current and deferred tax amounts. It is intended that members of the income tax consolidated group will enter into a tax funding agreement.

**CULLEN RESOURCES AND ITS CONTROLLED ENTITIES**  
Notes to the financial statements for the year ended 30 June 2008

**Consolidated**

|                                                  | <b>Balance Sheet</b> |             | <b>Income Statement</b> |             |
|--------------------------------------------------|----------------------|-------------|-------------------------|-------------|
|                                                  | <b>2008</b>          | <b>2007</b> | <b>2008</b>             | <b>2007</b> |
|                                                  | <b>\$</b>            | <b>\$</b>   | <b>\$</b>               | <b>\$</b>   |
| <b>Deferred Tax Liabilities</b>                  |                      |             |                         |             |
| Exploration                                      | (1,564,355)          | (1,495,315) | (69,041)                | (326,034)   |
| <b>Deferred Tax Assets</b>                       |                      |             |                         |             |
| Provisions                                       | 25,178               | 17,505      | 7,673                   | (68,655)    |
| Losses brought to account                        | 1,539,177            | 1,477,810   | 61,368                  | 394,689     |
| Net Deferred Tax Recognised in the Balance Sheet | -                    | -           | -                       | -           |

**Parent**

|                                                  | <b>Balance Sheet</b> |             | <b>Income Statement</b> |             |
|--------------------------------------------------|----------------------|-------------|-------------------------|-------------|
|                                                  | <b>2008</b>          | <b>2007</b> | <b>2008</b>             | <b>2007</b> |
|                                                  | <b>\$</b>            | <b>\$</b>   | <b>\$</b>               | <b>\$</b>   |
| <b>Deferred Tax Assets</b>                       |                      |             |                         |             |
| Provisions                                       | 25,178               | 17,505      | 7,673                   | (68,655)    |
| Deferred tax assets brought to account           | 1,539,177            | (17,505)    | (7,673)                 | 68,655      |
| Net Deferred Tax Recognised in the Balance Sheet | 1,564,355            | -           | -                       | -           |

As at 30 June 2008 future income tax benefits were available to the company and to the consolidated entity in respect of operating losses and prospecting and exploration expenditure incurred. The directors estimate the potential income tax benefit at 30 June 2008 in respect of tax losses not brought to account is \$4,657,725 (2007: \$3,980,610) and there is no expiry date. The benefit of these losses has not been brought to account. The benefit will only be obtained if:

- the relevant company derives future assessable income of a nature and of sufficient amount to enable the benefit to be realised.
- the relevant company and/or the consolidated entity continue to comply with the conditions for deductibility imposed by the law: and
- no changes in tax legislation adversely affect the company and/or the consolidated entity in realising the benefit.

|                              | <b>Consolidated</b> |             | <b>The Company</b> |             |
|------------------------------|---------------------|-------------|--------------------|-------------|
|                              | <b>2008</b>         | <b>2007</b> | <b>2008</b>        | <b>2007</b> |
|                              | <b>\$</b>           | <b>\$</b>   | <b>\$</b>          | <b>\$</b>   |
| <b>5. RECEIVABLES</b>        |                     |             |                    |             |
| Current                      |                     |             |                    |             |
| Other Debtors                | 49,728              | -           | 7,970              | -           |
| Loan to controlled entities  | -                   | -           | 11,838,832         | 11,559,547  |
| Allowance for Impairment (a) | -                   | -           | (8,320,228)        | (6,569,788) |
|                              | 49,728              | -           | 3,526,574          | 4,989,759   |

Trade receivables is comprised of GST receivable which is non-interest bearing.

## CULLEN RESOURCES AND ITS CONTROLLED ENTITIES

### Notes to the financial statements for the year ended 30 June 2008

The loans to controlled entities are non interest bearing and have no fixed term for repayment. An impairment assessment is undertaken by examining the financial position of the controlled entity to determine whether there is objective evidence that a loan receivable is impaired. When such objective exists the group recognises an allowance for the impairment loss.

(a) Allowance for Impairment

|                     | Consolidated |      | The Company |             |
|---------------------|--------------|------|-------------|-------------|
|                     | 2008         | 2007 | 2008        | 2007        |
|                     | \$           | \$   | \$          | \$          |
| At 1 July 2007      | -            | -    | (6,569,788) | (5,373,752) |
| Charge for the year | -            | -    | (1,750,440) | (1,196,036) |
| At 30 June 2008     | -            | -    | (8,320,228) | (6,569,788) |

|                                  | Consolidated |         | The Company |             |
|----------------------------------|--------------|---------|-------------|-------------|
|                                  | 2008         | 2007    | 2008        | 2007        |
|                                  | \$           | \$      | \$          | \$          |
| <b>6. OTHER FINANCIAL ASSETS</b> |              |         |             |             |
| Non current                      |              |         |             |             |
| Security deposits                | 100,000      | 100,000 | -           | -           |
| Shares in controlled entities    | -            | -       | 2,643,132   | 2,643,131   |
| Allowance for Impairment         | -            | -       | (2,643,131) | (2,643,131) |
|                                  | 100,000      | 100,000 | 1           | -           |

The fair value in shares in controlled entity is stated at cost less allowance for impairment in accordance with the accounting policy set out in Note 1.

The security deposits are non-interest bearing.

|                                 | Consolidated |           | The Company |          |
|---------------------------------|--------------|-----------|-------------|----------|
|                                 | 2008         | 2007      | 2008        | 2007     |
|                                 | \$           | \$        | \$          | \$       |
| <b>7. PLANT &amp; EQUIPMENT</b> |              |           |             |          |
| Plant & Equipment at cost       | 195,356      | 181,036   | 66,083      | 51,763   |
| Accumulated depreciation        | (138,368)    | (110,159) | (47,027)    | (41,390) |
| Total written down amount       | 56,988       | 70,877    | 19,056      | 10,373   |

(a) Reconciliation

Plant & Equipment

|                              |          |          |         |         |
|------------------------------|----------|----------|---------|---------|
| Carrying amount at beginning | 70,877   | 7,180    | 10,373  | 5,976   |
| Additions                    | 14,320   | 79,742   | 14,320  | 11,616  |
| Depreciation expense         | (28,209) | (16,045) | (5,637) | (7,219) |
|                              | 56,988   | 70,877   | 19,056  | 10,373  |

**CULLEN RESOURCES AND ITS CONTROLLED ENTITIES**  
Notes to the financial statements for the year ended 30 June 2008

**8. DEFERRED EXPLORATION COSTS**

|                                                                                               | <b>Consolidated</b> |             | <b>The Company</b> |             |
|-----------------------------------------------------------------------------------------------|---------------------|-------------|--------------------|-------------|
|                                                                                               | <b>2008</b>         | <b>2007</b> | <b>2008</b>        | <b>2007</b> |
|                                                                                               | <b>\$</b>           | <b>\$</b>   | <b>\$</b>          | <b>\$</b>   |
| Costs carried forward in respect of areas of interest in the exploration and evaluation phase |                     |             |                    |             |
| Opening balance                                                                               | 4,984,382           | 4,649,807   | -                  | -           |
| Expenditure incurred during the year                                                          | 1,681,360           | 1,086,779   | -                  | -           |
|                                                                                               | 6,665,742           | 5,736,586   | -                  | -           |
| Less expenditure written off during the year                                                  | (1,451,225)         | (752,204)   | -                  | -           |
| Closing balance                                                                               | 5,214,517           | 4,984,382   | -                  | -           |

Mining tenements are carried forward in accordance with the accounting policy set out in Note 1.

The ultimate recoupment of the book value of deferred costs relating to areas of interest in the exploration and evaluation phase is dependent upon the successful development and commercial exploitation or, alternatively, sale of the respective areas of interest and the consolidated entity's ability to continue to meet its financial obligations to maintain the areas of interest.

The recoverable value estimation is based on fair value less costs to sell as determined by management taking into consideration future prospectivity of the exploration tenements the deferred exploration costs are attached to.

**9. TRADE AND OTHER PAYABLES**

|                             | <b>Consolidated</b> |             | <b>The Company</b> |             |
|-----------------------------|---------------------|-------------|--------------------|-------------|
|                             | <b>2008</b>         | <b>2007</b> | <b>2008</b>        | <b>2007</b> |
|                             | <b>\$</b>           | <b>\$</b>   | <b>\$</b>          | <b>\$</b>   |
| Current                     |                     |             |                    |             |
| Trade creditors - unsecured | 419,498             | 186,434     | 58,217             | 83,238      |

Trade creditors are non-interest bearing and are normally settled on 30 day terms.

**10. PROVISIONS**

|                   | <b>Consolidated</b> |             | <b>The Company</b> |             |
|-------------------|---------------------|-------------|--------------------|-------------|
|                   | <b>2008</b>         | <b>2007</b> | <b>2008</b>        | <b>2007</b> |
|                   | <b>\$</b>           | <b>\$</b>   | <b>\$</b>          | <b>\$</b>   |
| Current           |                     |             |                    |             |
| Employee benefits | 65,830              | 48,915      | -                  | -           |
| Non Current       |                     |             |                    |             |
| Employee benefits | 18,097              | 9,436       | -                  | -           |

# CULLEN RESOURCES AND ITS CONTROLLED ENTITIES

Notes to the financial statements for the year ended 30 June 2008

## 11. CONTRIBUTED EQUITY

|                                 | Consolidated |            | The Company |            |
|---------------------------------|--------------|------------|-------------|------------|
|                                 | 2008         | 2007       | 2008        | 2007       |
|                                 | \$           | \$         | \$          | \$         |
| <b>Issued capital</b>           |              |            |             |            |
| 554,839,763 (2007: 474,039,763) | 31,524,656   | 23,949,656 | 31,524,656  | 23,949,656 |

Movement in issued shares for the year:

|                                           | 2008                |            | 2007                |            |
|-------------------------------------------|---------------------|------------|---------------------|------------|
|                                           | Number of<br>Shares | \$         | Number of<br>Shares | \$         |
| Beginning of the financial year           | 474,039,763         | 23,949,656 | 392,973,096         | 21,313,506 |
| Issued at 5.0 cents conversion of options | 500,000             | 25,000     | -                   | -          |
| Issued at 3.0 cents each                  | -                   | -          | 59,066,667          | 1,772,000  |
| Issued at 4.3 cents each                  | -                   | -          | 22,000,000          | 946,000    |
| Issued at 4.0 cents conversion of options | 8,000,000           | 320,000    | -                   | -          |
| Issued at 10.0 cents each                 | 72,300,000          | 7,230,000  | -                   | -          |
| Less share issue expense                  | -                   | -          | -                   | (81,850)   |
| End of the financial year                 | 554,839,763         | 31,524,656 | 474,039,763         | 23,949,656 |

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid upon shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

### Options

As at 30 June 2008 there are 22,000,000 (2007: 22,500,000) unissued shares in respect of which options were outstanding and the details of these are as follows:

| Number            | Grant Date | Vesting Date | Exercise Price | Expiry Date      |
|-------------------|------------|--------------|----------------|------------------|
| 8,000,000         | 30/11/07   | Various ◊    | 0.1338         | 30 November 2010 |
| 4,000,000         | 30/11/06   | VariousΔ     | 0.05           | 28 February 2010 |
| 4,000,000         | 30/11/06   | VariousΔ     | 0.08           | 28 February 2010 |
| 3,000,000         | 01/06/07   | Various*     | 0.05           | 28 February 2010 |
| 3,000,000         | 01/06/07   | Various*     | 0.08           | 28 February 2010 |
| <b>22,000,000</b> |            |              |                |                  |

◊ 4m of these options have vested with a further 4m to vest on 30/11/08

Δ 3m of these options have vested with a further 1m to vest on 28/02/09

\* 2m of these options have vested with a further 1m to vest on 28/02/09

The options have no rights until they are exercised and become ordinary shares.

Since the end of the financial year Nil shares have been issued by virtue of the exercise of options.

## 12. ACCUMULATED LOSSES

|                                                 | Consolidated |              | The Company  |              |
|-------------------------------------------------|--------------|--------------|--------------|--------------|
|                                                 | 2008         | 2007         | 2008         | 2007         |
|                                                 | \$           | \$           | \$           | \$           |
| Accumulated losses at the beginning of the year | (17,398,780) | (15,684,016) | (17,398,780) | (15,684,016) |
| Net (loss)                                      | (2,314,751)  | (1,714,764)  | (2,348,814)  | (1,714,764)  |
| Accumulated losses at the end of the year       | (19,713,531) | (17,398,780) | (19,747,594) | (17,398,780) |

**CULLEN RESOURCES AND ITS CONTROLLED ENTITIES**  
Notes to the financial statements for the year ended 30 June 2008

**13. PARTICULARS IN RELATION TO CONTROLLED ENTITIES**

The consolidated financial statements at 30 June 2008 include the following controlled entities. The financial years of all controlled entities are the same as that of the parent entity.

| Name                         | Place of<br>Incorporation | Interest<br>% |              | Investment<br>\$ |              |
|------------------------------|---------------------------|---------------|--------------|------------------|--------------|
|                              |                           | June<br>2008  | June<br>2007 | June<br>2008     | June<br>2007 |
| Cullen Minerals NL           | Australia                 | 100           | 100          | -                | -            |
| Cullen Exploration Pty Ltd   | Australia                 | 100           | 100          | -                | -            |
| Montrose Resources Limited * | Australia                 | 100           | -            | 1                | -            |

\* This subsidiary was incorporated during the year for no consideration.

**14. KEY MANAGEMENT PERSONNEL**

**(a) Compensation for key management personnel**

|                              | Consolidated |            | The Company |            |
|------------------------------|--------------|------------|-------------|------------|
|                              | 2008<br>\$   | 2007<br>\$ | 2008<br>\$  | 2007<br>\$ |
| Short-term employee benefits | 480,393      | 410,184    | 480,393     | 410,184    |
| Post-employment benefits     | 29,550       | 28,083     | 29,550      | 28,083     |
| Other long-term benefits     | 5,867        | 2,301      | 5,867       | 2,301      |
| Termination benefits         | -            | 221,448    | -           | 221,448    |
| Share-based payments         | 355,919      | 81,958     | 355,919     | 81,958     |
| Total compensation           | 871,729      | 743,794    | 871,729     | 743,974    |

**(b) Option holdings of directors**

|              | Balance at<br>beginning of year<br>1 July 2007 | Options<br>issued | Options<br>lapsed/<br>exercised | Balance at end<br>of year<br>30 June 2008 | Total             | Vested at 30 June 2008 |                   |
|--------------|------------------------------------------------|-------------------|---------------------------------|-------------------------------------------|-------------------|------------------------|-------------------|
|              | Number                                         | Number            | Number                          | Number                                    | Number            | Not<br>Exercisable     | Exercisable       |
| Directors    |                                                |                   |                                 |                                           |                   |                        |                   |
| D Clarke     | 2,000,000                                      | 2,000,000         | (2,000,000)                     | 2,000,000*                                | 2,000,000         | 1,000,000              | 1,000,000         |
| C Ringrose   | 8,000,000                                      | -                 | -                               | 8,000,000Δ                                | 8,000,000         | 2,000,000              | 6,000,000         |
| G Hamilton   | 2,000,000                                      | 2,000,000         | (2,000,000)                     | 2,000,000*                                | 2,000,000         | 1,000,000              | 1,000,000         |
| J Horsburgh  | 2,000,000                                      | 2,000,000         | (2,000,000)                     | 2,000,000*                                | 2,000,000         | 1,000,000              | 1,000,000         |
| W Kernaghan  | 2,000,000                                      | 2,000,000         | (2,000,000)                     | 2,000,000*                                | 2,000,000         | 1,000,000              | 1,000,000         |
| <b>Total</b> | <b>16,000,000</b>                              | <b>8,000,000</b>  | <b>(8,000,000)</b>              | <b>16,000,000</b>                         | <b>16,000,000</b> | <b>6,000,000</b>       | <b>10,000,000</b> |

\* The outstanding options are exercisable at \$0.1338 and have an expiry date of 30 November 2010.

Δ Four million of these outstanding options are exercisable at \$0.05 and four million at \$0.08 and all have an expiry date of 28 February 2010.

These options had a weighted average exercise price of \$0.10 and a weighted average remaining contractual life of 2.05 years.

# CULLEN RESOURCES AND ITS CONTROLLED ENTITIES

## Notes to the financial statements for the year ended 30 June 2008

|              | Balance at<br>beginning of year<br>1 July 2006<br>Number | Options<br>issued<br>Number | Options<br>lapsed/<br>exercised<br>Number | Balance at end<br>of year<br>30 June 2007<br>Number | Vested at 30 June 2007 |                    |                   |
|--------------|----------------------------------------------------------|-----------------------------|-------------------------------------------|-----------------------------------------------------|------------------------|--------------------|-------------------|
|              |                                                          |                             |                                           |                                                     | Total                  | Not<br>Exercisable | Exercisable       |
|              |                                                          |                             |                                           |                                                     | Number                 | Number             | Number            |
| Directors    |                                                          |                             |                                           |                                                     |                        |                    |                   |
| D Clarke     | 2,000,000                                                | -                           | -                                         | 2,000,000*                                          | 2,000,000              | -                  | 2,000,000         |
| C Ringrose   | -                                                        | 8,000,000                   | -                                         | 8,000,000 $\Delta$                                  | 8,000,000              | 4,000,000          | 4,000,000         |
| G Hamilton   | 2,000,000                                                | -                           | -                                         | 2,000,000*                                          | 2,000,000              | -                  | 2,000,000         |
| J Horsburgh  | 2,000,000                                                | -                           | -                                         | 2,000,000*                                          | 2,000,000              | -                  | 2,000,000         |
| W Kernaghan  | 2,000,000                                                | -                           | -                                         | 2,000,000*                                          | 2,000,000              | -                  | 2,000,000         |
| <b>Total</b> | <b>8,000,000</b>                                         | <b>8,000,000</b>            | <b>-</b>                                  | <b>16,000,000</b>                                   | <b>16,000,000</b>      | <b>4,000,000</b>   | <b>12,000,000</b> |

\* The outstanding options are exercisable at \$0.04 and have an expiry date of 30 November 2007

$\Delta$  Four million of these outstanding options are exercisable at \$0.05 and four million at \$0.08 and all have an expiry date of 28 February 2010

### (c) Shareholdings of directors

| Directors    | Balance<br>1 July 2007<br>Number | Options<br>Exercised<br>Number | Net Change<br>Sale<br>Number | Balance<br>30 June 2008<br>Number |
|--------------|----------------------------------|--------------------------------|------------------------------|-----------------------------------|
| D Clarke     | 5,754,502                        | 2,000,000                      | (4,704,502)                  | 3,050,000                         |
| C Ringrose   | 200,000                          | -                              | -                            | 200,000                           |
| G Hamilton   | 12,808,004                       | 2,000,000                      | -                            | 14,808,004                        |
| J Horsburgh  | 13,770,124                       | 2,000,000                      | -                            | 15,770,124                        |
| W Kernaghan  | 2,000,000                        | 2,000,000                      | (1,000,000)                  | 3,000,000                         |
| <b>Total</b> | <b>34,532,630</b>                | <b>8,000,000</b>               | <b>(5,704,502)</b>           | <b>36,828,128</b>                 |

| Directors    | Balance<br>1 July 2006<br>Number | Options<br>Exercised<br>Number | Net Change<br>Sale<br>Number | Balance<br>30 June 2007<br>Number |
|--------------|----------------------------------|--------------------------------|------------------------------|-----------------------------------|
| D Clarke     | 5,754,502                        | -                              | -                            | 5,754,502                         |
| C Ringrose   | 200,000                          | -                              | -                            | 200,000                           |
| G Hamilton   | 12,808,004                       | -                              | -                            | 12,808,004                        |
| J Horsburgh  | 13,770,124                       | -                              | -                            | 13,770,124                        |
| W Kernaghan  | 2,000,000                        | -                              | -                            | 2,000,000                         |
| <b>Total</b> | <b>34,532,630</b>                | <b>-</b>                       | <b>-</b>                     | <b>34,532,630</b>                 |

The directors' shareholdings are held directly and indirectly. Refer to the Directors' Report on page 17 for the breakdown.

### (d) Employee Options

#### (i) Options held at the beginning of the reporting period

| Number    | Grant Date | Vest Date | Expiry Date | Weighted<br>Average<br>Exercise Price |
|-----------|------------|-----------|-------------|---------------------------------------|
| 500,000   | 17/1/03    | 28/1/10   | 28/2/10     | \$0.05                                |
| 3,000,000 | 1/6/07     | Various   | 28/2/10     | \$0.05                                |
| 3,000,000 | 1/6/07     | Various   | 28/2/10     | \$0.08                                |

#### (ii) Options lapsed / exercised during the year

| Number  | Grant Date | Exercise Date | Exercise Price | Proceeds from shares issued | Number of Shares Issued | Issue Date | Fair Value of Shares Issued | Weighted Average Share Price |
|---------|------------|---------------|----------------|-----------------------------|-------------------------|------------|-----------------------------|------------------------------|
| 500,000 | 17/1/03    | 3/8/07        | \$0.05         | \$25,000                    | 500,000                 | 3/8/07     | \$25,000                    | \$0.11                       |

**CULLEN RESOURCES AND ITS CONTROLLED ENTITIES**  
Notes to the financial statements for the year ended 30 June 2008

**(iii) Options issued during the year**

| Number    | Grant Date | Vest Date | Expiry Date | Weighted Average Exercise Price | Weighted Average Share Price |
|-----------|------------|-----------|-------------|---------------------------------|------------------------------|
| 4,000,000 | 26/11/07   | 26/11/07  | 30/11/10    | \$0.1338                        | \$0.11                       |
| 4,000,000 | 26/11/07   | 30/11/08  | 30/11/10    | \$0.1338                        | \$0.11                       |

**(iv) Options held at the end of the reporting period**

| Number    | Grant Date | Vest Date | Expiry Date | Exercise Price | Weighted Average Fair Value of Options |
|-----------|------------|-----------|-------------|----------------|----------------------------------------|
| 3,000,000 | 1/6/07     | Various * | 28/2/10     | \$0.05         | \$0.0578                               |
| 3,000,000 | 1/6/07     | Various * | 28/2/10     | \$0.08         | \$0.0399                               |
| 4,000,000 | 26/11/07   | 26/11/07  | 30/11/10    | \$0.1338       | \$0.0498                               |
| 4,000,000 | 26/11/07   | 30/11/08  | 30/11/10    | \$0.1338       | \$0.0498                               |

\* 2m of these options have vested with a further 1m to vest on 28/02/09.

These options had a weighted average exercise price of \$0.065 and a weighted average remaining contractual life of 1.67 years.

**(v) Valuation of options issued during the year**

These options were valued using a Binomial methodology and include the following assumptions:

|                | 2008     | 2007                    |
|----------------|----------|-------------------------|
| Risk free rate | 6.34%    | 6.17% - 6.18%           |
| Volatility     | 91%      | 67% - 70%               |
| Estimated life | 3 years  | Between 0.5 and 2 years |
| Exercise price | \$0.1338 | \$0.05 and \$0.08       |

The share price was \$0.10 at the grant date on 26 November 2007 and \$0.05 on 1 June 2007.

**15. JOINT VENTURES**

The consolidated entity has interests in the following joint venture operations:

|                                  | Principal Activity | Other Participant                                    |
|----------------------------------|--------------------|------------------------------------------------------|
| (a) Gunbarrel Nickel             | Exploration        | BHP Billiton Ltd (BHPB)                              |
| (b) Irwin Bore (Cullen operates) | Exploration        | Western Australian Resources Ltd (WAR)               |
| (c) Wonganoo (Cullen operates)   | Exploration        | Quantum Resources Ltd (Quantum)                      |
| (d) Hardey Junction              | Exploration        | Intrepid Mines Limited (Intrepid)                    |
| (e) Mt Stuart                    | Exploration        | Australian Premium Iron Management Pty Limited (API) |
| (f) Wyloo                        | Exploration        | FMG Limited (FMG)                                    |
| (g) Tunnel Creek                 | Exploration        | Thundelarra Exploration Limited (Thundelarra)        |
| (h) Paraburdoo                   | Exploration        | FMG Limited (FMG)                                    |
| (i) Forrestania                  | Exploration        | Hannans Reward Limited (Hannans)                     |
| (j) Red Hill                     | Exploration        | Red Hill Iron Limited (Red Hill)                     |

## CULLEN RESOURCES AND ITS CONTROLLED ENTITIES

### Notes to the financial statements for the year ended 30 June 2008

- (a) BHP Billiton has earned 75% interest in the base metals rights, Cullen's 25% is free carried.
- (b) Cullen has a 90% interest, WAR retains a 10% interest.
- (c) Cullen has an 80% interest, Quantum holds a 20% interest carried for \$1M of expenditure
- (d) Intrepid is earning 70%
- (e) API has earned a 70% interest in the iron ore rights
- (f) FMG can earn up to 80% in the iron ore rights
- (g) Thundelarra can earn 70%
- (h) FMG can earn 80% in the iron ore rights
- (i) Hannans has a 80% interest; Cullen is 20% free carried
- (j) Red Hill can earn 70% in gold and base metal rights

The joint venture operations are not separate legal entities. They are contractual arrangements between the participants for the sharing of costs and any outputs and do not, in themselves, generate revenue and profit. The net contribution of any joint venture activities to the operating profit before income tax is \$Nil (2007: \$Nil). The consolidated entity's assets employed in the joint ventures, are included in the balance sheet of the consolidated entity as follows:

|                         | Consolidated |           | The Company |      |
|-------------------------|--------------|-----------|-------------|------|
|                         | 2008         | 2007      | 2008        | 2007 |
|                         | \$           | \$        | \$          | \$   |
| Exploration expenditure | 2,500,506    | 2,984,753 | -           | -    |

## 16. COMMITMENTS

### (a) Minimum exploration work

The consolidated entity has certain obligations to perform minimum exploration work and expend minimum amounts of money on mineral exploration tenements. The consolidated entity has committed to expend a minimum of \$2,888,624 (2007: \$2,137,000) over the next year to keep its current tenements in good standing. Approximately 50% of this expenditure will be met by our Joint Venture partners.

### (b) Lease expenditure commitments

|                                               | Consolidated |        | The Company |      |
|-----------------------------------------------|--------------|--------|-------------|------|
|                                               | 2008         | 2007   | 2008        | 2007 |
|                                               | \$           | \$     | \$          | \$   |
| Lease expenditure commitment                  |              |        |             |      |
| Operating leases (non-cancellable)            |              |        |             |      |
| for premises                                  |              |        |             |      |
| Minimum lease payments                        |              |        |             |      |
| - not later than one year                     | 12,180       | 20,880 | -           | -    |
| - later than one year and                     |              |        |             |      |
| not later than five years                     | -            | 12,180 | -           | -    |
| Aggregate lease expenditure contracted for at |              |        |             |      |
| reporting date but not provided for           | 12,180       | 33,060 | -           | -    |

This lease for the premises is for the period 1 February 2007 to 31 January 2009 with an option for a further two years. There are no contingent rentals or restrictions imposed by the lease arrangements.

## CULLEN RESOURCES AND ITS CONTROLLED ENTITIES

Notes to the financial statements for the year ended 30 June 2008

### 17. RELATED PARTIES

#### Wholly owned group transaction

Loans made from Cullen Resources Limited to wholly owned subsidiaries are non interest bearing and have no fixed term for repayment.

#### Other

Mariana Resources Limited, a company listed on the Alternative Investment Market, of which Messrs. Horsburgh and Hamilton are directors and shareholders, reimbursed the Group 50% of the rental of the registered office of the Group.

### 18. SEGMENT INFORMATION

The consolidated entity operated during the year in one geographical segment, being Australia.

The consolidated entity operated in one business segment being mineral exploration.

### 19. STATEMENT OF CASH FLOWS

#### (i) Reconciliation of cash

For the purposes of the Statement of Cash Flows, cash includes cash at bank and short term deposits at call. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Balance Sheet as follows:

|              | Consolidated |           | The Company |           |
|--------------|--------------|-----------|-------------|-----------|
|              | 2008         | 2007      | 2008        | 2007      |
|              | \$           | \$        | \$          | \$        |
| Cash on hand | 7,426,212    | 1,802,054 | 7,258,188   | 1,795,634 |

#### (ii) Reconciliation of operating (loss) after income tax to net cash used in operating activities

|                                                                               |             |             |             |             |
|-------------------------------------------------------------------------------|-------------|-------------|-------------|-------------|
| Operating (loss) after income tax                                             | (2,314,751) | (1,714,764) | (2,348,814) | (1,714,764) |
| Add/(less) non cash items                                                     |             |             |             |             |
| Exploration expenditure written off                                           | 1,451,225   | 752,204     | -           | -           |
| Depreciation                                                                  | 28,209      | 16,045      | 5,637       | 7,219       |
| Share based payments                                                          | 371,243     | 148,815     | 371,243     | 148,815     |
| Provisions for employee benefits                                              | 25,576      | (68,666)    | -           | -           |
| Allowance for non recovery of loan to controlled entities                     | -           | -           | 1,750,440   | 1,196,036   |
| Net cash used in operating activities before change in assets and liabilities | (438,498)   | (866,366)   | (221,494)   | (362,694)   |
| (Decrease) / Increase in creditors                                            | 233,064     | 69,684      | (25,021)    | 43,663      |
| Decrease / (Increase) in receivables                                          | (49,728)    | -           | (7,970)     | -           |
| Net operating cashflows                                                       | (255,162)   | (796,682)   | (254,485)   | (319,031)   |

#### (iii) Non-Cash Financing Activity

##### Share based payments

During the year the Group made share based payments of \$371,243 (2007: \$148,815) to directors and executives of the Group.

CULLEN RESOURCES AND ITS CONTROLLED ENTITIES  
Notes to the financial statements for the year ended 30 June 2008

**20. EARNINGS/(LOSS)PER SHARE**

|                                                                                                                 | <b>Consolidated</b> |             |
|-----------------------------------------------------------------------------------------------------------------|---------------------|-------------|
|                                                                                                                 | <b>2008</b>         | <b>2007</b> |
| Basic (loss) per share (cents per share)                                                                        | (0.44)              | (0.40)      |
| Diluted (loss) per share (cents per share)                                                                      | (0.44)              | (0.40)      |
| The following reflects the income and share data used in the calculations of basic and diluted (loss) per share |                     |             |
| Net (loss)                                                                                                      | (2,314,751)         | (1,714,764) |
| Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share      |                     |             |
|                                                                                                                 | 522,420,091         | 433,448,713 |
| Options on issue at year end are not dilutive and hence not used in the calculation of diluted EPS              |                     |             |
|                                                                                                                 | 22,000,000          | 22,500,000  |

There are no instruments (e.g. share options) excluded from the calculation of diluted earnings per share that could potentially dilute basic earnings per share in the future because they are antidilutive for either of the periods presented.

There have been no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

**21. FINANCIAL INSTRUMENTS**

The Group's financial instruments comprise receivables, payables, and cash and short-term deposits.

The Group manages its exposure to key financial risks, including interest rate risk in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

The Board reviews and agrees policies for managing each of these risks as summarised below.

Primary responsibility for identification and control of financial risks rests with the Board of Directors. Due to the size and nature of the company's operations, and as the company does not use derivative instruments or debt, the directors do not believe the establishment of a risk management committee is warranted.

**(a) Interest Rate Risk**

The Group's exposure to market interest rates relates primarily to the Group's cash and cash equivalents.

The Group's exposure to interest rate risk for each class of financial assets and financial liabilities is set out below.

| <b>Financial Instruments</b>  | <b>Consolidated</b>           |                               | <b>The Company</b>            |                               |
|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
|                               | <b>Floating interest rate</b> | <b>Floating interest rate</b> | <b>Floating interest rate</b> | <b>Floating interest rate</b> |
|                               | <b>2008</b>                   | <b>2007</b>                   | <b>2008</b>                   | <b>2007</b>                   |
|                               | <b>\$</b>                     | <b>\$</b>                     | <b>\$</b>                     | <b>\$</b>                     |
| <b>Financial Assets</b>       |                               |                               |                               |                               |
| Cash and cash equivalents     | 7,426,212                     | 1,802,054                     | 7,258,188                     | 1,795,634                     |
| <b>Total Financial Assets</b> | <b>7,426,212</b>              | <b>1,802,054</b>              | <b>7,258,188</b>              | <b>1,795,634</b>              |

## CULLEN RESOURCES AND ITS CONTROLLED ENTITIES

### Notes to the financial statements for the year ended 30 June 2008

Cash gives rise to interest rate risk because the interest rate is variable.

The following summarises the effect on profit and equity of financial instruments held at balance date as a result of a 1% movement in interest rates, with all other variables remaining constant.

|                   | Consolidated |          | The Company |          |
|-------------------|--------------|----------|-------------|----------|
|                   | 2008         | 2007     | 2008        | 2007     |
|                   | \$           | \$       | \$          | \$       |
| Interest rate +1% | 74,262       | 18,020   | 72,581      | 17,956   |
| Interest rate -1% | (74,262)     | (18,020) | (72,581)    | (17,956) |

The selection of 1% sensitivity check was based on recent interest rate adjustments.

#### (b) Currency Risk

The Group has no exposure to foreign currency risk as it operates within Australia and has no overseas operations.

#### (c) Credit Risk

Credit risk arises from the financial assets of the Group, namely trade and other receivables. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to its carrying amount.. Exposure at balance date is addressed in each applicable note.

The Group does not hold any credit derivatives to offset its credit exposure.

The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables.

Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

There are no significant concentrations of credit risk within the Group. The Group's exposure to credit risk is minimal.

#### (d) Liquidity Risk

The liquidity position of the group is managed to ensure sufficient liquid funds are available to meet the Group's financial commitments in a timely and cost-effective manner. The Group funds its activities through capital raisings in order to limit its liquidity risk.

Contractual Maturity of the Trade Payables is within 30 day terms.

#### (e) Fair Values

The carrying value of financial assets and financial liabilities, as disclosed in the financial statements, represents their approximate fair values. No financial assets or financial liabilities are readily traded on organised markets in standardised form. The Group has no financial assets where carrying amount exceeds fair value at balance date.

#### (f) Capital Management

The Group and parent's capital includes ordinary share capital and financial liabilities, supported by financial assets.

Management controls the capital of the group in order to provide the shareholders with adequate returns and ensure that the group can fund its operations and continue as a going concern.

There are no externally imposed capital requirements.

## CULLEN RESOURCES AND ITS CONTROLLED ENTITIES

### Notes to the financial statements for the year ended 30 June 2008

Management effectively manages the group's capital by assessing the group's financial risks and adjusting its capital structure in responses to include the management of debt levels, distributions to shareholders and share issues.

The Group uses cash flow forecasts to manage and adjust its capital management.

There have been no changes in the strategy adopted by management to control the capital of the group since the prior year.

#### 22. AUDITORS REMUNERATION

|                                                                                                                  | Consolidated |        | The Company |        |
|------------------------------------------------------------------------------------------------------------------|--------------|--------|-------------|--------|
|                                                                                                                  | 2008         | 2007   | 2008        | 2007   |
|                                                                                                                  | \$           | \$     | \$          | \$     |
| Amounts received or due and receivable<br>by Ernst and Young                                                     |              |        |             |        |
| - an audit or review of the financial report<br>of the entity and any other entity in the<br>consolidated entity | 40,000       | 35,000 | 40,000      | 35,000 |

#### 23. SUBSEQUENT EVENTS

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the parent entity, to affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in the subsequent financial years.

#### 24. CORPORATE INFORMATION

The financial report of Cullen Resources Limited (the Company) for the year ended 30 June 2008 was authorised for issue in accordance with a resolution of the directors on 26 September 2008.

Cullen Resources Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

## SHAREHOLDER INFORMATION

### CAPITAL STRUCTURE

As at 24 September 2008, the company had the following securities on issue:

|                                                                  | Fully paid<br>Ordinary shares |
|------------------------------------------------------------------|-------------------------------|
| Issued Capital                                                   | 554,839,763                   |
| <b>Top 20 Shareholders</b>                                       |                               |
| Total holding of twenty largest shareholders                     | 255,989,484                   |
| % of total shares on issue                                       | 46.14%                        |
| <b>Distribution of shareholders</b>                              | <b>Total Holders</b>          |
| 1 - 1,000 shares                                                 | 144                           |
| 1,001 - 5,000 shares                                             | 250                           |
| 5,001 - 10,000 shares                                            | 555                           |
| 10,001 - 100,000 shares                                          | 2,142                         |
| 100,001 and over                                                 | 630                           |
| <b>Total</b>                                                     | <b>3,721</b>                  |
| Unmarketable Parcels as at 24 September 2008<br>Minimum \$500.00 | 273                           |

### OPTIONS

As at 24 September 2008, 22,000,000 unissued shares in respect of options were outstanding. These are as follows:

| Number    | Exercise Price | Expiry Date      |
|-----------|----------------|------------------|
| 8,000,000 | \$0.1338       | 30 November 2010 |
| 7,000,000 | \$0.05         | 28 February 2010 |
| 7,000,000 | \$0.08         | 28 February 2010 |

### SUBSTANTIAL SHAREHOLDERS

The company has two Substantial Shareholders as at 24 September 2008

| Name                 | %     | No. of shares |
|----------------------|-------|---------------|
| AMCI Group           | 17.60 | 97,668,113    |
| Aquila Resources Ltd | 16.91 | 93,850,131    |

## TWENTY LARGEST SHAREHOLDERS

The names of the twenty holders of the fully paid shares at **24 September 2008** are listed below:

| Name                                             | No. of Shares | % Held | Rank |
|--------------------------------------------------|---------------|--------|------|
| Aquila Steel Pty Ltd                             | 72,000,000    | 12.98  | 1    |
| UBS Wealth Management Australia Nominees Pty Ltd | 50,124,549    | 9.03   | 2    |
| Rubicon Nominees Pty Ltd                         | 49,995,948    | 9.01   | 3    |
| Kitchsmith Pty Ltd                               | 14,355,002    | 2.59   | 4    |
| Innerleithen Pty Ltd                             | 12,352,120    | 2.23   | 5    |
| BT X Pty Ltd                                     | 8,500,000     | 1.53   | 6    |
| Wythenshawe Pty Ltd                              | 7,260,783     | 1.31   | 7    |
| Chiatta Pty Ltd                                  | 6,260,000     | 1.13   | 8    |
| Penoir Pty Ltd                                   | 5,690,123     | 1.03   | 9    |
| Aquila Resources Limited                         | 4,254,222     | 0.77   | 10   |
| Wythenshawe Pty Ltd                              | 3,935,000     | 0.71   | 11   |
| Dunslair Pty Ltd                                 | 3,243,000     | 0.58   | 12   |
| Mr Neil Ronald Griffin                           | 3,087,000     | 0.56   | 13   |
| Lindglade Enterprises Pty Ltd                    | 3,050,000     | 0.55   | 14   |
| BT X Pty Ltd                                     | 2,800,000     | 0.50   | 15   |
| Mr Charles Bass                                  | 2,500,000     | 0.45   | 16   |
| Mr Dennis Robert Wyllie                          | 2,243,000     | 0.40   | 17   |
| National Nominees Limited                        | 2,215,959     | 0.40   | 18   |
| Mr Joe Paul Angelucci + Mrs Grita Angelucci      | 2,212,000     | 0.40   | 19   |
| ATFT Pty Ltd                                     | 2,165,000     | 0.39   | 20   |
| Total                                            | 258,243,706   | 46.55  |      |

## VOTING RIGHTS

Every member present in person or by representative shall on a show of hands have one vote, and on a poll every member present in person or by representative, proxy or attorney shall have one vote in respect of each fully paid share held by him.