

CULLEN RESOURCES LIMITED

ABN 46 006 045 790

FINANCIAL REPORT

FOR THE HALF YEAR ENDED

31 DECEMBER 2014

Directors' Report

Your directors submit their report for the half-year ended 31 December 2014 for Cullen Resources Limited ('the Company or Cullen').

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 Chris Ringrose, BSc, PhD, MBA, MAIMM, MAICD (Managing Director)
Grahame Hamilton, BSc, MSc, MAIG (Non -Executive Director)
John Horsburgh, BSc MSc, FAIMM (Non-Executive Director)
Wayne John Kernaghan, BBus, ACA, FAICD, ACIS (Non-Executive Director & Company Secretary)

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 \$958,228 after income tax [2013: Loss of \$903,352].

Review of Operations

Cullen is a mineral exploration company currently seeking deposits of gold, nickel, and iron ore either in its own right, or managed by other partners in joint operations.

During the half-year under review, the Company continued its mineral exploration activities including: project generation, database reviews, field mapping and drilling. Company exploration activities, including Joint Operator managed projects, were focused in Western Australia with additional activities in New South Wales as follows:

- Ashburton Province, WA (Hardey Junction JV, Mt Stuart JV, Wyloo JV, Paraburdoo JV and Kunderong /Saltwater Pool JV- gold, uranium and /or iron ore projects)
- North Eastern Goldfields, WA (Mt Eureka - gold and nickel project)
- Eastern Goldfields, WA (Killaloe JV - gold and nickel project)
- Murchison Province, WA (North Tuckabianna – gold and base metals project)
- Forrestania, WA (Forrestania JV - gold project)
- Central Lachlan Fold Belt, NSW (Minter - tungsten project)

Also during the half year the Company wound back overseas activities in favour of exploration expenditure in Australia going forward.

Directors' Report (continued)

Events Subsequent to Reporting Date

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

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.

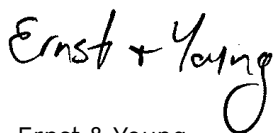


C. Ringrose
Director

Perth
4 March 2015

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

In relation to our review of the financial report of Cullen Resources Limited for the half-year ended 31 December 2014, 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



Peter McIver
Partner
4 March 2015

**Consolidated Statement of Financial Position
as at 31 December 2014**

	Note	Consolidated 31 December 2014 \$	Consolidated 30 June 2014 \$
Current Assets			
Cash and cash equivalents	8	640,354	1,073,739
Trade and other receivables		42,619	89,020
Total Current Assets		682,973	1,162,759
Non Current Assets			
Other financial assets	4	12,400	12,400
Plant and equipment		531	963
Exploration and evaluation	5	5,072,452	4,483,886
Total Non Current Assets		5,085,383	4,497,249
Total Assets		5,768,356	5,660,008
Current Liabilities			
Trade and other payables		184,874	145,939
Provisions		133,950	121,829
Total Current Liabilities		318,824	267,768
Total Liabilities		318,824	267,768
Net Assets		5,449,532	5,392,240
Equity			
Equity attributable to equity holders of the Parent			
Issued capital	6	41,401,686	40,521,766
Share based payment reserve	7	1,437,325	1,301,725
Accumulated losses		(37,389,479)	(36,431,251)
Total Equity		5,449,532	5,392,240

The Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

**Consolidated Statement of Comprehensive Income
for the half-year ended 31 December 2014**

	Note	Consolidated 31 December 2014 \$	Consolidated 31 December 2013 \$
Revenue	3	6,781	15,412
Other income	3	-	45,937
Rent		(19,197)	(21,544)
Salaries and consultants' fees		(218,870)	(149,488)
Compliance expenses		(92,524)	(86,842)
Share based payments	7	(135,600)	-
Impairment of exploration expenditure	5	(398,284)	(640,974)
Depreciation		(432)	(1,342)
Other expenses		(100,102)	(64,511)
Loss before income tax benefit/(expense)		(958,228)	(903,352)
Income tax benefit/(expense)		-	-
Net loss		<u>(958,228)</u>	<u>(903,352)</u>
Other comprehensive income			
Total comprehensive income for the period		<u>(958,228)</u>	<u>(903,352)</u>
Basic loss per share attributable to ordinary equity holders of the parent (cents per share)		<u>(0.09)</u>	<u>(0.11)</u>
Diluted loss per share attributable to ordinary equity holders of the parent (cents per share)		<u>(0.09)</u>	<u>(0.11)</u>

The Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

**Consolidated Statement of Cash Flows
for the half-year ended 31 December 2014**

	Note	Consolidated 31 December 2014 \$	Consolidated 31 December 2013 \$
Cash flows from operating activities			
Cash payments in the course of operations		(333,236)	(277,742)
Interest received		6,781	15,412
Net cash flows used in operating activities		(326,455)	(262,330)
Cash flows from investing activities			
Payments for exploration & evaluation	5	(986,850)	(797,470)
Proceeds from security deposits		-	20,000
Net cash flows used in investing activities		(986,850)	(777,470)
Cashflow from financing activities			
Proceeds from issue of shares		901,700	-
Share issue costs		(21,780)	-
Net cash flows from financing activities		879,920	-
Net increase/(decrease) in cash and cash equivalents		(433,385)	(1,039,800)
Cash and cash equivalents at beginning of the financial period		1,073,739	1,884,038
Cash and cash equivalents at end of the financial period	8	640,354	844,238

The Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

**Consolidated Statement of Changes in Equity
for the half-year ended 31 December 2014**

	Contributed Equity	Share Based Payment reserve	Accumulated Losses	Total Equity
	\$	\$	\$	\$
At 1 July 2013	39,201,266	1,280,125	(34,550,658)	5,930,733
Loss for the period	-	-	(903,352)	(903,352)
Other comprehensive Income (net of tax)	-	-	-	-
Total comprehensive Income for the period	-	-	(903,352)	(903,352)
Issue of share capital	-	-	-	-
Share issue costs	-	-	-	-
At 31 December 2013	39,201,266	1,280,125	(35,454,010)	5,027,381
At 1 July 2014	40,521,766	1,301,725	(36,431,251)	5,392,240
Loss for the period	-	-	(958,228)	(958,228)
Other comprehensive Income (net of tax)	-	-	-	-
Total comprehensive Income for the period	-	-	(958,228)	(958,228)
Issue of share capital	901,700	-	-	901,700
Share issue costs	(21,780)	-	-	(21,780)
Share based payments	-	135,600	-	135,600
At 31 December 2014	41,401,686	1,437,325	(37,389,479)	5,449,532

The Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Notes to the Half-Year Financial Statements for the half-year ended 31 December 2014

Note 1 Corporate Information

The financial report of Cullen Resources Limited and its subsidiaries ("the consolidated entity") for the half-year ended 31 December 2014 was authorised for issue in accordance with a resolution of the directors on 4 March 2015. 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 2014 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 2014 and considered together with any public announcements made by Cullen Resources Limited and its controlled entities during the half-year ended 31 December 2014 in accordance with the continuous disclosure obligations of the ASX listing rules.

Going Concern

The accounts have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and liabilities in the normal course of business.

The consolidated entity had cash assets of \$640,354 at 31 December 2014. The directors acknowledge that continued exploration and development of the consolidated entity's mineral exploration projects will necessitate further capital raisings.

The consolidated entity remains dependent on its ability to raise funding in volatile capital markets. However, the directors continue to believe that the going concern basis of accounting by the consolidated entity is appropriate as the company and consolidated entity have successfully completed capital raisings during the current period and in the prior year to 30 June 2014, notwithstanding the challenging conditions in equity markets.

In consideration of the above matters, the directors have determined that it is reasonably foreseeable that the consolidated entity will continue as going concern and that it is appropriate that the going concern method of accounting be adopted in the preparation of the financial statements. In the event that the consolidated entity is unable to continue as a going concern (due to inability to raise future funding requirements), it may be required to realise its assets at amounts different to those currently recognised, settle liabilities other than in the ordinary course of business and make provisions for other costs which may arise as a result of cessation or curtailment of normal business operations.

Accordingly, the financial statements do not include adjustments relating to the recoverability and classification of assets amount or to the amounts and classification of liabilities that might be necessary if the consolidated entity does not continue a going concern.

**Notes to the Half-Year Financial Statements
for the half-year ended 31 December 2014**

(b) New and Amending Accounting Standards and Interpretations

The accounting policies adopted in the preparation of the half year report are consistent with those followed in the preparation of the consolidated entity's annual financial statements for the year ended 30 June 2014, except for the mandatory adoption of new standards and interpretations. The adoption of these standards and interpretations did not have a material effect on the financial statements or the financial position or performance of the Group.

Note 3 Revenue & Other Income

	31 December 2014 \$	31 December 2013 \$
Interest revenue	6,781	15,412
Research and development grant	-	45,937
	<u>6,781</u>	<u>61,349</u>

Note 4 Other Financial Assets

	31 December 2014 \$	30 June 2014 \$
Security deposits	12,400	12,400
	<u>12,400</u>	<u>12,400</u>

The fair value of the security deposits materially approximates their carrying value.

Note 5 Exploration & Evaluation

	6 months ended 31 December 2014 \$	12 months ended 30 June 2014 \$	6 months ended 31 December 2013 \$
Costs carried forward in respect of areas of interest in the exploration and evaluation phase			
Opening balance	4,483,886	4,211,622	4,211,622
Expenditure incurred	986,850	1,530,372	797,470
Impairment during the period	(398,284)	(1,258,108)	(640,974)
Closing balance	<u>5,072,452</u>	<u>4,483,886</u>	<u>4,368,118</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.

**Notes to the Half-Year Financial Statements
for the half-year ended 31 December 2014 (cont'd)**

(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 arm's 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 consolidated entity will continue to look to attract farm-in partners and/or recommence exploration should circumstances change.

Note 6 Contributed Equity

Contributed Equity	31 December 2014 \$	30 June 2014 \$
1,143,864,514 Ordinary shares (issued and fully paid)* (30 June 2014 : 1,038,472,843)	41,401,686	40,521,766

* 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 2014		30 June 2014	
	Number of Shares	\$	Number of Shares	\$
Beginning of the financial period:	1,038,472,843	40,521,766	818,389,431	39,201,266
Movement:				
Issued at 0.6 cents each(a)	60,500,000	363,000	220,083,412	1,320,500
Issued at 1.2 cents each(b)	44,891,671	538,700	-	-
Less share issue expenses	-	(21,780)	-	-
End of the financial period:	1,143,864,514	41,401,686	1,038,472,843	40,521,766

(a) Issued as part of a share placement completed on 30 December 2014.

(b) Issued as part of a rights issue, which closed on 9 October 2014.

There were 20 million options which were issued during the period under share based payment arrangements (Note 7). During the period, no outstanding options were exercised.

**Notes to the Half-Year Financial Statements
for the half-year ended 31 December 2014 (cont'd)**

Note 7 Share Based Payments

The share based payment reserve represents the cost of share-based payments to directors, employees and third parties.

	Consolidated	
	31	30 June
	December	
	2014	2014
	\$	\$
Beginning of the period	1,301,725	1,280,125
Share based payments	135,600	21,600
End of the period	<u>1,437,325</u>	<u>1,301,725</u>

On 1 December 2014 the directors were issued with a total of 20,000,000 unlisted options exercisable immediately at 1.6 cents and expiring on 30 November 2017. The terms of the options are contained in the notice of meeting which was approved by shareholders on 23 November 2014.

The following table lists the inputs to the models used at the date of allocation for Director options:

	31 December 2014
Dividend yield	-
Expected volatility	155.19%
Risk free interest rate	2.135%
Exercise price	0.016
Share price at measurement date	0.008
Fair value at grant date	0.006

Note 8 Cash & Cash Equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents are comprised of the following:

	31	30	31
	December	June	December
	2014	2014	2013
	\$	\$	\$
Cash at Bank and in Hand	640,354	1,073,739	844,238
	<u>640,354</u>	<u>1,073,739</u>	<u>844,238</u>

Note 9 Operating Segments

For management purposes, the consolidated entity is organised into one main operating segment, which involves the exploration of minerals in Australia. All of the consolidated entity'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 consolidated entity as one segment. The financial results from this segment are equivalent to the financial statements of the consolidated entity as a whole.

**Notes to the Half-Year Financial Statements
for the half-year ended 31 December 2014 (cont'd)**

Note 10 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 11 Contingent Liabilities

There are no contingent liabilities at 31 December 2014. (30 June 2014: Nil)

Note 12 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 13 Commitments

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

- \$110,400 for the Mt Stuart Joint Venture; and
- \$473,500 for other tenements.

The aggregate lease expenditure contracted for at reporting date but not provided for is \$49,807 which is for the lease of the premises for the period 1 January 2015 to 30 April 2016.

Note 14 Related Parties

Payments to director related companies

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Consultancy payments were made to Mosman Corporate Services Pty Ltd totalling \$27,250 (2013: \$18,500) which is a company controlled by Mr W Kernaghan. There was \$3,712 outstanding at 31 December 2014.

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 2014 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) subject to the achievement of the matters outlined in Note 2, 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 2015

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 statement of financial position as at 31 December 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, 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 half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report 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 2014 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 2001*. 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:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014, and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of Matter

Without qualifying our conclusion, we draw attention to Note 2 to the financial report which describe the principal conditions that raise doubts about the consolidated entity's ability to continue as a going concern. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern, and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.



Ernst & Young



Peter McIver
Partner
Perth
4 March 2015