

CULLEN RESOURCES LIMITED

ABN 46 006 045 790

FINANCIAL REPORT

FOR THE HALF YEAR ENDED

31 DECEMBER 2016

Directors' Report

Your directors submit their report for the half-year ended 31 December 2016 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 \$578,687 after income tax [2015: Loss of \$467,583].

Review of Operations

Cullen is a mineral exploration company currently seeking deposits of gold, nickel, copper and cobalt 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 project generation activities focussed in Finland for copper, cobalt and zinc deposits.

- Ashburton Province, WA (Mt Stuart JV - iron ore project)
- 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)

The Company announced on 29 November 2016 a conditional Sale and Purchase agreement in regards to its 30% contributing interest in the Mt Stuart Iron Ore Joint Venture ("MSIOJV") and the tenements the subject of the MSIOJV. The Company held a General Meeting on 7 March 2017 and shareholders approved the disposal of its 30% contributing in the MSIOJV and the tenements the subject of the MSIOJV. Subject to Completion, the Company will receive \$1m in cash in due course.

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 other than:

- the issue of 100 million shares at \$0.002 to raise \$200,000 on 27 January 2017.
- a general meeting of shareholders was held on 7 March 2017 and approved the disposal of its 30% interest in the Mt Stuart Iron Ore Joint Venture.

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
14 March 2017

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

As lead auditor for the review of Cullen Resources Limited for the half-year ended 31 December 2016, I declare to the best of my knowledge and belief, there have been:

- a. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b. no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Cullen Resources Limited and the entities it controlled during the financial period.



Ernst & Young



V L Hoang
Partner
14 March 2017

**Consolidated Statement of Financial Position
as at 31 December 2016**

	Note	Consolidated 31 December 2016 \$	Consolidated 30 June 2016 \$
Current Assets			
Cash and cash equivalents	9	77,933	531,471
Trade and other receivables		11,242	43,971
		<u>89,175</u>	<u>575,442</u>
Non current asset held for sale	4	5,941,447	-
Total Current Assets		<u>6,030,622</u>	<u>575,442</u>
Non Current Assets			
Other financial assets	5	10,000	10,000
Plant and equipment		4,377	5,606
Exploration and evaluation	6	<u>21,167</u>	<u>5,811,317</u>
Total Non Current Assets		<u>35,544</u>	<u>5,826,923</u>
Total Assets		<u>6,066,166</u>	<u>6,402,365</u>
Current Liabilities			
Trade and other payables		197,871	153,734
Provisions		112,898	107,999
		<u>310,769</u>	<u>261,733</u>
Liabilities held for sale	4	193,452	-
Total Current Liabilities		<u>504,221</u>	<u>261,733</u>
Total Liabilities		<u>504,221</u>	<u>261,733</u>
Net Assets		<u>5,561,945</u>	<u>6,140,632</u>
Equity			
Equity attributable to equity holders of the Parent			
Issued capital	7	43,482,463	43,482,463
Share based payment reserve	8	1,459,725	1,459,725
Accumulated losses		<u>(39,380,243)</u>	<u>(38,801,556)</u>
Total Equity		<u>5,561,945</u>	<u>6,140,632</u>

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 2016**

	Note	Consolidated 31 December 2016 \$	Consolidated 31 December 2015 \$
Revenue and other income	3	1,208	78,050
Rent		(19,751)	(19,216)
Salaries and consultants' fees		(150,830)	(148,726)
Compliance expenses		(76,517)	(77,671)
Impairment of exploration expenditure	6	(252,003)	(222,776)
Depreciation		(1,229)	(615)
Other expenses		(79,565)	(76,629)
Loss before income tax benefit/(expense)		(578,687)	(467,583)
Income tax benefit/(expense)		-	-
Net loss after tax		<u>(578,687)</u>	<u>(467,583)</u>
Other comprehensive income		-	-
Total comprehensive income/(loss) for the period		<u>(578,687)</u>	<u>(467,583)</u>
Basic loss per share attributable to ordinary equity holders of the parent (cents per share)		<u>(0.03)</u>	<u>(0.03)</u>
Diluted loss per share attributable to ordinary equity holders of the parent (cents per share)		<u>(0.03)</u>	<u>(0.03)</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 2016**

	Note	Consolidated 31 December 2016 \$	Consolidated 31 December 2015 \$
Cash flows from operating activities			
Cash payments in the course of operations		(454,746)	(918,956)
Interest received		1,208	3,050
Net cash flows used in operating activities		(453,538)	(915,906)
Cash flows from investing activities			
Receipts from sale of tenements		-	75,000
Payments for plant & equipment		-	(7,450)
Net cash flows used in investing activities		-	67,550
Cashflow from financing activities			
Proceeds from issue of shares	7	-	566,181
Share issue costs		-	-
Net cash flows from financing activities		-	566,181
Net increase/(decrease) in cash and cash equivalents		(453,538)	(282,175)
Cash and cash equivalents at beginning of the financial period		531,471	867,152
Cash and cash equivalents at end of the financial period	9	77,933	584,977

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 2016**

	Contributed Equity	Share Based Payment reserve	Accumulated Losses	Total Equity
	\$	\$	\$	\$
At 1 July 2015	42,276,087	1,459,725	(37,846,220)	5,889,592
Loss for the period	-	-	(467,583)	(467,583)
Other comprehensive Income (net of tax)	-	-	-	-
Total comprehensive Loss for the period	-	-	(467,583)	(467,583)
Issue of share capital	566,181	-	-	566,181
Share issue costs	-	-	-	-
Share based payments	-	-	-	-
At 31 December 2015	42,842,268	1,459,725	(38,313,803)	5,988,190
At 1 July 2016	43,482,463	1,459,725	(38,801,556)	6,140,632
Loss for the period	-	-	(578,687)	(578,687)
Other comprehensive Income (net of tax)	-	-	-	-
Total comprehensive Loss for the period	-	-	(578,687)	(578,687)
Issue of share capital	-	-	-	-
Share issue costs	-	-	-	-
Share based payments	-	-	-	-
At 31 December 2016	43,482,463	1,459,725	(39,380,243)	5,561,945

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 2016

Note 1 Corporate Information

The financial report of Cullen Resources Limited and its subsidiaries ("the consolidated entity") for the half-year ended 31 December 2016 was authorised for issue in accordance with a resolution of the directors on 14 March 2017. 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 2016 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 2016 and considered together with any public announcements made by Cullen Resources Limited and its controlled entities during the half-year ended 31 December 2016 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 \$ 77,933 at 31 December 2016. 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 financial year to 30 June 2016, notwithstanding the challenging conditions in equity markets. On 27 January 2017, the Company raised \$200,000 (before expenses) through the issue of 100m shares at \$0.002.

In addition, as disclosed in Note 4, the Company expects to receive \$1m on the sale of its 30% interest in the MSIOJV following the completion of the remaining conditions precedent in connection with the sale.

In consideration of the above matters, the directors have determined that it is reasonably foreseeable that the consolidated entity will continue as a going concern and that it is appropriate that the going concern basis 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 funds to meet 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.

Notes to the Half-Year Financial Statements for the half-year ended 31 December 2016

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 as a going concern.

(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 2016, except for the mandatory adoption of new standards and interpretations becoming effective on 1 July 2016. 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 consolidated entity.

Note 3 Revenue & Other Income

	31 December 2016 \$	31 December 2015 \$
Interest revenue	1,208	3,050
Gain on sale of tenements	-	75,000
	<u>1,208</u>	<u>78,050</u>

Note 4 Non current asset held for sale

	31 December 2016 \$	30 June 2016 \$
Non current asset held for sale* ^	5,941,447	-
	<u>5,941,447</u>	<u>-</u>

* This is the 30% contributing interest in the Mt Stuart Iron Ore Joint Venture ("MSIOJV") and the tenements the subject of the MSIOJV which has been reclassified from Exploration and Evaluation expenditure asset to Non current asset held for sale upon the signing of the conditional Sale and Purchase agreement for the interest and the tenements subject of the MSIOJV.

^ Included in this amount is \$193,452 in outstanding cash calls in respect of the Group's 30% interest in the MSIOJV. The \$193,452 is also disclosed as a liability held for sale at 31 December 2016. Should the Sale of the Group's 30% interest in MSIOJV proceed, then this amount is not payable and the \$193,452 will be reversed.

The consideration for the sale consists of:

- a lump sum cash payment of A\$1million on the completion of the Sale;
- a further lump sum cash payment of A\$1million payable on making an unconditional final investment decision to proceed with development of an iron ore mine on the tenements; and
- an uncapped 1% FOB royalty on all iron ore extracted from the area of the Tenements.

The Directors have assessed the future deferred consideration of the A\$1million payable on the decision to proceed with development and the discounted value of potential future cash flows from the uncapped 1% FOB royalty based on a Net Present Value calculation using the discounted cash flow model with a number of assumptions. In their opinion, this assessment supports the carrying value of the Non current asset held for sale and the conclusion that no impairment of the MSIOJV assets is required at 31 December 2016.

**Notes to the Half-Year Financial Statements
for the half-year ended 31 December 2016 (cont'd)**

Note 5 Other Financial Assets

	31 December 2016 \$	30 June 2016 \$
Security deposits	10,000	10,000
	<u>10,000</u>	<u>10,000</u>

Note 6 Exploration & Evaluation

	6 months ended 31 December 2016 \$	12 months ended 30 June 2016 \$	6 months ended 31 December 2015 \$
Costs carried forward in respect of areas of interest in the exploration and evaluation phase			
Opening balance	5,811,317	5,329,287	5,329,287
Expenditure incurred*	403,300	986,422	562,014
Reclassification-Non current asset held for sale	(5,941,447)	-	-
Impairment during the period	<u>(252,003)</u>	<u>(504,392)</u>	<u>(222,776)</u>
Closing balance	<u>21,167</u>	<u>5,811,317</u>	<u>5,668,525</u>

*Included in this amount is \$193,452 in outstanding cash calls in respect of the Group's 30% interest in the Mt Stuart Iron Ore Joint Venture. The \$193,452 is also disclosed as a liability held for sale at 31 December 2016. Should the Sale of the Group's 30% interest in the Mt Stuart Iron Ore Joint Venture proceed then this amount is not payable and the \$193,452 will be reversed.

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 nor planned the area of interest has been written down to its fair value less costs to dispose. In determining fair value less costs to dispose, 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 (level 3 fair value). The consolidated entity will continue to look to attract farm-in partners and/or recommence exploration should circumstances change.

**Notes to the Half-Year Financial Statements
for the half-year ended 31 December 2016 (cont'd)**

Note 7 Contributed Equity

	31 December 2016	30 June 2016
	\$	\$
Contributed Equity		
1,901,560,131 Ordinary shares (issued and fully paid)* (30 June 2016 : 1,901,560,131)	43,482,463	43,482,463

* 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 2016		30 June 2016	
	Number of Shares	\$	Number of Shares	\$
Beginning of the financial period:	1,901,560,131	43,482,463	1,378,469,841	42,276,087
Movement:				
Issued at 0.2 cents each(i)	-	-	283,090,290	566,181
Issued at 0.2 cents each(ii)	-	-	40,000,000	80,000
Issued at 0.3 cents each(ii)	-	-	200,000,000	600,000
Less share issue expenses	-	-	-	(39,805)
End of the financial period:	<u>1,901,560,131</u>	<u>43,482,463</u>	<u>1,901,560,131</u>	<u>43,482,463</u>

- (i) Issued under a placement
- (ii) Issued under a rights issue to shareholders

During the period, no outstanding options were exercised.

Note 8 Share Based Payments

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

	Consolidated 31 December 2016 \$	30 June 2016 \$
Beginning of the period	1,459,725	1,459,725
Share based payments	-	-
End of the period	<u>1,459,725</u>	<u>1,459,725</u>

No options were issued during the half year ended 31 December 2016.

As at 31 December 2016, the number of options outstanding were 26,000,000 (30 June 2016:26,000,000).

**Notes to the Half-Year Financial Statements
for the half-year ended 31 December 2016 (cont'd)**

Note 9 Cash & Cash Equivalents

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

	31 December 2016 \$	30 June 2016 \$	31 December 2015 \$
Cash at Bank and in Hand	77,933	531,471	584,977
	<u>77,933</u>	<u>531,471</u>	<u>584,977</u>

Note 10 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.

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 2016. (30 June 2016: Nil)

**Notes to the Half-Year Financial Statements
for the half-year ended 31 December 2016 (cont'd)**

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 other than:

- the issue of 100 million shares at \$0.002 to raise \$200,000 on 27 January 2017.
- a general meeting of shareholders was held on 7 March 2017 and approved the disposal of its 30% interest in the Mt Stuart Iron Ore Joint Venture.

Note 14 Commitments

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

- \$257,430 for the Mt Stuart Iron Ore Joint Venture*; and
- \$464,500 for other tenements.

*The amount in respect to the Mt Stuart Iron Ore Joint Venture will only become payable should the sale of the Mt Stuart Iron Ore Joint Venture not proceed.

Note 15 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 \$19,250 (2015: \$23,750) which is a company controlled by Mr W Kernaghan. There was \$2,888 outstanding at 31 December 2016.

Note 16 Fair Value

The fair values of the consolidated entity's financial assets and liabilities approximate their carrying values due to their short term nature.

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 2016 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
14 March 2017

Report on the half-year financial report to the members of Cullen Resources Limited

We have reviewed the accompanying half-year financial report of Cullen Resources Limited which comprises the statement of financial position as at 31 December 2016, 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 financial 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 half-year 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 2016 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.

Basis for qualification of review conclusion

As detailed in Note 4, during the financial period ended 31 December 2016, Cullen Resources Limited entered into a conditional sale and purchase agreement for its 30% interest in the Mt Stuart Iron Ore Joint Venture ('MSIOJV') project and therefore reclassified the MSIOJV exploration asset to a non-current asset held for sale. The Directors have determined that the fair value of the consideration for the sale of the asset is at least equal to its carrying amount of \$5,941,447 as disclosed in the half-year financial report as at 31 December 2016, and therefore did not adjust the carrying value of the asset upon its reclassification. In estimating the fair value, the Directors used a discounted cash flow model with a number of assumptions as to the timing and quantum of cash flows and the discounting of those cashflows.

We have been unable to obtain sufficient appropriate review evidence to assess the appropriateness and reasonableness of the Directors' assumptions adopted in determining the fair value of the MSIOJV exploration asset. Consequently, we are unable to determine whether the carrying value of the MSIOJV exploration asset held for sale as disclosed in the half-year financial report is appropriate.

Qualified conclusion

Based on our review, which is not an audit, except for the matter described in the Basis for Qualification of Review Conclusion paragraphs, we have not become aware of any other 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 2016 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 modifying our conclusion, we draw attention to Note 2 to the financial report which describes 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.



Ernst & Young



V L Hoang
Partner
Perth

14 March 2017