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www.cullenresources.com.au

ASX Symbol: CUL

4 April 2019

Elizabeth Harris
Principal Adviser, Listings Compliance (Perth)
ASX Limited
Level 40, Central Park
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By email: ListingsCompliancePerth@asx.com.au

Dear Elizabeth

Queries regarding Accounts

I refer to your letter dated 29 March 2019.

In your letter, you have asked the Company to answer certain questions. The Company responds as follows, adopting the same numbering in your letter for ease of reference:

- 1(a) The Company can confirm that in the Directors' opinion the Half Year Accounts comply with the relevant Accounting Standards.
- 1(b) The Company can confirm that in the Directors' opinion the Half Year Accounts give a true and fair view of the Company's financial performance and position.
2. Cullen Resources Limited ("Cullen" or "the Company") holds an uncapped 1% FOB royalty on any and all production from the Mt Stuart Iron Ore Joint Venture (MSIOJV) as part of the West Pilbara Iron Ore Project (WPIOP), following the sale of its 30% MSIOJV interest to the WPIOP owners in 2017 (ASX: CUL, 4-4-2017). The WPIOP is one of the largest undeveloped iron ore deposits in Western Australia and is strategically placed in the Pilbara. The WPIOP is owned by the APIJV and the RHIJV, which includes Red Hill Iron Limited and internationally significant resource houses including Aquila/Baosteel, Posco and AMCI (www.apijv.com.au).

In 2015 Cullen released a Reserve of 83Mt @ 55.1% Fe for the MSIOJV being 11% of the total Reserve for the WPIOP of 780Mt @ 57.2% Fe (ASX: CUL 16-9-2015). Late in 2015 however, Cullen announced that the WPIOP project owners had delayed the completion of their feasibility study: "due largely to the to the current (then) iron

ore market” but stressed in the same announcement that this was not a “stop project decision” (ASX: CUL 24-12-2015).

Cullen is of the view that the size and position of the WPIOP Reserve and the financial capacity of its owners, *will* lead to development and iron ore production in due course. Cullen notes that the WPIOP is adjacent to the Eliwana mine and rail project in the “Western Hub”, currently being developed by Fortescue Metals Group (ASX: FMG 20-3-2019).

Cullen continues to review the WPIOP status and apply a set of reasonable assumptions at periodic reporting dates to estimate the Net Present Value (NPV) of its deferred settlement and Royalty stream payments. Assumption of: the timing of the deferred cash payment due to Cullen (\$1M) upon final investment decision; the time to development of the WPIOP; the time to production of MSIOJV ore as part of the WPIOP production schedule; the rate of MSIOJV iron ore production; the price of iron ore; the \$US vs. \$AUD exchange rate; a discount for WPIOP ore quality; an appropriate discount rate to reflect risk; and combinations of these variants.

Using a high discount rate, and a set of reasonable assumptions for the parameters mentioned above, the estimated NPV of the deferred settlement and Royalty stream is in excess of the carrying value of \$4,747,995, which is cost.

The Company’s assumptions in respect to the estimated NPV of the deferred consideration and royalty stream from the MSIOJV at 31 December 2018 were discussed and reviewed with the auditors.

3. The Company’s NPV estimation at 31 December 2018 is in excess of the carrying value, therefore the Directors are satisfied that the recoverable value of the deferred consideration and the royalty intangible asset is true and fair and is in accordance with AASB 136 Impairment of Assets.
4. The Company has previously, and continues to review the status of the WPIOP and undertake a review of the parameters used in its NPV estimation at each reporting date, and based upon the estimation will impair the deferred consideration and the royalty intangible asset if the estimated NPV of the deferred settlement and Royalty stream is below the carrying value of the asset and make no adjustment if the estimation is above the carrying value. This estimation has previously been carried out at the reporting dates of 30 June 2017, 31 December 2017, 30 June 2018 and 31 December 2018. The auditors do not consider this to be audit evidence to support the carrying value and have therefore qualified the financial statements. An independent expert’s valuation of the Company’s royalties may solve the issue for the auditors.
5. The Directors do not believe the qualified conclusion is appropriate however the Company has undertaken a process to review of the material assumptions at each reporting date and will continue to do so. The issue of qualified and future qualified audit conclusion is a view of our auditors.
6. The Company considers that its financial condition is sufficient and warrants its continued quotation on ASX.

7. The Company is an active exploration company with a number of exploration programs on-going, including drilling. The Company holds tenements covering various commodity targets, holds a free carried interest in two Joint Ventures (20%); and holds two potentially very valuable iron ore royalties: that from WPIOP; and a second held with Fortescue over the Wyloo North deposit which is part of the Mineral Resource inventory of Fortescue's Western Hub-Eliwana development (ASX: FMG 17-8-2018). Cullen's "Wyloo North iron ore royalty" is 1.5% F.O.B (capped at 15Mt) with \$900,000 cash due to Cullen upon any Decision to Mine (ASX: CUL 3-8-2015).

We refer you to page 2 of the Company's half year financial statements where the main tenement interests held by the company are listed, and include:

- North Eastern Goldfields, WA (Mt Eureka - gold and nickel project)
- Eastern Goldfields, WA (Killaloe JV - lithium)
- Wongan Hills, WA (gold and base metals)
- Murchison Province, WA (North Tuckabianna – gold and base metals project)
- Pilbara Region, WA (Pilgangoora/Wodgina – Lithium projects)

The Company has carried out drilling programmes at Mt Eureka in late calendar 2018 and at Wongan Hills in January 2019 with exploration continuing at these projects as per the December 2018 quarterly and exploration updates in 2019. The Company is currently compiling the results of recent activities for the March 2019 Quarterly Report.

The Company, under its accounting policy, expenses its exploration expenditure in each reporting period, in contrast to many other exploration companies who capitalise the exploration expenditure and carry this amount on their balance sheet.

Since listing on the ASX the Company has continued to successfully raise funds from its shareholders to support its exploration activities and is confident that funds will be raised from its shareholder base and/or new investors going-forward as and when required. The Company raised a total of \$861,040 from a placement and rights issue in late 2018 and raised an additional \$165,957 from the placement of the rights issue shortfall in January 2019.

8. Not applicable
9. Yes
10. Not applicable
11. The Company believes that it has a sound system of risk management and internal control which is operating effectively.
12. The Company confirms it is in compliance with the listing rules, including listing rule 3.1

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13. The Company can confirm that the responses to the questions above have been authorised and approved by the Board.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Wayne Kernaghan', written over the printed name and title.

Wayne Kernaghan
Company Secretary



29 March 2019

Mr Wayne Kernaghan
Company Secretary
Cullen Resources Limited
Unit 4, 7 Hardy Street
South Perth WA 6151

By email: wayne.kernaghan@gulfindustrials.com.au

Dear Mr Kernaghan

Cullen Resources Limited ('CUL'): Queries regarding Accounts

ASX refers to:

- A. CUL's half year accounts for the half year ended 31 December 2018 released on the ASX Market Announcements Platform ('MAP') on 7 March 2019 ('Half Year Accounts').
- B. ASX notes that the Independent Auditor's Review Report attached to the Half Year Accounts ('Auditor's Review Report') contains a qualified conclusion with the following basis for the qualified conclusion:

"As detailed in Note 4 to the half year financial report, on 12 April 2017, the Group sold its 30% contributing interest in the Mt Stuart Iron Ore Joint Venture ("MSIOJV") and recognised a royalty intangible asset of \$4,747,995 being the Directors estimated fair value of the consideration receivable at the disposal date. In estimating the fair value of the consideration receivable, the Directors used a discounted cash flow model with a number of assumptions as to the timing, quantum and discounting of cash flows. At 31 December 2018, the Directors have adopted a similar net present value calculation with updated market assumptions to determine the recoverable amount of the intangible asset as part of their impairment assessment of the carrying value of the royalty intangible asset. Management have determined that the net present value calculation supports that the recoverable amount of the intangible asset is higher than its carrying value.

For the review of the Group's financial report for the half year ended 31 December 2018, we have been unable to obtain sufficient appropriate audit evidence to assess the reasonableness of the Directors' assumptions adopted in determining the recoverable value of the intangible asset as part of the asset's impairment assessment. Consequently, we are unable to determine the accuracy and appropriateness of the carrying value of the intangible asset and related disclosures as disclosed in the half year financial report.

Our audit report for the year ended 30 June 2018, dated 3 September 2018 and our review conclusion for the half year ended 31 December 2017 dated 2 March 2018 were qualified as we were unable to obtain sufficient appropriate audit evidence to assess the reasonableness of the Directors' assumptions adopted in determining the recoverable value of the intangible asset as part of the asset's impairment assessment.

- C. CUL's Appendix 4G for 2018 released on MAP on 4 September 2018 which provides confirmation that CUL complies with recommendation 4.2 of the ASX Corporate Governance Principles and Recommendations which states:

"The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity"

and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.”

D. Listing Rule 12.2 which states:

12.2 An entity's financial condition (including operating results) must, in ASX's opinion, be adequate to warrant the continued +quotation of its +securities and its continued listing.

E. Listing Rule 19.11A which states:

19.11A If a listing rule requires an entity to give ASX +accounts, the following rules apply.

- (a) If the entity controls an entity within the meaning of section 50AA of the Corporations Act or is the holding company of an entity, required by any law, regulation, rule or accounting standard, or if ASX requires, the +accounts must be consolidated +accounts.*
- (b) The +accounts must be prepared to Australian accounting standards. If the entity is a +foreign entity the +accounts may be prepared to other standards agreed by ASX.*
- (c) If the listing rule requires audited +accounts, the audit must be conducted in accordance with Australian auditing standards by a registered company auditor. If the entity is a +foreign entity, the audit may be conducted in accordance with other standards agreed by ASX and may be conducted by an overseas equivalent of a registered company auditor.*
- (d) If the listing rule requires +accounts to be reviewed, the review must be conducted in accordance with Australian auditing standards. If the entity is a +foreign entity, the review may be conducted in accordance with other standards agreed by ASX. Unless the listing rule says an independent accountant may conduct the review, it must be conducted by a registered company auditor (or, if the entity is a +foreign entity, an overseas equivalent of a registered company auditor).*
- (e) If there is a +directors' declaration that relates to the +accounts, the +directors' declaration must be given to ASX with the +accounts.*
- (f) If there is a +directors' report that relates to the period covered by the +accounts, the +directors' report must be given to ASX with the +accounts.*

Request for Information

In light of the information contained in the Half Year Accounts and the Auditor's Review Report, and the application of the Listing Rules stated above, please respond to each of the following questions:

1. Is CUL able to confirm that, in the Directors' Opinion, the Half Year Accounts:
 - a) comply with the relevant Accounting Standards; and
 - b) give a true and fair view of CUL's financial performance and position?
2. The basis for the qualified conclusion, as expressed in the Auditor's Review Report, is that the auditors have not been able to obtain sufficient appropriate audit evidence to assess the reasonableness of the Directors' assumptions adopted in determining the recoverable value of the intangible asset as part of the asset's impairment assessment and were therefore unable to determine the accuracy and appropriateness of the carrying value of the intangible asset and related disclosures as disclosed in the half year financial report. Please explain the basis on which CUL has determined the recoverable value of the royalty intangible asset

and the basis on which this has been determined to be higher than its carrying value. Please set out the material assumptions which were considered in making this determination.

3. How have the Directors of CUL satisfied themselves that the recoverable value of the royalty intangible asset is true and fair and is in accordance with AASB136 Impairment of Assets.
4. In light of the Auditor's Review Report which states that "Our audit report for the year ended 30 June 2018, dated 3 September 2018 and our review conclusion for the half year ended 31 December 2017 dated 2 March 2018 were qualified as we were unable to obtain sufficient appropriate audit evidence to assess the reasonableness of the Directors' assumptions adopted in determining the recoverable value of the intangible asset as part of the asset's impairment assessment," what steps does CUL intend to take to obtain an unqualified audit opinion with regards to its future financial statements?
5. If the Directors of CUL are satisfied that the basis for the qualified conclusion is appropriate, please explain why the Directors of CUL have not undertaken a process to review the material assumptions, given failure to do so is a departure from Australian Accounting Standards that may result in future qualified audit conclusions?
6. Does CUL consider that its financial condition is sufficient to warrant continued listing on ASX as required under Listing Rule 12.2?
7. If the answer to Question 6 is "Yes", please explain the basis on which CUL has formed the conclusion that the financial condition of CUL is sufficient to warrant continued listing on ASX in accordance with the requirements of Listing Rule 12.2.
8. If the answer to Question 6 is "No", please explain what steps CUL has taken, or proposes to take, to warrant continued listing on ASX under the requirements of Listing Rule 12.2.
9. In relation to the Half Year Accounts, did the Board receive the MD and CFO declaration, as confirmed in CUL's Corporate Governance Disclosure, that in the opinion of the MD and CFO, the financial records of CUL have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of CUL and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively?
10. If the answer to Question 9 is "No", why did the Board not receive the MD and CFO declaration as confirmed in CUL's Corporate Governance Disclosure? What enquiries did the Board make of management to satisfy itself that the financial records of CUL have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of CUL?
11. Commenting specifically on the qualified conclusion, does the board consider that CUL has a sound system of risk management and internal control which is operating effectively?
12. Please confirm that CUL is complying with the Listing Rules and, in particular, Listing Rule 3.1.
13. Please confirm that CUL's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of CUL with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

Please note that ASX reserves its right under Listing Rule 18.7A to release this letter and CUL's response to the market. Accordingly, CUL's response should address each question separately and be in a format suitable for release to the market.

Unless the information is required immediately under Listing Rule 3.1, a response is requested as soon as possible and, in any event by no later than **5.00 pm AWST Tuesday, 2 April 2019**.

Any response should be sent to me by return email at ListingsCompliancePerth@asx.com.au. It should not be sent to the ASX Market Announcements Office.

Enquiries

If you have any queries regarding any of the above, please contact me.

Yours sincerely

Elizabeth Harris
Principal Adviser, Listings Compliance (Perth)