

CULLEN RESOURCES LIMITED

ABN 46 006 045 790

FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2010

Directors' Report

Your directors submit their report for the half-year ended 31 December 2010.

Directors

The names of the company's directors in office during the half year and until the date of this report are as below. Directors were in office for the entire period.

Dr Denis Clarke, BSc, BA, PhD, FAIMM (Independent Non-Executive Chairman)

Dr 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. Currently Dr. Clarke is Non-Executive Chairman of Hill End Gold Limited and Non-Executive Director of Anglo Australian Resources NL.

Dr Chris Ringrose, BSc, PhD, MBA, MAIMM, MAICD (Managing Director)

Dr 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. Dr Ringrose 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.

Grahame Hamilton, BSc, MSc, MAIG (Non -Executive Director)

Mr 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, Mr Hamilton worked with Getty Oil Development Co. minerals division as Queensland Manager.

John Horsburgh, BSc MSc, FAIMM (Non-Executive Director)

Mr 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. Mr Horsburgh is Executive Chairman of AIM-listed public company Mariana Resources Limited.

Wayne John Kernaghan, BBus, ACA, FAICD, ACIS (Non-Executive Director & Company Secretary)

Mr 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. Mr Kernaghan is also a Director of Gulf Industrials Limited.

Principal Activities

The principal activity for the economic entity during the course of the half-year was mineral exploration. There was no significant change in the nature of the economic entity during the half-year.

Results for the Half-Year

The loss of the economic entity for the half-year was \$1,088,841 after income tax [2009: Loss of \$1,127,117].

Directors' Report (continued)

Review of Operations

During the half-year under review, the Company continued its mineral exploration activities which included: database reviews; field and project evaluations; and new project generation. The Company also advanced its discussions and documentation relating to new farm-out arrangements with other companies for certain projects, and for the sale of certain tenements.

Company activities, including those of the Joint Venture managers, occur across Australia in New South Wales, Queensland, Northern Territory, and Western Australia.

The company's principal asset is its share of the Catho Well channel iron deposit in the West Pilbara, for which an updated Mineral Resources Estimate and a Maiden Reserve were determined. In addition Joint Venture Manager Fortescue Metals Group, delivered significant drill results for the Wylloo Iron Ore Project, also in the West Pilbara.

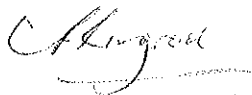
New project opportunities were generated in Queensland, for coal, and for Iron Oxide Copper Gold (IOCG) deposits.

In addition a fieldwork review of the company's tenement application areas in Namibia was completed, and the company's Killaloe project near Norseman was farmed out to Matsa Resources Limited.

Auditor's Independence Declaration

We have obtained an independence declaration from our auditors, Ernst & Young, which follows the Directors' Report.

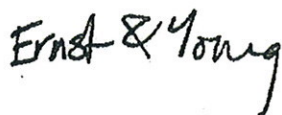
Signed in accordance with a resolution of the directors.



C. Ringrose
Director
Perth
4 March 2011

Auditor's independence declaration to the directors of Cullen Resources Limited

In relation to our review of the half-year financial report of Cullen Resources Limited for the half-year ended 31 December 2010, 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.

A stylized, handwritten signature of "Ernst & Young" in black ink.

Ernst & Young

A handwritten signature in black ink, appearing to be "J C Palmer", written over a horizontal line.

J C Palmer
Partner
Perth
4 March 2011

**Consolidated Statement of Financial Position
for the half-year ended 31 December 2010**

	Consolidated 31 December 2010 \$	Consolidated 30 June 2010 \$
Current Assets		
Cash and cash equivalents (note 9)	3,821,733	2,066,700
Trade and other receivables	28,892	107,799
Total Current Assets	3,850,625	2,174,499
Non Current Assets		
Other financial assets (note 4)	420,000	10,000
Plant and equipment	11,218	14,102
Exploration and evaluation (note 5)	2,861,626	2,616,296
Total Non Current Assets	3,292,844	2,640,398
Total Assets	7,143,469	4,814,897
Current Liabilities		
Trade and other payables	399,274	411,587
Provisions	126,921	81,009
Total Current Liabilities	526,195	492,596
Non Current Liabilities		
Provisions	13,696	50,879
Total Non Current Liabilities	13,696	50,879
Total Liabilities	539,891	543,475
Net Assets	6,603,578	4,271,422
Equity		
Equity attributable to equity holders of the Parent		
Issued capital (note 6)	34,625,453	31,724,656
Available for sale reserve (note 7)	77,000	-
Share based payment reserve	1,172,125	728,925
Accumulated losses	(29,271,000)	(28,182,159)
Total Equity	6,603,578	4,271,422

**Consolidated Statement of Comprehensive Income
for the half-year ended 31 December 2010**

	Consolidated 31 December 2010 \$	Consolidated 31 December 2009 \$
Revenue and other income (note 3)	463,159	51,650
Rent expense	(20,189)	(18,989)
Salaries and consultant expense	(181,203)	(170,069)
Share based payments expense (note 8)	(443,200)	-
Compliance costs	(93,807)	(78,504)
Deferred exploration and evaluation written off (note 5)	(567,073)	(764,479)
Exploration and evaluation expenses	(95,205)	-
Depreciation expense	(4,007)	(15,622)
Administration expense	(27,545)	(9,308)
Other expenses	(137,584)	(121,796)
Loss before income tax expense	(1,106,654)	(1,127,117)
Income tax benefit	17,813	-
Net loss	(1,088,841)	(1,127,117)
Other comprehensive income		
Net change in fair value of available for sale assets (net of income tax)	77,000	-
Total comprehensive income for the period	(1,011,841)	(1,127,117)
Basic loss per share attributable to ordinary equity holders of the parent (cents per share)	(0.18)	(0.20)
Diluted loss per share attributable to ordinary equity holders of the parent (cents per share)	(0.18)	(0.20)

**Consolidated Statement of Cash Flows
for the half-year ended 31 December 2010**

	Consolidated 31 December 2010 \$	Consolidated 31 December 2009 \$
Cash flows from operating activities		
Payments to suppliers and employees	(773,830)	(597,512)
Interest received and other expenses	63,159	51,650
Net cash flows used in operating activities	(710,671)	(545,862)
Cash flows from investing activities		
Payments for exploration activities	(518,783)	(798,825)
Proceeds from the sale of tenements	100,000	-
Payment for plant and equipment	(1,123)	-
Refund of security deposits	-	10,000
Net cash flows used in investing activities	(419,906)	(788,825)
Cashflow from financing activities		
Proceeds from issue of shares	2,936,235	-
Share issue costs	(50,625)	-
Net cash flows from financing activities	2,885,610	-
Net increase/(decrease) in cash and cash equivalents	1,755,033	(1,334,687)
Cash and cash equivalents at beginning of the financial period	2,066,700	4,523,164
Cash and cash equivalents at end of the financial period	3,821,733	3,188,477

**Consolidated Statement of Changes in Equity
for the half-year ended 31 December 2010**

	Contributed Equity	Available for sale reserve	Share Based Payment reserve	Accumulated Losses	Total Equity
	\$	\$	\$	\$	\$
At 1 July 2009	31,524,656	-	630,225	(26,020,924)	6,133,957
Loss for the period	-	-	-	(1,127,117)	(1,127,117)
Other comprehensive (expense)	-	-	-	-	-
Total comprehensive Income for the period	-	-	-	(1,127,117)	(1,127,117)
At 31 December 2009	31,524,656	-	630,225	(27,148,041)	5,006,840
At 1 July 2010	31,724,656	-	728,925	(28,182,159)	4,271,422
Loss for the period	-	-	-	(1,088,841)	(1,088,841)
Other comprehensive Income (net of tax)	-	77,000	-	-	77,000
Total comprehensive Income for the period	-	77,000	-	(1,088,841)	(1,011,841)
Issue of share capital	2,936,235	-	-	-	2,936,235
Share issue costs (net of tax)	(35,438)	-	-	-	(35,438)
Share based payments	-	-	443,200	-	443,200
At 31 December 2010	34,625,453	77,000	1,172,125	(29,271,000)	6,603,578

**Notes to the Half-Year Financial Statements
for the half-year ended 31 December 2010**

Note 1 Corporate Information

The financial report of Cullen Resources Limited and its subsidiaries ("the consolidated entity") for the half-year ended 31 December 2010 was authorised for issue in accordance with a resolution of the directors on 4 March 2011. Cullen Resources Limited is a company incorporated in Australia and limited by shares, which are publicly traded on the Australian Stock Exchange.

Note 2 Basis of Preparation & Accounting Policies

(a) Basis of preparation

This general purpose condensed financial report for the half year ended 31 December 2010 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The half-year financial report has been prepared on an historical cost basis.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year financial report should be read in conjunction with the annual Financial Report of Cullen Resources Limited as at 30 June 2010 and considered together with any public announcements made by Cullen Resources Limited and its controlled entities during the half-year ended 31 December 2010 in accordance with the continuous disclosure obligations of the ASX listing rules.

Where appropriate prior year comparatives have been reclassified for consistency with current year disclosures.

(b) New and Amending Accounting Standards and Interpretations

The accounting policies applied by the Group in these financial statements are the same as those applied by the Group in the consolidated financial statements for the year ended 30 June 2010 except for the adoption of the following new and revised Accounting Standards.

- AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (AASB 5, 8, 101, 117, 118, 136 & 139) effective 1 January 2010. The amendments did not have an impact on the financial position or performance of the Group.
- AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2]
- AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132]
- AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 & AASB 139]
- Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments

(c) Significant accounting policies

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2010.

**Notes to the Half-Year Financial Statements
for the half-year ended 31 December 2010 (cont'd)**

Note 3 Revenue & Other Income

Loss before income tax has been determined after:

	31 December 2010 \$	31 December 2009 \$
Revenue and other income		
Interest revenue	63,159	51,650
Sale of tenements(i)	400,000	-
	<u>463,159</u>	<u>51,650</u>

(i) On 2 August 2007, Kurana Pty Ltd and Killoran Pty Ltd granted an option to Cullen to purchase the Kurana and Killoran tenements in exchange for 3,000,000 shares.

During the prior period, Cullen exercised the option by issuing 3,000,000 shares, totalling \$200,000, as per the agreement.

In conjunction with the exercise of this option, Cullen assigned the Option Rights under the above agreement to MacPhersons Reward Pty Ltd ("MacPhersons"), a third party, in return for \$200,000 in cash and either:

- (a) The allotment of \$300,000 of shares if MacPhersons lists by 30 November 2010 on the ASX, or
- (b) \$150,000 in cash if the above is not achieved.

During the half-year ended 31 December 2010, MacPherson Reward listed on ASX and by mutual agreement Cullen received 1,000,000 MacPherson's shares worth \$300,000, which have been treated as other income and the shares classified as available-for-sale.

In addition to the above, Cullen was reimbursed \$100,000 cash as part of a farm out of tenements, the carrying value of which was nil and therefore this receipt has been treated as income.

Note 4 Other Financial Assets

	31 December 2010 \$	30 June 2010 \$
Security deposits	10,000	10,000
Available for sale financial assets comprise:		
Listed investments at fair value		
- Shares in listed corporation	410,000	-
	<u>420,000</u>	<u>10,000</u>

**Notes to the Half-Year Financial Statements
for the half-year ended 31 December 2010 (cont'd)**

Note 5 Exploration & Evaluation

	31 December 2010 \$	31 December 2009 \$
Costs carried forward in respect of areas of interest in the exploration and evaluation phase		
Opening balance	2,616,296	1,976,601
Expenditure incurred	812,403	1,132,096
Written off during the period	(567,403)	(764,479)
Closing balance	<u>2,861,626</u>	<u>2,344,218</u>

The recoverability of the carrying amount of deferred exploration and evaluation expenditure is dependent on successful development and commercial exploration or alternatively by the sale of the respective areas of interest.

(a) Impairment

The directors have reviewed all exploration projects for indicators of impairment in light of approved budgets. Where substantive expenditure is neither budgeted or planned the area of interest has been written down to its fair value less costs to sell. In determining fair value less costs to sell the directors had regard to the best evidence of what a willing participant would pay in an arms length transaction. Where no such evidence was available, areas of interest were written down to nil pending the outcome of any future farm out arrangement. The Company will continue to look to attract farm-in partners and/or recommence exploration should circumstances change.

Note 6 Contributed Equity

	31 December 2010 \$	31 December 2009 \$
Contributed Equity		
623,089,431 Ordinary shares (issued and fully paid)* (31 December 2009 : 554,839,763)	<u>34,625,453</u>	<u>31,524,656</u>

* Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Movement in issued shares for the half year	31 December 2010		31 December 2009	
	Number of Shares	\$	Number of Shares	\$
Beginning of the financial period:	557,839,763	31,724,656	554,839,763	31,524,656
Movement:				
Issued at 4.50 cents each	65,249,668	2,936,235	-	-
Less share issue expenses (net of tax)	-	(35,438)	-	-
End of the financial period:	<u>623,089,431</u>	<u>34,625,453</u>	<u>554,839,763</u>	<u>31,524,656</u>

During the period, 16,000,000 unlisted options exercisable at 7.5 cents each, expiring on 30 November 2013, were issued. Also 8,000,000 unlisted options, expiring on 30 November 2010, expired. No options were exercised during the period.

**Notes to the Half-Year Financial Statements
for the half-year ended 31 December 2010 (cont'd)**

Note 7 Available for Sale Reserve

	31 December 2010 \$	31 December 2009 \$
This relates to the movement in the fair valuation of financial assets		
Beginning of the financial period	-	-
Net change in fair value of financial assets during the period	110,000	-
End of the financial period	<u>110,000</u>	<u>-</u>

Note 8 Share Based Payments

During the period, the Company granted 16,000,000 options to Directors in accordance with shareholder approval given at the Annual General Meeting of the Company. These options vested on issue and have expensed in this period.

The fair value of the share options granted is estimated as at the date of grant using a Black and Scholes model taking into account the terms and conditions upon which the options were granted.

	2010
Expected volatility (%)	104.11%
Risk-free interest rate range (%)	4.98%
Term	3 years
Option exercise price	\$0.075
Expected dividend yield range	-
Value per option	\$0.0277

These options have a remaining contractual life of 2.92 years.

Equity share options	Number of Options	Weighted Average Exercise Price \$
Opening balance	14,000,000	0.1043
Granted during the period	16,000,000	0.0750
Forfeited/Cancelled during the year	-	-
Exercised during the period	-	-
Expired during the period	<u>(8,000,000)</u>	0.1338
Closing balance at 31 December 2010	<u>22,000,000</u>	0.0723

**Notes to the Half-Year Financial Statements
for the half-year ended 31 December 2010 (cont'd)**

Note 9 Cash & Cash Equivalents

For the purpose of the half-year cash flow statement, cash and cash equivalents are comprised of the following:

	31 December 2010 \$	31 December 2009 \$
Cash at Bank and in Hand	736,799	677,921
Short Term Deposits	3,084,934	2,510,556
	3,821,733	3,188,477

Note 10 Operating Segments

For management purposes, the Company is organised into one main operating segment, which involves the exploration of minerals in Australia. All of the Company's activities are interrelated, and discrete financial information is reported to the Board (Chief Operating Decision Maker) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Company as one segment. The financial results from this segment are equivalent to the financial statements of the Company as a whole.

Note 11 Dividends Paid or Provided for on Ordinary Shares

No amounts have been paid, declared or recommended by Cullen Resources Limited by way of dividend since the commencement of the half-year, and up to the date of this report.

Note 12 Contingent Liabilities

There are no contingent liabilities at 31 December 2010.

Note 13 Events Subsequent to Reporting Date

There are no known events subsequent to reporting date that would have a material effect on these financial statements.

Note 14 Commitments

The Consolidated entity has the following minimum expenditure commitments to keep its tenements and ownership interests in good standing:

- \$272,000 for the Mt Stuart Joint Venture; and
- \$239,000 for other tenements.

Note 15 Changes in Composition of the Consolidated Entity

The consolidated entity established a new subsidiary Red Dirt Pty Ltd to explore for opportunities in Australia.

CULLEN RESOURCES LIMITED

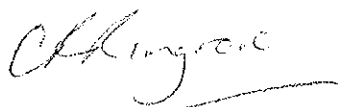
Directors' Declaration

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

In the opinion of the directors:

- (a) the financial statements and associated notes of the consolidated entity are in accordance with Corporations Act 2001 including;
 - (i) give a true and fair view of the financial position as at 31 December 2010 and the performance for the half year ended on that date of the consolidated entity; and
 - (ii) comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the 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.

On behalf of the Board



C Ringrose
Director

Perth
4 March 2011

To the members of Cullen Resources Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Cullen Resources Limited, which comprises the condensed statement of financial position as at 31 December 2010, and the statement of condensed comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the half-year end or from time to time during the period.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the half-year financial report in accordance with 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 half-year 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.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2011. As the auditor of Cullen Resources Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with 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.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Cullen Resources Limited is not in accordance with the Corporations Act 2001, including:

- i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- ii) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Ernst & Young

Ernst & Young



J C Palmer
Partner
Perth
4 March 2011