

CULLEN RESOURCES LIMITED

ABN 46 006 045 790

FINANCIAL REPORT
FOR THE HALF YEAR ENDED
31 DECEMBER 2018

Directors' Report

Your directors submit their report for the half-year ended 31 December 2018 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 unless otherwise stated.

John Horsburgh, BSc MSc, FAIMM (Independent Non-Executive Chairman)
Dr Chris Ringrose, BSc, PhD, MBA, MAIMM, MAICD (Managing 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 \$559,234 after income tax [2017: Loss of \$477,068].

Review of Operations

Cullen is a mineral exploration company currently seeking deposits of gold, base metals, lithium 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.

The Company currently has the following main tenement interests:

- 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)

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 8,297,866 shares at \$0.02 to raise \$165,957 from the shortfall of the pro-rata non-renounceable rights issue.

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
6 March 2019

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

As lead auditor for the review of the half-year financial report of Cullen Resources Limited for the half-year ended 31 December 2018, 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.
- 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
6 March 2019

**Consolidated Statement of Financial Position
 as at 31 December 2018**

	Note	Consolidated 31 December 2018 \$	Consolidated 30 June 2018 \$
Current Assets			
Cash and cash equivalents	8	761,517	431,497
Trade and other receivables		42,580	19,544
Total Current Assets		<u>804,097</u>	<u>451,041</u>
Non Current Assets			
Plant and equipment		-	484
Exploration and evaluation	5	7,344	13,349
Intangible assets	4	4,747,995	4,747,995
Total Non Current Assets		<u>4,755,339</u>	<u>4,761,828</u>
Total Assets		<u>5,559,436</u>	<u>5,212,869</u>
Current Liabilities			
Trade and other payables		96,019	45,186
Provisions		74,986	69,149
Total Current Liabilities		<u>171,005</u>	<u>114,335</u>
Total Liabilities		<u>171,005</u>	<u>114,335</u>
Net Assets		<u>5,388,431</u>	<u>5,098,534</u>
Equity			
Equity attributable to equity holders of the Parent			
Issued capital	6	45,105,253	44,265,213
Share based payment reserve	7	1,480,016	1,470,925
Accumulated losses		<u>(41,196,838)</u>	<u>(40,637,604)</u>
Total Equity		<u>5,388,431</u>	<u>5,098,534</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 2018**

	Note	Consolidated 31 December 2018 \$	Consolidated 31 December 2017 \$
Revenue and other income	3	3,360	64,239
Rent		(18,485)	(18,625)
Salaries and consultants' fees		(74,050)	(83,788)
Compliance expenses		(71,153)	(81,443)
Share based payments		(9,091)	(11,200)
Impairment of exploration expenditure	5	(321,065)	(287,547)
Depreciation		(484)	(1,229)
Other expenses		(68,266)	(57,475)
		<hr/>	<hr/>
Loss before income tax expense		(559,234)	(477,068)
Income tax expense		-	-
Net loss after tax		<hr/>	<hr/>
		(559,234)	(477,068)
Other comprehensive income		-	-
Total comprehensive loss for the period		<hr/>	<hr/>
		(559,234)	(477,068)
Basic loss per share attributable to ordinary equity holders of the parent (cents per share)		<hr/>	<hr/>
		(0.46)	(0.44)
Diluted loss per share attributable to ordinary equity holders of the parent (cents per share)		<hr/>	<hr/>
		(0.46)	(0.44)

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 2018**

	Note	Consolidated 31 December 2018 \$	Consolidated 31 December 2017 \$
Cash flows from operating activities			
Cash payments in the course of operations		(510,676)	(478,386)
Interest received		656	1,694
Net cash flows used in operating activities		<u>(510,020)</u>	<u>(476,692)</u>
Cash flows from investing activities			
Receipts from sale of tenements		-	62,545
Net cash flows used in investing activities		<u>-</u>	<u>62,545</u>
Cashflow from financing activities			
Proceeds from issue of shares	6	861,040	597,000
Share issue costs		(21,000)	-
Net cash flows from financing activities		<u>840,040</u>	<u>597,000</u>
Net increase/(decrease) in cash and cash equivalents		330,020	182,853
Cash and cash equivalents at beginning of the financial period		<u>431,497</u>	<u>770,780</u>
Cash and cash equivalents at end of the financial period	8	<u>761,517</u>	<u>953,633</u>

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 2018**

	Contributed Equity	Share Based Payment reserve	Accumulated Losses	Total Equity
	\$	\$	\$	\$
At 1 July 2017	43,668,213	1,459,725	(39,719,598)	5,408,340
Loss for the period	-	-	(477,068)	(477,068)
Other comprehensive Income (net of tax)	-	-	-	-
Total comprehensive Loss for the period	-	-	(477,068)	(477,068)
Issue of share capital	597,000	-	-	597,000
Share based payments	-	11,200	-	11,200
At 31 December 2017	44,265,213	1,470,925	(40,196,666)	5,539,472
At 1 July 2018	44,265,213	1,470,925	(40,637,604)	5,098,534
Loss for the period	-	-	(559,234)	(559,234)
Other comprehensive Income (net of tax)	-	-	-	-
Total comprehensive Loss for the period	-	-	(559,234)	(559,234)
Issue of share capital	861,040	-	-	861,040
Share issue expenses	(21,000)	-	-	(21,000)
Share based payments	-	9,091	-	9,091
At 31 December 2018	45,105,253	1,480,016	(41,196,838)	5,388,431

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 2018

Note 1 Corporate Information

The financial report of Cullen Resources Limited and its subsidiaries ("the consolidated entity") for the half-year ended 31 December 2018 was authorised for issue in accordance with a resolution of the directors on 6 March 2019. 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 2018 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 2018 and considered together with any public announcements made by Cullen Resources Limited and its controlled entities during the half-year ended 31 December 2018 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 \$ 761,517 at 31 December 2018. 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 years, 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 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.

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.

**Notes to the Half-Year Financial Statements
 for the half-year ended 31 December 2018**

(b) New and Amending Accounting Standards and Interpretations

The Company has adopted all Australian Accounting Standards and Interpretations effective from 1 July 2018, including:

AASB 15 Revenue from Contracts with Customers (AASB 15) - The Group has adopted AASB 15 as issued in May 2014 with the date of initial application being 1 July 2018. Given the Group has no revenue from customers, this standard has no impact to the Group on transition on 1 July 2018 or for the half year ended 31 December 2018.

AASB 9 Financial Instruments (AASB 9) - AASB 9 replaces AASB 139 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018 (1 July 2018 for the Group). The Group has considered the impact of AASB 9 on its financial assets and liabilities on transition and at 31 December 2018. Given the Group mainly holds cash at reputable financial institutions, short term receivables (mainly from government bodies) and short term trade and other payables at these dates, the adoption of AASB 9 does not have any material measurement and disclosures impact on its financial statements.

As at the balance date, the fair values of the Group's financial assets and liabilities are approximately the same as their carrying values.

New accounting standards and interpretations issued but not yet effective

The Company has not elected to early adopt any new accounting standards and interpretations.

Note 3 Revenue & Other Income

	31 December 2018	31 December 2017
	\$	\$
Interest received	656	1,694
Sundry income	2,704	-
Gain on sale of tenements	-	62,545
	<u>3,360</u>	<u>64,239</u>

Note 4 Intangible Assets

	31 December 2018	30 June 2018
	\$	\$
Deferred consideration(a) and royalty stream(b)	4,747,995	4,747,995
	<u>4,747,995</u>	<u>4,747,995</u>

On 12 April 2017, the consolidated entity sold its 30% contributing interest in the Mt Stuart Iron Ore Joint Venture and all of its other rights and interests in the Joint Venture tenements. Part of the consideration includes:

(a) a deferred consideration of \$1 million payable on the making of an unconditional final investment decision to proceed with the development of an iron ore mine on the tenements which were previously the Mt Stuart Joint Venture.

(b) an uncapped 1% FOB royalty on all iron ore extracted from the area of the Joint Venture tenements.

At the disposal date, the above consideration was recognised as an intangible asset. Its carrying value was determined based on a Net Present Value calculation using a discounted cash flow model with a number of assumptions including timing of unconditional investment decision to proceed, future iron ore prices, exchange rate, timing for the development and production, future product volumes and discount rates (Level 3 fair value hierarchy).

**Notes to the Half-Year Financial Statements
 for the half-year ended 31 December 2018 (cont'd)**

At 31 December 2018, the directors have adopted a similar Net Present Value calculation with updated key assumptions to reflect the changes in market environment to determine the recoverable amount of the intangible asset as part of their impairment assessment of the carrying value of the asset. In their opinion, this assessment supports the carrying value of the assets and supports the conclusion that no impairment of the intangible asset is required at 31 December 2018.

In July 2015 the Consolidated Entity also sold its interest in the Wyloo project tenements to its partner Fortescue Metals Group Limited and the deferred consideration is a 1.5 % F.O.B. royalty up to 15 Mt of iron ore production from Wyloo project tenements, and will receive \$900,000 cash if and when a decision is made to commence mining on a commercial basis – E47/1649, 1650, ML 47/1490, and ML 08/502. No amount has been recorded in the financial statements for this deferred consideration.

Note 5 Exploration & Evaluation

	6 months ended 31 December 2018 \$	12 months ended 30 June 2018 \$	6 months ended 31 December 2017 \$
Costs carried forward in respect of areas of interest in the exploration and evaluation phase			
Opening balance	13,349	17,518	17,518
Expenditure incurred	315,060	590,873	299,516
Impairment during the period	(321,065)	(595,042)	(287,547)
Closing balance	<u>7,344</u>	<u>13,349</u>	<u>29,487</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 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 hierarchy). 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 2018 (cont'd)**

Note 6 Contributed Equity

Contributed Equity	31 December 2018	30 June 2018
	\$	\$
161,166,962 Ordinary shares (issued and fully paid)* (30 June 2018: 2,598,560,131 pre consolidation)	45,105,253	44,265,213

* 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 2018		30 June 2018	
	Number of Shares	\$	Number of Shares	\$
Beginning of the financial period:	2,598,560,131	44,265,213	2,001,560,131	43,668,213
Movement:				
Issued at 0.1 cents each(ii)	-	-	597,000,000	597,000
Share consolidation (22:1) (iii)	(2,480,445,152)	-	-	-
Issued at 2 cents each(i)	17,500,000	350,000	-	-
Issued at 2 cents each (ii)	25,551,983	511,040	-	-
Less share issue expenses	-	(21,000)	-	-
End of the financial period:	<u>161,166,962</u>	<u>45,105,253</u>	<u>2,598,560,131</u>	<u>44,265,213</u>

(i) Issued under a placement

(ii) Issued under a Rights Issue

(iii) On 26 October 2018 the company undertook a share consolidation on the basis of one(1) new share for every twenty two(22) old shares. As such,the loss per share for the prior period has been restated to reflect the share consolidation.

During the period, no outstanding options were exercised.

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 December 2018	30 June 2018
	\$	\$
Beginning of the period	1,470,925	1,459,725
Share based payments	9,091	11,200
End of the period	<u>1,480,016</u>	<u>1,470,925</u>

454,545 options exercisable at \$0.066 expiring 1 November 2021 were issued during the half year ended 31 December 2018. These options were vested on issue.

909,090 (post consolidation) options exercisable at \$0.066 expiring 30 November 2020 were issued during the half year ended 31 December 2017. These options were vested on issue.

As at 31 December 2018, the number of options outstanding were 1,363,635 (30 June 2018:909,090 post consolidation).

**Notes to the Half-Year Financial Statements
 for the half-year ended 31 December 2018 (cont'd)**

Note 8 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 2018 \$	30 June 2018 \$	31 December 2017 \$
Cash at Bank and in Hand	761,517	431,497	953,633
	<u>761,517</u>	<u>431,497</u>	<u>953,633</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.

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 2018. (30 June 2018: 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 other than:

- The issue of 8,297,866 shares at \$0.02 to raise \$165,957 from the shortfall of the pro-rata non-renounceable rights issue.

Note 13 Commitments

The Consolidated entity has minimum expenditure commitments of \$604,000 to keep its tenements and ownership interests in good standing over the next year.

**Notes to the Half-Year Financial Statements
for the half-year ended 31 December 2018 (cont'd)**

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 \$19,375 (2017: \$18,625) which is a company controlled by Mr W Kernaghan. There was \$2,750 outstanding at 31 December 2018.

Note 15 Fair Value

As at 31 December 2018, 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 2018 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
6 March 2019

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

Report on the half-year financial report

Qualified conclusion

We have reviewed the accompanying half-year financial report of Cullen Resources Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated 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.

Based on our review, which is not an audit, except for the effect of the matter described in the Basis for Qualified Review Conclusion section of our report, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- a) Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance for the half-year ended on that date.
- b) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for qualified review 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. The consolidated statement of financial position as at 30 June 2018, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the half-year ended 31 December 2017 and associated notes are shown as comparatives in the Group's half-year financial report.

Material uncertainty related to going concern

We draw attention to Note 2 of the financial report, which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

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 control as the Directors determine is 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, anything has come to our attention that causes us to 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 Group's consolidated financial position as at 31 December 2018 and its consolidated financial 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 the Group, 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*.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'V L. Hoang'.

V L. Hoang
Partner
Perth
6 March 2019